A Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2004

Mark R. Warner
Governor

John M. Bennett
Secretary of Finance

David A. Von Moll
Comptroller

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Illustrations

INTRODUCTORY SECTION

David A. Von Moll, CPA, CGFM
Comptroller
Post Office Box 1971
Richmond, Virginia 23218

December 14, 2004

The Honorable Mark R. Warner
Governor of the Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor Warner:

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004, in accordance with Section 2.2-813 of the *Code of Virginia*.

This report consists of management's representations concerning the Commonwealth of Virginia's finances. Management assumes full responsibility for the completeness and reliability of all information presented. This report reflects my commitment to you, to the citizens of the Commonwealth, and to the financial community to maintain our financial statements in conformance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). Data presented in this report is believed to be accurate in all material respects, and all disclosures that are necessary to enable the reader to obtain a thorough understanding of the Commonwealth's financial activities have been included.

The 2004 CAFR is presented in three sections. The Introductory Section includes a financial overview, discussion of the Virginia economy, and organization charts for State government. The Financial Section includes the State auditor's report, management's discussion and analysis (MD&A), audited government-wide and fund financial statements and notes thereto, required supplementary information other than MD&A, and the underlying combining and individual fund financial statements and supporting schedules. The Statistical Section sets forth selected unaudited economic, financial trend, and demographic information for the Commonwealth on a multi-year basis.

In accordance with Section 30-133 of the *Code of Virginia*, the Auditor of Public Accounts has audited the Commonwealth's financial statements for the year ended June 30, 2004. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The auditor's opinion is included in the Financial Section of this report. Audit testing for compliance with the Federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133 is performed at the statewide level. The Commonwealth's Single Audit Report will be issued at a later date. I would like to acknowledge the Auditor of Public Accounts' staff for their many contributions to the preparation of this report.

It should be noted that GAAP requires the MD&A mentioned above to include a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Commonwealth's MD&A can be found on page 31 immediately following the independent auditor's report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth for its CAFR for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The Commonwealth has received a Certificate of Achievement for the last eighteen consecutive years (fiscal years 1986-2003). I believe that this year's report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

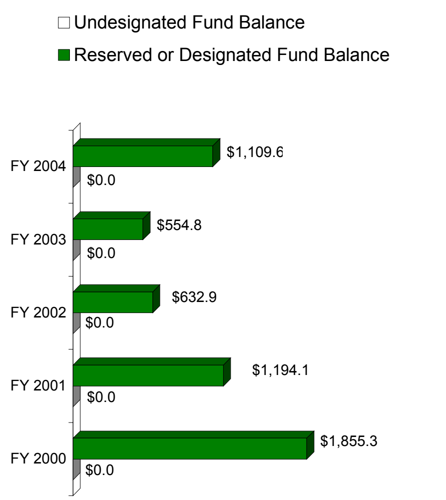
This report could not have been prepared without the full cooperation of all State agencies within the Executive Branch, the Legislature, the Judiciary, the Component Units, and especially the dedication and professionalism of the financial reporting staff in the Department of Accounts.

Respectfully submitted,

Comptroller of the Commonwealth of Virginia

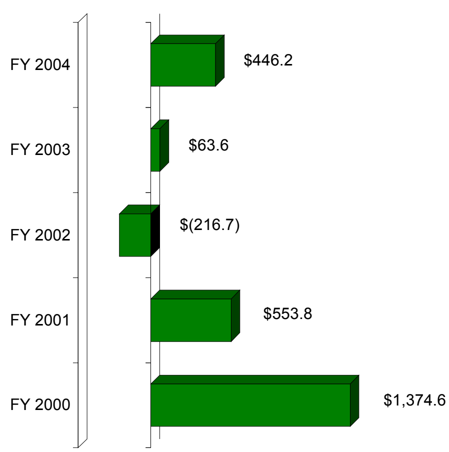
General Fund Balance – Basis of Budgeting Highlighting the Undesignated Fund Balance

(Dollars in Millions) *Figure 1*



General Fund Balance – GAAP Basis

(Dollars in Millions) *Figure 2*



General Fund Condition – Overall

Virginia uses the cash basis of accounting for budgetary purposes. Revenues and expenditures are recorded at the time cash is actually received or disbursed according to the provisions of the Appropriation Act. The basis of budgeting financial activity of the General Fund is presented as Required Supplementary Information on page 158 in the Financial Section.

Figure 1 shows the General Fund ending fund balances on a basis of budgeting since fiscal year 2000. All of the $1,109.6 million ending fund balance at June 30, 2004, was reserved or designated, including $340.1 million for the Revenue Stabilization Reserve Fund, $69.7 million for the Payroll Reserve, $22.7 million for Unexpended Lottery Proceeds, and $677.1 million designated for reappropriation, appropriation, or transfer in fiscal year 2005. As further shown in **Figure 4**, a portion of the General Fund ending fund balance is attributable to a one-time reimbursement for education expenses of $240.0 million. **Figure 2** shows the General Fund ending fund balances since fiscal year 2000, using the modified accrual basis of accounting. Additional data for general fund balances are located on page 278 in the Statistical Section.

General Fund Revenues, Expenditures, and Other Financing Sources (Uses)

Figure 3 presents a detailed analysis of General Fund revenue on a basis of budgeting for the year ended June 30, 2004. Prior year data is shown for comparison purposes. Overall, total revenue and other financing sources increased by 6.4 percent and is mainly attributable to an overall increase in tax revenue collections and transfers in.

Figure 4 shows General Fund expenditures by function on a basis of budgeting for the year ended June 30, 2004. Overall, expenditures and other financing uses increased by 1.1 percent during fiscal year 2004.

General Fund Condition - Modified Accrual Basis

Although the Commonwealth budgets and manages its financial affairs using the basis of budgeting, GAAP requires that states use the modified accrual basis of accounting to prepare fund financial statements. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance operations throughout the fiscal year or to liquidate liabilities at the end of the fiscal year. Expenditures are recognized when a liability occurs. The accruals recorded on the financial statements for the fiscal year ended June 30, 2004, reflect cash that will not be received or disbursed until fiscal year 2005.

Accruals of revenues and expenditures required by the modified accrual basis of accounting resulted in a decrease of $663.4 million from the $1,109.6 million basis of budgeting General Fund balance (**Figure 5**). Starting in fiscal year 2002 with the implementation of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, full accrual data is also required. Please refer to the Management Discussion and Analysis on page 31 in the Financial Section for additional analysis.

Analysis of General Fund Revenues and Other Financing Sources

(Basis of Budgeting)

(Dollars in Thousands) *Figure 3*

	FY 2004	FY 2003	Increase (Decrease) Over FY 2003 Amount	Percent
Taxes:				
Individual and Fiduciary Income	$ 7,430,365	$ 6,775,746	$ 654,619	9.7
Sales and Use	2,582,797	2,335,958	246,839	10.6
Corporation Income	434,493	343,319	91,174	26.6
Public Service Corporations	86,870	91,247	(4,377)	(4.8)
Premiums of Insurance Companies	351,278	333,004	18,274	5.5
Other	668,380	574,051	94,329	16.4
Subtotal - Taxes	11,554,183	10,453,325	1,100,858	10.5
Other Revenue	490,910	537,673	(46,763)	(8.7)
Total Revenues	12,045,093	10,990,998	1,054,095	9.6
Other Financing Sources:				
Transfers and Other Sources	697,884	987,096	(289,212)	(29.3)
Total Revenues and Other Financing Sources	$ 12,742,977	$ 11,978,094	$ 764,883	6.4

Analysis of General Fund Expenditures By Function and Other Financing Uses

(Basis of Budgeting)

(Dollars in Thousands) *Figure 4*

	FY 2004	FY 2003	Increase (Decrease) Over FY 2003 Amount	Percent
General Government	$ 1,407,323	$ 1,367,126	$ 40,197	2.9
Education (1)	5,272,151	5,441,934	(169,783)	(3.1)
Transportation	48	36	12	33.3
Resources and Economic Development	214,116	206,743	7,373	3.6
Individual and Family Services	2,907,139	2,769,780	137,359	5.0
Administration of Justice	1,906,455	1,867,835	38,620	2.1
Capital Outlay	17,830	19,752	(1,922)	(9.7)
Total Expenditures	11,725,062	11,673,206	51,856	0.4
Other Financing Uses:				
Transfers and Other Uses	463,135	383,066	80,069	20.9
Total Expenditures and Other Financing Uses	$ 12,188,197	$ 12,056,272	$ 131,925	1.1

(1) The FY 2004 amount has been reduced by $240.0 million to reflect the effects of a one-time reimbursement received from the Federal Fund pursuant to the Jobs Growth and Tax Relief Act. The General Assembly elected to use these funds to reimburse the General Fund for public education expenses incurred during FY 2004.

Analysis of General Fund Balance

Basis of Budgeting versus Modified Accrual Basis

(Dollars in Millions) *Figure 5*

	FY 2004	FY 2003	Variance
Fund Balance, Budgetary Basis	$ 1,109.6	$ 554.8	$ 554.8
Receivables, Inventory and Accrued Revenues:			
Sales Tax Receivable	111.3	87.1	24.2
Other Tax Receivable	295.1	281.5	13.6
Other Receivables (1)	73.0	85.4	(12.4)
Inventory	46.5	37.1	9.4
Other Accrued Items (2)	(6.7)	46.1	(52.8)
Total Accrued Receivables, Inventory and Other	519.2	537.2	(18.0)
Payables and Accrued Expenditures:			
Tax Refunds Payable	231.4	217.9	13.5
Deferred Taxes (3)	231.4	168.1	63.3
Medicaid Claims Payable	170.6	160.4	10.2
Sales Tax Due to Localities	160.8	143.9	16.9
Other Accrued Items (4)	388.4	338.1	50.3
Total Payables and Accrued Expenditures	1,182.6	1,028.4	154.2
Receivables and Accrued Revenues Under Payables and Accrued Expenditures	(663.4)	(491.2)	(172.2)
Fund Balance, Modified Accrual Basis	$ 446.2	$ 63.6	$ 382.6

(1) This includes Accounts Receivable, Interest Receivable, and Other Taxes Receivable. An additional $307.0 million and $284.2 million in Receivables offset by Deferred Revenue are reported in the General Fund for fiscal year 2004 and fiscal year 2003, respectively. These additional Receivables will be collected after August 31; therefore, the revenue is only reported on the Government-wide Statement of Activities. $5.4 million of accelerated sales overpayments (stated in Note 2) is not an accrued item and therefore not included in the $307.0 million.

(2) This includes Lottery and ABC Profit Transfers, Decrease of Investments to Fair Value which must be recorded in accordance with GASBS No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, Due From Other Funds, and accelerated sales tax overpayments. Accelerated sales overpayments of $5.4 million and $6.1 million for fiscal year 2004 and fiscal year 2003, respectively, are included as a reduction to Other Accrued Items.

(3) For additional information describing the calculation of Deferred Taxes, see footnote 1.Q.

(4) This includes Accounts Payable, ABC Profits Due to Localities, Other Payments Due to Other Governments, Car Tax Refund Payable, and Due To Other Funds.

Lottery Transfers to the General Fund

Section 58.1-4022(D) of the *Code of Virginia* requires that the State Lottery transfer to the General Fund the audited balances of the State Lottery Fund, net of established reserves. The Auditor of Public Accounts has certified $408.1 million for transfer to the General Fund for fiscal year 2004. Section 3-1.01.G1 of Chapter 943, 2004 Acts of Assembly, requires that the Comptroller transfer estimated lottery balances to the General Fund prior to the end of the fiscal year. In accordance with Article X, Section 7-A of the Constitution of Virginia, lottery proceeds must be distributed to the Commonwealth’s localities and the school divisions to be expended for the purposes of public education.

Debt Administration

Virginia is one of only seven states in the nation with a "triple A" bond rating for general obligation debt from the three rating agencies: Moody's Investors Service, Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc. and Fitch, Inc. These ratings reflect the Commonwealth's long-standing record of sound fiscal management, its diversified economic base, and low debt ratios.

The total debt of the Commonwealth, as of June 30, 2004, was $18.1 billion. Of that amount, $5.1 billion (28 percent) was tax-supported debt. Debt is considered tax supported if State tax revenues are used or pledged for debt service payments. This includes all debt issued pursuant to Article X, Sections 9(a), 9(b) and 9(c) of the Constitution of Virginia, as well as selected Section 9(d) debt issues and other long-term obligations.

Outstanding general obligation debt backed by the full faith and credit of the Commonwealth totaled $834.8 million at June 30, 2004. Included is Section 9(b) debt totaling $378.8 million for Public Facilities, and $35.3 million for Transportation Facilities. In 2002, Virginia voters approved two general obligation bond referenda authorizing $1,014.5 million in new capital projects for educational and park and recreational facilities of the Commonwealth. Of the amount authorized, $50.4 million was issued in June 2003. No additional 9(b) debt was issued during fiscal year 2004. Principal and interest payments on Public Facilities Section 9(b) debt were less than one-half of one percent of total General Fund expenditures in fiscal year 2004.

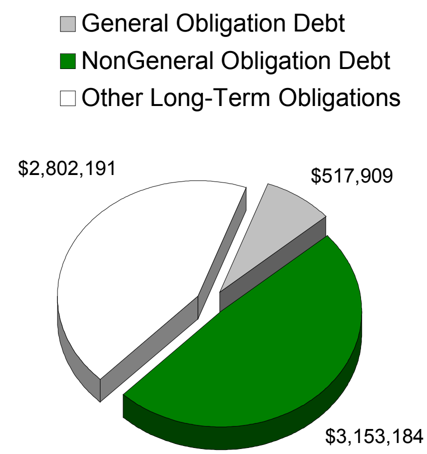
The balance of general obligation debt of $420.7 million, also backed by the full faith and credit of the Commonwealth, consisted of Section 9(c) bonds. Revenue-producing capital projects, primarily auxiliary enterprises of colleges and universities and transportation toll facilities, service these bond payments. Holders of Section 9(c) bonds have a legal claim to general tax revenues of the Commonwealth should revenues prove to be insufficient to meet principal and interest payments. Such claims on general tax revenue have not been made.

The remaining $4.3 billion in tax-supported debt is made up of selected Section 9(d) bonded debt and other long-term obligations. Tax-supported Section 9(d) debt totaling $2.6 billion includes transportation debt, as well as the Virginia Port Authority, Virginia Public Building Authority, Innovative Technology Authority, Virginia Biotechnology Research Park Authority, and certain Virginia College Building Authority bonds payable. Other tax-supported long-term obligations include capital leases, certain appropriation supported bonds, installment purchases, notes payable, pension liability, IDA obligations, Virginia Public Broadcasting Board Notes, and compensated absences.

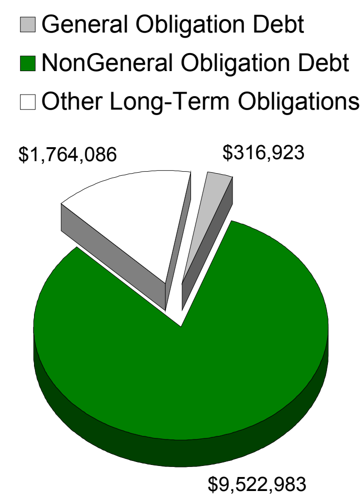
None of the remaining debt of the Commonwealth, which totals $13 billion, is supported by tax revenues. The Commonwealth has no direct or indirect pledge of tax revenues to fund reserve deficiencies. However, in some cases, the Commonwealth has made a moral obligation pledge to consider funding deficiencies in debt service reserves that may occur. At June 30, 2004, $1.7 billion, or 13 percent, of debt not supported by taxes was considered moral obligation debt.

A detailed summary of all the debt issues may be found in Note 19, as well as in the section entitled "Debt Schedules."

Total Outstanding Debt
Primary Government
June 30, 2004
(Dollars in Thousands) *Figure 6*



Total Outstanding Debt
Component Units
June 30, 2004
(Dollars in Thousands) *Figure 7*



Investment Policy

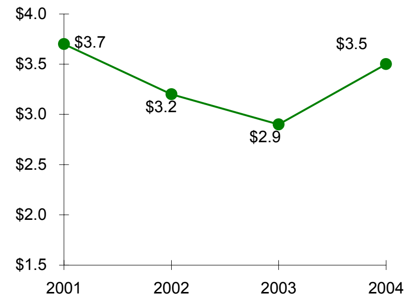
The Commonwealth's primary investment objectives are safety of principal, maintenance of needed liquidity, and attaining a market rate of return throughout budgetary and economic cycles. Accordingly, investments are made in compliance with the *Code of Virginia*, with adherence to specific guidelines adopted by the Treasury Board, and with consideration given to the prevailing investment environment.

The general account of the Commonwealth is a pool of investments representing assets of a number of funds, including the General Fund, various higher education operating funds, and the Commonwealth Transportation Trust Fund. These monies are invested in a variety of high quality securities including U.S. Treasury and agency securities, corporate debt securities of domestic corporations, asset-backed securities, mortgage-backed securities, AAA-rated dollar obligations of foreign governments, bankers acceptances, negotiable certificates of deposit and bank notes, repurchase agreements, and money market funds. The general account portfolio is divided into two pools, the primary liquidity pool and the total return pool. The primary liquidity pool is internally managed by Department of the Treasury (Treasury) staff and is the major source for disbursement requirements and operational needs of the Commonwealth. The objective of the total return pool, which is externally managed, is to generate higher total returns over a market cycle than would be generated by the primary liquidity pool. Treasury's allocation target for the overall general account asset mix is currently 75 percent for the primary liquidity pool and 25 percent for the total return pool.

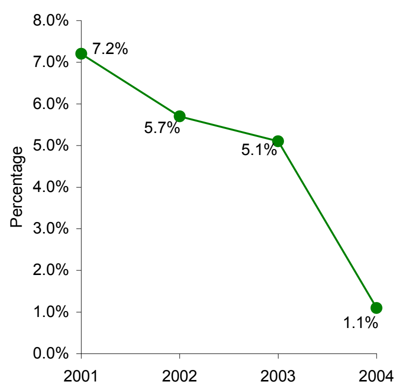
The average daily invested balance (**Figure 8**) for the fiscal year ended June 30, 2004, was $3.5 billion, up $600 million from the fiscal year 2003 average. The average yield or return (**Figure 9**) of 1.1 percent for fiscal year 2004 was below the 5.1 percent return for fiscal year 2003. The combination of lower interest rates and mark-to-market losses on the total return portion of the general account portfolio reduced fiscal year 2004 earnings to $38.5 million versus fiscal year 2003 earnings of $147.2 million. During this entire fiscal year, the Federal Reserve maintained its targeted federal funds rate at 1.0 percent. On June 30, 2004, the targeted federal funds rate was increased by the Federal Reserve to 1.25 percent, with expectations of rate increases at regular intervals going forward.

In addition to the general account of the Commonwealth, the Department of the Treasury manages or sponsors a number of individual customized investment programs and two special purpose investment pools. The Local Government Investment Pool (LGIP) is a special purpose money market-like fund managed by Treasury staff for the benefit of public entities of the Commonwealth in the investment of their short-term funds. The LGIP enables participants to maximize their return on investments by providing a fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The State Non-Arbitrage Program (SNAP) is a program providing comprehensive investment management, accounting, and arbitrage rebate calculations for proceeds of tax-exempt financings of Virginia bond issuers. The Treasury Board contracts with an outside manager for administration of the SNAP program. The Treasury Board has adopted investment guidelines for both the LGIP and SNAP, authorizing them to invest in certain high-quality, short-term securities appropriate for money market funds. LGIP shareholder balances averaged $2.3 billion for the fiscal year ended June 30, 2004, with year-end balances of $2.8 billion. SNAP shareholder balances averaged $2.1 billion for the fiscal year with year-end balances of $2.0 billion.

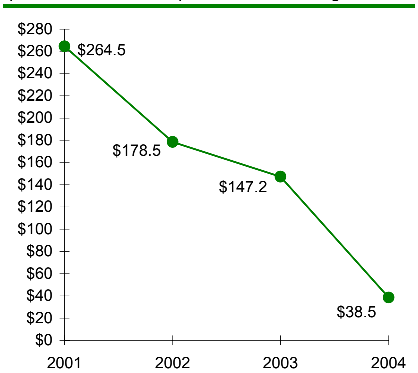
Average Daily Invested Balance
By Fiscal Year
(Dollars in Billions) *Figure 8*



Average Yield on Investments
By Fiscal Year
Figure 9



Net Earnings on Investments
By Fiscal Year
(Dollars in Millions) *Figure 10*



Risk Management

The Commonwealth maintains self-insurance programs for employee health, general (tort) liability, medical malpractice, workers' compensation, property, and automobile liability insurance. These are reported in the Internal Service Funds. The Commonwealth assumes the full risk for claims filed under the employee health insurance program and the workers' compensation program. For the other programs, the risk assumed is limited to certain amounts per occurrence.

The Commonwealth also provides employee health, errors and omissions liability, commuter rail liability, and law enforcement professional liability insurance for local governmental units throughout the Commonwealth. These programs are reported in the Enterprise Funds. Additional information on all risk management programs is presented in Note 16 to the Financial Statements.

Retirement Systems

The Commonwealth provides a variety of retirement plans for its employees. The majority of employees participate in one of the four defined benefit plans administered by the Commonwealth. These defined benefit plans are the Virginia Retirement System, the State Police Officers' Retirement System, the Judicial Retirement System, and the Virginia Law Officers Retirement System. Certain employees may elect to participate in selected defined contribution pension plans. Further information on the state's participation in the retirement systems can be found in Note 11 to the Financial Statements.

Reporting Entity

For financial reporting purposes, the Commonwealth's reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable (blended component units), and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete (discrete component units). The funds and accounts of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included. GASBS No. 39 was implemented in fiscal year 2004 and requires the inclusion of numerous organizations that raise and hold funds for the direct benefit of the primary government. Further information can be found in Note 1.B. to the Financial Statements.

Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) describes the criteria for determining which organizations, functions, and activities should be considered part of the Commonwealth for financial reporting purposes. The basic criteria include appointing a voting majority of an organization's governing body, as well as the Commonwealth's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Commonwealth.

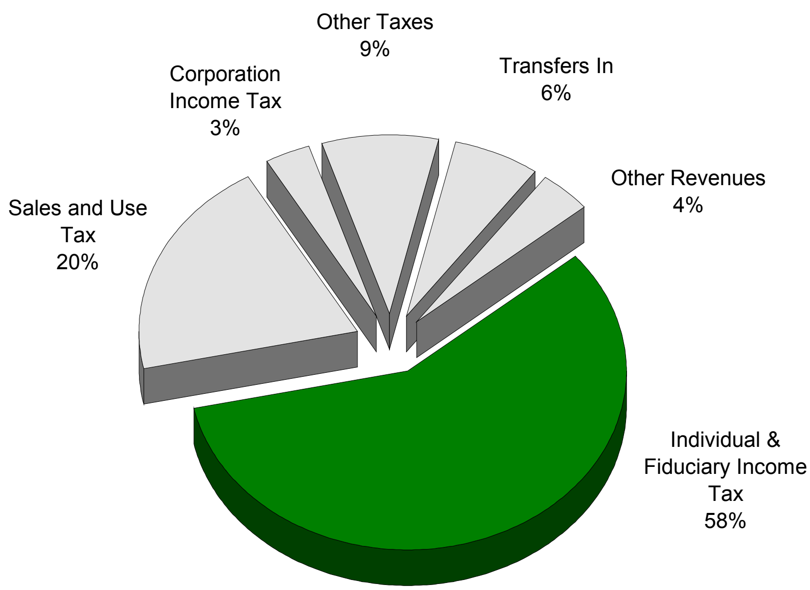
Internal Controls

The Commonwealth's management is responsible for the establishment and maintenance of internal accounting controls that ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. To ensure that the costs of controls do not exceed the benefits obtained, management is required to use cost estimates and judgments to attain reasonable assurance as to the adequacy of such controls. The Commonwealth's established internal controls fulfill these requirements.

Certain budgetary controls also are maintained to ensure compliance with the legal provisions of the Commonwealth's Appropriation Act, which reflects the General Assembly's approval of a biennial budget. The financial transaction process begins with development and approval of the budget, after which budgetary control is maintained through a formal appropriation and allotment system. The budgeted amounts reflected in the accompanying financial statements represent summaries of agency budgets.

General Fund

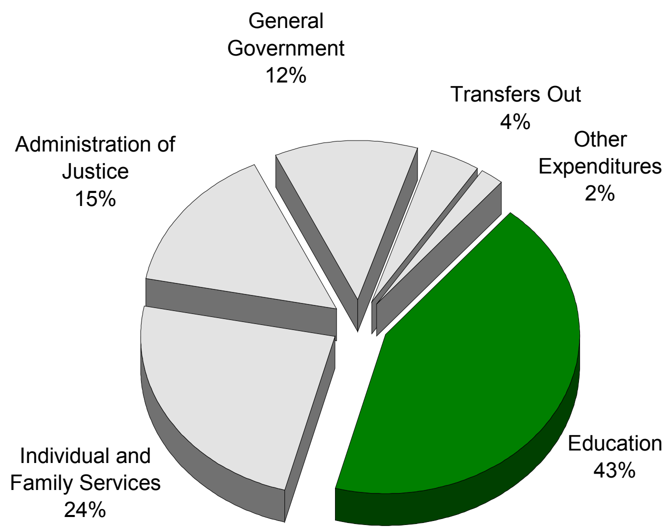
Figure 11
Revenue Dollar
Fiscal Year 2004
(Basis of Budgeting)



Revenues and Other Financing Sources	FY 2004	FY 2003
Individual and Fiduciary Income Tax	58%	57%
Sales and Use Tax	20%	20%
Corporation Income Tax	3%	3%
Other Taxes	9%	8%
Transfers In	6%	8%
Other Revenues	4%	4%
Total	100%	100%

General Fund

Figure 12
Expenditure Dollar
Fiscal Year 2004
(Basis of Budgeting)



Expenditures and Other Financing Uses	FY 2004	FY 2003
Education (1)	43%	45%
Individual and Family Services	24%	23%
Administration of Justice	15%	16%
General Government (2)	12%	11%
Transfers Out	4%	3%
Other Expenditures (3)	2%	2%
Total	100%	100%

(1) Includes fiscal year 2004 and fiscal year 2003 transfers out to higher education institutions, 9% and 10%, respectively, of Total Expenditures and Other Financing Uses.

(2) Includes payments to localities pursuant to the Personal Property Tax Relief Act of 1998, totaling $881.1 million (63 percent) of fiscal year 2004 and $856.7 million (63 percent) of fiscal year 2003 total General Government expenditures.

(3) Includes Transportation, Resources and Economic Development, and Capital Outlay expenditures.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Virginia Economic Highlights

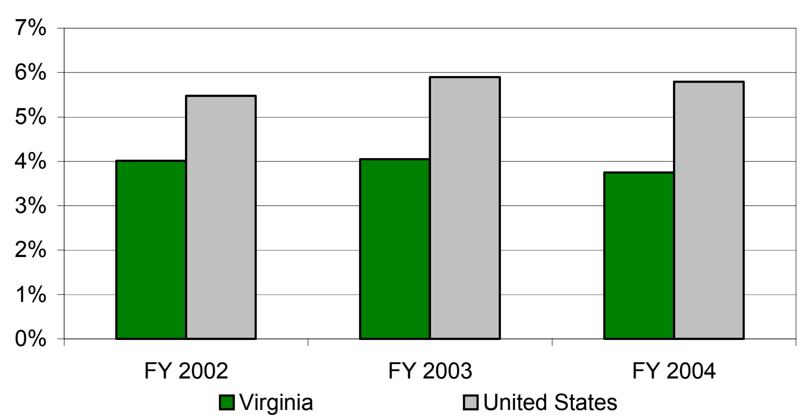
Introduction

Economists at Virginia Commonwealth University's Center for Urban Development (Center) prepared this economic highlight section. Fiscal year 2004 has been an exceptional fiscal year for the Virginia economy. Continuing on the growth that began in fiscal year 2003, the Commonwealth's economy is expanding at a vigorous pace. Several economic indicators, including wages and salaries, personal income, new privately owned housing units authorized, and retail sales, have accelerated in their growth during fiscal year 2004. Employment levels have increased, and unemployment is on a downward trend.

Unemployment

After three fiscal years of increasing unemployment rates, the rate for the Commonwealth declined to 3.8 percent in fiscal year 2004 (**Figure 13**). The three-tenths of a percentage point decrease in the rate from fiscal year 2003 (4.1 percent) is a good indication of a growing Virginia economy. In comparison, the Nation's unemployment rate in fiscal year 2004 was 5.8 percent, two percentage points higher than the rate for the Commonwealth. Four Metropolitan Statistical Areas (MSAs) had higher unemployment rates than the Commonwealth as a whole. The rates for the Richmond-Petersburg MSA (4.1 percent), Norfolk-Virginia Beach-Newport News MSA (4.3 percent) and Lynchburg MSA (4.8 percent) were all within one percentage point of the Commonwealth's unemployment rate. The unemployment rate in the Danville MSA (9.0 percent) was more than twice as much as Virginia's rate. The Charlottesville MSA and the Roanoke MSA had unemployment rates lower than the Commonwealth's rate, at 2.9 percent and 3.3 percent, respectively. The Northern Virginia MSA (i.e., the Virginia portion of the Washington, DC-MD-VA-WV Primary Metropolitan Statistical Area) had the lowest unemployment rate in the Commonwealth at 2.3 percent.

Figure 13
Unemployment Rate, FY 2002 - FY 2004



Source: Bureau of Labor Statistics

Employment

Figure 14 shows that Virginia's total nonfarm employment reached 3,540,500 persons in fiscal year 2004, close to the level prior to the fiscal year 2001 recession. The increase in nonfarm employment of about 1.4 percent between fiscal year 2003 and fiscal year 2004 represents 48,625 additional jobs. The construction sector had the largest percentage increase (5.3 percent or 11,420 jobs), as a result of the strong housing market in the Commonwealth. Professional and business services had the largest employment gain, adding 16,700 jobs. Other industry sectors posting gains in employment were the trade, transportation, and utilities sector (1.5 percent or 9,440 jobs), financial activities sector (3.3 percent or 6,150 jobs), education and heath services sector (1.6 percent or 6,010 jobs), leisure and hospitality sector (1.4 percent or 4,230 jobs), other services sector (2.6 percent or 4,570 jobs), and government sector (1.2 percent or 7,500 jobs). The growth in the government sector included federal government (1.3 percent or 1,910 jobs), state government (1.7 percent or 2,470 jobs) and local government (0.9 percent or 3,130 jobs).

The manufacturing sector continued its five-fiscal-year decline in employment by losing 5 percent of its workforce (15,790 jobs). The only other sector that decreased in size was the information sector (-1.5 percent or 1,540 jobs).

Figure 14
Nonfarm Employment, FY 2002 - FY 2004

	FY 2004 Level (Thousands)	FY 2003-2004 Unit Change (Thousands)	Virginia FY 2002 % Change	Virginia FY 2003 % Change	Virginia FY 2004 % Change	United States FY 2004 % Change
Construction	225.4	11.4	0.4	(0.8)	5.3	1.7
Manufacturing	298.2	(15.8)	(7.4)	(4.4)	(5.0)	(3.5)
Trade, Transportation, and Utilities	643.7	9.4	(1.7)	(0.8)	1.5	(0.2)
Information	100.7	(1.5)	(8.4)	(8.7)	(1.5)	(3.3)
Financial Activities	190.4	6.2	0.2	2.0	3.3	1.2
Professional and Business Services	561.8	16.7	(3.0)	(1.3)	3.1	1.6
Education and Health Services	372.7	6.0	4.2	3.6	1.6	1.9
Leisure and Hospitality	310.2	4.2	0.5	1.5	1.4	1.3
Other Services	183.6	4.6	5.3	3.4	2.6	0.0
Government	643.7	7.5	0.6	0.7	1.2	(0.2)
Federal	149.2	1.9	(2.7)	0.9	1.3	(1.7)
State	145.6	2.5	(0.5)	(1.7)	1.7	(0.4)
Local	348.9	3.1	2.6	1.7	0.9	0.2
Total Nonfarm Employment	3,540.5	48.6	(1.0)	(0.2)	1.4	0.2

Source: Bureau of Labor Statistics

The geographical composition of employment in the Commonwealth is depicted in **Figure 15**. Employment in MSAs in fiscal year 2004 was over 2.9 million (83 percent of 3.5 million total employment), while employment in non-MSAs was about 600,000 (17 percent of 3.5 million). MSAs added 40,658 jobs in fiscal year 2004 and non-MSAs added almost 8,000 jobs. Gains in employment were confined to the Northern Virginia MSA (34,575 jobs) and the Norfolk-Virginia Beach-Newport News MSA (11,950 jobs). The MSAs with job losses were Bristol (-308 jobs), Charlottesville (-225 jobs), Danville (-750 jobs), Lynchburg (-883 jobs), Richmond-Petersburg (-1,683 jobs), and Roanoke (-2,017 jobs).

Figure 15
Nonfarm Employment, Metropolitan and Non-metropolitan Areas

	FY 2004	FY 2003-2004 Unit Change	FY 2003-2004 % Change
Metropolitan Statistical Areas	2,931,567	40,658	1.4
Bristol	39,208	(308)	(0.8)
Charlottesville	86,658	(225)	(0.3)
Danville	45,200	(750)	(1.6)
Lynchburg	98,767	(883)	(0.9)
Norfolk-Virginia Beach-Newport News	737,058	11,950	1.6
Northern Virginia	1,217,650	34,575	2.9
Richmond-Petersburg	564,625	(1,683)	(0.3)
Roanoke	142,400	(2,017)	(1.4)
Non-Metropolitan Statistical Areas	608,925	7,967	1.3

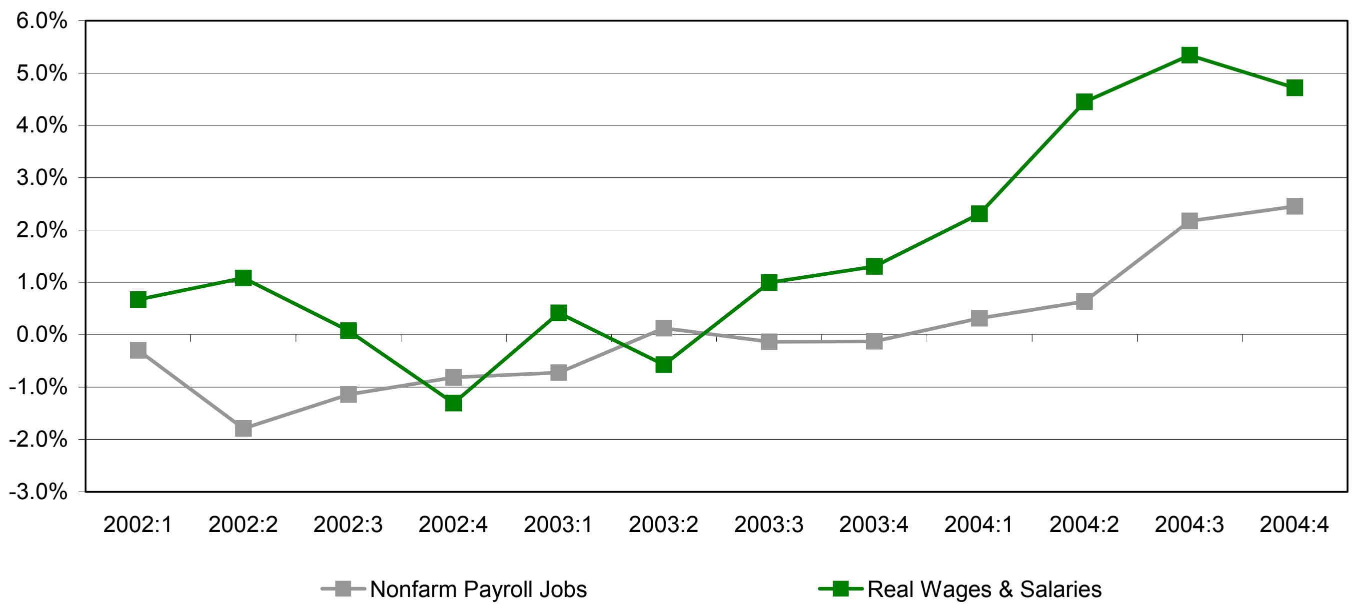
Source: Bureau of Labor Statistics

Wages and Salaries

Year-over-year quarterly real wage and salary growth accelerated in fiscal year 2004 (**Figure 16**). The year-over-year quarterly growth in real wages and salaries, which began in the latter half of fiscal year 2003, continued through each quarter in fiscal year 2004 (fourth quarter fiscal year 2004 has been forecasted by the Center). On average, the year-over-year quarterly growth rate between fiscal year 2003 and fiscal year 2004 was 4.1 percent, with the third quarter posting the largest percentage gain of 5.3 percent.

Nonfarm employment year-to-year quarterly growth rates average an increase of 1.4 percent in fiscal year 2004, more than offsetting the fiscal year 2003 average decline of -0.2 percent. The four quarters of positive year-over-year quarterly growth rates in fiscal year 2004 further shows that Virginia's economy is on strong footing, and has rebounded from the declines of the previous two fiscal years.

Figure 16
Growth in Jobs and in Real Wages and Salaries
(Year-Over-Year by Fiscal Year Quarters)



Source: Bureau of Labor Statistics and Bureau of Economic Analysis

For **Figure 17**, wages and salaries per job have been calculated by major industry group for both Virginia and the United States. Virginia's average pay per job in fiscal year 2004 was $42,180, over $2,500 more than the national average of $39,676. The sectors for which Virginia's wages and salaries per job were higher than the United States in fiscal year 2004 were information (+$12,663), professional and business services (+$8,706) and government (+$11,740). The sectors for which Virginia's wages and salaries per job were lower in fiscal year 2004 were construction (-$3,011), manufacturing (-$5,225), trade, transportation, and utilities (-$1,887), financial activities (-2,889), education and heath services (-$1,504), leisure and hospitality (-$1,838) and other services (-$191).

The information sector (10.5 percent) and financial activities sector (9.2 percent) recorded the largest percentage increases in wages and salaries per job in fiscal year 2004. This growth provides evidence of the success of the Commonwealth's commitment to high-technology industries.

Figure 17
Wages and Salaries Per Job*

	Virginia Pay/Job FY 2004	United States Pay/Job FY 2004	Virginia Minus United States	Virginia FY 2003-2004 % Change	United States FY 2003-2004 % Change
Construction	$ 38,232	$ 41,243	$ (3,011)	2.4	1.4
Manufacturing	42,095	47,320	(5,225)	4.8	4.9
Trade, Transportation, and Utilities	32,692	34,579	(1,887)	3.1	3.1
Information	71,818	59,155	12,663	10.5	4.6
Financial Activities	56,279	59,168	(2,889)	9.2	5.0
Professional and Business Services	55,528	46,822	8,706	4.1	2.3
Education and Health Services	33,856	35,360	(1,504)	3.0	3.5
Leisure and Hospitality	15,980	17,818	(1,838)	4.6	3.6
Other Services	30,312	30,503	(191)	2.2	2.9
Government	53,061	41,321	11,740	3.4	3.0
Total Nonfarm Employment	42,180	39,676	2,504	4.4	3.3

*FY04 annual rates estimated using the first three quarters of FY04

Source: Bureau of Labor Statistics

Personal Income

Virginia's personal income is estimated to have surpassed $257 billion in fiscal year 2004, representing a 5.9 percent increase over fiscal year 2003 (**Figure 18**). (The fourth quarter personal income value has been forecasted by the Center.) Wages and salaries, which accounted for about 58 percent of personal income, increased by 6.1 percent during fiscal year 2004. For the past three fiscal years, personal income and wages and salaries for Virginia grew at a faster pace than for the Nation. Further, adjusting for inflation, Virginia's growth in real personal income (4.0 percent) and its real wages and salaries (4.2 percent) surpassed the Nation's growth (2.7 percent and 1.8 percent, respectively).

Figure 18
Personal Income and Wage and Salary Disbursements

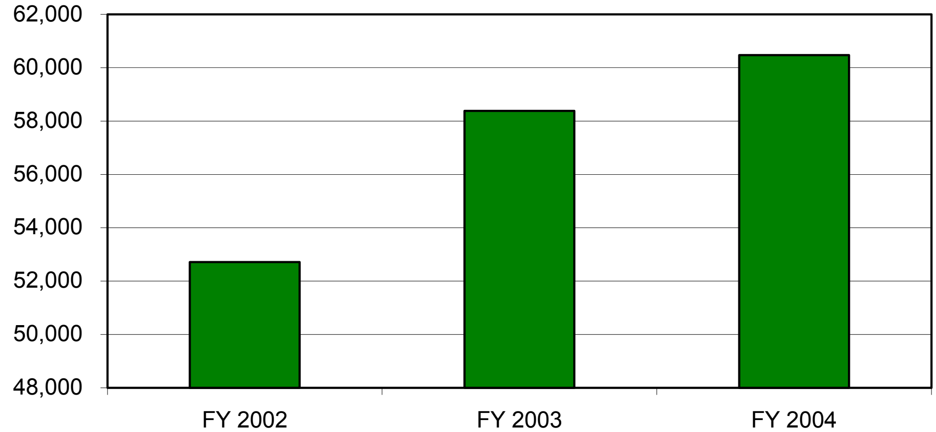
		Annual Growth Rates		
	FY 2004	FY 2002	FY 2003	FY 2004
Virginia Personal Income (in Millions of $)	$257,437	3.3%	3.2%	5.9%
Virginia Wages and Salaries (in Millions of $)	$150,000	1.7%	2.4%	6.1%
United States Personal Income		2.3%	2.6%	4.6%
United States Wages and Salaries		0.6%	1.4%	3.7%
Inflation, PCE Chain-Type Index		1.5%	1.9%	1.9%
Virginia Real Personal Income		1.8%	1.3%	4.0%
Virginia Real Wages and Salaries		0.1%	0.5%	4.2%
United States Real Personal Income		0.7%	0.7%	2.7%
United States Real Wages and Salaries		-0.9%	-0.4%	1.8%

Sources: Bureau of Labor Statistics and Bureau of Economic Analysis

New Privately Owned Housing Units Authorized

Figure 19 shows that the level of new privately owned housing units authorized within the Commonwealth continued to grow during fiscal year 2004. The number of units authorized increased by 3.6 percent over the fiscal year 2003 level to reach 60,467. Even though it has been growing rapidly, the new housing market in Virginia is beginning to show signs of a slow down. While fiscal year 2003 saw a 10.7 percent increase over the fiscal year 2002 level, fiscal year 2004 had a year-over-year percentage increase of only 3.6 percent. Anticipated interest rate increases in fiscal year 2005 are likely to result in an even greater deceleration in this growth.

Figure 19
Number of New Privately Owned Housing Units Authorized

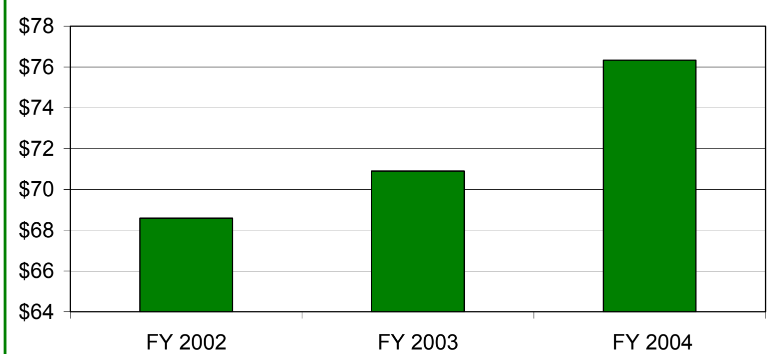


Source: Census Bureau

Retail Sales

Retail sales amounted to $76.3 billion in fiscal year 2004, a 7.7 percent increase over fiscal year 2003 (**Figure 20**). The fiscal year 2004 increase is more than double the growth from fiscal year 2002 to fiscal year 2003 (3.8 percent). One category of retail sales that added substantially to this overall increase is the furniture, home furnishings, and equipment group. This group rose by 17.1% in fiscal year 2004, which is likely a direct result of the booming Virginia new housing market.

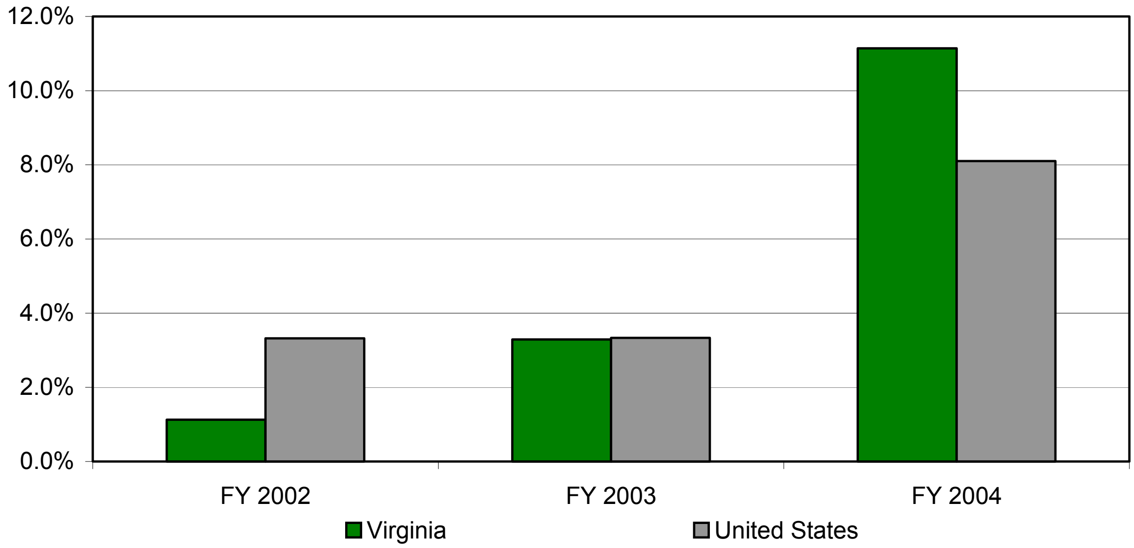
Figure 20
Virginia Retail Sales
(Billions of Dollars)



Source: Virginia Department of Taxation

Figure 21 depicts growth rates in adjusted retail sales over the past three fiscal years for Virginia and the United States. To make the two retail sales series comparable, lodging sales were removed from Virginia retail sales, while gasoline and automobile sales were removed from the United States retail sales. Virginia adjusted retail sales increased by 11.1 percent, while the United States adjusted retail sales grew by 8.1 percent in fiscal year 2004. The growth rate of Virginia's adjusted retail sales more than tripled from 3.3 percent in fiscal year 2003.

Figure 21
Growth Rate of Adjusted Retail Sales



Source: Virginia Department of Taxation and Bureau of the Census

Conclusion

Most indicators presented in this report have shown that the Virginia economy expanded at a brisk pace in fiscal year 2004. Increases in wages and salaries, personal income, employment, retail sales and new housing have helped to reverse the economic declines from previous fiscal years. The Commonwealth is expected to continue on its expansionary path during fiscal year 2005.

Organization of Executive Branch of Government

As of June 30, 2004

Attorney General
- Department of Law

Governor
- Chief of Staff
  - Virginia Liaison Office
  - Secretary of the Commonwealth
  - Interstate Organization Contributions
  - Substance Abuse Prevention Office
  - Office of Commonwealth Preparedness

Lieutenant Governor

Secretary of Administration
Charitable Gaming Commission
Commonwealth Competition Council
Compensation Board
Department of Employment Dispute Resolution
Department of General Services
Department of Human Resource Management
Department of Veterans' Affairs
Human Rights Council
State Board of Elections
Virginia Veteran's Care Center Board of Trustees

Secretary of Technology
Innovative Technology Authority
Virginia Information Technologies Agency

Secretary of Finance
Department of Accounts
Department of Planning and Budget
Department of Taxation
Department of Treasury
Treasury Board

Secretary of Public Safety
Commonwealth's Attorneys' Services Council
Department of Alcoholic Beverage Control
Department of Correctional Education
Department of Corrections
Department of Criminal Justice Services
Department of Emergency Management
Department of Fire Programs
Department of Juvenile Justice
Department of Military Affairs
Department of State Police
Virginia Parole Board

Secretary of Transportation
Department of Aviation
Department of Motor Vehicles
Department of Rail and Public Transportation
Department of Transportation
Motor Vehicle Dealer Board
Virginia Port Authority

Secretary of Commerce and Trade
Board of Accountancy
Department of Agriculture and Consumer Services
Department of Business Assistance
Department of Forestry
Department of Housing and Community Development
Department of Labor and Industry
Department of Mines, Minerals and Energy
Department of Minority Business Enterprise
Department of Professional and Occupational Regulation
Virginia Agricultural Council
Virginia Economic Development Partnership
Virginia Employment Commission
Virginia Racing Commission
Virginia Tourism Authority

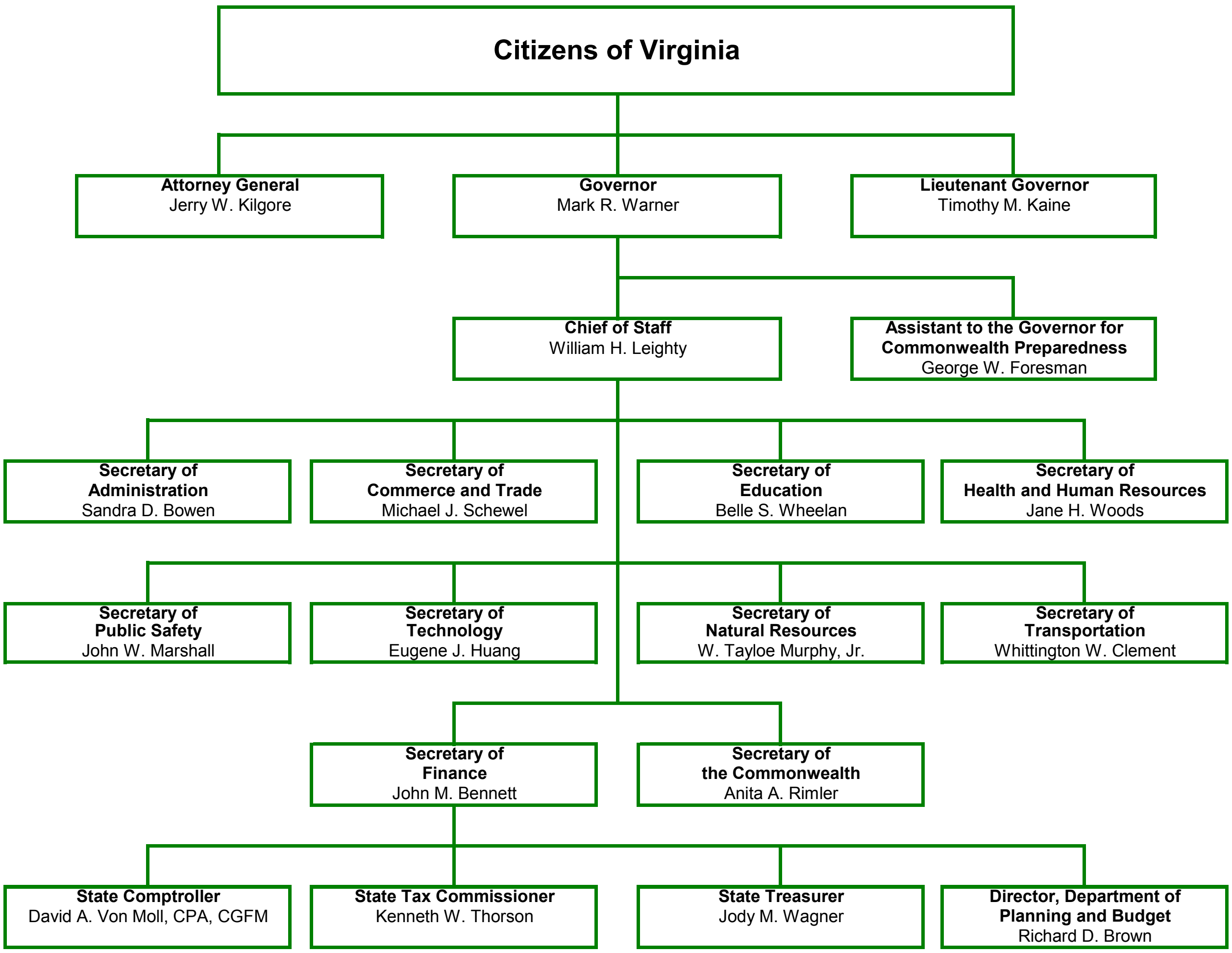
Secretary of Health and Human Resources
Comprehensive Services for At-Risk Youth and Families
Department for the Aging
Department for the Blind and Vision Impaired
Department for the Deaf and Hard-of-Hearing
Department of Health
Department of Health Professions
Department of Medical Assistance Services
Department of Mental Health, Mental Retardation and Substance Abuse Services
Department of Rehabilitative Services
Department of Social Services
Virginia Board for People with Disabilities

Secretary of Education
Christopher Newport University
The College of William and Mary
Department of Education
Frontier Culture Museum of Virginia
George Mason University
Gunston Hall
James Madison University
Jamestown-Yorktown Foundation
Jamestown 2007
The Library of Virginia
Longwood University
Mary Washington College
Norfolk State University
Old Dominion University
Radford University
Roanoke Higher Education Authority
The Science Museum of Virginia
Southwest Virginia Higher Education Center
State Council of Higher Education for Virginia
University of Virginia
Virginia College Building Authority
Virginia Commission for the Arts
Virginia Commonwealth University
Virginia Community College System
Virginia Military Institute
Virginia Museum of Fine Arts
Virginia Polytechnic Institute and State University
Virginia School for the Deaf and Blind at Staunton
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton
Virginia State University

Secretary of Natural Resources
Chesapeake Bay Local Assistance Department
Chippokes Plantation Farm Foundation
Department of Conservation and Recreation
Department of Environmental Quality
Department of Game and Inland Fisheries
Department of Historic Resources
Marine Resources Commission
Virginia Museum of Natural History

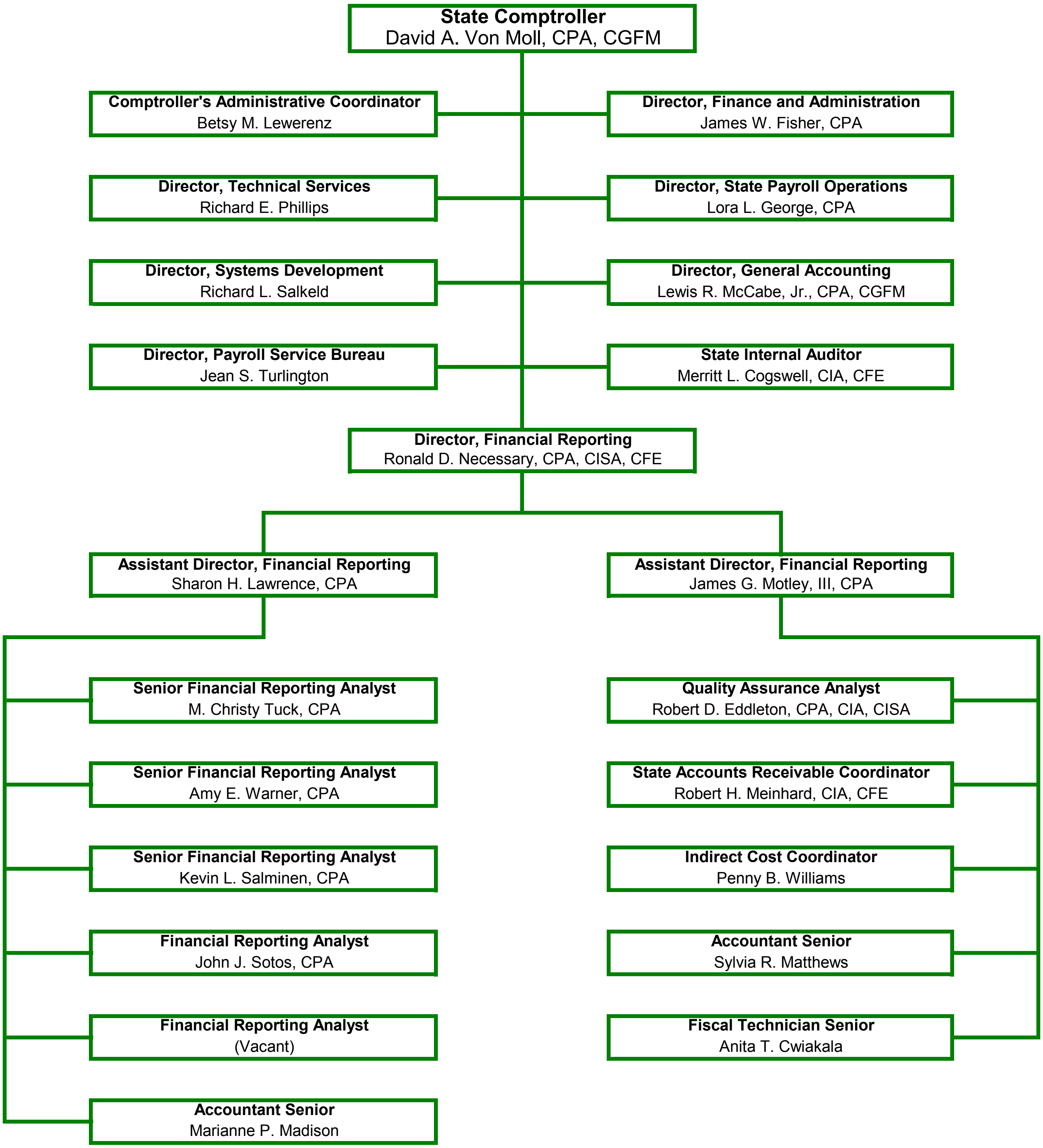
Organization of Government
Selected Government Officials - Executive Branch

As of December 15, 2004



Organization of the Department of Accounts

As of December 15, 2004



Financial Section

Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

December 14, 2004

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia, as of and for the year ended June 30, 2004, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commonwealth of Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pocahontas Parkway Association major enterprise fund. We did not audit the financial statements of the State Non-Arbitrage Pool, which represents 2.48 percent and 5.82 percent, respectively, of the assets and revenues of the aggregate remaining fund information. We did not audit the financial statements of certain Components Units of the Commonwealth discussed in Note 1.B., which represent 34.46 percent and 9.12 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pocahontas Parkway Association, State Non-Arbitrage Pool, and certain Component Units discussed in Note 1.B. is based on the reports of the other auditors.

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. The financial statements of the Pocahontas Parkway Association, Hampton Roads Sanitation District Commission, Certified Nursing Facility Education Initiative, Science Museum of Virginia Foundation, Virginia Museum of Fine Arts Foundation, and State Non-Arbitrage Pool, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards. 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1.B to the financial statements, the Commonwealth has implemented the provisions of Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, as of June 30, 2004.

The management's discussion and analysis, budgetary comparison information, funding progress for defined benefit pension plans, and claims development information on pages 31 through 41 and 158 through 168 are not a required part of the basic financial statements but are supplementary information required by 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth of Virginia's basic financial statements. The introductory section; combining and individual financial statements for the nonmajor funds, fiduciary funds, and the discretely presented component units; debt schedules; and statistical tables are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual financial statements for the nonmajor funds, fiduciary funds, and discretely presented component units and debt schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statement taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, our report on our consideration of the Commonwealth'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 is issued under separate cover in the Commonwealth of Virginia Single Audit Report. 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 considered in assessing the results of our audit.

AUDITOR OF PUBLIC ACCOUNTS

Management's Discussion and Analysis

The following is a discussion and analysis of the Commonwealth of Virginia's (Commonwealth) financial performance, including an overview and analysis of the financial activities of the Commonwealth for the fiscal year ended June 30, 2004. Readers should consider this information in conjunction with the transmittal letter, which is located in the Introductory Section of this report, and the Commonwealth's financial statements, which are located after this analysis.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

The Primary Government's assets exceeded its liabilities at June 30, 2004, by $12.7 billion. Net assets of governmental activities increased by $1.2 billion and net assets of business-type activities increased by $12.8 million. Component units reported an increase in net assets of $3.6 billion from June 30, 2003. A large portion of this increase was due to the implementation of GASBS No. 39. See Note 1.B. for more information.

Fund Highlights

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of $2.8 billion, an increase of $206.9 million in comparison with the prior year. Of this total fund balance, $2.2 billion represents unreserved fund balance and the remaining $571.8 million represents amounts reserved for specific purposes, such as the Revenue Stabilization Fund and education. The enterprise funds reported net assets at June 30, 2004, of $184.2 million, an increase of $12.6 million during the year.

Long-term Debt

The Commonwealth's total debt rose during the fiscal year to $18.1 billion, an increase of $310.4 million or 1.7 percent. During fiscal year 2004, the Commonwealth issued $2.2 billion of new debt. The majority of new debt issues were due to refunding old debt. More detailed information regarding these activities begins on page 126.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Commonwealth's basic financial statements, which include three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The report also contains additional required supplementary information and other information.

Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Commonwealth's finances in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Commonwealth's financial position which helps readers determine whether the Commonwealth's financial position has improved or deteriorated during the fiscal year. These statements include all non-fiduciary financial activity on the full accrual basis of accounting. This means that all revenue and expenditures 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 (pages 44 and 45) presents information on all of the Commonwealth's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may indicate whether the financial position of the Commonwealth is improving or deteriorating.

The Statement of Activities (pages 46 and 47) presents information showing how the Commonwealth's net assets changed during fiscal year 2004. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Assets and Statement of Activities report three separate activities. These activities are described as follows:

Governmental Activities – account for functions of the Commonwealth that are primarily supported by taxes and intergovernmental revenues. The majority of the Commonwealth's basic services, such as education, individual and family services, transportation, resources and economic development, administration of justice, and general government, fall within this category.

Business-type Activities – account for functions that are intended to recover all or a significant portion of their costs through user fees and charges. The major business-type activities of the Commonwealth include the State Lottery, Virginia College Savings Plan, Pocahontas Parkway (a privatized toll-road project), and Unemployment Insurance Fund.

Discretely Presented Component Units – account for functions of legally separate entities for which the Commonwealth is financially accountable. The Commonwealth has 18 non-higher education component units and 19 higher education institutions that are reported as discretely presented component units. Information regarding the individual financial statements of the component units is presented in the notes to the financial statements.

This report includes two schedules (pages 52 and 56) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities on the appropriate government-wide statements (full accrual accounting). The following indicates some of the reporting differences between the government-wide financial statements and the fund financial statements.

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Long-term liabilities, unless due and payable, are not included in the fund financial statements. These liabilities are only included in the government-wide statements.
- Internal service funds are reported as governmental activities, but are reported as proprietary funds in the fund financial statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in the governmental fund statements, but not deferred in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but are reported as expenditures in the fund financial statements.
- Bond proceeds provide current financial resources on the fund financial statements, but are recorded as long-term liabilities in the government-wide financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commonwealth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the Commonwealth's funds can be divided into three categories: governmental, proprietary, and fiduciary. Each of these categories uses different accounting approaches. Fund financial statements begin on page 50 and provide detailed information about the major individual funds.

- **Governmental funds** – Most of the basic services provided by the Commonwealth are reported in the governmental funds. These statements provide a detailed, short-term view of the functions reported as governmental activities in the government-wide financial statements. The government-wide financial statements are reported using the full accrual basis of accounting, but the governmental fund financial statements are reported using the modified accrual basis of accounting. This allows the reader to focus on assets that can be readily converted to cash and determine whether there are adequate resources to meet the Commonwealth's current needs.

  Because the focus of governmental funds is more limited than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison can help readers better understand the long-term impact of the Commonwealth's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Commonwealth reports 14 individual governmental funds. Information is presented separately in the governmental fund statements for the General, Commonwealth Transportation, Federal Trust, and Literary funds, which are all considered major funds. Data from the other 10 governmental funds are aggregated into a single column on the fund statements. Individual fund data for these nonmajor governmental funds is provided in the combining financial statements immediately following the Required Supplementary Information.

- **Proprietary funds** – The Commonwealth maintains two different types of proprietary funds, enterprise and internal service. These funds report activities that operate more like those of private sector business and use the full accrual basis of accounting. Enterprise funds report activities that charge fees for supplies or services to the general public like the State Lottery. Enterprise funds are reported as business-type activities on the government-wide financial statements. The enterprise funds use the full accrual basis of accounting and the only differences between amounts reported on the government-wide statements and the Enterprise Fund statements are due to internal service fund activity (see reconciliations on pages 58 and 60). Internal Service funds report activities that charge fees for supplies and services to other Commonwealth agencies, like Fleet Management. Internal Service funds are reported as governmental activities in the government-wide statements because these types of services predominantly benefit governments rather than business-type functions.

  The Commonwealth reports 31 individual proprietary funds. Information is presented separately in the proprietary fund statements for the State Lottery Department, Virginia College Savings Plan, Pocahontas Parkway Association, and Unemployment Compensation Funds, all of which are considered major funds. Data from the other enterprise funds are aggregated into a single column on the fund statements. All internal service funds are aggregated into a single column on the fund statements. Individual fund data for all nonmajor proprietary funds is provided in the combining financial statements immediately following the Required Supplementary Information.

- **Fiduciary funds** – These funds are used to account for resources held for the benefit of parties outside the government and use the full accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because the resources of these funds are restricted and cannot be used to finance the Commonwealth's operations. The Commonwealth's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Nets Assets beginning on page 68.

  The Commonwealth's fiduciary funds are the:

  - Private-purpose Trust, which reports the activities for 6 separate funds and accounts for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments;
  - Pension Trust, which reports the activities of 9 separate pension and other employment retirement plans for employees;
  - Investment Trust, which accounts for the activities of the 3 external investment pools; and,
  - Agency, which accounts for assets held on behalf of others in 21 separate funds.

  Individual fund data for all fiduciary funds is provided in the combining financial statements immediately following the Required Supplementary Information.

- **Component Units** – The government-wide financial statements report information for all component units aggregated in a single column. Information is provided separately in the component unit fund statements for the Virginia Housing Development Authority, Virginia Public School Authority, University of Virginia, Virginia Polytechnic Institute and State University, and Virginia Commonwealth University, all of which are considered major component units. Data from the other component units are aggregated into a single column on the fund statements. Individual fund data for all nonmajor component units is provided in the combining financial statements immediately following the Required Supplementary Information.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit fund financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles fund balances at June 30. It also includes information concerning the Commonwealth's progress in funding pension benefits and trend information for Commonwealth-managed risk pools.

Other Information

The combining statements referred to earlier in connection with nonmajor funds and component units can be found beginning on page 169 of this report. The individual fund information is aggregated into a single total on the combining financial statements, which carries forward to the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Commonwealth's combined net assets exceeded its liabilities by $12.7 billion during the fiscal year. The net assets of the governmental activities increased $1.2 billion or 10.3 percent, while business-type activities had an increase of $12.8 million or 7.5 percent. The government wide beginning balance was restated for correction of prior year errors to arrive at a restated beginning balance of $11.6 billion.

Figure 22
Net Assets as of June 30, 2004 and 2003
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
Current and other assets	$ 6,373,608	$ 5,287,248	$ 2,339,250	$ 2,265,462	$ 8,712,858	$ 7,552,710
Capital assets	14,017,682	13,251,448	344,473	359,839	14,362,155	13,611,287
Total assets	20,391,290	18,538,696	2,683,723	2,625,301	23,075,013	21,163,997
Long-term liabilities outstanding	4,438,077	4,609,965	2,035,207	2,066,082	6,473,284	6,676,047
Other liabilities	3,401,053	2,549,876	464,293	387,771	3,865,346	2,937,647
Total liabilities	7,839,130	7,159,841	2,499,500	2,453,853	10,338,630	9,613,694
Net assets:						
Invested in capital assets, net of related debt	11,097,037	10,064,860	22,117	23,585	11,119,154	10,088,445
Restricted	856,916	882,366	411,994	438,362	1,268,910	1,320,728
Unrestricted	598,207	431,629	(249,888)	(290,499)	348,319	141,130
Total net assets	$ 12,552,160	$ 11,378,855	$ 184,223	$ 171,448	$ 12,736,383	$ 11,550,303

The largest portion of the Commonwealth's net assets (87.3 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, construction in progress, and infrastructure), less any related outstanding debt used to acquire those assets. These assets are recorded net of depreciation in the financial statements. The Commonwealth uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Commonwealth's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (see Figure 22).

An additional portion of the Commonwealth's net assets (9.96 percent) represents restricted net assets. These resources are subject to external restrictions or constitutional provisions specifying how they may be used. The remaining balance of $348.3 million are unrestricted net assets (see Figure 22).

Approximately 97.4 percent of the Commonwealth's total general revenue came from taxes. While the Commonwealth's expenses cover many services, the largest expenses are for Education, Individual and Family Services, and Transportation. General revenues normally fund governmental activities. For fiscal year 2004, governmental activity program and general revenues exceeded expenses by $1.2 billion. Program revenues exceeded expenses from business-type activities by $540.5 million. The following condensed financial information was derived from the Government-wide Statement of Activities and provides detail regarding the change in net assets (see page 46).

Figure 23

Changes in Net Assets for the Fiscal Years Ended June 30, 2004 and 2003

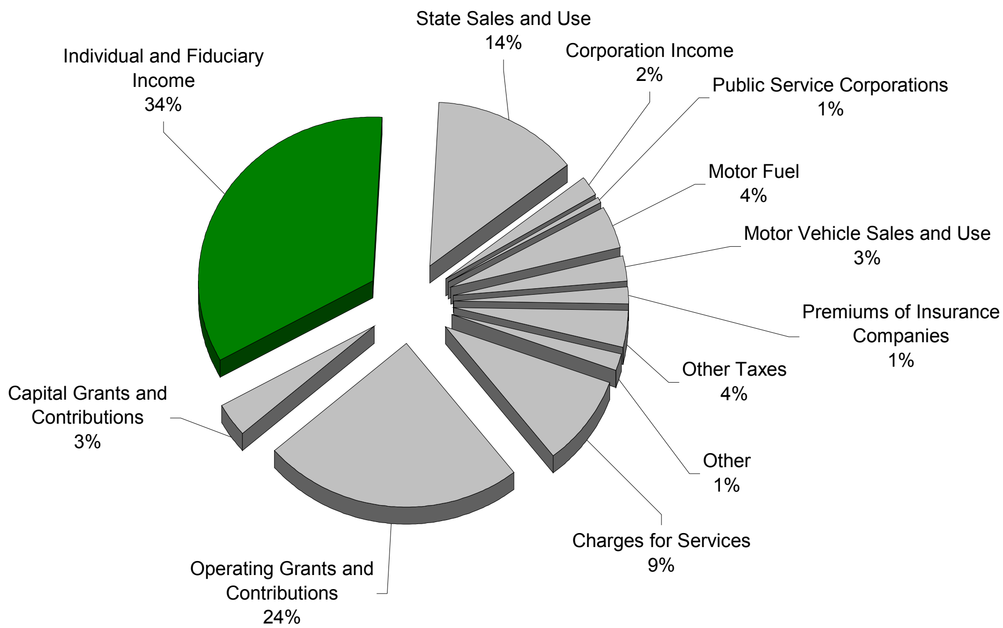
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for Services	$ 1,935,446	$ 1,889,639	$ 2,507,230	$ 2,214,499	$ 4,442,676	$ 4,104,138
Operating Grants and Contributions	5,312,347	4,796,300	16,861	37,655	5,329,208	4,833,955
Capital Grants and Contributions	734,334	778,648	-	-	734,334	778,648
General revenues:						
Taxes:						
Individual and Fiduciary Income	7,363,659	6,815,580	-	-	7,363,659	6,815,580
State Sales and Use	3,014,336	2,735,764	-	-	3,014,336	2,735,764
Corporation Income	412,030	326,196	-	-	412,030	326,196
Public Service Corporations	91,770	98,578	-	-	91,770	98,578
Motor Fuel	907,640	881,974	-	-	907,640	881,974
Motor Vehicle Sales and Use	588,935	529,110	-	-	588,935	529,110
Premiums of Insurance Companies	351,333	332,953	-	-	351,333	332,953
Other Taxes	783,931	689,160	12,152	5,145	796,083	694,305
Unrestricted Grants and Contributions	51,919	60,542	-	-	51,919	60,542
Investment Earnings	25,529	126,741	8,775	11,499	34,304	138,240
Miscellaneous	283,653	486,366	382	2,339	284,035	488,705
Contributions to Permanent Funds	31	27	-	-	31	27
Total Revenues	21,856,893	20,547,578	2,545,400	2,271,137	24,402,293	22,818,715
Expenses:						
General Government	1,946,633	1,653,900	-	-	1,946,633	1,653,900
Education	6,496,639	6,484,355	-	-	6,496,639	6,484,355
Transportation	2,217,124	2,210,443	-	-	2,217,124	2,210,443
Resources and Economic Development	687,254	668,943	-	-	687,254	668,943
Individual and Family Services	7,587,126	7,152,617	-	-	7,587,126	7,152,617
Administration of Justice	2,126,114	2,115,050	-	-	2,126,114	2,115,050
Interest and Charges on Long-Term Debt	171,944	188,961	-	-	171,944	188,961
State Lottery	-	-	846,491	758,546	846,491	758,546
Virginia College Savings Plan	-	-	4,391	408,425	4,391	408,425
Pocahontas Parkway	-	-	36,626	36,531	36,626	36,531
Unemployment Insurance	-	-	484,875	711,985	484,875	711,985
Nonmajor	-	-	611,244	533,396	611,244	533,396
Total Expenses	21,232,834	20,474,269	1,983,627	2,448,883	23,216,461	22,923,152
Excess/deficiency before transfers	624,059	73,309	561,773	(177,746)	1,185,832	(104,437)
Transfers	549,246	466,319	(549,246)	(466,319)	-	-
Increase (Decrease) in net assets	1,173,305	539,628	12,527	(644,065)	1,185,832	(104,437)
Net assets, July 1, as restated	11,378,855	10,839,227	171,696	815,513	11,550,551	11,654,740
Net assets, June 30	$ 12,552,160	$ 11,378,855	$ 184,223	$ 171,448	$ 12,736,383	$ 11,550,303

Governmental Activities Revenues

The following is a graphical representation of the Statement of Activities revenues for governmental activities.

Figure 24
Revenues by Source – Governmental Activities
FY 2004



Governmental activities revenues increased by $1.3 billion or 6.4 percent. The majority of the increase is related to General Fund revenues. In fiscal year 2004, total general fund revenues rose by 9.7 percent, exceeding the official forecast by $323.8 million. Growth surged above projected levels in the fourth quarter, growing at almost double the pace of the first three quarters. In the last 20 years, only once has growth in the final quarter increased at a faster pace than fiscal year 2004. The strength in revenue collections was broad-based, with all five major sources exceeding their respective forecasts.

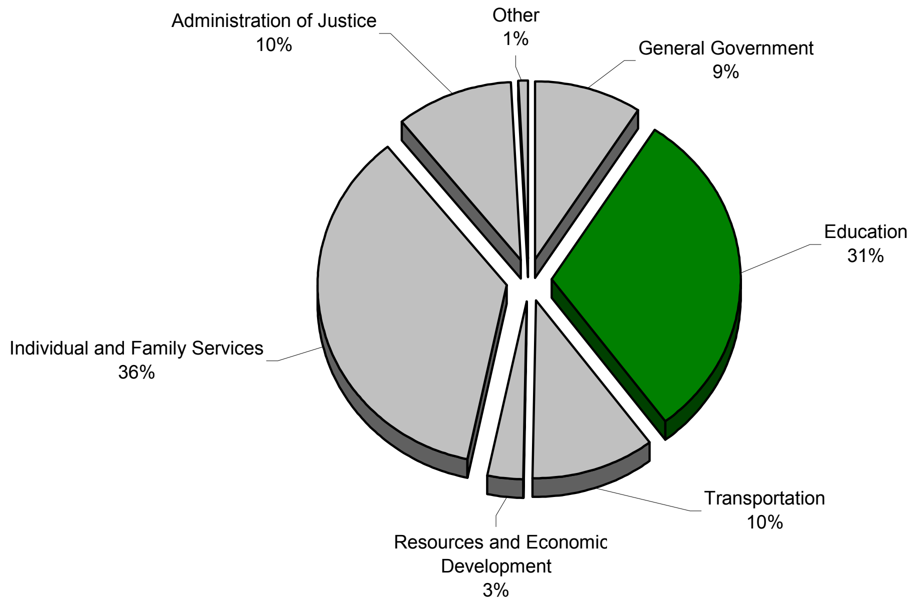
In fiscal year 2004, withholding receipts increased a strong 7.2 percent. Employment growth, still sluggish early in the year, accelerated during the second half. Growth was especially strong in high-paying, high-tech, defense-related jobs concentrated in Northern Virginia. Collections in nonwithholding, largely driven by stock market activity, surged in the fourth quarter of the fiscal year. At the same time, income tax refunds were lower than expected.

The improving economy, increased defense spending, a strong housing market, and larger federal tax refunds drove a 10.1 percent jump in collections of sales and use taxes – the fastest annual growth in this source since fiscal year 1985. In a pattern similar to individual income taxes, most of the strength appeared in the fourth quarter. Collections of corporate income taxes also surged in the fourth quarter, finishing the year with annual growth of 24.0 percent. Collections of recordation taxes on mortgages also contributed to the surplus. Following three years of growth averaging 27.6 percent, collections in this source grew by 18.1 percent, fueled by low interest rates and a strong housing market. The fall revenue forecasting process is underway, with the current official forecast calling for total general fund revenue growth of 4.5 percent. Further analysis of these changes may be found in the Fund Statements Financial Analysis on page 38.

Governmental Activities Expenses

The following is a graphical representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by $758.6 million or 3.7 percent. The majority of the increase is related to the Federal Trust Fund which is discussed further on page 39.

Figure 25
Expenses by Type – Governmental Activities
FY 2004



Net Assets of Business-type Activities

Net assets of business-type activity increased by $12.8 million during the fiscal year. Factors contributing to this change were:

- Lottery sales increased by $126.6 million (11 percent) over last year to a record $1.262 billion. Net income was a record $420.8 million, an increase of $34 million (8.8 percent) from fiscal year 2003. Sales of all Lottery products, except Cash 5, increased in fiscal year 2004. Sales of Scratch games increased by $87.5 million (16.1 percent) and Mega Millions increased $27.1 million (25.8 percent). The decline in Cash 5 was only 1.4 percent.

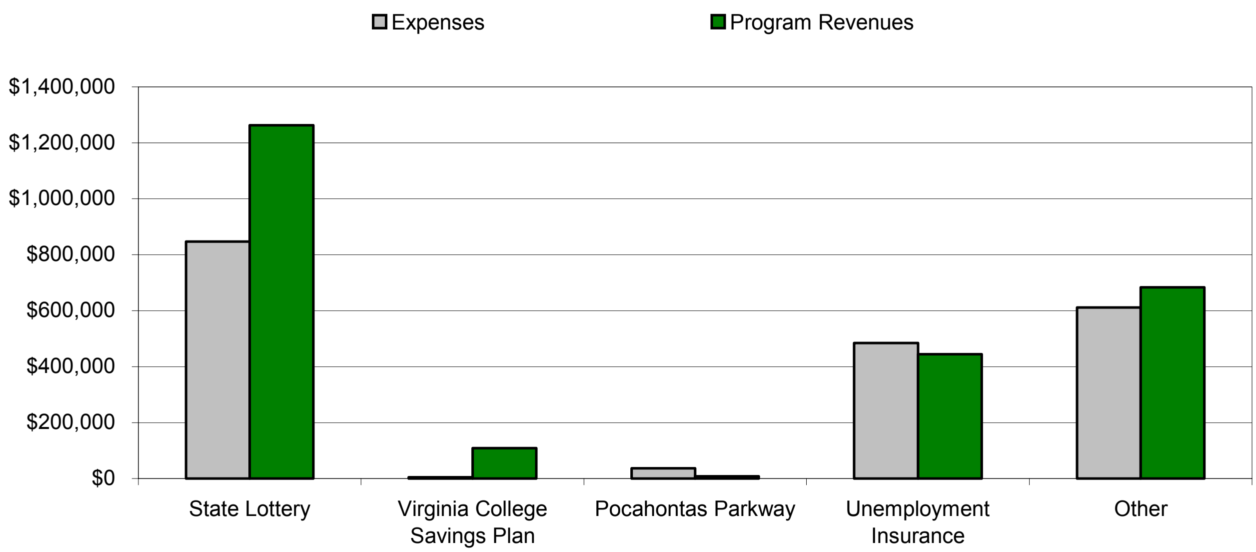
- Virginia College Savings Plan's net assets increased by $104.2 million over the amount reported in the previous year due to a decrease in the Plan's unfunded actuarial liability from $232.7 million in the prior year to $128.5 million in the current year. Cash, cash equivalents, and investments increased by $210.2 million, or 35.5%, due to continued investment in the program by existing participants as well as extremely favorable market conditions which generated greater interest income as well as increased the fair value of investments. New enrollment in the Plan was suspended for much of the fiscal year. Therefore, tuition contributions receivable, which represents the actuarially determined amount to be collected from contract holders, decreased by $126 million, or 36 percent. Also, the Plan's actuarially determined tuition benefits payable decreased by $20 million. The Plan incurred no appreciable new liability from new contracts due to the enrollment suspension. Therefore, this decrease was consistent with the depletion and/or normal usage of existing contract benefits.

- Pocahontas Parkway Association experienced its second full year of operation in 2004 and revenues increased $2.6 million (50 percent) over last year. As of June 2004, actual traffic using the facility averaged about 98,000 vehicles per week, which is approximately 50 percent of the initial forecast. Investment earnings declined $178,000 as funds were expended for debt service and transfers. In accordance with the Trust Indenture, the Trustee transferred $14,920,981 of construction fund balances to the Virginia Department of Transportation's Capital Cost Savings Account upon certification of the project being completed. Except for this transfer, expenses remained basically flat at $36.6 million during 2004. The Association's accumulated deficit balance increased to ($115.1) million in fiscal year 2004 from ($75.3) million in fiscal year 2003. This change is due to debt service expenses, operating expenses, and the transfer to the Capital Cost Savings Account exceeding revenues by $39.8 million. In February 2004, Moody's Investor Service downgraded the Association's Senior Toll Road

Revenue Bonds from Baa3 to Ba2 and the First Tier Subordinate Bonds from Ba1 to B1. There was no change in the rating from Standard and Poor's (BB) or Fitch's (BBB-) during the year.

- Unemployment Insurance Fund cash and cash equivalents balance decreased $97.9 million during fiscal year 2004 compared to a decrease of $441 million in fiscal year 2003. This year's cash and cash equivalent decrease reflects inflows of $410 million and outflows of $507.9 million. The smaller decrease is the result of larger inflows due to higher rates for unemployment insurance and lower benefit payment outflows. The functionality of the Fund formula is apparent here. Prior to 2001, strong economic performance allowed a reduction in unemployment insurance from 1997 to 2002, reducing to zero the rate of approximately 67% of employers. The economic downturn of 2001 through 2003 depleted the Fund which triggered an increase in unemployment insurance rates in 2003. The largest part of inflows was unemployment insurance revenues of $362.1 million, an increase of 68% over fiscal year 2003. Revenues from reimbursable employers, including state agencies, decreased slightly from $19.8 million to $19.6 million, while combined wage reimbursements from other states decreased 31% to $12.6 million. Interest earned on the trust fund decreased 56% to $15.8 million. The largest amount of outflows was the unemployment benefit payments of $479 million, a decrease of 32% over fiscal year 2003. Combined wage payments to other states also decreased 38% to $10.9 million. Transfers of Reed Act money to the administration account per the Appropriation Act increased from $12.9 million in fiscal year 2003 to $18 million in fiscal year 2004.

Figure 26
Business-Type Activities
Program Revenues and Expenses
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)



FUND STATEMENTS FINANCIAL ANALYSIS

As of the end of the fiscal year, the Commonwealth's governmental funds reported combined ending fund balances of $2.8 billion. Of this total amount, $2.2 billion, or 79.3 percent, constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to a variety of other restricted purposes such as outstanding debt and capital outlay.

General Fund Highlights

The General Fund is the chief operating fund of the Commonwealth. At the end of the current fiscal year, unreserved fund balance of the general fund was $36.9 million and reserved fund balance was $409.3 million. Total fund balance of the general fund increased by $382.7 million during the fiscal year. In fiscal 2004, the General Assembly established a tax amnesty program which produced $94.6 million in additional revenues for the General Fund. The fiscal year 2004 general fund revenues were 8.9 percent greater than the fiscal year 2003 revenues.

The 2004 Appropriation Act (Act) is based on $1.45 billion in net additional revenue. It makes significant new investments in education and health care, rebuilds the "Rainy Day" fund, and provides for tax reform. Key components of tax reform include:

- Increase in sales tax: one-half cent increase with one-quarter cent to the general fund and one-quarter cent earmarked for public education and tax relief;
- Increase in cigarette tax: 17.5 cents in FY 2005 and 27.5 cents in FY 2006 with increased revenue deposited into a special health care fund;
- Modification to the senior age deduction by establishing a means test for persons turning 65 after January 1, 2004;
- Increase in recordation tax by ten cents per $100 increase in recordings; and,
- Reduces taxes by decreasing of food tax with a one and one half cent phase-out starting July 1, 2005, increasing the personal exemption from $800 to $900, and eliminating the marriage penalty

In addition, the Act caps car tax reimbursement to localities at $950 million annually.

Key investments include:

- Public Education: $1.8 billion
    - $1.2 billion for biennial re-benchmarking
    - $367.4 million to address five of the nine public education Standards of Quality adopted by the General Assembly
- Higher Education: $250 million
    - $175 million to address base adequacy
- Medicaid: $707.8 million for full funding for utilization and inflation
    - Increased provider reimbursements for hospitals and nursing homes
- Rainy Day Fund: $87.0 million "supplemental" deposit
- Mentally disabled: expansion of community based services
    - 700 new mental retardation waiver slots, 300 day support waiver slots, 105 developmentally disabled waiver slots
- Water quality and land conservation efforts: $30 million to address point and nonpoint water pollution control efforts, $5.0 million for the Virginia Land Conservation Fund

Major Special Revenue Fund Highlights

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of $1.3 billion, which is an increase of $69.1 million from the prior year. The increase in fund balance was the result of a variety of factors, including an increase in state sales and use tax (11 percent), an increase in motor vehicle sales and use taxes (11 percent), and a decrease in transportation expenditures (4 percent) from the prior year.

The Federal Trust fund balance decreased by $120.2 million as a result of the disbursement of the funds received pursuant to the Jobs and Growth Tax Relief Act to the General Fund. In the previous year, $120.4 million was received pursuant to this act which remained in the fund balance at year-end. An additional $120.3 million was received in the current year, and the entire $240.7 million was disbursed to the General Fund for reimbursement of public education expenses, thereby resulting in a decrease in the current year ending fund balance. The Federal Trust Fund received $432.3 million more in federal funds than the previous year. The majority of the increase in revenue is associated with programs at the Departments of Education, Health, Social Services, and Medical Assistance Services, and other individual and family service agencies.

The Literary Fund balance declined $35.8 million when compared to the prior fiscal year. The decrease is primarily due to decreases in interest revenue and other revenue. In previous years, the Literary Fund reported loans receivable to the Virginia Public School Authority (VPSA) due to the fact that permanent loans were transferred to the VPSA for use as collateral on bonds. In the current year, the loans were not transferred to VPSA for use as collateral; therefore, the outstanding loans receivable balance is reported in the financial statements as a receivable, and not as an interfund loan receivable.

The Literary Fund's decrease in disbursements is primarily the result of the fact that new loans were not released and subsequently transferred to the VPSA during the year. Loans transferred to the VPSA declined by $69 million from the prior year. Also contributing to the decrease was a decline in disbursements for the interest rate subsidy program of $4 million. Lower disbursements for the loan and subsidy programs relate directly to an anticipated decline in available balances after satisfying existing commitments and legislative transfers. These decreases were offset by increases in debt service payments and payments for teacher retirement totaling $8 million. The ending cash balance in the Literary Fund was $87 million. Of that amount, $9 million has already been obligated to be disbursed in the future. The balance increased this year as receipts to the Literary fund outpaced disbursements.

Capital Asset and Debt Administration

Capital assets. The Commonwealth's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to $14.4 billion (net of accumulated depreciation totaling $9.6 billion). This investment in capital assets includes land, buildings, improvements, equipment, construction in progress, and infrastructure. Infrastructure assets are items that are normally immovable such as roads, bridges, drainage systems, and other similar assets. The increase in the Commonwealth's investment in governmental capital assets was primarily attributable to infrastructure increases of $766 million. The Commonwealth reports equipment with a value of $50,000 or greater and an expected useful life of two or more years. The Commonwealth capitalizes all property, plant, and infrastructure that have a cost or value greater than $100,000.

Additional information on the Commonwealth's capital assets can be found in Note 10, "Capital Assets."

Figure 27
Capital Assets as of June 30, 2004
(Net of Depreciation)
(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
Land	$ 1,448,389	$ 16,412	$ 1,464,801
Buildings	1,402,918	966	1,403,884
Equipment	230,629	31,650	262,279
Infrastructure	8,251,331	295,445	8,546,776
Construction in progress	2,684,415	-	2,684,415
Total	$ 14,017,682	$ 344,473	$ 14,362,155

Long-term debt. The Commonwealth does not issue general obligation bonds for operating purposes. At the end of the current fiscal year, the Commonwealth had total debt outstanding of $18.1 billion. Total tax supported debt is $5.1 billion and total debt not supported by taxes is $13 billion. Total debt backed by the full faith and credit of the government is $834.8 million and $1.7 billion is considered moral obligation debt. The remainder of the Commonwealth's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

During fiscal year 2004, the Commonwealth issued $2.2 billion of new debt for various projects. Additional information on the Commonwealth's outstanding debt can be found in Note 19. Further, the Commonwealth maintains a "triple A" bond rating for general obligation debt from the three rating agencies: Moody's Investors Service, Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc., and Fitch, Inc.

State statutes limit the amount of general obligation debt the Commonwealth may issue for each specific type of debt. The 9(a) bonds, which have been issued to redeem previous debt obligations, are limited to 30 percent of 1.15 times the annual tax revenues for fiscal year 2004. The 9(b) bonds, which have been authorized by the citizens of Virginia through bond referenda to finance capital projects, are limited to 1.15 times the average of selected tax revenues for fiscal years 2002, 2003 and 2004. The 9(c) bonds, which have been issued to finance capital projects that will generate revenue upon their completion, are limited to 1.15 times the average of selected tax revenues for fiscal years 2002, 2003 and 2004. The current debt limitation for the Commonwealth is $3.6 billion, $10.8 billion, and $10.8 billion, respectively, for the 9(a), 9(b), and 9(c) general obligation bond issues. These limits significantly exceed the Commonwealth's outstanding general obligation debt.

Figure 28
Outstanding Debt as of June 30, 2004
General Obligation and Revenue Bonds
(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
General obligation bonds				
9(B)	$ 414,163	$ -	$ 414,163	$ -
9(C)	103,746	-	103,746	316,923
Revenue bonds	-	447,372	447,372	-
Total	$ 517,909	$ 447,372	$ 965,281	$ 316,923

Economic Factors and Outlook

Virginia's economy continued its positive growth in fiscal year 2004. On average, the year-over-year quarterly growth rate between fiscal year 2003 and fiscal year 2004 was 4.1 percent, with the third quarter posting the largest percentage gain of 5.3 percent (fourth quarter fiscal year 2004 has been forecasted by Virginia Commonwealth University's Center for Urban Development). Retail sales amounted to $76.3 billion in fiscal year 2004, a 7.7 percent increase over fiscal year 2003. Increases in wages and salaries, personal income, employment, retail sales, and new housing have helped to reverse the economic declines from previous fiscal years. The Commonwealth is expected to continue on its expansionary path during fiscal year 2005. For a more in-depth discussion on the Commonwealth's economy see "Virginia Economic Highlights" on page 17.

Requests for Information

This financial report is designed to provide a general overview of the Commonwealth's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State Comptroller's Office, Commonwealth of Virginia, P. O. Box 1971, Richmond, Virginia 23218.

The Commonwealth's component units issue their own separate financial statements. Contact information regarding each component unit is provided in Note 1.B.

Government-wide Financial Statements

Statement of Net Assets

June 30, 2004
(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents (Notes 1 and 4)	$ 2,082,601	$ 480,053	$ 2,562,654	$ 1,245,194
Investments (Notes 1 and 4)	2,067,543	1,451,994	3,519,537	7,047,693
Receivables, Net (Notes 1 and 5)	1,975,291	413,804	2,389,095	2,618,282
Contributions Receivable, Net (Notes 1 and 6)	-	-	-	235,952
Internal Balances (Note 1)	57,150	(57,150)	-	-
Due from Primary Government (Note 7)	-	-	-	7,867
Due from Component Units (Note 7)	-	-	-	35,820
Due from External Parties (Fiduciary Funds) (Note 7)	151	-	151	-
Inventory (Note 1)	115,698	42,195	157,893	53,286
Prepaid Items (Note 1)	3,656	2,685	6,341	65,796
Other Assets (Notes 1 and 8)	6,312	5,669	11,981	65,340
Loans Receivable from Primary Government (Notes 1 and 7)	-	-	-	170,520
Loans Receivable from Component Units (Notes 1 and 7)	65,206	-	65,206	-
Restricted Cash and Cash Equivalents (Notes 4 and 9)	-	-	-	1,034,588
Restricted Investments (Notes 4 and 9)	-	-	-	2,299,826
Other Restricted Assets (Note 9)	-	-	-	5,017,300
Nondepreciable Capital Assets (Notes 1 and 10)	4,132,804	16,412	4,149,216	1,468,329
Depreciable Capital Assets, Net (Notes 1 and 10)	9,884,878	328,061	10,212,939	5,005,874
Total Assets	20,391,290	2,683,723	23,075,013	26,371,667
Liabilities				
Accounts Payable (Notes 1 and 17)	606,152	37,782	643,934	656,003
Amounts Due to Other Governments	429,747	6,118	435,865	74,156
Due to Component Units (Note 7)	7,867	-	7,867	35,820
Due to External Parties (Fiduciary Funds) (Note 7)	44	101	145	-
Deferred Revenue (Note 1)	88,344	6,303	94,647	223,652
Claims Payable (Notes 1 and 16)	305,211	25,927	331,138	-
Obligations Under Securities Lending Program (Notes 1 and 4)	900,209	301,625	1,201,834	197,601
Other Liabilities (Notes 1 and 18)	892,959	86,437	979,396	822,399
Loans Payable to Primary Government (Notes 1 and 7)	-	-	-	65,206
Loans Payable to Component Units (Notes 1 and 7)	170,520	-	170,520	-
Long-term Liabilities:				
Due Within One Year (Notes 1, 15, and 19)	412,909	110,833	523,742	819,350
Due in More Than One Year (Notes 1, 15, and 19)	4,025,168	1,924,374	5,949,542	10,784,642
Total Liabilities	7,839,130	2,499,500	10,338,630	13,678,829

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

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Net Assets				
Invested in Capital Assets, Net of Related Debt	11,097,037	22,117	11,119,154	4,251,228
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	1,602,626
Permanent Funds	26,840	-	26,840	-
Other	-	-	-	77,957
Expendable:				
Higher Education	-	-	-	2,610,385
Permanent Funds	891	-	891	-
Revenue Stabilization Fund	340,067	-	340,067	-
Literary Fund	337,000	-	337,000	-
Gifts and Grants	30,259	-	30,259	-
Unemployment Compensation	-	371,658	371,658	-
Virginia Pooled Investment Program	-	-	-	4,976
Capital Projects/Construction/Capital Acquisition	8,829	187	9,016	912,435
Debt Service	75,431	39,115	114,546	83,519
Retainage	-	1,034	1,034	-
Bond Indenture	-	-	-	1,308,070
Unexpended Lottery Proceeds	37,599	-	37,599	-
Other	-	-	-	72,906
Unrestricted	598,207	(249,888)	348,319	1,768,736
Total Net Assets	$ 12,552,160	$ 184,223	$ 12,736,383	$ 12,692,838

Statement of Activities

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 1,946,633	$ 223,469	$ 232,571	$ -
Education	6,496,639	227,462	576,383	144
Transportation	2,217,124	518,386	12,049	715,434
Resources and Economic Development	687,254	225,946	191,274	6,044
Individual and Family Services	7,587,126	393,807	4,250,570	-
Administration of Justice	2,126,114	346,376	49,500	12,712
Interest and Charges on Long-term Debt	171,944	-	-	-
Total Governmental Activities	21,232,834	1,935,446	5,312,347	734,334
Business-Type Activities:				
State Lottery	846,491	1,262,359	-	-
Virginia College Savings Plan	4,391	108,630	-	-
Pocahontas Parkway	36,626	7,674	-	-
Unemployment Compensation	484,875	444,804	15,765	-
Other	611,244	683,763	1,096	-
Total Business-Type Activities	1,983,627	2,507,230	16,861	-
Total Primary Government	$ 23,216,461	$ 4,442,676	$ 5,329,208	$ 734,334
Component Units:				
Virginia Housing Development Authority	417,100	387,755	120,334	-
Virginia Public School Authority	132,434	127,058	-	-
Higher Education:				
Major	4,099,155	2,708,109	823,159	28,807
Nonmajor	2,550,755	1,055,268	466,223	34,179
Other Nonmajor	502,076	372,177	12,198	48,854
Total Component Units	$ 7,701,520	$ 4,650,367	$ 1,421,914	$ 111,840

General Revenues:
Taxes:
Individual and Fiduciary Income
Sales and Use
Corporation Income
Public Service Corporations
Motor Fuel
Motor Vehicle Sales and Use
Premiums of Insurance Companies
Other Taxes
Operating Appropriations from Primary Government
Unrestricted Grants and Contributions
Investment Earnings
Miscellaneous
Contributions to Permanent Funds
Capital Appropriations from Primary Government
Contributions to Permanent/Term Endowments
VCBA Payments to Schools
Tobacco Master Settlement
Transfers
Total General Revenues, Transfers, and Special Items
Change in Net Assets
Net Assets - July 1, as restated (Note 28)
Net Assets - June 30

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (1,490,593)	$ -	$ (1,490,593)	$ -
(5,692,650)	-	(5,692,650)	-
(971,255)	-	(971,255)	-
(263,990)	-	(263,990)	-
(2,942,749)	-	(2,942,749)	-
(1,717,526)	-	(1,717,526)	-
(171,944)	-	(171,944)	-
(13,250,707)	-	(13,250,707)	-
-	415,868	415,868	-
-	104,239	104,239	-
-	(28,952)	(28,952)	-
-	(24,306)	(24,306)	-
-	73,615	73,615	-
-	540,464	540,464	-
$ (13,250,707)	$ 540,464	$ (12,710,243)	$ -
-	-	-	90,989
-	-	-	(5,376)
-	-	-	(539,080)
-	-	-	(995,085)
-	-	-	(68,847)
$ -	$ -	$ -	$ (1,517,399)
7,363,659	-	7,363,659	-
3,014,336	-	3,014,336	-
412,030	-	412,030	-
91,770	-	91,770	-
907,640	-	907,640	-
588,935	-	588,935	-
351,333	-	351,333	-
783,931	12,152	796,083	-
-	-	-	1,401,783
51,919	-	51,919	35,600
25,529	8,775	34,304	581,631
283,653	382	284,035	122,820
31	-	31	-
-	-	-	47,856
-	-	-	141,737
-	-	-	159,571
-	-	-	77,038
549,246	(549,246)	-	-
14,424,012	(527,937)	13,896,075	2,568,036
1,173,305	12,527	1,185,832	1,050,637
11,378,855	171,696	11,550,551	11,642,201
$ 12,552,160	$ 184,223	$ 12,736,383	$ 12,692,838

Governmental Funds

General Fund

The General Fund accounts for transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.

Special Revenue Funds

Special Revenue Funds account for specific revenue sources that are restricted to finance particular functions and activities of the Commonwealth.

The Commonwealth Transportation Fund accounts for the revenues and expenditures associated with highway operations, maintenance, construction, and other transportation related activities. Funding for these programs is provided from highway user taxes, fees, and funds received from the Federal government.

The Federal Trust Fund accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation Fund, the Unemployment Compensation Fund, and institutions of higher education. In addition, federal funds received from Medicaid intergovernmental transfers and for the Commonwealth's share of claims are reported in the Other – Special Revenue Fund. The entire fund is restricted pursuant to federal regulations. As such, a separate fund balance reservation is not reflected.

The Literary Fund accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used primarily to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovations, and expansion of school buildings. The entire fund is constitutionally restricted for public schools. As such, a separate fund balance reservation is not reflected.

Nonmajor Governmental Funds include those Special Revenue, Debt Service, Capital Projects, and Permanent Funds listed on page 171 in the Combining and Individual Fund Statements and Schedules section of this report.

Balance Sheet – Governmental Funds

June 30, 2004
(Dollars in Thousands)

		Special Revenue		
	General	Commonwealth Transportation	Federal Trust	Literary
Assets				
Cash and Cash Equivalents (Notes 1 and 4)	$ 354	$ 1,256,416	$ 72,875	$ 86,936
Investments (Notes 1 and 4)	1,592,858	323,375	5,401	32,558
Receivables (Net) (Notes 1 and 5)	786,369	272,025	402,879	433,697
Due from Other Funds (Note 7)	6,774	30,489	2,221	-
Due from External Parties (Fiduciary Funds) (Note 7)	52	-	-	-
Interfund Receivable (Note 7)	-	-	-	-
Inventory (Note 1)	46,530	42,706	6,507	-
Other Assets (Notes 1 and 8)	1,463	930	1,314	-
Loans Receivable from Component Units (Notes 1 and 7)	-	-	-	-
Total Assets	$ 2,434,400	$ 1,925,941	$ 491,197	$ 553,191
Liabilities and Fund Balances				
Accounts Payable (Notes 1 and 17)	$ 187,462	$ 178,435	$ 88,742	$ 223
Amounts Due to Other Governments	265,304	59,310	102,743	-
Due to Other Funds (Note 7)	45,156	9,534	5,275	-
Due to Component Units (Note 7)	-	-	-	-
Due to External Parties (Fiduciary Funds) (Note 7)	44	-	-	-
Interfund Payable (Note 7)	-	-	4,975	-
Deferred Revenue (Note 1)	312,424	61,780	65,559	12,890
Deferred Taxes (Note 1)	231,400	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 4)	501,394	290,403	5,401	32,558
Other Liabilities (Notes 1 and 18)	444,163	5,630	197,299	-
Loans Payable to Component Units (Notes 1 and 7)	-	-	-	170,520
Long-Term Liabilities (Notes 1, 15, and 19)	814	220	89	-
Total Liabilities	1,988,161	605,312	470,083	216,191
Fund Balances Reserved for (Note 1):				
Revenue Stabilization Fund	340,067	-	-	-
Unexpended Lottery Proceeds	22,701	-	-	-
Inventory	46,530	42,706	6,507	-
Debt Service	-	-	-	-
Gifts and Grants	-	365	-	-
Capital Acquisition	-	-	-	-
Other	-	14,898	-	-
Fund Balances Unreserved, Reported in (Note 1):				
General Fund	36,941	-	-	-
Special Revenue Funds	-	1,262,660	14,607	337,000
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
Total Fund Balances	446,239	1,320,629	21,114	337,000
Total Liabilities and Fund Balances	$ 2,434,400	$ 1,925,941	$ 491,197	$ 553,191

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

Nonmajor Governmental Funds	Total Governmental Funds
$ 493,925	$ 1,910,506
79,624	2,033,816
63,012	1,957,982
5,515	44,999
99	151
79,563	79,563
5,298	101,041
1,567	5,274
65,206	65,206
$ 793,809	$ 6,198,538
$ 50,957	$ 505,819
397	427,754
4,476	64,441
7,867	7,867
-	44
33,267	38,242
18,887	471,540
-	231,400
36,726	866,482
8,304	655,396
-	170,520
244	1,367
161,125	3,440,872
-	340,067
-	22,701
5,298	101,041
75,431	75,431
8,507	8,872
8,829	8,829
-	14,898
-	36,941
540,586	2,154,853
(33,698)	(33,698)
27,731	27,731
632,684	2,757,666
$ 793,809	$ 6,198,538

Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Assets

June 30, 2004
(Dollars in Thousands)

Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)	$	2,757,666
When capital assets (land, buildings, equipment, improvements, construction in progress, and/or infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those capital assets among the assets of the Commonwealth as a whole.		13,958,168
Long-term liabilities applicable to the Commonwealth's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.		
Pension Liability		(536,299)
Capital Lease		(236,253)
Installment Purchases		(13,972)
Compensated Absences		(297,674)
Uninsured Employer's Fund		(20,928)
Regional Jails		(16,654)
Bonds		(3,223,721)
Notes		(33,616)
Other Obligations		(30,845)
Internal service funds are used by the Commonwealth to charge costs to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets.		(116,996)
Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds.		(77,979)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		421,612
Noncurrent amounts owed to special revenue funds from proprietary funds are not recorded in the fund statements due to the fact that revenue recognition criteria were not met. These amounts are reported in the Statement of Net Assets.		19,651
Net assets of governmental activities (see Government-wide Statement of Net Assets)	$	12,552,160

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

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	General	Special Revenue: Commonwealth Transportation	Special Revenue: Federal Trust	Special Revenue: Literary
Revenues				
Taxes	$ 11,511,665	$ 1,870,050	$ -	$ -
Rights and Privileges	69,675	459,324	33	183
Institutional Revenue	9,680	-	-	-
Interest, Dividends, Rents, and Other Investment Income (Note 1)	24,951	22,403	583	22,352
Federal Grants and Contracts	-	647,461	5,164,968	-
Other (Note 20)	329,043	116,431	37,246	114,296
Total Revenues	11,945,014	3,115,669	5,202,830	136,831
Expenditures				
Current:				
General Government	1,419,175	1,637	207,137	164
Education	5,279,669	2,236	737,904	185,533
Transportation	48	2,891,475	10,887	-
Resources and Economic Development	214,339	1,968	187,460	-
Individual and Family Services	2,933,208	-	4,109,555	-
Administration of Justice	1,920,102	5,763	52,010	-
Capital Outlay	18,143	16,840	18,476	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	11,784,684	2,919,919	5,323,429	185,697
Revenues Over (Under) Expenditures	160,330	195,750	(120,599)	(48,866)
Other Financing Sources (Uses)				
Transfers In (Note 25)	701,257	221,511	19,585	13,047
Transfers Out (Note 25)	(469,218)	(349,569)	(19,220)	-
Bonds Issued	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Funds from Restructured Escrow	-	-	-	-
Payment to Refunded Bond Escrow Agents	-	-	-	-
Total Other Financing Sources (Uses)	232,039	(128,058)	365	13,047
Net Change in Fund Balances	392,369	67,692	(120,234)	(35,819)
Fund Balance, July 1, as restated (Note 28)	53,870	1,252,937	141,348	372,819
Fund Balance, June 30	$ 446,239	$ 1,320,629	$ 21,114	$ 337,000

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

Nonmajor Governmental Funds	Total Governmental Funds
$ 151,682	$ 13,533,397
204,371	733,586
328,034	337,714
14,151	84,440
19,395	5,831,824
318,664	915,680
1,036,297	21,436,641
128,844	1,756,957
30,337	6,235,679
15,002	2,917,412
263,869	667,636
481,907	7,524,670
74,209	2,052,084
139,249	192,708
242,712	242,712
179,215	179,215
1,555,344	21,769,073
(519,047)	(332,432)
551,235	1,506,635
(116,034)	(954,041)
212	212
205,217	205,217
1,335	1,335
(211,690)	(211,690)
430,275	547,668
(88,772)	215,236
721,456	2,542,430
$ 632,684	$ 2,757,666

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds)	$ 215,236
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreases by the amount of depreciation expense charged for the year.	782,958
Bond proceeds provide current financial resources to governmental funds by issuing debt, which increases long-term bonded debt in the Statement of Activities. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets.	
Bond proceeds	(212)
Refunding Bonds Issued	(206,552)
Repayment of bond principal	17,053
Payment to refunded bond escrow agent	211,690
Certain expenditures are reported in the funds; however, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.	
Pension Liability	(89,290)
Capital Lease	(4,005)
Installment Purchases	3,692
Compensated Absences	(2,345)
Uninsured Employer's Fund	(846)
Regional Jails	2,633
Bonds	385,719
Interest	(158,511)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	80,486
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(30,840)
Some expenses are eliminated from the Statement of Activities due to the availability of long-term financial resources.	(248)
The net revenue (expenses) of certain activities of internal service funds is reported within governmental activities.	(33,313)
Change in net assets of governmental activities (See Government-wide Statement of Activities)	$ 1,173,305

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

Proprietary Funds

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.

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 that locks in future college costs for minors from birth through the ninth grade. The fund accounts for the actuarially determined contributions and payments for approved expenses.

The Pocahontas Parkway accounts for the Route 895 Connector Project. The Association is a blended component unit of the Department of Transportation (Primary Government).

The Unemployment Compensation 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 185 in the Combining and Individual Fund Statements and Schedules section of this report.

Internal Service Funds include those operations of State agencies which are listed on page 201 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Net Assets – Proprietary Funds

June 30, 2004
(Dollars in Thousands)

	Business-Type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Pocahontas Parkway	Unemployment Compensation
Assets				
Current Assets:				
Cash and Cash Equivalents (Notes 1 and 4)	$ 7,694	$ 98,804	$ 5,046	$ 298,571
Investments (Notes 1 and 4)	340,079	2,836	-	-
Receivables, Net (Notes 1 and 5)	57,944	58,270	771	101,881
Due from Other Funds (Note 7)	-	104	-	513
Inventory (Note 1)	3,595	-	-	-
Prepaid Items (Note 1)	1,738	-	19	-
Other Assets (Notes 1 and 8)	3	-	-	-
Total Current Assets	411,053	160,014	5,836	400,965
Noncurrent Assets:				
Investments (Notes 1 and 4)	340,549	703,607	35,305	-
Receivables, Net (Notes 1 and 5)	-	169,712	-	-
Prepaid Items (Note 1)	-	-	-	-
Other Assets (Notes 1 and 8)	-	-	5,426	-
Nondepreciable Capital Assets (Notes 1 and 10)	-	-	14,435	-
Depreciable Capital Assets, Net (Notes 1 and 10)	11,907	162	295,445	-
Total Noncurrent Assets	352,456	873,481	350,611	-
Total Assets	763,509	1,033,495	356,447	400,965
Liabilities				
Current Liabilities:				
Accounts Payable (Notes 1 and 17)	11,220	901	1,066	-
Amounts Due to Other Governments	-	-	-	6,102
Due to Other Funds (Note 7)	540	25	-	120
Due to Fiduciary Funds (Note 7)	-	-	-	101
Interfund Payable (Note 7)	-	-	-	-
Deferred Revenue (Note 1)	4,173	-	-	-
Claims Payable (Notes 1 and 16)	-	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 4)	282,433	2,836	-	-
Other Liabilities (Notes 1 and 18)	58,774	133	3,420	22,797
Long-Term Liabilities Due Within One Year (Notes 1, 15, and 19)	61,236	45,001	-	-
Total Current Liabilities	418,376	48,896	4,486	29,120
Noncurrent Liabilities:				
Interfund Payable (Note 7)	-	-	-	-
Claims Payable (Notes 1 and 16)	-	-	-	-
Other Liabilities (Notes 1 and 18)	-	-	19,651	-
Long-Term Liabilities Due in More Than One Year (Notes 1, 15, and 19)	347,442	1,113,092	447,372	-
Total Noncurrent Liabilities	347,442	1,113,092	467,023	-
Total Liabilities	765,818	1,161,988	471,509	29,120
Net Assets				
Invested in Capital Assets, Net of Related Debt	5,263	162	-	-
Restricted for Unemployment Compensation	-	-	-	371,658
Restricted for Retainage	-	-	1,034	-
Restricted for Debt Service	-	-	39,115	-
Restricted for Capital Acquisition	-	-	-	187
Unrestricted	(7,572)	(128,655)	(155,211)	-
Total Net Assets	$ (2,309)	$ (128,493)	$ (115,062)	$ 371,845

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
Nonmajor	Total	Internal Service Funds
$ 69,938	$ 480,053	$ 173,466
16,423	359,338	33,727
25,226	244,092	17,309
268	885	29,718
38,600	42,195	14,657
928	2,685	2,816
240	243	1,038
151,623	1,129,491	272,731
13,195	1,092,656	-
-	169,712	-
-	-	840
5,019	10,445	-
1,977	16,412	150
20,547	328,061	59,364
40,738	1,617,286	60,354
192,361	2,746,777	333,085
24,595	37,782	27,365
16	6,118	1,993
10,303	10,988	173
-	101	-
25,930	25,930	732
2,130	6,303	38,424
25,927	25,927	154,556
16,356	301,625	33,727
1,313	86,437	6,163
4,596	110,833	8,841
111,166	612,044	271,974
6,540	6,540	8,119
-	-	150,655
-	19,651	-
16,468	1,924,374	19,278
23,008	1,950,565	178,052
134,174	2,562,609	450,026
16,692	22,117	37,891
-	371,658	-
-	1,034	-
-	39,115	-
-	187	-
41,495	(249,943)	(154,832)
$ 58,187	$ 184,168	$ (116,941)
	$ 55	
	$ 184,223	

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

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Business-Type Activities Enterprise Funds			
	State Lottery	Virgina College Savings Plan	Pocahontas Parkway	Unemployment Compensation
Operating Revenues:				
Charges for Sales and Services	$ 1,262,359	$ 9,312	$ 7,674	$ 444,804
Interest, Dividends, Rents, and Other Investment Income (Note 1)	-	98,158	4,149	-
Other (Note 20)	-	1,136	-	-
Total Operating Revenues	1,262,359	108,606	11,823	444,804
Operating Expenses:				
Cost of Sales and Services	80,165	-	-	-
Prizes and Claims (Note 21)	707,179	-	-	484,875
Personal Services	19,874	2,345	-	-
Contractual Services	28,995	1,501	1,784	-
Supplies and Materials	1,975	51	-	-
Depreciation and Amortization (Note 22)	5,987	71	10,858	-
Rent, Insurance, and Other Related Charges	1,986	206	-	-
Interest Expense	-	-	23,984	-
Non-recurring Cost Estimate Payments to Providers	-	-	-	-
Distribution of On-Line Revenue	-	-	-	-
Other (Note 23)	-	208	-	-
Total Operating Expenses	846,161	4,382	36,626	484,875
Operating Income (Loss)	416,198	104,224	(24,803)	(40,071)
Nonoperating Revenues (Expenses):				
Interest, Dividends, Rents, and Other Investment Income (Note 1)	4,626	24	-	15,765
Other (Note 24)	21	(24)	-	-
Total Nonoperating Revenues (Expenses)	4,647	-	-	15,765
Income (Loss) Before Transfers	420,845	104,224	(24,803)	(24,306)
Transfers In (Note 25)	-	104	-	-
Transfers Out (Note 25)	(421,087)	(103)	(14,921)	(18,045)
Change in Net Assets	(242)	104,225	(39,724)	(42,351)
Total Net Assets (Deficit), July 1, as restated (Note 28)	(2,067)	(232,718)	(75,338)	414,196
Total Net Assets (Deficit), June 30 (Note 29)	$ (2,309)	$ (128,493)	$ (115,062)	$ 371,845

Some amounts reported for business-type activies 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
Nonmajor	Total	Internal Service Funds
$ 672,324	$ 2,396,473	$ 928,458
-	102,307	-
23,480	24,616	392
695,804	2,523,396	928,850
261,451	341,616	52,964
128,540	1,320,594	694,629
78,718	100,937	46,783
37,108	69,388	112,542
17,862	19,888	7,582
3,762	20,678	16,295
15,832	18,024	24,776
55	24,039	95
35,378	35,378	-
29,581	29,581	-
2,745	2,953	4,638
611,032	1,983,076	960,304
84,772	540,320	(31,454)
1,207	21,622	1,980
(296)	(299)	(361)
911	21,323	1,619
85,683	561,643	(29,835)
412	516	1,153
(95,606)	(549,762)	(4,501)
(9,511)	12,397	(33,183)
67,698	171,771	(83,758)
$ 58,187	$ 184,168	$ (116,941)
	$ 130	
	$ 12,527	

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Business-Type Activities Enterprise Funds			
	State Lottery	Virgina College Savings Plan	Pocahontas Parkway	Unemployment Compensation
Cash Flows from Operating Activities:				
Receipts for Sales and Services	$ 1,240,297	$ 135,568	$ 7,674	$ 388,884
Receipts from Investments	-	-	2,069	-
Internal Activity-Receipts from Other Funds	-	-	-	5,400
Internal Activity-Payments to Other Funds	-	(426)	-	-
Payments to Suppliers for Goods and Services	(79,402)	(263)	-	-
Payments for Prizes, Claims, and Loss Control (Note 31)	(759,788)	-	-	(489,904)
Payments for Tuition Benefits	-	(19,118)	-	-
Payments to Employees	(19,815)	(2,295)	-	-
Payments to Providers for Non-recurring Cost Estimates	-	-	-	-
Payments for Interest	-	-	(9,121)	-
Other Operating Revenue (Note 31)	-	-	-	-
Other Operating Expense (Note 31)	(17,554)	(1,237)	(258)	-
Net Cash Provided by (Used for) Operating Activities	363,738	112,229	364	(95,620)
Cash Flows from Noncapital Financing Activities:				
Transfers In From Other Funds	-	-	-	-
Transfers Out to Other Funds	(420,836)	(103)	(14,921)	(18,045)
Other Noncapital Financing Receipt Activities (Note 31)	997	-	-	-
Other Noncapital Financing Disbursement Activities (Note 31)	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(419,839)	(103)	(14,921)	(18,045)
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(472)	(68)	-	-
Payment of Principal and Interest on Bonds and Notes	(3,178)	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Other Capital and Related Financing Disbursement Activities (Note 31)	-	-	(94)	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(3,650)	(68)	(94)	-
Cash Flows from Investing Activities:				
Purchase of Investments	(6,862)	(1,489,205)	-	-
Proceeds from Sales or Maturities of Investments	59,923	1,366,970	-	-
Investment Income on Cash, Cash Equivalents, and Investments	4,005	27,468	-	15,765
Net Cash Provided by (Used for) Investing Activities	57,066	(94,767)	-	15,765
Net Increase (Decrease) in Cash and Cash Equivalents	(2,685)	17,291	(14,651)	(97,900)
Cash and Cash Equivalents, July 1, as restated (Note 28)	10,382	81,513	19,697	396,471
Cash and Cash Equivalents, June 30	$ 7,697	$ 98,804	$ 5,046	$ 298,571
Reconciliation of Cash and Cash Equivalents:				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	$ 7,694	$ 98,804	$ 5,046	$ 298,571
Cash and Travel Advances	3	-	-	-
Cash and Cash Equivalents per the Statement of Cash Flows	$ 7,697	$ 98,804	$ 5,046	$ 298,571

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

		Governmental Activities
Nonmajor	Total	Internal Service Funds
$ 670,817	$ 2,443,240	$ 732,747
-	2,069	-
3,544	8,944	205,468
(30,184)	(30,610)	(8,470)
(302,889)	(382,554)	(74,686)
(125,856)	(1,375,548)	(656,727)
-	(19,118)	-
(77,280)	(99,390)	(46,853)
(35,545)	(35,545)	-
(5)	(9,126)	-
15,568	15,568	402
(38,570)	(57,619)	(119,272)
79,600	460,311	32,609
144	144	643
(215,531)	(669,436)	(4,501)
132,372	133,369	1
(80)	(80)	(982)
(83,095)	(536,003)	(4,839)
(3,421)	(3,961)	(8,838)
(1,611)	(4,789)	(6,463)
39	39	1,319
-	(94)	-
(4,993)	(8,805)	(13,982)
(5,294)	(1,501,361)	-
4,757	1,431,650	-
1,999	49,237	2,643
1,462	(20,474)	2,643
(7,026)	(104,971)	16,431
77,203	585,266	158,073
$ 70,177	$ 480,295	$ 174,504
$ 69,938	$ 480,053	$ 173,466
239	242	1,038
$ 70,177	$ 480,295	$ 174,504

Continued on next page

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

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Business-Type Activities Enterprise Funds			
	State Lottery	Virgina College Savings Plan	Pocahontas Parkway	Unemployment Compensation
Reconciliation of Operating Income To Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	$ 416,198	$ 104,224	$ (24,803)	$ (40,071)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Amortization	5,987	71	10,858	-
Accretion of Principle	-	-	14,532	-
Interest, Dividends, Rents, and Other Investment Income	(29,535)	(98,207)	-	-
Miscellaneous Nonoperating Income	-	-	(2,082)	-
Other Expenses	-	-	2,111	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(23,206)	125,795	1	(43,771)
(Increase) Decrease in Due From Other Funds	-	-	-	866
(Increase) Decrease in Other Assets	-	-	-	-
(Increase) Decrease in Inventory	762	-	-	-
(Increase) Decrease in Prepaid Items	617	-	7	-
Increase (Decrease) in Accounts Payable	1,655	433	(260)	-
Increase (Decrease) in Amounts Due to Other Governments	-	-	-	3,575
Increase (Decrease) in Claims Payable	-	-	-	-
Increase (Decrease) in Due to Other Funds	58	3	-	72
Increase (Decrease) in Deferred Revenue	1,145	-	-	-
Increase (Decrease) in Other Liabilities	13,487	(52)	-	(16,291)
Increase (Decrease) in Long-Term Liabilities: Due Within One Year	225	524	-	-
Increase (Decrease) in Long-Term Liabilities: Due in More Than One Year	(23,655)	(20,562)	-	-
Net Cash Provided by (Used for) Operating Activities	$ 363,738	$ 112,229	$ 364	$ (95,620)
Noncash Investing, Capital, and Financing Activities:				
The following transactions occurred prior to the statement of net assets date:				
Increase in Inventory Reserve	$ -	$ -	$ -	$ -
Trade-ins of Used Equipment on New Equipment	-	-	-	-
Installment Purchases Used to Finance Capital Assets	-	-	-	-
Change in Fair Value of Investments	-	70,738	-	-
Capital Asset Addition Included in Accounts Payable	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	$ -	$ 70,738	$ -	$ -

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

		Governmental Activities
Nonmajor	Total	Internal Service Funds
$ 84,772	$ 540,320	$ (31,454)
3,762	20,678	16,295
-	14,532	-
-	(127,742)	-
(115)	(2,197)	4,345
-	2,111	-
(4,506)	54,313	(2,391)
-	866	1,189
(5,020)	(5,020)	-
(6,117)	(5,355)	(892)
(159)	465	677
2,600	4,428	3,881
-	3,575	1,150
3,039	3,039	37,184
(31)	102	(46)
(41)	1,104	3,466
210	(2,646)	(1,656)
99	848	97
1,107	(43,110)	764
$ 79,600	$ 460,311	$ 32,609
$ -	$ -	$ 150
-	-	(12)
910	910	2,968
(836)	69,902	-
-	-	(15)
$ 74	$ 70,812	$ 3,091

Fiduciary Funds

Private Purpose Funds

Private Purpose Funds are trust arrangements that benefit individuals, private organizations, or other governments.

Pension Trust Funds

Pension Trust Funds reflect the activities of the retirement systems and postemployment benefits administered by the Virginia Retirement System (VRS) for the Commonwealth.

Investment Trust Funds

Investment Trust Funds reflect the external portions of the investment pools sponsored by the Commonwealth.

Agency Funds

Agency Funds report those funds for which the State acts solely in a custodial capacity.

A listing of all Fiduciary Funds is located on pages 216-217 in the Combining and Individual Fund Statements and Schedules section of this report. Combining financial statements for all Fiduciary Funds begins on page 218.

Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2004
(Dollars in Thousands)

	Private Purpose Trust Funds	Pension Trust Funds	Investment Trust Funds	Agency Funds
Assets				
Cash and Cash Equivalents (Notes 1 and 4)	$ 46,140	$ 139,055	$ 2,603,731	$ 224,330
Investments (Notes 1 and 4):				
Bonds and Mortgage Securities	-	7,167,094	-	-
Stocks	127,413	14,226,126	-	-
Fixed Income Commingled Funds	-	1,225,707	-	-
Index and Pooled Funds	107,426	11,729,044	-	-
Real Estate	-	1,092,179	-	-
Venture Capital	-	1,996,233	-	-
Mutual and Money Market Funds	7,363,948	-	-	-
Short-term Investments	18	1,504,025	1,112,754	389,555
Other	63,717	4,330,900	-	2,651
Total Investments	7,662,522	43,271,308	1,112,754	392,206
Receivables (Notes 1 and 5):				
Accounts	-	-	-	56,248
Contributions	245	103,720	-	-
Interest and Dividends	312	84,987	5,807	-
Receivable for Security Transactions	-	2,278,768	-	-
Other Receivables	298	7,791	-	-
Total Receivables	855	2,475,266	5,807	56,248
Due from Other Funds (Note 7)	7	-	-	138
Due from Fiduciary Funds (Note 7)	-	17,986	-	1,815
Other Assets (Notes 1 and 8)	-	-	77	-
Furniture and Equipment (Note 1)	-	6,089	-	-
Total Assets	7,709,524	45,909,704	3,722,369	674,737
Liabilities				
Accounts Payable and Accrued Expenses (Notes 1 and 17)	453	24,106	-	4,992
Amounts Due to Other Governments	-	-	-	198,619
Due to Other Funds (Note 7)	-	-	-	151
Due to Fiduciary Funds (Note 7)	-	19,441	-	360
Obligations Under Securities Lending Program (Notes 1 and 4)	2,340	3,134,769	-	2,651
Other Liabilities (Notes 1 and 18)	8	1,077	379	464,905
Retirement Benefits Payable	-	151,378	-	-
Refunds Payable	-	6,197	-	-
Compensated Absences Payable (Notes 1 and 15)	135	1,161	-	-
Insurance Premiums and Claims Payable	24,191	34,900	-	3,059
Payable for Security Transactions	-	2,491,239	-	-
Pension Liability	160	1,629	-	-
Total Liabilities	27,287	5,865,897	379	674,737
Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes	$ 7,682,237	$ 40,043,807	$ 3,721,990	$ -

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

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Private Purpose Trust Funds	Pension Trust Funds	Investment Trust Funds
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	$ 768,883	$ 6,246,416	$ (6,225)
Distributions to Shareholders from Net Investment Income	-	-	(17,048)
Total Investment Income	768,883	6,246,416	(23,273)
Less Investment Expenses	9,963	145,620	-
Net Investment Income	758,920	6,100,796	(23,273)
Proceeds from Unclaimed Property	150,722	-	-
Contributions:			
Participants	3,545,496	-	-
Member	-	673,231	-
Employer	-	626,398	-
Total Contributions	3,545,496	1,299,629	-
Purchase of Investments	-	-	-
Shares Sold	-	-	4,520,891
Reinvested Distributions	-	-	17,049
Other Revenue (Note 20)	45	908	-
Total Additions	4,455,183	7,401,333	4,514,667
Deductions:			
Payment to Literary Fund	50,000	-	-
Loan Servicing Payments	103	-	-
Tuition Benefits	108,149	-	-
Retirement Benefits	-	1,761,164	-
Refunds to Former Members	-	84,968	-
Retiree Health Insurance Credits	-	64,920	-
Insurance Premiums and Claims	19,999	106,031	-
Trust Payments	1	-	-
Administrative Expenses	9,507	20,516	-
Other Expenses	-	372	-
Shares Redeemed	271,946	-	4,428,389
Long Term Disability Benefits	-	23,835	-
Total Deductions	459,705	2,061,806	4,428,389
Transfers:			
Transfers In	-	10	-
Transfers Out	-	(10)	-
Total Transfers	-	-	-
Net Increase	3,995,478	5,339,527	86,278
Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes			
July 1, as restated (Note 28)	3,686,759	34,704,280	3,635,712
June 30	$ 7,682,237	$ 40,043,807	$ 3,721,990

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

Component Units

Component Units are organizations that are legally separate from the Commonwealth of Virginia. Each discrete Component Unit serves or benefits those outside of the primary government.

The Virginia Housing Development Authority provides investment in and stimulates construction of low to moderate income housing for the citizens of the Commonwealth.

The Virginia Public School Authority provides financing for capital construction of primary and secondary schools to cities and counties.

The Higher Education Institutions account for the resources received and used in the operation of the Commonwealth's institutions of higher education and medical teaching hospitals. Higher education institutions included in this section are:

- University of Virginia, including the University of Virginia College at Wise (formerly reported as Clinch Valley College), and the University of Virginia Hospital
- Virginia Polytechnic Institute and State University
- Virginia Commonwealth University, including the Virginia Commonwealth University Health Systems Authority (formerly reported as Medical College of Virginia Hospitals Authority)

Nonmajor Component Units include those listed on page 239 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Net Assets – Component Units

June 30, 2004
(Dollars in Thousands)

	Virginia Housing Development Authority	Virginia Public School Authority	University of Virginia	Virginia Polytechnic Institute and State University
Assets				
Cash and Cash Equivalents (Notes 1 and 4)	$ 36,785	$ 54	$ 275,922	$ 72,311
Investments (Notes 1 and 4)	455,737	2,313,705	3,093,748	109,418
Receivables, Net (Notes 1 and 5)	114,684	51,652	279,575	67,752
Contributions Receivable, Net (Note 6)	-	-	63,963	32,570
Due from Primary Government (Note 7)	-	-	1,630	833
Due from Component Units (Note 7)	-	-	5,466	7,208
Inventory (Note 1)	209	-	15,025	14,991
Prepaid Items (Note 1)	-	-	16,408	11,564
Other Assets (Notes 1 and 8)	5,699	-	12,170	3,883
Loans Receivable from Primary Government (Notes 1 and 7)	-	170,520	-	-
Restricted Cash and Cash Equivalents (Note 9)	337,735	79,669	106,174	126,640
Restricted Investments (Note 9)	378,613	42,371	311,125	397,476
Other Restricted Assets (Note 9)	4,862,391	-	-	12,625
Nondepreciable Capital Assets (Notes 1 and 10)	1,945	-	291,684	135,152
Depreciable Capital Assets, Net (Notes 1 and 10)	11,201	-	1,245,151	588,035
Total Assets	6,204,999	2,657,971	5,718,041	1,580,458
Liabilities				
Accounts Payable (Notes 1 and 17)	27,465	1,124	188,681	87,634
Amounts Due to Other Governments	-	68,121	-	-
Due to Component Units (Note 7)	-	-	-	-
Deferred Revenue (Note 1)	-	-	58,665	27,812
Obligations Under Securities Lending Program (Notes 1 and 4)	-	-	117,962	2,080
Other Liabilities (Notes 1 and 18)	202,926	85,177	202,615	40,819
Loans Payable to Primary Government (Notes 1 and 7)	-	-	-	-
Long-term Liabilities (Notes 1, 15, and 19):				
Due Within One Year	298,712	198,102	59,684	32,937
Due in More Than One Year	4,133,020	2,280,674	637,485	388,495
Total Liabilities	4,662,123	2,633,198	1,265,092	579,777
Net Assets				
Invested in Capital Assets, Net of Related Debt	(9,600)	-	1,013,891	445,317
Restricted For:				
Nonexpendable:				
Higher Education	-	-	618,497	213,474
Other	-	-	-	-
Expendable:				
Higher Education	-	-	1,656,654	293,744
Virginia Pooled Investment Program	-	-	-	-
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	21,482	-	-
Bond Indenture	1,307,883	-	-	-
Other	-	-	-	-
Unrestricted	244,593	3,291	1,163,907	48,146
Total Net Assets	$ 1,542,876	$ 24,773	$ 4,452,949	$ 1,000,681

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

Virginia Commonwealth University	Nonmajor Component Units	Total
$ 300,052	$ 560,070	$ 1,245,194
288,157	786,928	7,047,693
139,796	1,964,823	2,618,282
21,706	117,713	235,952
1,590	3,814	7,867
4,295	18,851	35,820
6,589	16,472	53,286
6,548	31,276	65,796
22,924	20,664	65,340
-	-	170,520
20,981	363,389	1,034,588
195,393	974,848	2,299,826
17,284	125,000	5,017,300
73,106	966,442	1,468,329
667,553	2,493,934	5,005,874
1,765,974	8,444,224	26,371,667
101,811	249,288	656,003
-	6,035	74,156
-	35,820	35,820
25,741	111,434	223,652
2,612	74,947	197,601
143,289	147,573	822,399
-	65,206	65,206
28,827	201,088	819,350
389,932	2,955,036	10,784,642
692,212	3,846,427	13,678,829
463,543	2,338,077	4,251,228
168,768	601,887	1,602,626
-	77,957	77,957
137,677	522,310	2,610,385
-	4,976	4,976
-	912,435	912,435
-	62,037	83,519
-	187	1,308,070
-	72,906	72,906
303,774	5,025	1,768,736
$ 1,073,762	$ 4,597,797	$ 12,692,838

Statement of Activities – Component Units

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Virginia Housing Development Authority	$ 417,100	$ 387,755	$ 120,334	$ -
Virginia Public School Authority	132,434	127,058	-	-
Higher Education:				
University of Virginia	1,929,686	1,270,728	459,994	26,011
Virginia Polytechnic Institute & State University	775,208	328,880	160,808	2,775
Virginia Commonwealth University	1,394,261	1,108,501	202,357	21
Total Higher Education	4,099,155	2,708,109	823,159	28,807
Nonmajor Component Units:				
Higher Education	2,550,755	1,055,268	466,223	34,179
Other	502,076	372,177	12,198	48,854
Total Nonmajor Component Units	3,052,831	1,427,445	478,421	83,033
Total Component Units	$ 7,701,520	$ 4,650,367	$ 1,421,914	$ 111,840

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

	General Revenues					
Net (Expenses) Revenue	Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Capital Appropriations from Primary Government	Contributions to Permanent / Term Endowments
$ 90,989	$ -	$ -	$ 8,990	$ 82	$ -	$ -
(5,376)	-	-	2,216	-	-	-
(172,953)	138,039	2	329,033	56,118	4,015	10,215
(282,745)	203,899	6,348	51,859	26,537	9,248	46,890
(83,382)	150,155	-	34,935	4,761	10,932	7,081
(539,080)	492,093	6,350	415,827	87,416	24,195	64,186
(995,085)	847,501	25,177	128,757	35,045	23,661	55,380
(68,847)	62,189	4,073	25,841	277	-	22,171
(1,063,932)	909,690	29,250	154,598	35,322	23,661	77,551
$ (1,517,399)	$ 1,401,783	$ 35,600	$ 581,631	$ 122,820	$ 47,856	$ 141,737

Continued on next page

Statement of Activities – Component Units *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	General Revenues (continued)		
	VCBA Payments to Schools	Tobacco Master Settlement	Changes in Net Assets
Virginia Housing Development Authority	$ -	$ -	$ 100,061
Virginia Public School Authority	-	-	(3,160)
Higher Education:			
University of Virginia	2,421	-	366,890
Virginia Polytechnic Institute & State University	31,075	-	93,111
Virginia Commonwealth University	7,022	-	131,504
Total Higher Education	40,518	-	591,505
Nonmajor Component Units:			
Higher Education	119,053	-	239,489
Other	-	77,038	122,742
Total Nonmajor Component Units	119,053	77,038	362,231
Total Component Units	$ 159,571	$ 77,038	$ 1,050,637

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

Net Assets July 1 as restated (Note 28)	Net Assets June 30
$ 1,442,815	$ 1,542,876
27,933	24,773
4,086,059	4,452,949
907,570	1,000,681
942,258	1,073,762
5,935,887	6,527,392
2,415,962	2,655,451
1,819,604	1,942,346
4,235,566	4,597,797
$ 11,642,201	$ 12,692,838

Index to the Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

B. Reporting Entity

For financial reporting purposes, the Commonwealth of Virginia's (the "Commonwealth's") reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable (blended component units), and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and they are financially accountable to the primary government (discrete component units). The funds of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included. GASBS No. 39 was implemented in fiscal year 2004 and requires the inclusion of numerous organizations that raise and hold funds for the direct benefit of the primary government.

Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) describes the criteria for determining which organizations, functions, and activities should be considered part of the Commonwealth for financial reporting purposes. The basic criteria include appointing a voting majority of an organization's governing body, and the Commonwealth's ability to impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Commonwealth.

(1) Primary Government – A primary government consists of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, and departments are, for financial reporting purposes, part of the primary government.

(2) Blended Component Units – Though legally separate entities, these component units are, in substance, part of the primary government's operations. The blended component unit serves or benefits the primary government almost exclusively. Financial information from these units is combined with that of the primary government. Blended component units are:

Pocahontas Parkway Association (Major Enterprise Fund) – The Association, a private, non-stock, nonprofit corporation was created to develop, construct, and provide financing for the Route 895 Connector Project. The Association is a blended component unit of the Department of Transportation (Primary Government) because it is fiscally dependent on the primary government and provides services entirely to the benefit of the Commonwealth. Ernst & Young, LLP audited the Association, and a separate report is available from the Association, Post Office Box 35033, Richmond, Virginia 23235.

Virginia Public Building Authority (VPBA) (Nonmajor Governmental Funds) – The Authority was created as a body politic and corporate and is fiscally independent. A government instrumentality, the Authority finances the acquisition and construction of buildings for the use of the Commonwealth and other approved purposes. The Governor appoints the seven-member board, and the primary government is able to impose its will on the Authority. The Auditor of Public Accounts audits the Authority, and a separate report is issued from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218.

Virginia Land Conservation Foundation (VLCF) (Nonmajor Special Revenue Fund) – The Foundation was created as a body politic and corporate to serve the Department of Conservation and Recreation (Primary Government) by acquiring interests in preservation land and providing grants to other entities to acquire interests in preservation land. The Governor appoints the 18-member board, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 203 Governor Street, Suite 402, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Foundation as part of the Department of Conservation and Recreation and discloses its existence in that report.

Virginia Arts Foundation (Nonmajor Permanent Fund) – The Foundation was created as a body politic and corporate to serve the Virginia Commission for the Arts (Primary Government) by promoting the arts in the Commonwealth. The Governor appoints the Board of Trustees for the Virginia Commission for the Arts, which also serves as the Board for the Virginia Arts Foundation. The

Director of the Virginia Commission for the Arts serves as the Board chairman. In addition, the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 223 Governor Street, Richmond, VA 23219. The Auditor of Public Accounts audits the foundation as part of the Virginia Commission for the Arts.

(3) **Discrete Component Units** – Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These discrete component units serve or benefit those outside of the primary government.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* is effective for fiscal year 2004. This Statement generally requires any organization that raises and holds economic resources for the direct benefit of the reporting entity to be reported as a component unit, even if the reporting entity is not financially accountable for the organization. The entities are included in the Commonwealth's reporting entity function as nonprofit charitable organizations and exist solely to support the Commonwealth's higher education institutions or museums. The higher education institution nonprofit organizations are included in the applicable higher education institution's column in the accompanying financial statements. The museum foundations, which are discretely presented, are more fully described later in this footnote. The Virginia Horse Center Foundation, a component unit of the Virginia Equine Center (Center) (Nonmajor Component Unit), is included in the Center's column in the accompanying financial statements. In all instances where separate disclosure of these nonprofit organizations is required in the accompanying footnotes, the entities' totals are aggregated and disclosed as "Foundations." Discretely presented component units are:

Higher Education Institutions – The Commonwealth's higher education institutions are granted broad corporate powers by State statutes. The Governor appoints the members of each institution's Board of Trustees. In addition to the annual appropriations to support the institutions' operations, the State provides funding for, and construction of, major academic plant facilities for the institutions. Therefore, there is a financial benefit/burden to the primary government. The bonds issued to finance the construction of these facilities are obligations of the State. The major higher education institutions are: University of Virginia, including the University of Virginia Hospital and the University of Virginia's College at Wise (formerly reported as Clinch Valley College); Virginia Polytechnic Institute and State University; and Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority (formerly reported as MCV Health Systems Authority). The nonmajor Higher Education Institutions are: the College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science; Virginia Military Institute; Virginia State University; Norfolk State University; Mary Washington College; James Madison University; Radford University; Old Dominion University; George Mason University; Virginia Community College System; Christopher Newport University; and Longwood University. The Southwest Virginia Higher Education Center and the Roanoke Higher Education Authority are also included as nonmajor higher education institutions. The colleges and universities are funded through State appropriations, tuition, Federal grants, and private donations and grants. As noted previously, certain Foundations are considered component units of the higher education institutions and are included in the accompanying financial statements and the higher education institutions' individually published financial statements. The APA does not audit component units of the higher education institutions, including Foundations, but relies on the reports issued by other auditors to render their opinion.

The Auditor of Public Accounts (APA) audits the colleges and universities, and individual reports are issued under separate cover. Complete financial statements for each institution may be obtained from their respective administrative offices. The addresses for these institutions may be obtained from the Virginia Department of Accounts, 101 North 14th Street, Richmond, Virginia 23219.

Virginia Housing Development Authority (VHDA) (Major) – The Authority was created as a political subdivision and instrumentality of the Commonwealth and is granted both politic and corporate powers by the *Code of Virginia*. The Governor appoints a majority of the Authority's Board members and the remainder of the Board members are ex-officio. The Commonwealth may make grants to the Authority including, but not limited to, reserve funds, which is a potential financial benefit/burden to the primary government. The State is not legally obligated by the debt of the Authority. The Authority was created in the public interest to provide investment in and stimulate construction of low to moderate income housing which benefits the citizens of the Commonwealth. The administrative offices of the Authority are located at 601 South

Belvidere Street, Richmond, Virginia 23220. KPMG, LLP audited the Authority, and a separate report is available.

Virginia Public School Authority (VPSA) (Major) – The Authority was created as a public body corporate, and an agency and instrumentality of the Commonwealth to finance capital projects of city and county school boards. The Governor appoints the board members, who serve at his pleasure. Therefore, the primary government is able to impose its will on the Authority. The Auditor of Public Accounts audits the Authority, and a separate report is issued from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218.

Virginia Economic Development Partnership (VEDP) (Nonmajor) – The Partnership was created as a body corporate and operates to encourage, stimulate, and support the development and expansion of commerce in the Commonwealth. The Governor appoints the 15-member board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Byrd Street, Post Office Box 798, Richmond, Virginia 23218-0798. The Auditor of Public Accounts audits the Partnership, and a separate report is issued.

Virginia Outdoors Foundation (Nonmajor) – The Foundation was created as a body politic and is administratively assigned to the Department of Conservation and Recreation (Primary Government) and charged with promoting preservation through the acceptance of donated conservation easements and raising funds for the purchase of preservation land. The Governor appoints the seven-member Board of Trustees, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 302 Royal Lane, Blacksburg, Virginia 24060. The Auditor of Public Accounts audits the Foundation as part of the Department of Conservation and Recreation and discloses its existence in that report.

Virginia Port Authority (VPA) (Nonmajor) – The Authority was established as a corporate body and operates to serve the citizens and promote commerce through the harbors and ports of Virginia. The Governor appoints a majority of the 12-member board, and the primary government is able to impose its will on the Authority. There is also a financial benefit/burden to the primary government. The administrative offices of the Authority are located at 600 World Trade Center, Norfolk, Virginia 23510. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia Resources Authority (VRA) (Nonmajor) – The Authority was created as a statewide public body corporate political subdivision of the Commonwealth to provide financing of infrastructure projects for water supply, wastewater, storm water, solid waste treatment, airports, public safety, brownfields remediation and redevelopment, and recycling. The Governor appoints the 11-member board and the Executive Director of the Authority. The primary government is able to impose its will on the Authority, and there is a financial benefit/burden to the primary government. The Commonwealth does not guarantee any bonds issued by the Virginia Resources Authority. The administrative offices of the Authority are located at 707 East Main Street, Suite 1350, Richmond, Virginia 23219. Goodman and Company, LLP audited the Authority, and a separate report is available.

Virginia Tourism Authority (Nonmajor) – The Authority was created as a public body corporate and as a political subdivision of the Commonwealth. The Authority encourages, stimulates, and promotes tourism and film production industries of the Commonwealth. The Governor appoints all of the board members, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Byrd Street, Nineteenth Floor, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia Tobacco Settlement Foundation (Nonmajor) – The Foundation was created as a body corporate and as a political subdivision of the Commonwealth. The Foundation was established to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund and to distribute monies in this fund for such efforts as restricting the use of tobacco products by minors and the enforcement of laws restricting the distribution of tobacco products to minors. The Governor appoints the majority of the board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 701 East Franklin Street, Fifth Floor, Richmond, Virginia, 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Tobacco Indemnification and Community Revitalization Commission (Nonmajor) – The Commission was created as a body corporate and as a political subdivision of the Commonwealth. The Commission was established to determine the appropriate recipients of the monies in the Tobacco Indemnification and Community Revitalization Fund. This fund is to provide payments to tobacco farmers as compensation for the adverse economic effects resulting from loss of investment in specialized tobacco equipment and barns, and lost tobacco production opportunities. It also provides monies to revitalize tobacco dependent communities. The Governor appoints the majority of the board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 701 East Franklin Street, Suite 501, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Commission, and a separate report is issued.

Hampton Roads Sanitation District Commission (Nonmajor) – The Commission was established as a political subdivision of the Commonwealth and a government instrumentality. The Commission, which is the governing Board of the District, was granted corporate powers by the *Code of Virginia*. The Governor appoints the Commission members, who serve at his pleasure. Therefore, the primary government is able to impose its will on the Commission. The Commonwealth is not obligated by the debt of the Commission. The Commission was established to benefit the inhabitants of the District and operates a sewage system for 17 localities in the Chesapeake Bay area. The address for the administrative offices of the Commission is 1436 Air Rail Ave, Post Office Box 5915, Virginia Beach, Virginia 23471. KPMG, LLP, audited the Commission, and a separate report is available.

Virginia Biotechnology Research Park Authority (Nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to assist in the development of a biotechnology research park. The Governor appoints the board members of the Authority, and there is a potential financial benefit/burden to the primary government. The administrative offices of the Authority are located at 800 East Leigh Street, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Small Business Financing Authority (SBFA) (Nonmajor) – The Virginia Small Business Financing Act of 1984 (Chapter 28, Title 9, *Code of Virginia*) established the Authority as a public body corporate and a political subdivision of the Commonwealth. The Governor appoints the 11-member board, and the primary government is able to impose its will on the Authority. The Authority was created to assist small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses. The Authority can provide financial assistance to small businesses by providing loans, guarantees, insurance, and other assistance, thereby encouraging the investment of private capital in small businesses in the Commonwealth. The Authority can loan money to local governments as defined by the *Code of Virginia* for economic development purposes. The Authority also guarantees loans made to small businesses by banks. The administrative offices of the Authority are located at 707 East Main Street, Suite 300, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia Schools for the Deaf and Blind Foundation (Nonmajor) – The Foundation operates as a non-private educational and fund raising organization solely in connection with, and exclusively for the benefit of the Virginia School for the Deaf and Blind at Staunton (Primary Government) and the Virginia School for the Deaf, Blind and Multi-Disabled at Hampton (Primary Government), and within the jurisdiction and management of the Virginia Board of Education. The Foundation uses a December 31 calendar year end. The administrative offices of the Foundation are located at the Virginia Department of Education, 101 North 14th Street, Richmond, Virginia, 23219. The Auditor of Public Accounts audits the Foundation along with the audit of the Department of Education, and a separate report is issued.

Science Museum of Virginia Foundation (Nonmajor) – The Foundation is a non-stock, non-profit corporation established to implement and fund programs, projects, and operations that are authorized and approved by the Trustees of the Science Museum of Virginia (Primary Government). The administrative offices of the Foundation are located at the Science Museum of Virginia, 2500 W. Broad Street, Richmond, Virginia 23220. The Foundation is audited by Rose, Sanderson & Creasy, LLC, and a separate report is available.

Virginia Museum of Fine Arts Foundation (Nonmajor) **–** The Foundation operates as a non-profit corporation under the laws of Virginia to fund exhibitions, programs, and capital asset expansion to ensure that the Virginia Museum of Fine Arts (Primary Government) has the space and resources for art to help improve the quality of life for many. The administrative offices of the Foundation are located at 2800 Grove Avenue, Richmond, Virginia 23221. KPMG, LLP, audits the Foundation and a separate report is issued.

A. L. Philpott Manufacturing Extension Partnership (Nonmajor) – The Partnership has the mission to foster economic growth by enhancing the competitiveness of Virginia's manufacturers. The Partnership provides manufacturing firms with fee-based technology consulting services, access to business modernization resources, and support for interfirm collaboration. Further, the Partnership provides direct assistance to increase sales, decrease costs, and improve quality, productivity, and competitiveness. The

Partnership has a 23-member Board of Trustees. The Board consists of the presidents of two public four-year institutions of higher education; three community college presidents; the director of Virginia's Center for Innovative Technology; Virginia's Secretary of Commerce and Trade; and fifteen citizen members, representing manufacturing industries, appointed by the Governor. There is also a financial benefit/burden to the primary government. The administrative office is located at Patrick Henry Community College, 645 Patriot Avenue, Post Office Box 5311, Martinsville, Virginia 24115. The Auditor of Public Accounts audits the Partnership, and a separate report is issued.

Virginia Equine Center Foundation (Nonmajor) – The Foundation was created as a body politic and corporate, and operates the Virginia Equine Center (Center) for the benefit of the equine and tourism industries. In 1994, the Commonwealth began making grant payments to the Foundation to keep the Center from falling into default on its debt. The Governor appoints a majority of the 11-member board, and there is a financial benefit/burden to the primary government. As previously noted, the Center includes the Virginia Horse Center Foundation as part of its report, pursuant to GASBS No. 39. The address for the administrative offices of the Foundation is Post Office Box 1051, Lexington, Virginia 24450. The accounting firm of William White, Sr., CPA audited the Foundation, and a separate report is available.

Certified Nursing Facility Education Initiative (Nonmajor) – The Initiative was created as a nonprofit corporation by the *Code of Virginia* to assist the Department of Medical Assistance Services (DMAS) (Primary Government). The Initiative provides early on-site training and assistance to certified nursing facilities to improve quality of care and life to certified nursing facility residents. The address for the administrative offices of the Initiative is Post Office Box 465, Orange, Virginia 22960. Cole & King, LLC, CPA's audited the Initiative, and a separate report is available. A note to the audited financial statements disclosed that the Initiative has relied on funding from DMAS to meet operating expenses and expressed concern that the Initiative might not be able to continue operations past June 30, 2005, should that funding not be renewed or replaced by another source.

Innovative Technology Authority (ITA) (Nonmajor) – The Authority is granted corporate powers by the *Code of Virginia*. The Authority serves to facilitate the marketing, organization, and development of scientific research and technology by the State's institutions of higher education and private industry in the Commonwealth. The Governor appoints the 16-member board, and there is a financial benefit/burden to the primary government. The Authority's combined financial statements include the accounts of the Center for Innovative Technology (CIT) after elimination of all significant intercompany balances and transactions. CIT is a nonstock, not-for-profit corporation, which acts as the operating arm of the Authority. The address for the administrative offices of the Authority is CIT Building, Suite 600, 2114 Rock Hill Road, Herndon, Virginia 22070. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia College Building Authority (VCBA) (Nonmajor) – The Authority was created as a public body corporate, a political subdivision, and an agency and instrumentality of the Commonwealth. The Governor appoints a majority of the board and members serve at his pleasure. Therefore, the primary government is able to impose its will on the Authority. The Authority finances certain capital projects and equipment purchases of State-supported colleges and universities. The Auditor of Public Accounts audits the Authority, and a separate report is issued from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218.

Only the activity of the Authority that relates to the financing of capital projects and equipment purchases by State-supported colleges and universities is included in the financial statements. The Authority assists private institutions of higher education in the financing and refinancing of a broad range of facilities. The Authority is authorized to issue obligations and lend the proceeds to private institutions; however, such financings or refinancings are not obligations of the Commonwealth nor the Authority, but are payable solely from the revenues pledged by the respective private institution. This indebtedness, totaling $358.6 million, is not included in the financial statements.

(4) Related Organizations – Organizations for which a primary government is accountable because that government appoints a majority of the Board, but is not financially accountable, are related organizations. Related organizations are:

Virginia Recreational Facilities Authority – The Authority was created as a political subdivision and instrumentality of the Commonwealth and given separate corporate powers by the *Code of Virginia*. The Governor appoints the 13-member board of directors. The Authority operates educational programs, tourism, and commerce in the Roanoke Valley. The address for the administrative offices of the Authority is 3900 Rutrough Road, Roanoke, Virginia 24014. Foti, Flynn, Lowen and Company audited the Authority, and a separate report is available.

Miller School of Albemarle – The School was created through the will of Samuel Miller of Lynchburg to provide a quality education for poor and orphaned children in central Virginia. Initially, the Commonwealth was charged with oversight of the Miller Trust Fund, which supported the School. The Governor still appoints one-third of the board. The administrative offices of the School are located at 1000 Samuel Miller Loop, Charlottesville, Virginia 22903. Joseph J. Saunders, III, CPA, Inc. audited the School, and a separate report is available.

Jamestown-Yorktown Educational Trust – The Trust was created as a nonprofit corporation by the *Code of Virginia* to assist the Jamestown-Yorktown Foundation (Foundation). The Trust Board consists of six members selected from the Foundation's Board of Trustees. Several Commonwealth officials serve as ex-officio members of the Foundation's Board, and the Governor appoints twelve members. The Trust operates the Jamestown Settlement and Yorktown Victory Centers' gift shops and café, oversees investments, and sponsors events. The address for the administrative offices of the Trust is Post Office Box 3605, Williamsburg, Virginia 23187. Goodman and Company, LLP, audited the Trust, and a separate report is available.

Virginia Birth-Related Neurological Injury Compensation Program – The Program was created to provide a no-fault alternative for birth-related neurological injuries. The Governor appoints the 7-member board. The administrative offices of the Program are located at 9100 Arboretum Parkway Suite 365, Richmond, Virginia 23236. Cherry, Bekaert, & Holland audited the Program, and a separate report is available.

Chesapeake Bay Bridge and Tunnel Commission – The Commission was created to establish policy and administer operations of the Chesapeake Bay Bridge Tunnel District. Any of the 11 members of the Commission appointed or reappointed on or after July 1, 1998, shall be appointed by the Governor, subject to confirmation by each house of the General Assembly. The administrative offices of the Commission are located at Post Office Box 111, 32386 Lankford Highway, Cape Charles, Virginia 23310. KPMG, LLP, audited the Commission, and a separate report is available.

Assistive Technology Loan Fund Authority – The Authority was created as a political subdivision and public body corporate by the *Code of Virginia*. The Governor appoints the board of directors as directed by the *Code*. The Authority manages a fund to provide loans to individuals to acquire assistive technology, other equipment, or other authorized purposes designed to help disabled individuals become more independent. The administrative offices are located at 1602 Rolling Hills Drive, Suite 106, Richmond, Virginia 23229. The Authority is audited by Wells, Coleman and Company, LLP.

C. Government-wide and Fund Financial Statements

The government-wide financial statements, the Statement of Net Assets and the Statement of Activities, report information on all nonfiduciary activities of the primary government and component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Also, the primary government activity is reported separately from the legally separate component units for which the Commonwealth is financially accountable.

The Statement of Activities demonstrates the degree to which direct expenses of a specific function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. In addition, to the extent that indirect costs are allocated to the various functions, the program expenses will include both direct and indirect costs. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit, as well as investment income generated by operations. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items properly excluded from program revenues are reported as general revenues.

Net assets are restricted when constraints are placed on them that are imposed by external parties or constitutional provisions. Designations solely imposed by the Commonwealth's management are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, the Commonwealth's policy is to use the restricted resources first. Some institutions of higher education may follow a different policy.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and component units. However, fiduciary funds are not included in the government-wide statements. Major governmental funds, enterprise funds, and component units are reported as separate columns in the fund financial statements, with nonmajor funds being aggregated into a single column.

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

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the full 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commonwealth considers revenues to be available if they are collected within 60 days of the end of the current fiscal year (or one year for Medicaid). Significant revenues subject to accrual include Federal grants and income and sales taxes. Income tax revenues for tax underpayments are only recognized to the extent of the Commonwealth's estimated refunds for tax overpayments received. Revenues that the Commonwealth earns by incurring obligations are recognized in the same period as when the obligations are recognized.

Expenditures generally are recorded when a liability is incurred, as under full accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgements are recorded only when the payment is due.

The Commonwealth reports the following major governmental funds:

General Fund – Accounts for the transactions related to resources received and used for those services traditionally provided by a State government, which are not accounted for in any other fund. These services include general government, legislative and judicial activities, public safety, health and mental health programs, resources and economic development, licensing and regulation, and primary and secondary education.

Commonwealth Transportation Special Revenue Fund – Accounts for the revenues and expenditures associated with highway operations, maintenance, construction, and other transportation related activities. Funding for these programs is received from highway user taxes, fees, and funds received from the Federal government.

Federal Trust Special Revenue Fund – Accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation Fund, the Unemployment Compensation Fund, and institutions of higher education. In addition, federal funds received from Medicaid intergovernmental transfers and for the Commonwealth's share of claims are reported in the Other – Special Revenue Fund.

Literary Fund Special Revenue Fund – Accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used primarily to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovations, and expansion of school buildings.

Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements – The financial statements of the proprietary funds, fiduciary funds, and component units are reported using the economic resources measurement focus and the full accrual basis of accounting. As with the government-wide statements, revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

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 reporting their enterprise funds (including component units reporting as business-type activities). All enterprise funds reported herein, with the exception of the Pocahontas Parkway (Major Enterprise Fund), the Virginia Port Authority (Nonmajor Component Unit), the A. L. Philpott Manufacturing Extension Partnership (Nonmajor Component Unit), the Virginia Equine Center (Nonmajor Component Unit), Mary Washington College (Nonmajor Component Unit), the Roanoke Higher Education Authority (Nonmajor Component Unit), and the Innovative Technology Authority (Nonmajor Component Unit) apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Pocahontas Parkway (Major Enterprise Fund), the Virginia Port Authority (Nonmajor Component Unit), the A. L. Philpott Manufacturing Extension Partnership (Nonmajor Component Unit), the

Virginia Equine Center (Nonmajor Component Unit), Mary Washington College (Nonmajor Component Unit), the Roanoke Higher Education Authority (Nonmajor Component Unit), and the Innovative Technology Authority (Nonmajor Component Unit) apply all of these pronouncements, and also apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Foundations' (Component Units) financial statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. The financial statements are prepared under FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. FASB rather than GASB pronouncements are followed. In some instances, activities of the Foundations (Component Units) are reported separately within the footnotes because of the different reporting standards. Also, some Foundations (Component Units) have a calendar rather than a fiscal year end. Foundations (Component Units) with a calendar year end are included in these financial statements for the year ending December 31, 2003.

The Commonwealth reports the following major enterprise funds:

State Lottery Fund – Accounts for all receipts and expenses of the State Lottery.

Virginia College Savings Plan Fund – Administers the Virginia Prepaid Education Program.

Pocahontas Parkway Fund – Accounts for the Route 895 Connector Project. The Pocahontas Parkway Association is a blended component unit of the Department of Transportation (Primary Government).

Unemployment Compensation Fund – Accounts for receipts from employers and expenses incurred to provide benefits to eligible unemployed workers.

Additionally, the Commonwealth reports the following fund types:

Governmental Fund Types:

Special Revenue Funds – Account for transactions related to resources received and used for restricted or specific purposes. Examples include conservation, health care, public building construction, acquisition, and operation, and other miscellaneous activity.

Debt Service Funds – Account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations.

Capital Project Funds – Account for transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds. The primary resource for these funds is the proceeds of bond issues. Principal uses are for construction and improvement of State office buildings, correctional and mental health facilities, and parks.

Permanent Funds – Account for transactions of the Commonwealth Health Research Fund, Virginia Arts Foundation Fund, and Mental Health Endowment Funds whose principal must be maintained intact and whose income is used to benefit the Commonwealth's citizens and mental health patients.

Proprietary Fund Types:

Enterprise Funds – Account for transactions related to resources received and used for financing self-supporting activities of the Commonwealth that offer products and services on a user-charge basis to external users.

Internal Service Funds – Account for transactions related to the financing and sale of goods or services provided by the agencies of the Commonwealth to other agencies and institutions of the Commonwealth. Activities include the provision of information technology, manufacturing activities, insurance programs, fleet services, facilities and property management, and engineering services.

Fiduciary Fund Types:

Private Purpose Trust Funds – Account for transactions of all other trust arrangements in which the principal and income benefit individuals, private organizations, or other governments. These trusts include those for escheat property, educational savings plans, and others.

Pension Trust Funds – Account for transactions of the Commonwealth administered retirement systems and other employment benefits.

Investment Trust Funds – Account for the external portions of the State Non-Arbitrage Program and Local Government Investment Pools that are sponsored by the Commonwealth.

Agency Funds – Account for amounts held in trust by the Commonwealth for others. Agency funds include those funds established to account for the collection of taxes and fees for distribution to localities and other states, employee benefits, deposits of insurance carriers, child support collections and other miscellaneous accounts.

E. Budgetary Process

Budgetary amounts shown in the Required Supplementary Information and Combining and Individual Fund Statements Sections represent the total of the original budgeted amounts and all supplemental appropriations. The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. Unexpended appropriations at the end of the fiscal year generally lapse. However, they may be reappropriated for expenditure in the following fiscal year. The Governor, as required by the *Code of Virginia,* submits a budget composed of all proposed expenditures for the State, and of estimated revenues and borrowing for a biennium, to the General Assembly. Budgets are adopted for the General and Special Revenue Funds, except for the Literary (major) – Special Revenue Fund. Formal budgetary integration is not employed for the Capital Projects (nonmajor), Debt Service (nonmajor), Permanent Funds (nonmajor), and the Literary – Special Revenue (major) because effective budgetary control is alternatively achieved through the General Fund and the remaining Special Revenue Funds.

The budget is prepared on a biennial basis; however, the budgets of the General and Special Revenue Funds contain separate appropriations for each year within the biennial budget, as approved by the General Assembly and signed into law by the Governor. For management control purposes, the budget is controlled at the program level. The Governor may transfer an appropriation within a State agency or from one State agency to another, provided that total fund appropriations, as contained within the budget, are not exceeded. Increases in General Fund appropriations must be approved by the General Assembly.

Appropriations for programs funded from Special Revenue Funds may allow expenditures in excess of the original appropriations to the extent that revenues of the funds exceed original budget estimates and such additional expenditures are approved by the Governor through supplemental appropriations.

F. Cash, Cash Equivalents, and Investments

Cash

In order to maximize the Commonwealth's earning potential, the majority of the Primary Government's cash balances are pooled together in the general account for investment purposes. The amounts required for operations are liquidated as needed. Since all amounts not required for operations are held in investment securities, it is possible that the cash balances could be negative due to timing differences in liquidating the investments.

As of June 30, 2004, the General Fund had a negative cash balance of $3.1 billion. In order to properly reflect the general account position, this negative cash balance has been eliminated in the accompanying statements and offset against the Primary Government's cash equivalents and investments (see Note 4).

Cash Equivalents

Cash equivalents are investments with an original maturity of three months or less.

Investments

Investments are principally comprised of monies held by component units, Pension Trust Funds, and monies held by the State Treasurer in both the general account and other fiduciary accounts.

Governmental and proprietary funds, both primary government and component units, report investments in money market and in the Commonwealth sponsored investment pools at amortized cost. All other investments are reported at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Investments administered by the Virginia Retirement System (VRS) are reported at fair value. The cost of investments sold is the average cost of the aggregate holding of the specific investment sold. Investments in affiliated organizations are accounted for on the equity method of accounting and the VRS' share of their earnings (losses) for the period is included in investment income using the equity method.

Investments of higher education institutions (Component Units) are reported at fair value, except for money market investments and investments in the Commonwealth sponsored investment pools, which are reported at amortized cost.

Derivatives

Derivative instruments are used to improve return on investments and modify risk exposures (see Note 4).

G. Receivables

Receivables in the governmental funds consist primarily of the accrual of taxes, as well as Federal receivables of the Commonwealth's Medicaid program. Receivables in the Proprietary Funds consist primarily of tuition contributions receivable. Receivables of Fiduciary Funds are primarily the accrual of member and employer contributions in the Pension Trust Funds and the accrual of local sales taxes in the Agency Funds. Receivables of the Component Units consist primarily of mortgage receivables, loans receivable, patient receivables, and student receivables. Receivables are recorded net of allowances for doubtful accounts (see Note 5).

H. Contributions Receivable, Net

Contributions Receivable reported by the foundations (Component Units) represent pledges or unconditional promises to give that have been discounted (see Note 6).

I. Internal Balances

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities (see Note 7).

J. Inventory

Inventories consist of materials and supplies and are reported as expenditures when consumed. These assets are offset by a fund balance reserve that indicates they are not available for spending. Inventories exceeding $1 million of the General and the Special Revenue Funds are maintained at cost using the first-in, first-out (FIFO) methodology, except for the following:

- Department of State Police (VSP)
- Virginia Department of Transportation (VDOT)
- Department of Health (VDH)

VSP inventories are recorded in the General (major) and Dedicated Special Revenue (nonmajor) Funds using the average cost methodology and are maintained at cost. VDOT inventories are recorded in the Commonwealth Transportation Fund (major) using the average cost methodology. VDH inventories are recorded in the General (major), Other Special Revenue (nonmajor), and Federal Trust (major) Funds. These inventories are maintained at cost based on either FIFO or the average cost methodology.

Inventories maintained by Correctional Enterprises (Internal Service Fund) are stated at the lower of cost or market using FIFO. Inventories maintained by the Virginia Museum of Fine Arts (Nonmajor Enterprise Fund), the Science Museum of Virginia (Nonmajor Enterprise Fund) and the Consolidated Laboratory (Nonmajor Enterprise Fund) are stated at cost using FIFO. Inventories maintained by the Internal Service Funds except for Correctional Enterprises are stated at cost using FIFO.

The Department of Alcoholic Beverage Control (Nonmajor Enterprise Fund) maintains inventories using the average cost methodology. The Virginia Industries for the Blind (Nonmajor Enterprise Fund) maintains inventories at cost using the average cost methodology. The State Lottery Department’s (Major Enterprise Fund) inventory consists of unsold instant tickets that are valued at cost and expensed over the life of each game as it is sold to retailers.

Institutions of higher education (Component Units) use several methods for inventory valuations, including cost using FIFO, the lower of cost or market using FIFO, or weighted average methods. Inventories maintained by the Virginia Equine Center Foundation (Nonmajor Component Unit) are stated at the lower of cost or market using FIFO. Inventories maintained by the Virginia Port Authority (Nonmajor Component Unit) are reported using the moving average cost methodology. The Virginia Housing Development Authority (Major Component Unit) maintains inventories at the lower of cost or fair value.

K. Prepaid Items

Prepaid assets for rent, insurance, and similar items are recognized when purchased and expensed when used.

L. Interfund Loans Receivable/Payable

Loans Receivable/Payable represent working capital advances from one fund to another (see Note 7).

M. Other Assets

Other Assets include those balances of a miscellaneous nature that are not specifically classified elsewhere (see Note 8).

N. Capital Assets

Capital assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the governmental activities column of the Government-wide Statement of Net Assets. Capital assets of the other funds and component units are capitalized in the fund in which they are utilized. All depreciable capital assets are depreciated on the straight-line basis over their useful lives (see Note 10).

Capital assets are stated at historical cost or, in some instances, estimated historical cost. Donated capital assets are stated at fair market value at the time of donation. The Commonwealth capitalizes all equipment that has a cost or value greater than $50,000 and expected useful life of greater than two years. The Commonwealth capitalizes all property, plant, and infrastructure that have a cost or value greater than $100,000 and an expected useful life of greater than two years. Selected agencies and institutions of higher education utilize a capitalization limit lower or higher than the Commonwealth’s established thresholds for various reasons. Accordingly, reported capital assets may include some items that cost less than those thresholds. Infrastructure, including highways, bridges, and rights-of-way, is capitalized using the historical approach.

The Commonwealth's capitalization policy regarding works of art/historical treasures is that capitalization is encouraged, but not required, for works of art/historical treasures that meet the following conditions:

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain;

- The collection is protected, kept unencumbered, cared for and preserved; and

- The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection.

The Commonwealth capitalizes construction-in-progress when project expenditures exceed $100,000. Interest incurred during construction is not capitalized in governmental funds. Interest incurred during the construction of proprietary fund assets is included in the capitalized value of the asset. Expenditures are classified as construction-in-progress if:

(1) they extend the asset life, improve productivity, or improve the quality of service; and

(2) they fall into the planning, acquisition, construction, improvement, renovation, repair, replacement, relocation or demolition phase of the asset life.

The estimated lives of capital assets are as follows:

	Years
Buildings	15–50
Equipment	2–20
Infrastructure	5–50

Selected institutions of higher education may utilize estimated lives that differ from the above for various reasons.

O. Accounts Payable

Accounts payable represent amounts, including salaries and wages, owed for goods and services received prior to year-end. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* accounts payable also include payments for nonexchange transactions that met eligibility requirements prior to year-end (see Note 17).

P. Deferred Revenue

Deferred revenue represents monies received or revenues accrued but not earned as of June 30, 2004. The majority of the amount is reported by higher education institutions (Component Unit), where it is primarily composed of revenue for student tuition accrued in advance of the semester and advance payments on grants and contracts. In the General Fund (major), deferred revenue represents receivables that will be collected after August 31, 2004. In the Special Revenue Funds, deferred revenue is composed primarily of Federal grant money received but not spent. In the Enterprise Funds, a majority represents unearned premiums of Risk Management (nonmajor), unearned revenues of Consolidated Laboratory (nonmajor), and on-line ticket monies received by the State Lottery (major) for which corresponding drawings have not been held. In the Internal Service Funds, it represents primarily unearned premiums for the Risk Management Fund and prepaid rent and work orders for the Maintenance and Repair Fund. Deferred revenues in the other component units consist primarily of the deferral of fees related to various activities.

Q. Deferred Taxes

Deferred taxes represent the deferral of income taxes withheld or received for the period January through June 2004. This amount is the estimate to be refunded (overpayments by taxpayers) reduced by the estimate to be received (underpayments from taxpayers) that will be finalized when income tax returns are filed in subsequent years. Individual income tax estimated overpayments total $506,795,209 and estimated underpayments total $275,395,356. This results in deferred taxes of $231,399,853. Corporate income tax estimated overpayments total $37,023,989 and estimated underpayments total $46,976,397. When underpayments exceed overpayments, revenue on the fund statements is only recognized to the extent of estimated overpayments. Since underpayments exceed overpayments for corporate income taxes, the deferred tax amount is zero for the fiscal year.

R. Claims Payable

Claims payable, reported in the proprietary funds of the primary government, represent both health and liability insurance claims payable at June 30, 2004. This includes both actual claims submitted, as well as actuarially determined claims incurred but not reported. Claims relating to the Commonwealth's liability insurance programs are reported in the Risk Management – Internal Service Fund, and the Risk Management – Nonmajor Enterprise Fund. Also, health insurance claims are reported in the Health Care – Internal Service Fund and the Local Choice Health Care – Nonmajor Enterprise Fund (see Note 16.A. and 16.B.).

The claims payable reported in the Private Purpose Trust Fund reflects the amount of anticipated payments to the claimants of unclaimed property receipts.

S. Obligations Under Securities Lending Program

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions,* liabilities resulting from these transactions have been recorded as obligations under security lending transactions.

T. Other Liabilities

Other liabilities represent amounts owed for various governmental and proprietary activities. Some of these amounts will be paid shortly after fiscal year end (see Note 18).

Short-term debt results from borrowings from anticipation notes, lines of credit, and similar loans with parties external to the Commonwealth. The

Commonwealth's policy is to disclose activity related to short-term borrowings occurring during the fiscal year. Any short-term debt balances outstanding at June 30 are reported as Other Liabilities. For fiscal year 2004, the Commonwealth's agencies did not participate in short-term borrowings with external parties. Higher Education Institutions' Foundations (Component Units) have lines of credit outstanding as of year-end that amount to approximately $56.1 million. The University of Virginia and the Virginia Commonwealth University (Major Component Units) have short-term debt that amount to approximately $44.7 million as of year-end.

U. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. The governmental fund statements reflect the portion of long-term liabilities that will be paid from expendable resources. The proprietary fund statements and discrete component unit statements reflect total long-term liabilities and distinguish between those portions payable within one year and those payable in future years (see Note 19).

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Expenditures for principal and interest payments for governmental fund general obligation bonds and revenue bonds are recognized in the Debt Service Fund (nonmajor) when due. In these fund statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures (see Note 19).

V. Reserved Fund Balances

Reserved fund balances indicate that portion of fund balance that is not available to fund operations or is legally segregated for specific future use. Fund balance reservations are not specifically denoted in instances where the nature of the fund dictates the entire amount is reserved.

W. Unreserved, Designated Fund Balances

Designations of fund balance, as shown in Note 2, are established to reflect tentative plans for future utilization of current financial resources. It is the policy of the Commonwealth to designate the portion of fund balance set aside by the General Assembly through the Appropriation Act to fund tentative but approved future plans. Unexpended appropriations approved by the Governor to be used to fund expenditures of the ensuing fiscal year are also reflected through a designation of fund balance. It is the policy of the Commonwealth to limit such designations in the event that their accumulation and presentation would cause a negative unreserved, undesignated fund balance to occur.

X. Unreserved, Undesignated Fund Balances

The unreserved, undesignated basis of budgeting fund balance is the amount of fund balance remaining from operations of the current and prior years, net of amounts established as reserved and designated fund balance described in Notes 1.V. and 1.W. above.

Y. Cash Management Improvement Act

Included in "Due to Other Governments" is the Commonwealth's Cash Management Improvement Act (CMIA) interest liability to the Federal government, which is calculated in accordance with the interest calculation and exchange provisions of the Federal Cash Management Improvement Act of 1990. The Commonwealth's interest liability is subject to review and final confirmation by the Financial Management Service (FMS) of the U.S. Treasury. The payment is to be made on or before March 1, 2005. Payment will be made from a sum sufficient appropriation authorized for this purpose by the Appropriation Act. The CMIA interest rate of exchange is based by law on the annualized average earnings rate of 13-week Treasury Bills.

Z. Interest, Dividends, Rents, and Other Investment Income

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investment income is reported in this line item. Since this amount includes changes in the fair value of investments, the amount reported may be negative. In addition, the amount reported also includes rent payments received on properties owned by the Commonwealth.

AA. Intrafund Eliminations

Eliminations have been incorporated into the report to eliminate intrafund transactions within the related fund type. These eliminations prevent overstatement of financial activity.

BB. Interfund Activity

Generally, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to a different fund that expends the resources.

2. GENERAL FUND ANALYSIS – BASIS OF BUDGETING

The following schedule represents reservations and designations of General Fund balance on the basis of budgeting. The designated amounts differ from those presented in the General Fund Preliminary (Unaudited) Annual Report dated August 13, 2004, due to the effects of the reclassification of tax amnesty revenues originally reported in the General Fund Preliminary Report as transfers in.

Reservations and Designations of Fund Balance
General Fund, Basis of Budgeting
June 30, 2004

(Dollars in Thousands)

Fund Balance, June 30, 2004		$ 1,109,571
Reserved Fund Balance:		
Revenue Stabilization Reserve Fund	$ 340,067	
Payroll Reserve for July 1, 2004 Payroll	69,714	
Unexpended Lottery Proceeds	22,701	
Total Reserved Fund Balance		432,482
Unreserved Fund Balance:		
Designated:		
Amount Required for Reappropriation of 2004 Unexpended Balances:		
Mandatory Reappropriations	82,668	
Capital Outlay	21,086	
Amount Required to Balance Chapter 4, 2004 Acts of Assembly	127,898	
Virginia Water Quality Improvement Fund - Part A	32,378	
Natural Disaster Sum Sufficient	26,034	
Accelerated Sales Tax for Transportation Trust Fund	23,814	
Revenue Stabilization Fund Contribution	181,936	
Revenue Stabilization Fund - Super Deposit	134,468	
Delay in Effective Date of House Bill 5018 (Tax Reform)	39,239	
Non-General Fund Interest Payment	7,568	
Total Designated Fund Balance		677,089
Undesignated Fund Balance, June 30, 2004		$ -

3. REVENUE STABILIZATION FUND

In accordance with Article X, Section 8 of the *Constitution of Virginia*, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly. The Revenue Stabilization Fund has principal and interest on deposit of $340.1 million reserved as a part of General Fund equity. The amount on deposit cannot exceed ten percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. The maximum amount allowed is $958.3 million and $977.8 million for fiscal year 2004 and fiscal year 2005, respectively. Upon appropriation by the General Assembly, an additional $316.4 million will be deposited to the fund in future years.

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2004, the carrying amount of cash for the primary government was $2,245,573,801 and the bank balance was $267,079,783. In addition, cash balances related to executory costs attributable to capital leases in the amount of ($1,371,466) are not reported in the Government-wide Statement of Net Assets, but are included in the Governmental Fund Balance Sheet. The carrying amount of cash for the component units was $967,107,355 and the bank balance was $227,521,034. Cash equivalents are investments with an original maturity of three months or less. Cash and cash equivalents for Foundations (Component Units) total $162,847,188 as of year-end. A portion of this amount and some balances during the year exceeded Federal

Deposit Insurance Corporation (FDIC) insurance coverage.

The deposits of the primary government and the component units, excluding Foundations (Component Units), are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400 of the *Code of Virginia.* The Act requires any public depository that receives or holds public deposits to pledge collateral to the Treasury Board to cover public deposits in excess of Federal deposit insurance. The required collateral percentage is determined by the Treasury Board and ranges from 50 percent to 100 percent of public deposits in the case of a bank and 100 percent to 110 percent for a savings institution.

Securities pledged by banks and savings institutions, under the Act, are held by an approved escrow agent for the Treasury Board. In the event a depository bank defaults or becomes insolvent, the Treasury Board first assesses the collateral of the defaulting or insolvent institution and then assesses the collateral pledged by other public depositories on a statutory based ratio to the extent necessary to satisfy the assessment against the defaulting bank. The collateral pledged by all banks is sufficient to cover the uncollateralized public deposits of any single bank. Upon default or insolvency of a savings institution, the Treasury Board assesses the institution the amount of public funds on deposit in excess of FDIC insurance. The State Treasurer liquidates the necessary pledged collateral of the institution to reimburse public depositors to the extent of the institution's deposit liability to them. As a result, these deposits are considered insured.

Certain deposits are held by trustees in accordance with the Trust Subsidiary Act, Section 6.1–32.8 et seq. of the *Code of Virginia*. The Act requires that cash held by trustees while awaiting investment or distribution is not to be used by an affiliate bank of the trustee in the conduct of its business unless the affiliate bank delivers securities to the trust department as collateral that is at least equal to the fair value of the trust funds held on deposit in excess of amounts insured by the FDIC.

The Commonwealth is authorized, in accordance with the guidelines set forth in Section 2.2-4500 et seq. of the *Code of Virginia,* to invest in the following:

U.S. Treasury and agency securities
Corporate debt securities of domestic corporations
Asset–backed securities
Mortgage–backed securities
AAA rated obligations of foreign governments
Bankers acceptances and bank notes
Negotiable certificates of deposit
Repurchase agreements
Money market funds

Permitted investments include agency mortgage-backed securities, reported as U.S. Treasury and agency securities, and asset-backed securities, reported as corporate notes, which by definition usually expose the investor to prepayment risk.

Prepayment risk, or the prepayment option granted the borrower, can create uncertainty concerning cash flows, can affect the price of the security causing negative convexity, and can expose the investor to reinvestment risk. Similarly, many agency and corporate securities are callable after some predetermined date at a predetermined price. The call options in regular agency debentures and some corporate securities can be open ended and may significantly impact cash flows, security pricing, and reinvestment risks of these securities.

Certain investments held in trust by the Treasurer of Virginia in accordance with bond indentures and resolutions may have more restrictive investment policies. Investment policies of institutions of higher education (Component Units) are established by the institutions' governing boards.

The Board of Trustees of the Virginia Retirement System (VRS) (Primary Government) has full power to invest and reinvest the trust funds in accordance with Section 51.1–124.30 of the *Code of Virginia,* as amended. This section requires the Board to discharge its duties solely in the interest of the beneficiaries and to invest the assets with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Board must also diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.

The information presented for the external investment pools was obtained from audited financial statements. Copies of the State Non-Arbitrage Program (SNAP) report may be obtained by writing Evergreen Investment Management Company, LLC, Riverfront Plaza, 951 East Byrd Street, Richmond, Virginia 23219. Copies of the Local Government Investment Pool (LGIP) report may be obtained by writing the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218. Participation in these pools is voluntary, except for participants who borrow through the Virginia Public School Authority's pooled bond program and must participate in SNAP.

SNAP is an open-end management investment company registered with the Securities Exchange Commission (SEC). LGIP is not SEC-registered; however, it maintains a policy to operate in a manner consistent with SEC Rule 2a7.

Custodial Risk

Investments held by the Commonwealth at June 30, 2004, have been categorized according to the level of credit risk associated with its custodial arrangements at fiscal year end.

Credit risk, as used below, refers to the risk that the Commonwealth may not be able to obtain possession of its investments in the event of default by counterparty. The three types of credit risk are:

- Category 1, which includes investments that are insured or registered, or securities held by the Commonwealth or its agent in the Commonwealth's name;

- Category 2, which includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Commonwealth's name; and,

- Category 3, which includes uninsured and unregistered investments for which securities are held by the counterparty, or by its trust department or agent, but not in the Commonwealth's name.

Securities lent at year-end for cash collateral are presented as unclassified. Securities lent for non-cash collateral are classified according to the custodial arrangements.

The investments of the Pension Trust Funds are approximately 77 percent of the primary government investments that are in Category 1 and 97 percent of those in Category 3. Additionally, the entire amounts of Equity Index and Pooled Funds, Real Estate, foreign currencies, and The Boston Company Pooled Employee Trust Fund included in the primary government schedule are attributable to the Pension Trust Funds, and cannot be categorized because the investments are not evidenced by physical securities.

Cash Equivalents - Primary Government

June 30, 2004

(Dollars in Thousands)

Type of Securities	Category 1	Category 2	Category 3	Fair Value
Cash Equivalents - Categorized				
U. S. Treasury and Agency Securities	$ 267,503	$ -	$ -	$ 267,503
Corporate Notes	219,985	-	-	219,985
Corporate and Other Bonds	109,186	-	-	109,186
Commercial Paper	1,101,902	-	-	1,101,902
Nonnegotiable Certificates of Deposit	55,016	-	-	55,016
Negotiable Certificates of Deposit	277,446	-	-	277,446
Repurchase Agreements	1,043,670	-	17,883	1,061,553
Guaranteed Investment Contracts	47,769	-	-	47,769
	$ 3,122,477	$ -	$ 17,883	
Cash Equivalents - Not categorized				
Deposits with the U. S. Treasury for Unemployment Compensation				295,682
Mutual and Money Market Funds				1,568,770
Total Cash Equivalents				5,004,812
Less: Component Unit portion of the Local Government Investment Pool				(93,884)
Less: General Fund Cash Drawn Against Cash Equivalents				(1,579,221)
Adjusted Total				$ 3,331,707

Note: Fiduciary cash and cash equivalents in the amount of $3,013,256 (dollars in thousands) are not included in the Government-wide Statement of Net Assets.

Investments - Primary Government
June 30, 2004

(Dollars in Thousands)

Type of Securities	Category 1	Category 2	Category 3	Fair Value
Investments - Categorized				
U. S. Treasury and				
Agency Securities	$ 6,029,762	$ -	$ 86,889	$ 6,116,651
Common and Preferred Stocks	13,652,302	-	3,923	13,656,225
Corporate Notes	526,360	-	-	526,360
Corporate and Other Bonds	1,713,161	-	6,290	1,719,451
Commercial Paper	231,953	-	378	232,331
Negotiable Certificates of Deposit	471,716	-	-	471,716
Municipal Securities	57,150	-	-	57,150
Repurchase Agreements	684,654	-	-	684,654
Investments held by broker-dealers				
under securities loans				
U. S. Government and				
Agency Securities	102,976	-	82,598	185,574
Common and Preferred Stocks	-	-	38,843	38,843
	$ 23,470,034	$ -	$ 218,921	
Investments - Not categorized				
Mutual and Money Market Funds				7,448,614
Foreign Currencies				39,092
Equity Index and Pooled Funds				11,729,044
Index Funds				169,393
Real Estate				1,092,179
The Boston Company Pooled Employee Trust Fund				1,336,210
Guaranteed Investment Contracts				158,946
Fixed Income and Commingled Funds				1,255,556
Other				3,473,914
Investments held by broker-dealers under securities loans:				
U. S. Government and Agency Securities				2,873,360
VRS Separate Account				3,134,769
Common and Preferred Stocks				971,266
Corporate Notes				21,017
Corporate Bonds				138,902
Total Investments				57,531,217
Less: Component Unit portion of the Local Government Investment Pool				(90,202)
Less: General Fund Cash Drawn Against Investments				(1,482,688)
Adjusted Total				$ 55,958,327

Note: Fiduciary investments in the amount of $52,438,790 (dollars in thousands) are not included in the Government-wide Statement of Net Assets.

Cash Equivalents - Component Units
June 30, 2004

(Dollars in Thousands)

Type of Securities	Category 1	Category 2	Category 3	Fair Value
Cash Equivalents - Categorized				
U. S. Treasury and				
Agency Securities	$ 120,915	$ -	$ -	$ 120,915
Corporate Bonds	993	-	-	993
Commercial Paper	36,399	-	-	36,399
Municipal Securities	150	-	-	150
Repurchase Agreements	348,722	9,306	4,305	362,333
Nonnegotiable Certificates of Deposit	6,065	-	-	6,065
Mutual and Money Market Funds	-	-	7,847	7,847
Other	23	46	-	69
	$ 513,267	$ 9,352	$ 12,152	
Cash Equivalents - Not categorized				
Mutual and Money Market Funds				449,578
U. S. Government Securities				1,037
Other				6,903
Component Units' Investment in Local Government's Investment Pool				157,539
				$ 1,149,828

Investments - Component Units
June 30, 2004

(Dollars in Thousands)

Type of Securities	Category 1	Category 2	Category 3	Fair Value
Investments - Categorized				
U. S. Treasury and				
Agency Securities	$ 569,582	$ 11,248	$ 5,016	$ 585,846
Common and Preferred Stocks	166,985	-	10,052	177,037
Corporate Notes	193,086	-	-	193,086
Corporate Bonds	67,846	-	129	67,975
Commercial Paper	36,662	985	-	37,647
Negotiable Certificates of Deposit	7,682	-	-	7,682
Municipal Securities	2,340,494	-	156	2,340,650
Repurchase Agreements	108,561	-	16,386	124,947
Asset Backed Securities	379,852	-	-	379,852
Agency Mortagage Backed	100,966	-	-	100,966
Mutual and Money Market Funds	2,298	-	-	2,298
Other	160	-	1,798,834	1,798,994
	$ 3,974,174	$ 12,233	$ 1,830,573	
Investments - Not categorized				
Mutual and Money Market Funds				246,136
Real Estate				62,703
U. S. Government Securities				139,670
Index Funds				123,793
Guaranteed Investment Contracts				360,359
Other				152,232
Component Units' Investment in Local Government's Investment Pool				19,628
Investments held by broker-dealers under securities loans:				
Securities held in a Collateral Investment Pool				91,612
Subtotal				7,013,113
Investments for Foundations (1) - Not categorized				
U. S. Treasury and Agency Securities				234,833
Common and Preferred Stocks				547,965
Corporate Notes				10,418
Corporate Bonds				119,896
Commercial Paper				507
Negotiable Certificates of Deposit				3,605
Municipal Securities				16,010
Asset Backed Securities				25
Agency Mortagage Backed Securities				4,361
Mutual and Money Market Funds				799,813
Banker's Acceptance				37
Real Estate				58,498
Index Funds				92,525
Other				442,525
Component Units' Investment in Local Government's Investment Pool				3,388
Subtotal (2)				2,334,406
Total				$ 9,347,519

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

Note (2): A portion of these amounts are reported at cost rather than fair value because fair value was not available or readily determinable.

Primary Government

Securities Lending

The State Treasury's securities lending program is managed by its Master Custodian, JP Morgan Chase and Company, under a contract dated December 1, 2000. The enabling legislation for the securities lending program is Section 2.2-4506 of Chapter 45 Investment of Public Funds of the *Code of Virginia*, as amended. No violations of legal or contractual provisions were noted during the year. The general account participated in the securities lending program for the entire year.

All securities lending loans are on an open-ended or one-day basis and may be terminated by Treasury with a 24-hour notice. Per the contract with JP Morgan Global Securities Lending, all pledged cash and other collateral attributable to loans made on the Commonwealth's behalf shall be maintained by the Master Custodian Bank, and Treasury cannot pledge or sell such collateral absent a default.

The State Treasury's contract with JP Morgan Global Securities Lending provides for loss indemnification against borrower default as defined in the applicable Master Securities Lending Agreement. Additionally, JP Morgan Chase is liable for any losses experienced from reinvestment of cash collateral in investments not authorized by the provisions of the investment guidelines for the Commonwealth of Virginia agreed upon by both parties and made a part of the Securities Lending Agreement. There were no losses resulting from default during the reporting period, nor recoveries of prior period losses during this reporting period.

When securities are loaned, the collateral received is at least 102 percent of fair value of the securities loaned and must be maintained at 100 percent or greater. There are no stated restrictions on the amount of securities that may be loaned, but the basic composition of the general account portfolio effectively caps the maximum percentage of the portfolio that may be loaned. During the past fiscal year, approximately 20 percent of the general account securities were on loan.

During the past year, a combination of U.S. Treasury, Agency, Agency Mortgage and corporate securities have been loaned, with the majority of the loaned securities being U.S. Government securities. Collateral received included a combination of cash and non-cash securities, with the non-cash collateral being U.S. Government securities.

Securities loaned for the general account as of June 30, 2004, had a carrying value of $1,392,478,902 and a fair value of $1,355,505,523. The fair value of the collateral received was $1,379,733,869 providing for coverage of 101.8 percent. As a result, the State Treasury assumes no credit risk.

Current cash investment guidelines allow for a maximum weighted-average portfolio maturity of 120 days. At June 30, 2004, the open portion of the cash reinvestment portfolio had a weighted average maturity of 47 days. Treasury's current cash reinvestment guidelines allow for investment in Government securities, AAA rated sovereign governments, commercial paper and corporate notes, negotiable certificates of deposit, certificates of deposit and time-deposits collateralized under the Virginia Security for Public Deposits Act, bankers' acceptances, bank notes, repurchase agreements collateralized by U.S. Treasury and Agency issues, and registered money market funds. At June 30, 2004, cash reinvestments were as follows: $755 million in repurchase agreements and cash, $232 million in floating rate corporate notes, $31 million in negotiable certificates of deposit. Non-cash collateral value at June 30, 2004, was approximately $361 million in U.S. Government securities.

Under authorization of the Board of Trustees, the VRS lends its fixed income and equity securities to various broker-dealers on a temporary basis. The program is administered through an agreement with the VRS' agent custodial bank. All security loan agreements are collateralized by cash, securities or irrevocable letter of credit issued by major banks, having a fair value equal to at least 102 percent of the fair value on domestic securities and 105 percent on international securities. Securities received as collateral cannot be pledged or sold by the VRS unless the borrower defaults. Contracts with the lending agents require them to indemnify the VRS if the borrowers fail to return the securities lent and related distributions, and the collateral is inadequate to replace the securities lent.

All security loans can be terminated on demand by either the VRS or the borrowers. The majority of loans are open loans meaning the rebate is set daily, resulting in a maturity of one or two days on average for loans, although securities are often out on loan for a longer period of time. The maturity of loans generally does not match the maturity of collateral investments, which averages 84 days. At year-end, the VRS has no credit risk exposure to borrowers because the amounts the VRS owes the borrowers exceed the amounts the borrowers owe the VRS. The fair value of securities on loan at June 30, 2004, was $3,319,263,000 and the value of collateral (cash and non-cash) was $3,364,650,000.

Securities out on loan are included with investments on the Combining Statement of Plan Net Assets and are classified in the summary of custodial risk. The invested cash collateral is included in the statement as an asset and corresponding liability. The invested cash collateral is also classified in the summary of custodial risk.

Under authorization of the Board of the University of Virginia Investment Management Company, the University of Virginia, through its agent, Mellon Bank, lends U.S. Government and equity securities to various broker-dealers on a temporary basis for collateral. All security loan agreements are collateralized by readily marketable and liquid securities, loans or other obligations secured by a lien or similar interest on an asset, thereof totaling at least 102 percent of the market value of the loaned securities. The University of Virginia retains the right to pledge or sell these securities held as collateral at their discretion. All security loans can be terminated on demand by either the University or the borrower, and the average term of the security loans as well as collateral held is less than one week. Under the

University's security lending program, securities loaned as of June 30, 2004 have a carrying value of $78,510,481 and a market value of $102,576,789. Collateral received totals $104,418,847. In addition, the University participates in the State treasury's security lending program. Collateral held for securities lending transactions of $13,542,836 represents the University's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program.

As authorized by Section 2.2–4506 of the *Code of Virginia*, the Virginia Lottery, through its master custodian, JP Morgan Chase Bank, New York, N. Y., N. A., lends securities to various security brokers and lenders on a temporary basis for a fee. Up to 100 percent of the securities may be available for loan. All security loan agreements are collateralized at loan inception at 102 percent of market value by cash or U.S. Government obligations and adjusted to market daily to cover fair value fluctuations. As a result management assumes no credit risk.

The Virginia Lottery does not have the ability to use cash collateral or to pledge or sell collateral securities absent borrower default. The Lottery's contract with JP Morgan Chase Bank provides for loss indemnification against borrower default as a result of bankruptcy, insolvency, reorganization, liquidation, receivership, or similar event. There were no losses resulting from default during the reporting period, nor recoveries of prior period losses during this reporting period. At June 30, 2004, the fair value of investment account securities on loan was $277,234,328 secured by $281,550,302 in cash deposits, and $52,112,490 secured by $53,154,740 in market value securities that cannot be pledged or loaned.

Derivative Financial Instruments

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include futures, forwards, options, or swap contracts. Some traditional securities, such as structured notes, can have derivative-like characteristics. In this case, the return may be linked to one or more indexes and asset-backed securities such as collateralized mortgage obligations (CMO), which are sensitive to changes in interest rates and prepayments. Futures, forwards, options, and swaps are generally not recorded on the financial statements, whereas structured notes and asset-backed investments generally are recorded.

The VRS is a party, both directly and indirectly, to various derivative financial investments that may or may not appear on the financial statements that are used in the normal course of business to enhance returns on investments and manage risk exposure to changes in value resulting from fluctuations in market conditions. These investments may involve, to varying degrees, elements of credit and market risk in excess of amounts recognized on the financial statements. Credit risk is the possibility that loss may occur from failure of a counterparty to perform according to the terms of the contract. Market risk arises from adverse changes in market prices, interest rates and foreign exchange rates that may result in a decrease in the market value of a financial investment or an increase in its funding cost, or both.

In addition to exposure from directly held derivative financial instruments, the VRS may have indirect exposure to risk through its ownership interests in commingled investment funds that use, hold, or write derivative financial instruments. Indirect exposure may also arise from stock lending programs in which the commingled funds participate. Such programs usually reinvest a portion of their cash collateral holdings in derivative instruments. The VRS' pro rata share of the contractual or notional amounts of outstanding derivative transactions in commingled investment funds and their related security lending programs approximated $412,888,000 at June 30, 2004.

Forward, Futures, and Options Contracts

Forward contracts are contracts to purchase or sell, and futures contracts are contracts to deliver or receive financial instruments, foreign currencies or commodities at a specified future date and at a specified price or yield. Futures contracts are traded on organized exchanges (exchange traded) and require initial margin (collateral) in the form of cash or marketable securities. The net change in the futures contract value is settled daily in cash with the exchanges. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures position. Accordingly, the amount at risk posed by nonperformance of counterparties to futures contracts is minimal. In contrast, forward contracts traded over-the-counter are generally negotiated between two counterparties. They are subject to credit risks resulting from nonperformance of one of the counterparties and to market risks resulting from adverse fluctuations in market prices, interest rates, and foreign exchange rates.

Options may be either exchange traded or negotiated directly between two counterparties over-the-counter. Options grant the holder the right, but not the obligation, to purchase or sell a financial instrument at a specified price and within a specified period of time from the 'writer' of the option. As a purchaser of options, the VRS typically pays a premium at the outset. The premium is reflected as an asset on the financial statements. The VRS then retains the right but not the obligation to exercise the option and purchase the underlying financial instrument. Should the option not be exercised, it expires worthless and the premium is recorded as a loss. A writer of options assumes the obligation to deliver or receive the underlying financial instrument on exercise of the option. Certain option contracts may involve cash settlements based on specified indexes such as stock indexes. As a writer of options, the VRS receives a premium at the outset. The premium is reflected as a liability on the financial statements and the VRS bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

Forward, futures, and options contracts provide the VRS with the opportunity to build passive benchmark positions, manage portfolio duration in relation to various benchmarks, adjust portfolio yield curve exposure, and gain market exposure to various indexes in a more efficient way and at lower transaction costs. Credit risks depend on whether the contracts are exchange traded or are exercised over-the-counter. Market risks arise from adverse changes in market prices, interest rates, and foreign exchange rates. At June 30, 2004, the VRS had purchased S & P, Russell Index Treasury Bonds and notes and global indices futures and options with a notional value of $3,684,005,000 and sold Treasury bonds and notes global indices futures and options with a notional value of $570,095,000. At June 30, 2004, VRS had pledged as collateral U.S. Treasury and U.S. Government Agency securities with a total market value of $92,170,000 as the margin requirement for futures contracts.

In addition to unsettled purchases and sales, accounts receivable and accounts payable for security transactions at June 30, 2004, include receivables for deposits with brokers for securities sold short of $820,698,000 and payables for securities sold short and not covered with market values of $796,912,000.

Asset-Backed Securities

Among the instruments with derivative-like characteristics that the VRS invests in and that appear on the financial statements are various asset-backed securities such as collateralized mortgage obligations (CMO), principal-only strips (PO), and interest-only strips (IO). These instruments are used primarily to enhance returns by taking advantage of opportunities available in this sector of the securities markets. CMO securities are bonds collateralized by mortgage-backed securities and issued in several tranches that represent a reallocation of the underlying mortgage-backed securities cash flows. Both PO and IO securities are created by splitting the asset-backed securities into principal-only and interest-only portions. At June 30, 2004, the VRS held CMO securities with a fair market value of $217,916,000, and IO and PO securities with a fair market value of $2,777,000.

The credit risks on the various asset-backed securities in which the VRS invests are usually very low. Many of the securities held by the VRS are issued by quasi-U.S. governmental agencies. Others are issued by organizations with AAA or AA credit ratings. The market risk of these securities depends on changes in interest rates and the level of the underlying prepayments, i.e., when the mortgagors repay the underlying principal and interest.

Foreign Exchange Contracts

Foreign exchange contracts include forward, futures, and options contracts. They involve either the exchange of specific amounts of two currencies or the delivery of a fixed amount of a currency at a future date and specified exchange rate. Forward and futures contracts settle three or more business days from the contract date. Forward contracts are negotiated over-the-counter between two counterparties, while futures contracts are exchange traded. Foreign currency options, which are either negotiated between two counterparties or are exchanged traded, grant the buyer the right, but not the obligation, to purchase or sell at a specified price, a stated amount of an underlying currency at a future date. At June 30, 2004, the VRS had sold foreign currency contracts with a notional value of $1,190,129,000 and had purchased foreign currency contracts with a notional value of $1,127,966,000.

Foreign exchange contracts are used by the VRS to effect settlements and to protect the base currency ($US) value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies. The credit risk of currency contracts that are exchange traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over-the-counter lies with the counterparty, and exposure is usually equal to the unrealized profit on in-the-money contracts. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates.

Swap Agreements

Swaps are negotiated contracts between two counter parties for the exchange of payments at certain intervals over a predetermined time frame. The payments are based on a notional principal amount and calculated using either fixed or floating interest rates or total returns from certain instruments or indices. During fiscal year 2004, the VRS entered into interest rate and total return swaps with a total notional value of $126,500,000. Swaps are use to manage risk and enhance returns. To reduce the risk of counter party non-performance, the VRS generally requires collateral on any material gains from these transactions.

Component Units

Derivative Financial Instruments

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. A derivative instrument generally has one or more underlying investment, requires little or no initial net investment, and requires or permits a net settlement. In addition, some traditional securities can have derivative-like characteristics. Examples of common derivatives include, but are not limited to, futures, forwards, options, or swap contracts. Although the contract or notional amount of the derivative is not recorded on the financial statements, all derivative instruments are recognized as either an asset or a liability depending on the rights or obligations of the contract measured at fair value.

The Virginia Housing Development Authority (Authority) (major) manages its interest risk on single and multi-family loan commitments through short sales of investment securities. These transactions meet the requirements for hedge accounting as all hedged items are specifically identified, probable of occurring, and highly correlated to the hedging instrument. The gain or loss from hedging transactions is recorded as an unamortized premium or discount and recognized as an adjustment to yield over the remaining life of the loan. The Authority periodically assesses correlation in order to determine the ongoing appropriateness of hedge accounting. During the year ended June 30, 2004, the Authority experienced a net gain of $2,463,723 from hedging transactions settled during the year. At June

30, 2004, $6,723,156 of short sales were outstanding which had an unrealized gain of $19,185. The Authority's policy is to make adjustments to interest rates of loans related to such hedging transactions to reflect the losses or gains on such hedging transactions.

The University of Virginia (major) from time to time may use, through its investments and through investments in pooled funds, a variety of derivative securities including futures, options, and forward foreign currency contracts. These financial instruments are used to modify market risk exposure. Futures contracts and options on futures contracts are traded on organized exchanges and require collateral or margin in the form of cash or marketable securities. The net change in the futures contract value, if any, is settled with a cash transaction on a daily basis. Holders of futures contracts look to the exchange for performance under the contract and not the entity holding the offsetting futures position. Accordingly, the amount of risk due to non-performance of counterparties to the futures contracts is minimal. Foreign exchange contracts are used to protect the University's portfolio against fluctuations in the values of foreign currencies. The credit risk of forward currency contracts traded over-the-counter lies with the counterparty. Asset swap contracts are privately negotiated agreements between two participants to exchange the return stream derived from their assets to each other without exchanging underlying assets. The University uses asset swaps to gain exposure to certain market sectors in lieu of direct investment. The credit risk lies with the intermediary who arranges the asset swap. The University has no direct exposure to derivative instruments at June 30, 2004.

5. RECEIVABLES

The following schedule details the accounts, loans, taxes, and other receivables presented in the major funds, aggregated nonmajor funds by type, internal service funds, fiduciary funds, major component units, and aggregated nonmajor component units, as of June 30, 2004:

	Accounts Receivables	Loans Receivables	Taxes Receivable	Other Receivables	Allowance for Doubtful Accounts	Net Accounts Receivable	Amounts to be Collected Greater than One Year
Primary Government:							
General	$ 474,244	$ -	$ 552,905	$ 12,089	$ (252,869)	$ 786,369	$ 5,653
Major Special Revenue Funds:							
Commonwealth Transportation	104,342	56,895	100,134	12,620	(1,966)	272,025	56,981
Federal Trust	405,410	231	-	-	(2,762)	402,879	1
Literary	169,878	415,566	-	234	(151,981)	433,697	383,700
Major Enterprise Funds:							
State Lottery	57,944	-	-	-	-	57,944	-
Virginia College Savings Plan	1,701	-	-	226,281	-	227,982	169,712
Pocahontas Parkway	-	-	-	771	-	771	-
Unemployment Compensation	129,039	-	-	-	(27,158)	101,881	-
Nonmajor Governmental Funds	131,568	88	5,473	23	(74,140)	63,012	1,108
Nonmajor Enterprise Funds	22,995	-	2,236	-	(5)	25,226	-
Internal Service Funds	17,254	-	-	70	(15)	17,309	-
Private Purpose	245	347	-	312	(49)	855	210
Pension Trust (2)	103,720	-	-	2,371,546	-	2,475,266	-
Investment Trust Funds	-	-	-	5,807	-	5,807	-
Agency Funds	637	-	55,611	-	-	56,248	-
Total Primary Government (1)	$ 1,618,977	$ 473,127	$ 716,359	$ 2,629,753	$ (510,945)	$ 4,927,271	$ 617,365
Discrete Component Units:							
Virginia Housing Development Authority	$ -	$ 116,372	$ -	$ 2,105	$ (3,793)	$ 114,684	$ -
Virginia Public School Authority	-	-	-	51,652	-	51,652	-
University of Virginia	306,081	28,559	-	43,268	(98,333)	279,575	59,660
Virginia Polytechnic Institute and State University	8,137	32,392	-	29,540	(2,317)	67,752	30,684
Virginia Commonwealth University	310,349	28,304	-	28,070	(226,927)	139,796	14,393
Nonmajor Component Units	228,893	1,686,459	4,186	56,375	(11,090)	1,964,823	1,606,000
Total Component Units	$ 853,460	$ 1,892,086	$ 4,186	$ 211,010	$ (342,460)	$ 2,618,282	$ 1,710,737

Note (1): Fiduciary net receivables in the amount of $2,538,176 (dollars in thousands) are not included in the Government-wide Statement of Net Assets.
Note (2): The Other Receivables amount includes deposits for pending security transactions.

6. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for Foundations(1) included with the major component units, and aggregated nonmajor component units, as of June 30, 2004:

(Dollars in Thousands)

	Due in Less Than One Year	Due Between One and Five Years	Due in More Than Five Years	Subtotal	Present Value Discount (2)	Allowance for Doubtful Accounts	Contributions Receivable, Net
Discrete Component Units:							
University of Virginia	$ 20,756	$ 44,269	$ 13,964	$ 78,989	$ (6,809)	$ (8,217)	$ 63,963
Virginia Polytechnic Institute & State University	14,370	17,347	4,242	35,959	(1,946)	(1,443)	32,570
Virginia Commonwealth University	6,580	13,128	5,100	24,808	(2,739)	(363)	21,706
Nonmajor Component Units	45,330	75,367	24,512	145,209	(19,690)	(7,806)	117,713
Total Component Units	$ 87,036	$ 150,111	$ 47,818	$ 284,965	$ (31,184)	$ (17,829)	$ 235,952

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.
Note (2): The discount rate used to determine present value ranges from 0.5% to 10.0%.

7. INTERFUND ASSETS/LIABILITIES

Due from/to Other Funds

Due from Other Funds are amounts to be received from one fund by another fund for goods sold or services rendered. Due to Other Funds are amounts owed by one fund to another fund for goods purchased or services obtained.

Included in the category Due from Other Funds are *"Due from Other Funds and Primary Government," "Due from External Parties (Fiduciary Funds),"* and *"Due from Component Units."* Included in the category Due to Other Funds are *"Due to Other Funds and Primary Government," "Due to External Parties (Fiduciary Funds),"* and *"Due to Component Units."* The following schedule shows the Due from/to Other Funds as of June 30, 2004.

Schedule of Due from/to Other Funds
June 30, 2004

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		**Primary Government**	
General	$ 6,826	Major Enterprise Funds:	
		State Lottery	$ 351
		Nonmajor Enterprise Funds	6,423
		Agency	52
Major Special Revenue Funds:		**Primary Government**	
Commonwealth Transportation	30,489	General	28,002
		Nonmajor Enterprise Funds	2,487
Federal Trust	2,221	**Primary Government**	
		General	2,221
Major Enterprise Funds:		**Primary Government**	
Virginia College Savings Plan	104	General	104
Unemployment Compensation	513	**Primary Government**	
		General	260
		Major Special Revenue Funds:	
		Commonwealth Transportation	39
		Federal Trust	86
		Nonmajor Governmental Funds	101
		Nonmajor Enterprise Funds	27
Nonmajor Governmental Funds	5,614	**Primary Government**	
		General	762
		Major Special Revenue Funds:	
		Commonwealth Transportation	3,606
		Major Enterprise Funds:	
		Unemployment Compensation	120
		Nonmajor Governmental Funds	73
		Nonmajor Enterprise Funds	954
		Agency	99
Nonmajor Enterprise Funds	268	**Primary Government**	
		General	268
Internal Service Funds	29,718	**Primary Government**	
		General	13,539
		Major Special Revenue Funds:	
		Commonwealth Transportation	5,889
		Federal Trust	5,189
		Major Enterprise Funds:	
		State Lottery	189
		Virginia College Savings Plan	25
		Nonmajor Governmental Funds	4,302
		Nonmajor Enterprise Funds	412
		Internal Service Funds	173
Private Purpose	7	**Primary Government**	
		General	7
Pension Trust	17,986	**Primary Government**	
		Pension	17,626
		Agency	360
Agency	1,953	**Primary Government**	
		General	37
		Major Enterprise Funds:	
		Unemployment Compensation	101
		Pension	1,815
Total Primary Government	95,699		95,699

Continued on next page

Schedule of Due from/to Other Funds
June 30, 2004
(continued)

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Component Units		**Primary Government**	
University of Virginia	7,096	Nonmajor Governmental Funds	1,630
		Component Units	
		Nonmajor Component Units	5,466
Virginia Polytechnic Institute & State University	8,041	**Primary Government**	
		Nonmajor Governmental Funds	833
		Component Units	
		Nonmajor Component Units	7,208
Virginia Commonwealth University	5,885	**Primary Government**	
		Nonmajor Governmental Funds	1,590
		Component Units	
		Nonmajor Component Units	4,295
Nonmajor Component Units	22,665	**Primary Government**	
		Nonmajor Governmental Funds	3,814
		Component Units	
		Nonmajor Component Units	18,851
Total Component Units	43,687		43,687
Total	$ 139,386		$ 139,386

Note: The above schedule does not include $19.7 million due to the Commonwealth Transportation Fund from Pocahontas Parkway nor $5.0 million due to eVA (Nonmajor Enterprise Fund) from the Special Revenue – Dedicated (Nonmajor Governmental Fund) that will not be repaid within one year.

Interfund Receivables/Payables

Interfund Receivables/Payables are short-term loans made by one fund to another.

The following schedule shows the Interfund Receivables/Payables for the Primary Government as of June 30, 2004. There were no Interfund Receivables/Payables for the Component Units as of June 30, 2004.

Interfund Receivables/Payables
June 30, 2004

(Dollars in Thousands)

Receivable From:	Amount	Payable To:	Amount
Primary Government		**Primary Government**	
Nonmajor Governmental Funds	$ 79,563	Major Special Revenue Funds:	
		Federal Trust	$ 4,975
		Nonmajor Governmental Funds	33,267
		Nonmajor Enterprise Funds	32,470
		Internal Service	8,851
Total	$ 79,563	**Total**	$ 79,563

Loans Receivable/Payable Between Primary Government and Component Units

The $65.2 million in Loans Receivable from Component Units represents loans from the Special Revenue Fund to Higher Education (Component Unit). The Virginia College Building Authority's (Nonmajor Component Unit) loan of $52 million and the Virginia Military Institute's (Nonmajor Component Unit) loan of $1.0 million were used to fund programs until bonds were issued. George Mason University's (Nonmajor Component Unit) loan of $8.5 million, the College of William and Mary's (Nonmajor Component Unit) loan of $1.0 million and the Virginia Community College System's (Nonmajor Component Unit) loan of $1.7 million were used to advance fund federally-funded grant programs. Longwood University's (Nonmajor Component Unit) loan of $1.0 million will be used for the University's housing sprinkler project.

In previous years, the Literary Fund (Major Special Revenue Fund) reported loans receivable to the Virginia Public School Authority (VPSA) (Major Component Unit) due to the fact that permanent loans were transferred to the VPSA for use as collateral on bonds. In the current year, the loans were not transferred to VPSA for use as collateral; therefore the outstanding loans receivable balance is not a loan receivable. The Literary Fund loan receivable is included in Receivables in the accompanying financial statements.

The $170.5 million in Loans Receivable from Primary Government represents loans from the VPSA to the Literary Fund. The VPSA makes grants to local school divisions to finance the purchase of educational technology equipment. The VPSA makes these grants using the proceeds of notes issued for that purpose which will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund.

8. OTHER ASSETS

The following table summarizes Other Assets as of June 30, 2004:

(Dollars in Thousands)

	Cash and Travel Advances	Unamortized Bond Issuance Expense	Other Assets	Total Other Assets
Primary Government:				
General	$ 1,463	$ -	$ -	$ 1,463
Major Special Revenue Funds:				
Commonwealth Transportation	906	-	24	930
Federal Trust	1,314	-	-	1,314
Major Enterprise Funds:				
State Lottery	3	-	-	3
Pocahontas Parkway	-	5,426	-	5,426
Nonmajor Governmental Funds	926	-	641	1,567
Nonmajor Enterprise Funds (1)	239	-	5,020	5,259
Internal Service Funds	1,038	-	-	1,038
Investment Trust Funds	-	-	77	77
Total Primary Government (2)	$ 5,889	$ 5,426	$ 5,762	$ 17,077
Discrete Component Units:				
Virginia Housing Development Authority	$ -	$ -	$ 5,699	$ 5,699
University of Virginia	524	-	11,646	12,170
Virginia Polytechnic Institute and State University	-	271	3,612	3,883
Virginia Commonwealth University	262	2,763	19,899	22,924
Nonmajor Component Units	515	4,382	15,767	20,664
Total Component Units	$ 1,301	$ 7,416	$ 56,623	$ 65,340

Note (1): The $5,020 (dollars in thousands) shown above includes $5,019 (dollars in thousands), which represents an interfund receivable from Nonmajor Governmental Funds that will not be repaid within one year. This amount is reclassified to an internal balance on the Government-wide Statement of Net Assets.

Note (2): Other Fiduciary assets in the amount of $77,000 are not included in the Government-wide Statement of Net Assets.

9. RESTRICTED ASSETS

Restricted assets represent monies or other resources that must be used for specific legal or contractual requirements. The Virginia Housing Development Authority (Major Component Unit) reported restricted assets totaling $5.6 billion (of which $9.9 million is reported as Depreciable Capital Assets, net). The Virginia Public School Authority (Major Component Unit) reported restricted assets of $122.0 million. Both Major Component Unit's assets are restricted for debt service under a bond indenture agreement or other agreements. The Virginia Port Authority (Non-major Component Unit) reported restricted assets of $136.8 million. Of this amount $96.9 million is assets placed in escrow account for a construction project, $26.5 million for debt service under a bond indenture agreement, and $13.4 million for other bond service projects. The Virginia Resources Authority (Non-major Component Unit) reported restricted assets of $133.1 million. Of this amount $128.1 million is restricted for loans to local governments, bond indentures, or federal and state regulations for various revolving funds. $5.0 million is restricted for the Operating Reserve Fund for the newly structured Virginia Pooled Financing Program. The Higher Education Institutions (Component Units) reported restricted assets totaling approximately $2.3 billion primarily for endowment and other contractual obligations. Included in this amount is approximately $1.8 billion of Foundations' restricted assets. The two museum foundations, the Virginia Museum of Fine Arts Foundation (Nonmajor Component Unit) and the Science Museum of Virginia Foundation (Nonmajor Component Unit) had restricted assets of $111.6 million and $9.9 million, respectively, primarily for donor-imposed restricted endowments. The remaining $7.7 million is spread among the Hampton Roads Sanitation District Commission (Nonmajor Component Unit), the Virginia Equine Center (Nonmajor Component Unit), and the Small Business Financing Authority (Nonmajor Component Unit).

10. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets:

Schedule of Changes in Capital Assets

Governmental Activities

(Dollars in Thousands)

	Balance July 1, as restated	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	$ 1,313,374	$ 197,598	$ (62,583)	$ 1,448,389
Construction in Progress	2,942,520	1,298,899	(1,557,004)	2,684,415
Total Nondepreciable Capital Assets	4,255,894	1,496,497	(1,619,587)	4,132,804
Depreciable Capital Assets:				
Buildings	2,147,018	13,087	(22,965)	2,137,140
Equipment	567,846	41,647	(22,989)	586,504
Infrastructure	15,368,677	1,501,581	(194,678)	16,675,580
Total Capital Assets being Depreciated	18,083,541	1,556,315	(240,632)	19,399,224
Less Accumulated Depreciation for:				
Buildings	694,588	56,638	(17,004)	734,222
Equipment	333,485	44,696	(22,306)	355,875
Infrastructure	8,059,914	365,265	(930)	8,424,249
Total Accumulated Depreciation	9,087,987	466,599	(40,240)	9,514,346
Total Depreciable Capital Assets, Net	8,995,554	1,089,716	(200,392)	9,884,878
Total Capital Assets, Net	$ 13,251,448	$ 2,586,213	$ (1,819,979)	$ 14,017,682

Note: Beginning balances have been restated by $253,796 (dollars in thousands) due to prior year errors, as discussed in Note 28.

Depreciation Expense Charged to Functions of the Primary Government
June 30, 2004

(Dollars in Thousands)

Governmental Activities:	
General Government	$ 9,666
Education	6,093
Transportation	380,170
Resources and Economic Development	8,156
Individual and Family Services	12,806
Administration of Justice	33,413
Capital Assets held by the Internal Service Funds are charged to various functions	16,295
Total	$ 466,599

Schedule of Changes in Capital Assets

Business-Type Activities

(Dollars in Thousands)

	Balance July 1	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	$ 16,117	$ 295	$ -	$ 16,412
Total Nondepreciable Capital Assets	16,117	295	-	16,412
Depreciable Capital Assets:				
Buildings	10,403	355	(6)	10,752
Equipment	75,401	4,487	(1,413)	78,475
Infrastructure	314,643	94	-	314,737
Total Capital Assets being Depreciated	400,447	4,936	(1,419)	403,964
Less Accumulated Depreciation for:				
Buildings	9,624	164	(2)	9,786
Equipment	38,360	9,657	(1,192)	46,825
Infrastructure	8,741	10,551	-	19,292
Total Accumulated Depreciation	56,725	20,372	(1,194)	75,903
Total Depreciable Capital Assets, Net	343,722	(15,436)	(225)	328,061
Total Capital Assets, Net	$ 359,839	$ (15,141)	$ (225)	$ 344,473

Schedule of Changes in Capital Assets

Component Units

(Dollars in Thousands)

	Balance July 1, as restated	Increases	Decreases	Subtotal June 30	Foundations (1)	Total June 30
Nondepreciable Capital Assets:						
Land	$ 351,058	$ 8,757	$ (7)	$ 359,808	$ 101,452	$ 461,260
Construction in Progress	612,056	632,366	(381,073)	863,349	58,742	922,091
Inexhaustible Works of Art / Historical Treasures	69,143	899	-	70,042	11,803	81,845
Livestock	779	172	-	951	2,182	3,133
Total Nondepreciable Capital Assets	1,033,036	642,194	(381,080)	1,294,150	174,179	1,468,329
Depreciable Capital Assets:						
Buildings	4,666,794	306,913	(6,798)	4,966,909	393,084	5,359,993
Infrastructure	1,332,714	37,115	(903)	1,368,926	559	1,369,485
Equipment	1,830,879	220,826	(161,241)	1,890,464	74,065	1,964,529
Improvements Other Than Buildings	340,024	16,941	(5,536)	351,429	9,935	361,364
Library Books	533,989	28,155	(3,494)	558,650	-	558,650
Total Capital Assets being Depreciated	8,704,400	609,950	(177,972)	9,136,378	477,643	9,614,021
Less Accumulated Depreciation for:						
Buildings	(1,765,185)	(136,453)	5,384	(1,896,254)	(85,103)	(1,981,357)
Infrastructure	(682,759)	(42,223)	855	(724,127)	(391)	(724,518)
Equipment	(1,198,093)	(154,797)	141,790	(1,211,100)	(51,667)	(1,262,767)
Improvements Other Than Buildings	(177,749)	(17,571)	5,423	(189,897)	(6,018)	(195,915)
Library Books	(421,000)	(26,057)	3,467	(443,590)	-	(443,590)
Total Accumulated Depreciation	(4,244,786)	(377,101)	156,919	(4,464,968)	(143,179)	(4,608,147)
Total Depreciable Capital Assets, Net	4,459,614	232,849	(21,053)	4,671,410	334,464	5,005,874
Total Capital Assets, Net	$ 5,492,650	$ 875,043	$ (402,133)	$ 5,965,560	$ 508,643	$ 6,474,203

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

Beginning balances have been restated due to reclassifications and corrections of prior year errors. The following schedule is a summary of the restatement amounts.

Capital Asset Restatement - Component Units

(Dollars in Thousands)

	Balance July 1 Increase/(Decrease)
Nondepreciable Capital Assets:	
Land	$ 11,352
Construction in Progress	(28,520)
Total Nondepreciable Capital Assets	(17,168)
Depreciable Capital Assets:	
Buildings	34,045
Infrastructure	5,051
Equipment	(60)
Improvements Other Than Buildings	(19,245)
Total Capital Assets being Depreciated	19,791
Less Accumulated Depreciation for:	
Buildings	(29,204)
Infrastructure	(21,410)
Equipment	184
Improvements Other Than Buildings	53,053
Total Accumulated Depreciation	2,623
Total Depreciable Capital Assets, Net	17,168
Total Capital Assets, Net	$ -

11. RETIREMENT AND PENSION SYSTEMS

A separately issued financial report that includes financial statements and required supplemental information for each of the individual plans discussed below is publicly available. Copies may be obtained by writing to Virginia Retirement System, P. O. Box 2500, Richmond, Virginia 23218-2500.

A. Plan Description

The Virginia Retirement System (VRS), a mixed agent and cost-sharing multiple-employer retirement plan, provides defined benefit pension plan coverage for State employees, teachers, political subdivision employees, and other qualifying employees. The assets accumulated by the plan may legally be used to pay all benefits provided by the plan to any of the plan members or beneficiaries. At June 30, 2004, the VRS had 798 contributing employers. The State Police Officers' Retirement System (SPORS), the Judicial Retirement System (JRS), and the Virginia Law Officers' Retirement System (VaLORS) are single-employer defined benefit retirement plans. The SPORS provides retirement benefits to Virginia state police officers, the JRS provides retirement benefits to the Commonwealth's judiciary, and the

VaLORS provides benefits to law enforcement and correctional officers other than state police officers. All retirement systems are administered by the Virginia Retirement System (System), an independent agency of the Commonwealth.

Benefit provisions and all other requirements are established by Title 51.1 of the *Code of Virginia*. All full-time, salaried, permanent employees of the Commonwealth, with the exception of certain full–time faculty and administrative staff of higher education institutions and eligible employees of the Commonwealth's teaching hospitals who have the option not to participate in the VRS, must participate in the VRS, SPORS, JRS, or VaLORS. Benefits vest after five years of service.

Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 for participating law enforcement officers) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating law enforcement officers). Employees may retire with a reduced benefit at age 50 with at least ten years of credited service or at age 55 (age 50 for participating law enforcement officers) with at least five years of credited service.

Annual retirement benefits are payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Members of the SPORS and VaLORS may receive a monthly benefit supplement if they retire prior to age 65. Members of VaLORS hired before July 1, 2001, were allowed to make a one-time election to increase the multiplier from 1.7 percent to 2.0 percent instead of receiving the supplement. Members of VaLORS hired after June 30, 2001, have their benefit computed using the 2.0 percent multiplier and are not eligible for the supplement. Members of the JRS receive weighted years of creditable service for each year of actual service under JRS. The VRS, SPORS, VaLORS, and JRS also provide death and disability benefits. These benefit provisions and all other requirements are established by State statute.

B. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the pension trust funds are prepared using the economic resources measurement focus and the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed, and investment income is recognized as earned by the pension plans. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investment

Investments are reported at fair value as determined by the System’s master custodian, Mellon Trust, from its Global Pricing System. This system assigns a price source, based on asset type and the vendor pricing products to which the master custodian subscribes, for every security held immediately following its acquisition. Prices supplied by these sources are monitored on a daily basis by the master custodian.

The pricing sources utilized by the master custodian provide daily prices for equity securities, corporate, government and mortgage-backed fixed income securities, private placement securities, futures and options on futures, open-ended funds, and foreign exchange rates. Depending on the vendor, collateralized mortgage obligations, adjustable rate mortgages, and asset-backed securities are priced either daily, weekly or twice a month, and at month end. Municipal fixed income securities and options on Treasury/Government National Mortgage Association securities are priced at month end.

When a pricing source is unable to provide a price, quotes are sought from major investment brokers and market-making dealers or internal calculations are applied if feasible. As a last resort, the master custodian will contact investment managers for a price. The master custodian prices commingled funds, partnerships, and real estate assets from statements received from the funds, partnerships, or investment managers.

The retirement plans have no concentrations of investments in any one organization that represent 5 percent or more of plan net assets available for benefits.

C. Funding Policy

Employer and employee contributions are required by Title 51.1 of the *Code of Virginia.* The Commonwealth pays the 5 percent of employees’ annual salaries that employees are required to contribute to the retirement system.

The annual required contributions for the current year were determined during the actuarial valuations conducted as of June 30, 2001. Employer contributions by the Commonwealth to VRS, SPORS, VaLORS, and JRS were 3.77 percent, 12.79 percent, 13.95 percent, and 32.03 percent, respectively, of covered payrolls.

D. Annual Pension Cost and Net Pension Obligation

The following table (dollars in thousands) shows the Commonwealth's annual pension cost and net pension obligation to the VRS, SPORS, JRS, and VaLORS for the current and prior years.

	VRS			SPORS		
	2004	2003	2002	2004	2003	2002
Annual required contribution	$ 156,192	$ 145,138	$ 141,175	$ 23,031	$ 21,791	$ 21,296
Interest on net pension obligation	39,209	27,322	20,728	3,266	2,203	1,292
Adjustment to annual required contribution	(34,269)	(23,880)	(17,754)	(2,854)	(1,925)	(1,106)
Annual pension cost	161,132	148,580	144,149	23,443	22,069	21,482
Contributions made	(108,412)	-	(61,716)	(10,328)	(8,781)	(10,095)
Increase in net pension obligation	52,720	148,580	82,433	13,115	13,288	11,387
Net pension obligation, beginning of year, as restated (1)	490,120	341,532	259,099	40,826	27,538	16,151
Net pension obligation, end of year	$ 542,840	$ 490,112	$ 341,532	$ 53,941	$ 40,826	$ 27,538
Percentage of annual pension cost contributed	67.3%	0.0%	42.8%	44.1%	39.8%	47.0%

Note (1): Effective July 1, 2003, the Virginia Information Providers Network was restructured to become part of the Commonwealth's reporting entity instead of a related organization. Accordingly, the beginning balance has been restated by $8,439.

	JRS			VaLORS		
	2004	2003	2002	2004	2003	2002
Annual required contribution	$ 23,114	$ 22,266	$ 21,655	$ 79,569	$ 76,564	$ 77,599
Interest on net pension obligation	2,029	1,322	436	7,801	4,423	213
Adjustment to annual required contribution	(1,773)	(1,156)	(373)	(6,818)	(3,865)	(182)
Annual pension cost	23,370	22,432	21,718	80,552	77,122	77,630
Contributions made	(15,190)	(13,604)	(10,641)	(40,596)	(34,895)	(25,006)
Increase in net pension obligation	8,180	8,828	11,077	39,956	42,227	52,624
Net pension obligation, beginning of year	25,359	16,531	5,454	97,511	55,284	2,660
Net pension obligation, end of year	$ 33,539	$ 25,359	$ 16,531	$ 137,467	$ 97,511	$ 55,284
Percentage of annual pension cost contributed	65.0%	60.6%	49.0%	50.4%	45.2%	32.2%

The VRS pension liability for the Virginia Economic Development Partnership (VEDP) (Component Unit), the Virginia Tourism Authority (VTA) (Component Unit), and the Virginia Outdoors Foundation (VOF) (Component Unit) are reported in the financial statements. However, since the Commonwealth is not considered the employer for VEDP, VTA, or VOF, the Commonwealth's net pension obligation shown above at the end of the year does not include VEDP's pension liability of $1.3 million, VTA's pension liability of $315,663, or VOF's pension liability of $6,432.

The most recent actuarial valuations were conducted as of June 30, 2003. The valuations were prepared using the entry age normal cost method. The actuarial assumptions included (a) 8.00% investment rate of return, per year compounded annually; (b) projected salary increases ranging from 4.00% to 6.30%, including a 3.00% inflation component; and (c) 3.00% per year COLA. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining closed amortization period at June 30, 2004, was 23 years or less.

E. Defined Contribution Plan for Political Appointees

Officers appointed by the Governor, officers elected by popular vote or the General Assembly, and executive branch chief deputies and confidential assistants may participate in the Deferred Contribution Plan for Political Appointees, rather than the VRS. This optional retirement plan is authorized by the *Code of Virginia* and offered through the Great West Company. This is a defined contribution plan where the retirement benefits are based upon the Commonwealth's (3.77 percent) and the employee's (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2004, the total contributions to this plan were $712,630.

The summary of significant accounting policies for the plan is in accordance with those discussed in Section B. The plan has no concentration of investments in any one organization that represents 5.0 percent or more of the plan net assets available for benefits.

F. Higher Education Fund (Component Unit)

The Commonwealth's colleges and universities participate in the VRS, a mixed agent and cost-sharing multiple-employer retirement plan. The VRS issues a separate stand-alone report that is publicly available as previously discussed.

In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in an optional retirement annuity program, rather than the VRS. Optional Retirement Plans are authorized by the *Code of Virginia* and provide retirement and death benefits. The optional retirement annuity programs are offered through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) Insurance Companies, Variable Annuity Life Insurance Company (VALIC), Fidelity Investments, Inc., Great West Life, Inc., T. Rowe Price, Inc., Metropolitan Life and Vanguard. These are defined contribution programs where the retirement benefits received are based upon the Commonwealth's (5.4 percent) and employees' (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2004, the total contributions to these plans were:

TIAA-CREF	$	66,456,956
VALIC		4,108,460
Fidelity Investments		25,455,098
Great West Life		243,824
T. Rowe Price		1,091,819
Metropolitan Life		218,329
Vanguard		559,086
Total	$	98,133,572

The Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – Major) contributes to the VRS. The VRS issues a separate stand-alone report that is publicly available as previously discussed. Effective July 1, 1997, the Authority established the Virginia Commonwealth University Health System Authority Defined Contribution Plan (the Plan). All employees working at least 35 hours of service per week are eligible to participate in the Plan. Per the Plan document as approved by the Authority's Board of Directors, the Authority contributes 8.0 percent of the participant's salary to the Plan, up to a maximum of $30,000. Total contributions for the year ended June 30, 2004, were approximately $8,831,000. The Authority has the right at anytime, and without the consent of any party, to terminate the Plan in its entirety. The Authority's Board of Directors must approve any changes to the provisions of the Plan, including the contribution requirements, in writing. The Authority has also established the Virginia Commonwealth University Health System Authority Health Care Providers Defined Contribution Plan (the HCP Plan). All persons hired as a health care provider on or after July 1, 1993, and prior to July 1, 1997, and working at least 35 hours of service per week are eligible to participate in the HCP Plan. At June 30, 2004, there were participants in the HCP Plan. All significant provisions of the HCP Plan, including the contribution requirements, are similar to the Plan. Total contributions to the HCP Plan for the year ended June 30, 2004, were approximately $31,000.

The Medical College of Virginia Associated Physicians (MCVAP) (a Component Unit of the Authority) sponsors the MCVAP 403(b) Retirement Fund (the 403(b) Plan), a defined contribution plan which covers substantially all non-medical employees of MCVAP. As of January 1, 2002, no additional contributions were made to this Plan.

MCVAP also sponsors the MCVAP 401(a) Retirement Plan (the 401(a) Plan), a noncontributory, defined contribution plan which covers substantially all full time clinical providers of MCVAP. Contributions to the 401(a) Plan, as determined annually at the discretion of the Board of Directors were approximately $4,906,000 for the year ended June 30, 2004.

MCVAP also sponsors the VCUHS 401(a) Retirement, a defined contribution plan which covers all non-medical employees of MCVP and the VCUHS 457(b) Retirement Plan, a salary reduction plan that represents employee contributions. These plans became effective on January 1, 2002, and replaced the MCVAP 403 9(b) plan for all non-medical staff. The contributions to the VCUHS 401(a) and VCUHS 457(b) Plan for the period ended June 30, 2004, were approximately $3,160,000.

VA Premier (a Component Unit of the Authority) adopted a 401(k) plan sponsored by Prudential Mutual Fund Management, Inc. Employees may enter into the plan on the first day of the month coinciding with or following the date on which the employee begins employment. There is no minimum service or age requirement to be in the 401(k) plan. Employees may contribute 1 percent to 15 percent of their compensation. VA Premier will match 50 percent of the employees' contributions up to 4 percent of the employees' compensation. Matching will occur based on the bi-weekly pay periods. In addition, VA Premier contributes 3 percent of the employee's compensation after each bi-weekly payroll effective when the employee begins employment. Employees are fully vested after four years of service in which the employees have at least 1,000 hours of service each year. The total expense to VA Premier in fiscal year 2004 was approximately $313,000.

Effective January 1, 1997, James Madison University (nonmajor) established a Supplemental Retirement Plan for tenured faculty members. The plan was designed to provide flexibility in the allocation of faculty positions. The plan is a qualified plan within the meaning of section 401(c) of the Internal Revenue Code of 1986 (the Code) and is a governmental plan within the meaning of section 414(d) of the Code. Since it is a governmental plan, the plan is not subject to the Employee Retirement Income Security Act of 1974 as amended. Since inception, 109 faculty members have elected to enroll in the plan. As of June 30, 2004, 61 participants remain, including 6 new participants who retired under this plan during fiscal year 2004. In order to satisfy IRS requirements, a trust fund has been established as means to make the payments to the plan participants. The University prepaid the entire fiscal year 2005 plan contribution of $1,202,472 in fiscal year 2004.

The Innovative Technology Authority (ITA) (nonmajor) has a defined contribution retirement plan covering substantially all employees. Under the plan, contributions are fixed at a percentage of each employee’s compensation to pay premiums for individual retirement annuity contracts written by TIAA-CREF. Pension contributions for the plan totaled $412,793 in fiscal year 2004.

G. Other Component Units

Note 1.B. outlines the component units included in the Commonwealth’s reporting entity. The Virginia Historic Preservation Foundation (Blended - Primary Government), the Virginia Public Building Authority (Blended - Primary Government), the Virginia Public School Authority (major), the Virginia College Building Authority (nonmajor), the Virginia State Parks Foundation (Blended - Primary Government), the Virginia Schools for the Deaf and Blind Foundation (nonmajor), and the Pocahontas Parkway Association (Blended - Primary Government) have no employees. The Virginia Economic Development Partnership, the Small Business Financing Authority, the Hampton Roads Sanitation District Commission, the Virginia Biotechnology Research Park Authority, the A. L. Philpott Manufacturing Extension Partnership, the Virginia Outdoors Foundation, the Virginia Tourism Authority, the Tobacco Indemnification and Community Revitalization Commission, the Virginia Tobacco Settlement Foundation (all nonmajor), and the Virginia Land Conservation Foundation (Blended - Primary Government) contribute solely to the VRS, a mixed agent and cost-sharing multiple-employer retirement plan. The VRS issues a separate stand-alone report that is publicly available as previously discussed.

Full-time employees of the Virginia Housing Development Authority (major) participate in a defined contribution employees’ retirement savings plan administered by the Authority. This is a noncontributory plan where the Authority incurs employment retirement savings expense equal to 8.0 percent of full-time employees’ compensation. Total retirement savings expense under this plan was $1,391,207 in fiscal year 2004. The retirement expense is fully funded as incurred; therefore, there is no unfunded future retirement liability.

The Virginia Port Authority (nonmajor) contributes to the VRS. The Authority also sponsors two single-employer noncontributory defined benefit pension plans. The Virginia Port Authority Pension Plans are administered by the Authority and provide retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions and obligations are established and may be amended by the Board of Commissioners of the Authority. The Authority’s policy is to fund annually the plan’s normal cost as calculated under a generally accepted actuarial funding method and the amortization of any unfunded past service liabilities over a period not to exceed 30 years. In addition, the plan was restated October 1, 2001, to ensure compliance with additional regulations. On

February 28, 2002, the plan was amended to provide for a one-time Voluntary Retirement Opportunity Program (VROP). The program provided for early retirement of selected employees who were 58 years of age and had at least ten years of creditable service as of April 1, 2002. The effect on this amendment, an increase in the actuarial present value of accumulated plan benefits of $2,337,300, was accounted for and fully funded during the fiscal year ended June 30, 2002.

The components of annual pension cost and prepaid pension obligation for the first single-employer noncontributory defined benefit pension plan are as follows:

Trend Information

	2004	2003	2002
Service cost - benefits earned during the year	$ 1,156,600	$ 987,000	$ 982,000
Interest cost on projected benefit obligation	2,260,700	2,144,000	1,910,000
Expected return on assets	(2,675,000)	(2,429,000)	(2,550,000)
Net amortization and deferral	151,300	76,400	42,700
One time recognition - VROP	-	-	2,337,300
Annual pension cost	893,600	778,400	2,722,000
Contributions made	(1,299,000)	(2,916,100)	(2,840,200)
Increase in prepaid pension obligation	(405,400)	(2,137,700)	(118,200)
Prepaid pension obligation, beginning of year	(7,762,400)	(5,624,700)	(5,506,500)
Prepaid pension obligation, end of year	$ (8,167,800)	$ (7,762,400)	$ (5,624,700)

The annual pension cost for the current year was determined as part of the September 30, 2003, actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. The discount rate used in determining the actuarial present value of projected benefit obligation was 7.5 percent in fiscal year 2004 and 8.0 percent in fiscal years 2003 and 2002. The expected long-term rate of return on assets used in determining net periodic pension cost was 7.5 percent.

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2004, 2003, and 2002.

Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2004	$ 893,600	145 %	$ (8,167,800)
2003	$ 778,400	375 %	$ (7,762,400)
2002	$ 2,722,000	104 %	$ (5,624,700)

In November 2001, the second plan was amended to provide benefits to sworn police officers that more closely resemble the new retirement benefits provided to members of the Virginia Law Enforcement Officers Retirement System. The effect of those changes is included in the accompanying pension data.

The components of annual pension cost and prepaid pension obligation for the second single-employer noncontributory defined benefit pension plan are as follows:

Trend Information

	2004	2003	2002
Service cost - benefits earned during the year	$ 348,524	$ 197,071	$ 142,820
Interest cost on projected benefit obligation	138,803	111,771	44,309
Expected return on assets	(167,011)	(36,821)	13,025
Net amortization and deferral	183,283	87,904	(6,465)
Annual pension cost	503,599	359,925	193,689
Contributions made	(149,822)	(802,299)	(209,420)
Additional minimum liability	(435,518)	158,952	689,672
Increase in pension obligation	(81,741)	(283,422)	673,941
Pension obligation, beginning of year	583,758	867,180	193,239
Pension obligation, end of year	$ 502,017	$ 583,758	$ 867,180

The annual pension cost for the current year was determined as part of the August 2004 actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. Actual value of assets was determined using market value. The discount rate used in determining the actuarial present value of the projected benefit obligation was 6.3 percent in 2004, 6.0 percent in 2003, and 7.0 percent in 2002. The expected long-term rate of return on assets used in determining net periodic pension cost was 8.0 percent.

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2004, 2003, and 2002.

Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2004	$ 503,599	30 %	$ 502,017
2003	$ 359,925	223 %	$ 583,758
2002	$ 193,689	108 %	$ 867,180

The Authority also sponsors two noncontributory supplemental plans covering certain key employees. The Authority's current policy is not to fund the costs of these plans. The plans had assets of $1,876,388 and an accrued liability of $2,125,712.

The Virginia Resources Authority sponsors a retirement savings plan whereby 12 percent of eligible employees' salary is contributed on an annual basis. Total retirement savings expense was $84,739 for the year ended June 30, 2004, a portion of which is reimbursed.

The Virginia Equine Center Foundation has a defined contribution plan which covers all full-time employees of the Foundation who have one year of service and are age twenty-one or older. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974. Contributions to the plan are discretionary and the Foundation will determine the amount to contribute to the plan each year. No contributions were made on behalf of the employees for the fiscal year ended June 30, 2004.

12. OTHER EMPLOYMENT BENEFITS

In addition to the pension plans, the Commonwealth participates in three other employment benefit plans, Group Life Insurance, Retiree Health Insurance Credit, and Virginia Sickness and Disability Program, which are administered by the Virginia Retirement System (VRS). The VRS administers a fourth other employment benefit plan, the Volunteer Firefighters' and Rescue Squad Workers' Fund, in which the Commonwealth does not participate, but may provide funding. The significant accounting policies for all four plans are the same as those described in Note 11 for pension plans. A separately issued financial report that includes financial statements for Group Life Insurance, Retiree Health Insurance Credit, and Virginia Sickness and Disability Program is publicly available. Copies may be obtained by writing to Virginia Retirement System, P. O. Box 2500, Richmond, Virginia 23218-2500.

Group Life Insurance

The Group Life Insurance Plan provides life insurance benefits for State employees, teachers, employees of political subdivisions participating in the VRS, State police officers, judges, and other qualifying employees. In fiscal year 2004 there were approximately 331,897 state employees and 106,933 retirees in the program.

As part of this plan, the State provides life insurance benefits for retired employees in accordance with Title 51.1 of the *Code of Virginia*. To be eligible, the employee must have retired or terminated employment after age 50 and have had at least ten years of service (including five years of continuous service) or at age 55 and have had five years of continuous service (age 50 for participating law enforcement officers and judges) or retired because of disability. At retirement or termination, natural death coverage starts to reduce by 25 percent each year until coverage reaches 25 percent of its value at retirement or termination.

Postemployment life insurance benefits are advance funded on an actuarially determined basis using the aggregate cost actuarial method. Rates were determined in a June 30, 2001, actuarial valuation using the same actuarial assumptions used for determining pension plan contribution rates. The modified market value of plan assets was used for valuation purposes. Retirees are not required to contribute to the group life plan. The Commonwealth's actuarially required contribution rate for the current year was 0.98 percent of payroll. This contribution covers premiums for active employees and actual death claims for retirees.

The accrued liabilities for postemployment death benefits actuarially determined through an actuarial valuation performed as of June 30, 2003, were $1,671.2 million. The actuarial value of the program's assets available for benefits on that date was $902.1 million, leaving a present value of future contributions of $769.1 million. In April 2002, the General Assembly suspended contributions for the remainder of fiscal year 2002 through fiscal year 2004.

Retiree Health Insurance Credit

The Retiree Health Insurance Credit Plan provides health insurance credits against the monthly health insurance premiums for retired State employees, State police officers, and judges with at least 15 years of creditable service on the current disbursement basis. Benefit provisions and eligibility requirements are established by Title 51.1-1400 of the *Code of Virginia*. Approximately 65,163 state retirees were receiving health insurance credits at June 30, 2004.

The monthly credit amounts to $4.00 per year of service not to exceed a maximum allowance of $120.00. The contribution rate was determined as part of the June 30, 2001, actuarial valuation that determined the pension plan contribution rates. The Commonwealth's actuarially required contribution rate for "full funding" and "pay-as-you-go" would have been 1.86 and 1.37 percent of payroll, respectively, for the current year; however, contributions were paid at 0.89 percent of payroll. The Commonwealth recognized Retiree Health Insurance Credit expenses of $64.9 million during the fiscal year ended June 30, 2004.

Virginia Sickness and Disability Program

The Virginia Retirement System (System) administers the Virginia Sickness and Disability 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 (age 60 for State police officers), or until death.

The VSDP was established on January 1, 1999, for all full-time, classified State employees, including State police officers and other State law enforcement and corrections officers, hired on or after January 1, 1999. Part-time, classified employees who work at least 20 hours a week on a salaried basis and who accrue leave are also covered. Eligible State employees and State police officers of the Commonwealth employed prior to January 1, 1999, had the option to elect to participate in the VSDP or to remain in the Commonwealth's existing disability retirement and sick leave program (see Notes 11 and 15). Eligible employees enrolled in the VSDP are not eligible for disability retirement benefits under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers Retirement System (VaLORS).

Faculty of Virginia institutions of higher education, hired or appointed on or after January 1, 1999, who elected the VRS as their retirement plan, must make an irrevocable election to participate in the VSDP or in the institution's disability program. If there is no institution program, the faculty is covered under this program.

All State agencies are required to contribute to the cost of providing long-term disability benefits. Initial contribution requirements to fund the program were determined by the System's actuary based on an estimate of the amount of the liability for disability benefits that would transfer from the VRS and SPORS to the VSDP for the anticipated new participants in the VSDP. This contribution requirement was 1.07 percent of payroll for State employees and 1.42 percent of payroll for State police officers and VaLORS employees during the fiscal year. The Commonwealth recognized long-term disability expenses of $23.8 million during the fiscal year. As of June 30, 2004, there were approximately 64,715 participants.

Volunteer Firefighters' and Rescue Squad Workers' Fund

Volunteer firefighters and rescue squad workers may participate in an optional postemployment benefit plan. This optional plan is authorized by the *Code of Virginia*. The Board of Trustees of the VRS manages the investments of the Fund as custodian. Members of the plan contribute $30 per quarter. The Commonwealth will contribute an amount determined by the Board and appropriated by the General Assembly, if such funds are appropriated, for a period not to exceed twenty years. For fiscal year 2004, $250,000 was appropriated. At June 30, 2004, there were 1,001 workers participating in the Fund.

13. DEFERRED COMPENSATION PLANS

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Virginia Retirement

System (VRS) administers the deferred compensation plan, pursuant to the Government Employees Deferred Compensation Plan Act, Section 51.1, Chapter 6 et seq. of the *Code of Virginia*. The VRS contracts with private corporations or institutions subject to the standards set forth in the *Code* to provide investment products as well as any other goods and services related to the administration of the deferred compensation plan. The Department of Accounts is responsible for the accounting, reconciliations, and record keeping associated with State employees' enrollment, payment to the plan through payroll deductions, and timely transfer of withheld funds to the trustee designated by the VRS for investment. The plan provides a number of investment options and is designed so that each participant retains investment control of his/her individual account. The plan, available to all State employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of plan participants and their beneficiaries and is not available to employees until termination, retirement, death, or unforeseeable emergency. Since the VRS has no fiduciary relationship with plan participants, plan assets of $620.8 million are not included in the financial statements.

In addition, the Commonwealth provides a cash match under Internal Revenue Code Section 401(a) for employees participating in the deferred compensation plan who have been employed at least one year. The match amount for an employee was established at 50 percent of the voluntary contributions to the deferred compensation plan. During the current fiscal year, the maximum match was $20 per pay period or $40 per month. The fair value of assets in the cash match savings plan at June 30, 2004, was $51.7 million, which is also excluded from the financial statements.

The Virginia Housing Development Authority (Major Component Unit) and the Virginia Resources Authority (Nonmajor Component Unit) have a deferred compensation plan available to all employees created in accordance with Internal Revenue Section 457. The Plan permits participants to defer a portion of their salary or wage until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the Plan are in an irrevocable trust with an external trustee and, accordingly, no assets or liabilities are reflected in the financial statements.

The Virginia Port Authority (VPA) (Nonmajor Component Unit) offers three deferred compensation plans and two matching savings plans under Internal Revenue Code Sections 457 and 401(a), respectively. Employees who maintain status under VRS are covered under the Deferred Compensation Plan administered by the VRS as discussed above. The VPA deferred compensation plan covers all employees hired after July 1, 1997, and those employees electing coverage under the Authority’s deferred compensation plan. The VPA also offers a matching savings plan that covers substantially all employees. The matching savings plan requires the VPA to match contributions in an amount equal to 50 percent of the first 6 percent of the participant’s base pay contributed to the plan. VPA’s total contribution to the matching savings plan was $101,019 for the fiscal year ended June 30, 2004. Further, the right to modify, alter, amend, or terminate the deferred compensation plan and matching savings plan rests with the VPA Board of Commissioners.

The third deferred compensation plan and second matching savings plan covers substantially all nonunion employees with 90 days or more of service. The matching savings plan requires the VPA to match employee contributions in an amount equal to 50 percent of the first 3 percent of the participant’s base pay contributed to the deferred compensation plan. VPA’s total contribution to the matching savings plan was $312,269 for the fiscal year ended June 30, 2004.

The Hampton Road Sanitation District's (the District) Commission adopted a post-retirement health benefit for qualifying employees beginning after July 1, 2002. The program furnishes health and dental benefits for life for all employees with at least 15 years of service and who also quality for an unreduced retirement benefit through the Virginia Retirement System. The program allows the retiree at their expense to cover their spouse and dependent under the District's health care provider. The District funded the estimated prior service cost of approximately $7,000,000 in a separate trust established for this purpose from the sale of land and additional designated revenue. For the year ended June 30, 2004, the estimated ongoing annual required contribution is approximately $500,000, and is funded through operations. The fair market value of the Trust as of June 30, 2004, was $7,939,000.

14. COMMITMENTS

A. Construction Projects

Highway Projects

At June 30, 2004, the Department of Transportation (Primary Government) had contractual commitments of approximately $1,771.1 million for construction of various highway projects. Funding for these expenditures is expected to be provided as follows: (1) Federal Funds – approximately 39.6 percent or $700.8 million, (2) State Funds – approximately 54.7 percent or $968.5 million, and (3) Proceeds from Bonds – approximately 5.7 percent or $101.8 million.

Mass Transit Projects

At June 30, 2004, the Department of Rail and Public Transportation (Primary Government) had contractual commitments of approximately $129.7 million for various public transportation and rail preservation projects. Funding of the future expenditures is expected to be as follows: (1) State Funds – approximately 86 percent or $111.1 million, and (2) Federal Funds – approximately 14 percent or $18.6 million.

Port Projects

At June 30, 2004, the Virginia Port Authority (Nonmajor Component Unit) was committed to construction contracts totaling $81.3 million.

Sanitation District Project

At June 30, 2004, the Hampton Roads Sanitation District Commission (Nonmajor Component Unit) was committed to construction programs totaling $30.9 million.

Higher Education Institutions

Many of the colleges and universities (Component Units) are committed to construction contracts. As of June 30, 2004, these commitments totaled approximately $509.0 million. Higher Education Foundations' commitments total approximately $33.7 million and are primarily for construction contracts.

B. Operating Leases

The Commonwealth has entered into numerous agreements to lease land, buildings, and equipment. Most of the operating leases contain the provision that the Commonwealth may renew the operating leases at the expiration date of the lease on a month–to–month basis. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases of a similar nature. Rental expense for the primary government under these operating leases for the year ended June 30, 2004, was $73.8 million for governmental activities (including Internal Service Funds) and $14.1 million for business-type activities. Rental expense for the discrete component units (excluding Foundations) for the year ended June 30, 2004, was $73.4 million. The Commonwealth has, as of June 30, 2004, the following minimum rental payments due under the above leases (dollars in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units (1)
2005	$ 56,706	$ 10,706	$ 37,572
2006	36,857	7,822	26,321
2007	25,794	5,634	20,679
2008	19,874	3,542	14,065
2009	14,134	1,497	8,417
2010-2014	32,891	1,185	26,740
2015-2019	7,082	-	12,748
2020-2024	2,080	-	1,981
2025-2029	743	-	1,168
2030-2034	264	-	939
2035-2039	-	-	823
2040-2044	-	-	823
2045-2049	-	-	823
Total	$ 196,425	$ 30,386	$ 153,099

Note (1): The above amounts exclude operating lease obligations of Foundations.

	Foundations (2)
2005	$ 6,896
2006	6,688
2007	6,555
2008	6,492
2009	6,434
Thereafter	75,466
Total	$ 108,531

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Rental expense for the year ended June 30, 2004, was approximately $5.4 million.

Lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

C. Investment Commitments – Virginia Retirement System

The Virginia Retirement System extends investment commitments in the normal course of business, which, at June 30, 2004, amounted to $1.8 billion.

D. Tobacco Grants

The Tobacco Indemnification and Community Revitalization Commission (Commission) (Nonmajor Component Unit) has $54.3 million in grant award commitments not reflected in these statements since eligibility requirements were not met as of June 30, 2004 in accordance with GASBS No. 33. The Commission awarded an additional $3.5 million in July 2004 and is obligated for $3 million of indemnification payments in August 2004 that are also not reflected in these statements.

The Virginia Tobacco Settlement Foundation (Nonmajor Component Unit) has $5 million in grant commitments and $7 million in outstanding contracts not reflected in these statements since eligibility requirements were not met as of June 30, 2004 in accordance with GASBS No. 33.

E. Maintenance Contracts

The Virginia Economic Development Partnership (Nonmajor Component Unit) entered into a 3-year contract for maintenance on its Microsoft products for a total cost of $135,223. One year's expense of $45,077 has been paid, leaving two years totaling $90,149.

15. ACCRUED LIABILITY FOR COMPENSATED ABSENCES

Employees accrue annual leave at a rate of four to nine hours semimonthly, depending on their length of service. The maximum leave accumulation is dependent upon years of service, but in no case may it exceed 432 hours. The maximum compensation for annual leave balances is also dependent upon years of service, but in no case may an employee be compensated for more than 336 hours.

All employees hired after January 1, 1999, are required to enroll in the Virginia Sickness and Disability Program (VSDP) (see Note 12). Under the VSDP, employees receive a specified number of sick and personal leave hours, depending on their length of service, and any balances at the end of the calendar year revert. Individuals employed at January 1, 1999, had the option of converting to the VSDP or remaining in the original sick leave plan. If converting, the employee's sick leave balance could be used to purchase retirement credits or be converted to disability credits. If an employee opted to remain in the original sick leave program, sick leave accrues at a rate of five hours semimonthly. Employees who leave State service after a minimum of five years employment receive the lesser of 25 percent of the value of their disability credits or accumulated sick leave at their current earnings rate or $5,000. All employees leaving State service are paid for accrued annual 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 and sick leave and disability credits payable upon termination is included in the accompanying financial statements. In the government-wide statements, proprietary fund statements, and discrete component unit fund statements, amounts are segregated into two components – the amount due within one year and the amounts due in more than one year. In the governmental fund statements, amounts to be paid from expendable resources are recognized as fund liabilities in the applicable governmental fund types as long-term liabilities and represent payments for separations that occurred prior to June 30. Amounts not payable from expendable resources are reflected in the governmental activities column in the Government-wide Statement of Net Assets (see Note 19). All amounts related to the fiduciary funds are recognized in those funds.

The liability at June 30, 2004, was computed using salary rates effective at that date, and represents vacation, compensatory and sick leave earned or disability credits held up to the allowable ceilings. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, an additional liability amount has been included for those employees remaining in the original sick leave program with less than 5 years of service based on the probability that they will eventually become vested. Also included in the liability is the Commonwealth's share of FICA taxes on leave balances for which employees will be compensated.

16. INSURANCE

A. Self–Insurance

The Commonwealth maintains two types of self-insurance plans. The first type of self-insurance is a health care plan administered by the Department of Human Resource Management for State employees. The plan is accounted for in the Health Care – Internal Service Fund. Interfund premiums are accounted for as internal activity receipts from other funds. At June 30, 2004, $85.7 million is reported as the estimated claims payable for this fund. The estimated liability is based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported as described in Note 1.R. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30,
2003-2004	$ 78,800	$ 613,508	$ (606,602)	$ 85,706
2002-2003	$ 79,608	$ 579,001	$ (579,809)	$ 78,800

The second type of plan, risk management insurance, is administered by the Department of the Treasury, Division of Risk Management and the Department of Human Resource Management, Worker's Compensation Program. This plan is accounted for in the Risk Management – Internal Service Fund. Interfund premiums are accounted for as internal activity receipts from other funds. Risk management insurance includes workers' compensation, property, general (tort) liability, medical malpractice, and automobile plans. At June 30, 2004, $220.0 million is reported as the estimated claims payable for these self-insurance plans. The estimated losses are based upon actual claims that have been submitted, as well as claims incurred but not reported. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30,
2003-2004	$ 189,185	$ 80,445	$ (50,125)	$ 219,505
2002-2003	$ 178,328	$ 72,356	$ (61,499)	$ 189,185

For workers' compensation, the Commonwealth assumes the full risk of claims filed. For tort, including general and automobile liability, liability is assumed to $2,000,000 per occurrence. Medical malpractice liability is assumed to $1,000,000 per occurrence. For property damage, Risk Management purchases $400,000,000 of insurance with a $1,000,000 deductible.

The Commonwealth has not had any insurance settlements exceed the coverage during the past three years.

The Virginia Port Authority (Nonmajor Component Unit) is partially self-insured for certain workers' compensation claims. The Authority maintains insurance coverage of $5,000,000 per claim, but is obligated to pay the first $1,000,000 of any individual's claims per incident. The Authority is also partially self-insured for employee health coverage. The Authority is responsible for actual claim costs up to $75,000 per individual per calendar year. Insurance coverage is maintained for claims in excess of the individual employee limit and for aggregate claims in excess of $3,866,745.

B. Public Entity Risk Pools

The Commonwealth administers two types of public entity risk pools for the benefit of local governmental units: health care and risk management insurance. The Local Choice Health Care plan was established to make comprehensive health care insurance available to localities and political subdivisions at affordable rates and with stable premiums. During the fiscal year, there were 228 local government units participating in the pool. This includes 26 school districts, 28 counties, 85 cities/towns, and 89 other subdivisions. This program is accounted for in the Local Choice Health Care Enterprise Fund (nonmajor).

The Department of Human Resource Management, under Section 2.2-1204 of the *Code of Virginia*, has the authority to design, set rates, and administer the Local Choice Health Care fund. The pool's standard contract period is one year. However, a member group may withdraw on the last day of any month with three month's written notice. Contributions are based on the current necessary contribution and the amortization of experience adjustments in the pool. At June 30, 2004, $15.2 million is reported as the actuarially determined estimated claims payable for this fund based on claims incurred but not reported.

The actuarial liability is determined for the membership pool in total and then adjusted for each locality based on individual historic and demographic data. If the pool's assets were to be exhausted, the program participants would share the responsibility for any liabilities or deficits.

The Department of Treasury, Division of Risk Management administers risk management pools for errors and omissions liability insurance and law enforcement professional liability insurance in accordance with Section 2.2–1839 of the *Code of Virginia*. They also administer a commuter rail liability pool for both the Northern Virginia and the Potomac & Rappahannock Transportation Commissions. These pools were established to provide an economical low-cost, internally managed alternative to the commercial insurance market for the Commonwealth's political subdivisions. These risk programs are accounted for in the Risk Management Enterprise Fund (nonmajor). The pool is established subject to the approval of the Governor. It may be insurance, self-insurance, or any combination thereof, and must provide protection and legal defense against liability. Local participation is voluntary and open to any political subdivision. As of June 30, 2004, there were 528 units of local government in the pool. This includes 5 cities, 45 towns, and 39 counties. The balance includes a large variety of boards, commissions, authorities, and special districts.

The pool has a minimum membership period of one year. However, a member group can cancel their membership and withdraw from the plan on their coverage anniversary date or at the end of the fiscal year with thirty days notice.

The pool is actuarially valued annually and is considered sound. Investment income is considered in the anticipation of premium deficiencies. No excess insurance or reinsurance is provided, but a "stability fund" is incorporated into the actuarially determined required reserves. If, however, the plan assets and reserves were to be exhausted, the members would be responsible for any deficits or liabilities.

For the liability insurance pool, local participation is voluntary and open to any political subdivision. The risk assumed by the local public entity pool for member liability is $1,000,000 per occurrence. The commuter rail liability pool was established to fulfill the liabilities of the Commissions. As a result of the Commissions' agreement with several localities, participating localities contribute to the pool based on the number of residents riding the commuter rail and their total population. This pool assumes liability up to $5,000,000 per occurrence, and commercial insurance has been purchased to pay larger claims subject to an annual aggregate limit of $200,000,000.

At June 30, 2004, $10.7 million is reported as estimated claims payable for these programs. This figure is actuarially determined for the fund in total and is reported at gross and does not reflect possible reimbursements for insurance recoveries.

The following schedule (dollars in thousands) shows the changes in claims liabilities for the past two fiscal years.

	Local Choice Health Care		Risk Management	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	$ 12,993	$ 14,886	$ 9,895	$ 10,878
Incurred Claims and Claim Adjustment Expenses:				
Provision for Insured Events of the Current Fiscal Year	124,887	104,453	4,603	5,174
Changes in Provision for Insured Events of Prior Fiscal Years	-	-	(1,786)	(3,209)
Total Incurred Claims and Adjustment Expenses	124,887	104,453	2,817	1,965
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	122,682	106,346	161	380
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Year	-	-	2,144	3,036
Total Payments	122,682	106,346	2,305	3,416
Change in Provision for Discounts	-	-	322	468
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted)	$ 15,198	$ 12,993	$ 10,729	$ 9,895
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted)	$ 15,198	$ 12,993	$ 10,914	$ 10,246

17. ACCOUNTS PAYABLE

The following table (dollars in thousands) summarizes Accounts Payable as of June 30, 2004.

	Vendor	Salary/ Wage	Retainage	Other	Foundations (1)	Total
Primary Government:						
General	$ 94,252	$ 92,979	$ 231	$ -	$ -	$ 187,462
Major Special Revenue Funds:						
Commonwealth Transportation	134,405	33,121	10,909	-	-	178,435
Federal Trust	72,204	14,957	1,577	4	-	88,742
Literary	223	-	-	-	-	223
Major Enterprise Funds:						
State Lottery	1,319	2,525	-	7,376	-	11,220
Virginia College Savings Plan	45	138	-	718	-	901
Pocahontas Parkway	42	-	1,024	-	-	1,066
Nonmajor Governmental Funds	26,508	23,747	700	2	-	50,957
Nonmajor Enterprise Funds	20,831	3,764	-	-	-	24,595
Internal Service Funds	21,022	2,728	-	3,615	-	27,365
Private Purpose	230	96	-	127	-	453
Pension Trust	401	923	-	22,782	-	24,106
Agency Funds	-	-	-	4,992	-	4,992
Total Primary Government (2)	$ 371,482	$ 174,978	$ 14,441	$ 39,616	$ -	$ 600,517
Discrete Component Units:						
Virginia Housing Development Authority	$ 27,465	$ -	$ -	$ -	$ -	$ 27,465
Virginia Public School Authority	890	-	-	234	-	1,124
University of Virginia	50,537	53,956	5,269	42,668	36,251	188,681
Virginia Polytechnic Institute and State University	36,395	39,377	3,566	-	8,296	87,634
Virginia Commonwealth University	47,754	51,949	555	-	1,553	101,811
Nonmajor Component Units	109,119	101,240	15,095	3,810	20,024	249,288
Total Component Units	$ 272,160	$ 246,522	$ 24,485	$ 46,712	$ 66,124	$ 656,003

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

Note (2): Fiduciary liabilities of $29,551 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. In addition, Governmental Fund liabilities of $72,968 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

18. OTHER LIABILITIES

The following table (dollars in thousands) summarizes Other Liabilities as of June 30, 2004.

	Primary Government				
	General	Commonwealth Transportation	Federal Trust	State Lottery	Virginia College Savings Plan
Lottery Prizes Payable	$ -	$ -	$ -	$ 58,774	$ -
Due to Program Participants, Escrows, and Providers	-	-	-	-	133
Medicaid Payable	170,591	-	196,113	-	-
Family Access to Medical Insurance Security Payable	612	-	1,137	-	-
Accrued Interest Payable	-	-	-	-	-
Tax Refunds Payable	231,367	-	-	-	-
Premium on Bonds Sold	-	-	-	-	-
Other Liabilities	-	-	-	-	-
Deposits Pending Distribution	2,090	5,630	49	-	-
Short-term Debt	-	-	-	-	-
Car Tax Refund Payable	39,503	-	-	-	-
Matured Debt Payable	-	-	-	-	-
Grants Payable	-	-	-	-	-
Total Other Liabilities	$ 444,163	$ 5,630	$ 197,299	$ 58,774	$ 133

	Primary Government				
	Pocahontas Parkway (1)	Unemployment Compensation	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds
Lottery Prizes Payable	$ -	$ -	$ -	$ -	$ -
Due to Program Participants, Escrows, and Providers	-	22,797	-	-	-
Medicaid Payable	-	-	-	-	-
Family Access to Medical Insurance Security Payable	-	-	-	-	-
Accrued Interest Payable	3,420	-	-	-	-
Tax Refunds Payable	-	-	-	-	-
Premium on Bonds Sold	-	-	-	-	-
Other Liabilities	19,651	-	2,736	1,138	6,162
Deposits Pending Distribution	-	-	5,553	175	1
Short-term Debt	-	-	-	-	-
Car Tax Refund Payable	-	-	-	-	-
Matured Debt Payable	-	-	15	-	-
Grants Payable	-	-	-	-	-
Total Other Liabilities	$ 23,071	$ 22,797	$ 8,304	$ 1,313	$ 6,163

(Continued on next page)

Note (1): The $19,651 (dollars in thousands) shown above represents an interfund liability to the Commonwealth Transportation Fund that will not be repaid within one year. This amount is reclassified to an internal balance on the Government-wide Statement of Net Assets.

	Primary Government (continued from previous page)				
	Private Purpose Funds	Pension Trust Funds	Investment Trust Funds	Agency Funds	Total Primary Government (2)
Lottery Prizes Payable	$ -	$ -	$ -	$ -	$ 58,774
Due to Program Participants, Escrows, and Providers	8	-	-	427,665	450,603
Medicaid Payable	-	-	-	-	366,704
Family Access to Medical Insurance Security Payable	-	-	-	-	1,749
Accrued Interest Payable	-	-	-	-	3,420
Tax Refunds Payable	-	-	-	-	231,367
Premium on Bonds Sold	-	-	-	-	-
Other Liabilities	-	1,077	379	10,471	41,614
Deposits Pending Distribution	-	-	-	26,769	40,267
Short-term Debt	-	-	-	-	-
Car Tax Refund Payable	-	-	-	-	39,503
Matured Debt Payable	-	-	-	-	15
Grants Payable	-	-	-	-	-
Total Other Liabilities	$ 8	$ 1,077	$ 379	$ 464,905	$ 1,234,016

Note (2): Fiduciary liabilities of $466,369 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. In addition, Governmental Fund liabilities of $231,400 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

	Component Units				
	Virginia Housing Development Authority	Virginia Public School Authority	University of Virginia	Virginia Polytechnic Institute & State University	Virginia Commonwealth University
Lottery Prizes Payable	$ -	$ -	$ -	$ -	$ -
Due to Program Participants, Escrows, and Providers	-	-	-	-	-
Medicaid Payable	-	-	-	-	-
Family Access to Medical Insurance Security Payable	-	-	-	-	-
Accrued Interest Payable	63,256	50,577	41	1,186	3,384
Tax Refunds Payable	-	-	-	-	-
Premium on Bonds Sold	-	34,050	-	-	-
Other Liabilities	-	550	20,563	23,897	88,449
Deposits Pending Distribution	-	-	144,781	15,736	26,456
Short-term Debt	-	-	37,230	-	25,000
Car Tax Refund Payable	-	-	-	-	-
Matured Debt Payable	139,670	-	-	-	-
Grants Payable	-	-	-	-	-
Total Other Liabilities	$ 202,926	$ 85,177	$ 202,615	$ 40,819	$ 143,289

	Component Units	
	Nonmajor Component Units	Total Component Units
Lottery Prizes Payable	$ -	$ -
Due to Program Participants, Escrows, and Providers	-	-
Medicaid Payable	-	-
Family Access to Medical Insurance Security Payable	-	-
Accrued Interest Payable	38,768	157,212
Tax Refunds Payable	-	-
Premium on Bonds Sold	-	34,050
Other Liabilities	49,122	182,581
Deposits Pending Distribution	11,167	198,140
Short-term Debt	38,597	100,827
Car Tax Refund Payable	-	-
Matured Debt Payable	-	139,670
Grants Payable	9,919	9,919
Total Other Liabilities	$ 147,573	$ 822,399

Medicaid Payable

Medicaid Payable represents services rendered but not billed by providers and potential liability resulting from cost reports not settled as of year-end. Providers subject to cost settlement are paid in the interim based on established per diem or diagnosis related group rates for services.

The Department of Medical Assistance Services (DMAS) estimates, based on past experience, the total amount of Medicaid claims that will be paid from the Medicaid program in the future which relate to services provided before year-end. At June 30, 2004, the estimated liability related to Medicaid claims totaled $366.7 million. Of this amount $170.6 million is reflected in the General Fund (major) and $196.1 million in the Federal Trust Special Revenue Fund (major).

Family Access to Medical Insurance Security Payable

DMAS estimates the total amount of claims that will be paid from the Family Access to Medical Insurance Security program in the future which relate to services provided before year-end. At June 30, 2004, the estimated liability related to claims totaled $1.7 million. Of this amount, $0.6 million is reflected in the General Fund (major) and $1.1 million in the Federal Trust Special Revenue Fund (major).

Tax Refunds Payable

Tax refunds payable represent refunds due on individual tax returns filed for the calendar year ended December 31, 2003, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2004. The individual tax return filing deadline is May 1 of each year for the preceding calendar year. The corporate tax return filing deadline is the 15th day of the fourth month following the close of the corporate fiscal year.

Car Tax Refund Payable

During the year ended June 30, 1998, the General Assembly passed the Personal Property Tax Relief Act. Under the terms of this legislation, the Commonwealth will assume financial responsibility for the personal property taxes assessed by localities over a five-year period beginning in 1998. The amount reported on the balance sheet represents personal property taxes assessed by the localities before June 30, 2004, and paid by the Commonwealth after June 30, 2004. The majority of the amount pertains to the 2004 personal property taxes. However, some prior year reimbursements are also included due to delinquent taxpayer payments. The tax years and applicable rates are as follows:

2004	70.0%
2003	70.0%
2002	70.0%
2001	70.0%
2000	47.5%
1999	27.5%
1998	12.5%

Short-term Debt

Various Higher Education Institutions' Foundations (Component Units) have lines of credit with banks. University of Virginia Foundations (Major Component Unit) report $17.5 million and Nonmajor Component Unit Foundations report $38.6 million. This short-term debt is for working capital, property acquisition, and construction costs. University of Virginia (Major Component Unit) reports $19.7 million in commercial paper that will be refinanced with bonds. Virginia Commonwealth University (Major Component Unit) reports $25 million in a line of credit for working capital that will be repaid with a new bond.

The balance of Other Liabilities is spread among various other funds.

19. LONG–TERM LIABILITIES

Commonwealth bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(a) bonds have been issued to redeem previous debt obligations. Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of State appropriations. Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Section 9(a), 9(b), and 9(c) bonds are tax-supported general obligation bonds and are backed by the full faith, credit, and taxing power of the Commonwealth. No other long-term debt or obligations are backed by the full faith, credit, and taxing power of the Commonwealth.

Section 9(d) bonds are revenue bonds and are not backed by the full faith, credit and taxing power of the Commonwealth. These bonds are not general obligation bonds and are not deemed to constitute a legal liability of the Commonwealth. This debt may be supported by State appropriations in whole or in part, as in the case of certain debt of the VPA (Nonmajor Component Unit), VPBA (Primary Government), ITA (Nonmajor Component Unit), and VCBA (Nonmajor Component Unit). Other 9(d) revenue bonds are payable from general revenues of the component units, or from revenues of specific revenue-producing capital projects such as the teaching hospitals, dormitories, student centers, and dining halls at the various State colleges and universities (Component Units). Additionally, the 9(d) Transportation Bonds (Primary Government) are payable solely from revenues or earnings, and other available sources of funds appropriated by the General Assembly. The 9(d) Pocahontas Parkway Association Bonds (Primary Government) are special, limited obligations of the Association, secured by a gross revenue pledge and payable solely from revenues prior to payment of current expenses and from monies held in certain funds and accounts held in trust.

Certain 9(d) bonds are considered, with 9(a), 9(b), and 9(c) bonds, to be tax-supported debt of the Commonwealth. Tax-supported debt includes all bond issues and short-term debt supported by State tax revenues (net of sinking fund requirements), for which debt service payments are made or are ultimately pledged to be made from general governmental funds.

Other 9(d) revenue bonds are considered debt not supported by taxes. For this debt, the Commonwealth has no direct or indirect pledge of tax revenues. However, in some cases, the Commonwealth has made a moral obligation pledge. A government's moral obligation pledge provides a deficiency make-up for bondholders should underlying project revenues prove insufficient. The mechanics involve funding a debt service reserve fund when the bonds are issued. If a revenue deficiency exists, reserve fund monies are used to pay bondholders. The issuer then informs the legislative body requesting that it replenish the reserve fund before subsequent debt service is due. The legislative body may, but is not legally required to, replenish the reserve fund. These bonds are considered to be moral obligation debt.

The following schedule presents the total long–term liabilities of the Commonwealth, and the portion of these amounts which are due within one year, as reported on the Government-wide Statement of Net Assets.

Total Long-Term Liabilities
June 30, 2004

(Dollars in Thousands)		**Amount Due Within One Year (3)**
Primary Government:		
Governmental Activities:(1)		
General Obligation Bonds (2)		
9(b) Transportation Facilities (3)	$ 35,316	$ 4,370
9(b) Public Facilities (3)	378,847	33,185
9(c) Parking Facilities (3)	5,717	806
9(c) Transportation Facilties (3) (4)	98,029	10,470
Total General Obligation Bonds	517,909	48,831
Non-General Obligation Bonds - 9(d)		
Transportation Debt (3) (5)	1,836,546	119,055
Virginia Public Building Authority (3) (4)	869,266	55,297
Total Non-General Obligation Bonds	2,705,812	174,352
Other Long-Term Obligations:		
Pension Liability (6)	542,471	-
Compensated Absences	304,839	150,812
Capital Lease Obligations	235,775	19,196
Regional Jail Financing Payable	16,654	1,624
Notes Payable	33,616	2,461
Installment Purchases Obligations	29,228	8,788
Industrial Development Authority Obligations	30,845	3,745
Other Liabilities	20,928	3,100
Total Other Long-Term Obligations	1,214,356	189,726
Total Governmental Activities (3) (4)	4,438,077	412,909
Business-Type Activities: (1) (7)		
Non-General Obligation Bonds - 9(d)		
Pocahontas Parkway Association Bonds (4)	447,372	-
Other Long-Term Obligations:		
Pension Liability (6)	11,601	-
Compensated Absences	7,852	3,542
Installment Purchases Obligations	12,475	4,745
Tuition Benefits Payable	1,157,712	44,900
Lottery Prizes Payable	398,195	57,646
Total Other Long-Term Obligations	1,587,835	110,833
Total Business-Type Activities (4)	2,035,207	110,833
Total Primary Government	6,473,284	523,742

(Continued on next page)

Total Long-Term Liabilities
June 30, 2004
(continued from previous page)

(Dollars in Thousands)		**Amount Due Within One Year (3)**
Component Units:		
General Obligation Bonds (2)		
Higher Education Fund - 9(c) Bonds (3) (4)	316,923	28,418
Non-General Obligation Bonds		
Higher Education Institutions - 9(d) (3) (7)	563,986	18,739
Virginia College Building Authority	389,390	50,940
Innovative Technology Authority	9,345	710
Virginia Port Authority (8)	359,225	13,228
Virginia Housing Development Authority (4) (9)	4,211,798	266,763
Virginia Resources Authority (4) (9)	1,241,219	38,905
Virginia Public School Authority (3) (9)	2,308,256	140,643
Hampton Roads Sanitation District Commission (7)	133,567	10,323
Virginia Equine Center Foundation (7)	15,745	205
Virginia Biotechnology Research Park Authority (10)	94,820	3,975
Foundations (11)	195,632	4,551
Total Non-General Obligation Bonds	9,522,983	548,982
Other Long-Term Obligations:		
Pension Liability (6)	220,290	-
Compensated Absences	182,306	103,039
Capital Lease Obligations	44,123	3,287
Notes Payable (7)	718,361	80,085
Installment Purchase Obligations	25,227	6,675
Other Liabilities (7)	285,264	36,665
Total Other Long-Term Obligations (Excluding Foundations)	1,475,571	229,751
Other Long-Term Obligations (Foundations): (11)		
Compensated Absences	866	417
Capital Lease Obligations	358	133
Notes Payable (7)	156,472	9,331
Trust and Annuity Obligations (12)	78,617	1,528
Other Liabilities (7)	52,202	790
Total Other Long-Term Obligations - Foundations	288,515	12,199
Total Other Long-Term Obligations	1,764,086	241,950
Total Component Units	11,603,992	819,350
Total Long-Term Liabilities	$ 18,077,276	$ 1,343,092

1. Pursuant to GASB Statement No. 34, governmental activities include Internal Service Funds. Business-Type Activities are considered Enterprise Funds.
2. Total general obligation debt of the Commonwealth is $834.8 million.
3. Amounts include any amortized discounts, premiums, and deferrals.
4. Net of unamortized discounts and/or premiums.
5. This debt includes $786.6 million that is not supported by taxes.
6. This includes pension obligations that do not relate to the Virginia Retirement System from Virginia Commonwealth University of $4.1 million and Virginia Port Authority of $2.5 million. It does not include pension obligations from fiduciary funds of $1.8 million.
7. This debt is not supported by taxes.
8. This debt includes $146.4 million that is not supported by taxes.
9. This debt is not supported by taxes; however, $735.6 million from VHDA, $724.8 million from VRA, and $248.8 million from VPSA is considered moral obligation debt.
10. This debt includes $13.5 million that is not supported by taxes.
11. Foundations represent FASB reporting entities defined in Note 1.B.
12. These generally represent split-interest agreements that represent donor contributed assets with the requirement that an annual distribution be made to the donor or specified beneficiary. The annual distributions are usually for a fixed dollar amount or a fixed percentage of the trust's fair market value. The present value of these commitments is reported as Trust and Annuity Obligations.

Primary Government

Transportation Facilities Debt

Transportation Facilities Bonds include $35,316,000 of 9(b) general obligation bonds, $98,028,552 of 9(c) general obligation bonds, and $1,836,546,346 of 9(d) revenue bonds. Principal and interest requirements for the current year totaled $223,068,623. The Section 9(b) transportation facilities bonds represent Powhite Refunding Bonds. The Section 9(c) Transportation Facilities Bonds were issued to fund the construction and improvement of the Omer L. Hirst - Adelard L. Brault Expressway and the George P. Coleman Bridge. The Section 9(d) Transportation Facilities Bonds were issued to fund the construction of State Route 28, U.S. Route 58, the Northern Virginia Transportation District Program, and the Oak Grove Connector (Chesapeake). The interest rates for these bonds range from 2.00 percent to 7.25 percent and the issuance dates range from June 28, 1989, to November 1, 2000.

The following schedules detail the annual funding requirements necessary to amortize Transportation Facilities 9(b), 9(c) and 9(d) bonds:

9(b) TRANSPORTATION FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2005	$ 4,370,000	$ 1,829,100	$ 6,199,100
2006	4,620,000	1,588,750	6,208,750
2007	4,885,000	1,357,750	6,242,750
2008	5,130,000	1,113,500	6,243,500
2009	5,415,000	857,000	6,272,000
2010-2014	11,725,000	886,750	12,611,750
Less: Deferral on Debt Defeasance	(829,000)	-	(829,000)
Total	$ 35,316,000	$ 7,632,850	$ 42,948,850

9(c) TRANSPORTATION FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2005	$ 10,469,540	$ 4,337,441	$ 14,806,981
2006	10,775,117	3,957,561	14,732,678
2007	10,798,630	3,581,732	14,380,362
2008	10,844,756	3,191,150	14,035,906
2009	7,539,000	2,808,613	10,347,613
2010-2014	25,395,000	10,665,531	36,060,531
2015-2019	20,565,000	4,257,638	24,822,638
2020-2024	6,430,000	498,406	6,928,406
Less: Unamortized Discount	(2,675,491)	-	(2,675,491)
Deferral on Debt Defeasance	(2,113,000)	-	(2,113,000)
Total	$ 98,028,552	$ 33,298,072	$ 131,326,624

9(d) TRANSPORTATION FACILITIES DEBT
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2005	$ 119,055,000	$ 88,353,546	$ 207,408,546
2006	126,740,000	83,028,811	209,768,811
2007	132,415,000	76,982,474	209,397,474
2008	138,860,000	70,476,945	209,336,945
2009	145,665,000	63,521,051	209,186,051
2010-2014	610,705,000	211,940,976	822,645,976
2015-2019	341,610,483	104,587,588	446,198,071
2020-2024	181,865,473	31,755,713	213,621,186
2025-2029	41,775,534	2,505,000	44,280,534
2030-2034	5,457,178	-	5,457,178
Add: Accretion on Capital Appreciation Bonds	3,280,079	-	3,280,079
Less: Deferral on Debt Defeasance	(10,882,400)	-	(10,882,400)
Total	$ 1,836,546,347	$ 733,152,104	$ 2,569,698,451

Pocahontas Parkway Association Bonds

The Pocahontas Parkway Association Route 895 Connector Toll Road Revenue Bonds, Senior Current Interest Bonds, Series 1998A were issued on July 9, 1998 in the amount of $168,862,562. Bonds mature in annual installments on August 15 in the years 2005 through 2011, and 2026 through 2028. Interest is payable on each February 15 and August 15 beginning in 1999 at rates varying from 5.0 percent to 5.5 percent.

The Pocahontas Parkway Association Route 895 Connector Toll Road Revenue Bonds, Senior Capital Appreciation Bonds, Series 1998B were issued on July 9, 1998, in the principal amount of $148,310,627 and the maturity value of $690,200,000. Bonds mature in annual installments on August 15 in the years 2012 through 2025, and 2029 through 2035. The Senior Capital Appreciation Bonds were issued at a discount to yield, approximately, 5.50 percent to 5.95 percent. Principal accreted for the year ended June 30, 2004, was $11,640,962.

The Pocahontas Parkway Association Route 895 Connector Toll Road Revenue Bonds, First Tier Subordinate Capital Appreciation Bonds, Series 1998C were issued on July 9, 1998, in the principal amount of $35,867,236 and the maturity value of $137,300,000. Bonds mature in annual installments on August 15 in the years 2005 through 2035. The First Tier Subordinate Capital Appreciation Bonds were issued at a discount to yield, approximately, 5.40 percent to 6.25 percent. Principal accreted for the year ended June 30, 2004, was $2,891,002.

The Second Tier Subordinate Toll Road Revenue Bond, Series 1998D was issued on July 9, 1998, in the principal amount of $18,000,000 to the Commonwealth Transportation Board (CTB). The Series 1998D Bond was issued in exchange for $18,000,000 loaned to the Association for paying certain non-construction costs of the Project, and shall mature on August 15, 2028. The Series 1998D Bond shall bear interest at a floating rate equal to the Commonwealth's Transportation Trust

Fund Earnings Rate, compounded semiannually. The Series 1998D Bond shall bear interest from the date that amounts are advanced from the Series 1998D Bond Proceeds Account for application to non-construction costs of the Project on the amount of such advances until paid. Also earnings on the Series 1998D Bond Proceeds Account shall be transferred monthly to the Virginia Department of Transportation. The original proceeds disbursed for non-construction costs as of June 30, 2004, were $17,989,424 and accrued interest was $5,072,043. The monthly interest rate at June 30, 2004, was 2.25 percent.

During 2002, the Association issued a non-interest bearing Second Tier Subordinate Bond, Series 2001A to the Commonwealth for $443,386. In 2004, the Association issued another non-interest bearing Second Tier Subordinate Bond, Series 2004A to the Commonwealth for $2,362,136. These amounts represent previously incurred operating expenses for which the Association was to reimburse the Commonwealth. These bonds are issued on a parity in terms of payment with other Second Tier Subordinate Bonds. These bonds are subordinate to the Senior Bonds and First Tier Subordinate Bonds and will be payable only after all payments of principal, accreted value, premium, if any, and interest on the Senior Bonds and First Tier Subordinate Bonds then due have been paid.

The Route 895 Connector Toll Road Revenue Bonds are special limited obligations of the Association, secured by a gross revenue pledge and payable solely from revenues and other property included in the Trust Estate. The Association is a private, non-stock, nonprofit corporation and has no taxing powers. Neither the 1998, 2001, nor the 2004 Bonds are a debt of the Commonwealth, the Virginia Department of Transportation, the CTB, or any other agency, instrumentality or political subdivision of the Commonwealth, moral or otherwise. Neither the full faith and credit nor taxing power of the Commonwealth, is pledged to the payment of this debt.

The following schedule details the annual funding requirements necessary to repay the Series 1998A, 1998B, 1998C, 1998D, 2001A and 2004A bonds:

POCAHONTAS PARKWAY ASSOCIATION
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2005	$ -	9,121,250	9,121,250
2006	5,300,000	9,046,250	14,346,250
2007	8,000,000	8,841,250	16,841,250
2008	9,000,000	8,548,500	17,548,500
2009	10,100,000	8,199,375	18,299,375
2010-2014	77,900,000	34,635,250	112,535,250
2015-2019	118,900,000	32,037,500	150,937,500
2020-2024	158,200,000	32,037,500	190,237,500
2025-2029	227,803,577	22,712,250	250,515,827
2030-2034	268,700,000	-	268,700,000
2035-2039	134,100,000	-	134,100,000
Less: Unamortized Discount	(844,832)	-	(844,832)
Imputed interest on 2001A, 2004A bonds	(2,081,626)	2,081,626	-
Unaccreted Capital Appreciation Bonds	(567,705,537)	-	(567,705,537)
Total	$ 447,371,582	$ 167,260,751	$ 614,632,333

Public Facilities Bonds

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 1993B, 1996, 1996 refunding, 1997, 1998 refunding, 1998 bonds, 1999A, 2002 Refunding, and 2003A Refunding. All bonds were issued to fund construction projects for higher educational institutions, mental health, and/or park facilities. The Series 2003A bonds were issued to advance refund outstanding Series 1993A and B, Series 1994, and Series 1996 bonds. Principal and interest requirements for the current year totaled $52,447,657. The interest rates for all bonds range from 2.5 percent to 5.7 percent and the issuance dates range from June 15, 1993, to June 1, 2003. The following schedule details the annual funding requirements necessary to repay these bonds:

9(b) PUBLIC FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2005	$ 33,185,000	$ 18,156,584	$ 51,341,584
2006	33,795,000	16,661,609	50,456,609
2007	33,605,000	15,139,319	48,744,319
2008	33,475,000	13,538,556	47,013,556
2009	33,370,000	11,944,144	45,314,144
2010-2014	158,820,000	36,033,945	194,853,945
2015-2019	49,605,000	6,311,213	55,916,213
2020-2024	10,100,000	1,010,000	11,110,000
Less: Deferral on Debt Defeasance	(7,108,183)	-	(7,108,183)
Total	$ 378,846,817	$ 118,795,370	$ 497,642,187

Parking Facilities Bonds

Section 9(c) general obligation bonds consist of Parking Facilities Bonds, Series 1996, 2002 Refunding, and 2003A Refunding bonds. The Series 1996 bond was issued to fund the renovation of the Seventh and Marshall Street parking deck. The Series 2002 and 2003A bonds were issued to advance refund outstanding Series 1996 and Series 1993 Refunding bonds. The interest rates for these bonds range from 2.5 percent to 5.7 percent and the issuance dates range from June 6, 1996, to June 1, 2003. Current year principal and interest requirements totaled $1,120,561.

The following schedule details the annual funding requirements necessary to repay these bonds:

9(c) PARKING FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2005	$ 805,649	$ 311,490	$ 1,117,139
2006	854,572	267,373	1,121,945
2007	890,042	224,026	1,114,068
2008	958,715	178,886	1,137,601
2009	800,426	130,276	930,702
2010-2014	1,775,087	153,409	1,928,496
2015-2019	35,000	1,750	36,750
Less:			
Deferral on			
Debt Defeasance	(402,000)	-	(402,000)
Total	$ 5,717,491	$ 1,267,210	$ 6,984,701

Virginia Public Building Authority

The Virginia Public Building Authority (VPBA) has issued Section 9(d) revenue bonds for the purpose of constructing, improving, furnishing, maintaining, and acquiring public buildings for the use of the Commonwealth and also to reimburse localities, regional jail authorities or other combination of localities under the Regional Jail Financing Program. The VPBA bonds, Series 2004A were issued in March, 2004 in the amount of $187,105,000. A portion of the proceeds was used to advance refund $3,600,000 of Series 1994A bonds, $118,245,000 of Series 1995 bonds, and $72,740,000 of Series 1997A bonds. The interest rates for all bonds range from 2.5 percent to 6.6 percent and the issuance dates range from February 6, 1992, to March 10, 2004. Current year principal and interest requirements totaled $115,690,027. The following schedule details the annual funding requirements necessary to repay these bonds:

9(d) VIRGINIA PUBLIC BUILDING AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2005	$ 61,025,000	$ 38,244,141	$ 99,269,141
2006	64,210,000	35,926,226	100,136,226
2007	69,295,000	33,440,041	102,735,041
2008	71,800,000	30,851,402	102,651,402
2009	74,440,000	28,166,626	102,606,626
2010-2014	330,905,000	95,416,053	426,321,053
2015-2019	193,030,000	31,923,947	224,953,947
2020-2024	44,455,000	3,082,875	47,537,875
Less:			
Unamortized			
Discount	(15,918,701)	-	(15,918,701)
Deferral on			
Debt Defeasance	(23,975,605)	-	(23,975,605)
Total	$ 869,265,694	$ 297,051,311	$ 1,166,317,005

Regional Jail Financing Program

The Regional Jail Financing Program of the Commonwealth of Virginia Treasury Board was created during the 1993 Session of the General Assembly to establish a method of reimbursing localities, regional jail authorities or other combination of localities for a portion of the capital and financing costs of a jail project, made pursuant to Sections 53.1-80, 53.1-81, or 53.1-82 of the *Code of Virginia.* The General Assembly, upon recommendation from the Department of Planning and Budget, may determine to reimburse localities for approved capital costs over time through a contractual Reimbursement Agreement between the localities or authority and the Treasury Board. The Board of Corrections determines the amount of reimbursable capital costs. If approved for reimbursement over time, the Treasury Board determines the amount of reimbursable financing costs and calculates the periodic reimbursement payments.

In 1996, the General Assembly adopted legislation that authorized funding of jail project reimbursements through bonds issued by the Virginia Public Building Authority (VPBA). As of June 30, 1998, all future jail reimbursements were approved for funding through the VPBA as opposed to the Treasury Board. All reimbursements, whether up front or over time, are subject to appropriation by the General Assembly.

The following schedule details the annual funding requirements necessary to repay these obligations:

REGIONAL JAILS FINANCING
Financial Obligations to Maturity

Calendar Year Obligations	*Capital Costs*	*Financing Costs*	*Total*
2005	$ 1,624,198	$ 1,009,103	$ 2,633,301
2006	1,655,357	981,369	2,636,726
2007	1,681,599	951,891	2,633,490
2008	1,712,928	919,166	2,632,094
2009	1,749,353	884,436	2,633,789
2010-2014	8,230,707	2,500,745	10,731,452
Total	$ 16,654,142	$ 7,246,710	$ 23,900,852

Industrial Development Authority Obligations

In fiscal year 2002, the Newport News Industrial Development Authority (IDA) issued Section 9(d) revenue bonds to pay a portion of the cost of construction and equipping of the Virginia Advanced Shipbuilding and Carrier Integration Center for use by the Newport News Shipbuilding and Dry Dock Company. The Commonwealth's obligation is set out in a payment agreement between Newport News IDA and the Treasury Board, in which the Treasury Board agrees to make payments equal to the debt service from amounts appropriated by the General Assembly. The interest rates for these bonds range from 2.75 percent to 5.03 percent and the issue date is July 27, 2000. Current year principal and interest requirements totaled $5,324,341. The following schedule details the annual funding requirements necessary to repay these bonds:

NEWPORT NEWS INDUSTRIAL DEVELOPMENT AUTHORITY
Debt Service Requriements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2005	$ 3,745,000	$ 1,545,296	$ 5,290,296
2006	3,940,000	1,352,190	5,292,190
2007	4,150,000	1,144,390	5,294,390
2008	4,370,000	920,545	5,290,545
2009	4,615,000	678,288	5,293,288
2010-2014	10,025,000	558,937	10,583,937
Total	$ 30,845,000	$ 6,199,646	$ 37,044,646

Component Units

Higher Education Institution Bonds

Higher Educational Institution Bonds are comprised of both 9(c) general obligation bonds and 9(d) revenue bonds. Section 9(d) bonds are from several sources as shown on the following schedule (dollars in thousands):

College and university bonds backed by pledge of general revenue or revenue from specific revenue-producing capital projects	$ 456,816
College and university debt backed exclusively by pledged revenues of an institution	107,170
Total Higher Educational Institutional 9(d) debt	$ 563,986

The interest rates for these bonds range from 1.5 percent to 9.25 percent and the issuance dates range from June 30, 1979 to May 25, 2004. The following schedules detail the annual funding requirements necessary to amortize Higher Educational Institution 9(c) and 9(d) bonds:

9(c) HIGHER EDUCATIONAL INSTITUTION BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2005	$ 30,034,811	$ 15,060,302	$ 45,095,113
2006	28,375,311	13,728,705	42,104,016
2007	27,966,328	12,500,780	40,467,108
2008	29,046,529	11,249,357	40,295,886
2009	28,449,574	9,952,793	38,402,367
2010-2014	106,271,913	32,137,048	138,408,961
2015-2019	56,665,000	11,474,519	68,139,519
2020-2024	17,825,000	1,914,606	19,739,606
Less: Unamortized Discount	(1,687,000)	-	(1,687,000)
Deferral on Debt Defeasance	(6,024,000)	-	(6,024,000)
Total	$ 316,923,466	$ 108,018,110	$ 424,941,576

9(d) HIGHER EDUCATIONAL INSTITUTION BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2005	$ 18,739,319	$ 25,910,276	$ 44,649,595
2006	20,802,472	24,681,891	45,484,363
2007	25,375,721	23,717,372	49,093,093
2008	25,989,067	22,739,481	48,728,548
2009	22,107,515	21,674,115	43,781,630
2010-2014	121,728,049	93,585,491	215,313,540
2015-2019	95,171,285	66,133,981	161,305,266
2020-2024	85,266,936	43,990,367	129,257,303
2025-2029	45,560,000	27,286,763	72,846,763
2030-2034	114,325,000	13,951,225	128,276,225
Less: Deferral on Debt Defeasance	(11,079,300)	-	(11,079,300)
Total	$ 563,986,064	$ 363,670,962	$ 927,657,026

9(d) VIRGINIA COLLEGE BUILDING AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2005	$ 50,940,000	$ 18,896,971	$ 69,836,971
2006	29,620,000	16,222,559	45,842,559
2007	30,965,000	14,878,291	45,843,291
2008	21,620,000	13,471,110	35,091,110
2009	15,395,000	12,427,685	27,822,685
2010-2014	88,870,000	50,241,497	139,111,497
2015-2019	99,930,000	26,068,316	125,998,316
2020-2024	52,050,000	5,352,800	57,402,800
Total	$ 389,390,000	$ 157,559,229	$ 546,949,229

Various Higher Education Institutions' Foundations (Component Units) have bonds outstanding as of year-end. The purpose of a majority of these bonds are for construction, property acquisition, and defeasance of prior debt. Many principal and interest payments are to banks or industrial development authorities located throughout the Commonwealth. The following schedule details the future principal payments:

HIGHER EDUCATION INSTITUTIONS' FOUNDATIONS' BONDS (1)
Debt Service Requirements to Maturity

Maturity	Principal
2005	$ 4,550,770
2006	9,888,676
2007	5,571,685
2008	5,696,593
2009	5,612,522
Thereafter	164,311,399
Total	$ 195,631,645

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

Innovative Technology Authority

The Innovative Technology Authority (ITA) has issued Taxable Lease Revenue Bonds, Series 1989, and Series 1997 refunding. The Series 1989 bonds were issued to cover a portion of the costs related to the construction of a software development center and office building. Series 1997 bonds were issued to advance refund $11.2 million of the outstanding 1989 bonds.

The 1989 bonds had an average interest rate of 10.3 percent and the 1997 bonds have an average interest rate of 7.4 percent. The bonds were issued on March 1, 1989, and May 1, 1997, respectively. The following schedule details the annual funding requirements necessary to amortize ITA bonds:

9(d) INNOVATIVE TECHNOLOGY AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2005	$ 710,000	$ 692,691	$ 1,402,691
2006	700,000	641,855	1,341,855
2007	790,000	591,525	1,381,525
2008	875,000	534,013	1,409,013
2009	855,000	470,050	1,325,050
2010-2014	5,415,000	1,275,017	6,690,017
Total	$ 9,345,000	$ 4,205,151	$ 13,550,151

Virginia Port Authority

The Virginia Port Authority (VPA) has issued Section 9(d) revenue bonds and notes pursuant to powers provided to its Board of Commissioners by the *Code of Virginia.* The interest rates for these bonds range from 2.0 percent to 6.0 percent and the issuance dates range from October 23, 1996, to June 26, 2003. Series 1998 bonds were issued to advance refund $71.0 million of the outstanding 1988 bonds. The following schedule details the annual funding requirements necessary to amortize VPA bonds:

9(d) VIRGINIA PORT AUTHORITY DEBT
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2005	$ 13,228,127	$ 18,092,150	$ 31,320,277
2006	15,338,326	17,408,225	32,746,551
2007	16,610,244	16,602,999	33,213,243
2008	18,524,872	15,700,556	34,225,428
2009	19,487,279	14,713,901	34,201,180
2010-2014	54,714,936	64,532,543	119,247,479
2015-2019	63,519,684	48,548,478	112,068,162
2020-2024	69,971,426	31,453,606	101,425,032
2025-2029	72,515,074	11,483,143	83,998,217
2030-2034	15,315,348	1,781,438	17,096,786
Total	$ 359,225,316	$ 240,317,039	$ 599,542,355

Virginia Housing Development Authority

The Virginia Housing Development Authority (VHDA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 2.36 percent to 10.88 percent and the origination dates range from June 30, 1982, to June 10, 2004. The following schedule details the annual funding requirements necessary to amortize these bonds:

9(d) VIRGINIA HOUSING DEVELOPMENT AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2005	$ 266,763,453	$ 213,109,620	$ 479,873,073
2006	206,595,334	204,154,321	410,749,655
2007	199,963,940	194,462,203	394,426,143
2008	194,880,301	185,001,820	379,882,121
2009	187,365,923	175,538,050	362,903,973
2010-2014	891,119,159	736,917,870	1,628,037,029
2015-2019	816,583,747	501,673,530	1,318,257,277
2020-2024	561,459,477	299,333,427	860,792,904
2025-2029	439,939,286	147,673,772	587,613,058
2030-2034	148,533,486	72,036,836	220,570,322
2035-2039	162,305,000	32,374,315	194,679,315
2040-2044	108,850,000	9,589,649	118,439,649
2045-2049	30,700,000	366,025	31,066,025
Add: Unamortized Premium	3,376,506	-	3,376,506
Less: Unamortized Discount	(6,638,000)	-	(6,638,000)
Total	$ 4,211,797,612	$ 2,772,231,438	$ 6,984,029,050

Virginia Resources Authority

The Virginia Resources Authority (VRA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 1.36 percent to 8.70 percent and the origination dates range from December 1, 1985, to June 30, 2004. The following schedule details the annual funding requirements necessary to amortize these bonds:

9(d) VIRGINIA RESOURCES AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2005	$ 38,905,000	$ 53,661,178	$ 92,566,178
2006	41,715,000	54,385,534	96,100,534
2007	45,480,000	52,779,392	98,259,392
2008	49,305,000	50,977,546	100,282,546
2009	52,345,000	48,977,131	101,322,131
2010-2014	311,455,000	205,342,743	516,797,743
2015-2019	282,760,000	133,678,891	416,438,891
2020-2024	240,115,000	69,489,095	309,604,095
2025-2029	138,575,000	28,315,401	166,890,401
2030-2034	61,085,000	13,432,509	74,517,509
2035-2039	31,825,000	1,219,141	33,044,141
Add: Unamortized Premium	16,946,308	-	16,946,308
Less: Unamortized Discounts and Issuance Expenses	(14,647,980)	-	(14,647,980)
Unaccreted Capital Appreciation Bonds	(54,644,329)	-	(54,644,329)
Total	$ 1,241,218,999	$ 712,258,561	$ 1,953,477,560

Virginia Public School Authority

The Virginia Public School Authority (VPSA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 2.00 percent to 6.00 percent and the origination dates range from July 1, 1994, to June 1, 2004. The following schedule details the annual funding requirements necessary to amortize these bonds:

9(d) VIRGINIA PUBLIC SCHOOL AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2005	$ 145,695,000	$ 114,272,100	$ 259,967,100
2006	167,515,000	105,358,096	272,873,096
2007	164,790,000	97,655,886	262,445,886
2008	154,185,000	89,691,071	243,876,071
2009	153,605,000	82,113,596	235,718,596
2010-2014	678,950,000	301,556,332	980,506,332
2015-2019	546,012,063	147,951,603	693,963,666
2020-2024	275,740,000	42,098,209	317,838,209
2025-2029	57,325,000	7,141,375	64,466,375
2030-2034	3,870,000	91,913	3,961,913
Less: Deferral on Debt Defeasance	(39,430,900)	-	(39,430,900)
Total	$ 2,308,256,163	$ 987,930,181	$ 3,296,186,344

Hampton Roads Sanitation District Commission

The Hampton Roads Sanitation District Commission issued bonds under a Master Trust Indenture and a Trust Agreement dated December 1, 1993, and March 1, 2003. The interest cost for these bonds ranges from 2.5 percent to 4.75 percent. The following schedule details the annual funding requirements necessary to amortize these bonds:

HAMPTON ROADS SANITATION DISTRICT COMMISSION
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2005	$ 10,323,000	$ 4,731,000	$ 15,054,000
2006	11,524,000	4,358,000	15,882,000
2007	11,919,000	3,941,000	15,860,000
2008	8,339,000	4,678,000	13,017,000
2009	8,617,000	4,492,000	13,109,000
2010-2014	48,889,000	16,098,000	64,987,000
2015-2019	27,063,000	5,893,000	32,956,000
2020-2024	2,665,000	2,297,000	4,962,000
2025-2029	4,228,000	417,000	4,645,000
Total	$ 133,567,000	$ 46,905,000	$ 180,472,000

Virginia Equine Center Foundation

The Virginia Equine Center Foundation issued Series 2001 IDA of Rockbridge County Virginia Horse Center Revenue Bonds. Coupon interest rates range from 6.125 percent to 8.0 percent.

VIRGINIA EQUINE CENTER FOUNDATION
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2005	$ 205,000	1,055,353	$ 1,260,353
2006	1,535,000	1,000,612	2,535,612
2007	515,000	935,269	1,450,269
2008	3,135,000	4,094,109	7,229,109
2009	4,330,000	2,844,463	7,174,463
2010-2014	6,025,000	1,085,896	7,110,896
Total	$ 15,745,000	$ 11,015,702	$ 26,760,702

The above listed debt of the Virginia Equine Center Foundation is not an obligation of the Commonwealth, and neither the full faith and credit nor taxing power of the Commonwealth is pledged to the payment of this debt.

Virginia Biotechnology Research Park Authority

The Virginia Biotechnology Research Park Authority issued Series 1996, 1998, 1999A, 1999B, and 2001 Commonwealth of Virginia Lease Revenue bonds. Coupon interest rates range from 4.0 percent to 6.4 percent.

VIRGINIA BIOTECHNOLOGY RESEARCH PARK AUTHORITY
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2005	$ 3,975,000	4,717,394	8,692,394
2006	4,185,000	4,516,773	8,701,773
2007	4,405,000	4,303,530	8,708,530
2008	4,620,000	4,092,598	8,712,598
2009	4,845,000	3,870,820	8,715,820
2010-2014	29,075,000	15,300,783	44,375,783
2015-2019	30,490,000	7,144,997	37,634,997
2020-2024	13,225,000	1,014,375	14,239,375
Total	$ 94,820,000	$ 44,961,270	$ 139,781,270

Total principal outstanding at June 30, 2004, on all Component Unit bonds amounted to $9.8 billion.

The following schedule summarizes the changes in long-term liabilities:

Schedule of Changes in Long-term Debt and Obligations (1) (2)

(Dollars in Thousands)

	Balance July 1, 2003 as restated	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30, 2004
Primary Government				
Governmental Activities:				
Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - 9(b) and 9(c):				
Public Facilities Bonds	$ 410,669	$ 1,238	$ (33,060)	$ 378,847
Parking Facilities Bonds	6,457	46	(786)	5,717
Transportation Facilities Bonds	150,767	1,240	(18,662)	133,345
Total General Obligation Bonds	567,893	2,524	(52,508)	517,909
Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Debt:				
Non-General Obligation Bonds - 9(d)				
Transportation Facilities Bonds	1,936,944	2,866	(103,264)	1,836,546
Virginia Public Building Authority Bonds	956,495	192,200	(279,429)	869,266
Regional Jails Financing Payable	18,252	-	(1,598)	16,654
Industrial Development Authority Obligations	34,410	-	(3,565)	30,845
Installment Purchase Obligations	34,780	6,811	(12,363)	29,228
Notes Payable - Virginia Public Broadcasting Board	20,005	-	(2,055)	17,950
Notes Payable - Transportation	12,325	-	-	12,325
Notes Payable - Aviation	3,627	-	(286)	3,341
Obligations:				
Compensated Absences	303,479	4,440	(3,080)	304,839
Capital Lease Obligations (3)	251,475	117	(15,817)	235,775
Pension Liability	452,550	89,921	-	542,471
Other	20,082	3,446	(2,600)	20,928
Total Long-Term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth	4,044,424	299,801	(424,057)	3,920,168
Total Governmental Activities	4,612,317	302,325	(476,565)	4,438,077
Business-type Activities:				
Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Debt:				
Non-General Obligation Bonds - 9(d)				
Pocahontas Parkway Association Bonds	432,563	14,809	-	447,372
Installment Purchase Obligations	15,917	910	(4,352)	12,475
Obligations:				
Compensated Absences	8,202	3,971	(4,321)	7,852
Pension Liability (4)	9,917	1,684	-	11,601
Lottery Prizes Payable	421,721	6,862	(30,388)	398,195
Tuition Benefits Payable	1,177,780	-	(20,068)	1,157,712
Total Business-Type Activities	2,066,100	28,236	(59,129)	2,035,207
Total Primary Government	$ 6,678,417	$ 330,561	$ (535,694)	$ 6,473,284
Component Units				
Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - Higher Education 9(c):	$ 349,185	$ $ 1,438	$ (33,700)	$ 316,923
Long-Term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Debt:				
Bonds	9,407,625	1,948,184	(2,028,458)	9,327,351
Installment Purchase Obligations	17,844	17,210	(9,827)	25,227
Capital Lease Obligations (5)	42,834	4,570	(3,281)	44,123
Notes Payable	606,984	175,998	(64,621)	718,361
Obligations:				
Compensated Absences	174,296	122,551	(114,541)	182,306
Pension Liability	202,913	24,599	(7,222)	220,290
Bond Anticipation Notes	1,303	-	(1,303)	-
Trust and Annuity Obligations	-	-	-	-
Other (6)	285,465	166,980	(167,181)	285,264
Total Component Units	$ 11,088,449	$ 2,461,530	$ (2,430,134)	$ 11,119,845

Foundations (7)	Balance June 30, 2004	Due Within One Year
$ -	$ 378,847	$ 33,185
-	5,717	806
-	133,345	14,840
-	517,909	48,831
-	1,836,546	119,055
-	869,266	55,297
-	16,654	1,624
-	30,845	3,745
-	29,228	8,788
-	17,950	2,175
-	12,325	-
-	3,341	286
-	304,839	150,812
-	235,775	19,196
-	542,471	-
-	20,928	3,100
-	3,920,168	364,078
-	4,438,077	412,909
-	447,372	-
-	12,475	4,745
-	7,852	3,542
-	11,601	-
-	398,195	57,646
-	1,157,712	44,900
-	2,035,207	110,833
$ -	$ 6,473,284	$ 523,742
$ -	$ 316,923	$ 28,418
195,632	9,522,983	548,982
-	25,227	6,675
358	44,481	3,420
156,472	874,833	89,416
866	183,172	103,456
-	220,290	-
-	-	-
78,617	78,617	1,528
52,202	337,466	37,455
$ 484,147	$ 11,603,992	$ 819,350

(1) Pursuant to GASB Statement No. 34, governmental activities include Internal Service Funds. Business-Type Activities are considered Enterprise Funds.

(2) Payments on bonded debt that pertain to the Commonwealth's governmental activities are made through the debt service funds. Payments for installment purchases, compensated absences, capital leases, pension, and other obligations that pertain to the Commonwealth's governmental activities are made through the general and special revenue funds. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the totals for governmental activities. Enterprise funds, or business-type activities, are self-supporting funds. Accordingly, long-term liabilities are paid from each respective fund.

(3) The beginning balance has been increased from the prior year to reflect the restatement of capital lease obligations.

(4) Beginning balances have been restated to reflect the Virginia Information Providers Network.

(5) The beginning balance has been decreased from the prior year due to a reclassification of fund balances.

(6) The beginning balance has been decreased from the prior year by a higher education component unit to reflect a restatement.

(7) Foundations represent FASB reporting entities defined in Note 1.B.

Bond Defeasance

Primary Government

In March 2004, the Virginia Public Building Authority (VPBA) issued $187,105,000 State Building Revenue Bonds Series 2004A. A portion of the proceeds refunded $3,600,000 of Series 1994A bonds, $118,245,000 of series 1995 bonds, and $72,740,000 of series 1997A bonds. Bond proceeds of $211,690,466 were placed with an escrow agent to provide for the redemption of the bonds. An additional amount of $6,473,595 in excess interest earnings held by the Authority was placed in escrow to complete the redemption. The redemption dates of the Series 1994A, Series 1995 and Series 1997A bonds are August 1, 2004, 2005, and 2007 respectively. The total debt service payments over the life of the bonds have been reduced by $17,158,178 resulting in an economic gain (savings) of $13,639,359 discounted at 2.99 percent. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities,* the difference between the reacquisition price and the net carrying amount of the bonds defeased with refunding debt is amortized as a component of interest on bonds over the remaining life of the refunded debt. Therefore, bonds payable, as reflected on the government-wide statements, has been reduced by $23,975,605 to reflect the remaining deferral on debt defeasance at June 30, 2004.

Component Units

In March 2004, Virginia Commonwealth University (Major) issued $43,460,000 in General Revenue Pledge Refunding Bonds, Series 2004A and 2004B for a current refunding of $41,030,000 in General Revenue Pledge Bonds, Series 1995, 1996A, and 1996B. The reacquisition price exceeded the net carrying amount of the old debt by $4,751,137. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt or the new debt, whichever is shorter. The refunding resulted in an economic gain of $3,813,168 discounted at the rate of 3.83 percent and a reduction of $4,300,000 in future debt service payments.

In April 2004, Virginia Polytechnic Institute and State University (Major) issued $45,035,000 in General Revenue Bonds, Series 2004 A, B, C, and D to advance refund $42,950,000 in General Revenue Pledge Bonds, Series 1996A, 1996B, and 1996C. The reacquisition price exceeded the net carrying amount of the old debt by $4,540,000. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt or the new debt, whichever is shorter. The refunding resulted in an economic gain of $742,000 discounted at the rate of 3.80 percent and a reduction of $772,000 in future debt service payments.

In November 2003, the Hampton Roads Sanitation District (District) (Nonmajor) issued $55,890,000 of Series 2003 primary pledge revenue bonds with a true interest cost of 3.11 percent to currently refund the Series 1993 outstanding. The net proceeds of $57,796,000, including a premium of $1,907,000 along with $1,510,000 of District funds, were utilized to retire $57,205,000 (after a payment of $342,000 for underwriter fees and other issuance costs and a call premium of $1,759,000) of existing primary debt. The refinancing resulted in $14.2 million savings over the life of the issue with present value savings of $6.2 million.

GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2004, there were $291.9 million in bonds from the Primary Government that have been refunded and defeased in-substance from the governmental activities column by placing existing assets and the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments. In addition, there were $496.1 million in bonds outstanding considered defeased from the Component Units.

Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, calculate and rebate arbitrage earnings to the Federal government. The U.S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986. Governmental issuers must comply with the rebate regulations in order for their bonds to maintain tax-exempt status. The regulations require the excess of the aggregate amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, to be rebated to the Federal government. Income earned on excess earnings is also subject to rebate. Rebate liability, if any, must be paid every five years over the life of the bonds. Some bonds may be exempt from the rebate requirements if they qualify for certain regulatory exceptions. Governmental issuers may elect to pay a penalty in lieu of rebate. If the issuer meets one of the exceptions, the issuer retains any arbitrage earnings. Rebate and penalty payments are calculated and paid as required by law on bond issues that do not qualify for an exception.

Amounts remitted to the Federal government for rebate liability are generally paid from earnings derived from the issue. However, if all proceeds (including earnings) have been expended and depending on the type of issue, it may be necessary to use project revenues or general or non-general fund appropriations to satisfy any rebate liability. During the year, the Commonwealth paid $77,025 to the Federal government for rebate liability on Commonwealth general obligation bonds, Series 1998. The Virginia Public Building Authority paid a total of $1,094,829 on its Series 1996A and 1998B Bonds. The Virginia College Building Authority remitted $324,670 in rebate liability on its Series 1998 Pooled Bond Program.

Rebate liability on bonds of the Virginia Public School Authority (Major Component Unit) is payable from earnings on related bond funds and from local issuers whose local school bonds were purchased by the VPSA. During the year, $532,242 was paid to the

Federal government for rebate on various VPSA School Financing Bonds.

Capital Leases

The Commonwealth leases buildings and equipment under various agreements that are accounted for as capital leases. The lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

Gross minimum lease payments, together with the present value of the net minimum lease payments as of June 30, 2004, are shown in the following table (dollars in thousands). There were no capital lease amounts associated with business-type activities.

	Governmental Activities	Component Units (1)
2005	$ 30,060	$ 5,620
2006	28,257	5,510
2007	27,523	5,223
2008	26,688	5,107
2009	25,892	5,132
2010-2014	124,053	22,524
2015-2019	81,640	10,379
2020-2024	14,273	1,478
Total Gross Minimum Lease Payments	358,386	60,973
Less: Amount Representing Executory Costs	10,256	3
Net Minimum Lease Payments	348,130	60,970
Less: Amount Representing Interest	112,355	16,847
Present Value of Net Minimum Lease Payments	$ 235,775	$ 44,123

Note (1): The above amounts exclude capital lease obligations of Foundations.

	Foundations (2)
2005	$ 136
2006	110
2007	81
2008	21
2009	14
Net Minimum Lease Payments	362
Less: Amount Representing Interest	4
Present Value of Net Minimum Lease Payments	$ 358

Note (2): Foundations represent FASB reporting entities defined in Note 1.B.

At June 30, 2004, assets purchased under capital leases were included in depreciable capital assets as follows (dollars in thousands). The amounts are net of accumulated depreciation where applicable. For a portion of these assets, ownership will pass to the Commonwealth at the end of the lease term.

	Buildings	Equipment	Total
Governmental Activities:			
Gross Capital Assets	$ 297,655	$ 3,728	$ 301,383
Less: Accumulated Depreciation	58,171	2,779	60,950
Total Governmental Activities	$ 239,484	$ 949	$ 240,433
Component Units:			
Gross Capital Assets	$ 38,201	$ 23,909	$ 62,110
Less: Accumulated Depreciation	5,923	10,745	16,668
Subtotal (excluding Foundations)	32,278	13,164	45,442
Foundations:			
Gross Capital Assets	-	550	550
Less: Accumulated Depreciation	-	173	173
Subtotal Foundations	-	377	377
Total Component Units	$ 32,278	$ 13,541	$ 45,819
Total Capital Lease Assets	$ 271,762	$ 14,490	$ 286,252

Notes Payable

Notes Payable consist of several items as shown in the following schedule (dollars shown in thousands):

Primary Government		
Transportation Note	$	12,325
Virginia Public Broadcasting Board Note		17,950
Aviation Note		3,341
Installment Notes		41,703
Total Primary Government		75,319
Component Units		
Virginia Public School Authority		170,520
University of Virginia		77,052
Virginia Polytechnic Institute and State University		97,185
Virginia Commonwealth University		106,855
Nonmajor Component Units		266,749
Installment Notes		25,227
Subtotal (excluding Foundations)		743,588
Foundations:		
Notes Payable		156,472
Subtotal - Foundations		156,472
Total Component Units		900,060
Total Notes Payable	$	975,379

The Transportation (Primary Government) Note listed above represents an interest free note payable to Fairfax County, Virginia, of $4,325,000 which was issued pursuant to the State Revenue Bond Act, Article 5, Title 33.1, *Code of Virginia* to pay for the acquisition and construction of the Omer L. Hirst - Adelard L. Brault Expressway. This note is to be repaid on December 1, 2008. Additionally, the Virginia Department of Transportation (Primary Government) entered into an interest free note payable to Chesterfield County, Virginia, of $8,000,000 for the repayment of the Powhite Parkway Extension Toll Road from surplus net revenues of the project prior to the retirement of all the bonds issued.

The Virginia Public Broadcasting Board (Primary Government) Note listed above represents a loan agreement entered into with the Harrisonburg Industrial Development Authority for $23,840,000. The purpose of the loan was to grant funds to Virginia's public television stations to assist with the cost of conversion to the Federal Communication Commission’s new digital standard. The agreement was entered into February 27, 2001, and has a variable rate of interest. The General Assembly authorized these grants in Chapter 1073 of the 2000 Appropriation Act.

The Aviation Note listed above represents a loan agreement with the Virginia Resources Authority in the amount of $6,600,000. The purpose of the loan was to finance and refinance grants-in-aid made to The Peninsula Airport Commission to provide funding for capital improvements at the Newport News/Williamsburg International Airport. The principal amount shall be paid semi-annually with the final payment due in 2017.

The Virginia Public School Authority (Major Component Unit) notes of $170,520,000 are for the School Equipment Financing Notes Educational Technology program. The note proceeds were used to make grants to school divisions for the purchase of educational technology equipment. The notes will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund (Major Special Revenue Fund).

An additional amount of $547,841,000 is comprised primarily of Higher Education (Component Unit) promissory notes with the Virginia College Building Authority (Nonmajor Component Unit) to finance the construction of various higher education facilities. The principal amount of $537,035,000 with interest rates ranging from 2.0 percent to 6.0 percent shall be paid semi-annually. The final principal payment is due in 2030. The Virginia Biotechnology Research Park Authority (Nonmajor Component Unit) has a deed of trust note payable dated July 18, 2002, in the amount of $532,637 for the purchase of property. The interest rate is LIBOR plus 3.0 percent with a minimum principal payment requirement due on October 1, 2005, at which time it becomes LIBOR plus 2.0 percent, with a final payment due October 1, 2008. The Virginia Equine Center (Nonmajor Component Unit) has a note payable in the amount of $39,705 for a Chevrolet Tahoe to be used as a company car. The interest rate is 1.9 percent and the note is due in 2009.

The Higher Education Institutions (Component Units) also have notes payable. The University of Virginia (Major Component Unit) has notes payable of $1,656,981 which are three to five year notes for equipment and other working capital expenses at an interest rate of 3.0 percent to 6.0 percent. The College of William and Mary (Nonmajor Component Unit) has notes payable of $6,029,581 with SunTrust Bank to partially finance the multi-year implementation of a new administrative and financial system. This first note matures in 2008 and has an interest rate of 5.82 percent. The second note has an interest rate of 3.75 percent and matures in 2011. Virginia State University (Nonmajor Component Unit) has a note payable of $2,429,040, which is the result of a loan agreement with the U.S. Department of Housing and Urban Development to repair seven dormitories. The loan is to be repaid over 30 years at 3.0 percent interest per annum, and is secured by a lien on the net revenues from the ownership, operation, and use of the seven dormitories under repair. Norfolk State University (Nonmajor Component Unit) has a note payable of $118,598, which is the result of an agreement with the City of Norfolk to purchase the Brambleton Center. The loan is payable in six full scholarships each year varying from $4,593 to $13,308 with the final amount due in 2019.

Various Foundations (Component Units) have notes outstanding as of year-end. The purpose of a majority of these notes are for property acquisition, working capital, and refinancing. Most of these notes are with banks. Future principal payments as of June 30, 2004, are shown in the following table (dollars in thousands).

Foundations' Notes Payable (Component Units) (1)
June 30, 2004

Maturity	Principal
2005	$ 9,331
2006	22,280
2007	5,482
2008	20,951
2009	26,326
Thereafter	72,102
Total	$ 156,472

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

Installment notes have been entered into by agencies and institutions of the Commonwealth. These agreements, other than those in the component units and certain institutions of higher education, contain nonappropriation clauses indicating that continuation of the installment note is subject to funding by the General Assembly. Installment notes represent $66,929,733 of the total outstanding debt of the Commonwealth. The Foundations (Component Units) did not have any outstanding installment notes as of year-end. Presented in the following tables are repayment schedules for installment notes.

Installment Notes - Governmental Funds
June 30, 2004

Maturity	Principal	Interest	Total
2005	$ 8,788,331	$ 1,000,900	$ 9,789,231
2006	8,430,013	725,520	9,155,533
2007	5,043,283	473,720	5,517,003
2008	2,342,901	313,040	2,655,941
2009	2,125,685	200,495	2,326,180
2010-2014	2,498,010	101,447	2,599,457
Total	$ 29,228,223	$ 2,815,122	$ 32,043,345

Installment Notes - Business Type Activities
June 30, 2004

Maturity	Principal	Interest	Total
2005	$ 4,744,874	$ 412,652	$ 5,157,526
2006	4,945,931	214,706	5,160,637
2007	2,384,836	58,238	2,443,074
2008	308,037	6,493	314,530
2009	91,326	823	92,149
Total	$ 12,475,004	$ 692,912	$ 13,167,916

Installment Notes - Component Units (1)
June 30, 2004

Maturity	Principal	Interest	Total
2005	$ 6,675,733	$ 815,047	$ 7,490,780
2006	5,598,870	598,674	6,197,544
2007	4,122,389	406,994	4,529,383
2008	2,621,236	285,351	2,906,587
2009	1,586,777	218,477	1,805,254
2010-2014	4,375,082	404,031	4,779,113
2015-2019	246,419	2,653	249,072
Total	$ 25,226,506	$ 2,731,227	$ 27,957,733

Note (1): The above amounts exclude capital lease obligations of Foundations.

Lottery Prizes Payable

Lottery prizes are paid in 20, 25, 26, or 30 installments. The first installment is paid on the day the prize is claimed. The subsequent annual payments are funded with U.S. Treasury STRIPS purchased by the Virginia Lottery. For Life prizes payable represent estimated prizes payable monthly, quarterly or annually for the life of the winner based on life expectancy tables from the Virginia Bureau of Insurance, and funded with a pool of U.S. Treasury STRIPS.

Lottery prizes payable represent the future annual prize payments valued at cost plus accrued interest (present value of securities held to maturity) of the investment securities funding the payments.

Lottery prizes payable for the fiscal year ended June 30, 2004, are shown in the following table:

	Lottery	For Life	Total
Due within one year	$ 56,121,612	$ 1,524,512	$ 57,646,124
Due in subsequent years	321,235,498	19,313,634	340,549,132
Total (present value)	377,357,110	20,838,146	398,195,256
Add:			
Interest to Maturity	145,516,890	20,373,854	165,890,744
Lottery Prizes Payable at Maturity	$ 522,874,000	$ 41,212,000	$ 564,086,000

Tuition Benefits Payable

The Virginia College Savings Plan administers the Virginia Prepaid Education Program (VPEP). VPEP offers contracts which, for actuarially determined amounts, provide for guaranteed full future tuition payments at State higher education institutions. The contract provisions also allow the benefits to be used for private or out-of-state institutions at a prorated amount based upon the amounts charged by the State's higher education institutions.

At June 30, 2004, tuition benefits payable of $1.2 billion have been recorded for the VPEP program on the balance sheet for the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the VPEP program. In addition, a receivable in the amount of $224.2 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

20. OTHER REVENUE

The following table (dollars in thousands) summarizes Other Revenue for the fiscal year ended June 30, 2004.

	Assessments and Receipts for Support of Special Services	Fines, Forfeitures, Court Fees, Penalties, and Escheats	Receipts from Cities Counties, and Towns	Private Gifts, Grants, and Contracts	Sales of Property
Primary Government:					
General	$ 310	$ 196,358	$ 8,962	$ 1	$ 2,035
Major Special Revenue Funds:					
Commonwealth Transportation	16,206	9,344	54,621	-	4,512
Federal Trust	1	103	-	-	153
Literary	-	64,304	-	-	-
Major Enterprise Funds:					
Virginia College Savings Plan	-	-	-	-	-
Nonmajor Governmental Funds	79,903	46,742	87,805	7,907	21,716
Nonmajor Enterprise Funds	-	9,747	-	-	-
Internal Service Funds	-	-	-	-	-
Private Purpose	-	-	-	-	-
Pension Trust	-	-	-	-	-
Total Primary Government	$ 96,420	$ 326,598	$ 151,388	$ 7,908	$ 28,416

	Contributions	Tobacco Master Settlement	Taxes	Other	Total Other Revenue
Primary Government:					
General	$ -	$ 51,359	$ -	$ 70,018	$ 329,043
Major Special Revenue Funds:					
Commonwealth Transportation	-	-	-	31,748	116,431
Federal Trust	-	-	-	36,989	37,246
Literary	-	-	-	49,992	114,296
Major Enterprise Funds:					
Virginia College Savings Plan	-	-	-	1,136	1,136
Nonmajor Governmental Funds	-	-	-	74,591	318,664
Nonmajor Enterprise Funds	1,096	-	12,152	485	23,480
Internal Service Funds	-	-	-	392	392
Private Purpose	-	-	-	45	45
Pension Trust	-	-	-	908	908
Total Primary Government	$ 1,096	$ 51,359	$ 12,152	$ 266,304	$ 941,641

21. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2004.

(Dollars in Thousands)

	Insurance Claims	Lottery Prize Expense	Total Prizes and Claims
Proprietary Funds:			
Major Enterprise Funds:			
State Lottery	$ -	$ 707,179	$ 707,179
Unemployment Compensation	484,875	-	484,875
Nonmajor Enterprise Funds	128,540	-	128,540
Total Enterprise Funds	$ 613,415	$ 707,179	$ 1,320,594
Internal Service Funds	$ 694,629	$ -	$ 694,629

22. DEPRECIATION AND AMORTIZATION

The following table summarizes Depreciation and Amortization Expense for the fiscal year ended June 30, 2004.

(Dollars in Thousands)

	Depreciation	Amortization	Total Depreciation and Amortization
Proprietary Funds:			
Major Enterprise Funds:			
State Lottery	$ 5,987	$ -	$ 5,987
Virginia College Savings Plan	71	-	71
Pocahontas Parkway	10,552	306	10,858
Nonmajor Enterprise Funds	3,762	-	3,762
Total Enterprise Funds	$ 20,372	$ 306	$ 20,678
Internal Service Funds	$ 16,295	$ -	$ 16,295

23. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2004.

(Dollars in Thousands)

	Grants and Distributions to Localities	Expendable Equipment	Other	Total Other Expenses
Proprietary Funds:				
Major Enterprise Funds:				
Virginia College Savings Plan	$ -	$ 183	$ 25	$ 208
Nonmajor Enterprise Funds	98	1,951	696	2,745
Total Enterprise Funds	$ 98	$ 2,134	$ 721	$ 2,953
Internal Service Funds	$ -	$ 1,783	$ 2,855	$ 4,638

24. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses for the fiscal year ended June 30, 2004.

(Dollars in Thousands)

	Gain (Loss) on Sale of Capital Assets	Other	Total Non-Operating Revenue/ Expenses
Proprietary Funds:			
Major Enterprise Funds:			
State Lottery	$ -	$ 21	$ 21
Virginia College Savings Plan	-	(24)	(24)
Nonmajor Enterprise Funds	(5)	(291)	(296)
Total Enterprise Funds	$ (5)	$ (294)	$ (299)
Internal Service Funds	$ (274)	$ (87)	$ (361)

25. TRANSFERS

The following table summarizes Transfers In and Transfers Out for the fiscal year ended June 30, 2004 (dollars in thousands).

	Transfers In (Reported In):					
Transfers Out (Reported In):	**General**	**Commonwealth Transportation**	**Federal Trust**	**Literary Fund**	**Virginia College Savings Plan**	**Nonmajor Governmental Funds**
Primary Government						
General	$ -	$ 175,223	$ 28	$ -	$ 104	$ 293,085
Major Special Revenue Funds:						
Commonwealth Transportation	124,544	-	421	-	-	224,321
Federal Trust	479	17,494	-	-	-	1,103
Major Enterprise Funds:						
State Lottery	408,052	-	-	13,035	-	-
Virginia College Savings Plan	103	-	-	-	-	-
Pocahontas Parkway	-	14,921	-	-	-	-
Unemployment Compensation	-	-	18,045	-	-	-
Nonmajor Governmental Funds	68,194	13,873	1,056	4	-	32,547
Nonmajor Enterprise Funds	95,433	-	35	8	-	130
Internal Service Funds	4,452	-	-	-	-	49
Total Primary Government	$ 701,257	$ 221,511	$ 19,585	$ 13,047	$ 104	$ 551,235

Transfers are used to (1) move revenues from the fund that the *Code of Virginia* or budget requires to collect them to the fund that the *Code of Virginia* or budget requires to expend them; (2) move receipts restricted for debt service from the funds holding the resources to the debt service fund as principal and interest payments become due; (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and (4) to reimburse the General Fund for expenses incurred on behalf of nongeneral funds.

During the fiscal year, the following significant transfers were made that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer.

- Various non-general funds transferred approximately $112.4 million to the General Fund for disbursements appropriated by Chapter 943, 2004 Acts of Assembly.
- Various non-general funds transferred approximately $15.2 million to the General Fund resulting from reduced retirement and post-employment benefit contributions disbursements appropriated by Chapter 943, 2004 Acts of Assembly.
- The Pocahontas Parkway Fund transferred approximately $14.9 million of surplus monies to the Commonwealth Transportation Fund pursuant to the Master Indenture of Trust agreement.

Nonmajor Enterprise Funds	Internal Service Funds	Total Primary Government
$ 268	$ 510	$ 469,218
-	283	349,569
144	-	19,220
-	-	421,087
-	-	103
-	-	14,921
-	-	18,045
-	360	116,034
-	-	95,606
-	-	4,501
$ 412	$ 1,153	$ 1,508,304

- The Debt Service Fund transferred approximately $12.8 million to the Commonwealth Transportation Fund. These monies represent previous collections from localities that were returned to the locality for locality debt service payments.

- Various non-general funds transferred approximately $10.9 million to the General Fund resulting from savings from information technology enterprise projects as required by Chapter 943, 2004 Acts of Assembly.

- The Department of Motor Vehicles transferred increased fees of $10 million to the General Fund as required by Chapter 943, 2004 Acts of Assembly.

- The State Corporation Commission transferred $6.5 million to the General Fund since the General Assembly deferred consumer training related to energy deregulation.

26. ON-BEHALF PAYMENTS

Higher Education Institutions (Component Units) recognized various foundation and association on-behalf payments for fringe benefits and salaries during fiscal year 2004 totaling $369,283. This activity was recorded as Program Revenue – Operating Grants and Contributions in the amount of $314,850; and Program Revenue – Charges for Services in the amount of $54,433, with corresponding expenditures.

27. CHANGE IN ACCOUNTING ESTIMATE

Primary Government

The Department of Taxation changed the process for estimating the allowance for doubtful accounts during the year to more effectively predict future collections according to the receivable type and historical collection data. As a result of this procedural change, the allowance for doubtful accounts was reduced by $27.3 million as of June 30, 2004.

28. RESTATEMENT OF BEGINNING BALANCES

The Government-wide beginning balance restatements resulted from the following:

- Governmental Activities have been restated for correction of prior year errors regarding capital assets, capital leases, receivables, and inventory. The restatement is primarily attributable to refinements made in the infrastructure valuation methodology for capital assets.
- Business-Type Activities have been restated due to legislative changes affecting the Virginia Information Providers Network (Network). The Network was an Authority and reported as a Related Organization in fiscal year 2003. Effective July 1, 2003, the Network is a division within the Virginia Information Technologies Agency.
- Component Units have been restated due to the implementation of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, effective for the fiscal year ending June 30, 2004.

The various individual fund amounts have been restated due to the following:

- The General Fund restatement is due to prior year corrections of errors related to receivables and inventory.
- The Special Revenue Commonwealth Transportation Fund has been restated due to a prior year error related to inventory.
- Enterprise Funds, as mentioned above, have been restated due to legislative changes affecting the Virginia Information Providers Network (Network).
- Investment Trust Funds were restated due to a change in reporting entity.
- As mentioned above, the Commonwealth implemented GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, effective for the fiscal year ending June 30, 2004. Accordingly, Higher Education Institutions, the Science Museum of Virginia Foundation, the Virginia Museum of Fine Arts Foundation, and the Virginia Equine Center Foundation amounts have been restated.

Beginning Balance Restatement

(Dollars in Thousands)

	Balance as of June 30, 2003	Correction of Prior Year Errors	Change in Reporting Entity	Balance June 30, 2003 as restated
Government-wide Activities:				
Primary Government:				
Governmental Activities	$ 11,133,664	$ 245,191	$ -	$ 11,378,855
Business-type Activities	171,448	-	248	171,696
Total Primary Government	$ 11,305,112	$ 245,191	$ 248	$ 11,550,551
Component Units	$ 9,096,734	$ -	$ 2,545,467	$ 11,642,201
Major Governmental Funds:				
General	$ 63,564	$ (9,694)	$ -	$ 53,870
Special Revenue Funds:				
Commonwealth Transportation	1,251,569	1,368	-	1,252,937
Federal Trust	141,348	-	-	141,348
Literary	372,819	-	-	372,819
Total Nonmajor Governmental Funds	721,456	-	-	721,456
Total Governmental Funds	$ 2,550,756	$ (8,326)	$ -	$ 2,542,430

Beginning Balance Restatement
Proprietary Funds

(Dollars in Thousands)

	Balance as of June 30, 2003	Change in Reporting Entity	Balance June 30, 2003 as restated
Major Enterprise Funds:			
State Lottery	$ (2,067)	$ -	$ (2,067)
Virginia College Savings Plan	(232,718)	-	(232,718)
Pocahontas Parkway	(75,338)	-	(75,338)
Unemployment Compensation	414,196	-	414,196
Nonmajor Enterprise Funds:			
Department of Alcoholic Beverage Control	(5,619)	-	(5,619)
Risk Management	24,154	-	24,154
Local Choice Health Care	8,574	-	8,574
Virginia Industries for the Blind	4,821	-	4,821
Consolidated Laboratory	439	-	439
eVA Procurement System	(1,715)	-	(1,715)
Department of Environmental Quality	8,311	-	8,311
Virginia Information Providers Network	-	248	248
Wireless E-911 Service Board	26,978	-	26,978
Virginia Museum of Fine Arts	979	-	979
Science Museum of Virginia	232	-	232
Mental Health Local Funds	288	-	288
Division of Legislative Services	6	-	6
School for the Deaf and Blind - Staunton	2	-	2
Total Nonmajor Enterprise Funds	67,450	248	67,698
Total Enterprise Funds	$ 171,523	$ 248	$ 171,771
Total Internal Service Funds	$ (83,758)	$ -	$ (83,758)

Beginning Balance Restatement
Fiduciary Funds

(Dollars in Thousands)

	Balance as of June 30, 2003	Change in Reporting Entity	Balance June 30, 2003 as restated
Private Purpose Funds	$ 3,686,759	$ -	$ 3,686,759
Pension Trust Funds	34,704,280	-	34,704,280
Investment Trust Funds:			
Local Government Investment Pool (LGIP)	2,345,638	(5,010)	2,340,628
State Non-Arbitrage Pool (SNAP)	1,154,186	(5,907)	1,148,279
SNAP Individual Investment Accounts	146,805	-	146,805
Total Investment Trust Funds	3,646,629	(10,917)	3,635,712
Total Fiduciary Funds	$ 42,037,668	$ (10,917)	$ 42,026,751

Beginning Balance Restatement
Component Units

(Dollars in Thousands)

	Balance as of June 30, 2003	Change in Reporting Entity	Balance June 30, 2003 as restated
Major Component Units			
Virginia Housing Development Authority	$ 1,442,815	$ -	$ 1,442,815
Virginia Public School Authority	27,933	-	27,933
University of Virginia	3,405,361	680,698	4,086,059
Virginia Polytechnic Institute and State University	463,074	444,496	907,570
Virginia Commonwealth University	672,821	269,437	942,258
Nonmajor Component Units			
Virginia Economic Development Partnership	501	-	501
Virginia Outdoors Foundation	8,163	-	8,163
Virginia Port Authority	325,075	-	325,075
Virginia Resources Authority	860,174	-	860,174
Virginia Tourism Authority	960	-	960
Virginia Tobacco Settlement Foundation	10,771	-	10,771
Tobacco Indemnification and Community Revitalization Commission	75,390	-	75,390
Virginia Museum of Fine Arts Foundation	-	130,770	130,770
Science Museum of Virginia Foundation	-	10,781	10,781
Hampton Roads Sanitation District Commission	347,069	-	347,069
Virginia Biotechnology Research Park Authority	12,077	-	12,077
Virginia Small Business Financing Authority	31,700	-	31,700
Virginia School for the Deaf and Blind Foundation	2,151	-	2,151
A. L. Philpott Manufacturing Extension Partnership	685	-	685
Virginia Equine Center Foundation	2,031	970	3,001
Certified Nursing Facility Education Initiative	336	-	336
College of William and Mary	275,933	375,614	651,547
Virginia Military Institute	68,985	235,780	304,765
Virginia State University	73,027	4,960	77,987
Norfolk State University	39,304	11,438	50,742
Mary Washington College	59,701	29,426	89,127
James Madison University	222,961	38,997	261,958
Radford University	96,426	29,064	125,490
Old Dominion University	165,117	88,306	253,423
George Mason University	214,261	68,149	282,410
Virginia Community College System	400,354	78,966	479,320
Christopher Newport University	79,447	11,510	90,957
Longwood University	59,788	36,105	95,893
Southwest Virginia Higher Education Center	7,181	-	7,181
Roanoke Higher Education Authority	12,075	-	12,075
Innovative Technology Authority	20,247	-	20,247
Virginia College Building Authority	(387,160)	-	(387,160)
Total Nonmajor Component Units	3,084,730	1,150,836	4,235,566
Total Component Units	$ 9,096,734	$ 2,545,467	$ 11,642,201

The Contractor Deposits Fund has been restated to incorporate the balances for the Department of Transportation and Department of Motor Vehicles. These funds were inadvertently omitted in the prior year.

Beginning Balance Restatement
Agency Funds

(Dollars in Thousands)

	Balance as of July 1, 2003	Correction of Prior Year Errors	Balance July 1, 2003 as restated
Agency Funds			
Funds for the Collection of Taxes and Fees	$ 220,741	$ -	$ 220,741
Employee Benefits Fund	2,910	-	2,910
Contractor Deposits Fund (formerly Mined Land Deposits Fund)	10,683	11,356	22,039
Deposits of Insurance Carriers Fund	418,669	-	418,669
Inmate and Ward Fund	5,469	-	5,469
Child Support Collections Fund	29,496	-	29,496
Mental Health Patient Trust Fund	2,579	-	2,579
Mental Health Non-patient Trust Fund	20	-	20
Optional Life Insurance Fund	2,943	-	2,943
Comptroller's Debt Setoff Fund	1,166	-	1,166
Unclaimed Property of Other States	2,827	-	2,827
Legal Settlement Fund	771	-	771
Consumer Services Fund	435	-	435
Department of State Police Fund	400	-	400
Aviation Fund	116	-	116
Virginia School for the Deaf and Blind Fund	37	-	37
Woodrow Wilson Rehabilitation Center Fund	7	-	7
Dog and Cat Sterilization Fund	2	-	2
Milk Commission Fund	1	-	1
State Corporation Commission	16,781	-	16,781
Total Agency Funds	$ 716,053	$ 11,356	$ 727,409

Enterprise Funds have been restated due to legislative changes affecting the Virginia Information Providers Network (Network). The Network was an Authority and reported as a Related Organization in fiscal year 2003. Effective July 1, 2003, the Network is a division within the Virginia Information Technologies Agency.

Beginning Cash and Cash Equivalents Restatement
Propietary Funds

(Dollars in Thousands)

	Balance as of June 30, 2003	Change in Reporting Entity	Balance June 30, 2003 as restated
Major Enterprise Funds:			
State Lottery	$ 10,382	$ -	$ 10,382
Virginia College Savings Plan	81,513	-	81,513
Pocahontas Parkway	19,697	-	19,697
Unemployment Compensation	396,471	-	396,471
Nonmajor Enterprise Funds:			
Department of Alcoholic Beverage Control	755	-	755
Risk Management	21,664	-	21,664
Local Choice Health Care	11,954	-	11,954
Virginia Industries for the Blind	1,956	-	1,956
Consolidated Laboratory	2,035	-	2,035
eVA Procurement System	266	-	266
Department of Environmental Quality	10,498	-	10,498
Virginia Information Providers Network	-	667	667
Wireless E-911 Service Board	26,170	-	26,170
Virginia Museum of Fine Arts	685	-	685
Science Museum of Virginia	181	-	181
Mental Health Local Funds	364	-	364
Division of Legislative Services	6	-	6
School for the Deaf and Blind - Staunton	2	-	2
Total Nonmajor Enterprise Funds	76,536	667	77,203
Total Enterprise Funds	$ 584,599	$ 667	$ 585,266
Total Internal Service Funds	$ 158,073	$ -	$ 158,073

29. DEFICIT FUND BALANCES / NET ASSETS

The State Lottery (Major Enterprise Fund) and Department of Alcoholic Beverage Control (Nonmajor Enterprise Fund) ended the year with deficit net assets of $2.3 million and $6.7 million respectively. This was solely attributable to the net pension obligation resulting from GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. Since the Commonwealth is the employer, the agencies do not report this liability in their individually published financial statements.

The Virginia College Savings Plan (Major Enterprise Fund) ended the year with a deficit net assets balance of $128.5 million. This is attributable to a projected unfunded actuarial liability caused primarily by unprecedented tuition increases in recent years as well as the expectation of additional significant increases in both university and community college tuitions for at least the next two years. An additional factor was the downturn in the stock market in the prior year, which resulted in a decrease in the long-term investment return assumption used by the actuary. The Board will continue to address this issue by working with the actuary and investment consultant to continually monitor the investment allocation ensuring the Plan has proper diversification to enhance long-term investment returns. It remains the Board's intention to reduce the actuarial deficit over time by creating an actuarial reserve and implementing appropriate premium pricing in any future enrollment periods.

The Pocahontas Parkway (Major Enterprise Fund) ended the year with a deficit net assets balance of $115.1 million. This is attributable to debt service and operating expenses exceeding revenues and a deficit in beginning net assets.

The eVA Procurement System (Nonmajor Enterprise Fund) ended the year with a deficit net assets balance of $4.3 million. This is attributable to operating expenses exceeding revenues due to start up costs and the net pension obligation resulting from GASB Statement No. 27, as previously explained.

The Health Care Fund (Internal Service Fund) ended the year with a deficit net assets balance of $24.8 million. The deficit is attributable to increased health care costs.

Maintenance and Repair (Internal Service Fund) ended the year with a deficit net assets balance of $1.1 million due to revenue refunds to agencies which were mandated by the Department of Planning and Budget.

The Risk Management Fund (Internal Service Fund) ended the year with a deficit net assets balance of $169.4 million. The deficit was the result of estimated claims payable exceeding the available equity in the fund. Claims are paid on a pay-as-you-go basis. To the extent that claims exceed current resources, they will ultimately become a liability of the fund from which the claim originated.

The Virginia Public Building Authority Capital Projects Fund (Nonmajor Governmental Fund) ended the year with a deficit fund balance of $33.7 million. This was attributable to the delay of the spring bond issuance Series 2004B resulting from the General Assembly's lengthy budget negotiations.

The Virginia College Building Authority (Nonmajor Component Unit) ended the year with a deficit net assets balance of $497.9 million. This deficit occurs because the Authority issues 21st Century and Equipment bonds subject to future appropriations from the General Fund of the Commonwealth without any other security.

30. ENDOWMENTS

Donor restricted endowments reside primarily within the higher education institutions and the Virginia Museum of Fine Arts. The net appreciation available for expenditure is $627,208,037, and of this amount, $624,119,749 is reported as restricted net assets and $3,088,288 is reported as unrestricted net assets. The *Code of Virginia* authorizes acceptance of donations. The governing boards of these entities and the donor agreements determine whether net appreciation can be spent and the accepted spending rate. These policies are entity specific and vary with each institution.

31. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

The following table (dollars in thousands) summarizes specific cash flows for the fiscal year ended June 30, 2004.

	State Lottery	Virginia College Savings Plan	Pocahontas Parkway	Unemployment Compensation
Cash Flows Resulting from:				
Payments for Prizes, Claims, and Loss Control:				
Lottery Prizes	$ (759,788)	$ -	$ -	$ -
Claims and Loss Control	-	-	-	(489,904)
Total	$ (759,788)	$ -	$ -	$ (489,904)
Other Operating Revenues:				
Other Operating Revenue	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Other Operating Expenses:				
Payments for Contractual Services	$ (17,554)	$ (1,237)	$ -	$ -
Other Operating Expenses	-	-	(258)	-
Total	$ (17,554)	$ (1,237)	$ (258)	$ -
Other Noncapital Financing Receipt Activities:				
Advances/Contributions from the Commonwealth	$ -	$ -	$ -	$ -
Receipts from Taxes	-	-	-	-
Other Noncapital Financing Receipt Activities	997	-	-	-
Total	$ 997	$ -	$ -	$ -
Other Noncapital Financing Disbursement Activities:				
Repayments of Advances/Contributions from the Commonwealth	$ -	$ -	$ -	$ -
Other Noncapital Financing Disbursement Activities	-	-	-	-
Total	$ -	$ -	$ -	$ -
Other Capital and Related Financing Disbursement Activities:				
Disbursments for Capital Expenditures	$ -	$ -	$ (94)	$ -
Total	$ -	$ -	$ (94)	$ -

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
$ -	$ (759,788)	$ -
(125,856)	(615,760)	(656,727)
$ (125,856)	$ (1,375,548)	$ (656,727)
$ 15,568	$ 15,568	$ 402
$ 15,568	$ 15,568	$ 402
$ (38,488)	$ (57,279)	$ (111,324)
(82)	(340)	(7,948)
$ (38,570)	$ (57,619)	$ (119,272)
$ 10,170	$ 10,170	$ -
122,161	122,161	-
41	1,038	1
$ 132,372	$ 133,369	$ 1
$ -	$ -	$ (982)
(80)	(80)	-
$ (80)	$ (80)	$ (982)
$ -	$ (94)	$ -
$ -	$ (94)	$ -

32. TOBACCO SETTLEMENT

On November 23, 1998, 46 states' Attorneys General and the major tobacco companies signed a proposed settlement that reimburses states for smoking-related medical expenses paid through Medicaid and other health care programs. Virginia could receive approximately $4.1 billion over the next 25 years. The settlement was approved in a Consent Decree in December 1998. On March 29, 1999, the General Assembly enacted a law approving the establishment of the Virginia Tobacco Indemnification and Community Revitalization Commission (Commission), in compliance with the Consent Decree, to help communities in Virginia hurt by the decline of tobacco.

The Commission was established for the purposes of determining the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund. The monies are to be used to provide payments to tobacco farmers as compensation for the tobacco equipment and barns and lost tobacco production opportunities associated with a decline in quota. The monies are also to be used to revitalize tobacco dependent communities.

The General Assembly also created The Virginia Tobacco Settlement Foundation (Foundation). The purpose of the Foundation is to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund. The Foundation will also be responsible for distributing monies for the purposes provided in the legislation. Disbursements can be made to assist in financing efforts to restrict the use of tobacco products by minors, through educational and awareness programs describing the health effects of tobacco use on minors, and laws restricting the distribution of tobacco products to minors. The Virginia Tobacco Indemnification and Community Revitalization Commission and the Virginia Tobacco Settlement Foundation are included in the Comprehensive Annual Financial Report as governmental component units.

Additionally, the General Assembly created two special non-reverting funds. The Tobacco Settlement monies will be deposited to these funds and the General Fund. Fifty percent of the Settlement monies will be deposited into the Tobacco Indemnification and Community Revitalization Fund. Ten percent of the Settlement monies will be deposited into the Virginia Tobacco Settlement Fund. The remaining 40 percent will be deposited to the General Fund.

33. PUBLIC-PRIVATE PARTNERSHIP

The Department of Taxation (Department) has entered into a partnership agreement with the American Management Systems, Inc. (AMS). The purpose of this partnership is to finance the Department's technology needs. As of June 30, 2004, enough revenue has been generated to fully fund the total contract cost. As of June 30, 2004, the Department has paid AMS $131.2 million towards the $168.2 million contract cost.

34. INTERGOVERNMENTAL TRANSERS

In making payments under an approved Medicaid State Plan per Title XIX of the Social Security Act, Federal regulation allows states to pay different rates to different classes of providers. The Virginia Medicaid State Plan allows the Commonwealth, without violating the upper payment limit regulation, to make enhanced Medicaid payments to nursing homes, hospitals, and clinics owned and operated by local governments. Payments may also be made to state owned hospitals and health clinics. These enhanced payments are capped by an upper payment limit. The Department of Medical Assistance Services (DMAS) plans to make these enhanced payments to locally owned hospitals, health clinics, and nursing homes as well as state owned health clinics using "intergovernmental transfers." The fiscal year 2004 activity is reported in Other Special Revenue (nonmajor). In fiscal year 2005 the transfers will take place between the Commonwealth and one or more localities that own or operate Medicaid certified nursing homes, health clinics, or hospitals. Transfers will also take place between DMAS and the Virginia Department of Health, which operates health clinics in the Commonwealth. The governmental entities will provide funds to the Commonwealth, which will be matched with Federal Medicaid dollars. The Commonwealth will then pay the locally owned nursing homes, health clinics, and hospitals as well as the applicable state health clinics, for services rendered during fiscal year 2005. If the intergovernmental transfers take place in fiscal year 2005, as planned, the transaction could result in a net gain to the participating localities and the Commonwealth in the amount of approximately $560,000 and $10,500,000, respectively. The transactions are contingent upon intergovernmental agreements being signed between the Commonwealth and the participating localities. The transactions are also contingent on negotiations between the Centers for Medicare and Medicaid Services and DMAS regarding the possible phase out of intergovernmental transactions for fiscal year 2006.

35. CONTINGENCIES

A. Grants and Contracts

The Commonwealth has received Federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable Federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a Federal audit may become a liability of the Commonwealth.

Institutions of higher education (Component Units) and other State agencies are required to comply with various Federal regulations issued by the Office of Management and Budget, if such agencies are recipients of Federal grants, contracts, or other sponsored agreements. Failure to comply with certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the Commonwealth.

The U.S. Department of Health and Human Services (DHHS) Office of the Inspector General conducted a review and indicated that the Commonwealth's Statewide Indirect Cost Allocation Plan rates have allowed over-recoveries in the Internal Service Funds. The U.S. DHHS has reviewed and approved the 2005 cost allocation plan, which is based on state fiscal year 2003 data. The Commonwealth believes this liability has the potential to total $2,088,869 as of June 30, 2004.

Virginia's combined overpayment and underpayment food stamp error rate for federal fiscal year 2003 was 5.46 percent. The national average combined error rate was 6.64 percent. States whose error rate exceeds the national average are subject to a penalty. Since Virginia's combined error rate was below the national average, Virginia was not sanctioned. At June 30, 2004, there is no outstanding liability.

B. Litigation

The Commonwealth is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations, some involving substantial amounts. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the Commonwealth in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits or investigations will not have a material, adverse effect on the financial condition of the Commonwealth.

C. Subject to Appropriation

Both the primary government and the discretely presented component units enter into agreements and issue debt secured solely by future appropriations from the General Fund of the Commonwealth. The primary government has leases and other agreements of such debt of $1.1 billion. The discretely presented component units have such debt of $389.4 million.

36. SUBSEQUENT EVENTS

Primary Government

In August 2004, the Commonwealth issued $186,325,000 in General Obligation Bonds, Series 2004A to fund capital projects for educational facilities, parks and recreational facilities of the Commonwealth, a parking facility, and various institutions of higher education.

In August 2004, the Virginia Public Building Authority issued $207,065,000 in Public Facilities Revenue Bonds, Series 2004B to finance or refinance the acquisition, construction, improvement, rehabilitation, furnishing, and equipping of various public facilities for use by the Commonwealth and its agencies or the Commonwealth's share of various regional and local jail and juvenile detention facility projects.

In August 2004, the Virginia Public Building Authority also issued $39,260,000 in Public Facilities Revenue Bonds, Series 2004C to refund all of certain lease revenue bonds secured and payable from a lease agreement with the Commonwealth of Virginia.

In November 2004, the Commonwealth Transportation Board issued $321,660,000 in Transportation Revenue Refunding Bonds consisting of $89,400,000 in Series 2004A and $232,260,000 in Series 2004B sold for the Northern Virginia Transportation District Program and the U.S. Route 58 Corridor Development Program, respectively. Net proceeds were used to redeem a portion of the outstanding balances.

In November 2004, the Commonwealth issued $170,530,000 in General Obligation Refunding Bonds, Series 2004B to redeem a portion of the outstanding balances.

Component Units

In July 2004, the Virginia College Building Authority issued $172,745,000 in Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2004A to finance capital projects and acquire equipment at various higher education institutions.

In July 2004, the Virginia Housing Development Authority redeemed $19,285,000 in Commonwealth Mortgage Bonds.

In July 2004, the Virginia Port Authority financed the purchase of three container cranes and four straddle carriers, with an acquisition cost of $14.3 million, under a master lease agreement with Banc of America Leasing and Capital, LLC.

Effective July 1, 2004, the University of Virginia Investment Management Company (UVIMCO) was formed as a legally separate non-profit, non stock corporation organized under Virginia law exclusively for charitable and educational purposes and more specifically to provide investment and investment management related services to the University and the private and independent foundations and other entities affiliated with the University. The University has entered into a Deposit and Management Agreement delegating investment management responsibility for endowment and other assets to UVIMCO. Upon the occurrence of several managerial and operational objectives, the University will deposit securities and cash items with UVIMCO to be held in custody and control and in the name of UVIMCO for the benefit of the University.

In August 2004, the Virginia Housing Development Authority redeemed $73,745,000 in Commonwealth Mortgage Bonds.

In September 2004, the Virginia Housing Development Authority sold $56,230,000 in Rental Housing Bonds, 2004 Series F/G, and redeemed an additional $28,010,000 in Commonwealth Mortgage Bonds.

In October 2004, the Virginia College Building Authority issued $112,935,000 and $103,205,000 in Public Higher Educational Financing Program Series 2004A and Series 2004B, respectively, to acquire or refinance certain Institutional Notes from various higher education institutions participating in the Public Higher Education Financing Program.

In November 2004, the Virginia Public School Authority issued $145.3 million in School Financing Bonds (1997 Resolution), Series 2004B to purchase certain local school bonds to finance capital projects for public schools.

In December 2004, the Virginia College Building Authority issued $61,395,000 in Educational Facilities Revenue Refunding Bonds (21st Century College Program), Series 2004B to redeem a portion of the outstanding balances.

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds

Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Individual and Fiduciary Income	$ 7,233,043	$ 7,278,421	$ 7,430,365	$ 151,944
Sales and Use	2,469,694	2,526,558	2,582,797	56,239
Corporation Income	320,058	374,203	434,493	60,290
Public Service Corporations	83,800	84,400	86,870	2,470
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Premiums of Insurance Companies	336,100	347,800	351,278	3,478
Other Taxes	470,038	585,476	668,380	82,904
Rights and Privileges	66,500	65,900	69,809	3,909
Sales of Property and Commodities	9,100	9,200	2,035	(7,165)
Assessments and Receipts for Support of Special Services	400	400	306	(94)
Institutional Revenue	9,300	9,300	9,633	333
Interest, Dividends, and Rents	87,948	79,572	86,719	7,147
Fines, Forfeitures, Court Fees, Penalties, and Escheats	200,100	194,500	193,675	(825)
Federal Grants and Contracts	-	-	-	-
Receipts from Cities, Counties, and Towns	9,400	9,400	8,962	(438)
Private Donations, Gifts and Contracts	-	-	1	1
Tobacco Master Settlement	53,000	50,500	51,359	859
Other	85,557	90,671	68,411	(22,260)
Total Revenues	11,434,038	11,706,301	12,045,093	338,792
Expenditures:				
Current:				
General Government	1,577,333	1,452,975	1,407,323	45,652
Education	5,490,550	5,300,885	5,272,151	28,734
Transportation	72,974	48	48	-
Resources and Economic Development	222,707	223,275	214,116	9,159
Individual and Family Services	2,838,051	2,917,733	2,907,139	10,594
Administration of Justice	1,899,963	1,928,911	1,906,455	22,456
Capital Outlay	16,210	32,788	17,830	14,958
Total Expenditures	12,117,788	11,856,615	11,725,062	131,553
Revenues Over (Under) Expenditures	(683,750)	(150,314)	320,031	470,345
Other Financing Sources (Uses):				
Transfers:				
Transfers In	784,558	749,172	697,884	(51,288)
Transfers Out	(213,652)	(433,299)	(463,135)	(29,836)
Total Other Financing Sources (Uses)	570,906	315,873	234,749	(81,124)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(112,844)	165,559	554,780	389,221
Fund Balance, July 1, as restated	554,791	554,791	554,791	-
Fund Balance, June 30	$ 441,947	$ 720,350	$ 1,109,571	$ 389,221

See notes on page 161 in this section.

Special Revenue Funds			
Commonwealth Transportation Fund			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
$ -	$ -	$ -	$ -
398,000	395,800	397,700	1,900
-	-	-	-
-	-	-	-
862,000	845,100	871,454	26,354
546,000	573,600	588,922	15,322
-	-	-	-
-	-	13,015	13,015
239,000	217,400	461,157	243,757
-	-	4,512	4,512
-	-	16,238	16,238
-	-	-	-
11,500	9,900	22,376	12,476
-	-	9,319	9,319
1,068,800	1,068,800	630,620	(438,180)
45,500	45,500	39,613	(5,887)
-	-	-	-
-	-	-	-
154,300	143,300	25,232	(118,068)
3,325,100	3,299,400	3,080,158	(219,242)
3,513	1,627	1,627	-
-	2,173	2,236	(63)
3,210,258	4,002,990	2,888,377	1,114,613
2,335	2,163	1,916	247
-	-	-	-
6,947	6,947	5,749	1,198
76,456	68,819	17,486	51,333
3,299,509	4,084,719	2,917,391	1,167,328
25,591	(785,319)	162,767	948,086
-	150,221	221,260	71,039
(151,504)	(343,734)	(349,569)	(5,835)
(151,504)	(193,513)	(128,309)	65,204
(125,913)	(978,832)	34,458	1,013,290
1,279,568	1,279,568	1,279,568	-
$ 1,153,655	$ 300,736	$ 1,314,026	$ 1,013,290

Continued on next page

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds *(Continued from previous page)*

Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Special Revenue Funds			
	Federal Trust			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Individual and Fiduciary Income	$ -	$ -	$ -	$ -
Sales and Use	-	-	-	-
Corporation Income	-	-	-	-
Public Service Corporations	-	-	-	-
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Premiums of Insurance Companies	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	100	87	33	(54)
Sales of Property and Commodities	128	294	153	(141)
Assessments and Receipts for Support of Special Services	-	-	1	1
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	518	405	581	176
Fines, Forfeitures, Court Fees, Penalties, and Escheats	34	41	70	29
Federal Grants and Contracts	3,791,860	5,126,470	5,203,969	77,499
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	-	-	-	-
Other	68,726	107,678	61,861	(45,817)
Total Revenues	3,861,366	5,234,975	5,266,668	31,693
Expenditures:				
Current:				
General Government	21,865	264,245	208,045	56,200
Education	474,035	905,677	758,587	147,090
Transportation	10,272	13,918	11,180	2,738
Resources and Economic Development	174,315	244,365	186,535	57,830
Individual and Family Services	3,238,344	3,822,103	4,152,126	(330,023)
Administration of Justice	49,228	65,849	51,832	14,017
Capital Outlay	13,577	39,088	19,081	20,007
Total Expenditures	3,981,636	5,355,245	5,387,386	(32,141)
Revenues Over (Under) Expenditures	(120,270)	(120,270)	(120,718)	(448)
Other Financing Sources (Uses):				
Transfers:				
Transfers In	-	-	19,585	19,585
Transfers Out	(83)	(83)	(19,220)	(19,137)
Total Other Financing Sources (Uses)	(83)	(83)	365	448
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(120,353)	(120,353)	(120,353)	-
Fund Balance, July 1, as restated	120,353	120,353	120,353	-
Fund Balance, June 30	$ -	$ -	$ -	$ -

See notes on page 161 in this section.

1. BASIS OF BUDGETING VS. MODIFIED ACCRUAL BASIS FUND BALANCE (1)

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2004, to the fund balance on a modified accrual basis follows.

Fund Balance Comparison
Budgetary Basis to GAAP Basis
June 30, 2004

(Dollars in Thousands)

	General Fund	Commonwealth Transportation Fund	Federal Trust Fund
Fund Balance, Basis of Budgeting	$ 1,109,571	$ 1,314,026	$ -
Adjustments from Budget to Modified Accrual, Undesignated:			
Accrued Revenues:			
Taxes	406,134	100,014	-
Tax Refunds	(231,367)	-	-
Other Revenue/Other Sources	(6,146)	96,345	315,647
Deferred Taxes (2)	(231,400)	-	-
Medicaid Payable	(170,591)	-	(256,225)
Accrued Expenditures/Other Uses	(429,962)	(189,756)	(38,308)
Fund Balance, Modified Accrual Basis	$ 446,239	$ 1,320,629	$ 21,114

(1) As discussed in Note 1.E., the Literary Fund has no approved budget.
(2) See also Note 1.Q.

2. APPROPRIATIONS

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the General Fund and Major Special Revenue Funds, at June 30, 2004, except the Literary Fund which has no approved budget.

(Dollars in Thousands)	General Fund (8)	Commonwealth Transportation Fund (10)	Federal Trust Fund (9)
Appropriations (1)	$ 12,117,788	$ 3,322,573	$ 3,981,636
Supplemental Appropriations:			
Reappropriations (2)	132,830	78,119	41,037
Subsequent Executive (3)	76,653	831,810	892,740
Subsequent Legislative (4)	115,000	117	241,562
Capital Outlay Reversions (5)	(1,397)	(8,100)	(1,175)
Transfers (6)	(578,811)	160,253	223,920
Capital Outlay Adjustment (7)	(5,448)	(76,456)	(24,475)
Appropriations, as adjusted	$ 11,856,615	$ 4,308,316	$ 5,355,245

1. Represents the budget appropriated through Chapter 943, 2004 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to carry forward any prior year unexpended balances, sum sufficient authority, and year 2 to year 1 reductions (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay balances.
6. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately $1.2 billion (General Fund) for transfers to component units that have been reclassified as expenditures in accordance with GASB Statement No. 34.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.
8. Prior year reversions of $8,828,849 (General Fund) are included in the accounting system for monitoring, but do not represent current year appropriations and are not in this schedule.
9. Appropriations do not include food stamp issuances of $470 million since this is a noncash item; however, this amount is included in actual expenditures.
10. The Special Revenue Commonwealth Transportation Fund appropriations as reported in the Budget/Actual statement do not include debt service amounts of $223.6 million. These amounts are included above.

Funding Progress for Defined Benefit Pension Plans

(Dollars in Millions)

Biennial Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) - Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
			Virginia Retirement System (VRS) **			
2003	$ 39,243	$ 40,698	$ 1,455	96.4%	$ 10,885	13.4%
2002	38,957	38,265	(692)	101.8%	10,669	(6.5%)
2001	37,967	35,384	(2,583)	107.3%	10,145	(25.5%)
* 2000	34,374	32,637	(1,737)	105.3%	9,529	(18.2%)
1999	29,804	31,419	1,615	94.9%	9,138	17.7%
** 1998	25,481	29,027	3,546	87.8%	8,638	41.1%
* 1996	19,032	23,842	4,810	79.8%	7,769	61.9%
1994	14,891	20,405	5,514	73.0%	7,274	75.8%
			State Police Officers' Retirement System (SPORS)			
2003	$ 509	$ 616	$ 107	82.6%	$ 79	135.4%
2002	508	595	87	85.4%	81	107.4%
2001	495	557	62	88.9%	83	74.7%
* 2000	441	513	72	86.0%	81	88.9%
1999	377	463	86	81.4%	77	111.7%
** 1998	322	425	103	75.8%	65	158.5%
* 1996	243	371	128	65.5%	60	213.3%
1994	201	277	76	72.6%	58	131.0%
			Virginia Law Officers' Retirement System (VaLORS)			
2003	$ 458	$ 854	$ 396	53.6%	$ 292	135.6%
2002	418	806	388	51.9%	306	126.8%
2001	393	628	235	62.6%	320	73.4%
*** 2000	307	680	373	45.1%	315	118.4%
			Judicial Retirement System (JRS)			
2003	$ 282	$ 348	$ 66	81.0%	$ 48	137.5%
2002	281	352	71	79.8%	48	147.9%
2001	277	342	65	81.0%	47	138.3%
* 2000	245	330	85	74.2%	45	188.9%
1999	210	302	92	69.5%	42	219.0%
** 1998	180	274	94	65.7%	39	241.0%
* 1996	138	243	105	56.8%	36	291.7%
1994	115	199	84	57.8%	33	254.5%

See Notes on following page.

* Revised economic and demographic assumptions due to experience study.
** Change in benefit formula, unreduced early retirement age and in the actuarial amortization method.
*** The first actuarial valuation for the Virginia Law Officers' Retirement System, established on October 1, 1999, was performed as of June 30, 2000.

Notes:	Valuation Date:	June 30, 2003
	Actuarial Cost Method:	Entry Age Normal
	Amortization Method:	
	State Employees	Level percent, closed
	Political Subdivision Employees	Level percent, open
	Teachers	Level percent, closed
	State Police / VA Law Officers / Judges	Level percent, closed
	Payroll Growth Rate:	3.00%
	Remaining Amortization Period:	
	State Employees	23 years
	Political Subdivision Employees	0 to 30 years
	Teachers	23 years
	State Police / VA Law Officers / Judges	23 years
	Asset Valuation Method:	Modified Market
	Actuarial Assumptions:	
	Investment Rate of Return (1)	8.00%
	Projected Salary Increases (1)	
	State / Political Subdivision Employees	4.25% to 6.30%
	Teachers	4.00% to 7.00%
	State Police / VA Law Officers	4.50% to 5.75%
	Judges	5.00%
	Cost of Living Adjustments	3.00%

(1) Includes inflation at 3.00%.

Claims Development Information – Risk Management

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	1995	1996	1997	1998
1. Required contribution and investment revenue:				
Earned	$ 5,891	$ 6,875	$ 6,664	$ 7,537
Ceded (a)	-	-	-	-
Net earned	5,891	6,875	6,664	7,537
2. Unallocated expenses	287	595	453	464
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	3,931	3,706	2,095	2,760
Ceded (a)	-	-	-	-
Net incurred	3,931	3,706	2,095	2,760
4. Net paid (cumulative) as of:				
End of policy year	804	254	286	434
One year later	2,383	1,995	1,680	2,651
Two years later	3,540	3,312	2,602	3,261
Three years later	3,854	4,385	2,907	3,894
Four years later	4,043	4,605	3,028	4,183
Five years later	4,129	4,684	2,965	4,272
Six years later	4,174	4,559	3,063	4,314
Seven years later	3,699	4,613	3,065	
Eight years later	3,819	4,614		
Nine years later	3,828			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	3,931	3,706	2,095	2,760
One year later	4,705	3,977	3,352	4,080
Two years later	4,472	4,957	3,160	3,934
Three years later	4,458	5,016	3,300	4,565
Four years later	4,248	4,936	3,314	4,353
Five years later	4,335	4,966	3,052	4,378
Six years later	4,308	4,689	3,180	4,419
Seven years later	3,769	4,621	3,180	
Eight years later	3,917	4,622		
Nine years later	3,908			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	(23)	916	1,085	1,659

The Commonwealth provides errors and omissions liability insurance, law enforcement professional liability insurance, and commuter rail insurance for local governmental units, which went into effect in fiscal year 1987. For fiscal years 1992-2000, this insurance coverage was provided through the Department of General Services, Division of Risk Management. Effective July 1, 2000, this coverage was provided through the Department of Treasury, Division of Risk Management.

See Notes on page 168 in this section.

1999	2000	2001	2002	2003	2004
$ 6,780	$ 6,478	$ 5,814	$ 5,324	$ 5,740	$ 5,729
-	-	-	-	-	-
6,780	6,478	5,814	5,324	5,740	5,729
703	1,223	1,863	924	918	1,209
2,719	2,263	2,688	4,110	3,488	2,861
-	-	-	-	-	-
2,719	2,263	2,688	4,110	3,488	2,861
439	196	336	550	380	161
2,100	2,688	1,628	1,979	1,894	
2,938	3,322	2,388	2,291		
4,555	3,369	2,490			
4,873	3,447				
4,931					
-	-	-	-	-	-
2,719	2,263	2,688	4,110	3,488	2,861
5,509	4,801	3,752	4,458	3,237	
5,997	4,467	3,318	4,196		
5,769	3,589	3,270			
5,146	3,575				
5,955					
3,236	1,312	582	86	(251)	-

Claims Development Information – Health Care

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	**1995**	**1996**	**1997**	**1998**
1. Required contribution and investment revenue:				
Earned	$ 40,468	$ 38,321	$ 48,493	$ 54,089
Ceded (a)	-	-	-	-
Net earned	40,468	38,321	48,493	54,089
2. Unallocated expenses	2,428	3,305	4,445	5,286
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	33,731	41,232	46,895	60,657
Ceded (a)	-	-	-	-
Net incurred	33,731	41,232	46,895	60,657
4. Net paid (cumulative) as of:				
End of policy year	30,177	39,276	40,631	53,219
One year later	33,731	41,232	46,895	-
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	33,731	41,232	46,895	60,657
One year later	33,731	41,232	46,895	60,657
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	-	-	-	-

The Commonwealth, through its Department of Human Resource Management, provides health care insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 168 in this section.

1999	2000	2001	2002	2003	2004
$ 64,419	$ 75,569	$ 88,313	$ 100,836	$ 118,825	$ 137,582
-	-	-	-	-	-
64,419	75,569	88,313	100,836	118,825	137,582
6,632	6,997	7,203	6,225	6,171	6,271
70,719	76,816	87,222	95,860	104,453	124,887
-	-	-	-	-	-
70,719	76,816	87,222	95,860	104,453	124,887
62,219	68,336	74,579	80,974	99,443	99,656
-	-	-	-	-	
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	-	-	-	-	-
70,719	74,417	87,222	95,860	104,453	124,887
70,719	74,417	87,222	95,860	104,453	124,887
N/A	N/A	N/A	N/A	N/A	
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	(2,399)	-	-	-	-

Notes for Claims Development Information Tables

The tables on the previous four pages illustrate how the Risk Management and Health Care Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

2. This line shows each fiscal year's other operating costs of the Funds, including overhead and claims expense not allocable to individual claims.

3. This line shows the Funds' gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)

7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

Notes:

(a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.

Combining and Individual Fund Statements and Schedules

Nonmajor Governmental Funds

Special Revenue Funds:

Special Revenue Funds account for specific revenue sources that are restricted to finance particular functions and activities of the Commonwealth.

The Dedicated Special Revenue Fund accounts for revenues and expenditures associated with a dedicated funding source and use.

The Other Special Revenue Fund accounts for revenues and expenditures related to local health care assistance, business and agricultural activities, and miscellaneous activities throughout the Commonwealth. In addition, federal funds received from Medicaid intergovernmental transfers and for the Commonwealth's share of claims are reported in this fund. The Virginia State Parks Fund is reported as part of this fund. In prior years, this entity (formerly the Virginia State Parks Foundation) was reported separately because it was a blended component unit. In fiscal year 2004, this entity became part of the primary government due to legislative changes.

The Virginia Land Conservation Foundation Fund accounts for revenues and expenditures related to the protection and preservation of ecological, cultural, or historical property.

Debt Service Funds:

The Debt Service Funds account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations recorded in the Governmental Activities column on the Government-wide Statement of Net Assets.

Primary Government accounts for the payment of principal and interest on bonds used to acquire, construct, or improve parks, highways, and correctional, mental health, and parking facilities owned by the Commonwealth.

The Virginia Public Building Authority accounts for the payment of principal and interest on bonds used to acquire, construct, and operate public buildings used by the Commonwealth and its political subdivisions.

Capital Project Funds:

The Capital Project Funds are maintained to account for resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds.

Primary Government accounts for the financial resources used to acquire, construct, or improve parks, correctional, mental health, and parking facilities owned by the Commonwealth.

The Virginia Public Building Authority accounts for financial resources used to acquire, construct, and operate public buildings used by the Commonwealth and its political subdivisions.

Permanent Funds:

Permanent Funds are funds whose principal must remain intact.

Commonwealth Health Research Fund provides financial grants for human health research benefiting the Commonwealth's citizens. The entire fund balance is restricted for use as such.

Mental Health Endowment Funds provide funds for the welfare of patients in mental health facilities. The entire fund balance is restricted for use as such.

Virginia Arts Foundation Fund provides funds for the promotion of the arts in the Commonwealth. The entire fund balance is restricted for use as such.

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2004
(Dollars in Thousands)

	Special Revenue Funds			
	Dedicated	Other	Virginia Land Conservation Foundation	Total
Assets				
Cash and Cash Equivalents	$ 203,918	$ 194,326	$ 2,167	$ 400,411
Investments	25,515	24,572	575	50,662
Receivables	9,787	53,212	-	62,999
Due From Other Funds	406	5,090	4	5,500
Due From External Parties (Fiduciary Funds)	-	99	-	99
Interfund Receivable	-	79,563	-	79,563
Inventory	850	4,448	-	5,298
Other Assets	645	922	-	1,567
Loans Receivable from Component Units	-	65,206	-	65,206
Total Assets	$ 241,121	$ 427,438	$ 2,746	$ 671,305
Liabilities and Fund Balances				
Accounts Payable	$ 14,215	$ 34,932	$ 3	$ 49,150
Amounts Due to Other Governments	397	-	-	397
Due to Other Funds	1,339	3,096	-	4,435
Due to Component Units	-	250	-	250
Interfund Payable	-	-	-	-
Deferred Revenue	3,698	15,189	-	18,887
Obligations Under Securities Lending Program	19,063	16,027	575	35,665
Other Liabilities	1,869	5,512	-	7,381
Long-Term Liabilities	27	217	-	244
Total Liabilities	40,608	75,223	578	116,409
Fund Balances Reserved for:				
Inventory	850	4,448	-	5,298
Debt Service	-	-	-	-
Gifts and Grants	175	8,332	-	8,507
Capital Acquisition	-	505	-	505
Fund Balances Unreserved, Reported in:				
Special Revenue Funds	199,488	338,930	2,168	540,586
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
Total Fund Balances	200,513	352,215	2,168	554,896
Total Liabilities and Fund Balances	$ 241,121	$ 427,438	$ 2,746	$ 671,305

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
$ 74,103	$ 2,251	$ 76,354	$ 16,591	$ -	$ 16,591
-	-	-	1,680	-	1,680
-	-	-	-	10	10
-	-	-	15	-	15
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 74,103	$ 2,251	$ 76,354	$ 18,286	$ 10	$ 18,296
$ -	$ -	$ -	$ 1,669	$ 128	$ 1,797
-	-	-	-	-	-
-	-	-	41	-	41
-	-	-	7,304	313	7,617
-	-	-	-	33,267	33,267
-	-	-	-	-	-
-	-	-	948	-	948
15	908	923	-	-	-
-	-	-	-	-	-
15	908	923	9,962	33,708	43,670
-	-	-	-	-	-
74,088	1,343	75,431	-	-	-
-	-	-	-	-	-
-	-	-	8,324	-	8,324
-	-	-	-	-	-
-	-	-	-	(33,698)	(33,698)
-	-	-	-	-	-
74,088	1,343	75,431	8,324	(33,698)	(25,374)
$ 74,103	$ 2,251	$ 76,354	$ 18,286	$ 10	$ 18,296

Continued on next page

Combining Balance Sheet – Nonmajor Governmental Funds *(Continued from previous page)*

June 30, 2004
(Dollars in Thousands)

	Permanent Funds				
	Commonwealth Health Research Board	Mental Health Endowment Funds	Virginia Arts Foundation Fund	Total	Total Nonmajor Governmental Funds
Assets					
Cash and Cash Equivalents	$ 129	$ 142	$ 298	$ 569	$ 493,925
Investments	27,094	109	79	27,282	79,624
Receivables	3	-	-	3	63,012
Due From Other Funds	-	-	-	-	5,515
Due From External Parties (Fiduciary Funds)	-	-	-	-	99
Interfund Receivable	-	-	-	-	79,563
Inventory	-	-	-	-	5,298
Other Assets	-	-	-	-	1,567
Loans Receivable from Component Units	-	-	-	-	65,206
Total Assets	$ 27,226	$ 251	$ 377	$ 27,854	$ 793,809
Liabilities and Fund Balances					
Accounts Payable	$ 10	$ -	$ -	$ 10	$ 50,957
Amounts Due to Other Governments	-	-	-	-	397
Due to Other Funds	-	-	-	-	4,476
Due to Component Units	-	-	-	-	7,867
Interfund Payable	-	-	-	-	33,267
Deferred Revenue	-	-	-	-	18,887
Obligations Under Securities Lending Program	34	-	79	113	36,726
Other Liabilities	-	-	-	-	8,304
Long-Term Liabilities	-	-	-	-	244
Total Liabilities	44	-	79	123	161,125
Fund Balances Reserved for:					
Inventory	-	-	-	-	5,298
Debt Service	-	-	-	-	75,431
Gifts and Grants	-	-	-	-	8,507
Capital Acquisition	-	-	-	-	8,829
Fund Balances Unreserved, Reported in:					
Special Revenue Funds	-	-	-	-	540,586
Capital Projects Funds	-	-	-	-	(33,698)
Permanent Funds	27,182	251	298	27,731	27,731
Total Fund Balances	27,182	251	298	27,731	632,684
Total Liabilities and Fund Balances	$ 27,226	$ 251	$ 377	$ 27,854	$ 793,809

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Special Revenue Funds			
	Dedicated	Other	Virginia Land Conservation Foundation	Total
Revenues				
Taxes	$ 125,050	$ 26,632	$ -	$ 151,682
Rights and Privileges	57,472	145,996	854	204,322
Institutional Revenue	24,464	303,570	-	328,034
Interest, Dividends, Rents, and Other Investment Income	2,132	7,118	37	9,287
Federal Grants and Contracts	-	19,395	-	19,395
Other	63,922	243,091	-	307,013
Total Revenues	273,040	745,802	891	1,019,733
Expenditures				
Current:				
General Government	46,894	81,949	1	128,844
Education	1,375	28,962	-	30,337
Transportation	9,703	5,057	-	14,760
Resources and Economic Development	81,248	181,504	1,117	263,869
Individual and Family Services	42,447	438,763	-	481,210
Administration of Justice	45,143	29,066	-	74,209
Capital Outlay	46	5,765	-	5,811
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	226,856	771,066	1,118	999,040
Revenues Over (Under) Expenditures	46,184	(25,264)	(227)	20,693
Other Financing Sources (Uses)				
Transfers In	33,235	106,100	614	139,949
Transfers Out	(51,698)	(51,504)	-	(103,202)
Bonds Issued	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Funds from Restructured Escrow	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Total Other Financing Sources (Uses)	(18,463)	54,596	614	36,747
Net Change in Fund Balances	27,721	29,332	387	57,440
Fund Balance, July 1	172,792	322,883	1,781	497,456
Fund Balance (Deficit), June 30	$ 200,513	$ 352,215	$ 2,168	$ 554,896

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
548	1	549	525	381	906
-	-	-	-	-	-
11,621	-	11,621	-	-	-
12,169	1	12,170	525	381	906
-	-	-	-	-	-
-	-	-	-	-	-
242	-	242	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	50,915	82,523	133,438
170,880	71,832	242,712	-	-	-
135,357	43,858	179,215	-	-	-
306,479	115,690	422,169	50,915	82,523	133,438
(294,310)	(115,689)	(409,999)	(50,390)	(82,142)	(132,532)
295,424	115,690	411,114	56	116	172
(12,791)	-	(12,791)	(41)	-	(41)
-	-	-	-	212	212
-	205,217	205,217	-	-	-
-	1,335	1,335	-	-	-
-	(205,217)	(205,217)	-	(6,473)	(6,473)
282,633	117,025	399,658	15	(6,145)	(6,130)
(11,677)	1,336	(10,341)	(50,375)	(88,287)	(138,662)
85,765	7	85,772	58,699	54,589	113,288
$ 74,088	$ 1,343	$ 75,431	$ 8,324	$ (33,698)	$ (25,374)

Continued on next page

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Permanent Funds				
	Commonwealth Health Research Board	Mental Health Endowment Funds	Virginia Arts Foundation Fund	Total	Total Nonmajor Governmental Funds
Revenues					
Taxes	$ -	$ -	$ -	$ -	$ 151,682
Rights and Privileges	-	-	49	49	204,371
Institutional Revenue	-	-	-	-	328,034
Interest, Dividends, Rents, and Other Investment Income	3,402	2	5	3,409	14,151
Federal Grants and Contracts	-	-	-	-	19,395
Other	-	-	30	30	318,664
Total Revenues	3,402	2	84	3,488	1,036,297
Expenditures					
Current:					
General Government	-	-	-	-	128,844
Education	-	-	-	-	30,337
Transportation	-	-	-	-	15,002
Resources and Economic Development	-	-	-	-	263,869
Individual and Family Services	687	10	-	697	481,907
Administration of Justice	-	-	-	-	74,209
Capital Outlay	-	-	-	-	139,249
Debt Service:					
Principal Retirement	-	-	-	-	242,712
Interest and Charges	-	-	-	-	179,215
Total Expenditures	687	10	-	697	1,555,344
Revenues Over (Under) Expenditures	2,715	(8)	84	2,791	(519,047)
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	551,235
Transfers Out	-	-	-	-	(116,034)
Bonds Issued	-	-	-	-	212
Refunding Bonds Issued	-	-	-	-	205,217
Funds from Restructured Escrow	-	-	-	-	1,335
Payment to Refunded Bond Escrow Agent	-	-	-	-	(211,690)
Total Other Financing Sources (Uses)	-	-	-	-	430,275
Net Change in Fund Balances	2,715	(8)	84	2,791	(88,772)
Fund Balance, July 1	24,467	259	214	24,940	721,456
Fund Balance (Deficit), June 30	$ 27,182	$ 251	$ 298	$ 27,731	$ 632,684

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual — Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Dedicated			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Public Service Corporations	$ -	$ -	$ -	$ -
Motor Fuel	32,900	35,900	38,012	2,112
Other Taxes	64,676	56,689	86,699	30,010
Rights and Privileges	55,756	48,049	57,577	9,528
Sales of Property and Commodities	3,008	2,688	2,648	(40)
Assessments and Receipts for Support of Special Services	6,551	7,187	8,232	1,045
Institutional Revenue	28,173	29,345	25,502	(3,843)
Interest, Dividends, and Rents	2,526	3,723	2,104	(1,619)
Fines, Forfeitures, Court Fees, Penalties, and Escheats	24,158	32,307	28,646	(3,661)
Federal Grants and Contracts	-	-	-	-
Receipts from Cities, Counties, and Towns	75	597	465	(132)
Private Donations, Gifts and Contracts	7,217	1,319	1,287	(32)
Other	20,307	24,167	22,159	(2,008)
Total Revenues	245,347	241,971	273,331	31,360
Expenditures:				
Current:				
General Government	45,790	56,670	46,805	9,865
Education	1,876	2,309	1,293	1,016
Transportation	12,831	13,205	9,225	3,980
Resources and Economic Development	71,533	96,124	79,031	17,093
Individual and Family Services	45,776	52,943	42,544	10,399
Administration of Justice	45,411	60,750	46,448	14,302
Capital Outlay	1,646	1,643	234	1,409
Total Expenditures	224,863	283,644	225,580	58,064
Revenues Over (Under) Expenditures	20,484	(41,673)	47,751	89,424
Other Financing Sources (Uses):				
Transfers:				
Transfers In	14,066	14,116	33,235	19,119
Transfers Out	(38,408)	(38,111)	(51,698)	(13,587)
Total Other Financing Sources (Uses)	(24,342)	(23,995)	(18,463)	5,532
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(3,858)	(65,668)	29,288	94,956
Fund Balance, July 1	181,309	181,309	181,309	-
Fund Balance, June 30	$ 177,451	$ 115,641	$ 210,597	$ 94,956

Other			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
$ -	$ -	$ 9,451	$ 9,451
-	-	-	-
26,800	24,774	17,085	(7,689)
161,510	151,765	146,042	(5,723)
20,458	19,770	19,349	(421)
82,897	104,829	71,643	(33,186)
299,388	296,534	306,204	9,670
8,667	9,059	7,205	(1,854)
9,424	13,873	17,436	3,563
-	19,151	19,395	244
53,601	77,284	75,782	(1,502)
2,628	3,044	6,205	3,161
59,940	238,771	51,850	(186,921)
725,313	958,854	747,647	(211,207)
24,939	106,265	81,908	24,357
25,236	26,660	29,113	(2,453)
6,889	6,989	5,358	1,631
202,150	234,531	179,985	54,546
401,631	465,150	437,366	27,784
22,305	25,203	28,926	(3,723)
16,817	22,224	5,948	16,276
699,967	887,022	768,604	118,418
25,346	71,832	(20,957)	(92,789)
13,627	91,734	106,097	14,363
(36,695)	(40,941)	(51,504)	(10,563)
(23,068)	50,793	54,593	3,800
2,278	122,625	33,636	(88,989)
309,032	309,032	309,032	-
$ 311,310	$ 431,657	$ 342,668	$ (88,989)

Continued on next page

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Virginia Land Conservation Foundation			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Public Service Corporations	$ -	$ -	$ -	$ -
Motor Fuel	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	-	-	854	854
Sales of Property and Commodities	-	-	-	-
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	-	153	37	(116)
Fines, Forfeitures, Court Fees, Penalties, and Escheats	-	-	-	-
Federal Grants and Contracts	-	-	-	-
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	-	-
Other	-	-	-	-
Total Revenues	-	153	891	738
Expenditures:				
Current:				
General Government	-	-	1	(1)
Education	-	-	-	-
Transportation	-	-	-	-
Resources and Economic Development	-	1,499	1,464	35
Individual and Family Services	-	-	-	-
Administration of Justice	-	-	-	-
Capital Outlay	75	75	-	75
Total Expenditures	75	1,574	1,465	109
Revenues Over (Under) Expenditures	(75)	(1,421)	(574)	847
Other Financing Sources (Uses):				
Transfers:				
Transfers In	-	-	614	614
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	614	614
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(75)	(1,421)	40	1,461
Fund Balance, July 1	2,131	2,131	2,131	-
Fund Balance, June 30	$ 2,056	$ 710	$ 2,171	$ 1,461

1. BASIS OF BUDGETING VS. MODIFIED ACCRUAL BASIS FUND BALANCE

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2004, to the fund balance on a modified accrual basis follows.

(Dollars in Thousands)

	Dedicated	Other	Virginia Land Conservation Foundation
Fund Balance, Basis of Budgeting	$ 210,597	$ 342,668	$ 2,171
Adjustments from Budget to Modified Accrual, Undesignated:			
Accrued Revenues:			
Taxes	4,953	320	-
Other Revenue	789	41,380	-
Accrued Expenditures	(15,285)	(31,998)	(3)
Fund Reclassification - Budget to Modified Accrual	(541)	(155)	-
Fund Balance, Modified Accrual Basis	$ 200,513	$ 352,215	$ 2,168

2. APPROPRIATIONS

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the Nonmajor Special Revenue Funds, at June 30, 2004.

(Dollars in Thousands)

	Dedicated	Other	Virginia Land Conservation Foundation
Appropriations (1)	$ 224,863	$ 699,967	$ 75
Supplemental Appropriations:			
Reappropriations (2)	2,252	45,378	-
Subsequent Executive (3)	47,071	130,686	1,499
Subsequent Legislative (4)	7,853	(11,086)	-
Capital Outlay Reversions (5)	(3)	(2,443)	-
Transfers (6)	11,713	61,848	-
Capital Outlay Adjustment (7)	(10,105)	(37,328)	-
Appropriations, as adjusted	$ 283,644	$ 887,022	$ 1,574

1. Represents the budget appropriated through Chapter 943, 2004 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to appropriate any additional revenues collected so that they can be legally spent.
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay balances.
6. Represents transfers required by the Appropriation Act.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.

Nonmajor Enterprise Funds

Enterprise Funds:

The Enterprise 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.

The Department of Alcoholic Beverage Control operates facilities for the distribution and sale of distilled spirits and wine.

Risk Management accounts for pooled resources received and used by the Department of the Treasury for financing local government insurance programs. This includes Local Entities Bond Insurance, Public Officials Insurance, Law Enforcement Insurance, and Commuter Rail Insurance.

The Local Choice Health Care administers a health care plan for the employees of participating local governments.

The Virginia Industries for the Blind manufactures products for sale to governments, certain private organizations, and the general public.

The Consolidated Laboratory provides water testing services and a newborn screening program.

eVA Procurement System accounts for the statewide electronic procurement system.

The Department of Environmental Quality accounts for the Title V program that offers services to the general public.

The Wireless E-911 Service Board assists in the establishment of wireless E-911 service in Virginia localities.

The Virginia Information Providers Network provides for the centralized marketing, provision, leasing or executing of license agreements for access online or in volume.

The Virginia Museum of Fine Arts accounts for gift shop and food service activities.

The Science Museum of Virginia accounts for gift shop activities.

Mental Health Local Funds account for the canteen store and work activity programs.

The Division of Legislative Services accounts for sales of several small publications.

The School for the Deaf and Blind – Staunton accounts for the Student Center activity.

Combining Statement of Net Assets – Nonmajor Enterprise Funds

June 30, 2004
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care	Virginia Industries for the Blind
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 468	$ 19,866	$ 18,635	$ 2,381
Investments	110	5,055	4,945	-
Receivables (Net)	2,899	29	12,402	1,470
Due From Other Funds	-	80	94	-
Inventory	34,773	-	-	3,434
Prepaid Items	818	-	110	-
Other Assets	130	100	-	1
Total Current Assets	39,198	25,130	36,186	7,286
Noncurrent Assets:				
Investments	-	13,195	-	-
Other Assets	-	-	-	-
Nondepreciable Capital Assets	1,828	-	-	149
Depreciable Capital Assets, Net	18,808	-	-	359
Total Noncurrent Assets	20,636	13,195	-	508
Total Assets	59,834	38,325	36,186	7,794
Liabilities				
Current Liabilities:				
Accounts Payable	15,986	192	677	645
Amounts Due to Other Governments	-	-	-	-
Due to Other Funds	6,449	2	-	2
Interfund Payable	25,930	-	-	-
Deferred Revenue	199	629	-	-
Claims Payable	-	10,729	15,198	-
Obligations Under Securities Lending Program	110	5,055	4,945	-
Other Liabilities	-	-	-	-
Long-Term Liabilities Due within One Year	3,795	39	-	23
Total Current Liabilities	52,469	16,646	20,820	670
Noncurrent Liabilities:				
Interfund Payable	-	-	-	-
Long-Term Liabilities Due in More Than One Year	14,105	39	-	376
Total Noncurrent Liabilities	14,105	39	-	376
Total Liabilities	66,574	16,685	20,820	1,046
Net Assets				
Invested in Capital Assets, Net of Related Debt	15,714	-	-	508
Unrestricted	(22,454)	21,640	15,366	6,240
Total Net Assets	$ (6,740)	$ 21,640	$ 15,366	$ 6,748

Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Information Providers Network	Virginia Museum of Fine Arts	Science Museum of Virginia
$ 2,174	$ 717	$ 9,979	$ 13,561	$ 843	$ 740	$ 203
-	-	2,648	3,598	-	-	-
55	509	-	4,694	3,045	123	-
-	-	45	49	-	-	-
24	-	-	-	-	298	71
-	-	-	-	-	-	-
-	-	-	-	-	9	-
2,253	1,226	12,672	21,902	3,888	1,170	274
-	-	-	-	-	-	-
-	5,019	-	-	-	-	-
-	-	-	-	-	-	-
1,269	-	83	-	-	-	28
1,269	5,019	83	-	-	-	28
3,522	6,245	12,755	21,902	3,888	1,170	302
129	3,902	11	2,987	19	28	19
-	-	-	-	16	-	-
171	1	1,177	1	2,500	-	-
-	-	-	-	-	-	-
1,302	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	2,648	3,598	-	-	-
-	-	-	-	1,047	91	-
307	41	362	10	12	7	-
1,909	3,944	4,198	6,596	3,594	126	19
-	6,540	-	-	-	-	-
932	70	771	21	10	127	17
932	6,610	771	21	10	127	17
2,841	10,554	4,969	6,617	3,604	253	36
359	-	83	-	-	-	28
322	(4,309)	7,703	15,285	284	917	238
$ 681	$ (4,309)	$ 7,786	$ 15,285	$ 284	$ 917	$ 266

Continued on next page

Combining Statement of Net Assets – Nonmajor Enterprise Funds *(Continued from previous page)*

June 30, 2004
(Dollars in Thousands)

	Mental Health Local Funds	Division of Legislative Services	School for the Deaf and Blind - Staunton	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 364	$ 6	$ 1	$ 69,938
Investments	67	-	-	16,423
Receivables (Net)	-	-	-	25,226
Due From Other Funds	-	-	-	268
Inventory	-	-	-	38,600
Prepaid Items	-	-	-	928
Other Assets	-	-	-	240
Total Current Assets	431	6	1	151,623
Noncurrent Assets:				
Investments	-	-	-	13,195
Other Assets	-	-	-	5,019
Nondepreciable Capital Assets	-	-	-	1,977
Depreciable Capital Assets, Net	-	-	-	20,547
Total Noncurrent Assets	-	-	-	40,738
Total Assets	431	6	1	192,361
Liabilities				
Current Liabilities:				
Accounts Payable	-	-	-	24,595
Amounts Due to Other Governments	-	-	-	16
Due to Other Funds	-	-	-	10,303
Interfund Payable	-	-	-	25,930
Deferred Revenue	-	-	-	2,130
Claims Payable	-	-	-	25,927
Obligations Under Securities Lending Program	-	-	-	16,356
Other Liabilities	175	-	-	1,313
Long-Term Liabilities Due within One Year	-	-	-	4,596
Total Current Liabilities	175	-	-	111,166
Noncurrent Liabilities:				
Interfund Payable	-	-	-	6,540
Long-Term Liabilities Due in More Than One Year	-	-	-	16,468
Total Noncurrent Liabilities	-	-	-	23,008
Total Liabilities	175	-	-	134,174
Net Assets				
Invested in Capital Assets, Net of Related Debt	-	-	-	16,692
Unrestricted	256	6	1	41,495
Total Net Assets	$ 256	$ 6	$ 1	$ 58,187

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care	Virginia Industries for the Blind
Operating Revenues:				
Charges for Sales and Services	$ 415,544	$ 4,944	$ 137,527	$ 22,181
Other	23,418	-	55	-
Total Operating Revenues	438,962	4,944	137,582	22,181
Operating Expenses:				
Cost of Sales and Services	259,825	-	-	-
Prizes and Claims	-	3,653	124,887	-
Personal Services	60,090	548	-	4,322
Contractual Services	13,684	3,590	6,271	866
Supplies and Materials	2,058	4	-	14,201
Depreciation and Amortization	3,508	-	-	29
Rent, Insurance, and Other Related Charges	14,205	33	-	372
Interest Expense	-	-	-	-
Non-recurring Cost Estimate Payments to Providers	-	-	-	-
Distribution of On-Line Revenue	-	-	-	-
Other	2,035	20	-	464
Total Operating Expenses	355,405	7,848	131,158	20,254
Operating Income (Loss)	83,557	(2,904)	6,424	1,927
Nonoperating Revenues (Expenses):				
Interest, Dividends, Rents, and Other Investment Income	56	346	285	-
Other	(170)	(13)	(11)	-
Total Nonoperating Revenues (Expenses)	(114)	333	274	-
Income (Loss) Before Transfers	83,443	(2,571)	6,698	1,927
Transfers In	144	80	94	-
Transfers Out	(84,708)	(23)	-	-
Change in Net Assets	(1,121)	(2,514)	6,792	1,927
Total Net Assets (Deficit), July 1, as restated	(5,619)	24,154	8,574	4,821
Total Net Assets (Deficit), June 30	$ (6,740)	$ 21,640	$ 15,366	$ 6,748

Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Information Providers Network	Virginia Museum of Fine Arts	Science Museum of Virginia
$ 5,032	$ 4,735	$ 9,481	$ 34,381	$ 35,636	$ 1,778	$ 553
-	-	-	-	-	7	-
5,032	4,735	9,481	34,381	35,636	1,785	553
-	-	-	-	-	813	264
-	-	-	-	-	-	-
1,995	780	9,640	276	148	778	141
354	6,079	345	872	4,960	64	23
1,475	2	39	5	-	68	4
160	-	48	-	-	-	17
784	387	17	25	9	-	-
-	55	-	-	-	-	-
-	-	-	35,378	-	-	-
-	-	-	-	29,581	-	-
22	26	172	6	-	-	-
4,790	7,329	10,261	36,562	34,698	1,723	449
242	(2,594)	(780)	(2,181)	938	62	104
-	-	218	296	-	6	-
-	-	(8)	(14)	-	-	(70)
-	-	210	282	-	6	(70)
242	(2,594)	(570)	(1,899)	938	68	34
-	-	45	49	-	-	-
-	-	-	(9,843)	(902)	(130)	-
242	(2,594)	(525)	(11,693)	36	(62)	34
439	(1,715)	8,311	26,978	248	979	232
$ 681	$ (4,309)	$ 7,786	$ 15,285	$ 284	$ 917	$ 266

Continued on next page

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Mental Health Local Funds	Division of Legislative Services	School for the Deaf and Blind - Staunton	Total
Operating Revenues:				
Charges for Sales and Services	$ 527	$ -	$ 5	$ 672,324
Other	-	-	-	23,480
Total Operating Revenues	527	-	5	695,804
Operating Expenses:				
Cost of Sales and Services	549	-	-	261,451
Prizes and Claims	-	-	-	128,540
Personal Services	-	-	-	78,718
Contractual Services	-	-	-	37,108
Supplies and Materials	-	-	6	17,862
Depreciation and Amortization	-	-	-	3,762
Rent, Insurance, and Other Related Charges	-	-	-	15,832
Interest Expense	-	-	-	55
Non-recurring Cost Estimate Payments to Providers	-	-	-	35,378
Distribution of On-Line Revenue	-	-	-	29,581
Other	-	-	-	2,745
Total Operating Expenses	549	-	6	611,032
Operating Income (Loss)	(22)	-	(1)	84,772
Nonoperating Revenues (Expenses):				
Interest, Dividends, Rents, and Other Investment Income	-	-	-	1,207
Other	(10)	-	-	(296)
Total Nonoperating Revenues (Expenses)	(10)	-	-	911
Income (Loss) Before Transfers	(32)	-	(1)	85,683
Transfers In	-	-	-	412
Transfers Out	-	-	-	(95,606)
Change in Net Assets	(32)	-	(1)	(9,511)
Total Net Assets (Deficit), July 1, as restated	288	6	2	67,698
Total Net Assets (Deficit), June 30	$ 256	$ 6	$ 1	$ 58,187

Combining Statement of Cash Flows – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care	Virginia Industries for the Blind
Cash Flows from Operating Activities:				
Receipts for Sales and Services	$ 423,470	$ 4,865	$ 135,419	$ 17,753
Internal Activity-Receipts from Other Funds	-	-	-	3,506
Internal Activity-Payments to Other Funds	-	-	-	-
Payments to Suppliers for Goods and Services	(283,152)	-	-	(15,612)
Payments for Prizes, Claims, and Loss Control	-	(3,059)	(122,797)	-
Payments to Employees	(58,704)	(629)	-	(4,355)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	-
Payments for Interest	-	-	-	-
Other Operating Revenue	15,480	-	88	-
Other Operating Expense	(13,684)	(3,546)	(6,303)	(866)
Net Cash Provided by (Used for) Operating Activities	83,410	(2,369)	6,407	426
Cash Flows from Noncapital Financing Activities:				
Transfers In From Other Funds	144	-	-	-
Transfers Out to Other Funds	(204,633)	(23)	-	-
Other Noncapital Financing Receipt Activities	125,791	-	-	-
Other Noncapital Financing Disbursement Activities	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(78,698)	(23)	-	-
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(3,379)	-	-	-
Payment of Principal and Interest on Bonds and Notes	(1,529)	-	-	-
Proceeds from Sale of Capital Assets	39	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(4,869)	-	-	-
Cash Flows from Investing Activities:				
Purchase of Investments	-	(5,285)	-	-
Proceeds from Sales or Maturities of Investments	-	4,757	-	-
Investment Income on Cash, Cash Equivalents, and Investments	-	1,222	274	-
Net Cash Provided by (Used for) Investing Activities	-	694	274	-
Net Increase (Decrease) in Cash and Cash Equivalents	(157)	(1,698)	6,681	426
Cash and Cash Equivalents, July 1, as restated	755	21,664	11,954	1,956
Cash and Cash Equivalents, June 30	$ 598	$ 19,966	$ 18,635	$ 2,382
Reconciliation of Cash and Cash Equivalents:				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	$ 468	$ 19,866	$ 18,635	$ 2,381
Cash and Travel Advances	130	100	-	1
Cash and Cash Equivalents per the Statement of Cash Flows	$ 598	$ 19,966	$ 18,635	$ 2,382

Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Information Providers Network	Virginia Museum of Fine Arts	Science Museum of Virginia
$ 4,829	$ 2,929	$ 9,481	$ 33,658	$ 35,480	$ 1,848	$ 553
38	-	-	-	-	-	-
(488)	(16)	-	(39)	(29,641)	-	-
(1,819)	(448)	(212)	(27)	(9)	(788)	(267)
-	-	-	-	-	-	-
(1,949)	(751)	(9,575)	(268)	(143)	(766)	(140)
-	-	-	(35,545)	-	-	-
-	(5)	-	-	-	-	-
-	-	-	-	-	-	-
(369)	(7,798)	(423)	(832)	(4,609)	(107)	(33)
242	(6,089)	(729)	(3,053)	1,078	187	113
-	-	-	-	-	-	-
-	-	-	(9,843)	(902)	(130)	-
-	6,540	-	-	-	-	-
-	-	-	-	-	-	(70)
-	6,540	-	(9,843)	(902)	(130)	(70)
(21)	-	-	-	-	-	(21)
(82)	-	-	-	-	-	-
-	-	-	-	-	-	-
(103)	-	-	-	-	-	(21)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	210	287	-	6	-
-	-	210	287	-	6	-
139	451	(519)	(12,609)	176	63	22
2,035	266	10,498	26,170	667	685	181
$ 2,174	$ 717	$ 9,979	$ 13,561	$ 843	$ 748	$ 203
$ 2,174	$ 717	$ 9,979	$ 13,561	$ 843	$ 740	$ 203
-	-	-	-	-	8	-
$ 2,174	$ 717	$ 9,979	$ 13,561	$ 843	$ 748	$ 203

Continued on next page

Combining Statement of Cash Flows – Nonmajor Enterprise Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Mental Health Local Funds	Division of Legislative Services	School for the Deaf and Blind - Staunton	Total
Cash Flows from Operating Activities:				
Receipts for Sales and Services	$ 527	$ -	$ 5	$ 670,817
Internal Activity-Receipts from Other Funds	-	-	-	3,544
Internal Activity-Payments to Other Funds	-	-	-	(30,184)
Payments to Suppliers for Goods and Services	(549)	-	(6)	(302,889)
Payments for Prizes, Claims, and Loss Control	-	-	-	(125,856)
Payments to Employees	-	-	-	(77,280)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	(35,545)
Payments for Interest	-	-	-	(5)
Other Operating Revenue	-	-	-	15,568
Other Operating Expense	-	-	-	(38,570)
Net Cash Provided by (Used for) Operating Activities	(22)	-	(1)	79,600
Cash Flows from Noncapital Financing Activities:				
Transfers In From Other Funds	-	-	-	144
Transfers Out to Other Funds	-	-	-	(215,531)
Other Noncapital Financing Receipt Activities	41	-	-	132,372
Other Noncapital Financing Disbursement Activities	(10)	-	-	(80)
Net Cash Provided by (Used for) Noncapital Financing Activities	31	-	-	(83,095)
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	-	-	-	(3,421)
Payment of Principal and Interest on Bonds and Notes	-	-	-	(1,611)
Proceeds from Sale of Capital Assets	-	-	-	39
Net Cash Provided By (Used for) Capital and Related Financing Activities	-	-	-	(4,993)
Cash Flows from Investing Activities:				
Purchase of Investments	(9)	-	-	(5,294)
Proceeds from Sales or Maturities of Investments	-	-	-	4,757
Investment Income on Cash, Cash Equivalents, and Investments	-	-	-	1,999
Net Cash Provided by (Used for) Investing Activities	(9)	-	-	1,462
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	(1)	(7,026)
Cash and Cash Equivalents, July 1, as restated	364	6	2	77,203
Cash and Cash Equivalents, June 30	$ 364	$ 6	$ 1	$ 70,177
Reconciliation of Cash and Cash Equivalents				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	$ 364	$ 6	$ 1	$ 69,938
Cash and Travel Advances	-	-	-	239
Cash and Cash Equivalents per the Statement of Cash Flows	$ 364	$ 6	$ 1	$ 70,177

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care	Virginia Industries for the Blind
Reconciliation of Operating Income				
To Net Cash Provided by (Used for)				
Operating Activities:				
Operating Income (Loss)	$ 83,557	$ (2,904)	$ 6,424	$ 1,927
Adjustments to Reconcile Operating				
Income to Net Cash Provided by (Used for)				
Operating Activities:				
Depreciation and Amortization	3,508	-	-	29
Miscellaneous Nonoperating Income	(115)	-	-	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(49)	(23)	(2,075)	(923)
(Increase) Decrease in Other Assets	-	-	-	-
(Increase) Decrease in Inventory	(5,623)	-	-	(602)
(Increase) Decrease in Prepaid Items	(159)	-	-	-
Increase (Decrease) in Accounts Payable	1,073	(228)	(147)	62
Increase (Decrease) in Claims Payable	-	834	2,205	-
Increase (Decrease) in Due to Other Funds	(98)	-	-	(3)
Increase (Decrease) in Deferred Revenue	152	(54)	-	-
Increase (Decrease) in Other Liabilities	-	-	-	-
Increase (Decrease) in Long-Term Liabilities: Due Within One Year	75	17	-	(2)
Increase (Decrease) in Long-Term Liabilities: Due in More Than One Year	1,089	(11)	-	(62)
Net Cash Provided by (Used for) Operating Activities	$ 83,410	$ (2,369)	$ 6,407	$ 426
Noncash Investing, Capital, and Financing Activities:				
The following transactions occurred prior to the statement of net assets date:				
Installment Purchases Used to Finance Capital Assets	$ -	$ -	$ -	$ -
Change in Fair Value of Investments	-	(836)	-	-
Total Noncash, Investing, Capital, and Financing Activities	$ -	$ (836)	$ -	$ -

Continued on next page

Combining Statement of Cash Flows – Nonmajor Enterprise Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board
Reconciliation of Operating Income				
To Net Cash Provided by (Used for)				
Operating Activities:				
Operating Income (Loss)	$ 242	$ (2,594)	$ (780)	$ (2,181)
Adjustments to Reconcile Operating				
Income to Net Cash Provided by (Used for)				
Operating Activities:				
Depreciation and Amortization	160	-	48	-
Miscellaneous Nonoperating Income	-	-	-	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(25)	(509)	-	(722)
(Increase) Decrease in Other Assets	-	(5,019)	-	-
(Increase) Decrease in Inventory	(1)	-	-	-
(Increase) Decrease in Prepaid Items	-	-	-	-
Increase (Decrease) in Accounts Payable	(34)	2,013	3	(155)
Increase (Decrease) in Claims Payable	-	-	-	-
Increase (Decrease) in Due to Other Funds	9	-	(28)	1
Increase (Decrease) in Deferred Revenue	(139)	-	-	-
Increase (Decrease) in Other Liabilities	-	-	-	-
Increase (Decrease) in Long-Term Liabilities: Due Within One Year	8	14	(20)	4
Increase (Decrease) in Long-Term Liabilities: Due in More Than One Year	22	6	48	-
Net Cash Provided by (Used for) Operating Activities	$ 242	$ (6,089)	$ (729)	$ (3,053)
Noncash Investing, Capital, and Financing Activities:				
The following transactions occurred prior to the statement of net assets date:				
Installment Purchases Used to Finance Capital Assets	$ 910	$ -	$ -	$ -
Change in Fair Value of Investments	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	$ 910	$ -	$ -	$ -

Virginia Information Providers Network	Virginia Museum of Fine Arts	Science Museum of Virginia	Mental Health Local Funds	Division of Legislative Services	School for the Deaf and Blind - Staunton	Total
$ 938	$ 62	$ 104	$ (22)	$ -	$ (1)	$ 84,772
-	-	17	-	-	-	3,762
-	-	-	-	-	-	(115)
(155)	(25)	-	-	-	-	(4,506)
-	(1)	-	-	-	-	(5,020)
-	120	(11)	-	-	-	(6,117)
-	-	-	-	-	-	(159)
11	-	2	-	-	-	2,600
-	-	-	-	-	-	3,039
88	-	-	-	-	-	(31)
-	-	-	-	-	-	(41)
191	19	-	-	-	-	210
3	-	-	-	-	-	99
2	12	1	-	-	-	1,107
$ 1,078	$ 187	$ 113	$ (22)	$ -	$ (1)	$ 79,600
$ -	$ -	$ -	$ -	$ -	$ -	$ 910
-	-	-	-	-	-	(836)
$ -	$ -	$ -	$ -	$ -	$ -	$ 74

Internal Service Funds

Internal Service Funds

Internal Service Funds account for the operations of State agencies that render services to other State agencies, institutions, or other governmental units of the Commonwealth on a cost-reimbursement basis.

Virginia Information Technologies Agency accounts for the installation and maintenance of the State government's telephone system; the development, use and maintenance of the Commonwealth's data processing systems; and the development of automated systems.

Virginia Correctional Enterprises accounts for the manufacturing activities of the State's correctional facilities.

Health Care accounts for the health insurance programs provided to State employees.

Fleet Management accounts for the Commonwealth's motor vehicle pool.

Maintenance and Repair accounts for services outside the scope of normal maintenance or custodial services provided to agencies by the Bureau of Facilities Management.

Virginia Distribution Center accounts for supplies purchased for and used by State agencies.

Risk Management accounts for the insurance programs provided to State agencies and institutions.

Consolidated Laboratory accounts for the Commonwealth’s water testing services.

Federal Surplus Property accounts for the transfer and sale of Federally-owned surplus property.

State Surplus Property accounts for the transfer and sale of State-owned surplus property.

Graphic Communications accounts for the Commonwealth’s graphic design division.

Property Disposal accounts for the disposal of State-owned property.

Engineering Services reviews, approves, or recommends changes to the Commonwealth's capital outlay projects.

Combining Statement of Net Assets – Internal Service Funds

June 30, 2004
(Dollars in Thousands)

	Virginia Information Technology Agency	Virginia Correctional Enterprises	Health Care
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 20,011	$ 7,047	$ 40,825
Investments	-	-	10,833
Receivables, Net	3,148	2,178	10,693
Due From Other Funds	12,658	2,052	12,135
Inventory	-	10,575	-
Prepaid Items	2,816	-	-
Other Assets	8	4	-
Total Current Assets	38,641	21,856	74,486
Noncurrent Assets:			
Prepaid Items	-	-	840
Nondepreciable Capital Assets	-	-	-
Depreciable Capital Assets, Net	18,778	5,476	-
Total Noncurrent Assets	18,778	5,476	840
Total Assets	57,419	27,332	75,326
Liabilities			
Current Liabilities:			
Accounts Payable	9,969	1,717	3,615
Amounts Due to Other Governments	843	-	-
Due to Other Funds	91	58	-
Interfund Payable	-	-	-
Deferred Revenue	404	1,136	-
Claims Payable	-	-	85,706
Obligations Under Securities Lending Program	-	-	10,833
Other Liabilities	-	-	-
Long-Term Liabilities Due within One Year	7,735	235	-
Total Current Liabilities	19,042	3,146	100,154
Noncurrent Liabilities:			
Interfund Payable	-	-	-
Claims Payable	-	-	-
Long-Term Liabilities Due in More Than One Year	13,969	2,563	-
Total Noncurrent Liabilities	13,969	2,563	-
Total Liabilities	33,011	5,709	100,154
Net Assets			
Invested in Capital Assets, Net of Related Debt	7,138	4,518	-
Unrestricted	17,270	17,105	(24,828)
Total Net Assets	$ 24,408	$ 21,623	$ (24,828)

Fleet Management	Maintenance and Repair	Virginia Distribution Center	Risk Management	Consolidated Laboratory	Federal Surplus Property	State Surplus Property
$ 490	$ 9,343	$ 549	$ 93,452	$ 526	$ 364	$ 348
-	-	-	22,894	-	-	-
156	78	578	138	3	94	8
743	853	699	398	-	8	1
21	228	3,754	-	-	79	-
-	-	-	-	-	-	-
-	-	-	1,025	-	1	-
1,410	10,502	5,580	117,907	529	546	357
-	-	-	-	-	-	-
-	-	-	-	-	150	-
23,167	658	10,805	-	330	147	3
23,167	658	10,805	-	330	297	3
24,577	11,160	16,385	117,907	859	843	360
430	1,738	569	8,951	70	116	21
-	1,150	-	-	-	-	-
1	13	1	1	-	1	-
-	-	732	-	-	-	-
-	7,317	-	29,532	-	-	-
-	-	-	68,850	-	-	-
-	-	-	22,894	-	-	-
-	-	-	6,162	-	-	1
31	506	55	47	65	32	15
462	10,724	1,357	136,437	135	149	37
-	-	8,119	-	-	-	-
-	-	-	150,655	-	-	-
237	1,487	174	218	261	104	43
237	1,487	8,293	150,873	261	104	43
699	12,211	9,650	287,310	396	253	80
23,167	484	1,954	-	330	297	3
711	(1,535)	4,781	(169,403)	133	293	277
$ 23,878	$ (1,051)	$ 6,735	$ (169,403)	$ 463	$ 590	$ 280

Continued on next page

Combining Statement of Net Assets – Internal Service Funds *(Continued from previous page)*

June 30, 2004
(Dollars in Thousands)

	Graphic Communications	Property Disposal	Engineering Services	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 102	$ 102	$ 307	$ 173,466
Investments	-	-	-	33,727
Receivables, Net	23	-	212	17,309
Due From Other Funds	23	-	148	29,718
Inventory	-	-	-	14,657
Prepaid Items	-	-	-	2,816
Other Assets	-	-	-	1,038
Total Current Assets	148	102	667	272,731
Noncurrent Assets:				
Prepaid Items	-	-	-	840
Nondepreciable Capital Assets	-	-	-	150
Depreciable Capital Assets, Net	-	-	-	59,364
Total Noncurrent Assets	-	-	-	60,354
Total Assets	148	102	667	333,085
Liabilities				
Current Liabilities:				
Accounts Payable	10	40	119	27,365
Amounts Due to Other Governments	-	-	-	1,993
Due to Other Funds	6	-	1	173
Interfund Payable	-	-	-	732
Deferred Revenue	32	-	3	38,424
Claims Payable	-	-	-	154,556
Obligations Under Securities Lending Program	-	-	-	33,727
Other Liabilities	-	-	-	6,163
Long-Term Liabilities Due within One Year	9	-	111	8,841
Total Current Liabilities	57	40	234	271,974
Noncurrent Liabilities:				
Interfund Payable	-	-	-	8,119
Claims Payable	-	-	-	150,655
Long-Term Liabilities Due in More Than One Year	62	-	160	19,278
Total Noncurrent Liabilities	62	-	160	178,052
Total Liabilities	119	40	394	450,026
Net Assets				
Invested in Capital Assets, Net of Related Debt	-	-	-	37,891
Unrestricted	29	62	273	(154,832)
Total Net Assets	$ 29	$ 62	$ 273	$ (116,941)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Virginia Information Technology Agency	Virginia Correctional Enterprises	Health Care
Operating Revenues:			
Charges for Sales and Services	$ 112,717	$ 41,890	$ 638,797
Other	-	-	130
Total Operating Revenues	112,717	41,890	638,927
Operating Expenses:			
Cost of Sales and Services	-	31,330	-
Prizes and Claims	-	-	613,119
Personal Services	28,968	3,499	-
Contractual Services	63,555	1,278	30,862
Supplies and Materials	356	528	-
Depreciation and Amortization	7,880	1,424	-
Rent, Insurance, and Other Related Charges	8,642	372	-
Interest Expense	-	-	-
Other	1,195	362	-
Total Operating Expenses	110,596	38,793	643,981
Operating Income (Loss)	2,121	3,097	(5,054)
Nonoperating Revenues (Expenses):			
Interest, Dividends, Rents, and Other Investment Income	(492)	(257)	937
Other	(151)	167	(35)
Total Nonoperating Revenues (Expenses)	(643)	(90)	902
Income (Loss) Before Transfers	1,478	3,007	(4,152)
Transfers In	25	-	225
Transfers Out	(522)	(1,240)	-
Change in Net Assets	981	1,767	(3,927)
Total Net Assets (Deficit), July 1	23,427	19,856	(20,901)
Total Net Assets (Deficit), June 30	$ 24,408	$ 21,623	$ (24,828)

Fleet Management	Maintenance and Repair	Virginia Distribution Center	Risk Management	Consolidated Laboratory	Federal Surplus Property	State Surplus Property
$ 12,757	$ 26,128	$ 25,794	$ 63,981	$ 1,730	$ 1,011	$ 902
-	-	-	262	-	-	-
12,757	26,128	25,794	64,243	1,730	1,011	902
-	-	21,634	-	-	-	-
-	-	-	81,510	-	-	-
828	7,534	1,099	1,036	1,124	293	245
1,919	4,828	1,316	8,055	137	54	364
2,572	3,281	70	5	257	480	11
6,073	128	650	-	127	10	3
146	6,705	285	7,926	153	83	192
-	-	95	-	-	-	-
59	2,811	122	24	15	3	1
11,597	25,287	25,271	98,556	1,813	923	816
1,160	841	523	(34,313)	(83)	88	86
-	(11)	-	1,803	-	-	-
(279)	-	-	(63)	-	-	-
(279)	(11)	-	1,740	-	-	-
881	830	523	(32,573)	(83)	88	86
-	13	-	285	283	-	-
(2,520)	(19)	-	(149)	-	-	-
(1,639)	824	523	(32,437)	200	88	86
25,517	(1,875)	6,212	(136,966)	263	502	194
$ 23,878	$ (1,051)	$ 6,735	$ (169,403)	$ 463	$ 590	$ 280

Continued on next page

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Graphic Communications	Property Disposal	Engineering Services	Total
Operating Revenues:				
Charges for Sales and Services	$ 418	$ 17	$ 2,316	$ 928,458
Other	-	-	-	392
Total Operating Revenues	418	17	2,316	928,850
Operating Expenses:				
Cost of Sales and Services	-	-	-	52,964
Prizes and Claims	-	-	-	694,629
Personal Services	268	-	1,889	46,783
Contractual Services	100	43	31	112,542
Supplies and Materials	9	-	13	7,582
Depreciation and Amortization	-	-	-	16,295
Rent, Insurance, and Other Related Charges	40	-	232	24,776
Interest Expense	-	-	-	95
Other	9	-	37	4,638
Total Operating Expenses	426	43	2,202	960,304
Operating Income (Loss)	(8)	(26)	114	(31,454)
Nonoperating Revenues (Expenses):				
Interest, Dividends, Rents, and Other Investment Income	-	-	-	1,980
Other	-	-	-	(361)
Total Nonoperating Revenues (Expenses)	-	-	-	1,619
Income (Loss) Before Transfers	(8)	(26)	114	(29,835)
Transfers In	51	-	271	1,153
Transfers Out	(51)	-	-	(4,501)
Change in Net Assets	(8)	(26)	385	(33,183)
Total Net Assets (Deficit), July 1	37	88	(112)	(83,758)
Total Net Assets (Deficit), June 30	$ 29	$ 62	$ 273	$ (116,941)

Combining Statement of Cash Flows – Internal Service Funds

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Virginia Information Technology Agency	Virginia Correctional Enterprises	Health Care
Cash Flows from Operating Activities:			
Receipts for Sales and Services	$ 8,004	$ 11,386	$ 637,257
Internal Activity-Receipts from Other Funds	108,600	31,250	-
Internal Activity-Payments to Other Funds	(2,073)	(1,225)	-
Payments to Suppliers for Goods and Services	(5,855)	(31,898)	-
Payments for Prizes, Claims, and Loss Control	-	-	(606,602)
Payments to Employees	(29,394)	(3,392)	-
Other Operating Revenue	10	-	130
Other Operating Expense	(65,502)	(1,010)	(30,845)
Net Cash Provided by (Used for) Operating Activities	13,790	5,111	(60)
Cash Flows from Noncapital Financing Activities:			
Transfers In From Other Funds	25	-	-
Transfers Out to Other Funds	(522)	(1,240)	-
Other Noncapital Financing Receipt Activities	-	-	-
Other Noncapital Financing Disbursement Activities	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(497)	(1,240)	-
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(2,296)	(2,124)	-
Payment of Principal and Interest on Bonds and Notes	(5,871)	(523)	-
Proceeds from Sale of Capital Assets	824	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(7,343)	(2,647)	-
Cash Flows from Investing Activities:			
Investment Income on Cash, Cash Equivalents, and Investments	-	-	902
Net Cash Provided by (Used for) Investing Activities	-	-	902
Net Increase (Decrease) in Cash and Cash Equivalents	5,950	1,224	842
Cash and Cash Equivalents, July 1	14,069	5,827	39,983
Cash and Cash Equivalents, June 30	$ 20,019	$ 7,051	$ 40,825
Reconciliation of Cash and Cash Equivalents:			
Per the Statement of Net Assets:			
Cash and Cash Equivalents	$ 20,011	$ 7,047	$ 40,825
Cash and Travel Advances	8	4	-
Cash and Cash Equivalents per the Statement of Cash Flows	$ 20,019	$ 7,051	$ 40,825

Fleet Management	Maintenance and Repair	Virginia Distribution Center	Risk Management	Consolidated Laboratory	Federal Surplus Property	State Surplus Property
$ 197	$ 136	$ 4,977	$ 69,074	$ 39	$ 734	$ 895
12,465	27,905	20,672	-	1,688	275	5
(3,440)	(364)	(1,184)	-	(40)	(18)	(16)
(1,267)	(12,716)	(21,410)	-	(408)	(693)	(198)
-	-	-	(50,125)	-	-	-
(811)	(7,464)	(1,103)	(1,022)	(1,120)	(286)	(242)
-	-	-	262	-	-	-
(310)	(4,705)	(1,475)	(14,697)	(148)	(44)	(360)
6,834	2,792	477	3,492	11	(32)	84
-	13	-	-	283	-	-
(2,520)	(19)	-	(149)	-	-	-
-	-	-	-	-	-	1
-	-	(632)	-	-	-	-
(2,520)	(6)	(632)	(149)	283	-	1
(4,364)	(6)	-	-	(48)	-	-
-	(69)	-	-	-	-	-
495	-	-	-	-	-	-
(3,869)	(75)	-	-	(48)	-	-
-	-	-	1,741	-	-	-
-	-	-	1,741	-	-	-
445	2,711	(155)	5,084	246	(32)	85
45	6,632	704	89,393	280	397	263
$ 490	$ 9,343	$ 549	$ 94,477	$ 526	$ 365	$ 348
$ 490	$ 9,343	$ 549	$ 93,452	$ 526	$ 364	$ 348
-	-	-	1,025	-	1	-
$ 490	$ 9,343	$ 549	$ 94,477	$ 526	$ 365	$ 348

Continued on next page

Combining Statement of Cash Flows – Internal Service Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Graphic Communications	Property Disposal	Engineering Services	Total
Cash Flows from Operating Activities:				
Receipts for Sales and Services	$ 31	$ 17	$ -	$ 732,747
Internal Activity-Receipts from Other Funds	329	-	2,279	205,468
Internal Activity-Payments to Other Funds	(27)	-	(83)	(8,470)
Payments to Suppliers for Goods and Services	(36)	-	(205)	(74,686)
Payments for Prizes, Claims, and Loss Control	-	-	-	(656,727)
Payments to Employees	(266)	-	(1,753)	(46,853)
Other Operating Revenue	-	-	-	402
Other Operating Expense	(108)	(43)	(25)	(119,272)
Net Cash Provided by (Used for) Operating Activities	(77)	(26)	213	32,609
Cash Flows from Noncapital Financing Activities:				
Transfers In From Other Funds	51	-	271	643
Transfers Out to Other Funds	(51)	-	-	(4,501)
Other Noncapital Financing Receipt Activities	-	-	-	1
Other Noncapital Financing Disbursement Activities	-	-	(350)	(982)
Net Cash Provided by (Used for) Noncapital Financing Activities	-	-	(79)	(4,839)
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	-	-	-	(8,838)
Payment of Principal and Interest on Bonds and Notes	-	-	-	(6,463)
Proceeds from Sale of Capital Assets	-	-	-	1,319
Net Cash Provided By (Used for) Capital and Related Financing Activities	-	-	-	(13,982)
Cash Flows from Investing Activities:				
Investment Income on Cash, Cash Equivalents, and Investments	-	-	-	2,643
Net Cash Provided by (Used for) Investing Activities	-	-	-	2,643
Net Increase (Decrease) in Cash and Cash Equivalents	(77)	(26)	134	16,431
Cash and Cash Equivalents, July 1	179	128	173	158,073
Cash and Cash Equivalents, June 30	$ 102	$ 102	$ 307	$ 174,504
Reconciliation of Cash and Cash Equivalents:				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	$ 102	$ 102	$ 307	$ 173,466
Cash and Travel Advances	-	-	-	1,038
Cash and Cash Equivalents per the Statement of Cash Flows	$ 102	102	$ 307	$ 174,504

	Virginia Information Technology Agency	Virginia Correctional Enterprises	Health Care
Reconciliation of Operating Income			
To Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	$ 2,121	$ 3,097	$ (5,054)
Adjustments to Reconcile Operating			
Income to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation and Amortization	7,880	1,424	-
Miscellaneous Nonoperating Income	12	163	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	394	134	(3,279)
(Increase) Decrease in Due From Other Funds	397	(55)	1,739
(Increase) Decrease in Inventory	-	(459)	-
(Increase) Decrease in Prepaid Items	677	-	-
Increase (Decrease) in Accounts Payable	2,332	121	(373)
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Claims Payable	-	-	6,907
Increase (Decrease) in Due to Other Funds	(86)	46	-
Increase (Decrease) in Deferred Revenue	106	506	-
Increase (Decrease) in Other Liabilities	(617)	-	-
Increase (Decrease) in Long-Term Liabilities: Due within One Year	118	(26)	-
Increase (Decrease) in Long-Term Liabilities: Due in More Than One Year	456	160	-
Net Cash Provided by (Used for) Operating Activities	$ 13,790	$ 5,111	$ (60)
Noncash Investing, Capital, and Financing Activities:			
The following transactions occurred prior to the statement of net assets date:			
Increase in Inventory Reserve	$ -	$ 150	$ -
Trade-ins of Used Equipment on New Equipment	-	(12)	-
Installment Purchases Used to Finance Capital Assets	2,968	-	-
Capital Asset Addition Included in Accounts Payable	-	(15)	-
Total Noncash, Investing, Capital, and Financing Activities	$ 2,968	$ 123	$ -

Continued on next page

Combining Statement of Cash Flows – Internal Service Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Fleet Management	Maintenance and Repair	Virginia Distribution Center
Reconciliation of Operating Income To Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	$ 1,160	$ 841	$ 523
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Amortization	6,073	128	650
Miscellaneous Nonoperating Income	-	-	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(92)	498	39
(Increase) Decrease in Due From Other Funds	17	(802)	(184)
(Increase) Decrease in Inventory	3	(3)	(385)
(Increase) Decrease in Prepaid Items	-	-	-
Increase (Decrease) in Accounts Payable	(339)	68	(167)
Increase (Decrease) in Amounts Due to Other Governments	-	1,150	-
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Due to Other Funds	(1)	1	(1)
Increase (Decrease) in Deferred Revenue	-	1,882	-
Increase (Decrease) in Other Liabilities	-	(1,039)	-
Increase (Decrease) in Long-Term Liabilities: Due within One Year	(3)	(1)	(8)
Increase (Decrease) in Long-Term Liabilities: Due in More Than One Year	16	69	10
Net Cash Provided by (Used for) Operating Activities	$ 6,834	$ 2,792	$ 477
Noncash Investing, Capital, and Financing Activities:			
The following transactions occurred prior to the statement of net assets date:			
Increase in Inventory Reserve	$ -	$ -	$ -
Trade-ins of Used Equipment on New Equipment	-	-	-
Installment Purchases Used to Finance Capital Assets	-	-	-
Capital Asset Addition Included in Accounts Payable	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	$ -	$ -	$ -

Risk Management	Consolidated Laboratory	Federal Surplus Property	State Surplus Property	Graphic Communications	Property Disposal	Engineering Services	Total
$ (34,313)	$ (83)	$ 88	$ 86	$ (8)	$ (26)	$ 114	$ (31,454)
-	127	10	3	-	-	-	16,295
4,170	-	-	-	-	-	-	4,345
(58)	(3)	(1)	-	(1)	-	(22)	(2,391)
87	-	(2)	(1)	11	-	(18)	1,189
-	-	(48)	-	-	-	-	(892)
-	-	-	-	-	-	-	677
2,292	(36)	(84)	(5)	(11)	-	83	3,881
-	-	-	-	-	-	-	1,150
30,277	-	-	-	-	-	-	37,184
(1)	-	(1)	-	(2)	-	(1)	(46)
1,035	-	-	-	(67)	-	4	3,466
-	-	-	-	-	-	-	(1,656)
15	(2)	1	1	(4)	-	6	97
(12)	8	5	-	5	-	47	764
$ 3,492	$ 11	$ (32)	$ 84	$ (77)	$ (26)	$ 213	$ 32,609
$ -	$ -	$ -	$ -	$ -	-	$ -	$ 150
-	-	-	-	-	-	-	(12)
-	-	-	-	-	-	-	2,968
-	-	-	-	-	-	-	(15)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,091

Fiduciary Funds

Private Purpose Funds

Private Purpose Funds are trust arrangements that benefit individuals, private organizations, or other governments.

Unclaimed Property accounts for unclaimed and escheat property.

Education Savings Trust Funds account for the activities of the Virginia Education Savings Trust and College America programs, which are voluntary, non-guaranteed, higher educational investment programs offered by the Virginia College Savings Plan.

Loan Servicing Reserve accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the Declarations of the dissolved Virginia Education Loan Authority.

Edvantage Reserve accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the dissolved Student Education Assistance Authority.

Virginia Revolving Farm Loan Program accounts for trust funds that are used to provide loans to individual farmers for rural rehabilitation purposes.

Miscellaneous Trust Funds account for perpetual trusts created through donation to the state. Earnings are used for the benefit of donor-specified local entities.

Pension Trust Funds

Pension Trust Funds reflect the activities of the retirement systems and postemployment benefits administered by the Virginia Retirement System (VRS) for the Commonwealth.

The Virginia Retirement System provides retirement benefits to Commonwealth employees, teachers, political subdivision employees, and other qualifying employees.

The State Police Officers' Retirement System provides retirement benefits to Virginia state police officers.

The Judicial Retirement System provides retirement benefits to the Commonwealth's judiciary.

The Virginia Law Officers' Retirement System provides retirement benefits to correctional officers, capital police officers, university police officers, and game wardens.

Political Appointees provides optional retirement benefits to selected officials and administrative staff.

Other Employment Retiree Health Insurance Credit Fund accounts for the health insurance credits provided by the Commonwealth which offset a portion of the retirees' monthly insurance premiums.

Other Employment Group Life Fund provides life insurance coverage to members of the retirement systems.

Other Employment Virginia Sickness and Disability provides income protection to Commonwealth employees for absences caused by sickness or disability.

Other Employment Volunteer Firefighters' and Rescue Squad Workers' Fund provides optional retirement benefits to volunteer firefighters and rescue squad workers.

Investment Trust Funds

Investment Trust Funds reflect the external portions of the investment pools sponsored by the Commonwealth.

Local Government Investment Pool (LGIP) helps local governmental entities maximize their rate of return by commingling their resources for investment purposes.

State Non-Arbitrage Pool (SNAP) provides investment vehicles for local governmental entities to invest bond proceeds to ensure compliance with the Internal Revenue Code of 1986, as amended.

SNAP Individual Investment Accounts represent the aggregate activity of SNAP accounts, which are established for specific local governmental entities.

Agency Funds

Agency Funds report those funds for which the State acts solely in a custodial capacity. A description of the funds is presented below.

Funds for the Collection of Taxes and Fees account for taxes and fees collected by the Commonwealth to be distributed to localities or other states.

Employee Benefits Fund accounts for undistributed withholdings for employee benefits.

Contractor Deposit Fund (formerly Mined Land Deposits Fund) accounts for reimbursable deposits, including both cash and securities, from mining companies, road construction companies, and from motor fuels retailers to ensure performance meets regulatory standards.

Deposits of Insurance Carriers Fund accounts for security deposits of insurance carriers as protection to the policy holders of the Commonwealth.

Inmate and Ward Fund accounts for the savings of inmates and wards of the Departments of Corrections and Juvenile Justice.

Child Support Collections Fund accounts for court-ordered child support payments that flow through the Department of Social Services.

Mental Health Patient Fund accounts for the savings of patients in the Commonwealth's mental health facilities.

Mental Health Non-patient Fund accounts for the savings of nonpatients in the Commonwealth's mental health facilities.

Optional Life Insurance Fund accounts for optional life insurance payments collected from employees as a supplement to the state's basic life insurance plan.

Comptroller's Debt Setoff Fund accounts for monies held in a suspense status while research is conducted to determine the party entitled to the funds.

Unclaimed Property of Other States Fund accounts for unclaimed property that is due to other states.

Legal Settlement Fund accounts for receipts from court judgments that are deposited and subsequently distributed to the appropriate injured parties.

Consumer Services Fund accounts for deposits made by businesses that will provide assistance to individuals suffering losses associated with these businesses and will be returned after dispute resolution.

Department of State Police Fund accounts for seized assets that are deposited and subsequently distributed to the appropriate parties pursuant to court orders.

Aviation Fund accounts for funds held in lieu of insurance for pilot licensure.

Virginia School for the Deaf and the Blind Fund accounts for student funds used to establish new activities for students.

Woodrow Wilson Rehabilitation Center Fund accounts for student funds held by the Center.

Dog and Cat Sterilization Fund accounts for the collections from individual vehicle registrations designated for dog and cat sterilization programs within the locality of residence.

Milk Commission Fund accounts for deposits from milk producers that will be distributed to individual farmers to offset delivery expenses and losses incurred.

State Corporation Commission Fund accounts for deposits made by a business as a result of a legal settlement that will be distributed to individuals following dispute resolution. As of June 30, 2004, all funds from this settlement have been distributed, and the fund has been dissolved.

Department of Environmental Quality accounts for deposits from the EPA as a result of a legal settlement which will be distributed to localities to retro-fit school buses.

Combining Statement of Fiduciary Net Assets – Private Purpose Funds

June 30, 2004
(Dollars in Thousands)

	Unclaimed Property	Education Savings Trust Funds	Loan Servicing Reserve
Assets			
Cash and Cash Equivalents	$ 35,258	$ 3,006	$ 540
Investments:			
Stocks	98,074	29,339	-
Index and Pooled Funds	-	107,426	-
Mutual and Money Market Funds	15,670	7,348,278	-
Short-term Investments	-	-	-
Other	436	61,309	-
Total Investments	114,180	7,546,352	-
Receivables:			
Contributions	-	245	-
Interest and Dividends	-	312	-
Other Receivables	-	-	-
Total Receivables	-	557	-
Due from Other Funds	-	-	-
Total Assets	149,438	7,549,915	540
Liabilities			
Accounts Payable and Accrued Expenses	323	127	-
Obligations Under Securities Lending Program	398	-	-
Other Liabilities	-	8	-
Compensated Absences Payable	126	-	-
Insurance Premiums and Claims Payable	24,191	-	-
Pension Liability	156	-	-
Total Liabilities	25,194	135	-
Net Assets Held in Trust for Participants	$ 124,244	$ 7,549,780	$ 540

	Edvantage Reserve	Virginia Revolving Farm Loan Program	Miscellaneous Trust	Total
	$ 1,654	$ 5,664	$ 18	$ 46,140
	-	-	-	127,413
	-	-	-	107,426
	-	-	-	7,363,948
	-	-	18	18
	439	1,503	30	63,717
	439	1,503	48	7,662,522
	-	-	-	245
	-	-	-	312
		298	-	298
	-	298	-	855
	7	-	-	7
	2,100	7,465	66	7,709,524
	-	3	-	453
	439	1,503	-	2,340
	-	-	-	8
	-	9	-	135
	-	-	-	24,191
	-	4	-	160
	439	1,519	-	27,287
	$ 1,661	$ 5,946	$ 66	$ 7,682,237

Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Funds

For the Fiscal Year June 30, 2004
(Dollars in Thousands)

	Unclaimed Property	Education Savings Trust Funds	Loan Servicing Reserve
Additions:			
Investment Income:			
Interest, Dividends, and Other			
Investment Income	$ -	$ 768,697	$ -
Total Investment Income	-	768,697	-
Less Investment Expenses	-	9,963	-
Net Investment Income	-	758,734	-
Proceeds from Unclaimed Property	150,722	-	-
Contributions:			
Participant	-	3,545,496	-
Total Contributions	-	3,545,496	-
Other Revenue	2	-	-
Total Additions	150,724	4,304,230	-
Deductions:			
Payment to Literary Fund	50,000	-	-
Loan Servicing Payments	-	-	-
Tuition Benefits	-	108,149	-
Insurance Premiums and Claims	19,999	-	-
Trust Payments	-	-	-
Administrative Expenses	3,325	6,173	-
Shares Redeemed	-	271,946	-
Total Deductions	73,324	386,268	-
Net Increase	77,400	3,917,962	-
Net Assets Held in Trust for Participants			
July 1	46,844	3,631,818	540
June 30	$ 124,244	$ 7,549,780	$ 540

Edvantage Reserve	Virginia Revolving Farm Loan Program	Miscellaneous Trust	Total
$ 38	$ 147	$ 1	$ 768,883
38	147	1	768,883
-	-	-	9,963
38	147	1	758,920
-	-	-	150,722
-	-	-	3,545,496
-	-	-	3,545,496
43	-	-	45
81	147	1	4,455,183
-	-	-	50,000
40	63	-	103
-	-	-	108,149
-	-	-	19,999
-	-	1	1
-	9	-	9,507
-	-	-	271,946
40	72	1	459,705
41	75	-	3,995,478
1,620	5,871	66	3,686,759
$ 1,661	$ 5,946	$ 66	$ 7,682,237

Combining Statement of Fiduciary Net Assets – Pension Trust Funds

June 30, 2004
(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Virginia Law Officers' Retirement System
Assets				
Cash and Cash Equivalents	$ 131,301	$ 1,642	$ 916	$ 1,677
Investments:				
Bonds and Mortgage Securities	6,757,560	86,617	48,281	88,428
Stocks	13,412,668	171,921	95,829	175,515
Fixed Income Commingled Funds	1,155,781	14,815	8,258	15,124
Index and Pooled Funds	11,059,500	141,758	79,017	144,722
Real Estate	1,029,870	13,201	7,358	13,477
Venture Capital	1,882,348	24,128	13,449	24,632
Short-term Investments	1,418,222	18,178	10,131	18,558
Other	4,083,282	52,338	29,174	53,433
Total Investments	40,799,231	522,956	291,497	533,889
Receivables:				
Contributions	92,182	610	747	2,338
Interest and Dividends	80,138	1,027	573	1,049
Receivable for Security Transactions	2,148,767	27,542	15,352	28,118
Other Receivables	6,231	60	34	62
Total Receivables	2,327,318	29,239	16,706	31,567
Due from Fiduciary Funds	5,885	2,305	1,831	2,329
Furniture and Equipment	6,089	-	-	-
Total Assets	43,269,824	556,142	310,950	569,462
Liabilities				
Accounts Payable and Accrued Expenses	15,714	184	103	188
Due to Fiduciary Funds	11,293	-	-	2
Obligations Under Securities Lending Program	2,955,932	37,888	21,119	38,681
Other Liabilities	1,045	7	4	7
Retirement Benefits Payable	145,596	2,191	1,786	1,805
Refunds Payable	5,560	19	-	268
Compensated Absences Payable	1,161	-	-	-
Insurance Premiums and Claims Payable	-	-	-	-
Payable for Security Transactions	2,349,115	30,110	16,784	30,740
Pension Liability	1,470	18	10	8
Total Liabilities	5,486,886	70,417	39,806	71,699
Net Assets Held in Trust for Pension/ Other Employment Benefits	$ 37,782,938	$ 485,725	$ 271,144	$ 497,763

Political Appointees	Other Employment Retiree Health Insurance Credit	Other Employment Group Life	Other Employment Virginia Sickness and Disability	Other Employment Volunteer Firefighters and Rescue Squad Workers	Total
$ -	$ 396	$ 2,773	$ 350	$ -	$ 139,055
694	20,849	146,188	18,477	-	7,167,094
1,977	41,381	290,160	36,675	-	14,226,126
-	3,566	25,003	3,160	-	1,225,707
433	34,121	239,253	30,240	-	11,729,044
-	3,177	22,280	2,816	-	1,092,179
-	5,808	40,721	5,147	-	1,996,233
-	4,376	30,682	3,878	-	1,504,025
-	12,598	88,335	11,165	575	4,330,900
3,104	125,876	882,622	111,558	575	43,271,308
-	5,141	1,214	1,488	-	103,720
-	247	1,734	219	-	84,987
-	6,629	46,485	5,875	-	2,278,768
-	34	102	1,268	-	7,791
-	12,051	49,535	8,850	-	2,475,266
-	5,264	360	12	-	17,986
-	-	-	-	-	6,089
3,104	143,587	935,290	120,770	575	45,909,704
-	5,516	312	2,089	-	24,106
-	713	6,742	691	-	19,441
-	9,120	63,947	8,082	-	3,134,769
-	2	11	1	-	1,077
-	-	-	-	-	151,378
-	93	95	162	-	6,197
-	-	-	-	-	1,161
-	-	34,900	-	-	34,900
-	7,248	50,819	6,423	-	2,491,239
-	25	59	39	-	1,629
-	22,717	156,885	17,487	-	5,865,897
$ 3,104	$ 120,870	$ 778,405	$ 103,283	$ 575	$ 40,043,807

Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Virginia Law Officers' Retirement System
Additions:				
Investment Income:				
Interest, Dividends, and Other				
Investment Income	$ 5,888,563	$ 75,743	$ 41,925	$ 72,355
Total Investment Income	5,888,563	75,743	41,925	72,355
Less Investment Expenses	137,286	1,766	978	1,687
Net Investment Income	5,751,277	73,977	40,947	70,668
Contributions:				
Member	649,789	4,827	2,568	15,583
Employer	446,084	10,405	15,190	40,709
Total Contributions	1,095,873	15,232	17,758	56,292
Other Revenue	908	-	-	-
Total Additions	6,848,058	89,209	58,705	126,960
Deductions:				
Retirement Benefits	1,692,166	26,336	22,706	19,784
Refunds to Former Members	80,237	731	-	3,998
Retiree Health Insurance Credits	-	-	-	-
Insurance Premiums and Claims	-	-	-	-
Administrative Expenses	18,302	215	118	198
Other Expenses	-	-	-	-
Long Term Disability Benefits	-	-	-	-
Total Deductions	1,790,705	27,282	22,824	23,980
Transfers:				
Transfers In	-	-	-	10
Transfers Out	(10)	-	-	-
Total Transfers	(10)	-	-	10
Net Increase	5,057,343	61,927	35,881	102,990
Net Assets Held in Trust for Pension/				
Other Employment Benefits				
July 1	32,725,595	423,798	235,263	394,773
June 30	$ 37,782,938	$ 485,725	$ 271,144	$ 497,763

Political Appointees	Other Employment Retiree Health Insurance Credit	Other Employment Group Life	Other Employment Virginia Sickness and Disability	Other Employment Volunteer Firefighters and Rescue Squad Workers	Total
$ 348	$ 15,954	$ 136,907	$ 14,537	$ 84	$ 6,246,416
348	15,954	136,907	14,537	84	6,246,416
-	372	3,192	339	-	145,620
348	15,582	133,715	14,198	84	6,100,796
406	-	12	-	46	673,231
306	78,383	8	35,247	66	626,398
712	78,383	20	35,247	112	1,299,629
-	-	-	-	-	908
1,060	93,965	133,735	49,445	196	7,401,333
172	-	-	-	-	1,761,164
-	-	-	-	2	84,968
-	64,920	-	-	-	64,920
-	-	106,031	-	-	106,031
8	376	621	678	-	20,516
-	-	372	-	-	372
-	-	-	23,835	-	23,835
180	65,296	107,024	24,513	2	2,061,806
-	-	-	-	-	10
-	-	-	-	-	(10)
-	-	-	-	-	-
880	28,669	26,711	24,932	194	5,339,527
2,224	92,201	751,694	78,351	381	34,704,280
$ 3,104	$ 120,870	$ 778,405	$ 103,283	$ 575	$ 40,043,807

Combining Statement of Fiduciary Net Assets – Investment Trust Funds

June 30, 2004
(Dollars in Thousands)

	Local Government Investment Pool (LGIP)	State Non-Arbitrage Pool (SNAP)	SNAP Individual Investment Accounts	Total
Assets				
Cash and Cash Equivalents	$ 1,135,679	$ 1,307,427	160,625	$ 2,603,731
Investments:				
Short-term Investments	1,112,754	-	-	1,112,754
Total Investments	1,112,754	-	-	1,112,754
Receivables:				
Interest and Dividends	2,960	1,821	1,026	5,807
Total Receivables	2,960	1,821	1,026	5,807
Due from Other Funds	-	-	-	-
Inventory	-	-	-	-
Other Assets	-	77	-	77
Total Assets	2,251,393	1,309,325	161,651	3,722,369
Liabilities				
Other Liabilities	-	379	-	379
Total Liabilities	-	379	-	379
Net Assets Held in Trust for Pool Participants	$ 2,251,393	$ 1,308,946	161,651	$ 3,721,990

Combining Statement of Changes in Fiduciary Net Assets - Investment Trust Funds

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Local Government Investment Pool (LGIP)	State Non-Arbitrage Pool (SNAP)	SNAP Individual Investment Accounts	Total
Additions:				
Investment Income:				
Interest, Dividends, and Other				
Investment Income	$ 17,048	$ (24,246)	973	$ (6,225)
Distributions to Shareholders from Net Investment Income	(17,048)	-	-	(17,048)
Net Investment Income	-	(24,246)	973	(23,273)
Shares Sold	3,301,047	1,219,844	-	4,520,891
Reinvested Distributions	17,049	-	-	17,049
Total Additions	3,318,096	1,195,598	973	4,514,667
Deductions:				
Shares Redeemed	(3,407,331)	(988,500)	(32,558)	(4,428,389)
Total Deductions	(3,407,331)	(988,500)	(32,558)	(4,428,389)
Transfers:				
Distribution	-	(94,096)	94,096	-
Maturities	-	45,605	(45,605)	-
Investment Income	-	2,060	(2,060)	-
Total Transfers	-	(46,431)	46,431	-
Net Increase (Decrease)	(89,235)	160,667	14,846	86,278
Net Assets Held in Trust for Pool Participants				
July 1, as restated	2,340,628	1,148,279	146,805	3,635,712
June 30	$ 2,251,393	$ 1,308,946	161,651	$ 3,721,990

Combining Statement of Fiduciary Net Assets – Agency Funds

June 30, 2004
(Dollars in Thousands)

	Funds for the Collection of Taxes	Employee Benefits	Contractor Deposits	Deposits of Insurance Carriers
Assets				
Cash and Cash Equivalents	$ 140,846	$ 3,249	$ 23,267	$ 9,706
Investments:				
Short-term Investments	-	-	-	387,746
Other	270	-	2,106	-
Total Investments	270	-	2,106	387,746
Receivables:				
Accounts	55,611	-	-	-
Total Receivables	55,611	-	-	-
Due from Other Funds	3	-	34	-
Due from Fiduciary Funds	-	-	-	-
Total Assets	$ 196,730	$ 3,249	$ 25,407	$ 397,452
Liabilities				
Accounts Payable and Accrued Expenses	$ -	$ 3,249	$ -	$ -
Amounts Due to Other Governments	196,460	-	-	-
Due to Other Funds	-	-	-	-
Due to Fiduciary Funds	-	-	-	-
Obligations Under Securities Lending Program	270	-	2,106	-
Other Liabilities	-	-	23,301	397,452
Insurance Premiums and Claims Payable	-	-	-	-
Total Liabilities	$ 196,730	$ 3,249	$ 25,407	$ 397,452

Inmate and Ward	Child Support Collection	Mental Health Patient	Mental Health Non-Patient	Optional Life Insurance	Comptroller's Debt Setoff	Unclaimed Property of Other States
$ 5,432	$ 29,354	$ 1,873	$ 23	$ 1,604	$ 960	$ 2,157
805	-	573	-	-	-	-
-	-	-	-	-	-	-
805	-	573	-	-	-	-
508	129	-	-	-	-	-
508	129	-	-	-	-	-
-	101	-	-	-	-	-
-	-	-	-	1,815	-	-
$ 6,745	$ 29,584	$ 2,446	$ 23	$ 3,419	$ 960	$ 2,157
$ 1,583	$ 158	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	2,157
151	-	-	-	-	-	-
-	-	-	-	360	-	-
-	-	-	-	-	-	-
5,011	29,426	2,446	23	-	960	-
-	-	-	-	3,059	-	-
$ 6,745	$ 29,584	$ 2,446	$ 23	$ 3,419	$ 960	$ 2,157

Continued on next page

Combining Statement of Fiduciary Net Assets – Agency Funds *(Continued from previous page)*

June 30, 2004
(Dollars in Thousands)

	Legal Settlement	Consumer Services	Department of State Police	Aviation
Assets				
Cash and Cash Equivalents	$ 1,739	$ 324	$ 657	$ 94
Investments:				
Short-term Investments	-	246	112	73
Other	275	-	-	-
Total Investments	275	246	112	73
Receivables:				
Accounts	-	-	-	-
Total Receivables	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Fiduciary Funds	-	-	-	-
Total Assets	$ 2,014	$ 570	$ 769	$ 167
Liabilities				
Accounts Payable and Accrued Expenses	$ -	$ -	$ -	$ -
Amounts Due to Other Governments	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Fiduciary Funds	-	-	-	-
Obligations Under Securities Lending Program	275	-	-	-
Other Liabilities	1,739	570	769	167
Insurance Premiums and Claims Payable	-	-	-	-
Total Liabilities	$ 2,014	$ 570	$ 769	$ 167

Virginia School for the Deaf and Blind	Woodrow Wilson Rehabilitation Center	Dog and Cat Sterilization	Milk Commission	State Corporation Commission	Department of Environmental Quality	Total
$ 35	$ 6	$ 2	$ 2	$ -	$ 3,000	$ 224,330
-	-	-	-	-	-	389,555
-	-	-	-	-	-	2,651
-	-	-	-	-	-	392,206
-	-	-	-	-	-	56,248
-	-	-	-	-	-	56,248
-	-	-	-	-	-	138
-	-	-	-	-	-	1,815
$ 35	$ 6	$ 2	$ 2	$ -	$ 3,000	$ 674,737
$ -	$ -	$ -	$ 2	$ -	$ -	$ 4,992
-	-	2	-	-	-	198,619
-	-	-	-	-	-	151
-	-	-	-	-		360
-	-	-	-	-	-	2,651
35	6	-	-	-	3,000	464,905
-	-	-	-	-	-	3,059
$ 35	$ 6	$ 2	$ 2	$ -	$ 3,000	$ 674,737

Combining Statement of Changes in Assets and Liabilities – Agency Funds

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Balance July 1 as restated	Additions	Deletions	Balance June 30
Funds for the Collection of Taxes and Fees				
Assets:				
Cash and Cash Equivalents	$ 129,746	$ 1,109,616	$ 1,098,516	$ 140,846
Investments - Other	-	270	-	270
Due from Other Funds	-	3	-	3
Accounts Receivable (Net)	90,995	55,611	90,995	55,611
Total Assets	$ 220,741	$ 1,165,500	$ 1,189,511	$ 196,730
Liabilities:				
Amounts Due to Other Governments	$ 220,741	$ 1,165,227	$ 1,189,508	$ 196,460
Obligations Under Securities Lending Program	-	270	-	270
Total Liabilities	$ 220,741	$ 1,165,497	$ 1,189,508	$ 196,730
Employee Benefits				
Assets:				
Cash and Cash Equivalents	$ 2,910	$ 184,698	$ 184,359	$ 3,249
Total Assets	$ 2,910	$ 184,698	$ 184,359	$ 3,249
Liabilities:				
Accounts Payable and Accrued Expenses	$ 2,910	$ 184,698	$ 184,359	$ 3,249
Total Liabilities	$ 2,910	$ 184,698	$ 184,359	$ 3,249
Contractor Deposits Fund				
Assets:				
Cash and Cash Equivalents	$ 21,415	$ 7,728	$ 5,876	$ 23,267
Investments - Other	624	2,106	624	2,106
Due from Other Funds	-	34	-	34
Total Assets	$ 22,039	$ 9,868	$ 6,500	$ 25,407
Liabilities:				
Obligations Under Securities Lending Program	$ 624	$ 2,106	$ 624	$ 2,106
Other Liabilities	21,415	7,762	5,876	23,301
Total Liabilities	$ 22,039	$ 9,868	$ 6,500	$ 25,407
Deposits of Insurance Carriers				
Assets:				
Cash and Cash Equivalents	$ 8,278	$ 2,438	$ 1,010	$ 9,706
Investments - Short-term	410,391	112,133	134,778	387,746
Total Assets	$ 418,669	$ 114,571	$ 135,788	$ 397,452
Liabilities:				
Other Liabilities	$ 418,669	$ 114,571	$ 135,788	$ 397,452
Total Liabilities	$ 418,669	$ 114,571	$ 135,788	$ 397,452

	Balance July 1 as restated	Additions	Deletions	Balance June 30
Inmate and Ward				
Assets:				
Cash and Cash Equivalents	$ 4,306	$ 1,233	$ 107	$ 5,432
Investments - Short-term	663	142	-	805
Accounts Receivable (Net)	500	15	7	508
Total Assets	$ 5,469	$ 1,390	$ 114	$ 6,745
Liabilities:				
Accounts Payable and Accrued Expenses	$ 486	$ 1,572	$ 475	$ 1,583
Due to Other Funds	350	200	399	151
Other Liabilities	4,633	489	111	5,011
Total Liabilities	$ 5,469	$ 2,261	$ 985	$ 6,745
Child Support Collections				
Assets:				
Cash and Cash Equivalents	$ 29,279	$ 75	$ -	$ 29,354
Accounts Receivable	-	1,651	1,522	129
Due from Other Funds	217	101	217	101
Total Assets	$ 29,496	$ 1,827	$ 1,739	$ 29,584
Liabilities:				
Accounts Payable and Accrued Expenses	$ 66	$ 92	$ -	$ 158
Due to Other Funds	3,501	-	3,501	-
Other Liabilities	25,929	6,850	3,353	29,426
Total Liabilities	$ 29,496	$ 6,942	$ 6,854	$ 29,584
Mental Health Patient				
Assets:				
Cash and Cash Equivalents	$ 1,959	$ 4,344	$ 4,430	$ 1,873
Investments - Short-term	620	135	182	573
Total Assets	$ 2,579	$ 4,479	$ 4,612	$ 2,446
Liabilities:				
Other Liabilities	$ 2,579	$ 4,479	$ 4,612	$ 2,446
Total Liabilities	$ 2,579	$ 4,479	$ 4,612	$ 2,446
Mental Health Non-patient				
Assets:				
Cash and Cash Equivalents	$ 20	$ 3	$ -	$ 23
Total Assets	$ 20	$ 3	$ -	$ 23
Liabilities:				
Other Liabilities	$ 20	$ 3	$ -	$ 23
Total Liabilities	$ 20	$ 3	$ -	$ 23

Continued on next page

Combining Statement of Changes in Assets and Liabilities – Agency Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Balance July 1 as restated	Additions	Deletions	Balance June 30
Optional Life Insurance				
Assets:				
Cash and Cash Equivalents	$ 1,171	$ 20,747	$ 20,314	$ 1,604
Due from Fiduciary Funds	1,772	43	-	1,815
Total Assets	$ 2,943	$ 20,790	$ 20,314	$ 3,419
Liabilities:				
Insurance Premiums and Claims Payable	$ 2,943	$ 116	$ -	$ 3,059
Due to Fiduciary Funds	-	360	-	360
Total Liabilities	$ 2,943	$ 476	$ -	$ 3,419
Comptroller's Debt Setoff				
Assets:				
Cash and Cash Equivalents	$ 1,166	$ 8,620	$ 8,826	$ 960
Total Assets	$ 1,166	$ 8,620	$ 8,826	$ 960
Liabilities:				
Other Liabilities	$ 1,166	$ 8,620	$ 8,826	$ 960
Total Liabilities	$ 1,166	$ 8,620	$ 8,826	$ 960
Unclaimed Property of Other States				
Assets:				
Cash and Cash Equivalents	$ 2,827	$ 671	$ 1,341	$ 2,157
Total Assets	$ 2,827	$ 671	$ 1,341	$ 2,157
Liabilities:				
Amounts Due to Other Governments	$ 2,827	$ 671	$ 1,341	$ 2,157
Total Liabilities	$ 2,827	$ 671	$ 1,341	$ 2,157
Legal Settlement				
Assets:				
Cash and Cash Equivalents	$ 771	$ 1,142	$ 174	$ 1,739
Investments - Other	-	275	-	275
Total Assets	$ 771	$ 1,417	$ 174	$ 2,014
Liabilities:				
Other Liabilities	$ 771	$ 1,142	$ 174	$ 1,739
Obligations Under Securities Lending Program	-	275	-	275
Total Liabilities	$ 771	$ 1,417	$ 174	$ 2,014

	Balance July 1 as restated	Additions	Deletions	Balance June 30
Consumer Services				
Assets:				
Cash and Cash Equivalents	$ 268	$ 344	$ 288	$ 324
Investments - Short-term	167	94	15	246
Total Assets	$ 435	$ 438	$ 303	$ 570
Liabilities:				
Other Liabilities	$ 435	$ 438	$ 303	$ 570
Total Liabilities	$ 435	$ 438	$ 303	$ 570
Department of State Police				
Assets:				
Cash and Cash Equivalents	$ 388	$ 1,504	$ 1,235	$ 657
Investments - Short-term	12	105	5	112
Total Assets	$ 400	$ 1,609	$ 1,240	$ 769
Liabilities:				
Other Liabilities	$ 400	$ 1,609	$ 1,240	$ 769
Total Liabilities	$ 400	$ 1,609	$ 1,240	$ 769
Aviation				
Assets:				
Cash and Cash Equivalents	$ 68	$ 26	$ -	$ 94
Investments - Short-term	48	25	-	73
Total Assets	$ 116	$ 51	$ -	$ 167
Liabilities:				
Other Liabilities	$ 116	$ 51	$ -	$ 167
Total Liabilities	$ 116	$ 51	$ -	$ 167
Virginia School for the Deaf and Blind				
Assets:				
Cash and Cash Equivalents	$ 37	$ 23	$ 25	$ 35
Total Assets	$ 37	$ 23	$ 25	$ 35
Liabilities:				
Other Liabilities	$ 37	$ 23	$ 25	$ 35
Total Liabilities	$ 37	$ 23	$ 25	$ 35

Continued on next page

Combining Statement of Changes in Assets and Liabilities – Agency Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Balance July 1 as restated	Additions	Deletions	Balance June 30
Woodrow Wilson Rehabilitiation Center				
Assets:				
Cash and Cash Equivalents	$ 7	$ 44	$ 45	$ 6
Total Assets	$ 7	$ 44	$ 45	$ 6
Liabilities:				
Other Liabilities	$ 7	$ 44	$ 45	$ 6
Total Liabilities	$ 7	$ 44	$ 45	$ 6
Dog and Cat Sterilization				
Assets:				
Cash and Cash Equivalents	$ 2	$ 160	$ 160	$ 2
Total Assets	$ 2	$ 160	$ 160	$ 2
Liabilities:				
Amounts Due to Other Governments	$ 2	$ 160	$ 160	$ 2
Total Liabilities	$ 2	$ 160	$ 160	$ 2
Milk Commission				
Assets:				
Cash and Cash Equivalents	$ 1	$ 15	$ 14	$ 2
Total Assets	$ 1	$ 15	$ 14	$ 2
Liabilities:				
Accounts Payable and Accrued Expenses	$ 1	$ 15	$ 14	$ 2
Total Liabilities	$ 1	$ 15	$ 14	$ 2
State Corporation Commission				
Assets:				
Cash and Cash Equivalents	$ 9,901	$ -	$ 9,901	$ -
Investments - Short-term	6,880	-	6,880	-
Total Assets	$ 16,781	$ -	$ 16,781	$ -
Liabilities:				
Other Liabilities	$ 16,781	$ -	$ 16,781	$ -
Total Liabilities	$ 16,781	$ -	$ 16,781	$ -

	Balance July 1 as restated	Additions	Deletions	Balance June 30
Environmental Quality				
Assets:				
Cash and Cash Equivalents	$ -	$ 3,000	$ -	$ 3,000
Total Assets	$ -	$ 3,000	$ -	$ 3,000
Liabilities:				
Other Liabilities	$ -	$ 3,000	$ -	$ 3,000
Total Liabilities	$ -	$ 3,000	$ -	$ 3,000
Totals - Agency Funds				
Assets:				
Cash and Cash Equivalents	$ 214,520	$ 1,346,431	$ 1,336,621	$ 224,330
Investments - Short-term	418,781	112,634	141,860	389,555
Investments - Other	624	2,651	624	2,651
Accounts Receivable (Net)	91,495	57,277	92,524	56,248
Due from Other Funds	217	138	217	138
Due from Fiduciary Funds	1,772	43	-	1,815
Total Assets	$ 727,409	$ 1,519,174	$ 1,571,846	$ 674,737
Liabilities:				
Accounts Payable and Accrued Expenses	$ 3,463	$ 186,377	$ 184,848	$ 4,992
Amounts Due to Other Governments	223,570	1,166,058	1,191,009	198,619
Due to Other Funds	3,851	200	3,900	151
Due to Fiduciary Funds	-	360	-	360
Obligations Under Securities Lending Program	624	2,651	624	2,651
Other Liabilities	492,958	149,081	177,134	464,905
Insurance Premiums and Claims Payable	2,943	116	-	3,059
Total Liabilities	$ 727,409	$ 1,504,843	$ 1,557,515	$ 674,737

Nonmajor Component Units

Component Units are organizations that are legally separate from the Commonwealth of Virginia. Each discrete Component Unit serves or benefits those outside of the primary government.

The Virginia Economic Development Partnership works to enhance and increase the Commonwealth's commerce and trade.

The Virginia Outdoors Foundation promotes preservation and fund raising for the purchase of preservation land.

The Virginia Port Authority is empowered to maintain and operate Virginia's harbors and ports.

The Virginia Resources Authority provides financing for the construction of local water supply and wastewater treatment facilities and other local infrastructure projects.

The Virginia Tourism Authority promotes tourism and film production industries of the Commonwealth.

The Virginia Tobacco Settlement Foundation determines the appropriate recipients of monies in the Virginia Tobacco Settlement Fund.

The Tobacco Indemnification and Community Revitalization Commission determines the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund.

The Hampton Roads Sanitation District Commission operates a sewage system for 17 localities in the Chesapeake Bay Area.

The Virginia Biotechnology Research Park Authority assists in the development of a biotechnology research park.

The Virginia Small Business Financing Authority assists small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses.

The Virginia School for the Deaf and Blind Foundation operates exclusively for the benefit of the Virginia Schools for the Deaf and Blind.

The Science Museum of Virginia Foundation operates to implement and fund projects and operations of the Science Museum of Virginia.

The Virginia Museum of Fine Arts Foundation implements and funds programs, projects, and operations of the Virginia Museum of Fine Arts.

The A. L. Philpott Manufacturing Extension Partnership promotes industrial expansion by providing consulting services to manufacturers.

The Virginia Equine Center Foundation operates the Equine Center for the benefit of the equine industry.

The Certified Nursing Facility Education Initiative provides early on-site training and assistance to certified nursing facilities to help identify and correct deficiencies.

The Higher Education Institutions account for the resources received and used in the operation of the Commonwealth's institutions of higher education and medical teaching hospitals.

Other Higher Education includes:

The College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science
Virginia Military Institute
Virginia State University
Norfolk State University
Mary Washington College
James Madison University
Radford University
Old Dominion University
George Mason University
Virginia Community College System
Christopher Newport University
Longwood University
Southwest Virginia Higher Education Center
Roanoke Higher Education Authority
Innovative Technology Authority
Virginia College Building Authority

Combining Statement of Net Assets – Nonmajor Component Units

June 30, 2004
(Dollars in Thousands)

	Virginia Economic Development Partnership	Virginia Outdoors Foundation	Virginia Port Authority	Virginia Resources Authority
Assets				
Cash and Cash Equivalents	$ 928	$ 822	$ 26,515	$ 19,408
Investments	788	582	32,269	362,514
Receivables, Net	62	27	23,235	1,663,555
Contributions Receivable, Net	-	-	-	-
Due From Primary Government	-	-	-	-
Due from Component Units	-	-	-	-
Inventory	-	-	7,661	-
Prepaid Items	19	7	12,299	-
Other Assets	337	-	5,077	12
Restricted Cash and Cash Equivalents	-	-	112,489	128,130
Restricted Investments	-	-	24,263	4,976
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	-	5,163	257,579	-
Depreciable Capital Assets, Net	477	1,547	275,244	80
Total Assets	2,611	8,148	776,631	2,178,675
Liabilities				
Accounts Payable	365	109	36,628	50
Amounts Due to Other Governments	-	-	-	-
Due to Component Units	-	-	-	-
Deferred Revenue	-	-	-	741
Obligations Under Securities Lending Program	-	-	2,173	-
Other Liabilities	-	8	9,328	16,165
Loans Payable to Primary Government	-	-	-	-
Long-Term Liabilities:				
Due Within One Year	432	62	19,538	38,965
Due in More Than One Year	1,625	77	366,368	1,202,314
Total Liabilities	2,422	256	434,035	1,258,235
Net Assets				
Invested in Capital Assets, Net of Related Debt	477	6,710	242,529	80
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	-	-	-
Expendable:				
Higher Education	-	-	-	-
Virginia Pooled Financing Program	-	-	-	4,976
Capital Projects / Construction / Capital Acquisition	-	-	-	912,435
Debt Service	-	-	56,265	-
Bond Indenture	-	-	-	187
Other	-	-	-	-
Unrestricted	(288)	1,182	43,802	2,762
Total Net Assets	$ 189	$ 7,892	$ 342,596	$ 920,440

Virginia Tourism Authority	Virginia Tobacco Settlement Foundation	Tobacco Indemnification and Communication Revitalization Commission	Hampton Roads Sanitation District Commission	Virginia Biotechnology Research Park Authority	Virginia Small Business Financing Authority	Virginia School for the Deaf and Blind Foundation
$ 609	$ 8,774	$ 86,146	$ 6,476	$ 1,637	$ 17,323	$ 60
532	2,328	22,859	80,523	171	3,867	2,479
1	43	917	15,785	121,135	10,486	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,043	10	11	-	7	-	-
1	7	3,229	1,945	2,994	-	-
-	-	-	5,772	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,855	-
-	-	-	32,133	5,753	-	-
126	3	14	362,242	18,718	-	-
2,312	11,165	113,176	504,876	150,415	33,531	2,539
202	67	90	9,586	256	36	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
161	-	-	-	41,406	-	-
-	2,328	22,859	-	-	1,499	-
-	1,633	6,516	1,311	379	1,855	-
-	-	-	-	-	-	-
205	31	15	13,652	4,026	-	-
491	100	51	127,183	91,338	27	-
1,059	4,159	29,531	151,732	137,405	3,417	-
97	3	14	260,808	5,194	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	5,772	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,156	7,003	83,631	86,564	7,816	30,114	2,539
$ 1,253	$ 7,006	$ 83,645	$ 353,144	$ 13,010	$ 30,114	$ 2,539

Continued on next page

Combining Statement of Net Assets – Nonmajor Component Units *(Continued from previous page)*

June 30, 2004
(Dollars in Thousands)

	Science Museum of Virginia Foundation	Virginia Museum of Fine Arts Foundation	A. L. Philpott Manufacturing Extension Partnership	Virginia Equine Center Foundation
Assets				
Cash and Cash Equivalents	$ 341	$ 2,463	$ 1,115	$ 706
Investments	806	19,715	-	1,984
Receivables, Net	124	2,390	545	101
Contributions Receivable, Net	180	29,584	-	280
Due From Primary Government	250	-	-	-
Due from Component Units	-	-	-	-
Inventory	-	-	-	93
Prepaid Items	8	-	55	563
Other Assets	-	174	-	8
Restricted Cash and Cash Equivalents	1,915	-	-	21
Restricted Investments	6,426	105,183	-	-
Other Restricted Assets	1,518	6,388	-	-
Nondepreciable Capital Assets	377	54	-	2,807
Depreciable Capital Assets, Net	482	1,551	35	12,881
Total Assets	12,427	167,502	1,750	19,444
Liabilities				
Accounts Payable	52	160	560	173
Amounts Due to Other Governments	-	-	-	-
Due to Component Units	-	-	-	-
Deferred Revenue	-	-	181	76
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	-	-	-	485
Loans Payable to Primary Government	-	-	-	-
Long-Term Liabilities:				
Due Within One Year	-	-	156	221
Due in More Than One Year	879	2,260	-	15,572
Total Liabilities	931	2,420	897	16,527
Net Assets				
Invested in Capital Assets, Net of Related Debt	858	884	35	(96)
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	3,696	74,261	-	-
Expendable:				
Higher Education	-	-	-	-
Virginia Pooled Financing Program	-	-	-	-
Capital Projects / Construction / Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Bond Indenture	-	-	-	-
Other	5,486	66,660	-	760
Unrestricted	1,456	23,277	818	2,253
Total Net Assets	$ 11,496	$ 165,082	$ 853	$ 2,917

Cerfitied Nursing Facility Education Initiative	College of William and Mary	Virginia Military Institute	Virginia State University	Norfolk State University	Mary Washington College	James Madison University
$ 169	$ 30,487	$ 8,204	$ 18,923	$ 10,675	$ 13,911	$ 59,390
-	37,060	77,838	8,671	3,542	3,494	15,985
-	14,866	2,280	3,782	7,099	445	11,182
-	15,953	24,037	-	1,573	1,951	7,029
-	454	1,086	158	1	313	-
-	930	61	1,039	710	106	1,616
-	483	2,630	413	-	534	747
2	2,273	642	1,576	384	53	3,313
-	544	293	694	1,528	291	43
-	24,428	7,597	8,908	1,102	3,252	70
-	299,598	188,044	10,157	7,027	23,863	36,429
-	109,056	3,965	23	-	1,104	-
-	139,613	8,060	33,308	5,878	24,031	52,986
5	168,176	47,455	57,237	54,313	68,198	253,428
176	843,921	372,192	144,889	93,832	141,546	442,218
6	22,676	4,768	6,961	4,796	5,293	24,490
-	-	1,225	-	-	-	-
-	-	-	-	-	-	-
-	7,239	1,162	2,560	4,128	1,372	4,942
-	2,091	1,202	3,706	1,184	548	10,569
-	11,618	1,552	4,383	1,821	3,909	5,357
-	1,000	1,000	-	-	-	-
-	10,577	2,248	2,386	2,405	2,787	8,167
-	71,118	14,517	37,973	24,605	29,906	86,360
6	126,319	27,674	57,969	38,939	43,815	139,885
5	263,045	53,167	61,732	41,468	65,159	232,361
-	285,226	89,546	4,351	7,028	13,772	22,821
-	-	-	-	-	-	-
-	135,882	132,518	7,733	7,921	13,761	22,545
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
165	33,449	69,287	13,104	(1,524)	5,039	24,606
$ 170	$ 717,602	$ 344,518	$ 86,920	$ 54,893	$ 97,731	$ 302,333

Continued on next page

Combining Statement of Net Assets – Nonmajor Component Units *(Continued from previous page)*

June 30, 2004
(Dollars in Thousands)

	Radford University	Old Dominion University	George Mason University	Virginia Community College System
Assets				
Cash and Cash Equivalents	$ 21,899	$ 51,261	$ 61,259	$ 72,511
Investments	9,457	17,367	46,064	19,299
Receivables, Net	5,980	22,400	19,751	14,706
Contributions Receivable, Net	10,150	7,393	5,831	7,638
Due From Primary Government	134	636	175	538
Due from Component Units	481	1,729	5,563	5,518
Inventory	427	419	70	2,143
Prepaid Items	-	343	2,500	4,859
Other Assets	-	183	2,293	102
Restricted Cash and Cash Equivalents	23,010	1,962	7,479	17,553
Restricted Investments	21,326	111,151	35,231	68,358
Other Restricted Assets	314	-	-	-
Nondepreciable Capital Assets	32,881	65,093	90,129	60,942
Depreciable Capital Assets, Net	62,266	210,023	308,522	398,113
Total Assets	188,325	489,960	584,867	672,280
Liabilities				
Accounts Payable	13,745	25,378	38,086	32,228
Amounts Due to Other Governments	-	-	-	4,810
Due to Component Units	-	-	-	-
Deferred Revenue	3,335	8,828	18,856	14,151
Obligations Under Securities Lending Program	8,736	5,747	7,409	44
Other Liabilities	3,930	11,516	25,573	3,989
Loans Payable to Primary Government	-	-	8,500	1,637
Long-Term Liabilities:				
Due Within One Year	2,438	7,900	10,718	14,663
Due in More Than One Year	9,827	115,536	157,876	94,986
Total Liabilities	42,011	174,905	267,018	166,508
Net Assets				
Invested in Capital Assets, Net of Related Debt	92,660	161,102	250,946	416,942
Restricted For:				
Nonexpendable:				
Higher Education	14,394	72,863	33,856	31,060
Other	-	-	-	-
Expendable:				
Higher Education	37,666	63,552	34,235	41,998
Virginia Pooled Financing Program	-	-	-	-
Capital Projects / Construction / Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Bond Indenture	-	-	-	-
Other	-	-	-	-
Unrestricted	1,594	17,538	(1,188)	15,772
Total Net Assets	$ 146,314	$ 315,055	$ 317,849	$ 505,772

Christopher Newport University	Longwood University	Southwest Virginia Higher Education Center	Roanoke Higher Education Authority	Innovative Technology Authority	Virginia College Building Authority	Total Nonmajor Component Units
$ 19,608	$ 15,565	$ 411	$ 359	$ 1,970	$ 145	$ 560,070
4,101	7,126	-	-	5,459	48	786,928
461	2,184	844	10,995	545	8,897	1,964,823
5,069	1,045	-	-	-	-	117,713
68	-	1	-	-	-	3,814
490	423	60	125	-	-	18,851
852	-	-	-	-	-	16,472
912	301	14	-	82	-	31,276
384	35	13	-	88	389	20,664
19,418	258	2	-	-	23	363,389
3,791	29,025	-	-	-	-	974,848
548	229	-	-	-	-	125,000
96,384	45,923	48	-	7,300	-	966,442
111,912	51,698	9,945	713	18,530	-	2,493,934
263,998	153,812	11,338	12,192	33,974	9,502	8,444,224
14,150	7,014	295	335	666	67	249,288
-	-	-	-	-	-	6,035
-	-	-	-	-	35,820	35,820
738	1,472	86	-	-	-	111,434
3,254	1,597	-	-	1	-	74,947
14,592	2,434	529	-	1,979	16,711	147,573
-	1,029	-	-	-	52,040	65,206
5,166	1,703	64	44	850	51,669	201,088
119,831	24,437	-	19	8,635	351,125	2,955,036
157,731	39,686	974	398	12,131	507,432	3,846,427
80,593	72,187	9,992	713	18,412	-	2,338,077
5,840	21,130	-	-	-	-	601,887
-	-	-	-	-	-	77,957
11,238	13,260	1	-	-	-	522,310
-	-	-	-	-	-	4,976
-	-	-	-	-	-	912,435
-	-	-	-	-	-	62,037
-	-	-	-	-	-	187
-	-	-	-	-	-	72,906
8,596	7,549	371	11,081	3,431	(497,930)	5,025
$ 106,267	$ 114,126	$ 10,364	$ 11,794	$ 21,843	$ (497,930)	$ 4,597,797

Combining Statement of Activities – Nonmajor Component Units

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Higher Education				
College of William and Mary	$ 262,601	$ 120,617	$ 51,062	$ 6,447
Virginia Military Institute	55,673	23,255	14,673	-
Virginia State University	86,677	33,902	18,675	-
Norfolk State University	111,466	39,307	26,864	539
Mary Washington College	72,463	46,398	1,799	8,923
James Madison University	243,398	160,544	21,162	3,049
Radford University	107,989	59,490	11,604	9,384
Old Dominion University	246,011	103,137	69,393	-
George Mason University	367,646	180,482	91,268	-
Virginia Community College System	625,477	176,232	138,479	4,450
Christopher Newport University	70,851	39,616	7,263	835
Longwood University	60,748	36,834	7,255	552
Southwest Virginia Higher Education Center	2,645	497	3,580	-
Roanoke Higher Education Authority	3,103	1,283	10	-
Innovative Technology Authority	12,074	1,777	3,136	-
Virginia College Building Authority	221,933	31,897	-	-
Total Higher Education	2,550,755	1,055,268	466,223	34,179
Other Nonmajor Component Units				
Virginia Economic Development Partnership	16,014	258	-	-
Virginia Outdoors Foundation	1,031	88	9	-
Virginia Port Authority	201,395	174,876	7,243	-
Virginia Resources Authority	59,020	69,643	670	48,854
Virginia Tourism Authority	11,827	644	1,000	-
Virginia Tobacco Settlement Foundation	16,777	-	-	-
Tobacco Idemnification and Community Revitalization Commission	57,514	-	-	-
Hampton Roads Sanitation District Commission	106,355	111,901	-	-
Virginia Biotechnology Research Park Authority	8,243	9,176	-	-
Virginia Small Business Financing Authority	2,393	407	-	-
Virginia School for the Deaf and Blind Foundation	78	-	-	-
Science Museum of Virginia Foundation	2,354	-	57	-
Virginia Museum of Fine Arts Foundation	9,886	-	804	-
A. L. Philpott Manufacturing Extension Partnership	4,099	2,277	1,482	-
Virginia Equine Center Foundation	4,915	2,900	933	-
Certified Nursing Facility Education Initiative	175	7	-	-
Total Other Nonmajor	502,076	372,177	12,198	48,854
Total Nonmajor Component Units	$ 3,052,831	$ 1,427,445	$ 478,421	$ 83,033

	General Revenues				
Net (Expenses) Revenue	Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Capital Appropriations from Primary Government
$ (84,475)	$ 61,461	$ 10,883	$ 38,992	$ 18,794	$ 670
(17,745)	11,388	23	42,204	409	1,458
(34,100)	31,844	54	285	163	1,705
(44,756)	40,708	1,784	734	452	835
(15,343)	15,052	1,750	3,993	125	600
(58,643)	62,295	1,895	7,168	1,532	4,591
(27,511)	36,480	-	3,070	1,566	567
(73,481)	77,664	350	15,018	985	1,852
(95,896)	98,510	154	6,420	2,018	3,571
(306,316)	282,442	6,697	3,970	7,102	3,918
(23,137)	21,581	1,118	1,214	1,675	3,284
(16,107)	18,780	469	4,186	203	252
1,432	1,372	-	-	21	358
(1,810)	518	-	886	-	-
(7,161)	8,612	-	145	-	-
(190,036)	78,794	-	472	-	-
(995,085)	847,501	25,177	128,757	35,045	23,661
(15,756)	15,395	-	-	49	-
(934)	500	153	10	-	-
(19,276)	34,493	-	2,304	-	-
60,147	-	-	86	33	-
(10,183)	10,442	-	34	-	-
(16,777)	-	-	172	-	-
(57,514)	-	-	1,571	-	-
5,546	-	-	529	-	-
933	-	-	-	-	-
(1,986)	-	-	400	-	-
(78)	-	-	463	3	-
(2,297)	-	799	1,021	98	-
(9,082)	-	3,121	19,158	38	-
(340)	508	-	-	-	-
(1,082)	851	-	91	56	-
(168)	-	-	2	-	-
(68,847)	62,189	4,073	25,841	277	-
$ (1,063,932)	$ 909,690	$ 29,250	$ 154,598	$ 35,322	$ 23,661

Continued on next page

Combining Statement of Activities – Nonmajor Component Units *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	General Revenues (continued)			
	Contributions to Permanent / Term Endowments	VCBA Payments to Schools	Tobacco Master Settlement	Changes in Net Assets
Higher Education				
College of William and Mary	$ 13,650	$ 6,080	$ -	$ 66,055
Virginia Military Institute	-	2,016	-	39,753
Virginia State University	254	8,728	-	8,933
Norfolk State University	1,069	3,325	-	4,151
Mary Washington College	1,286	1,141	-	8,604
James Madison University	8,378	13,159	-	40,375
Radford University	454	6,198	-	20,824
Old Dominion University	23,784	15,460	-	61,632
George Mason University	1,712	18,950	-	35,439
Virginia Community College System	3,262	25,377	-	26,452
Christopher Newport University	1,220	8,355	-	15,310
Longwood University	311	10,139	-	18,233
Southwest Virginia Higher Education Center	-	-	-	3,183
Roanoke Higher Education Authority	-	125	-	(281)
Innovative Technology Authority	-	-	-	1,596
Virginia College Building Authority	-	-	-	(110,770)
Total Higher Education	55,380	119,053	-	239,489
Other Nonmajor Component Units				
Virginia Economic Development Partnership	-	-	-	(312)
Virginia Outdoors Foundation	-	-	-	(271)
Virginia Port Authority	-	-	-	17,521
Virginia Resources Authority	-	-	-	60,266
Virginia Tourism Authority	-	-	-	293
Virginia Tobacco Settlement Foundation	-	-	12,840	(3,765)
Tobacco Idemnification and Community Revitalization Commission	-	-	64,198	8,255
Hampton Roads Sanitation District Commission	-	-	-	6,075
Virginia Biotechnology Research Park Authority	-	-	-	933
Virginia Small Business Financing Authority	-	-	-	(1,586)
Virginia School for the Deaf and Blind Foundation	-	-	-	388
Science Museum of Virginia Foundation	1,094	-	-	715
Virginia Museum of Fine Arts Foundation	21,077	-	-	34,312
A. L. Philpott Manufacturing Extension Partnership	-	-	-	168
Virginia Equine Center Foundation	-	-	-	(84)
Certified Nursing Facility Education Initiative	-	-	-	(166)
Total Other Nonmajor	22,171	-	77,038	122,742
Total Nonmajor Component Units	$ 77,551	$ 119,053	$ 77,038	$ 362,231

Net Assets July 1 as restated	Net Assets June 30
$ 651,547	$ 717,602
304,765	344,518
77,987	86,920
50,742	54,893
89,127	97,731
261,958	302,333
125,490	146,314
253,423	315,055
282,410	317,849
479,320	505,772
90,957	106,267
95,893	114,126
7,181	10,364
12,075	11,794
20,247	21,843
(387,160)	(497,930)
2,415,962	2,655,451
501	189
8,163	7,892
325,075	342,596
860,174	920,440
960	1,253
10,771	7,006
75,390	83,645
347,069	353,144
12,077	13,010
31,700	30,114
2,151	2,539
10,781	11,496
130,770	165,082
685	853
3,001	2,917
336	170
1,819,604	1,942,346
$ 4,235,566	$ 4,597,797

Debt Schedules

Summary Schedule – Total Debt and Other Long-Term Obligations of the Commonwealth

Last Five Fiscal Years
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2004	2003	2002	2001	2000
Tax-Supported Debt:					
Primary Government:					
General Obligation Bonds (4):					
Section 9(b) Bonds (1)	414,163	454,402	451,700	486,310	520,705
Section 9(c) Bonds (1)	103,746	113,491	127,597	136,644	145,154
Subtotal - General Obligation Bonds	517,909	567,893	579,297	622,954	665,859
Non-General Obligation Debt:					
Section 9(d) Bonds (1)	1,919,167	2,028,724	2,002,041	1,911,636	1,993,609
Other Long-Term Debt and Obligations (2)	1,214,356	1,148,633	965,426	879,065	787,796
Total Primary Government	3,651,432	3,745,250	3,546,764	3,413,655	3,447,264
Component Units:					
General Obligation Bonds (4):					
Section 9(c) Bonds (1)	316,923	349,185	376,462	345,154	380,332
Subtotal - General Obligation Bonds	316,923	349,185	376,462	345,154	380,332
Non-General Obligation Bonds:					
Section 9(d) Bonds (1)	692,828	765,046	555,950	423,245	415,966
Other Long-Term Debt (2)	471,946	447,417	388,468	329,441	312,051
Total Component Units	1,481,697	1,561,648	1,320,880	1,097,840	1,108,349
Total Tax-Supported Debt	5,133,129	5,306,898	4,867,644	4,511,495	4,555,613
Debt Not Supported by Taxes:					
Primary Government:					
Total Primary Government	2,821,852	2,930,797	2,057,817	780,460	393,238
Component Units:					
Section 9(d) Moral Obligation Bonds	1,709,233	1,966,018	2,245,191	2,260,226	2,380,299
Section 9(d) Other Debt	563,986	538,207	421,125	360,535	376,113
Other Long-Term Debt (3)	7,364,929	7,039,945	7,765,548	6,832,780	5,998,672
Foundations (5)	484,147	-	-	-	-
Total Component Units	10,122,295	9,544,170	10,431,864	9,453,541	8,755,084
Total Debt Not Supported by Taxes	12,944,147	12,474,967	12,489,681	10,234,001	9,148,322
Total Debt of the Commonwealth	$ 18,077,276	$ 17,781,865	$ 17,357,325	$ 14,745,496	$ 13,703,935

(1) Net of unamortized discounts, premiums, deferrals on debt defeasance, and/or issuance expenses.

(2) Includes capital lease obligations, notes payable, installment purchase obligations, pension liability, and the long-term portion of the liability for compensated absences.

(3) Includes notes payable.

(4) Total General Obligation Debt for the fiscal year ended:

(5) Beginning in 2004, Foundations represent FASB reporting entities defined in Note 1.B.

	2004	2003	2002	2001	2000
Section 9(b) Debt:					
Transportation Facilities Bonds	35,316	43,733	52,695	56,585	60,300
Public Facilities Bonds	378,847	410,669	399,005	429,725	460,405
Subtotal 9(b) Debt	414,163	454,402	451,700	486,310	520,705
Section 9(c) Debt:					
Higher Educational Institution Bonds	316,923	349,185	376,462	345,154	380,332
Transportation Facilities Bonds	98,029	107,034	117,992	126,319	134,144
Parking Facilities Bonds	5,717	6,457	9,605	10,325	11,010
Subtotal 9(c) Debt	420,669	462,676	504,059	481,798	525,486
Total General Obligation Debt	$ 834,832	$ 917,078	$ 955,759	$ 968,108	$ 1,046,191

Tax-Supported Debt and Other Long-Term Obligations

Last Five Fiscal Years
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2004	2003	2002	2001	2000
Primary Government:					
General Obligation Debt (1) (4):					
Section 9(b) Debt					
Transportation Facilities (2)	$ 35,316	$ 43,733	$ 52,695	$ 56,585	$ 60,300
Public Facilities (2)	378,847	410,669	399,005	429,725	460,405
Subtotal Section 9(b) Debt	414,163	454,402	451,700	486,310	520,705
Section 9(c) Debt					
Parking Facilities (2)	5,717	6,457	9,605	10,325	11,010
Transportation Facilities (2)	98,029	107,034	117,992	126,319	134,144
Subtotal Section 9(c) Debt	103,746	113,491	127,597	136,644	145,154
Subtotal General Obligation Debt	517,909	567,893	579,297	622,954	665,859
Non-General Obligation Debt:					
Section 9(d) Debt:					
Transportation Debt (2)	1,049,901	1,072,229	1,043,900	916,835	943,625
Virginia Public Building Authority (2)	869,266	956,495	958,141	994,801	1,049,984
Subtotal Section 9(d) Debt	1,919,167	2,028,724	2,002,041	1,911,636	1,993,609
Other Long-Term Debt:					
Transportation Notes Payable	12,325	12,325	12,325	12,325	12,325
Regional Jail Construction	16,654	18,252	28,974	31,017	59,671
Capital Lease Obligations	235,775	249,123	202,265	211,192	213,314
Installment Purchase Obligations (3)	29,228	34,780	32,182	41,796	26,672
Virginia Public Broadcasting Board Notes Payable	17,950	20,005	21,960	23,840	-
Industrial Development Authority Obligations	30,845	34,410	37,800	42,490	-
Aviation Notes Payable	3,341	3,627	-	-	-
Subtotal Other Long-Term Debt	346,118	372,522	335,506	362,660	311,982
Other Long-Term Obligations:					
Compensated Absences	304,839	303,479	306,972	309,699	297,716
Pension Liability	542,471	452,550	302,664	186,602	172,780
Other Liabilities	20,928	20,082	20,284	20,104	5,318
Subtotal Other Long-Term Obligations	868,238	776,111	629,920	516,405	475,814
Total Primary Government	3,651,432	3,745,250	3,546,764	3,413,655	3,447,264
Component Units:					
General Obligation Bonds (1) (4):					
Section 9(c) Debt					
Higher Educational Institutions (2)	316,923	349,185	376,462	345,154	380,332
Subtotal General Obligation Debt	316,923	349,185	376,462	345,154	380,332
Non-General Obligation Debt:					
Section 9(d) Debt:					
Higher Educational Institutions (5)	-	-	9,165	-	-
Virginia Port Authority (2)	212,798	222,221	94,060	94,060	102,655
Innovative Technology Authority	9,345	9,965	10,590	11,120	11,656
Virginia College Building Authority	389,390	448,525	354,890	289,830	272,460
Virginia Biotechnology Research Park Authority	81,295	84,335	87,245	28,235	29,195
Subtotal Section 9(d) Debt	692,828	765,046	555,950	423,245	415,966
Other Long-Term Debt:					
Long-Term Capital Lease Obligations	44,123	52,364	45,810	31,628	29,113
Installment Purchase Obligations (3)	25,227	17,844	23,347	25,703	28,009
Subtotal Other Long-Term Debt	69,350	70,208	69,157	57,331	57,122
Other Long-Term Obligations:					
Compensated Absences	182,306	174,296	182,603	174,631	164,671
Pension Liability	220,290	202,913	136,708	97,479	90,258
Subtotal Other Long-Term Obligations	402,596	377,209	319,311	272,110	254,929
Total Component Units	1,481,697	1,561,648	1,320,880	1,097,840	1,108,349
Total Tax-Supported Debt	$ 5,133,129	$ 5,306,898	$ 4,868,589	$ 4,511,495	$ 4,555,613

(1) The General Obligation Debt is the only debt or long-term obligation that is backed by the full faith, credit, and taxing power of the Commonwealth.
(2) Net of unamortized discounts, premiums, deferral on debt defeasance, and/or issuance expenses.
(3) Reflected as Notes Payable in Note 19, Long-Term Liabilities.
(4) See Note 4 on previous page.
(5) Related to Virginia College Building Authority's Equipment Leasing Program.

Debt and Other Long-Term Obligations Not Supported by Taxes

Last Five Fiscal Years
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2004	2003	2002	2001	2000
Primary Government:					
Other Long-Term Debt & Obligations:					
Federal Reimbursement Anticipation Notes Payable	$ 786,645	$ 864,715	$ 375,000	$ 375,000	$ -
Pocahontas Parkway Association Bonds	447,372	432,563	418,850	405,460	393,238
Pension Liability	11,601	9,909	6,389	3,926	4,186
Compensated Absences	7,852	8,192	8,084	7,764	8,253
Installment Purchases	12,475	15,917	17,861	11,398	-
Tuition Benefits Payable	1,157,712	1,177,780	781,827	530,970	423,067
Lottery Prizes Payable	398,195	421,721	449,694	461,643	546,411
Other	-	-	112	-	-
Total Primary Government	2,821,852	2,930,797	2,057,817	1,796,161	1,375,155
Component Units:					
Section 9(d) Moral Obligation Debt: (1)					
Virginia Housing Development Authority	735,600	915,890	1,278,338	1,357,976	1,438,838
Virginia Public School Authority					
(1991 Resolution)	248,837	345,435	432,117	459,772	487,282
Virginia Resources Authority	724,796	704,693	534,736	442,478	454,179
Subtotal Section 9(d) Moral Obligation Debt	1,709,233	1,966,018	2,245,191	2,260,226	2,380,299
Section 9(d) Other Debt:					
Higher Educational Institutions (1):					
Auxiliary Enterprise Revenue Bonds	456,816	420,712	261,135	273,090	284,608
Teaching Hospitals Revenue Bonds (4)	107,170	117,495	159,990	87,445	91,505
Subtotal Section 9(d) Other Debt	563,986	538,207	421,125	360,535	376,113
Other Long-Term Debt:					
Virginia Housing Development Authority (1) (2)	3,476,198	3,834,763	4,778,204	4,352,311	4,002,449
Hampton Roads Sanitation District	133,567	142,046	152,978	161,800	166,860
Virginia Equine Center	15,745	15,970	16,145	5,645	6,305
Virginia Biotechnology Research Park Authority	13,525	14,265	14,965	15,745	16,240
Virginia Public School Authority (1) (2)	2,059,419	1,767,624	1,658,368	1,614,518	1,419,766
Virginia Port Authority	146,427	148,255	93,325	93,325	94,975
Virginia Commonwealth University Health					
System Authority	-	-	-	82,260	87,480
Virginia Resources Authority	516,423	215,431	223,837	219,865	-
Notes Payable	718,361	606,984	494,689	260,221	176,016
Bond Anticipation Notes	-	1,303	895	-	-
Other Long-Term Debt	285,264	293,304	332,142	27,090	28,581
Foundations (5)	484,147	-	-	-	-
Subtotal Other Long-Term Debt	7,849,076	7,039,945	7,765,548	6,832,780	5,998,672
Subtotal Section 9(d) and Other Debt	8,413,062	7,578,152	8,186,673	7,193,315	6,374,785
Total Component Units	10,122,295	9,544,170	10,431,864	9,453,541	8,755,084
Total Debt Not Supported by Taxes (3)	$ 12,944,147	$ 12,474,967	$ 12,489,681	$ 11,249,702	$ 10,130,239

(1) Net of unamortized discounts, premiums, deferral on debt defeasance, and/or issuance expenses.
(2) Includes notes payable and/or installment purchases.
(3) These amounts are not backed by the full faith, credit, and taxing power of the Commonwealth.
(4) Beginning in 2002, this includes the Virginia Commonwealth University Health System Authority.
(5) Beginning in 2004, Foundations represent FASB reporting entities defined in Note 1.B.

Authorized and Unissued Tax-Supported Debt

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	As of June 30, 2003	New Debt Authorized	Other Adjust-ments	As of June 30, 2004
Section 9(b) Debt (Primary Government):				
Higher Educational Institution Bonds	$ 859,063	$ -	$ -	$ 859,063
Park and Recreational Facilities	110,235	-	-	110,235
Subtotal Section 9(b) Debt	969,298	-	-	969,298
Section 9(c) Debt (Primary Government):				
Higher Educational Institution Bonds	138,949	117,616	(1,250)	255,315
Parking Facilities Bonds	-	5,700	-	5,700
Transportation Facilities Bonds	-	-	-	-
Subtotal Section 9(c) Debt	138,949	123,316	(1,250)	261,015
Section 9(d) Debt:				
Primary Government:				
Transportation Contract Revenue Bonds (Northern Virginia Transportation District Fund Program)	97,100	-	-	97,100
Component Units:				
Virginia Port Authority	-	60,000	-	60,000
Virginia Public Building Authority (Projects)	403,267	427,631	-	830,898
Virginia Public Building Authority (Juvenile Detention Facilities)	23,199	-	-	23,199
Virginia Public Building Authority (Jails)	41,087	21,826	-	62,913
Virginia College Building Authority (21st Century)	262,056	191,461	-	453,517
Virginia College Building Authority (Equipment Program)	42,776	108,840	-	151,616
Capital Lease Financings	-	39,670	-	39,670
Subtotal Section 9(d) Debt	869,485	849,428	-	1,718,913
Total Authorized and Unissued Tax-Supported Debt	$ 1,977,732	$ 972,744	$ (1,250)	$ 2,949,226

Tax-Supported Debt – Annual Debt Service Requirements (1)

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Fiscal Year Ending June 30	General Obligation Debt Sections 9(a), 9(b) and 9(c)			Other Tax-Supported Debt Section 9(d) [1] [2]		
	Principal	Interest	Total	Principal	Interest	Total
2005	78,865	39,695	118,560	170,056	126,579	296,635
2006	78,420	36,204	114,624	157,861	118,948	276,809
2007	78,145	32,804	110,949	167,836	112,090	279,926
2008	79,455	29,271	108,726	165,176	104,967	270,143
2009	75,574	25,693	101,267	169,296	97,767	267,063
2010	71,540	22,469	94,009	161,026	90,334	251,360
2011	68,782	18,986	87,768	160,586	83,063	243,649
2012	57,985	15,655	73,640	160,276	75,500	235,776
2013	57,990	12,812	70,802	154,151	67,942	222,093
2014	47,690	9,954	57,644	144,559	60,506	205,065
2015	43,700	7,617	51,317	146,067	53,157	199,224
2016	34,325	5,466	39,791	149,522	45,839	195,361
2017	21,410	3,894	25,304	150,424	38,450	188,874
2018	14,430	2,874	17,304	137,405	31,108	168,513
2019	13,005	2,194	15,199	116,330	24,346	140,676
2020	11,425	1,578	13,003	90,573	18,553	109,126
2021	11,860	1,038	12,898	83,636	14,064	97,700
2022	5,435	482	5,917	63,850	10,133	73,983
2023	4,045	249	4,294	50,095	7,292	57,387
2024	1,590	76	1,666	39,671	5,043	44,714
2025	-	-	-	24,179	3,107	27,286
2026	-	-	-	25,134	2,015	27,149
2027	-	-	-	14,766	873	15,639
2028	-	-	-	11,853	243	12,096
2029	-	-	-	2,019	-	2,019
2030	-	-	-	1,915	-	1,915
2031	-	-	-	1,817	-	1,817
2032	-	-	-	1,724	-	1,724
Subtotal	855,671	269,011	1,124,682	2,721,803	1,191,919	3,913,722
Add Accretion on Capital Appreciation Bonds	-	-	-	3,280	-	3,280
Add Unamortized Premium	-	-	-	2,146	-	2,146
Less Unamortized Discount	(4,363)	-	(4,363)	(15,919)	-	(15,919)
Less Deferral on Debt Defeasance	(16,476)	-	(16,476)	(34,858)	-	(34,858)
TOTAL	$ 834,832	$ 269,011	$ 1,103,843	$ 2,676,452	$ 1,191,919	$ 3,868,371

(1) Includes Virginia Biotechnology Research Park Authority, Innovative Technology Authority, Newport News Industrial Development Authority, Virginia Public Broadcasting Board, Virginia Aviation Board and Transportation Notes Payable. Does not include other capital leases, installment purchase obligations, regional jails, compensated absences, pension liability, and uninsured employers fund.

(2) Includes principal amount of $1,931,492 which includes Transportation Notes Payable of $12,325 for the primary government.

Total		
Principal	Interest	Total
248,921	166,274	415,195
236,281	155,152	391,433
245,981	144,894	390,875
244,631	134,238	378,869
244,870	123,460	368,330
232,566	112,803	345,369
229,368	102,049	331,417
218,261	91,155	309,416
212,141	80,754	292,895
192,249	70,460	262,709
189,767	60,774	250,541
183,847	51,305	235,152
171,834	42,344	214,178
151,835	33,982	185,817
129,335	26,540	155,875
101,998	20,131	122,129
95,496	15,102	110,598
69,285	10,615	79,900
54,140	7,541	61,681
41,261	5,119	46,380
24,179	3,107	27,286
25,134	2,015	27,149
14,766	873	15,639
11,853	243	12,096
2,019	-	2,019
1,915	-	1,915
1,817	-	1,817
1,724	-	1,724
3,577,474	1,460,930	5,038,404
3,280	-	3,280
2,146	-	2,146
(20,282)	-	(20,282)
(51,334)	-	(51,334)
$ 3,511,284	$ 1,460,930	$ 4,972,214

Tax-Supported Debt – Detail of Long-Term Indebtedness

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2003	Issued (Retired) During Year	Outstanding June 30, 2004	Maturity
Section 9(b) Debt (Primary Government):					
Transportation Facilities Bonds					
Series 1993 Refunding	$ 74,255	$ 4,310	$ (4,310)	$ -	07/01/03
Series 2003 Refunding	40,370	40,370	(4,225)	36,145	06/01/05-11
Deferral on Debt Defeasance	-	(947)	118	(829)	
Total Transportation Facilities Bonds	114,625	43,733	(8,417)	35,316	
Public Facilities Bonds					
Series 1993	200,000	5,000	(5,000)	-	12/01/03
Series 1996 Refunding	64,390	61,490	(440)	61,050	06/01/05-15
Series 1996	49,775	12,450	(2,490)	9,960	06/01/05-08
Series 1997	97,045	66,415	(5,105)	61,310	06/01/05-16
Series 1998 Refunding	50,990	48,840	(380)	48,460	06/01/05-13
Series 1998	59,235	43,655	(3,115)	40,540	06/01/05-17
Series 1999	20,125	15,900	(1,060)	14,840	06/01/05-18
Series 2002 Refunding	114,865	114,865	(12,955)	101,910	06/01/05-16
Series 2003	50,400	50,400	(2,515)	47,885	06/01/05-23
Deferral on Debt Defeasance	-	(8,346)	1,238	(7,108)	
Total Public Facilities Bonds	706,825	410,669	(31,822)	378,847	
Total Section 9(b) Debt	821,450	454,402	(40,239)	414,163	
Section 9(c) Debt					
Higher Educational Institution Bonds (Component Units)					
Series 1979 Bonds					
James Madison University					
Dormitory Complex	3,695	1,040	(160)	880	06/01/05-09
Subtotal Series 1979 Bonds	3,695	1,040	(160)	880	
Series 1981 Bonds					
Virginia Commonwealth University					
Low-Rise Dormitory	4,932	1,772	(200)	1,572	06/01/05-11
Subtotal Series 1981 Bonds	4,932	1,772	(200)	1,572	
Series 1983 Bonds					
Old Dominion University					
Mid-Rise Dormitory	3,500	1,525	(135)	1,390	06/01/05-13
Powhatan Field Apartments, Phase II	3,636	1,590	(135)	1,455	06/01/05-13
Virginia Commonwealth University					
Low-Rise Dormitory	4,050	1,765	(155)	1,610	06/01/05-13
Subtotal Series 1983 Bonds	11,186	4,880	(425)	4,455	
Series 1984 Bonds					
Virginia Commonwealth University					
Dormitory Renovation	2,890	185	(185)	-	
Subtotal Series 1984 Bonds	2,890	185	(185)	-	
Series 1989 Bonds					
George Mason University					
Humanities III	9,400	4,188	(589)	3,599	06/01/05-09
Residence Hall III	10,697	4,767	(671)	4,096	06/01/05-09
Longwood College					
Air Conditioning Repairs	125	12	(12)	-	
Parapet Wall Repairs	370	38	(38)	-	
Parking Facility	1,100	111	(111)	-	
Telecommunications	1,500	153	(153)	-	
University of Virginia					
Student Health Center	1,300	579	(82)	497	06/01/05-09

Series	Amount Issued	Outstanding June 30, 2003	Issued (Retired) During Year	Outstanding June 30, 2004	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 1989 Bonds (continued)					
Virginia Polytechnic Institute and State University					
Telecommunications	16,000	1,624	(1,624)	-	
Subtotal Series 1989 Bonds	40,492	11,472	(3,280)	8,192	
Series 1990 Bonds					
University of Virginia					
Judge Advocate General School	6,265	3,455	(375)	3,080	06/01/05-10
Subtotal Series 1990 Bonds	6,265	3,455	(375)	3,080	
Series 1995 Bonds					
College of William and Mary					
Underground Utility	1,535	280	(65)	215	06/01/05-07
George Mason University					
Prince William Site and Parking	2,115	735	(235)	500	06/01/05-06
University of Virginia					
Newcomb Hall Expansion	10,855	1,980	(460)	1,520	06/01/05-07
Student Residence Facility	4,890	900	(210)	690	06/01/05-07
Virginia State University					
Dorm Renovation	2,685	800	(185)	615	06/01/05-07
Foster Hall	2,305	690	(160)	530	06/01/05-07
Langston Hall	2,575	770	(180)	590	06/01/05-07
Subtotal Series 1995 Bonds	26,960	6,155	(1,495)	4,660	
Series 1996 Bonds					
College of William and Mary					
Dormitory Repairs	1,650	385	(70)	315	06/01/05-08
Longwood College					
Dining Hall	5,485	1,320	(240)	1,080	06/01/05-08
Virginia Commonwealth University					
Visitors Deck	3,350	785	(140)	645	06/01/05-08
Virginia State University					
Jones Dining Hall	2,525	585	(105)	480	06/01/05-08
Subtotal Series 1996 Bonds	13,010	3,075	(555)	2,520	
Series 1996 Refunding Bonds					
Christopher Newport University					
Dormitory and Dining 1994	1,892	1,814	(12)	1,802	06/01/05-21
College of William and Mary					
Dormitory 1994	118	112	(1)	111	06/01/05-14
Dormitory Phase II 1994	1,751	1,669	(12)	1,657	06/01/05-15
Subtotal Series 1996 Refunding Bonds	3,761	3,595	(25)	3,570	
Series 1997 Bonds					
College of William and Mary					
Dormitory Renovation Phase II	760	600	(30)	570	06/01/05-17
Dormitory Repairs	3,390	2,695	(135)	2,560	06/01/05-17
Utility System	2,000	1,590	(80)	1,510	06/01/05-17
James Madison University					
Dining Hall Renovation	1,330	1,060	(55)	1,005	06/01/05-17
Residence Hall	11,625	9,235	(470)	8,765	06/01/05-17
Student Services	6,200	4,925	(250)	4,675	06/01/05-17
Virginia Commonwealth University					
Academic Parking Deck	12,280	10,060	(515)	9,545	06/01/05-17

Continued on next page

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2003	Issued (Retired) During Year	Outstanding June 30, 2004	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 1997 Bonds (continued)					
Virginia Polytechnic Institute and State University					
Parking Auxiliary Project	1,550	1,235	(65)	1,170	06/01/05-17
Residence Hall	15,895	13,020	(665)	12,355	06/01/05-17
Subtotal Series 1997 Bonds	55,030	44,420	(2,265)	42,155	
Series 1998 Bonds					
College of William and Mary					
Dormitory Renovation	6,390	5,240	(245)	4,995	06/01/05-18
George Mason University					
Arl-Metro Parking	1,915	1,055	(190)	865	06/01/05-08
James Madison University					
Dining Facilities Renovation	1,080	885	(40)	845	06/01/05-18
Virginia Polytechnic Institute and State University					
Dining Hall	3,255	2,670	(125)	2,545	06/01/05-18
Virginia State University					
Jones Dining Hall	1,045	855	(40)	815	06/01/05-18
Subtotal Series 1998 Bonds	13,685	10,705	(640)	10,065	
Series 1998 Refunding Bonds					
Christopher Newport University					
Dormitory and Dining 1992C	3,260	3,103	(28)	3,075	06/01/05-15
Dormitory and Dining 1994	170	161	(1)	160	06/01/05-08
College of William and Mary					
Dormitory Phase II 1994	362	343	(3)	340	06/01/05-08
Dormitory 1992D	701	676	(5)	671	06/01/05-13
Dormitory 1994	33	31	-	31	06/01/05-08
University Center 1992C	6,617	6,346	(48)	6,298	06/01/05-13
George Mason University					
Student Union II 1992A	1,572	1,516	(140)	1,376	06/01/05-12
James Madison University					
Student Activities 1992C	4,599	4,410	(33)	4,377	06/01/05-13
Longwood College					
Student Housing 1992A	2,949	2,843	(259)	2,584	06/01/05-12
Mary Washington College					
Residence Hall 1992C	2,094	2,008	(15)	1,993	06/01/05-13
University of Virginia					
Central Ground Parking 1992D	6,146	5,925	(39)	5,886	06/01/05-13
CVC Dormitory 1992C	409	392	(3)	389	06/01/05-12
HSC Parking 1992D	843	812	(5)	807	06/01/05-13
West Scott Stadium 1992D	614	592	(4)	588	06/01/05-13
VCCS/Northern Virginia Community College					
NVCC Parking Deck 1992A	1,869	1,801	(166)	1,635	06/01/05-12
Virginia Commonwealth University					
Dormitory Renovations 1992D	1,636	1,577	(10)	1,567	06/01/05-13
Housing Repairs 1992C	755	722	(6)	716	06/01/05-12
MCV Parking 1992C	5,198	4,985	(38)	4,947	06/01/05-13
Virginia Polytechnic Institute and State University					
Dormitory Repairs 1992C	1,440	1,388	(9)	1,379	06/01/05-13
Dormitory 1992D	1,380	1,330	(9)	1,321	06/01/05-13
Residence Hall 1992C	3,158	3,029	(24)	3,005	06/01/05-13
Subtotal Series 1998 Refunding Bonds	45,805	43,990	(845)	43,145	

Series	Amount Issued	Outstanding June 30, 2003	Issued (Retired) During Year	Outstanding June 30, 2004	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 1999 Bonds					
Christopher Newport College					
Residence Hall II	12,980	11,630	(495)	11,135	06/01/05-19
Longwood College					
Dining Hall	3,020	2,580	(110)	2,470	06/01/05-19
Residence Hall Improvements	2,825	2,410	(100)	2,310	06/01/05-19
University of Virginia					
Residence Hall - Wise	4,665	4,180	(180)	4,000	06/01/05-19
Virginia Polytechnic Institute and State University					
Dining Hall HVAC	1,800	1,615	(70)	1,545	06/01/05-19
Subtotal Series 1999 Bonds	25,290	22,415	(955)	21,460	
Series 2001 Bonds					
Christopher Newport College					
CNU New Residence Hall	23,050	22,240	(840)	21,400	06/01/05-21
College of William and Mary					
CWM Renovate Dormitories	4,875	4,550	(170)	4,380	06/01/05-21
George Mason University					
GMU Housing Building V	21,780	21,780	(650)	21,130	06/01/05-24
GMU Housing Renovations	3,435	3,110	(340)	2,770	06/01/05-11
James Madison University					
JMU Bluestone Dorm Phase III	5,900	5,425	(205)	5,220	06/01/05-21
Mary Washington College					
MWC Residence hall Renovation	1,925	1,795	(70)	1,725	06/01/05-21
University of Virginia					
UVA Res. Hall-Monroe Lane	4,670	4,355	(165)	4,190	06/01/05-21
Subtotal Series 2001 Bonds	65,635	63,255	(2,440)	60,815	
Series 2002 Bonds					
College of William and Mary					
Dorm Renovations	5,015	4,625	(5)	4,620	06/01/05-22
George Mason University					
Housing Building V	8,635	8,635	(685)	7,950	06/01/05-22
James Madison University					
Bluestone Dorm Renovations I	2,045	1,890	(10)	1,880	06/01/05-22
Bluestone Dorm Renovations II	2,125	1,960	(5)	1,955	06/01/05-22
Old Dominion University					
Housing Renovation	2,565	2,360	-	2,360	06/01/05-22
Virginia Polytechnic Institute and State University					
Parking Auxiliary Project	975	885	(20)	865	06/01/05-17
Subtotal Series 2002 Bonds	21,360	20,355	(725)	19,630	
Series 2002 Refunding Bonds					
Christopher Newport University					
Dorm Project	379	198	(198)	-	
Dorm/Dining Projects	211	211	(69)	142	06/01/05-06
College of William and Mary					
Dorm Phase II Projects	448	448	(143)	305	06/01/05-06
Dorm Renovation Projects	31	31	(11)	20	06/01/05-06
Dorm Renovations	276	216	(68)	148	06/01/05-06
Dorm Renovations	362	362	(15)	347	06/01/05-13
Dorm Repairs	898	898	-	898	06/01/05-16
Underground Utility	878	878	-	878	06/01/05-16
University Center	982	514	(514)	-	
University Center	121	121	(5)	116	06/01/05-13

Continued on next page

Tax-Supported Debt – Detail of Long-Term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2003	Issued (Retired) During Year	Outstanding June 30, 2004	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 2002 Refunding Bonds (continued)					
George Mason University					
Parking Lot IX	228	157	(78)	79	06/01/05
Physical Education Project	3,391	2,334	(1,139)	1,195	06/01/05
Residence Hall II	548	379	(186)	193	06/01/05
Telecommunications System Projects	964	964	(472)	492	06/01/05
University Center	14,696	14,696	(177)	14,519	06/01/05-15
James Madison University					
Primary Electric Projects	117	117	(117)	-	
Residence Facility	3,089	3,089	(68)	3,021	06/01/05-13
Student Activities	683	356	(356)	-	
Warren Campus Center	918	631	(309)	322	06/01/05
Longwood College					
Dining Hall	3,072	3,072	-	3,072	06/01/05-16
Mary Washington College					
Residence Hall	309	163	(163)	-	
Telecommunications	2,647	2,647	(114)	2,533	06/01/05-13
Tidewater Community College					
TCC Parking	229	229	(229)	-	
University of Virginia					
Central Grounds Parking	2,392	1,881	(604)	1,277	06/01/05-06
Clinch Valley Dorm	70	36	(36)	-	
HSC Parking	327	257	(83)	174	06/01/05-06
Newcomb Hall Expansion Projects	6,213	6,213	-	6,213	06/01/05-16
Observatory Dining Hall Addition	239	167	(83)	84	06/01/05
Sponsors Hall Addition	497	343	(170)	173	06/01/05
Student Activity Center	152	106	(52)	54	06/01/05
Student Residence Facility Project	2,796	2,796	-	2,796	06/01/05-16
West Scott Stadium Parking	241	190	(62)	128	06/01/05-06
Virginia Commonwealth University					
Dorm Renovations	633	498	(161)	337	06/01/05-06
Housing Repairs	135	71	(71)	-	
MCV Parking Deck	768	402	(402)	-	
Parking Deck E	684	470	(227)	243	06/01/05
Visitors Deck	1,823	1,823	-	1,823	06/01/05-16
Virginia Polytechnic Institute and State University					
Dormitory	538	421	(135)	286	06/01/05-06
Dormitory Repairs	558	437	(141)	296	06/01/05-06
Residence Hall	468	244	(244)	-	
Virginia State University					
Dorm Renovation	690	690	-	690	06/01/05-10
Foster Hall	592	592	-	592	06/01/05-10
Jones Dining Hall	1,358	1,358	-	1,358	06/01/05-16
Langston Hall	661	661	-	661	06/01/05-10
Subtotal Series 2002 Refunding Bonds	57,312	52,367	(6,902)	45,465	
Series 2003 Refunding Bonds					
Christopher Newport University					
Campus Center	224	224	(224)	-	
Dormitory Project	1,209	1,209	(130)	1,079	06/01/05-11
Track	35	35	(35)	-	

Series	Amount Issued	Outstanding June 30, 2003	Issued (Retired) During Year	Outstanding June 30, 2004	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 2003 Refunding Bonds (continued)					
College of William and Mary					
Graduate Housing	3,906	3,906	(425)	3,481	06/01/05-11
Randolph Residences	881	881	(139)	742	06/01/05-09
Telecommunications	287	287	(287)	-	
Telecommunications Systems	76	76	(39)	37	06/01/05
Tyler Hall Renovation	410	410	(80)	330	06/01/05-08
George Mason University					
Parking Lot #10	119	119	(39)	80	06/01/05-06
Parking Lot VIII	85	85	(85)	-	
Residence Hall II	1,390	1,390	(448)	942	06/01/05-06
Residence Hall IV	5,438	5,438	(690)	4,748	06/01/05-10
Security/Info Building	72	72	(25)	47	06/01/05-06
James Madsion University					
Dormitory (138 Beds)	205	205	(205)	-	
Dormitory	249	249	(249)	-	
Gibbons Hall Renovation	1,316	1,316	(167)	1,149	06/01/05-10
Stadium Seating	229	229	(229)	-	
Student Residence Hall	1,387	1,387	(265)	1,122	06/01/05-08
Longwood College					
Housing Repairs	212	212	(26)	186	06/01/05-10
Residence Hall Renovation	70	70	(70)	-	
Mary Washington College					
Student Activity Center	702	702	(226)	476	06/01/05-06
Residence Hall	1,461	1,461	(183)	1,278	06/01/05-10
Norfolk State University					
Cafeteria Renovation	2,234	2,234	(242)	1,992	06/01/05-11
Health and ROTC Building	239	239	(239)	-	
Residence Hall	1,948	1,948	(246)	1,702	06/01/05-10
Residence Hall	5,133	5,133	(559)	4,574	06/01/05-11
Old Dominion University					
Athletic Facility	2,970	2,970	(376)	2,594	06/01/05-10
Athletic Renovation	399	399	(399)	-	
Life Science Building Parking	135	135	(135)	-	
Multi-Level Parking	2,333	2,333	(297)	2,036	06/01/05-10
Property at 43rd and Hampton	148	148	(27)	121	06/01/05-08
Rogers Hall Renovation	150	150	(150)	-	
Webb Center Addition	3,686	3,686	(403)	3,283	06/01/05-11
Radford University					
Norwood Hall Renovation	373	373	(119)	254	06/01/05-06
University of Virginia					
Clinch Valley College Housing	50	50	(50)	-	
Heater/Chiller Replacement	583	583	(73)	510	06/01/05-10
Hospital Parking Garage	1,147	1,147	(370)	777	06/01/05-06
Student Housing	7,587	7,587	(828)	6,759	06/01/05-11
Virginia Commonwealth University					
Low Rise Dorm, Phase II	145	145	(145)	-	
Student Commons	678	678	(678)	-	

Continued on next page

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2003	Issued (Retired) During Year	Outstanding June 30, 2004	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 2003 Refunding Bonds (continued)					
Virginia Polytechnic Institute and State University					
Dorm and Dining Renovation	2,694	2,694	(296)	2,398	06/01/05-11
Parking Renovations	2,268	2,268	(247)	2,021	06/01/05-11
Squires Center Renovation	684	684	(88)	596	06/01/05-10
Squires Student Center	1,755	1,755	(193)	1,562	06/01/05-11
Student Activities Center	5,457	5,456	(1,049)	4,407	06/01/05-08
Subtotal Series 2003 Refunding Bonds	62,759	62,758	(11,475)	51,283	
Deferral on Debt Defeasance	-	(6,709)	685	(6,024)	
Subtotal Higher Educational Institution Bonds	460,067	349,185	(32,262)	316,923	
Transportation Facilities Bonds (Primary Government)					
Series 1989, Dulles Toll Road	34,348	15,123	(2,128)	12,995	06/01/05-09
Series 1996, Dulles Toll Road	45,235	10,560	(1,895)	8,665	06/01/05-08
Series 1996, Coleman Bridge Refunding	34,750	33,435	(200)	33,235	06/01/05-21
Series 1998, Coleman Bridge Refunding	3,135	2,990	(25)	2,965	06/01/05-08
Series 2002, Coleman Bridge Refunding	3,775	3,775	(1,165)	2,610	06/01/05-06
Series 2002, Dulles Refunding	24,615	24,615	-	24,615	06/01/07-16
Series 2003, Dulles Refunding	18,765	18,765	(3,708)	15,057	006/01/05-08
Deferral on Debt Defeasance	-	(2,229)	116	(2,113)	
Subtotal Transportation Facilities Bonds	164,623	107,034	(9,005)	98,029	
Parking Facilities Bonds (Primary Government)					
Series 1996	3,495	815	(145)	670	06/01/05-08
Series 2002 Refunding	230	230	-	230	06/01/08-15
Series 2003 Refunding	5,860	5,860	(640)	5,220	06/01/05-11
Deferral on Debt Defeasance	-	(448)	45	(403)	
Subtotal Parking Facilities Bonds	9,585	6,457	(740)	5,717	
Total Section 9(c) Debt	634,275	462,676	(42,007)	420,669	
Total General Obligation Debt	1,455,725	917,078	(82,246)	834,832	

Series	Amount Issued	Outstanding June 30, 2003	Issued (Retired) During Year	Outstanding June 30, 2004	Maturity
Non-General Obligation Debt					
Section 9(d) Debt					
Virginia Public Building Authority Bonds (Primary Government)					
Series 1992 A Refunding	112,870	12,630	(12,630)	-	
Series 1992 B	94,335	53,572	(14,805)	38,767	08/01/04-10
Accreted Principal	-	39,019	5,095	44,114	08/01/04-10
Series 1992 C	173,865	8,300	(8,300)	-	
Series 1993 A	60,995	5,055	(1,809)	3,246	08/01/04-13
Series 1994 A	79,220	10,215	(6,815)	3,400	08/01/04-05
Series 1995	187,410	141,085	(125,485)	15,600	08/01/04-16
Series 1996 A	97,430	84,060	(4,130)	79,930	08/01/04-15
Series 1997 A	152,885	127,980	(78,435)	49,545	08/01/04-17
Series 1998 A Refunding	147,000	136,400	(2,285)	134,115	08/01/04-13
Series 1998 B	40,425	35,270	(1,500)	33,770	08/01/04-18
Series 1999 A	68,920	62,095	(2,485)	59,610	08/01/04-19
Series 1999 B	27,730	23,635	(1,485)	22,150	08/01/04-14
Series 2000 A	104,990	99,770	(3,500)	96,270	08/01/04-20
Series 2001 A	35,830	34,705	(1,240)	33,465	08/01/04-22
Series 2002 A	55,000	55,000	(1,655)	53,345	08/01/04-23
Series 2003 A	38,809	38,809	-	38,809	08/01/04-15
Series 2004 A	187,106	-	187,106	187,106	08/01/04-15
Deferral on Debt Defeasance	-	(11,105)	(12,871)	(23,976)	
Total Virginia Public Building Authority Bonds	1,664,820	956,495	(87,229)	869,266	
Virginia College Building Authority Bonds (Component Unit) (1)					
21st Century College Program					
Series 1996	53,160	43,115	(2,160)	40,955	08/01/04-16
Series 1998	54,785	46,865	(2,210)	44,655	08/01/04-17
Series 1999	59,495	24,580	(9,625)	14,955	02/01/05-19
Series 2000	60,900	32,965	(10,145)	22,820	02/01/05-20
Series 2001	65,795	41,635	(12,580)	29,055	02/01/05-21
Series 2002	130,795	119,115	(11,660)	107,455	02/01/05-22
Series 2003	140,250	140,250	(10,755)	129,495	02/01/05-23
Total Virginia College Building Authority Bonds	565,180	448,525	(59,135)	389,390	
Transportation Debt (Primary Government)					
Route 28 Refunding Bonds	111,680	118,960	(2,226)	116,734	10/01/03-18
Transportation Revenue Bonds (U.S. Route 58)	606,620	599,405	(13,070)	586,335	11/15/03-26
Northern Virginia Transportation District Program	324,410	337,960	(7,065)	330,895	11/15/03-26
Oak Grove Connector (Chesapeake)	33,075	27,720	(900)	26,820	11/15/03-23
Deferral on Debt Defeasance	-	(11,816)	933	(10,883)	
Total Section 9(d) Transportation Debt	1,075,785	1,072,229	(22,328)	1,049,901	
Virginia Port Authority Debt (Component Unit)					
Series 1996	38,300	31,600	(1,545)	30,055	10/15/96-16
Refunding Series 1998	71,015	53,475	(7,875)	45,600	04/01/98-08
Series 2002	135,000	137,146	(3)	137,143	7/11/92-27
Total Virginia Port Authority Debt	244,315	222,221	(9,423)	212,798	
Innovative Technology Authority Debt (Component Unit)					
Series 1997	13,300	9,965	(620)	9,345	5/1/97-14
Total Innovative Technology Authority Debt	13,300	9,965	(620)	9,345	

Continued on next page

Tax-Supported Debt – Detail of Long-Term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2003	Issued (Retired) During Year	Outstanding June 30, 2004	Maturity
Non-General Obligation Debt					
Section 9(d) Debt					
Virginia Biotechnology Research Park					
Authority (Component Unit)					
Series 1996	91,010	84,335	(3,040)	81,295	09/01/03-19
Virginia Public Broadcasting Board					
Board Notes Payable	23,840	20,005	(2,055)	17,950	08/01/03-11
Industrial Development Authority Obligations	42,490	34,410	(3,565)	30,845	03/01/03-11
Total Section 9(d) Debt	3,720,740	2,848,185	(187,395)	2,660,790	
Non-General Obligation Debt and Other Obligations					
Other Long-Term Debt (2)					
Capital Leases	-	301,487	(21,589)	279,898	
Installment Purchase Obligations	-	52,624	1,831	54,455	
Transportation Notes Payable	-	12,325	-	12,325	
Regional Jail Construction Liability	-	18,252	(1,598)	16,654	
Aviation Note Payable	6,600	3,627	(286)	3,341	
Total Other Long-Term Debt	6,600	388,315	(21,642)	366,673	
Other Long-Term Obligations					
Compensated Absences	-	477,775	9,370	487,145	
Pension Liability	-	655,463	107,298	762,761	
Other	-	20,082	846	20,928	
Total Other Long-Term Obligations	-	1,153,320	117,514	1,270,834	
Total Non-General Obligation Debt and Other Obligations	3,727,340	4,389,820	(91,523)	4,298,297	
Total Tax-Supported Debt and Other Obligations	$ 5,183,065	$ 5,306,898	$ (173,769)	$ 5,133,129	

(1) These amounts are reported as notes payable on the Higher Education Institutions' financial statements.
(2) Pursuant to GASB Statement No. 34, *Basic Financial Statements - and Mangement's Discussion and Analysis - for State and Local Governments* , Governmental Activities includes Internal Service Funds.

Statistical Section

The financial presentations included in this section provide comparisons of economic and social characteristics and financial trends over a ten-year period. The statistical data presented are intended to give users of the financial statements, as well as the investment community, a better historical perspective and assessment of the current financial status and trends of the Commonwealth.

Statistical schedules related to property taxes are not presented since the Commonwealth does not assess property taxes.

Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis
General Governmental Revenues by Source and Expenditures by Function (1)

For Fiscal Year Ended June 30
(Dollars in Millions)

	2004	2003	2002	2001
Tax Revenues:				
Individual and Fiduciary Income	$ 7,380	$ 6,751	$ 6,758	$ 7,226
Sales and Use	3,007	2,722	2,646	2,661
Motor Fuels	904	881	859	821
Corporation Income	426	344	236	364
Public Service Corporations	91	99	82	98
Motor Vehicle Sales and Use	589	529	527	497
Gross Premiums of Insurance Companies	351	333	293	268
Alcoholic Beverage Sales Tax	86	81	76	73
Deeds, Contracts, Wills, and Suits	341	286	214	168
Beer and Beverage Excise	43	42	42	41
Estate	148	141	138	127
Tobacco Products	16	15	15	15
Bank Stock	9	9	10	5
Wine and Spirits / ABC Liter	8	9	10	10
Other Taxes	134	109	91	63
Total Tax Revenues	13,533	12,351	11,997	12,437
Other Revenues:				
Federal and Other Grants, Donations, and Federal Revenue Sharing	5,832	5,524	4,916	3,778
Institutional Revenue	338	334	444	466
Sales of Property and Commodities	28	26	28	122
Rights and Privileges	734	689	623	601
Interest, Dividends, and Rents	84	191	264	218
Fines, Forfeitures, Costs, Penalties and Escheats	317	380	330	171
Assessments - Special Services	96	96	99	114
Other Revenues	475	468	1,101	941
Total Other Revenues	7,904	7,709	7,805	6,411
Total Revenues	$ 21,437	$ 20,060	$ 19,802	$ 18,848
Percentage Increase Over Previous Year	6.9%	1.3%	5.1%	5.1%
Expenditures by Function:				
Education	$ 6,236	$ 6,250	$ 6,187	$ 4,659
Administration of Justice	2,052	2,032	2,157	2,072
Individual and Family Services	7,525	7,134	6,864	5,985
Resources and Economic Development	668	641	721	707
Transportation	2,917	3,044	3,269	2,846
General Government (2)	2,179	1,925	1,805	1,508
Enterprises	-	-	-	107
Capital Outlay	193	108	255	326
Total Expenditures	$ 21,770	$ 21,134	$ 21,258	$ 18,210
Percentage Increase Over Previous Year	3.0%	-0.6%	16.7%	9.2%

Includes all General, Special Revenue, Debt Service, Capital Project, and Permanent Funds

(1) Fiscal years 2001-1994 represent basis of budgeting amounts.

(2) General Government expenditure amounts for fiscal year 2002-2004 include debt service principal retirement and interest charges.

Source: Department of Accounts

2000	1999	1998	1997	1996	1995
$ 6,829	$ 6,088	$ 5,405	$ 4,736	$ 4,301	$ 4,028
2,574	2,410	2,240	2,134	2,010	1,935
794	778	759	722	715	679
566	420	451	432	402	376
104	112	102	126	116	109
492	436	394	384	370	354
251	245	237	219	218	208
70	64	61	59	59	57
146	158	127	4	95	85
41	40	39	38	39	38
150	154	122	92	69	78
15	16	16	16	16	16
12	13	8	9	8	7
7	7	7	7	7	6
58	52	44	142	16	41
12,109	10,993	10,012	9,120	8,441	8,017
3,459	3,264	3,035	2,821	2,705	2,664
439	376	331	309	346	331
91	91	71	103	7	9
577	541	516	499	475	486
169	166	136	149	116	104
162	163	148	135	122	121
52	48	37	34	34	33
875	589	536	671	505	394
5,824	5,238	4,810	4,721	4,310	4,142
$ 17,933	$ 16,231	$ 14,822	$ 13,841	$ 12,751	$ 12,159
10.5%	9.5%	7.1%	8.5%	4.9%	7.0%
$ 4,353	$ 4,125	$ 3,614	$ 3,432	$ 3,145	$ 3,056
1,898	1,730	1,537	1,377	1,318	1,241
5,609	5,105	4,800	4,541	4,413	4,319
614	574	502	447	445	461
2,585	2,634	2,377	2,272	2,124	2,070
1,175	791	525	498	459	463
94	92	81	76	69	71
354	363	477	378	267	289
$ 16,682	$ 15,414	$ 13,913	$ 13,021	$ 12,240	$ 11,970
8.2%	10.8%	6.9%	6.4%	2.3%	11.2%

Computation of Legal Debt Limit and Margin

For Revenues Collected through June 30, 2004
(Dollars in Thousands)

	Fiscal Year Ended June 30, 2004	2003	2002
Tax Revenues Required for Computation			
Taxes on Income and Retail Sales:			
Individual and Fiduciary Income Tax [1]	$ 7,430,870	$ 6,775,799	$ 6,710,857
Corporate Income Tax [2]	434,493	343,319	290,215
State Sales and Use Tax [3]	2,582,797	2,335,958	2,429,845
Total	$ 10,448,160	$ 9,455,076	$ 9,430,917
Average Tax Revenues for the Three Fiscal Years			$ 9,778,051
Section 9(a)(2) General Obligation Debt Limit [4]			
Debt Issuance Limit (30% of 1.15 times annual tax revenues for fiscal year 2004)			$ 3,604,615
Less Bonds Outstanding:			-
Debt Issuance Margin for Section 9(a)(2) General Obligation Bonds			$ 3,604,615
Section 9(b) General Obligation Debt Limit			
Debt Issuance Limit (1.15 times average tax revenues for three fiscal years as calculated above)			$ 11,244,759
Less Bonds Outstanding:**			
Public Facilities Bonds [6]		$ 378,847	
Transportation Facilities Refunding Bonds [5] [6]		35,316	414,163
Debt Issuance Margin for Section 9(b) General Obligation Bonds			$ 10,830,596
Additional Section 9(b) Debt Borrowing Restriction:			
Four-year Authorization Restriction (25% of 9(b) Debt Limit)			$ 2,811,190
Less 9(b) Debt authorized in past three fiscal years			1,019,529
Maximum Additional Borrowing Restriction (amount that may be authorized by the General Assembly)			$ 1,791,661
Section 9(c) General Obligation Debt Limit			
Debt Issuance Limit (1.15 times average tax revenues for three fiscal years as calculated above)			$ 11,244,759
Less Bonds Outstanding:**			
Parking Facilities Bonds [6]		$ 5,717	
Transportation Facilities Bonds [6]		98,029	
Higher Educational Institution Bonds [6]		316,923	420,669
Debt Issuance Margin for Section 9(c) General Obligation Bonds			$ 10,824,090

**Bonds included on this schedule are only those which are backed by the full faith and credit of the Commonwealth.

(1) Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the *Code of Virginia* .

(2) Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the *Code of Virginia.*

(3) Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the *Code of Virginia,* less taxes identified in Sections 58.1-605 and 58.1-638.

(4) Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the *Constitution of Virginia* .

(5) These bonds refunded certain Section 9(c) debt, and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.

(6) Net of unamortized discount and deferral on debt defeasance.

Sources: Department of Accounts
Department of the Treasury

Ratio of General Obligation Bonded Debt Per Capita

Last Ten Fiscal Years
(Amounts in Thousands Except Per Capita)

For the Fiscal Year Ended June 30,	Population (1)	General Obligation Debt (2)	General Long-Term Debt Per Capita
2004	7,432	$ 834,832	$ 112
2003	7,275	917,078	126
2002	7,051	955,759	136
2001	6,995	968,108	138
2000	6,929	1,046,191	151
1999	6,858	1,108,929	162
1998	6,784	1,139,927	167
1997	6,739	1,140,862	169
1996	6,663	1,054,305	158
1995	6,596	963,304	146

(1) Population figure for 2004 is estimated.
(2) Includes 9(a), 9(b) and 9(c) debt, net of unamortized discounts, deferral on debt defeasance, and bond anticipation notes payable.

Sources: Department of Accounts
Department of Taxation

Percentage of Annual Debt Service Expenditures for Governmental Debt to Total Expenditures – All Governmental Fund Types

Last Ten Fiscal Years
(Dollars in Thousands)

For the Fiscal Year Ended June 30,	Debt Service (1)	Total Expenditures (2)	Percentage
2004	$ 421,927	$ 21,769,073	1.94
2003	375,993	21,134,149	1.78
2002	321,998	21,257,353	1.51
2001	310,617	18,190,526	1.71
2000	308,174	16,722,019	1.84
1999	323,634	15,431,118	2.10
1998	287,971	14,167,795	2.03
1997	271,140	13,636,962	1.99
1996	206,885	12,103,923	1.71
1995	150,513	11,873,282	1.27

(1) Includes principal and interest payments related to general bonded debt reflected in the governmental activities column of the Government-wide Statement of Net Assets. The principal outstanding at June 30, 2004 was $3.2 billion.
(2) Includes General, Special Revenue, Debt Service, Capital Projects, and Permanent Funds.

Source: Department of Accounts

Schedule of Revenue Bond Coverage (1) – Higher Education Section 9(d) Long-term Debt (Discrete Component Units)

Last Ten Fiscal Years
(Dollars in Thousands Except Coverage)

	For the Fiscal Year Ended June 30,	Beginning Balance (2)(3)	Gross Revenues (2)(3)	Operating Expenses (2)(3)	Net Available for Debt Service	Debt Service Requirements (6)	Coverage
Virginia Commonwealth University (4)(5)	2004	$ 942,258	$ 1,311,190	$ 1,388,458	$ 864,990	$ 5,425	159.45
	2003	644,193	1,350,225	1,314,749	679,669	10,150	66.96
	2002	629,752	1,208,818	1,185,449	653,121	14,511	45.01
	2001	28,813	396,946	384,575	41,184	4,875	8.45
	2000	32,353	375,912	371,263	37,002	4,878	7.59
	1999	29,381	372,266	358,473	43,174	4,209	10.26
	1998	30,849	336,835	334,318	33,366	3,563	9.36
	1997	180,008	728,116	699,581	208,543	957	217.91
	1996	156,136	673,639	637,376	192,399	6,079	31.65
	1995	150,564	644,391	631,785	163,170	8,831	18.48
University of Virginia (5)	2004	$ 4,086,059	$ 1,756,733	$ 1,915,828	$ 3,926,964	$ 8,430	465.83
	2003	3,177,746	1,751,395	1,503,806	3,425,335	6,965	491.79
	2002	3,140,687	1,482,805	1,443,255	3,180,237	19,529	162.85
	2001	155,695	1,081,910	1,012,292	225,313	18,963	11.88
	2000	128,167	981,040	903,124	206,083	18,829	10.94
	1999	134,601	921,043	861,269	194,375	14,061	13.82
	1998	133,683	904,027	832,901	204,809	14,051	14.58
	1997	153,000	830,731	771,806	211,925	14,057	15.08
	1996	147,556	783,722	728,665	202,613	13,834	14.65
	1995	124,076	742,152	666,479	199,749	13,559	14.73
Virginia Polytechnic Institute and State University (5)	2004	$ 907,570	$ 492,463	$ 769,955	$ 630,078	$ 5,806	108.52
	2003	419,381	756,540	709,696	466,225	5,480	85.08
	2002	419,356	702,052	698,469	422,939	7,403	57.13
	2001	12,347	544,800	522,738	34,409	7,402	4.65
	2000	9,919	518,426	494,931	33,414	7,412	4.51
	1999	11,892	488,100	471,574	28,418	7,413	3.83
	1998	12,280	453,227	437,879	27,628	5,709	4.84
	1997	18,118	421,073	407,384	31,807	2,110	15.07
	1996	756	396,893	367,269	30,380	1,531	19.84
	1995	7,668	388,410	382,017	14,061	1,554	9.05
Norfolk State University (5)	2004	$ 50,742	$ 66,710	$ 111,032	$ 6,420	$ 469	13.69
	2003	38,579	107,092	105,914	39,757	451	88.15
	2002	39,967	101,447	103,325	38,089	901	42.27
	2001	(1,499)	81,088	72,923	6,666	904	7.37
	2000	1,315	75,692	71,823	5,184	901	5.75
	1999	(7,801)	71,392	61,250	2,341	902	2.60
	1998	(5,289)	63,094	60,596	(2,791)	902	(3.09)
	1997	(1,370)	61,787	62,841	(2,424)	552	(4.39)
	1996	349	59,097	58,750	696	174	4.00
	1995	2,773	55,870	54,751	3,892	174	22.37

	For the Fiscal Year Ended June 30,	Beginning Balance (2)(3)	Gross Revenues (2)(3)	Operating Expenses (2)(3)	Net Available for Debt Service	Debt Service Requirements (6)	Coverage
James Madison University (5)	2004	$ 261,958	$ 184,755	$ 243,016	$ 203,697	$ 1,272	160.14
	2003	208,421	240,427	225,449	223,399	1,155	193.42
	2002	194,211	225,618	210,660	209,169	1,709	122.39
	2001	453	202,842	186,384	16,911	1,707	9.91
	2000	(810)	186,516	171,158	14,548	1,706	8.53
	1999	130	185,181	171,850	13,461	1,708	7.88
	1998	(2,971)	163,018	149,244	10,803	1,712	6.31
	1997	1,868	149,340	142,846	8,362	1,714	4.88
	1996	1,114	132,593	121,341	12,366	1,712	7.22
	1995	2,216	125,028	115,890	11,354	1,712	6.63
Virginia College Building Authority	2004	$ (387,160)	$ 31,897	$ 195,920	$ (551,183)	$ 19,550	(28.19)
	2003	(283,273)	88,053	170,515	(365,735)	14,730	(24.83)
	2002	(215,223)	30,441	78,173	(262,955)	20,726	(12.69)
	2001	2,016	13,580	383	15,213	13,849	1.10
	2000	1,399	11,334	363	12,370	4,662	2.65
	1999	937	9,597	537	9,997	8,764	1.14
	1998	141	8,017	7,174	984	4,637	0.21
	1997	138	3,622	3,619	141	2,408	0.06
	1996	264	2,401	125	2,540	2,226	1.14
	1995	797	2,239	406	2,630	2,365	1.11

(1) Coverage relates to Higher Education 9(d) Revenue Bonds. The outstanding principal of this debt at June 30, 2004, was $953,376,064 and the outstanding interest was $521,230,192.

(2) These amounts are reported from individual institution's financial statements.

(3) Beginning in 2002, total net assets, gross revenues, and gross expenses (less interest) are used.

(4) Beginning in 2002, Virginia Commonwealth University's amounts include the Virginia Commonwealth University Health System Authority.

(5) Beginning in 2004, all amounts except Debt Service Requirements include FASB Foundations as defined in Note 1.B.

(6) Debt Service Requirements includes principal and interest only for Higher Education Institutions and principal only for FASB Foundations.

Sources: Department of Accounts
Department of the Treasury

Schedule of Revenue Bond Coverage – Selected Discrete Component Units

Last Ten Fiscal Years
(Dollars in Thousands Except Coverage)

	For the Fiscal Year Ended June 30,	Beginning Balance	Gross Revenues	Operating Expenses (2)	Net Available for Debt Service	Debt Service Requirements (1)	Coverage
Virginia Housing Development Authority	2004	$ 1,442,815	$ 517,161	$ 172,283	$ 1,787,693	$ 479,873	3.73
	2003	1,344,010	575,765	230,658	1,689,117	682,960	2.47
	2002	1,226,927	629,261	175,567	1,680,621	667,320	2.52
	2001	116,233	643,381	182,940	576,674	574,488	1.00
	2000	1,018,800	609,934	181,045	1,447,689	1,136,786	1.27
	1999	935,251	579,194	169,286	1,345,159	927,030	1.45
	1998	839,564	565,345	161,631	1,243,278	800,168	1.55
	1997	745,233	514,345	158,700	1,100,878	350,348	3.14
	1996	667,221	493,305	155,575	1,004,951	318,092	3.16
	1995	600,086	335,697	33,664	902,119	272,342	3.31
Virginia Education Loan Authority (3)	2004	$ -	$ -	$ -	$ -	$ N/A	N/A
	2003	-	-	-	-	N/A	N/A
	2002	-	-	-	-	N/A	N/A
	2001	-	-	-	-	N/A	N/A
	2000	-	-	-	-	N/A	N/A
	1999	-	-	-	-	N/A	N/A
	1998	-	-	-	-	N/A	N/A
	1997	-	769	-	769	N/A	N/A
	1996	70,259	16,922	6,576	80,605	80,532	1.00
	1995	75,433	39,721	19,477	95,677	66,739	1.43
Virginia Resources Authority	2004	$ 860,174	$ 119,286	$ 9,836	$ 969,624	$ 92,566	10.47
	2003	809,006	106,036	11,683	903,359	79,143	11.41
	2002	736,410	129,314	19,959	845,765	48,737	17.35
	2001	114,700	56,521	16,322	154,899	29,786	5.20
	2000	124,894	142,224	103,441	163,677	41,055	3.99
	1999	94,809	110,816	72,926	132,699	45,259	2.93
	1998	72,478	117,222	78,950	110,750	34,885	3.17
	1997	58,481	85,837	51,443	92,875	33,915	2.74
	1996	46,209	97,125	63,584	79,750	37,189	2.14
	1995	37,290	31,658	1,196	67,752	33,716	2.01

(1) These amounts includes principal, interest, and amortization expenses for all entities.
(2) These amounts exclude interest expense.
(3) The Virginia Education Loan Authority defeased all debt during fiscal year 1996.

Sources: Department of Accounts
Department of the Treasury

Schedule of Revenue Bond Coverage – Other Section 9(d) Long-term Debt

Last Ten Fiscal Years
(Dollars in Thousands Except Coverage)

	For the Fiscal Year Ended June 30,	Beginning Balance	Gross Revenues (1)	Operating Expenses (2)	Net Available for Debt Service	Debt Service Requirements (3)	Coverage
Primary Government:							
Virginia Public Building Authority	2004	$ 54,596	$ 382	$ 82,210	$ (27,232)	$ 115,690	(0.24)
(Series 1998A, 1989A, 1991A,	2003	43,659	1,126	51,584	(6,799)	116,581	(0.06)
1992 A-C, 1993A, 1994A,	2002	113,494	2,323	107,733	8,084	111,814	0.07
1995, 1996A, 1997A,	2001	146,024	8,064	40,278	113,810	107,385	1.06
1998A Refunding, 1998B, 1999A-B	2000	64,065	3,584	53,116	14,533	97,797	0.15
2000A, and 2001A)	1999	78,795	3,896	83,375	(684)	93,069	(0.01)
	1998	150,464	7,460	136,914	21,010	83,301	0.25
	1997	182,702	79,218	192,723	69,197	121,101	0.57
	1996	108,552	73,678	124,522	57,708	59,431	0.97
	1995	106,103	60,138	82,972	83,269	53,785	1.55
Transportation Facilities	2004	$ 659,560	$ 37,082	$ 321,878	$ 374,764	$ 197,018	1.90
Route 28, Route 58, Northern Virginia	2003	435,922	35,839	206,478	265,283	158,095	1.68
Transportation District, and Oak	2002	533,296	30,073	281,788	281,581	102,631	2.74
Grove Connector (Chesapeake)	2001	287,063	50,125	201,181	136,007	86,121	1.58
	2000	156,876	27,412	133,635	50,653	77,169	0.66
	1999	283,203	25,066	156,691	151,578	60,470	2.51
	1998	345,299	28,042	129,493	243,848	57,916	4.21
	1997	236,711	21,169	104,183	153,697	56,186	2.74
	1996	177,162	147,547	110,651	214,058	45,146	4.74
	1995	163,484	15,913	33,904	145,493	31,068	4.68
Pocahontas Parkway Association (4)	2004	$ (75,338)	$ 11,823	$ 27,505	$ (91,020)	$ 9,121	(9.98)
(Series 1998A-D and 2001A)	2003	(62,755)	9,207	27,104	(80,652)	9,121	(8.84)
	2002	(28,271)	5,280	25,023	(48,014)	9,129	(5.26)
	2001	(13,052)	9,399	24,618	(28,271)	9,152	(3.09)
	2000	(3,259)	13,320	17,385	(7,324)	9,287	(0.79)
	1999	-	18,013	15,544	2,469	5,728	0.43
Component Units:							
Innovative Technology Authority	2004	$ 20,247	$ 13,670	$ 11,381	$ 22,536	$ 1,403	16.06
(Series 1989 and 1997)	2003	19,468	11,987	10,471	20,984	1,357	15.46
	2002	19,168	15,148	14,031	20,285	1,347	15.06
	2001	6,024	2,793	-	8,817	1,388	6.35
	2000	4,691	2,721	-	7,412	1,424	5.21
	1999	3,388	2,732	-	6,120	1,364	4.49
	1998	2,224	2,528	-	4,752	1,391	3.42
	1997	1,808	1,807	-	3,615	1,544	2.34
	1996	1,596	1,756	-	3,352	1,464	2.29
	1995	1,304	1,756	-	3,060	1,484	2.06
Virginia Port Authority	2004	$ 17,521	$ 70,543	$ 65,732	$ 22,332	$ 31,320	0.71
(Series 1992A, 1993, 1996, 1997,	2003	254,770	83,230	41,236	296,764	27,388	10.84
1997 Refunding, 1998 Refunding	2002	250,220	51,566	38,650	263,136	20,830	12.63
2002, and 2003)	2001	52,692	6,407	49,380	9,719	21,971	0.44
	2000	67,154	25,160	49,086	43,228	17,570	2.46
	1999	93,565	28,677	66,680	55,562	15,648	3.55
	1998	130,870	19,434	59,387	90,917	21,279	4.27
	1997	40,727	16,498	68,094	(10,869)	15,921	(0.68)
	1996	42,666	6,633	35,198	14,101	16,192	0.87
	1995	41,615	6,162	28,236	19,541	17,858	1.09

(1) Gross Revenues include loan principal collections.
(2) Operating Expenses are exclusive of principal and interest.
(3) Includes principal and interest of revenue bonds only. It does not include debt defeasance transactions.
(4) Ten years of data not available. This is a new entity established in 1999.

Sources: Department of Accounts
Department of the Treasury

Schedule of Bank Deposits (1)

Last Ten Years
(Dollars in Millions)

As of June 30,	Bank Deposits
2004	$ 112,995
2003	104,729
2002	93,868
2001	83,142
2000	76,059
1999	72,055
1998	71,317
1997	68,568
1996	65,061
1995	61,204

(1) Includes only amounts deposited in insured commercial banks by corporations, governments, and individuals.

Source: Federal Deposit Insurance Corporation Web Site, www.fdic.gov.

Application of Unclaimed Property Funds (1)

Year Ending June 30,	Total Available Funds (2)	Payment of Claims	Operating Expenses	Transfers to Literary Fund
2004	$ 65,851,717	$ 12,806,689	$ 3,045,028	$ 50,000,000
2003	57,372,973	10,600,199	2,772,774	44,000,000
2002	52,232,257	14,079,478	3,152,779	35,000,000
2001	55,165,372	11,697,747	3,167,625	40,300,000
2000	43,416,355	14,070,772	3,345,583	26,000,000
1999	48,186,240	14,563,124	2,923,116	30,700,000
1998	38,533,882	8,202,961	3,330,921	27,000,000
1997	55,166,195	8,205,998	3,760,197	43,200,000
1996	33,985,781	5,551,113	2,934,668	25,500,000
1995	32,673,816	5,378,659	2,295,157	25,000,000
1994	24,270,294	3,740,568	2,529,726	18,000,000
1962-1993	196,278,061	36,332,659	15,123,179	144,822,223
	$ 703,132,943	$ 145,229,967	$ 48,380,753	$ 509,522,223

(1) Under Unclaimed Property law, the Commonwealth receives abandoned securities and tangible personal property. These are not introduced into the accounting system until converted to cash. As of June 30, 2004, securities with a market value of approximately $113.8 million and 794 inventoried lots of unappraised tangible property were in the Treasurer's custody. The Treasurer is custodian of these items until claimed by the rightful owners or heirs, except that the Treasurer can and does periodically convert these items into cash.

(2) Total available funds represent the amount of funds available for payment of claims, operating expenses, and transfers to Literary Fund.

Source: Department of the Treasury

Application of Escheat Receipts

Last Ten Fiscal Years
(Dollars in Thousands)

Year Ending June 30,	Total Receipts	Expenses (1)	Transfers to Literary Fund
2004	$ 10,959	$ 9,382	$ 1,577
2003	16,883	4,287	12,596
2002	1,595	4,022	(2,427)
2001	-	21,862	(21,862)
2000	192,490	146,156	46,334
1999	126,589	149,071	(22,482)
1998	502,972	460,267	42,705
1997	1,227,184	499,171	728,013
1996	781,712	868,652	(86,940)
1995	1,238,000	676,000	562,000
Total	$ 4,098,384	$ 2,838,870	$ 1,259,514

(1) Expenses include delinquent taxes paid to localities, refunds to original owners, heirs, or purchasers, and other expenses directly related to the escheat process.

Source: Department of the Treasury

Schedule of Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (In Thousands) (1)	Per Capita Income (2)	Public Primary and Secondary School Enrollment	Unemployment Rate
2004	7,432	$ 34,200	1,165,905	3.7 %
2003	7,275	34,000	1,156,471	4.0
2002	7,051	33,000	1,143,018	4.1
2001	6,995	32,600	1,130,446	2.4
2000	6,929	30,400	1,121,780	2.7
1999	6,858	28,000	1,110,843	2.8
1998	6,784	26,700	1,110,815	3.4
1997	6,739	25,400	1,092,090	4.4
1996	6,663	24,400	1,076,653	4.4
1995	6,596	23,062	1,067,669	4.6

(1) Population figure for 2004 is estimated.
(2) Per capita income has been revised and is reflected in current dollars.

Sources: Virginia Department of Education
Virginia Department of Taxation
Virginia Employment Commission

Comparison of General Fund Balance

Last Ten Fiscal Years
(Dollars in Millions)

	Fund Balance	
Fiscal Year Ended June 30,	Budgetary Basis	Modified Accrual Basis
2004	$ 1,109.6	$ 446.2
2003	554.8	63.6
2002	632.9	(216.7)
2001	1,194.1	553.8
2000	1,855.3	1,374.6
1999	1,599.6	1,173.7
1998	1,444.2	1,011.4
1997	937.2	491.8
1996	476.3	180.4
1995	350.7	(86.4)

Source: Department of Accounts

Schedule of Miscellaneous Statistics

June 30, 2004

Adoption of Virginia Constitution	1776
Form of Government	Legislative, Executive, Judicial
Land Area (square miles)	40,767
Miles of State Highways	69,054
State Police Protection:	
Number of Stations	66
Number of State Police	1,890
Higher Education (Universities, Colleges, and Community Colleges):	
Number of Separate Institutions	101
Number of Faculty	16,080
Number of Students	397,000
Recreation:	
Number of State Parks, Natural Areas, and Historic Sites	81
Area of State Parks, Natural Areas, and Historic Sites (acres)	98,423
Number of State Forests	16
Area of State Forests (acres)	47,707
Classified State Employees	80,859

Sources: Virginia Department of Conservation and Recreation, Division of Parks and Recreation
Virginia Department of Forestry
Virginia Department of Human Resource Management
Virginia Department of State Police
Virginia Department of Transportation
Library of Virginia
State Council of Higher Education

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Financial Reporting, Virginia Department of Accounts

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