A Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2003

Mark R. Warner
Governor

John M. Bennett
Secretary of Finance

David A. Von Moll
Comptroller

Table of Contents

Introductory Section

Comptroller's Letter of Transmittal to the Governor 6
Financial Overview 8
Financial Highlights 14
Certificate of Achievement for Excellence in Financial Reporting 16
Virginia Economic Highlights 17
Organization of Executive Branch of Government 23
Organization of Government – Selected Government Officials – Executive Branch 24
Organization of the Department of Accounts 25

Financial Section

Independent Auditor's Report 28
Management's Discussion and Analysis 31
Basic Financial Statements
- **Government-wide Financial Statements**
  - Statement of Net Assets 44
  - Statement of Activities 46
- **Fund Financial Statements**
  - Balance Sheet – Governmental Funds 50
  - Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Assets 52
  - Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 54
  - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities 56
  - Statement of Net Assets – Proprietary Funds 58
  - Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds 60
  - Statement of Cash Flows – Proprietary Funds 62
  - Statement of Fiduciary Net Assets – Fiduciary Funds 68
  - Statement of Changes in Fiduciary Net Assets – Fiduciary Funds 69
  - Statement of Net Assets – Component Units 72
  - Statement of Activities – Component Units 74
- **Index to the Notes to the Financial Statements** 79
  - Notes to the Financial Statements 80

Required Supplementary Information
- Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds 158
- Funding Progress for Defined Benefit Pension Plans 162
- Claims Development Information 164

Combining and Individual Fund Statements and Schedules
- **Nonmajor Governmental Funds**
  - Combining Balance Sheet – Nonmajor Governmental Funds 172
  - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 176
  - Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds 180
- **Nonmajor Enterprise Funds**
  - Combining Statement of Net Assets – Nonmajor Enterprise Funds 186
  - Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds 190
  - Combining Statement of Cash Flows – Nonmajor Enterprise Funds 194
- **Internal Service Funds**
  - Combining Statement of Net Assets – Internal Service Funds 202
  - Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds 206
  - Combining Statement of Cash Flows – Internal Service Funds 210

Combining and Individual Fund Statements and Schedules (continued)
Fiduciary Funds
Combining Statement of Fiduciary Net Assets – Private Purpose Funds 218
Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Funds 220
Combining Statement of Fiduciary Net Assets – Pension Trust Funds 222
Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds 224
Combining Statement of Fiduciary Net Assets – Investment Trust Funds 226
Combining Statement of Changes in Fiduciary Net Assets – Investment Trust Funds 227
Combining Statement of Fiduciary Net Assets – Agency Funds 228
Combining Statement of Changes in Assets and Liabilities – Agency Funds 232
Nonmajor Component Units
Combining Statement of Net Assets – Nonmajor Component Units 240
Combining Statement of Activities – Nonmajor Component Units 246
Debt Schedules
Summary Schedule – Total Debt and Other Long-Term Obligations of the Commonwealth 252
Tax-Supported Debt and Other Long-Term Obligations 253
Debt and Other Long-Term Obligations Not Supported by Taxes 254
Authorized and Unissued Tax-Supported Debt 255
Tax-Supported Debt – Annual Debt Service Requirements 256
Tax-Supported Debt – Detail of Long-Term Indebtedness 258

Statistical Section

Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis – General Governmental Revenues by Source and Expenditures by Function 272
Computation of Legal Debt Limit and Margin 274
Ratio of General Obligation Bonded Debt Per Capita 275
Percentage of Annual Debt Service Expenditures for Governmental Debt to Total Expenditures – All Governmental Fund Types 275
Schedule of Revenue Bond Coverage – Higher Education Section 9(d) Long-Term Debt (Discrete Component Units) 276
Schedule of Revenue Bond Coverage – Selected Discrete Component Units 278
Schedule of Revenue Bond Coverage – Other Section 9(d) Long-Term Debt 279
Schedule of Bank Deposits 280
Application of Unclaimed Property Funds 280
Application of Escheat Receipts 281
Schedule of Demographic Statistics 281
Comparison of General Fund Balance 282
Schedule of Miscellaneous Statistics 282
Employees of the Department of Accounts 283

Illustrations

Figure 1 General Fund Balance – Basis of Budgeting – Highlighting the Undesignated Fund Balance ... 8
Figure 2 General Fund Balance – GAAP Basis ... 8
Figure 3 Analysis of General Fund Revenues and Other Financing Sources (Basis of Budgeting) ... 9
Figure 4 Analysis of General Fund Expenditures by Function and Other Financing Uses (Basis of Budgeting) ... 9
Figure 5 Analysis of General Fund Balance – Basis of Budgeting versus Modified Accrual Basis ... 10
Figure 6 Total Outstanding Debt – Primary Government ... 11
Figure 7 Total Outstanding Debt – Component Units ... 11
Figure 8 Average Daily Invested Balance ... 12
Figure 9 Average Yield on Investments ... 12
Figure 10 Net Earnings on Investments ... 12
Figure 11 General Fund – Revenue Dollar ... 14
Figure 12 General Fund – Expenditure Dollar ... 15
Figure 13 Unemployment Rate, FY 2001 – 2003 ... 17
Figure 14 Nonfarm Employment, FY 2001 – 2003 ... 17
Figure 15 Nonfarm Employment, Metropolitan and Non-metropolitan Areas ... 18
Figure 16 Growth in Jobs and Real Wages and Salaries ... 18
Figure 17 Wages and Salaries Per Job ... 19
Figure 18 Personal Income and Wage and Salary Disbursements ... 20
Figure 19 Virginia New Privately Owned Housing Units Authorized ... 20
Figure 20 Virginia Retail Sales ... 20
Figure 21 Growth Rate of Adjusted Retail Sales ... 21
Figure 22 Net Assets as of June 30, 2003 and 2002 ... 34
Figure 23 Changes in Net Assets for the Fiscal Years Ended June 30, 2003 and 2002 ... 35
Figure 24 Revenues by Source – Governmental Activities, FY 2003 ... 36
Figure 25 Expenses by Type – Governmental Activities, FY 2003 ... 37
Figure 26 Business-Type Activities – Program Revenues and Expenses for the Fiscal Year Ended June 30, 2003 ... 38
Figure 27 Capital Assets as of June 30, 2003 ... 40
Figure 28 Outstanding Debt as of June 30, 2003 – General Obligation Bonds and Revenue Bonds ... 40

INTRODUCTORY SECTION

Comptroller's Letter of Transmittal to the Governor
Financial Overview
Financial Highlights
Certificate of Achievement for Excellence in Financial Reporting
Virginia Economic Highlights
Organization of Executive Branch of Government
Organization of Government – Selected Government Officials – Executive Branch
Organization of the Department of Accounts

December 12, 2003

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

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, 2003, 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 2003 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, 2003. 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 immediately following the independent auditor's report on page 31.

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, 2002. 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.

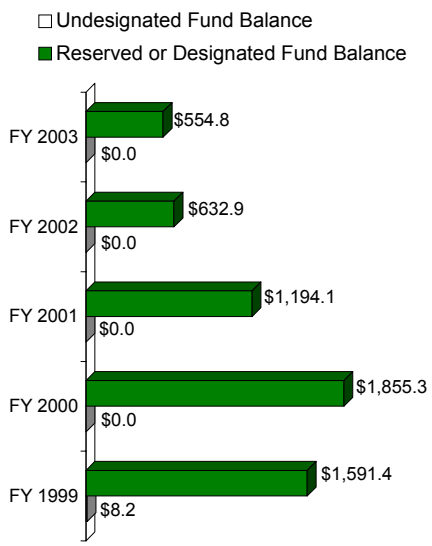
A Certificate of Achievement is valid for a period of one year. The Commonwealth has received a Certificate of Achievement for the last seventeen consecutive years (fiscal years 1986-2002). I believe that this year's report continues to conform to the Certificate of Achievement program requirements and 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.

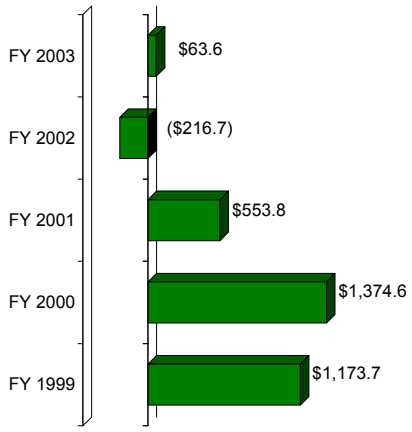
Respectfully submitted,

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 1999. All of the $554.8 million ending fund balance at June 30, 2003, was reserved or designated, including $247.5 million for the Revenue Stabilization Reserve Fund, $65.7 million for the Payroll Reserve, and $241.6 million designated for reappropriation, appropriation, or transfer in fiscal year 2004. **Figure 2** shows the General Fund ending fund balances since fiscal year 1999, using the modified accrual basis of accounting. Additional data for general fund balances are located on page 282 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, 2003. Prior year data is shown for comparison purposes. Overall, revenue and transfers in increased by 3.6 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, 2003. Overall, expenditures and transfers out decreased by 0.6 percent during fiscal year 2003.

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, 2003, reflect cash that will not be received or disbursed until fiscal year 2004.

Accruals of revenues and expenditures required by the modified accrual basis of accounting resulted in a decrease of $491.2 million from the $554.8 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* (GASB Statement No. 34), 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 2003	FY 2002	Increase (Decrease)	FY 2003 % of Total
Taxes:				
Individual and Fiduciary Income	$ 6,775,746	$ 6,710,772	$ 64,974	1.0
Sales and Use	2,335,958	2,429,845	(93,887)	(3.9)
Corporation Income	343,319	290,215	53,104	18.3
Public Service Corporations	91,247	77,152	14,095	18.3
Premiums of Insurance Companies	333,004	292,702	40,302	13.8
Other	574,051	487,826	86,225	17.7
Subtotal - Taxes	10,453,325	10,288,512	164,813	1.6
Other Revenue	537,673	454,505	83,168	18.3
Total Revenues	10,990,998	10,743,017	247,981	2.3
Other Financing Sources:				
Transfers and Other Sources	987,096	820,518	166,578	20.3
Total Revenues and Other Financing Sources	$ 11,978,094	$ 11,563,535	$ 414,559	3.6

Analysis of General Fund Expenditures By Function and Other Financing Uses

(Basis of Budgeting)

(Dollars in Thousands) *Figure 4*

	FY 2003	FY 2002	% Increase (Decrease)	FY 2003 % of Total
General Government	$ 1,367,126	$ 1,350,940	1.2	11.3
Education	5,441,934	5,542,589	(1.8)	45.1
Transportation	36	16,002	(99.8)	0.0
Resources and Economic Development	206,743	251,856	(17.9)	1.7
Individual and Family Services	2,769,780	2,550,020	8.6	23.0
Administration of Justice	1,867,835	1,910,280	(2.2)	15.5
Capital Outlay	19,752	119,046	(83.4)	0.2
Total Expenditures	11,673,206	11,740,733	(0.6)	96.8
Other Financing Uses:				
Transfers and Other Uses	383,066	383,940	(0.2)	3.2
Total Expenditures and Transfers	$ 12,056,272	$ 12,124,673	(0.6)	100.0

Analysis of General Fund Balance

Basis of Budgeting versus Modified Accrual Basis

(Dollars in Millions) *Figure 5*

	FY 2003	FY 2002	Variance
Fund Balance, Budgetary Basis (1)	$ 554.8	$ 632.9	$ (78.1)
Receivables, Inventory and Accrued Revenues:			
Sales Tax Receivable	87.1	85.4	1.7
Other Tax Receivable	281.5	280.5	1.0
Other Receivables (2)	85.4	89.1	(3.7)
Inventory	37.1	34.8	2.3
Other Accrued Items (3)	46.1	55.2	(9.1)
Total Accrued Receivables, Inventory and Other	537.2	545.0	(7.8)
Payables and Accrued Expenditures:			
Tax Refunds Payable	217.9	226.5	(8.6)
Deferred Taxes (4)	168.1	501.8	(333.7)
Medicaid Claims Payable	160.4	184.3	(23.9)
Sales Tax Due to Localities	143.9	145.0	(1.1)
Other Accrued Items (5)	338.1	337.0	1.1
Total Payables and Accrued Expenditures	1,028.4	1,394.6	(366.2)
Receivables and Accrued Revenues Under Payables and Accrued Expenditures	(491.2)	(849.6)	358.4
Fund Balance, Modified Accrual Basis	$ 63.6	$ (216.7)	$ 280.3

(1) The FY 2003 amount is $2.4 million less than the amount reported in the August 15, 2003, Preliminary (Unaudited) Annual Report of the Comptroller. The difference is due to ABC audit adjustments.

(2) This includes Accounts Receivable, Interest Receivable, and Other Taxes Receivable. An additional $284.2 million and $138.8 million in Receivables offset by Deferred Revenue are reported in the General Fund for FY 2003 and FY 2002, respectively. These additional Receivables will be collected after August 31; therefore, the revenue is only reported on the Government-wide Statement of Activities.

(3) This includes Lottery and ABC Profit Transfers, Increase 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 $6.1 million and $9.7 million for FY 2003 and FY 2002, respectively, are included as a reduction to Other Accrued Items.

(4) Prior to FY 2003, Deferred Taxes were reported as Deferred Credit. Also, prior to FY 2003, the estimated underpayments of corporate and individual income taxes were not included in the estimation of the Deferred Credit amount. For additional information describing the calculation of Deferred Taxes, see footnote 1.P.

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

Proprietary Fund Operations of the Primary Government

Section 58.1-4022(D) of the *Code of Virginia* requires that the State Lottery Department transfer to the General Fund the audited balances of the State Lottery Fund, net of established reserves. The Auditor of Public Accounts has certified $375.2 million for transfer to the General Fund for fiscal year 2003. Section 3-1.01.G1 of Chapter 1042, 2003 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, 2003, was $17.8 billion. Of that amount, $5.3 billion (30 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 $917.1 million at June 30, 2003. Included is Section 9(b) debt totaling $410.7 million for Public Facilities, and $43.7 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. In June 2003, $50.4 million in general obligation bonds were sold, representing the first issuance under this authorization. Principal and interest payments on Public Facilities Section 9(b) debt were less than one-tenth of one percent of total General Fund expenditures in fiscal year 2003.

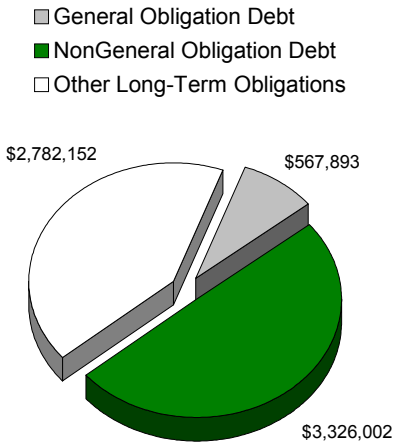
The balance of general obligation debt of $462.7 million, also backed by the full faith and credit of the Commonwealth, consisted of Section 9(c) bonds. Revenue-producing capital projects, primarily auxiliary enterprises of colleges and universities and transportation toll facilities, service these bond 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 $4.4 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 $2.8 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.

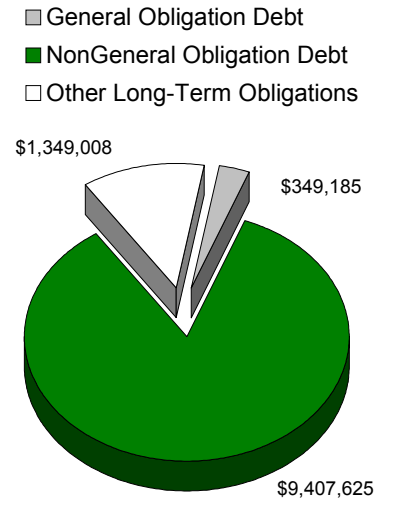
None of the remaining debt of the Commonwealth, which totals $12.5 billion, is supported by tax revenues. The Commonwealth has no direct or indirect pledge of tax revenues to fund reserve deficiencies. However, in some cases, the Commonwealth has made a moral obligation pledge to consider funding deficiencies in debt service reserves that may occur. At June 30, 2003, $2.0 billion, or 16 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 18, as well as in the section entitled "Debt Schedules."

Total Outstanding Debt
Primary Government
June 30, 2003
(Dollars in Thousands) *Figure 6*



Total Outstanding Debt
Component Units
June 30, 2003
(Dollars in Thousands) *Figure 7*



Investment Policy

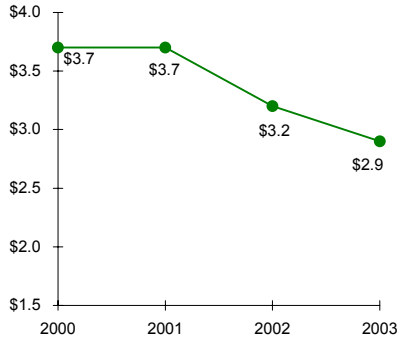
The Commonwealth's primary investment objectives are safety of principal, maintenance of needed liquidity, and attaining a market rate of return throughout budgetary and economic cycles. Accordingly, investments are made in compliance with the *Code of Virginia*, with adherence to specific guidelines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

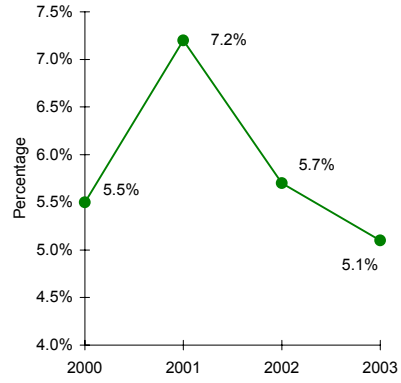
The average daily invested balance (**Figure 8**) for the fiscal year ended June 30, 2003, was $2.9 billion, down $300 million from the fiscal year 2002 average. The average yield or return (**Figure 9**) of 5.1 percent for fiscal year 2003 was below the 5.7 percent return for fiscal year 2002. Lower invested balances and lower interest rates combined to reduce fiscal year 2003 earnings to $147.2 million (**Figure 10**) versus fiscal year 2002 earnings of $178.5 million. During this fiscal year, the Federal Reserve lowered interest rates another 75 basis points. The targeted federal funds rate at June 30, 2003 was 1.00 percent with expectations that it will remain at this level for some time.

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 $2.2 billion for fiscal year ended June 30, 2003, with year-end balances of $2.8 billion. SNAP shareholder balances averaged $2.1 billion for the fiscal year with year-end balances of $2.2 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 accounted for in the Enterprise Funds. Additional information on all risk management programs is presented in Note 15 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 10 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 the primary government or a component unit have been included.

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.

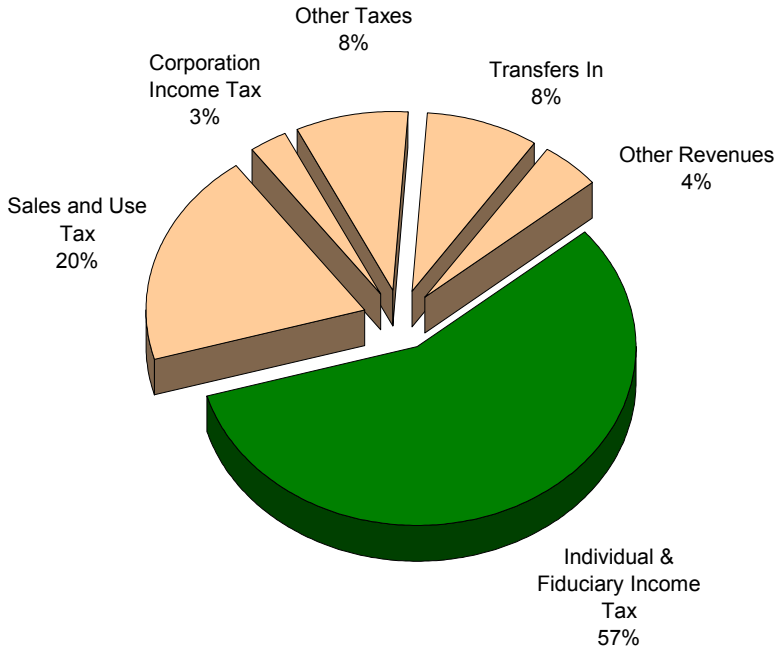
Internal Controls

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 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

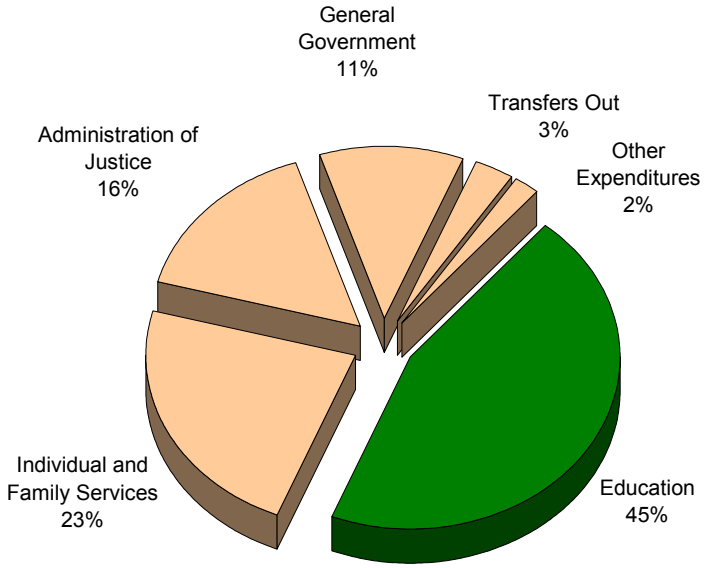
Figure 11
Revenue Dollar
Fiscal Year 2003
(Basis of Budgeting)



Revenues and Other Financing Sources	FY 2003	FY 2002
Individual & Fiduciary Income Tax	57%	58%
Sales and Use Tax	20%	21%
Corporation Income Tax	3%	3%
Other Taxes	8%	7%
Transfers In	8%	7%
Other Revenues	4%	4%
Total	100%	100%

General Fund

Figure 12
Expenditure Dollar
Fiscal Year 2003
(Basis of Budgeting)



Expenditures and Other Financing Uses	FY 2003	FY 2002
Education (1)	45%	46%
Individual and Family Services	23%	21%
Administration of Justice	16%	16%
General Government (2)	11%	11%
Transfers Out	3%	3%
Other Expenditures (3)	2%	3%
Total	100%	100%

(1) Includes fiscal year 2003 and fiscal year 2002 transfers out to higher education institutions, 10% and 11%, respectively, of Total Expenditures and Other Financing Uses.
(2) Includes payments to localities pursuant to the Personal Property Tax Relief Act of 1998, totaling $856.7 million and $826.2 million and 63% and 61% of the fiscal year 2003 and fiscal year 2002, respectively, 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, 2002

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.

President

Executive Director

Virginia Economic Highlights

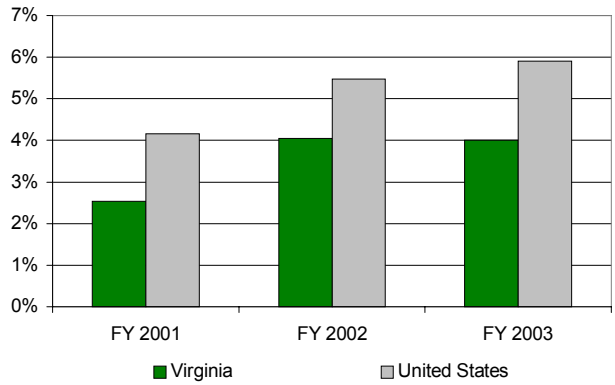
Introduction

Economists at Virginia Commonwealth University's Center for Urban Development prepared this economic highlight section. FY 2003 can be thought of as something of a transitional fiscal year for the Virginia economy. Emerging from FY 2002, which included the September 11 terrorist attacks and the end to a brief recession, the Commonwealth's economy began to grow in FY 2003. Several economic indicators including wages and salaries, personal income, new privately owned housing units authorized, and retail sales finished the fiscal year with positive gains. While employment finished the fiscal year slightly lower, unemployment remained at the same level as FY 2002.

Unemployment

Figure 13 shows unemployment at 4.0 percent for Virginia in FY 2003. In comparison, the United States had an unemployment rate nearly two percentage points higher at 5.9 percent. Over the past three fiscal years, Virginia's unemployment rate has been on average 1.6 percent less than the Nation's. The Charlottesville Metropolitan Statistical Area (MSA) and the Roanoke MSA had unemployment rates lower than the State's at 2.6 percent and 3.5 percent, respectively. The Norfolk-Virginia Beach-Newport News MSA (4.2 percent) and the Richmond-Petersburg MSA (4.1 percent) had essentially the same unemployment rate as Virginia. The Danville MSA (7.8 percent) and the Lynchburg MSA (5.0 percent) had higher unemployment rates than the Commonwealth.

Figure 13
Unemployment Rate: FY 2001 - FY 2003



Source: Bureau of Labor Statistics

Employment

Virginia's total nonfarm employment, 3,495,725 persons in FY 2003, fell for the second straight fiscal year (**Figure 14**). The slight decline, about 0.1 percent, represents a loss of approximately 3,658 jobs. The information sector had the biggest percentage decline, shedding 9.1 percent of its labor force (10,200 jobs). Manufacturing employment continued its downward trend with a 4.0 percent decline or 13,000 jobs. Over the past ten fiscal years, the Commonwealth's manufacturing industry has lost over 55,000 jobs, an average of 5,500 jobs per fiscal year. In FY 1993, Virginia's manufacturing employment comprised 12.9 percent of total nonfarm employment, while in FY 2003 that proportion fell to just 9.0 percent. Other industry sectors that had job losses are natural resources and mining (-6.9 percent or 800 jobs),

Figure 14
Nonfarm Employment, FY 2001 - 2003

	FY 2003 Level (Thousands)	FY 2002-2003 Unit Change (Thousands)	Virginia FY 2001 % Change	Virginia FY 2002 % Change	Virginia FY 2003 % Change	United States FY 2003 % Change
Natural Resources and Mining	10.4	(0.8)	0.8	(2.5)	(6.9)	(4.4)
Construction	209.6	(6.0)	5.4	0.4	(2.8)	(0.6)
Manufacturing	315.4	(13.0)	(3.3)	(7.4)	(4.0)	(4.7)
Trade, Transportation, and Utilities	636.8	(2.7)	1.0	(1.7)	(0.4)	(1.2)
Information	101.8	(10.2)	9.3	(8.4)	(9.1)	(4.7)
Financial Activities	182.6	1.9	2.6	0.2	1.1	0.4
Professional and Business Services	545.4	(6.7)	3.0	(3.0)	(1.2)	(0.9)
Education and Health Services	366.9	13.0	3.5	4.2	3.7	2.8
Leisure and Hospitality	309.5	8.1	2.8	0.4	2.7	0.3
Other Services	178.4	5.2	3.8	5.3	3.0	0.1
Government	638.9	7.4	1.5	0.6	1.2	0.8
Federal	147.6	1.7	(1.5)	(2.7)	1.2	0.4
State	145.1	(0.5)	1.8	(0.5)	(0.3)	(0.2)
Local	346.2	6.2	2.7	2.6	1.8	1.2
Total Nonfarm Employment	3,495.7	(3.7)	2.1	(1.0)	(0.1)	(0.6)

Source: Bureau of Labor Statistics

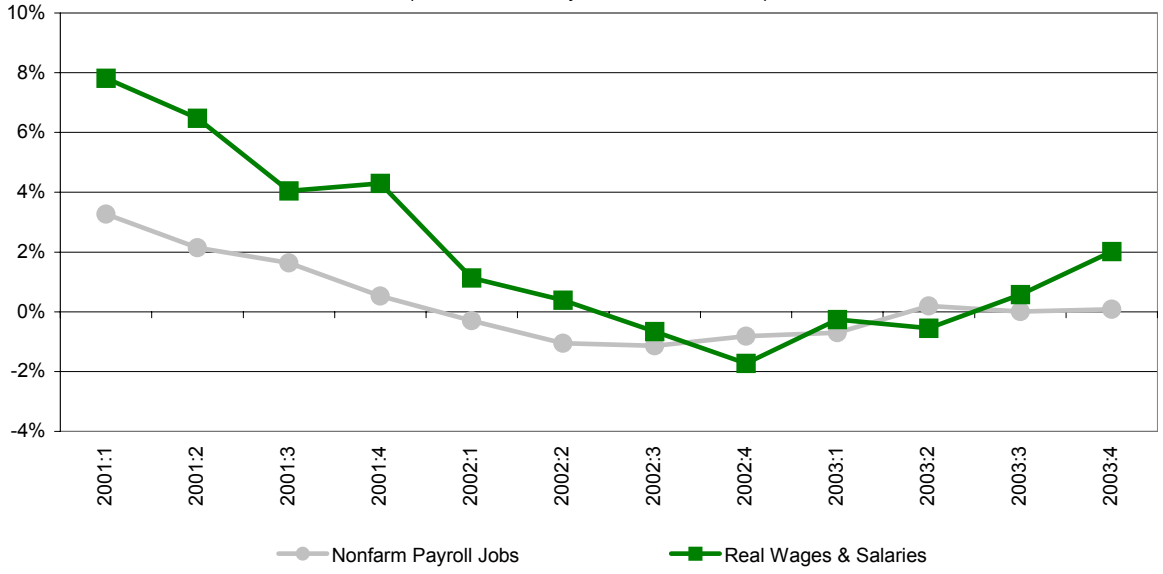
construction (-2.8 percent or 6,000 jobs), trade, transportation and utilities (-0.4 percent or 2,700 jobs) and professional and business services (-1.2 percent or 6,700 jobs). Balancing the declines are the sectors that faired quite well during FY 2003. Gains in financial activities (1.1 percent or 1,900 jobs), education and health services (3.7 percent or 13,000 jobs), leisure and hospitality (2.7 percent or 8,100 jobs), other services (3.0 percent or 5,200 jobs) and total government (1.2 percent or 7,400 jobs) helped Virginia's total nonfarm employment in FY 2003 to remain essentially flat relative to FY 2002.

Figure 15
Nonfarm Employment: Metropolitan and Non-metropolitan Areas

	FY 2003	FY 2002-2003 Unit Change	FY 2002-2003 % Change
Metropolitan Statistical Areas	2,891,467	(6,683)	(0.2)
Bristol	40,742	475	1.2
Charlottesville	87,658	1,183	1.4
Danville	45,817	525	1.2
Lynchburg	99,850	(1,433)	(1.4)
Norfolk-Virginia Beach-Newport News	723,558	2,825	0.4
Northern Virginia	1,181,233	(4,083)	(0.3)
Richmond-Petersburg	568,375	(3,717)	(0.6)
Roanoke	144,233	(2,458)	(1.7)
Non-Metropolitan Statistical Areas	604,258	3,025	0.5

Source: Bureau of Labor Statistics

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



Source: Bureau of Labor Statistics and Bureau of Economic Analysis

Breaking recent trends in the Commonwealth, **Figure 15** shows employment in the non-MSAs grew as employment in the MSAs declined. Non-MSAs added 3,025 jobs, a 0.5 percent growth rate, while MSAs lost 6,683 jobs, a decline of 0.2 percent. The MSAs that had employment losses during FY 2003 are Lynchburg (-1.4 percent or 1,433 jobs), Northern Virginia (-0.3 percent or 4,083 jobs), Richmond-Petersburg (-0.6 percent or 3,717 jobs) and Roanoke (-1.68 percent or 2,458 jobs). The Norfolk-Virginia Beach-Newport News MSA posted a gain in employment of 2,825 or 0.4 percent in FY 2003, followed by Charlottesville at 1,183 jobs or 1.4 percent, Danville at 525 jobs or 1.2 percent and Bristol at 475 jobs or 1.2 percent.

Wages and Salaries

Continuing from the second half of FY 2002, the year-to-year quarterly growth rates in real wages and salaries fell in the first two quarters of FY 2003 (**Figure 16**). The four straight quarters of negative growth over the previous fiscal year's quarters were offset by modest gains in the second half of FY 2003. Growth rates of 0.6 percent and an estimated 2.0 percent (fourth quarter FY 2003 has been forecasted by the Center) in the third and fourth quarters, respectively, helped the real wage and salary year-to-year quarterly growth rate average 0.4 percent in FY 2003 up from -0.6 percent in FY 2002.

Nonfarm year-to-year quarterly growth rates averaged a decline of –0.1 percent in FY 2003 bettering the FY 2002 average of –0.9 percent. Virginia's employment growth compiled five straight quarters of decline that ended in the first quarter of FY 2003. The second, third and fourth quarter growth rates were all positive indicating that employment, an indicator which lags the business cycle, likely has reached its' low point following the most recent recession which ended in November 2001.

In **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 FY 2003 was $40,032, over $1,700 more than the national average of $38,318. The sectors for which Virginia's wages and salaries per job were higher in FY 2003 are: information (+$10,616), professional and business services (+7,474) and government (+$10,234). The sectors for which Virginia's wages and salaries per job were lower in FY 2003 are: natural resources and mining (-$17,408), construction (-$3,038), manufacturing (-$4,971), trade, transportation, and utilities (-$2,087), financial activities (-$5,742), education and heath services (-$1,090), leisure and hospitality (-$2,220) and other services (-$449).

Education and health services (4.8 percent) and government (4.3 percent) recorded the largest percentage increases in wages and salaries per job in FY 2003. Combined, the two sectors added 20,400 jobs. The increased demand for labor in these sectors contributed to the higher compensation. The information sector, which reduced its workforce by 10,200 jobs, recorded the largest percentage decrease (-3.3 percent) in wages and salaries per job.

Figure 17
Wages and Salaries Per Job*

	Virginia Pay/Job FY 2003	United States Pay/Job FY 2003	Virginia Minus United States	Virginia FY 2002-2003 % Change	United States FY 2002-2003 % Change
Natural Resources and Mining	$ 36,837	$ 54,245	$ (17,408)	-0.5	1.7
Construction	38,161	41,199	(3,038)	1.5	0.6
Manufacturing	39,607	44,578	(4,971)	0.3	1.8
Trade, Transportation, and Utilities	31,294	33,382	(2,087)	1.1	1.6
Information	67,002	56,386	10,616	-3.3	-0.5
Financial Activities	51,346	57,088	(5,742)	2.8	0.3
Professional and Business Services	53,484	46,010	7,474	3.1	0.5
Education and Health Services	33,829	34,919	(1,090)	4.8	4.2
Leisure and Hospitality	14,470	16,690	(2,220)	1.0	3.4
Other Services	25,827	26,276	(449)	-1.0	1.2
Government	50,180	39,945	10,234	4.3	3.8
Total Nonfarm Employment	40,032	38,318	1,714	1.9	1.8

*FY 2003 annual rates estimated using the first three quarters of FY 2003

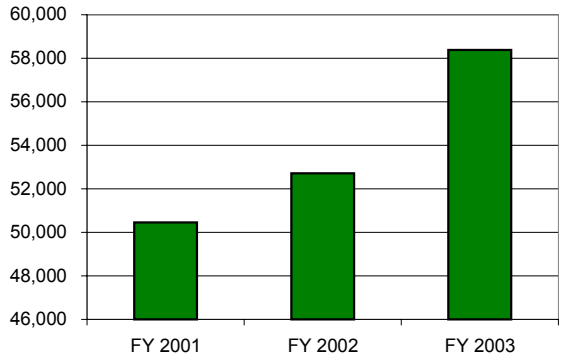
Source: Bureau of Labor Statistics

Figure 18
Personal Income and Wage and Salary Disbursements

	FY03	Annual Growth Rates FY 01	FY 02	FY 03
Virginia Personal Income (in Millions of $)	$243,078	7.8%	2.5%	3.5%
Virginia Wages and Salaries (in Millions of $)	$140,874	8.2%	1.1%	2.3%
United States Personal Income		6.4%	2.0%	3.2%
United States Wages and Salaries		5.9%	0.4%	1.6%
Inflation, PCE Chain-Type Index		2.5%	1.3%	1.9%
Virginia Real Personal Income		5.2%	1.1%	1.6%
Virginia Real Wages and Salaries		5.6%	-0.2%	0.4%
United States Real Personal Income		3.9%	0.6%	1.3%
United States Real Wages and Salaries		3.4%	-0.9%	-0.3%

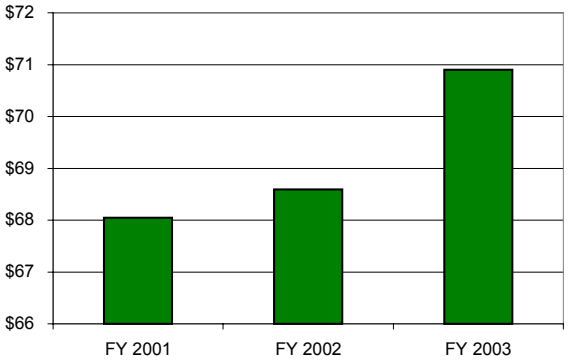
Sources: Bureau of Labor Statistics and Bureau of Economic Analysis

Figure 19
Virginia New Privately Owned Housing Units Authorized



Source: Bureau of the Census

Figure 20
Virginia Retail Sales
(Billions of Dollars)



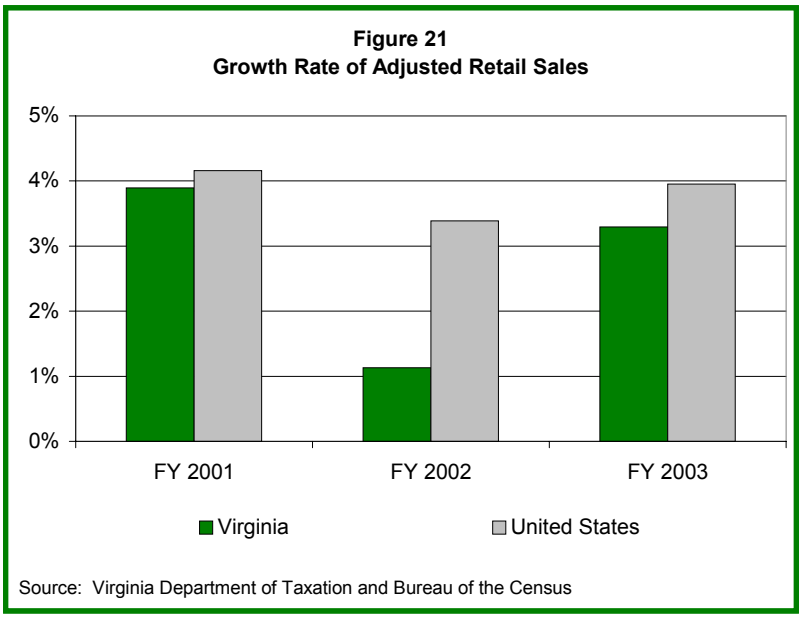
Source: Virginia Department of Taxation

Personal Income

Virginia's personal income is estimated to have reached $243 billion in FY 2003, (fourth quarter has been forecasted by the Center) a 3.5 percent increase over FY 2002 (**Figure 18**). Total wages and salaries comprised about 58 percent of personal income and increased 2.3 percent over FY 2002. For the last three fiscal years, Virginia's personal income and wages and salaries grew at a faster pace than the United States. Further, adjusting for inflation, Virginia's growth in real personal income (1.6 percent) and real wages and salaries (0.4 percent) outpaced the Nation's growth of 1.3 percent and –0.3 percent, respectively.

New Privately Owned Housing Units Authorized

In FY 2003, new privately owned housing units authorized in Virginia jumped 10.7 percent to reach 58,379 (**Figure 19**). Historically low interest rates and a higher risk in the equity markets have spurred new home building over the past two fiscal years. As interest rates increase and returns in the stock markets continue to rise, we would expect new housing units authorized to wane over the next fiscal year. The 2.8 percent reduction in construction payrolls in FY 2003 provides some evidence that a reduced growth rate in new housing construction might be eminent.



Retail Sales

Retail sales amounted to $70.9 billion in FY 2003, a 3.4 percent increase over FY 2002 (**Figure 20**). One category that added to this increase, was lodging sales. The September 11, 2001 attacks dampened lodging sales as fewer people traveled in FY 2002. While lodging sales rebounded in FY 2003, increasing by 5.6 percent or $117 million over FY 2002, they have yet to reach pre-terrorist attack levels.

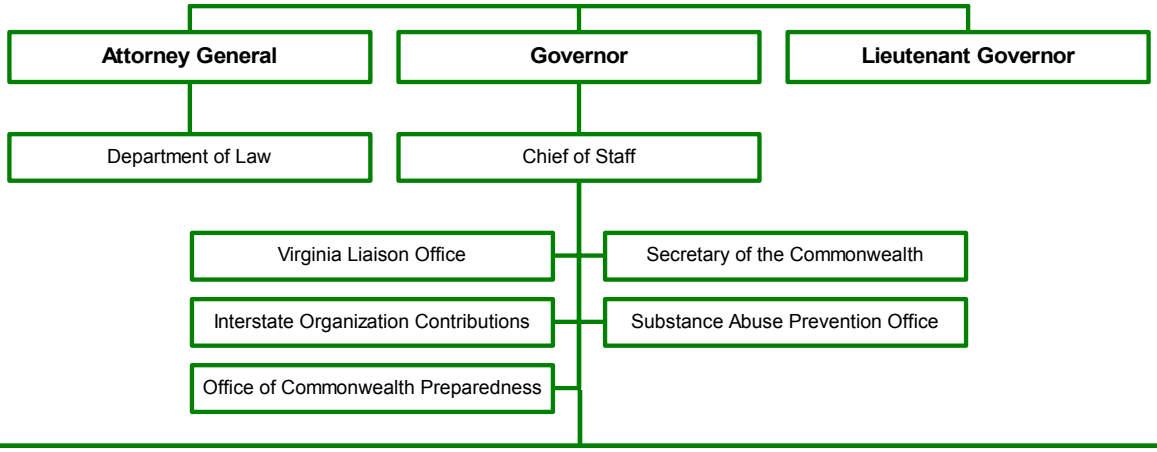
Figure 21 depicts growth rates in adjusted retail sales over the past three fiscal years for Virginia and the United States. To make the two retail sales series comparable, lodging sales were removed from Virginia retail sales, while gasoline and automobile sales were removed from the United States retail sales. Virginia adjusted retail sales grew by 3.3 percent and the United States adjusted retail sales grew by 4.0 percent in FY 2003. The growth rate of adjusted Virginia retail sales tripled from 1.1 percent in FY 2002.

Conclusion

It appears that Virginia's economy has transitioned from recessionary conditions in FY 2002 to an economy showing positive signs of growth in FY 2003. Increases in wages, personal income and subsequent increases in retail sales will continue to push the Commonwealth's economy on its expansionary path. In all likelihood, employment will begin to post positive gains. Virginia will continue to reap the benefits of a diverse, well-educated and talented workforce and its economy should be among the strongest in the United States in FY 2004.

Organization of Executive Branch of Government

As of June 30, 2003



Secretary of Administration
Charitable Gaming Commission
Commission on Local Government
Commonwealth Competition Council
Compensation Board
Department for the Rights of Virginians with Disabilities
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 Public Broadcasting Board
Virginia Veteran's Care Center Board of Trustees

Secretary of Technology
Department of Information Technology
Department of Technology Planning
Innovative Technology Authority
Virginia Information Providers Network Authority

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 & Public Transportation
Department of Transportation
Motor Vehicle Dealer Board
Virginia Port Authority

Secretary of Commerce and Trade
Board of Accountancy
Department of Agriculture & 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
Milk Commission
Virginia Agricultural Council
Virginia Economic Development Partnership
Virginia Employment Commission
Virginia Racing Commission
Virginia Tourism Authority

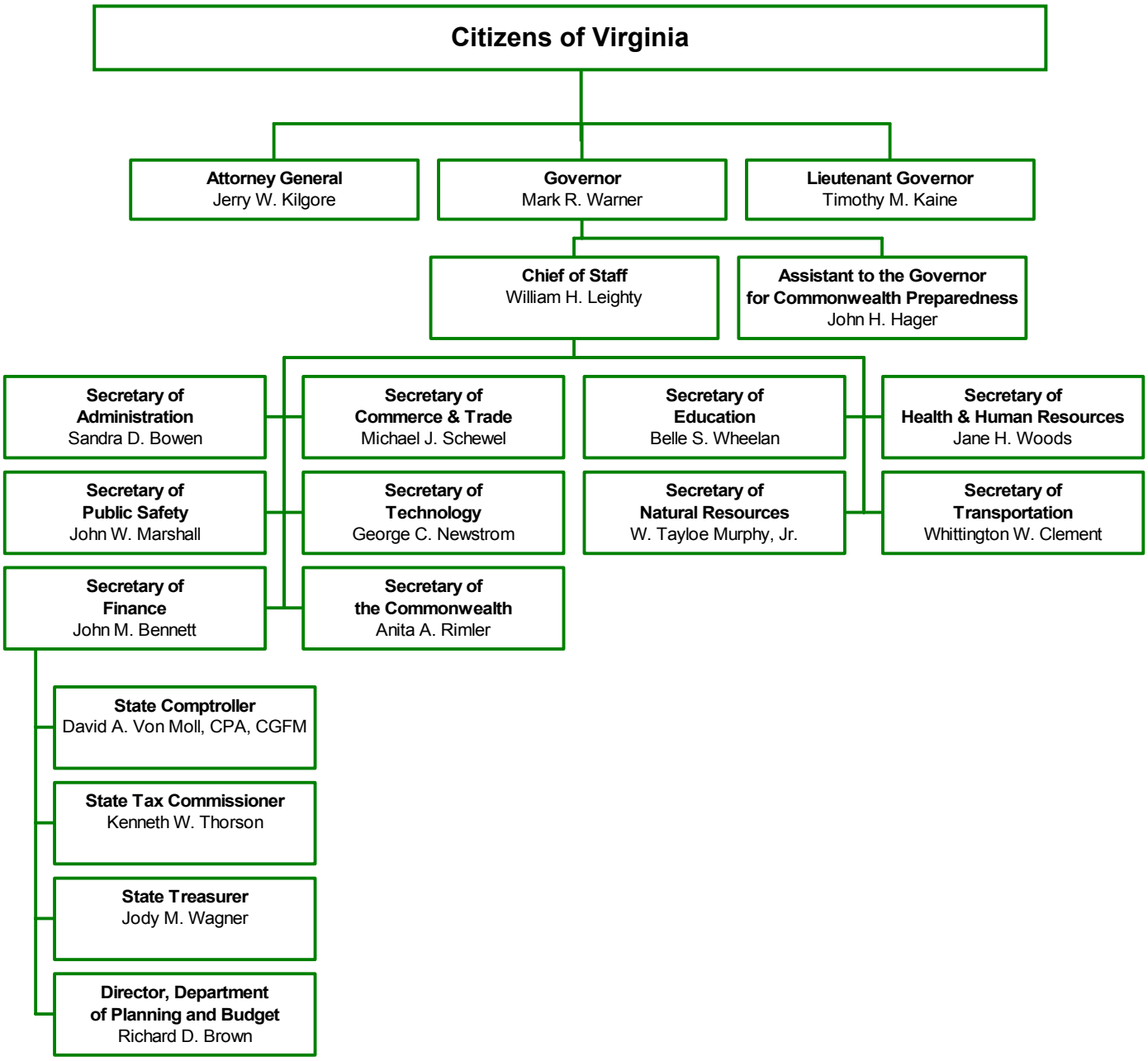
Secretary of Health and Human Resources
Comprehensive Services for At-Risk Youth and Families
Council on Indians
Department for the Aging
Department for the Deaf and Hard of Hearing
Department of Health
Department of Health Professions
Department of Medical Assistance Services
Department of Mental Health,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

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 Plantation
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

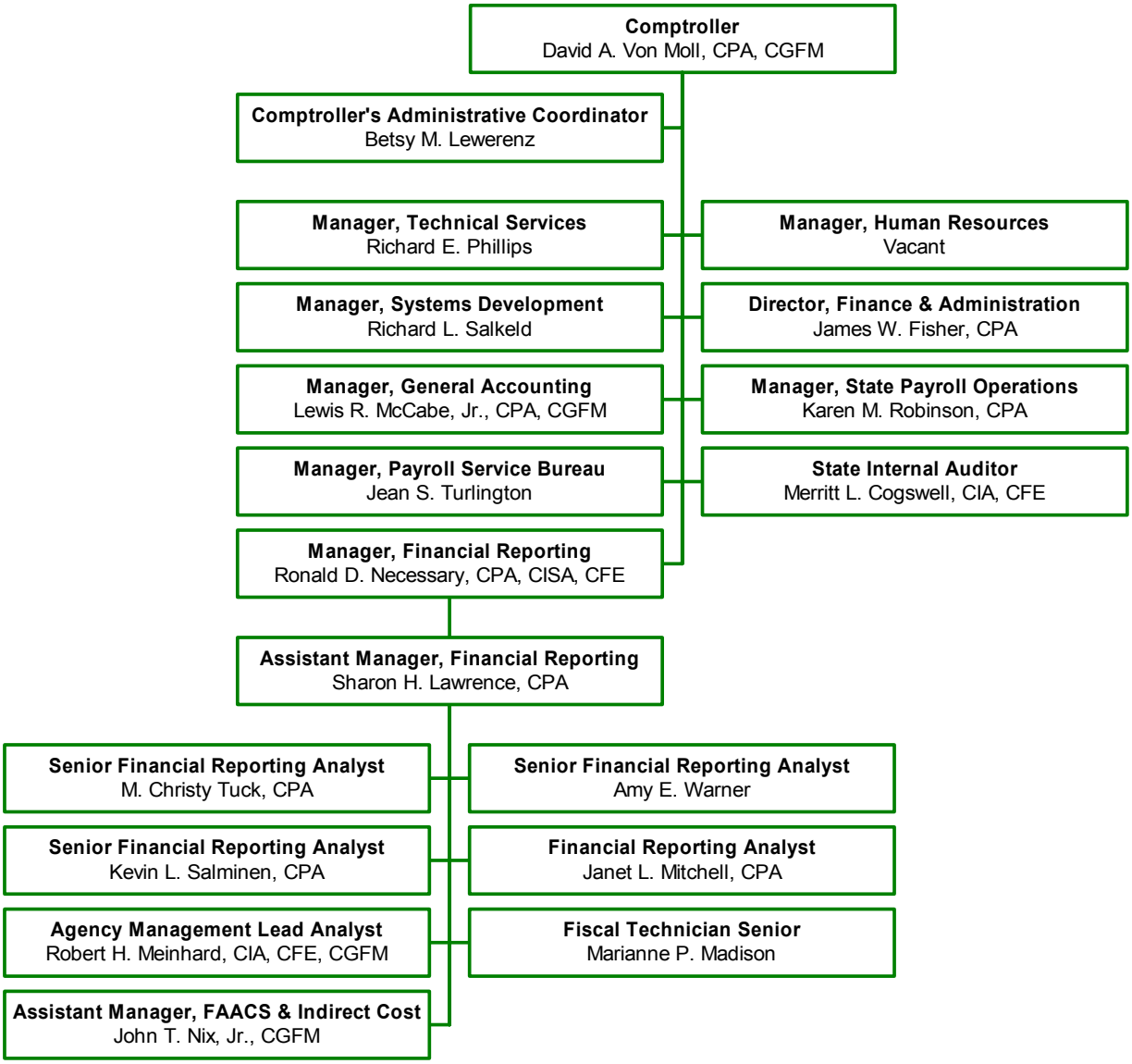
Organization of Government
Selected Government Officials - Executive Branch

As of December 15, 2003



Organization of the Department of Accounts

As of December 15, 2003



FINANCIAL SECTION

Independent Auditor's Report
Management's Discussion and Analysis
Basic Financial Statements
Required Supplementary Information
Combining and Individual Fund Statements and Schedules

Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

December 12, 2003

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

The Honorable Kevin G. Miller
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, 2003, 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 4.49 percent and 0.22 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 42.84 percent and 23.77 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 Virginia Commonwealth University Health System Authority, Pocahontas Parkway Association, Hampton Roads Sanitation District Commission, Certified Nursing Facility Education Initiative, and State Non-Arbitrage Pool were not audited 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 provides 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, 2003, 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 disclosed in Note 1.P to the financial statements, the Commonwealth changed the method for computing its liability related to deferred taxes in fiscal year 2003. As disclosed in Note 27 to the financial statements, the Commonwealth changed its capitalization threshold for reporting capital assets in fiscal year 2003.

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 the Governmental Accounting Standards Board. 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 purpose 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 the Commonwealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants is issued under separate cover in the Commonwealth of Virginia Single Audit Report. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

AUDITOR OF PUBLIC ACCOUNTS

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, 2003. 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 Commonwealth's assets exceeded its liabilities at June 30, 2003, by $11.3 billion. Net assets of governmental activities increased by $548.2 million and net assets of business type activities decreased by $644.1 million. Component units reported an increase in net assets of $482.0 million from June 30, 2002.

Fund Highlights

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of $2.6 billion, an increase of $252.5 million in comparison with the prior year. Of this total fund balance, $2.1 billion represents unreserved fund balance and the remaining $428.8 million represents amounts reserved for specific purposes, such as the Revenue Stabilization Fund and education. The proprietary funds reported net assets at June 30, 2003, of $171.5 million, a decrease of $643.3 million during the year.

Long-term Debt

The Commonwealth's total debt rose during the fiscal year to $17.8 billion, an increase of $424.5 million or 2.4 percent. During fiscal year 2003, the Commonwealth issued $3.4 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 124.

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 the most recent fiscal year. 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 16 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 governmental fund statements, but not deferred on 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 statement, 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 49 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 16 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 12 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 30 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 statement 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 20 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 $11.3 billion during the fiscal year. The net assets of the governmental activities increased $548.2 million or 5.2 percent, while business-type activities had a decrease of $644.1 million or 79.0 percent. The government wide beginning balance was restated due to a change in accounting principle and correction of prior year errors to arrive at a restated beginning balance of $11,400,944.

Figure 22
Net Assets as of June 30, 2003 and 2002
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	$ 5,295,853	$ 4,921,175	$ 2,265,462	$ 2,435,046	$ 7,561,315	$ 7,356,221
Capital assets	12,997,652	12,116,124	359,839	352,387	13,357,491	12,468,511
Total assets	18,293,505	17,037,299	2,625,301	2,787,433	20,918,806	19,824,732
Long-term liabilities outstanding	4,609,965	3,921,764	2,066,082	1,682,817	6,676,047	5,604,581
Other liabilities	2,549,876	2,530,104	387,771	289,103	2,937,647	2,819,207
Total liabilities	7,159,841	6,451,868	2,453,853	1,971,920	9,613,694	8,423,788
Net assets:						
Invested in capital assets, net of related debt	9,811,064	8,891,014	23,585	23,472	9,834,649	8,914,486
Restricted	882,366	1,433,486	438,362	899,794	1,320,728	2,333,280
Unrestricted	440,234	260,931	(290,499)	(107,753)	149,735	153,178
Total net assets	$ 11,133,664	$ 10,585,431	$ 171,448	$ 815,513	$ 11,305,112	$ 11,400,944

The largest portion of the Commonwealth's net assets (87.0 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 (11.7 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 $149.7 million are unrestricted net assets (see Figure 22).

Approximately 94.6 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 Administration of Justice. General revenues normally fund governmental activities. For fiscal year 2003, governmental activity expenses exceeded program revenues, resulting in the use of $13.6 billion in general revenue (primarily taxes). Expenses exceeded net revenues from business-type activities by $196.4 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, 2003 and 2002

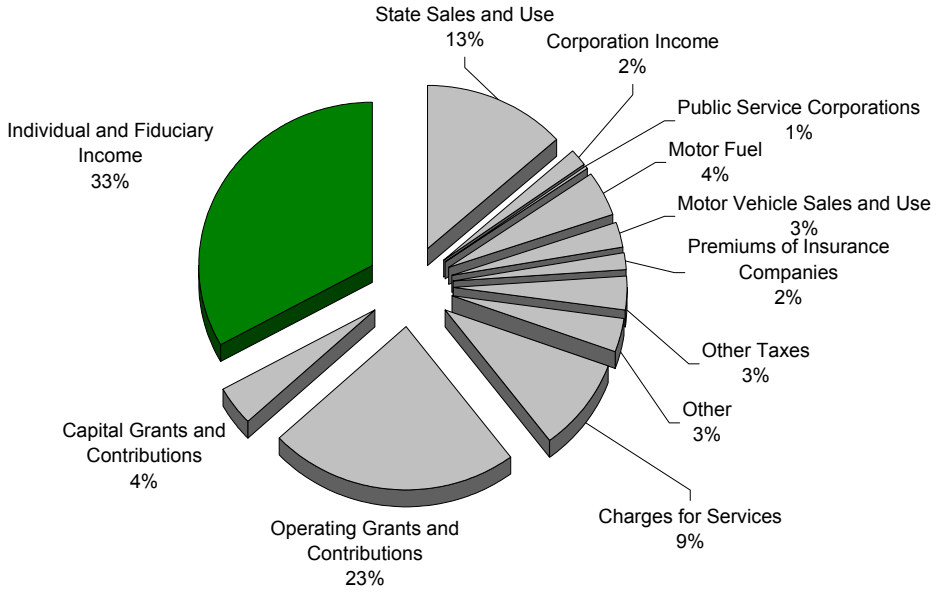
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program Revenues:						
Charges for Services	$ 1,889,639	$ 2,672,386	$ 2,214,499	$ 1,947,754	$ 4,104,138	$ 4,620,140
Operating Grants and Contributions	4,796,300	3,997,917	37,655	277,904	4,833,955	4,275,821
Capital Grants and Contributions	778,648	1,188,434	-	-	778,648	1,188,434
General revenues:						
Taxes:						
Individual and Fiduciary Income	6,815,580	7,029,952	-	-	6,815,580	7,029,952
State Sales and Use	2,735,764	2,658,482	-	-	2,735,764	2,658,482
Corporation Income	326,196	323,026	-	-	326,196	323,026
Public Service Corporations	98,578	82,079	-	-	98,578	82,079
Motor Fuel	881,974	854,340	-	-	881,974	854,340
Motor Vehicle Sales and Use	529,110	526,121	-	-	529,110	526,121
Premiums of Insurance Companies	332,953	293,323	-	-	332,953	293,323
Other Taxes	689,160	602,252	5,145	2,821	694,305	605,073
Unrestricted Grants and Contributions	60,542	60,392	-	-	60,542	60,392
Investment Earnings	135,346	200,445	11,499	14,740	146,845	215,185
Miscellaneous	486,366	164,389	2,339	1,758	488,705	166,147
Contributions to Permanent Funds	27	-	-	-	27	-
Total Revenues	20,556,183	20,653,538	2,271,137	2,244,977	22,827,320	22,898,515
Expenses:						
General Government	1,653,900	1,602,712	-	-	1,653,900	1,602,712
Education	6,484,355	6,405,822	-	-	6,484,355	6,405,822
Transportation	2,210,443	2,194,797	-	-	2,210,443	2,194,797
Resources and Economic Development	668,943	771,184	-	-	668,943	771,184
Individual and Family Services	7,152,617	6,919,239	-	-	7,152,617	6,919,239
Administration of Justice	2,115,050	2,323,021	-	-	2,115,050	2,323,021
Interest and Charges on Long-Term Debt	188,961	224,112	-	-	188,961	224,112
State Lottery	-	-	758,546	742,920	758,546	742,920
Virginia College Savings Plan	-	-	408,425	258,851	408,425	258,851
Pocahontas Parkway	-	-	36,531	25,022	36,531	25,022
Unemployment Insurance	-	-	711,985	656,332	711,985	656,332
Nonmajor	-	-	533,396	476,558	533,396	476,558
Total Expenses	20,474,269	20,440,887	2,448,883	2,159,683	22,923,152	22,600,570
Excess/deficiency before transfers	81,914	212,651	(177,746)	85,294	(95,832)	297,945
Transfers	466,319	424,174	(466,319)	(424,174)	-	-
Increase (Decrease) in net assets	548,233	636,825	(644,065)	(338,880)	(95,832)	297,945
Net assets, July 1, as restated	10,585,431	9,948,606	815,513	1,154,393	11,400,944	11,102,999
Net assets, June 30	$ 11,133,664	$ 10,585,431	$ 171,448	$ 815,513	$ 11,305,112	$ 11,400,944

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 2003



In fiscal year 2003, total general fund revenues rose by 1.8 percent, exceeding the official forecast by $60.4 million. Fiscal year 2003 revenue growth was the fourth weakest since the Commonwealth began keeping revenue forecasting records in 1960. Collections in the two largest sources – individual income tax and sales and use taxes – fell short of their forecasts, while collections of corporate income tax, the tax on the premiums of insurance companies, and recordation taxes grew much faster than expected.

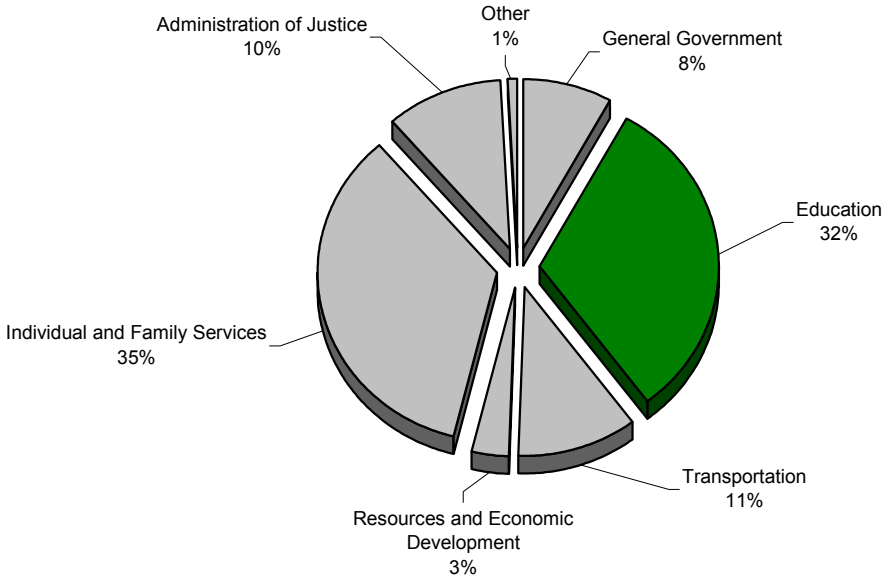
The weak job market hampered growth in individual income taxes, which grew only 1.0 percent for the year. After falling in fiscal year 2002, payroll employment was virtually flat during fiscal year 2003, with monthly growth fluctuating around zero throughout the year. As a result, payroll withholding collections were sluggish. Nonwithholding receipts, largely driven by stock market activity, declined. At the same time, the continued weakness in the economy and more efficient processing of refunds caused refunds to increase. Collections in sales and use taxes fell 3.9 percent in fiscal year 2003. The decline was due to a distortion in payment patterns caused by the collection of July payments in June as required by actions of the 2002 General Assembly. Removing the effects of these accelerated payments, sales and use tax receipts grew a modest 2.1 percent. The worst holiday season in a decade, severe winter weather, and the war in Iraq dampened receipts in this source.

On the positive side, several sources grew significantly more than expected. After two years of double digit declines, collections of corporate income tax posted solid growth of 18.3 percent in fiscal year 2003. Increasing home values and growth in premiums paid by businesses following the terrorist attacks boosted collections in the tax on the premiums of insurance companies. Collections of the recordation tax on mortgages surged 36 percent in fiscal year 2003. The lowest interest rates in forty years sustained not only a strong housing market, but a prolonged boom in refinancing activity. The fall 2003 revenue forecasting process has begun, but the current outlook calls for total general fund revenue growth of 4.6 percent for fiscal year 2004.

Governmental Activities Expenses

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

Figure 25
Expenses by Type – Governmental Activities
FY 2003



Net Assets of Business-type Activities

Net assets of business-type activity decreased by $644.1 million during the fiscal year. Factors contributing to this change were:

- Lottery sales increased by $27.7 million (2.5 percent) over last year to a record $1.135 billion. Net income was a record $386.8 million, an increase of $10.3 million (2.7 percent) from fiscal year 2002. Sales of some Lottery products increased while others declined in fiscal year 2003. Sales of Scratch games and Pick 4 and Cash 5 increased, while Lotto South and Mega Millions declined 17.5 and 10.5 percent, respectively. The decline in Lotto South and Mega Millions sales was due to smaller jackpots in 2003 versus 2002.

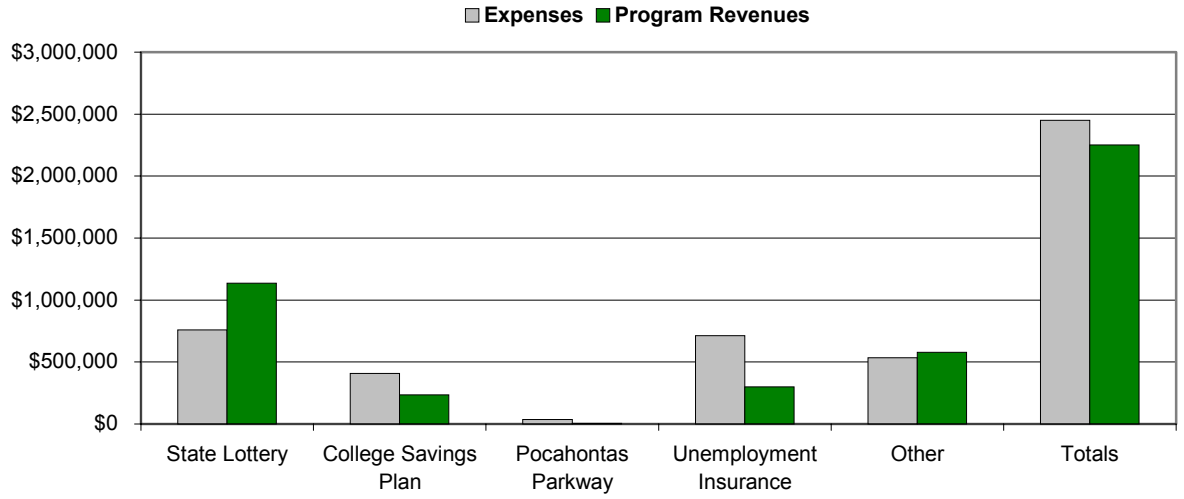
- Virginia College Savings Plan's net assets decreased by $174.7 million due to an increase in actuarially determined tuition benefits payable of $395.6 million, or 50.6 percent. This sharp increase is attributable to unprecedented tuition increases by the State's higher education institutions during the 2002 – 2003 academic year averaging 22 percent, the subsequent changes in actuarial assumptions used for the fiscal year 2003 actuarial valuation in anticipation of continued tuition volatility, and to new contract sales. The decrease in net assets was partially offset by an increase in total cash, cash equivalents, and investments of $151.9 million, or 34.4 percent, which was due to strong investment performance during the last two quarters of the fiscal year and payments received by new and existing contract holders. In addition, tuition contributions receivable, which represents the actuarially determined amount to be collected from contract holders, increased by $69.2 million, or 24.5 percent. The Program's actuarially determined liabilities exceeded actuarially projected assets by approximately 19.7 percent at June 30, 2003, resulting in an unfunded actuarial liability of $232.6 million, which is up from the prior year unfunded liability of $57.9 million. The unfunded liability increased by approximately $85 million for actual tuition increases and $81.6 million for the change in future tuition growth actuarial assumptions.

- Pocahontas Parkway Association became fully operational in 2003 and revenues increased $3.9 million (74 percent) over last year. As of June 2003, actual traffic using the facility is about 95,000 vehicles per week, which is approximately 50 percent of the initial forecast. Investment earnings declined $2.4 million (52 percent) as funds were expended for operations and debt service. Expenses increased to $36.5 million in fiscal year 2003 from $25.2 million in fiscal year 2002, as current operating expenses increased due to the toll road becoming fully operational. The Association's accumulated deficit balance increased to ($75.3) million in fiscal year 2003 from ($48.0) million in fiscal year 2002. This change is due to debt service expenses and operating expenses exceeding revenues by $27.3 million. In December 2002, Standard and Poor's Investment Rating service

downgraded the Pocahontas Parkway Senior Bonds from BBB- to BB. There was no change in the rating from Moody's (Baa3) or Fitch's (BBB-) during the year.

- Unemployment Insurance Fund cash and cash equivalents balance decreased $441 million during fiscal year 2003. This reduction is the result of a continuation of 67 percent of employers still enjoying a zero rate for unemployment insurance in the first half of 2003 and a year of continued economic recession with high unemployment insurance claims. The Commonwealth's average unemployment rate in fiscal year 2003 was 4.0 percent, as compared to 4.1 percent in fiscal year 2002. This year's cash and cash equivalent decrease of 53% or $441 million reflects inflows of $290 million and outflows of $731. The largest part of inflows was unemployment insurance revenues of $216.1 million, an increase of 50% over fiscal year 2002. Revenues from reimbursable employers, including state agencies, increased 105% to $19.8 million, while combined wage reimbursements from other states increased 120% to $18.2 million. Interest earned on the trust fund decreased 40% to $35.9 million. The largest amount of outflows was the unemployment benefit payments of $700.6 million, an increase of 10% over fiscal year 2002. Combined wage payments to other states increased 50% to $17.5 million. Transfers of Reed Act money to the administration account per the Appropriation Act increased from $426 thousand in fiscal year 2002 to $12.9 million in fiscal year 2003.

Figure 26
Business-Type Activities
Program Revenues and Expenses
For the Fiscal Year Ended June 30, 2003
(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 $2.6 billion. Of this total amount, $2.1 billion, or 83.2 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 ($221.0) million and reserved fund balance was $284.5 million. General fund beginning fund balance was restated due to a change in methodology related to deferred tax calculations. The beginning fund balance was restated by $367.5 million, to arrive at an adjusted beginning fund balance of $150.8 million. Total fund balance of the general fund decreased by $87.2 million during the fiscal year. The fiscal year 2003 general fund revenues were 3.9 percent greater than the fiscal year 2002 revenues.

For the 2002-2004 biennium, a revenue shortfall of $2.15 billion existed, $884.5 million in fiscal year 2003 and $1.16 billion in fiscal year 2004. Actions taken by the Governor and 2003 General Assembly to balance the budget included a combination of budget reductions, use of balances, and other funding strategies:

- Use of balances, including $13.4 million existing in the 2002 Appropriation Act, $116.2 million in fiscal year 2002 operating balances and $100.2 million in capital balances in fiscal year 2003 and fiscal year 2004;

- Budget reductions of $1.2 billion ($444.7 million in fiscal year 2003 and $767.3 million in fiscal year 2004);

- Tapping into the state's Revenue Stabilization Fund for $374.4 million ($245.9 million in fiscal year 2003 and $128.5 million in fiscal year 2004). Budget amendments proposing the elimination of the $128.5 million FY 2004 Revenue Stabilization Fund withdrawal will be introduced during the 2004 General Assembly session. In addition to the $30 million in interest planned for deposit during FY 2004-06, $60.4 million is planned for deposit in FY 2006 based on projected FY 2004 revenues;

- Fee increases totaling $23.4 million ($1.6 million in fiscal year 2003 and $21.8 million in fiscal year 2004);

- Resources adjustments totaling $328.5 million ($132.4 million in fiscal year 2003 and $196.1 million in fiscal year 2004);

- Increased interest revenue by suspending fourth quarter nongeneral fund interest allocations by $27.8 million;

Major Special Revenue Fund Highlights

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of $1.3 billion, an increase of $187.9 million from the prior year. The increase in fund balance was largely the result of decreased transportation expenditures and modest increases in motor vehicles tax and motor vehicle sales and use taxes. Additionally, the Priority Transportation Fund did not incur any expenditures as management has chosen to utilize the proceeds of the Federal Highway Reimbursement Anticipation Notes as the first funding source for projects listed in the Virginia Transportation Act of 2000.

The Federal Trust fund balance increased by $126.1 million, primarily due to the inclusion of $120.4 million received pursuant to the Jobs and Growth Tax Relief Act, which remains in fund balance at year-end. The Federal Trust Fund received $861.2 million more in federal funds than the previous year. The majority of the increase in revenue is associated with programs at the Departments of Social Services, Medical Assistance Services, and Education, and other individual and family service agencies.

The Literary Fund fund balance declined by $51.6 million or (12 percent) in fiscal year 2003 from fiscal year 2002. Several factors contributed to this decrease. While net receipts decreased slightly ($4.5 million, or 2 percent) and net disbursements decreased ($38.7 million, or 13 percent), current year disbursements exceeded current year receipts by $51.6 million. This variance is primarily the result of current year disbursements of prior year encumbrances. On an ongoing basis, available balances in the Literary Fund are encumbered when the State Board of Education authorizes loans and subsidy payments to localities for K-12 educational facilities and equipment. The encumbrances represent authorization for the localities to draw the funds, but the draws occur on an as needed basis. As a result, the actual disbursement of funds typically lags the obligation and there generally is a disparity between the receipt of funds and the subsequent disbursement of those funds (sometimes disbursements occur over several years for a specific encumbrance).

The ending cash balance in the Literary Fund was $56 million (which is $40 million or 42 percent below the $96 million balance in fiscal year 2002). Of that amount, $23 million has already been obligated to be disbursed in the future. We will see, however, a continuing decline in available balances in the future. In fiscal year 2002, the General Assembly began to again use available balances in the Literary Fund to subsidize teacher retirement payments ($110 million in fiscal year 2002 and $112 million in fiscal year 2003), thereby reducing the amounts available in the Literary Fund for school loans and subsidies.

Temporary loans outstanding also declined in fiscal year 2003 by $36 million, or (63 percent). This decline is not significant in that as projects are completed and loans are fully disbursed, they are converted to permanent loans and transferred to the Virginia Public School Authority (VPSA). The loans held on behalf of the Literary Fund by the VPSA actually increased by $32 million, or (8 percent). The decline in temporary outstanding loans is really a function of the declining cash balance and the resulting fewer loans being authorized.

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, 2003, amounts to $13.3 billion (net of accumulated depreciation totaling $9.2 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 $881.5 million with the majority attributable to infrastructure increases. The Commonwealth changed its capitalization criteria for financial reporting purposes in fiscal year 2003. 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 9, "Capital Assets."

Figure 27
Capital Assets as of June 30, 2003
(Net of Depreciation)
(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
Land	$ 1,312,911	$ 16,117	$ 1,329,028
Buildings	1,455,631	779	1,456,410
Equipment	220,838	37,041	257,879
Infrastructure	7,072,179	305,902	7,378,081
Construction in progress	2,936,093	-	2,936,093
Total	$ 12,997,652	$ 359,839	$ 13,357,491

Long-term debt. The Commonwealth does not issue debt for operating purposes. At the end of the current fiscal year, the Commonwealth had total debt outstanding of $17.8 billion. Total tax supported debt is $5.3 billion and total debt not supported by taxes is $12.5 billion. Total debt backed by the full faith and credit of the government is $917.1 million and $2.0 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 2003, the Commonwealth issued $3.4 billion of new debt for various projects. Additional information on the Commonwealth's outstanding debt can be found in Note 18, "Long-term Liabilities". 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 2003. 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 2001, 2002 and 2003. 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 2001, 2002 and 2003. The current debt limitation for the Commonwealth is $3.3 billion, $11 billion, and $11 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. In November 2002, the citizens of the Commonwealth authorized a bond issuance of General Obligation Bonds in the amounts of $900.5 million and $119.0 million for capital projects at higher education institutions and state parks, respectively. In June 2003 $50.4 million in general obligation bonds were sold, representing the first issuance under this authorization.

Figure 28
Outstanding Debt as of June 30, 2003
General Obligation and Revenue Bonds
(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
General obligation bonds			
9(B)	$ 454,402	$ -	$ 454,402
9(C)	462,676	-	462,676
Revenue bonds	-	432,563	432,563
Total	$ 917,078	$ 432,563	$ 1,349,641

Economic Factors and Outlook

It appears that Virginia's economy has transitioned from recessionary conditions in fiscal year 2002 to an economy showing positive signs of growth in fiscal year 2003. Wage and salary growth rates of 0.6 percent and estimated 2.0 percent fourth quarter growth rates, helped the real wage and salary year-to-year quarterly growth rate average 0.4 percent in fiscal year 2003 up from –0.6 percent in fiscal year 2002. Retail sales amounted to $70.9 billion in fiscal year 2003, a 3.4 percent increase over fiscal year 2002. Personal income is estimated to have reached $243 billion in fiscal year 2003, a 3.5 percent increase over fiscal year 2002. Increases in wages, personal income and subsequent increases in retail sales will continue to push the Commonwealth's economy on its expansionary path. 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., "Summary of Significant Accounting Policies, The Reporting Entity."

Government-wide Financial Statements

Statement of Net Assets

June 30, 2003
(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents (Notes 1 and 4)	$ 1,708,644	$ 584,356	$ 2,293,000	$ 1,080,227
Investments (Notes 1 and 4)	1,410,504	1,216,899	2,627,403	3,729,788
Receivables, Net (Notes 1 and 5)	1,547,481	465,226	2,012,707	2,688,479
Internal Balances (Note 1)	46,986	(46,986)	-	-
Due from Primary Government (Note 6)	-	-	-	360
Due from Component Units (Note 6)	-	-	-	39,232
Due from External Parties (Fiduciary Funds) (Note 6)	3,851	-	3,851	-
Inventory (Note 1)	99,501	36,842	136,343	44,977
Prepaid Items (Note 1)	5,569	3,149	8,718	50,931
Other Assets (Notes 1 and 7)	8,738	5,976	14,714	149,025
Loans Receivable from Primary Government (Notes 1 and 6)	-	-	-	161,640
Loans Receivable from Component Units (Notes 1 and 6)	464,579	-	464,579	-
Restricted Cash and Cash Equivalents (Notes 4 and 8)	-	-	-	691,434
Restricted Investments (Notes 4 and 8)	-	-	-	2,977,415
Other Restricted Assets (Note 8)	-	-	-	5,197,303
Nondepreciable Capital Assets (Notes 1 and 9)	4,249,004	16,117	4,265,121	1,050,204
Depreciable Capital Assets, Net (Notes 1 and 9)	8,748,648	343,722	9,092,370	4,442,446
Total Assets	18,293,505	2,625,301	20,918,806	22,303,461
Liabilities				
Accounts Payable (Notes 1 and 16)	592,034	33,347	625,381	570,164
Amounts Due to Other Governments	402,105	2,527	404,632	75,292
Due to Component Units (Note 6)	360	-	360	39,232
Due to External Parties (Fiduciary Funds) (Note 6)	217	-	217	-
Deferred Revenue (Note 1)	110,296	5,198	115,494	210,599
Claims Payable (Notes 1 and 15)	267,985	22,888	290,873	-
Obligations Under Securities Lending Program (Notes 1 and 4)	208,152	235,626	443,778	183,946
Other Liabilities (Notes 1 and 17)	807,087	88,185	895,272	557,097
Loans Payable to Primary Government (Notes 1 and 6)	-	-	-	464,579
Loans Payable to Component Units (Notes 1 and 6)	161,640	-	161,640	-
Long-term Liabilities:				
Due Within One Year (Notes 1, 14, and 18)	417,510	109,581	527,091	951,190
Due in More Than One Year (Notes 1, 14, and 18)	4,192,455	1,956,501	6,148,956	10,154,628
Total Liabilities	7,159,841	2,453,853	9,613,694	13,206,727

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	9,811,064	23,585	9,834,649	3,824,982
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	368,387
Permanent Funds	24,054	-	24,054	-
Expendable:				
Higher Education	-	-	-	1,518,796
Permanent Funds	886	-	886	-
Revenue Stabilization Fund	247,481	-	247,481	-
Loan Funds	372,819	-	372,819	-
Gifts and Grants	150,854	-	150,854	-
Unemployment Compensation	-	414,009	414,009	-
Capital Projects/Construction/Capital Acquisition	500	(15,231)	(14,731)	852,508
Debt Service	85,772	38,550	124,322	83,777
Retainage	-	1,034	1,034	-
Bond Indenture	-	-	-	1,173,258
Unrestricted	440,234	(290,499)	149,735	1,275,026
Total Net Assets	$ 11,133,664	$ 171,448	$ 11,305,112	$ 9,096,734

Statement of Activities

For the Fiscal Year Ended June 30, 2003
(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	$ 1,653,900	$ 195,200	$ 47,744	$ -
Education	6,484,355	303,844	530,150	473
Transportation	2,210,443	523,215	22,783	761,829
Resources and Economic Development	668,943	205,119	169,671	1,536
Individual and Family Services	7,152,617	340,729	3,977,181	-
Administration of Justice	2,115,050	321,532	48,771	14,810
Interest and Charges on Long Term Debt	188,961	-	-	-
Total Governmental Activities	20,474,269	1,889,639	4,796,300	778,648
Business-Type Activities:				
State Lottery	758,546	1,135,730	-	-
Virginia College Savings Plan	408,425	233,803	-	-
Pocahontas Parkway	36,531	5,111	-	-
Unemployment Insurance	711,985	263,348	35,892	-
Other	533,396	576,507	1,763	-
Total Business-Type Activities	2,448,883	2,214,499	37,655	-
Total Primary Government	$ 22,923,152	$ 4,104,138	$ 4,833,955	$ 778,648
Component Units				
Virginia Housing Development Authority	476,960	430,118	113,980	-
Virginia Public School Authority	127,047	126,037	-	-
Higher Education				
Major	3,552,384	2,217,971	741,741	30,411
Nonmajor	2,326,045	909,691	362,926	14,038
Other Nonmajor	490,180	372,581	22,583	37,766
Total Component Units	$ 6,972,616	$ 4,056,398	$ 1,241,230	$ 82,215

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
Special Items
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
$ (1,410,956)	$ -	$ (1,410,956)	$ -
(5,649,888)	-	(5,649,888)	-
(902,616)	-	(902,616)	-
(292,617)	-	(292,617)	-
(2,834,707)	-	(2,834,707)	-
(1,729,937)	-	(1,729,937)	-
(188,961)	-	(188,961)	-
(13,009,682)	-	(13,009,682)	-
-	377,184	377,184	-
-	(174,622)	(174,622)	-
-	(31,420)	(31,420)	-
-	(412,745)	(412,745)	-
-	44,874	44,874	-
-	(196,729)	(196,729)	-
$ (13,009,682)	$ (196,729)	$ (13,206,411)	$ -
-	-	-	67,138
-	-	-	(1,010)
-	-	-	(562,261)
-	-	-	(1,039,390)
-	-	-	(57,250)
$ -	$ -	$ -	$ (1,592,773)
6,815,580	-	6,815,580	-
2,735,764	-	2,735,764	-
326,196	-	326,196	-
98,578	-	98,578	-
881,974	-	881,974	-
529,110	-	529,110	-
332,953	-	332,953	-
689,160	5,145	694,305	-
-	-	-	1,447,314
60,542	-	60,542	53,406
135,346	11,499	146,845	264,930
486,366	2,339	488,705	42,099
27	-	27	-
-	-	-	23,149
-	-	-	31,335
-	-	-	129,850
-	-	-	90,017
466,319	(466,319)	-	-
-	-	-	(7,310)
13,557,915	(447,336)	13,110,579	2,074,790
548,233	(644,065)	(95,832)	482,017
10,585,431	815,513	11,400,944	8,614,717
$ 11,133,664	$ 171,448	$ 11,305,112	$ 9,096,734

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 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, 2003
(Dollars in Thousands)

	General	Special Revenue: Commonwealth Transportation	Special Revenue: Federal Trust	Special Revenue: Literary
Assets				
Cash and Cash Equivalents (Notes 1 and 4)	$ 269	$ 782,433	$ 203,012	$ 56,320
Investments (Notes 1 and 4)	714,678	518,498	1,822	5,814
Receivables (Net) (Notes 1 and 5)	738,264	246,442	444,794	38,030
Due from Other Funds (Note 6)	6,795	23,563	565	-
Due from External Parties (Fiduciary Funds) (Note 6)	-	-	3,501	-
Interfund Receivable (Note 6)	-	-	-	-
Inventory (Note 1)	37,065	40,724	1,360	-
Prepaid Items (Note 1)	-	1,235	-	-
Other Assets (Notes 1 and 7)	3,125	1,301	2,681	-
Loans Receivable from Component Units (Notes 1 and 6)	-	-	-	452,912
Total Assets	$ 1,500,196	$ 1,614,196	$ 657,735	$ 553,076
Liabilities and Fund Balances				
Accounts Payable (Notes 1 and 16)	$ 187,998	$ 180,412	$ 103,248	$ 182
Amounts Due to Other Governments	226,163	53,848	120,908	-
Due to Other Funds (Note 6)	35,283	16,755	8,570	-
Due to Component Units (Note 6)	-	-	-	-
Due to External Parties (Fiduciary Funds) (Note 6)	217	-	-	-
Interfund Payable (Note 6)	-	6,000	7,670	-
Deferred Revenue (Note 1)	290,347	45,771	51,457	12,621
Deferred Taxes (Note 1)	168,087	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 4)	116,629	59,514	1,822	5,814
Other Liabilities (Notes 1 and 17)	409,972	5	222,620	-
Loans Payable to Component Units (Notes 1 and 6)	-	-	-	161,640
Long-Term Liabilities (Notes 1, 14, and 18)	1,936	322	92	-
Total Liabilities	1,436,632	362,627	516,387	180,257
Fund Balances Reserved for (Note 1):				
Revenue Stabilization Fund	247,481	-	-	-
Inventory	37,065	40,724	1,360	-
Prepaid Items	-	1,235	-	-
Debt Service	-	-	-	-
Donations	-	-	-	-
Capital Acquisition	-	-	-	-
Fund Balances Unreserved, Reported in (Note 1):				
General Funds	(220,982)	-	-	-
Special Revenue Funds	-	1,209,610	139,988	372,819
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
Total Fund Balances	63,564	1,251,569	141,348	372,819
Total Liabilities and Fund Balances	$ 1,500,196	$ 1,614,196	$ 657,735	$ 553,076

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

Nonmajor Governmental Funds	Total Governmental Funds
$ 510,558	$ 1,552,592
159,498	1,400,310
65,023	1,532,553
8,508	39,431
350	3,851
45,803	45,803
6,585	85,734
1	1,236
619	7,726
11,667	464,579
$ 808,612	$ 5,133,815
$ 47,005	$ 518,845
507	401,426
4,301	64,909
360	360
-	217
-	13,670
16,700	416,896
-	168,087
14,179	197,958
3,875	636,472
-	161,640
229	2,579
87,156	2,583,059
-	247,481
6,585	85,734
1	1,236
85,772	85,772
8,091	8,091
500	500
-	(220,982)
482,279	2,204,696
113,288	113,288
24,940	24,940
721,456	2,550,756
$ 808,612	$ 5,133,815

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

June 30, 2003
(Dollars in Thousands)

Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)	$	2,550,756
When capital assets (land, buildings, equipment, improvements, CIP, 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.		12,932,171
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		(447,009)
Capital Lease		(249,098)
Installment Purchases		(16,932)
Compensated Absences		(295,329)
Uninsured Employer's Fund		(20,082)
Regional Jails		(18,252)
Bonds		(3,461,332)
Notes		(15,952)
Other Obligations		(54,415)
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.		(83,683)
Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds.		(48,396)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		341,318
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.		19,899
Net assets of governmental activities (see Government-wide Statement of Net Assets)	$	11,133,664

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

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

		Special Revenue		
	General	Commonwealth Transportation	Federal Trust	Literary
Revenues				
Taxes	$ 10,434,082	$ 1,780,796	$ -	$ -
Rights and Privileges	63,762	436,244	67	445
Institutional Revenue	7,897	-	-	-
Interest, Dividends, Rents, and Other Investment Income (Note 1)	105,923	32,843	427	37,758
Federal Grants and Contracts	-	753,491	4,741,679	-
Other (Note 19)	356,601	61,239	74,839	150,886
Total Revenues	10,968,265	3,064,613	4,817,012	189,089
Expenditures				
Current:				
General Government	1,417,369	1,641	42,434	264
Education	5,443,136	2,195	520,503	252,720
Transportation	36	3,016,222	13,069	-
Resources and Economic Development	207,038	1,912	168,618	-
Individual and Family Services	2,752,640	-	3,874,535	-
Administration of Justice	1,863,144	5,445	53,250	-
Capital Outlay	18,620	12,698	20,306	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	11,701,983	3,040,113	4,692,715	252,984
Revenues Over (Under) Expenditures	(733,718)	24,500	124,297	(63,895)
Other Financing Sources (Uses)				
Transfers In (Note 24)	971,807	145,254	16,681	12,320
Transfers Out (Note 24)	(385,290)	(646,912)	(14,916)	-
Proceeds from Notes Payable	-	6,600	-	-
Proceeds from Capital Leases	60,010	-	-	-
Bonds Issued	-	608,089	-	-
Premium on Bond Issuance	-	50,322	-	-
Refunding Bonds Issued	-	-	-	-
Payments to Refunded Bond Escrow Agents	-	-	-	-
Total Other Financing Sources (Uses)	646,527	163,353	1,765	12,320
Net Change in Fund Balances	(87,191)	187,853	126,062	(51,575)
Fund Balance, July 1, as restated (Note 28)	150,755	1,063,716	15,286	424,394
Fund Balance, June 30	$ 63,564	$ 1,251,569	$ 141,348	$ 372,819

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

Nonmajor Governmental Funds	Total Governmental Funds
$ 136,573	$ 12,351,451
188,199	688,717
325,862	333,759
14,164	191,115
29,174	5,524,344
327,026	970,591
1,020,998	20,059,977
87,735	1,549,443
31,479	6,250,033
14,834	3,044,161
263,088	640,656
507,194	7,134,369
110,055	2,031,894
55,976	107,600
195,265	195,265
180,728	180,728
1,446,354	21,134,149
(425,356)	(1,074,172)
496,934	1,642,996
(114,279)	(1,161,397)
-	6,600
-	60,010
105,400	713,489
51,962	102,284
573,124	573,124
(610,407)	(610,407)
502,734	1,326,699
77,378	252,527
644,078	2,298,229
$ 721,456	$ 2,550,756

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, 2003
(Dollars in Thousands)

Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds)	$ 252,527
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.	1,077,409
Note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets.	(6,600)
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	(713,489)
Bond Premiums	(102,284)
Refunding Bonds Issued	(573,124)
Repayment of bond principal	195,265
Payment to refunded bond escrow agent	610,407
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	(148,100)
Capital Lease	7,074
Installment Purchases	3,429
Compensated Absences	4,339
Uninsured Employer's Fund	202
Regional Jails	12,267
Bonds	(4,269)
Notes	(741)
Interest	(7,478)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	206,179
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.	6,235
Some expenses are eliminated from the Statement of Activities due to the availability of long-term financial resources.	7,908
The net effect of various miscellaneous transactions involving capital assets is to decrease net assets (i.e., sales).	(247,206)
The net revenue (expenses) of certain activities of internal service funds is reported within governmental activities.	(31,717)
Change in net assets of governmental activities (See Government-wide Statement of Activities)	$ 548,233

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

The Unemployment Compensation Fund administers the temporary partial income replacement payments to unemployed covered workers.

Nonmajor Enterprise Funds include those operations of State agencies which are listed on page 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, 2003
(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)	$ 10,377	$ 81,513	$ 19,697	$ 396,471
Investments (Notes 1 and 4)	286,075	1,020	-	-
Receivables, Net (Notes 1 and 5)	34,738	129,896	772	58,110
Due From Other Funds (Note 6)	-	-	-	1,379
Inventory (Note 1)	4,358	-	-	-
Prepaid Items (Note 1)	2,354	-	26	-
Other Assets (Notes 1 and 7)	5	-	-	-
Total Current Assets	337,907	212,429	20,495	455,960
Noncurrent Assets:				
Investments (Notes 1 and 4)	364,439	510,634	35,305	-
Receivables, Net	-	223,880	-	-
Prepaid Items (Note 1)	-	-	-	-
Other Assets (Notes 1 and 7)	-	-	5,733	-
Nondepreciable Capital Assets (Notes 1 and 9)	-	-	14,435	-
Depreciable Capital Assets, Net (Notes 1 and 9)	17,422	165	305,902	-
Total Noncurrent Assets	381,861	734,679	361,375	-
Total Assets	719,768	947,108	381,870	455,960
Liabilities				
Current Liabilities:				
Accounts Payable (Notes 1 and 16)	9,566	469	1,326	-
Amounts Due to Other Governments	-	-	-	2,527
Due to Other Funds (Note 6)	231	22	-	149
Interfund Payable (Note 6)	-	-	-	-
Deferred Revenue (Note 1)	3,028	-	-	-
Claims Payable (Notes 1 and 15)	-	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 4)	228,794	1,020	-	-
Other Liabilities (Notes 1 and 17)	45,287	185	3,420	39,088
Long-Term Liabilities Due Within One Year (Notes 1, 14, and 18)	60,884	44,476	-	-
Total Current Liabilities	347,790	46,172	4,746	41,764
Noncurrent Liabilities:				
Interfund Payable (Note 6)	-	-	-	-
Claims Payable (Notes 1 and 15)	-	-	-	-
Other Liabilities (Notes 1 and 17)	-	-	19,899	-
Long-Term Liabilities Due in More Than One Year (Notes 1, 14, and 18)	374,045	1,133,654	432,563	-
Total Noncurrent Liabilities	374,045	1,133,654	452,462	-
Total Liabilities	721,835	1,179,826	457,208	41,764
Net Assets				
Invested in Capital Assets, Net of Related Debt	7,955	165	-	-
Restricted for Unemployment Insurance	-	-	-	414,009
Restricted for Construction	-	-	(15,418)	-
Restricted for Retainage			1,034	-
Restricted for Debt Service	-	-	38,550	-
Restricted for Capital Acquisition	-	-	-	187
Unrestricted	(10,022)	(232,883)	(99,504)	-
Total Net Assets	$ (2,067)	$ (232,718)	$ (75,338)	$ 414,196

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.

Nonmajor	Totals	Governmental Activities Internal Service Funds
$ 76,298	$ 584,356	$ 157,061
5,870	292,965	10,194
17,830	241,346	14,928
-	1,379	30,400
32,484	36,842	13,767
769	3,149	3,493
238	243	1,012
133,489	1,160,280	230,855
13,556	923,934	-
-	223,880	-
-	-	840
-	5,733	-
1,682	16,117	150
20,233	343,722	65,331
35,471	1,513,386	66,321
168,960	2,673,666	297,176
21,986	33,347	24,679
-	2,527	679
5,689	6,091	210
22,300	22,300	1,448
2,170	5,198	34,832
22,888	22,888	120,365
5,812	235,626	10,194
205	88,185	2,528
4,221	109,581	7,751
85,271	525,743	202,686
-	-	8,385
-	-	147,620
-	19,899	-
16,239	1,956,501	22,243
16,239	1,976,400	178,248
101,510	2,502,143	380,934
15,465	23,585	42,493
-	414,009	-
-	(15,418)	-
-	1,034	-
-	38,550	-
-	187	-
51,985	(290,424)	(126,251)
$ 67,450	$ 171,523	$ (83,758)

$	(75)
$	171,448

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

For the Fiscal Year Ended June 30, 2003
(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	$ 1,135,730	$ 198,916	$ 5,111	$ 263,348
Interest, Dividends, Rents, and Other Investment Income (Note 1)	-	34,887	2,246	-
Other (Note 19)	-	-	1,850	-
Total Operating Revenues	1,135,730	233,803	9,207	263,348
Operating Expenses:				
Cost of Sales and Services	71,016	-	-	-
Prizes and Claims (Note 20)	625,872	-	-	711,985
Tuition Benefits Expense	-	403,666	-	-
Personal Services	19,038	2,484	-	-
Contractual Services	30,362	1,996	2,667	-
Supplies and Materials	2,149	35	-	-
Depreciation and Amortization (Note 21)	6,546	62	9,046	-
Rent, Insurance, and Other Related Charges	3,346	148	-	-
Interest Expense	-	-	24,818	-
Non-recurring Cost Estimate Payments to Providers	-	-	-	-
Other (Note 22)	-	21	-	-
Total Operating Expenses	758,329	408,412	36,531	711,985
Operating Income (Loss)	377,401	(174,609)	(27,324)	(448,637)
Nonoperating Revenues (Expenses):				
Interest, Dividends, Rents, and Other Investment Income (Note 1)	9,253	37	-	35,892
Other (Note 23)	173	(37)	-	-
Total Nonoperating Revenues (Expenses)	9,426	-	-	35,892
Income (Loss) Before Transfers	386,827	(174,609)	(27,324)	(412,745)
Transfers In (Note 24)	-	-	-	-
Transfers Out (Note 24)	(387,505)	(106)	-	(12,860)
Change in Net Assets	(678)	(174,715)	(27,324)	(425,605)
Total Net Assets (Deficit), July 1	(1,389)	(58,003)	(48,014)	839,801
Total Net Assets (Deficit), June 30 (Note 29)	$ (2,067)	$ (232,718)	$ (75,338)	$ 414,196

Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.
Change in Net Assets of business-type activities

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

Nonmajor	Totals	Governmental Activities Internal Service Funds
$ 561,066	$ 2,164,171	$ 879,639
249	37,382	1,872
17,484	19,334	-
578,799	2,220,887	881,511
243,419	314,435	55,716
106,682	1,444,539	641,308
-	403,666	-
76,750	98,272	44,710
37,103	72,128	101,359
12,581	14,765	6,750
3,381	19,035	16,470
13,861	17,355	23,563
96	24,914	463
35,076	35,076	-
3,422	3,443	9,118
532,371	2,447,628	899,457
46,428	(226,741)	(17,946)
4,291	49,473	2,783
124	260	(2,012)
4,415	49,733	771
50,843	(177,008)	(17,175)
7,228	7,228	347
(73,076)	(473,547)	(15,627)
(15,005)	(643,327)	(32,455)
82,455	814,850	(51,303)
$ 67,450	$ 171,523	$ (83,758)

$ (738)
$ (644,065)

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2003
(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	$ 1,137,380	$ 128,956	$ 5,111	$ 246,805
Receipts from Investments	-	-	3,162	-
Internal Activity-Receipts from Other Funds	-	-	-	7,276
Internal Activity-Payments to Other Funds	-	(501)	-	-
Payments to Suppliers for Goods and Services	(71,828)	(65)	-	-
Payments for Prizes, Claims, and Loss Control (Note 31)	(695,060)	-	-	(718,097)
Payments for Tuition Benefits	-	(7,528)	-	-
Payments to Employees	(18,324)	(2,277)	-	-
Payments to Providers for Non-recurring Cost Estimates	-	-	-	-
Payments for Interest	-	-	(9,215)	-
Other Operating Revenue (Note 31)	-	-	2,400	-
Other Operating Expense (Note 31)	(27,242)	(2,074)	(1,098)	-
Net Cash Provided by (Used for) Operating Activities	324,926	116,511	360	(464,016)
Cash Flows from Noncapital Financing Activities:				
Transfers In From Other Funds	-	-	-	-
Transfers Out to Other Funds	(387,407)	(106)	-	(12,860)
Other Noncapital Financing Receipt Activities (Note 31)	1,252	-	-	-
Other Noncapital Financing Disbursement Activities (Note 31)	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(386,155)	(106)	-	(12,860)
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(3,117)	(15)	-	-
Payment of Principal and Interest on Bonds and Notes	(3,183)	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Other Capital and Related Financing Disbursement Activities (Note 31)	-	-	(13,560)	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(6,300)	(15)	(13,560)	-
Cash Flows from Investing Activities:				
Purchase of Investments	-	(1,066,333)	(27,559)	-
Proceeds from Sales or Maturities of Investments	58,966	976,507	49,205	-
Investment Income on Cash, Cash Equivalents, and Investments	8,604	13,237	-	35,892
Net Cash Provided by (Used for) Investing Activities	67,570	(76,589)	21,646	35,892
Net Increase (Decrease) in Cash and Cash Equivalents	41	39,801	8,446	(440,984)
Cash and Cash Equivalents, July 1	10,341	41,712	11,251	837,455
Cash and Cash Equivalents, June 30	$ 10,382	$ 81,513	$ 19,697	$ 396,471
Reconciliation of Cash and Cash Equivalents:				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	$ 10,377	$ 81,513	$ 19,697	$ 396,471
Cash and Travel Advances	5	-	-	-
Cash and Cash Equivalents per the Statement of Cash Flows	$ 10,382	$ 81,513	$ 19,697	$ 396,471

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

Nonmajor	Totals	Governmental Activities Internal Service Funds
$ 563,656	$ 2,081,908	$ 706,006
-	3,162	-
3,422	10,698	201,679
(527)	(1,028)	(8,686)
(270,400)	(342,293)	(73,708)
(110,219)	(1,523,376)	(629,275)
-	(7,528)	-
(76,327)	(96,928)	(50,085)
(32,468)	(32,468)	-
-	(9,215)	-
8,424	10,824	10
(33,786)	(64,200)	(109,525)
51,775	29,556	36,416
7,228	7,228	1,631
(183,494)	(583,867)	(16,911)
112,319	113,571	355
(2,637)	(2,637)	(1,424)
(66,584)	(465,705)	(16,349)
(2,754)	(5,886)	(5,884)
(1,359)	(4,542)	(3,707)
-	-	505
-	(13,560)	-
(4,113)	(23,988)	(9,086)
(6,917)	(1,100,809)	-
6,042	1,090,720	1,153
3,233	60,966	1,930
2,358	50,877	3,083
(16,564)	(409,260)	14,064
93,100	993,859	144,009
$ 76,536	$ 584,599	$ 158,073
$ 76,298	$ 584,356	$ 157,061
238	243	1,012
$ 76,536	$ 584,599	$ 158,073

Continued on next page

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

For the Fiscal Year Ended June 30, 2003
(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)	$ 377,401	$ (174,609)	$ (27,324)	$ (448,637)
Adjustments to Reconcile Operating				
Income to Net Cash Provided by (Used for)				
Operating Activities:				
Depreciation and Amortization	6,546	62	9,046	-
Interest on Bonds and Notes	-	-	13,718	-
Interest, Dividends, Rents, and Other Investment Income	(30,993)	(35,149)	-	-
Miscellaneous Nonoperating Income	-	-	860	-
Other Expenses	-	-	(6)	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	1,457	(69,917)	672	(20,543)
(Increase) Decrease in Due From Other Funds	-	-	-	(1,379)
(Increase) Decrease in Other Assets	-	-	-	-
(Increase) Decrease in Inventory	(812)	-	-	-
(Increase) Decrease in Prepaid Items	(1,058)	-	-	-
Increase (Decrease) in Accounts Payable	(2,817)	(33)	3,394	-
Increase (Decrease) in Amounts Due to Other Governments	-	-	-	(1,710)
Increase (Decrease) in Claims Payable	-	-	-	-
Increase (Decrease) in Due to Other Funds	131	22	-	33
Increase (Decrease) in Interfund Payable	-	-	-	-
Increase (Decrease) in Deferred Revenue	194	-	-	-
Increase (Decrease) in Other Liabilities	2,082	120	-	8,220
Increase (Decrease) in Long-Term Liabilities: Due Within One Year	179	24,155	-	-
Increase (Decrease) in Long-Term Liabilities: Due in More Than One Year	(27,384)	371,860	-	-
Net Cash Provided by (Used for) Operating Activities	$ 324,926	$ 116,511	$ 360	$ (464,016)
Noncash Investing, Capital, and Financing Activities:				
The following transactions occurred prior to the statement of net assets date:				
Trade-ins of Used Equipment on New Equipment	$ -	$ -	$ -	$ -
Installment Purchases Used to Finance Capital Assets	-	-	-	-
Change in Fair Value of Investments	-	22,230	-	-
Capital Asset Addition Included in Accounts Payable	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	$ -	$ 22,230	$ -	$ -

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

Nonmajor	Totals	Governmental Activities Internal Service Funds
$ 46,428	$ (226,741)	$ (17,946)
3,381	19,035	16,470
-	13,718	-
-	(66,142)	-
346	1,206	114
(40)	(46)	3,090
(1,258)	(89,589)	7,721
-	(1,379)	1,970
-	-	399
(3,283)	(4,095)	(313)
53	(1,005)	(78)
8,049	8,593	7,788
-	(1,710)	(1,951)
(2,877)	(2,877)	10,048
(929)	(743)	3
(1,140)	(1,140)	-
384	578	7,415
(17)	10,405	(584)
144	24,478	(226)
2,534	347,010	2,496
$ 51,775	$ 29,556	$ 36,416
$ -	$ -	$ (20)
2,115	2,115	2,608
492	22,722	-
-	-	282
$ 2,607	$ 24,837	$ 2,870

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, 2003
(Dollars in Thousands)

	Private Purpose Trust Funds	Pension Trust Funds	Investment Trust Funds	Agency Funds
Assets				
Cash and Cash Equivalents (Notes 1 and 4)	$ 27,197	$ 131,225	$ 1,379,714	$ 203,163
Investments (Notes 1 and 4)				
Bonds and Mortgage Securities	-	8,313,867	62,372	-
Stocks	54,106	8,658,570	-	-
Fixed Income Commingled Funds	-	104,739	-	-
Index and Pooled Funds	64,386	12,890,735	-	-
Real Estate	-	1,098,165	-	-
Venture Capital	-	2,177,483	-	-
Mutual and Money Market Funds	3,505,618	-	-	-
Short-term Investments	15	2,243,658	2,089,761	418,781
Other	52,754	2,443,780	84,037	625
Total Investments	3,676,879	37,930,997	2,236,170	419,406
Receivables (Notes 1 and 5)				
Accounts	-	-	-	91,495
Contributions	278	110,936	-	-
Interest and Dividends	209	101,737	30,808	-
Receivable for Security Transactions	-	1,836,743	-	-
Other Receivables	313	4,542	-	-
Total Receivables	800	2,053,958	30,808	91,495
Due from Other Funds (Note 6)	-	-	-	217
Due from Fiduciary Funds (Note 6)	-	20,737	-	1,772
Other Assets (Notes 1 and 7)	-	-	23	-
Furniture and Equipment (Note 1)	-	6,270	-	-
Total Assets	3,704,876	40,143,187	3,646,715	716,053
Liabilities				
Accounts Payable and Accrued Expenses (Notes 1 and 16)	424	17,107	-	3,463
Amounts Due to Other Governments	-	-	-	223,570
Due to Other Funds (Note 6)	-	-	-	3,851
Due to Fiduciary Funds (Note 6)	-	22,509	-	-
Obligations Under Securities Lending Program (Notes 1 and 4)	595	2,443,399	-	625
Other Liabilities (Notes 1 and 17)	13	937	86	481,601
Retirement Benefits Payable	-	138,221	-	-
Refunds Payable	-	7,341	-	-
Compensated Absences Payable (Notes 1 and 14)	115	1,167	-	-
Insurance Premiums and Claims Payable	16,835	33,772	-	2,943
Payable for Security Transactions	-	2,773,030	-	-
Pension Liability	135	1,424	-	-
Total Liabilities	18,117	5,438,907	86	716,053
Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes	$ 3,686,759	$ 34,704,280	$ 3,646,629	$ -

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, 2003
(Dollars in Thousands)

	Private Purpose Trust Funds	Pension Trust Funds	Investment Trust Funds
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	$ 237,792	$ 1,128,491	$ 39,766
Distributions to Shareholders from Net Investment Income	-	-	(39,144)
Total Investment Income	237,792	1,128,491	622
Less Investment Expenses	6,336	136,655	-
Net Investment Income	231,456	991,836	622
Proceeds from Unclaimed Property	53,894	-	-
Contributions:			
Participants	2,403,031	-	-
Member	-	649,531	-
Employer	-	502,064	-
Total Contributions	2,403,031	1,151,595	-
Purchase of Investments	-	-	140,662
Shares Sold	-	-	4,225,239
Reinvested Distributions	-	-	39,407
Other Revenue (Note 19)	392	2,682	-
Total Additions	2,688,773	2,146,113	4,405,930
Deductions:			
Escheat Payments	47,179	-	-
Loan Servicing Payments	91	-	-
Tuition Benefits	41,292	-	-
Retirement Benefits	-	1,598,065	-
Refunds to Former Members	-	72,150	-
Retiree Health Insurance Credits	-	61,027	-
Insurance Premiums and Claims	-	104,275	-
Trust Payments	1	-	-
Administrative Expenses	2,911	18,990	-
Other Expenses	-	276	-
Shares Redeemed	116,162	-	4,202,033
Long Term Disability Benefits	-	16,780	-
Total Deductions	207,636	1,871,563	4,202,033
Transfers:			
Transfers In	-	147	-
Transfers Out	-	(147)	-
Total Transfers	-	-	-
Net Increase (Decrease)	2,481,137	274,550	203,897
Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes			
July 1, as restated (Note 28)	1,205,622	34,429,730	3,442,732
June 30	$ 3,686,759	$ 34,704,280	$ 3,646,629

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, 2003
(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)	$ 110,439	$ 676	$ 161,729	$ 84,001
Investments (Notes 1 and 4)	307,054	2,084,036	685,240	31,575
Receivables, Net (Notes 1 and 5)	139,393	475,910	199,449	4,765
Due From Primary Government (Note 6)	-	-	-	-
Due from Component Units (Note 6)	-	-	5,467	5,682
Inventory (Note 1)	51	-	14,136	8,456
Prepaid Items (Note 1)	-	-	8,286	10,758
Other Assets (Notes 1 and 7)	4,810	2,152	1,484	186
Loans Receivable from Primary Government (Notes 1 and 6)	-	161,640	-	-
Restricted Cash and Cash Equivalents (Note 8)	492,631	24,671	43,641	45,993
Restricted Investments (Note 8)	405,660	134,819	2,092,842	58,767
Other Restricted Assets (Note 8)	5,118,494	-	-	41,611
Nondepreciable Capital Assets (Notes 1 and 9)	1,945	-	188,817	102,509
Depreciable Capital Assets, Net (Notes 1 and 9)	12,265	-	1,096,192	455,266
Total Assets	6,592,742	2,883,904	4,497,283	849,569
Liabilities				
Accounts Payable (Notes 1 and 16)	82,484	107	142,867	76,383
Amounts Due to Other Governments	-	69,449	-	-
Due to Component Units (Note 6)	-	-	-	-
Deferred Revenue (Note 1)	-	-	56,995	25,496
Obligations Under Securities Lending Program (Notes 1 and 4)	-	-	160,078	859
Other Liabilities (Notes 1 and 17)	90,778	58,804	207,913	36,539
Loans Payable to Primary Government (Notes 1 and 6)	-	452,912	-	-
Long-Term Liabilities (Notes 1, 14, and 18):				
Due Within One Year	463,528	193,318	46,689	27,322
Due in More Than One Year	4,513,137	2,081,381	477,380	219,896
Total Liabilities	5,149,927	2,855,971	1,091,922	386,495
Net Assets				
Invested in Capital Assets, Net of				
Related Debt	(1,722)	-	917,924	386,313
Restricted For:				
Nonexpendable:				
Higher Education	-	-	311,779	381
Expendable:				
Higher Education	-	-	1,269,745	67,751
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	26,605	-	-
Bond Indenture	1,172,959	-	-	-
Unrestricted	271,578	1,328	905,913	8,629
Total Net Assets	$ 1,442,815	$ 27,933	$ 3,405,361	$ 463,074

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

Virginia Commonwealth University	Nonmajor Component Units	Totals
$ 140,264	$ 583,118	$ 1,080,227
111,629	510,254	3,729,788
157,503	1,711,459	2,688,479
-	360	360
4,295	23,788	39,232
6,645	15,689	44,977
4,593	27,294	50,931
125,489	14,904	149,025
-	-	161,640
22	84,476	691,434
-	285,327	2,977,415
16,240	20,958	5,197,303
82,626	674,307	1,050,204
542,039	2,336,684	4,442,446
1,191,345	6,288,618	22,303,461
87,792	180,531	570,164
-	5,843	75,292
-	39,232	39,232
22,940	105,168	210,599
727	22,282	183,946
62,346	100,717	557,097
-	11,667	464,579
27,261	193,072	951,190
317,458	2,545,376	10,154,628
518,524	3,203,888	13,206,727
411,525	2,110,942	3,824,982
18,462	37,765	368,387
22,935	158,365	1,518,796
-	852,508	852,508
-	57,172	83,777
-	299	1,173,258
219,899	(132,321)	1,275,026
$ 672,821	$ 3,084,730	$ 9,096,734

Statement of Activities – Component Units

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Virginia Housing Development Authority	$ 476,960	$ 430,118	$ 113,980	$ -
Virginia Public School Authority	127,047	126,037	-	-
Higher Education				
University of Virginia	1,517,940	943,560	405,223	-
Virginia Polytechnic Institute & State University	712,847	267,825	172,026	27,972
Virginia Commonwealth University	1,321,597	1,006,586	164,492	2,439
Total Higher Education	3,552,384	2,217,971	741,741	30,411
Nonmajor Component Units				
Higher Education	2,326,045	909,691	362,926	14,038
Other	490,180	372,581	22,583	37,766
Total Nonmajor Component Units	2,816,225	1,282,272	385,509	51,804
Total Component Units	$ 6,972,616	$ 4,056,398	$ 1,241,230	$ 82,215

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
$ 67,138	$ -	$ -	$ 31,255	$ 412	$ -	-
(1,010)	-	-	3,259	-	-	-
(169,157)	164,609	-	190,767	-	1,917	30,171
(245,024)	213,248	43,229	3,223	3,499	2,703	-
(148,080)	157,169	-	7,119	2,068	2,243	337
(562,261)	535,026	43,229	201,109	5,567	6,863	30,508
(1,039,390)	854,845	10,177	14,524	36,017	15,029	827
(57,250)	57,443	-	14,783	103	1,257	-
(1,096,640)	912,288	10,177	29,307	36,120	16,286	827
$ (1,592,773)	$ 1,447,314	$ 53,406	$ 264,930	$ 42,099	$ 23,149	31,335

Continued on next page

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

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	General Revenues (continued)		
	VCBA Payments to Schools	Tobacco Master Settlement	Special Items (Note 25)
Virginia Housing Development Authority	$ -	$ -	$ -
Virginia Public School Authority	-	-	-
Higher Education			
University of Virginia	16,559	-	-
Virginia Polytechnic Institute & State University	22,815	-	-
Virginia Commonwealth University	7,772	-	-
Total Higher Education	47,146	-	-
Nonmajor Component Units			
Higher Education	82,704	-	-
Other	-	90,017	(7,310)
Total Nonmajor Component Units	82,704	90,017	(7,310)
Total Component Units	$ 129,850	$ 90,017	$ (7,310)

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

Changes in Net Assets	Net Assets July 1 as restated (Note 28)	Net Assets June 30
$ 98,805	$ 1,344,010	$ 1,442,815
2,249	25,684	27,933
234,866	3,170,495	3,405,361
43,693	419,381	463,074
28,628	644,193	672,821
307,187	4,234,069	4,541,256
(25,267)	1,432,914	1,407,647
99,043	1,578,040	1,677,083
73,776	3,010,954	3,084,730
$ 482,017	$ 8,614,717	$ 9,096,734

Index to the Notes to the Financial Statements

1. Summary of Significant Accounting Policies
   - A. Basis of Presentation....80
   - B. Reporting Entity....80
   - C. Government-wide and Fund Financial Statements....85
   - D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation....85
   - E. Budgetary Process....87
   - F. Cash, Cash Equivalents, and Investments....88
   - G. Receivables....88
   - H. Internal Balances....88
   - I. Inventory....88
   - J. Prepaid Items....89
   - K. Other Assets....89
   - L. Interfund Loans Receivable/Payable....89
   - M. Capital Assets....89
   - N. Accounts Payable....89
   - O. Deferred Revenue....90
   - P. Deferred Taxes....90
   - Q. Claims Payable....90
   - R. Obligations Under Securities Lending Program....90
   - S. Other Liabilities....90
   - T. Short-Term Debt....90
   - U. Long-Term Liabilities....90
   - V. Reserved Fund Balances....91
   - W. Unreserved, Designated Fund Balances....91
   - X. Unreserved, Undesignated Fund Balances....91
   - Y. Cash Management Improvement Act....91
   - Z. Interest, Dividends, Rents, and Other Investment Income....91
   - AA. Intrafund Eliminations....91
   - BB. Interfund Activity....91
2. General Fund Analysis – Basis of Budgeting....92
3. Revenue Stabilization Fund....92
4. Cash, Cash Equivalents, and Investments....92
5. Receivables....101
6. Interfund Assets/Liabilities....102
7. Other Assets....105
8. Restricted Assets....105
9. Capital Assets....106
10. Retirement and Pension Systems
    - A. Plan Description....109
    - B. Summary of Significant Accounting Policies....109
    - C. Funding Policy....110
    - D. Annual Pension Cost and Net Pension Obligation....110
    - E. Defined Contribution Plan for Political Appointees....111
    - F. Higher Education Fund (Component Unit)....111
    - G. Other Component Units....112
11. Other Employment Benefits....114
12. Deferred Compensation Plans....115
13. Commitments
    - A. Construction Projects....116
    - B. Operating Leases....116
    - C. Investment Commitments – Virginia Retirement System....117
14. Accrued Liability for Compensated Absences....117
15. Insurance
    - A. Self-Insurance....117
    - B. Public Entity Risk Pools....118
16. Accounts Payable and Other Accrued Expenses....120
17. Other Liabilities....121
18. Long-Term Liabilities....124
19. Other Revenue....141
20. Prizes and Claims....142
21. Depreciation and Amortization....142
22. Other Expenses....143
23. Other Non-Operating Revenue/Expenses....143
24. Transfers....144
25. Special Items....146
26. On-Behalf Payments – Higher Education (Component Unit)....146
27. Change in Accounting Principle....146
28. Restatement of Beginning Balances....146
29. Deficit Net Assets....151
30. Endowments....151
31. Cash Flows – Additional Detailed Information....152
32. Tobacco Settlement....154
33. Public-Private Partnership....154
34. Intergovernmental Transfers....154
35. Contingencies
    - A. Grants and Contracts....154
    - B. Litigation....155
    - C. Subject to Appropriation....155
36. Pending Governmental Accounting Standards Board Statement....155
37. Subsequent Events....155

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.

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 Historic Preservation Foundation (Nonmajor Special Revenue Fund) – The Foundation was created as a body politic and corporate to serve the Department of Historic Resources (Primary Government) by acquiring and holding properties of historical significance. The Governor appoints the seven-member board, and the primary government is able to impose its will on the Foundation. The Director of the Department of Historic Resources is the Executive Director and controls all administrative duties of the Foundation. A trust agreement between the Board of Trustees of the Foundation, the Department of Historic Resources and the Association for the Preservation of Virginia Antiquities was made as of July 1, 1999. According to the trust agreement, the Foundation transferred the assets to the Association, until January 1, 2003, at which time the agreement may be terminated. The Association's activity is not reported in the accompanying financial statements. The administrative offices of the Foundation are located at 10 Courthouse Avenue, Petersburg, Virginia 23803. The Auditor of Public Accounts audits the Foundation as part of the Department of Historic Resources and discloses its existence in that report. On January 1, 2003, the Foundation was dissolved, and the Foundation's assets became the property of the Department of Historic Resources in accordance with Section 2404.2 of the *Code of Virginia*.

Virginia State Parks Foundation (Nonmajor Special Revenue Fund) – The Foundation was created as a body politic and corporate to serve the Department of Conservation and Recreation (Primary Government) in the duties and responsibilities described in Subtitle I of Title 10.1 of the *Code of Virginia*. The Governor appoints the 7-member board, and the primary government is able to 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 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. 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. With the exception of the Virginia Commonwealth University Health System Authority, which is audited by Ernst & Young, LLP, the Auditor of Public Accounts 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 political and corporate powers by the *Code of Virginia*. The Governor appoints a majority of

the Authority's board members. 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 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. Additionally, the Authority receives Literary Fund notes transferred from the State to secure bonds issued by 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 Foundation is reported as a Discrete Component Unit because it uses a GAAP reporting model other than the governmental model. 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. 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 public body corporate, and operates as a political subdivision of the Commonwealth to provide financing for the construction of local water supply, wastewater, and solid waste treatment, airport, public safety, and brownfields redemption. The Governor appoints a majority of 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. KPMG, 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 moneys in the Virginia Tobacco Settlement Fund and to distribute moneys 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 moneys 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, P.O. 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 and General Assembly appoint 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 10-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. Also, the Authority 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 is reported as a Discrete Component Unit because it uses a cash basis reporting model other than the governmental reporting model. 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.

A. L. Philpott Manufacturing Extension Partnership (Nonmajor) – The Partnership has the mission to foster economic growth by enhancing the competitiveness of Virginia's manufactures. 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 institution 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, P.O. 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 Equine Center for the benefit of the equine and tourism industries. In 1994, the Commonwealth began making grant payments to the Equine Center 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. 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. 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 Initiative is reported as a Discrete Component Unit because it uses an accrual basis reporting model other than the governmental reporting model. The administrative offices of the Initiative are located at Post Office Box 465, Orange, Virginia 22960. Walker Healthcare Services Group audited the Initiative, and a separate report is available.

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 $363.5 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 P.O. 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.

Virginia Information Providers Network Authority (VIPNET) – The Authority was created as a political subdivision of the Commonwealth to provide for the centralized marketing, provision, leasing or executing of license agreements for access on-line or in volume. The Governor appoints the 11-member board of directors. The administrative offices of the Authority are located at 110 South 7th Street Suite 135, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority and a separate report is issued.

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 instead 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 major 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 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 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 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.

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) and State Parks Foundation (nonmajor) – Special Revenue Funds. Formal budgetary integration is not employed for the Capital Projects (nonmajor), Debt Service (nonmajor), Permanent Funds (nonmajor), the Literary – Special Revenue (major), and State Parks Foundation – Special Revenue (nonmajor) Funds 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, 2003, the General Fund had a negative cash balance of $2.8 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 Unit) 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 revenue and receivables of the Commonwealth's Medicaid program. Receivables in the Proprietary Funds consist primarily of tuition benefits payable. 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. 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.

I. 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 Other 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), Dedicated 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 the 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.

J. Prepaid Items

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

K. Other Assets

Other Assets include those balances of a miscellaneous nature that are not specifically classified elsewhere (see Note 7).

L. Interfund Loans Receivable/Payable

Loans Receivable/Payable represent working capital advances from one fund to another (see Note 6).

M. 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 9).

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. As further discussed in Note 26, 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 fixed 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 fixed assets are as follows:

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

Selected institutions of higher education utilize estimated lives that may vary from the above ranges.

N. 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 16).

O. Deferred Revenue

Deferred revenue represents monies received or revenues accrued but not earned as of June 30, 2003. The majority of this 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, 2003. 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. Deferred revenues in the other component units consist primarily of the deferral of fees related to various lending activities.

P. Deferred Taxes (formerly reported as Deferred Credit)

Deferred Taxes represent the deferral of income taxes withheld or received for the period January through June 2003. 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 $449,045,040 and estimated underpayments total $280,957,531. This results in deferred taxes of $168,087,509. Corporate income tax estimated overpayments total $23,536,507 and estimated underpayments total $48,005,470. 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.

Prior to fiscal year 2003, underpayments were not included in the computation. The fiscal year 2002 General Fund fund balance impact for deferred taxes was a reduction of $501,766,409. The fiscal year 2003 beginning fund balance was increased by $367,451,436 to include the underpayment estimate in the deferred tax calculation that includes the deferred tax impact of $134,314,973. The net impact on current year revenue for deferred tax calculations is a decrease of $33,772,536. The overall impact on fiscal years 2002 and 2003 is $333,678,900. (See also Note 28).

The fiscal year 2003 Government-wide beginning net asset amount was also increased by $31,171,591 which represents the amount that fiscal year 2002 corporate income tax estimated underpayments exceeded estimated overpayments. The fiscal year 2003 beginning net asset amount was increased by a total of $398,623,027. The net impact to current year revenue is a decrease to revenue of $6,702,628. The overall impact on fiscal years 2002 and 2003 is $391,920,399.

Q. Claims Payable

Claims payable, reported in the proprietary funds of the primary government, represent both health and liability insurance claims payable at June 30, 2003. 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 15.A. and 15.B.).

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

R. 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.

S. 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 17).

T. Short-Term Debt

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. For fiscal year 2003, neither the Commonwealth nor its component units participated in short-term borrowings with external parties.

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 18).

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 18).

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, 2004. 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 amounts differ from those presented in the General Fund Preliminary (Unaudited) Annual Report dated August 15, 2003 due to ABC audit adjustments.

Reservations and Designations of Fund Balance
General Fund, Basis of Budgeting
June 30, 2003

(Dollars in Thousands)		
Fund Balance, June 30, 2003		$ 554,791
Reserved Fund Balance:		
Revenue Stabilization Reserve Fund	$ 247,481	
Payroll Reserve for July 1, 2003 Payroll	65,684	
Total Reserved Fund Balance		313,165
Unreserved Fund Balance:		
Designated:		
Amount Required for Reappropriation of 2003 Unexpended Balances:		
Mandatory Reappropriations	134,470	
Discretionary Reappropriations	14,638	
Capital Outlay	24,463	
Amount Required by Ch. 1042, 2003 Acts of Assembly	20,429	
Amount for Lottery Proceeds Fund	11,411	
Virginia Water Quality Improvement Fund - Part A	6,043	
Virginia Water Quality Improvement Fund - Part B	1,627	
Natural Disaster Sum Sufficient	4,982	
Accelerated Sales Tax for Transportation Trust Fund	23,563	
Total Designated Fund Balance		241,626
Undesignated Fund Balance, June 30, 2003		$ -

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. During fiscal year 2003, no deposit was required; however, a withdrawal of $247.5 million was made. Withdrawals are limited to 50 percent of the fund balance for the current fiscal year. A deposit is not required based on fiscal year 2003 revenue collections. The Revenue Stabilization Fund has principal and interest on deposit of $247.5 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 $963.0 million and $958.3 million for fiscal year 2003 and fiscal year 2004, respectively.

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2003, the carrying amount of cash for the primary government was $2,008,778,162 and the bank balance was $265,152,007. In addition, cash balances related to executory costs attributable to capital leases in the amount of ($1,009,433) 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 $849,355,434 and the bank balance was $214,314,987. Cash equivalents are investments with an original maturity of three months or less.

The deposits of the primary government and the 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 Federal 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 Federal deposit insurance.

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, 2003, 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 70 percent of the primary government investments that are in Category 1 and 96 percent of those in Category 3. Additionally, the entire amounts of Equity Index and Pooled Funds, Real Estate, Venture Capital, 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, 2003

(Dollars in Thousands)

Type of Securities	Category 1	Category 2	Category 3	Fair Value
Cash Equivalents - Categorized				
U. S. Treasury and Agency Securities	$ 85,646	$ -	$ -	$ 85,646
Corporate Notes	1	-	-	1
Commercial Paper	1,590,255	-	-	1,590,255
Negotiable Certificates of Deposit	502,056	-	-	502,056
Repurchase Agreements	675,000	-	2,499	677,499
Banker's Acceptance	199	-	-	199
Mutual and Money Market Funds	6,739	-	-	6,739
	$ 2,859,896	$ -	$ 2,499	
Cash Equivalents - Not categorized				
Deposits with the U. S. Treasury for Unemployment Compensation				391,009
Mutual and Money Market Funds				182,372
Total Cash Equivalents				3,435,776
Less: Component Unit portion of the Local Government Investment Pool				(112,495)
Less: General Fund Cash Drawn Against Cash Equivalents				(1,296,751)
Adjusted Total				$ 2,026,530

Note: Fiduciary cash and cash equivalents in the amount of $1,741,299 (dollars in thousands) are not included in the Government-wide Statement of Net Assets.

Investments - Primary Government
June 30, 2003

(Dollars in Thousands)

Type of Securities	Category 1	Category 2	Category 3	Fair Value
Investments - Categorized				
U. S. Treasury and Agency Securities	$ 6,132,696	$ -	$ 99,444	$ 6,232,140
Common and Preferred Stocks	8,306,780	-	-	8,306,780
Corporate Notes	710,130	-	-	710,130
Corporate and Other Bonds	2,906,252	-	6,855	2,913,107
Commercial Paper	183,924	-	-	183,924
Negotiable Certificates of Deposit	320,420	-	-	320,420
Municipal Securities	66,620	-	-	66,620
Repurchase Agreements	81,558	-	11,142	92,700
Mutual and Money Market Funds	1,753,302	-	-	1,753,302
Investments held by broker-dealers under securities loans				
U. S. Government and Agency Securities	113,299	-	109,024	222,323
Common and Preferred Stocks	-	-	25,714	25,714
	$ 20,574,981	$ -	$ 252,179	
Investments - Not categorized				
Deposits with the U. S. Treasury for Unemployment Compensation				
Mutual and Money Market Funds				3,550,436
Foreign Currencies				53,645
Equity Index and Pooled Funds				13,064,363
Real Estate				1,098,170
Venture Capital				2,177,705
The Boston Company Pooled Employee Trust Fund				2,133,180
Guaranteed Investment Contracts				143,997
Fixed Income and Commingled Funds				133,618
Other				227,658
Investments held by broker-dealers under securities loans:				
U. S. Government and Agency Securities				1,735,298
VRS Separate Account				2,443,399
Common and Preferred Stocks				498,439
Corporate Notes				22,588
Corporate Bonds				345,669
Component Units' Securities held in a Collateral Investment Pool				
Total Investments				48,455,325
Less: Component Unit portion of the Local Government Investment Pool				(78,174)
Less: General Fund Cash Drawn Against Investments				(1,486,296)
Adjusted Total				$ 46,890,855

Note: Fiduciary investments in the amount of $44,263,452 (dollars in thousands) are not included in the Government-wide Statement of Net Assets.

Cash Equivalents - Component Units

June 30, 2003

(Dollars in Thousands)

Type of Securities	Category 1	Category 2	Category 3	Fair Value
Cash Equivalents - Categorized				
U. S. Treasury and Agency Securities	$ 26,301	$ -	$ -	$ 26,301
Commercial Paper	12,496	-	-	12,496
Municipal Securities	1,075	-	-	1,075
Repurchase Agreements	510,915	73,342	4,225	588,482
Mutual and Money Market Funds	284	-	-	284
Other	-	46	42,024	42,070
	$ 551,071	$ 73,388	$ 46,249	
Cash Equivalents - Not categorized				
Mutual and Money Market Funds				70,745
U. S. Government Securities				853
Other				5,138
Component Units' Investment in Local Government's Investment Pool				174,862
				$ 922,306

Investments - Component Units
June 30, 2003

(Dollars in Thousands)

Type of Securities	Category 1	Category 2	Category 3	Fair Value
Investments - Categorized				
U. S. Treasury and Agency Securities	$ 699,585	$ 13,003	$ 3,971	$ 716,559
Common and Preferred Stocks	101,464	-	5,594	107,058
Corporate Notes	127,760	950	-	128,710
Corporate Bonds	28,883	-	1,492	30,375
Commercial Paper	6,419	-	-	6,419
Municipal Securities	2,114,365	480	236	2,115,081
Repurchase Agreements	58,529	168,833	15,182	242,544
Asset Backed Securities	351,678	-	-	351,678
Agency Mortagage Backed	155,795	-	-	155,795
Mutual and Money Market Funds	404,612	-	-	404,612
Certificates of Deposit	1,405	-	-	1,405
Other	1,746,247	-	-	1,746,247
	$ 5,796,742	$ 183,266	$ 26,475	
Investments - Not categorized				
Mutual and Money Market Funds				471,110
Real Estate				45,469
U. S. Government Securities				8,535
Index Funds				9,478
Other				123,242
Component Units' Investment in Local Government's Investment Pool				15,808
Investments held by broker-dealers under securities loans:				
Securities held in a Collateral Investment Pool				27,078
				$ 6,707,203

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 usually 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 19 percent of the general account securities were on loan.

During the past year, a combination of U.S. Government (Treasury and Agency) securities 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, 2003, had a reported amount of $611,226,038 and a fair value of $650,699,272. The fair value of the collateral received was $660,896,329 providing for coverage of 101.6 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, 2003, the open portion of the cash reinvestment portfolio had a weighted average maturity of seven 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, 2003, cash reinvestments were as follows: $92 million in government repurchase agreements, $15 million in commercial paper, $132 million in floating rate corporate notes, $6 million in negotiable certificates of deposit. Non-cash collateral value at June 30, 2003, was approximately $416 million in 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 Mellon Trust. 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 87 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, 2003, was $2,638,297,000 and the value of collateral (cash and non-cash) was $2,697,437,000.

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, 2003 have a carrying value of $127,949,799 and a market value of $153,068,581. Collateral received totals $156,392,735. In addition, the University participates in the State treasury's security lending program. Collateral held for securities lending transactions of $3,685,723 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 and Company, 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 and Company 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, 2003, the fair value of investment account securities on loan was $223,353,701 secured by $228,104,103 in cash deposits, and $125,161,836 secured by $127,665,073 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 $276,828,000 at June 30, 2003.

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 of 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, 2003, the VRS had purchased S & P and Russell Index futures and options on Eurodollar and Treasury bond note futures, including options on Eurodollar futures, with a notional value of $3,634,769,000 and sold S&P Index futures and options on Eurodollar and Treasury bond and note futures, including options on these futures with a notional value of $1,248,932,000. At June 30, 2003, the VRS had pledged as collateral U.S. Treasury and U.S. Government Agency securities with a total market value of $147,183,000 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, 2003, include receivables for deposits with brokers for securities sold short of $785,703,000 and payables for securities sold short and not covered with market values of $773,381,000.

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, 2003, the VRS held CMO securities with a fair value of $157,025,000, and IO and PO securities with a fair value of $7,839,000.

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, 2003, the VRS had sold foreign currency contracts with a notional value of $460,454,000 and had purchased foreign currency contracts with a notional value of $462,032,000.

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 2003, the VRS entered into interest rate and total return swaps with a total notional value of $100,000,000. 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 (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, 2003, the Authority experienced a net loss of $2,432,599 from hedging transactions settled during the year. At June 30, 2003, $66,890,012 of short sales were outstanding which had an unrealized gain of $2,699,070. 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, 2003.

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, 2003:

(Dollars in Thousands)

	Accounts and Loans Receivable	Taxes Receivable	Other Receivables	Allowance for Doubtful Accounts	Net Accounts Receivable	Amounts to be Collected Greater than One Year
Primary Government:						
General Fund	$ 382,871	$ 539,639	$ 51,085	$ (235,331)	$ 738,264	$ 6,641
Major Special Revenue Funds:						
Commonwealth Transportation Trust	140,370	109,853	-	(3,781)	246,442	56,692
Federal Trust	465,046	-	-	(20,252)	444,794	16
Literary	181,909	-	-	(143,879)	38,030	3,263
Major Enterprise Funds:						
State Lottery	34,738	-	-	-	34,738	-
Virginia College Savings Plan	873	-	352,903	-	353,776	302,566
Pocahontas Parkway	-	-	772	-	772	-
Unemployment Compensation	77,620	-	-	(19,510)	58,110	-
Nonmajor Governmental Funds	135,993	5,335	104	(76,409)	65,023	1,364
Nonmajor Enterprise Funds	17,623	-	210	(3)	17,830	-
Internal Service Funds	15,016	-	1	(89)	14,928	-
Private Purpose	599	-	209	(8)	800	291
Pension Trust (2)	110,936	-	1,943,022	-	2,053,958	-
Investment Trust Funds	-	-	30,808	-	30,808	-
Agency Funds	500	90,995	-	-	91,495	11,426
Total Primary Government (1)	$ 1,564,094	$ 745,822	$ 2,379,114	$ (499,262)	$ 4,189,768	$ 382,259
Discrete Component Units:						
Virginia Housing Development Authority	$ 143,933	$ -	$ 2,730	$ (7,270)	$ 139,393	$ -
Virginia Public School Authority	428,880	-	47,030	-	475,910	394,838
University of Virginia	167,995	-	39,237	(7,783)	199,449	51,263
Virginia Polytechnic Institute and State University	5,678	-	-	(913)	4,765	44
Virginia Commonwealth University	326,361	-	45,449	(214,307)	157,503	12,450
Nonmajor Component Units	1,703,913	2,406	13,773	(8,633)	1,711,459	35,065
Total Component Units	$ 2,776,760	$ 2,406	$ 148,219	$ (238,906)	$ 2,688,479	$ 493,660

Note (1): Fiduciary net receivables in the amount of $2,177,061 (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. 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 of 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 of 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, 2003 (in thousands of dollars).

Due To (Reported In):	**General Fund**	**Commonwealth Transportation Trust Fund**	**Federal Trust Fund**	**Unemployment Compensation Fund**	**Nonmajor Governmental Funds**	**Internal Service Funds**
Primary Government						
General Fund	$ -	$ 23,563	$ -	$ 291	$ -	$ 11,429
Major Special Revenue Funds:						
Commonwealth Transportation Trust	-	-	-	920	7,297	8,538
Federal Trust	2,551	-	-	37	-	5,982
Major Enterprise Funds:						
State Lottery	101	-	-	-	-	130
Virginia College Savings Plan	-	-	-	-	-	22
Unemployment Compensation	-	-	-	-	149	-
Nonmajor Governmental Funds	-	-	565	103	45	3,588
Nonmajor Enterprise Funds	4,143	-	-	28	1,017	501
Internal Service Funds	-	-	-	-	-	210
Pension Trust Funds	-	-	-	-	-	-
Agency Funds	-	-	3,501	-	350	-
Total Primary Government	$ 6,795	$ 23,563	$ 4,066	$ 1,379	$ 8,858	$ 30,400
Discrete Component Units						
Nonmajor Component Units	-	-	-	-	-	-
Total Component Units	$ -	$ -	$ -	$ -	$ -	$ -

Note: The above schedule does not include $19.9 million due to the Commonwealth Transportation Fund from Pocahontas Parkway that will not be repaid within one year.

Due From (Reported In):

Pension Trust Funds	Agency Funds	Total Primary Government	University of Virginia	Virginia Polytechnic Institute & State University	Virginia Commonwealth University	Nonmajor Component Units	Total Component Units
$ -	$ 217	$ 35,500	$ -	$ -	$ -	$ -	$ -
-	-	16,755	-	-	-	-	-
-	-	8,570	-	-	-	-	-
-	-	231	-	-	-	-	-
-	-	22	-	-	-	-	-
-	-	149	-	-	-	-	-
-	-	4,301	-	-	-	360	360
-	-	5,689	-	-	-	-	-
-	-	210	-	-	-	-	-
20,737	1,772	22,509	-	-	-	-	-
-	-	3,851	-	-	-	-	-
$ 20,737	$ 1,989	$ 97,787	$ -	$ -	$ -	$ 360	$ 360
-	-	-	5,467	5,682	4,295	23,788	39,232
$ -	$ -	$ -	$ 5,467	$ 5,682	$ 4,295	$ 23,788	$ 39,232

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, 2003 (in thousands of dollars). There were no Interfund Receivables/Payables for the Component Units as of June 30, 2003.

Payable To (Reported In):	**Receivable From (Reported In) Nonmajor Governmental Funds**
Primary Government	
Major Special Revenue Funds:	
Commonwealth Transportation Trust	$ 6,000
Federal Trust	7,670
Nonmajor Enterprise Funds	22,300
Internal Service Funds	9,833
Total Primary Government	$ 45,803

Interfund Loans Receivable/Payable Between Other Funds and Between Primary Government and Component Units

The $464.6 million in Interfund Loans Receivable represents loans from the Special Revenue Fund to the Virginia Public School Authority (Major Component Unit) and Higher Education (Component Unit).

The Literary Fund (Major Special Revenue Fund) provides low interest loans to school divisions for construction, renovation, and expansion of school buildings of the cities, counties and towns of the Commonwealth. Twice a year, all permanent loans in the Literary Fund are transferred to the Virginia Public School Authority (Major Component Unit) for use as collateral on bonds. A loan receivable is recorded by the Literary Fund. At year-end, $452.9 million in loans were receivable in the Special Revenue Fund and payable from the Authority.

The remaining $11.7 million was loaned to Higher Education (Component Unit.). George Mason University's (Nonmajor Component Unit) loan of $7.5, 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 $1.8 million were used to advance fund federally funded grant programs. The College of William and Mary's (Nonmajor Component Unit) additional loan of $0.4 million are for construction projects. Longwood University's (Nonmajor Component Unit) loan of $1.0 million will be used for the University's housing sprinkler project.

The $161.6 million in Interfund Loans Receivable represents loans from the Virginia Public School Authority (Major Component Unit) to the Literary Fund (Major Special Revenue Fund). The Virginia Public School Authority makes grants to local school divisions to finance the purchase of educational technology equipment. The Authority 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.

7. OTHER ASSETS

The following table summarizes Other Assets as of June 30, 2003:

(Dollars in Thousands)

	Cash and Travel Advances	Unamortized Bond Issuance Expense	Other Assets	Total Other Assets
Primary Government:				
General Fund	$ 3,125	$ -	$ -	$ 3,125
Major Special Revenue Funds:				
Commonwealth Transportation Trust	1,301	-	-	1,301
Federal Trust	2,681	-	-	2,681
Major Enterprise Funds:				
State Lottery	5	-	-	5
Pocahontas Parkway	-	5,733	-	5,733
Nonmajor Governmental Funds	585	-	34	619
Nonmajor Enterprise Funds	238	-	-	238
Internal Service Funds	1,012	-	-	1,012
Investment Trust Funds	-	-	23	23
Total Primary Government (1)	$ 8,947	$ 5,733	$ 57	$ 14,737
Discrete Component Units:				
Virginia Housing Development Authority	$ -	$ 123	$ 4,687	$ 4,810
Virginia Public School Authority	-	2,147	5	2,152
University of Virginia	-	-	1,484	1,484
Virginia Polytechnic Institute and State University	-	-	186	186
Virginia Commonwealth University (2)	264	1,859	123,366	125,489
Nonmajor Component Units	560	3,880	10,464	14,904
Total Component Units	$ 824	$ 8,009	$ 140,192	$ 149,025

Note (1): Fiduciary other assets in the amount of $23 thousand are not included in the Government-wide Statement of Net Assets.

Note (2): The $123,366 (dollars in thousands) pertains to the University's component unit, The Virginia Commonwealth University Health System Authority, and includes goodwill, investments in various hospital operations, and other assets whose use is limited.

8. 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) and the Virginia Public School Authority (Major Component Unit) reported restricted assets totaling $6.0 billion and $159.5 million, respectively. These assets are restricted for debt service under a bond indenture agreement or other agreements. The Virginia Port Authority (Nonmajor Component Unit) reported restricted assets of $221.6 million. Of this amount $17.5 million is assets placed in escrow account for a construction project, $31.1 million is for unspent federal security grant proceeds for specific capital projects, and $173.0 million for debt service under a bond indenture agreement. The Higher Education Institutions (Component Units) reported restricted assets totaling $2.5 billion primarily for endowment and other contractual obligations. The remaining $10.4 million is spread among the Hampton Roads Sanitation District Commission (Nonmajor Component Unit), the Virginia Biotech Research Company, and the Small Business Financing Authority (Nonmajor Component Unit).

9. 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, 2002 as restated	Increases	Decreases	Balance June 30, 2003
Nondepreciable Capital Assets:				
Land	$ 1,181,112	$ 176,914	$ (45,115)	$ 1,312,911
Construction in Progress	3,059,541	1,352,274	(1,475,722)	2,936,093
Total Nondepreciable Capital Assets	4,240,653	1,529,188	(1,520,837)	4,249,004
Depreciable Capital Assets:				
Buildings	1,995,368	148,988	(1,531)	2,142,825
Equipment	528,699	37,100	(22,572)	543,227
Infrastructure	14,076,040	1,298,150	(200,766)	15,173,424
Total Capital Assets being Depreciated	16,600,107	1,484,238	(224,869)	17,859,476
Less Accumulated Depreciation for:				
Buildings	638,991	49,659	(1,456)	687,194
Equipment	302,957	39,876	(20,444)	322,389
Infrastructure	7,782,688	318,557	-	8,101,245
Total Accumulated Depreciation	8,724,636	408,092	(21,900)	9,110,828
Total Depreciable Capital Assets, Net	7,875,471	1,076,146	(202,969)	8,748,648
Total Capital Assets, Net	$ 12,116,124	$ 2,605,334	$ (1,723,806)	$ 12,997,652

Depreciation Expense Charged to Functions of the Primary Government
For the Fiscal Year Ended June 30, 2003

(Dollars in Thousands)

Governmental Activities:	
General Government	$ 8,488
Education	4,785
Transportation	324,912
Resources and Economic Development	7,996
Individual and Family Services	13,820
Administration of Justice	31,621
Capital Assets held by the Internal Service Funds are charged to various functions	16,470
Total	$ 408,092

Note: Beginning balances have been restated by $261,075 (dollars in thousands) due to the change in capitalization criteria and correction of prior period errors discussed in Notes 1.M. and 27.

Schedule of Changes in Capital Assets

Business-Type Activities

(Dollars in Thousands)

	Balance July 1, 2002 as restated	Increases	Decreases	Balance June 30, 2003
Nondepreciable Capital Assets:				
Land (1)	$ 16,161	$ -	$ (44)	$ 16,117
Construction in Progress	310,842	3,800	(314,642)	-
Total Nondepreciable Capital Assets	327,003	3,800	(314,686)	16,117
Depreciable Capital Assets:				
Buildings (2)	10,403	-	-	10,403
Equipment (2)	74,098	8,017	(6,714)	75,401
Infrastructure	1	314,642	-	314,643
Total Capital Assets being Depreciated	84,502	322,659	(6,714)	400,447
Less Accumulated Depreciation for:				
Buildings (2)	9,464	160	-	9,624
Equipment (2)	35,218	9,829	(6,687)	38,360
Infrastructure	1	8,740	-	8,741
Total Accumulated Depreciation	44,683	18,729	(6,687)	56,725
Total Depreciable Capital Assets, Net	39,819	303,930	(27)	343,722
Total Capital Assets, Net	$ 366,822	$ 307,730	$ (314,713)	$ 359,839

Note (1): The beginning balance for land has been restated by $14,435 (dollars in thousands) to correct for the omission of this amount from the prior year.

Note (2): Beginning balances for buildings and equipment have been restated by $55 (dollars in thousands) to correct the improper classification of equipment as a building. Similarly, the beginning accumulated depreciation balances for buildings and equipment have been restated by $29 (dollars in thousands) to correct the classification error.

Schedule of Changes in Capital Assets

Component Units

(Dollars in Thousands)

	Balance July 1, 2002 as restated	Increases	Decreases	Balance June 30, 2003
Nondepreciable Capital Assets:				
Land	$ 311,650	$ 30,896	$ (2,840)	$ 339,706
Construction in Progress	639,545	510,738	(509,707)	640,576
Inexhaustible Works of Art	67,625	1,586	(68)	69,143
Livestock	824	-	(45)	779
Total Nondepreciable Capital Assets	1,019,644	543,220	(512,660)	1,050,204
Depreciable Capital Assets:				
Buildings	4,296,652	346,458	(10,361)	4,632,749
Infrastructure	1,241,592	86,386	(315)	1,327,663
Equipment	1,769,923	172,984	(111,968)	1,830,939
Improvements Other Than Buildings	349,700	13,023	(3,454)	359,269
Library Books	508,284	28,645	(2,940)	533,989
Total Capital Assets being Depreciated	8,166,151	647,496	(129,038)	8,684,609
Less Accumulated Depreciation for:				
Buildings	(1,669,420)	(131,299)	6,330	(1,794,389)
Infrastructure	(658,958)	(45,211)	-	(704,169)
Equipment	(1,134,673)	(142,536)	79,300	(1,197,909)
Improvements Other Than Buildings	(115,500)	(9,701)	505	(124,696)
Library Books	(399,764)	(23,355)	2,119	(421,000)
Total Accumulated Depreciation	(3,978,315)	(352,102)	88,254	(4,242,163)
Total Depreciable Capital Assets, Net	4,187,836	295,394	(40,784)	4,442,446
Total Capital Assets, Net	$ 5,207,480	$ 838,614	$ (553,444)	$ 5,492,650

Beginning balances have been restated by $21.6 million 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, 2002 Increase/(Decrease)
Nondepreciable Capital Assets:	
Land	$ 13,569
Construction in Progress	(75,808)
Inexhaustible Works of Art	652
Total Nondepreciable Capital Assets	(61,587)
Depreciable Capital Assets:	
Buildings	93,229
Infrastructure	6,650
Equipment	(4,852)
Improvements Other Than Buildings	(25,768)
Library Books	650
Total Capital Assets being Depreciated	69,909
Less Accumulated Depreciation for:	
Buildings	62,170
Infrastructure	12,875
Equipment	1,170
Improvements Other Than Buildings	(53,488)
Library Books	7,226
Total Accumulated Depreciation	29,953
Total Depreciable Capital Assets, Net	39,956
Total Capital Assets, Net	$ (21,631)

10. 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, 2003, 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.

Employer contributions by the Commonwealth to VRS were 0.00 (zero) percent for fiscal year 2003; however, it is scheduled to increase to 3.77 percent in fiscal year 2004. Employer contributions to SPORS, VaLORS, and JRS were 11.05 percent, 12.00 percent, and 29.00 percent, respectively, of covered payrolls. For fiscal year 2003, the contribution to SPORS, VaLORS, and JRS were slightly less than the rates recommended by the actuary; however, the rates are scheduled to be at levels recommended by the actuary for fiscal year 2004. These rates were less than actuarially determined Annual Required Contributions (ARC), but they did meet statutory requirements. The ARC has parameters for funding automatic cost-of-living increases (COLAs) for retirees.

D. Annual Pension Cost and Net Pension Obligation

The following table (reported in thousands of dollars) 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		
	2003	2002	2001	2003	2002	2001
Annual required contribution	$ 145,138	$ 141,175	$ 162,654	$ 21,791	$ 21,296	$ 21,320
Interest on net pension obligation	27,322	20,728	19,193	2,203	1,292	1,196
Adjustment to annual required contribution	(23,880)	(17,754)	(14,439)	(1,925)	(1,106)	(900)
Annual pension cost	148,580	144,149	167,408	22,069	21,482	21,616
Contributions made	-	(61,716)	(148,215)	(8,781)	(10,095)	(20,420)
Increase in net pension obligation	148,580	82,433	19,193	13,288	11,387	1,196
Net pension obligation, beginning of year	341,532	259,099	239,906	27,538	16,151	14,955
Net pension obligation, end of year	$ 490,112	$ 341,532	$ 259,099	$ 40,826	$ 27,538	$ 16,151
Percentage of annual pension cost contributed	0.0%	42.8%	88.5%	39.8%	47.0%	94.5%

	JRS			VaLORS		
	2003	2002	2001	2003	2002	2001
Annual required contribution	$ 22,266	$ 21,655	$ 21,126	$ 76,564	$ 77,599	$ 51,220
Interest on net pension obligation	1,322	436	404	4,423	213	197
Adjustment to annual required contribution	(1,156)	(373)	(304)	(3,865)	(182)	(148)
Annual pension cost	22,432	21,718	21,226	77,122	77,630	51,269
Contributions made	(13,604)	(10,641)	(20,822)	(34,895)	(25,006)	(51,072)
Increase in net pension obligation	8,828	11,077	404	42,227	52,624	197
Net pension obligation, beginning of year	16,531	5,454	5,050	55,284	2,660	2,463
Net pension obligation, end of year	$ 25,359	$ 16,531	$ 5,454	$ 97,511	$ 55,284	$ 2,660
Percentage of annual pension cost contributed	60.6%	49.0%	98.1%	45.2%	32.2%	99.6%

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 $1.2 million, VTA's pension liability of $269,474, or VOF's pension liability of $5,937. The financial statements do not include the VRS pension liability of $8,439 for the Virginia Information Providers Network (VIPNET) (Related Organization).

The annual required contributions for the current year and the most recent actuarial valuation of assets were determined by the June 30, 2001, actuarial valuation. Actuarial 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 6.10%, 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 amortization period at June 30, 2002, was 30 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 (5.4 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, 2003, the total contributions to this plan were $607,719.

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., and Metropolitan Life. 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, 2003, the total contributions to these plans were:

TIAA-CREF	$	63,820,202
VALIC		4,077,188
Fidelity Investments		24,903,937
Great West Life		221,951
T. Rowe Price		1,261,745
Metropolitan Life		159,704
Total	$	94,444,727

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, 2003, were approximately $6,874,000. 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, 2003, there were 8 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, 2003, 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. MCVAP's contribution to the 403(b) Plan (7.5 percent of participants' compensation) approximated $1,764,000 for the year ended June 30, 2002. 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 $4,283,000 for the year ended June 30, 2003.

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 9b) plan for all non-medical staff. The contributions to the VCUHS 401(a) and VCUHS 457(b) Plan for the period ended June 30, 2003, were approximately $3,090,000.

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 2003 was approximately $241,000.

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, 103 faculty members have elected to enroll in the plan. As of June 30, 2003, 57 participants remain, including 14 new participants who retired under this plan during fiscal year 2003. 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 2004 plan contribution of $1,106,863 in fiscal year 2003.

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 $334,046 in fiscal year 2003.

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 $1,329,292 in fiscal year 2003. 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 minimum funding requirements of the Employee Retirement Income Security Act of 1974. 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:

	2003	2002	2001
Service cost - benefits earned during the year	$ 987,000	$ 982,000	$ 935,000
Interest cost on projected benefit obligation	2,144,000	1,910,000	1,766,000
Expected return on assets	(2,429,000)	(2,550,000)	(2,898,000)
Net amortization and deferral	76,400	42,700	(496,000)
One time recognition - VROP	-	2,337,300	-
Annual pension cost	778,400	2,722,000	(693,000)
Contributions made	(2,916,100)	(2,840,200)	(249,000)
Increase in prepaid pension obligation	(2,137,700)	(118,200)	(942,000)
Prepaid pension obligation, beginning of year	(5,624,700)	(5,506,500)	(4,564,500)
Prepaid pension obligation, end of year	$ (7,762,400)	$ (5,624,700)	$ (5,506,500)

The annual pension cost for the current year was determined as part of the September 30, 2002, 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 8.0 percent in fiscal years 2003, 2002, and 2001. 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, 2003, 2002, and 2001.

Three-Year Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2003	$ 778,400	375 %	$ (7,762,400)
2002	$ 2,722,000	104 %	$ (5,624,700)
2001	$ (693,000)	0 %	$ (5,506,500)

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:

	2003
Service cost - benefits earned during the year	$ 197,071
Interest cost on projected benefit obligation	111,771
Expected return on assets	(36,821)
Net amortization and deferral	87,904
Annual pension cost	359,925
Contributions made	(802,299)
Additional minimum liability	158,952
Increase in pension obligation	(283,422)
Pension obligation, beginning of year	867,180
Pension obligation, end of year	$ 583,758

The annual pension cost for the current year was determined as part of the August 2003 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 6.0 percent in 2003, 7.0 percent in 2002, and

7.5 percent in 2001. 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, 2003.

Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2003	$ 359,925	223 %	$ 583,758
2002	$ 193,689	108 %	$ 867,180
2001	$ 166,256	112 %	$ 193,239

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 $1,827,788 and an accrued liability of $1,876,091.

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 $29,321 for the year ended June 30, 2003, 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, 2003.

11. 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 10 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 2003 there were approximately 95,229 state employees and 40,164 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 55 and have had five years of continuous service 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, 2002, were $1,787.3 million. The actuarial value of the program's assets available for benefits on that date was $1,006.3 million, leaving a present value of future contributions of $781.0 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 28,334 state retirees were receiving health insurance credits at June 30, 2003.

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, 2000, actuarial valuation that determined the pension plan contribution rates. The Commonwealth's actuarially required contribution rate for the current year was 1.21 percent of payroll; however, contributions were paid at 0.89 percent of payroll. The Commonwealth recognized Retiree Health Insurance Credit expenses of $61.0 million during the fiscal year ended June 30, 2003.

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 10 and 14). 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 $16.8 million during the fiscal year. As of June 30, 2003, there were approximately 62,280 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. There was no appropriation in fiscal year 2003. At June 30, 2003, there were 942 workers participating in the Fund.

12. 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 $502.4 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, 2003, was $31.2 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 $97,103 for the fiscal year ended June 30, 2003. Further, the right to modify, alter, amend or terminate the Deferred Compensation Plan and Matching Savings Plan vests 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 $280,492 for the fiscal year ended June 30, 2003.

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, 2003 the estimated ongoing annual required contribution is approximately $500,000, and is funded through operations.

13. COMMITMENTS

A. Construction Projects

Highway Projects

At June 30, 2003, the Department of Transportation (Primary Government) had contractual commitments of approximately $1,992.7 million for construction of various highway projects. Funding for these expenditures is expected to be provided as follows: (1) Federal Funds – approximately 31.1 percent or $624.3 million, (2) State Funds – approximately 65.1 percent or $1,297.0 million, and (3) Proceeds from Bonds – approximately 3.6 percent or $71.4 million.

Mass Transit Projects

At June 30, 2003, the Department of Rail and Public Transportation (Primary Government) had contractual commitments of approximately $96.7 million for various public transportation and rail preservation projects. Funding of the future expenditures is expected to be as follows: (1) State Funds – approximately 87 percent or $84.1 million, and (2) Federal Funds – approximately 13 percent or $12.6 million.

Port Projects

At June 30, 2003, the Virginia Port Authority (Nonmajor Component Unit) was committed to construction contracts totaling $95.7 million.

Sanitation District Project

At June 30, 2003, the Hampton Roads Sanitation District Commission (Nonmajor Component Unit) was committed to construction programs totaling $39.0 million.

Higher Education Institutions

Many of the colleges and universities are committed to construction contracts. As of June 30, 2003, these commitments totaled approximately $494.9 million.

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, 2003, was $73.1 million for governmental activities (including Internal Service Funds) and $13.7 million for business-type activities. Rental expense for the discrete component units for the year ended June 30, 2003, was $71.4 million. The Commonwealth has, as of June 30, 2003, the following minimum rental payments due under the above leases (dollars shown in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
2004	$ 60,217	$ 10,212	$ 40,209
2005	45,045	7,361	26,599
2006	32,610	5,795	20,659
2007	14,477	3,543	16,409
2008	10,669	1,333	9,879
2009-2013	34,513	540	28,152
2014-2018	8,927	-	20,406
2019-2023	3,114	-	2,033
2024-2028	761	-	823
2029-2033	396	-	823
2034-2038	-	-	823
2039-2043	-	-	823
2044-2048	-	-	823
2049-2053	-	-	82
Total	$ 210,729	$ 28,784	$ 168,543

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, 2003, amounted to $1.7 billion.

14. 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 11). 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 18). All amounts related to the fiduciary funds are recognized in those funds.

The liability at June 30, 2003, 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.

15. 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, 2003, $78.8 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.Q. Changes in the balances of claims liabilities (reported in thousands of dollars) during the current and prior fiscal years are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2002-2003	$ 79,608	$ 579,001	$ (579,809)	$ 78,800
2001-2002	$ 74,044	$ 536,562	$ (530,998)	$ 79,608

The second type of plan, risk management insurance, is administered by the Department of 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, 2003, $189.2 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 (reported in thousands of dollars) during the current and prior fiscal years are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2002-2003	$ 178,328	$ 72,356	$ (61,499)	$ 189,185
2001-2002	$ 180,429	$ 50,912	$ (53,013)	$ 178,328

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 $3,439,955.

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 220 local government units participating in the pool. This includes 26 school districts, 28 counties, 81 cities/towns, and 85 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, 2003, $13.0 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, 2003, there were 528 units of local government in the pool. This includes 5 cities, 36 towns, and 46 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, 2003, $9.9 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 (reported in thousands of dollars) shows the changes in claims liabilities for the past two fiscal years.

	Local Choice Health Care		Risk Management	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	$ 14,886	$ 12,643	$ 10,878	$ 10,951
Incurred Claims and Claim Adjustment Expenses:				
Provision for Insured Events of the Current Fiscal Year	104,453	95,860	5,174	5,700
Changes in Provision for Insured Events of Prior Fiscal Years	-	-	(3,209)	(2,530)
Total Incurred Claims and Adjustment Expenses	104,453	95,860	1,965	3,170
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	106,346	93,617	380	550
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Year	-	-	3,036	3,283
Total Payments	106,346	93,617	3,416	3,833
Change in Provision for Discounts	-	-	468	590
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted)	$ 12,993	$ 14,886	$ 9,895	$ 10,878
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted)	$ 12,993	$ 14,886	$ 10,246	$ 11,499

16. ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

The following table (reported in thousands of dollars) summarizes Accounts Payable and Other Accrued Expenses as of June 30, 2003.

(Dollars in Thousands)

	Vendor	Salary/ Wage	Retainage	Other	Total
Primary Government:					
General Fund	$ 99,133	$ 88,107	$ 758	$ -	$ 187,998
Major Special Revenue Funds:					
Commonwealth Transportation Trust	131,220	32,108	17,084	-	180,412
Federal Trust	81,487	16,269	5,439	53	103,248
Literary	182	-	-	-	182
Major Enterprise Funds:					
State Lottery	1,240	1,603	-	6,723	9,566
Virginia College Savings Plan	342	127	-	-	469
Pocahontas Parkway	307	-	1,019	-	1,326
Nonmajor Governmental Funds	22,533	23,079	716	677	47,005
Nonmajor Enterprise Funds	18,261	3,455	-	270	21,986
Internal Service Funds	21,522	2,993	-	164	24,679
Private Purpose	269	78	-	77	424
Pension Trust	344	860	-	15,903	17,107
Agency Funds	-	-	-	3,463	3,463
Total Primary Government	$ 376,840	$ 168,679	$ 25,016	$ 27,330	$ 597,865
Discrete Component Units:					
Virginia Housing Development Authority	$ 82,484	$ -	$ -	$ -	$ 82,484
Virginia Public School Authority	107	-	-	-	107
University of Virginia	72,081	59,700	3,169	7,917	142,867
Virginia Polytechnic Institute and State University	36,214	37,685	2,484	-	76,383
Virginia Commonwealth University	42,099	44,777	916	-	87,792
Nonmajor Component Units	72,299	92,476	11,782	3,974	180,531
Total Component Units	$ 305,284	$ 234,638	$ 18,351	$ 11,891	$ 570,164

Note: Fiduciary liabilities of $20,994 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. In addition, Governmental Fund liabilities of $48,510 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

17. OTHER LIABILITIES

The following table (reported in thousands of dollars) summarizes Other Liabilities as of June 30, 2003.

	Primary Government				
	General Fund	Commonwealth Transportation Trust Fund	Federal Trust Fund	State Lottery	Virginia College Savings Plan
Lottery Prizes Payable	$ -	$ -	$ -	$ 45,287	$ -
Due to Program Participants, Escrows, and Providers	-	-	-	-	185
Medicaid Payable	160,373	-	221,540	-	-
Family Access to Medical Insurance Security Payable	579	-	1,080	-	-
Accrued Interest Payable	-	-	-	-	-
Tax Refunds Payable	217,898	-	-	-	-
Other Liabilities	-	-	-	-	-
Deposits Pending Distribution	2,104	5	-	-	-
Car Tax Refund Payable	29,018	-	-	-	-
Matured Debt Payable	-	-	-	-	-
Grants Payable	-	-	-	-	-
Total Other Liabilities	$ 409,972	$ 5	$ 222,620	$ 45,287	$ 185

	Primary Government (continued)				
	Pocahontas Parkway (1)	Unemployment Compensation Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds
Lottery Prizes Payable	$ -	$ -	$ -	$ -	$ -
Due to Program Participants, Escrows, and Providers	-	39,088	-	-	-
Medicaid Payable	-	-	-	-	-
Family Access to Medical Insurance Security Payable	-	-	-	-	-
Accrued Interest Payable	3,420	-	-	-	-
Tax Refunds Payable	-	-	-	-	-
Other Liabilities	19,899	-	1,535	71	2,528
Deposits Pending Distribution	-	-	2,325	134	-
Car Tax Refund Payable	-	-	-	-	-
Matured Debt Payable	-	-	15	-	-
Grants Payable	-	-	-	-	-
Total Other Liabilities	$ 23,319	$ 39,088	$ 3,875	$ 205	$ 2,528

Note (1): The $19,899 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)				
	Private Purpose Funds	Pension Trust Funds	Investment Trust Funds	Agency Funds	Total Primary Government (2)
Lottery Prizes Payable	$ -	$ -	$ -	$ -	$ 45,287
Due to Program Participants, Escrows, and Providers	13	9	-	462,291	501,586
Medicaid Payable	-	-	-	-	381,913
Family Access to Medical Insurance Security Payable	-	-	-	-	1,659
Accrued Interest Payable	-	-	-	-	3,420
Tax Refunds Payable	-	-	-	-	217,898
Other Liabilities	-	928	86	6,915	31,962
Deposits Pending Distribution	-	-	-	12,395	16,963
Car Tax Refund Payable	-	-	-	-	29,018
Matured Debt Payable	-	-	-	-	15
Grants Payable	-	-	-	-	-
Total Other Liabilities	$ 13	$ 937	$ 86	$ 481,601	$ 1,229,721

Note (2): Fiduciary liabilities of $482,637 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. In addition, General Fund liabilities of $168,087 (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	76,360	45,763	-	-	3,007
Tax Refunds Payable	-	-	-	-	-
Other Liabilities	14,418	13,041	18,600	31,885	34,916
Deposits Pending Distribution	-	-	189,313	4,654	24,423
Car Tax Refund Payable	-	-	-	-	-
Matured Debt Payable	-	-	-	-	-
Grants Payable	-	-	-	-	-
Total Other Liabilities	$ 90,778	$ 58,804	$ 207,913	$ 36,539	$ 62,346

	Component Units (continued)	
	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	34,012	159,142
Tax Refunds Payable	-	-
Other Liabilities	45,729	158,589
Deposits Pending Distribution	15,292	233,682
Car Tax Refund Payable	-	-
Matured Debt Payable	-	-
Grants Payable	5,684	5,684
Total Other Liabilities	$ 100,717	$ 557,097

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, 2003, the estimated liability related to Medicaid claims totaled $381.9 million. Of this amount $160.4 million is reflected in the General Fund (major) and $221.5 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, 2003, 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, 2002, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2003. 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, 2003, and paid by the Commonwealth after June 30, 2003. The majority of the amount pertains to the 2003 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:

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

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

18. 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

(Dollars in Thousands)		Amount Due Within One Year (11)
Primary Government:		
Governmental Activities:(1)		
General Obligation Bonds (7)		
9(b) Transportation Facilities (10)	$ 43,733	$ 8,535
9(b) Public Facilities (10)	410,669	33,060
9(c) Parking Facilities (10)	6,457	785
9(c) Transportation Facilties (2) (10)	107,034	10,126
Total General Obligation Bonds	567,893	52,506
Non-General Obligation Bonds - 9(d)		
Transportation Debt (3) (10)	1,936,944	103,265
Virginia Public Building Authority (2) (10)	956,495	70,900
Total Non-General Obligation Bonds	2,893,439	174,165
Other Long-Term Obligations:		
Pension Liability	452,550	-
Compensated Absences	303,479	150,663
Capital Lease Obligations	249,123	19,912
Regional Jail Financing Payable	18,252	1,598
Notes Payable	35,957	2,341
Installment Purchases Obligations	34,780	9,560
Industrial Development Authority Obligations	34,410	3,565
Other Liabilities	20,082	3,200
Total Other Long-Term Obligations	1,148,633	190,839
Total Governmental Activities (2) (10)	4,609,965	417,510
Business-Type Activities: (1) (6)		
Non-General Obligation Bonds - 9(d)		
Pocahontas Parkway Association Bonds (2)	432,563	-
Other Long-Term Obligations:		
Pension Liability	9,909	-
Compensated Absences	8,192	3,549
Installment Purchases Obligations	15,917	4,351
Tuition Benefits Payable	1,177,780	44,400
Lottery Prizes Payable	421,721	57,281
Total Other Long-Term Obligations	1,633,519	109,581
Total Business-Type Activities (2)	2,066,082	109,581
Total Primary Government	6,676,047	527,091

(Continued on next page)

Total Long-Term Liabilities

(Dollars in Thousands)		Amount Due Within One Year (11)
Component Units:		
General Obligation Bonds (7)		
Higher Education Fund - 9(c) Bonds (2) (10)	349,185	31,281
Non-General Obligation Bonds		
Higher Education Institutions - 9(d) (6) (10)	538,207	24,496
Virginia College Building Authority	448,525	59,135
Innovative Technology Authority	9,965	620
Virginia Port Authority (4)	370,476	11,269
Virginia Housing Development Authority (2) (5)	4,750,653	436,659
Virginia Resources Authority (2) (5)	920,124	30,904
Virginia Public School Authority (5) (10)	2,113,059	145,363
Hampton Roads Sanitation District Commission (6)	142,046	11,454
Virginia Equine Center Foundation (6)	15,970	195
Virginia Biotechnology Research Park Authority (8)	98,600	3,780
Total Non-General Obligation Bonds	9,407,625	723,875
Other Long-Term Obligations:		
Pension Liability (9)	202,913	-
Compensated Absences	174,296	89,866
Capital Lease Obligations	52,364	3,243
Notes Payable (6)	606,984	63,804
Installment Purchase Obligations	17,844	6,359
Bond Anticipation Notes (6)	1,303	1,303
Other Liabilities (6)	293,304	31,459
Total Other Long-Term Obligations	1,349,008	196,034
Total Component Units	11,105,818	951,190
Total Long-Term Liabilities	$ 17,781,865	$ 1,478,281

1. Pursuant to GASB Statement No. 34, governmental activities include Internal Service Funds. Business-Type Activities are considered Enterprise Funds.
2. Net of unamortized discounts and/or premiums.
3. This debt includes $864.7 million that is not supported by taxes.
4. This debt includes $148.3 million that is not supported by taxes.
5. This debt is not supported by taxes; however, $915.9 million from VHDA, $345.4 million from VPSA, and $704.7 million from VRA is considered moral obligation debt.
6. This debt is not supported by taxes.
7. Total general obligation debt of the Commonwealth is $917.1 million.
8. This debt includes $14.3 million that is not supported by taxes.
9. This includes pension obligations that do not relate to the Virginia Retirement System from Virginia Commonwealth University of $9.2 million and Virginia Port Authority of $2.5 million. It does not include pension obligations from fiduciary funds of $1.6 million.
10. Net of deferral on debt defeasance.
11. Amounts include any amortized discounts, premiums, and deferrals.

Primary Government

Transportation Facilities Debt

Transportation Facilities Bonds include $43,732,670 of 9(b) general obligation bonds, $107,033,531 of 9(c) general obligation bonds, and $1,936,944,136 of 9(d) revenue bonds. Principal and interest requirements for the current year totaled $174,864,180. 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 General Obligation Bond, Series 2003A, for the Powhite Parkway Extension was issued on June 18, 2003 in the amount of $40,370,000. Interest rate ranges from 2.50 percent to 5.50 percent. The proceeds of these bonds were used to defease Powhite Parkway Extension Transportation Facilities Revolving Bonds, Series 1993A.

The General Obligation Bonds, Series 2002 and 2003A, for the Omer L. Hirst – Adelard L. Brault Expressway were issued on October 23, 2002 and June 18, 2003 respectively. The Series 2002 debt is in the amount of $24,615,000 and the series 2003A debt is in the amount of $18,764,506. Interest rates range 2.50 percent to 5.50 percent. The proceeds of these bonds were used to defease Series 1996 and 1993(B) bonds.

The General Obligation Bond, Series 2002, for the Coleman Bridge was issued on October 23, 2002 in the amount of $3,775,000. The interest rate is 4.00 percent. The proceeds of this bond were used to defease Series 1994 bonds.

The U.S. Route 58 Corridor Revenue Refunding Bonds, Series 2002B and Series 2003A were issued on November 19, 2002 and April 10, 2003 respectively. The Series 2002B Refunding debt is in the amount of $70,670,000 and the series 2003A Refunding debt is in the amount of $66,255,000. Interest rates range from 3.00 percent to 5.50 percent. The proceeds of these bonds were used to defease Series 1993(B) and 1993(A) bonds.

The Northern Virginia Transportation District Revenue and Refunding Bonds, Series 2002A, were issued on November 19, 2002 in the amount of $153,035,000. The interest rate ranges from 3.00 percent to 5.25 percent. A portion of the proceeds was used to defease Series 1993C and 1995A bonds.

The Route 28 Project Revenue and Refunding Bonds, Series 2002, were issued on October 10, 2002 in the amount of $120,643,667. The interest rate ranges from 2.00 percent to 5.32 percent. A portion of the proceeds was used to defease Series 1992 bonds.

The Commonwealth of Virginia Federal Highway Reimbursement Anticipation Note, Series 2002 9(d), was issued on September 27, 2002 in the amount of $523,320,000. The interest rate ranges from 2.00 percent to 5.00 percent. Proceeds will be used to finance various capital transportation projects throughout the Commonwealth.

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*
2004	$ 8,535,000	$ 3,174,370	$ 11,709,370
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
2009-2013	17,140,000	1,743,750	18,883,750
Less: Deferral on Debt Defeasance	(947,330)	-	(947,330)
Total	$ 43,732,670	$ 10,807,220	$ 54,539,890

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

Maturity	*Principal*	*Interest*	*Total*
2004	$ 10,126,463	$ 4,589,209	$ 14,715,672
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
2009-2013	27,344,000	11,853,031	39,197,031
2014-2018	23,170,000	5,396,231	28,566,231
2019-2023	9,415,000	980,925	10,395,925
Less: Unamortized Discount	(3,681,379)	-	(3,681,379)
Deferral on Debt Defeasance	(2,228,596)	-	(2,228,596)
Total	$ 107,033,531	$ 37,887,280	$ 144,920,811

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

Maturity	*Principal*	*Interest*	*Total*
2004	$ 103,265,000	$ 93,510,772	$ 196,775,772
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
2009-2013	695,910,000	244,528,101	940,438,101
2014-2018	335,205,000	121,879,576	457,084,576
2019-2023	217,035,354	42,378,194	259,413,548
2024-2028	71,452,586	5,524,456	76,977,042
2029-2033	7,475,728	-	7,475,728
Add: Accretion on Capital Appreciation Bonds	1,346,125	-	1,346,125
Less: Deferral on Debt Defeasance	(11,815,657)	-	(11,815,657)
Total	$ 1,936,944,136	$ 826,662,875	$ 2,763,607,011

Pocahontas Parkway Association Bonds

The $168,862,562 Pocahontas Parkway Association Route 895 Connector Toll Road Revenue Bonds, Senior Current Interest Bonds, Series 1998A were issued on July 9, 1998. 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, 2003, was $10,992,033.

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, 2003, was $2,726,404.

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, 2003, were $17,985,323 and accrued interest was $4,951,104. The monthly interest rate at June 30, 2003, was 8.93 percent.

During 2002, the Association issued a non-interest bearing Second Tier Subordinate Bond, Series 2001A to the Commonwealth for $443,386. This amount represented previously incurred operating expenses for which the Association was to reimburse the Commonwealth. This Bond is being issued on a parity in terms of payment with other Second Tier Subordinate Bonds. This Bond is 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 nor the 2001 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. And neither the full faith and credit nor taxing power of the Commonwealth, the Department, the CTB, or any agency is pledged to the payment of the principal of and interest of the 1998 nor 2001 Bonds.

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

POCAHONTAS PARKWAY ASSOCIATION
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2004	$ -	$ 9,121,250	$ 9,121,250
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
2009-2013	69,700,000	36,427,125	106,127,125
2014-2018	109,300,000	32,037,500	141,337,500
2019-2023	150,800,000	32,037,500	182,837,500
2024-2028	195,200,000	27,978,500	223,178,500
2029-2033	279,641,443	1,141,250	280,782,693
2034-2038	188,700,000	-	188,700,000
Less: Unamortized Discount	(841,147)	-	(841,147)
Unaccreted Capital Appreciation Bonds	(582,237,502)	-	(582,237,502)
Total	$ 432,562,794	$ 174,300,375	$ 606,863,169

Public Facilities Bonds

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 1993 B, Series 1996, Series 1996 refunding, Series 1997, Series 1998 refunding, Series 1998 bonds, Series 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 $47,698,502. 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*
2004	$ 33,060,000	$ 19,488,346	$ 52,548,346
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
2009-2013	164,730,000	43,995,614	208,725,614
2014-2018	74,540,000	9,795,000	84,335,000
2019-2023	12,625,000	1,508,688	14,133,688
Less: Deferral on Debt Defeasance	(8,346,483)	-	(8,346,483)
Total	$ 410,668,517	$ 138,283,716	$ 548,952,233

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 $1,153,126.

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*
2004	$ 785,270	$ 335,291	$ 1,120,561
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
2009-2013	2,545,513	280,435	2,825,948
2014-2018	65,000	5,000	70,000
Less: Deferral on Debt Defeasance	(448,089)	-	(448,089)
Total	$ 6,456,672	$ 1,602,501	$ 8,059,173

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 2002A and 2003A, were issued on September 1, 2002, and February 1, 2003, respectively. The Series 2002A bonds were in the amount of $55,000,000 and the Series 2003A bonds were in the amount of $38,810,000. 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 February 1, 2003. Current year principal and interest requirements totaled $113,138,525. 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*
2004	$ 70,900,000	$ 43,234,016	$ 114,134,016
2005	61,220,000	40,243,281	101,463,281
2006	66,315,000	37,828,522	104,143,522
2007	69,355,000	35,201,562	104,556,562
2008	72,045,000	32,431,850	104,476,850
2009-2013	357,030,000	116,452,243	473,482,243
2014-2018	225,990,000	44,360,235	270,350,235
2019-2023	65,760,000	5,926,738	71,686,738
Less: Unamortized Discount	(21,014,198)	-	(21,014,198)
Deferral on Debt Defeasance	(11,105,407)	-	(11,105,407)
Total	$ 956,495,395	$ 355,678,447	$ 1,312,173,842

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*
2004	$ 1,598,126	$ 1,034,951	$ 2,633,077
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
2009-2013	9,142,895	4,032,106	13,175,001
2014-2018	837,165	(646,926)	190,239
Total	$ 18,252,268	$ 8,281,660	$ 26,533,928

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 $5,292,809. 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*
2004	$ 3,565,000	$ 1,727,809	$ 5,292,809
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
2009-2013	14,640,000	1,237,225	15,877,225
Total	$ 34,410,000	$ 7,927,455	$ 42,337,455

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 (in thousands):

College and university bonds backed by pledge of general revenue or revenue from specific revenue-producing capital projects	$ 420,712
College and university debt backed exclusively by pledged revenues of an institution	117,495
Total Higher Educational Institutional 9(d) debt	$ 538,207

The interest rates for these bonds range from 2.25 percent to 9.25 percent and the issuance dates range from July 17, 1973, to June 1, 2003. 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*
2004	$ 33,699,267	$ 16,141,579	$ 49,840,846
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
2009-2013	120,111,487	37,742,180	157,853,667
2014-2018	63,780,000	14,609,686	78,389,686
2019-2023	23,730,000	3,051,575	26,781,575
2024-2028	1,590,000	75,525	1,665,525
Less: Unamortized Discount	(2,439,467)	-	(2,439,467)
Deferral on Debt Defeasance	(6,709,000)	-	(6,709,000)
Total	$ 349,185,266	$ 124,159,689	$ 473,344,955

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

Maturity	*Principal*	*Interest*	*Total*
2004	$ 24,496,259	$ 25,223,346	$ 49,719,605
2005	17,839,319	24,238,109	42,077,428
2006	19,272,472	23,376,368	42,648,840
2007	20,900,721	22,424,271	43,324,992
2008	21,644,067	21,407,774	43,051,841
2009-2013	112,369,183	92,127,604	204,496,787
2014-2018	93,154,390	63,550,697	156,705,087
2019-2023	75,895,211	41,828,991	117,724,202
2024-2028	33,770,000	26,905,988	60,675,988
2029-2033	94,130,000	17,551,250	111,681,250
2034-2038	27,340,000	820,200	28,160,200
Less: Deferral on Debt Defeasance	(2,604,500)	-	(2,604,500)
Total	$ 538,207,122	$ 359,454,598	$ 897,661,720

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

Maturity	*Principal*	*Interest*	*Total*
2004	$ 59,135,000	$ 19,927,697	$ 79,062,697
2005	50,940,000	18,896,971	69,836,971
2006	29,620,000	16,222,559	45,842,559
2007	30,965,000	14,878,292	45,843,292
2008	21,620,000	13,471,110	35,091,110
2009-2013	84,740,000	54,372,373	139,112,373
2014-2018	103,620,000	31,142,313	134,762,313
2019-2023	67,885,000	8,575,612	76,460,612
Total	$ 448,525,000	$ 177,486,927	$ 626,011,927

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*
2004	$ 620,000	$ 736,587	$ 1,356,587
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
2009-2013	5,050,000	1,653,322	6,703,322
2014-2018	1,220,000	91,745	1,311,745
Total	$ 9,965,000	$ 4,941,738	$ 14,906,738

Governmental Funds – Discrete Component Units

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 4.0 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*
2004	$ 11,268,838	$ 16,119,591	$ 27,388,429
2005	13,245,058	16,228,587	29,473,645
2006	15,367,265	15,834,443	31,201,708
2007	16,623,547	15,098,974	31,722,521
2008	18,546,726	14,973,107	33,519,833
2009-2013	62,172,108	67,456,249	129,628,357
2014-2018	63,505,165	57,484,145	120,989,310
2019-2023	66,558,123	34,966,381	101,524,504
2024-2028	85,204,738	15,556,203	100,760,941
2029-2033	17,984,086	2,459,619	20,443,705
Total	$ 370,475,654	$ 256,177,299	$ 626,652,953

Proprietary Funds – Discrete Component Units

The Virginia Housing Development Authority (VHDA), the Virginia Resources Authority (VRA) and the Virginia Public School Authority (VPSA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 2.00 percent to 10.88 percent and the origination dates range from April 10, 1977, to May 21, 2003. The following schedules detail 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*
2004	$ 436,658,661	$ 246,301,636	$ 682,960,297
2005	295,405,227	232,355,767	527,760,994
2006	266,781,518	217,242,309	484,023,827
2007	247,666,179	203,393,068	451,059,247
2008	232,056,407	190,491,229	422,547,636
2009-2013	990,015,451	780,317,951	1,770,333,402
2014-2018	944,004,348	504,487,209	1,448,491,557
2019-2023	536,216,741	279,760,304	815,977,045
2024-2028	378,036,787	144,940,572	522,977,359
2029-2033	122,711,642	77,113,453	199,825,095
2034-2038	155,710,000	40,917,765	196,627,765
2039-2043	115,420,000	15,325,262	130,745,262
2044-2048	44,700,000	1,232,615	45,932,615
Less: Unamortized Discount	(15,425,626)	-	(15,425,626)
Add: Accretion on Zero Coupon Bonds	695,665	-	695,665
Total	$ 4,750,653,000	$ 2,933,879,140	$ 7,684,532,140

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

Maturity	*Principal*	*Interest*	*Total*
2004	$ 35,958,675	$ 43,184,731	$ 79,143,406
2005	37,686,510	42,146,427	79,832,937
2006	38,618,439	40,635,176	79,253,615
2007	39,934,654	39,116,279	79,050,933
2008	41,565,437	37,411,698	78,977,135
2009-2013	225,433,618	157,042,741	382,476,359
2014-2018	232,138,382	102,425,773	334,564,155
2019-2023	186,913,251	51,083,316	237,996,567
2024-2028	84,553,860	21,838,755	106,392,615
2029-2033	40,372,175	10,063,144	50,435,319
2034-2038	24,910,000	2,466,263	27,376,263
Add: Unamortized Premium	4,241,730	-	4,241,730
Less: Unamortized Discounts and Issuance Expenses	(15,716,161)	-	(15,716,161)
Unaccreted Capital Appreciation Bonds	(56,487,052)	-	(56,487,052)
Total	$ 920,123,518	$ 547,414,303	$ 1,467,537,821

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

Maturity	*Principal*	*Interest*	*Total*
2004	$ 148,945,000	$ 104,268,570	$ 253,213,570
2005	153,745,000	97,388,380	251,133,380
2006	152,575,000	89,830,581	242,405,581
2007	149,930,000	82,215,581	232,145,581
2008	139,330,000	74,726,564	214,056,564
2009-2013	634,425,000	270,633,530	905,058,530
2014-2018	496,612,063	127,655,809	624,267,872
2019-2023	246,700,000	28,381,259	275,081,259
2024-2028	18,035,000	1,559,300	19,594,300
2029-2033	420,000	9,713	429,713
Less: Deferral on Debt Defeasance	(27,658,100)	-	(27,658,100)
Total	$ 2,113,058,963	$ 876,669,287	$ 2,989,728,250

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 original interest cost for these bonds ranged from 2.5 percent to 4.98 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*
2004	$ 11,454,000	$ 6,039,000	$ 17,493,000
2005	10,585,000	5,544,000	16,129,000
2006	10,926,000	5,072,000	15,998,000
2007	11,391,000	4,576,000	15,967,000
2008	7,996,000	4,146,000	12,142,000
2009-2013	41,530,000	15,341,000	56,871,000
2014-2018	25,674,000	7,379,000	33,053,000
2019-2023	18,975,000	3,129,000	22,104,000
2024-2028	3,515,000	88,000	3,603,000
Total	$ 142,046,000	$ 51,314,000	$ 193,360,000

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*
2004	$ 195,000	$ 1,068,962	$ 1,263,962
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
2009-2013	4,330,000	2,844,463	7,174,463
2014-2018	6,055,227	1,085,896	7,141,123
Total	$ 15,970,227	$ 12,084,664	$ 28,054,891

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*
2004	$ 3,780,000	$ 4,903,612	$ 8,683,612
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
2009-2013	27,440,000	16,742,992	44,182,992
2014-2018	30,860,000	8,756,939	39,616,939
2019-2023	19,335,000	1,831,044	21,166,044
Total	$ 98,600,000	$ 49,864,882	$ 148,464,882

Total principal outstanding at June 30, 2003, 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) (3)

(Dollars in Thousands)

	Balance July 1, 2002 as restated	Issuances and Other Increases	Retirements and Other Decreases	Balance June 30, 2003	Due Within One Year
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	$ 399,005	$ 165,265	$ (153,601)	$ 410,669	$ 33,060
Parking Facilities Bonds	9,605	6,090	(9,238)	6,457	785
Transportation Facilities Bonds	170,687	88,665	(108,585)	150,767	18,661
Total General Obligation Bonds	579,297	260,020	(271,424)	567,893	52,506
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	1,418,900	935,270	(417,226)	1,936,944	103,265
Virginia Public Building Authority Bonds	958,141	101,001	(102,647)	956,495	70,900
Regional Jails Financing Payable	28,974	-	(10,722)	18,252	1,598
Industrial Development Authority Obligations	37,800	-	(3,390)	34,410	3,565
Installment Purchases	32,182	12,501	(9,903)	34,780	9,560
Notes Payable - Virginia Public Broadcasting Board	21,960	-	(1,955)	20,005	2,055
Notes Payable - Transportation	12,325	-	-	12,325	-
Notes Payable - Aviation	-	6,600	(2,973)	3,627	286
Obligations:					
Compensated Absences	306,972	4,044	(7,537)	303,479	150,663
Capital Lease Obligations (2)	203,210	60,096	(14,183)	249,123	19,912
Pension Liability	302,664	149,886	-	452,550	-
Other	20,284	-	(202)	20,082	3,200
Total Long-Term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth	3,343,412	1,269,398	(570,738)	4,042,072	365,004
Total Governmental Activities	3,922,709	1,529,418	(842,162)	4,609,965	417,510
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	418,850	13,713	-	432,563	-
Installment Purchases	17,861	2,116	(4,060)	15,917	4,351
Obligations:					
Compensated Absences	8,084	3,992	(3,884)	8,192	3,549
Pension Liability	6,389	3,520	-	9,909	-
Lottery Prizes Payable	449,694	-	(27,973)	421,721	57,281
Tuition Benefits Payable	781,827	395,953	-	1,177,780	44,400
Other	112	-	(112)	-	-
Total Business-Type Activities	1,682,817	419,294	(36,029)	2,066,082	109,581
Total Primary Government	$ 5,605,526	$ 1,948,712	$ (878,191)	$ 6,676,047	$ 527,091

(1) Pursuant to GASB Statement No. 34, governmental activities include Internal Service Funds. Business-Type Activities are considered Enterprise Funds.
(2) The beginning balance has been increased from the prior year to reflect the restatement of capital lease obligations.
(3) 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 schedules above. Enterprise funds, or business-type activities, are self supporting funds. Accordingly, long-term liabilities are paid from each respective fund.

Schedule of Changes in Long-term Debt and Obligations

(Dollars in Thousands)

	Balance July 1, 2002 as restated	Issuances and Other Increases	Retirements and Other Decreases	Balance June 30, 2003	Due Within One Year
Component Units					
Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:					
General Obligation Bonds - Higher Education 9(c):	$ 376,462	$ 143,005	$ (170,282)	$ 349,185	$ 31,281
Long-Term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:					
Debt:					
Bonds	10,160,088	1,934,016	(2,686,479)	9,407,625	723,875
Installment Purchase Obligations	23,347	4,844	(10,347)	17,844	6,359
Capital Lease Obligations	45,810	10,703	(4,149)	52,364	3,243
Notes Payable	494,689	195,107	(82,812)	606,984	63,804
Obligations:					
Compensated Absences	182,603	79,328	(87,635)	174,296	89,866
Pension Liability	136,708	67,076	(871)	202,913	-
Bond Anticipation Notes	895	3,070	(2,662)	1,303	1,303
Other (1)	337,214	216,230	(260,140)	293,304	31,459
Total Component Units	$ 11,757,816	$ 2,653,379	$ (3,305,377)	$ 11,105,818	$ 951,190

(1) The beginning balance has been increased from the prior year by higher education component units to reflect restatements.

Bond Defeasance

Primary Government

In October 2002, the Commonwealth issued $223,730,000 of General Obligation Bonds, Series 2002 with a true interest cost (TIC) of 3.29573 percent. These bonds were issued to finance certain capital projects ($21,360,000) and to advance refund certain outstanding bonds ($202,370,000). The bonds that were refunded include $11,995,000 of outstanding Higher Educational Institution Refunding Bonds, Series 1992C, $4,940,000 of outstanding Higher Educational Institution Bonds, Series 1992D, $18,420,000 of outstanding Higher Educational Institution Bonds, Series 1993A, $3,240,000 of outstanding Higher Educational Institution Bonds, Series 1993B, $20,000,000 of outstanding Public Facilities Bonds, Series 1993A, $50,000,000 of outstanding Public Facilities Bonds, Series 1993B, $30,240,000 of outstanding Commonwealth of Virginia General Obligation Bonds, Series 1994, $11,780,000 of outstanding Commonwealth of Virginia General Obligation Bonds, Series 1995, and $52,540,000 of outstanding Commonwealth of Virginia General Obligation Bonds, Series 1996 (the “Refunded Bonds”). The net proceeds from the sale of the refunding portion of the bonds of $220,520,332 (after payment of underwriter’s fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the Refunded Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $17,365,332. 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 debt defeasance resulted in an accounting gain of $785,000 as a result of market conditions at the time of sale. Total debt service payments over the next 14 years will be reduced by $10,606,711, resulting in an economic gain of $10,929,902 discounted at the rate of 3.1928 percent.

In October 2002, the Commonwealth issued $83,820,000 in Transportation Contract Revenue Refunding Bonds Series 2002, with a true interest cost (TIC) of 4.484 percent to advance refund $86,635,000 in Transportation Contract Revenue Refunding Bonds, Series 1992. The net proceeds of $88,895,498 (after payment of underwriter’s fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the Refunded Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $2,260,498. 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. Total debt service payments over the next 15 years will be reduced by $20,403,174 resulting in an economic gain of $14,820,663 discounted at the rate of 4.4289860 percent.

In November, 2002 the Commonwealth issued $153,035,000 in Transportation Revenue Refunding Bonds Series 2002(A) and $70,670,000 in Transportation Revenue Refunding Bonds Series 2002(B) with a true interest cost (TIC) of 4.180 percent. The Series 2002(A) bonds were issued to finance a portion of the costs of the Northern Virginia Transportation District Program and to advance refund $100,630,000 in Transportation Revenue Bonds, Series 1993(C) and $7,520,000 in Transportation Revenue Bonds, Series 1995(A). The Series 2002(B) bonds were issued to advance refund $72,650,000 in Transportation Revenue bonds, Series 1993(B). The net proceeds from the sale of the refunding portion of the bonds of $188,137,561 (after payment of

underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the Refunded Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $7,337,561. 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. Total debt service payments over the next 16 years will be reduced by $11,922,285 resulting in an economic gain of $11,224,871 discounted at the rate of 3.991545 percent.

In February 2003, the Virginia Public Building Authority issued $38,810,000 State Building Revenue Bonds Series 2003 A. A portion of the proceeds refunded $33,830,000 of Series 1993 A bonds. Bond proceeds of $31,667,351 were placed with an escrow agent to provide for the redemption of the bonds. An additional amount of $3,200,000 in interest earnings on the original 1993 A bond proceeds was also placed in escrow to complete the redemption. The redemption date of the bonds is August 1, 2003. The total debt service payments over the life of the bonds have been reduced by $2,899,400 resulting in an economic gain (savings) of $2,815,377 discounted at 3.181724% percent. In accordance with Governmental Accounting Standards Board (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 $11,105,406 to reflect the remaining deferral on debt defeasance at June 30, 2003.

In April, 2003, the Commonwealth issued $66,255,000 in Transportation Revenue Refunding Bonds Series 2003(A), with a true interest cost (TIC) of 3.002 percent to advance refund $69,565,000 in Transportation Revenue Bonds, Series 1993(A). The net proceeds of $72,714,399 (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the Refunded Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $3,149,399. 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. Total debt service payments over the next 9 years will be reduced by $6,142,452 resulting in an economic gain of $6,003,816 discounted at the rate of 2.964 percent.

In June 2003, the Commonwealth issued $178,155,000 of General Obligation Bonds, Series 2003A with a true interest cost (TIC) of 2.689822 percent. These bonds were issued to finance certain capital projects ($50,400,000) and to advance refund certain outstanding bonds ($127,755,000). The bonds that were refunded include $10,745,000 of outstanding Higher Educational Institution Refunding Bonds, Series 1993A, $44,270,000 of outstanding Transportation Facilities Refunding Bonds, Series 1993A, and $83,290,000 of outstanding Commonwealth of Virginia General Obligation Refunding Bonds, Series 1993B (the "Refunded Bonds"). The net proceeds from the sale of the refunding portion of the bonds of $141,632,297 (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the Refunded Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $3,327,297. 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 debt defeasance resulted in an accounting gain of $10,550,000. Total debt service payments over the next 19 years will be reduced by $15,569,262 resulting in an economic gain of $12,845,275 discounted at the rate of 2.648417 percent.

Component Units

In March 2003, the University of Virginia (Major Component Unit) issued $82,010,000 in The Rector and Visitors of the University of Virginia Series 2003A Tax-Exempt Variable Rate Bonds (Refunding Portion). This bond issue was used to advance refund $45,670,000 in University Series 1993B, $32,370,000 in University Series 1993A, and $1,830,000 in Commonwealth of Virginia Higher Educational Institution Bonds, Series 1992B (Taxable). The net proceeds of $81,718,000 (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the Refunded Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $1,848,000. 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 $11.2 million discounted at the rate of 3.000 percent.

In March 2003, James Madison University (Nonmajor Component Unit) issued $10,000,000 in General Revenue Pledge Refunding Bonds, Series 2002 for a current refunding of $9,525,000 in General Revenue Pledge Bonds, Series 1993. The reacquisition price exceeded the net carrying amount of the old debt by $416,419. 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 $1,079,178 discounted at the rate of 3.017 percent and a reduction of $1,244,577 in future debt service payments.

In April 2003, George Mason University (Nonmajor Component Unit) issued $4,860,000 in General Revenue Bonds, Series 2003 to advance refund $4,305,000 in General Revenue Pledge Bonds, Series 1995. The net proceeds of $4,812,413 (after payment of underwriter's fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the Refunded Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by $507,413. 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.

During the year ended June 30, 2003, two localities issued bonds to refund certain callable maturities of the Henrico County and City of Chesapeake General Obligation Bonds, Series 1993 and 1995 respectively. The proceeds were placed in an irrevocable trust with an escrow agent to pay debt service on the advance refunded local school bonds and the Virginia Public School Authority's corresponding Special Obligation School Financing Bonds totaling $97,000,000. These bonds were advance refunded to their earliest call date.

During the year ended June 30, 2003, the Virginia Resources Authority (Nonmajor Component Unit) refunded Lot 9, Lot 11, Lot 12, Lot 13, Lot 22, and 1993 Series A, and in-substance defeased 1993 Series B, 1993 Series C and Series 1994C. In order to accomplish these in-substance defeasances, the borrowers and the Authority jointly established escrow deposits, which, together with earnings from investments thereof, will be sufficient to pay principal and interest when due on these bonds. The refundings resulted in an economic gain of $9,286,195 and reduced debt service payments by $11,303,198. The amount of outstanding bonds payable related to bonds, which have been in-substance defeased or refunded, was $21,455,000 at June 30, 2003.

GASBS 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, 2003, there were $308.8 million in bonds from 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 $434.4 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 payments, if required, are due at least once 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. In either case if the issuer meets the applicable spending schedule, 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 $271,186 to the Federal government for rebate liability on Commonwealth general obligation bonds. The Virginia Public Building Authority made no rebate payments during the year. The Virginia College Building Authority remitted $406,413 in rebate liability on its Series 1997 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, $844,788 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, 2003, are shown in the following table (dollars shown in thousands). There were no capital lease amounts associated with business-type activities.

	Governmental Activities	Component Units
2004	$ 30,378	$ 5,986
2005	28,819	5,794
2006	27,981	5,540
2007	27,382	5,207
2008	26,666	5,185
2009-2013	126,095	26,015
2014-2018	98,308	16,762
2019-2023	21,280	4,831
Total Gross Minimum Lease Payments	386,909	75,320
Less: Amount Representing Executory Costs	10,892	7
Net Minimum Lease Payments	376,017	75,313
Less: Amount Representing Interest	126,894	22,949
Present Value of Net MinimumLease Payments	$ 249,123	$ 52,364

At June 30, 2003, assets purchased under capital leases were included in depreciable capital assets as follows (dollars shown 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	$ 307,641	$ 478	$ 308,119
Less: Accumulated Depreciation	58,532	309	58,841
Total Governmental Activities	$ 249,109	$ 169	$ 249,278
Component Units:			
Gross Capital Assets	$ 46,968	$ 21,172	$ 68,140
Less: Accumulated Depreciation	5,799	8,983	14,782
Total Component Units	$ 41,169	$ 12,189	$ 53,358

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	20,005
Aviation Note	3,627
Installment Notes	50,697
Total Primary Government	86,654
Component Units	
Virginia Public School Authority	161,640
University of Virginia	78,739
Virginia Polytechnic Institute and State University	78,715
Virginia Commonwealth University	56,965
Nonmajor Component Units	230,925
Installment Notes	17,844
Total Component Units	624,828
Total Notes Payable	$ 711,482

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 $161,640,000 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 $445,344,000 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 $436,050,000 with interest rates ranging from 3.0 percent to 6.0 percent shall be paid semi-annually. The final principal payment is due in 2028. The Virginia Biotechnology Research Park Authority (Nonmajor Component Unit) has two notes payable to private parties for $699,198. The first note in the amount of $125,000 and the second in the amount of $574,198 is or the purchase of property. The interest on the first note is 7.0 percent, while the interest on the second is LIBO plus 3 percent (through October 1, 2005, at which time it becomes LIBOR plus 2 percent). The notes are due in 2005. The Virginia Equine Center (Nonmajor Component Unit) has a note payable in the amount of $47,337 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 (Component Unit) also has notes payable. The University of Virginia (Major Component Unit) has a note payable of $479,310 with GE Capital Corporation for equipment and other working capital expenses. This is a five-year note with monthly payments beginning December 2003 at 5.78 percent. The College of William and Mary (Nonmajor Component Unit) has a note payable of $5,406,331 with SunTrust Bank to partially finance the multi-year implementation of a new administrative and financial system. This note matures in 2008 and has an interest rate of 5.82 percent. Virginia State University (Nonmajor Component Unit) has a note payable of $2,530,748, 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 $131,108, 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.

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 $68,540,420 of the total outstanding debt of the Commonwealth. Presented in the following tables are repayment schedules for installment notes.

Installment Purchases - Governmental Funds
June 30, 2003

Maturity	Principal	Interest	Total
2004	$ 9,560,201	$ 1,320,330	$ 10,880,531
2005	7,999,345	973,323	8,972,668
2006	7,235,133	655,378	7,890,511
2007	4,079,759	430,082	4,509,841
2008	1,720,714	290,685	2,011,399
2009-2013	4,184,720	291,930	4,476,650
Total	$ 34,779,872	$ 3,961,728	$ 38,741,600

Installment Purchases - Business Type Activities
June 30, 2003

Maturity	Principal	Interest	Total
2004	$ 4,351,499	$ 577,180	$ 4,928,679
2005	4,538,005	390,674	4,928,679
2006	4,732,618	196,062	4,928,680
2007	2,164,875	46,238	2,211,113
2008	129,551	681	130,232
Total	$ 15,916,548	$ 1,210,835	$ 17,127,383

Installment Purchases - Component Units
June 30, 2003

Maturity	Principal	Interest	Total
2004	$ 6,358,274	$ 638,563	$ 6,996,837
2005	4,518,722	375,338	4,894,060
2006	3,149,132	213,225	3,362,357
2007	2,502,237	100,758	2,602,995
2008	1,272,241	20,431	1,292,672
2009-2013	43,394	75	43,469
Total	$ 17,844,000	$ 1,348,390	$ 19,192,390

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, 2003 are shown in the following table:

	Lottery	For Life	Total
Due within one year	$ 56,137,220	$ 1,144,272	$ 57,281,492
Due in subsequent years	350,954,534	13,484,927	364,439,461
Total (present value)	407,091,754	14,629,199	421,720,953
Add:			
Interest to Maturity	173,721,245	14,276,802	187,998,047
Lottery Prizes Payable at Maturity	$ 580,812,999	$ 28,906,001	$ 609,719,000

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, 2003, 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 $351.2 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

19. OTHER REVENUE

The following table (reported in thousands of dollars) summarizes Other Revenue for the fiscal year ended June 30, 2003.

	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 Fund	$ 339	$ 178,937	$ 9,117	$ 7	$ 1,019
Major Special Revenue Funds:					
Commonwealth Transportation	20,377	8,966	15,104	-	1,998
Federal Trust	-	38	-	-	111
Literary	-	150,886	-	-	-
Major Enterprise Funds:					
Pocahontas Parkway	-	1,850	-	-	-
Nonmajor Governmental Funds	75,777	39,167	115,335	6,981	23,268
Nonmajor Enterprise Funds	-	9,505	-	-	-
Private Purpose	-	-	-	-	298
Pension Trust	-	-	-	-	-
Total Primary Government	$ 96,493	$ 389,349	$ 139,556	$ 6,988	$ 26,694

	Contributions	Tobacco Master Settlement	Taxes	Other	Total Other Revenue
Primary Government:					
General Fund	$ -	$ 60,012	$ -	$ 107,170	$ 356,601
Major Special Revenue Funds:					
Commonwealth Transportation	-	-	-	14,794	61,239
Federal Trust	-	-	-	74,690	74,839
Literary	-	-	-	-	150,886
Major Enterprise Funds:					
Pocahontas Parkway	-	-	-	-	1,850
Nonmajor Governmental Funds	-	-	-	66,498	327,026
Nonmajor Enterprise Funds	1,763	-	5,145	1,071	17,484
Private Purpose	-	-	-	94	392
Pension Trust	-	-	-	2,682	2,682
Total Primary Government	$ 1,763	$ 60,012	$ 5,145	$ 268,849	$ 994,849

20. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2003.

(Dollars in Thousands)

	Insurance Claims	Lottery Prize Expense	Total Prizes and Claims
Proprietary Funds:			
Major Enterprise Funds:			
State Lottery	$ -	$ 625,872	$ 625,872
Unemployment Compensation	711,985	-	711,985
Nonmajor Enterprise Funds	106,682	-	106,682
Total Enterprise Funds	$ 818,667	$ 625,872	$ 1,444,539
Internal Service Funds	$ 641,308	$ -	$ 641,308

21. DEPRECIATION AND AMORTIZATION

The following table summarizes Depreciation and Amortization Expense for the fiscal year ended June 30, 2003.

(Dollars in Thousands)

	Depreciation	Amortization	Total Depreciation and Amortization
Business-type Activities:			
Major Enterprise Funds:			
State Lottery	$ 6,546	$ -	$ 6,546
Virginia College Savings Plan	62	-	62
Pocahontas Parkway	8,740	306	9,046
Nonmajor Enterprise Funds	3,381	-	3,381
Total Enterprise Funds	$ 18,729	$ 306	$ 19,035
Internal Service Funds	$ 16,470	$ -	$ 16,470

22. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2003.

(Dollars in Thousands)

	Grants and Distributions to Localities	Expendable Equipment	Other	Total Other Expenses
Proprietary Funds:				
Major Enterprise Funds:				
Virginia College Savings Plan	$ -	$ 17	$ 4	$ 21
Nonmajor Enterprise Funds	88	2,278	1,056	3,422
Total Enterprise Funds	$ 88	$ 2,295	$ 1,060	$ 3,443
Internal Service Funds	$ -	$ 6,789	$ 2,329	$ 9,118

23. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses for the fiscal year ended June 30, 2003.

(Dollars in Thousands)

	Gain (Loss) on Sale of Capital Assets	Other	Total Non-Operating Revenue/ Expenses
Proprietary Funds:			
Major Enterprise Funds:			
State Lottery	$ -	$ 173	$ 173
Virginia College Savings Plan	-	(37)	(37)
Nonmajor Enterprise Funds	-	124	124
Total Enterprise Funds	$ -	$ 260	$ 260
Internal Service Funds	$ (246)	$ (1,766)	$ (2,012)

24. TRANSFERS

The following table summarizes Transfers In and Transfers Out as of June 30, 2003 (in thousands of dollars).

	Transfers In (Reported In):				
Transfers Out (Reported In):	**General Fund**	**Commonwealth Transportation Fund**	**Federal Trust Fund**	**Literary Fund**	**Nonmajor Governmental Funds**
Primary Government					
General Fund	$ -	$ 135,642	$ 36	$ -	$ 242,692
Major Special Revenue Funds:					
Commonwealth Transportation	413,192	-	2,241	-	231,196
Federal Trust	3,308	9,376	-	-	2,031
Major Enterprise Funds:					
State Lottery	375,201	-	-	12,304	-
Virginia College Savings Plan	106	-	-	-	-
Unemployment Compensation	-	-	12,860	-	-
Nonmajor Governmental Funds	96,253	236	1,509	-	16,110
Nonmajor Enterprise Funds	68,202	-	35	16	4,823
Internal Service Funds	15,545	-	-	-	82
Total Primary Government	$ 971,807	$ 145,254	$ 16,681	$ 12,320	$ 496,934

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.

- The Commonwealth Transportation Trust Fund returned sales and use taxes of approximately $295.6 million to the General Fund since Federal Reimbursement Anticipation Notes have replaced the sales and use tax funding for transportation projects.

- Various non-general funds transferred approximately $128.2 million to the General Fund for disbursements appropriated by Chapter 1042, 2003 Acts of Assembly.

- Various non-general funds transferred approximately $44.9 million to the General Fund resulting from reduced retirement and post-employment benefit contributions disbursements appropriated by Chapter 1042, 2003 Acts of Assembly.

- The Other Special Revenue Fund transferred $18.5 million in unspent balances resulting from Intergovernmental Transfers to the General Fund disbursements appropriated by Chapter 1042, 2003 Acts of Assembly.

- Insurance Reserves of $8.2 million were transferred to the General Fund for disbursements appropriated by Chapter 1042, 2003 Acts of Assembly.

- The Fleet Management Internal Service Fund transferred $4 million to the General Fund since no new vehicles were purchased.

- The Department of Motor Vehicles transferred increased fees of $4 million to the General Fund as required by Chapter 1042, 2003 Acts of Assembly.

- The State Corporation Commission transferred $2 million to the General Fund since the General Assembly deferred consumer training related to energy deregulation.

Nonmajor Enterprise Funds	Internal Service Funds	Total Primary Government
$ 6,920	$ -	$ 385,290
-	283	646,912
201	-	14,916
-	-	387,505
-	-	106
-	-	12,860
107	64	114,279
-	-	73,076
-	-	15,627
$ 7,228	$ 347	$ 1,650,571

25. SPECIAL ITEMS

Special items are significant transactions or other events that are either unusual in nature or infrequent in occurrence and within management's control. During the fiscal year, the Hampton Roads Sanitation District (Nonmajor Component Unit) recognized a $6.9 million loss resulting in adopting a post-retirement health benefit for qualifying employees beginning after July 1, 2002. The Virginia Biotechnology Research Park (Nonmajor Component Unit) recognized a $366 thousand loss due to a dispute related to grant funds received for construction costs brought by the Economic Development Administration.

26. ON-BEHALF PAYMENTS - HIGHER EDUCATION (COMPONENT UNIT)

Higher Education recognized various foundation and association on-behalf payments for fringe benefits and salaries during fiscal year 2003 totaling $1,480,987. This activity was recorded as General Revenue - Unrestricted Grants and Contributions in the amount of $808,519; Program Revenue – Operating Grants and Contributions in the amount of $603,082; and Program Revenue – Charges for Services in the amount of $69,386, with corresponding expenditures.

27. CHANGE IN ACCOUNTING PRINCIPLE

Primary Government

During fiscal year 2003, the Commonwealth elected to change the capitalization threshold for reporting capital assets. The Commonwealth increased the capitalization threshold from $5,000 for all classes of assets to $50,000 for equipment and $100,000 for land, buildings, infrastructure, and construction in progress. The cumulative effect of this change in accounting principle decreased the capital asset balance at the beginning of the year by $201.1 million.

28. RESTATEMENT OF BEGINNING BALANCES

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

- Governmental activities have been restated for a change in methodology related to deferred tax calculations resulting in an increase in beginning net assets of $398.7 million (see Note 1.P.)

- Governmental activities have been restated for capital asset threshold changes resulting in a decrease in beginning net assets of $201.1 million and correction of prior year errors of $60.0 million (see Notes 1.M., 9, and 27).

- Governmental activities have been restated due to corrections of prior year errors resulting in a decrease in beginning net assets of $3.5 million.

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

- The General Fund restatement of $367.5 million is due to a change in methodology related to deferred tax calculations. The General Fund restatement is $31.2 million less than the governmental activities restatement amount. While estimated underpayments that exceed estimated overpayments are reported as receivables on both statements, revenue is deferred on the fund statement but recognized on the government-wide statement (see Note 1.P.).

- The Special Revenue Commonwealth Transportation Fund has been restated due to a prior year error.

- The Special Revenue Dedicated and Special Revenue Other Funds have been restated due to the fact that the prior year Main Street Station Property Agency Fund and the Emergency Management Donation Agency Fund should have been reported in the Dedicated and Other Funds, respectively.

- The Investment Trust Fund was restated due to the improper account classifications.

- The University of Virginia amount has been restated due to the correction of prior year errors, exclusion of equipment not owned by the University, and the write-off of investments.

- Nonmajor Higher Education Institution amounts have been restated for various reasons, primarily due to corrections related to the implementation of the new financial reporting model.

Beginning Balance Restatement

(Dollars in Thousands)

	Balance as of June 30, 2002	Change in Principle	Correction of Prior Year Errors	Balance June 30, 2002 as restated
Government-wide Activities:				
Primary Government:				
Governmental Activities	$ 10,451,350	$ (201,075)	$ 335,156	$ 10,585,431
Business-type Activities	815,513	-	-	815,513
Total Primary Government	$ 11,266,863	$ (201,075)	$ 335,156	$ 11,400,944
Component Units	$ 8,638,751	$ -	$ (24,034)	$ 8,614,717
Major Governmental Funds:				
General Fund	$ (216,697)	$ -	$ 367,452	$ 150,755
Special Revenue Funds:				
Commonwealth Transportation Fund	1,064,716	-	(1,000)	1,063,716
Federal Trust Fund	15,286	-	-	15,286
Literary Fund	424,394	-	-	424,394
Total Major Governmental Funds	1,287,699	-	366,452	1,654,151
Nonmajor Governmental Funds:				
Special Revenue Funds:				
Dedicated Special Revenue Fund	178,781	-	1,499	180,280
Other Special Revenue Fund	343,952	-	420	344,372
Virginia Land Conservation Foundation Fund	3,034	-	-	3,034
Virginia State Parks Foundation	322	-	-	322
Virginia Historical Preservation Foundation	4	-	-	4
Total Special Revenue	526,093	-	1,919	528,012
Debt Service Funds:				
Primary Government	38,728	-	-	38,728
Virginia Public Building Authority	45	-	-	45
Total Debt Service	38,773	-	-	38,773
Capital Project Funds:				
Primary Government	9,083	-	-	9,083
Virginia Public Building Authority	43,614	-	-	43,614
Total Capital Projects	52,697	-	-	52,697
Permanent Funds:				
Commonwealth Health Research Fund	24,192	-	-	24,192
Mental Health Endowment Funds	262	-	-	262
Virginia Arts Foundation	142	-	-	142
Total Permanent Funds	24,596	-	-	24,596
Total Non-Major Funds	642,159	-	1,919	644,078
Total Governmental Funds	$ 1,929,858	$ -	$ 368,371	$ 2,298,229

Beginning Balance Restatement
Fiduciary Funds

(Dollars in Thousands)

	Balance as of June 30, 2002	Correction of Prior Year Errors	Balance June 30, 2002 as restated
Private Purpose Funds			
Unclaimed Property	$ 35,390	$ -	$ 35,390
Virginia College Savings Plan	1,162,416	-	1,162,416
Loan Servicing Reserve	545	-	545
Edvantage Reserve	1,539	-	1,539
Virginia Farm Loan Revolving	5,666	-	5,666
Miscellaneous Trust	66	-	66
Total Private Purpose Funds	1,205,622	-	1,205,622
Pension Trust Funds			
Virginia Retirement System	32,447,511	-	32,447,511
State Police Officers' Retirement System	423,232	-	423,232
Judicial Retirement System	234,208	-	234,208
Virginia Law Officers' Retirement System	350,063	-	350,063
Political Appointees	1,891	-	1,891
Other Employment Benefits:			
Retiree Health Insurance Credit	76,172	-	76,172
Group Life	838,568	-	838,568
Virginia Sickness and Disability Program	57,898	-	57,898
Volunteer Firefighters and Rescue Squad Workers	187	-	187
Total Pension Trust Funds	34,429,730	-	34,429,730
Investment Trust Funds			
Local Government Investment Pool (LGIP)	$ 2,280,347	$ (64)	$ 2,280,283
State Non-Arbitrage Pool (SNAP)	1,147,983	-	1,147,983
SNAP Individual Investment Accounts	14,466	-	14,466
Total Investment Trust Funds	$ 3,442,796	$ (64)	$ 3,442,732

Beginning Balance Restatement
Component Units

(Dollars in Thousands)

	Balance as of June 30, 2002	Correction of Prior Year Errors	Balance June 30, 2002 as restated
Major Component Units			
Virginia Housing Development Authority	$ 1,344,010	$ -	$ 1,344,010
Virginia Public School Authority	25,684	-	25,684
University of Virginia	3,169,558	937	3,170,495
Virginia Polytechnic Institute and State University	419,381	-	419,381
Virginia Commonwealth University	644,193	-	644,193
Nonmajor Component Units			
Virginia Economic Development Partnership	1,544	-	1,544
Virginia Outdoors Foundation	8,621	-	8,621
Virginia Port Authority	295,769	-	295,769
Virginia Resources Authority	809,006	-	809,006
Virginia Tourism Authority	1,077	-	1,077
Virginia Tobacco Settlement Foundation	28,249	-	28,249
Tobacco Indemnification and Community		-	
Revitalization Commission	34,323	-	34,323
Hampton Roads Sanitatio District Commission	347,958	-	347,958
Virginia Biotechnology Research Park Authority	12,356	-	12,356
Virginia Small Business Financing Authority	32,909	-	32,909
Virginia School for the Deaf and Blind Foundation	2,536	-	2,536
A. L. Philpott Manufacturing Extension Partnership	489	-	489
Virginia Equine Center Foundation	2,698	-	2,698
Certified Nursing Facility Education Initiative	505	-	505
College of William and Mary	270,395	(1,707)	268,688
Virginia Military Institute	69,585	-	69,585
Virginia State University	72,954	(7,175)	65,779
Norfolk State University	37,603	976	38,579
Mary Washington College	77,515	(5,342)	72,173
James Madison University	208,421	-	208,421
Radford University	92,199	750	92,949
Old Dominion University	164,048	5,584	169,632
George Mason University	206,373	(8,477)	197,896
Virginia Community College System	386,946	(2,316)	384,630
Christopher Newport University	58,060	625	58,685
Longwood University	49,417	(46)	49,371
Southwest Virginia Higher Education Center	8,066	-	8,066
Roanoke Higher Education Authority	12,265	-	12,265
Innovative Technology Authority	19,468	-	19,468
Virginia College Building Authority	(275,430)	(7,843)	(283,273)
Total Nonmajor Component Units	3,035,925	(24,971)	3,010,954
Total Component Units	$ 8,638,751	$ (24,034)	$ 8,614,717

The restatements of Agency Fund beginning balances are summarized below:

- The Mental Health Patient and Mental Health Nonpatient Trust Funds were combined in prior years. These two agency funds are now reported separately.
- The Main Street Station Property Fund, the Emergency Management Donation Fund, and the Virginia Department of Transportation Fund have been eliminated from the Agency Funds and are now reported in Special Revenue Funds.
- The Department of State Police Fund has been restated due to prior year errors.
- The Aviation Fund has been restated due to an improper account classification.

Beginning Balance Restatement
Agency Funds

(Dollars in Thousands)

	Balance as of July 1, 2002	Correction of Prior Year Errors	Balance July 1, 2002 as restated
Agency Funds			
Funds for the Collection of Taxes and Fees	$ 178,758	$ -	$ 178,758
Employee Benefits Fund	2,835	-	2,835
Mined Land Deposits Fund	10,223	-	10,223
Deposits of Insurance Carriers Fund	372,245	-	372,245
Inmate and Ward Fund	4,662	-	4,662
Child Support Collections Fund	16,956	-	16,956
Mental Health Patient Trust Fund	2,372	(19)	2,353
Mental Health NonPatient Trust Fund	-	19	19
Optional Life Insurance Fund	3,050	-	3,050
Comptroller's Debt Setoff Fund	1,156	-	1,156
Main Street Station Property Fund	1,499	(1,499)	-
Unclaimed Property of Other States	3,028	-	3,028
Legal Settlement Fund	1,019	-	1,019
Consumer Services Fund	489	-	489
Emergency Management Donation Fund	420	(420)	-
Department of State Police Fund	73	237	310
Aviation Fund	50	64	114
Virginia Department of Transportation Fund	39	(39)	-
Virginia School for the Deaf and Blind Fund	33	-	33
Woodrow Wilson Rehabilitation Center Fund	6	-	6
Dog and Cat Sterilization Fund	2	-	2
Milk Commission Fund	1	-	1
Total Agency Funds	$ 598,916	$ (1,657)	$ 597,259

29. DEFICIT NET ASSETS

The State Lottery Department (Major Enterprise Fund) and Department of Alcoholic Beverage Control (Nonmajor Enterprise Fund) ended the year with deficit net assets of $2.1 million, and $5.6 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 $232.7 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 Association (Major Enterprise Fund) ended the year with a deficit net assets balance of $75.3 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) and Engineering Services (Internal Service Fund) ended the year with a deficit net assets balance of $1.7 million and $111,988, respectively. 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 (Internal Service Fund) ended the year with a deficit net assets balance of $20.9 million. The deficit is attributable to increased health care cost.

Maintenance and Repair (Internal Service Fund) ended the year with a deficit net assets balance of $1.9 million due to revenue refunds to agencies which were mandated by the Department of Planning and Budget.

The Risk Management (Internal Service Fund) ended the year with a deficit net assets balance of $137.0 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 College Building Authority (Nonmajor Component Unit) ended the year with a deficit net assets balance of $387.2 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 $557,765,390, and of this amount, $551,947,661 is reported as restricted net assets and $5,817,729 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 (reported in thousands) summarizes specific cash flows for the fiscal year ended June 30, 2003.

	State Lottery	Virginia College Savings Plan	Pocahontas Parkway	Unemployment Compensation Fund
Cash Flows Resulting from:				
Payments for Prizes, Claims, and Loss Control:				
Lottery Prizes	$ (695,060)	$ -	$ -	$ -
Claims and Loss Control	-	-	-	(718,097)
Total	$ (695,060)	$ -	$ -	$ (718,097)
Other Operating Revenues:				
Other Operating Revenue	$ -	$ -	$ 2,400	$ -
Total	$ -	$ -	$ 2,400	$ -
Other Operating Expenses:				
Payments for Contractual Services	$ (27,242)	$ (2,070)	$ -	$ -
Other Operating Expenses	-	(4)	(1,098)	-
Total	$ (27,242)	$ (2,074)	$ (1,098)	$ -
Other Noncapital Financing Receipt Activities:				
Advances/Contributions from the Commonwealth	$ -	$ -	$ -	$ -
Receipts from Taxes	-	-	-	-
Other Noncapital Financing Receipt Activities	1,252	-	-	-
Total	$ 1,252	$ -	$ -	$ -
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:				
Disburesments for Retainage Payable	$ -	$ -	$ (8,800)	$ -
Disbursments for Capital Expenditures	-	-	(4,760)	-
Total	$ -	$ -	$ (13,560)	$ -

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
$ -	$ (695,060)	$ -
(110,219)	(828,316)	(629,275)
$ (110,219)	$ (1,523,376)	$ (629,275)
$ 8,424	$ 10,824	$ 10
$ 8,424	$ 10,824	$ 10
$ (32,507)	$ (61,819)	$ (109,486)
(1,279)	(2,381)	(39)
$ (33,786)	$ (64,200)	$ (109,525)
$ -	$ -	$ 355
112,286	112,286	-
33	1,285	-
$ 112,319	$ 113,571	$ 355
$ (2,534)	$ (2,534)	$ (400)
(103)	(103)	(1,024)
$ (2,637)	$ (2,637)	$ (1,424)
$ -	$ (8,800)	$ -
-	(4,760)	-
$ -	$ (13,560)	$ -

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, 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 moneys in the Tobacco Indemnification and Community Revitalization Fund. The moneys 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 moneys 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. The agreement stipulates that AMS will be paid 90 percent of the new revenue generated from the system enhancements in fiscal year 2003, even if this amount is insufficient to cover the total contract cost. Beginning in fiscal year 2004, this percentage will decrease to 70 percent. Accordingly, AMS has created a dynamic environment that has made it easier for taxpayers to understand and comply with Virginia's tax requirements. As of June 30, 2003, the Department has paid AMS $110.9 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 2003 activity is reported in Other Special Revenue (nonmajor). In fiscal year 2004 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 2004. If the intergovernmental transfers take place in fiscal year 2004, 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 $11,000,000, respectively. The transaction is contingent upon intergovernmental agreements being signed between the Commonwealth and the participating localities.

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 not yet audited the 2004 cost allocation plan, which is based on state fiscal year 2002 data. The Commonwealth believes this liability has the potential to total $947,801 as of June 30, 2003.

Virginia's combined overpayment and underpayment food stamp error rate for federal fiscal year 2002 was 6.74 percent. The national average combined error rate was 8.26 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, liabilities of $7.2 million were waived. The Commonwealth is subject to a cumulative potential liability of $3.0 million during the period beginning October 1, 2002, through September 30, 2005. In addition, the Department is required to budget $545,423 in fiscal year 2004 for activities that will help reduce the error rate in future years.

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 $1.2 billion. The discretely presented component units have such debt of $448.5 million.

36. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, issued May 2002, will be effective for the fiscal year ending June 30, 2004. This Statement provides additional guidance regarding the inclusion of certain organizations as component units. Generally, it requires an organization to be reported as a component unit if the organization raises and holds economic resources for the direct benefit of the primary government, even if the primary government is not financially accountable for the organization. As a result, the Commonwealth will be required to include selected affiliated foundations in its financial statements. The Commonwealth is currently in the process of determining foundations to be included.

37. SUBSEQUENT EVENTS

Component Units

Subsequent to year-end, the Virginia Resources Authority (Authority) issued a total of $15,555,000 in Series 2003C Water and Sewer Revenue Bonds with interest rates ranging from 2.0 to 4.25 percent. The Authority also issued $650,000 in Series 2003D Water and Sewer System Revenue Bonds with interest rates of 2.0 percent.

In July 2003, the Virginia Housing Development Authority redeemed $3,384,170 in Multi-Family Housing Bonds and $48,740,000 in Commonwealth Mortgage Bonds.

In August 2003, the Virginia Housing Development Authority sold $147,450,000 in Rental Housing Bonds, 2003 Series C/D/E.

In September 2003, the Virginia Housing Development Authority redeemed an additional $148,675,000 in Commonwealth Mortgage Bonds.

In November 2003, the Virginia Public School Authority issued $190,645,000 in School Financing Bonds (1997 Resolution), Series 2003C to purchase local school bonds to finance capital projects for public schools.

In November 2003, the University of Virginia issued $100,000,000 Commercial Paper General Revenue Pledge Notes consisting of tax-exempt series (the Series 2003A Notes) and a taxable series (the Series 2003B Notes). The notes will be issued from time to time to temporarily finance capital projects.

In November 2003, the Virginia College Building Authority issued $115,715,000 in Educational Facilities Revenue Bonds (Public Higher Education Financing Program), Series 2003A to finance capital projects at various higher education institutions.

In December 2003, the Virginia Public School Authority issued $286,670,000 in School Financing Bonds (1997 Resolution), Series 2003 D to purchase local school bonds to finance capital projects for public schools.

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, 2003
(Dollars in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Individual and Fiduciary Income	$ 7,341,700	$ 6,798,900	$ 6,775,746	$ (23,154)
Sales and Use	2,373,000	2,342,600	2,335,958	(6,642)
Corporation Income	298,900	301,200	343,319	42,119
Public Service Corporations	98,500	86,000	91,247	5,247
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Premiums of Insurance Companies	298,000	311,600	333,004	21,404
Other Taxes	467,000	523,200	574,051	50,851
Rights and Privileges	50,400	64,900	63,216	(1,684)
Sales of Property and Commodities	10,000	4,000	1,019	(2,981)
Assessments and Receipts for Support of Special Services	300	400	383	(17)
Institutional Revenue	8,900	9,200	7,896	(1,304)
Interest, Dividends, and Rents	45,500	72,300	108,233	35,933
Fines, Forfeitures, Court Fees, Penalties, and Escheats	165,300	179,800	178,487	(1,313)
Federal Grants and Contracts	-	-	-	-
Receipts from Cities, Counties, and Towns	9,200	9,200	9,117	(83)
Private Donations, Gifts and Contracts	-	-	7	7
Tobacco Master Settlement	59,100	60,500	60,012	(488)
Other	114,999	145,000	109,303	(35,697)
Total Revenues	11,340,799	10,908,800	10,990,998	82,198
Expenditures:				
Current:				
General Government	1,396,003	1,405,465	1,367,126	38,339
Education	5,580,506	5,464,597	5,441,934	22,663
Transportation	140,654	50,040	36	50,004
Resources and Economic Development	249,930	221,007	206,743	14,264
Individual and Family Services	2,730,616	2,775,305	2,769,780	5,525
Administration of Justice	2,007,378	1,895,238	1,867,835	27,403
Capital Outlay	25,845	43,714	19,752	23,962
Total Expenditures	12,130,932	11,855,366	11,673,206	182,160
Revenues Over (Under) Expenditures	(790,133)	(946,566)	(682,208)	264,358
Other Financing Sources (Uses):				
Transfers:				
Transfers In	820,226	983,207	987,096	3,889
Transfers Out	(228,036)	(362,694)	(383,066)	(20,372)
Proceeds from Notes Payable	-	-	-	-
Bonds Issued	-	-	-	-
Premium on Bond Issuance	-	-	-	-
Total Other Financing Sources (Uses)	592,190	620,513	604,030	(16,483)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(197,943)	(326,053)	(78,178)	247,875
Fund Balance, July 1, as restated	632,969	632,969	632,969	-
Fund Balance, June 30	$ 435,026	$ 306,916	$ 554,791	$ 247,875

See notes on page 161 in this section.

Special Revenue Funds			
Commonwealth Transportation Fund			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
$ -	$ -	$ -	$ -
403,800	381,100	359,108	(21,992)
-	-	-	-
-	-	-	-
934,400	839,100	832,975	(6,125)
438,600	556,300	529,107	(27,193)
-	-	-	-
-	-	31,084	31,084
213,200	247,500	433,908	186,408
-	-	1,998	1,998
-	-	20,392	20,392
-	-	-	-
12,400	12,400	35,426	23,026
-	-	8,957	8,957
669,400	669,400	704,018	34,618
37,500	37,500	31,436	(6,064)
-	-	-	-
-	-	-	-
79,400	84,900	28,908	(55,992)
2,788,700	2,828,200	3,017,317	189,117
-	1,650	1,645	5
-	2,173	2,195	(22)
2,840,608	3,466,646	2,941,505	525,141
2,523	2,082	1,881	201
-	-	-	-
7,520	6,937	5,516	1,421
43,767	90,287	12,167	78,120
2,894,418	3,569,775	2,964,909	604,866
(105,718)	(741,575)	52,408	793,983
-	112,079	143,030	30,951
(404,730)	(450,905)	(661,282)	(210,377)
-	-	6,600	6,600
-	-	608,089	608,089
-	-	50,322	50,322
(404,730)	(338,826)	146,759	485,585
(510,448)	(1,080,401)	199,167	1,279,568
1,080,401	1,080,401	1,080,401	-
$ 569,953	$ -	$ 1,279,568	$ 1,279,568

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, 2003
(Dollars in Thousands)

	Special Revenue Funds (continued)			
	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	83	100	67	(33)
Sales of Property and Commodities	182	128	87	(41)
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	535	453	431	(22)
Fines, Forfeitures, Court Fees, Penalties, and Escheats	-	34	37	3
Federal Grants and Contracts	3,808,380	4,525,866	4,613,162	87,296
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	-	-	-	-
Other	27,604	69,875	57,143	(12,732)
Total Revenues	3,836,784	4,596,456	4,670,927	74,471
Expenditures:				
Current:				
General Government	23,716	46,852	40,637	6,215
Education	466,083	562,898	440,406	122,492
Transportation	10,272	17,211	13,056	4,155
Resources and Economic Development	171,341	228,906	161,351	67,555
Individual and Family Services	3,107,185	3,607,449	3,826,240	(218,791)
Administration of Justice	57,617	73,903	52,583	21,320
Capital Outlay	400	59,103	18,066	41,037
Total Expenditures	3,836,614	4,596,322	4,552,339	43,983
Revenues Over (Under) Expenditures	170	134	118,588	118,454
Other Financing Sources (Uses):				
Transfers:				
Transfers In	-	36	16,681	16,645
Transfers Out	(170)	(170)	(14,916)	(14,746)
Proceeds from Notes Payable	-	-	-	-
Bonds Issued	-	-	-	-
Premium on Bond Issuance	-	-	-	-
Total Other Financing Sources (Uses)	(170)	(134)	1,765	1,899
Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	120,353	120,353
Fund Balance, July 1, as restated	-	-	-	-
Fund Balance, June 30	$ -	$ -	$ 120,353	$ 120,353

See notes on page 161 in this section.

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, 2003, to the fund balance on a modified accrual basis follows.

Fund Balance Comparison
Budgetary Basis to GAAP Basis
June 30, 2003

(Dollars in Thousands)

	General Fund	Commonwealth Transportation Fund	Federal Trust Fund
Fund Balance, Basis of Budgeting	$ 554,791	$ 1,279,568	$ 120,353
Adjustments from Budget to Modified Accrual, Undesignated:			
Accrued Revenues:			
Taxes	367,647	101,054	-
Tax Refunds	(217,898)	-	-
Other Revenue/Other Sources	59,380	59,543	391,613
Deferred Taxes (2)	(168,087)	-	-
Medicaid Payable	(160,373)	-	(221,540)
Accrued Expenditures/Other Uses	(371,896)	(188,596)	(149,078)
Fund Balance, Modified Accrual Basis	$ 63,564	$ 1,251,569	$ 141,348

(1) As discussed in Note 1.E., the Literary Fund has no approved budget.
(2) Previously reported as Deferred Credit, see also footnote 1.P.

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, 2003, except the Literary Fund which has no approved budget.

(Dollars in Thousands)	General Fund (7)	Commonwealth Transportation Fund (9) (10)	Federal Trust Fund (8)
Appropriations (1)	$ 12,130,932	$ 3,073,185	$ 3,836,614
Supplemental Appropriations:			
Reappropriations (2)	143,465	52,062	53,006
Subsequent Executive (3)	17,821	1,236,456	585,921
Subsequent Legislative (4)	(113,258)	(378,186)	119,757
Capital Outlay Reversions (5)	(86,828)	(1,200)	(582)
Transfers (6)	(236,766)	175,080	1,606
Appropriations, as adjusted	$ 11,855,366	$ 4,157,397	$ 4,596,322

1. Represents the budget appropriated through Chapter 899, 2002 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. Prior year reversions of $12,730,728 (General Fund) are included in the accounting system for monitoring, but do not represent current year appropriations and are not in this schedule.
8. Appropriations do not include food stamp issuances of $337 million since this is a noncash item; however, this amount is included in actual expenditures.
9. The Special Revenue Commonwealth Transportation Fund appropriations as reported in the Budget/Actual statement do not include debt service amounts of $178.8 million. These amounts are included above.
10. The Special Revenue Commonwealth Transportation Fund appropriations as reported in the Budget/Actual statement include a budget deficit adjustment of $408.8 million. This reduction is excluded 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) **			
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	34,392	32,643	(1,749)	105.4%	9,529	(18.4%)
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)			
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)			
2002	$ 418	$ 806	$ 388	51.9%	$ 306	126.8%
2001	393	628	235	62.7%	320	73.4%
*** 2000	307	680	373	45.2%	315	118.4%
			Judicial Retirement System (JRS)			
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%

* 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.

See Notes on following page.

Notes:	Valuation Date:	June 30, 2002
	Actuarial Cost Method:	Entry Age Normal
	Amortization Method:	
	State Employees	Level percent, open
	Political Subdivision Employees	Level percent, open
	Teachers	Level percent, open
	State Police / VA Law Officers / Judges	Level percent, closed
	Payroll Growth Rate:	3.00%
	Remaining Amortization Period:	
	State Employees	24 years
	Political Subdivision Employees	0 to 30 years
	Teachers	24 years
	State Police / VA Law Officers / Judges	24 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 6.10%
	Teachers	4.00% to 6.10%
	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%.

Risk Management Claims Development Information

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	1994	1995	1996	1997
1. Required contribution and investment revenue:				
Earned	$ 5,592	$ 5,891	$ 6,875	$ 6,664
Ceded (a)	-	-	-	-
Net earned	5,592	5,891	6,875	6,664
2. Unallocated expenses	285	287	595	453
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	3,753	3,931	3,706	2,095
Ceded (a)	-	-	-	-
Net incurred	3,753	3,931	3,706	2,095
4. Net paid (cumulative) as of:				
End of policy year	620	804	254	286
One year later	1,702	2,383	1,995	1,680
Two years later	2,207	3,540	3,312	2,602
Three years later	2,922	3,854	4,385	2,907
Four years later	3,384	4,043	4,605	3,028
Five years later	3,563	4,129	4,684	2,965
Six years later	3,603	4,174	4,559	3,063
Seven years later	3,605	3,699	4,613	
Eight years later	4,113	3,819		
Nine years later	4,104			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	3,753	3,931	3,706	2,095
One year later	3,920	4,705	3,977	3,352
Two years later	3,731	4,472	4,957	3,160
Three years later	3,590	4,458	5,016	3,300
Four years later	3,748	4,248	4,936	3,314
Five years later	3,679	4,335	4,966	3,052
Six years later	3,620	4,308	4,689	3,180
Seven years later	3,605	3,769	4,621	
Eight years later	4,113	3,917		
Nine years later	4,104			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	351	(14)	915	1,085

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.

1998	1999	2000	2001	2002	2003
$ 7,537	$ 6,780	$ 6,478	$ 5,814	$ 5,324	$ 5,740
-	-	-	-	-	-
7,537	6,780	6,478	5,814	5,324	5,740
464	703	1,223	1,863	924	918
2,760	2,719	2,263	2,688	4,110	3,488
-	-	-	-	-	-
2,760	2,719	2,263	2,688	4,110	3,488
434	439	196	336	550	380
2,651	2,100	2,688	1,628	1,979	
3,261	2,938	3,322	2,388		
3,894	4,555	3,369			
4,183	4,873				
4,272					
-	-	-	-	-	-
2,760	2,719	2,263	2,688	4,110	3,488
4,080	5,509	4,801	3,752	4,458	
3,934	5,997	4,467	3,318		
4,565	5,769	3,589			
4,353	5,146				
4,378					
1,618	2,427	1,326	630	348	-

Health Care Claims Development Information

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	1994	1995	1996	1997
1. Required contribution and investment revenue:				
Earned	$ 48,932	$ 40,468	$ 38,321	$ 48,493
Ceded (a)	-	-	-	-
Net earned	48,932	40,468	38,321	48,493
2. Unallocated expenses	2,288	2,428	3,305	4,445
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	37,805	33,731	41,232	46,895
Ceded (a)	-	-	-	-
Net incurred	37,805	33,731	41,232	46,895
4. Net paid (cumulative) as of:				
End of policy year	33,704	30,177	39,276	40,631
One year later	37,805	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	37,805	33,731	41,232	46,895
One year later	37,805	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			
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.

1998	1999	2000	2001	2002	2003
$ 54,089	$ 64,419	$ 75,569	$ 88,313	$ 100,836	$ 118,825
-	-	-	-	-	-
54,089	64,419	75,569	88,313	100,836	118,825
5,286	6,632	6,997	7,203	6,225	6,171
60,657	70,719	76,816	87,222	95,860	104,453
-	-	-	-	-	-
60,657	70,719	76,816	87,222	95,860	104,453
53,219	62,219	68,336	74,579	80,974	99,443
-	-	-	-	-	
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	-	-	-	-	-
60,657	70,719	74,417	87,222	95,860	104,453
60,657	70,719	74,417	87,222	95,860	104,453
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	-	-	-	-	-

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 are reported in this fund.

The Virginia Land Conservation Foundation Fund accounts for revenues and expenditures related to the protection and preservation of ecological, cultural, or historical property.

The Virginia Historic Preservation Foundation acquires and sells properties of historical significance. The Foundation was dissolved on January 1, 2003, and became a part of the Department of Historic Resources.

The Virginia State Parks Foundation solicits gifts and grants for the benefit of state parks.

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, 2003
(Dollars in Thousands)

	Special Revenue Funds				
	Dedicated	Other	Virginia Land Conservation Foundation	Virginia State Parks Foundation	Virginia Historic Preservation Foundation
Assets					
Cash and Cash Equivalents	$ 175,683	$ 240,108	$ 2,131	$ 286	$ -
Investments	12,648	14,348	176	64	-
Receivables	10,425	54,531	-	4	-
Due From Other Funds	45	8,463	-	-	-
Due From External Parties (Fiduciary Funds)	-	350	-	-	-
Interfund Receivable	-	45,803	-	-	-
Inventory	600	5,985	-	-	-
Prepaid Items	-	1	-	-	-
Other Assets	250	369	-	-	-
Loans Receivable from Component Units	-	11,667	-	-	-
Total Assets	$ 199,651	$ 381,625	$ 2,307	$ 354	$ -
Liabilities and Fund Balances					
Accounts Payable	$ 13,162	$ 33,705	$ -	$ -	$ -
Amounts Due to Other Governments	506	1	-	-	-
Due to Other Funds	1,652	2,613	-	-	-
Due to Component Units	-	-	350	-	-
Deferred Revenue	3,914	12,786	-	-	-
Obligations Under Securities Lending Program	6,547	7,065	176	-	-
Other Liabilities	1,065	2,710	-	-	-
Long-Term Liabilities	13	216	-	-	-
Total Liabilities	26,859	59,096	526	-	-
Fund Balances Reserved for:					
Inventory	600	5,985	-	-	-
Prepaid Items	-	1	-	-	-
Debt Service	-	-	-	-	-
Donations	299	7,760	-	32	-
Capital Acquisition	-	500	-	-	-
Fund Balances Unreserved, Reported in:					
Special Revenue Funds	171,893	308,283	1,781	322	-
Capital Projects Funds	-	-	-	-	-
Permanent Funds	-	-	-	-	-
Total Fund Balances	172,792	322,529	1,781	354	-
Total Liabilities and Fund Balances	$ 199,651	$ 381,625	$ 2,307	$ 354	$ -

	Debt Service Funds			Capital Project Funds		
Total	Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
$ 418,208	$ 85,780	$ 92	$ 85,872	$ 5,133	$ 573	$ 5,706
27,236	-	-	-	54,000	54,038	108,038
64,960	-	-	-	-	62	62
8,508	-	-	-	-	-	-
350	-	-	-	-	-	-
45,803	-	-		-	-	
6,585	-	-	-	-	-	-
1	-	-	-	-	-	-
619	-	-	-	-	-	-
11,667	-	-	-	-	-	-
$ 583,937	$ 85,780	$ 92	$ 85,872	$ 59,133	$ 54,673	$ 113,806
$ 46,867	$ -	$ -	$ -	$ 89	$ 42	$ 131
507	-	-	-	-	-	-
4,265	-	-	-	4	32	36
350	-	-	-	-	10	10
16,700	-	-	-	-	-	-
13,788	-	-	-	341	-	341
3,775	15	85	100	-	-	-
229	-	-	-	-	-	-
86,481	15	85	100	434	84	518
6,585	-	-	-	-	-	-
1	-	-	-	-	-	-
-	85,765	7	85,772	-	-	-
8,091	-	-	-	-	-	-
500	-	-	-	-	-	-
482,279	-	-	-	-	-	-
-	-	-	-	58,699	54,589	113,288
-	-	-	-	-	-	-
497,456	85,765	7	85,772	58,699	54,589	113,288
$ 583,937	$ 85,780	$ 92	$ 85,872	$ 59,133	$ 54,673	$ 113,806

Continued on next page

Combining Balance Sheet – Nonmajor Governmental Funds *(Continued from previous page)*

June 30, 2003
(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	$ 390	$ 168	$ 214	$ 772	$ 510,558
Investments	24,115	91	18	24,224	159,498
Receivables	1	-	-	1	65,023
Due From Other Funds	-	-	-	-	8,508
Due From External Parties (Fiduciary Funds)	-	-	-	-	350
Interfund Receivable	-	-	-	-	45,803
Inventory	-	-	-	-	6,585
Prepaid Items	-	-	-	-	1
Other Assets	-	-	-	-	619
Loans Receivable from Component Units	-	-	-	-	11,667
Total Assets	$ 24,506	$ 259	$ 232	$ 24,997	$ 808,612
Liabilities and Fund Balances					
Accounts Payable	$ 7	$ -	$ -	$ 7	$ 47,005
Amounts Due to Other Governments	-	-	-	-	507
Due to Other Funds	-	-	-	-	4,301
Due to Component Units	-	-	-	-	360
Deferred Revenue	-	-	-	-	16,700
Obligations Under Securities Lending Program	32	-	18	50	14,179
Other Liabilities	-	-	-	-	3,875
Long-Term Liabilities	-	-	-	-	229
Total Liabilities	39	-	18	57	87,156
Fund Balances Reserved for:					
Inventory	-	-	-	-	6,585
Prepaid Items	-	-	-	-	1
Debt Service	-	-	-	-	85,772
Donations	-	-	-	-	8,091
Capital Acquisition	-	-	-	-	500
Fund Balances Unreserved, Reported in:					
Special Revenue Funds	-	-	-	-	482,279
Capital Projects Funds	-	-	-	-	113,288
Permanent Funds	24,467	259	214	24,940	24,940
Total Fund Balances	24,467	259	214	24,940	721,456
Total Liabilities and Fund Balances	$ 24,506	$ 259	$ 232	$ 24,997	$ 808,612

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

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Special Revenue Funds				
	Dedicated	Other	Virginia Land Conservation Foundation	Virginia State Parks Foundation	Virginia Historic Preservation Foundation
Revenues					
Taxes	$ 108,557	$ 28,016	$ -	$ -	$ -
Rights and Privileges	39,858	148,303	-	-	-
Institutional Revenue	19,569	305,911	-	-	-
Interest, Dividends, Rents, and Other Investment Income	3,902	7,198	106	3	-
Federal grants,contracts	-	29,174	-	-	-
Other	51,283	268,739	-	67	-
Total Revenues	223,169	787,341	106	70	-
Expenditures					
Current:					
General Government	39,113	39,704	4	38	-
Education	1,651	29,828	-	-	-
Transportation	606	14,065	-	-	-
Resources and Economic Development	78,725	183,317	1,042	-	4
Individual and Family Services	44,902	461,100	-	-	-
Administration of Justice	60,563	49,492	-	-	-
Capital Outlay	282	10,828	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest and Charges	-	-	-	-	-
Total Expenditures	225,842	788,334	1,046	38	4
Revenues Over (Under) Expenditures	(2,673)	(993)	(940)	32	(4)
Other Financing Sources (Uses)					
Transfers In	22,691	59,284	-	-	-
Transfers Out	(27,506)	(80,134)	(313)	-	-
Bonds Issued	-	-	-	-	-
Premium on Bond Issuance	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-
Total Other Financing Sources (Uses)	(4,815)	(20,850)	(313)	-	-
Net Change in Fund Balances	(7,488)	(21,843)	(1,253)	32	(4)
Fund Balance, July 1, as restated	180,280	344,372	3,034	322	4
Fund Balance, June 30	$ 172,792	$ 322,529	$ 1,781	$ 354	$ -

	Debt Service Funds			Capital Project Funds		
Total	Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
$ 136,573	$ -	$ -	$ -	$ -	$ -	$ -
188,161	-	-	-	-	-	-
325,480	-	-	-	-	-	-
11,209	591	-	591	241	1,126	1,367
29,174	-	-	-	-	-	-
320,089	6,798	-	6,798	-	-	-
1,010,686	7,389	-	7,389	241	1,126	1,367
78,859	-	8,876	8,876	-	-	-
31,479	-	-	-	-	-	-
14,671	163	-	163	-	-	-
263,088	-	-	-	-	-	-
506,002	-	-	-	-	-	-
110,055	-	-	-	-	-	-
11,110	-	-	-	2,158	42,708	44,866
-	127,702	67,563	195,265	-	-	-
-	131,710	49,018	180,728	-	-	-
1,015,264	259,575	125,457	385,032	2,158	42,708	44,866
(4,578)	(252,186)	(125,457)	(377,643)	(1,917)	(41,582)	(43,499)
81,975	298,621	116,338	414,959	-	-	-
(107,953)	-	-	-	(1,857)	(4,449)	(6,306)
-	-	-	-	50,400	55,000	105,400
-	45,028	1,938	46,966	2,990	2,006	4,996
-	534,314	38,810	573,124	-	-	-
-	(578,740)	(31,667)	(610,407)	-	-	-
(25,978)	299,223	125,419	424,642	51,533	52,557	104,090
(30,556)	47,037	(38)	46,999	49,616	10,975	60,591
528,012	38,728	45	38,773	9,083	43,614	52,697
$ 497,456	$ 85,765	$ 7	$ 85,772	$ 58,699	$ 54,589	$ 113,288

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, 2003
(Dollars in Thousands)

	Permanent Funds				
	Commonwealth Health Research Board	Mental Health Endowment Funds	Virginia Arts Foundation Fund	Total	Total Nonmajor Governmental Funds
Revenues					
Taxes	$ -	$ -	$ -	$ -	$ 136,573
Rights and Privileges	-	-	38	38	188,199
Institutional Revenue	382	-	-	382	325,862
Interest, Dividends, Rents, and Other Investment Income	987	4	6	997	14,164
Federal grants,contracts	-	-	-	-	29,174
Other	111	-	28	139	327,026
Total Revenues	1,480	4	72	1,556	1,020,998
Expenditures					
Current:					
General Government	-	-	-	-	87,735
Education	-	-	-	-	31,479
Transportation	-	-	-	-	14,834
Resources and Economic Development	-	-	-	-	263,088
Individual and Family Services	1,185	7	-	1,192	507,194
Administration of Justice	-	-	-	-	110,055
Capital Outlay	-	-	-	-	55,976
Debt Service:					
Principal Retirement	-	-	-	-	195,265
Interest and Charges	-	-	-	-	180,728
Total Expenditures	1,185	7	-	1,192	1,446,354
Revenues Over (Under) Expenditures	295	(3)	72	364	(425,356)
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	496,934
Transfers Out	(20)	-	-	(20)	(114,279)
Bonds Issued	-	-	-	-	105,400
Premium on Bond Issuance	-	-	-	-	51,962
Refunding Bonds Issued	-	-	-	-	573,124
Payment to Refunded Bond Escrow Agent	-	-	-	-	(610,407)
Total Other Financing Sources (Uses)	(20)	-	-	(20)	502,734
Net Change in Fund Balances	275	(3)	72	344	77,378
Fund Balance, July 1, as restated	24,192	262	142	24,596	644,078
Fund Balance, June 30	$ 24,467	$ 259	214	$ 24,940	$ 721,456

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

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Dedicated			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Public Service Corporations	$ -	$ -	$ -	$ -
Motor Fuel	32,900	32,900	36,556	3,656
Other Taxes	46,143	61,819	71,473	9,654
Rights and Privileges	56,031	54,585	39,876	(14,709)
Sales of Property and Commodities	3,615	3,050	2,346	(704)
Assessments and Receipts for Support of Special Services	5,915	6,482	4,222	(2,260)
Institutional Revenue	29,665	37,089	34,583	(2,506)
Interest, Dividends, and Rents	4,173	5,176	3,924	(1,252)
Fines, Forfeitures, Court Fees, Penalties, and Escheats	14,875	23,360	27,623	4,263
Federal Grants and Contracts	-	-	-	-
Receipts from Cities, Counties, and Towns	186	75	580	505
Private Donations, Gifts and Contracts	1,015	1,258	1,220	(38)
Other	16,567	19,993	15,204	(4,789)
Total Revenues	211,085	245,787	237,607	(8,180)
Expenditures:				
Current:				
General Government	43,573	61,847	47,930	13,917
Education	1,015	1,836	1,668	168
Transportation	-	476	518	(42)
Resources and Economic Development	65,532	101,784	78,284	23,500
Individual and Family Services	44,577	54,723	45,225	9,498
Administration of Justice	60,282	79,907	61,196	18,711
Capital Outlay	500	2,377	125	2,252
Total Expenditures	215,479	302,950	234,946	68,004
Revenues Over (Under) Expenditures	(4,394)	(57,163)	2,661	59,824
Other Financing Sources (Uses):				
Transfers:				
Transfers In	12,417	14,116	22,691	8,575
Transfers Out	(9,633)	(25,293)	(27,506)	(2,213)
Total Other Financing Sources (Uses)	2,784	(11,177)	(4,815)	6,362
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,610)	(68,340)	(2,154)	66,186
Fund Balance, July 1, as restated	183,463	183,463	183,463	-
Fund Balance, June 30	$ 181,853	$ 115,123	$ 181,309	$ 66,186

Other			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
$ -	$ -	$ 12,499	$ 12,499
-	-	-	-
28,436	26,531	15,581	(10,950)
142,317	156,715	149,063	(7,652)
19,154	19,958	20,687	729
65,306	80,517	71,477	(9,040)
334,618	284,621	298,797	14,176
7,020	8,368	8,052	(316)
7,007	9,025	11,600	2,575
-	-	29,174	29,174
56,740	53,288	108,362	55,074
2,688	2,628	5,944	3,316
47,107	58,026	50,573	(7,453)
710,393	699,677	781,809	82,132
23,360	45,999	39,985	6,014
38,196	26,577	29,853	(3,276)
36,472	20,079	14,074	6,005
202,807	226,620	182,645	43,975
387,829	494,576	463,176	31,400
37,168	35,710	49,894	(14,184)
7,623	54,270	9,953	44,317
733,455	903,831	789,580	114,251
(23,062)	(204,154)	(7,771)	196,383
17,940	46,164	59,284	13,120
(28,754)	(69,106)	(80,134)	(11,028)
(10,814)	(22,942)	(20,850)	2,092
(33,876)	(227,096)	(28,621)	198,475
337,318	337,318	337,318	-
$ 303,442	$ 110,222	$ 308,697	$ 198,475

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, 2003
(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	-	-	-	-
Sales of Property and Commodities	-	-	-	-
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	-	-	106	106
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	-	-	106	106
Expenditures:				
Current:				
General Government	-	-	4	(4)
Education	-	-	-	-
Transportation	-	-	-	-
Resources and Economic Development	-	1,408	692	716
Individual and Family Services	-	-	-	-
Administration of Justice	-	-	-	-
Capital Outlay	-	75	-	75
Total Expenditures	-	1,483	696	787
Revenues Over (Under) Expenditures	-	(1,483)	(590)	893
Other Financing Sources (Uses):				
Transfers:				
Transfers In	-	-	-	-
Transfers Out	-	(313)	(313)	-
Total Other Financing Sources (Uses)	-	(313)	(313)	-
Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(1,796)	(903)	893
Fund Balance, July 1, as restated	-	3,034	3,034	-
Fund Balance, June 30	$ -	$ 1,238	$ 2,131	$ 893

Virginia Historic Preservation Foundation			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	4	4	-
-	-	-	-
-	-	-	-
-	-	-	-
-	4	4	-
-	(4)	(4)	-
-	-	-	-
-	-	-	-
-	-	-	-
-	(4)	(4)	-
-	4	4	-
$ -	$ -	$ -	$ -

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, 2003, to the fund balance on a modified accrual basis follows.

(Dollars in Thousands)

	Dedicated	Other	Virginia Land Conservation Foundation	Virginia Historic Preservation Foundation
Fund Balance, Basis of Budgeting	$ 181,309	$ 308,697	$ 2,131	$ -
Adjustments from Budget to Modified Accrual, Undesignated:				
Accrued Revenues:				
Taxes	4,613	223	-	-
Other Revenue	1,389	43,254	-	-
Accrued Expenditures	(13,590)	(29,445)	(350)	-
Fund Reclassification - Budget to Modified Accrual	(929)	(200)	-	-
Fund Balance, Modified Accrual Basis	$ 172,792	$ 322,529	$ 1,781	$ -

(1) As discussed in Note 1.E., the State Parks Foundation has no approved budget.

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, 2003, except the State Parks Foundation, which has no approved budget.

(Dollars in Thousands)

	Dedicated	Other	Virginia Land Conservation Foundation	Virginia Historic Preservation Foundation
Appropriations (1)	$ 215,479	$ 733,455	$ -	$ -
Supplemental Appropriations:				
Reappropriations (2)	4,670	44,309	-	-
Subsequent Executive (3)	74,153	135,585	1,483	4
Subsequent Legislative (4)	(16,262)	37,215	-	-
Capital Outlay Reversions (5)	(3,124)	(4,239)	-	-
Transfers (6)	28,034	(42,494)	-	-
Appropriations, as adjusted	$ 302,950	$ 903,831	$ 1,483	$ 4

1. Represents the budget appropriated through Chapter 899, 2002 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.

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 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 Program 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 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 the Virginia Register, a publication which lists all proposed and final state agency regulations.

The Virginia School for the Deaf and Blind – Staunton accounts for the Student Center activity.

Combining Statement of Net Assets – Nonmajor Enterprise Funds

June 30, 2003
(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	$ 625	$ 21,564	$ 11,954	$ 1,956
Investments	46	1,745	989	-
Receivables (Net)	2,850	6	10,328	547
Inventory	29,150	-	-	2,832
Prepaid Items	659	-	110	-
Other Assets	130	100	-	-
Total Current Assets	33,460	23,415	23,381	5,335
Noncurrent Assets:				
Investments	-	13,556	-	-
Nondepreciable Capital Assets	1,533	-	-	149
Depreciable Capital Assets, Net	19,270	-	-	388
Total Noncurrent Assets	20,803	13,556	-	537
Total Assets	54,263	36,971	23,381	5,872
Liabilities				
Current Liabilities:				
Accounts Payable	14,913	420	825	582
Due to Other Funds	4,311	2	-	6
Interfund Payable	22,300	-	-	-
Deferred Revenue and Deferred Credit	47	683	-	-
Claims Payable	-	9,895	12,993	-
Obligations Under Securities Lending Program	46	1,745	989	-
Other Liabilities	-	-	-	-
Long-Term Liabilities Due within One Year	3,659	22	-	25
Total Current Liabilities	45,276	12,767	14,807	613
Noncurrent Liabilities:				
Long-Term Liabilities Due in More Than One Year	14,606	50	-	438
Total Noncurrent Liabilities	14,606	50	-	438
Total Liabilities	59,882	12,817	14,807	1,051
Net Assets				
Invested in Capital Assets, Net of Related Debt	14,353	-	-	537
Unrestricted	(19,972)	24,154	8,574	4,284
Total Net Assets	$ (5,619)	$ 24,154	$ 8,574	$ 4,821

Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia	Mental Health Local Funds
$ 2,035	$ 266	$ 10,498	$ 26,170	$ 677	$ 181	$ 364
-	-	868	2,164	-	-	58
30	-	-	3,971	97	1	-
24	-	-	-	418	60	-
-	-	-	-	-	-	-
-	-	-	-	8	-	-
2,089	266	11,366	32,305	1,200	242	422
-	-	-	-	-	-	-
-	-	-	-	-	-	-
415	-	131	5	-	24	-
415	-	131	5	-	24	-
2,504	266	11,497	32,310	1,200	266	422
162	1,889	8	3,141	28	18	-
163	1	1,205	1	-	-	-
-	-	-	-	-	-	-
1,440	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	868	2,164	-	-	-
-	-	-	-	71	-	134
93	27	382	6	7	-	-
1,858	1,917	2,463	5,312	106	18	134
207	64	723	20	115	16	-
207	64	723	20	115	16	-
2,065	1,981	3,186	5,332	221	34	134
415	-	131	5	-	24	-
24	(1,715)	8,180	26,973	979	208	288
$ 439	$ (1,715)	$ 8,311	$ 26,978	$ 979	$ 232	$ 288

Continued on next page

Combining Statement of Net Assets – Nonmajor Enterprise Funds *(Continued from previous page)*

June 30, 2003
(Dollars in Thousands)

	Division of Legislative Services	School for the Deaf and Blind - Staunton	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 6	2	$ 76,298
Investments	-	-	5,870
Receivables (Net)	-	-	17,830
Inventory	-	-	32,484
Prepaid Items	-	-	769
Other Assets	-	-	238
Total Current Assets	6	2	133,489
Noncurrent Assets:			
Investments	-	-	13,556
Nondepreciable Capital Assets	-	-	1,682
Depreciable Capital Assets, Net	-	-	20,233
Total Noncurrent Assets	-	-	35,471
Total Assets	6	2	168,960
Liabilities			
Current Liabilities:			
Accounts Payable	-	-	21,986
Due to Other Funds	-	-	5,689
Interfund Payable	-	-	22,300
Deferred Revenue and Deferred Credit	-	-	2,170
Claims Payable	-	-	22,888
Obligations Under Securities Lending Program	-	-	5,812
Other Liabilities	-	-	205
Long-Term Liabilities Due within One Year	-	-	4,221
Total Current Liabilities	-	-	85,271
Noncurrent Liabilities:			
Long-Term Liabilities Due in More Than One Year	-	-	16,239
Total Noncurrent Liabilities	-	-	16,239
Total Liabilities	-	-	101,510
Net Assets			
Invested in Capital Assets, Net of Related Debt	-	-	15,465
Unrestricted	6	2	51,985
Total Net Assets	$ 6	$ 2	$ 67,450

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2003
(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	$ 374,641	$ 5,148	$ 118,324	$ 14,988
Interest, Dividends, Rents, and Other Investment Income	-	-	249	-
Other	17,216	-	252	13
Total Operating Revenues	391,857	5,148	118,825	15,001
Operating Expenses:				
Cost of Sales and Services	241,689	-	-	-
Prizes and Claims	-	2,229	104,453	-
Personal Services	58,343	439	-	4,027
Contractual Services	13,736	2,838	6,171	752
Supplies and Materials	1,832	4	-	9,219
Depreciation and Amortization	3,184	-	-	27
Rent, Insurance, and Other Related Charges	12,485	27	-	281
Interest Expense	-	-	-	-
Non-recurring Cost Estimate Payments to Providers	-	-	-	-
Other	2,954	33	-	390
Total Operating Expenses	334,223	5,570	110,624	14,696
Operating Income (Loss)	57,634	(422)	8,201	305
Nonoperating Revenues (Expenses):				
Interest, Dividends, Rents, and Other Investment Income	21	2,289	10	-
Other	325	(59)	(10)	-
Total Nonoperating Revenues (Expenses)	346	2,230	-	-
Income (Loss) Before Transfers	57,980	1,808	8,201	305
Transfers In	201	-	-	-
Transfers Out	(60,081)	(1,500)	-	-
Change in Net Assets	(1,900)	308	8,201	305
Total Net Assets (Deficit), July 1	(3,719)	23,846	373	4,516
Total Net Assets (Deficit), June 30	$ (5,619)	$ 24,154	$ 8,574	$ 4,821

Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia	Mental Health Local Funds
$ 4,715	$ 427	$ 9,521	$ 30,196	$ 2,053	$ 513	$ 506
-	-	-	-	-	-	-
-	-	-	-	3	-	-
4,715	427	9,521	30,196	2,056	513	506
-	-	-	-	940	261	494
-	-	-	-	-	-	-
1,948	784	9,911	289	878	131	-
489	5,654	458	6,928	55	22	-
1,390	4	53	5	70	3	-
86	-	68	1	-	15	-
558	466	19	25	-	-	-
-	96	-	-	-	-	-
-	-	-	35,076	-	-	-
30	10	2	3	-	-	-
4,501	7,014	10,511	42,327	1,943	432	494
214	(6,587)	(990)	(12,131)	113	81	12
-	-	454	1,510	7	-	-
-	-	(19)	(62)	-	(40)	(11)
-	-	435	1,448	7	(40)	(11)
214	(6,587)	(555)	(10,683)	120	41	1
107	6,920	-	-	-	-	-
-	-	-	(11,170)	(325)	-	-
321	333	(555)	(21,853)	(205)	41	1
118	(2,048)	8,866	48,831	1,184	191	287
$ 439	$ (1,715)	$ 8,311	$ 26,978	$ 979	$ 232	$ 288

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, 2003
(Dollars in Thousands)

	Division of Legislative Services	School for the Deaf and Blind - Staunton	Total
Operating Revenues:			
Charges for Sales and Services	$ 28	$ 6	$ 561,066
Interest, Dividends, Rents, and Other Investment Income	-	-	249
Other	-	-	17,484
Total Operating Revenues	28	6	578,799
Operating Expenses:			
Cost of Sales and Services	30	5	243,419
Prizes and Claims	-	-	106,682
Personal Services	-	-	76,750
Contractual Services	-	-	37,103
Supplies and Materials	-	1	12,581
Depreciation and Amortization	-	-	3,381
Rent, Insurance, and Other Related Charges	-	-	13,861
Interest Expense	-	-	96
Non-recurring Cost Estimate Payments to Providers	-	-	35,076
Other	-	-	3,422
Total Operating Expenses	30	6	532,371
Operating Income (Loss)	(2)	-	46,428
Nonoperating Revenues (Expenses):			
Interest, Dividends, Rents, and Other Investment Income	-	-	4,291
Other	-	-	124
Total Nonoperating Revenues (Expenses)	-	-	4,415
Income (Loss) Before Transfers	(2)	-	50,843
Transfers In	-	-	7,228
Transfers Out	-	-	(73,076)
Change in Net Assets	(2)	-	(15,005)
Total Net Assets (Deficit), July 1	8	2	82,455
Total Net Assets (Deficit), June 30	$ 6	$ 2	$ 67,450

Combining Statement of Cash Flows – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2003
(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	$ 381,240	$ 5,925	$ 116,517	$ 11,617
Internal Activity-Receipts from Other Funds	-	-	-	3,395
Internal Activity-Payments to Other Funds	-	-	-	-
Payments to Suppliers for Goods and Services	(256,264)	-	-	(10,402)
Payments for Prizes, Claims, and Loss Control	-	(3,108)	(107,111)	-
Payments to Employees	(56,214)	(2,798)	-	(3,876)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	-
Other Operating Revenue	8,424	-	-	-
Other Operating Expense	(13,736)	(528)	(5,326)	(1,452)
Net Cash Provided by (Used for) Operating Activities	63,450	(509)	4,080	(718)
Cash Flows from Noncapital Financing Activities:				
Transfers In From Other Funds	201	-	-	-
Transfers Out to Other Funds	(170,499)	(1,500)	-	-
Other Noncapital Financing Receipt Activities	112,286	-	-	-
Other Noncapital Financing Disbursement Activities	(1,084)	(27)	(65)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(59,096)	(1,527)	(65)	-
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Fixed Assets	(2,645)	-	-	-
Payment of Principal and Interest on Bonds and Notes	(1,359)	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(4,004)	-	-	-
Cash Flows from Investing Activities:				
Purchase of Investments	-	(6,911)	-	-
Proceeds from Sales or Maturities of Investments	-	6,034	-	-
Investment Income on Cash, Cash Equivalents, and Investments	-	1,814	-	-
Net Cash Provided by (Used for) Investing Activities	-	937	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	350	(1,099)	4,015	(718)
Cash and Cash Equivalents, July 1	405	22,763	7,939	2,674
Cash and Cash Equivalents, June 30	$ 755	$ 21,664	$ 11,954	$ 1,956
Reconciliation of Cash and Cash Equivalents:				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	$ 625	$ 21,564	$ 11,954	$ 1,956
Cash and Travel Advances	130	100	-	-
Cash and Cash Equivalents per the Statement of Cash Flows	$ 755	$ 21,664	$ 11,954	$ 1,956

Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia	Mental Health Local Funds
$ 4,977	$ 427	$ 9,521	$ 30,296	$ 2,083	$ 513	$ 506
27	-	-	-	-	-	-
(456)	(16)	-	(55)	-	-	-
(1,602)	(562)	(67)	(24)	(949)	-	(494)
-	-	-	-	-	-	-
(1,761)	(741)	(9,683)	(274)	(843)	(137)	-
-	-	-	(32,468)	-	-	-
-	-	-	-	-	-	-
(460)	(4,432)	(526)	(6,899)	(122)	(305)	-
725	(5,324)	(755)	(9,424)	169	71	12
107	6,920	-	-	-	-	-
-	-	-	(11,170)	(325)	-	-
-	-	-	-	-	-	33
-	(1,450)	-	-	-	-	(11)
107	5,470	-	(11,170)	(325)	-	22
(108)	-	-	-	-	(1)	-
-	-	-	-	-	-	-
(108)	-	-	-	-	(1)	-
-	-	-	-	-	-	(6)
-	-	-	-	8	-	-
-	-	346	1,073	-	-	-
-	-	346	1,073	8	-	(6)
724	146	(409)	(19,521)	(148)	70	28
1,311	120	10,907	45,691	833	111	336
$ 2,035	$ 266	$ 10,498	$ 26,170	$ 685	$ 181	$ 364
$ 2,035	$ 266	$ 10,498	$ 26,170	$ 677	$ 181	$ 364
-	-	-	-	8	-	-
$ 2,035	$ 266	$ 10,498	$ 26,170	$ 685	$ 181	$ 364

Continued on next page

Combining Statement of Cash Flows – Nonmajor Enterprise Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Division of Legislative Services	School for the Deaf and Blind - Staunton	Total
Cash Flows from Operating Activities:			
Receipts for Sales and Services	$ 28	$ 6	$ 563,656
Internal Activity-Receipts from Other Funds	-	-	3,422
Internal Activity-Payments to Other Funds	-	-	(527)
Payments to Suppliers for Goods and Services	(30)	(6)	(270,400)
Payments for Prizes, Claims, and Loss Control	-	-	(110,219)
Payments to Employees	-	-	(76,327)
Payments to Providers for Non-recurring Cost Estimates	-	-	(32,468)
Other Operating Revenue	-	-	8,424
Other Operating Expense	-	-	(33,786)
Net Cash Provided by (Used for) Operating Activities	(2)	-	51,775
Cash Flows from Noncapital Financing Activities:			
Transfers In From Other Funds	-	-	7,228
Transfers Out to Other Funds	-	-	(183,494)
Other Noncapital Receipt Activities	-	-	112,319
Other Noncapital Disbursement Activities	-	-	(2,637)
Net Cash Provided by (Used for) Noncapital Financing Activities	-	-	(66,584)
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Fixed Assets	-	-	(2,754)
Payment of Principal and Interest on Bonds and Notes	-	-	(1,359)
Net Cash Provided By (Used for) Capital and Related Financing Activities	-	-	(4,113)
Cash Flows from Investing Activities:			
Purchase of Investments	-	-	(6,917)
Proceeds from Sales or Maturities of Investments	-	-	6,042
Investment Income on Cash, Cash Equivalents, and Investments	-	-	3,233
Net Cash Provided by (Used for) Investing Activities	-	-	2,358
Net Increase (Decrease) in Cash and Cash Equivalents	(2)	-	(16,564)
Cash and Cash Equivalents, July 1	8	2	93,100
Cash and Cash Equivalents, June 30	$ 6	$ 2	$ 76,536
Reconciliation of Cash and Cash Equivalents			
Per the Statement of Net Assets:			
Cash and Cash Equivalents	$ 6	$ 2	$ 76,298
Cash and Travel Advances	-	-	238
Cash and Cash Equivalents per the Statement of Cash Flows	$ 6	$ 2	$ 76,536

	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)	$ 57,634	$ (422)	$ 8,201	$ 305
Adjustments to Reconcile Operating				
Income to Net Cash Provided by (Used for)				
Operating Activities:				
Depreciation and Amortization	3,184	-	-	27
Miscellaneous Nonoperating Income	346	-	-	-
Other Expenses	-	-	-	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	247	672	(2,308)	11
(Increase) Decrease in Inventory	(1,958)	-	-	(1,308)
(Increase) Decrease in Prepaid Items	50	-	-	-
Increase (Decrease) in Accounts Payable	3,981	93	80	104
Increase (Decrease) in Claims Payable	-	(984)	(1,893)	-
Increase (Decrease) in Due to Other Funds	(859)	2	-	6
Increase (Decrease) in Interfund Payables	(1,140)	-	-	-
Increase (Decrease) in Deferred Revenue	(43)	106	-	-
Increase (Decrease) in Other Liabilities	-	-	-	-
Increase (Decrease) in Long-Term Liabilities: Due Within One Year	(121)	(20)	-	(117)
Increase (Decrease) in Long-Term Liabilities: Due in More Than One Year	2,129	44	-	254
Net Cash Provided by (Used for) Operating Activities	$ 63,450	$ (509)	$ 4,080	$ (718)
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	$ 2,115	$ -	$ -	$ -
Change in Fair Value of Investments	-	492	-	-
Total Noncash, Investing, Capital, and Financing Activities	$ 2,115	$ 492	$ -	$ -

Continued on next page

Combining Statement of Cash Flows – Nonmajor Enterprise Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2003
(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)	$ 214	$ (6,587)	$ (990)	$ (12,131)
Adjustments to Reconcile Operating				
Income to Net Cash Provided by (Used for)				
Operating Activities:				
Depreciation and Amortization	86	-	68	1
Miscellaneous Nonoperating Income	-	-	-	-
Other Expenses	-	-	-	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(30)	-	-	100
(Increase) Decrease in Inventory	(2)	-	-	-
(Increase) Decrease in Prepaid Items	-	-	-	-
Increase (Decrease) in Accounts Payable	(7)	1,229	(45)	2,592
Increase (Decrease) in Claims Payable	-	-	-	-
Increase (Decrease) in Due to Other Funds	-	1	(80)	1
Increase (Decrease) in Interfund Payables	-	-	.	-
Increase (Decrease) in Deferred Revenue	321	-	-	-
Increase (Decrease) in Other Liabilities	-	-	-	-
Increase (Decrease) in Long-Term Liabilities: Due Within One Year	29	2	366	(1)
Increase (Decrease) in Long-Term Liabilities: Due in More Than One Year	114	31	(74)	14
Net Cash Provided by (Used for) Operating Activities	$ 725	$ (5,324)	$ (755)	$ (9,424)
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	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	$ -	$ -	$ -	$ -

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
$ 113	$ 81	$ 12	$ (2)	$ -	$ 46,428
-	15	-	-	-	3,381
-	-	-	-	-	346
-	(40)	-	-	-	(40)
50	-	-	-	-	(1,258)
(21)	6	-	-	-	(3,283)
-	3	-	-	-	53
9	13	-	-	-	8,049
-	-	-	-	-	(2,877)
-	-	-	-	-	(929)
-	-	-	-	-	(1,140)
-	-	-	-	-	384
(17)	-	-	-	-	(17)
6	-	-	-	-	144
29	(7)	-	-	-	2,534
$ 169	$ 71	$ 12	$ (2)	$ -	$ 51,775
$ -	$ -	$ -	$ -	$ -	$ 2,115
-	-	-	-	-	492
$ -	$ -	$ -	$ -	$ -	$ 2,607

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.

Department of Information Technology 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, 2003
(Dollars in Thousands)

	Department of Information Technology	Virginia Correctional Enterprises	Health Care	Fleet Management
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 14,061	$ 5,823	$ 39,983	$ 45
Investments	-	-	3,307	-
Receivables, Net	3,542	2,312	7,414	64
Due From Other Funds	13,055	1,997	13,650	760
Inventory	-	10,117	-	25
Prepaid Items	3,493	-	-	-
Other Assets	8	4	-	-
Total Current Assets	34,159	20,253	64,354	894
Noncurrent Assets:				
Prepaid Items	-	-	840	-
Nondepreciable Capital Assets	-	-	-	-
Depreciable Capital Assets, Net	22,090	4,785	-	25,649
Total Noncurrent Assets	22,090	4,785	840	25,649
Total Assets	56,249	25,038	65,194	26,543
Liabilities				
Current Liabilities:				
Accounts Payable	7,636	1,613	3,988	769
Amounts Due to Other Governments	679	-	-	-
Due to Other Funds	177	12	-	1
Interfund Payable	-	-	-	-
Deferred Revenue	173	629	-	-
Claims Payable	-	-	78,800	-
Obligations Under Securities Lending Program	-	-	3,307	-
Other Liabilities	617	-	-	-
Long-Term Liabilities Due within One Year	6,596	291	-	35
Total Current Liabilities	15,878	2,545	86,095	805
Noncurrent Liabilities:				
Interfund Payable	-	-	-	-
Claims Payable	-	-	-	-
Long-Term Liabilities Due in More Than One Year	16,944	2,637	-	221
Total Noncurrent Liabilities	16,944	2,637	-	221
Total Liabilities	32,822	5,182	86,095	1,026
Net Assets				
Invested in Capital Assets, Net of Related Debt	9,742	3,860	-	25,649
Unrestricted	13,685	15,996	(20,901)	(132)
Total Net Assets	$ 23,427	$ 19,856	$ (20,901)	$ 25,517

Maintenance and Repair	Virginia Distribution Center	Risk Management	Consolidated Laboratory	Federal Surplus Property	State Surplus Property	Graphic Communications	Property Disposal
$ 6,632	$ 704	$ 88,393	$ 280	$ 397	$ 263	$ 179	$ 128
-	58	6,829	-	-	-	-	-
577	618	90	-	93	8	21	-
51	516	200	-	6	-	34	-
225	3,369	-	-	31	-	-	-
-	-	-	-	-	-	-	-
-	-	1,000	-	-	-	-	-
7,485	5,265	96,512	280	527	271	234	128
-	-	-	-	-	-	-	-
-	-	-	-	150	-	-	-
780	11,454	-	410	158	5	-	-
780	11,454	-	410	308	5	-	-
8,265	16,719	96,512	690	835	276	234	128
1,670	658	7,909	106	200	26	28	40
-	-	-	-	-	-	-	-
12	2	1	-	2	-	2	-
-	1,098	-	-	-	-	-	-
5,436	-	28,497	-	-	-	97	-
-	-	41,565	-	-	-	-	-
-	58	6,829	-	-	-	-	-
1,039	78	794	-	-	-	-	-
504	64	32	66	31	14	13	-
8,661	1,958	85,627	172	233	40	140	40
-	8,385	-	-	-	-	-	-
-	-	147,620	-	-	-	-	-
1,479	164	231	255	100	42	57	-
1,479	8,549	147,851	255	100	42	57	-
10,140	10,507	233,478	427	333	82	197	40
548	1,971	-	410	308	5	-	-
(2,423)	4,241	(136,966)	(147)	194	189	37	88
$ (1,875)	$ 6,212	$ (136,966)	$ 263	$ 502	$ 194	$ 37	$ 88

Continued on next page

Combining Statement of Net Assets – Internal Service Funds *(Continued from previous page)*

June 30, 2003
(Dollars in Thousands)

	Engineering Services	Total
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 173	$ 157,061
Investments	-	10,194
Receivables, Net	189	14,928
Due From Other Funds	131	30,400
Inventory	-	13,767
Prepaid Items	-	3,493
Other Assets	-	1,012
Total Current Assets	493	230,855
Noncurrent Assets:		
Prepaid Items	-	840
Nondepreciable Capital Assets	-	150
Depreciable Capital Assets, Net	-	65,331
Total Noncurrent Assets	-	66,321
Total Assets	493	297,176
Liabilities		
Current Liabilities:		
Accounts Payable	36	24,679
Amounts Due to Other Governments	-	679
Due to Other Funds	1	210
Interfund Payable	350	1,448
Deferred Revenue	-	34,832
Claims Payable	-	120,365
Obligations Under Securities Lending Program	-	10,194
Other Liabilities	-	2,528
Long-Term Liabilities Due within One Year	105	7,751
Total Current Liabilities	492	202,686
Noncurrent Liabilities:		
Interfund Payable	-	8,385
Claims Payable	-	147,620
Long-Term Liabilities Due in More Than One Year	113	22,243
Total Noncurrent Liabilities	113	178,248
Total Liabilities	605	380,934
Net Assets		
Invested in Capital Assets, Net of Related Debt	-	42,493
Unrestricted	(112)	(126,251)
Total Net Assets	$ (112)	$ (83,758)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Department of Information Technology	Virginia Correctional Enterprises	Health Care	Fleet Management
Operating Revenues:				
Charges for Sales and Services	$ 113,974	$ 35,247	$ 604,940	$ 12,834
Interest, Dividends, Rents, and Other Investment Income	-	-	1,872	-
Total Operating Revenues	113,974	35,247	606,812	12,834
Operating Expenses:				
Cost of Sales and Services	-	25,983	-	-
Prizes and Claims	-	-	579,809	-
Personal Services	28,023	3,550	-	841
Contractual Services	63,756	72	29,491	1,451
Supplies and Materials	313	394	-	2,238
Depreciation and Amortization	7,275	1,348	-	6,748
Rent, Insurance, and Other Related Charges	8,380	496	-	831
Interest Expense	-	-	-	-
Other	5,677	927	-	56
Total Operating Expenses	113,424	32,770	609,300	12,165
Operating Income (Loss)	550	2,477	(2,488)	669
Nonoperating Revenues (Expenses):				
Interest, Dividends, Rents, and Other Investment Income	(473)	(282)	80	-
Other	(103)	(1,421)	(80)	(226)
Total Nonoperating Revenues (Expenses)	(576)	(1,703)	-	(226)
Income (Loss) Before Transfers	(26)	774	(2,488)	443
Transfers In	-	-	-	-
Transfers Out	(906)	(1,094)	-	(6,655)
Change in Net Assets	(932)	(320)	(2,488)	(6,212)
Total Net Assets (Deficit), July 1	24,359	20,176	(18,413)	31,729
Total Net Assets (Deficit), June 30	$ 23,427	$ 19,856	$ (20,901)	$ 25,517

Maintenance and Repair	Virginia Distribution Center	Risk Management	Consolidated Laboratory	Federal Surplus Property	State Surplus Property	Graphic Communications	Property Disposal
$ 22,277	$ 24,743	$ 60,537	$ 1,565	$ 1,197	$ 875	$ 359	$ -
-	-	-	-	-	-	-	-
22,277	24,743	60,537	1,565	1,197	875	359	-
-	21,594	8,139	-	-	-	-	-
-	-	61,499	-	-	-	-	-
7,997	1,031	870	1,221	297	352	275	-
4,501	1,428	55	97	36	407	57	6
2,499	40	187	237	811	22	9	-
132	827	-	128	10	2	-	-
6,518	278	5,439	320	100	217	36	-
-	463	-	-	-	-	-	-
2,402	3	46	2	-	1	4	-
24,049	25,664	76,235	2,005	1,254	1,001	381	6
(1,772)	(921)	(15,698)	(440)	(57)	(126)	(22)	(6)
-	1	3,457	-	-	-	-	-
-	(1)	(181)	-	-	-	-	-
-	-	3,276	-	-	-	-	-
(1,772)	(921)	(12,422)	(440)	(57)	(126)	(22)	(6)
-	-	30	283	-	-	34	-
-	-	(6,938)	-	-	-	(34)	-
(1,772)	(921)	(19,330)	(157)	(57)	(126)	(22)	(6)
(103)	7,133	(117,636)	420	559	320	59	94
$ (1,875)	$ 6,212	$ (136,966)	$ 263	$ 502	$ 194	$ 37	$ 88

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, 2003
(Dollars in Thousands)

	Engineering Services	Total
Operating Revenues:		
Charges for Sales and Services	$ 1,091	$ 879,639
Interest, Dividends, Rents, and Other Investment Income	-	1,872
Total Operating Revenues	1,091	881,511
Operating Expenses:		
Cost of Sales and Services	-	55,716
Prizes and Claims	-	641,308
Personal Services	253	44,710
Contractual Services	2	101,359
Supplies and Materials	-	6,750
Depreciation and Amortization	-	16,470
Rent, Insurance, and Other Related Charges	948	23,563
Interest Expense	-	463
Other	-	9,118
Total Operating Expenses	1,203	899,457
Operating Income (Loss)	(112)	(17,946)
Nonoperating Revenues (Expenses):		
Interest, Dividends, Rents, and Other Investment Income	-	2,783
Other	-	(2,012)
Total Nonoperating Revenues (Expenses)	-	771
Income (Loss) Before Transfers	(112)	(17,175)
Transfers In	-	347
Transfers Out	-	(15,627)
Change in Net Assets	(112)	(32,455)
Total Net Assets (Deficit), July 1	-	(51,303)
Total Net Assets (Deficit), June 30	$ (112)	$ (83,758)

Combining Statement of Cash Flows – Internal Service Funds

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Department of Information Technology	Virginia Correctional Enterprises	Health Care	Fleet Management
Cash Flows from Operating Activities:				
Receipts for Sales and Services	$ 6,167	$ 13,168	$ 611,813	$ 440
Internal Activity-Receipts from Other Funds	115,078	23,891	-	12,532
Internal Activity-Payments to Other Funds	(1,773)	(2,521)	-	(3,199)
Payments to Suppliers for Goods and Services	(8,945)	(17,740)	-	(183)
Payments for Prizes, Claims, and Loss Control	-	-	(580,885)	-
Payments to Employees	(26,791)	(9,128)	-	(823)
Other Operating Revenue	10	-	-	-
Other Operating Expense	(66,304)	(4,745)	(29,679)	(2,047)
Net Cash Provided by (Used for) Operating Activities	17,442	2,925	1,249	6,720
Cash Flows from Noncapital Financing Activities:				
Transfers In From Other Funds	-	-	-	-
Transfers Out to Other Funds	(906)	(1,094)	-	(6,655)
Other Noncapital Financing Receipt Activities	-	-	-	-
Other Noncapital Financing Disbursement Activities	(703)	-	(321)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(1,609)	(1,094)	(321)	(6,655)
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(2,397)	(845)	-	(2,636)
Payment of Principal and Interest on Bonds and Notes	(3,188)	(519)	-	-
Proceeds from Sale of Capital Assets	-	-	-	505
Net Cash Provided By (Used for) Capital and Related Financing Activities	(5,585)	(1,364)	-	(2,131)
Cash Flows from Investing Activities:				
Proceeds from Sales or Maturities of Investments	-	-	-	-
Investment Income on Cash, Cash Equivalents, and Investments	-	-	-	-
Net Cash Provided by (Used for) Investing Activities	-	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	10,248	467	928	(2,066)
Cash and Cash Equivalents, July 1	3,821	5,360	39,055	2,111
Cash and Cash Equivalents, June 30	$ 14,069	$ 5,827	$ 39,983	$ 45
Reconciliation of Cash and Cash Equivalents:				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	$ 14,061	$ 5,823	$ 39,983	$ 45
Cash and Travel Advances	8	4	-	-
Cash and Cash Equivalents per the Statement of Cash Flows	$ 14,069	$ 5,827	$ 39,983	$ 45

Maintenance and Repair	Virginia Distribution Center	Risk Management	Consolidated Laboratory	Federal Surplus Property	State Surplus Property	Graphic Communications	Property Disposal
$ 63	$ 4,550	$ 68,919	$ 22	$ 394	$ 449	$ 21	$ -
25,867	20,366	-	1,559	780	433	401	-
(356)	(691)	-	(88)	(17)	(14)	(27)	-
(10,918)	(21,400)	(12,387)	(423)	(781)	(222)	(16)	-
-	-	(48,390)	-	-	-	-	-
(7,694)	(990)	(2,323)	(1,187)	(293)	(338)	(264)	-
-	-	-	-	-	-	-	-
(4,434)	(1,671)	(39)	(100)	(41)	(407)	(50)	(6)
2,528	164	5,780	(217)	42	(99)	65	(6)
-	-	1,314	283	-	-	34	-
-	-	(8,222)	-	-	-	(34)	-
5	-	-	-	-	-	-	-
-	(400)	-	-	-	-	-	-
5	(400)	(6,908)	283	-	-	-	-
-	-	-	(6)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(6)	-	-	-	-
-	-	1,153	-	-	-	-	-
-	(1)	1,931	-	-	-	-	-
-	(1)	3,084	-	-	-	-	-
2,533	(237)	1,956	60	42	(99)	65	(6)
4,099	941	87,437	220	355	362	114	134
$ 6,632	$ 704	$ 89,393	$ 280	$ 397	$ 263	$ 179	128
$ 6,632	$ 704	$ 88,393	$ 280	$ 397	$ 263	$ 179	$ 128
-	-	1,000	-	-	-	-	-
$ 6,632	$ 704	$ 89,393	$ 280	$ 397	$ 263	$ 179	128

Continued on next page

Combining Statement of Cash Flows – Internal Service Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	Engineering Services	Total
Cash Flows from Operating Activities:		
Receipts for Sales and Services	$ -	$ 706,006
Internal Activity-Receipts from Other Funds	772	201,679
Internal Activity-Payments to Other Funds	-	(8,686)
Payments to Suppliers for Goods and Services	(693)	(73,708)
Payments for Prizes, Claims, and Loss Control	-	(629,275)
Payments to Employees	(254)	(50,085)
Other Operating Revenue	-	10
Other Operating Expense	(2)	(109,525)
Net Cash Provided by (Used for) Operating Activities	(177)	36,416
Cash Flows from Noncapital Financing Activities:		
Transfers In From Other Funds	-	1,631
Transfers Out to Other Funds	-	(16,911)
Other Noncapital Financing Receipt Activities	350	355
Other Noncapital Financing Disbursement Activities	-	(1,424)
Net Cash Provided by (Used for) Noncapital Financing Activities	350	(16,349)
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	-	(5,884)
Payment of Principal and Interest on Bonds and Notes	-	(3,707)
Proceeds from Sale of Capital Assets	-	505
Net Cash Provided By (Used for) Capital and Related Financing Activities	-	(9,086)
Cash Flows from Investing Activities:		
Proceeds from Sales or Maturities of Investments	-	1,153
Investment Income on Cash, Cash Equivalents, and Investments	-	1,930
Net Cash Provided by (Used for) Investing Activities	-	3,083
Net Increase (Decrease) in Cash and Cash Equivalents	173	14,064
Cash and Cash Equivalents, July 1	-	144,009
Cash and Cash Equivalents, June 30	$ 173	$ 158,073
Reconciliation of Cash and Cash Equivalents:		
Per the Statement of Net Assets:		
Cash and Cash Equivalents	$ 173	$ 157,061
Cash and Travel Advances	-	1,012
Cash and Cash Equivalents per the Statement of Cash Flows	$ 173	$ 158,073

	Department of Information Technology	Virginia Correctional Enterprises	Health Care
Reconciliation of Operating Income			
To Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	$ 550	$ 2,477	$ (2,488)
Adjustments to Reconcile Operating			
Income to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation and Amortization	7,275	1,348	-
Miscellaneous Nonoperating Income	10	104	-
Other Expenses	4,700	(1,508)	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	7,599	(831)	1,488
(Increase) Decrease in Due From Other Funds	(4,097)	1,962	3,513
(Increase) Decrease in Other Assets	-	-	-
(Increase) Decrease in Inventory	-	(534)	-
(Increase) Decrease in Prepaid Items	(78)	-	-
Increase (Decrease) in Accounts Payable	927	339	(455)
Increase (Decrease) in Amounts Due to Other Governments	-	(1,327)	-
Increase (Decrease) in Claims Payable	-	-	(809)
Increase (Decrease) in Due to Other Funds	(18)	-	-
Increase (Decrease) in Deferred Revenue	17	578	-
Increase (Decrease) in Other Liabilities	(635)	-	-
Increase (Decrease) in Long-Term Liabilities: Due within One Year	(261)	26	-
Increase (Decrease) in Long-Term Liabilities: Due in More Than One Year	1,453	291	-
Net Cash Provided by (Used for) Operating Activities	$ 17,442	$ 2,925	$ 1,249
Noncash Investing, Capital, and Financing Activities:			
The following transactions occurred prior to the statement of net assets date:			
Trade-ins of Used Equipment on New Equipment	$ -	$ (20)	$ -
Installment Purchases Used to Finance Capital Assets	2,608	-	-
Capital Asset Addition Included in Accounts Payable	-	43	-
Total Noncash, Investing, Capital, and Financing Activities	$ 2,608	$ 23	$ -

Continued on next page

Combining Statement of Cash Flows – Internal Service Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2003
(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)	$ 669	$ (1,772)	$ (921)
Adjustments to Reconcile Operating			
Income to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation and Amortization	6,748	132	827
Miscellaneous Nonoperating Income	-	-	-
Other Expenses	-	(55)	(8)
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	92	(431)	13
(Increase) Decrease in Due From Other Funds	53	480	167
(Increase) Decrease in Other Assets	-	-	-
(Increase) Decrease in Inventory	10	24	107
(Increase) Decrease in Prepaid Items	-	-	-
Increase (Decrease) in Accounts Payable	(254)	122	(67)
Increase (Decrease) in Amounts Due to Other Governments	(624)	-	-
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Due to Other Funds	1	12	2
Increase (Decrease) in Deferred Revenue	-	3,596	-
Increase (Decrease) in Other Liabilities	-	51	-
Increase (Decrease) in Long-Term Liabilities: Due within One Year	(27)	(10)	-
Increase (Decrease) in Long-Term Liabilities: Due in More Than One Year	52	379	44
Net Cash Provided by (Used for) Operating Activities	$ 6,720	$ 2,528	$ 164
Noncash Investing, Capital, and Financing Activities:			
The following transactions occurred prior to the statement of net assets date:			
Trade-ins of Used Equipment on New Equipment	$ -	$ -	$ -
Installment Purchases Used to Finance Capital Assets	-	-	-
Capital Asset Addition Included in Accounts Payable	239	-	-
Total Noncash, Investing, Capital, and Financing Activities	$ 239	$ -	$ -

Risk Management	Consolidated Laboratory	Federal Surplus Property	State Surplus Property	Graphic Communications	Property Disposal	Engineering Services	Total
$ (15,698)	$ (440)	$ (57)	$ (126)	$ (22)	$ (6)	$ (112)	$ (17,946)
-	128	10	2	-	-	-	16,470
-	-	-	-	-	-	-	114
(39)	-	-	-	-	-	-	3,090
8	16	(31)	7	(21)	-	(188)	7,721
-	-	9	-	14	-	(131)	1,970
399	-	-	-	-	-	-	399
-	22	58	-	-	-	-	(313)
-	-	-	-	-	-	-	(78)
7,047	35	43	4	12	-	35	7,788
-	-	-	-	-	-	-	(1,951)
10,857	-	-	-	-	-	-	10,048
1	-	2	-	2	-	1	3
3,156	-	-	-	68	-	-	7,415
-	-	-	-	-	-	-	(584)
(31)	(21)	(7)	-	-	-	105	(226)
80	43	15	14	12	-	113	2,496
$ 5,780	$ (217)	$ 42	$ (99)	$ 65	$ (6)	$ (177)	$ 36,416
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (20)
-	-	-	-	-	-	-	2,608
-	-	-	-	-	-	-	282
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,870

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 accounts for the activities of the Virginia Education Savings Trust and CollegeAmerica 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 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 and teachers.

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 State provided health insurance credits 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 State 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.

Mined Land Deposits Fund accounts for reimbursable deposits, including both cash and securities, from mining companies to ensure reclamation of mined lands.

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 Nonpatient 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.

Combining Statement of Fiduciary Net Assets – Private Purpose Funds

June 30, 2003
(Dollars in Thousands)

	Unclaimed Property	Education Savings Trust Funds	Loan Servicing Reserve
Assets			
Cash and Cash Equivalents	$ 13,642	$ 5,796	$ 545
Investments			
Stocks	37,859	16,247	-
Index and Pooled Funds	-	64,386	-
Mutual and Money Market Funds	12,471	3,493,147	-
Short-term Investments	-	-	-
Other	284	51,845	-
Total Investments	50,614	3,625,625	-
Receivables			
Contributions	-	278	-
Interest and Dividends	-	209	-
Other Receivables	-	-	-
Total Receivables	-	487	-
Total Assets	64,256	3,631,908	545
Liabilities			
Accounts Payable and Accrued Expenses	339	77	5
Obligations Under Securities Lending Program	-	-	-
Other Liabilities	-	13	-
Compensated Absences Payable	106	-	-
Insurance Premiums and Claims Payable	16,835	-	-
Pension Liability	132	-	-
Total Liabilities	17,412	90	5
Net Assets Held in Trust for Participants	$ 46,844	$ 3,631,818	$ 540

Edvantage Reserve	Virginia Farm Loan Revolving	Miscellaneous Trust	Total
$ 1,620	$ 5,573	$ 21	$ 27,197
-	-	-	54,106
-	-	-	64,386
-	-	-	3,505,618
-	-	15	15
134	461	30	52,754
134	461	45	3,676,879
-	-	-	278
-	-	-	209
-	313	-	313
-	313	-	800
1,754	6,347	66	3,704,876
-	3	-	424
134	461	-	595
-	-	-	13
-	9	-	115
-	-	-	16,835
-	3	-	135
134	476	-	18,117
$ 1,620	$ 5,871	$ 66	$ 3,686,759

Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Funds

For the Fiscal Year June 30, 2003
(Dollars in Thousands)

	Unclaimed Property	Education Savings Trust Funds	Loan Servicing Reserve
Additions:			
Investment Income:			
Interest, Dividends, and Other			
Investment Income	$ 4,608	$ 232,835	$ -
Total Investment Income	4,608	232,835	-
Less Investment Expenses	-	6,336	-
Net Investment Income	4,608	226,499	-
Proceeds from Unclaimed Property	53,894	-	-
Contributions:			
Participant	-	2,403,031	-
Total Contributions	-	2,403,031	-
Other Revenue	321	20	-
Total Additions	58,823	2,629,550	-
Deductions:			
Escheat Payments	47,179	-	-
Loan Servicing Payments	-	-	5
Tuition Benefits	-	41,292	-
Trust Payments	-	-	-
Administrative Expenses	190	2,694	-
Shares Redeemed	-	116,162	-
Total Deductions	47,369	160,148	5
Net Increase (Decrease)	11,454	2,469,402	(5)
Net Assets Held in Trust for Participants			
July 1	35,390	1,162,416	545
June 30	$ 46,844	$ 3,631,818	$ 540

Edvantage Reserve	Virginia Farm Loan Revolving	Miscellaneous Trust	Total
$ 58	$ 290	$ 1	$ 237,792
58	290	1	237,792
-	-	-	6,336
58	290	1	231,456
-	-	-	53,894
-	-	-	2,403,031
-	-	-	2,403,031
48	3	-	392
106	- 293	1	2,688,773
-	-	-	47,179
25	61	-	91
-	-	-	41,292
-	-	1	1
-	27	-	2,911
-	-	-	116,162
25	88	1	207,636
81	205	-	2,481,137
1,539	5,666	66	1,205,622
$ 1,620	$ 5,871	$ 66	$ 3,686,759

Combining Statement of Fiduciary Net Assets – Pension Trust Funds

June 30, 2003
(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Virginia Law Officers' Retirement System
Assets				
Cash and Cash Equivalents	$ 124,022	$ 1,516	$ 840	$ 1,408
Investments				
Bonds and Mortgage Securities	7,832,386	101,242	56,088	94,008
Stocks	8,156,385	105,430	58,408	97,896
Fixed Income Commingled Funds	98,679	1,276	707	1,184
Index and Pooled Funds	12,144,733	156,982	86,969	145,766
Real Estate	1,034,637	13,374	7,409	12,418
Venture Capital	2,051,517	26,518	14,691	24,623
Short-term Investments	2,113,864	27,324	15,137	25,372
Other	2,302,050	29,756	16,485	27,630
Total Investments	35,734,251	461,902	255,894	428,897
Receivables				
Contributions	101,071	526	674	2,017
Interest and Dividends	95,852	1,239	686	1,150
Receivable for Security Transactions	1,730,489	22,368	12,392	20,770
Other Receivables	3,013	16	9	15
Total Receivables	1,930,425	24,149	13,761	23,952
Due from Fiduciary Funds	9,763	2,033	1,727	1,423
Furniture and Equipment	6,270	-	-	-
Total Assets	37,804,731	489,600	272,222	455,680
Liabilities				
Accounts Payable and Accrued Expenses	10,709	123	68	114
Due to Fiduciary Funds	10,975	10	-	120
Obligations Under Securities Lending Program	2,302,050	29,756	16,485	27,630
Other Liabilities	914	5	3	4
Retirement Benefits Payable	133,132	2,068	1,685	1,336
Refunds Payable	6,291	53	-	339
Compensated Absences Payable	1,167	-	-	-
Insurance Premiums and Claims Payable	-	-	-	-
Payable for Security Transactions	2,612,611	33,771	18,709	31,358
Pension Liability	1,287	16	9	6
Total Liabilities	5,079,136	65,802	36,959	60,907
Net Assets Held in Trust for Pension/ Other Employment Benefits	$ 32,725,595	$ 423,798	$ 235,263	$ 394,773

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
$ -	$ 341	$ 2,821	$ 277	$ -	$ 131,225
558	22,791	188,321	18,473	-	8,313,867
1,370	23,733	196,111	19,237	-	8,658,570
-	287	2,373	233	-	104,739
296	35,339	292,006	28,644	-	12,890,735
-	3,011	24,876	2,440	-	1,098,165
-	5,969	49,326	4,839	-	2,177,483
-	6,151	50,824	4,986	-	2,243,658
-	6,698	55,351	5,429	381	2,443,780
2,224	103,979	859,188	84,281	381	37,930,997
-	4,003	1,207	1,438	-	110,936
-	279	2,305	226	-	101,737
-	5,035	41,608	4,081	-	1,836,743
-	26	30	1,433	-	4,542
-	9,343	45,150	7,178	-	2,053,958
-	5,790	1	-	-	20,737
-	-	-	-	-	6,270
2,224	119,453	907,160	91,736	381	40,143,187
-	5,196	229	668	-	17,107
-	7,599	2,989	816	-	22,509
-	6,698	55,351	5,429	-	2,443,399
-	1	9	1	-	937
-	-	-	-	-	138,221
-	135	246	277	-	7,341
-	-	-	-	-	1,167
-	-	33,772	-	-	33,772
-	7,602	62,817	6,162	-	2,773,030
-	21	53	32	-	1,424
-	27,252	155,466	13,385	-	5,438,907
$ 2,224	$ 92,201	$ 751,694	$ 78,351	$ 381	$ 34,704,280

Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds

For the Fiscal Year Ended June 30, 2003
(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	$ 1,064,308	$ 13,572	$ 7,444	$ 14,870
Total Investment Income	1,064,308	13,572	7,444	14,870
Less Investment Expenses	128,893	1,643	901	1,801
Net Investment Income	935,415	11,929	6,543	13,069
Contributions:				
Member	626,655	4,528	2,434	15,486
Employer	335,404	8,777	13,604	34,947
Total Contributions	962,059	13,305	16,038	50,433
Other Revenue	2,682	-	-	-
Total Additions	1,900,156	25,234	22,581	63,502
Deductions:				
Retirement Benefits	1,537,762	23,594	21,359	15,020
Refunds to Former Members	67,473	863	51	3,763
Retiree Health Insurance Credits	-	-	-	-
Insurance Premiums and Claims	-	-	-	-
Administrative Expenses	16,690	211	116	156
Other Expenses	-	-	-	-
Long Term Disability Benefits	-	-	-	-
Total Deductions	1,621,925	24,668	21,526	18,939
Transfers:				
Transfers In	-	-	-	147
Transfers Out	(147)	-	-	-
Total Transfers	(147)	-	-	147
Net Increase (Decrease)	278,084	566	1,055	44,710
Net Assets Held in Trust for Pension/ Other Employment Benefits				
July 1	32,447,511	423,232	234,208	350,063
June 30	$ 32,725,595	$ 423,798	$ 235,263	$ 394,773

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
$ 62	$ 3,715	$ 20,818	$ 3,681	$ 21	$ 1,128,491
62	3,715	20,818	3,681	21	1,128,491
-	450	2,521	446	-	136,655
62	3,265	18,297	3,235	21	991,836
291	-	25	-	112	649,531
316	74,123	19	34,813	61	502,064
607	74,123	44	34,813	173	1,151,595
-	-	-	-	-	2,682
669	77,388	18,341	38,048	194	2,146,113
330	-	-	-	-	1,598,065
-	-	-	-	-	72,150
-	61,027	-	-	-	61,027
-	-	104,275	-	-	104,275
6	332	664	815	-	18,990
-	-	276	-	-	276
-	-	-	16,780	-	16,780
336	61,359	105,215	17,595	-	1,871,563
-	-	-		-	147
-	-	-		-	(147)
-	-	-	-	-	-
333	16,029	(86,874)	20,453	194	274,550
1,891	76,172	838,568	57,898	187	34,429,730
$ 2,224	$ 92,201	$ 751,694	$ 78,351	$ 381	$ 34,704,280

Combining Statement of Fiduciary Net Assets – Investment Trust Funds

June 30, 2003
(Dollars in Thousands)

	Local Government Investment Pool (LGIP)	State Non-Arbitrage Pool (SNAP)	SNAP Individual Investment Accounts	Total
Assets				
Cash and Cash Equivalents	$ 1,379,674	$ 40	$ -	$ 1,379,714
Investments				
Bonds and Mortgage Securities	-	-	62,372	62,372
Short-term Investments	962,492	1,127,269	-	2,089,761
Other	-	-	84,037	84,037
Total Investments	962,492	1,127,269	146,409	2,236,170
Receivables				
Interest and Dividends	3,472	26,940	396	30,808
Other Assets	-	23	-	23
Total Assets	2,345,638	1,154,272	146,805	3,646,715
Liabilities				
Other Liabilities	-	86	-	86
Total Liabilities	-	86	-	86
Net Assets Held in Trust for Pool Participants	$ 2,345,638	$ 1,154,186	$ 146,805	$ 3,646,629

Combining Statement of Changes in Fiduciary Net Assets - Investment Trust Funds

For the Fiscal Year Ended June 30, 2003
(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	$ 27,020	$ 12,124	$ 622	$ 39,766
Distributions to Shareholders from Net Investment Income	(27,020)	(12,124)	-	(39,144)
Total Investment Income	-	-	622	622
Net Investment Income	-	-	622	622
Purchase of Investments	-	-	140,662	140,662
Shares Sold	3,254,116	971,123	-	4,225,239
Reinvested Distributions	27,020	12,125	262	39,407
Total Additions	3,281,136	983,248	141,546	4,405,930
Deductions:				
Shares Redeemed	(3,215,781)	(986,252)	-	(4,202,033)
Total Deductions	(3,215,781)	(986,252)	-	(4,202,033)
Transfers:				
Maturities	-	8,938	(8,938)	-
Investment Income	-	269	(269)	-
Total Transfers	-	9,207	(9,207)	-
Net Increase (Decrease)	65,355	6,203	132,339	203,897
Net Assets Held in Trust for				
Pool Participants				
July 1, as restated	2,280,283	1,147,983	14,466	3,442,732
June 30	$ 2,345,638	$ 1,154,186	$ 146,805	$ 3,646,629

Combining Statement of Fiduciary Net Assets – Agency Funds

June 30, 2003
(Dollars in Thousands)

	Funds for the Collection of Taxes	Employee Benefits	Mined Land Deposits	Deposits of Insurance Carriers
Assets				
Cash and Cash Equivalents	$ 129,746	$ 2,910	$ 10,058	$ 8,278
Investments				
Short-term Investments	-	-	-	410,391
Other	-	-	625	-
Total Investments	-	-	625	410,391
Receivables				
Accounts	90,995	-	-	-
Total Receivables	90,995	-	-	-
Due from Other Funds	-	-	-	-
Due from Fiduciary Funds	-	-	-	-
Total Assets	$ 220,741	$ 2,910	$ 10,683	$ 418,669
Liabilities				
Accounts Payable and Accrued Expenses	$ -	$ 2,910	$ -	$ -
Amounts Due to Other Governments	220,741	-	-	-
Due to Other Funds	-	-	-	-
Obligations Under Securities Lending Program	-	-	625	-
Other Liabilities	-	-	10,058	418,669
Insurance Premiums and Claims Payable	-	-	-	-
Total Liabilities	$ 220,741	$ 2,910	$ 10,683	$ 418,669

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
$ 4,306	$ 29,279	$ 1,959	$ 20	$ 1,171	$ 1,166	$ 2,827
663	-	620	-	-	-	-
-	-	-	-	-	-	-
663	-	620	-	-	-	-
500	-	-	-	-	-	-
500	-	-	-	-	-	-
-	217	-	-	-	-	-
-	-	-	-	1,772	-	-
$ 5,469	$ 29,496	$ 2,579	$ 20	$ 2,943	$ 1,166	$ 2,827
$ 486	$ 66	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	2,827
350	3,501	-	-	-	-	-
-	-	-	-	-	-	-
4,633	25,929	2,579	20	-	1,166	-
-	-	-	-	2,943	-	-
$ 5,469	$ 29,496	$ 2,579	$ 20	$ 2,943	$ 1,166	$ 2,827

Continued on next page

Combining Statement of Fiduciary Net Assets – Agency Funds *(Continued from previous page)*

June 30, 2003
(Dollars in Thousands)

	Legal Settlement	Consumer Services	Department of State Police	Aviation
Assets				
Cash and Cash Equivalents	$ 771	$ 268	$ 388	$ 68
Investments				
Short-term Investments	-	167	12	48
Other	-	-	-	-
Total Investments	-	167	12	48
Receivables				
Accounts	-	-	-	-
Total Receivables	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Fiduciary Funds	-	-	-	-
Total Assets	$ 771	$ 435	$ 400	$ 116
Liabilities				
Accounts Payable and Accrued Expenses	$ -	$ -	$ -	$ -
Amounts Due to Other Governments	-	-	-	-
Due to Other Funds	-	-	-	-
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	771	435	400	116
Insurance Premiums and Claims Payable	-	-	-	-
Total Liabilities	$ 771	$ 435	$ 400	$ 116

Virginia School for the Deaf and Blind	Woodrow Wilson Rehabilitation Center	Dog and Cat Sterilization	Milk Commission	State Corporation Commission	Total
$ 37	$ 7	$ 2	$ 1	$ 9,901	$ 203,163
-	-	-	-	6,880	418,781
-	-	-	-	-	625
-	-	-	-	6,880	419,406
-	-	-	-	-	91,495
-	-	-	-	-	91,495
-	-	-	-	-	217
-	-	-	-	-	1,772
$ 37	$ 7	$ 2	$ 1	$ 16,781	$ 716,053
$ -	$ -	$ -	$ 1	$ -	$ 3,463
-	-	2	-	-	223,570
-	-	-	-	-	3,851
-	-	-	-	-	625
37	7	-	-	16,781	481,601
-	-	-	-	-	2,943
$ 37	$ 7	$ 2	$ 1	$ 16,781	$ 716,053

Combining Statement of Changes in Assets and Liabilities – Agency Funds

For the Fiscal Year Ended June 30, 2003
(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	$ 140,003	$ 1,009,718	$ 1,019,975	$ 129,746
Accounts Receivable (Net)	38,755	90,995	38,755	90,995
Total Assets	$ 178,758	$ 1,100,713	$ 1,058,730	$ 220,741
Liabilities:				
Amounts Due to Other Governments	$ 178,758	$ 1,100,713	$ 1,058,730	$ 220,741
Total Liabilities	$ 178,758	$ 1,100,713	$ 1,058,730	$ 220,741
Employee Benefits				
Assets:				
Cash and Cash Equivalents	$ 2,835	$ 168,061	$ 167,986	$ 2,910
Total Assets	$ 2,835	$ 168,061	$ 167,986	$ 2,910
Liabilities:				
Accounts Payable and Accrued Expenses	$ 2,835	$ 168,061	$ 167,986	$ 2,910
Total Liabilities	$ 2,835	$ 168,061	$ 167,986	$ 2,910
Mined Land Deposits				
Assets:				
Cash and Cash Equivalents	$ 9,591	$ 1,818	$ 1,351	$ 10,058
Investments - Other	632	625	632	625
Total Assets	$ 10,223	$ 2,443	$ 1,983	$ 10,683
Liabilities:				
Obligations Under Securities Lending Program	$ 694	$ 625	$ 694	$ 625
Other Liabilities	9,529	1,818	1,289	10,058
Total Liabilities	$ 10,223	$ 2,443	$ 1,983	$ 10,683
Deposits of Insurance Carriers				
Assets:				
Cash and Cash Equivalents	$ 4,522	$ 3,812	$ 56	$ 8,278
Investments - Short-term	367,723	184,527	141,859	410,391
Total Assets	$ 372,245	$ 188,339	$ 141,915	$ 418,669
Liabilities:				
Other Liabilities	$ 372,245	$ 188,339	$ 141,915	$ 418,669
Total Liabilities	$ 372,245	$ 188,339	$ 141,915	$ 418,669

	Balance July 1 as restated	Additions	Deletions	Balance June 30
Inmate and Ward				
Assets:				
Cash and Cash Equivalents	$ 3,586	$ 842	$ 122	$ 4,306
Investments - Short-term	583	91	11	663
Accounts Receivable (Net)	493	17	10	500
Total Assets	$ 4,662	$ 950	$ 143	$ 5,469
Liabilities:				
Accounts Payable and Accrued Expenses	$ 77	$ 482	$ 73	$ 486
Due to Other Funds	67	283	-	350
Other Liabilities	4,518	252	137	4,633
Total Liabilities	$ 4,662	$ 1,017	$ 210	$ 5,469
Child Support Collections				
Assets:				
Cash and Cash Equivalents	$ 16,784	$ 526,726	$ 514,231	$ 29,279
Due from Other Funds	172	217	172	217
Total Assets	$ 16,956	$ 526,943	$ 514,403	$ 29,496
Liabilities:				
Accounts Payable and Accrued Expenses	$ 264	$ 66	$ 264	$ 66
Due to Other Funds	5,276	3,501	5,276	3,501
Other Liablities	11,416	515,572	501,059	25,929
Total Liabilities	$ 16,956	$ 519,139	$ 506,599	$ 29,496
Mental Health Patient				
Assets:				
Cash and Cash Equivalents	$ 1,931	$ 5,868	$ 5,840	$ 1,959
Investments - Short-term	422	218	20	620
Total Assets	$ 2,353	$ 6,086	$ 5,860	$ 2,579
Liabilities:				
Other Liabilities	$ 2,353	$ 6,086	$ 5,860	$ 2,579
Total Liabilities	$ 2,353	$ 6,086	$ 5,860	$ 2,579

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, 2003
(Dollars in Thousands)

	Balance July 1 as restated	Additions	Deletions	Balance June 30
Mental Health NonPatient				
Assets:				
Cash and Cash Equivalents	$ 19	$ 1	$ -	$ 20
Total Assets	$ 19	$ 1	$ -	$ 20
Liabilities:				
Other Liabilities	$ 19	$ 1	$ -	$ 20
Total Liabilities	$ 19	$ 1	$ -	$ 20
Optional Life Insurance				
Assets:				
Cash and Cash Equivalents	$ 1,198	$ 18,323	$ 18,350	$ 1,171
Due from Fiduciary Funds	1,852	-	80	1,772
Total Assets	$ 3,050	$ 18,323	$ 18,430	$ 2,943
Liabilities:				
Insurance Premiums and Claims Payable	$ 3,050	$ -	$ 107	$ 2,943
Total Liabilities	$ 3,050	$ -	$ 107	$ 2,943
Comptroller's Debt Setoff				
Assets:				
Cash and Cash Equivalents	$ 1,156	$ 11,594	$ 11,584	$ 1,166
Total Assets	$ 1,156	$ 11,594	$ 11,584	$ 1,166
Liabilities:				
Other Liabilities	$ 1,156	$ 11,594	$ 11,584	$ 1,166
Total Liabilities	$ 1,156	$ 11,594	$ 11,584	$ 1,166
Unclaimed Property of Other States				
Assets:				
Cash and Cash Equivalents	$ 3,028	$ 2,827	$ 3,028	$ 2,827
Total Assets	$ 3,028	$ 2,827	$ 3,028	$ 2,827
Liabilities:				
Amounts Due to Other Governments	$ 3,028	$ 2,827	$ 3,028	$ 2,827
Total Liabilities	$ 3,028	$ 2,827	$ 3,028	$ 2,827

	Balance July 1 as restated	Additions	Deletions	Balance June 30
Legal Settlement				
Assets:				
Cash and Cash Equivalents	$ 1,019	$ 325	$ 573	$ 771
Total Assets	$ 1,019	$ 325	$ 573	$ 771
Liabilities:				
Other Liabilities	$ 1,019	$ 325	$ 573	$ 771
Total Liabilities	$ 1,019	$ 325	$ 573	$ 771
Consumer Services				
Assets:				
Cash and Cash Equivalents	$ 298	$ 221	$ 251	$ 268
Investments - Short-term	191	27	51	167
Total Assets	$ 489	$ 248	$ 302	$ 435
Liabilities:				
Other Liabilities	$ 489	$ 248	$ 302	$ 435
Total Liabilities	$ 489	$ 248	$ 302	$ 435
Department of State Police				
Assets:				
Cash and Cash Equivalents	$ 280	$ 1,376	$ 1,268	$ 388
Investments - Short-term	30	17	35	12
Total Assets	$ 310	$ 1,393	$ 1,303	$ 400
Liabilities:				
Other Liabilities	$ 310	$ 1,393	$ 1,303	$ 400
Total Liabilities	$ 310	$ 1,393	$ 1,303	$ 400
Aviation				
Assets:				
Cash and Cash Equivalents	$ 67	$ 1	$ -	$ 68
Investments - Short-term	47	1	-	48
Total Assets	$ 114	$ 2	$ -	$ 116
Liabilities:				
Other Liabilities	$ 114	$ 2	$ -	$ 116
Total Liabilities	$ 114	$ 2	$ -	$ 116

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, 2003
(Dollars in Thousands)

	Balance July 1 as restated	Additions	Deletions	Balance June 30
Virginia School for the Deaf and Blind				
Assets:				
Cash and Cash Equivalents	$ 33	$ 41	$ 37	$ 37
Total Assets	$ 33	$ 41	$ 37	$ 37
Liabilities:				
Other Liabilities	$ 33	$ 41	$ 37	$ 37
Total Liabilities	$ 33	$ 41	$ 37	$ 37
Woodrow Wilson Rehabilitiation Center				
Assets:				
Cash and Cash Equivalents	$ 6	$ 47	$ 46	$ 7
Total Assets	$ 6	$ 47	$ 46	$ 7
Liabilities:				
Other Liabilities	$ 6	$ 47	$ 46	$ 7
Total Liabilities	$ 6	$ 47	$ 46	$ 7
Dog and Cat Sterilization				
Assets:				
Cash and Cash Equivalents	$ 2	$ 134	$ 134	$ 2
Total Assets	$ 2	$ 134	$ 134	$ 2
Liabilities:				
Amounts Due to Other Governments	$ 2	$ 134	$ 134	$ 2
Total Liabilities	$ 2	$ 134	$ 134	$ 2
Milk Commission				
Assets:				
Cash and Cash Equivalents	$ 1	$ 16	$ 16	$ 1
Accounts Receivable (Net)	-	16	16	-
Total Assets	$ 1	$ 32	$ 32	$ 1
Liabilities:				
Accounts Payable and Accrued Expenses	$ 1	$ 32	$ 32	$ 1
Total Liabilities	$ 1	$ 32	$ 32	$ 1

	Balance July 1 as restated	Additions	Deletions	Balance June 30
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
Totals - Agency Funds				
Assets:				
Cash and Cash Equivalents	$ 186,359	$ 1,761,652	$ 1,744,848	$ 203,163
Investments - Short-term	368,996	191,761	141,976	418,781
Investments - Other	632	625	632	625
Accounts Receivable (Net)	39,248	91,028	38,781	91,495
Due from Other Funds	172	217	172	217
Due from Fiduciary Funds	1,852	-	80	1,772
Total Assets	$ 597,259	$ 2,045,283	$ 1,926,489	$ 716,053
Liabilities:				
Accounts Payable and Accrued Expenses	$ 3,177	$ 168,641	$ 168,355	$ 3,463
Amounts Due to Other Governments	181,788	1,103,674	1,061,892	223,570
Due to Other Funds	5,343	3,784	5,276	3,851
Obligations Under Securities Lending Program	694	625	694	625
Other Liabilities	403,207	742,499	664,105	481,601
Insurance Premiums and Claims Payable	3,050	-	107	2,943
Total Liabilities	$ 597,259	$ 2,019,223	$ 1,900,429	$ 716,053

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 moneys in the Virginia Tobacco Settlement Fund.

The Tobacco Indemnification and Community Revitalization Commission determines the appropriate recipients of moneys 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 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, 2003
(Dollars in Thousands)

	Virginia Economic Development Partnership	Virginia Outdoors Foundation	Virginia Port Authority	Virginia Resources Authority
Assets				
Cash and Cash Equivalents	$ 1,093	$ 819	$ 24,366	$ 164,735
Investments	723	459	713	176,691
Receivables, Net	-	47	20,051	1,456,495
Due From Primary Government	-	350	-	-
Due from Component Units	-	-	-	-
Inventory	-	-	7,018	-
Prepaid Items	9	7	10,688	-
Other Assets	320	-	5,703	15
Restricted Cash and Cash Equivalents	-	-	30,667	-
Restricted Investments	-	-	190,908	-
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	-	5,154	171,760	-
Depreciable Capital Assets, Net	553	1,553	278,679	71
Total Assets	2,698	8,389	740,553	1,798,007
Liabilities				
Accounts Payable	247	110	15,093	33
Amounts Due to Other Governments	-	-	-	-
Due to Component Units	-	-	-	-
Deferred Revenue	-	-	-	671
Obligations Under Securities Lending Program	-	-	713	-
Other Liabilities	-	1	8,222	16,959
Loans Payable to Primary Government	-	-	-	-
Long-Term Liabilities:				
Due Within One Year	448	26	17,112	30,951
Due in More Than One Year	1,502	89	374,338	889,219
Total Liabilities	2,197	226	415,478	937,833
Net Assets				
Invested in Capital Assets, Net of Related Debt	534	6,707	218,365	71
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Expendable:				
Higher Education	-	-	-	-
Capital Projects/Construction				
Capital Acquisition	-	-	-	852,508
Debt Service	-	-	50,110	-
Bond Indenture	-	-	-	299
Unrestricted	(33)	1,456	56,600	7,296
Total Net Assets	$ 501	$ 8,163	$ 325,075	$ 860,174

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
$ 709	$ 12,446	$ 75,858	$ 13,074	$ 1,483	$ 21,377	$ 2
440	1,029	6,274	73,675	141	3,125	2,149
-	7	529	15,069	128,323	8,827	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
674	-	3	-	3	-	-
1	-	749	2,495	3,682	-	-
-	-	-	7,062	-	-	-
-	-	-	-	1,683	-	-
-	-	-	-	-	1,657	-
-	-	-	24,730	3,983	-	-
172	5	10	367,657	20,094	-	-
1,996	13,487	83,423	503,762	159,392	34,986	2,151
248	81	790	6,184	2,234	44	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
131	-	-	-	45,461	-	-
-	1,029	6,274	-	-	1,575	-
-	1,491	915	1,588	321	1,644	-
-	-	-	-	-	-	-
236	-	13	14,544	3,817	-	-
421	115	41	134,377	95,482	23	-
1,036	2,716	8,033	156,693	147,315	3,286	-
138	5	10	250,043	5,130	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	7,062	-	-	-
-	-	-	-	-	-	-
822	10,766	75,380	89,964	6,947	31,700	2,151
$ 960	$ 10,771	$ 75,390	$ 347,069	$ 12,077	$ 31,700	$ 2,151

Continued on next page

Combining Statement of Net Assets – Nonmajor Component Units *(Continued from previous page)*

June 30, 2003
(Dollars in Thousands)

	A. L. Philpott Manufacturing Extension Partnership	Virginia Equine Center Foundation	Cerfitied Nursing Facility Education Initiative	College of William and Mary
Assets				
Cash and Cash Equivalents	$ 689	$ 83	$ 337	$ 27,129
Investments	-	2,116	-	4,171
Receivables, Net	527	78	-	8,741
Due From Primary Government	-	-	-	-
Due from Component Units	-	-	-	1,233
Inventory	-	63	-	424
Prepaid Items	-	562	2	1,423
Other Assets	-	9	-	3
Restricted Cash and Cash Equivalents	-	-	-	6,616
Restricted Investments	-	-	-	41,469
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	-	2,807	-	117,418
Depreciable Capital Assets, Net	45	13,084	7	168,399
Total Assets	1,261	18,802	346	377,026
Liabilities				
Accounts Payable	440	185	10	20,368
Amounts Due to Other Governments	-	-	-	-
Due to Component Units	-	-	-	-
Deferred Revenue	-	74	-	8,179
Obligations Under Securities Lending Program	-	-	-	546
Other Liabilities	-	491	-	7,768
Loans Payable to Primary Government	-	-	-	1,370
Long-Term Liabilities:				
Due Within One Year	136	206	-	7,809
Due in More Than One Year	-	15,815	-	55,053
Total Liabilities	576	16,771	10	101,093
Net Assets				
Invested in Capital Assets, Net of Related Debt	45	1,631	7	242,140
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	24,753
Expendable:				
Higher Education	-	-	-	10,868
Capital Projects/Construction/				-
Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Bond Indenture	-	-	-	-
Unrestricted	640	400	329	(1,828)
Total Net Assets	$ 685	$ 2,031	$ 336	$ 275,933

Virginia Military Institute	Virginia State University	Norfolk State University	Mary Washington College	James Madison University	Radford University	Old Dominion University
$ 6,745	$ 14,010	$ 6,686	$ 5,681	$ 49,072	$ 17,200	$ 18,256
1,951	4,470	73	7,531	8,051	2,667	13,724
1,992	4,499	7,601	1,106	6,769	5,680	13,045
-	-	-	-	-	-	-
58	2,315	710	36	2,145	773	2,392
3,089	346	5	582	755	348	503
593	1,772	1,118	-	3,723	-	326
14	99	18	34	26	-	-
1,052	743	1,101	517	69	21,004	2,511
18,091	9,919	-	6,335	191	-	11,064
-	22	-	708	-	-	-
3,697	18,093	6,754	9,054	25,001	29,329	34,531
47,304	49,829	54,568	60,851	254,797	46,431	188,012
84,586	106,117	78,634	92,435	350,599	123,432	284,364
2,926	5,227	5,359	5,478	18,680	9,169	17,536
1,200	-	-	-	-	-	-
-	-	-	-	-	-	-
895	2,002	4,852	2,429	4,073	2,945	5,942
366	862	73	199	3,085	2,667	1,748
915	3,365	1,856	1,817	5,537	3,970	2,151
-	-	-	-	-	-	-
891	2,338	3,645	2,403	7,751	2,165	8,127
8,408	19,296	23,545	20,408	88,512	6,090	83,743
15,601	33,090	39,330	32,734	127,638	27,006	119,247
49,134	57,758	41,501	50,681	203,488	75,374	141,734
4,517	1,378	-	-	618	-	3,822
9,273	6,299	3,822	5,923	3,187	18,925	7,471
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
6,061	7,592	(6,019)	3,097	15,668	2,127	12,090
$ 68,985	$ 73,027	$ 39,304	$ 59,701	$ 222,961	$ 96,426	$ 165,117

Continued on next page

Combining Statement of Net Assets – Nonmajor Component Units *(Continued from previous page)*

June 30, 2003
(Dollars in Thousands)

	George Mason University	Virginia Community College System	Christopher Newport University	Longwood University
Assets				
Cash and Cash Equivalents	$ 32,571	$ 59,886	$ 14,292	$ 11,288
Investments	9,367	13,481	46,149	5,312
Receivables, Net	1,094	10,132	272	1,599
Due From Primary Government	-	10	-	-
Due from Component Units	1,557	9,731	2,290	423
Inventory	67	1,962	527	-
Prepaid Items	2,173	3,341	328	529
Other Assets	1,013	140	32	35
Restricted Cash and Cash Equivalents	4,324	6,251	2,248	-
Restricted Investments	-	5,667	-	-
Other Restricted Assets	18,571	-	-	-
Nondepreciable Capital Assets	49,414	107,388	38,303	19,591
Depreciable Capital Assets, Net	277,047	339,792	87,021	53,656
Total Assets	397,198	557,781	191,462	92,433
Liabilities				
Accounts Payable	26,003	31,639	6,504	4,940
Amounts Due to Other Governments	-	4,643	-	-
Due to Component Units	-	-	-	-
Deferred Revenue	12,676	12,571	614	1,653
Obligations Under Securities Lending Program	1,576	11	882	676
Other Liabilities	11,436	6,549	3,309	2,530
Loans Payable to Primary Government	7,500	1,768	-	1,029
Long-Term Liabilities:				
Due Within One Year	10,435	13,614	3,487	2,282
Due in More Than One Year	113,311	86,632	97,219	19,535
Total Liabilities	182,937	157,427	112,015	32,645
Net Assets				
Invested in Capital Assets, Net of Related Debt	215,788	405,203	66,048	53,165
Restricted For:				
Nonexpendable:				
Higher Education	-	429	2,248	-
Expendable:				
Higher Education	984	2,975	3,691	2,547
Capital Projects/Construction/	-	-	-	-
Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Bond Indenture	-	-	-	-
Unrestricted	(2,511)	(8,253)	7,460	4,076
Total Net Assets	$ 214,261	$ 400,354	$ 79,447	$ 59,788

Southwest Virginia Higher Education Center	Roanoke Higher Education Authority	Innovative Technology Authority	Virginia College Building Authority	Total Nonmajor Component Units
$ 413	$ 277	$ 2,479	$ 62	$ 583,118
-	-	4,871	120,901	510,254
-	11,177	319	7,480	1,711,459
-	-	-	-	360
-	125	-	-	23,788
-	-	-	-	15,689
-	-	20	-	27,294
-	-	98	418	14,904
-	33	-	278	84,476
-	-	-	-	285,327
-	-	-	-	20,958
-	-	7,300	-	674,307
6,973	706	19,368	-	2,336,684
7,386	12,318	34,455	129,139	6,288,618
157	185	657	4	180,531
-	-	-	-	5,843
-	-	-	39,232	39,232
-	-	-	-	105,168
-	-	-	-	22,282
1	11	3,465	14,405	100,717
-	-	-	-	11,667
33	1	738	59,864	193,072
14	46	9,348	402,794	2,545,376
205	243	14,208	516,299	3,203,888
6,972	706	18,564	-	2,110,942
-	-	-	-	37,765
171	21	-	82,208	158,365
-	-	-	-	
-	-	-	-	852,508
-	-	-	-	57,172
-	-	-	-	299
38	11,348	1,683	(469,368)	(132,321)
$ 7,181	$ 12,075	$ 20,247	$ (387,160)	$ 3,084,730

Combining Statement of Activities – Nonmajor Component Units

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Higher Education				
College of William and Mary	$ 228,216	$ 104,721	$ 34,896	$ 3,609
Virginia Military Institute	47,344	18,243	11,803	-
Virginia State University	82,096	29,444	22,170	-
Norfolk State University	106,367	32,511	26,338	-
Mary Washington College	76,706	43,531	1,674	624
James Madison University	225,887	143,460	19,261	3,763
Radford University	107,567	54,149	9,777	-
Old Dominion University	198,437	84,448	21,954	-
George Mason University	335,454	150,897	79,166	1,000
Virginia Community College System	586,223	149,525	121,144	3,467
Christopher Newport University	65,501	33,412	5,374	1,270
Longwood University	54,853	33,512	6,370	284
Southwest Virginia Higher Education Center	5,228	504	2,429	-
Roanoke Higher Education Authority	3,018	1,244	-	21
Innovative Technology Authority	11,208	1,567	570	-
Virginia College Building Authority	191,940	28,523	-	-
Total Higher Education	2,326,045	909,691	362,926	14,038
Other Nonmajor Component Units				
Virginia Economic Development Partnership	15,512	218	-	-
Virginia Outdoors Foundation	1,310	87	293	-
Virginia Port Authority	206,655	184,782	18,545	-
Virginia Resources Authority	54,868	67,182	795	37,736
Virginia Tourism Authority	15,664	620	1,135	-
Virginia Tobacco Settlement Foundation	33,455	-	-	-
Tobacco Idemnification and Community Revitalization Commission	35,214	-	-	-
Hampton Roads Sanitation District Commission	107,796	106,001	-	-
Virginia Biotechnology Research Park Authority	8,067	8,124	-	30
Virginia Small Business Financing Authority	2,848	1,273	-	-
Virginia School for the Deaf and Blind Foundation	103	-	-	-
A. L. Philpott Manufacturing Extension Partnership	3,665	1,595	1,719	-
Virginia Equine Center Foundation	4,812	2,663	96	-
Certified Nursing Facility Education Initiative	211	36	-	-
Total Other Nonmajor	490,180	372,581	22,583	37,766
Total Nonmajor Component Units	$ 2,816,225	$ 1,282,272	$ 385,509	$ 51,804

Net (Expenses) Revenue	General Revenues: Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Capital Appropriations from Primary Government
$ (84,990)	$ 65,753	$ 5,434	$ 2,034	$ 9,978	$ 1,560
(17,298)	12,553	2,484	84	273	986
(30,482)	31,478	-	-	1,605	625
(47,518)	41,543	-	11	812	1,285
(30,877)	16,077	-	(404)	-	285
(59,403)	65,382	-	1,758	1,348	797
(43,641)	38,099	-	1,251	506	516
(92,035)	82,553	-	1,002	972	889
(104,391)	105,669	-	1,039	775	1,631
(312,087)	284,871	2,032	1,265	9,560	5,366
(25,445)	22,215	227	3,638	5,516	526
(14,687)	19,253	-	17	4,672	563
(2,295)	1,412	-	(2)	-	-
(1,753)	537	-	901	-	-
(9,071)	9,619	-	231	-	-
(163,417)	57,831	-	1,699	-	-
(1,039,390)	854,845	10,177	14,524	36,017	15,029
(15,294)	14,185	-	54	12	-
(930)	450	-	22	-	-
(3,328)	28,521	-	4,113	-	-
50,845	-	-	290	33	-
(13,909)	13,740	-	52	-	-
(33,455)	-	-	955	20	-
(35,214)	-	-	1,266	-	-
(1,795)	-	-	7,850	-	-
87	-	-	-	-	-
(1,575)	-	-	366	-	-
(103)	-	-	(282)	-	-
(351)	547	-	-	-	-
(2,053)	-	-	91	38	1,257
(175)	-	-	6	-	-
(57,250)	57,443	-	14,783	103	1,257
$ (1,096,640)	$ 912,288	$ 10,177	$ 29,307	$ 36,120	$ 16,286

Continued on next page

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

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	General Revenues (continued)			
	Contributions to Permanent / Term Endowments	VCBA Payments to Schools	Tobacco Master Settlement	Special Items
Higher Education				
College of William and Mary	$ 668	$ 6,808	$ -	$ -
Virginia Military Institute	-	318	-	-
Virginia State University	134	3,888	-	-
Norfolk State University	-	4,592	-	-
Mary Washington College	-	2,447	-	-
James Madison University	-	4,658	-	-
Radford University	-	6,746	-	-
Old Dominion University	-	2,104	-	-
George Mason University	-	11,642	-	-
Virginia Community College System	-	24,717	-	-
Christopher Newport University	25	14,060	-	-
Longwood University	-	599	-	-
Southwest Virginia Higher Education Center	-	-	-	-
Roanoke Higher Education Authority	-	125	-	-
Innovative Technology Authority	-	-	-	-
Virginia College Building Authority	-	-	-	-
Total Higher Education	827	82,704	-	-
Other Nonmajor Component Units				
Virginia Economic Development Partnership	-	-	-	-
Virginia Outdoors Foundation	-	-	-	-
Virginia Port Authority	-	-	-	-
Virginia Resources Authority	-	-	-	-
Virginia Tourism Authority	-	-	-	-
Virginia Tobacco Settlement Foundation	-	-	15,002	-
Tobacco Idemnification and Community Revitalization Commission	-	-	75,015	-
Hampton Roads Sanitation District Commission	-	-	-	(6,944)
Virginia Biotechnology Research Park Authority	-	-	-	(366)
Virginia Small Business Financing Authority	-	-	-	-
Virginia School for the Deaf and Blind Foundation	-	-	-	-
A. L. Philpott Manufacturing Extension Partnership	-	-	-	-
Virginia Equine Center Foundation	-	-	-	-
Certified Nursing Facility Education Initiative	-	-	-	-
Total Other Nonmajor	-	-	90,017	(7,310)
Total Nonmajor Component Units	$ 827	$ 82,704	$ 90,017	$ (7,310)

Changes in Net Assets	Net Assets July 1 as restated	Net Assets June 30
$ 7,245	$ 268,688	$ 275,933
(600)	69,585	68,985
7,248	65,779	73,027
725	38,579	39,304
(12,472)	72,173	59,701
14,540	208,421	222,961
3,477	92,949	96,426
(4,515)	169,632	165,117
16,365	197,896	214,261
15,724	384,630	400,354
20,762	58,685	79,447
10,417	49,371	59,788
(885)	8,066	7,181
(190)	12,265	12,075
779	19,468	20,247
(103,887)	(283,273)	(387,160)
(25,267)	1,432,914	1,407,647
(1,043)	1,544	501
(458)	8,621	8,163
29,306	295,769	325,075
51,168	809,006	860,174
(117)	1,077	960
(17,478)	28,249	10,771
41,067	34,323	75,390
(889)	347,958	347,069
(279)	12,356	12,077
(1,209)	32,909	31,700
(385)	2,536	2,151
196	489	685
(667)	2,698	2,031
(169)	505	336
99,043	1,578,040	1,677,083
$ 73,776	$ 3,010,954	$ 3,084,730

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,				
	2003	2002	2001	2000	1999
Tax-Supported Debt:					
Primary Government:					
General Obligation Bonds (4):					
Section 9(a) Bonds	$ -	$ -	$ -	$ -	$ -
Section 9(b) Bonds (1)	454,402	451,700	486,310	520,705	534,765
Section 9(c) Bonds (1)	113,491	127,597	136,644	145,154	153,201
Bond Anticipation Notes Payable	-	-	-	-	20,000
Subtotal - General Obligation Bonds	567,893	579,297	622,954	665,859	707,966
Non-General Obligation Debt:					
Section 9(d) Bonds (1)	2,028,724	2,002,041	1,911,636	1,993,609	1,702,846
Other Long-Term Debt and Obligations (2)	1,148,633	965,426	879,065	787,796	736,981
Total Primary Government	3,745,250	3,546,764	3,413,655	3,447,264	3,147,793
Component Units:					
General Obligation Bonds (4):					
Section 9(c) Bonds (1)	349,185	376,462	345,154	380,332	387,963
Bond Anticipation Notes Payable	-	-	-	-	13,000
Subtotal - General Obligation Bonds	349,185	376,462	345,154	380,332	400,963
Non-General Obligation Bonds:					
Section 9(d) Bonds (1)	765,046	555,950	423,245	415,966	397,305
Other Long-Term Debt (2)	447,417	388,468	329,441	312,051	275,896
Total Component Units	1,561,648	1,320,880	1,097,840	1,108,349	1,074,164
Total Tax-Supported Debt	5,306,898	4,867,644	4,511,495	4,555,613	4,221,957
Debt Not Supported by Taxes:					
Primary Government:					
Total Primary Government	2,930,797	2,057,817	780,460	393,238	381,706
Component Units:					
Section 9(d) Moral Obligation Bonds	1,966,018	2,245,191	2,260,226	2,380,299	2,345,038
Section 9(d) Other Debt	538,207	421,125	360,535	376,113	390,738
Other Long-Term Debt (3)	7,039,945	7,765,548	6,832,780	5,998,672	6,157,445
Total Component Units	9,544,170	10,431,864	9,453,541	8,755,084	8,893,221
Total Debt Not Supported by Taxes	12,474,967	12,489,681	10,234,001	9,148,322	9,274,927
Total Debt of the Commonwealth	$ 17,781,865	$ 17,357,325	$ 14,745,496	$ 13,703,935	$ 13,496,884

(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:

	2003	2002	2001	2000	1999
Section 9(b) Debt:					
Transportation Facilities Bonds	43,733	52,695	56,585	60,300	63,835
Public Facilities Bonds	410,669	399,005	429,725	460,405	470,930
Subtotal 9(b) Debt	454,402	451,700	486,310	520,705	534,765
Section 9(c) Debt:					
Higher Educational Institution Bonds	349,185	376,462	345,154	380,332	387,963
Transportation Facilities Bonds	107,034	117,992	126,319	134,144	141,541
Parking Facilities Bonds	6,457	9,605	10,325	11,010	11,660
Subtotal 9(c) Debt	462,676	504,059	481,798	525,486	541,164
Bond Anticipation Notes Payable	-	-	-	-	33,000
Total General Obligation Debt	$ 917,078	$ 955,759	$ 968,108	$ 1,046,191	$ 1,108,929

Tax-Supported Debt and Other Long-Term Obligations

Last Five Fiscal Years
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2003	2002	2001	2000	1999
Primary Government:					
General Obligation Debt (1) (4):					
Section 9(b) Debt					
Transportation Facilities (2)	$ 43,733	$ 52,695	$ 56,585	$ 60,300	$ 63,835
Public Facilities (2)	410,669	399,005	429,725	460,405	470,930
Subtotal Section 9(b) Debt	454,402	451,700	486,310	520,705	534,765
Section 9(c) Debt					
Parking Facilities (2)	6,457	9,605	10,325	11,010	11,660
Transportation Facilities (2)	107,034	117,992	126,319	134,144	141,541
Subtotal Section 9(c) Debt	113,491	127,597	136,644	145,154	153,201
Bond Anticipation Notes Payable	-	-	-	-	20,000
Subtotal General Obligation Debt	567,893	579,297	622,954	665,859	707,966
Non-General Obligation Debt:					
Section 9(d) Debt:					
Transportation Debt (2)	1,072,229	1,043,900	916,835	943,625	736,960
Virginia Public Building Authority (2)	956,495	958,141	994,801	1,049,984	965,886
Subtotal Section 9(d) Debt	2,028,724	2,002,041	1,911,636	1,993,609	1,702,846
Other Long-Term Debt:					
Transportation Notes Payable	12,325	12,325	12,325	12,325	12,325
Regional Jail Construction	18,252	28,974	31,017	59,671	62,635
Capital Lease Obligations	249,123	202,265	211,192	213,314	221,999
Installment Purchase Obligations (3)	34,780	32,182	41,796	26,672	27,457
Virginia Public Broadcasting Board Notes Payable	20,005	21,960	23,840	-	-
Industrial Development Authority Obligations	34,410	37,800	42,490	-	-
Aviation Notes Payable	3,627	-	-	-	-
Subtotal Other Long-Term Debt	372,522	335,506	362,660	311,982	324,416
Other Long-Term Obligations:					
Compensated Absences	303,479	306,972	309,699	297,716	271,576
Pension Liability	452,550	302,664	186,602	172,780	138,107
Other Liabilities	20,082	20,284	20,104	5,318	2,882
Subtotal Other Long-Term Obligations	776,111	629,920	516,405	475,814	412,565
Total Primary Government	3,745,250	3,546,764	3,413,655	3,447,264	3,147,793
Component Units:					
General Obligation Bonds (1) (4):					
Section 9(c) Debt					
Higher Educational Institutions (2)	349,185	376,462	345,154	380,332	387,963
Bond Anticipation Notes Payable	-	-	-	-	13,000
Subtotal General Obligation Debt	349,185	376,462	345,154	380,332	400,963
Non-General Obligation Debt:					
Section 9(d) Debt:					
Higher Educational Institutions (5)	-	9,165	-	-	-
Virginia Port Authority (2)	222,221	94,060	94,060	102,655	106,805
Innovative Technology Authority	9,965	10,590	11,120	11,656	12,195
Virginia College Building Authority	448,525	354,890	289,830	272,460	248,190
Virginia Biotechnology Research Park Authority	84,335	87,245	28,235	29,195	30,115
Subtotal Section 9(d) Debt	765,046	555,950	423,245	415,966	397,305
Other Long-Term Debt:					
Long-Term Capital Lease Obligations	52,364	45,810	31,628	29,113	24,216
Installment Purchase Obligations (3)	17,844	23,347	25,703	28,009	26,714
Subtotal Other Long-Term Debt	70,208	69,157	57,331	57,122	50,930
Other Long-Term Obligations:					
Compensated Absences	174,296	182,603	174,631	164,671	152,177
Pension Liability	202,913	136,708	97,479	90,258	72,789
Subtotal Other Long-Term Obligations	377,209	319,311	272,110	254,929	224,966
Total Component Units	1,561,648	1,320,880	1,097,840	1,108,349	1,074,164
Total Tax-Supported Debt	$ 5,306,898	$ 4,868,589	$ 4,511,495	$ 4,555,613	$ 4,221,957

(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 Footnote 18, 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,				
	2003	2002	2001	2000	1999
Primary Government:					
Other Long-Term Debt & Obligations:					
Federal Reserve Anticipation Notes Payable	$ 864,715	$ 375,000	$ 375,000	$ -	$ -
Pocahontas Parkway Association Bonds	432,563	418,850	405,460	393,238	381,706
Pension Liability	9,909	6,389	3,926	4,186	3,347
Compensated Absences	8,192	8,084	7,764	8,253	7,628
Installment Purchases	15,917	17,861	11,398	-	1
Tuition Benefits Payable	1,177,780	781,827	530,970	423,067	214,888
Lottery Prizes Payable	421,721	449,694	461,643	546,411	619,563
Other	-	112	-	-	-
Total Primary Government	2,930,797	2,057,817	1,796,161	1,375,155	1,227,133
Component Units:					
Section 9(d) Moral Obligation Debt: (1)					
Virginia Housing Development Authority	915,890	1,278,338	1,357,976	1,438,838	1,503,910
Virginia Public School Authority					
(1991 Resolution)	345,435	432,117	459,772	487,282	514,487
Virginia Resources Authority	704,693	534,736	442,478	454,179	326,641
Subtotal Section 9(d) Moral Obligation Debt	1,966,018	2,245,191	2,260,226	2,380,299	2,345,038
Section 9(d) Other Debt:					
Higher Educational Institutions (1):					
Auxiliary Enterprise Revenue Bonds	420,712	261,135	273,090	284,608	295,458
Teaching Hospitals Revenue Bonds (4)	117,495	159,990	87,445	91,505	95,280
Subtotal Section 9(d) Other Debt	538,207	421,125	360,535	376,113	390,738
Other Long-Term Debt:					
Virginia Housing Development Authority (1) (2)	3,834,763	4,778,204	4,352,311	4,002,449	4,364,424
Hampton Roads Sanitation District	142,046	152,978	161,800	166,860	179,752
Virginia Equine Center	15,970	16,145	5,645	6,305	6,930
Virginia Biotechnology Research Park Authority	14,265	14,965	15,745	16,240	16,750
Virginia Public School Authority (1) (2)	1,767,624	1,658,368	1,614,518	1,419,766	1,269,793
Virginia Port Authority	148,255	93,325	93,325	94,975	96,555
Virginia Commonwealth University Health					
System Authority	-	-	82,260	87,480	93,040
Virginia Resources Authority	215,431	223,837	219,865	-	-
Notes Payable	606,984	494,689	260,221	176,016	112,187
Bond Anticipation Notes	1,303	895	-	-	-
Other Long-Term Debt	293,304	332,142	27,090	28,581	18,014
Subtotal Other Long-Term Debt	7,039,945	7,765,548	6,832,780	5,998,672	6,157,445
Subtotal Section 9(d) and Other Debt	7,578,152	8,186,673	7,193,315	6,374,785	6,548,183
Total Component Units	9,544,170	10,431,864	9,453,541	8,755,084	8,893,221
Total Debt Not Supported by Taxes (3)	$ 12,474,967	$ 12,489,681	$ 11,249,702	$ 10,130,239	$ 10,120,354

(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.

Authorized and Unissued Tax-Supported Debt

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

	As of June 30, 2002	New Debt Authorized	Debt Issued	Other Adjust-ments	As of June 30, 2003
Section 9(b) Debt (Primary Government):					
Higher Educational Institution Bonds	$ -	$ 900,489	$ 41,565	$ 139	$ 859,063
Park and Recreational Facilities	-	119,040	8,835	30	110,235
Subtotal Section 9(b) Debt	-	1,019,529	50,400	169	969,298
Section 9(c) Debt (Primary Government):					
Higher Educational Institution Bonds	149,505	10,500	21,360	304	138,949
Parking Facilities Bonds	-	-	-	-	-
Transportation Facilities Bonds	-	-	-	-	-
Subtotal Section 9(c) Debt	149,505	10,500	21,360	304	138,949
Section 9(d) Debt:					
Primary Government:					
Transportation Contract Revenue Bonds (Route 28)	36,397	-	36,824	427	-
Transportation Contract Revenue Bonds (Northern Virginia Transportation District Fund Program)	146,328	-	47,945	(1,283)	97,100
Virginia Aviation Board	6,600	-	6,600	-	-
Component Units:					
Virginia Port Authority	135,000	-	135,000	-	-
Virginia Public Building Authority (Projects)	296,002	156,262	44,897	(4,100)	403,267
Virginia Public Building Authority (Juvenile Detention Facilities)	28,255	-	5,056	-	23,199
Virginia Public Building Authority (Jails)	42,034	-	5,047	4,100	41,087
Virginia College Building Authority (21st Century)	297,871	71,826	108,415	774	262,056
Virginia College Building Authority (Equipment Program)	70,000	4,500	31,835	111	42,776
Subtotal Section 9(d) Debt	1,058,487	232,588	421,619	29	869,485
Total Authorized and Unissued Tax-Supported Debt	$ 1,207,992	$ 1,262,617	$ 493,379	$ 502	$ 1,977,732

Tax-Supported Debt – Annual Debt Service Requirements (1)

For the Fiscal Year Ended June 30, 2003
(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
2004	86,206	43,729	129,935	174,216	135,083	309,299
2005	78,865	39,695	118,560	170,251	128,575	298,826
2006	78,420	36,204	114,624	159,966	120,848	280,814
2007	78,145	32,804	110,949	167,896	113,849	281,745
2008	79,455	29,271	108,726	165,421	106,546	271,967
2009	75,574	25,693	101,267	169,766	99,121	268,887
2010	71,540	22,469	94,009	161,371	91,565	252,936
2011	68,782	18,986	87,768	160,996	84,233	245,229
2012	57,985	15,655	73,640	160,767	76,597	237,364
2013	57,990	12,812	70,802	154,732	68,946	223,678
2014	47,690	9,954	57,644	145,235	61,406	206,641
2015	43,700	7,617	51,317	146,862	53,944	200,806
2016	34,325	5,466	39,791	150,613	46,330	196,943
2017	21,410	3,894	25,304	151,519	38,577	190,096
2018	14,430	2,874	17,304	137,405	31,108	168,513
2019	13,005	2,194	15,199	116,331	24,349	140,680
2020	11,425	1,578	13,003	90,573	18,556	109,129
2021	11,860	1,038	12,898	83,636	14,065	97,701
2022	5,435	482	5,917	63,850	10,135	73,985
2023	4,045	249	4,294	50,095	7,291	57,386
2024	1,591	76	1,667	39,671	5,044	44,715
2025	-	-	-	24,179	3,107	27,286
2026	-	-	-	25,134	2,013	27,147
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	-	-	-	1,725	-	1,725
Subtotal	941,878	312,740	1,254,618	2,904,580	1,342,404	4,246,984
Add Accretion on Capital Appreciation Bonds	-	-	-	1,346	-	1,346
Add Unamortized Premium	-	-	-	2,146	-	2,146
Less Unamortized Discount	(6,121)	-	(6,121)	(21,014)	-	(21,014)
Less Deferral on Debt Defeasance	(18,679)	-	(18,679)	(22,921)	-	(22,921)
TOTAL	$ 917,078	$ 312,740	$ 1,229,818	$ 2,864,137	$ 1,342,404	$ 4,206,541

(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 $2,041,049 which includes Transportation Notes Payable of $12,325 for the primary government.

Total		
Principal	Interest	Total
260,422	178,812	439,234
249,116	168,270	417,386
238,386	157,052	395,438
246,041	146,653	392,694
244,876	135,817	380,693
245,340	124,814	370,154
232,911	114,034	346,945
229,778	103,219	332,997
218,752	92,252	311,004
212,722	81,758	294,480
192,925	71,360	264,285
190,562	61,561	252,123
184,938	51,796	236,734
172,929	42,471	215,400
151,835	33,982	185,817
129,336	26,543	155,879
101,998	20,134	122,132
95,496	15,103	110,599
69,285	10,617	79,902
54,140	7,540	61,680
41,262	5,120	46,382
24,179	3,107	27,286
25,134	2,013	27,147
14,766	873	15,639
11,853	243	12,096
2,019	-	2,019
1,915	-	1,915
1,817	-	1,817
1,725	-	1,725
3,846,458	1,655,144	5,501,602
1,346	-	1,346
2,146	-	2,146
(27,135)	-	(27,135)
(41,600)	-	(41,600)
$ 3,781,215	$ 1,655,144	$ 5,436,359

Tax-Supported Debt – Detail of Long-Term Indebtedness

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2002	Issued (Retired) During Year	Outstanding June 30, 2003	Maturity
General Obligation Debt					
Section 9(b) Debt (Primary Government):					
Transportation Facilities Bonds					
Series 1993 Refunding	$ 74,255	$ 52,695	$ (48,385)	$ 4,310	07/01/03
Series 2003 Refunding	40,370	-	40,370	40,370	06/01/04-11
Deferral on Debt Defeasance	-	-	(947)	(947)	
Total Transportation Facilities Bonds	114,625	52,695	(8,962)	43,733	
Public Facilities Bonds					
Series 1993	200,000	85,000	(80,000)	5,000	12/01/03
Series 1994	163,900	32,780	(32,780)	-	
Series 1996 Refunding	64,390	61,910	(420)	61,490	06/01/04-15
Series 1996	49,775	34,860	(22,410)	12,450	06/01/04-08
Series 1997	97,045	71,520	(5,105)	66,415	06/01/04-16
Series 1998 Refunding	50,990	49,205	(365)	48,840	06/01/04-13
Series 1998	59,235	46,770	(3,115)	43,655	06/01/04-17
Series 1999	20,125	16,960	(1,060)	15,900	06/01/04-18
Series 2002 Refunding	114,865	-	114,865	114,865	06/01/04-16
Series 2003	50,400	-	50,400	50,400	06/01/04-23
Deferral on Debt Defeasance	-	-	(8,346)	(8,346)	
Total Public Facilities Bonds	870,725	399,005	11,664	410,669	
Total Section 9(b) Debt	985,350	451,700	2,702	454,402	
Section 9(c) Debt					
Higher Educational Institution Bonds (Component Units)					
Series 1979 Bonds					
James Madison University					
Dormitory Complex	3,695	1,200	(160)	1,040	06/01/04-09
Subtotal Series 1979 Bonds	3,695	1,200	(160)	1,040	
Series 1981 Bonds					
Virginia Commonwealth University					
Low-Rise Dormitory	4,932	1,967	(195)	1,772	06/01/04-11
Subtotal Series 1981 Bonds	4,932	1,967	(195)	1,772	
Series 1983 Bonds					
Old Dominion University					
Mid-Rise Dormitory	3,500	1,655	(130)	1,525	06/01/04-13
Powhatan Field Apartments, Phase II	3,636	1,725	(135)	1,590	06/01/04-13
Virginia Commonwealth University					
Low-Rise Dormitory	4,050	1,915	(150)	1,765	06/01/04-13
Subtotal Series 1983 Bonds	11,186	5,295	(415)	4,880	
Series 1984 Bonds					
Virginia Commonwealth University					
Dormitory Renovation	2,890	370	(185)	185	06/01/04
Subtotal Series 1984 Bonds	2,890	370	(185)	185	
Series 1989 Bonds					
George Mason University					
Humanities III	9,400	4,740	(552)	4,188	06/01/04-09
Residence Hall III	10,697	5,396	(629)	4,767	06/01/04-09
Longwood College					
Air Conditioning Repairs	125	24	(12)	12	06/01/04
Parapet Wall Repairs	370	73	(35)	38	06/01/04
Parking Facility	1,100	217	(106)	111	06/01/04
Telecommunications	1,500	295	(142)	153	06/01/04
University of Virginia					
Student Health Center	1,300	656	(77)	579	06/01/04-09

Series	Amount Issued	Outstanding June 30, 2002	Issued (Retired) During Year	Outstanding June 30, 2003	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	3,144	(1,520)	1,624	06/01/04
Subtotal Series 1989 Bonds	40,492	14,545	(3,073)	11,472	
Series 1990 Bonds					
University of Virginia					
Judge Advocate General School	6,265	3,795	(340)	3,455	06/01/04-10
Subtotal Series 1990 Bonds	6,265	3,795	(340)	3,455	
Series 1992 Bonds					
Christopher Newport University					
Dormitory Project	7,970	380	(380)	-	
College of William and Mary					
Dormitory Renovations	1,365	275	(275)	-	
University Center	10,455	985	(985)	-	
George Mason University					
Parking Structure	5,045	630	(630)	-	
Student Union II Addition	2,535	120	(120)	-	
James Madison University					
Student Activities	7,275	685	(685)	-	
Longwood College					
Student Housing	4,755	230	(230)	-	
Mary Washington College					
Residence Hall	3,305	310	(310)	-	
University of Virginia					
Central Grounds Parking	11,595	2,380	(2,380)	-	
Clinch Valley Dormitory	705	70	(70)	-	
Dining Facility	4,795	2,170	(2,170)	-	
HSC Parking	1,635	325	(325)	-	
West Scott Stadium Parking	1,195	240	(240)	-	
VCCS/Northern Virginia Community College					
NVCC Parking Deck	3,010	145	(145)	-	
Virginia Commonwealth University					
Dormitory Renovations	3,180	630	(630)	-	
Housing Repairs	1,320	135	(135)	-	
MCV Parking Deck	8,205	770	(770)	-	
Virginia Polytechnic Institute and State University					
Dormitory Repairs	2,790	555	(555)	-	
Residence Hall	4,990	470	(470)	-	
VPI Dormitory	2,680	535	(535)	-	
Subtotal Series 1992 Bonds	88,805	12,040	(12,040)	-	
Series 1992 Refunding Bonds					
George Mason University					
Parking Lot IX	644	224	(224)	-	
Physical Education Project	9,757	3,327	(3,327)	-	
Residence Hall II	1,538	537	(537)	-	
James Madison University					
Convocation Center	5,074	525	(525)	-	
Warren Campus Center	2,582	900	(900)	-	
Old Dominion University					
Gresham Dormitory Renovation	880	92	(92)	-	
Mid-Rise Dormitory	4,352	454	(454)	-	

Continued on next page

Tax-Supported Debt – Detail of Long-Term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2002	Issued (Retired) During Year	Outstanding June 30, 2003	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 1992 Refunding Bonds (continued)					
University of Virginia					
Newcomb Hall Addition	2,030	211	(211)	-	
Observatory Dining Hall	672	234	(234)	-	
Sponsor's Hall Addition	1,399	487	(487)	-	
Student Activity Center	428	149	(149)	-	
Student Housing	3,626	378	(378)	-	
Virginia Commonwealth University					
VCU Parking Deck E	1,926	672	(672)	-	
Subtotal Series 1992 Refunding Bonds	34,908	8,190	(8,190)	-	
Series 1993 Bonds					
College of William and Mary					
Graduate Dormitory	205	25	(25)	-	
Graduate Dormitory Renovation	610	405	(405)	-	
Graduate University Center	205	135	(135)	-	
George Mason University					
University Center	21,460	16,105	(16,105)	-	
James Madison University					
Primary Electrical Upgrade	405	50	(50)	-	
Residence Facility	5,260	3,465	(3,465)	-	
Mary Washington College					
Telecommunications	4,340	2,950	(2,950)	-	
Subtotal Series 1993 Bonds	32,485	23,135	(23,135)	-	
Series 1993 Refunding Bonds					
Christopher Newport University					
Campus Center	1,117	187	(187)	-	
Christopher Newport Track	80	35	(35)	-	
Campus Center	463	226	(226)	-	
Dormitory Project	3,570	3,505	(3,505)	-	
Christopher Newport Track 89R Refunded Portion	185	33	(33)	-	
College of William and Mary					
Graduate Housing	4,424	4,163	(4,163)	-	
Randolph Residences 89B Refunded Portion	1,412	1,067	(1,067)	-	
Telecommunications 89B Refunded Portion	1,148	558	(558)	-	
Telecommunications 90B Refunded Portion	162	114	(114)	-	
Tyler Hall Renovation	819	510	(510)	-	
George Mason University					
Parking Lot #10	367	160	(160)	-	
Parking Lot	427	70	(70)	-	
Parking Lot VIII	176	85	(85)	-	
Residence Halls IV	7,449	6,390	(6,390)	-	
Residence Halls II	4,249	1,882	(1,882)	-	
Security Information Building	211	95	(95)	-	
James Madison University					
Dormitory 89R Refunded Portion	2,297	393	(393)	-	
Gibbons Hall Renovation	1,802	1,547	(1,547)	-	
Stadium Seating	484	231	(231)	-	
Student Residence Hall	2,789	1,727	(1,727)	-	
Dormitory	516	251	(251)	-	
Dormitory - 138 Bed	431	206	(206)	-	
Stadium Seating	1,168	201	(201)	-	

Series	Amount Issued	Outstanding June 30, 2002	Issued (Retired) During Year	Outstanding June 30, 2003	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 1993 Refunding Bonds (continued)					
Longwood College					
Housing Repairs	294	250	(250)	-	
Residence Halls Renovation	155	70	(70)	-	
Renovation	370	61	(61)	-	
Mary Washington College					
Residence Hall	1,998	1,715	(1,715)	-	
Student Activity Center	2,170	956	(956)	-	
Norfolk State University					
Cafeteria Renovation	2,530	2,381	(2,381)	-	
Health and ROTC Bldg. 89R Refunded Portion	1,219	210	(210)	-	
Health and ROTC Building	506	241	(241)	-	
Residence Hall 90B Refunded Portion	2,668	2,287	(2,287)	-	
Residence Hall 91A Refunded Portion	5,813	5,471	(5,471)	-	
Old Dominion University					
Athletic Facility	4,062	3,486	(3,486)	-	
Athletic Renovation	836	401	(401)	-	
Athletic Renovation	2,027	346	(346)	-	
Life Science Park	685	117	(117)	-	
Multi-Level Parking	3,196	2,741	(2,741)	-	
Life Science Building Parking	282	135	(135)	-	
Property at 43rd and Hampton	297	184	(184)	-	
Rogers Hall	764	131	(131)	-	
Rogers Hall Renovation	314	151	(151)	-	
Webb Center Addition	4,174	3,929	(3,929)	-	
Radford University					
Norwood Hall Renovation	1,144	506	(506)	-	
University of Virginia					
Clinch Valley Housing	253	49	(49)	-	
Clinch Valley Housing	176	34	(34)	-	
Clinch Valley Housing	106	50	(50)	-	
Heater/Chiller Replacement	795	684	(684)	-	
Clinch Valley Housing 89R Refunded Portion	264	47	(47)	-	
Hospital Parking Garage	3,520	1,556	(1,556)	-	
Student Housing	8,592	8,087	(8,087)	-	
Virginia Commonwealth University					
Low-Rise Dormitory, Phase II	304	146	(146)	-	
Student Commons	1,443	682	(682)	-	
Student Commons	3,447	584	(584)	-	
Low Rise Dormitory	719	121	(121)	-	
Virginia Polytechnic Institute and State University					
Student Activities Center	10,885	6,780	(6,780)	-	
Parking Renovations	2,569	2,418	(2,418)	-	
Squires Student Center	1,988	1,870	(1,870)	-	
Dormitory and Dining Renovation	3,050	2,871	(2,871)	-	
Squires Center Renovation	942	806	(806)	-	
Subtotal Series 1993 Refunding Bonds	110,303	76,190	(76,190)	-	
Series 1994 Bonds					
Christopher Newport University					
Dormitory/Dining	2,435	265	(265)	-	
College of William and Mary					
Dormitory Renovation	230	40	(40)	-	
Dormitory Phase II	3,165	565	(565)	-	

Continued on next page

Tax-Supported Debt – Detail of Long-Term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2002	Issued (Retired) During Year	Outstanding June 30, 2003	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 1994 Bonds (continued)					
George Mason University					
Telecommunications	3,770	1,370	(1,370)	-	
James Madison University					
Primary Electric	890	225	(225)	-	
Tidewater Community College					
VCCS-TCC Parking Project	1,685	435	(435)	-	
Subtotal Series 1994 Bonds	12,175	2,900	(2,900)	-	
Series 1995 Bonds					
College of William and Mary					
Underground Utility	1,535	1,215	(935)	280	06/01/04-07
George Mason University					
Prince William Site and Parking	2,115	960	(225)	735	06/01/04-06
University of Virginia					
Newcomb Hall Expansion	10,855	8,575	(6,595)	1,980	06/01/04-07
Student Residence Facility	4,890	3,870	(2,970)	900	06/01/04-07
Virginia State University					
Dorm Renovation	2,685	1,685	(885)	800	06/01/04-07
Foster Hall	2,305	1,450	(760)	690	06/01/04-07
Langston Hall	2,575	1,615	(845)	770	06/01/04-07
Subtotal Series 1995 Bonds	26,960	19,370	(13,215)	6,155	
Series 1996 Bonds					
College of William and Mary					
Dormitory Repairs	1,650	1,320	(935)	385	06/01/04-08
Longwood College					
Dining Hall	5,485	4,520	(3,200)	1,320	06/01/04-08
Virginia Commonwealth University					
Visitors Deck	3,350	2,685	(1,900)	785	06/01/04-08
Virginia State University					
Jones Dining Hall	2,525	2,000	(1,415)	585	06/01/04-08
Subtotal Series 1996 Bonds	13,010	10,525	(7,450)	3,075	
Series 1996 Refunding Bonds					
Christopher Newport University					
Dormitory and Dining 1994	1,892	1,825	(11)	1,814	06/01/04-21
College of William and Mary					
Dormitory 1994	118	113	(1)	112	06/01/04-14
Dormitory Phase II 1994	1,751	1,682	(13)	1,669	06/01/04-15
Graduate Housing 1991A	395	374	(374)	-	
Norfolk State University					
Cafeteria Renovation 1991A	230	217	(217)	-	
Residence Hall 1991A	523	495	(495)	-	
Old Dominion University					
Webb Center Addition 1991A	374	354	(354)	-	
University of Virginia					
Student Housing 1991A	774	733	(733)	-	
Virginia Polytechnic Institute and State University					
Dormitory and Dining Renovation 1991A	272	258	(258)	-	
Parking Renovation 1991A	230	217	(217)	-	
Squire Student Center 1991A	176	167	(167)	-	
Subtotal Series 1996 Refunding Bonds	6,735	6,435	(2,840)	3,595	

Series	Amount Issued	Outstanding June 30, 2002	Issued (Retired) During Year	Outstanding June 30, 2003	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 1997 Bonds					
College of William and Mary					
Dormitory Renovation Phase II	760	630	(30)	600	06/01/04-17
Dormitory Repairs	3,390	2,825	(130)	2,695	06/01/04-17
Utility System	2,000	1,665	(75)	1,590	06/01/04-17
James Madison University					
Dining Hall Renovation	1,330	1,110	(50)	1,060	06/01/04-17
Residence Hall	11,625	9,685	(450)	9,235	06/01/04-17
Student Services	6,200	5,165	(240)	4,925	06/01/04-17
Virginia Commonwealth University					
Academic Parking Deck	12,280	10,550	(490)	10,060	06/01/04-17
Virginia Polytechnic Institute and State University					
Parking Auxiliary Project	1,550	1,295	(60)	1,235	06/01/04-17
Residence Hall	15,895	13,655	(635)	13,020	06/01/04-17
Subtotal Series 1997 Bonds	55,030	46,580	(2,160)	44,420	
Series 1998 Bonds					
College of William and Mary					
Dormitory Renovation	6,390	5,475	(235)	5,240	06/01/04-18
George Mason University					
Arl-Metro Parking	1,915	1,235	(180)	1,055	06/01/04-08
James Madison University					
Dining Facilities Renovation	1,080	925	(40)	885	06/01/04-18
Virginia Polytechnic Institute and State University					
Dining Hall	3,255	2,790	(120)	2,670	06/01/04-18
Virginia State University					
Jones Dining Hall	1,045	895	(40)	855	06/01/04-18
Subtotal Series 1998 Bonds	13,685	11,320	(615)	10,705	
Series 1998 Refunding Bonds					
Christopher Newport University					
Dormitory and Dining 1992C	3,260	3,131	(28)	3,103	06/01/04-15
Dormitory and Dining 1994	170	163	(2)	161	06/01/04-08
College of William and Mary					
Dormitory Phase II 1994	362	346	(3)	343	06/01/04-08
Dormitory 1992D	701	680	(4)	676	06/01/04-13
Dormitory 1994	33	31	-	31	06/01/04-08
University Center 1992C	6,617	6,393	(47)	6,346	06/01/04-13
George Mason University					
Student Union II 1992A	1,572	1,526	(10)	1,516	06/01/04-12
James Madison University					
Student Activities 1992C	4,599	4,443	(33)	4,410	06/01/04-13
Longwood College					
Student Housing 1992A	2,949	2,861	(18)	2,843	06/01/04-12
Mary Washington College					
Residence Hall 1992C	2,094	2,023	(15)	2,008	06/01/04-13
University of Virginia					
Central Ground Parking 1992D	6,146	5,961	(36)	5,925	06/01/04-13
CVC Dormitory 1992C	409	395	(3)	392	06/01/04-12
HSC Parking 1992D	843	817	(5)	812	06/01/04-13
West Scott Stadium 1992D	614	595	(3)	592	06/01/04-13
VCCS/Northern Virginia Community College					
NVCC Parking Deck 1992A	1,869	1,813	(12)	1,801	06/01/04-12

Continued on next page

Tax-Supported Debt – Detail of Long-Term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2002	Issued (Retired) During Year	Outstanding June 30, 2003	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 1998 Refunding Bonds (continued)					
Virginia Commonwealth University					
Dormitory Renovations 1992D	1,636	1,587	(10)	1,577	06/01/04-13
Housing Repairs 1992C	755	728	(6)	722	06/01/04-12
MCV Parking 1992C	5,198	5,020	(35)	4,985	06/01/04-13
Virginia Polytechnic Institute and State University					
Dormitory Repairs 1992C	1,440	1,397	(9)	1,388	06/01/04-13
Dormitory 1992D	1,380	1,339	(9)	1,330	06/01/04-13
Residence Hall 1992C	3,158	3,051	(22)	3,029	06/01/04-13
Subtotal Series 1998 Refunding Bonds	45,805	44,300	(310)	43,990	
Series 1999 Bonds					
Christopher Newport College					
Residence Hall II	12,980	12,100	(470)	11,630	06/01/04-19
Longwood College					
Dining Hall	3,020	2,685	(105)	2,580	06/01/04-19
Residence Hall Improvements	2,825	2,510	(100)	2,410	06/01/04-19
University of Virginia					
Residence Hall - Wise	4,665	4,350	(170)	4,180	06/01/04-19
Virginia Polytechnic Institute and State University					
Dining Hall HVAC	1,800	1,680	(65)	1,615	06/01/04-19
Subtotal Series 1999 Bonds	25,290	23,325	(910)	22,415	
Series 2001 Bonds					
Christopher Newport College					
CNU New Residence Hall	23,050	23,050	(810)	22,240	06/01/04-21
College of William and Mary					
CWM Renovate Dormitories	4,875	4,715	(165)	4,550	06/01/04-21
George Mason University					
GMU Housing Building V	21,780	21,780	-	21,780	06/01/04-24
GMU Housing Renovations	3,435	3,435	(325)	3,110	06/01/04-11
James Madison University					
JMU Bluestone Dorm Phase III	5,900	5,625	(200)	5,425	06/01/04-21
Mary Washington College					
MWC Residence hall Renovation	1,925	1,860	(65)	1,795	06/01/04-21
University of Virginia					
UVA Res. Hall-Monroe Lane	4,670	4,515	(160)	4,355	06/01/04-21
Subtotal Series 2001 Bonds	65,635	64,980	(1,725)	63,255	
Series 2002 Bonds					
College of William and Mary					
Dorm Renovations	5,015	-	4,625	4,625	6/1/04-22
George Mason University					
Housing Building V	8,635	-	8,635	8,635	6/1/04-22
James Madison University					
Bluestone Dorm Renovations I	2,045	-	1,890	1,890	6/1/04-22
Bluestone Dorm Renovations II	2,125	-	1,960	1,960	6/1/04-22
Old Dominion University					
Housing Renovation	2,565	-	2,360	2,360	6/1/04-22
Virginia Polytechnic Institute and State University					
Parking Auxiliary Project	975	-	885	885	6/1/04-17
Subtotal Series 2002 Bonds	21,360	-	20,355	20,355	

Series	Amount Issued	Outstanding June 30, 2002	Issued (Retired) During Year	Outstanding June 30, 2003	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 2002 Refunding Bonds					
Christopher Newport University					
Dorm Project	379	-	198	198	6/1/04
Dorm/Dining Projects	211	-	211	211	6/1/04-06
College of William and Mary					
Dorm Phase II Projects	448	-	448	448	6/1/04-06
Dorm Renovation Projects	31	-	31	31	6/1/04-06
Dorm Renovations	276	-	216	216	6/1/04-06
Dorm Renovations	362	-	362	362	6/1/04-13
Dorm Repairs	898	-	898	898	6/1/04-16
Underground Utility	878	-	878	878	6/1/04-16
University Center	982	-	514	514	6/1/04
University Center	121	-	121	121	6/1/04-13
George Mason University					
Parking Lot IX	228	-	157	157	6/1/04-05
Physical Education Project	3,391	-	2,334	2,334	6/1/04-05
Residence Hall II	548	-	379	379	6/1/04-05
Telecommunications System Projects	964	-	964	964	6/1/04-05
University Center	14,696	-	14,696	14,696	6/1/04-15
James Madison University					
Primary Electric Projects	117	-	117	117	6/1/04
Residence Facility	3,089	-	3,089	3,089	6/1/04-13
Student Activities	683	-	356	356	6/1/04
Warren Campus Center	918	-	631	631	6/1/04-05
Longwood College					
Dining Hall	3,072	-	3,072	3,072	6/1/04-16
Mary Washington College					
Residence Hall	309	-	163	163	6/1/04
Telecommunications	2,647	-	2,647	2,647	6/1/04-13
Tidewater Community College					
TCC Parking	229	-	229	229	6/1/04
University of Virginia					
Central Grounds Parking	2,392	-	1,881	1,881	6/1/04-06
Clinch Valley Dorm	70	-	36	36	6/1/04
HSC Parking	327	-	257	257	6/1/04-06
Newcomb Hall Expansion Projects	6,213	-	6,213	6,213	6/1/04-16
Observatory Dining Hall Addition	239	-	167	167	6/1/04-05
Sponsors Hall Addition	497	-	343	343	6/1/04-05
Student Activity Center	152	-	106	106	6/1/04-05
Student Residence Facility Project	2,796	-	2,796	2,796	6/1/04-16
West Scott Stadium Parking	241	-	190	190	6/1/04-06
Virginia Commonwealth University					
Dorm Renovations	633	-	498	498	6/1/04-06
Housing Repairs	135	-	71	71	6/1/04
MCV Parking Deck	768	-	402	402	6/1/04
Parking Deck E	684	-	470	470	6/1/04-05
Visitors Deck	1,823	-	1,823	1,823	6/1/04-16
Virginia Polytechnic Institute and State University					
Dormitory	538	-	421	421	6/1/04-06
Dormitory Repairs	558	-	437	437	6/1/04-06
Residence Hall	468	-	244	244	6/1/04

Continued on next page

Tax-Supported Debt – Detail of Long-Term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2002	Issued (Retired) During Year	Outstanding June 30, 2003	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 2002 Refunding Bonds (continued)					
Virginia State University					
Dorm Renovation	690	-	690	690	6/1/04-10
Foster Hall	592	-	592	592	6/1/04-10
Jones Dining Hall	1,358	-	1,358	1,358	6/1/04-16
Langston Hall	661	-	661	661	6/1/04-10
Subtotal Series 2002 Refunding Bonds	57,312	-	52,367	52,367	
Series 2003 Refunding Bonds					
Christopher Newport University					
Campus Center	224	-	224	224	6/1/04
Dormitory Project	1,209	-	1,209	1,209	6/1/04-11
Track	35	-	35	35	6/1/04
College of William and Mary					
Graduate Housing	3,906	-	3,906	3,906	6/1/04-11
Randolph Residences	881	-	881	881	6/1/04-09
Telecommunications	287	-	287	287	6/1/04
Telecommunications Systems	76	-	76	76	6/1/04-05
Tyler Hall Renovation	410	-	410	410	6/1/04-08
George Mason University					
Parking Lot #10	119	-	119	119	6/1/04-06
Parking Lot VIII	85	-	85	85	6/1/04
Residence Hall II	1,390	-	1,390	1,390	6/1/04-06
Residence Hall IV	5,438	-	5,438	5,438	6/1/04-10
Security/Info Building	72	-	72	72	6/1/04-06
James Madsion University					
Dormitory (138 Beds)	205	-	205	205	6/1/04
Dormitory	249	-	249	249	6/1/04
Gibbons Hall Renovation	1,316	-	1,316	1,316	6/1/04-10
Stadium Seating	229	-	229	229	6/1/04
Student Residence Hall	1,387	-	1,387	1,387	6/1/04-08
Longwood College					
Housing Repairs	212	-	212	212	6/1/04-10
Residence Hall Renovation	70	-	70	70	6/1/04
Mary Washington College					
Student Activity Center	702	-	702	702	6/1/04-06
Residence Hall	1,461	-	1,461	1,461	6/1/04-10
Norfolk State University					
Cafeteria Renovation	2,234	-	2,234	2,234	6/1/04-11
Health and ROTC Building	239	-	239	239	6/1/04
Residence Hall	1,948	-	1,948	1,948	6/1/04-10
Residence Hall	5,133	-	5,133	5,133	6/1/04-11
Old Dominion University					
Athletic Facility	2,970	-	2,970	2,970	6/1/04-10
Athletic Renovation	399	-	399	399	6/1/04
Life Science Building Parking	135	-	135	135	6/1/04
Multi-Level Parking	2,333	-	2,333	2,333	6/1/04-10
Property at 43rd and Hampton	148	-	148	148	6/1/04-08
Rogers Hall Renovation	150	-	150	150	6/1/04
Webb Center Addition	3,686	-	3,686	3,686	6/1/04-11
Radford University					
Norwood Hall Renovation	373	-	373	373	6/1/04-06

Series	Amount Issued	Outstanding June 30, 2002	Issued (Retired) During Year	Outstanding June 30, 2003	Maturity
General Obligation Debt (continued)					
Section 9(c) Debt (continued)					
Higher Educational Institution Bonds (Component Units) (continued)					
Series 2003 Refunding Bonds (continued)					
University of Virginia					
Clinch Valley College Housing	50	-	50	50	6/1/04
Heater/Chiller Replacement	583	-	583	583	6/1/04-10
Hospital Parking Garage	1,147	-	1,147	1,147	6/1/04-06
Student Housing	7,587	-	7,587	7,587	6/1/04-11
Virginia Commonwealth University					
Low Rise Dorm, Phase II	145	-	145	145	6/1/04
Student Commons	678	-	678	678	6/1/04
Virginia Polytechnic Institute and State University					
Dorm and Dining Renovation	2,694	-	2,694	2,694	6/1/04-11
Parking Renovations	2,268	-	2,268	2,268	6/1/04-11
Squires Center Renovation	684	-	684	684	6/1/04-10
Squires Student Center	1,755	-	1,755	1,755	6/1/04-11
Student Activities Center	5,457	-	5,456	5,456	6/1/04-08
Subtotal Series 2003 Refunding Bonds	62,759	-	62,758	62,758	
Deferral on Debt Defeasance	-	-	(6,709)	(6,709)	
Subtotal Higher Educational Institution Bonds	741,717	376,462	(27,277)	349,185	
Transportation Facilities Bonds (Primary Government)					
Series 1989, Dulles Toll Road	34,348	17,117	(1,994)	15,123	06/01/04-09
Series 1993, Dulles Refunding	24,845	23,220	(23,220)	-	
Series 1994, Coleman Bridge	43,315	4,805	(4,805)	-	
Series 1996, Dulles Toll Road	45,235	36,210	(25,650)	10,560	06/01/04-08
Series 1996, Coleman Bridge Refunding	34,750	33,625	(190)	33,435	06/01/04-21
Series 1998, Coleman Bridge Refunding	3,135	3,015	(25)	2,990	06/01/04-08
Series 2002, Coleman Bridge Refunding	3,775	-	3,775	3,775	06/01/04-06
Series 2002, Dulles Refunding	24,615	-	24,615	24,615	06/01/07-16
Series 2003, Dulles Refunding	18,765	-	18,765	18,765	06/1/04-08
Deferral on Debt Defeasance	-	-	(2,229)	(2,229)	
Subtotal Transportation Facilities Bonds	232,783	117,992	(10,958)	107,034	
Parking Facilities Bonds (Primary Government)					
Series 1993 Refunding	6,630	6,240	(6,240)	-	
Series 1996	3,495	2,800	(1,985)	815	06/01/04-08
Series 1996 Refunding	1,160	565	(565)	-	
Series 2002 Refunding	230	-	230	230	06/01/08-15
Series 2003 Refunding	5,860	-	5,860	5,860	06/01/04-11
Deferral on Debt Defeasance	-	-	(448)	(448)	
Subtotal Parking Facilities Bonds	17,375	9,605	(3,148)	6,457	
Total Section 9(c) Debt	991,875	504,059	(41,383)	462,676	
Total General Obligation Debt	1,977,225	955,759	(38,681)	917,078	

Continued on next page

Tax-Supported Debt – Detail of Long-Term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2002	Issued (Retired) During Year	Outstanding June 30, 2003	Maturity
Non-General Obligation Debt					
Section 9(d) Debt					
Virginia Public Building Authority Bonds (Primary Government)					
Series 1992 A Refunding	112,870	24,565	(11,935)	12,630	08/01/03
Series 1992 B	94,335	67,557	(13,985)	53,572	08/01/03-10
Accreted Principal	-	34,237	4,782	39,019	08/01/03-10
Series 1992 C	173,865	16,195	(7,895)	8,300	08/01/03
Series 1993 A	60,995	41,830	(36,775)	5,055	08/01/03-13
Series 1994 A	79,220	13,255	(3,040)	10,215	08/01/03-05
Series 1995	187,410	147,970	(6,885)	141,085	08/01/03-16
Series 1996 A	97,430	88,005	(3,945)	84,060	08/01/03-15
Series 1997 A	152,885	133,415	(5,435)	127,980	08/01/03-17
Series 1998 A Refunding	147,000	138,590	(2,190)	136,400	08/01/03-13
Series 1998 B	40,425	36,710	(1,440)	35,270	08/01/03-18
Series 1999 A	68,920	64,470	(2,375)	62,095	08/01/03-19
Series 1999 B	27,730	25,060	(1,425)	23,635	08/01/03-14
Series 2000 A	104,990	102,930	(3,160)	99,770	08/01/03-20
Series 2001 A	35,830	35,830	(1,125)	34,705	08/01/03-22
Series 2002 A	55,000	-	55,000	55,000	08/01/03-23
Series 2003 A	38,810	-	38,809	38,809	08/01/04-15
Deferral on Debt Defeasance	-	(12,478)	1,373	(11,105)	
Total Virginia Public Building Authority Bonds	1,477,715	958,141	(1,646)	956,495	
Virginia College Building Authority Bonds (Component Unit)					
Equipment Leasing Program					
Series 1998	38,875	9,165	(9,165)	-	
21st Century College Program					
Series 1996	53,160	45,185	(2,070)	43,115	08/01/03-16
Series 1998	54,785	48,975	(2,110)	46,865	08/01/03-17
Series 1999	59,495	33,765	(9,185)	24,580	02/01/04-19
Series 2000	60,900	42,555	(9,590)	32,965	02/01/04-20
Series 2001	65,795	53,615	(11,980)	41,635	02/01/04-21
Series 2002	130,795	130,795	(11,680)	119,115	02/01/04-22
Series 2003	140,250	-	140,250	140,250	02/01/04-23
Total Virginia College Building Authority Bonds	604,055	364,055	84,470	448,525	
Transportation Debt (Primary Government)					
Route 28 Refunding Bonds	111,680	86,635	32,325	118,960	10/01/03-18
Transportation Revenue Bonds (U.S. Route 58)	606,620	623,910	(24,505)	599,405	11/15/03-26
Northern Virginia Transportation District Program	324,410	304,775	33,185	337,960	11/15/03-26
Oak Grove Connector (Chesapeake)	33,075	28,580	(860)	27,720	11/15/03-23
Deferral on Debt Defeasance	-	-	(11,816)	(11,816)	
Total Section 9(d) Transportation Debt	1,075,785	1,043,900	28,329	1,072,229	
Virginia Port Authority Debt (Component Unit)					
Series 1996	38,300	33,060	(1,460)	31,600	
Refunding Series 1998	71,015	61,000	(7,525)	53,475	
Series 2002	135,000	-	137,146	137,146	
Total Virginia Port Authority Debt	244,315	94,060	128,161	222,221	
Innovative Technology Authority Debt (Component Unit)					
Series 1989	13,300	-	-	-	
Series 1997	13,300	10,590	(625)	9,965	
Total Innovative Technology Authority Debt	26,600	10,590	(625)	9,965	

Series	Amount Issued	Outstanding June 30, 2002	Issued (Retired) During Year	Outstanding June 30, 2003	Maturity
Non-General Obligation Debt (continued)					
Section 9(d) Debt (continued)					
Virginia Biotechnology Research Park Authority (Component Unit)					
Series 1996	91,010	87,245	(2,910)	84,335	09/01/03-19
Virginia Public Broadcasting Board					
Board Notes Payable	23,840	21,960	(1,955)	20,005	08/01/03-11
Industrial Development Authority Obligations	42,490	37,800	(3,390)	34,410	03/01/03-11
Total Section 9(d) Debt	3,585,810	2,617,751	230,434	2,848,185	
Non-General Obligation Debt and Other Obligations					
Other Long-Term Debt (1)					
Capital Leases	-	249,020	52,467	301,487	
Installment Purchase Obligations	-	55,529	(2,905)	52,624	
Transportation Notes Payable	-	12,325	-	12,325	
Regional Jail Construction Liability	-	28,974	(10,722)	18,252	
Aviation Note Payable	6,600	-	3,627	3,627	
Total Other Long-Term Debt	6,600	345,848	42,467	388,315	
Other Long-Term Obligations					
Compensated Absences	-	489,575	(11,800)	477,775	
Pension Liability	-	439,372	216,091	655,463	
Other	-	20,284	(202)	20,082	
Total Other Long-Term Obligations	-	949,231	204,089	1,153,320	
Total Non-General Obligation Debt and Other Obligations	3,592,410	3,912,830	476,990	4,389,820	
Total Tax-Supported Debt and Other Obligations	$ 5,569,635	$ 4,868,589	$ 438,309	$ 5,306,898	

(1) 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)

	2003	2002	2001	2000
Tax Revenues:				
Individual and Fiduciary Income	$ 6,751	$ 6,758	$ 7,226	$ 6,829
Sales and Use	2,722	2,646	2,661	2,574
Motor Fuels	881	859	821	794
Corporation Income	344	236	364	566
Public Service Corporations	99	82	98	104
Motor Vehicle Sales and Use	529	527	497	492
Gross Premiums of Insurance Companies	333	293	268	251
Alcoholic Beverage Sales Tax	81	76	73	70
Deeds, Contracts, Wills, and Suits	286	214	168	146
Beer and Beverage Excise	42	42	41	41
Estate	141	138	127	150
Tobacco Products	15	15	15	15
Bank Stock	9	10	5	12
Wine and Spirits / ABC Liter	9	10	10	7
Other Taxes	109	91	63	58
Total Tax Revenues	12,351	11,997	12,437	12,109
Other Revenues:				
Federal and Other Grants, Donations, and Federal Revenue Sharing	5,524	4,916	3,778	3,459
Institutional Revenue	334	444	466	439
Sales of Property and Commodities	26	28	122	91
Rights and Privileges	689	623	601	577
Interest, Dividends, and Rents	191	264	218	169
Fines, Forfeitures, Costs, Penalties and Escheats	380	330	171	162
Assessments - Special Services	96	99	114	52
Other Revenues	468	1,101	941	875
Total Other Revenues	7,709	7,805	6,411	5,824
Total Revenues	$ 20,060	$ 19,802	$ 18,848	$ 17,933
Percentage Increase Over Previous Year	1.3%	5.1%	5.1%	10.5%
Expenditures by Function:				
Education	$ 6,250	$ 6,187	$ 4,659	$ 4,353
Administration of Justice	2,032	2,157	2,072	1,898
Individual and Family Services	7,134	6,864	5,985	5,609
Resources and Economic Development	641	721	707	614
Transportation	3,044	3,269	2,846	2,585
General Government (2)	1,925	1,805	1,508	1,175
Enterprises	-	-	107	94
Capital Outlay	108	255	326	354
Total Expenditures	$ 21,134	$ 21,258	$ 18,210	$ 16,682
Percentage Increase Over Previous Year	-0.6%	16.7%	9.2%	8.2%

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 2002-2003 include debt service principal retirement and interest charges.

Source: Department of Accounts

1999	1998	1997	1996	1995	1994
$ 6,088	$ 5,405	$ 4,736	$ 4,301	$ 4,028	$ 3,812
2,410	2,240	2,134	2,010	1,935	1,795
778	759	722	715	679	686
420	451	432	402	376	312
112	102	126	116	109	119
436	394	384	370	354	321
245	237	219	218	208	196
64	61	59	59	57	57
158	127	4	95	85	115
40	39	38	39	38	39
154	122	92	69	78	83
16	16	16	16	16	15
13	8	9	8	7	6
7	7	7	7	6	6
52	44	142	16	41	41
10,993	10,012	9,120	8,441	8,017	7,603
3,264	3,035	2,821	2,705	2,664	2,374
376	331	309	346	331	312
91	71	103	7	9	8
541	516	499	475	486	463
166	136	149	116	104	75
163	148	135	122	121	116
48	37	34	34	33	33
589	536	671	505	394	383
5,238	4,810	4,721	4,310	4,142	3,764
$ 16,231	$ 14,822	$ 13,841	$ 12,751	$ 12,159	$ 11,367
9.5%	7.1%	8.5%	4.9%	7.0%	6.6%
$ 4,125	$ 3,614	$ 3,432	$ 3,145	$ 3,056	$ 2,852
1,730	1,537	1,377	1,318	1,241	1,135
5,105	4,800	4,541	4,413	4,319	3,970
574	502	447	445	461	396
2,634	2,377	2,272	2,124	2,070	1,736
791	525	498	459	463	408
92	81	76	69	71	43
363	477	378	267	289	223
$ 15,414	$ 13,913	$ 13,021	$ 12,240	$ 11,970	$ 10,763
10.8%	6.9%	6.4%	2.3%	11.2%	6.8%

Computation of Legal Debt Limit and Margin

For Revenues Collected through June 30, 2003
(Dollars in Thousands)

	Fiscal Year Ended June 30,		
	2003	2002	2001
Tax Revenues Required for Computation			
Taxes on Income and Retail Sales:			
Individual and Fiduciary Income Tax [1]	$ 6,775,799	$ 6,710,857	$ 7,226,407
Corporate Income Tax [2]	343,319	290,215	363,757
State Sales and Use Tax [3]	2,335,958	2,429,845	2,272,954
Total	$ 9,455,076	$ 9,430,917	$ 9,863,118
Average Tax Revenues for the Three Fiscal Years			$ 9,583,037
Section 9(a)(2) General Obligation Debt Limit [4]			
Debt Issuance Limit (30% of 1.15 times annual tax revenues for fiscal year 2003)			$ 3,262,001
Less Bonds Outstanding:			-
Debt Issuance Margin for Section 9(a)(2) General Obligation Bonds			$ 3,262,001
Section 9(b) General Obligation Debt Limit			
Debt Issuance Limit (1.15 times average tax revenues for three fiscal years as calculated above)			$ 11,020,493
Less Bonds Outstanding:**			
Public Facilities Bonds [6]		$ 410,669	
Transportation Facilities Refunding Bonds [5] [6]		43,733	
Bond Anticipation Notes		-	454,402
Debt Issuance Margin for Section 9(b) General Obligation Bonds			$ 10,566,091
Additional Section 9(b) Debt Borrowing Restriction:			
Four-year Authorization Restriction (25% of 9(b) Debt Limit)			$ 2,755,123
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)			$ 1,735,594
Section 9(c) General Obligation Debt Limit			
Debt Issuance Limit (1.15 times average tax revenues for three fiscal years as calculated above)			$ 11,020,493
Less Bonds Outstanding:**			
Parking Facilities Bonds [6]		$ 6,457	
Transportation Facilities Bonds [6]		107,034	
Higher Educational Institution Bonds [6]		349,185	
Bond Anticipation Notes		-	462,676
Debt Issuance Margin for Section 9(c) General Obligation Bonds			$ 10,557,817

**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 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
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
1994	6,522	791,842	121

(1) Population figure for 2003 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 Taxation
Department of Accounts

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
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
1994	146,972	10,809,573	1.36

(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, 2003 was $3.5 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	Coverage
Virginia Commonwealth University (4)	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
	1994	156,818	633,457	632,316	157,959	10,069	15.69
University of Virginia	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
	1994	101,930	712,071	648,479	165,522	13,197	12.54
Virginia Polytechnic Institute and State University	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
	1994	13,321	377,546	373,109	17,758	3,034	5.85
Norfolk State University	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
	1994	5,630	56,098	55,109	6,619	174	38.04

	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	Coverage
James Madison University	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
	1994	5,144	115,625	107,242	13,527	247	54.77
Virginia College Building Authority	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
	1994	411	2,591	212	2,790	2,378	1.17

(1) Coverage relates to Higher Education 9(d) Revenue Bonds. The outstanding principal of this debt at June 30, 2003, was $986,732,122 and the outstanding interest was $536,941,525.

(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.

Sources: Department of the Treasury; Department of Accounts.

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	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
	1994	543,590	311,782	28,186	827,186	846,695	0.98
Virginia Education Loan Authority (3)	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
	1994	77,924	35,724	14,270	99,378	54,426	1.83
Virginia Resources Authority	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
	1994	30,915	29,929	1,545	59,299	26,813	2.21

(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 the Treasury; Department of Accounts.

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	2003	$ 43,659	$ 1,126	$ 51,584	$ (6,799)	$ 116,581	(0.06)
(Series 1998A, 1989A, 1991A,	2002	113,494	2,323	107,733	8,084	111,814	0.07
1992 A-C, 1993A, 1994A,	2001	146,024	8,064	40,278	113,810	107,385	1.06
1995, 1996A, 1997A,	2000	64,065	3,584	53,116	14,533	97,797	0.15
1998A Refunding, 1998B, 1999A-B	1999	78,795	3,896	83,375	(684)	93,069	(0.01)
2000A, and 2001A)	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
	1994	134,523	142,779	85,900	191,402	50,788	3.77
Transportation Facilities	2003	$ 435,922	$ 35,839	$ 206,478	$ 265,283	$ 158,095	1.68
Route 28, Route 58, Northern Virginia	2002	533,296	30,073	281,788	281,581	102,631	2.74
Transportation District, and Oak	2001	287,063	50,125	201,181	136,007	86,121	1.58
Grove Connector (Chesapeake)	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
	1994	187,357	36,735	30,362	193,730	31,070	6.24
Pocahontas Parkway Association (4)	2003	$ (62,755)	$ 9,207	$ 27,104	$ (80,652)	$ 9,121	(8.84)
(Series 1998A-D and 2001A)	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	2003	$ 19,468	$ 11,987	$ 10,471	$ 20,984	$ 1,357	15.46
(Series 1989 and 1997)	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
	1994	1,031	1,757	-	2,788	1,504	1.85
Virginia Port Authority (5)	2003	$ 254,770	$ 83,230	$ 41,236	$ 296,764	$ 27,388	10.84
(Series 1992A, 1993, 1996, 1997,	2002	250,220	51,566	38,650	263,136	20,830	12.63
1997 Refunding, 1998 Refunding	2001	52,692	6,407	49,380	9,719	21,971	0.44
2002, and 2003)	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
	1994	45,589	6,217	32,454	19,352	18,277	1.06

(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.
(5) Beginning in 1994, reflects governmental component unit data only.

Sources: Department of the Treasury; Department of Accounts

Schedule of Bank Deposits (1)

Last Ten Years
(Dollars in Millions)

As of June 30,	Bank Deposits
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
1994	57,549

(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
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
1993	27,613,422	6,369,882	1,743,540	19,500,000
1962-1992	168,664,639	29,962,777	13,379,639	125,322,223
	$ 637,281,226	$ 132,423,278	$ 45,335,725	$ 459,522,223

(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, 2003, securities with a market value of approximately $51 million and 2,195 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
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
1994	967,000	537,000	430,000
Total	$ 5,054,425	$ 3,366,488	$ 1,687,937

(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
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
1994	6,522	22,021	1,047,222	5.1

(1) Population figure for 2003 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
Center for Public Service, University of Virginia

Comparison of General Fund Balance

Last Ten Fiscal Years
(Dollars in Millions)

Fiscal Year Ended June 30,	Fund Balance Budgetary Basis	Fund Balance Modified Accrual Basis
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)
1994	518.7	185.3

Source: Department of Accounts

Schedule of Miscellaneous Statistics

June 30, 2003

Adoption of Virginia Constitution	1776
Form of Government	Legislative, Executive, Judicial
Land Area (square miles)	40,767
Miles of State Highways	71,402
State Police Protection:	
Number of Stations	66
Number of State Police	1,801
Higher Education (Universities, Colleges, and Community Colleges):	
Number of Separate Institutions	87
Number of Educators	15,579
Number of Students	387,500
Recreation:	
Number of State Parks, Natural Areas, and Historic Sites	73
Area of State Parks, Natural Areas, and Historic Sites (acres)	96,101
Number of State Forests	15
Area of State Forests (acres)	45,648
Classified State Employees	80,203

Sources: Department of Forestry
Department of Human Resource Management
Department of State Police
Department of Transportation
Library of Virginia
State Council of Higher Education
Virginia Department of Conservation and Recreation, Division of Parks and Recreation

Employees of the Department of Accounts

Marla L. Anderson ❖ Sheila M. Baker ❖ Debra B. Bartinikas ❖ Elizabeth G. Bauguess ❖ David W. Berberich ❖ Edward H. Binns ❖ Wanda P. Breeden ❖ Donna R. Brown ❖ Rebecca G. Burton ❖ Annie Callanta ❖ Loretta H. Clough ❖ Debra G. Coddington ❖ Merritt L. Cogswell ❖ Kathleen H. Corker ❖ Anita T. Cwiakala ❖ Leasha A. Donath ❖ Valerie Dunmars-Hurdle ❖ J. Robert Edwards ❖ Ervin L. Farmer ❖ James A. Finley, II ❖ James W. Fisher ❖ Melinda P. Fleet ❖ Gwendolyn T. Fleming ❖ Wayne A. Gabbert ❖ Lora L. George ❖ Cathy P. Gravatt ❖ Denise L. Halderman ❖ Charla R. Hamaker ❖ Luc T. Hang ❖ Darlene L. Haynes ❖ Deborah L. Haynie ❖ Rhonda S. Hutsell ❖ Ashlyn S. Jinnette ❖ Connie T. Jones ❖ Diana W. Jones ❖ Jane V. Kearney ❖ Jannette M. Kelejian ❖ June S. Kopald ❖ Sharon H. Lawrence ❖ Verná P. Left ❖ Betsy M. Lewerenz ❖ Steven W. Lewerenz ❖ Charles P. Lines ❖ Fay G. Lion ❖ Marianne P. Madison ❖ Nancy W. Martin ❖ Cynthia D. Matthews ❖ Sylvia R. Matthews ❖ William E. Matthews ❖ Sandra V. May ❖ Lewis R. McCabe, Jr. ❖ Sheila W. McNair ❖ Robert H. Meinhard ❖ Rebecca E. Mills ❖ Janet L. Mitchell ❖ James C. Moore ❖ Patrick J. Moran ❖ Laura S. Munford ❖ Mark J. Murray ❖ Ronald D. Necessary ❖ John T. Nix, Jr. ❖ Judith A. Ohde ❖ Douglas N. Page ❖ Allison B. Patrick ❖ Richard E. Phillips ❖ Rom L. Potter ❖ Kelvin L. Pride ❖ Donna K. Rabender ❖ Michael E. Rider ❖ Norma J. Roberts ❖ Karen M. Robinson ❖ John R. Rodgers ❖ Walter Roish, III ❖ Myra K. Romanow ❖ Catherine A. Royal ❖ Richard L. Salkeld ❖ Kevin L. Salminen ❖ Maxine C. Shirley ❖ Gladys Slate ❖ Felecia S. Smith ❖ Fredrica J. Spurlock ❖ James E. Taylor ❖ Joseph J. Tellis ❖ M. Christy Tuck ❖ Jean S. Turlington ❖ David A. Von Moll ❖ Amy E. Warner ❖ Lisa A. Watts ❖ John Waxmunski ❖ Nicholas Whitby ❖ Kimberly N. White ❖ Penny B. Williams ❖ Kim G. Wood ❖ Zoran Zlatkovic

Cover Design:
The Office of Graphic Communications
Virginia Department of General Services

Desktop Publishing and Graphics:
Marianne P. Madison
Fiscal Technician Senior, Financial Reporting
Virginia Department of Accounts

The Virginia Department of Accounts prepared this report
at a cost of $8.66 per copy.

This report is also available for download from the World Wide Web.
Our Internet address is www.doa.state.va.us.