

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, 2002
(Dollars in Thousands)

	General Fund			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes:				
Individual and Fiduciary Income	\$ 7,994,800	\$ 6,964,900	\$ 6,710,772	\$ (254,128)
Sales and Use	2,464,800	2,412,800	2,429,845	17,045
Corporation Income	473,600	295,600	290,215	(5,385)
Public Service Corporations	79,200	95,500	77,152	(18,348)
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Premiums of Insurance Companies	273,600	288,000	292,702	4,702
Other Taxes	430,300	474,700	487,826	13,126
Rights and Privileges	36,200	33,400	37,997	4,597
Sales of Property and Commodities	100	1,600	281	(1,319)
Assessments and Receipts for Support of Special Services	300	300	445	145
Institutional Revenue	8,400	8,700	9,194	494
Interest, Dividends, and Rents	152,000	112,300	143,718	31,418
Fines, Forfeitures, Court Fees, Penalties, and Escheats	150,100	141,700	152,801	11,101
Federal Grants and Contracts	-	-	-	-
Receipts from Cities, Counties, and Towns	10,500	9,000	9,060	60
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	63,300	59,300	59,846	546
Other	15,866	39,668	41,163	1,495
Total Revenues	12,153,066	10,937,468	10,743,017	(194,451)
Expenditures:				
Current:				
General Government	1,501,129	1,407,661	1,350,940	56,721
Education	5,808,535	5,559,328	5,542,589	16,739
Transportation	134,417	16,002	16,002	-
Resources and Economic Development	295,586	270,169	251,856	18,313
Individual and Family Services	2,432,634	2,560,153	2,550,020	10,133
Administration of Justice	1,960,237	1,921,625	1,910,280	11,345
Capital Outlay	303,803	236,269	119,046	117,223
Total Expenditures	12,436,341	11,971,207	11,740,733	230,474
Revenues Over (Under) Expenditures	(283,275)	(1,033,739)	(997,716)	36,023
Other Financing Sources (Uses):				
Transfers:				
Operating Transfers In	376,353	781,254	820,518	39,264
Operating Transfers Out	(218,035)	(385,271)	(383,940)	1,331
Proceeds from Sale of Bonds	-	-	-	-
Total Other Financing Sources (Uses)	158,318	395,983	436,578	40,595
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(124,957)	(637,756)	(561,138)	76,618
Fund Balance, July 1, as restated	1,194,107	1,194,107	1,194,107	-
Fund Balance, June 30	\$ 1,069,150	\$ 556,351	\$ 632,969	\$ 76,618

See notes on page 153 in this section.

Special Revenue Funds

Commonwealth Transportation Fund

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final/Actual Variance Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -
415,600	407,100	388,139	(18,961)
-	-	-	-
-	-	-	-
818,405	810,793	823,779	12,986
508,810	474,081	526,616	52,535
-	-	-	-
-	-	32,916	32,916
208,822	206,367	412,868	206,501
-	-	2,115	2,115
-	-	22,701	22,701
-	-	-	-
3,452	3,452	37,334	33,882
-	-	12,027	12,027
959,115	975,087	959,844	(15,243)
31,907	36,102	51,544	15,442
-	-	-	-
-	-	-	-
75,611	78,705	29,642	(49,063)
<u>3,021,722</u>	<u>2,991,687</u>	<u>3,299,525</u>	<u>307,838</u>
2,094	2,376	1,830	546
2,173	2,173	2,173	-
2,696,543	4,062,235	3,206,168	856,067
2,508	2,241	1,476	765
-	-	-	-
7,713	6,813	5,818	995
33,255	66,607	14,544	52,063
<u>2,744,286</u>	<u>4,142,445</u>	<u>3,232,009</u>	<u>910,436</u>
<u>277,436</u>	<u>(1,150,758)</u>	<u>67,516</u>	<u>1,218,274</u>
-	130,902	136,779	5,877
(146,808)	(232,950)	(271,593)	(38,643)
-	-	164,452	164,452
<u>(146,808)</u>	<u>(102,048)</u>	<u>29,638</u>	<u>131,686</u>
130,628	(1,252,806)	97,154	1,349,960
<u>1,022,116</u>	<u>1,022,116</u>	<u>1,022,116</u>	<u>-</u>
<u>\$ 1,152,744</u>	<u>\$ (230,690)</u>	<u>\$ 1,119,270</u>	<u>\$ 1,349,960</u>

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, 2002
(Dollars in Thousands)

	Special Revenue Funds (continued)			
	Federal Trust			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
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	120	81	78	(3)
Sales of Property and Commodities	170	182	124	(58)
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	136	522	591	69
Fines, Forfeitures, Court Fees, Penalties, and Escheats	-	-	34	34
Federal Grants and Contracts	3,345,351	4,068,522	3,994,305	(74,217)
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	-	-	-	-
Other	35,927	34,683	52,806	18,123
Total Revenues	3,381,704	4,103,990	4,047,938	(56,052)
Expenditures:				
Current:				
General Government	17,714	38,788	35,992	2,796
Education	270,786	494,162	425,835	68,327
Transportation	6,648	16,878	13,618	3,260
Resources and Economic Development	164,421	211,740	175,680	36,060
Individual and Family Services	2,784,721	3,165,880	3,348,090	(182,210)
Administration of Justice	40,020	57,701	40,843	16,858
Capital Outlay	35,835	57,328	4,323	53,005
Total Expenditures	3,320,145	4,042,477	4,044,381	(1,904)
Revenues Over (Under) Expenditures	61,559	61,513	3,557	(57,956)
Other Financing Sources (Uses):				
Transfers:				
Operating Transfers In	-	-	5,932	5,932
Operating Transfers Out	(46)	(66)	(9,489)	(9,423)
Proceeds from Sale of Bonds	-	-	-	-
Total Other Financing Sources (Uses)	(46)	(66)	(3,557)	(3,491)
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	61,513	61,447	-	(61,447)
Fund Balance, July 1, as restated	-	-	-	-
Fund Balance, June 30	\$ 61,513	\$ 61,447	\$ -	\$ (61,447)

See notes on page 153 in this section.

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

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, 2002, to the fund balance on a modified accrual basis follows.

(Dollars in Thousands)

	General Fund	Commonwealth Transportation Fund	Federal Trust Fund
Fund Balance, Basis of Budgeting	\$ 632,969	\$ 1,119,270	\$ -
Adjustments from Budget to Modified Accrual, Undesignated:			
Accrued Revenues:			
Taxes	339,909	(7,732)	-
Tax Refunds	(226,549)	-	-
Other Revenue	73,519	98,978	215,577
Deferred Credit	(501,766)	-	-
Medicaid Payable	(184,352)	-	(193,970)
Accrued Expenditures	(350,427)	(112,247)	(6,321)
Fund Reclassification - Budget to Modified Accrual	-	(33,553)	-
Fund Balance, Modified Accrual Basis	<u>\$ (216,697)</u>	<u>\$ 1,064,716</u>	<u>\$ 15,286</u>

(1) As discussed in Note 1.E., the Literary Fund has no approved budget.

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, 2002, except the Literary Fund which has no approved budget.

	General Fund (8)	Commonwealth Transportation Trust Fund (9)	Federal Trust Fund (10)
<i>(Dollars in Thousands)</i>			
Appropriations (1)	\$ 12,228,124	\$ 2,711,030	\$ 3,286,210
Supplemental Appropriations:			
Reappropriations (2)	518,202	66,707	38,177
Subsequent Executive (3)	(28,516)	1,238,535	666,118
Subsequent Legislative (4)	(406,448)	72,289	66,927
Capital Outlay Reversions (5)	(212,015)	(500)	(1,900)
Transfers (6)	(147,327)	54,384	(13,055)
Deficit (7)	19,187	-	-
Appropriations, as adjusted	<u>\$ 11,971,207</u>	<u>\$ 4,142,445</u>	<u>\$ 4,042,477</u>

1. Represents the budget appropriated through Chapter 814, 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 \$1.4 billion (General Fund for transfers to component units that have been reclassified as expenditures in accordance with GASB Statement No. 34).
7. This represents deficit funding pursuant to Section 4-3.01 of Chapter 814, 2002 Acts of Assembly.
8. Prior year reversions of \$11,850,014 (General Fund) are included in the accounting system for monitoring, but do not represent current year appropriations and are not in this schedule.
9. The expenditure budget includes amounts for multi-year capital projects.
10. Appropriations do not include food stamp issuances of \$296 million since this is a noncash item; however, this amount is included in actual expenditures.

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]
<i>Virginia Retirement System (VRS) **</i>						
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%
<i>State Police Officers' Retirement System (SPORS)</i>						
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%
<i>Virginia Law Officers' Retirement System (VaLORS)</i>						
2001	\$ 393	\$ 628	\$ 235	62.7%	\$ 320	73.4%
*** 2000	307	680	373	45.2%	315	118.4%
<i>Judicial Retirement System (JRS)</i>						
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, 2001
	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	0 years
	Political Subdivision Employees	0 to 30 years
	Teachers	14 years
	State Police / VA Law Officers / Judges	25 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	1993	1994	1995	1996
1. Required contribution and investment revenue:				
Earned	\$ 5,974	\$ 5,592	\$ 5,891	\$ 6,875
Ceded (a)	-	-	-	-
Net earned	5,974	5,592	5,891	6,875
2. Unallocated expenses	275	285	287	595
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	4,325	3,753	3,931	3,706
Ceded (a)	-	-	-	-
Net incurred	4,325	3,753	3,931	3,706
4. Net paid (cumulative) as of:				
End of policy year	866	620	804	254
One year later	2,686	1,702	2,383	1,995
Two years later	3,610	2,207	3,540	3,312
Three years later	3,964	2,922	3,854	4,385
Four years later	4,085	3,384	4,043	4,605
Five years later	4,148	3,563	4,129	4,684
Six years later	4,202	3,603	4,174	4,559
Seven years later	4,203	3,605	3,699	
Eight years later	4,202	4,113		
Nine years later	4,159			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	4,325	3,753	3,931	3,706
One year later	5,376	3,920	4,705	3,977
Two years later	5,567	3,731	4,472	4,957
Three years later	4,614	3,590	4,458	5,016
Four years later	4,144	3,748	4,248	4,936
Five years later	4,191	3,679	4,335	4,966
Six years later	4,207	3,620	4,308	4,689
Seven years later	4,203	3,605	3,769	
Eight years later	4,202	4,113		
Nine years later	4,159			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	(166)	361	(161)	983

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 160 in this section.

	1997	1998	1999	2000	2001	2002
\$	6,664	\$ 7,537	\$ 6,780	\$ 6,478	\$ 5,814	\$ 5,324
	-	-	-	-	-	-
	6,664	7,537	6,780	6,478	5,814	5,324
	453	464	703	1,223	1,863	924
	2,095	2,760	2,719	2,263	2,688	4,110
	-	-	-	-	-	-
	2,095	2,760	2,719	2,263	2,688	4,110
	286	434	439	196	336	550
	1,680	2,651	2,100	2,246	1,628	
	2,602	3,261	2,938	3,322		
	2,907	3,894	4,555			
	3,028	4,183				
	2,965					
	-	-	-	-	-	-
	2,095	2,760	2,719	2,263	2,688	4,110
	3,352	4,080	5,509	4,801	3,752	
	3,160	3,934	5,997	4,467		
	3,300	4,565	5,769			
	3,314	4,353				
	3,052					
	958	1,593	3,049	2,204	1,064	-

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	1993	1994	1995	1996
1. Required contribution and investment revenue:				
Earned	\$ 41,716	\$ 48,932	\$ 40,468	\$ 38,321
Ceded (a)	-	-	-	-
Net earned	41,716	48,932	40,468	38,321
2. Unallocated expenses	2,401	2,288	2,428	3,305
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	37,346	37,805	33,731	41,232
Ceded (a)	-	-	-	-
Net incurred	37,346	37,805	33,731	41,232
4. Net paid (cumulative) as of:				
End of policy year	32,403	33,704	30,177	39,276
One year later	37,346	37,805	33,731	41,232
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	37,346	37,805	33,731	41,232
One year later	37,346	37,805	33,731	41,232
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 160 in this section.

	1997	1998	1999	2000	2001	2002
\$	48,493	\$ 54,089	\$ 64,419	\$ 75,569	\$ 88,313	\$ 100,836
	-	-	-	-	-	-
	48,493	54,089	64,419	75,569	88,313	100,836
	4,445	5,286	6,632	6,997	7,203	6,225
	46,895	60,657	70,719	76,816	87,222	95,860
	-	-	-	-	-	-
	46,895	60,657	70,719	76,816	87,222	95,860
	40,631	53,219	62,219	68,336	74,579	80,974
	46,895	-	-	-	-	-
	N/A	N/A	N/A	N/A		
	N/A	N/A	N/A			
	N/A	N/A				
	N/A					
	-	-	-	-	-	-
	46,895	60,657	70,719	74,417	87,222	95,860
	46,895	60,657	70,719	74,417	87,222	95,860
	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.