

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	Federal Trust	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)

	General	Special Revenue		
		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
	<u>1,020,998</u>	<u>20,059,977</u>
	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
	<u>1,446,354</u>	<u>21,134,149</u>
	(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)
	<u>502,734</u>	<u>1,326,699</u>
	77,378	252,527
	644,078	2,298,229
\$	<u>721,456</u>	<u>\$ 2,550,756</u>

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