

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			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
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

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final/Actual Variance Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -
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)
<u>2,788,700</u>	<u>2,828,200</u>	<u>3,017,317</u>	<u>189,117</u>
-	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
<u>43,767</u>	<u>90,287</u>	<u>12,167</u>	<u>78,120</u>
<u>2,894,418</u>	<u>3,569,775</u>	<u>2,964,909</u>	<u>604,866</u>
<u>(105,718)</u>	<u>(741,575)</u>	<u>52,408</u>	<u>793,983</u>
-	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
<u>(404,730)</u>	<u>(338,826)</u>	<u>146,759</u>	<u>485,585</u>
(510,448)	(1,080,401)	199,167	1,279,568
<u>1,080,401</u>	<u>1,080,401</u>	<u>1,080,401</u>	<u>-</u>
<u>\$ 569,953</u>	<u>\$ -</u>	<u>\$ 1,279,568</u>	<u>\$ 1,279,568</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, 2003
(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	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)	-	-	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.

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, 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	<u>\$ 63,564</u>	<u>\$ 1,251,569</u>	<u>\$ 141,348</u>

(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.

<i>(Dollars in Thousands)</i>	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	<u>\$ 11,855,366</u>	<u>\$ 4,157,397</u>	<u>\$ 4,596,322</u>

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.