

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. 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 165 in the Combining and Individual Fund Statements and Schedules section of this report.

Balance Sheet – Governmental Funds

June 30, 2006

(Dollars in Thousands)

	General	Special Revenue		
		Commonwealth Transportation	Federal Trust	Literary
Assets				
Cash and Cash Equivalents (Notes 1 and 6)	\$ 686,185	\$ 1,976,472	\$ 123,506	\$ 141,763
Investments (Notes 1 and 6)	3,523,576	213,880	8,916	22,012
Receivables (Net) (Notes 1 and 7)	1,080,129	265,491	345,638	367,027
Due from Other Funds (Note 9)	9,391	1,803	-	-
Due from External Parties (Fiduciary Funds) (Note 9)	8	-	3,470	-
Interfund Receivable (Note 9)	-	-	-	-
Inventory (Note 1)	45,336	52,497	8,318	-
Prepaid Items (Note 1)	31,152	3,647	277	-
Other Assets (Notes 1 and 10)	1,156	20,720	2,739	-
Loans Receivable from Component Units (Notes 1 and 9)	-	-	-	-
Total Assets	\$ 5,376,933	\$ 2,534,510	\$ 492,864	\$ 530,802
Liabilities and Fund Balances				
Accounts Payable (Notes 1 and 20)	\$ 185,388	\$ 204,842	\$ 88,794	\$ 207
Amounts Due to Other Governments	294,926	1,501	116,517	-
Due to Other Funds (Note 9)	14,716	17,913	8,263	-
Due to Component Units (Note 9)	-	-	-	-
Due to External Parties (Fiduciary Funds) (Note 9)	-	-	-	-
Interfund Payable (Note 9)	-	-	2,224	-
Deferred Revenue (Note 1)	269,897	21,222	-	14,896
Unearned Revenue (Note 1)	-	24,281	33,527	-
Deferred Taxes (Note 1)	411,320	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 6)	1,363,269	430,006	17,926	44,255
Other Liabilities (Notes 1 and 21)	701,342	3,155	175,874	-
Loans Payable to Component Units (Notes 1 and 9)	-	-	-	170,523
Long-term Liabilities (Notes 1, 18, and 22)	588	212	52	-
Total Liabilities	3,241,446	703,132	443,177	229,881
Fund Balances Reserved for (Note 1):				
Revenue Stabilization Fund	1,064,665	-	-	-
Unexpended Lottery Proceeds	20,873	-	-	-
Inventory	45,336	52,497	8,318	-
Prepaid Items	31,152	3,647	277	-
Debt Service	-	-	-	-
Gifts and Grants	-	4,585	-	-
Capital Acquisition	-	-	-	-
Fund Balances Unreserved, Reported in (Note 1):				
General Fund	973,461	-	-	-
Special Revenue Funds	-	1,770,649	41,092	300,921
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
Total Fund Balances	2,135,487	1,831,378	49,687	300,921
Total Liabilities and Fund Balances	\$ 5,376,933	\$ 2,534,510	\$ 492,864	\$ 530,802

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 838,343	\$ 3,766,269
93,847	3,862,231
74,503	2,132,788
10,857	22,051
30	3,508
118,689	118,689
6,703	112,854
8,362	43,438
1,005	25,620
32,960	32,960
<u>\$ 1,185,299</u>	<u>\$ 10,120,408</u>

\$ 64,936	\$ 544,167
1,070	414,014
3,584	44,476
10,206	10,206
3	3
48,780	51,004
14,118	320,133
9,319	67,127
-	411,320
114,898	1,970,354
2,401	882,772
270	170,793
170	1,022
<u>269,755</u>	<u>4,887,391</u>

-	1,064,665
-	20,873
6,703	112,854
8,362	43,438
94,429	94,429
22,532	27,117
538	538
-	973,461
769,463	2,882,125
(16,073)	(16,073)
29,590	29,590
<u>915,544</u>	<u>5,233,017</u>
<u>\$ 1,185,299</u>	<u>\$ 10,120,408</u>

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

June 30, 2006

(Dollars in Thousands)

Total fund balances - governmental funds (see Balance Sheet - Governmental Funds) \$ 5,233,017

When capital assets (land, buildings, equipment, improvements, construction in progress, and/or infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those capital assets among the assets of the Primary Government as a whole. 16,041,319

Long-term liabilities applicable to the Primary Government'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	(702,256)
Capital Lease	(126,098)
Installment Purchases	(41,972)
Compensated Absences	(320,179)
Uninsured Employer's Fund	(18,112)
Regional Jails	(13,375)
Bonds	(3,948,415)
Notes	(28,578)
Accrued Interest Payable	(59,669)
Other Obligations	(123,752)

Internal service funds are used by the Primary Government 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. (91,118)

Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds. (41,175)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 338,997

Net assets of governmental activities (see Government-wide Statement of Net Assets) \$ 16,098,634

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



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

For the Fiscal Year Ended June 30, 2006

(Dollars in Thousands)

	General	Special Revenue		
		Commonwealth Transportation	Federal Trust	Literary
Revenues				
Taxes	\$ 14,952,455	\$ 2,018,318	\$ -	\$ -
Rights and Privileges	65,107	501,736	40	217
Institutional Revenue	8,235	-	-	-
Interest, Dividends, Rents, and Other Investment Income (Note 1)	117,029	75,837	2,667	25,697
Federal Grants and Contracts	-	523,732	5,428,334	-
Other (Note 23)	280,796	170,523	97,976	146,693
Total Revenues	15,423,622	3,290,146	5,529,017	172,607
Expenditures				
Current:				
General Government	1,562,772	1,691	121,705	1,802
Education	6,755,054	2,176	676,287	203,145
Transportation	36	3,063,939	11,280	-
Resources and Economic Development	275,498	14,180	201,633	-
Individual and Family Services	3,652,821	-	4,465,536	-
Administration of Justice	2,178,536	7,180	45,437	-
Capital Outlay	86,471	12,839	21,902	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	14,511,188	3,102,005	5,543,780	204,947
Revenues Over (Under) Expenditures	912,434	188,141	(14,763)	(32,340)
Other Financing Sources (Uses)				
Transfers In (Note 28)	648,952	211,622	8,840	14,049
Transfers Out (Note 28)	(653,969)	(300,691)	(6,672)	-
Notes Issued	-	96,515	-	-
Insurance Recoveries	171	502	-	-
Capital Leases	1,058	187	-	-
Bonds Issued	-	250,000	-	-
Premium on Debt Issuance	-	18,592	-	-
Refunding Bonds Issued	-	-	-	-
Sale of Capital Assets	1,995	4,766	-	-
Payment to Refunded Bond Escrow Agents	-	-	-	-
Total Other Financing Sources (Uses)	(1,793)	281,493	2,168	14,049
Net Change in Fund Balances	910,641	469,634	(12,595)	(18,291)
Fund Balance, July 1, as restated (Note 2)	1,224,846	1,361,744	62,282	319,212
Fund Balance, June 30	\$ 2,135,487	\$ 1,831,378	\$ 49,687	\$ 300,921

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 72,483	\$ 17,043,256
248,713	815,813
334,490	342,725
34,678	255,908
6,344	5,958,410
352,300	1,048,288
<u>1,049,008</u>	<u>25,464,400</u>
99,054	1,787,024
24,679	7,661,341
16,586	3,091,841
296,274	787,585
508,136	8,626,493
65,092	2,296,245
467,031	588,243
279,908	279,908
179,035	179,035
<u>1,935,795</u>	<u>25,297,715</u>
<u>(886,787)</u>	<u>166,685</u>
707,230	1,590,693
(52,816)	(1,014,148)
31,994	128,509
3,377	4,050
-	1,245
333,945	583,945
26,088	44,680
204,935	204,935
-	6,761
<u>(214,312)</u>	<u>(214,312)</u>
<u>1,040,441</u>	<u>1,336,358</u>
153,654	1,503,043
761,890	3,729,974
<u>\$ 915,544</u>	<u>\$ 5,233,017</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, 2006
(Dollars in Thousands)

Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds) **\$ 1,503,043**

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. 977,336

Bond proceeds provide current financial resources to governmental funds by issuing debt, which increases long-term bonded debt in the Statement of Net Assets. 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.

Debt Issuance	(680,460)
Capital Lease Proceeds	(1,245)
Bond Premiums	(44,680)
Refunding Bonds Issued	(204,935)
Repayment of Bond Principal	279,908
Payment to Refunded Bond Escrow Agent	214,313
Installment Purchase Proceeds	(31,994)

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	(87,318)
Capital Lease	2,480
Installment Purchases	4,361
Compensated Absences	(17,708)
Uninsured Employer's Fund	649
Regional Jails	6,912
Bonds	(2,071)
Interest	(8,141)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (46,756)

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. (3,842)

Some expenses are eliminated from the Statement of Activities due to the availability of long-term financial resources. (21,539)

The net revenue (expenses) of certain activities of internal service funds is reported within governmental activities. 35,097

Change in net assets of governmental activities (See Government-wide Statement of Activities) **\$ 1,873,410**

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