

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, 2007
(Dollars in Thousands)

| | General Fund | | | Final/Actual Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| Taxes: | | | | |
| Individual and Fiduciary Income | \$ 9,650,300 | \$ 9,968,800 | \$ 9,787,592 | \$ (181,208) |
| Sales and Use | 3,376,300 | 3,319,100 | 3,274,286 | (44,814) |
| Corporation Income | 787,600 | 901,400 | 879,575 | (21,825) |
| Motor Fuel | - | - | - | - |
| Motor Vehicle Sales and Use | - | - | - | - |
| Deeds, Contracts, Wills, and Suits | 588,000 | 554,400 | 582,946 | 28,546 |
| Premiums of Insurance Companies | 416,400 | 384,600 | 384,894 | 294 |
| Alcoholic Beverage Sales | 154,900 | 158,400 | 161,845 | 3,445 |
| Tobacco Products | 194,100 | 187,000 | 186,920 | (80) |
| Estate | 145,000 | 160,400 | 152,864 | (7,536) |
| Public Service Corporations | 92,800 | 92,500 | 87,961 | (4,539) |
| Other Taxes | 17,000 | 26,500 | 19,229 | (7,271) |
| Rights and Privileges | 63,700 | 64,800 | 68,407 | 3,607 |
| Sales of Property and Commodities | 100 | 100 | - | (100) |
| Assessments and Receipts for Support of Special Services | 400 | 400 | 224 | (176) |
| Institutional Revenue | 9,200 | 8,800 | 7,169 | (1,631) |
| Interest, Dividends, and Rents | 200,568 | 248,472 | 229,007 | (19,465) |
| Fines, Forfeitures, Court Fees, Penalties, and Escheats | 198,400 | 172,100 | 193,280 | 21,180 |
| Federal Grants and Contracts | - | - | - | - |
| Receipts from Cities, Counties, and Towns | 9,500 | 10,200 | 10,281 | 81 |
| Private Donations, Gifts and Contracts | - | - | 16 | 16 |
| Tobacco Master Settlement | 71,082 | 45,439 | 50,087 | 4,648 |
| Other | 59,023 | 65,773 | 60,894 | (4,879) |
| Total Revenues | 16,034,373 | 16,369,184 | 16,137,477 | (231,707) |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 1,844,411 | 1,801,933 | 1,750,274 | 51,659 |
| Education | 7,734,667 | 7,658,804 | 7,592,975 | 65,829 |
| Transportation | 339,044 | 500,044 | 44 | 500,000 |
| Resources and Economic Development | 291,640 | 335,845 | 308,657 | 27,188 |
| Individual and Family Services | 3,983,324 | 4,010,002 | 3,919,109 | 90,893 |
| Administration of Justice | 2,213,653 | 2,239,237 | 2,220,203 | 19,034 |
| Capital Outlay | 68,171 | 430,654 | 175,713 | 254,941 |
| Total Expenditures | 16,474,910 | 16,976,519 | 15,966,975 | 1,009,544 |
| Revenues Over (Under) Expenditures | (440,537) | (607,335) | 170,502 | 777,837 |
| Other Financing Sources (Uses): | | | | |
| Transfers: | | | | |
| Transfers In | 593,484 | 571,217 | 611,041 | 39,824 |
| Transfers Out | (707,245) | (708,579) | (716,463) | (7,884) |
| Total Other Financing Sources (Uses) | (113,761) | (137,362) | (105,422) | 31,940 |
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | (554,298) | (744,697) | 65,080 | 809,777 |
| Fund Balance, July 1 | 2,890,021 | 2,890,021 | 2,890,021 | - |
| Fund Balance, June 30 | \$ 2,335,723 | \$ 2,145,324 | \$ 2,955,101 | \$ 809,777 |

See notes on page 159 in this section.

Special Revenue Funds

Commonwealth Transportation Fund

| Original Budget | Final Budget | Actual | Final/Actual Variance Positive (Negative) |
|----------------------------|-------------------------|---------------------|--|
| \$ - | \$ - | \$ - | \$ - |
| 500,269 | 487,335 | 495,669 | 8,334 |
| - | - | - | - |
| 902,923 | 887,892 | 884,808 | (3,084) |
| 615,377 | 578,865 | 588,480 | 9,615 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 35,115 | 58,191 | 38,853 | (19,338) |
| 507,096 | 415,149 | 491,222 | 76,073 |
| 556 | 556 | 9,286 | 8,730 |
| 17,575 | 19,560 | 18,902 | (658) |
| - | - | - | - |
| 16,551 | 26,318 | 115,884 | 89,566 |
| 21,608 | 10,991 | 10,210 | (781) |
| 1,349,189 | 1,475,173 | 635,578 | (839,595) |
| 88,353 | 135,985 | 53,333 | (82,652) |
| - | - | - | - |
| - | - | - | - |
| 103,564 | 1,197 | 38,913 | 37,716 |
| 4,158,176 | 4,097,212 | 3,381,138 | (716,074) |
| 2,301 | 2,301 | 2,194 | 107 |
| 2,400 | 2,400 | 2,381 | 19 |
| 4,095,300 | 4,316,685 | 3,101,713 | 1,214,972 |
| 18,548 | 18,383 | 15,783 | 2,600 |
| - | - | - | - |
| 7,737 | 7,958 | 7,898 | 60 |
| 51,618 | 72,500 | 15,996 | 56,504 |
| 4,177,904 | 4,420,227 | 3,145,965 | 1,274,262 |
| (19,728) | (323,015) | 235,173 | 558,188 |
| 171,200 | 171,316 | 181,813 | 10,497 |
| (316,946) | (321,257) | (301,570) | 19,687 |
| (145,746) | (149,941) | (119,757) | 30,184 |
| (165,474) | (472,956) | 115,416 | 588,372 |
| 1,760,960 | 1,760,960 | 1,760,960 | - |
| \$ 1,595,486 | \$ 1,288,004 | \$ 1,876,376 | \$ 588,372 |

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, 2007
(Dollars in Thousands)

| | Special Revenue Funds | | | |
|--|-----------------------|------------------|------------------|--|
| | Federal Trust | | | Final/Actual Variance Positive (Negative) |
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| Taxes: | | | | |
| Individual and Fiduciary Income | \$ - | \$ - | \$ - | \$ - |
| Sales and Use | - | - | - | - |
| Corporation Income | - | - | - | - |
| Motor Fuel | - | - | - | - |
| Motor Vehicle Sales and Use | - | - | - | - |
| Deeds, Contracts, Wills, and Suits | - | - | - | - |
| Premiums of Insurance Companies | - | - | - | - |
| Alcoholic Beverage Sales | - | - | - | - |
| Tobacco Products | - | - | - | - |
| Estate | - | - | - | - |
| Public Service Corporations | - | - | - | - |
| Other Taxes | - | - | - | - |
| Rights and Privileges | 43 | 39 | 18 | (21) |
| Sales of Property and Commodities | 150 | 366 | 485 | 119 |
| Assessments and Receipts for Support of Special Services | - | - | 8 | 8 |
| Institutional Revenue | - | - | - | - |
| Interest, Dividends, and Rents | 250 | 355 | 3,859 | 3,504 |
| Fines, Forfeitures, Court Fees, Penalties, and Escheats | 151 | 43 | 146 | 103 |
| Federal Grants and Contracts | 5,168,454 | 5,403,722 | 5,520,567 | 116,845 |
| Receipts from Cities, Counties, and Towns | - | - | - | - |
| Private Donations, Gifts and Contracts | - | - | - | - |
| Tobacco Master Settlement | - | - | - | - |
| Other | 22,526 | 27,862 | 72,805 | 44,943 |
| Total Revenues | 5,191,574 | 5,432,387 | 5,597,888 | 165,501 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 101,584 | 146,602 | 117,792 | 28,810 |
| Education | 802,936 | 905,117 | 874,608 | 30,509 |
| Transportation | 34,241 | 23,205 | 8,801 | 14,404 |
| Resources and Economic Development | 152,781 | 170,331 | 140,375 | 29,956 |
| Individual and Family Services | 4,026,329 | 4,095,788 | 4,403,382 | (307,594) |
| Administration of Justice | 56,005 | 64,394 | 41,664 | 22,730 |
| Capital Outlay | 17,655 | 26,907 | 12,078 | 14,829 |
| Total Expenditures | 5,191,531 | 5,432,344 | 5,598,700 | (166,356) |
| Revenues Over (Under) Expenditures | 43 | 43 | (812) | (855) |
| Other Financing Sources (Uses): | | | | |
| Transfers: | | | | |
| Transfers In | - | - | 10,870 | 10,870 |
| Transfers Out | (43) | (43) | (10,058) | (10,015) |
| Total Other Financing Sources (Uses) | (43) | (43) | 812 | 855 |
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | - | - | - | - |
| Fund Balance, July 1 | - | - | - | - |
| Fund Balance, June 30 | \$ - | \$ - | \$ - | \$ - |

See notes on page 159 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 (1)

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, 2007, to the fund balance on a modified accrual basis follows.

| | General Fund | Commonwealth Transportation Fund | Federal Trust Fund |
|--|---------------------|--|-----------------------|
| Fund Balance, Basis of Budgeting | \$ 2,955,101 | \$ 1,876,376 | \$ - |
| Adjustments from Budget to Modified Accrual, Undesignated: | | | |
| Accrued Revenues: | | | |
| Taxes | 585,325 | 143,245 | - |
| Tax Refunds | (306,942) | - | - |
| Other Revenue/Other Sources | 19,516 | 95,488 | 406,382 |
| Deferred Taxes (2) | (243,302) | - | - |
| Medicaid Payable | (190,914) | - | (194,274) |
| Accrued Expenditures/Other Uses | (835,095) | (162,277) | (156,514) |
| Fund Balance, Modified Accrual Basis | <u>\$ 1,983,689</u> | <u>\$ 1,952,832</u> | <u>\$ 55,594</u> |

1. As discussed in Note 1.E., the Literary Fund has no approved budget.
2. See also Note 1.Q.

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, 2007, except the Literary Fund which has no approved budget.

| (Dollars in Thousands) | General Fund (10) | Commonwealth Transportation Fund | Federal Trust Fund (11) |
|---|----------------------|--|-------------------------------|
| Appropriations (1) | \$ 16,474,910 | \$ 4,177,904 | \$ 5,191,531 |
| Supplemental Appropriations: | | | |
| Reappropriations (2) | 210,103 | 51,618 | 24,567 |
| Subsequent Executive (3) | 64,843 | 324,166 | 244,304 |
| Subsequent Legislative (4) | 350,658 | (139,820) | 7,412 |
| Capital Outlay and Operating Reversions (5) | (245) | - | (315) |
| Deficit (6) | 9,634 | - | - |
| Transfers (7) | (257,185) | 33,671 | (16,301) |
| Capital Outlay Adjustment (8) | 123,801 | (29,021) | (18,854) |
| Debt Service Adjustment (9) | - | 1,709 | - |
| Appropriations, as adjusted | <u>\$ 16,976,519</u> | <u>\$ 4,420,227</u> | <u>\$ 5,432,344</u> |

1. Represents the budget appropriated through Chapter 3, 2006 Acts of Assembly, as amended by Chapter 847, 2007 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 and operating balances.
6. Represents additional appropriations authorized by the Governor to prevent agencies from incurring deficits. This deficit appropriation relates to the purchase of antiviral medications as part of a new federal Health and Human Services Pandemic Influenza Preparedness Plan.
7. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately \$1.6 billion (General Fund) and \$1.1 million (Commonwealth Transportation Fund) for transfers to component units and fiduciary funds that have been reclassified as expenditures in accordance with GASB Statement No. 34.
8. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.
9. The Special Revenue Commonwealth Transportation Fund appropriations have been adjusted for debt service.
10. Prior year reversions of \$155.1 million are included in the accounting system for monitoring, but do not represent current year appropriations and are not in this schedule.
11. Appropriations do not include food stamp issuances of \$544 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)

| 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) ** | | | | | | |
| 2006 | \$ 42,669 | \$ 52,822 | \$ 10,153 | 80.8% | \$ 13,002 | 78.1% |
| 2005 | 40,372 | 49,628 | 9,256 | 81.3% | 12,212 | 75.8% |
| 2004 | 39,691 | 43,958 | 4,267 | 90.3% | 11,510 | 37.1% |
| 2003 | 39,243 | 40,698 | 1,455 | 96.4% | 10,885 | 13.4% |
| 2002 | 38,957 | 38,265 | (692) | 101.8% | 10,669 | (6.5%) |
| 2001 | 37,968 | 35,384 | (2,584) | 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% |
| State Police Officers' Retirement System (SPORS) | | | | | | |
| 2006 | \$ 539 | \$ 730 | \$ 191 | 73.8% | \$ 94 | 203.2% |
| 2005 | 514 | 673 | 159 | 76.4% | 91 | 174.7% |
| 2004 | 511 | 656 | 145 | 77.9% | 82 | 176.8% |
| 2003 | 509 | 616 | 107 | 82.6% | 79 | 135.4% |
| 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% |
| Virginia Law Officers' Retirement System (VaLORS) | | | | | | |
| 2006 | \$ 656 | \$ 1,096 | \$ 440 | 59.9% | \$ 321 | 137.1% |
| 2005 | 575 | 980 | 405 | 58.7% | 307 | 131.9% |
| 2004 | 509 | 927 | 418 | 54.9% | 298 | 140.3% |
| 2003 | 458 | 854 | 396 | 53.6% | 292 | 135.6% |
| 2002 | 418 | 806 | 388 | 51.9% | 306 | 126.8% |
| 2001 | 393 | 628 | 235 | 62.6% | 320 | 73.4% |
| *** 2000 | 307 | 680 | 373 | 45.1% | 315 | 118.4% |
| Judicial Retirement System (JRS) | | | | | | |
| 2006 | \$ 302 | \$ 424 | \$ 122 | 71.2% | \$ 54 | 225.9% |
| 2005 | 288 | 402 | 114 | 71.6% | 52 | 219.2% |
| 2004 | 285 | 366 | 81 | 77.9% | 48 | 168.8% |
| 2003 | 282 | 348 | 66 | 81.0% | 48 | 137.5% |
| 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% |

* 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, 2006 |
| | Actuarial Cost Method: | Entry Age Normal |
| | Amortization Method: | |
| | State Employees | Level percent, closed |
| | Teachers | Level percent, closed |
| | Political Subdivision Employees | Level percent, closed |
| | State Police / VA Law Officers / Judges | Level percent, closed |
| | Payroll Growth Rate: | |
| | State Employees | 3.00% |
| | Teachers | 3.00% |
| | Political Subdivision Employees | 2.50% |
| | State Police / VA Law Officers / Judges | 3.00% |
| | Remaining Amortization Period: | |
| | State Employees | 20 years |
| | Teachers | 20 years |
| | Political Subdivision Employees | 20 years |
| | State Police / VA Law Officers / Judges | 20 years |
| | Asset Valuation Method: | 5 year Smoothed Market |
| | Actuarial Assumptions: | |
| | Investment Rate of Return (1) | 7.50% |
| | Projected Salary Increases (1) | |
| | State Employees | 3.75% to 5.60% |
| | Teachers | 3.75% to 6.20% |
| | Political Subdivision Employees (Non-Hazardous Duty Employees) | 3.75% to 5.60% |
| | Political Subdivision Employees (Hazardous Duty Employees) | 3.50% to 4.75% |
| | State Police / VA Law Officers / Judges | 3.50% to 4.75% |
| | Cost of Living Adjustments | 2.50% |

(1) Includes inflation at 2.50%.

Funding Progress for Other Post-Employment Benefit Plans

(Dollars in Thousands)

| Actuarial Valuation Date June 30 | Actuarial Value of Assets [a] | Actuarial Accrued Liability (AAL) [b] | Unfunded AAL (UAAL) [b-a] | Funded Ratio [a/b] | Covered Payroll [c] | UAAL as a Percentage of Covered Payroll [b-a]/[c] |
|---|--|--|--|-----------------------------------|--------------------------------|--|
| <i>Group Life Insurance Fund</i> | | | | | | |
| * 2006 | \$ 751,361 | \$ 1,435,740 | \$ 684,379 | 52.3% | \$ 13,922,762 | 4.9% |
| <i>Retiree Health Insurance Credit Fund</i> | | | | | | |
| * 2006 | \$ 175,223 | \$ 1,315,961 | \$ 1,140,738 | 13.3% | \$ 9,964,627 | 11.4% |
| <i>Disability Insurance Trust Fund</i> | | | | | | |
| * 2006 | \$ 191,872 | \$ 422,886 | \$ 231,014 | 45.4% | \$ 3,715,897 | 6.2% |

* 2006 was the first actuarial valuation prepared using the required parameters of GASB Statement No. 43. There is no Schedule of Employer Contributions included in this report since the first contributions paid based on the valuation using the GASB Statement No. 43 parameters did not occur until fiscal year 2008. These results will be included in the fiscal year 2008 CAFR and Schedule of Employer Contributions.

See Notes on following page.

Notes:

| | <u>Group Life Insurance Fund</u> | <u>Retiree Health Insurance Credit Fund</u> | <u>Disability Insurance Trust Fund</u> |
|--|--------------------------------------|---|--|
| Valuation Date | June 30, 2006 | June 30, 2006 | June 30, 2006 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal | Projected Unit Credit |
| Amortization Method | Level Percent, Open | Level Percent, Open | Level Percent, Open |
| Payroll Growth Rate: | | | |
| State Employees | 3.00% | 3.00% | 3.00% |
| Teachers | 3.00% | 3.00% | 3.00% |
| Political Subdivision Employees | 2.50% | 2.50% | 2.50% |
| State Police / VA Law Officers / Judges | 3.00% | 3.00% | 3.00% |
| Remaining Amortization Period | 30 years | 30 years | 30 years |
| Asset Valuation Method | 5-Year, Smoothed Market | 5-Year, Smoothed Market | Market Value |
| Actuarial Assumptions: | | | |
| Investment Rate of Return (1) | 7.50% | 7.50% | 7.50% |
| Projected Salary Increases (1) | | | |
| State Employees | 3.75% to 5.60% | N/A | 3.75% to 5.60% |
| Teachers | 3.75% to 6.20% | N/A | 3.75% to 6.20% |
| Political Subdivision Employees (Non-Hazardous Duty) | 3.75% to 5.60% | N/A | 3.75% to 5.60% |
| Political Subdivision Employees (Hazardous Duty Employees) | 3.50% to 4.75% | N/A | 3.50% to 4.75% |
| State Police / VA Law Officers / Judges | 3.50% to 4.75% | N/A | 3.50% to 4.75% |
| Judges | 3.50% | N/A | 3.50% |

(1) Includes inflation at 2.50%.

Claims Development Information – Risk Management

(Dollars in Thousands)

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

| Fiscal and Policy Year Ended | 1998 | 1999 | 2000 | 2001 |
|---|----------|----------|----------|----------|
| 1. Required contribution and investment revenue: | | | | |
| Earned | \$ 7,537 | \$ 6,780 | \$ 6,478 | \$ 5,814 |
| Ceded (a) | - | - | - | - |
| Net earned | 7,537 | 6,780 | 6,478 | 5,814 |
| 2. Unallocated expenses | 464 | 703 | 1,223 | 1,863 |
| 3. Estimated incurred claims and expenses, end of policy year: | | | | |
| Incurred | 2,760 | 2,719 | 2,263 | 2,688 |
| Ceded (a) | - | - | - | - |
| Net incurred | 2,760 | 2,719 | 2,263 | 2,688 |
| 4. Net paid (cumulative) as of: | | | | |
| End of policy year | 434 | 439 | 196 | 336 |
| One year later | 2,651 | 2,100 | 2,688 | 1,628 |
| Two years later | 3,261 | 2,938 | 3,322 | 2,388 |
| Three years later | 3,894 | 4,555 | 3,369 | 2,490 |
| Four years later | 4,183 | 4,873 | 3,447 | 2,530 |
| Five years later | 4,272 | 4,931 | 4,042 | 2,616 |
| Six years later | 4,314 | 5,144 | 4,062 | 2,616 |
| Seven years later | 4,327 | 5,144 | 4,069 | |
| Eight years later | 4,332 | 5,175 | | |
| Nine years later | 4,473 | | | |
| 5. Reestimated ceded claims and expenses (a) | - | - | - | - |
| 6. Reestimated incurred claims and expenses: | | | | |
| End of policy year | 2,760 | 2,719 | 2,263 | 2,688 |
| One year later | 4,080 | 5,509 | 4,801 | 3,752 |
| Two years later | 3,934 | 5,997 | 4,467 | 3,318 |
| Three years later | 4,565 | 5,769 | 3,589 | 3,270 |
| Four years later | 4,353 | 5,146 | 3,575 | 3,186 |
| Five years later | 4,378 | 5,955 | 4,211 | 3,171 |
| Six years later | 4,419 | 6,017 | 4,236 | 3,171 |
| Seven years later | 4,383 | 6,017 | 4,212 | |
| Eight years later | 4,484 | 5,265 | | |
| Nine years later | 5,494 | | | |
| 7. Increase (decrease) in estimated net incurred claims and expense from end of policy year | 2,734 | 2,546 | 1,949 | 483 |

The Commonwealth provides errors and omissions liability insurance and law enforcement professional liability 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.

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----|-------|----------|----------|----------|----------|----------|
| \$ | 5,324 | \$ 5,740 | \$ 5,729 | \$ 5,788 | \$ 6,166 | \$ 6,560 |
| | - | - | - | - | - | - |
| | 5,324 | 5,740 | 5,729 | 5,788 | 6,166 | 6,560 |
| | 924 | 918 | 1,209 | 1,068 | 1,008 | 1,047 |
| | 4,110 | 3,488 | 2,861 | 2,790 | 1,539 | 2,060 |
| | - | - | - | - | - | - |
| | 4,110 | 3,488 | 2,861 | 2,790 | 1,539 | 2,060 |
| | 550 | 380 | 161 | 227 | 177 | 106 |
| | 1,979 | 1,894 | 1,072 | 1,699 | 745 | |
| | 2,291 | 2,181 | 1,420 | 2,079 | | |
| | 2,556 | 2,375 | 1,539 | | | |
| | 2,864 | 2,435 | | | | |
| | 2,900 | | | | | |
| | - | - | - | - | - | - |
| | 4,110 | 3,488 | 2,861 | 2,790 | 1,539 | 2,060 |
| | 4,458 | 3,237 | 3,302 | 3,563 | 2,168 | |
| | 4,196 | 2,910 | 2,306 | 3,418 | | |
| | 3,734 | 2,619 | 1,700 | | | |
| | 3,299 | 2,447 | | | | |
| | 3,566 | | | | | |
| | (544) | (1,041) | (1,161) | 628 | 629 | - |

Claims Development Information – Health Care

(Dollars in Thousands)

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

| Fiscal and Policy Year Ended | 1998 | 1999 | 2000 | 2001 |
|---|-----------|-----------|-----------|-----------|
| 1. Required contribution and investment revenue: | | | | |
| Earned | \$ 54,089 | \$ 64,419 | \$ 75,569 | \$ 88,313 |
| Ceded (a) | - | - | - | - |
| Net earned | 54,089 | 64,419 | 75,569 | 88,313 |
| 2. Unallocated expenses | 5,286 | 6,632 | 6,997 | 7,203 |
| 3. Estimated incurred claims and expenses, end of policy year: | | | | |
| Incurred | 60,657 | 70,719 | 76,816 | 87,222 |
| Ceded (a) | - | - | - | - |
| Net incurred | 60,657 | 70,719 | 76,816 | 87,222 |
| 4. Net paid (cumulative) as of: | | | | |
| End of policy year | 53,219 | 62,219 | 68,336 | 74,579 |
| One year later | - | - | - | - |
| 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 | 60,657 | 70,719 | 74,417 | 87,222 |
| One year later | 60,657 | 70,719 | 74,417 | 87,222 |
| 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 | - | - | (2,399) | - |

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.

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----|---------|------------|------------|------------|------------|------------|
| \$ | 100,836 | \$ 118,825 | \$ 137,582 | \$ 157,959 | \$ 184,360 | \$ 202,366 |
| | - | - | - | - | - | - |
| | 100,836 | 118,825 | 137,582 | 157,959 | 184,360 | 202,366 |
| | 6,225 | 6,171 | 6,271 | 10,655 | 11,899 | 13,782 |
| | 95,860 | 104,453 | 124,887 | 144,976 | 152,289 | 163,787 |
| | - | - | - | - | - | - |
| | 95,860 | 104,453 | 124,887 | 144,976 | 152,289 | 163,787 |
| | 80,974 | 99,443 | 99,656 | 140,452 | 147,534 | 159,769 |
| | - | - | - | - | - | - |
| | N/A | N/A | N/A | N/A | | |
| | N/A | N/A | N/A | | | |
| | N/A | N/A | | | | |
| | N/A | | | | | |
| | - | - | - | - | - | - |
| | 95,860 | 104,453 | 124,887 | 144,976 | 152,289 | 163,787 |
| | 95,860 | 104,453 | 124,887 | 144,976 | 152,289 | |
| | 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.