

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, 2005
(Dollars in Thousands)

	General Fund			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes:				
Individual and Fiduciary Income	\$ 7,773,900	\$ 8,002,700	\$ 8,352,366	\$ 349,666
Sales and Use	2,852,300	3,096,100	3,093,725	(2,375)
Corporation Income	407,700	549,000	616,690	67,690
Public Service Corporations	86,300	87,400	88,309	909
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Premiums of Insurance Companies	381,200	381,000	373,571	(7,429)
Other Taxes	758,330	965,300	1,045,283	79,983
Rights and Privileges	52,700	57,300	60,975	3,675
Sales of Property and Commodities	100	11,200	11,778	578
Assessments and Receipts for Support of Special Services	400	400	333	(67)
Institutional Revenue	9,300	8,600	9,198	598
Interest, Dividends, and Rents	80,700	80,182	102,794	22,612
Fines, Forfeitures, Court Fees, Penalties, and Escheats	179,031	178,731	181,116	2,385
Federal Grants and Contracts	-	-	-	-
Receipts from Cities, Counties, and Towns	9,600	9,200	9,446	246
Private Donations, Gifts and Contracts	-	-	1	1
Tobacco Master Settlement	50,476	50,500	52,126	1,626
Other	89,714	110,970	142,978	32,008
Total Revenues	12,731,751	13,588,583	14,140,689	552,106
Expenditures:				
Current:				
General Government	1,668,654	1,533,591	1,484,308	49,283
Education	6,271,294	6,283,117	6,242,886	40,231
Transportation	77,484	44	44	-
Resources and Economic Development	248,770	247,533	234,857	12,676
Individual and Family Services	3,216,392	3,402,280	3,348,455	53,825
Administration of Justice	2,025,209	2,065,812	2,042,773	23,039
Capital Outlay	14,971	63,755	25,368	38,387
Total Expenditures	13,522,774	13,596,132	13,378,691	217,441
Revenues Over (Under) Expenditures	(791,023)	(7,549)	761,998	769,547
Other Financing Sources (Uses):				
Transfers:				
Transfers In	584,077	624,973	636,063	11,090
Transfers Out	(206,419)	(593,733)	(642,289)	(48,556)
Total Other Financing Sources (Uses)	377,658	31,240	(6,226)	(37,466)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(413,365)	23,691	755,772	732,081
Fund Balance, July 1, as restated	1,109,571	1,109,571	1,109,571	-
Fund Balance, June 30	\$ 696,206	\$ 1,133,262	\$ 1,865,343	\$ 732,081

See notes on page 161 in this section.

Special Revenue Funds

Commonwealth Transportation Fund

Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -
417,500	437,600	431,138	(6,462)
-	-	-	-
-	-	-	-
880,500	878,900	881,600	2,700
600,200	620,300	598,753	(21,547)
-	-	-	-
-	-	14,094	14,094
209,600	228,700	468,486	239,786
-	-	3,758	3,758
-	-	18,410	18,410
-	-	-	-
15,400	15,300	35,506	20,206
-	-	10,613	10,613
764,800	764,800	501,020	(263,780)
43,700	43,700	75,653	31,953
-	-	-	-
-	-	-	-
85,600	82,500	40,086	(42,414)
<u>3,017,300</u>	<u>3,071,800</u>	<u>3,079,117</u>	<u>7,317</u>
1,672	1,706	1,705	1
-	2,173	2,233	(60)
3,076,781	4,017,854	3,057,595	960,259
20,728	18,908	13,549	5,359
-	-	-	-
7,221	7,221	6,631	590
52,723	63,615	18,818	44,797
3,159,125	4,111,477	3,100,531	1,010,946
<u>(141,825)</u>	<u>(1,039,677)</u>	<u>(21,414)</u>	<u>1,018,263</u>
-	339,119	388,014	48,895
(153,406)	(381,297)	(273,344)	107,953
<u>(153,406)</u>	<u>(42,178)</u>	<u>114,670</u>	<u>156,848</u>
(295,231)	(1,081,855)	93,256	1,175,111
1,302,964	1,302,964	1,302,964	-
<u>\$ 1,007,733</u>	<u>\$ 221,109</u>	<u>\$ 1,396,220</u>	<u>\$ 1,175,111</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, 2005
(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	-	-	-	-
Public Service Corporations	-	-	-	-
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Premiums of Insurance Companies	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	87	70	37	(33)
Sales of Property and Commodities	294	175	178	3
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	358	374	1,498	1,124
Fines, Forfeitures, Court Fees, Penalties, and Escheats	41	95	151	56
Federal Grants and Contracts	4,445,322	5,011,642	5,065,965	54,323
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	-	-	-	-
Other	75,159	51,928	77,474	25,546
Total Revenues	4,521,261	5,064,284	5,145,303	81,019
Expenditures:				
Current:				
General Government	73,310	156,592	108,014	48,578
Education	430,512	578,445	560,797	17,648
Transportation	19,012	15,892	14,314	1,578
Resources and Economic Development	221,485	245,772	191,581	54,191
Individual and Family Services	3,692,496	3,967,377	4,179,732	(212,355)
Administration of Justice	49,648	65,829	54,213	11,616
Capital Outlay	34,755	34,334	15,861	18,473
Total Expenditures	4,521,218	5,064,241	5,124,512	(60,271)
Revenues Over (Under) Expenditures	43	43	20,791	20,748
Other Financing Sources (Uses):				
Transfers:				
Transfers In	-	-	5,295	5,295
Transfers Out	(43)	(43)	(26,086)	(26,043)
Total Other Financing Sources (Uses)	(43)	(43)	(20,791)	(20,748)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-
Fund Balance, July 1, as restated	-	-	-	-
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

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 (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, 2005, to the fund balance on a modified accrual basis follows.

Fund Balance Comparison
Budgetary Basis to GAAP Basis
June 30, 2005

(Dollars in Thousands)

	General Fund	Commonwealth Transportation Fund	Federal Trust Fund
Fund Balance, Basis of Budgeting	\$ 1,865,343	\$ 1,396,220	\$ -
Adjustments from Budget to Modified Accrual, Undesignated:			
Accrued Revenues:			
Taxes	500,993	91,690	-
Tax Refunds	(213,715)	-	-
Other Revenue/Other Sources	13,297	98,574	370,659
Deferred Taxes (2)	(262,688)	-	-
Medicaid Payable	(186,739)	-	(189,024)
Accrued Expenditures/Other Uses	(487,466)	(224,740)	(119,353)
Fund Balance, Modified Accrual Basis	<u>\$ 1,229,025</u>	<u>\$ 1,361,744</u>	<u>\$ 62,282</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, 2005, except the Literary Fund which has no approved budget.

(Dollars in Thousands)

	General Fund (9)	Commonwealth Transportation Fund (11)	Federal Trust Fund (10)
Appropriations (1)	\$ 13,522,774	\$ 3,266,732	\$ 4,521,218
Supplemental Appropriations:			
Reappropriations (2)	78,146	53,236	45,655
Subsequent Executive (3)	84,122	756,001	407,322
Subsequent Legislative (4)	491,323	35,845	177,376
Capital Outlay and Operating Reversions (5)	(4,118)	(30)	(527)
Deficit (6)	44,667	-	-
Transfers (7)	(551,793)	378,220	(37,541)
Capital Outlay Adjustment (8)	(68,989)	(38,952)	(49,262)
Appropriations, as adjusted	<u>\$ 13,596,132</u>	<u>\$ 4,451,052</u>	<u>\$ 5,064,241</u>

1. Represents the budget appropriated through Chapter 951, 2005 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 an agency from incurring a deficit. The deficit appropriation is primarily attributable to \$36.2 million to address a shortfall in the Title IV-E Foster Care and Adoption Subsidy program at the Department of Social Services and \$6.1 million for the Geographic Information Network Division start-up costs at the Virginia Information Technologies Agency.
7. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately \$1.3 billion (General Fund) for transfers to component units 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. Prior year reversions of \$2,584,895 are included in the accounting system for monitoring, but do not represent current year appropriations and are not in this schedule.
10. Appropriations do not include food stamp issuances of \$484 million since this is a noncash item; however, this amount is included in actual expenditures.
11. The Special Revenue Commonwealth Transportation Fund appropriations as reported in the Budget/Actual statement do not include debt service amounts of \$339.6 million. These amounts are included 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) **						
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	(18.2%)
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)						
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%
1994	201	277	76	72.6%	58	131.0%
Virginia Law Officers' Retirement System (VaLORS)						
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)						
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%
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, 2004
	Actuarial Cost Method:	Entry Age Normal
	Amortization Method:	
	State Employees	Level percent, closed
	Political Subdivision Employees	Level percent, open
	Teachers	Level percent, closed
	State Police / VA Law Officers / Judges	Level percent, closed
	Payroll Growth Rate:	3.00%
	Remaining Amortization Period:	
	State Employees	22 years
	Political Subdivision Employees	0 to 30 years
	Teachers	22 years
	State Police / VA Law Officers / Judges	22 years
	Asset Valuation Method:	5 year Smoothed Market
	Actuarial Assumptions:	
	Investment Rate of Return (1)	8.00%
	Projected Salary Increases (1)	
	State / Political Subdivision Employees	4.25% to 6.30%
	Teachers	4.00% to 7.00%
	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%.

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	1996	1997	1998	1999
1. Required contribution and investment revenue:				
Earned	\$ 6,875	\$ 6,664	\$ 7,537	\$ 6,780
Ceded (a)	-	-	-	-
Net earned	6,875	6,664	7,537	6,780
2. Unallocated expenses	595	453	464	703
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	3,706	2,095	2,760	2,719
Ceded (a)	-	-	-	-
Net incurred	3,706	2,095	2,760	2,719
4. Net paid (cumulative) as of:				
End of policy year	254	286	434	439
One year later	1,995	1,680	2,651	2,100
Two years later	3,312	2,602	3,261	2,938
Three years later	4,385	2,907	3,894	4,555
Four years later	4,605	3,028	4,183	4,873
Five years later	4,684	2,965	4,272	4,931
Six years later	4,559	3,063	4,314	5,144
Seven years later	4,613	3,065	4,327	
Eight years later	4,614	3,089		
Nine years later	4,614			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	3,706	2,095	2,760	2,719
One year later	3,977	3,352	4,080	5,509
Two years later	4,957	3,160	3,934	5,997
Three years later	5,016	3,300	4,565	5,769
Four years later	4,936	3,314	4,353	5,146
Five years later	4,966	3,052	4,378	5,955
Six years later	4,689	3,180	4,419	6,017
Seven years later	4,621	3,180	4,383	
Eight years later	4,622	3,089		
Nine years later	4,614			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	908	994	1,623	3,298

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.

	2000	2001	2002	2003	2004	2005
\$	6,478	\$ 5,814	\$ 5,324	\$ 5,740	\$ 5,729	\$ 5,788
	-	-	-	-	-	-
	6,478	5,814	5,324	5,740	5,729	5,788
	1,223	1,863	924	918	1,209	1,068
	2,263	2,688	4,110	3,488	2,861	2,790
	-	-	-	-	-	-
	2,263	2,688	4,110	3,488	2,861	2,790
	196	336	550	380	161	227
	2,688	1,628	1,979	1,894	1,072	
	3,322	2,388	2,291	2,181		
	3,369	2,490	2,556			
	3,447	2,530				
	4,042					
	-	-	-	-	-	-
	2,263	2,688	4,110	3,488	2,861	2,790
	4,801	3,752	4,458	3,237	3,302	
	4,467	3,318	4,196	2,910		
	3,589	3,270	3,734			
	3,575	3,186				
	4,211					
	1,948	498	(376)	(578)	441	-

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	1996	1997	1998	1999
1. Required contribution and investment revenue:				
Earned	\$ 38,321	\$ 48,493	\$ 54,089	\$ 64,419
Ceded (a)	-	-	-	-
Net earned	38,321	48,493	54,089	64,419
2. Unallocated expenses	3,305	4,445	5,286	6,632
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	41,232	46,895	60,657	70,719
Ceded (a)	-	-	-	-
Net incurred	41,232	46,895	60,657	70,719
4. Net paid (cumulative) as of:				
End of policy year	39,276	40,631	53,219	62,219
One year later	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	41,232	46,895	60,657	70,719
One year later	41,232	46,895	60,657	70,719
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.

	2000	2001	2002	2003	2004	2005
\$	75,569	\$ 88,313	\$ 100,836	\$ 118,825	\$ 137,582	\$ 157,959
	-	-	-	-	-	-
	75,569	88,313	100,836	118,825	137,582	157,959
	6,997	7,203	6,225	6,171	6,271	10,655
	76,816	87,222	95,860	104,453	124,887	144,976
	-	-	-	-	-	-
	76,816	87,222	95,860	104,453	124,887	144,976
	68,336	74,579	80,974	99,443	99,656	140,452
	-	-	-	-	-	-
	N/A	N/A	N/A	N/A		
	N/A	N/A	N/A			
	N/A	N/A				
	N/A					
	-	-	-	-	-	-
	74,417	87,222	95,860	104,453	124,887	144,976
	74,417	87,222	95,860	104,453	124,887	144,976
	N/A	N/A	N/A	N/A	N/A	
	N/A	N/A	N/A	N/A		
	N/A	N/A				
	N/A					
	(2,399)	-	-	-	-	-

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.