
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances**Due To/From Fiduciary Funds**

The General Fund balance of \$36.16 million due to fiduciary funds is composed of \$10.45 million related to local sales taxes collected in the general fund and due to the agency fund, as well as \$25.71 million related to retirement contributions payable to retirement systems at year end. The other balances due to fiduciary funds are related to balances held on behalf of patients at the State's mental health facilities.

The Teachers' and State Employees' Retirement System balance of \$2.52 million due from fiduciary funds represents administrative costs paid by the Teachers' System that are allocable to some of the State's other retirement systems at fiscal year end. These systems reflect their unpaid balances as due to fiduciary funds. The other balances due from fiduciary funds are primarily for services provided to pension and other employee benefit trust funds. Amounts payable to or receivable from fiduciary funds are considered interfund balances in the fund financial statements, but are not reported as internal balances in the government-wide statement of net assets.

Due To/From Other Funds

Balances due to/from other funds at June 30, 2005, consisted of the following (dollars in thousands):

	Due From Other Funds							Total
	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Unemployment Compensation Fund	Nonmajor Enterprise Funds	Internal Service Funds	
Due To Other Funds								
General Fund.....	\$ —	\$ 3,438	\$ —	\$ 4,380	\$ —	\$ 1	\$ 11,084	\$ 18,903
Highway Fund.....	—	—	264	3,161	—	—	1,914	5,339
Highway Trust Fund.....	—	82,113	—	—	—	—	—	82,113
Other Governmental Funds.....	72	—	—	2,068	122	—	919	3,181
EPA Revolving Loan Fund.....	—	—	—	—	—	—	9	9
Nonmajor Enterprise Funds.....	—	—	—	4	—	—	31	35
Internal Service Funds.....	2	—	—	5	—	—	1,563	1,570
Total.....	\$ 74	\$ 85,551	\$ 264	\$ 9,618	\$ 122	\$ 1	\$ 15,520	\$ 111,150

These balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Amounts reported in the funds as interfund receivables and payables were eliminated in the governmental and business-type activities columns of the government-wide statement of net assets, except for the net residual amounts due between governmental and business-type activities, which were presented as internal balances.

Advances To/From Other Funds

The balance of \$800 thousand advanced to the Highway Fund from the Highway Trust Fund resulted from a loan made to the Division of Motor Vehicles to provide funds to pay the charges for telecommunications services associated with the emissions inspection and maintenance program that accrued during the 2001 calendar year. This advance will be repaid with interest at a rate equal to the average annual yield that the State Treasurer obtains on investment of funds in the Highway Trust Fund.

NOTES TO THE FINANCIAL STATEMENTS**B. Interfund Transfers**

Transfers in/out of other funds for the fiscal year ended June 30, 2005 consisted of the following (dollars in thousands):

	Transfers Out								Total
	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Unemployment Compensation Fund	EPA Revolving Loan Fund	Other Enterprise Funds	Internal Service Funds	
Transfers In									
General Fund.....	\$ —	\$ 65,570	\$ 389,296	\$ 302,504	\$ 400	\$ 150	\$ 862	\$ 60	\$ 738,842
Highway Fund.....	30,906	—	191,254	—	—	—	—	—	222,160
Other Governmental Funds.....	438,484	160,019	—	185,141	—	3	3,966	5,833	783,446
EPA Revolving Loan Fund.....	57	—	—	13,542	—	—	—	—	13,599
Other Enterprise Funds.....	880	—	—	2,522	—	—	—	—	3,402
Internal Service Funds.....	106	—	—	520	—	—	—	3	629
Total.....	\$ 470,433	\$ 225,589	\$ 560,550	\$ 504,229	\$ 400	\$ 153	\$ 4,828	\$ 5,896	\$ 1,772,078

Transfers are primarily used to (1) transfer revenues and bond proceeds from the fund required by State statute or budget to collect the revenue to the fund required by State statute or budget to expend them, (2) provide unrestricted revenues collected in the general fund to finance operating and capital programs accounted for in other funds in accordance with budgetary authorizations, and (3) reflect reversions of State funds from other funds to the General Fund in accordance with Office of State Budget and Management requirements.

The Highway Trust Fund was created in 1989 to accumulate certain taxes and fees related to highway and vehicle use. Each year legislation mandates that a portion of these revenues be transferred to the Highway Fund for transportation programs and administration of the Highway Trust Fund. The total transfer for this fiscal year was \$191.3 million.

Also when the Highway Trust Fund was created, the revenue from the sales tax on motor vehicles was transferred from the General Fund to the Highway Trust Fund. To offset a portion of this revenue loss in the General Fund, the Highway Trust Fund is required to transfer funds to the General Fund each year. The total transfer for this fiscal year was \$243.8 million. In addition, the General Assembly enacted legislation in Senate Bill 622 [Session Law 2005-276] to forgive the advance of \$125 million from the Highway Trust Fund to the General Fund made during the 2002-03 fiscal year. This was recorded as a transfer from the Highway Trust Fund to the General Fund.

In order to meet the constitutional requirement for a balanced budget for the General Fund, the General Assembly identified resources to meet spending requirements in the past three legislative sessions with Senate Bill 1115 [Session Law 2002-126], House Bill 397 [Session Law 2003-284] and House Bill 1414 [Session Law 2004-124]. Among these resources were transfers from various funds to the General Fund including \$88.4 million from other governmental funds.