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# COMMONWEALTH OF VIRGINIA

## GENERAL FUND PRELIMINARY (UNAUDITED) ANNUAL REPORT

For the Fiscal Year Ended June 30, 2009

Presented on a Budgetary (Cash) Basis



David A. Von Moll  
Comptroller  
August 14, 2009

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# COMMONWEALTH of VIRGINIA

DAVID A. VON MOLL, CPA  
COMPTROLLER

Office of the Comptroller

P. O. BOX 1971  
RICHMOND, VIRGINIA 23218-1971

August 14, 2009

The Honorable Timothy M. Kaine  
Governor  
Commonwealth of Virginia  
State Capitol  
Richmond, Virginia 23219

Dear Governor Kaine:

In compliance with the provisions of Section 2.2-813 of the *Code of Virginia*, I hereby submit my preliminary annual report on the financial condition of the General Fund of the Commonwealth for the fiscal year ended June 30, 2009.

The Commonwealth ended fiscal year 2009 with a total fund balance in the General Fund of \$823 million measured on the cash basis of activity. This is a decrease of \$1.4 billion, or 63 percent, from last year's ending fund balance of \$2.22 billion. Planned (budgeted) decreases in General Fund balance for this year were \$1.53 billion. The difference between the planned and actual decrease is primarily attributed to expenditures being approximately \$388 million less than budgeted and revenue collections being approximately \$257 million less than expected. The first graph on page 9 shows a comparison of the General Fund balance for the last five years.

## **Revenue Stabilization Fund**

The Revenue Stabilization Fund is routinely segregated from the General Fund, but Virginia law directs that the Revenue Stabilization Fund be included as a component of the General Fund for financial reporting purposes. Therefore, it is included here both as a cash asset and as a reserved component of fund balance. The Revenue Stabilization Fund can be used only for constitutionally authorized purposes.

The Revenue Stabilization Fund has principal and interest on deposit of \$575 million reserved as a part of the General Fund balance. A deposit of \$21.3 million was made during FY 2009 as required by Section 2.2-1829 of the *Code of Virginia*. During FY 2009, in accordance with the provisions of Article X, Section 8 of the *Constitution of Virginia* and Section 2.2-1830 of the *Code of Virginia*, a withdrawal of \$490 million was made from the fund.

The *Constitution* requires a deposit based on growth in income and retail sales tax revenue and allows revenue growth from increases in tax rates or the repeal of exemptions to be excluded, in whole or part, from the deposit calculation for up to six years. Under the provisions of Article X, Section 8 of the *Constitution of Virginia*, a deposit is not required during FY 2011 based on FY 2009 revenue collections when revenue increases from tax reform were included or excluded (including those derived from estimates).

Section 2.2-1829(b) of the *Code of Virginia* requires an additional deposit into the Fund when specific criteria have been met. No such designation is required since the specified criteria were not met for FY 2009.

### **Amounts Available for Reappropriation**

Section 4-1.05a.1 of Chapter 781 requires reappropriation of 2009 fiscal year unexpended appropriations for Legislative and Judicial Departments, as well as Independent Agencies. Additionally, this Section of the Act gives the Governor discretionary authority to reappropriate all or a portion of the unexpended balances in Executive Department appropriations. Section 4-0.01b provides that all appropriations, however, are declared to be conditioned on the receipt of sufficient revenue to support them.

Based on an analysis by the Department of Planning and Budget of unexpended appropriations at June 30, 2009, \$10.8 million is designated for capital outlay project needs; \$12.1 million for central capital planning; \$14.2 million for natural disaster sum sufficient amounts; and \$72.1 million for mandatory reappropriations. Additionally, \$51.8 million is designated as available balances to meet the requirements of Chapter 781.

### **Virginia Water Quality Improvement Fund**

Section 10.1-2128 of the *Code of Virginia* established the Virginia Water Quality Improvement Fund. The Fund was established to provide Water Quality Improvement Grants to various entities to assist in pollution prevention and reduction. The Fund shall consist of amounts appropriated by the General Assembly. Unless otherwise specified by the general appropriation act, these appropriations shall consist of ten percent of revenues collected in excess of the official estimate and ten percent of any unreserved fund balance not required for reappropriation. In prior years, we have designated the amounts that represent ten percent of the excess revenue collections and ten percent of the unreserved fund balance not required for reappropriation. No such designations are required for the year ended June 30, 2009.

### **Basis of Presentation**

This preliminary annual report is comprised of budgetary (cash) basis financial statements that present the financial condition, results of operations, and changes in fund balance of the Commonwealth's General Fund. The notes to the financial statements are an important and integral part of the statements.

This preliminary report is presented on an unaudited basis. In preparing this report, we relied upon the internal accounting controls of the Commonwealth that are designed to provide management with reasonable, but not absolute, assurances that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are properly recorded to permit the preparation of financial statements.

The Honorable Timothy M. Kaine  
August 14, 2009  
Page 3

**Final Report and Award**

The final Annual Report of the Comptroller, due on December 15, 2009, will include certain accruals and other information required for conformance with generally accepted accounting principles. It will be audited by the Auditor of Public Accounts.

We are proud to report that the Comprehensive Annual Financial Report for the year ended June 30, 2008, was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). This is the twenty-third consecutive year that Virginia's Annual Report has received this award. In addition, Virginia received a companion award from the GFOA for its fiscal year 2008 Popular Report, entitled *Virginia Financial Perspective*. This is the fourteenth consecutive year that Virginia's Popular Report has received this award.

Respectfully submitted,

David A. Von Moll





# SUMMARY OF GENERAL FUND ACTIVITY



**Commonwealth of Virginia**  
**Preliminary Balance Sheet**  
**General Fund - Budgetary (Cash) Basis (Unaudited)**  
**June 30, 2009**  
**(Dollars in Thousands)**

**Assets**

Cash, Cash Equivalents, and Investments	\$ 824,760	
Cash and Travel Advances	<u>923</u>	
Total Assets		<u><u>\$ 825,683</u></u>

**Liabilities and Fund Equity**

Liabilities:

Deposits Pending Distribution	<u>2,208</u>	
Total Liabilities		\$ 2,208

Fund Equity:

Reserved Fund Balance:

Revenue Stabilization Reserve Fund (Note 4)	575,064	
Payroll Reserve for July 1, 2009 Payroll	86,461	
Lottery Proceeds Fund (Note 5)	<u>964</u>	
Total Reserved Fund Balance		<u>662,489</u>

Unreserved Fund Balance:

Designated:

Amount Required for Reappropriation of 2009 Unexpended Balances for Capital Outlay	10,805	
Central Capital Planning Fund	12,136	
Natural Disaster Sum Sufficient	14,184	
Amount Required by Chapter 781	51,769	
Amount Required for Mandatory Reappropriation	<u>72,092</u>	

Total Designated Fund Balance (Note 7)	<u>160,986</u>	
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Total Unreserved Fund Balance	<u>160,986</u>	
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Total Fund Equity		<u>\$ 823,475</u>
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Total Liabilities and Fund Balance		<u><u>\$ 825,683</u></u>
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The accompanying notes are an integral part of this statement.

**Commonwealth of Virginia**  
**Preliminary Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance**  
**General Fund - Budgetary (Cash) Basis (Unaudited)**  
**For the Fiscal Years Ended June 30, 2005 through June 30, 2009**  
**(Dollars in Thousands)**

	Year Ended				
	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
<b>Revenues:</b>					
Taxes:					
Individual and Fiduciary Income	\$ 9,481,109	\$ 10,114,833	\$ 9,787,592	\$ 9,308,570	\$ 8,352,366
Sales and Use	3,116,831	3,302,181	3,274,286	3,029,949	3,093,725
Corporation Income	648,033	807,852	879,575	871,554	616,690
Deeds, Contracts, Wills, and Suits	314,264	456,348	582,946	694,712	596,058
Premiums of Insurance Companies	255,019	396,858	384,894	373,781	373,571
Alcoholic Beverage Sales	173,227	168,862	161,845	152,963	144,466
Tobacco Products	183,750	183,946	186,920	187,084	113,120
Estate	6,006	153,378	152,864	160,407	149,962
Public Service Corporations	91,340	96,390	87,961	89,992	88,309
Other Taxes	28,230	15,459	19,229	27,424	41,677
Total Taxes	<u>14,297,809</u>	<u>15,696,107</u>	<u>15,518,112</u>	<u>14,896,436</u>	<u>13,569,944</u>
Rights and Privileges	67,426	67,449	68,407	65,212	60,975
Sales of Property and Commodities	1	2,460	-	7,026	11,778
Assessments and Receipts for Support of Special Services	396	461	224	332	333
Institutional Revenue	6,402	7,590	7,169	8,235	9,198
Interest, Dividends, and Rents	134,400	252,284	229,007	114,500	90,118
Fines, Forfeitures, Court Fees, Penalties, and Escheats	197,875	195,716	193,280	145,189	181,116
Receipts from Cities, Counties, and Towns	10,265	10,091	10,281	9,999	9,446
Private Donations, Gifts and Contracts	118	31	16	-	1
Tobacco Master Settlement	58,966	53,684	50,087	47,852	52,126
Other	102,568	63,844	60,894	81,353	142,978
Total Revenues (Note 2)	<u>14,876,226</u>	<u>16,349,717</u>	<u>16,137,477</u>	<u>15,376,134</u>	<u>14,128,013</u>
<b>Expenditures:</b>					
General Government	1,669,257	1,789,768	1,750,274	1,314,782	1,471,632
Education	8,045,614	7,822,396	7,592,975	6,767,114	6,242,886
Transportation	11,863	25,971	44	43	44
Resources and Economic Development	288,877	329,729	308,657	280,689	234,857
Individual and Family Services	4,012,450	4,255,474	3,919,109	3,652,319	3,348,455
Administration of Justice	2,300,008	2,424,790	2,220,203	2,221,646	2,042,773
Capital Outlay	47,421	370,552	175,713	85,952	25,368
Total Expenditures	<u>16,375,490</u>	<u>17,018,680</u>	<u>15,966,975</u>	<u>14,322,545</u>	<u>13,366,015</u>
Revenues Over (Under) Expenditures	<u>(1,499,264)</u>	<u>(668,963)</u>	<u>170,502</u>	<u>1,053,589</u>	<u>761,998</u>
<b>Other Financing Sources (Uses):</b>					
Transfers:					
Operating Transfers In	664,741	634,513	611,041	651,262	636,063
Operating Transfers Out	(561,792)	(700,861)	(716,463)	(680,173)	(642,289)
Total Other Financing Sources (Uses)	<u>102,949</u>	<u>(66,348)</u>	<u>(105,422)</u>	<u>(28,911)</u>	<u>(6,226)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(1,396,315)</u>	<u>(735,311)</u>	<u>65,080</u>	<u>1,024,678</u>	<u>755,772</u>
Fund Balance, July 1					
Reserved	1,127,908	1,424,793	1,085,538	738,767	432,482
Unreserved	1,091,882	1,530,308	1,804,483	1,126,576	677,089
<b>Fund Balance, July 1</b>	<u>2,219,790</u>	<u>2,955,101</u>	<u>2,890,021</u>	<u>1,865,343</u>	<u>1,109,571</u>
Fund Balance, June 30					
Reserved	662,489	1,127,908	1,424,793	1,085,538	738,767
Unreserved	160,986	1,091,882	1,530,308	1,804,483	1,126,576
<b>Fund Balance, June 30</b>	<u>\$ 823,475</u>	<u>\$ 2,219,790</u>	<u>\$ 2,955,101</u>	<u>\$ 2,890,021</u>	<u>\$ 1,865,343</u>

The accompanying notes are an integral part of this statement.

**Commonwealth of Virginia**  
**Preliminary Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance - Budget and Actual**  
**General Fund - Budgetary (Cash) Basis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**  
(Dollars in Thousands)

<b>General Fund</b>				<b>Final Budget/ Actual Variance Favorable (Unfavorable)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues:</b>				
Taxes:				
Individual and Fiduciary Income	\$ 10,776,900	\$ 9,697,300	\$ 9,481,109	\$ (216,191)
Sales and Use	3,469,488	3,179,300	3,116,831	(62,469)
Corporation Income	706,000	685,000	648,033	(36,967)
Deeds, Contracts, Wills, and Suits	380,800	298,100	314,264	16,164
Premiums of Insurance Companies	294,800	257,500	255,019	(2,481)
Alcoholic Beverage Sales	175,000	174,900	173,227	(1,673)
Tobacco Products	182,100	182,100	183,750	1,650
Estate	-	-	6,006	6,006
Public Service Corporations	88,900	92,800	91,340	(1,460)
Other Taxes	24,300	15,900	28,230	12,330
Rights and Privileges	69,600	63,900	67,426	3,526
Sales of Property and Commodities	1,900	1,800	1	(1,799)
Assessments and Receipts for Support of Special Services	300	400	396	(4)
Institutional Revenue	7,500	7,500	6,402	(1,098)
Interest, Dividends, and Rents	123,567	121,986	134,400	12,414
Fines, Forfeitures, Court Fees, Penalties, and Escheats	201,600	205,200	197,875	(7,325)
Receipts from Cities, Counties, and Towns	10,300	10,100	10,265	165
Private Donations, Gifts and Contracts	-	900	118	(782)
Tobacco Master Settlement	55,699	66,754	58,966	(7,788)
Other	73,071	90,197	102,568	12,371
Total Revenues (Note 2)	<u>16,641,825</u>	<u>15,151,637</u>	<u>14,876,226</u>	<u>(275,411)</u>
<b>Expenditures:</b>				
Current:				
General Government	1,761,795	1,722,663	1,669,257	53,406
Education	8,319,880	8,083,328	8,045,614	37,714
Transportation	40	53,949	11,863	42,086
Resources and Economic Development	302,259	313,963	288,877	25,086
Individual and Family Services	4,418,613	4,075,027	4,012,450	62,577
Administration of Justice	2,466,671	2,440,305	2,300,008	140,297
Capital Outlay	159,919	74,498	47,421	27,077
Total Expenditures	<u>17,429,177</u>	<u>16,763,733</u>	<u>16,375,490</u>	<u>388,243</u>
Revenues Over (Under) Expenditures	<u>(787,352)</u>	<u>(1,612,096)</u>	<u>(1,499,264)</u>	<u>112,832</u>
<b>Other Financing Sources (Uses):</b>				
Transfers:				
Operating Transfers In	621,607	641,873	664,741	22,868
Operating Transfers Out	(465,580)	(557,013)	(561,792)	(4,779)
Total Other Financing Sources (Uses)	<u>156,027</u>	<u>84,860</u>	<u>102,949</u>	<u>18,089</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(631,325)	(1,527,236)	(1,396,315)	130,921
<b>Fund Balance, July 1</b>	<u>2,219,790</u>	<u>2,219,790</u>	<u>2,219,790</u>	<u>-</u>
<b>Fund Balance, June 30</b>	<u>\$ 1,588,465</u>	<u>\$ 692,554</u>	<u>\$ 823,475</u>	<u>\$ 130,921</u>

The accompanying notes are an integral part of this statement.

**Commonwealth of Virginia**  
**Preliminary Comparison of Selected Sum-Sufficient Final Budget**  
**Appropriations with Actual Expenditures**  
**General Fund - Budgetary (Cash) Basis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2009**  
**(Dollars in Thousands)**

	<u>Original Budget</u> <u>Appropriations</u>	<u>Final Budget</u> <u>Appropriations</u>	<u>Actual</u> <u>Expenditures</u>	<u>Amount Under</u> <u>Final Budget</u>
Enactment of Laws	\$ 32,545	\$ 38,345	\$ 31,646	\$ 6,699
Financial Assistance to Localities -- From Sale of Alcoholic Beverages and Other Distributions	46,030	27,472	27,472	-
Financial Assistance for Special State Revenue Sharing -- From Sales Tax	1,194,706	1,107,900	1,098,104	9,796
Cash Management Improvement Act Payment to the Federal Government	361	361	361	-
Totals	<u>\$ 1,273,642</u>	<u>\$ 1,174,078</u>	<u>\$ 1,157,583</u>	<u>\$ 16,495</u>



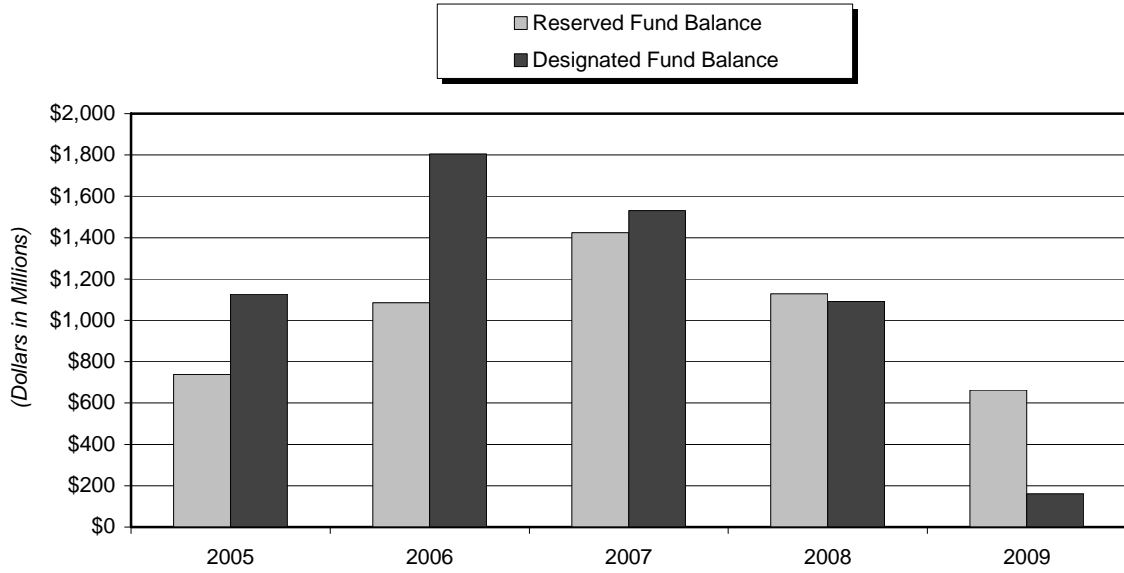
**GENERAL FUND GRAPHICS AND SUPPLEMENTAL  
SCHEDULES**



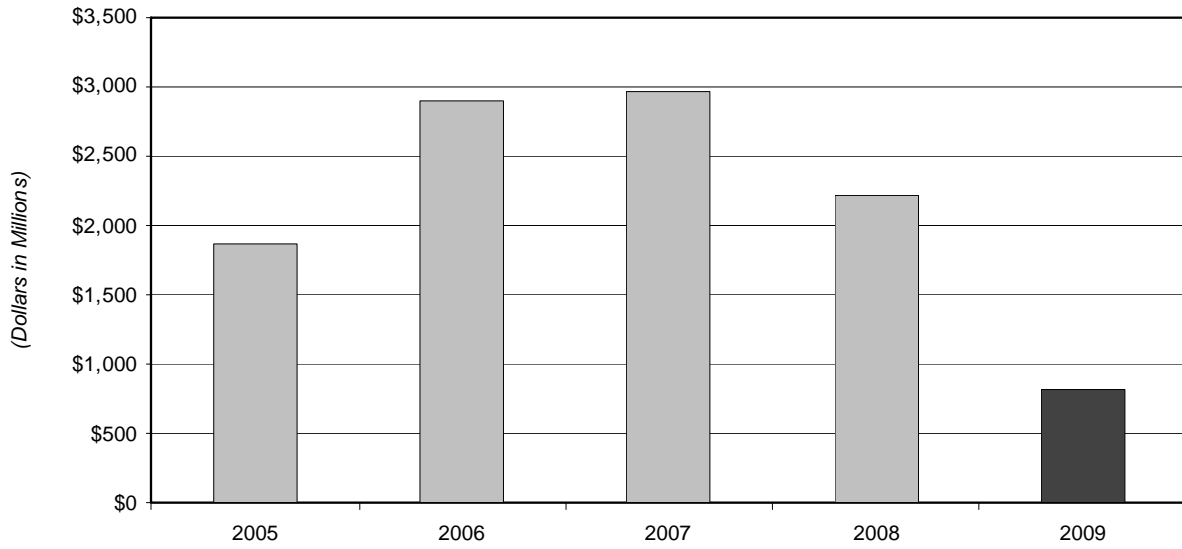




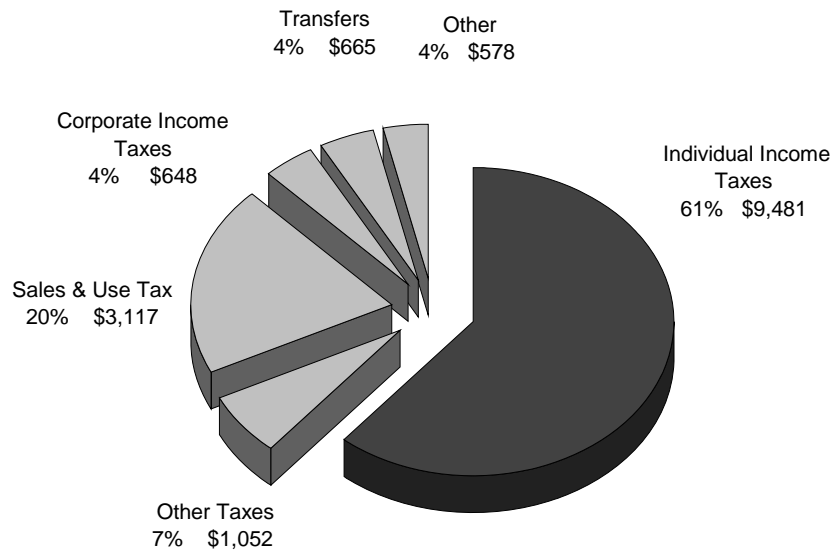
**General Fund  
Fund Balance  
Fiscal Years 2005-2009**



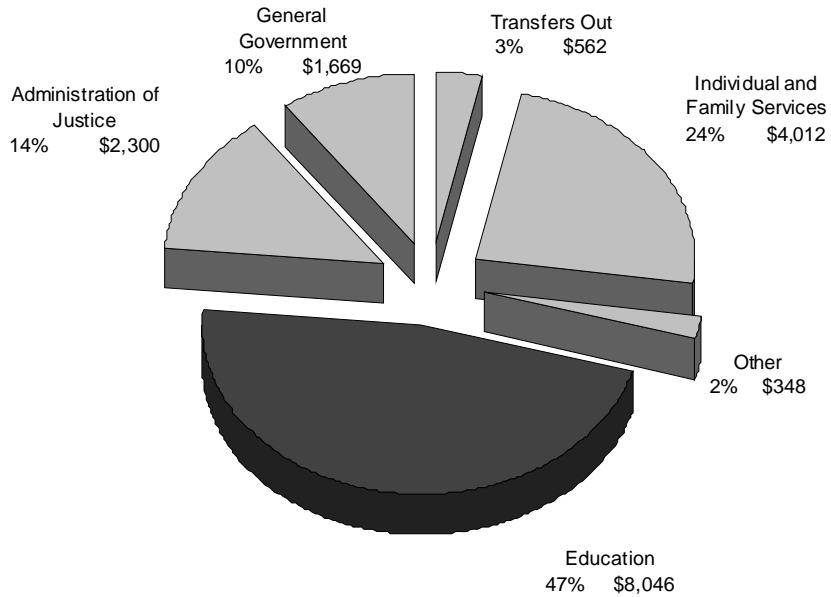
**General Fund  
Cash, Cash Equivalents, and Investments  
Fiscal Years 2005-2009**



**General Fund  
Revenues by Revenue Class and Other Sources  
Fiscal Year 2009  
(Dollars in Millions)**

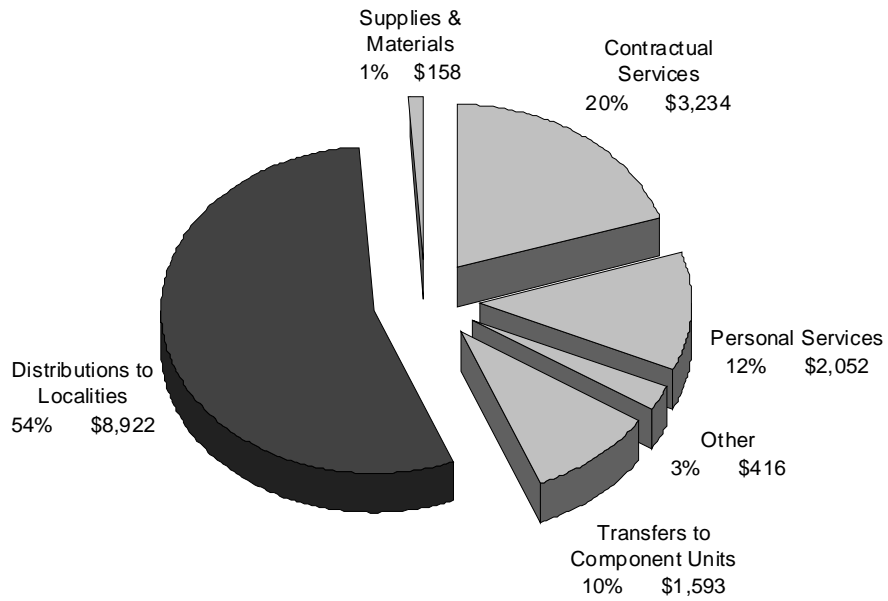


**General Fund  
Expenditures by Function and Other Uses  
Fiscal Year 2009  
(Dollars in Millions)**

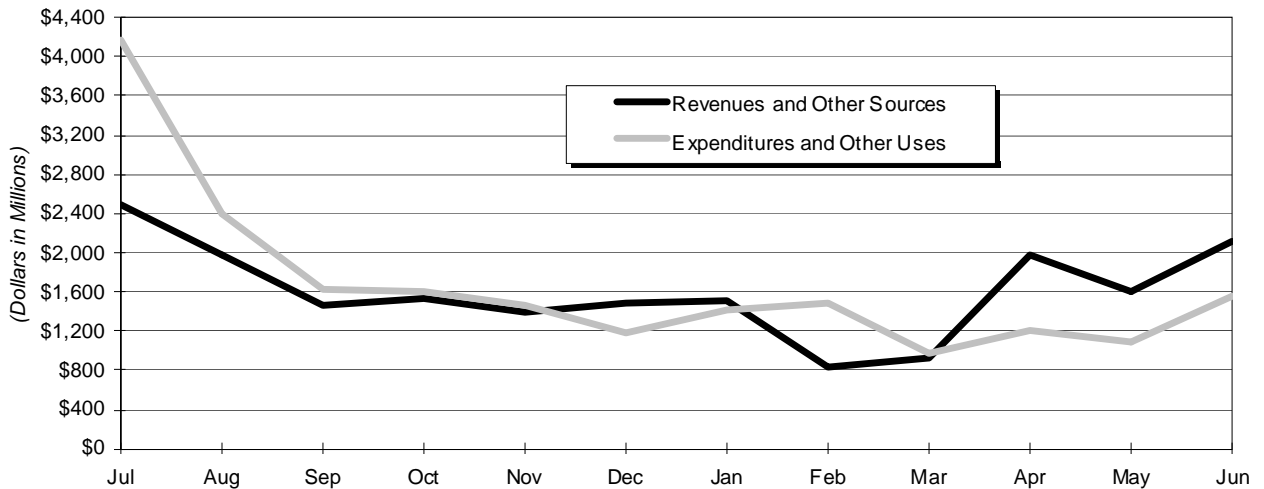


Note: General Government expenditures include \$950 million paid to localities pursuant to the Personal Property Tax Relief Act of 1998. This represents 57 percent of the General Government expenditures.

**General Fund  
Expenditures by Object  
Fiscal Year 2009  
(Dollars in Millions)**



**General Fund  
Revenues and Other Sources and  
Expenditures and Other Uses by Month  
Fiscal Year 2009**



Note: July expenditures include \$949 million in payments to Higher Education.

**General Fund  
Expenditures by Function and Significant Service Area  
Fiscal Year 2009  
(Dollars in Thousands)**

Function:	Significant Service Area:	Amount	Totals
Education	Grades K-12	\$ 6,055,902	
	Higher Education	1,832,613	
	Other	157,099	
		<u>                    </u>	\$ 8,045,614
Individual and Family Services	Medical Assistance Services	2,710,023	
	Mental Health, Mental Retardation and Substance Abuse Services	494,681	
	Social Services	375,751	
	Comprehensive Services for At-Risk Youth and Families	215,764	
	Health	150,063	
	Other	66,168	
		<u>                    </u>	4,012,450
Administration of Justice	Corrections	1,314,334	
	Sheriffs and Inmate Confinement - Compensation Board	366,232	
	Courts	355,300	
	State Police	214,090	
	Other	50,052	
		<u>                    </u>	2,300,008
General Government	Car Tax Relief (PPTRA)	950,000	
	Criminal Justice - Locality Assistance	192,118	
	Constitutional Officers - Compensation Board	158,831	
	Debt Service - Component Units	108,735	
	Tax Administration	86,386	
	Other	173,187	
		<u>                    </u>	1,669,257
Resources and Economic Development	Conservation and Recreation	42,136	
	Environmental Quality	40,146	
	Housing and Community Development	32,742	
	Agriculture	29,057	
	Forestry	16,858	
	Economic Development Partnership	16,058	
	Tourism	13,619	
	Business Assistance	10,891	
	Other	87,370	
	<u>                    </u>	288,877	
Other	Capital Outlay	47,421	
	Transportation	11,863	
	<u>                    </u>	59,284	
			<u>\$ 16,375,490</u>

**General Fund  
Other Financing Sources and Uses by Significant Service Area  
Fiscal Year 2009  
(Dollars in Thousands)**

**Other Financing Sources (Transfers In):**

<b>Significant Service Area</b>	<u><b>Amount</b></u>	<u><b>Total</b></u>
Lottery	\$ 430,500	
ABC Transfers	119,426	
Transfers from Other Funds	<u>114,815</u>	
		<u><u>\$ 664,741</u></u>

**Other Financing Uses (Transfers Out):**

<b>Significant Service Area</b>	<u><b>Amount</b></u>	<u><b>Total</b></u>
Transportation Programs	\$ 145,970	
Debt Service	333,671	
Semiconductor Memory/Logic Wafer Manufacturing Performance Grant	15,470	
Disaster Relief	7,921	
Governor's Opportunity Fund	7,600	
Water Supply Assistance Grant Fund	7,100	
Water Quality Improvement Fund	1,112	
Transfers to Other Funds	<u>42,948</u>	
		<u><u>\$ 561,792</u></u>



## GENERAL FUND NOTES



# COMMONWEALTH OF VIRGINIA

## NOTES TO PRELIMINARY FINANCIAL STATEMENTS

JUNE 30, 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Presentation

The accompanying General Fund financial statements of the Commonwealth of Virginia have been prepared on a budgetary (cash) basis of accounting. Revenues and expenditures are recorded at the time cash is actually received or disbursed according to the provisions of the Appropriation Act; therefore, no accruals of revenues or expenditures have been included.

The General Fund includes transactions related to cash received and used for those services traditionally provided by a state government, which are not accounted for in other funds. It is a governmental fund and therefore its focus is on the measurement of financial position and related changes thereto, rather than on income determination. No other funds are presented in this report.

All funds will be presented using the appropriate bases of accounting as defined by generally accepted accounting principles in the Annual Report of the Comptroller, to be issued December 15, 2009.

#### B. Budget

Budgetary amounts shown in the financial statements represent Chapter 879, 2008 Acts of Assembly (original), and Chapter 781, 2009 Acts of Assembly (final), as adjusted for executive and other administrative actions. The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. The Governor, as required by the *Code of Virginia*, submits to the General Assembly a State budget composed of all proposed expenditures, estimated revenues and borrowings for a biennium.

The budget is prepared on a biennial basis; however, the budget of the General Fund contains separate appropriations for each year within the biennial budget, as approved by the General Assembly and signed into law by the Governor. For management control purposes, the budget is controlled at the program level. Under certain circumstances, the Director of the Department of Planning and Budget may transfer an appropriation within a State agency or from one State agency to another, provided that total fund appropriations, as contained within the budget, are not exceeded. Increases in General Fund appropriations must be approved by the General Assembly.

### 2. ANALYSIS OF GENERAL FUND REVENUE

The Department of Accounts produces a monthly General Fund Statement of Revenue Collections, Estimates, and Transfers which is published on the Secretary of Finance's website. The following analysis relates components of the Preliminary General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual with the monthly revenue report for June 30, 2009.



<i>(Dollars in Thousands)</i>	<b>Final Revenue Budget</b>	<b>Total Actual Revenue</b>
Amount per Preliminary Financial Statements	\$ 15,151,637	\$ 14,876,226
Amount per Monthly Statement of Revenue	14,613,900	14,315,060
Variance	<u>\$ 537,737</u>	<u>\$ 561,166</u>
Variance Attributable to the Following:		
Public Education Standards of Quality Fund - Sales and Use Tax revenue included on the Preliminary Financial Statements	\$ 218,400	\$ 213,388
Virginia Health Care Fund - Tobacco Products Tax revenue included on the Preliminary Financial Statements	182,100	183,750
Virginia Health Care Fund - Tobacco Master Settlement revenue included on the Preliminary Financial Statements	66,754	58,966
Virginia Health Care Fund - Medicaid claims payable recoveries included as other revenue on the Preliminary Financial Statements	61,435	64,752
Revenue Stabilization Fund interest revenue included on the Preliminary Financial Statements	-	28,873
Transfers from Fiduciary Funds and Component Units included in revenue on the Preliminary Financial Statements	8,123	9,298
Other items included/(excluded) in revenue on the Preliminary Financial Statements	925	2,139
	<u>\$ 537,737</u>	<u>\$ 561,166</u>

### 3. **APPROPRIATION ACT TRANSFERS**

For fiscal year ended June 30, 2009, Appropriation Act transfers are \$837.0 million. The following analysis shows where Appropriation Act transfers are reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

<i>(Dollars in Thousands)</i>	<b>Appropriation Act Transfers</b>
Transfers In	\$ 644,305 (a)
Transfers Out	(28,747)
Intrafund Transfers between General Fund and Public Education Standards of Quality Fund	213,388
Revenue - Other	8,070
Total Appropriation Act Transfers	<u>\$ 837,016</u>

(a) Includes ABC transfers of approximately \$119.4 million

#### **4. REVENUE STABILIZATION FUND**

In accordance with Article X, Section 8 of the *Constitution of Virginia*, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly. During FY 2007, \$32.1 million was identified to be deposited during FY 2009. Subsequent to the issuance of the FY 2007 preliminary annual report, this amount was adjusted to \$21.3 million. This amount was computed under the provisions of Article X, Section 8 of the *Constitution of Virginia* and was deposited during FY 2009. Additionally, during FY 2009, in accordance with the provisions of Article X, Section 8 of the *Constitution* and Section 2.2-1830 of the *Code of Virginia*, a withdrawal of \$490 million was made from the fund.

The *Constitution* requires a deposit based on growth in income and retail sales tax revenue and allows revenue growth from increases in tax rates or the repeal of exemptions to be excluded, in whole or part, from the deposit calculation for up to six years. A deposit is not required based on FY 2009 revenue collections when revenue increases from tax reform were included or excluded, including those derived from estimates.

Section 2.2-1829(b) of the *Code of Virginia* requires an additional deposit into the Fund when specific criteria have been met. No such designation is required since the specified criteria were not met for FY 2009.

The Revenue Stabilization Fund has principal and interest on deposit of \$575 million reserved as a part of General Fund balance. The amount on deposit cannot exceed ten percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. The maximum amount allowed is \$1.38 billion for FY 2009 and FY 2010. The FY 2010 maximum is pending certification by the Auditor of Public Accounts.

#### **5. LOTTERY PROCEEDS FUND**

In accordance with Article X, Section 7-A of the *Constitution of Virginia*, lottery proceeds must be distributed to the Commonwealth's localities and the school divisions to be expended for the purposes of public education. Further, Section 58.1-4022.1 of the *Code of Virginia* directs the Lottery Proceeds Fund be included as a component of the General Fund for financial reporting purposes. Accordingly, the financial activity of the Lottery Proceeds Fund for FY 2009 is included in the Preliminary Statement of Revenues, Expenditures, and Changes in Fund Balance. The remaining cash balance of \$964,471 is reserved as a component of the General Fund balance.

#### **6. VIRGINIA WATER QUALITY IMPROVEMENT FUND**

Section 10.1-2128 of the *Code of Virginia* established the Virginia Water Quality Improvement Fund. The Fund was established to provide Water Quality Improvement Grants to various entities to assist in pollution prevention and reduction. The Fund shall consist of amounts appropriated by the General Assembly. Unless otherwise specified by the general appropriation act, these appropriations shall consist of ten percent of revenues collected in excess of the official estimate and ten percent of any unreserved fund balance not required for reappropriation. In prior years, we have designated the amounts that represent ten percent of the excess revenue collections and ten percent of the unreserved fund balance not required for reappropriation. No such designations are required for the year ended June 30, 2009.

**7. DESIGNATED FUND BALANCE**

The amounts designated on the Balance Sheet represent tentative plans for future utilization of current financial resources. For FY 2009, the Department of Planning and Budget certified total designations of \$349.7 million as follows.

<u>Designation</u>	<u>Amount (in thousands)</u>
Amount Required for Reappropriation of 2009 Unexpended Balances for Capital Outlay	10,805
Central Capital Planning Fund	12,136
Natural Disaster Sum Sufficient	14,184
Amount Required by Chapter 781	51,769
Amount Required for Mandatory Reappropriation	152,328
Amount Required for Discretionary Reappropriation	108,477
 Total	 <u>\$ 349,699</u>

The Balance Sheet reflects \$161.0 million designated for the above purposes. Sufficient cash is not available to designate the remaining \$188.7 million of planned disbursements.

The Central Capital Planning Fund was established to fund preplanning and detailed planning costs for potential capital outlay projects. The General Assembly approves projects eligible for Central Capital Planning funds. Once projects are approved, bond proceeds will be used to reimburse the Central Capital Planning Fund.

**8. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENT**

In February 2009, the GASB issued Statement No. 54 (GASB No. 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, for periods beginning after June 15, 2010. GASB No. 54 will affect the information included in this report beginning in FY 2011. The changes will modify classifications for both fund balance and individual funds. For illustrative purposes only, the fund balance classifications are reflected below:

<u>Current Classifications</u>	<u>GASB No. 54 Classifications</u>
Reserved	Restricted
Designated	Committed or Assigned

Additionally, GASB No. 54 redefines funds for reporting purposes. Therefore, some financial activity that is currently excluded from the General Fund will be included as part of the General Fund for reporting purposes. The Water Quality Improvement Fund is an example of a current nongeneral fund that will be reported as part of the General Fund for reporting purposes under GASB No. 54. GASB No. 54 may require conforming language changes to terminology in either the Appropriation Act or the *Code of Virginia*. However, it is important to note that the fund classification as reported in the preliminary annual report and CAFR will not affect the budgetary or statutory purpose of these funds.



# GLOSSARY



## **BALANCE SHEET**

1. **Cash, Cash Equivalents, and Investments** - All cash, cash equivalents, and investments are maintained by the Treasurer of Virginia. Cash includes demand deposits, time deposits, and certificates of deposit. Cash equivalents are investments with an original maturity of three months or less. Short-term investments held are stated at cost, which approximates market value.
2. **Cash and Travel Advances** - Funds advanced to agencies to make immediate cash payments for authorized purposes. Also included are funds advanced to agency employees to cover expenses incurred while traveling on State business.
3. **Deposits Pending Distribution** - This represents miscellaneous amounts held by several agencies in suspense accounts pending distribution.
4. **Reserved Fund Balance** - Items are reserved to indicate that a particular portion of fund balance is not available to fund operations at the end of the fiscal year.
5. **Designated Fund Balance** - Consists of designations established to reflect tentative plans for future utilization of current financial resources. Designated Fund Balance represents:
  - **Amount Required for Reappropriation of Unexpended Balances, Capital Outlay and Mandatory Reappropriations** – This portion of fund balance represents FY 2009 unexpended appropriations which the Department of Planning and Budget anticipates reappropriating in the next fiscal year. Sufficient cash is not available to designate this entire amount.
  - **Central Capital Planning Fund** – This portion of fund balance represents amounts for preplanning and detailed planning costs for potential capital outlay projects.
  - **Natural Disaster Sum Sufficient** – This portion of fund balance represents the estimated costs of responding to and recovering from damage caused by hurricanes, blizzards, severe storms/tornadoes, and floods.
  - **Amount Required by Chapter 781** – This portion of fund balance represents the amount that must be carried forward to the following year to balance the biennial budget.

## **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

### **Revenues:**

6. **Taxes** - Charges of money imposed by the Commonwealth on persons or property for public purposes.
7. **Rights and Privileges** - Registration fees, licenses, and permits. Examples include domestic and foreign corporate registration fees and marriage licenses.
8. **Sales of Property and Commodities** - Revenue collected from sales of Commonwealth assets and goods. Examples include sales of State publications.
9. **Assessments and Receipts for Support of Special Services** - Revenues collected for services provided by the Commonwealth's agencies. An example is audit services provided to cities, counties, and towns.
10. **Institutional Revenue** - Revenue generated primarily from sales by the Departments of Corrections and Mental Health, Mental Retardation and Substance Abuse Services. Examples include the sale of farm and dairy products.
11. **Interest, Dividends, and Rent** - Interest earnings and rental income. Examples include interest on Commonwealth bank accounts and investments and interest on delinquent taxes. Interest allocated to various other funds is not included here.
12. **Fines, Forfeitures, Court Fees, Penalties, and Escheats** - Fines, penalties, etc., primarily collected by the Department of Taxation and the court system. Examples include court processing fees and penalties for nonpayment of taxes.
13. **Receipts from Cities, Counties, and Towns** - Revenue collected from city and county treasurers representing miscellaneous fees and allowances of local law enforcement officials.
14. **Private Donations, Gifts, and Contracts** - This amount represents donations and grants from individuals and private companies to State programs.
15. **Tobacco Master Settlement** - This amount represents the revenue generated from the Tobacco Master Settlement Agreement with tobacco companies.
16. **Other Revenue** - All other revenue collections that are not included in the above categories. Examples include refunds of expenditures and miscellaneous disbursements made in prior years and recovery of Statewide indirect costs.

**Expenditures:**

17. **General Government** - Expenditures to support the general activities of the state, regional, and local levels of government. Examples include administrative and support services, general financial assistance to localities, information systems management and direction. Also included is tax relief reported as expenditures pursuant to the Personal Property Tax Relief Act (PPTRA) of 1998. During Special Session 1 (2004), the General Assembly established a limit of \$950 million on the amount for personal property tax relief beginning with FY 2007. The expenditures for the past five fiscal years associated with this relief are as follows.

<b>Fiscal Year</b>	<b>Expenditures</b>
2009	\$ 950.0
2008	950.0
2007	961.1
2006	723.7
2005	907.3

The FY 2007 disbursements represent the \$950 million payment for tax year 2006 and \$11.1 million in payments made for tax years 2005 and prior as allowed under Item 459 of Chapter 847.

18. **Education** - Expenditures to assist individuals in developing knowledge, skills, and cultural awareness. Examples include elementary and secondary education, instruction, supervision and assistance and higher education.
19. **Transportation** - Expenditures related to the movement of people, goods, and services and their regulation. Examples include ground, water and air transportation.
20. **Resources and Economic Development** - Expenditures to develop the economic base, including alternative natural resources and to regulate it with regard to varied public interests of the Commonwealth. Examples include resource management, economic development, promotion and improvement, as well as the regulation of professions and occupations.
21. **Individual and Family Services** - Expenditures to support the economic, social and physical well being of the individual and family. Included are disease research, prevention and control, state health services, and community health services.
22. **Administration of Justice** - Expenditures related to civil and criminal justice, including apprehension, trial, punishment, and rehabilitation of law violators. Examples include crime deterrence, suppression and control, adjudication, confinement and community custody.
23. **Capital Outlay** - Construction and preparation of Commonwealth assets.

**Other Financing Sources (Uses):**

24. **Operating Transfers In** - This balance reflects transfers in from other nongeneral funds.
25. **Operating Transfers Out** - This balance represents transfers from the General Fund to other nongeneral funds.



If you have any questions or comments regarding information  
contained in this report, please contact us at  
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