
COMMONWEALTH OF VIRGINIA

GENERAL FUND PRELIMINARY (UNAUDITED) ANNUAL REPORT

For the Fiscal Year Ended June 30, 2014

Presented on a Cash Basis



David A. Von Moll
Comptroller
August 14, 2014



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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, 2014

The Honorable Terence R. McAuliffe
Governor
Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor McAuliffe:

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, 2014.

The Commonwealth ended fiscal year 2014 with a total fund balance in the General Fund of \$1.3 billion measured on the cash basis of activity. This is a decrease of \$471.3 million, or 25.9 percent, from last year's ending fund balance of \$1.8 billion. Planned (budgeted) decreases in General Fund balance for this year were \$368.7 million. The difference between the planned decrease and actual decrease is primarily attributed to revenue collections and other sources being approximately \$428.2 million less than expected and expenditures and other uses being approximately \$325.6 million less than budgeted. The Commonwealth implemented Governmental Accounting Standards Board Statement No. 54 (GASB No. 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. This standard affected the funds included in this report as well as the fund balance classifications. Accordingly, \$171.6 million of the ending fund balance is attributable to the funds included pursuant to GASB No. 54, such as the Virginia Water Quality Improvement Fund and the Governor's Opportunity Fund. Further, fund balance classifications are shown in the first graph on page 9 and additional information on GASB No. 54 is located in Note 5.

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 restricted 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 \$687.5 million restricted as a part of the General Fund balance. A deposit of \$244.6 million was made during fiscal year 2014 as required by Section 2.2-1829 of the *Code of Virginia*. There was no withdrawal made in fiscal year 2014, and it is anticipated that the General Assembly will authorize a withdrawal in fiscal year 2015.

Under the provisions of Article X, Section 8 of the *Constitution of Virginia*, a deposit of \$243.2 million is required during fiscal year 2015 based on fiscal year 2013 revenue collections. This required deposit is included as a restricted component of fund balance and includes the advance reservation of \$95.0 million provided in Chapter 2, 2014 Acts of Assembly. A deposit is not required during fiscal year 2016 based on fiscal year 2014 revenue collections.

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 deposit is required since the specified criteria were not met for fiscal year 2014.

Amounts Available for Reappropriation

Section 4-1.05a.1 of Chapter 1 requires reappropriation of 2014 fiscal year unexpended appropriations for Legislative and Judicial Departments, as well as Independent Agencies and states that institutions of higher education reappropriations are subject to Section 2.2-5005 of the *Code of Virginia*. Additionally, this Section specifies that unexpended balances in the Executive Department will be reappropriated where required by the *Code of Virginia*, where necessary for the payment of preexisting obligations, or where the Governor determines reappropriation is appropriate. 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 and balances at June 30, 2014, the following amounts have been committed: \$21.7 million for capital outlay project needs; \$74.2 million for health care services, \$11.0 million for central capital planning; \$38.9 million for communication sales and use tax distributions; \$33.3 million for natural disaster sum sufficient amounts; \$1.3 million for accelerated sales tax collections pending transfer to the Highway Maintenance and Operating Fund; and \$4.4 million for the Federal Action Contingency Trust Fund. The Department of Planning and Budget has identified \$75.8 million to be committed for mandatory reappropriations. As of June 30, 2014, sufficient cash is not available to commit this entire amount.

In addition, the Department of Planning and Budget has identified the following amounts to be assigned: \$1.5 million for the federal portion of the Dominion Resources refund; \$1.6 million for the federal portion of the Internal Service Fund Interest; \$2.7 million for the federal portion of the Internal Service Fund Profits and Transfers; \$770.0 thousand for the federal portion of Partners in Procurement; \$29.0 thousand for the federal portion of the State Surplus Sales; \$343.6 million as available balances to meet the requirements of Chapter 2 (which includes the \$95.0 million Unexpended Balance of the Revenue Stabilization Fund Advance Reservation); and \$78.9 million to be assigned for discretionary reappropriation. As of June 30, 2014, sufficient cash is not available to assign these amounts.

Additionally, restricted balances of \$8.0 million, committed balances of \$123.0 million and assigned balances of \$40.6 million are being reported due to the inclusion of additional funds pursuant to GASB No. 54 which redefined funds for financial reporting purposes and requires selected activity that was previously excluded from the General Fund to be included.

Virginia Water Quality Improvement Fund

Section 10.1-2128 of the *Code of Virginia* established the Virginia Water Quality Improvement Fund. The Fund has \$54.2 million on deposit committed as part of the General Fund balance. 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 unrestricted and uncommitted fund balance not required for reappropriation. In prior years, we have committed the amount that represents ten percent of the revenue collected in excess of the official estimate and ten percent of any unrestricted and uncommitted fund balance not required for reappropriation. For the year ended June 30, 2014, no such commitment is required. For additional information regarding the Virginia Water Quality Improvement Fund, see Note 11.

Basis of Presentation

This preliminary annual report is comprised of 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.

Final Report and Award

The final Annual Report of the Comptroller, due on December 15, 2014, 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, 2013, was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). Virginia's Annual Report has received this award for 28 consecutive years. In addition, Virginia received a companion award from the GFOA for its fiscal year 2013 Popular Report, entitled *Virginia Financial Perspective*. Virginia's Popular Report has received this award for 19 consecutive years.

Respectfully submitted,

David A. Von Moll



SUMMARY OF GENERAL FUND ACTIVITY



**Commonwealth of Virginia
Preliminary Balance Sheet
General Fund - Cash Basis (Unaudited)
June 30, 2014
(Dollars in Thousands)**

Assets		
Cash, Cash Equivalents, and Investments	\$ 1,354,098	
Cash and Travel Advances	778	
Due From Other Funds (Note 4)	<u>550</u>	
Total Assets		<u>\$ 1,355,426</u>
Liabilities and Fund Equity		
Liabilities:		
Deposits Pending Distribution	<u>6,125</u>	
Total Liabilities		\$ 6,125
Fund Equity (Note 5):		
Restricted Fund Balance:		
Revenue Stabilization Reserve Fund (Note 6)	687,530	
Revenue Stabilization Reserve 2015 (Note 6)	243,169	
Lottery Proceeds Fund (Note 7)	4,758	
Water Supply Assistance Grant Fund	<u>8,034</u>	
Total Restricted Fund Balance		<u>943,491</u>
Committed Fund Balance (Note 8):		
Amount Required for Reappropriation of 2014 Unexpended Balances for Capital Outlay	21,731	
Virginia Health Care Fund	74,240	
Central Capital Planning Fund	11,028	
Communication Sales and Use Tax (Note 9)	38,932	
Governor's Opportunity Fund	28,562	
Natural Disaster Sum Sufficient	33,324	
Amount Required for Mandatory Reappropriation	57,342	
Accelerated Sales Tax for Highway Maintenance and Operating Fund (Note 10)	1,263	
Federal Action Contingency Trust Fund	4,362	
Virginia Water Quality Improvement Fund (Note 11)	54,249	
Economic and Technological Development	27,807	
Other	<u>12,380</u>	
Total Committed Fund Balance (Note 12)		<u>365,220</u>
Assigned Fund Balance (Note 8):		
Health and Public Safety	12,154	
Economic and Technological Development	11,094	
Environmental Quality and Natural Resource Preservation	5,379	
Other	<u>11,963</u>	
Total Assigned Fund Balance (Note 12)		<u>40,590</u>
Total Fund Equity		<u>\$ 1,349,301</u>
Total Liabilities and Fund Balance		<u>\$ 1,355,426</u>

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 - Cash Basis (Unaudited)
For the Fiscal Years Ended June 30, 2010 through June 30, 2014
(Dollars in Thousands)

	Year Ended				
	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
Revenues:					
Taxes:					
Individual and Fiduciary Income	\$ 11,253,348	\$ 11,339,966	\$ 10,612,836	\$ 9,944,370	\$ 9,088,252
Sales and Use	3,400,486	3,441,195	3,335,601	3,216,406	3,291,958
Corporation Income	757,491	796,728	859,923	822,259	806,473
Communications Sales and Use (Note 9)	422,823	427,262	424,257	442,455	491,698
Deeds, Contracts, Wills, and Suits	318,998	388,633	330,938	299,967	290,189
Premiums of Insurance Companies	320,421	262,242	252,895	281,563	261,881
Alcoholic Beverage Sales	199,225	195,192	186,377	178,937	175,093
Tobacco Products	180,626	187,874	192,453	173,731	176,057
Estate	196	-	298	2,713	5,671
Public Service Corporations	98,156	96,222	94,429	93,777	97,263
Other Taxes	28,760	18,036	20,442	21,808	26,269
Total Taxes	<u>16,980,530</u>	<u>17,153,350</u>	<u>16,310,449</u>	<u>15,477,986</u>	<u>14,710,804</u>
Rights and Privileges	79,085	76,931	72,817	73,283	68,460
Sales of Property and Commodities	30,682	25,477	30,146	28,005	824
Assessments and Receipts for Support of Special Services	931	858	2,570	2,777	373
Institutional Revenue	36,143	37,210	38,134	40,122	6,019
Interest, Dividends, and Rents	78,333	72,958	83,055	90,905	113,142
Fines, Forfeitures, Court Fees, Penalties, and Escheats	211,512	216,788	216,032	222,256	194,151
Federal Grants and Contracts	9,454	6,354	-	-	-
Receipts from Cities, Counties, and Towns	16,318	15,813	16,209	16,340	9,761
Private Donations, Gifts and Contracts	438	439	680	4,595	137
Tobacco Master Settlement	48,693	74,010	49,136	48,185	49,182
Other	190,636	238,148	282,731	204,033	168,429
Total Revenues (Note 2)	<u>17,682,755</u>	<u>17,918,336</u>	<u>17,101,959</u>	<u>16,208,487</u>	<u>15,321,282</u>
Expenditures:					
General Government	2,215,179	2,173,327	2,096,588	2,149,242	2,093,036
Education	7,755,863	7,587,805	7,123,221	6,931,515	7,007,842
Transportation	773	172	462	516	11,125
Resources and Economic Development	406,052	389,221	353,567	306,970	272,075
Individual and Family Services	5,525,897	5,383,507	5,027,601	4,449,683	4,004,995
Administration of Justice	2,519,888	2,443,464	2,284,948	2,247,447	2,120,477
Capital Outlay	10,663	6,274	7,627	6,144	13,477
Total Expenditures	<u>18,434,315</u>	<u>17,983,770</u>	<u>16,894,014</u>	<u>16,091,517</u>	<u>15,523,027</u>
Revenues Over (Under) Expenditures	<u>(751,560)</u>	<u>(65,434)</u>	<u>207,945</u>	<u>116,970</u>	<u>(201,745)</u>
Other Financing Sources (Uses):					
Transfers:					
Operating Transfers In	770,542	712,400	799,070	693,750	752,251
Operating Transfers Out	(490,310)	(509,749)	(621,163)	(487,991)	(503,106)
Total Other Financing Sources (Uses)	<u>280,232</u>	<u>202,651</u>	<u>177,907</u>	<u>205,759</u>	<u>249,145</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(471,328)</u>	<u>137,217</u>	<u>385,852</u>	<u>322,729</u>	<u>47,400</u>
Fund Balance, July 1					
Restricted (Note 5)	940,906	707,401	456,384	310,778	-
Committed (Note 5)	556,076	518,619	461,140	443,182	-
Assigned (Note 5)	323,647	457,392	380,036	220,871	-
Reserved	-	-	-	-	662,489
Unreserved	-	-	-	-	160,986
Fund Balance, July 1	<u>1,820,629</u>	<u>1,683,412</u>	<u>1,297,560</u>	<u>974,831</u>	<u>823,475</u>
Fund Balance, June 30					
Restricted (Note 5)	943,491	940,906	707,401	456,384	-
Committed (Note 5)	365,220	556,076	518,619	461,140	-
Assigned (Note 5)	40,590	323,647	457,392	380,036	-
Reserved	-	-	-	-	379,631
Unreserved	-	-	-	-	491,244
Fund Balance, June 30	<u>\$ 1,349,301</u>	<u>\$ 1,820,629</u>	<u>\$ 1,683,412</u>	<u>\$ 1,297,560</u>	<u>\$ 870,875</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 - Cash Basis (Unaudited)
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

General Fund				
	Original Budget	Final Budget	Actual	Final Budget/ Actual Variance Favorable (Unfavorable)
Revenues:				
Taxes:				
Individual and Fiduciary Income	\$ 11,624,600	\$ 11,669,100	\$ 11,253,348	\$ (415,752)
Sales and Use	3,532,965	3,414,100	3,400,486	(13,614)
Corporation Income	839,800	769,900	757,491	(12,409)
Communications Sales and Use	440,000	440,000	422,823	(17,177)
Deeds, Contracts, Wills, and Suits	345,695	386,800	318,998	(67,802)
Premiums of Insurance Companies	280,700	289,400	320,421	31,021
Alcoholic Beverage Sales	194,000	196,800	199,225	2,425
Tobacco Products	183,200	183,500	180,626	(2,874)
Estate	-	-	196	196
Public Service Corporations	95,300	97,700	98,156	456
Other Taxes	18,305	19,705	28,760	9,055
Rights and Privileges	79,364	89,910	79,085	(10,825)
Sales of Property and Commodities	12,020	3,597	30,682	27,085
Assessments and Receipts for Support of Special Services	655	900	931	31
Institutional Revenue	42,761	41,485	36,143	(5,342)
Interest, Dividends, and Rents	65,264	50,572	78,333	27,761
Fines, Forfeitures, Court Fees, Penalties, and Escheats	215,650	213,345	211,512	(1,833)
Federal Grants and Contracts	9,453	9,457	9,454	(3)
Receipts from Cities, Counties, and Towns	10,017	9,232	16,318	7,086
Private Donations, Gifts and Contracts	708	486	438	(48)
Tobacco Master Settlement	50,337	49,727	48,693	(1,034)
Other	164,472	200,442	190,636	(9,806)
Total Revenues (Note 2)	18,205,266	18,136,158	17,682,755	(453,403)
Expenditures:				
Current:				
General Government	2,464,104	2,272,147	2,215,179	56,968
Education	7,711,835	7,823,406	7,755,863	67,543
Transportation	1,030	1,312	773	539
Resources and Economic Development	381,735	460,327	406,052	54,275
Individual and Family Services	5,641,008	5,655,699	5,525,897	129,802
Administration of Justice	2,422,963	2,531,750	2,519,888	11,862
Capital Outlay	43,316	32,047	10,663	21,384
Total Expenditures	18,665,991	18,776,688	18,434,315	342,373
Revenues Over (Under) Expenditures	(460,725)	(640,530)	(751,560)	(111,030)
Other Financing Sources (Uses):				
Transfers:				
Operating Transfers In	680,677	745,413	770,542	25,129
Operating Transfers Out	(474,798)	(473,579)	(490,310)	(16,731)
Total Other Financing Sources (Uses)	205,879	271,834	280,232	8,398
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(254,846)	(368,696)	(471,328)	(102,632)
Fund Balance, July 1	1,820,629	1,820,629	1,820,629	-
Fund Balance, June 30	\$ 1,565,783	\$ 1,451,933	\$ 1,349,301	\$ (102,632)

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 - Cash Basis (Unaudited)
For the Fiscal Year Ended June 30, 2014
(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	\$ 36,555	\$ 47,320	\$ 37,963	\$ 9,357
Financial Assistance to Localities -- From Sale of Alcoholic Beverages and Other Distributions	49,140	29,972	29,972	-
Financial Assistance for Special State Revenue Sharing -- From Sales Tax	1,257,500	1,219,700	1,207,035	12,665
Cash Management Improvement Act Payment to the Federal Government	12	12	12	-
Totals	<u>\$ 1,343,207</u>	<u>\$ 1,297,004</u>	<u>\$ 1,274,982</u>	<u>\$ 22,022</u>

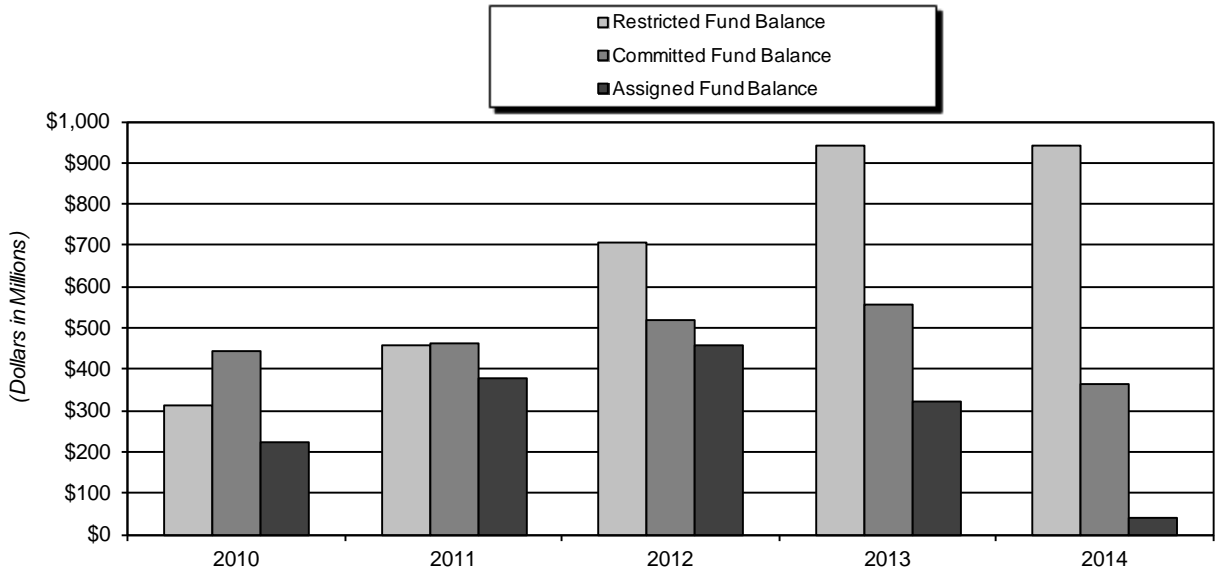


**GENERAL FUND GRAPHICS AND SUPPLEMENTAL
SCHEDULES**

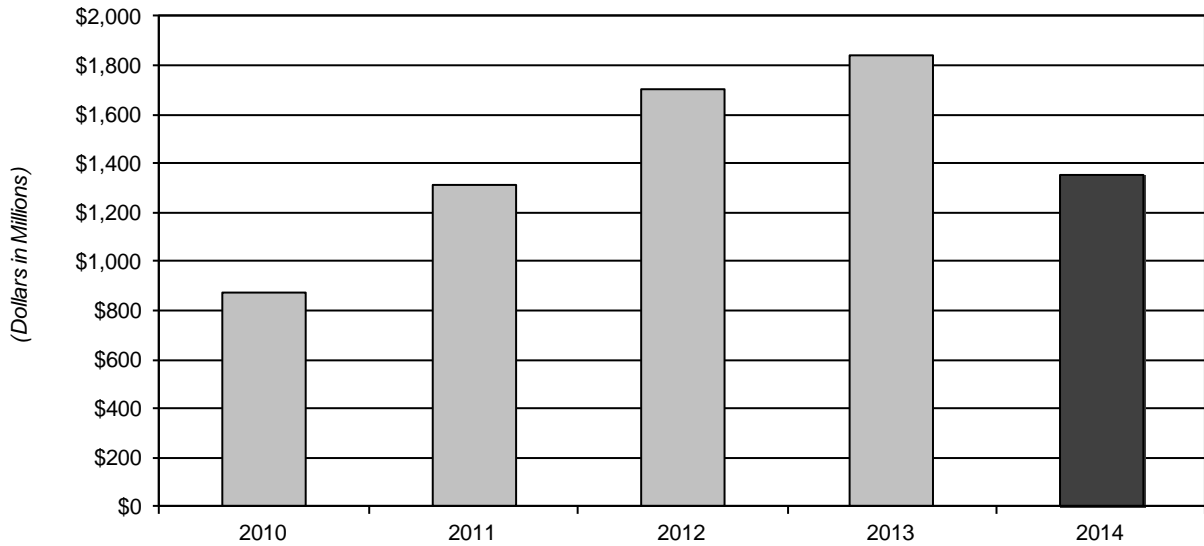




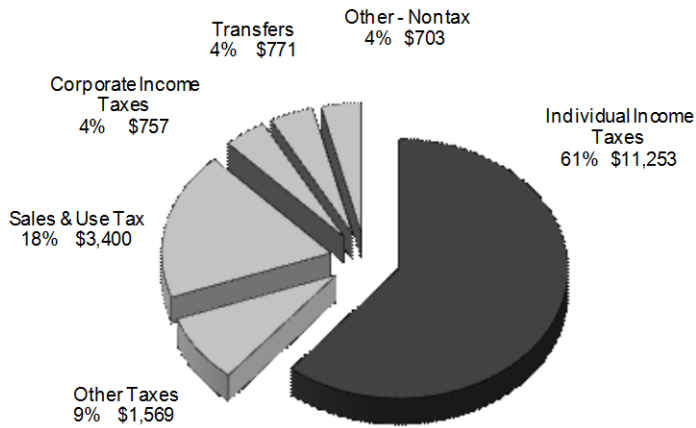
**General Fund
Fund Balance
Fiscal Years 2010-2014**



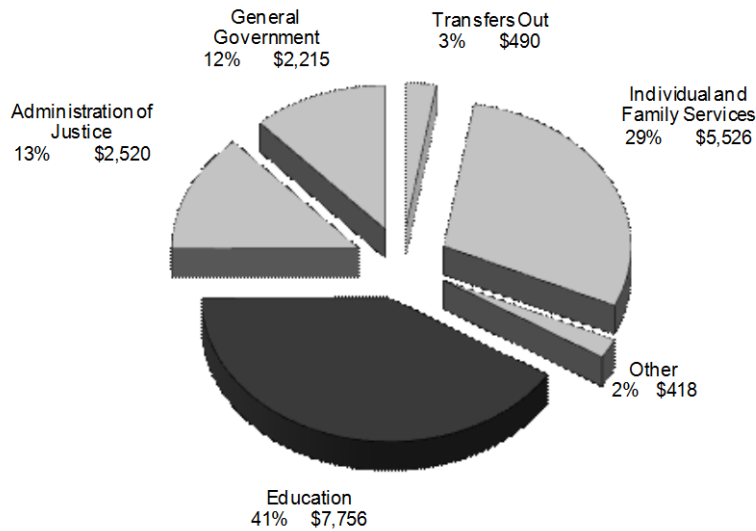
**General Fund
Cash, Cash Equivalents, and Investments
Fiscal Years 2010-2014**



**General Fund
Revenues by Revenue Class and Other Sources
Fiscal Year 2014
(Dollars in Millions)**

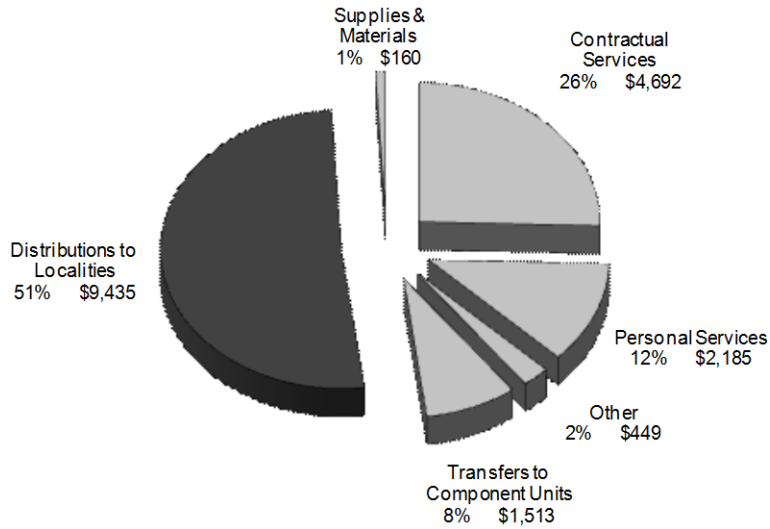


**General Fund
Expenditures by Function and Other Uses
Fiscal Year 2014
(Dollars in Millions)**

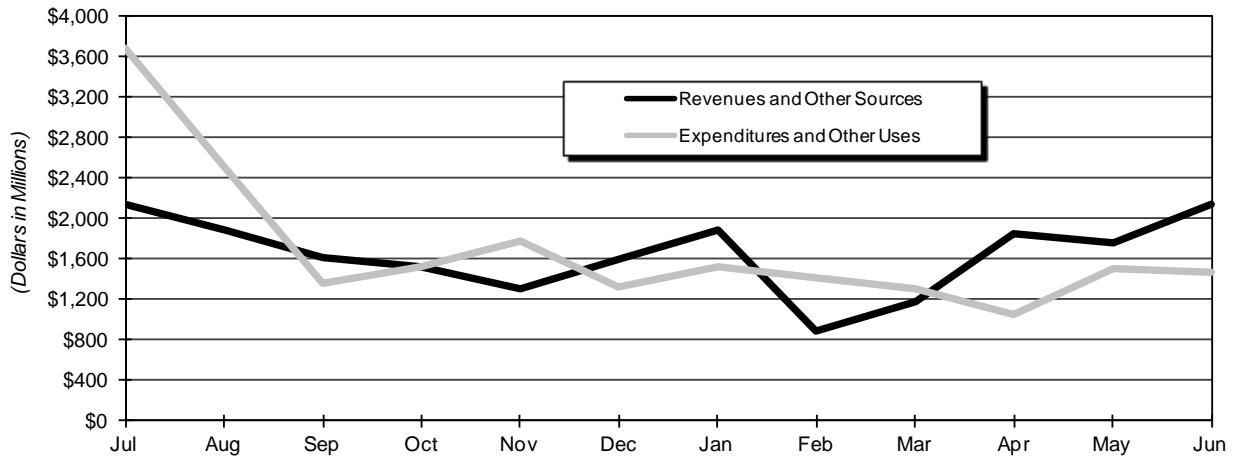


Note: General Government expenditures include \$950.0 million paid to localities pursuant to the Personal Property Tax Relief Act of 1998 and \$417.7 million in communication sales tax distributions. This represents 61.7 percent of the General Government expenditures.

**General Fund
Expenditures by Object
Fiscal Year 2014
(Dollars in Millions)**



**General Fund
Revenues and Other Sources and
Expenditures and Other Uses by Month
Fiscal Year 2014**



Note: July expenditures include \$955.1 million in payments to Higher Education.

**General Fund
Expenditures by Function and Significant Service Area
Fiscal Year 2014
(Dollars in Thousands)**

Function:	Significant Service Area:	Amount	Totals
Education	Grades K-12	\$ 5,795,806	
	Higher Education	1,821,240	
	Other	138,817	
			\$ 7,755,863
Individual and Family Services	Medical Assistance Services	4,103,615	
	Behavioral Health and Developmental Services	602,875	
	Social Services	382,978	
	Comprehensive Services for At-Risk Youth and Families	179,237	
	Health	150,295	
	Other	106,897	
Administration of Justice	Corrections	1,329,434	
	Sheriffs and Inmate Confinement - Compensation Board	473,507	
	Courts	385,464	
	State Police	254,643	
	Other	76,840	
General Government	Car Tax Relief (PPTRA)	950,000	
	Communication Sales Tax Distribution	417,699	
	Debt Service - Component Units	227,894	
	Criminal Justice - Locality Assistance	172,413	
	Constitutional Officers - Compensation Board	156,508	
	Tax Administration	90,261	
	Other	200,404	
Resources and Economic Development	Conservation and Recreation	70,051	
	Environmental Quality	67,250	
	Economic Development Partnership	57,444	
	Housing and Community Development	37,543	
	Agriculture	29,695	
	Tourism	20,201	
	Forestry	15,986	
	Mines, Minerals, and Energy	12,335	
	Marine Resources	11,724	
	Naval Base Retention	11,395	
	Innovation and Entrepreneurship Investment	11,320	
	Small and Minority Business Assistance	9,910	
	Other	51,198	
Other	Capital Outlay	10,663	
	Transportation	773	
			11,436
			\$ 18,434,315

**General Fund
Other Financing Sources and Uses by Significant Service Area
Fiscal Year 2014
(Dollars in Thousands)**

Other Financing Sources (Transfers In):

Significant Service Area	<u>Amount</u>	<u>Total</u>
Lottery	\$ 532,700	
ABC Transfers	146,752	
Transfers from Other Funds	<u>91,090</u>	
		<u>\$ 770,542</u>

Other Financing Uses (Transfers Out):

Significant Service Area	<u>Amount</u>	<u>Total</u>
Debt Service	\$ 379,476	
Transportation Programs	82,735	
Transfers to Other Funds	<u>28,099</u>	
		<u>\$ 490,310</u>



GENERAL FUND NOTES



COMMONWEALTH OF VIRGINIA

NOTES TO PRELIMINARY FINANCIAL STATEMENTS

JUNE 30, 2014

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 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 reported 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.

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, due on December 15, 2014.

B. Budget

Budgetary amounts shown in the General Fund Statement of Revenue Collections and Estimates represent Chapter 806, 2013 Acts of Assembly (original), and Chapter 1, 2014 Acts of Assembly Special Session 1 (final), as adjusted for executive and other administrative actions. The original revenue budget reflected in this report does not agree to Chapter 806 and has been reduced by \$115.2 million to incorporate the effect of an additional one-eighth cent Standards of Quality sales tax transfer required by Chapter 766, 2013 Virginia Acts of Assembly (Transportation Legislation) that was inadvertently excluded from Chapter 806. This oversight was corrected in Chapter 1. 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 and Estimates 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, 2014. The inclusion of additional funds in the Preliminary General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual has no impact on either the budgetary or statutory purposes of the funds considered General Fund for financial reporting purposes.

<i>(Dollars in Thousands)</i>	Final Revenue Budget	Total Actual Revenue
Amount per Preliminary Financial Statements	\$ 18,136,158	\$ 17,682,755
Amount per Monthly Statement of Revenue	<u>16,849,400</u>	<u>16,411,415</u>
Variance	<u>\$ 1,286,758</u>	<u>\$ 1,271,340</u>
Variance Attributable to the Following:		
Virginia Communications Sales and Use Tax Fund - Sales and Use Tax revenue included on the Preliminary Financial Statements	\$ 440,000	\$ 422,823
Public Education Standards of Quality Fund - Sales and Use Tax revenue included on the Preliminary Financial Statements	334,700	334,030
Virginia Water Quality Improvement Fund - Deeds, Contracts, Wills & Suits Tax revenue included on the Preliminary Financial Statements	9,300	8,235
Virginia Health Care Fund - Tobacco Products Tax revenue included on the Preliminary Financial Statements	183,500	180,626
Virginia Communications Sales and Use Tax Fund - Rights and Privileges revenue included on the Preliminary Financial Statements	10,000	425
Lottery Proceeds Fund - Interest, Dividends and Rents revenue included on the Preliminary Financial Statements	-	575
Virginia Health Care Fund - Medicaid claims payable recoveries included as other revenue on the Preliminary Financial Statements	160,211	135,056
Governor's Opportunity Fund - Other Revenue included on the Preliminary Financial Statements	-	1,862
Virginia Water Quality Improvement Fund - Other Revenue included on the Preliminary Financial Statements	20	295
Virginia Water Quality Improvement Fund - Private Donations, Gifts and Contracts included on the Preliminary Financial Statements	8	7
Revenue Stabilization Fund interest revenue included on the Preliminary Financial Statements	-	2,913
Virginia Health Care Fund - Tobacco Master Settlement revenue included on the Preliminary Financial Statements	49,727	48,693
Transfers from Fiduciary Funds and Component Units included in revenue on the Preliminary Financial Statements	6,492	13,209
Other items included in revenue on the Preliminary Financial Statements	92,800	122,591
	<u>\$ 1,286,758</u>	<u>\$ 1,271,340</u>

3. APPROPRIATION ACT TRANSFERS

For fiscal year ended June 30, 2014, Appropriation Act transfers are \$ 1.1 billion. 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>	Appropriation Act Transfers
Transfers In	\$ 744,672 (a)
Transfers Out	(17,171)
Intrafund Transfers between General Fund and:	
Public Education Standards of Quality Fund	334,030
Other Nongeneral Funds	30,547
Revenue - Other	6,521
Total Appropriation Act Transfers	<u>\$ 1,098,599</u>

(a) Includes ABC transfers of approximately \$146.8 million

4. DUE FROM OTHER FUNDS

The due from amount represents future reimbursements to be received from the Federal government accounted for in the accompanying statements pursuant to the requirements of GASB No. 54.

5. FUND EQUITY

With the implementation of GASB No. 54 in fiscal year 2011, the previous fund equity classifications of Reserved and Unreserved have been changed to Restricted, Committed, Assigned, and Unassigned. Restricted fund balances are those that have a restriction by the Constitution of Virginia or from a party external to the Commonwealth. Committed fund balances are amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The authority in the Commonwealth is the General Assembly and Governor. Assigned fund balances are those that the government intends to use for a planned purpose, but which are not restricted or committed. Unassigned fund balances are those that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific or planned purposes within the General Fund. Pursuant to Section 2.2-1514 of the *Code of Virginia*, any unassigned balances in the General Fund are automatically committed for transfer to the Transportation Trust Fund and nonrecurring expenditures. For fiscal year 2014, sufficient cash is not available to require deposits for the Transportation Trust Fund and nonrecurring expenditures. GASB No. 54 also redefined funds for financial reporting purposes and requires selected activity that was previously excluded from the General Fund to be included as part of the General Fund for financial reporting purposes when there is insufficient funding from sources external to the General Fund. As of June 30, \$171.6 million of fund equity is attributable to these reclassified funds, which consist of \$8.0 million restricted balances, \$123.0 million committed balances, and \$40.6 million assigned balances.

6. 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. A deposit of \$244.6 million was made during fiscal year 2014 as required by Section 2.2-1829 of the *Code of Virginia*. There was no withdrawal made in fiscal year 2014, and it is anticipated that the General Assembly will authorize a withdrawal in fiscal year 2015.

Under the provisions of Article X, Section 8 of the *Constitution of Virginia*, a deposit of \$243.2 million is required during fiscal year 2015 based on fiscal year 2013 revenue collections. This required deposit is included as a restricted component of fund balance and includes the advance reservation of \$95.0 million provided in Chapter 2, 2014 Acts of Assembly. A deposit is not required during fiscal year 2016 based on fiscal year 2014 revenue collections.

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 deposit is required since the specified criteria were not met for fiscal year 2014.

The Revenue Stabilization Fund has principal and interest on deposit of \$687.5 million restricted as a part of General Fund balance. Pursuant to the constitutional amendment of Article X, Section 8, effective January 1, 2011, the amount on deposit cannot exceed fifteen percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years.

7. 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 fiscal year 2014 is included in the Preliminary Statement of Revenues, Expenditures, and Changes in Fund Balance. The remaining cash balance of \$4.8 million is restricted as a component of the General Fund balance.

8. COMMITTED AND ASSIGNED FUND BALANCE

Committed Fund Balance represents amounts that must be spent for specific purposes that have been legislatively mandated by the Governor and General Assembly. Assigned Fund Balance represents amounts that the Commonwealth has identified for planned purposes but for which the intended use is not legislatively mandated. The accompanying Balance Sheet includes amounts that share the same purpose and title, such as Economic and Technological Development as both Committed and Assigned components of fund balance. The distinction between these classifications results from whether there is a statutory restriction on certain amounts contained within the fund.

A. OTHER COMMITTED FUND BALANCE

As of June 30, 2014, the breakdown of Other Committed Fund Balance is as follows.

Other Committed	Amount (In Thousands)
Health and Public Safety	7,381
Environmental Quality and Natural Resource Preservation	3,017
Educational and Training programs	886
Capital Outlay	883
Governmental Operations - Administrative Services	115
Agriculture and Forestry	98
Total Other Committed Fund Balance	\$ <u>12,380</u>

B. OTHER ASSIGNED FUND BALANCE

As of June 30, 2014, the breakdown of Other Assigned Fund Balance is as follows.

Other Assigned	Amount (In Thousands)
Governmental Operations - Administrative Services	\$ 4,160
Educational and Training programs	2,821
Governmental Operations - Legislative Services	2,323
Capital Outlay	2,101
Employee benefit administration	478
Contract and Debt Administration	36
Transportation activities	25
Regulatory oversight	17
Agriculture and Forestry	2
Total Other Assigned Fund Balance	\$ <u>11,963</u>

9. COMMUNICATION SALES AND USE TAX FUND

Effective for fiscal year 2010, the Appropriation Act directs the Communications Sales and Use Tax Fund be included as a component of the General Fund for financial reporting purposes. Previously, this activity was reported in another fund. The Commonwealth collects communication sales and use taxes and disburses these amounts to localities. The remaining cash balance of \$38.9 million is reported as committed fund balance.

10. ACCELERATED SALES TAX COLLECTIONS

Pursuant to Section 58.1-615 *Code of Virginia* as amended by Chapter 872, 2010 Acts of Assembly, Section 3-5.14, the Commonwealth collected \$130.3 million in accelerated sales and use taxes in June 2014. This portion of the \$3.4 billion sales and use tax collections recorded as fiscal year 2014 was accelerated from revenues that would otherwise have been collected in July 2014 and recorded as revenues in the fiscal year 2015 cash basis financial statements. Pursuant to Chapter 806, 2013 Acts of Assembly, Section 3-5.07, the Commonwealth began a gradual phase-out of this acceleration in 2013. Subsequent to June 30, 2014, \$1.3 million of accelerated sales tax collections is committed for transfer to the Highway Maintenance and Operating Fund.

11. VIRGINIA WATER QUALITY IMPROVEMENT FUND

Section 10.1-2128 of the Code of Virginia established the Virginia Water Quality Improvement Fund. Prior to fiscal year 2011, the Fund was reported as a non-general governmental fund. However, with the implementation of GASB No. 54 in fiscal year 2011, this fund is now included in the General Fund for financial reporting purposes, and the balance on deposit (\$54.2 million) is reported as committed fund balance.

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 unrestricted and uncommitted fund balance not required for reappropriation. In prior years, we have committed the amount that represents ten percent of the revenue collected in excess of the official estimate and ten percent of any unrestricted and uncommitted fund balance not required for reappropriation. For the year ended June 30, 2014, no such commitments are required.

12. PLANNED DISBURSEMENTS

The amounts committed and assigned on the Balance Sheet represent plans for future utilization of current financial resources. For the year ended June 30, 2014, the Department of Planning and Budget certified total committed fund balance of \$383.7 million and assigned fund balance of \$469.7 million as follows.

<u>Committed Fund Balance</u>	Amount (In Thousands)
Amount Required for Reappropriation of 2014 Unexpended Balances for Capital Outlay	\$ 21,731
Virginia Health Care Fund	74,240
Central Capital Planning Fund	11,028
Communication Sales and Use Tax	38,932
Governor's Opportunity Fund	28,562
Natural Disaster Sum Sufficient	33,324
Amount Required for Mandatory Reappropriation	75,843
Accelerated Sales Tax for Highway Maintenance and Operating Fund	1,263
Federal Action Contingency Trust Fund	4,362
Virginia Water Quality Improvement Fund	54,249
Economic and Technological Development	27,807
Other	12,380
Total Committed Fund Balance	<u>\$ 383,721</u>

<u>Assigned Fund Balance</u>	Amount (In Thousands)
Amount Required by Chapter 2	\$ 248,625
Unexpended Balance of the Revenue Stabilization Fund Advance Reservation, Chapter 1	95,000
Health and Public Safety	12,154
Economic and Technological Development	11,094
Environmental Quality and Natural Resource Preservation	5,379
Federal Portion of Dominion Resources Refund	1,452
Federal Portion of Internal Service Fund Interest	1,611
Federal Portion of Internal Service Funds Profits and Transfers	2,696
Federal Portion of Partners in Procurement	770
Federal Portion of State Surplus Property Sales	29
Amount Required for Discretionary Reappropriations	78,929
Other	11,963
Total Assigned Fund Balance	<u>\$ 469,702</u>

The Balance Sheet reflects committed and assigned fund balance of \$365.2 million and \$40.6 million, respectively, for the above purposes. Sufficient cash is not available for the remaining \$447.6 million of planned disbursements, comprised of \$18.5 million of committed fund balance and \$429.1 million of assigned fund balance. Further, sufficient cash is not available to require deposits pursuant to Section 2.2-1514 of the *Code of Virginia* for the Transportation Trust Fund and nonrecurring expenditures for fiscal year 2014.

GLOSSARY



FINANCIAL STATEMENTS AND NOTES

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 or advanced to agency employees to cover expenses incurred while traveling on State business.
3. **Due from Other Funds** – Amounts to be received from other nongeneral funds.
4. **Deposits Pending Distribution** – This represents miscellaneous amounts held by several agencies in suspense accounts pending distribution.
5. **Restricted Fund Balance** – Includes amounts that have constraints placed on the use of resources by the *Constitution of Virginia* or a party external to the Commonwealth. Restricted Fund Balance represents:
 - **Revenue Stabilization Fund** – This portion of fund balance consists of amounts on deposit or required for future deposit pursuant to constitutional provisions. Amounts can only be used within the constraints imposed by the *Constitution of Virginia*.
 - **Lottery Proceeds Fund** – This portion of fund balance consists of amounts required to be distributed to localities and used for education purposes pursuant to constitutional provisions.
 - **Water Supply Assistance Grant Fund** – This portion of fund balance consists of amounts provided as matching funds for moneys available through the Federal Safe Drinking Water Act.
6. **Committed Fund Balance** – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the General Assembly and Governor. Committed Fund Balance represents:
 - **Amount Required for Reappropriation, Capital Outlay and Mandatory Reappropriations** – This portion of fund balance represents fiscal year 2014 unexpended appropriations which the Department of Planning and Budget will reappropriate in the next fiscal year.
 - **Virginia Health Care Fund** – This portion of fund balance represents amounts collected from tobacco taxes and a portion of the Tobacco Master Settlement Agreement receipts and is to be used for the provision of health care services.
 - **Central Capital Planning Fund** – This portion of fund balance represents amounts for preplanning and detailed planning costs for potential capital outlay projects.
 - **Communication Sales and Use Tax** – This portion of fund balance represents Communication Sales and Use Tax collections that will be distributed to localities subsequent to June 30.
 - **Governor's Opportunity Fund** – This portion of fund balance represents amounts the Governor may use as incentives to attract economic development prospects.
 - **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.
 - **Accelerated Sales Tax for Highway Maintenance and Operating Fund** – This portion of fund balance represents the accelerated sales tax collections to be transferred to the Highway Maintenance and Operating Fund subsequent to June 30.
 - **Federal Action Contingency Trust Fund** – This portion of fund balance represents the amount to assist in mitigating the effect of potential federal spend reductions as authorized by Chapter 1, Item 469 J.1.

- **Virginia Water Quality Improvement Fund** – This portion of fund balance represents amounts currently on deposit. Amounts deposited to this fund are used to provide Water Quality Improvement Grants to various entities to assist in pollution prevention and reduction.
 - **Economic and Technological Development** – This portion of fund balance represents amounts that will be used to promote growth in the Commonwealth's economy.
7. **Assigned Fund Balance** – Includes amounts that are constrained by the government's intent to be used for planned purposes, but are neither restricted nor committed. Assigned Fund Balance represents:
- **Amount Required by Chapter 2** – This portion of fund balance represents the amount that must be carried forward to the following year to balance the biennial budget.
 - **Health and Public Safety** – This portion of fund balance represents amounts anticipated to be used to further the health and public safety of the Commonwealth's citizenry.
 - **Environmental Quality and Natural Resource Preservation** – This portion of fund balance represents amounts anticipated to be used to improve and preserve the Commonwealth's natural resources.
 - **Economic and Technological Development** – This portion of fund balance represents amounts anticipated to be used to promote growth in the Commonwealth's economy.
 - **Federal Portion of Dominion Resources Refund** – This portion of fund balance represents amounts owed to the Federal Government for its share of the refund received.
 - **Federal Portion of Internal Service Fund Interest** – This portion of fund balance represents amounts owed to the Federal Government for its share of interest owed to Internal Service Funds that was retained by the General Fund.
 - **Federal Portion of Internal Service Fund Profits and Transfers** – This portion of fund balance represents amount owed to the Federal government for its share of internal service fund profits and transfers to the General Fund.
 - **Federal Portion of Partners in Procurement** – This portion of fund balance represents the amount owed to the Federal government for its share of administrative fees charged to all agencies using the Department of General Services' procurement system.
 - **Federal Portion of State Surplus Property Sales** – This portion of fund balance represents the amounts owed to the Federal government for its share of proceeds from surplus property sales.
 - **Amount Required for Discretionary Reappropriation** – This portion of fund balance represents fiscal year 2014 unexpended appropriations which the Department of Planning and Budget anticipates reappropriating in the next fiscal year.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Revenues:

8. **Taxes** – Charges of money imposed by the Commonwealth on persons or property for public purposes.
9. **Rights and Privileges** – Registration fees, licenses, and permits. Examples include domestic and foreign corporate registration fees and marriage licenses.
10. **Sales of Property and Commodities** – Revenue collected from sales of Commonwealth assets and goods. Examples include sales of State publications.
11. **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.
12. **Institutional Revenue** – Revenue generated primarily from sales by the Departments of Corrections and Behavioral Health and Developmental Services. Examples include the sale of farm and dairy products.

13. **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.
14. **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.
15. **Federal Grants and Contracts** – Revenue collected from the Federal government that can be used for any purpose within the mission of the receiving agencies.
16. **Receipts from Cities, Counties, and Towns** – Revenue collected from city and county treasurers representing miscellaneous fees and allowances of local law enforcement officials.
17. **Private Donations, Gifts, and Contracts** – This amount represents donations and grants from individuals and private companies to State programs.
18. **Tobacco Master Settlement** – This amount represents the revenue generated from the Tobacco Master Settlement Agreement with tobacco companies.
19. **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:

20. **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 fiscal year 2007.
21. **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.
22. **Transportation** – Expenditures related to the movement of people, goods, and services and their regulation. Examples include ground, water and air transportation.
23. **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.
24. **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.
25. **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.
26. **Capital Outlay** - Construction and preparation of Commonwealth assets.

Other Financing Sources (Uses):

- 27. **Operating Transfers In** – This balance reflects transfers in from other nongeneral funds.
- 28. **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 **Finrept@doa.virginia.gov**

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