
COMMONWEALTH OF VIRGINIA

GENERAL FUND PRELIMINARY (UNAUDITED) ANNUAL REPORT

For the Fiscal Year Ended June 30, 2015

Presented on a Cash Basis



David A. Von Moll
Comptroller
August 14, 2015



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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, 2015

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, 2015.

The Commonwealth ended fiscal year 2015 with a total fund balance in the General Fund of \$1.8 billion measured on the cash basis of activity. This is an increase of \$409.9 million, or 30.4 percent, from last year's ending fund balance of \$1.3 billion. Planned (budgeted) decreases in General Fund balance for this year were \$359.3 million. The difference between the planned decrease and actual increase is primarily attributed to revenue collections and other sources being approximately \$533.2 million more than expected and expenditures and other uses being approximately \$236.0 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, \$149.5 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 Commonwealth's Development 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 \$467.7 million restricted as a part of the General Fund balance. A deposit of \$243.2 million was made during fiscal year 2015 as required by Section 2.2-1829 of the *Code of Virginia*, which includes the advance reservation of \$95.0 million provided in Chapter 2, 2014 Acts of Assembly. Additionally, during fiscal year 2015, 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 \$467.7 million was made from the fund. Further, Chapter 665, 2015 Acts of Assembly, authorizes an additional withdrawal estimated at \$235.0 million from the fund during fiscal year 2016.

Under the provisions of Article X, Section 8 of the *Constitution of Virginia*, a deposit of \$605.6 million is required during fiscal year 2017 based on fiscal year 2015 revenue collections. This required deposit is included as a restricted component of fund balance and includes the advance reservation of \$129.5 million provided in Chapter 665, 2015 Acts of Assembly.

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 2015.

Amounts Available for Reappropriation

Section 4-1.05a.1 of Chapter 665 requires reappropriation of 2015 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, 2015, the following amounts have been committed: \$21.5 million for capital outlay project needs; \$8.8 million for health care services, \$14.2 million for central capital planning; \$36.3 million for communication sales and use tax distributions; \$24.1 million for natural disaster sum sufficient amounts; \$58.5 million for mandatory reappropriations; \$437 thousand for the Federal Action Contingency Trust Fund; and \$61.7 million pending transfer to the Virginia Water Quality Improvement Fund.

In addition, the Department of Planning and Budget has identified \$247.2 million as available balances to meet the requirements of Chapter 665. The Department of Planning and Budget has also identified \$70.9 million to be assigned for discretionary reappropriations. As of June 30, 2015, sufficient cash is not available to assign the entire amount for discretionary reappropriations. Therefore, \$60.7 million is assigned on the accompanying Balance Sheet.

Additionally, restricted balances of \$6.5 million, committed balances of \$103.1 million and assigned balances of \$39.8 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 \$32.9 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. For the year ended June 30, 2015, \$55.0 and \$6.7 million that represent ten percent of the excess revenue collections and ten percent of the unrestricted and uncommitted fund balance not required for reappropriation, respectively, have been committed. Upon appropriation by the General Assembly, \$61.7 million will be transferred from the General Fund to the Virginia Water Quality Improvement Fund. 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, 2015, 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, 2014, 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 29 consecutive years. In addition, Virginia received a companion award from the GFOA for its fiscal year 2014 Popular Report, entitled *Virginia Financial Perspective*. Virginia's Popular Report has received this award for 20 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, 2015
(Dollars in Thousands)**

Assets		
Cash, Cash Equivalents, and Investments	\$ 1,794,486	
Cash and Travel Advances	<u>669</u>	
Total Assets		<u>\$ 1,795,155</u>
Liabilities and Fund Equity		
Liabilities:		
Payments Awaiting Disbursement (Note 4)	31,644	
Deposits Pending Distribution	<u>4,356</u>	
Total Liabilities		\$ 36,000
Fund Equity (Note 5):		
Restricted Fund Balance:		
Revenue Stabilization Fund (Note 6)	467,717	
Revenue Stabilization Reserve 2017 (Note 6)	605,572	
Lottery Proceeds Fund (Note 7)	2,808	
Water Supply Assistance Grant Fund	6,521	
Total Restricted Fund Balance		<u>1,082,618</u>
Committed Fund Balance (Note 8):		
Amount Required for Reappropriation of		
2015 Unexpended Balances for Capital Outlay and Restoration Projects	21,487	
Virginia Health Care Fund	8,821	
Central Capital Planning Fund	14,198	
Communication Sales and Use Tax (Note 9)	36,349	
Commonwealth's Development Opportunity Fund	23,543	
Natural Disaster Sum Sufficient	24,110	
Amount Required for Mandatory Reappropriation	58,543	
Federal Action Contingency Trust Fund	437	
Virginia Water Quality Improvement Fund (Note 11)	32,884	
Virginia Water Quality Improvement Fund - Part A (Note 11)	54,961	
Virginia Water Quality Improvement Fund - Part B (Note 11)	6,747	
Economic and Technological Development	32,633	
Other	14,078	
Total Committed Fund Balance		<u>328,791</u>
Assigned Fund Balance (Note 8):		
Amount Required by Chapter 665	247,194	
Health and Public Safety	15,588	
Economic and Technological Development	8,986	
Environmental Quality and Natural Resource Preservation	5,883	
Amount Required for Discretionary Reappropriations	60,727	
Other	9,368	
Total Assigned Fund Balance (Note 12)		<u>347,746</u>
Total Fund Equity		<u>\$ 1,759,155</u>
Total Liabilities and Fund Balance		<u>\$ 1,795,155</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, 2011 through June 30, 2015
(Dollars in Thousands)

	Year Ended				
	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011
Revenues:					
Taxes:					
Individual and Fiduciary Income	\$ 12,328,675	\$ 11,253,348	\$ 11,339,966	\$ 10,612,836	\$ 9,944,370
Sales and Use	3,587,849	3,400,486	3,441,195	3,335,601	3,216,406
Corporation Income	831,907	757,491	796,728	859,923	822,259
Communications Sales and Use (Note 9)	417,209	422,823	427,262	424,257	442,455
Deeds, Contracts, Wills, and Suits	354,461	318,998	388,633	330,938	299,967
Premiums of Insurance Companies	300,641	320,421	262,242	252,895	281,563
Alcoholic Beverage Sales	207,802	199,225	195,192	186,377	178,937
Tobacco Products	178,996	180,626	187,874	192,453	173,731
Estate	98	196	-	298	2,713
Public Service Corporations	98,537	98,156	96,222	94,429	93,777
Other Taxes	30,251	28,760	18,036	20,442	21,808
Total Taxes	18,336,426	16,980,530	17,153,350	16,310,449	15,477,986
Rights and Privileges	78,654	79,085	76,931	72,817	73,283
Sales of Property and Commodities	28,930	30,682	25,477	30,146	28,005
Assessments and Receipts for Support of Special Services	1,582	931	858	2,570	2,777
Institutional Revenue	38,240	36,143	37,210	38,134	40,122
Interest, Dividends, and Rents	54,626	78,333	72,958	83,055	90,905
Fines, Forfeitures, Court Fees, Penalties, and Escheats	216,698	211,512	216,788	216,032	222,256
Federal Grants and Contracts	6,416	9,454	6,354	-	-
Receipts from Cities, Counties, and Towns	16,533	16,318	15,813	16,209	16,340
Private Donations, Gifts and Contracts	775	438	439	680	4,595
Tobacco Master Settlement	48,207	48,693	74,010	49,136	48,185
Other	158,807	190,636	238,148	282,731	204,033
Total Revenues (Note 2)	18,985,894	17,682,755	17,918,336	17,101,959	16,208,487
Expenditures:					
General Government	2,273,965	2,215,179	2,173,327	2,096,588	2,149,242
Education	7,928,734	7,755,863	7,587,805	7,123,221	6,931,515
Transportation	836	773	172	462	516
Resources and Economic Development	413,053	406,052	389,221	353,567	306,970
Individual and Family Services	5,765,208	5,525,897	5,383,507	5,027,601	4,449,683
Administration of Justice	2,586,618	2,519,888	2,443,464	2,284,948	2,247,447
Capital Outlay	6,510	10,663	6,274	7,627	6,144
Total Expenditures	18,974,924	18,434,315	17,983,770	16,894,014	16,091,517
Revenues Over (Under) Expenditures	10,970	(751,560)	(65,434)	207,945	116,970
Other Financing Sources (Uses):					
Transfers:					
Operating Transfers In	866,913	770,542	712,400	799,070	693,750
Operating Transfers Out	(468,029)	(490,310)	(509,749)	(621,163)	(487,991)
Total Other Financing Sources (Uses)	398,884	280,232	202,651	177,907	205,759
Revenues and Other Sources Over (Under) Expenditures and Other Uses	409,854	(471,328)	137,217	385,852	322,729
Fund Balance, July 1					
Restricted (Note 5)	943,491	940,906	707,401	456,384	310,778
Committed (Note 5)	365,220	556,076	518,619	461,140	443,182
Assigned (Note 5)	40,590	323,647	457,392	380,036	220,871
Fund Balance, July 1	1,349,301	1,820,629	1,683,412	1,297,560	974,831
Fund Balance, June 30					
Restricted (Note 5)	1,082,618	943,491	940,906	707,401	456,384
Committed (Note 5)	328,791	365,220	556,076	518,619	461,140
Assigned (Note 5)	347,746	40,590	323,647	457,392	380,036
Fund Balance, June 30	\$ 1,759,155	\$ 1,349,301	\$ 1,820,629	\$ 1,683,412	\$ 1,297,560

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, 2015
(Dollars in Thousands)

	General Fund			Final Budget/ Actual Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes:				
Individual and Fiduciary Income	\$ 12,349,900	\$ 11,816,300	\$ 12,328,675	\$ 512,375
Sales and Use	3,561,970	3,568,100	3,587,849	19,749
Corporation Income	816,600	840,900	831,907	(8,993)
Communications Sales and Use	440,000	425,000	417,209	(7,791)
Deeds, Contracts, Wills, and Suits	381,056	328,300	354,461	26,161
Premiums of Insurance Companies	290,900	320,500	300,641	(19,859)
Alcoholic Beverage Sales	198,800	204,400	207,802	3,402
Tobacco Products	179,100	178,820	178,996	176
Estate	-	-	98	98
Public Service Corporations	97,700	96,800	98,537	1,737
Other Taxes	20,205	21,847	30,251	8,404
Rights and Privileges	89,626	87,192	78,654	(8,538)
Sales of Property and Commodities	1,337	3,445	28,930	25,485
Assessments and Receipts for Support of Special Services	850	900	1,582	682
Institutional Revenue	42,711	41,796	38,240	(3,556)
Interest, Dividends, and Rents	60,677	62,629	54,626	(8,003)
Fines, Forfeitures, Court Fees, Penalties, and Escheats	213,345	205,323	216,698	11,375
Federal Grants and Contracts	6,418	6,414	6,416	2
Receipts from Cities, Counties, and Towns	9,333	10,033	16,533	6,500
Private Donations, Gifts and Contracts	486	475	775	300
Tobacco Master Settlement	53,209	51,086	48,207	(2,879)
Other	264,956	184,546	158,807	(25,739)
Total Revenues (Note 2)	19,079,179	18,454,806	18,985,894	531,088
Expenditures:				
Current:				
General Government	2,895,523	2,334,088	2,273,965	60,123
Education	8,000,322	7,977,968	7,928,734	49,234
Transportation	204	2,367	836	1,531
Resources and Economic Development	408,423	465,224	413,053	52,171
Individual and Family Services	5,923,217	5,827,264	5,765,208	62,056
Administration of Justice	2,556,220	2,608,951	2,586,618	22,333
Capital Outlay	24,130	31,380	6,510	24,870
Total Expenditures	19,808,039	19,247,242	18,974,924	272,318
Revenues Over (Under) Expenditures	(728,860)	(792,436)	10,970	803,406
Other Financing Sources (Uses):				
Transfers:				
Operating Transfers In	807,406	864,788	866,913	2,125
Operating Transfers Out	(440,696)	(431,678)	(468,029)	(36,351)
Total Other Financing Sources (Uses)	366,710	433,110	398,884	(34,226)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(362,150)	(359,326)	409,854	769,180
Fund Balance, July 1	1,349,301	1,349,301	1,349,301	-
Fund Balance, June 30	\$ 987,151	\$ 989,975	\$ 1,759,155	\$ 769,180

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, 2015
(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	\$ 38,421	\$ 47,765	\$ 37,959	\$ 9,806
Financial Assistance to Localities -- From Sale of Alcoholic Beverages and Other Distributions	49,340	28,066	28,066	-
Financial Assistance for Special State Revenue Sharing -- From Sales Tax	1,272,581	1,274,500	1,270,297	4,203
Cash Management Improvement Act Payment to the Federal Government	4	4	4	-
Totals	<u>\$ 1,360,346</u>	<u>\$ 1,350,335</u>	<u>\$ 1,336,326</u>	<u>\$ 14,009</u>

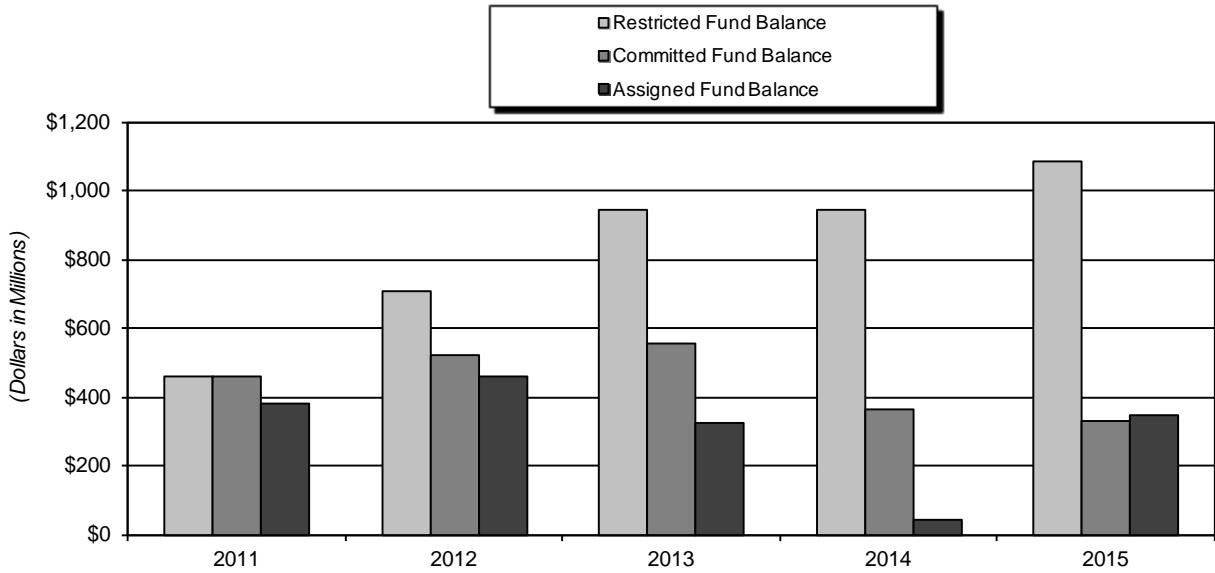


GENERAL FUND GRAPHICS AND SUPPLEMENTAL SCHEDULES

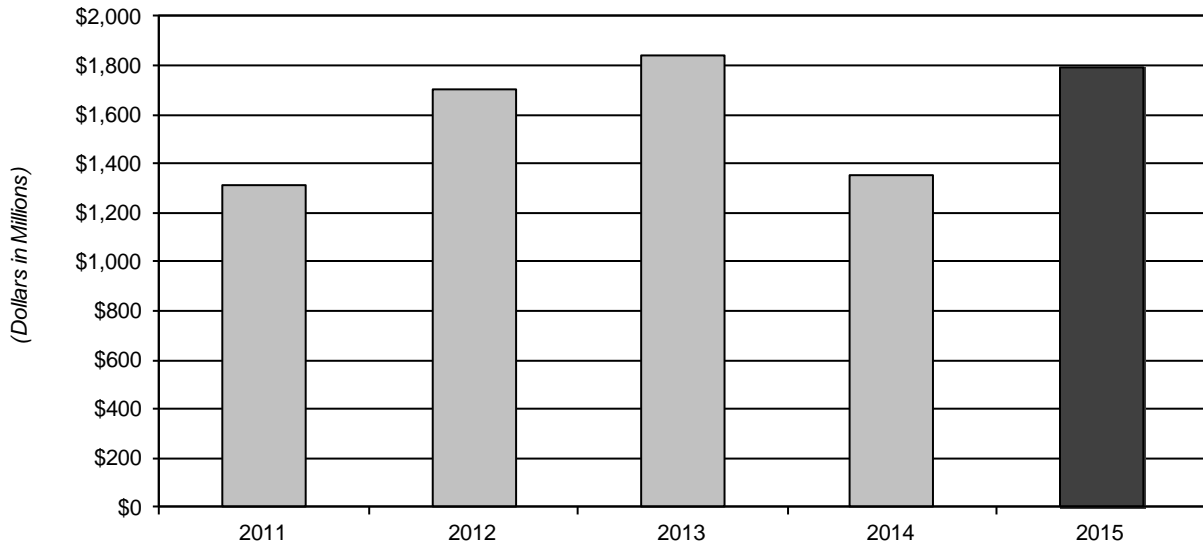




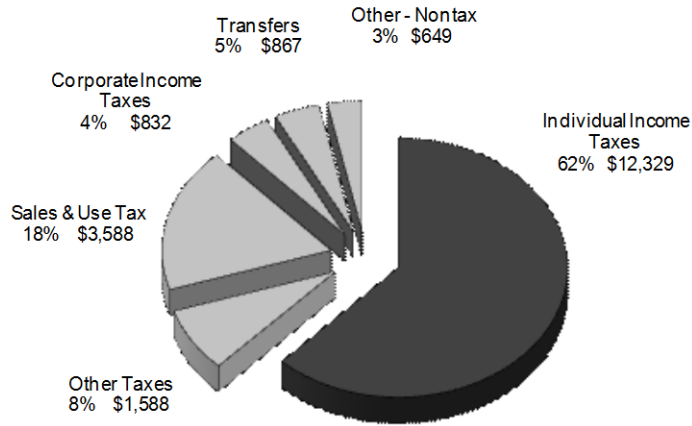
**General Fund
Fund Balance
Fiscal Years 2011-2015**



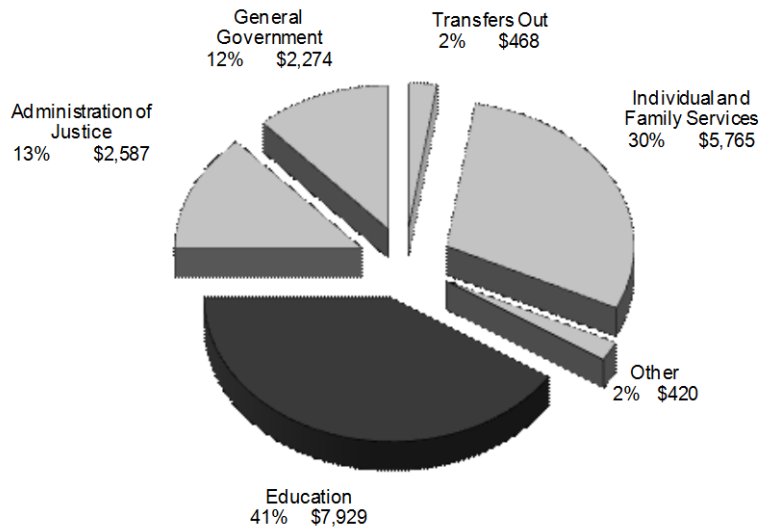
**General Fund
Cash, Cash Equivalents, and Investments
Fiscal Years 2011-2015**



**General Fund
Revenues by Revenue Class and Other Sources
Fiscal Year 2015
(Dollars in Millions)**

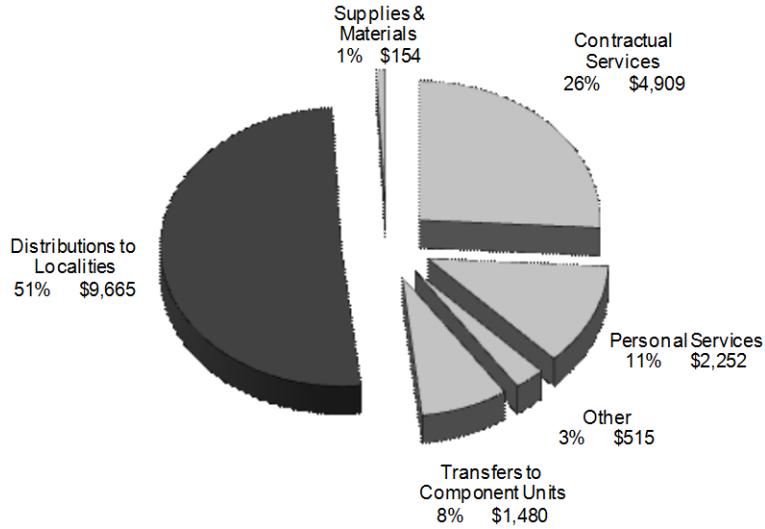


**General Fund
Expenditures by Function and Other Uses
Fiscal Year 2015
(Dollars in Millions)**

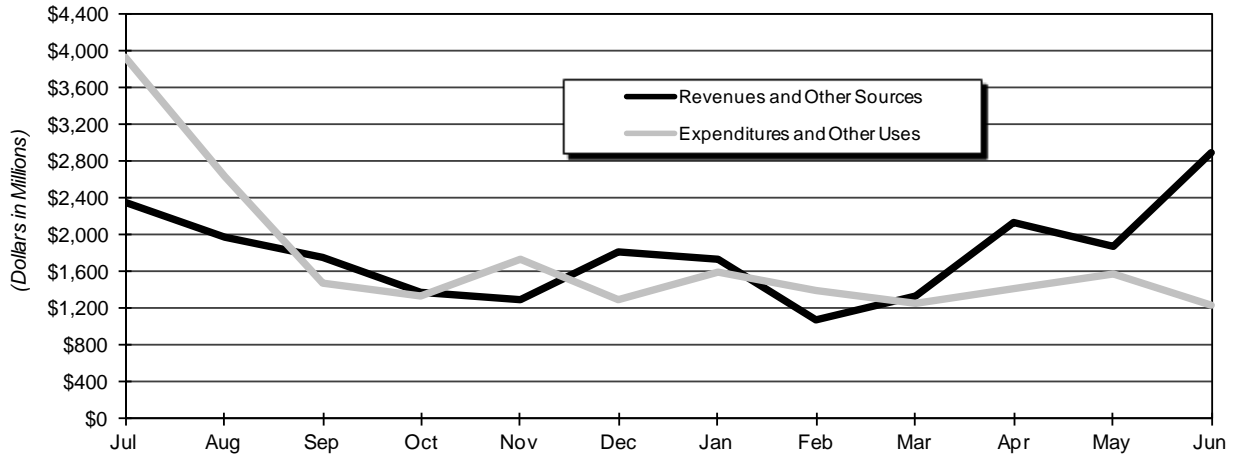


Note: General Government expenditures include \$950.0 million paid to localities pursuant to the Personal Property Tax Relief Act of 1998 and \$419.7 million in communication sales tax distributions. This represents 60.2 percent of the General Government expenditures.

**General Fund
Expenditures by Object
Fiscal Year 2015
(Dollars in Millions)**



**General Fund
Revenues and Other Sources and
Expenditures and Other Uses by Month
Fiscal Year 2015**



Note: July expenditures include \$1.0 billion in payments to Higher Education.

**General Fund
Expenditures by Function and Significant Service Area
Fiscal Year 2015
(Dollars in Thousands)**

Function:	Significant Service Area:	Amount	Totals
Education	Grades K-12	\$ 6,004,098	
	Higher Education	1,790,543	
	Other	<u>134,093</u>	
			\$ 7,928,734
Individual and Family Services	Medical Assistance Services	4,282,880	
	Behavioral Health and Developmental Services	628,362	
	Social Services	385,588	
	Children's Services	182,706	
	Health	153,661	
	Other	<u>132,011</u>	
Administration of Justice	Corrections	1,362,295	
	Sheriffs and Inmate Confinement - Compensation Board	476,076	
	Courts	406,605	
	State Police	256,101	
	Other	<u>85,541</u>	
General Government	Car Tax Relief (PPTRA)	950,000	
	Communication Sales Tax Distribution	419,667	
	Debt Service - Component Units	288,962	
	Criminal Justice - Locality Assistance	165,656	
	Constitutional Officers - Compensation Board	157,481	
	Tax Administration	92,471	
	Other	<u>199,728</u>	
Resources and Economic Development	Economic Development Partnership	85,367	
	Conservation and Recreation	73,610	
	Environmental Quality	68,788	
	Agriculture	31,301	
	Housing and Community Development	29,008	
	Tourism	20,009	
	Forestry	15,552	
	Mines, Minerals, and Energy	13,985	
	Marine Resources	11,196	
	Fort Monroe	6,477	
	Innovation and Entrepreneurship Investment	5,476	
	Small and Minority Business Assistance	3,691	
	Other	<u>48,593</u>	
			413,053
Other	Capital Outlay	6,510	
	Transportation	<u>836</u>	
			<u>7,346</u>
			<u>\$ 18,974,924</u>

**General Fund
Other Financing Sources and Uses by Significant Service Area
Fiscal Year 2015
(Dollars in Thousands)**

Other Financing Sources (Transfers In):

Significant Service Area	Amount	Total
Lottery	\$ 557,555	
ABC Transfers	157,817	
Transfers from Other Funds	151,541	
		<u>\$ 866,913</u>

Other Financing Uses (Transfers Out):

Significant Service Area	Amount	Total
Debt Service	\$ 379,982	
Transportation Programs	56,332	
Transfers to Other Funds	31,715	
		<u>\$ 468,029</u>



GENERAL FUND NOTES



COMMONWEALTH OF VIRGINIA

NOTES TO PRELIMINARY FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015.

B. Budget

Budgetary amounts shown in the General Fund Statement of Revenue Collections and Estimates represent Chapter 2, 2014 Acts of Assembly Special Session 1 (original), and Chapter 665, 2015 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 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, 2015. 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	\$ 18,454,806	\$ 18,985,894
Amount per Monthly Statement of Revenue	<u>17,186,000</u>	<u>17,735,636</u>
Variance	<u>\$ 1,268,806</u>	<u>\$ 1,250,258</u>
Variance Attributable to the Following:		
Virginia Communications Sales and Use Tax Fund - Sales and Use Tax revenue included on the Preliminary Financial Statements	\$ 425,000	\$ 417,209
Public Education Standards of Quality Fund - Sales and Use Tax revenue included on the Preliminary Financial Statements	350,300	352,406
Virginia Water Quality Improvement Fund - Deeds, Contracts, Wills & Suits Tax revenue included on the Preliminary Financial Statements	10,000	8,164
Virginia Health Care Fund - Tobacco Products Tax revenue included on the Preliminary Financial Statements	178,820	178,997
Virginia Communications Sales and Use Tax Fund - Rights and Privileges revenue included on the Preliminary Financial Statements	10,000	473
Lottery Proceeds Fund - Interest, Dividends and Rents revenue included on the Preliminary Financial Statements	-	402
Virginia Health Care Fund - Medicaid claims payable recoveries included as other revenue on the Preliminary Financial Statements	142,259	102,915
Commonwealth's Development Opportunity Fund - Other Revenue included on the Preliminary Financial Statements	-	165
Virginia Water Quality Improvement Fund - Other Revenue included on the Preliminary Financial Statements	153	514
Virginia Water Quality Improvement Fund - Private Donations, Gifts and Contracts included on the Preliminary Financial Statements	7	37
Revenue Stabilization Fund interest revenue included on the Preliminary Financial Statements	-	4,735
Virginia Health Care Fund - Tobacco Master Settlement revenue included on the Preliminary Financial Statements	51,086	48,207
Transfers from Fiduciary Funds and Component Units included in revenue on the Preliminary Financial Statements	6,640	9,063
Other items included in revenue on the Preliminary Financial Statements	94,541	126,971
	<u>\$ 1,268,806</u>	<u>\$ 1,250,258</u>

3. **APPROPRIATION ACT TRANSFERS**

For fiscal year ended June 30, 2015, Appropriation Act transfers are \$1.2 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	\$ 851,303 (a)
Transfers Out	(9,971)
Intrafund Transfers between General Fund and:	
Public Education Standards of Quality Fund	352,406
Other Nongeneral Funds	19,116
Revenue - Other	<u>6,697</u>
Total Appropriation Act Transfers	<u>\$ 1,219,551</u>

(a) Includes ABC transfers of approximately \$157.8 million

4. **PAYMENTS AWAITING DISBURSMENT**

Historically, the Commonwealth's general ledger, the Commonwealth Accounting and Reporting System (CARS), has reflected an expenditure and offsetting reduction to cash when a payment has been recorded in the general ledger even though the disbursement may be awaiting the payment due date. As the Commonwealth implements its replacement general ledger, Cardinal, this accounting treatment will be modified. Cardinal reflects an expenditure and offsetting liability when a payment has been recorded in the general ledger and the disbursement has not yet been made. While this system processing method affects both the cash and liability amounts, it has no impact on the ending fund balance or expenditures reflected in the accompanying financial statements.

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 2015, 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, \$149.5 million of fund equity is attributable to these reclassified funds, which consist of \$6.5 million restricted balances, \$103.1 million committed balances, and \$39.8 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 \$243.2 million was made during fiscal year 2015 as required by Section 2.2-1829 of the *Code of Virginia*, which includes the advance reservation of \$95.0 million provided in Chapter 2, 2014 Acts of Assembly. Additionally, during fiscal year 2015, 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 \$467.7 million was made from the fund. Further, Chapter 665, 2015 Acts of Assembly, authorizes an additional withdrawal estimated at \$235.0 million from the fund during fiscal year 2016.

Under the provisions of Article X, Section 8 of the *Constitution of Virginia*, a deposit of \$605.6 million is required during fiscal year 2017 based on fiscal year 2015 revenue collections. This required deposit is included as a restricted component of fund balance and includes the advance reservation of \$129.5 million provided in Chapter 665, 2015 Acts of Assembly.

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 2015.

The Revenue Stabilization Fund has principal and interest on deposit of \$467.7 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 2015 is included in the Preliminary Statement of Revenues, Expenditures, and Changes in Fund Balance. The remaining cash balance of \$2.8 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, 2015, the breakdown of Other Committed Fund Balance is as follows.

Other Committed	Amount (In Thousands)
Health and Public Safety	\$ 9,110
Environmental Quality and Natural Resource Preservation	3,289
Educational and Training programs	928
Capital Outlay	567
Agriculture and Forestry	101
Governmental Operations - Administrative Services	83
Total Other Committed Fund Balance	<u>\$ 14,078</u>

B. OTHER ASSIGNED FUND BALANCE

As of June 30, 2015, the breakdown of Other Assigned Fund Balance is as follows.

Other Assigned	Amount (In Thousands)
Governmental Operations - Legislative Services	\$ 2,972
Educational and Training programs	2,604
Capital Outlay	1,434
Governmental Operations - Administrative Services	1,253
Employee benefit administration	973
Contract and Debt Administration	107
Regulatory oversight	23
Agriculture and Forestry	2
Total Other Assigned Fund Balance	<u>\$ 9,368</u>

9. COMMUNICATION SALES AND USE TAX FUND

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 \$36.3 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 \$190.3 million in accelerated sales and use taxes in June 2015. This portion of the \$3.6 billion sales and use tax collections recorded as fiscal year 2015 was accelerated from revenues that would otherwise have been collected in July 2015 and recorded as revenues in the fiscal year 2016 cash basis financial statements.

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 (\$32.9 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 reappropriations. For the year ended June 30, 2015, \$55.0 and \$6.7 million that represent ten percent of the excess revenue collections and ten percent of the unrestricted and uncommitted fund balance not required for reappropriation, respectively, have been committed. Upon appropriation by the General Assembly, \$61.7 million will be transferred from the General Fund to the Virginia Water Quality Improvement Fund.

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, 2015, the Department of Planning and Budget certified total assigned fund balance of \$358.0 million as follows.

<u>Assigned Fund Balance</u>	Amount (In Thousands)
Amount Required by Chapter 665	\$ 247,194
Health and Public Safety	15,588
Economic and Technological Development	8,986
Environmental Quality and Natural Resource Preservation	5,883
Amount Required for Discretionary Reappropriations	70,947
Other	9,368
Total Assigned Fund Balance	<u>\$ 357,966</u>

The Balance Sheet reflects assigned fund balance of \$347.7 million for the above purposes. Sufficient cash is not available for the remaining \$10.3 million of planned disbursements from 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 2015.

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. **Payments Awaiting Disbursement** – Amounts where a payment has been recorded in the general ledger and the disbursement has not yet been made.
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/Restoration of Projects and Mandatory Reappropriations** – This portion of fund balance represents fiscal year 2015 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.
 - **Commonwealth's Development 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.
 - **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 665, Item 468 G.1.b.

- **Virginia Water Quality Improvement Fund** – This portion of fund balance represents amounts currently on deposit or to be transferred to the Virginia Water Quality Improvement Fund upon appropriation by the General Assembly. 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 665** – 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.
 - **Economic and Technological Development** – This portion of fund balance represents amounts anticipated to be used to promote growth in the Commonwealth's economy.
 - **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.
 - **Amount Required for Discretionary Reappropriation** – This portion of fund balance represents fiscal year 2015 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 by healthcare services provided by the two veteran care centers and from sales by the Departments of Corrections. 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 \$950.0 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.



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Finrept@doa.virginia.gov

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