
COMMONWEALTH OF VIRGINIA

GENERAL FUND PRELIMINARY (UNAUDITED) ANNUAL REPORT

For the Fiscal Year Ended June 30, 2012

Presented on a Cash Basis



David A. Von Moll
Comptroller
August 14, 2012

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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, 2012

The Honorable Robert F. McDonnell
Governor
Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor McDonnell:

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, 2012.

The Commonwealth ended fiscal year 2012 with a total fund balance in the General Fund of \$1.7 billion measured on the cash basis of activity. This is an increase of \$385.9 million, or 29.7 percent, from last year's ending fund balance of \$1.3 billion. Planned (budgeted) decreases in General Fund balance for this year were \$417.8 million. The difference between the planned decrease and actual increase is primarily attributed to expenditures being approximately \$495.9 million less than budgeted and revenue collections and other resources being approximately \$307.8 million more than expected. 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, \$181.7 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 \$303.6 million restricted as a part of the General Fund balance. In fiscal year 2012, no withdrawal or deposit other than interest earnings were required for the Revenue Stabilization Fund.

Under the provisions of Article X, Section 8 of the *Constitution of Virginia*, a deposit of \$132.7 million is required during fiscal year 2013 based on fiscal year 2011 revenue collections. Additionally, a deposit of \$244.6 million is required during fiscal year 2014 based on fiscal year 2012 revenue collections. Both required deposits are reported as restricted components of fund balance.

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 2012.

Amounts Available for Reappropriation

Section 4-1.05a.1 of Chapter 2 requires reappropriation of 2012 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 at June 30, 2012, the following amounts have been committed: \$7.0 million for capital outlay project needs; \$65.3 million for health care services, \$2.0 million for central capital planning; \$40.3 million for communication sales and use tax distributions; \$77.2 million for a one-time 3 percent bonus for state employees; \$29.9 million for natural disaster sum sufficient amounts; \$98.0 million for mandatory reappropriations; \$20.9 million for accelerated sales tax collections pending transfer to the Transportation Trust Fund; \$30.0 million for the Federal Action Contingency Trust Fund; and \$16.9 million pending transfer to the Virginia Water Quality Improvement Fund.

In addition, the following amounts have been assigned: \$1.5 million for the federal portion of the Dominion Resources refund; \$0.6 million for the federal portion of the Internal Service Fund Interest; and \$376.4 million as available balances to meet the requirements of Chapter 3. The Department of Planning and Budget has identified \$122.8 million to be assigned for discretionary reappropriation. As of June 30, 2012, sufficient cash is not available to assign this entire amount.

Additionally, restricted balances of \$14.3 million, committed balances of \$131.0 million and assigned balances of \$37.1 million are being reported due to the inclusion of additional funds pursuant to GASB No. 54.

Virginia Water Quality Improvement Fund

Section 10.1-2128 of the *Code of Virginia* established the Virginia Water Quality Improvement Fund. The Fund has \$37.7 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, 2012, \$12.3 and \$4.6 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, \$16.9 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, 2012, 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, 2011, 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 26 consecutive years. In addition, Virginia received a companion award from the GFOA for its fiscal year 2011 Popular Report, entitled *Virginia Financial Perspective*. Virginia's Popular Report has received this award for 17 consecutive years.

Respectfully submitted,

David A. Von Moll



SUMMARY OF GENERAL FUND ACTIVITY

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**Commonwealth of Virginia
Preliminary Balance Sheet
General Fund - Cash Basis (Unaudited)
June 30, 2012
(Dollars in Thousands)**

Assets		
Cash, Cash Equivalents, and Investments	\$ 1,700,327	
Cash and Travel Advances	<u>1,773</u>	
Total Assets		<u>\$ 1,702,100</u>
Liabilities and Fund Equity		
Liabilities:		
Due to Other Funds (Note 4)	13,151	
Deposits Pending Distribution	<u>5,537</u>	
Total Liabilities		\$ 18,688
Fund Equity (Note 5):		
Restricted Fund Balance:		
Revenue Stabilization Reserve Fund (Note 6)	303,574	
Revenue Stabilization Reserve 2013 (Note 6)	132,688	
Revenue Stabilization Reserve 2014 (Note 6)	244,645	
Lottery Proceeds Fund (Note 7)	12,160	
Water Supply Assistance Grant Fund	<u>14,334</u>	
Total Restricted Fund Balance		<u>707,401</u>
Committed Fund Balance (Note 8):		
Amount Required for Reappropriation of 2012 Unexpended Balances for Capital Outlay	7,034	
Virginia Health Care Fund	65,289	
Central Capital Planning Fund	2,025	
Communication Sales and Use Tax (Note 9)	40,283	
Governor's Opportunity Fund	41,621	
3% Bonus for State Employees	77,200	
Natural Disaster Sum Sufficient	29,934	
Amount Required for Mandatory Reappropriation	97,972	
Accelerated Sales Tax for Transportation Trust Fund (Note 10)	20,924	
Federal Action Contingency Trust Fund	30,000	
Virginia Water Quality Improvement Fund (Note 11)	37,658	
Virginia Water Quality Improvement Fund - Part A (Note 11)	12,308	
Virginia Water Quality Improvement Fund - Part B (Note 11)	4,641	
Health and Public Safety	35,988	
Other	<u>15,742</u>	
Total Committed Fund Balance		<u>518,619</u>
Assigned Fund Balance (Note 8):		
Amount Required by Chapter 3	376,436	
Health and Public Safety	12,638	
Environmental Quality and Natural Resource Preservation	9,360	
Federal Portion of Dominion Resources Refund	1,452	
Federal Portion of Internal Service Fund Interest	586	
Amount Required for Discretionary Reappropriations	41,772	
Other	<u>15,148</u>	
Total Assigned Fund Balance		<u>457,392</u>
Total Fund Equity		<u>\$ 1,683,412</u>
Total Liabilities and Fund Balance		<u>\$ 1,702,100</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, 2008 through June 30, 2012
(Dollars in Thousands)

	Year Ended				
	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008
Revenues:					
Taxes:					
Individual and Fiduciary Income	\$ 10,612,836	\$ 9,944,370	\$ 9,088,252	\$ 9,481,109	\$ 10,114,833
Sales and Use	3,335,601	3,216,406	3,291,958	3,116,831	3,302,181
Corporation Income	859,923	822,259	806,473	648,033	807,852
Communications Sales and Use (Note 9)	424,257	442,455	491,698	-	-
Deeds, Contracts, Wills, and Suits	330,938	299,967	290,189	314,264	456,348
Premiums of Insurance Companies	252,895	281,563	261,881	255,019	396,858
Alcoholic Beverage Sales	186,377	178,937	175,093	173,227	168,862
Tobacco Products	192,453	173,731	176,057	183,750	183,946
Estate	298	2,713	5,671	6,006	153,378
Public Service Corporations	94,429	93,777	97,263	91,340	96,390
Other Taxes	20,442	21,808	26,269	28,230	15,459
Total Taxes	<u>16,310,449</u>	<u>15,477,986</u>	<u>14,710,804</u>	<u>14,297,809</u>	<u>15,696,107</u>
Rights and Privileges	72,817	73,283	68,460	67,426	67,449
Sales of Property and Commodities	30,146	28,005	824	1	2,460
Assessments and Receipts for Support of Special Services	2,570	2,777	373	396	461
Institutional Revenue	38,134	40,122	6,019	6,402	7,590
Interest, Dividends, and Rents	83,055	90,905	113,142	134,400	252,284
Fines, Forfeitures, Court Fees, Penalties, and Escheats	216,032	222,256	194,151	197,875	195,716
Receipts from Cities, Counties, and Towns	16,209	16,340	9,761	10,265	10,091
Private Donations, Gifts and Contracts	680	4,595	137	118	31
Tobacco Master Settlement	49,136	48,185	49,182	58,966	53,684
Other	282,731	204,033	168,429	102,568	63,844
Total Revenues (Note 2)	<u>17,101,959</u>	<u>16,208,487</u>	<u>15,321,282</u>	<u>14,876,226</u>	<u>16,349,717</u>
Expenditures:					
General Government	2,096,588	2,149,242	2,093,036	1,669,257	1,789,768
Education	7,123,221	6,931,515	7,007,842	8,045,614	7,822,396
Transportation	462	516	11,125	11,863	25,971
Resources and Economic Development	353,567	306,970	272,075	288,877	329,729
Individual and Family Services	5,027,601	4,449,683	4,004,995	4,012,450	4,255,474
Administration of Justice	2,284,948	2,247,447	2,120,477	2,300,008	2,424,790
Capital Outlay	7,627	6,144	13,477	47,421	370,552
Total Expenditures	<u>16,894,014</u>	<u>16,091,517</u>	<u>15,523,027</u>	<u>16,375,490</u>	<u>17,018,680</u>
Revenues Over (Under) Expenditures	<u>207,945</u>	<u>116,970</u>	<u>(201,745)</u>	<u>(1,499,264)</u>	<u>(668,963)</u>
Other Financing Sources (Uses):					
Transfers:					
Operating Transfers In	799,070	693,750	752,251	664,141	634,513
Operating Transfers Out	(621,163)	(487,991)	(503,106)	(561,192)	(700,861)
Total Other Financing Sources (Uses)	<u>177,907</u>	<u>205,759</u>	<u>249,145</u>	<u>102,949</u>	<u>(66,348)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>385,852</u>	<u>322,729</u>	<u>47,400</u>	<u>(1,396,315)</u>	<u>(735,311)</u>
Fund Balance, July 1					
Restricted (Note 5)	456,384	310,778	-	-	-
Committed (Note 5)	461,140	443,182	-	-	-
Assigned (Note 5)	380,036	220,871	-	-	-
Reserved	-	-	662,489	1,127,908	1,424,793
Unreserved	-	-	160,986	1,091,882	1,530,308
Fund Balance, July 1	<u>1,297,560</u>	<u>974,831</u>	<u>823,475</u>	<u>2,219,790</u>	<u>2,955,101</u>
Fund Balance, June 30					
Restricted (Note 5)	707,401	456,384	-	-	-
Committed (Note 5)	518,619	461,140	-	-	-
Assigned (Note 5)	457,392	380,036	-	-	-
Reserved	-	-	379,631	662,489	1,127,908
Unreserved	-	-	491,244	160,986	1,091,882
Fund Balance, June 30	<u>\$ 1,683,412</u>	<u>\$ 1,297,560</u>	<u>\$ 870,875</u>	<u>\$ 823,475</u>	<u>\$ 2,219,790</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, 2012
(Dollars in Thousands)

	General Fund			Final Budget/ Actual Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes:				
Individual and Fiduciary Income	\$ 10,329,600	\$ 10,526,400	\$ 10,612,836	\$ 86,436
Sales and Use	3,340,600	3,282,100	3,335,601	53,501
Corporation Income	831,600	827,800	859,923	32,123
Communications Sales and Use	448,900	440,000	424,257	(15,743)
Deeds, Contracts, Wills, and Suits	310,200	331,409	330,938	(471)
Premiums of Insurance Companies	289,600	287,300	252,895	(34,405)
Alcoholic Beverage Sales	180,600	180,800	186,377	5,577
Tobacco Products	174,254	179,200	192,453	13,253
Estate	-	-	298	298
Public Service Corporations	96,400	93,900	94,429	529
Other Taxes	24,556	26,180	20,442	(5,738)
Rights and Privileges	89,089	82,838	72,817	(10,021)
Sales of Property and Commodities	29,285	14,447	30,146	15,699
Assessments and Receipts for Support of Special Services	2,025	2,325	2,570	245
Institutional Revenue	39,464	40,511	38,134	(2,377)
Interest, Dividends, and Rents	104,090	82,442	83,055	613
Fines, Forfeitures, Court Fees, Penalties, and Escheats	219,605	227,206	216,032	(11,174)
Receipts from Cities, Counties, and Towns	15,249	14,991	16,209	1,218
Private Donations, Gifts and Contracts	450	532	680	148
Tobacco Master Settlement	58,560	50,205	49,136	(1,069)
Other	107,903	135,771	282,731	146,960
Total Revenues (Note 2)	<u>16,692,030</u>	<u>16,826,357</u>	<u>17,101,959</u>	<u>275,602</u>
Expenditures:				
Current:				
General Government	2,334,125	2,196,546	2,096,588	99,958
Education	7,130,084	7,225,088	7,123,221	101,867
Transportation	30	462	462	-
Resources and Economic Development	383,615	415,708	353,567	62,141
Individual and Family Services	5,215,566	5,149,191	5,027,601	121,590
Administration of Justice	2,324,610	2,383,519	2,284,948	98,571
Capital Outlay	16,787	19,397	7,627	11,770
Total Expenditures	<u>17,404,817</u>	<u>17,389,911</u>	<u>16,894,014</u>	<u>495,897</u>
Revenues Over (Under) Expenditures	<u>(712,787)</u>	<u>(563,554)</u>	<u>207,945</u>	<u>771,499</u>
Other Financing Sources (Uses):				
Transfers:				
Operating Transfers In	641,365	748,237	799,070	50,833
Operating Transfers Out	<u>(543,013)</u>	<u>(602,512)</u>	<u>(621,163)</u>	<u>(18,651)</u>
Total Other Financing Sources (Uses)	<u>98,352</u>	<u>145,725</u>	<u>177,907</u>	<u>32,182</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(614,435)	(417,829)	385,852	803,681
Fund Balance, July 1	<u>1,297,560</u>	<u>1,297,560</u>	<u>1,297,560</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 683,125</u>	<u>\$ 879,731</u>	<u>\$ 1,683,412</u>	<u>\$ 803,681</u>

The accompanying notes are an integral part of this statement.

Commonwealth of Virginia
Preliminary Comparison of Selected Sum-Sufficient Final Budget
Appropriations with Actual Expenditures
General Fund - Cash Basis (Unaudited)
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	<u>Original Budget Appropriations</u>	<u>Final Budget Appropriations</u>	<u>Actual Expenditures</u>	<u>Amount Under Final Budget</u>
Enactment of Laws	\$ 33,898	\$ 42,244	\$ 34,473	\$ 7,771
Financial Assistance to Localities -- From Sale of Alcoholic Beverages and Other Distributions	60,504	24,181	24,181	-
Financial Assistance for Special State Revenue Sharing -- From Sales Tax	1,162,300	1,167,000	1,163,611	3,389
Cash Management Improvement Act Payment to the Federal Government	4	4	4	-
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 1,256,706</u>	<u>\$ 1,233,429</u>	<u>\$ 1,222,269</u>	<u>\$ 11,160</u>

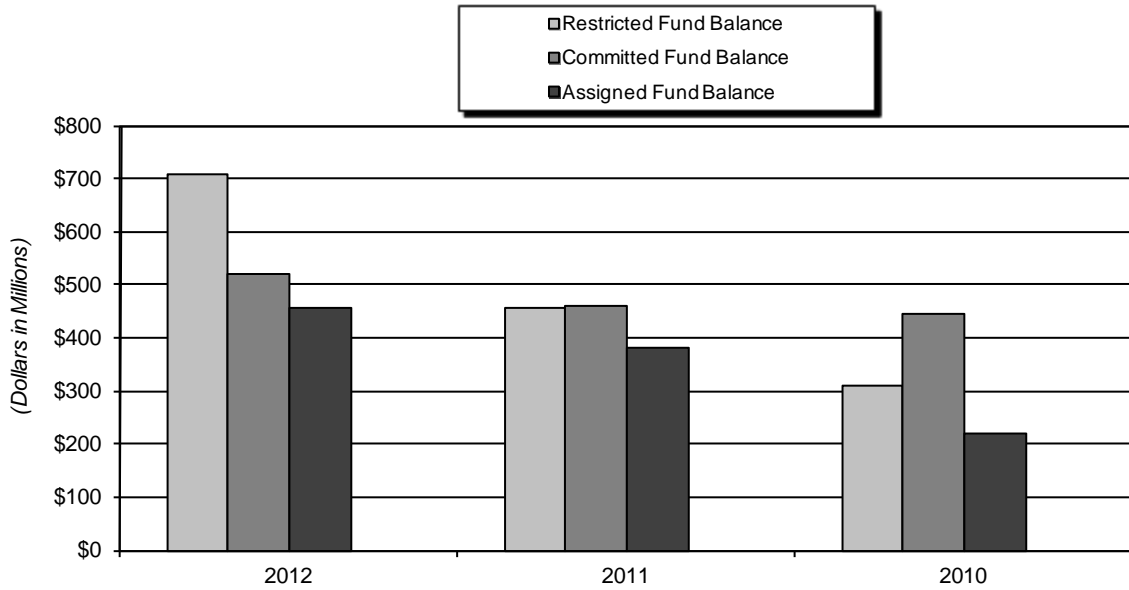


**GENERAL FUND GRAPHICS AND SUPPLEMENTAL
SCHEDULES**

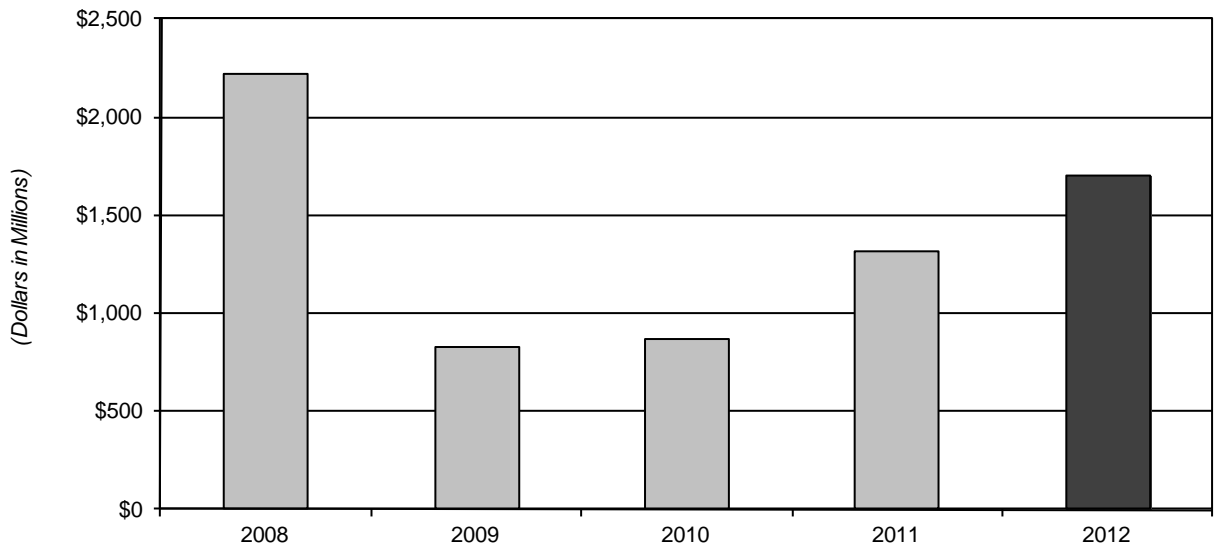




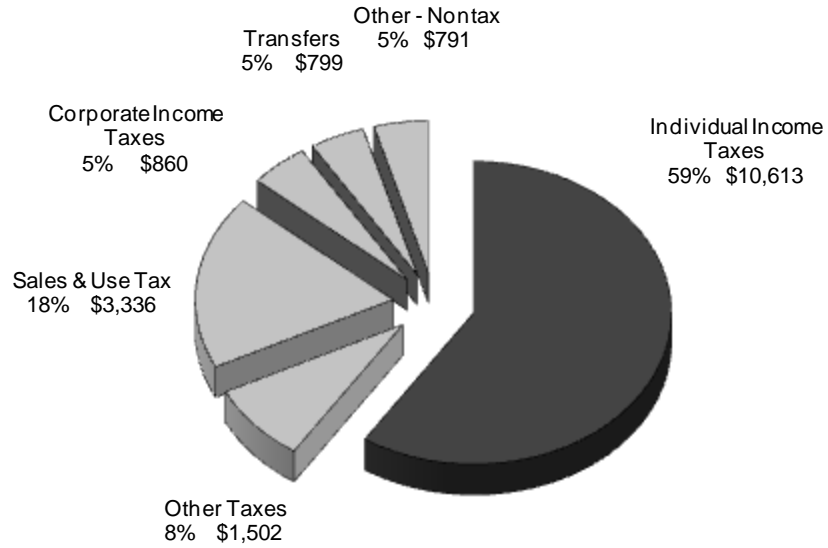
**General Fund
Fund Balance
Fiscal Years 2010-2012**



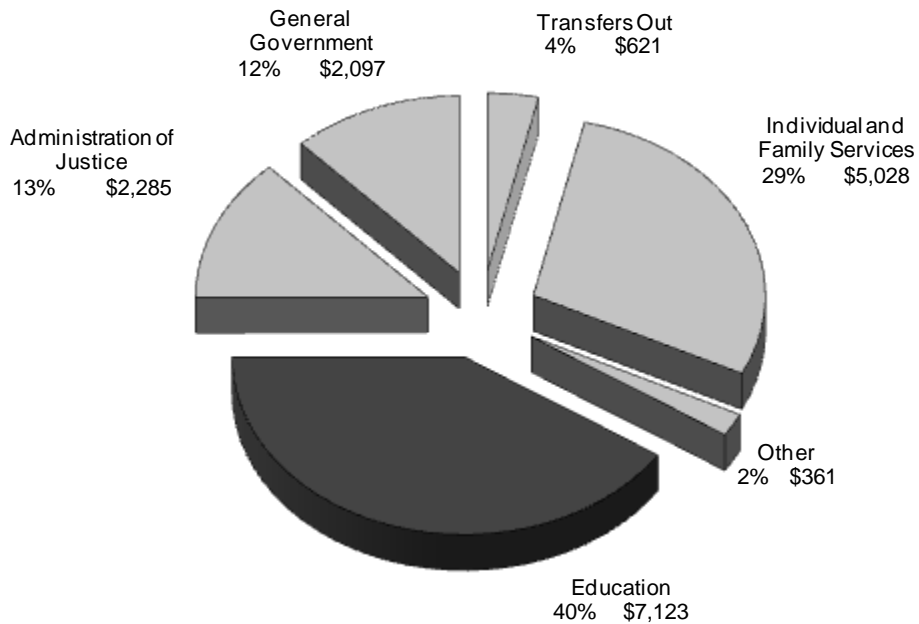
**General Fund
Cash, Cash Equivalents, and Investments
Fiscal Years 2008-2012**



**General Fund
Revenues by Revenue Class and Other Sources
Fiscal Year 2012
(Dollars in Millions)**

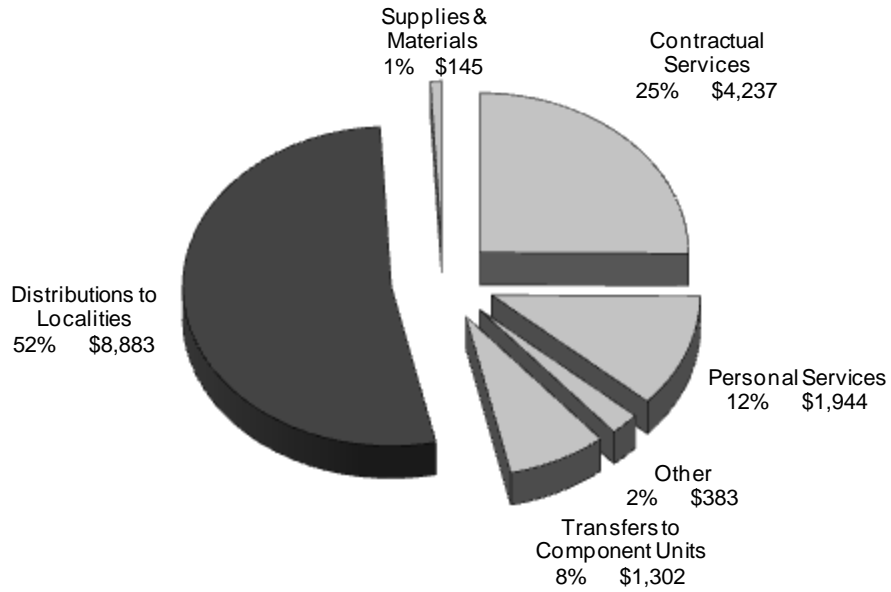


**General Fund
Expenditures by Function and Other Uses
Fiscal Year 2012
(Dollars in Millions)**

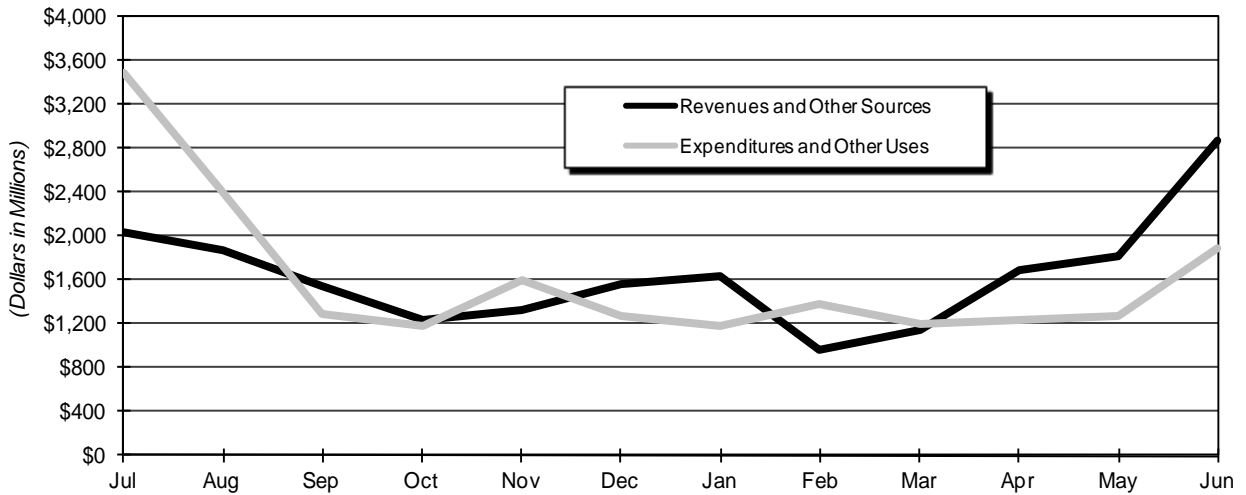


Note: General Government expenditures include \$950.0 million paid to localities pursuant to the Personal Property Tax Relief Act of 1998 and \$420.9 million in communication sales tax distributions. This represents 65.4 percent of the General Government expenditures.

**General Fund
Expenditures by Object
Fiscal Year 2012
(Dollars in Millions)**



**General Fund
Revenues and Other Sources and
Expenditures and Other Uses by Month
Fiscal Year 2012**



Note: July expenditures include \$889.0 million in payments to Higher Education.

**General Fund
Expenditures by Function and Significant Service Area
Fiscal Year 2012
(Dollars in Thousands)**

Function:	Significant Service Area:	Amount	Totals
Education	Grades K-12	\$ 5,404,935	
	Higher Education	1,575,550	
	Other	<u>142,736</u>	
			\$ 7,123,221
Individual and Family Services	Medical Assistance Services	3,707,377	
	Behavioral Health and Developmental Services	528,600	
	Social Services	377,025	
	Comprehensive Services for At-Risk Youth and Families	175,215	
	Health	139,068	
	Other	<u>100,316</u>	
Administration of Justice	Corrections	1,213,691	
	Sheriffs and Inmate Confinement - Compensation Board	428,674	
	Courts	354,751	
	State Police	216,709	
	Other	<u>71,123</u>	
General Government	Car Tax Relief (PPTRA)	950,000	
	Communication Sales Tax Distribution	468,545	
	Debt Service - Component Units	167,163	
	Criminal Justice - Locality Assistance	155,498	
	Constitutional Officers - Compensation Board	142,734	
	Tax Administration	34,035	
	Other	<u>178,613</u>	
Resources and Economic Development	Conservation and Recreation	69,665	
	Economic Development Partnership	52,161	
	Housing and Community Development	36,972	
	Environmental Quality	32,503	
	Agriculture	25,479	
	Tourism	19,691	
	Business Assistance	15,138	
	Forestry	13,998	
	Mines, Minerals, and Energy	11,187	
	Marine Resources	8,538	
	Other	<u>68,235</u>	
			353,567
Other	Capital Outlay	7,627	
	Transportation	<u>462</u>	
			8,089
			<u>\$ 16,894,014</u>

**General Fund
Other Financing Sources and Uses by Significant Service Area
Fiscal Year 2012
(Dollars in Thousands)**

Other Financing Sources (Transfers In):

Significant Service Area	<u>Amount</u>	<u>Total</u>
Lottery	\$ 473,100	
ABC Transfers	138,269	
VRS Differential	32,847	
Transfers from Other Funds	<u>154,854</u>	
		<u>\$ 799,070</u>

Other Financing Uses (Transfers Out):

Significant Service Area	<u>Amount</u>	<u>Total</u>
Debt Service	\$ 402,614	
Transportation Programs	195,855	
Transfers to Other Funds	<u>22,694</u>	
		<u>\$ 621,163</u>



GENERAL FUND NOTES



COMMONWEALTH OF VIRGINIA

NOTES TO PRELIMINARY FINANCIAL STATEMENTS

JUNE 30, 2012

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, 2012.

B. Budget

Budgetary amounts shown in the financial statements represent Chapter 890, 2011 Acts of Assembly (original), and Chapter 2, 2012 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, 2012. 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	\$ 16,826,357	\$ 17,101,959
Amount per Monthly Statement of Revenue	15,723,600	15,846,665
Variance	<u>\$ 1,102,757</u>	<u>\$ 1,255,294</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	\$ 424,257
Public Education Standards of Quality Fund - Sales and Use Tax revenue included on the Preliminary Financial Statements	216,100	214,098
Virginia Water Quality Improvement Fund - Deeds, Contracts, Wills & Suits Tax revenue included on the Preliminary Financial Statements	8,509	8,867
Virginia Health Care Fund - Tobacco Products Tax revenue included on the Preliminary Financial Statements	179,200	192,452
Virginia Communications Sales and Use Tax Fund - Rights and Privileges revenue included on the Preliminary Financial Statements	10,000	352
Lottery Proceeds Fund - Interest, Dividends and Rents revenue included on the Preliminary Financial Statements	-	973
Virginia Health Care Fund - Medicaid claims payable recoveries included as other revenue on the Preliminary Financial Statements	66,800	125,020
Governor's Opportunity Fund - Other Revenue included on the Preliminary Financial Statements	-	4,272
Virginia Water Quality Improvement Fund - Other Revenue included on the Preliminary Financial Statements	-	18
Virginia Water Quality Improvement Fund - Private Donations, Gifts and Contracts included on the Preliminary Financial Statements	-	8
Revenue Stabilization Fund interest revenue included on the Preliminary Financial Statements	-	4,213
Virginia Health Care Fund - Tobacco Master Settlement revenue included on the Preliminary Financial Statements	50,205	49,136
Transfers from Fiduciary Funds and Component Units included in revenue on the Preliminary Financial Statements	16,592	112,040
Other items included in revenue on the Preliminary Financial Statements	115,351	119,588
	<u>\$ 1,102,757</u>	<u>\$ 1,255,294</u>

3. **APPROPRIATION ACT TRANSFERS**

For fiscal year ended June 30, 2012, Appropriation Act transfers are \$1.0 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	\$ 754,567 (a)
Transfers Out	(14,272)
Intrafund Transfers between General Fund and:	
Public Education Standards of Quality Fund	214,098
Other Nongeneral Funds	31,703
Revenue - Other	16,424
Total Appropriation Act Transfers	<u>\$ 1,002,520</u>

(a) Includes ABC transfers of approximately \$138.3 million

4. **DUE TO OTHER FUNDS**

To date, no significant donations or other resources have been collected to repay an internal borrowing of \$13.1 million that financed certain renovations to the Capitol building pursuant to Chapter 951, 2005 Acts of Assembly. Accordingly, as of June 30, 2012, no resources outside of the General Fund have been identified to repay this amount.

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. Due to statutory requirements, any unassigned balances in the General Fund are automatically committed for transfer to the Transportation Trust Fund and nonrecurring expenditures. For fiscal year 2012, 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. As of June 30, \$181.7 million of fund equity is attributable to these reclassified funds.

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. In fiscal year 2012, no withdrawal or deposit other than interest earnings were required for the Revenue Stabilization Fund.

Under the provisions of Article X, Section 8 of the *Constitution of Virginia*, a deposit of \$132.7 million is required during fiscal year 2013 based on fiscal year 2011 revenue collections. Additionally, a deposit of \$244.6 million is required during fiscal year 2014 based on fiscal year 2012 revenue collections. Both required deposits are reported as restricted components of fund balance.

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 2012.

The Revenue Stabilization Fund has principal and interest on deposit of \$303.6 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 2012 is included in the Preliminary Statement of Revenues, Expenditures, and Changes in Fund Balance. The remaining cash balance of \$12.2 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 Educational and Training Programs, 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, 2012, the breakdown of Other Committed Fund Balance is as follows.

Other Committed	Amount (In Thousands)
Economic and Technological development	\$ 11,867
Environmental Quality and Natural Resource Preservation	2,077
Educational and Training programs	951
Capital Outlay	657
Governmental Operations - Administrative Services	190
Total Other Committed Fund Balance	<u>\$ 15,742</u>

B. OTHER ASSIGNED FUND BALANCE

As of June 30, 2012, the breakdown of Other Assigned Fund Balance is as follows.

Other Assigned	Amount (In Thousands)
Governmental Operations - Administrative Services	\$ 6,821
Economic and Technological development	2,121
Capital Outlay	1,994
Governmental Operations - Legislative Services	1,891
Educational and Training programs	1,839
Employee benefit administration	406
Transportation activities	40
Contract and Debt Administration	18
Regulatory oversight	16
Agriculture and Forestry	2
Total Other Assigned Fund Balance	<u>\$ 15,148</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 \$40.3 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 \$153.4 million in accelerated sales and use taxes in June 2012. This portion of the \$3.3 billion sales and use tax collections recorded as fiscal year 2012 was accelerated from revenues that would otherwise have been collected in July 2012 and recorded as revenues in the fiscal year 2013 cash basis financial statements. Subsequent to June 30, 2012, \$20.9 of accelerated sales tax collections is committed for transfer to the Transportation Trust Fund. Chapter 2, 2012 Acts of Assembly, Section 3-5.08 retains this acceleration with a gradual phase-out beginning in 2013.

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 (\$37.7 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. For the year ended June 30, 2012, \$12.3 and \$4.6 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, \$16.9 million will be transferred from the General Fund to the Virginia Water Quality Improvement Fund.



GLOSSARY



BALANCE SHEET

1. **Cash, Cash Equivalents, and Investments** - All cash, cash equivalents, and investments are maintained by the Treasurer of Virginia. Cash includes demand deposits, time deposits, and certificates of deposit. Cash equivalents are investments with an original maturity of three months or less. Short-term investments held are stated at cost, which approximates market value.
2. **Cash and Travel Advances** - Funds advanced to agencies to make immediate cash payments for authorized purposes or advanced to agency employees to cover expenses incurred while traveling on State business. Additionally, this represents cash provided to Tier III Institutions of Higher Education that remains unspent at June 30.
3. **Due to Other Funds** – Amounts owed to another fund to repay internal borrowings.
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 2012 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.
 - **3% Bonus for State Employees** – This portion of fund balance represents the amount for the one-time bonus to eligible state employees authorized by Chapter 2, Item 469 V.1.
 - **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 Transportation Trust Fund** – This portion of fund balance represents the accelerated sales tax collections to be transferred to the Transportation Trust 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 2, Item 470 K. 1.
 - **Virginia Water Quality Improvement Fund, including Part A and Part B** – 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.

- **Health and Public Safety** – This portion of fund balance represents amounts committed to be used to further the health and public safety of the Commonwealth's citizenry.

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 3** – 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.
- **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.
- **Amount Required for Discretionary Reappropriation** – This portion of fund balance represents fiscal year 2012 unexpended appropriations which the Department of Planning and Budget anticipates reappropriating in the next fiscal year. As of June 30, 2012, sufficient cash is not available to assign the entire \$122.8 million identified by the Department of Planning and Budget.

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. **Receipts from Cities, Counties, and Towns** - Revenue collected from city and county treasurers representing miscellaneous fees and allowances of local law enforcement officials.
16. **Private Donations, Gifts, and Contracts** - This amount represents donations and grants from individuals and private companies to State programs.
17. **Tobacco Master Settlement** - This amount represents the revenue generated from the Tobacco Master Settlement Agreement with tobacco companies.
18. **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:

19. **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.
20. **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.
21. **Transportation** - Expenditures related to the movement of people, goods, and services and their regulation. Examples include ground, water and air transportation.
22. **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.
23. **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.
24. **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.
25. **Capital Outlay** - Construction and preparation of Commonwealth assets.

Other Financing Sources (Uses):

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

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