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# INTRODUCTORY SECTION

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Comptroller's Letter of Transmittal to the Governor  
Certificate of Achievement for Excellence in Financial Reporting  
Organization of Executive Branch of Government  
Organization of Government – Selected Government Officials – Executive Branch  
Organization of the Department of Accounts



# COMMONWEALTH of VIRGINIA

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COMPTROLLER

*Office of the Comptroller*

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

December 15, 2016

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

Dear Governor McAuliffe:

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016, in accordance with Section 2.2-813 of the *Code of Virginia*. This report consists of management's representations concerning the Commonwealth of Virginia's finances. Management assumes full responsibility for the completeness and reliability of all information presented. This report reflects my commitment to you, to the citizens of the Commonwealth, and to the financial community to maintain our financial statements in conformance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). Data presented in this report is believed to be accurate in all material respects, and all disclosures that are necessary to enable the reader to obtain a thorough understanding of the Commonwealth's financial activities have been included.

The 2016 CAFR is presented in three sections. The Introductory Section includes this transmittal letter and organization charts for state government. The Financial Section includes the State Auditor's Report, management's discussion and analysis (MD&A), audited government-wide and fund financial statements and notes thereto, required supplementary information other than MD&A, and the underlying combining and individual fund financial statements and supporting schedules. The Statistical Section sets forth selected unaudited economic, financial trend, and demographic information for the Commonwealth on a multi-year basis.

The Commonwealth's management is responsible for the establishment and maintenance of internal accounting controls that ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. To ensure that the costs of controls do not exceed the benefits obtained, management is required to use cost estimates and judgments to attain reasonable assurance as to the adequacy of such controls. The Commonwealth's established internal controls fulfill these requirements and provide reasonable, but not absolute assurance, that the accompanying financial statements are free of material misstatement.

In accordance with Section 30-133 of the *Code of Virginia*, the Auditor of Public Accounts has audited the Commonwealth's financial statements for the year ended June 30, 2016. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The auditor's opinion is included in the Financial Section of this report. Audit testing for compliance with the U. S. Office of Management and Budget Compliance Supplement and the related Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, is performed at the statewide level. The Commonwealth's Single Audit Report will be issued at a later date. I would like to acknowledge the Auditor of Public Accounts' staff for their many contributions to the preparation of this report.

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. In addition to the financial analysis addressing the Commonwealth's governmental and business-type activities, the MD&A focuses on the Commonwealth's major funds: General, Commonwealth Transportation Special Revenue, Federal Trust Special Revenue, Literary Special Revenue, Virginia Lottery, Virginia College Savings Plan, and Unemployment Compensation. The Commonwealth's MD&A can be found on page 27 immediately following the independent auditor's report.

## **PROFILE OF THE GOVERNMENT**

### **Reporting Entity**

For financial reporting purposes, the Commonwealth's reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable (blended component units), and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete (discrete component units). The funds and accounts of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included. Further information can be found in Note 1.B. to the Financial Statements.

Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards* describes the criteria for determining which organizations, functions, and activities should be considered part of the Commonwealth for financial reporting purposes. The basic criteria include appointing a voting majority of an organization's governing body, as well as the Commonwealth's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Commonwealth. The Commonwealth's discretely presented major component units are the Virginia Housing Development Authority, Virginia Public School Authority, Virginia Resources Authority, and Virginia College Building Authority.

The Commonwealth and its component units provide a wide range of services and funding to its citizens, including elementary, secondary and higher education; health and human services; economic development; environment and natural resources; public safety, corrections, and regulation; transportation; agriculture; and general government services. The financial activities associated with these services are reflected in both summary and detail throughout the CAFR.

### **Budgetary Control**

In addition to the internal controls previously discussed, the Commonwealth maintains budgetary controls to ensure compliance with the legal provisions of the Commonwealth's Appropriation Act, which reflects the General Assembly's approval of a biennial budget. The financial transaction process begins with development and approval of the budget, after which budgetary control is maintained through a formal appropriation and allotment system. The budgeted amounts reflected in the accompanying financial statements represent summaries of agency budgets.

The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly on a biennial basis at the program level. The Commonwealth monitors spending activity to ensure the expenditures do not exceed the appropriated amounts at the agency level. The State Comptroller maintains a central general ledger that records total appropriations and related expenditures for all agencies and institutions included in the approved budget. Systemic controls are in place to prevent disbursements that exceed authorized appropriations. Additional information regarding the Commonwealth's budgetary process can be found in Note 1.E. to the Financial Statements.

# ECONOMIC REVIEW

## Local Economy

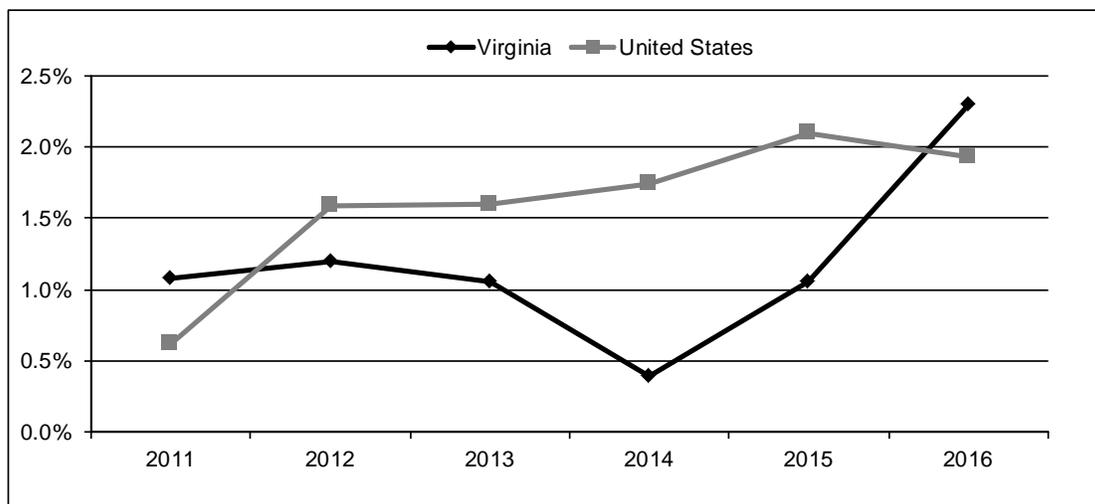
### Introduction

This overview of the economy of the Commonwealth of Virginia was prepared by the Weldon Cooper Center for Public Service at the University of Virginia. In fiscal year 2016, Virginia's economy continued to rebound from earlier lackluster growth and outpaced the nation. Employment expanded at the fastest rate in over 10 years, and the jobless rate reached levels last seen before the recession. Personal income and taxable sales exhibited a healthy pace of growth, while housing market indicators such as home sales, housing prices, and building permits issued improved across the board. As the nation enters the eighth year of economic expansion and labor markets continue to tighten, job growth is expected to gradually slow. Robust consumer spending, a gradually improving housing market, and higher federal government outlays are expected to support moderate national and state economic growth into the coming fiscal year.

### Employment

Virginia experienced its sixth consecutive year of employment growth in fiscal year 2016 (**Figure 1**). The fiscal year 2016 growth rate of 2.3 percent was a significant improvement over 1.1 percent the fiscal year before and outpaced the national growth rate of 1.9 percent. The easing of federal spending restrictions as the result of the Bipartisan Budget Act of 2013 and other more recent federal spending legislation helped propel the Virginia economy forward despite a slight slowing in the national economy.

**Figure 1**  
**Annual Percentage Change in Nonfarm Payroll Employment**  
Fiscal Years 2011 – 2016



Source: U. S. Bureau of Labor Statistics

Virginia attained a new jobs milestone in fiscal year 2016 with nonfarm payroll employment reaching 3,895,900. The state realized 87,600 more jobs during the fiscal year, a number that compares quite favorably with the net 93,700 jobs created over the entire fiscal year 2012-2015 period. **Figure 2** shows changes in Virginia's nonfarm employment by industry for fiscal years 2011 through 2016 along with the employment change between fiscal years 2015 and 2016 for Virginia and the U.S. Federal Government employment grew by 2,500 jobs in fiscal year 2016, the largest increment in the last five years. Professional and Business Services, another sector sensitive to federal government spending, expanded by 24,200 jobs in fiscal year 2016, also the best performance in the last five years. The Education and Health Services sector continued to provide a significant boost to the state economy as it has throughout the economic recovery, resulting in 17,000 additional jobs. Resilient consumer spending also helped power the largest annual post-recessionary increases in employment for the leisure and hospitality (15,200 jobs) and retail trade (9,800 jobs) industries.

Several sectors experienced small job losses, including mining and logging (700 jobs) which reflects the mounting challenges faced by Virginia's mining sector as a result of low energy prices, competition from gas and alternative energy, and more stringent clear air regulations. The Virginia information sector lost 1,200 jobs. This sector has seen slower growth nationwide in recent years because of telecommunications productivity improvements and shifts in media consumption habits. Manufacturing (200 jobs) and state and local government (1,400 jobs) also experienced small decreases in employment.

**Figure 2**  
**Nonfarm Payroll Employment**  
Fiscal Years 2011 – 2016

Industry*	Virginia Employment (000)						Change, FY 2015 to FY 2016		
	2011	2012	2013	2014	2015	2016	Virginia (000)	Percent	U.S., Percent
Mining and logging	10.7	11.1	10.4	9.8	9.3	8.6	-0.7	-7.5%	-14.4%
Construction	181.5	177.3	176.8	177.1	180.7	185.4	4.7	2.6%	4.1%
Manufacturing	230.0	231.5	231.2	231.2	232.2	232.0	-0.2	-0.1%	0.3%
Wholesale trade	111.2	111.2	111.4	110.6	110.3	111.8	1.5	1.4%	1.0%
Retail trade	400.1	404.6	406.6	412.5	414.2	424.0	9.8	2.4%	2.0%
Transportation and utilities	114.1	115.5	116.2	118.0	122.9	130.3	7.4	6.0%	2.2%
Information	75.0	72.5	71.4	71.6	70.3	69.1	-1.2	-1.7%	1.0%
Financial activities	180.6	185.3	190.9	193.2	195.7	199.7	4.0	2.0%	1.9%
Professional and business services	660.0	673.3	681.9	676.8	686.3	710.5	24.2	3.5%	3.1%
Education and health services	467.7	473.6	487.3	494.3	502.8	519.8	17.0	3.4%	3.1%
Leisure and hospitality	345.5	354.1	362.8	368.8	376.0	391.2	15.2	4.0%	2.9%
Other services	185.7	190.0	193.4	194.7	196.3	201.1	4.8	2.4%	1.1%
Federal government	177.3	177.2	179.0	175.2	175.3	177.8	2.5	1.4%	0.8%
State government	154.8	157.9	159.4	159.8	161.3	161.2	-0.1	-0.1%	0.5%
Local government	376.3	379.5	375.1	375.1	374.7	373.4	-1.3	-0.3%	0.4%
<b>Total</b>	<b>3,670.5</b>	<b>3,714.6</b>	<b>3,753.8</b>	<b>3,768.7</b>	<b>3,808.3</b>	<b>3,895.9</b>	<b>87.6</b>	<b>2.3%</b>	<b>1.9%</b>

Source: U. S. Bureau of Labor Statistics; some prior year numbers have been revised to reflect the incorporation of newly available and revised source data.

\* North American Industry Classification System

**Figure 3** shows the annual percentage change in nonfarm employment for 10 of the 11 Metropolitan Statistical Areas (MSAs) in Virginia. The Kingsport-Bristol MSA is not included in this table because most of it is located in Tennessee and data for this indicator are not reported separately for the Virginia portion of the MSA. Each of the MSAs added jobs in fiscal year 2016. Growth rates met or exceeded the statewide average in the Central/Piedmont region metropolitan areas of Richmond and Charlottesville as well as the upper Shenandoah Valley (Winchester) and Northern Virginia. Employment growth rates for the Hampton Roads region, West Central region (Blacksburg-Christiansburg-Radford, Lynchburg, and Roanoke) and lower Shenandoah Valley (Harrisonburg and Staunton-Waynesboro) lagged behind the state average growth rate. The two metropolitan areas most significantly affected by federal budget sequestration easing (Northern Virginia and Hampton Roads) each continued to improve in fiscal year 2016 and saw growth rates significantly higher than previous five-year averages.

**Figure 3**  
**Annual Percent Change in Nonfarm Payroll Employment in Virginia's MSAs**  
 Fiscal Years 2011 – 2016

Area	2011	2012	2013	2014	2015	2016
Virginia	1.1%	1.2%	1.1%	0.4%	1.1%	2.3%
Metropolitan areas (a)						
Blacksburg-Christiansburg-Radford	0.9%	2.5%	1.7%	0.9%	0.9%	1.6%
Charlottesville	0.7%	1.0%	1.0%	1.2%	3.6%	3.4%
Harrisonburg	1.9%	0.8%	0.9%	0.4%	0.8%	0.6%
Lynchburg	-0.6%	-0.8%	0.4%	0.4%	0.5%	1.0%
Northern Virginia	1.9%	1.9%	1.5%	-0.1%	0.8%	2.3%
Richmond	0.8%	2.0%	1.9%	1.6%	1.9%	3.9%
Roanoke	0.3%	1.0%	1.0%	0.9%	0.4%	1.2%
Staunton-Waynesboro	0.1%	0.5%	0.0%	1.1%	1.3%	0.3%
Virginia Beach-Norfolk-New port News (b)	0.1%	0.7%	1.2%	0.7%	0.4%	1.0%
Winchester (c)	3.1%	2.7%	1.9%	2.2%	1.3%	3.9%

Source: U. S. Bureau of Labor Statistics; some prior year numbers have been revised to reflect the incorporation of newly available and revised source data

(a) Excludes Kingsport-Bristol MSA, and TN-VA, most of which is located in Tennessee

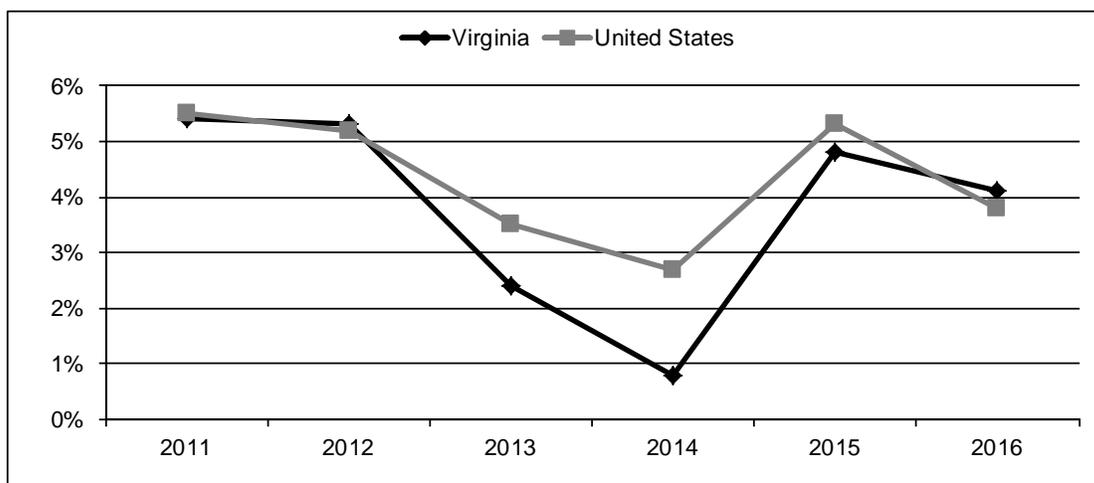
(b) Includes portion in North Carolina

(c) Includes portion in West Virginia

### Personal Income

Personal income provides the best currently available gauge of the overall health of Virginia's economy. Changes in personal income are also strongly correlated with state government revenues such as income tax and retail sales tax collections. As shown in **Figure 4**, state personal income growth in fiscal year 2016 (4.1 percent) outpaced the nation (3.8 percent) for the first time since fiscal year 2012. This rate represented a slight slowdown from the year before (4.8 percent). Wages and salaries, which make up over half of Virginia total personal income, grew at a rate of 4.3 percent in fiscal year 2016. The next largest component is dividends, interest and rent, which expanded 2.0 percent. Among other components, transfer receipts grew 5.2 percent, supplements to wages and salaries (which includes employer contributions to employee pensions, health insurance, social security/Medicare and other benefits) expanded 4.6 percent, and proprietors' income advanced 5.7 percent.-

**Figure 4**  
**Percentage Change in Personal Income**  
 Fiscal Years 2011 – 2016

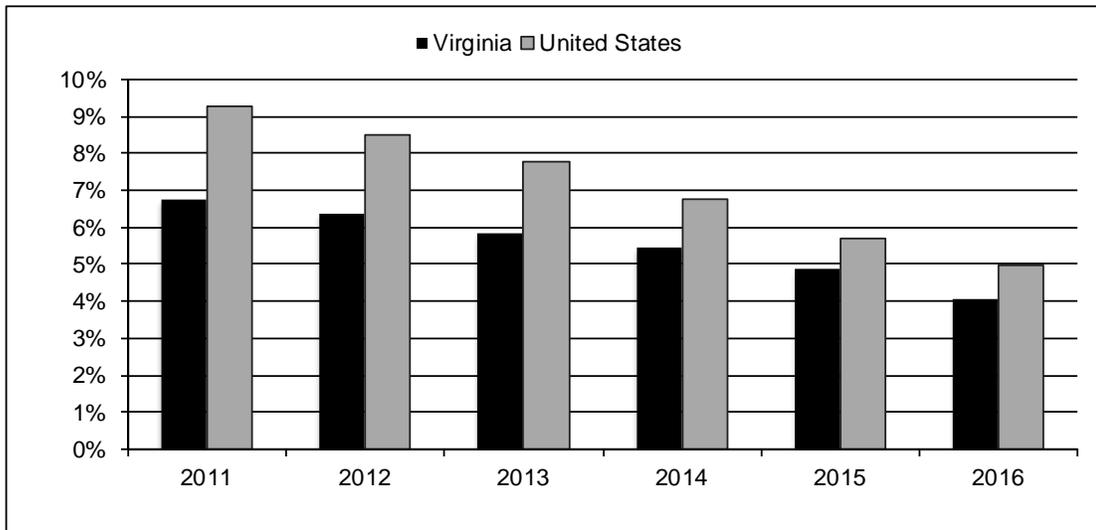


Source: U.S. Bureau of Economic Analysis

## Unemployment

Unemployment rates at both the state and national levels continued to improve in fiscal year 2016. **Figure 5** shows that the unemployment rate in Virginia declined from 4.9 percent in fiscal year 2015 to 4.1 percent in fiscal year 2016, while the national rate decreased from 5.7 percent to 5.0 percent. These rates are slowly converging on pre-recessionary unemployment rates of 3.1 percent and 4.5 percent, respectively. Virginia has almost achieved the goal of full-employment by one conventional measure--an unemployment rate at or below 4.0 percent. The rate has been slower to come down during the economic recovery because of the severity of the 2007-2009 recession and backlog of discouraged workers, relatively slow economic growth during the expansion, and the difficulty of employers in finding workers with suitable job skills to fill existing openings (the so-called "jobs-skills" mismatch) due to rapid changes in technology and increased educational/experience job requirements.

**Figure 5**  
**Civilian Unemployment Rate**  
Fiscal Years 2011 – 2016



Source: U.S. Bureau of Labor Statistics

**Figure 6** shows unemployment rates for Virginia's metropolitan and non-metropolitan regions. Unemployment rates for each of the 11 metropolitan areas decreased in fiscal year 2016. These decreases continue a pattern of gradual improvement in each metropolitan area over the fiscal year 2011 to fiscal year 2016 period. Below statewide average unemployment rates were observed in Northern Virginia (3.3 percent), the Charlottesville MSA (3.5 percent), the Winchester MSA (3.6 percent), and the Staunton-Waynesboro MSA (3.9 percent). The non-metropolitan area unemployment rate continues to lag behind the metropolitan area unemployment rate. But, it also saw significant improvement during the year, moving from 6.4 percent in fiscal year 2015 down to 5.5 percent in fiscal year 2016.

**Figure 6**  
**Civilian Unemployment Rate for Virginia's MSAs**  
 Fiscal Years 2011 – 2016

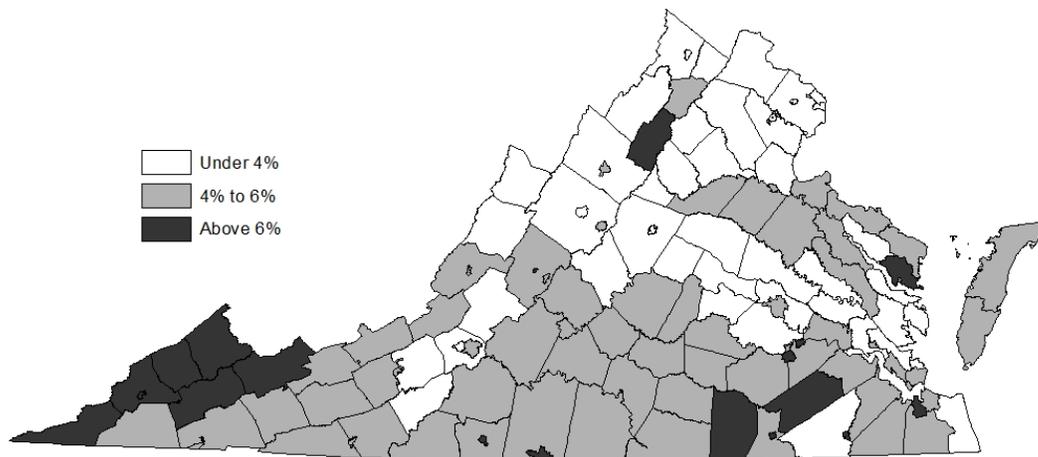
Area	2011	2012	2013	2014	2015	2016
Virginia	6.8%	6.4%	5.8%	5.5%	4.9%	4.1%
Metropolitan Areas	6.4%	6.1%	5.6%	5.2%	4.7%	3.9%
Blacksburg-Christiansburg-Radford	7.5%	6.8%	6.5%	5.7%	5.1%	4.4%
Charlottesville	6.1%	5.8%	5.2%	4.8%	4.3%	3.5%
Harrisonburg	6.8%	6.6%	6.0%	5.4%	5.0%	4.1%
Kingsport-Bristol*	7.7%	7.2%	6.8%	6.2%	5.4%	4.6%
Lynchburg	7.4%	7.0%	6.4%	5.9%	5.3%	4.5%
Northern Virginia*	5.1%	4.9%	4.6%	4.5%	4.1%	3.3%
Richmond	7.6%	7.0%	6.3%	5.8%	5.1%	4.2%
Roanoke	7.1%	6.6%	6.0%	5.5%	4.9%	4.0%
Staunton-Waynesboro	7.0%	6.5%	5.8%	5.2%	4.6%	3.9%
Virginia Beach-Norfolk-New port News*	7.3%	7.1%	6.4%	5.9%	5.3%	4.6%
Winchester	7.0%	6.4%	5.7%	5.1%	4.5%	3.6%
Non-metropolitan Areas	9.4%	8.6%	8.1%	7.4%	6.4%	5.5%

Source: U.S. Bureau of Labor Statistics; some prior year numbers have been revised to reflect the incorporation of newly available and revised source data

\* Includes only the portion of the MSA located in Virginia

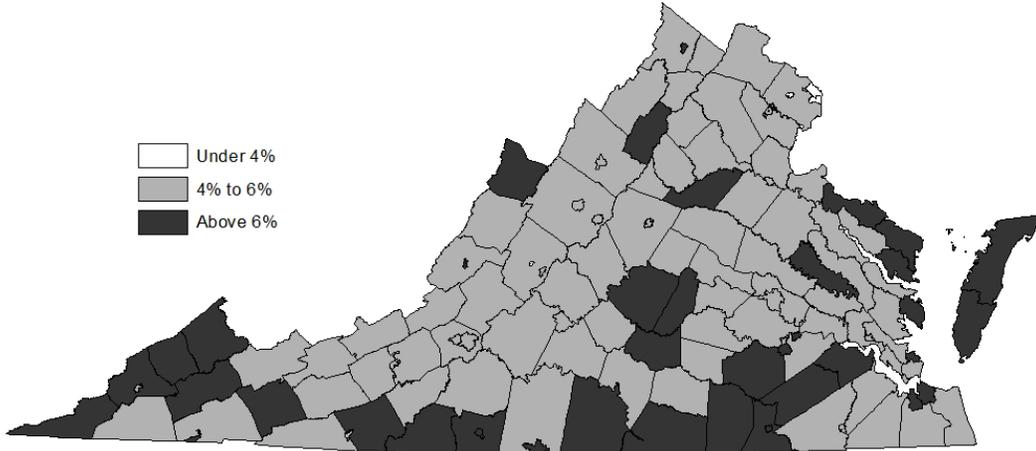
**Figures 7a and 7b** show changes in the spatial pattern of unemployment in Virginia during the last two fiscal years using locality-level data. For fiscal year 2016, the highest unemployment rates (above 6.0 percent) were found in the Southwestern region and isolated pockets (mainly independent cities) elsewhere. In comparison to the year before (shown in **Figure 7b**) when only Alexandria City, Arlington County, and Fairfax City had unemployment rates below 4.0 percent, many localities in Northern Virginia as well as Central Virginia, the Shenandoah Valley, the Roanoke Valley saw unemployment rates dip below 4.0 percent in fiscal year 2016. Despite these marked improvements, 23 localities actually saw their unemployment rates increase between the last two fiscal years. The largest geographical cluster of unemployment increase occurred in eight Southwest region localities (Bland, Buchanan, Dickenson, Russell, Tazewell, Wise, Wythe Counties and Norton City), many of which have been affected by mining industry layoffs.

**Figure 7a**  
**Unemployment Rate by Locality**  
 Fiscal Year 2016



Source: Virginia Employment Commission

**Figure 7b**  
**Unemployment Rate by Locality**  
 Fiscal Year 2015

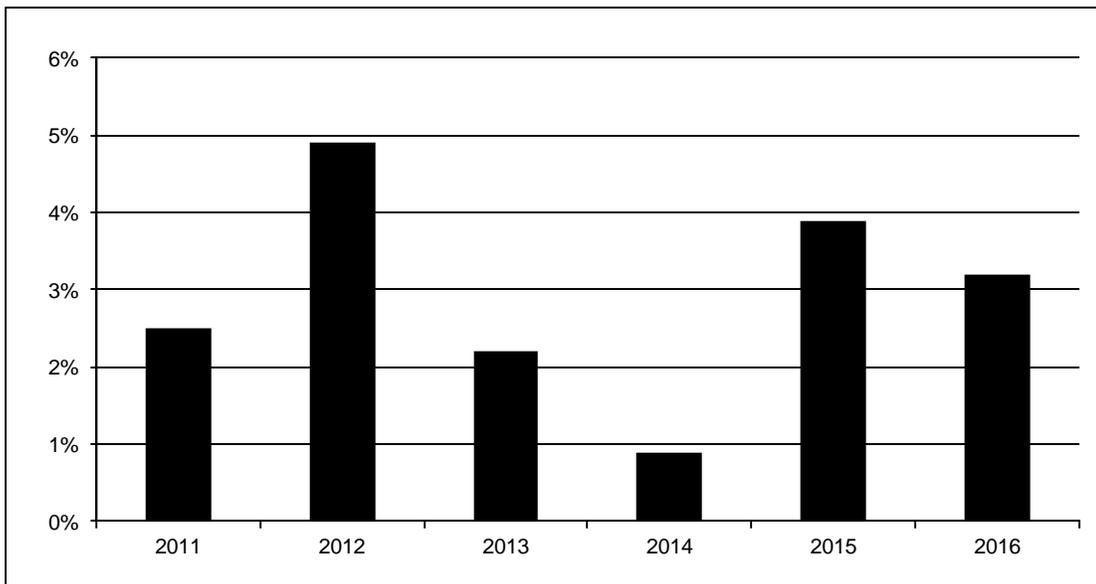


Source: Virginia Employment Commission

**Taxable Sales**

Changes in state retail sales are represented here using information on taxable sales. This measure is a useful proxy for retail sales, but omits some goods (e.g., motor vehicles, motor fuel sales) that appear in the comparable national measure and includes some services (e.g., restaurant sales, lodging sales) not included in that measure. **Figure 8** shows that taxable sales decreased slightly from a 3.9 percent increase in fiscal year 2015 to a 3.2 percent increase in fiscal year 2016, a still healthy rate of growth. This growth dip mirrors the slight drop in personal income growth reported earlier.

**Figure 8**  
**Annual Percentage Change in Taxable Sales in Virginia**  
 Fiscal Years 2011 – 2016

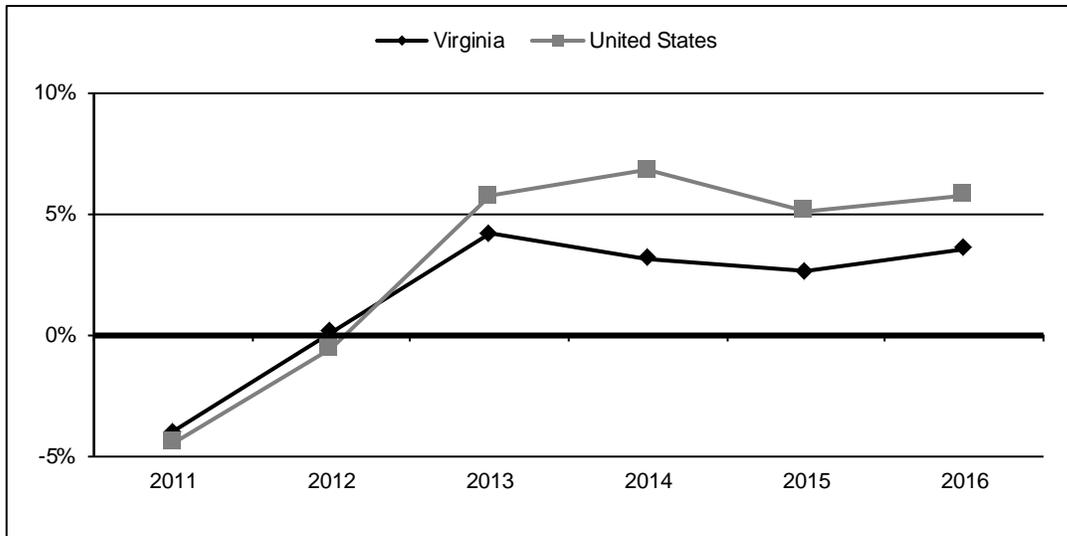


Source: Virginia Department of Taxation.

## Housing Market

Housing market indicators show that the Virginia market continues to gradually recover. According to Virginia Association of Realtor reports, sales of single-family homes, townhomes, and condos increased from 104,091 units in fiscal year 2015 to 112,019 units in fiscal year 2016. This represents a 7.6 percent rate of increase, which compares to a 5.5 percent rate in fiscal year 2015 and 3.0 percent rate in fiscal year 2014. Housing prices published by the Federal Housing Finance Agency provide further support of improving conditions in the Virginia housing market. **Figure 9** shows the percentage change in housing prices for Virginia and the nation. Virginia housing prices appreciated 3.6 percent in fiscal year 2016. This rate is an increase from 2.6 percent in fiscal year 2015, but was still lower than the national rate. At the national level, housing prices grew 5.8 percent in fiscal year 2016, and led Virginia for the fourth straight year.

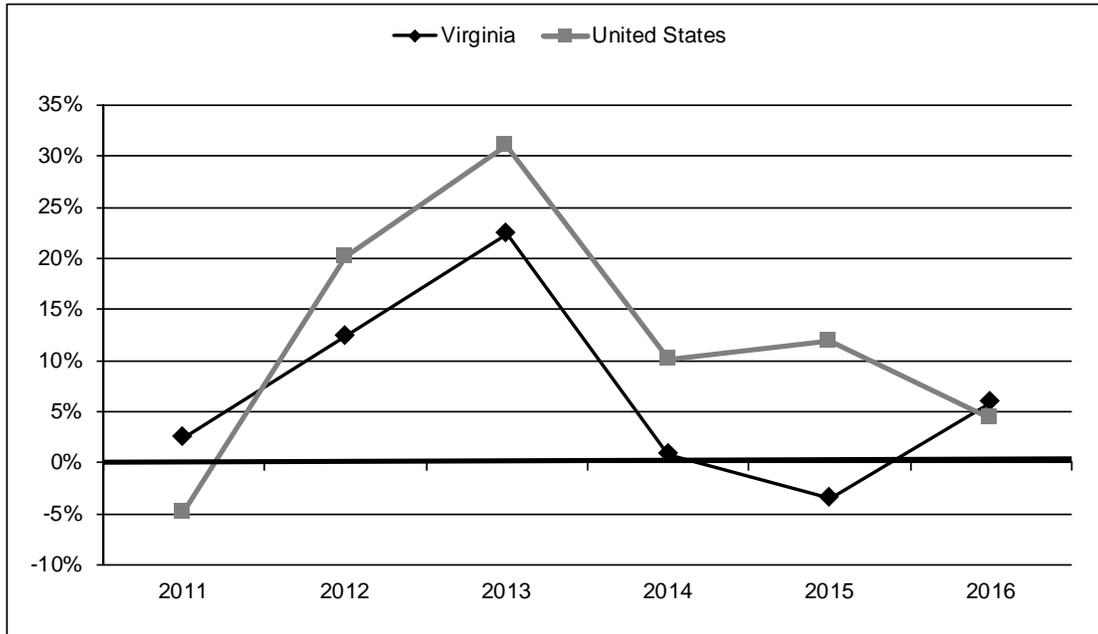
**Figure 9**  
**Percentage Change in Housing Prices**  
Fiscal Years 2011 – 2016



Source: Federal Housing Finance Agency

Current building permit data indicate that Virginia experienced an increase in new privately owned housing units authorized for construction in fiscal year 2016 of 6.0 percent (**Figure 10**). This is a marked improvement over the 3.4 percent decline realized in fiscal year 2015 and 0.9 percent increase in fiscal year 2014. As in previous years, this rate is likely to be revised upwards slightly as rural jurisdictions that report building permits on an annual rather than monthly basis submit their data at the end of calendar year 2016. Nationally, building permits increased at a 4.4 percent rate in fiscal year 2016, which represents a slowdown from double-digit growth in fiscal years 2015 (11.9 percent) and 2014 (10.2 percent).

**Figure 10**  
**New Privately Owned Housing Units Authorized**  
**Annual Percentage Change**  
 Fiscal Years 2011 – 2016



Source: U.S. Census Bureau

**Conclusion**

Fiscal year 2016 saw significant improvement in Virginia's economy. This improvement paralleled higher federal spending growth than previous fiscal years. The employment growth rate increased and exceeded the national growth rate. The unemployment rate eased and approached what is ordinarily considered full-employment. Personal income and taxable sales growth rates slowed slightly but were still relatively brisk. The Virginia housing market also continued to recover with home sales accelerating, price appreciation picking up, and building permit issuance growing. On many major economic indicators (employment growth, unemployment rate, personal income growth, and building permit growth), the state performed better than the nation as a whole.

As the nation enters the eighth year of what has been a relatively slow-growth recovery and labor markets continue to tighten, the pace of employment increase is likely to slow. In addition, the Federal Reserve is expected to resume lifting interest rates. Further clouding the picture is an expected continued global economic slowdown attributable to weak growth in developed nations, an impending UK Brexit, slackening growth in China, and recession in some natural resource-dependent developing nations. On the other hand, consumer spending is likely to continue to be buoyed by employment growth, rising wages, and stronger household balance sheets. Investment spending may be strengthened by a slowly improving housing market and reduced drag from business fixed investment that has adjusted to energy price and exchange rate shifts. This combination of factors is likely to support near-term moderate national and state economic growth.

## **MAJOR INITIATIVES**

The CAFR has received unmodified audit opinions from fiscal year 1986 through fiscal year 2015. During this period, the Commonwealth has also received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. While we are very proud of these unmodified audit opinions and awards, we must be mindful of the fact that they are not automatic. The successes of the State Comptroller's office are directly attributable not only to the professionalism, experience and integrity of the State Comptroller's technical and accounting personnel, but also to the professionalism, experience and integrity of the financial and accounting personnel throughout the Commonwealth. These major initiatives will support efforts to continue our legacy of quality financial management.

### **Long-term Financial Planning**

In 1992, an amendment to the Constitution of Virginia required the establishment of a Revenue Stabilization Fund. Annually, revenue collections are evaluated to determine whether deposits are required to the Fund. Withdrawals can only occur if the general fund revenues appropriated exceed the revised general fund revenue forecast by more than 2.0 percent of the certified tax revenues collected in the most recently ended fiscal year. Additionally, a withdrawal from the Fund cannot compensate for more than one-half of the difference between the general fund appropriations and revised estimate nor can it exceed more than one-half of the Fund balance. Further, pursuant to the constitutional amendment of Article X, Section 8, effective January 1, 2011, the amount on deposit cannot exceed 15.0 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. This is an increase of the previous limit of 10.0 percent.

### **Enterprise Application Project**

The Cardinal Project represents a shared vision between the offices of the Secretary of Transportation, Secretary of Finance and the Virginia Information Technologies Agency to replace the Commonwealth's financial system (CARS) and the Virginia Department of Transportation's (VDOT) financial system with a modern, enterprise-wide financial system (base financial system). The base financial system provides a solid foundation for the Commonwealth to expand system functionality and facilitates better integration of key administrative systems across the state. This foundation enables the Commonwealth to re-engineer activities to include taking advantage of shared services, increasing functionality for better fiscal management, and reducing redundant agency financial systems and related cost. The Cardinal Project implemented the base financial system in three phases. The first phase implemented VDOT's planned functionality on December 5, 2011, and the second phase implemented the Commonwealth's base financial system at the Department of Accounts (DOA) on October 1, 2012. The third phase of the project included rolling Cardinal out to all other state agencies. The remaining agencies were divided into two waves, and the first wave was successfully implemented on October 1, 2014. The second wave was successfully implemented on February 1, 2016. Effective July 1, 2016 (fiscal year 2017), Cardinal became the official general ledger accounting system for the Commonwealth and CARS was retired.

The Commonwealth has embarked on a project to replace the existing statewide Payroll system, CIPPS, and integrate the statewide payroll system into Cardinal. I, as State Comptroller, chair the Cardinal Steering Committee, and DOA has assigned full-time resources to this project.

## **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth for its CAFR for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The Commonwealth has received a Certificate of Achievement for the last 30 consecutive years (fiscal years 1986-2015). I believe that this year's report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

This report could not have been prepared without the full cooperation of all state agencies within the Executive Branch, the Legislature, the Judiciary, the Component Units, and especially the dedication and professionalism of the financial reporting staff in the Department of Accounts.

Respectfully submitted,

David A. Von Moll  
Comptroller of the Commonwealth of Virginia



Government Finance Officers Association

**Certificate of  
Achievement  
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Presented to

**Commonwealth of Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

