
INTRODUCTORY SECTION

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, 2017

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, 2017, 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 2017 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, 2017. 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

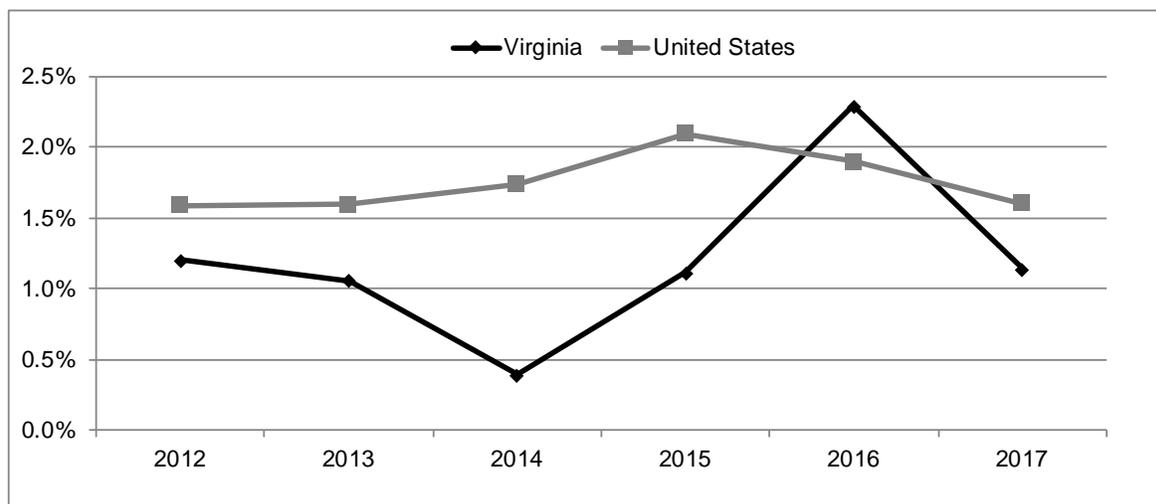
Introduction

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 2017, Virginia's economy continued to grow, but at a more subdued pace than that of the previous year. Employment expanded at a relatively modest rate, similar to the post-recessionary average, while the jobless rate continued to decline. Personal income and taxable sales growth rates also slowed, while housing market indicators such as housing price and building permit growth improved slightly. As the nation enters the ninth year of economic expansion, job growth is expected to continue its previous pattern. Increased consumer expenditures, improved business investment, a gradually recovering housing market, and a more favorable trade balance are expected to contribute to slow to moderate national and state economic growth into the coming fiscal year.

Employment

Virginia employment grew for the seventh straight year in fiscal year 2017 (**Figure 1**). The fiscal year 2017 growth rate of 1.1 percent was close to the post-recessionary fiscal year average of 1.2 percent but slower than the 2.3 percent rate of growth the year before. It also lagged behind the national growth rate of 1.6 percent. The state likely received less economic lift in fiscal year 2017 than the year before from the temporary loosening of federal spending caps that resulted from previous bipartisan budget agreements.

Figure 1
Annual Percentage Change in Nonfarm Payroll Employment
Fiscal Years 2012 – 2017



Source: U. S. Bureau of Labor Statistics

Virginia employment reached a new high in fiscal year 2017 with nonfarm payroll employment topping 3,942,700. The state added 44,600 more jobs during the fiscal year, which is fairly typical of this slow economic expansion. **Figure 2** shows changes in Virginia's nonfarm employment by industry for fiscal years 2012 through 2017 along with the employment change between fiscal years 2016 and 2017 for Virginia and the U.S. The largest employment increases occurred in education and health services (16,300 jobs) and professional and business services (13,000 jobs), two workhorse sectors that accounted for over half of employment growth during the 2012-2017 period. The transportation and utilities sector experienced the largest percentage increase at 3.2 percent, adding 4,200 jobs; the financial activities sector saw a 1.8 percent increase for an additional 3,500 jobs. Construction grew by 1,200 jobs, reflecting continued improvement in state building activity. Federal government employment grew by a modest 1,300 jobs in fiscal year 2017, a smaller increase than the 2,100 jobs the year before but continued improvement from job losses that occurred when more draconian federal budget guidelines were in force. Consumer spending sectors experienced divergent fortunes: leisure and hospitality added 5,400 jobs while retail trade lost 500 jobs. The mining and logging industry and information industry continued to shed jobs, reflecting long-term national downward trends aggravated by economic and structural factors in both sectors.

Figure 2
Nonfarm Payroll Employment in Virginia's Industries
 Fiscal Years 2012 – 2017

Industry*	Virginia Employment (000)						Change, FY 2016 to FY 2017		
							Virginia		U.S.,
	2012	2013	2014	2015	2016	2017	Number (000)	Percent	Percent
Mining and logging	11.1	10.4	9.8	9.3	8.3	7.8	-0.5	-6.0%	-7.5%
Construction	177.3	176.8	177.1	181.0	187.2	188.4	1.2	0.6%	3.0%
Manufacturing	231.5	231.2	231.2	232.3	233.5	232.7	-0.8	-0.3%	0.1%
Wholesale trade	111.2	111.4	110.6	110.4	111.0	111.5	0.5	0.5%	0.6%
Retail trade	404.6	406.1	409.9	412.2	419.1	418.6	-0.5	-0.1%	0.9%
Transportation and utilities	115.4	116.2	118.0	123.1	130.1	134.3	4.2	3.2%	1.7%
Information	72.5	71.4	71.6	70.3	68.9	66.6	-2.3	-3.3%	-0.3%
Financial activities	185.3	190.9	193.2	195.7	199.3	202.8	3.5	1.8%	2.1%
Professional and business services	673.3	682.4	679.4	689.4	711.8	724.8	13.0	1.8%	2.9%
Education and health services	473.6	487.3	494.3	503.7	522.9	539.2	16.3	3.1%	2.4%
Leisure and hospitality	354.1	362.8	368.8	376.5	394.9	400.3	5.4	1.4%	2.3%
Other services	190.0	193.5	194.8	196.0	198.4	200.2	1.8	0.9%	1.2%
Federal government	177.2	179.0	175.2	175.3	177.4	178.7	1.3	0.7%	1.3%
State government	157.9	159.4	159.8	161.0	160.6	160.5	-0.1	-0.1%	0.2%
Local government	379.5	375.1	375.1	374.7	374.7	376.3	1.6	0.4%	1.0%
Total	3,714.5	3,753.9	3,768.8	3,810.9	3,898.1	3,942.7	44.6	1.1%	1.6%

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 (NAICS)

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 2017, albeit Lynchburg MSA employment was relatively flat. Growth rates met or exceeded the statewide average in the Charlottesville, Harrisonburg, Northern Virginia, Richmond, Staunton-Waynesboro, and Winchester MSAs. Employment growth rates for the Blacksburg-Christiansburg-Radford, Lynchburg, Roanoke, and Virginia Beach-Norfolk-Newport News MSAs lagged behind the state average growth rate. The Virginia Beach-Norfolk-Newport News MSA has been hampered in recent years by defense procurement cutbacks while the Lynchburg and Roanoke metropolitan areas are older industrial regions in transition.

Figure 3
Annual Percent Change in Nonfarm Payroll Employment in Virginia's MSAs
 Fiscal Years 2012 – 2017

Area	2012	2013	2014	2015	2016	2017
Virginia	1.2%	1.1%	0.4%	1.1%	2.3%	1.1%
Metropolitan areas (a)						
Blacksburg-Christiansburg-Radford	2.6%	1.8%	0.9%	0.7%	1.9%	0.6%
Charlottesville	1.0%	1.1%	1.3%	3.6%	2.4%	2.0%
Harrisonburg	0.8%	0.9%	0.4%	0.8%	2.5%	2.7%
Lynchburg	-0.8%	0.4%	0.4%	0.6%	0.8%	0.0%
Northern Virginia	1.9%	1.5%	-0.1%	0.9%	2.8%	1.8%
Richmond	2.0%	1.9%	1.6%	2.0%	3.2%	1.2%
Roanoke	1.0%	1.0%	0.9%	0.3%	0.8%	1.0%
Staunton-Waynesboro	0.5%	0.0%	1.1%	1.2%	1.7%	1.9%
Virginia Beach-Norfolk-New port News (b)	0.7%	1.2%	0.7%	0.4%	1.3%	0.2%
Winchester (c)	2.7%	1.9%	2.2%	1.4%	2.6%	1.4%

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

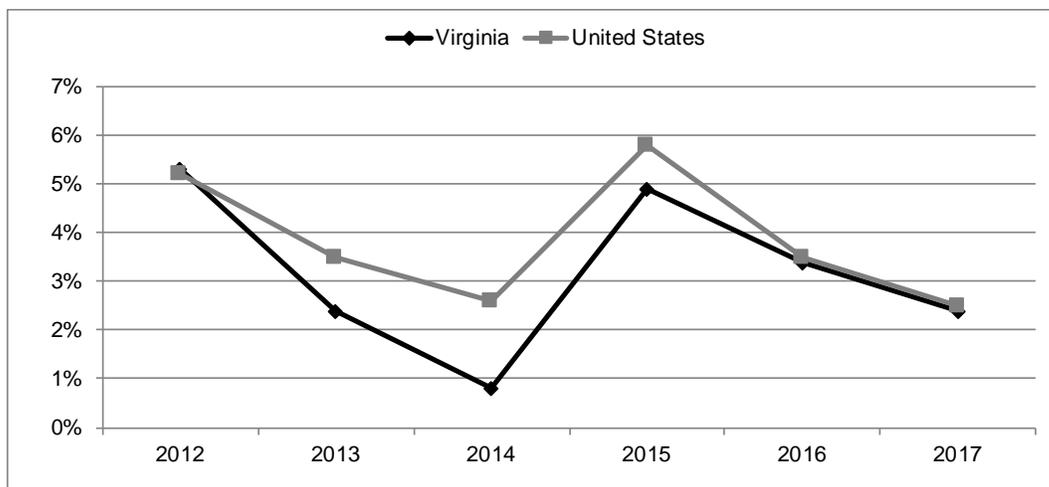
(b) Includes portion in North Carolina

(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 2017 (2.4 percent) slightly lagged the nation (2.5 percent), continuing a pattern observed over the previous three fiscal years. This rate was slower than the year before (3.4 percent). Wages and salaries, which make up over half of Virginia total personal income, grew 2.7 percent in fiscal year 2017. The next largest component is dividends, interest and rent, which expanded 2.2 percent. Among other components, transfer receipts grew 3.4 percent, supplements to wages and salaries (which includes employer contributions to employee pensions, health insurance, social security/Medicare and other benefits) decreased 0.1 percent, and proprietors' income advanced 2.6 percent.

Figure 4
Percentage Change in Personal Income
 Fiscal Years 2012 – 2017

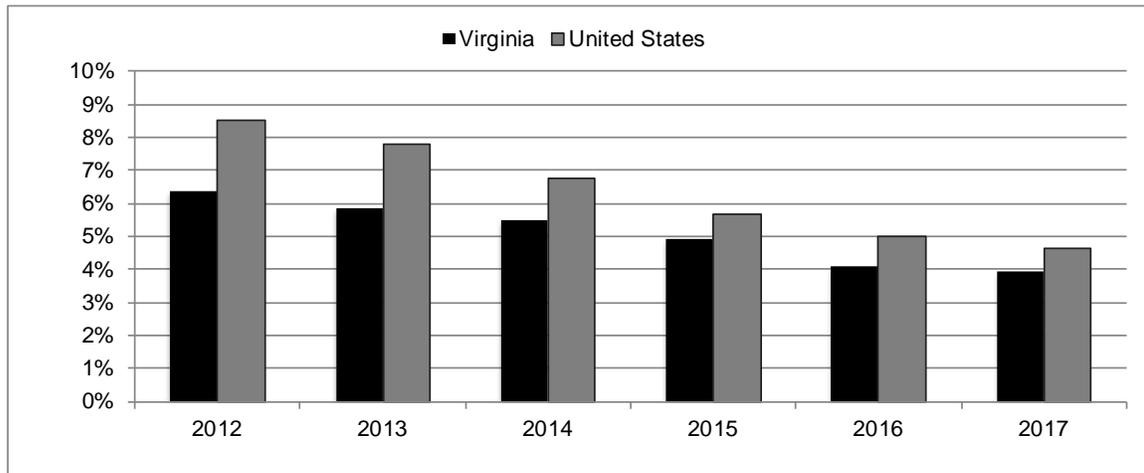


Source: U.S. Bureau of Economic Analysis

Unemployment

Unemployment rates at both the state and national levels showed continued improvement in fiscal year 2017. **Figure 5** shows that the unemployment rate in Virginia declined from 4.1 percent in fiscal year 2016 to 4.0 percent in fiscal year 2017, while the national rate fell more sharply from 5.0 percent to 4.7 percent. These rates are closing on pre-recessionary unemployment rates of 3.0 percent and 4.5 percent, respectively. Virginia's smaller incremental improvement during the year reflects slower employment growth and a slightly more rapidly growing labor force for the year.

Figure 5
Civilian Unemployment Rate
Fiscal Years 2012 – 2017



Source: U.S. Bureau of Labor Statistics

Figure 6 shows unemployment rates for Virginia's metropolitan and non-metropolitan regions. Unemployment rates declined in fiscal year 2017 for most metropolitan areas, but remained fairly steady or increased in four areas, including Blacksburg-Christiansburg-Radford, Kingsport-Bristol, Lynchburg, and Northern Virginia. This mixed picture interrupts a pattern of gradual improvement for each metropolitan area observed over the 2011 to 2016 period. Below statewide average unemployment rates were observed in Northern Virginia (3.3 percent) and the Charlottesville and Winchester (both 3.5 percent), Staunton-Waynesboro (3.7 percent), Harrisonburg (3.8 percent), and Roanoke (3.9 percent) metropolitan areas. The state non-metropolitan area unemployment rate continues to exceed the metropolitan area unemployment rate, but further improved during fiscal year 2017 to 5.2 percent from 5.4 percent the year before.

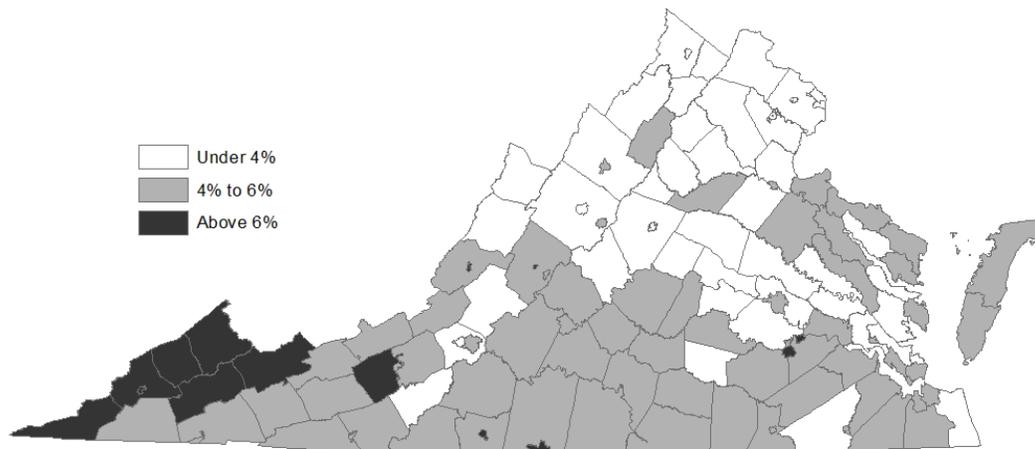
Figure 6
Civilian Unemployment Rate for Virginia's MSAs
 Fiscal Years 2012 – 2017

Area	2012	2013	2014	2015	2016	2017
Virginia	6.4%	5.9%	5.5%	4.9%	4.1%	4.0%
Metropolitan Areas	6.1%	5.6%	5.2%	4.7%	3.9%	3.8%
Blacksburg-Christiansburg-Radford	6.8%	6.5%	5.8%	5.2%	4.4%	4.6%
Charlottesville	5.8%	5.2%	4.8%	4.4%	3.6%	3.5%
Harrisonburg	6.6%	6.0%	5.5%	5.0%	4.1%	3.8%
Kingsport-Bristol	7.2%	6.8%	6.3%	5.5%	4.6%	4.6%
Lynchburg	7.0%	6.5%	5.9%	5.4%	4.5%	4.5%
Northern Virginia	4.9%	4.6%	4.5%	4.1%	3.3%	3.3%
Richmond	7.0%	6.3%	5.8%	5.2%	4.2%	4.1%
Roanoke	6.6%	6.0%	5.5%	4.9%	4.0%	3.9%
Staunton-Waynesboro	6.5%	5.8%	5.2%	4.7%	3.8%	3.7%
Virginia Beach-Norfolk-New port News	7.1%	6.5%	6.0%	5.4%	4.6%	4.4%
Winchester	6.4%	5.7%	5.1%	4.5%	3.7%	3.5%
Non-metropolitan Areas	8.6%	8.1%	7.4%	6.4%	5.4%	5.2%

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

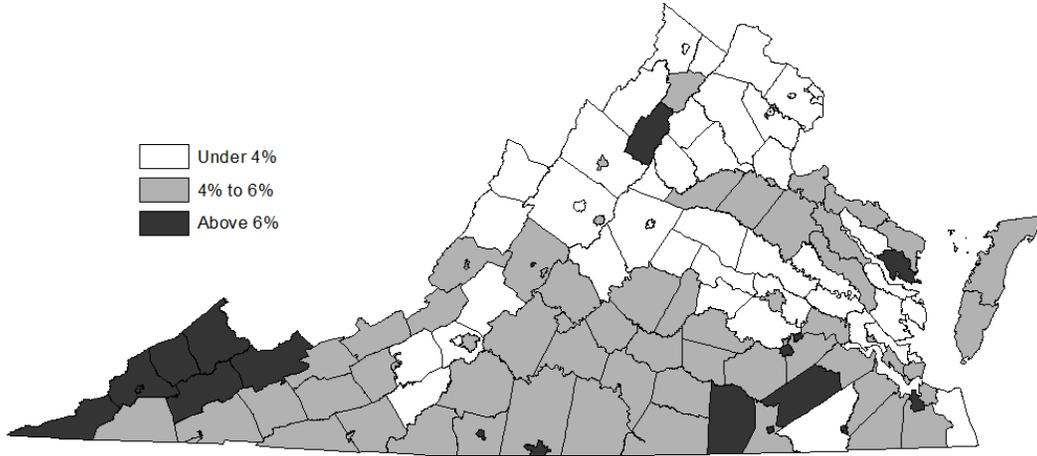
Figures 7a and 7b show changes in the spatial pattern of unemployment in Virginia during the last two fiscal years using locality-level data. For fiscal year 2017, the highest unemployment rates (above 6.0 percent) were found in the Southwestern region and small independent cities. In comparison to the year before (shown in Figure 7b), the number of areas with high (over 6.0 percent) and intermediate level unemployment (4.0 to 6.0 percent) has decreased with some counties and independent cities in the southeastern region moving from the former to the latter. Even with these improvements, 24 localities experienced an increase in unemployment rates between the last two fiscal years. The largest increases are found in mainly western counties such as Pulaski County (1.0 percent), Wythe County (0.6 percent), Covington City (0.4 percent), and Giles and Carroll Counties (both 0.3 percent).

Figure 7a
Unemployment Rate by Locality
 Fiscal Year 2017



Source: Virginia Employment Commission

Figure 7b
Unemployment Rate by Locality
 Fiscal Year 2016

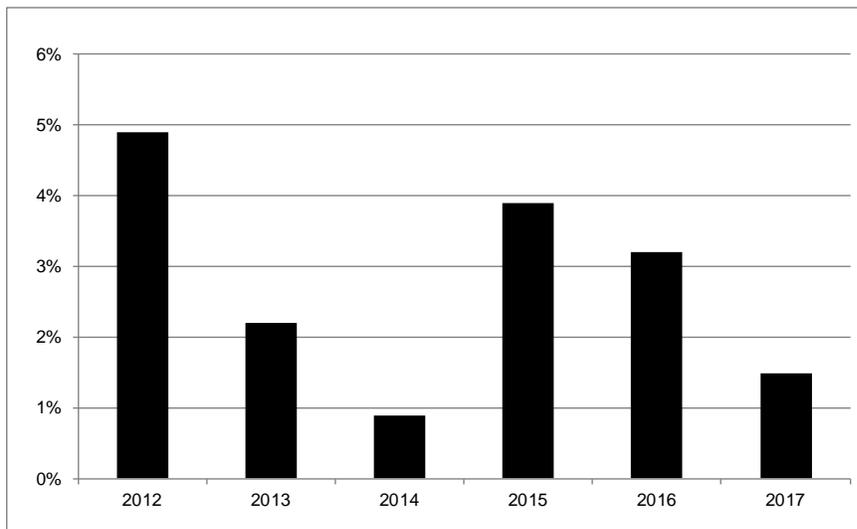


Source: Virginia Employment Commission

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 the taxable sales growth rate decreased significantly from 3.2 percent in fiscal year 2016 to 1.5 percent in fiscal year 2017. This growth dip mirrors the drop in personal income growth reported earlier.

Figure 8
Annual Percentage Change in Taxable Sales in Virginia
 Fiscal Years 2012 – 2017

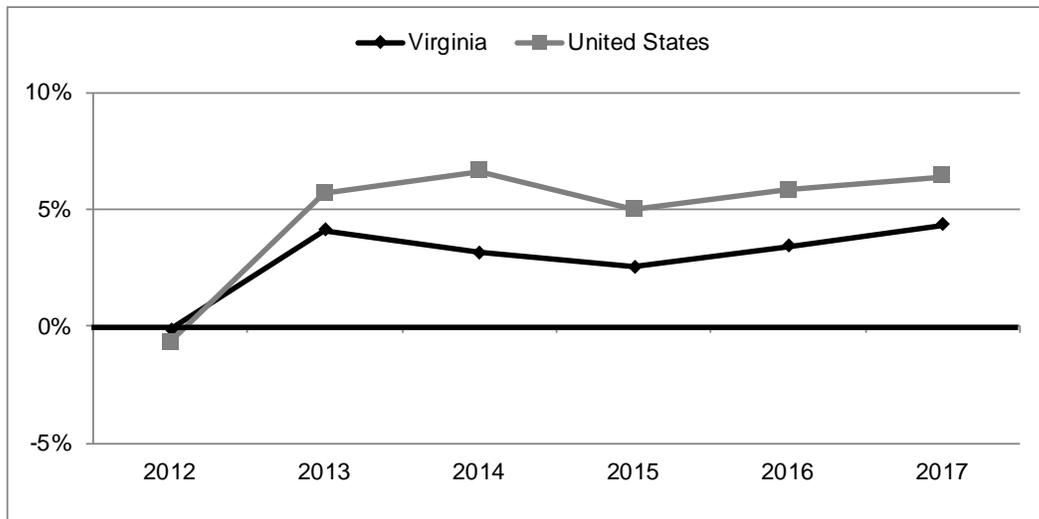


Source: Virginia Department of Taxation.

Housing Market

The Virginia housing market continues to gradually recover, but is doing so at a modest pace. According to Virginia Association of Realtor reports, sales of single-family homes, townhomes, and condos increased from 112,741 units in fiscal year 2016 to 120,600 units in fiscal year 2017. This represents a 7.0 percent rate of increase, which compares to an 8.3 percent rate in fiscal year 2016 and 5.5 percent rate in fiscal year 2015. Housing prices published by the Federal Housing Finance Agency indicate that the housing demand is strengthening slightly. **Figure 9** shows the percentage change in housing prices for Virginia and the nation. Virginia housing prices appreciated 4.3 percent in fiscal year 2017. This rate is an increase from 3.4 percent in fiscal year 2016, but was still lower than the national rate of 6.4 percent. Housing prices at the national level have outpaced Virginia's for each of the last five years.

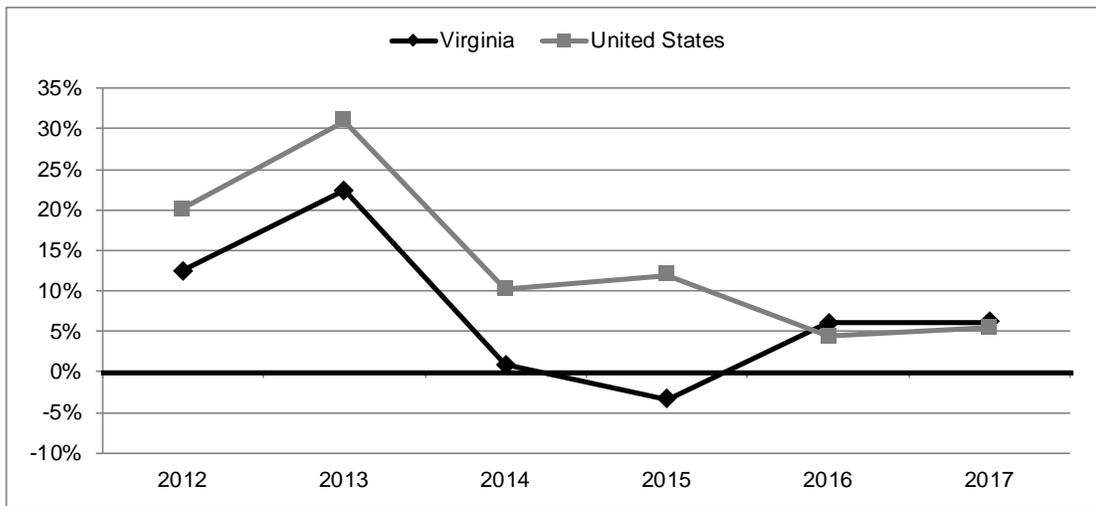
Figure 9
Percentage Change in Housing Prices
Fiscal Years 2012 – 2017



Source: Federal Housing Finance Agency

Current building permit data indicate that the number of new privately owned housing units authorized for construction in Virginia grew 6.1 percent in fiscal year 2017 (**Figure 10**). This is marginally higher than the year before (6.0 percent). Virginia housing construction has slightly outpaced the nation for each of the last two years. As in previous years, these rates are 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 2017.

Figure 10
New Privately Owned Housing Units Authorized
Annual Percentage Change
 Fiscal Years 2012 – 2017



Source: U.S. Census Bureau

Conclusion

Virginia economic growth eased somewhat in fiscal year 2017 and returned to a pattern of relatively slow growth that has typified most of the economic recovery. Employment growth slowed while the unemployment rate improved slightly. Personal income and taxable sales growth rates also declined. The Virginia housing market continued to mend with home sales, home prices, and building permit issuance growing. On some major economic indicators (employment, personal income, and housing prices), state growth lagged the nation.

The nation has now experienced eight years of economic growth, which now ranks the period as the nation's third longest post-war expansion. However, the recovery has been characterized by relatively slow growth, low wage appreciation, weak productivity gains, muted inflation, shrinking labor force participation rates, and significant excess industrial capacity. This combination of factors makes it likely that the Federal Reserve will continue to employ caution in lifting interest rates and winding down its government debt accumulated through several years of quantitative easing. Continued employment gains, gradually accelerating hourly wage growth, and stronger household balance sheets should support rising consumer expenditures, but current data suggest that some significant categories of durable goods spending, such as automobiles, have now likely peaked. On the plus side, the global economy is improving and American exports have become more competitive after dollar depreciation. Furthermore, business investment has picked up. Future growth increase prospects are likely tied to progress on federal fiscal matters, including tax reform and infrastructure spending. For Virginia, federal budget deliberations and the future path of sequestration caps have particular salience because of the importance of federal hiring and procurement to the state economy. In the absence of major changes, the national and state economies seem likely to continue their patterns of slow to moderate growth.

MAJOR INITIATIVES

The CAFR has received unmodified audit opinions from fiscal year 1986 through fiscal year 2016. 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, 2016. 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 31 consecutive years (fiscal years 1986-2016). 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
for Excellence
in Financial
Reporting**

Presented to

Commonwealth of Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

