

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

DAVID A. VON MOLL, CPA
COMPTROLLER

Office of the Comptroller

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

December 15, 2020

The Honorable Ralph S. Northam
Governor of the Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor Northam:

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020, 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 2020 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, 2020. 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 or for which the resources of the component unit primarily benefit the primary government (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; environmental 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

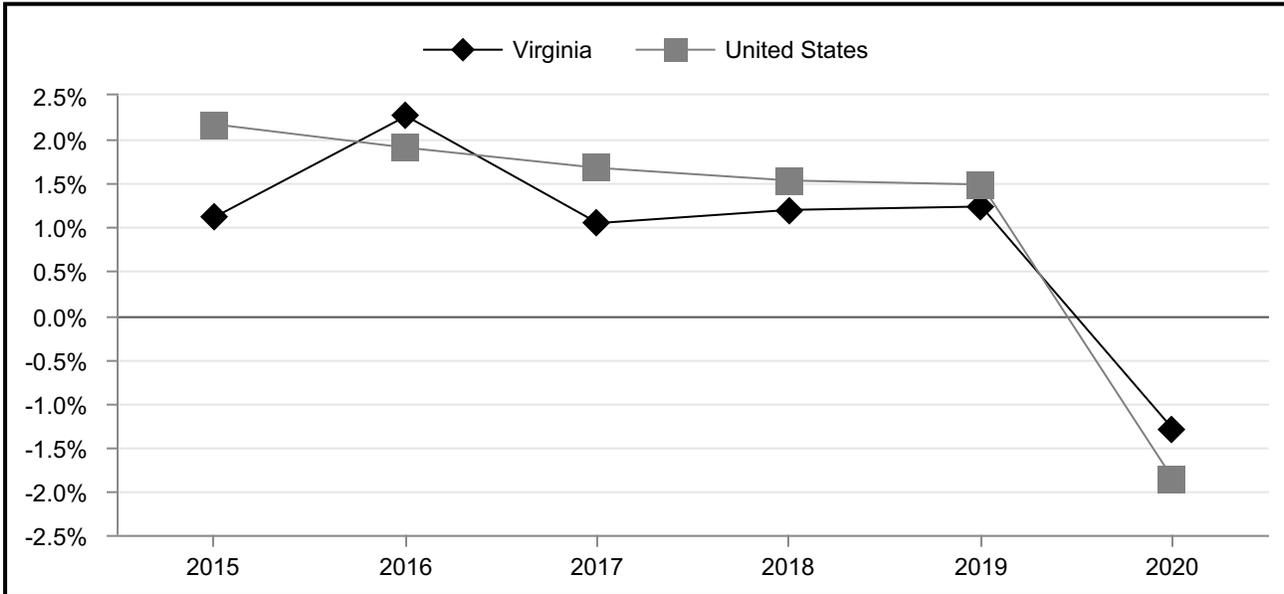
Introduction

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 2020, Virginia's economy contracted for the first time in 10 years as a result of the onset of the COVID-19 pandemic. The pandemic resulted in short-term suspension of non-essential business activities, implementation of social distancing measures, consumer avoidance of travel and shopping, and supply-chain bottlenecks that had knock-on effects for other sectors. Consequently, employment shrank during the year, and the unemployment rate grew markedly throughout the Commonwealth. Personal income was buoyed, in large part, by federal transfer payments resulting from sizeable federal COVID-19 relief efforts, but state taxable sales receded for the fiscal year. The housing sector was resilient during the fiscal year, with existing home sales and building permit activity expanding and housing prices increasing. Economic growth is expected to rebound in the next fiscal year, although this outlook is predicated on an easing of the pandemic resulting from vaccine development and distribution, and adoption of appropriate federal fiscal relief policies.

Employment

Virginia nonfarm payroll employment shrank by 1.3 percent in fiscal year 2020, which was the first drop after 10 years of economic expansion (**Figure 1**). However, this growth rate was still better than the national rate of -1.9 percent, due in large part to Virginia's concentration in federal government and industries where work-at-home and telecommuting are more feasible, such as professional and business services, and lower exposure to vulnerable leisure and hospitality industries.

Figure 1
Annual Percentage Change in Nonfarm Payroll Employment
Fiscal Years 2015 – 2020



Source: U. S. Bureau of Labor Statistics

Virginia nonfarm employment fell below the 4.0 million level in fiscal year 2020 after crossing that threshold for the first time in fiscal year 2019. The state lost an estimated 51,100 jobs during the fiscal year, compared to an average of 56,275 jobs created per fiscal year from 2016 to 2019.

Figure 2 illustrates changes in Virginia's nonfarm employment by industry for fiscal years 2015 through 2020, along with the employment change between fiscal years 2019 and 2020 for Virginia and the U.S. The largest employment decreases occurred in leisure and hospitality (-34,000) and retail trade (-14,300), which have been hit hardest by business shutdowns, social distancing regulations and consumer avoidance. The education and health services sector (-5,300), state and local government (-4,700), manufacturing (-3,900), other services (-3,700), and mining and logging (-200) also saw decreases. Several sectors experienced net employment gains as a result of job additions prior to COVID-19 and consumer spending substitution during the pandemic. The professional and business services sector led by adding 5,100 jobs, while financial activities gained 3,600 jobs. Other job-creation sectors were construction (2,100); federal government (1,900); transportation and public utilities (1,800); and information (500). The decrease in retail trade employment partly reflects ongoing shifts to online spending that accelerated during the pandemic. The education and health services sector, which had experienced uninterrupted expansion for at least two decades, saw this momentum reversed for the first time by COVID-19 protective measures and consumer avoidance.

Figure 2
Nonfarm Payroll Employment in Virginia's Industries
 Fiscal Years 2015 – 2020

Industry*	Virginia Employment (000)						Change, FY 2019 to FY 2020		
							Virginia		
	2015	2016	2017	2018	2019	2020	Number (000)	Percent	U.S., Percent
Mining and logging	9.3	8.3	7.9	7.9	7.9	7.7	-0.2	-2.5%	-5.2%
Construction	180.7	187.0	190.9	196.0	201.2	203.3	2.1	1.0%	-0.2%
Manufacturing	232.8	234.0	233.8	237.1	243.2	239.3	-3.9	-1.6%	-1.7%
Wholesale trade	109.6	110.2	110.3	110.5	110.1	110.1	0.0	0.0%	-0.7%
Retail trade	412.1	418.9	419.0	416.6	410.0	395.7	-14.3	-3.5%	-3.2%
Transportation and utilities	123.1	130.1	132.0	134.2	140.3	142.1	1.8	1.3%	-2.1%
Information	70.3	68.9	68.3	68.0	67.6	68.1	0.5	0.7%	-1.6%
Financial activities	195.7	199.4	203.0	206.9	210.1	213.7	3.6	1.7%	0.9%
Professional and business services	689.4	711.1	722.2	740.5	757.8	762.9	5.1	0.7%	-0.8%
Education and health services	503.7	522.3	530.9	540.8	549.9	544.6	-5.3	-1.0%	-0.1%
Leisure and hospitality	376.1	394.7	402.5	406.6	409.8	375.8	-34.0	-8.3%	-8.6%
Other services	195.9	198.8	201.3	200.4	200.8	197.1	-3.7	-1.8%	-3.6%
Federal government	175.3	177.4	178.4	178.3	180.7	182.6	1.9	1.1%	1.8%
State government	161.1	160.5	159.6	159.6	160.3	158.5	-1.8	-1.1%	-0.9%
Local government	374.5	374.6	377.9	381.4	385.0	382.1	-2.9	-0.8%	-1.0%
Total	3,809.6	3,896.2	3,938.0	3,984.8	4,034.7	3,983.6	-51.1	-1.3%	-1.9%

Source: U. S. Bureau of Labor Statistics; some prior year numbers were 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. The Staunton-Waynesboro MSA was the only metropolitan area that saw employment growth for the fiscal year. The Charlottesville MSA, Northern Virginia MSA (the Virginia portion of the DC metropolitan area) and Winchester MSA also saw lower employment decline than the state. Employment for metropolitan areas in the West-Central portion of the state (Blacksburg-Christiansburg-Radford MSA, Lynchburg MSA, and Roanoke MSA) declined at the fastest rate. The Virginia Beach-Norfolk-Newport News MSA, Richmond MSA, and Harrisonburg MSA also lagged the state in employment growth.

Figure 3
Annual Percentage Change in Nonfarm Payroll Employment in Virginia's MSAs
 Fiscal Years 2015 – 2020

Area	2015	2016	2017	2018	2019	2020
Virginia	1.1%	2.3%	1.1%	1.2%	1.3%	-1.3%
Metropolitan areas (a)						
Blacksburg-Christiansburg-Radford	0.8%	1.7%	-0.7%	0.6%	1.3%	-3.9%
Charlottesville	3.6%	2.5%	2.0%	1.8%	1.7%	-0.2%
Harrisonburg	0.9%	2.5%	1.8%	1.3%	1.4%	-1.4%
Lynchburg	0.6%	0.9%	-0.3%	0.6%	1.2%	-2.7%
Northern Virginia	0.9%	2.7%	1.6%	1.6%	1.9%	-0.7%
Richmond	1.9%	3.1%	1.1%	1.1%	1.5%	-1.5%
Roanoke	0.3%	0.7%	-0.1%	0.0%	0.8%	-2.2%
Staunton-Waynesboro	1.2%	1.6%	0.5%	0.5%	1.8%	0.5%
Virginia Beach-Norfolk-Newport News (b)	0.4%	1.3%	0.9%	1.4%	0.8%	-2.0%
Winchester (c)	1.4%	2.6%	1.8%	1.9%	1.8%	-1.1%

Source: U. S. Bureau of Labor Statistics; some prior year numbers were 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

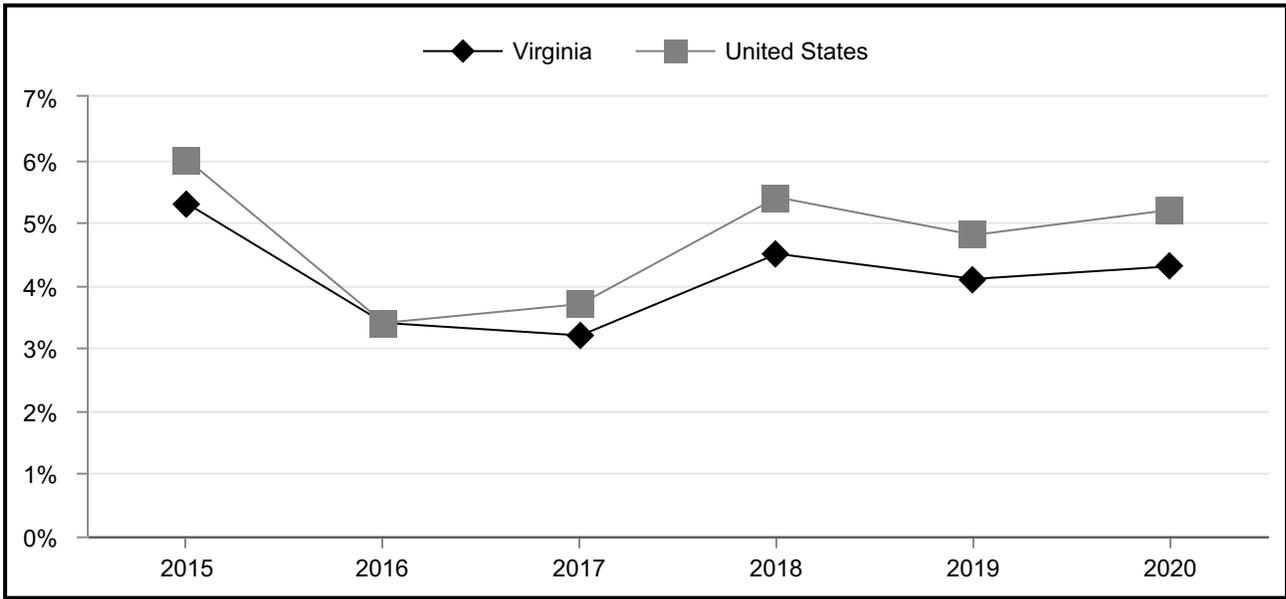
(b) Includes portion in North Carolina

(c) Includes portion in West Virginia

Personal Income

Personal income provides an important gauge of the health of Virginia's economy. It is also a key determinant of consumer spending, which accounts for nearly 70.0 percent of GDP at the national level. Furthermore, 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 continued at a moderate pace in fiscal year 2020 (4.3 percent), despite the pandemic. The national rate of growth was higher at 5.2 percent. This resiliency can largely be attributed to unprecedented growth in personal current transfer receipts as a result of federal pandemic assistance during the spring and summer of 2020. For example, the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided enhanced unemployment compensation benefits and recovery rebates for individuals. Transfer receipts grew 21.9 percent compared to the previous five-year average of 4.8 percent. In contrast, wages and salaries, which make up the majority of total personal income, grew just 2.5 percent in fiscal year 2020, the slowest rate of growth since the Great Recession. The next largest component is dividends, interest and rent, which decreased by 0.4 percent. Among other components, supplements to wages and salaries (which includes employer contributions to employee pensions, health insurance, social security/Medicare and other benefits) grew 1.4 percent, and proprietors' income expanded by 3.4 percent.

Figure 4
Annual Percentage Change in Personal Income
 Fiscal Years 2015 – 2020

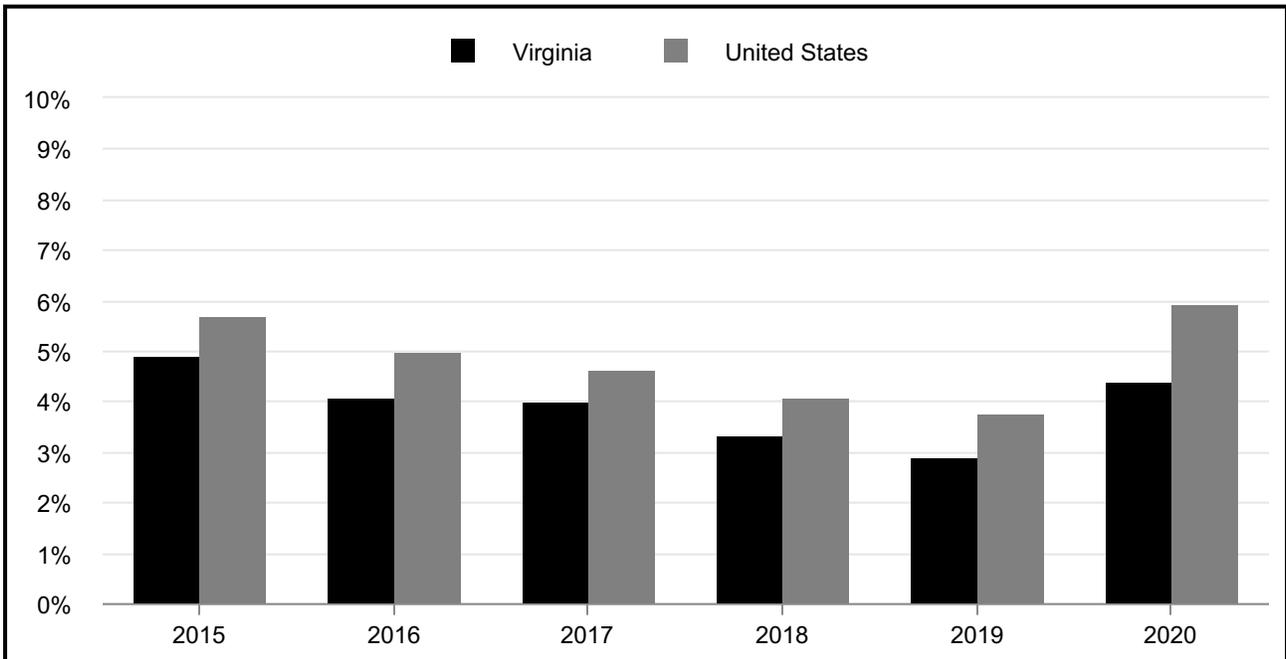


Source: U.S. Bureau of Economic Analysis

Unemployment

Virginia's labor markets began to unwind with the onset of COVID-19. As economic activity fell abruptly in the second quarter of 2020, the seasonally adjusted state unemployment rate reached 11.2 percent in April before declining to 8.4 percent on June 30. However, **Figure 5** shows that the state unemployment rate for fiscal year 2020 rose a more modest 4.4 percent from 2.9 percent the fiscal year before. In comparison, the national rate increased from 3.8 percent to 5.9 percent over the same period, reflecting a slightly larger economic downturn for the nation at large.

Figure 5
Civilian Unemployment Rate
 Fiscal Years 2015 – 2020



Source: U.S. Bureau of Labor Statistics

Figure 6 shows unemployment rates for Virginia’s metropolitan and non-metropolitan regions. Declines were widespread with every region experiencing significant increases in its unemployment rate in fiscal year 2020. The metropolitan area unemployment average increased to 4.3 percent from 2.8 percent the fiscal year before, with above state-wide averages experienced by Virginia Beach-Norfolk-Newport News MSA (4.9 percent) followed by Kingsport-Bristol MSA (4.8 percent), Blacksburg-Christiansburg-Radford MSA, Lynchburg MSA, and Richmond MSA (4.6 percent). The nonmetropolitan unemployment rate increased to 5.1 percent from 3.6 percent in fiscal year 2019.

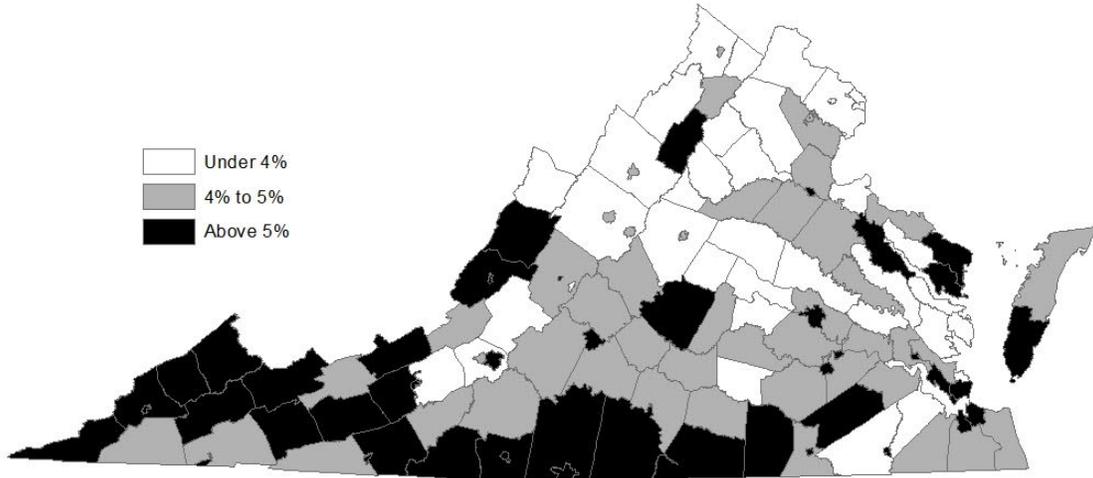
Figure 6
Civilian Unemployment Rate for Virginia’s MSAs
 Fiscal Years 2015 – 2020

Area	2015	2016	2017	2018	2019	2020
Virginia	4.9%	4.1%	4.0%	3.3%	2.9%	4.4%
Metropolitan Areas	4.7%	4.0%	3.9%	3.2%	2.8%	4.3%
Blacksburg-Christiansburg-Radford	5.1%	4.4%	4.8%	3.6%	3.1%	4.6%
Charlottesville	4.4%	3.6%	3.6%	3.0%	2.7%	4.0%
Harrisonburg	5.0%	4.1%	4.0%	3.3%	2.9%	4.1%
Kingsport-Bristol	5.5%	4.7%	4.6%	3.7%	3.4%	4.8%
Lynchburg	5.4%	4.5%	4.6%	3.9%	3.3%	4.6%
Northern Virginia	4.1%	3.4%	3.3%	2.8%	2.5%	3.9%
Richmond	5.1%	4.3%	4.1%	3.5%	3.1%	4.6%
Roanoke	4.9%	4.0%	4.0%	3.4%	2.9%	4.4%
Staunton-Waynesboro	4.7%	3.9%	3.8%	3.2%	2.7%	3.9%
Virginia Beach-Norfolk-Newport News	5.4%	4.7%	4.5%	3.7%	3.2%	4.9%
Winchester	4.7%	3.9%	3.6%	3.1%	2.8%	4.0%
Non-metropolitan Areas	6.5%	5.5%	5.2%	4.2%	3.6%	5.1%

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

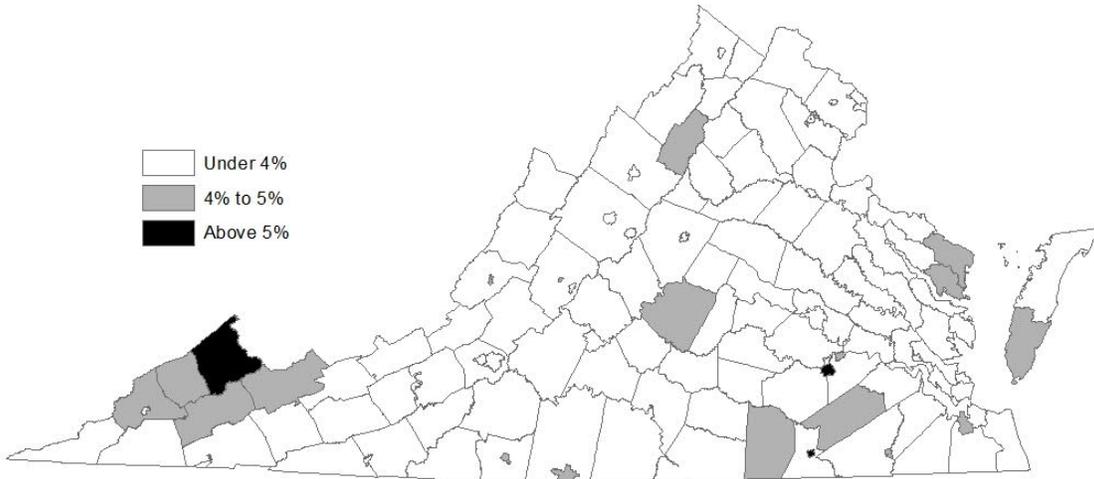
Figures 7a and **7b** show changes in the spatial pattern of unemployment rates in Virginia during the last two fiscal years using locality-level data. Every locality experienced deterioration in its unemployment rate in fiscal year 2020 compared to fiscal year 2019. The fiscal year 2020 unemployment rate ranged from a low of 2.7 percent in Falls Church City (up from 2.1 percent the fiscal year before) to a high of 8.5 percent in Petersburg City (up from 5.8 percent in fiscal year 2019). The distinctive northern-southern gradient in labor market health became more pronounced in fiscal year 2020 than the last few years. Localities in Southwest and Southern Virginia generally experienced unemployment rates above 4.0 percent, with state boundary localities often exceeding 5.0 percent. In contrast, unemployment rates for swaths of Northern Virginia and the upper Shenandoah Valley remained below 4.0 percent. Localities heavily reliant on tourism such as Williamsburg City (Colonial Williamsburg and Busch Gardens) and Bath County (the Omni Homestead Resort) also saw large spikes in unemployment.

Figure 7a
Unemployment Rate by Locality
Fiscal Year 2020



Source: Virginia Employment Commission

Figure 7b
Unemployment Rate by Locality
Fiscal Year 2019

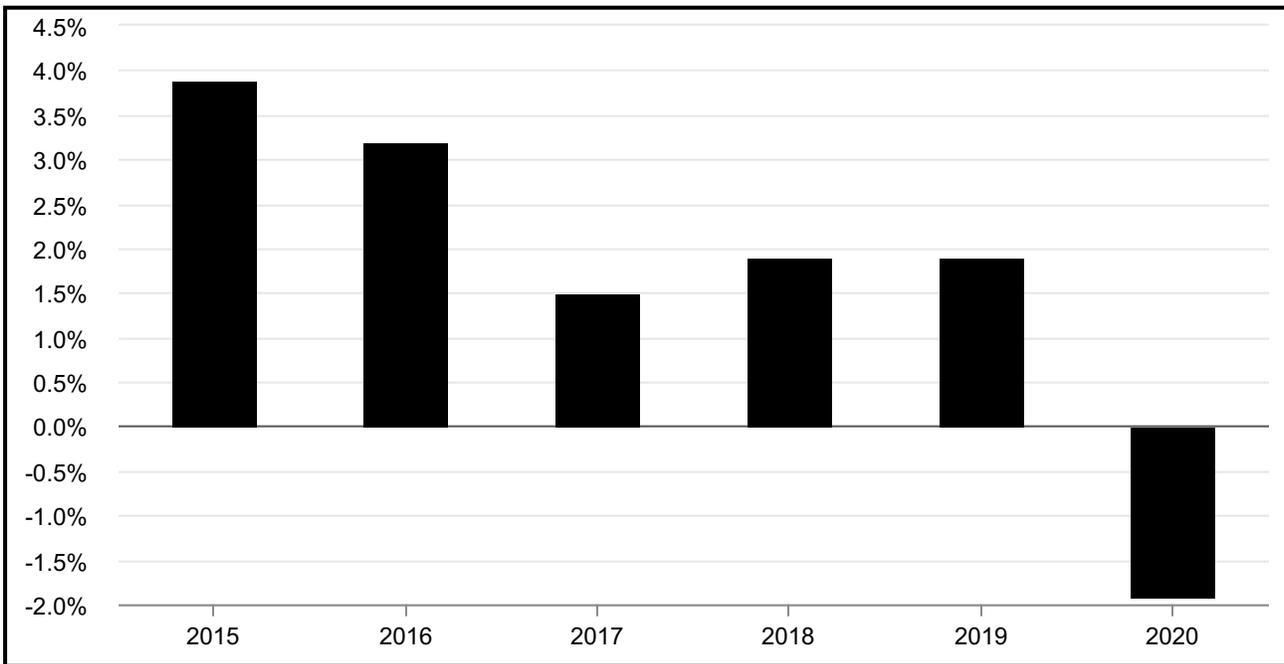


Source: Virginia Employment Commission

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 decreased by 1.9 percent during fiscal year 2020, the first decrease since a 2.6 percent drop in fiscal year 2010 which overlapped with the Great Recession. This decrease reflects primarily supply-side restrictions and consumer spending avoidance since state consumer income continued to increase during the period.

Figure 8
Annual Percentage Change in Taxable Sales in Virginia
Fiscal Years 2015 - 2020

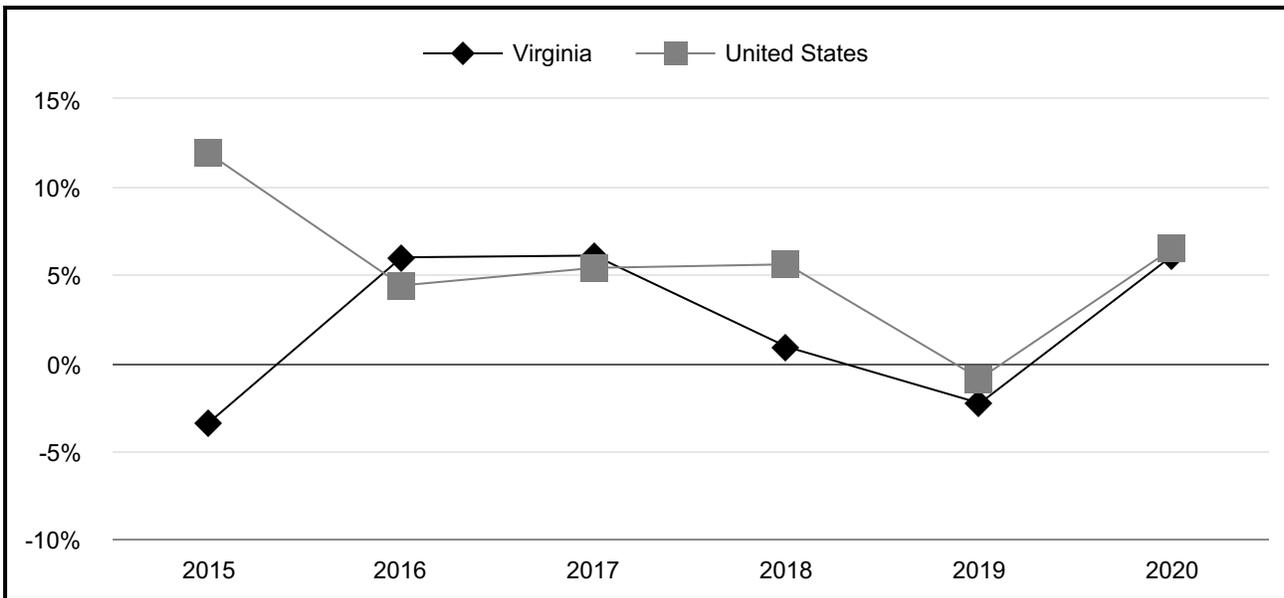


Source: Virginia Department of Taxation

Housing Market

Despite some COVID-19 headwinds, the Virginia housing market edged upward during fiscal year 2020. Sales of existing homes and home building increased from the fiscal year before. According to data available from the Virginia Association of Realtors, sales of single-family homes, townhomes, and condos increased from 121,990 units in fiscal year 2019 to 124,238 units in fiscal year 2020. This represents a 1.8 percent rate of increase compared to a 0.9 percent rate of decrease in fiscal year 2019. Building permit data show a larger increase of 6.1 percent in fiscal year 2020 for the number of new privately-owned housing units authorized for construction in Virginia (**Figure 9**). This compares to a 2.3 percent decrease in fiscal year 2019 but was slightly slower than the 6.5 percent rate of increase experienced nationwide in fiscal year 2020.

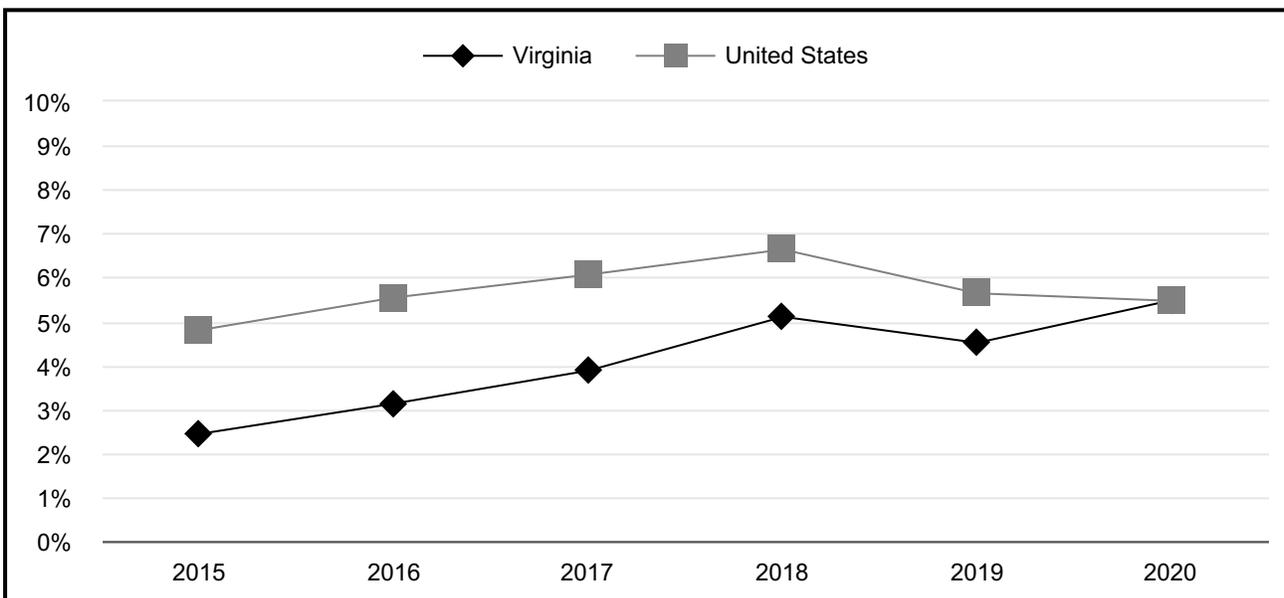
Figure 9
New Privately Owned Housing Units Authorized, Annual Percentage Change
 Fiscal Years 2015 – 2020



Source: U.S. Census Bureau

Housing prices published by the Federal Housing Finance Agency indicate that prices continued to climb. **Figure 10** shows the percentage change in housing prices for Virginia and the nation. Virginia housing prices increased 5.5 percent in fiscal year 2020, up from 4.5 percent in fiscal year 2019. This growth rate was the same as the nation. Higher housing prices have been supported by more limited housing inventories, Federal Reserve monetary stimulus that has dropped mortgage interest rates to historical lows, and increased consumer demand for homes that offer more space for office usage, leisure and recreation during the pandemic.

Figure 10
Annual Percentage Change in Housing Prices
 Fiscal Years 2015 – 2020



Source: Federal Housing Finance Agency

Conclusion

Virginia's economy continued to grow at a moderate pace throughout the fiscal year until the COVID-19 pandemic crisis gripped the nation and Commonwealth of Virginia at the start of spring. With mandated business shutdowns, social distancing measures and curtailment of consumer shopping, many economic indicators plummeted to lows not seen since the Great Depression. Although the Commonwealth was affected less severely than the nation because of its concentration in lower-exposure industries, the economic effects were still profound. Employment decreased precipitously, and the unemployment rate spiked. The shock was felt in all areas of the state, with localities reliant on the hospitality industry being particularly hard hit. Federal COVID-19 relief ameliorated the effects of firm layoffs that resulted in lost wages, by supporting personal incomes through increased transfer payments. The Virginia housing market was a relative oasis in the turmoil. Existing home sales, building permit issuance, and housing price growth outpaced the fiscal year before.

At the end of fiscal year 2020, the nation's economy saw gradual signs of improvement corresponding with the easing of shutdown regulations, the gradual reopening of the economy, and the stimulus effects of earlier federal government fiscal and monetary interventions. However, the nation's longest period of economic expansion was over and much uncertainty existed in its wake. Future improvement in the economy depends largely now on the path of COVID-19 infection and the nation's success in halting the virus by developing and deploying new vaccines and introducing other therapies that decrease citizen mortality and morbidity. Continued trade frictions with China, heightened business investment uncertainty in a Presidential election year, and failure to deliver an appropriate level of additional federal fiscal relief provide other downside risks to the economy on the horizon. Regardless of the outcome, COVID-19 is expected to have residual effects on economic activity for years to come due to modifications in consumer spending habits and structural changes spurred elsewhere in the economy.

MAJOR INITIATIVES

The CAFR has received unmodified audit opinions from fiscal year 1986 through fiscal year 2019. 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 to not only 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.

During fiscal year 2018, the *Code of Virginia* established the Revenue Reserve Fund to mitigate certain anticipated revenue shortfalls when appropriations based on previous revenue forecasts exceed expected revenues in subsequent forecasts. Annually, revenue collections are evaluated to determine whether deposits are required to the Fund. Withdrawals can only occur if a revised general fund revenue forecast is less than appropriated general fund revenues and the decrease is 2.0 percent or less of general fund revenues collected in the most recently ended fiscal year. Additionally, a withdrawal from the Fund may not exceed more than one-half of the Fund balance. The combined balance of the Revenue Reserve Fund and Revenue Stabilization Fund 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.

Enterprise Application Project

The Cardinal Project represents a shared vision between the offices of the Secretary of Transportation, Secretary of Finance, Secretary of Administration, and the Virginia Information Technologies Agency to replace aging statewide enterprise applications. This effort began with the effort 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. This phase of the Cardinal Application Project has been completed. Effective July 1, 2016 (fiscal year 2017), Cardinal became the official general ledger accounting system for the Commonwealth, and CARS was retired.

The next phase of this project involves a partnership between the Department of Accounts (DOA) and the Department of Human Resource Management (DHRM) to replace the existing statewide payroll system (CIPPS), along with the Commonwealth's statewide Personnel Management Information System (PMIS) and Benefits Eligibility System (BES), and integrate these statewide systems into Cardinal. The Human Capital Management Project (HCM) will be implemented in phases. The first phase is scheduled for March 31, 2021, and the entire HCM Project is scheduled for project completion and implementation by the end of calendar year 2021. I, as State Comptroller, chair the Cardinal Steering Committee, and both DOA and DHRM have 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, 2019. 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 34 consecutive years (fiscal years 1986-2019). 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, 2019

Christopher P. Morill

Executive Director/CEO