

# INTRODUCTORY SECTION

Comptroller's Letter of Transmittal  
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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December 15, 2021

The Honorable Ralph S. Northam, Governor  
Members of the Virginia General Assembly  
Citizens of Virginia

It is my pleasure to present the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021, 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 2021 ACFR 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, 2021. 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 ACFR.

### **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**

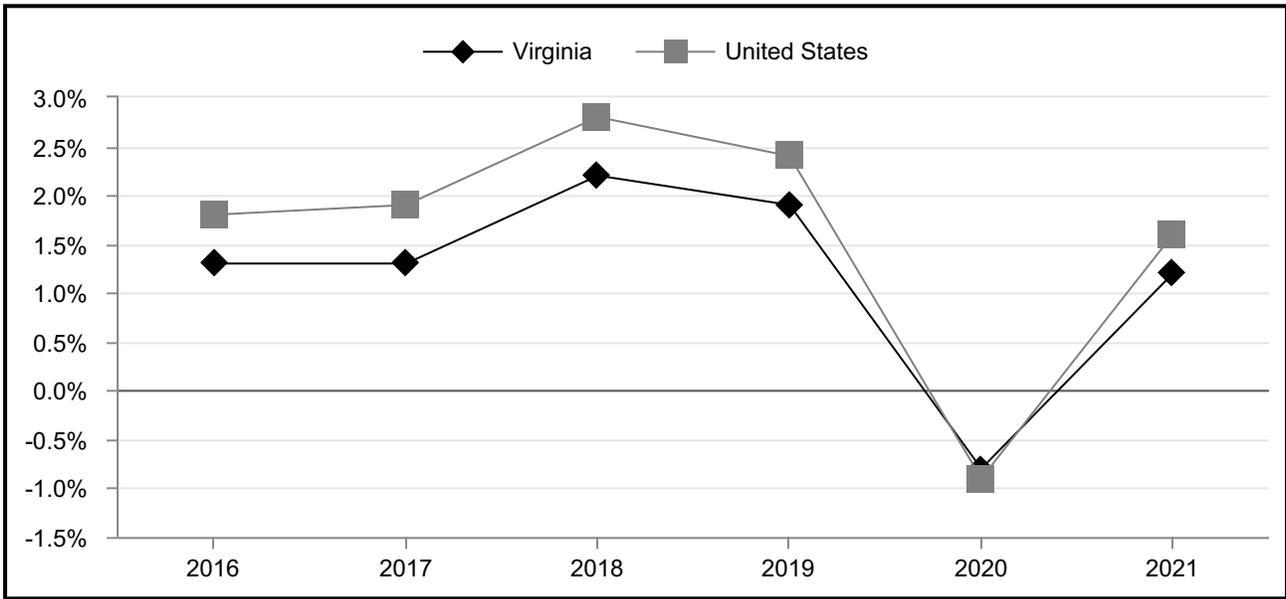
#### **Introduction**

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 2021, Virginia's economy began to recover from the deep, but brief, recession caused by the COVID-19 pandemic. During the fiscal year, many of the restrictions imposed to slow the COVID-19 virus transmission were relaxed, vaccines were introduced, federal fiscal stimulus and relief spending was rolled out, and consumers began to resume normal routines. Meanwhile, the Federal Reserve continued to be accommodative in its policy. Thus, many measures of economic activity such as gross domestic product, personal income, and consumer spending showed improvement. Meanwhile, housing demand was buoyed by low mortgage interest rates and increased consumer demand for suburban homes for remote work. Home prices jumped due to increased demand and restricted inventory, while housing construction rose. However, scars remained on the labor market due to the residual effects of the pandemic on demand and supply. Nonfarm employment dropped, and the unemployment rate rose in all but a handful of localities. Average employment growth is expected to resume next fiscal year as the economy continues to improve. Supply chain bottlenecks, labor shortages, rising inflation, and normalizing monetary policy represent downside risks to the economy.

#### **Gross Domestic Product**

Gross Domestic Product is the broadest measure of overall economic activity. It represents the value of all finished goods and services produced in the economy. **Figure 1** shows that Gross Domestic Product grew in Virginia by 1.2 percent in fiscal year 2021 after slipping by -0.8 percent in fiscal year 2020 due to the pandemic. The fiscal year 2021 state growth rate was slower than the national rate of growth at 1.6 percent.

**Figure 1**  
**Annual Percentage Change in Real Gross Domestic Product**  
 Fiscal Years 2016 – 2021

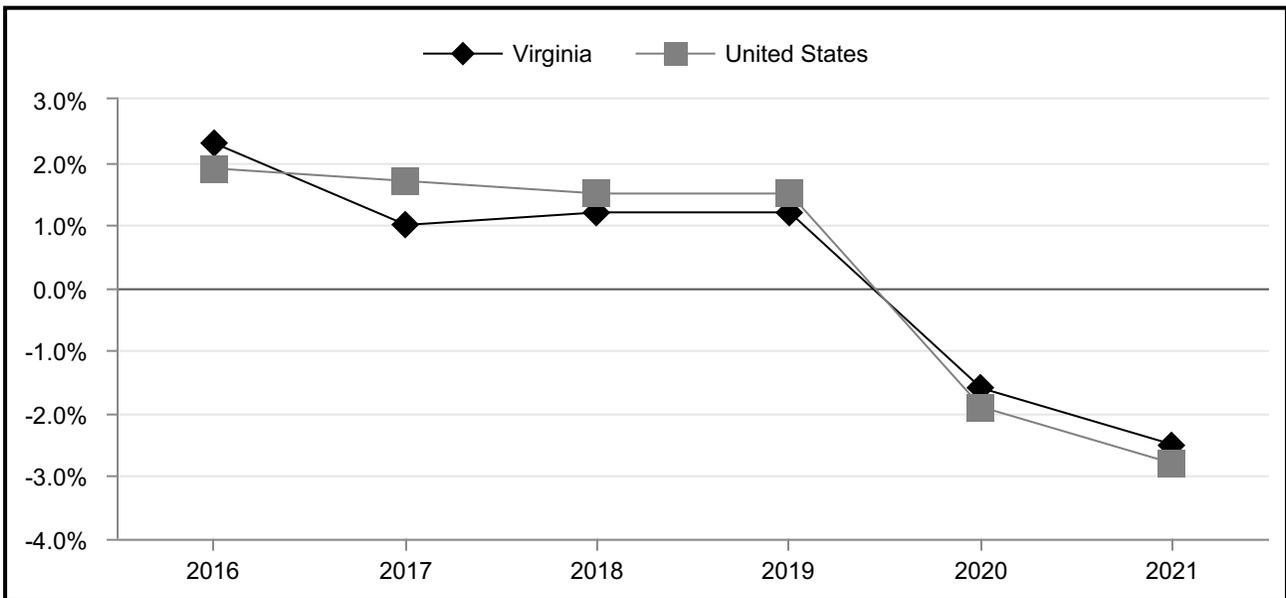


Source: U.S. Bureau of Economic Analysis, Billions of Chained 2012 Dollars

**Employment**

Although state GDP grew in fiscal year 2021, fiscal year average employment comparisons show that labor market activity continued to lag behind. Virginia non-farm payroll employment shrank by 2.5 percent in fiscal year 2021, which was worse than the 1.6 percent decrease in fiscal year 2020 (Figure 2). This growth rate was slightly better than the national rate of -2.8 percent, due in large part to Virginia's concentration in industries less sensitive to the effects of the pandemic.

**Figure 2**  
**Annual Percentage Change in Nonfarm Payroll Employment**  
 Fiscal Years 2016 – 2021



Source: U. S. Bureau of Labor Statistics

Virginia lost approximately 98,000 jobs in fiscal year 2021 after shedding about 66,600 the fiscal year before, reducing nonfarm payroll employment to levels last seen in fiscal year 2015. These numbers reflect both demand side and supply side factors. Although the residual effect of the recession continues to sap labor demand in some industries, many businesses also reported difficulty in hiring workers. Reasons offered for worker reluctance to return to the labor force include fears of catching the virus, difficulties for working parents obtaining childcare for children who were homebound and learning remotely, and relatively generous unemployment insurance benefits.

**Figure 3** illustrates changes in Virginia’s nonfarm employment by industry for fiscal years 2016 through 2021, along with the employment change between fiscal years 2020 and 2021 for Virginia and the U.S. Virginia’s changes generally mirrored those of the U.S. The largest employment losses occurred in leisure and hospitality (-43,200), continuing a pattern of job erosion from the previous fiscal year. Other hard-hit sectors continuing a downward trend included state and local government (-27,900), education and health services (-13,400), and other services (-9,200). Two sectors which had ridden out fiscal year 2020 without job losses, financial activities and professional and business services, also experienced losses (-4,900 and -2,400, respectively). Rounding out the sectors with job losses were manufacturing (-3,800), wholesale trade (-3,400), information (-2,500), and mining and logging (-400). Several sectors added jobs during the fiscal year, but the gains were relatively small in comparison. They included transportation and utilities (5,400), federal government (3,700), retail trade (3,200) and construction (800). With the exception of retail trade, all of these sectors had expanded during the previous fiscal year.

**Figure 3**  
**Nonfarm Payroll Employment in Virginia’s Industries**  
Fiscal Years 2016 – 2021

Industry*	Virginia Employment (000)						Change, FY 2020 to FY 2021		
	2016	2017	2018	2019	2020	2021	Virginia		U.S., Percent
							Number (000)	Percent	
Mining and logging	8.3	7.9	7.9	7.9	7.5	7.1	-0.4	-5.3%	-11.3%
Construction	187.0	190.9	196.0	201.2	203.2	204.0	0.8	0.4%	-0.5%
Manufacturing	234.1	233.9	237.1	243.3	238.4	234.6	-3.8	-1.6%	-2.5%
Wholesale trade	110.2	110.4	110.5	110.1	108.8	105.4	-3.4	-3.1%	-3.1%
Retail trade	418.9	419.0	416.6	410.1	394.0	397.2	3.2	0.8%	0.0%
Transportation and utilities	130.1	132.0	134.2	139.9	141.7	147.1	5.4	3.8%	-0.7%
Information	68.8	68.2	68.0	67.5	67.2	64.7	-2.5	-3.7%	-5.4%
Financial activities	199.3	202.9	206.9	210.1	212.0	207.1	-4.9	-2.3%	-0.1%
Professional and business services	711.1	722.2	740.9	758.5	765.6	763.2	-2.4	-0.3%	-1.9%
Education and health services	522.4	530.9	540.9	549.9	542.3	528.9	-13.4	-2.5%	-2.3%
Leisure and hospitality	396.7	404.7	408.5	412.5	371.2	328.0	-43.2	-11.6%	-9.8%
Other services	196.7	199.3	198.6	198.3	188.9	179.7	-9.2	-4.9%	-2.5%
Federal government	177.4	178.3	178.2	180.7	183.7	187.4	3.7	2.0%	2.7%
State government	160.5	159.5	159.6	160.5	161.7	154.3	-7.4	-4.6%	-4.0%
Local government	374.6	377.7	381.2	384.8	382.5	362.0	-20.5	-5.4%	-4.5%
<b>Total</b>	<b>3,896.1</b>	<b>3,937.8</b>	<b>3,985.1</b>	<b>4,035.3</b>	<b>3,968.7</b>	<b>3,870.7</b>	<b>-98.0</b>	<b>-2.5%</b>	<b>-2.8%</b>

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 4** 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 Winchester MSA was the only metropolitan area to experience employment growth (1.1 percent) for the fiscal year. The largest percentage decreases were observed in the Charlottesville (-5.5 percent), Richmond (-3.5 percent), and Lynchburg (-3.3 percent) metropolitan areas. Five MSAs experienced the largest relative employment loss in fiscal year 2021 in over two decades, including Charlottesville, Harrisonburg, Northern Virginia, Richmond, and Virginia Beach-Norfolk-Newport News.

**Figure 4**  
**Annual Percentage Change in Nonfarm Payroll Employment in Virginia’s MSAs**  
 Fiscal Years 2016 – 2021

Area	2016	2017	2018	2019	2020	2021
Virginia	2.3%	1.1%	1.2%	1.3%	-1.6%	-2.5%
Metropolitan areas (a)						
Blacksburg-Christiansburg-Radford	1.7%	-0.7%	0.6%	1.3%	-2.4%	-1.9%
Charlottesville	2.5%	2.0%	1.8%	1.7%	-1.2%	-5.5%
Harrisonburg	2.5%	1.8%	1.3%	1.5%	-1.4%	-2.6%
Lynchburg	1.0%	-0.4%	0.6%	1.2%	-2.4%	-3.3%
Northern Virginia	2.7%	1.7%	1.6%	1.9%	-1.0%	-2.4%
Richmond	3.1%	1.1%	1.2%	1.6%	-1.9%	-3.5%
Roanoke	0.7%	-0.1%	0.0%	0.9%	-2.2%	-1.8%
Staunton-Waynesboro	1.6%	0.5%	0.5%	1.7%	-1.4%	0.0%
Virginia Beach-Norfolk-Newport News (b)	1.3%	0.9%	1.4%	0.8%	-2.1%	-2.4%
Winchester (c)	2.6%	1.8%	1.9%	1.8%	0.0%	1.1%

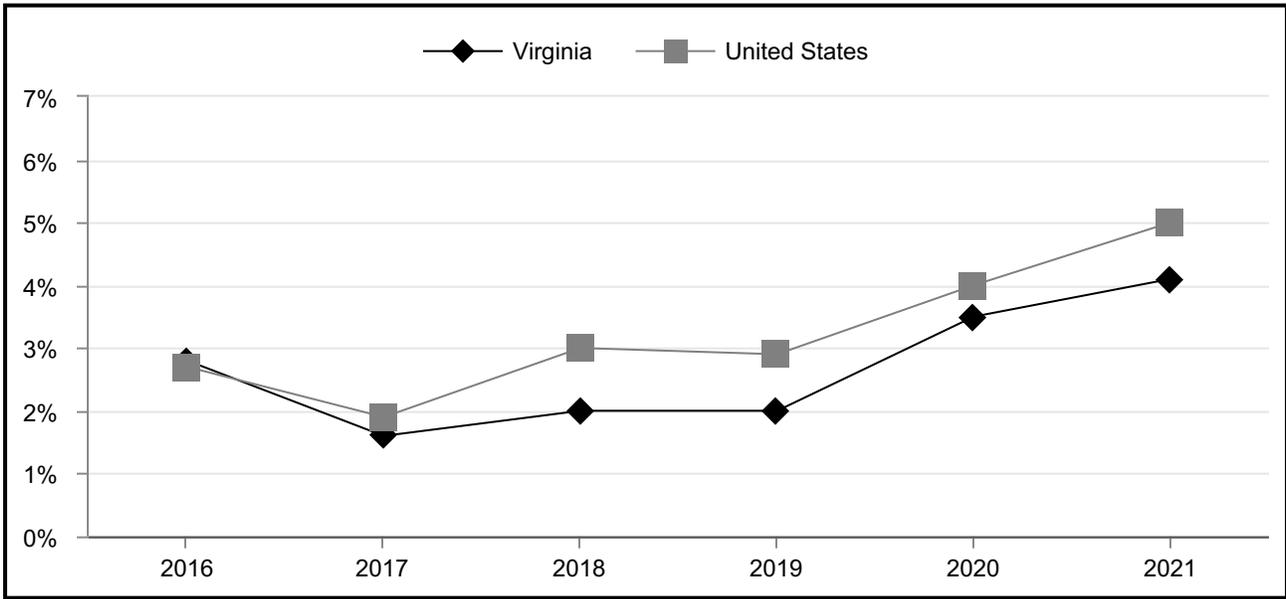
Source: U. S. Bureau of Labor Statistics; some prior year numbers were revised to reflect the incorporation of newly available and revised source data

- (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 another 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 strongly correlated with state government revenues such as income tax and retail sales tax collections. As shown in **Figure 5**, state personal income growth improved to 4.1 percent in fiscal year 2021 from 3.5 percent in fiscal year 2020. The national rate of growth in fiscal year 2021 was higher at 5.0 percent. This growth partly reflects expansion of personal current transfer receipts which were boosted by continued federal pandemic fiscal stimulus and relief. Transfer receipts grew 18.6 percent in fiscal year 2021 compared to 22.4 percent during the previous fiscal year. Wages and salaries, which make up the majority of total personal income, grew 2.5 percent in fiscal year 2021, an improvement over the 1.7 percent growth rate in fiscal year 2020. The next largest component is dividends, interest and rent, which decreased 3.7 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 1.8 percent, and proprietors’ income expanded by 8.2 percent.

**Figure 5**  
**Annual Percentage Change in Real Personal Income**  
 Fiscal Years 2016 – 2021

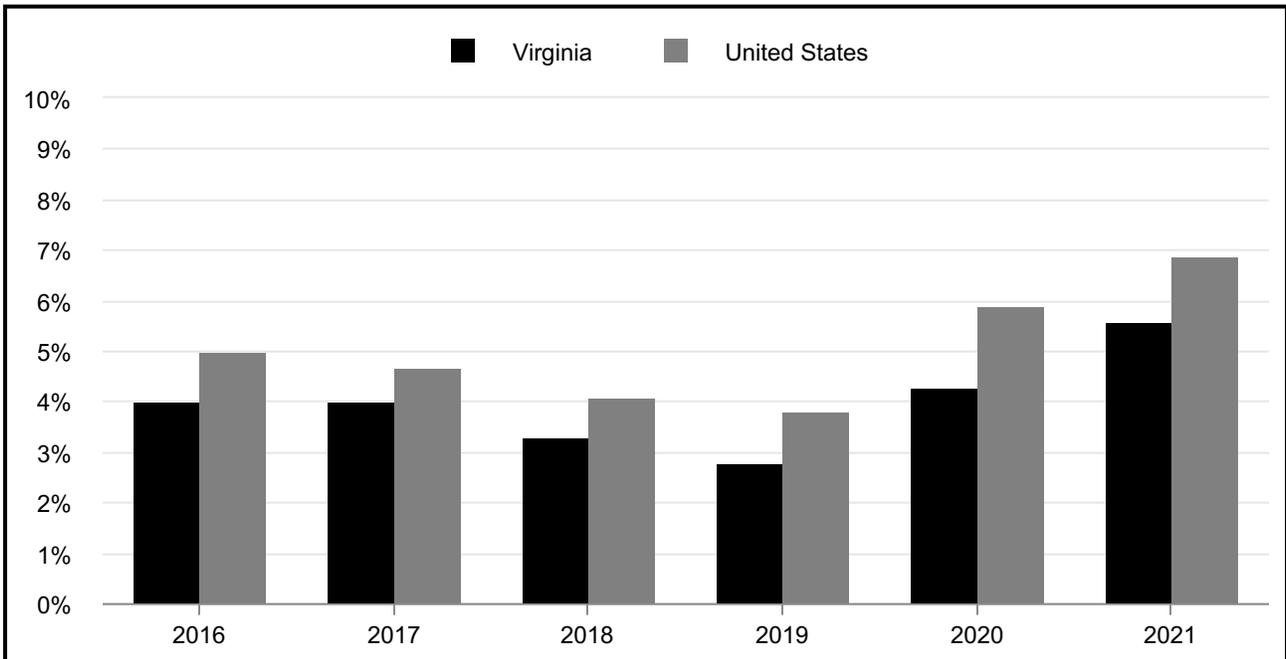


Source: U.S. Bureau of Economic Analysis, Billions of Chained 2012 Dollars

### Unemployment

Virginia's unemployment rate continued to climb in fiscal year 2021. **Figure 6** shows that the state unemployment rose from an average 4.3 percent in fiscal year 2020 to an average 5.6 percent in fiscal year 2021. A rate this high was last seen in fiscal year 2013, when it stood at 5.7 percent, due to the lingering effect of the 2007-09 Great Recession. The state maintained its historical advantage over the nation on this economic indicator, which increased from 5.9 percent to 6.9 percent over the same time period.

**Figure 6**  
**Civilian Unemployment Rate**  
 Fiscal Years 2016 – 2021



Source: U.S. Bureau of Labor Statistics

**Figure 7** shows unemployment rates for Virginia’s metropolitan and non-metropolitan regions. Every region experienced an increase in the unemployment rate, continuing the pattern from the fiscal year before. The metropolitan area unemployment average increased to 5.6 percent in fiscal year 2021 from 4.2 percent in fiscal year 2020, with above state-wide averages experienced by the Virginia Beach-Norfolk-Newport News MSA (6.5 percent) and Richmond MSA (6.1 percent). The nonmetropolitan area unemployment rate increased to 6.0 percent in fiscal year 2021 from 5.0 percent the fiscal year before.

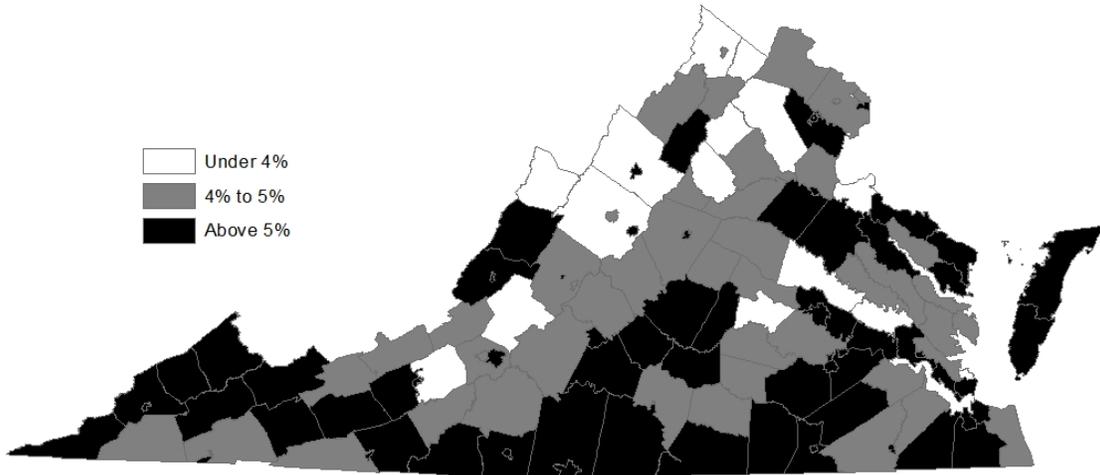
**Figure 7**  
**Civilian Unemployment Rate for Virginia’s MSAs**  
 Fiscal Years 2016 – 2021

<b>Area</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Virginia	4.0%	4.0%	3.3%	2.8%	4.3%	5.6%
Metropolitan Areas	3.9%	3.8%	3.2%	2.7%	4.2%	5.6%
Blacksburg-Christiansburg-Radford	4.3%	4.7%	3.5%	2.9%	4.4%	4.7%
Charlottesville	3.5%	3.5%	3.0%	2.6%	3.9%	5.0%
Harrisonburg	4.0%	3.9%	3.3%	2.8%	4.0%	4.5%
Kingsport-Bristol	4.6%	4.6%	3.7%	3.3%	4.6%	5.1%
Lynchburg	4.4%	4.5%	3.9%	3.2%	4.4%	5.5%
Northern Virginia	3.3%	3.3%	2.8%	2.4%	3.8%	5.1%
Richmond	4.1%	4.1%	3.5%	3.0%	4.5%	6.1%
Roanoke	3.9%	4.0%	3.4%	2.8%	4.2%	5.3%
Staunton-Waynesboro	3.8%	3.8%	3.2%	2.6%	3.8%	4.6%
Virginia Beach-Norfolk-Newport News	4.5%	4.4%	3.6%	3.1%	4.8%	6.5%
Winchester	3.8%	3.6%	3.1%	2.8%	3.9%	4.2%
Non-metropolitan Areas	5.3%	5.1%	4.1%	3.5%	5.0%	6.0%

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

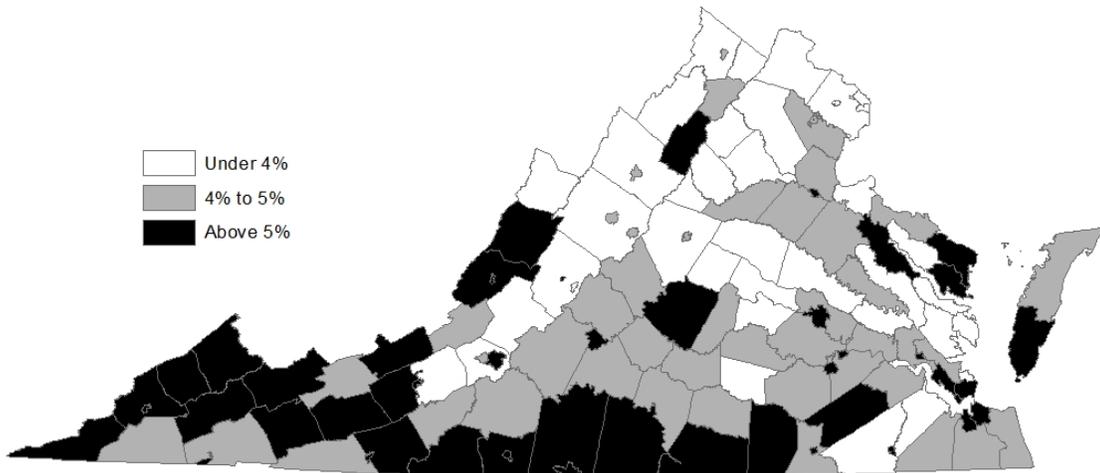
**Figures 8a** and **8b** show changes in the spatial pattern of unemployment rates in Virginia during the last two fiscal years using locality-level data. The maps show that higher unemployment rates spread northward from the southern region compared to the previous fiscal year. Sixteen localities, with a high concentration of counties in the Shenandoah Valley, had unemployment rates below 4.0 percent. The state’s highest unemployment rates were found in several independent cities, including Petersburg (13.6 percent), Emporia (10.4 percent), Hopewell (10.0 percent), Martinsville (9.7 percent), Portsmouth (9.0 percent), and Franklin (8.6 percent). One-hundred and sixteen of Virginia’s 133 localities (87.2 percent) experienced an increase in the unemployment rate in fiscal year 2021. Most of the localities where unemployment rates marginally improved were in West Central and Southwestern Virginia.

**Figure 8a**  
**Unemployment Rate by Locality**  
Fiscal Year 2021



Source: Virginia Employment Commission

**Figure 8b**  
**Unemployment Rate by Locality**  
Fiscal Year 2020

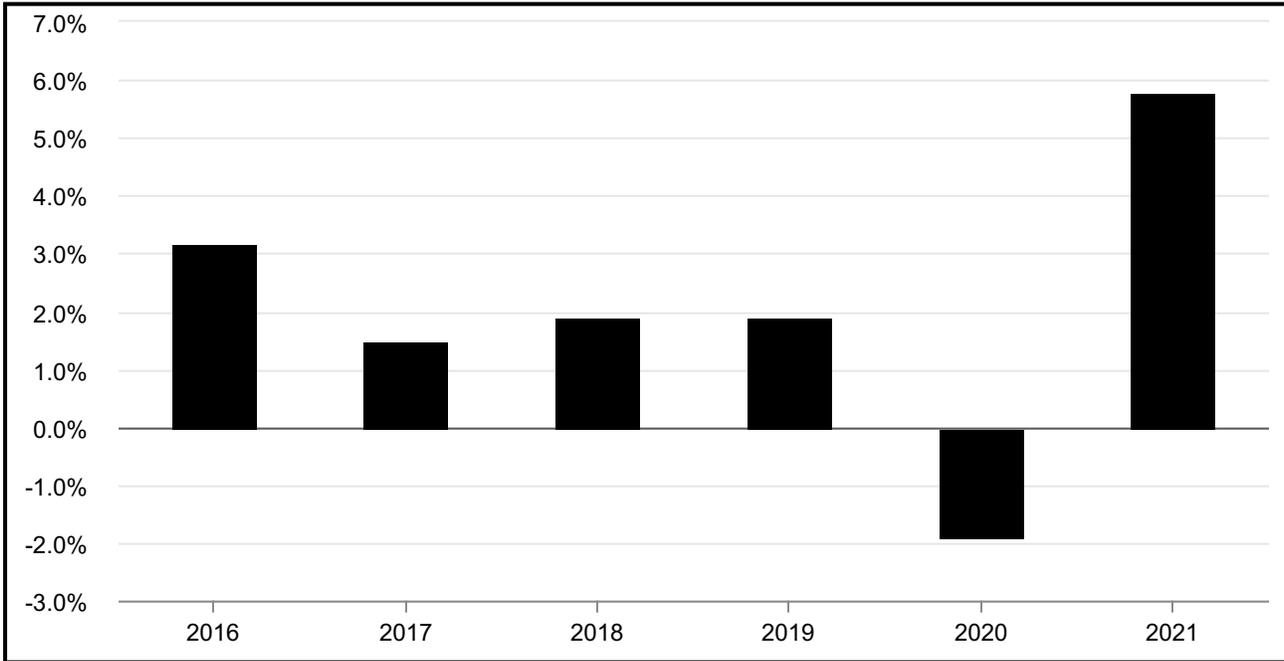


Source: Virginia Employment Commission

## 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 9** shows that the taxable sales increased by 5.8 percent during fiscal year 2021, the largest increase in taxable sales in over 14 years.

**Figure 9**  
**Annual Percentage Change in Taxable Sales in Virginia**  
Fiscal Years 2016 - 2021



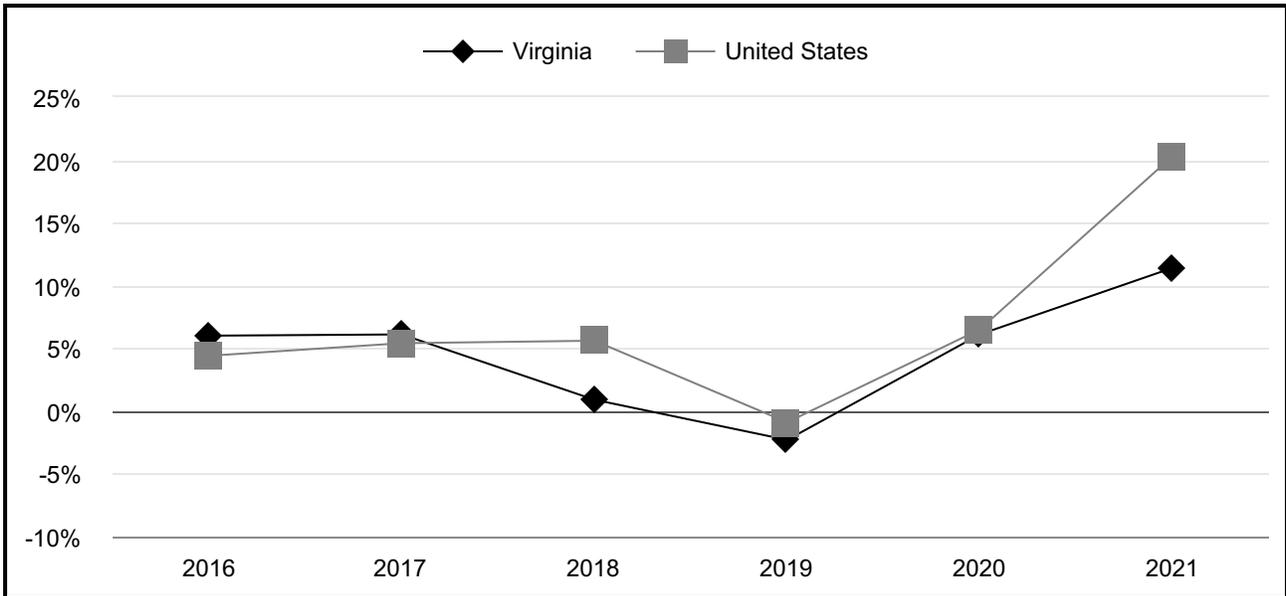
Source: Virginia Department of Taxation

## Housing Market

The Virginia housing market continued to improve during fiscal year 2021. Sales of existing homes and home building increased. According to data available from the Virginia Association of Realtors, sales of single-family homes, townhomes, and condos increased from 122,962 units in fiscal year 2020 to 155,296 units in fiscal year 2021. This represents a 26.3 percent rate of increase compared to a 0.8 percent increase in fiscal year 2020. Building permit data show the number of new privately-owned housing units authorized for construction in Virginia grew by 11.4 percent in fiscal year 2021 (**Figure 10**). This compares to a 6.1 percent increase in fiscal year 2020 but was markedly slower than the 20.3 percent rate of increase experienced nationwide in fiscal year 2021.

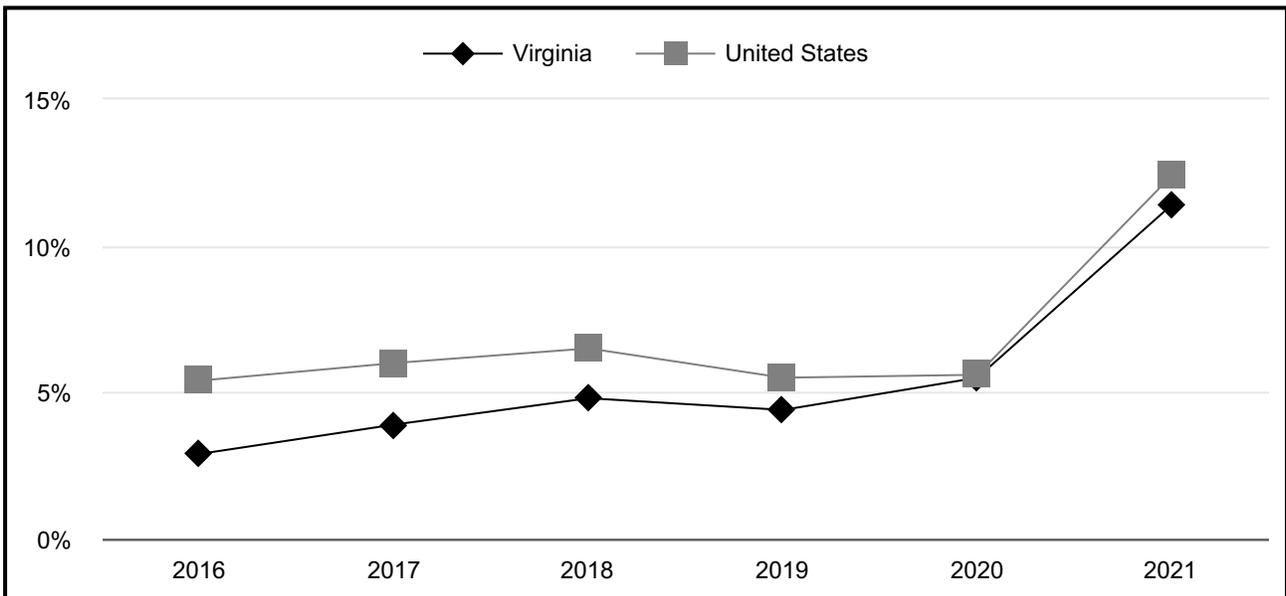
Housing prices published by the Federal Housing Finance Agency indicate that prices jumped during the fiscal year. **Figure 11** shows the percentage change in housing prices for Virginia and the nation. Virginia housing prices increased 11.4 percent in fiscal year 2021, up from 5.5 percent in fiscal year 2020. This is the highest rate of price appreciation since the 13.8 percent rate of increase in fiscal year 2006 before the real estate bubble which precipitated the Great Recession. This rate of change was slightly lower than the 12.4 percent growth rate for the nation in fiscal year 2021. Higher housing prices have been supported by consumer demand for homes for remote working, low mortgage interest rates, more limited housing inventories, and homebuilder difficulties in ramping up housing construction due to labor and material shortages.

**Figure 10**  
**New Privately Owned Housing Units Authorized, Annual Percentage Change**  
 Fiscal Years 2016 – 2021



Source: U.S. Census Bureau

**Figure 11**  
**Annual Percentage Change in Housing Prices**  
 Fiscal Years 2016 – 2021



Source: Federal Housing Finance Agency

## Conclusion

Virginia's economy improved in fiscal year 2021, though some residual effects of the COVID-19 recession were still evident in labor market indicators. The broadest measure of economic activity, state gross domestic product (GDP), increased after falling the year before. Wages and salary growth, and increased transfer receipts resulting from federal relief programs, contributed to higher personal income. Higher incomes combined with relaxation of restrictions imposed to slow the COVID-19 virus transmission and vaccine rollouts helped boost consumer spending, reflected in increased state taxable sales. The Virginia housing market also continued to improve during the fiscal year. Existing home sales, building permit issuance, and housing prices increased over the previous year, with housing price appreciation approaching rates of increase last seen during the real estate bubble that peaked in 2006.

By the end of fiscal year 2021, the nation's economy saw conditions return to a more familiar pattern of lower unemployment and stable growth. Economic growth is expected to continue into the next fiscal year as consumer spending ramps up due to pent-up demand for services, substantial savings accumulated during the pandemic, and the effects of federal fiscal stimulus. Businesses will need to fill depleted inventories and homebuilders will respond to rising housing demand. However, new challenges are on the horizon, including the spread of the "Delta Variant," which created a new wave of increased COVID-19 caseloads that threatened to slow consumer spending, supply chain bottlenecks in various areas of the economy, business difficulties finding workers, and an uptick in inflation. In addition, the Federal Reserve is expected to rein in its accommodative monetary policy, resulting in higher interest rates.

## MAJOR INITIATIVES

The ACFR has received unmodified audit opinions from fiscal year 1986 through fiscal year 2020. 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 was implemented October 2, 2021, and the entire HCM Project is scheduled for project completion and implementation by the end of fiscal year 2022. 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 ACFR for the fiscal year ended June 30, 2020. 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 annual comprehensive 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 35 consecutive years (fiscal years 1986-2020). 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



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For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO