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# INTRODUCTORY SECTION

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



# COMMONWEALTH of VIRGINIA

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COMPTROLLER

*Office of the Comptroller*

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

December 14, 2018

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, 2018, 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 2018 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, 2018. 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; 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

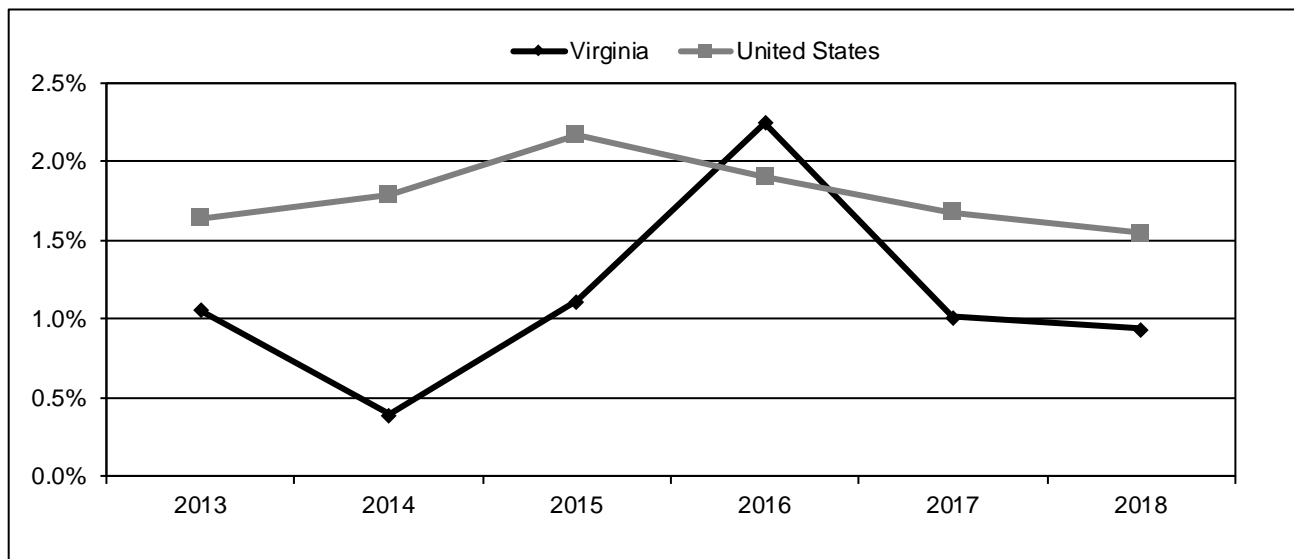
### Introduction

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 2018, Virginia's economy expanded at a similar moderate pace as the previous fiscal year. Employment grew slightly below the national rate as it has throughout much of the economic recovery. The state labor market continued to tighten with unemployment rate decreases observed in every corner of the Commonwealth. Personal income and taxable sales growth rates ticked higher. Housing market indicators, however, were much more mixed with existing home sales and building permit activity slowing at the same time that home prices appreciated at the fastest rate of this economic cycle. Further economic growth is expected, even as the economic expansion reaches full maturity. Increased consumer expenditures supported by continued employment and wage growth and federal fiscal stimulus should contribute to moderate national and state economic growth into the coming fiscal year.

### Employment

Virginia employment grew again in fiscal year 2018, continuing an uninterrupted pattern of expansion since the recession (**Figure 1**). The fiscal year 2018 growth rate of 0.9 percent was only marginally lower than the previous fiscal year rate of 1.1 percent but trailed a more robust national growth rate of 1.5 percent. The Commonwealth likely received less economic lift in fiscal year 2018 than the nation because of its continued reliance on slower growing federal government expenditures and mix of less cyclically sensitive industries.

**Figure 1**  
**Annual Percentage Change in Nonfarm Payroll Employment**  
Fiscal Years 2013 – 2018



Source: U. S. Bureau of Labor Statistics

Virginia employment climbed to another record high in fiscal year 2018 with nonfarm payroll employment reaching 3,972,900. The state added an estimated 36,900 jobs during the fiscal year, which is below the recent five-year average of 43,800 jobs added per fiscal year. **Figure 2** shows changes in Virginia's nonfarm employment by industry for fiscal years 2013 through 2018 along with the employment change between fiscal years 2017 and 2018 for Virginia and the U.S. The largest employment increases occurred in professional and business services (12,600) sector, which was also the leading job-adding sector each of the previous three fiscal years. The goods producing sectors (mining and logging, construction, and manufacturing) contributed much more to the net increase than previous years, adding over 10,000 jobs. Other large contributors were education and health services (5,600), transportation and utilities (3,800) and financial activities (3,500). Four sectors experienced employment attrition. Federal government employment dropped by an estimated 1,000 jobs and state government employment decreased by 100. Retail trade (loss of 2,200 jobs) and information (decrease of 800 jobs) sector employment decreases likely reflect structural forces such as the increasing role of ecommerce and digital media in product distribution, publishing, and broadcasting.

**Figure 2**  
**Nonfarm Payroll Employment in Virginia's Industries**  
 Fiscal Years 2013 – 2018

Industry*	Virginia Employment (000)						Change, FY 2017 to FY 2018		
							Virginia		U.S.,
	2013	2014	2015	2016	2017	2018	Number (000)	Percent	Percent
Mining and logging	10.4	9.8	9.3	8.3	7.9	8.2	0.3	3.8%	7.9%
Construction	176.8	177.1	181.0	187.1	190.9	197.4	6.5	3.4%	3.6%
Manufacturing	231.2	231.2	232.3	233.5	233.3	236.6	3.3	1.4%	1.6%
Wholesale trade	111.4	110.6	110.4	111.0	111.1	111.6	0.5	0.5%	1.1%
Retail trade	406.1	409.9	412.2	419.0	419.2	417.0	-2.2	-0.5%	0.2%
Transportation and utilities	116.2	118.0	123.1	130.1	132.0	135.8	3.8	2.9%	2.6%
Information	71.4	71.6	70.3	68.8	68.2	67.4	-0.8	-1.2%	-1.2%
Financial activities	190.9	193.2	195.7	199.3	203.2	206.7	3.5	1.7%	1.7%
Professional and business services	682.4	679.4	689.4	710.9	722.1	734.7	12.6	1.7%	2.4%
Education and health services	487.3	494.3	503.7	522.0	527.7	533.3	5.6	1.1%	2.1%
Leisure and hospitality	362.8	368.8	376.5	394.8	402.3	403.4	1.1	0.3%	2.1%
Other services	193.5	194.8	196.0	198.9	201.8	204.6	2.8	1.4%	1.6%
Federal government	179.0	175.2	175.3	177.4	178.4	177.4	-1.0	-0.6%	-0.3%
State government	159.4	159.8	161.0	160.5	159.8	159.7	-0.1	-0.1%	-0.3%
Local government	375.1	375.1	374.7	374.7	378.1	379.1	1.0	0.3%	0.4%
<b>Total</b>	<b>3,753.9</b>	<b>3,768.8</b>	<b>3,810.9</b>	<b>3,896.3</b>	<b>3,936.0</b>	<b>3,972.9</b>	<b>36.9</b>	<b>0.9%</b>	<b>1.5%</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 3** shows the annual percentage change in nonfarm employment for 10 of the 11 Metropolitan Statistical Areas (MSAs) in Virginia. The Kingston-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. All but two metropolitan areas in the Roanoke/New River Valley region (Blacksburg-Christiansburg-Radford and Roanoke MSAs) added jobs in fiscal year 2018. Growth rates exceeded the statewide average in Northern Virginia, the Winchester metropolitan area, and two university dominated metropolitan areas (Charlottesville and Harrisonburg MSAs). The Hampton Roads region lagged the state in employment growth for the fourth straight year.

**Figure 3**  
**Annual Percentage Change in Nonfarm Payroll Employment in Virginia's MSAs**  
 Fiscal Years 2013 – 2018

Area	2013	2014	2015	2016	2017	2018
Virginia	1.1%	0.4%	1.1%	2.2%	1.0%	0.9%
Metropolitan areas (a)						
Blacksburg-Christiansburg-Radford	1.8%	0.9%	0.7%	1.8%	-0.9%	-0.3%
Charlottesville	1.1%	1.3%	3.6%	2.5%	1.9%	2.7%
Harrisonburg	0.9%	0.4%	0.8%	2.5%	1.8%	1.1%
Lynchburg	0.4%	0.4%	0.6%	0.7%	-0.3%	0.9%
Northern Virginia	1.5%	-0.1%	0.9%	2.7%	1.6%	1.6%
Richmond	1.9%	1.6%	2.0%	3.1%	1.2%	0.9%
Roanoke	1.0%	0.9%	0.3%	0.7%	-0.3%	-0.4%
Staunton-Waynesboro	0.0%	1.1%	1.2%	1.6%	0.4%	0.3%
Virginia Beach-Norfolk-New port News (b)	1.2%	0.7%	0.4%	1.3%	0.8%	0.5%
Winchester (c)	1.9%	2.2%	1.4%	2.6%	1.8%	2.7%

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

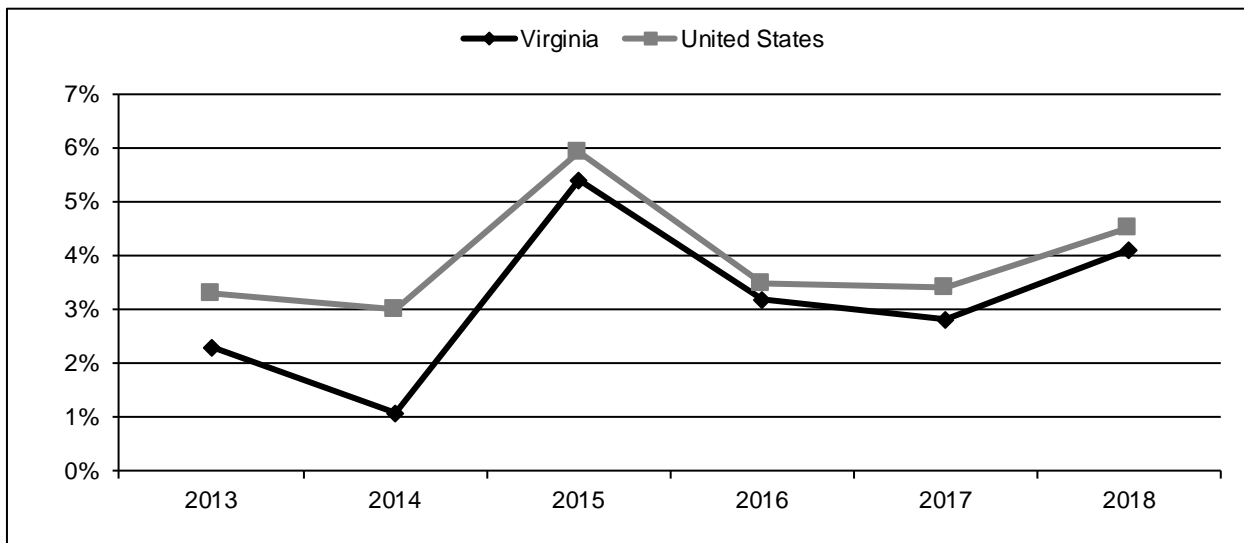
(b) Includes portion in North Carolina

(c) Includes portion in West Virginia

### Personal Income

Personal income provides 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 2018 (4.1 percent) improved over the previous two fiscal years (2.8 and 3.2 percent in fiscal years 2017 and 2016, respectively). As in the previous five fiscal years, state personal income growth slightly lagged the nation (4.5 percent). Wages and salaries, which make up over half of Virginia total personal income, grew 4.0 percent in fiscal year 2018. The next largest component is dividends, interest and rent, which expanded 4.4 percent. Among other components, transfer receipts grew 4.8 percent, supplements to wages and salaries (which includes employer contributions to employee pensions, health insurance, social security/Medicare and other benefits) increased 3.9 percent, and proprietors' income advanced 4.6 percent.

**Figure 4**  
**Annual Percentage Change in Personal Income**  
 Fiscal Years 2013 – 2018

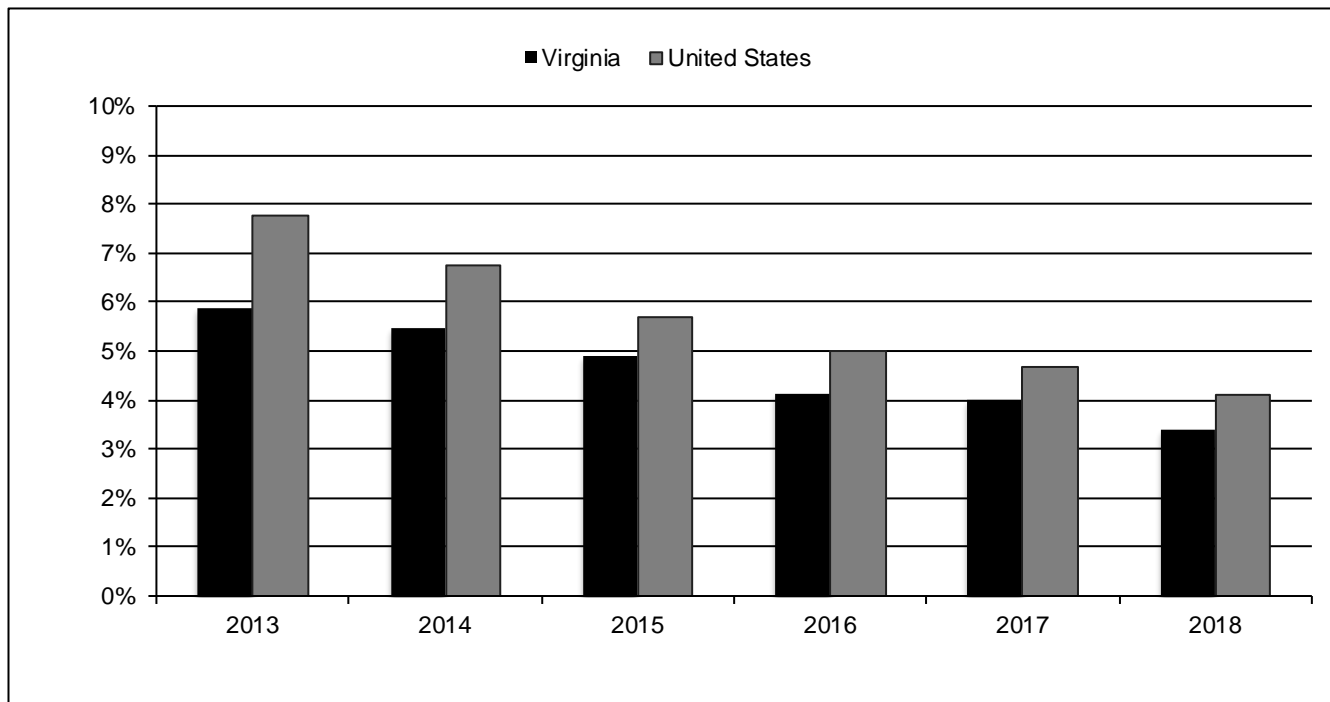


Source: U.S. Bureau of Economic Analysis

## Unemployment

Continued employment growth is also reflected in a tightening state labor market. The state unemployment rate declined to pre-recessionary levels in fiscal year 2018. **Figure 5** shows that the unemployment rate in Virginia declined from 4.0 percent in fiscal year 2017 to 3.4 percent in fiscal year 2018, while the national rate fell from 4.7 percent to 4.1 percent.

**Figure 5**  
**Civilian Unemployment Rate**  
Fiscal Years 2013 – 2018



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 2018 for all of Virginia's metropolitan areas. The largest improvements occurred in areas experiencing above state average unemployment rates the year before, including Blacksburg-Christiansburg-Radford, Kingsport-Bristol, and Virginia Beach-Norfolk-Newport News as well as the state's non-metropolitan areas. Unemployment rates now stand at or below 4.0 percent for all of the state's metropolitan areas for the first time since fiscal year 2000. Moreover, the gap between non-metropolitan and metropolitan unemployment rates narrowed to the smallest level (1.1 percent) in over 17 years, illustrating the geographical breadth of the labor market improvements.

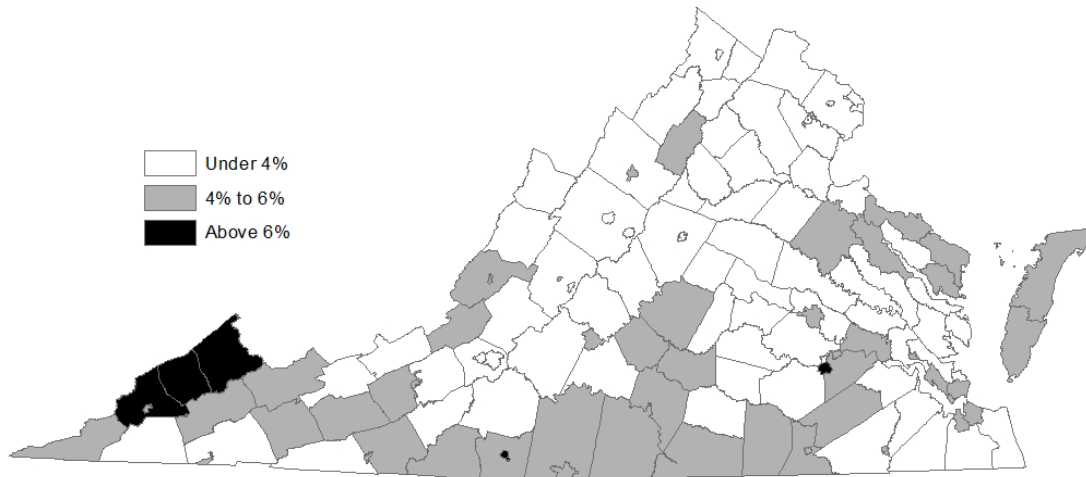
**Figure 6**  
**Civilian Unemployment Rate for Virginia's MSAs**  
 Fiscal Years 2013 – 2018

Area	2013	2014	2015	2016	2017	2018
Virginia	5.9%	5.5%	4.9%	4.1%	4.0%	3.4%
Metropolitan Areas	5.6%	5.2%	4.7%	3.9%	3.9%	3.3%
Blacksburg-Christiansburg-Radford	6.5%	5.8%	5.2%	4.4%	4.8%	3.7%
Charlottesville	5.2%	4.8%	4.4%	3.6%	3.6%	3.0%
Harrisonburg	6.0%	5.5%	5.0%	4.1%	4.0%	3.4%
Kingsport-Bristol	6.8%	6.3%	5.5%	4.7%	4.6%	3.8%
Lynchburg	6.5%	5.9%	5.4%	4.5%	4.6%	4.0%
Northern Virginia	4.6%	4.5%	4.1%	3.4%	3.3%	2.8%
Richmond	6.3%	5.8%	5.1%	4.3%	4.1%	3.6%
Roanoke	6.0%	5.5%	4.9%	4.0%	4.0%	3.5%
Staunton-Waynesboro	5.8%	5.2%	4.7%	3.9%	3.8%	3.3%
Virginia Beach-Norfolk-New port News	6.5%	6.0%	5.4%	4.6%	4.5%	3.7%
Winchester	5.7%	5.1%	4.5%	3.7%	3.6%	3.0%
Non-metropolitan Areas	8.1%	7.4%	6.4%	5.5%	5.2%	4.4%

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 in Virginia during the last two fiscal years using locality-level data. For fiscal year 2018, the only localities with unemployment rates above 6.0 percent were Wise, Dickenson, and Buchanan counties in Southwest and two independent cities (Petersburg and Martinsville) compared to 16 localities the fiscal year before. Regions of high (over 6.0 percent) and intermediate level unemployment (4.0 to 6.0 percent) have shrunk in size due to widespread economic improvement. Only one locality, Northampton County on the Eastern Shore, saw a year over year unemployment rate increase (0.8 percent).

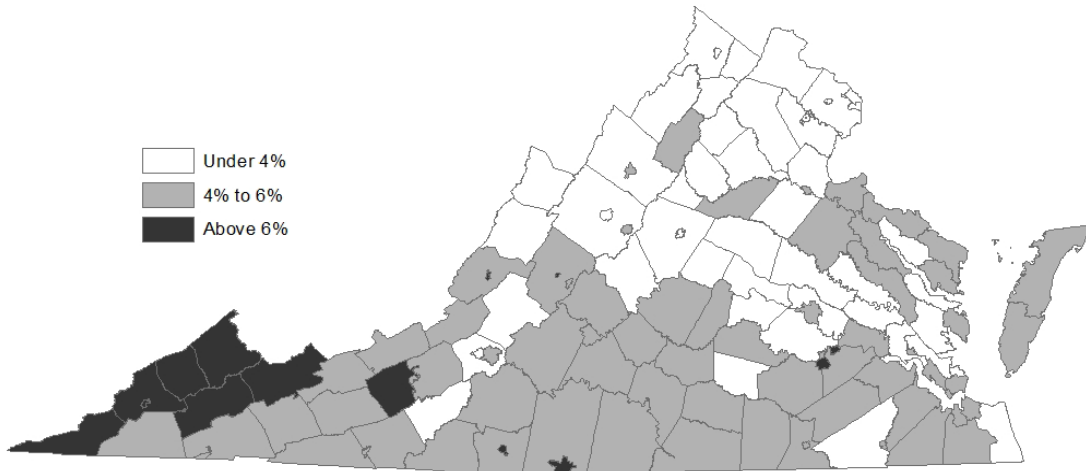
**Figure 7a**  
**Unemployment Rate by Locality**  
 Fiscal Year 2018



Source: Virginia Employment Commission



**Figure 7b**  
**Unemployment Rate by Locality**  
 Fiscal Year 2017

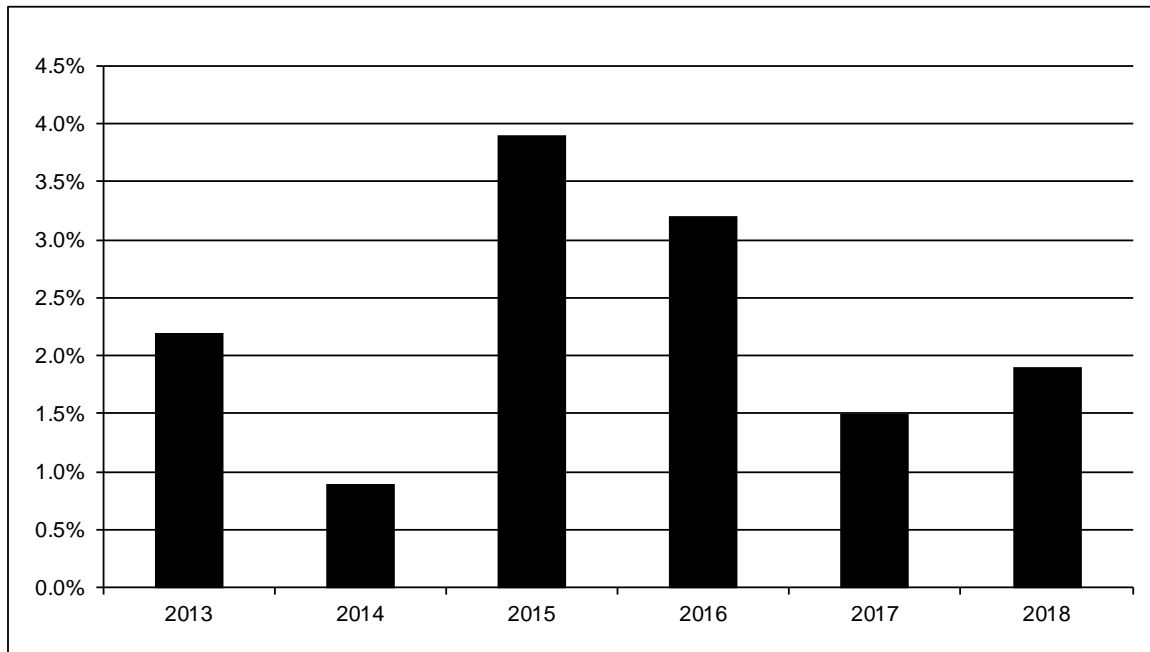


Source: Virginia Employment Commission

**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 increased from 1.5 percent in fiscal year 2017 to 1.9 percent in fiscal year 2018. This improvement is consistent with the increase in personal income growth described earlier.

**Figure 8**  
**Annual Percentage Change in Taxable Sales in Virginia**  
 Fiscal Years 2013 – 2018

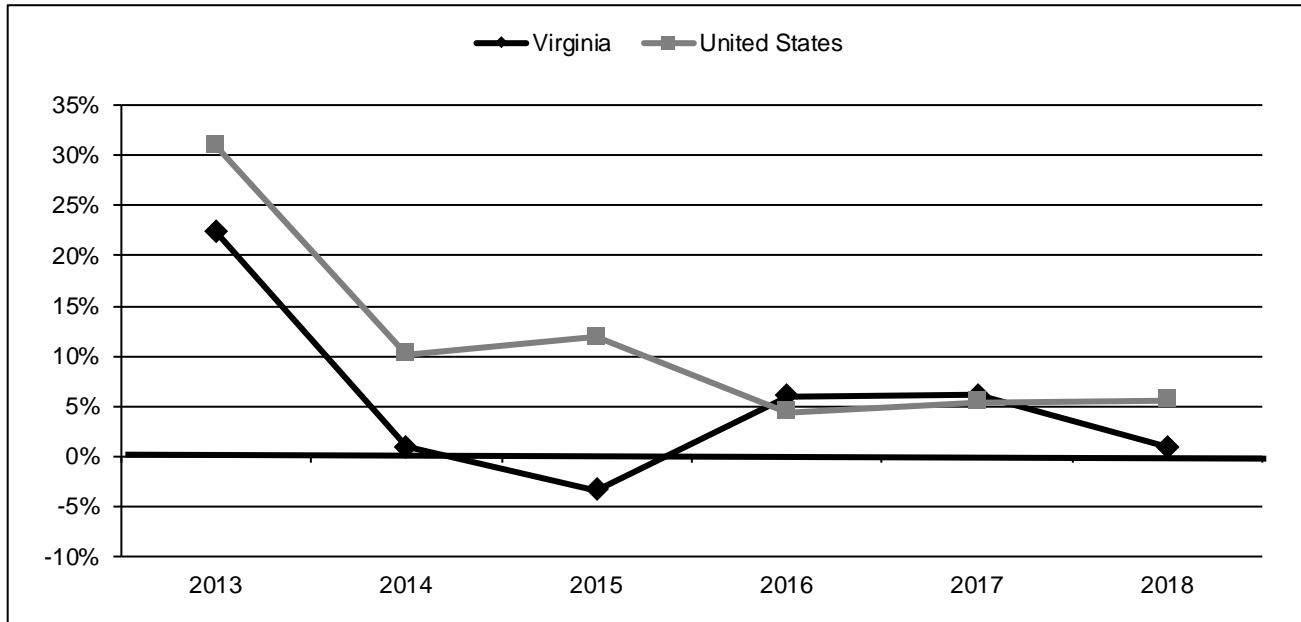


Source: Virginia Department of Taxation.

## Housing Market

The Virginia housing market exhibited mixed progress during the fiscal year. Sales of existing homes and home building slowed during the year. According to data available from the Virginia Association of Realtors, sales of single-family homes, townhomes, and condominiums increased from 121,061 units in fiscal year 2017 to 122,652 units in fiscal year 2018. This represents a 1.3 percent rate of increase compared to a 7.4 percent rate of increase in fiscal year 2017. Building permit data indicate a similar slowdown. The number of new privately owned housing units authorized for construction in Virginia increased 0.9 percent in fiscal year 2018 (**Figure 9**). This is significantly lower than the year before (6.1 percent) and lags the national growth rate of 5.6 percent over the same period. For both existing home sales and building permits, growth was concentrated within the first half of the fiscal year, with declines in both permits and sales observed over the first six months of 2018 compared to the same period in 2017.

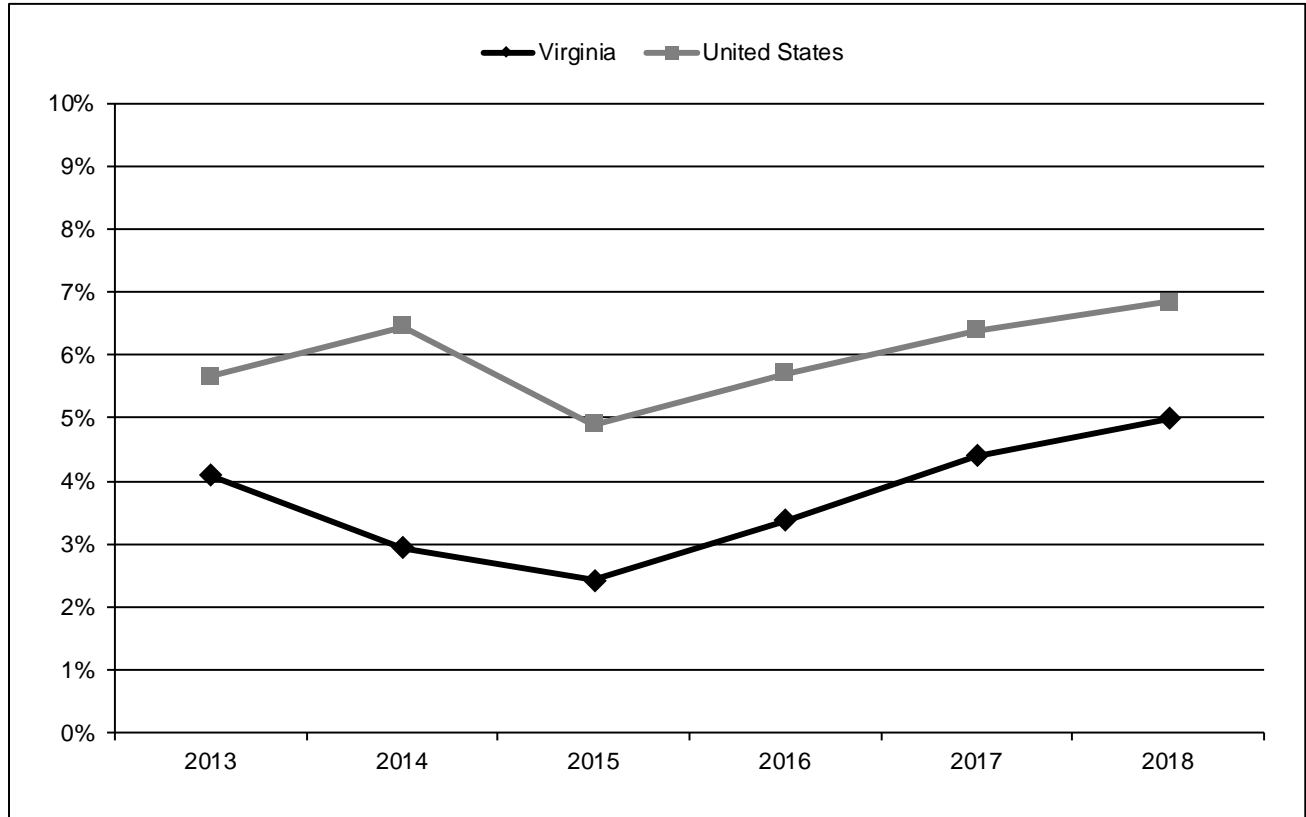
**Figure 9**  
**New Privately Owned Housing Units Authorized**  
**Annual Percentage Change**  
Fiscal Years 2013 – 2018



Source: U.S. Census Bureau

Housing prices published by the Federal Housing Finance Agency indicate that the housing demand continues to improve. **Figure 10** shows the percentage change in housing prices for Virginia and the nation. Virginia housing prices increased 5.0 percent in fiscal year 2018, up from 4.4 percent in fiscal year 2017. The rate of housing price appreciation in Virginia lagged the national rate at 6.8 percent, continuing a pattern observed for the last six years. The combination of slowing existing home sales and building activity, along with accelerating housing prices might be explained by housing supply constraints (reflected in increasing costs and decreased availability of labor and materials) and more limited home inventories, which would push up prices.

**Figure 10**  
**Annual Percentage Change in Housing Prices**  
 Fiscal Years 2013 – 2018



Source: Federal Housing Finance Agency

**Conclusion**

Virginia economic growth held steady in fiscal year 2018 and continued a pattern of slow to moderate growth that has characterized its performance throughout most of the economic expansion. Employment growth was similar to the year before, while the unemployment rate dropped to pre-recession levels, with labor markets tightening spreading throughout the state. Personal income and taxable sales growth picked up slightly. Virginia housing market indicators were mixed. Existing home sales and building permit issuance slowed while home prices increased at the highest rate during the economic expansion. The state continues to lag the nation in growth on most major economic metrics such as employment growth, personal income growth, and housing prices, reflecting its greater reliance on slower growing federal government employment and other less cyclically volatile industries.

By many accounts, the nation's economy is in a late stage of the business cycle. Labor markets are tight and inflationary pressures are rising. Consequently, the Federal Reserve has taken a more aggressive posture towards raising short-term interest rates, which is expected to gradually affect housing affordability, consumer credit quality and availability, and corporate investment decisions. Trade disputes with North American neighbors, China and the European Union have caused some business uncertainty. Moreover, international growth has slowed. On the other hand, recently enacted regulatory overhauls, federal tax reform, and federal spending legislation have created more favorable conditions for domestic short-term growth. Continued employment gains, improving wage growth, and healthy household balance sheets should support rising consumer expenditures in the near term. A slowing housing market suggests that residential investment is unlikely to drive future growth. Increasing federal government spending should bolster Virginia growth prospects, but state economic activity will be propelled primarily by national economic conditions, which the balance of evidence suggests will support additional moderate state economic growth.

## **MAJOR INITIATIVES**

The CAFR has received unmodified audit opinions from fiscal year 1986 through fiscal year 2017. 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.

### **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. 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, 2017. 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 32 consecutive years (fiscal years 1986-2017). 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, 2017**

*Christopher P. Morrill*

Executive Director/CEO

