

Thursday, February 8, 2018
VBOA Board Meeting Agenda

Board Room #2
2nd Floor Conference Center
9960 Mayland Drive
Henrico, VA 23233
Phone: (804) 367-8505

- 10:00 a.m. Call to Order – **Matthew P. Boshier, Chair**
Security Briefing – **Patti Hambright, Administrative Assistant**
Determination of Quorum
Approval of February 8, 2018, Agenda
Approval of December 12, 2017, Board meeting minutes
Approval of Consent Agenda:
- Reinstatements
 - 2017-527-026E (Jewell and Allen)
 - 2017-528-027E (Jewell and Allen)
- Public comment period*
- 10:10 a.m. 1. APA – FY2017 Audit Update – **Kevin Savoy, CPA, Audit Director, Strategic Risk Management, APA**
- 10:25 a.m. 2. Peer Review Oversight Committee (PROC) Update/Presentation – **Nadia Rogers, CPA, PROC Chair**
- 10:40 a.m. 3. Board Discussion Topics – **Wade A. Jewell, Executive Director**
- Proposed 2018 Legislation and corresponding Emergency Regulations
 - Exam/Licensing/Enforcement system update
 - Virginia-Specific Ethics Course update
 - CPE violation penalties guidelines – proposed updates – **Rebekah Allen, Enforcement Director**
 - CPE recommendation for CPE credit (exams) – **Susan Quaintance Ferguson, CPA**
- 11:15 a.m. 4. Executive Director’s Report – **Wade A. Jewell, Executive Director**
- General updates
 - December Board Report – **Mary T. Charity, Deputy Director for Operations**
 - December Financial Report – **Renai Reinholtz, Deputy Director for Finance and Administration**
 - FY 2017 Financial Statements – **Renai Reinholtz, Deputy Director for Finance and Administration**
- 11:45 a.m. 5. Committee Updates – **Matthew P. Boshier, Chair**
- NASBA Committee Updates, as available
 - NASBA Middle Atlantic Regional Director – **Stephanie S. Saunders, CPA**
 - NASBA Executive Director’s Committee – **Wade A. Jewell, Executive Director**
- 12:00 p.m. Recess for Board lunch

- 1 p.m. 6. Additional Items for Discussion
- Carry over items/potential future topics
 - CPE guidelines for publications (May)
 - Adjudication Manual (May)
 - Use of confidential consent agreements (May)
 - CPE – VBOA/VSCPA discussions (May)
 - Trust Fund Reserve Policy (May)
 - Regulation changes (on-going)
 - Marijuana Laws/Guidance (on-going)
 - North Carolina Dental Case (on-going)
 - Sign Conflict of Interest forms
 - Sign Travel Expense vouchers
 - Future meeting dates – TBD
- 1:15 p.m. 7. Closed Session
Enforcement – **Rebekah Allen, Enforcement Director**
- Status of Open Cases
 - OAG updates
 - Board Orders:
 - 2017-097-009D (Saunders and Moyers)
- 2:30 p.m. 8. Closed Session – Personnel – **Wade A. Jewell, Executive Director**
- 3 p.m. Adjournment

***Five-minute public comment, per person, on those items not included on the agenda.**

Persons desiring to attend the meeting and requiring special accommodations/interpretive services should contact the VBOA office at (804) 367-8505 at least five days prior to the meeting so that suitable arrangements can be made for an appropriate accommodation. The VBOA fully complies with the Americans with Disabilities Act.

**Board Meeting
December 12, 2017
Draft/Unapproved minutes**

The Virginia Board of Accountancy met on Tuesday, December 12, 2017, in Training Room #2 of the Perimeter Center, 9960 Mayland Drive, Henrico, VA 23233.

MEMBERS PRESENT: Matthew P. Boshers, Esq., Chair
Susan Quaintance Ferguson, CPA, Vice Chair
William R. Brown, CPA
D. Brian Carson, CPA
Andrea M. Kilmer, CPA
Stephanie S. Saunders, CPA
Laurie A. Warwick, CPA

LEGAL COUNSEL: Liz Myers, Assistant Attorney General,
Office of the Attorney General

STAFF PRESENT: Wade A. Jewell, Executive Director
Mary T. Charity, Deputy Director for Operations
Renai Reinholtz, Deputy Director for Finance and Administration
Rebekah Allen, Enforcement Director
Kelli Anderson, Communications Manager
Melinda Haddon, Financial and Procurement Coordinator
Patti Hambright, CPE Coordinator and Administrative Assistant
Michelle Strudgeon, Accounting Specialist

**MEMBERS OF THE
PUBLIC PRESENT:** Stephanie Peters, CAE, President and CEO, Virginia Society of Certified
Public Accountants
Maureen Dingus, CAE, Chief Operating Officer, Virginia Society
of Certified Public Accountants
Amy Mawyer, Vice President of Learning, Virginia Society of Certified
Public Accountants
Linda Newsom-McCurdy, CAE, Senior Director of Member Value,
Virginia Society of Certified Public Accountants
Pamela Kerr

CALL TO ORDER

Mr. Boshers called the meeting to order at 10:03 a.m.

**Board Meeting
December 12, 2017
Draft/Unapproved minutes**

SECURITY BRIEFING

Ms. Hambright provided the emergency evacuation procedures.

DETERMINATION OF QUORUM

Mr. Boshier determined there was a quorum present.

APPROVAL OF AGENDA

Upon a motion by Ms. Saunders, and duly seconded, the members voted unanimously to approve the December 12, 2017, agenda as amended. The members voting “**AYE**” were Mr. Boshier, Ms. Ferguson, Mr. Brown, Mr. Carson, Ms. Kilmer, Ms. Saunders and Ms. Warwick.

APPROVAL OF MINUTES

Upon a motion by Mr. Brown, and duly seconded, the members voted unanimously to approve the November 7, 2017 Board meeting minutes as amended. The members voting “**AYE**” were Mr. Boshier, Ms. Ferguson, Mr. Brown, Mr. Carson, Ms. Saunders and Ms. Warwick.

PUBLIC COMMENT PERIOD

Mr. Boshier welcomed and invited members of the public to provide comments. Ms. Kerr spoke on behalf of herself and her daughter regarding File No. 2017-097-009D.

BOARD DISCUSSION TOPICS

Proposed 2018 Legislation

Mr. Jewell led the discussion regarding proposed 2018 legislation. Mr. Jewell provided the Board with a handout and update.

Exam/Licensing/Enforcement System Overview

Mr. Jewell led the discussion regarding the examination, licensing and enforcement system overview. He provided the Board with an overview of the kickoff week with MicroPact and discussed detailed system requirements.

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Peer Review Oversight Committee (PROC) Update

Mr. Jewell led the Peer Review Oversight Committee (PROC) update. Mr. Jewell recommended Ms. Nadia Rogers to remain as chair of the PROC for calendar year 2018.

Upon a motion by Ms. Kilmer, and duly seconded, the members voted unanimously to extend Nadia Rogers' term as chair of the PROC for an additional year. The members voting "AYE" were Mr. Boshier, Ms. Ferguson, Mr. Brown, Mr. Carson, Ms. Kilmer, Ms. Saunders and Ms. Warwick.

Proposed changes to Board Policy #5 (Publication of Board Disciplinary Action)

Ms. Allen led the discussion regarding the proposed changes to Board Policy #5. Ms. Allen reviewed the current Board Policy #5 and discussed the proposed changes. She fielded questions from Board members. A thorough discussion ensued and will be revisited at the January 18, 2018 Board meeting.

EXECUTIVE DIRECTOR'S REPORT

General Updates

Mr. Jewell presented the following general updates regarding the VBOA:

- Ms. Charity provided an update regarding letters, emails and phone calls made by Board staff regarding license renewals for the month of November 2017.
- Ms. Anderson provided an update regarding the mass email sent to over 25,000 licensees on December 8, 2017 concerning CPE compliance.
- Ms. Newsome-McCurdy provided an update regarding the 2018 Virginia-Specific Ethics Course. She noted the content development was moving forward. She also noted the 2017 Virginia-Specific Ethics Course was running smoothly and was consistent with 2016 enrollment numbers.
- Mr. Jewell introduced and welcomed Ms. Strudgeon as the new accounting specialist at the Virginia Board of Accountancy.

COMMITTEE UPDATES

NASBA Committee Updates

There were no NASBA committee updates.

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NASBA Middle Atlantic Regional Director

Ms. Saunders noted a NASBA Board meeting would be held in January of 2018.

NASBA Executive Director's Committee

Including NASBA's Reorganization Impact (AICPA) Task Force and Quick Poll

Mr. Jewell noted he had attended the NASBA Reorganization Impact Task Force meeting held in Nashville, TN on December 4, 2017. He reviewed and thoroughly discussed Quick Poll questions with Board members.

NASBA Focus Questions

Mr. Jewell led the discussion regarding NASBA focus questions. The questions were reviewed and discussed in detail with Board members.

RECESS FOR LUNCH 12:26 p.m.

RECONVENE 1:00 p.m.

ADDITIONAL ITEMS FOR DISCUSSION

Carry Over Items/Potential Future Topics

- CPE guidelines for publications (February)
- Adjudication Manual (February)
- Use of confidential consent agreements (May)
- CPE – Model Rules and VBOA/VSCPA discussions (May)
- Trust Fund Reserve Policy (May)
- Regulation changes (on-going)
- Marijuana Laws/Guidance (on-going)
- North Carolina Dental Case (on-going)

Sign Conflict of Interest forms

Sign Travel Expense vouchers

**Board Meeting
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Future meeting dates

- January 18, 2018
- February 8, 2018

ENFORCEMENT

Begin closed meeting

Upon a motion by Ms. Ferguson, and duly seconded, the members approved by unanimous vote the meeting be recessed and the VBOA immediately convene a closed meeting under the Virginia Freedom of Information Act for the provision of legal counsel and to consult with legal counsel on issues relating to probable litigation, and/or consider the status of all open Enforcement Cases, and cases listed on our agenda, a matter lawfully exempted from open meeting requirements under the ‘consulting with legal counsel’ and ‘disciplinary proceedings’ exemptions contained in Virginia Code § 2.2-3711(A)(7),(27). The following non-members will be in attendance to reasonably aid in the consideration of this topic: Wade A. Jewell and Liz Myers. The following non-member will be in attendance for a portion of the closed meeting to reasonably aid in the consideration of this topic: Rebekah Allen.

End closed meeting

Upon a motion by Ms. Ferguson, and duly seconded, the VBOA approved by unanimous vote that the closed meeting, as authorized by § 2.2-3712.A of the Code of Virginia, be adjourned and that the VBOA immediately reconvene in an open public meeting. WHEREAS, the VBOA has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provision of the Virginia Freedom of Information Act; and WHEREAS, § 2.2-3712.A of the Code of Virginia requires a certification by this Board that such closed meeting was conducted in conformity with Virginia law; NOW THEREFORE, BE IT RESOLVED that the VBOA hereby certifies that, to the best of each member’s knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the VBOA.

CALL FOR VOTE:

Matthew P. Boshier, Esq. – Aye
Susan Quaintance Ferguson, CPA – Aye
William R. Brown, CPA – Aye
D. Brian Carson, CPA – Aye
Andrea M. Kilmer, CPA – Aye
Stephanie S. Saunders, CPA – Aye
Laurie A. Warwick, CPA – Aye

**Board Meeting
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VOTE:

Ayes: Seven (7)

Nays: None

The following actions were taken as a result of the closed session:

Consent Order:

Case # 2017-039-016U (Saunders and Moyers)

Upon a motion by Ms. Kilmer, and duly seconded, the members voted unanimously to approve the final Consent Order as amended.

CALL FOR VOTE:

Matthew P. Boshier, Esq. – Aye

Susan Quaintance Ferguson, CPA – Aye

William R. Brown, CPA – Aye

D. Brian Carson, CPA – Aye

Andrea M. Kilmer, CPA – Aye

Stephanie S. Saunders, CPA – Abstain

Laurie A. Warwick, CPA – Aye

VOTE:

Ayes: Six (6)

Abstain: One (1)

Nays: None

Board Order:

Case # 2017-097-009D (Saunders and Moyers)

Ms. Saunders was not present and did not participate in the discussion.

Upon a motion by Ms. Kilmer, and duly seconded, the members voted unanimously to refer Board Order Case #2017-097-009D back to the Enforcement Committee.

**Board Meeting
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Draft/Unapproved minutes**

ADJOURNMENT

There being no further business before the VBOA, upon a motion by Ms. Kilmer, and duly seconded, the meeting was adjourned by unanimous vote at 2:15 p.m. The members voting **AYE** were Mr. Boshier, Ms. Ferguson, Mr. Brown, Mr. Carson, Ms. Kilmer, Ms. Saunders and Ms. Warwick.

APPROVED:

Matthew P. Boshier, Esq., Chair

COPY TESTE:

Wade A. Jewell, Executive Director

Peer Review Oversight Committee
Virginia Board of Accountancy
9960 Mayland Drive, Henrico, VA 23233

Nadia A. Rogers, CPA, Chair Delores King, CPA Nicole Kint, CPA Reza Mahbod, CPA Steven P. Walls, CPA

Members of the Board
Virginia Board of Accountancy
9960 Mayland Drive
Henrico, Virginia 23233

We have reviewed and evaluated, for the period January 1, 2017 through December 31, 2017, the policies and procedures of the Virginia Society of CPAs (the VSCPA) and the National Peer Review Committee (the NPRC) of the American Institute of Certified Public Accountants (the AICPA) as those policies and procedures relate to the administration of the AICPA Peer Review Program (the Peer Review Program) for firms licensed by the Virginia Board of Accountancy (the Board).

Our review and evaluations were conducted for the purpose of determining the appropriateness of the Board's continued reliance on the VSCPA and the NPRC in the administration of the Peer Review Program for firms subject to the licensing requirements of the Virginia Board of Accountancy. Our oversight visits and participation in conference calls are summarized as Attachment A to this report.

Based upon our review and evaluations, we believe that peer reviews are being conducted and reported on consistently and in accordance with the Standards for Performing and Reporting on Peer Reviews (the Standards) promulgated by the AICPA Peer Review Board, and accordingly, the Virginia Board of Accountancy may rely upon the VSCPA and the NPRC in carrying out its responsibilities with respect to the licensing requirements of firms licensed by the Virginia Board of Accountancy for the period January 1, 2017 through December 31, 2017.

This report is intended solely for the information and use of the Virginia Board of Accountancy, and is not intended to be and should not be used by anyone other than the specified party.

Peer Review Oversight Committee

Peer Review Oversight Committee
Virginia Board of Accountancy
January 18, 2018

Attachment A

Summary of Oversight Visits and Participation in Conference Calls:

The VSCPA normally holds five committee meetings per year wherein peer review reports and related documentation are considered for acceptance and other resolution by the VSCPA. A member of the Peer Review Oversight Committee (the Committee) attended meetings on the following dates: February 9, 2017, May 5, 2017, June 12, 2017, September 9 and 12, 2017, November 7, 2017 and December 12, 2017. The AICPA Peer Review Board Oversight Task Force performed oversight procedures in 2017 (biennial), and presented its results at the December 12, 2017 meeting.

Each meeting included a Committee member evaluation of the policies and procedures of the VSCPA and the AICPA by comparison to actions taken at the attended meeting including, but not limited to:

- An assessment of peer reviewer qualifications and ability to properly complete assigned reviews;
- Use of standardized AICPA materials;
- Appropriate resolution of issues by technical reviewers, review team captains, and VSCPA committee members;
- Results of each review were appropriately and consistently applied; and
- Independent acceptance or other resolution of a report acceptance body (RAB) of VSCPA members independent of engagement technical reviewers.

Furthermore, a member of the Committee participated in a teleconference held by the AICPA Peer Review Board on November 9, 2017 as well as a teleconference held by the National Association of State Boards of Accountancy Compliance Assurance Committee on November 8, 2017.

PROPOSED REGULATION (EMERGENCY) as of February 8, 2018

18VAC5-22-180. Issuance, Renewal, and Reinstatement of Licenses.

- A. Any Virginia license issued, renewed, or reinstated between the effective date of Chapter ____ of the 2018 Acts of Assembly and on or before June 30, 2018 shall expire on June 30, 2019, and its holder shall pay the fee prescribed in 18VAC5-22-20, upon submission of a completed license application.
- B. Any Virginia license expiring between July 31, 2018 and on or before March 31, 2019 that is renewed pursuant to this subsection below shall expire on June 30, 2019. Any Virginia license expiring between April 30, 2019 and on or before May 31, 2019 that is renewed pursuant to this subsection shall expire on June 30, 2020.
 - 1. A person who holds a Virginia license that expires between July 31, 2018 and May 31, 2019 shall pay a renewal fee as prescribed below, upon submission of a completed license renewal application.

Current Expiration Date	Renewal Fee	Expiration Date Following Renewal
July 31, 2018	\$55	June 30, 2019
August 31, 2018	\$50	June 30, 2019
September 30, 2018	\$45	June 30, 2019
October 31, 2018	\$40	June 30, 2019
November 30, 2018	\$35	June 30, 2019
December 31, 2018	\$30	June 30, 2019
January 31, 2019	\$25	June 30, 2019
February 28, 2019	\$20	June 30, 2019
March 31, 2019	\$15	June 30, 2019
April 30, 2019	\$60	June 30, 2020
May 31, 2019	\$60	June 30, 2020

- 2. A firm that holds a Virginia license that expires between July 31, 2018 and May 31, 2019 shall pay a renewal fee as prescribed below, upon submission of a completed license renewal application.

Current Expiration Date	Renewal Fee	Expiration Date Following Renewal
July 31, 2018	\$68	June 30, 2019
August 31, 2018	\$62	June 30, 2019
September 30, 2018	\$56	June 30, 2019
October 31, 2018	\$50	June 30, 2019
November 30, 2018	\$43	June 30, 2019
December 31, 2018	\$37	June 30, 2019
January 31, 2019	\$31	June 30, 2019
February 28, 2019	\$25	June 30, 2019
March 31, 2019	\$18	June 30, 2019
April 30, 2019	\$75	June 30, 2020
May 31, 2019	\$75	June 30, 2020

- C. Any Virginia license issued or reinstated from July 1, 2018 to on or before March 30, 2019 shall expire on June 30, 2019, and its holder shall pay the fee prescribed in 18VAC5-22-20, upon submission of a completed license application. Beginning April 1, 2019, any Virginia license issued or reinstated during the months of April, May, or June shall expire on June 30th of the succeeding calendar year, and its holder shall pay the fee prescribed in 18VAC5-22-20, upon submission of a completed license application.
- D. For Virginia licenses expiring on June 30, 2019 or later, the holder of a Virginia license shall annually renew his license on or before June 30th of each calendar year by submitting a completed license renewal application and paying to the board a renewal fee as prescribed in 18VAC5-22-20.
- E. Failure to renew shall cause the license to automatically expire unless an extension is granted pursuant to subdivision 1 of this subsection.
 - 1. The board may grant an extension of time to renew for good cause, as determined by the board, upon written request from the licensee prior to the renewal date. Such an extension shall not relieve the licensee of the continuing professional education requirements, if applicable. If an extension of time is granted, the license shall be deemed active during the extension.
 - 2. Committing an act prohibited by § 54.1-4414 of the Code of Virginia with an expired license may subject the licensee to disciplinary action by the board.

- F. A person who holds a Virginia license shall be required to meet the requirements for continuing professional education set forth in 18VAC5-22-90 and 18VAC5-22-140 to be eligible to renew unless granted an exemption or waiver by the board, and shall attest to his compliance with continuing professional education requirements on his annual license renewal application. If a person has not met the requirements for continuing professional education and has not been granted an exemption or waiver by the board, the person shall notify the board either prior to applying for renewal or as part of a disclosure on his renewal application.
- G. A firm that holds a Virginia license shall be required to meet the requirements for ownership and voting equity interest set forth in subdivision D 1 of § 54.1-4412.1 of the Code of Virginia to be eligible to renew, and shall attest on its compliance on its annual license renewal application. If a firm does not meet the requirements for ownership and voting equity interest, the firm shall notify the board prior to applying for renewal or as part of a disclosure on his renewal application.

CPE Violation Penalties

Guidelines

Approved April 27, 2017
Proposed Changes as of February 8, 2018

I. STATEMENT OF INTENT

To assist in the efficient, effective, and fair resolution of continuing professional education (“CPE”) deficiencies, these guidelines have been provided to the Virginia Board of Accountancy’s (“the Board”) Enforcement Division staff and Enforcement Committee. A “case” as used in the guidelines below includes both failed CPE compliance reviews and disciplinary investigations where CPE deficiencies are discovered.

If warranted by the particular facts and circumstances of a Respondent’s case, the Board has delegated the authority to the Enforcement Committee to depart from the guidelines. Enforcement Division staff have not been delegated this authority and therefore cannot alter or negotiate the terms and conditions associated with a given category.

These guidelines are intended as a supplement to the Board’s adjudication manual.

II. NON-COMPOUNDING PENALTIES

Penalties listed in this chart do not combine or “stack” with one another, though they may be combined with one or more of the penalties listed in the chart under Part III, “Compounding Penalties.” All monetary penalties and CPE hours due under this chart must be submitted to the Board within ninety (90) days of the entry date of the Consent Order.

Deficiency	1 st Case (self-report)	1 st Case (all others)	2 nd Case (all)	3 rd Case (all)
Deficient < 10 hours in a reporting period (other than ethics and/or A&A)	<ul style="list-style-type: none"> • Reprimand • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Must make up deficient CPE for each year of reporting period within 60 days, which does not count towards the current year requirement 	<ul style="list-style-type: none"> • \$250 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Must make up deficient CPE for each year of reporting period within 60 days, which does not count towards the current year requirement • Subject to CPE compliance review for subsequent 3-year reporting period that begins in the year disciplinary action is taken 	<ul style="list-style-type: none"> • \$500 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Must make up deficient CPE for each year of reporting period within 60 days, which does not count towards the current year requirement • Subject to CPE compliance review for subsequent 3-year reporting period that begins in the year disciplinary action is taken 	<ul style="list-style-type: none"> • \$750 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Suspension of license for 1 year • Subject to CPE compliance review for subsequent 3-year reporting period following reinstatement

Deficiency	1 st Case (self-report)	1 st Case (all others)	2 nd Case (all)	3 rd Case (all)
Deficient 10–20 hours in a reporting period	<ul style="list-style-type: none"> • \$250 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Must make up deficient CPE for each year of reporting period within 60 days, which does not count towards the current year requirement • Subject to CPE compliance review for subsequent 3-year reporting period that begins in the year disciplinary action is taken 	<ul style="list-style-type: none"> • \$500 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Must make up deficient CPE for each year of reporting period within 60 days, which does not count towards the current year requirement • Subject to CPE compliance review for subsequent 3-year reporting period that begins in the year disciplinary action is taken 	<ul style="list-style-type: none"> • \$750 monetary penalty • Suspension of license for 1 year • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Subject to CPE compliance review for subsequent 3-year reporting period following reinstatement 	<ul style="list-style-type: none"> • \$1,000 monetary penalty • Revocation of license • May apply for reinstatement no sooner than 5 years after date of disciplinary action • Must come before the Board to be considered for reinstatement • Subject to CPE compliance review for subsequent 3-year reporting period following reinstatement
Deficient 21–40 hours in a reporting period	<ul style="list-style-type: none"> • \$500 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Must make up deficient CPE for each year of reporting period within 60 days, which does not count towards the current year requirement • Subject to CPE compliance review for subsequent 3-year reporting period that begins in the year disciplinary action is taken 	<ul style="list-style-type: none"> • \$750 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Must make up deficient CPE for each year of reporting period within 60 days, which does not count towards the current year requirement • Subject to CPE compliance review for subsequent 3-year reporting period that begins in the year disciplinary action is taken 	<ul style="list-style-type: none"> • \$1,000 monetary penalty • Suspension of license for 1 year • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Subject to CPE compliance review for subsequent 3-year reporting period following reinstatement 	<ul style="list-style-type: none"> • \$2,000 monetary penalty • Revocation of license • May apply for reinstatement no sooner than 5 years after date of disciplinary action • Must come before the Board to be considered for reinstatement • Subject to CPE compliance review for subsequent 3-year reporting period following reinstatement

Deficiency	1 st Case (self-report)	1 st Case (all others)	2 nd Case (all)	3 rd Case (all)
Deficient 41–90 hours in a reporting period	<ul style="list-style-type: none"> • \$625 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 90 days (as offered) • Must make up deficient CPE for each year of reporting period within 90 days, which does not count towards the current year requirement • Subject to CPE compliance review for subsequent 3-year reporting period that begins in the year disciplinary action is taken 	<ul style="list-style-type: none"> • \$875 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 90 days (as offered) • Must make up deficient CPE for each year of reporting period within 90 days, which does not count towards the current year requirement • Subject to CPE compliance review for subsequent 3-year reporting period that begins in the year disciplinary action is taken 	<ul style="list-style-type: none"> • \$1,125 monetary penalty • Suspension of license for 1 year • Submit proof of completion of current year's Virginia-specific ethics course within 90 days (as offered) • Subject to CPE compliance review for subsequent 3-year reporting period following reinstatement 	<ul style="list-style-type: none"> • \$2,000 monetary penalty • Revocation of license • May apply for reinstatement no sooner than 5 years after date of disciplinary action • Must come before the Board to be considered for reinstatement • Subject to CPE compliance review for subsequent 3-year reporting period following reinstatement
Deficient > 90 hours in a reporting period	<ul style="list-style-type: none"> • \$750 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 90 days (as offered) • Must make up deficient CPE for each year of reporting period within 90 days, which does not count towards the current year requirement • Subject to CPE compliance review for subsequent 3-year reporting period that begins in the year disciplinary action is taken 	<ul style="list-style-type: none"> • \$1,000 monetary penalty • Suspension of license for 1 year • Submit proof of completion of current year's Virginia-specific ethics course within 90 days (as offered) • Subject to CPE compliance review for subsequent 3-year reporting period following reinstatement 	<ul style="list-style-type: none"> • \$2,000 monetary penalty • Suspension of license for 3 years • Must come before the Board to be considered for reinstatement • Submit proof of completion of current year's Virginia-specific ethics course within 90 days (as offered) • Subject to CPE compliance review for subsequent 3-year reporting period following reinstatement 	<ul style="list-style-type: none"> • \$3,000 monetary penalty • Revocation of license • May apply for reinstatement no sooner than 5 years after date of disciplinary action • Must come before the Board to be considered for reinstatement • Subject to CPE compliance review for subsequent 3-year reporting period following reinstatement

III. COMPOUNDING PENALTIES

Penalties listed in this chart may be imposed individually, or may be combined with each other or with any single penalty listed in the chart under Part II, "Non-Compounding Penalties." All monetary penalties and CPE hours due under this chart must be submitted to the Board within ninety (90) days from the entry date of the Consent Order.

Deficiency	1 st Case (self-report)	1 st Case (all others)	2 nd Case (all)	3 rd Case (all)
Failure to take Virginia-specific ethics course only in any given calendar year(s)	<ul style="list-style-type: none"> • Reprimand • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) 	<ul style="list-style-type: none"> • \$250 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Subject to CPE compliance review for subsequent 3-year reporting period that begins in the year disciplinary action is taken 	<ul style="list-style-type: none"> • \$500 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • 1,000-word essay on "Virginia statutes and regulations regarding CPE requirements and how they protect the public" • Subject to CPE compliance review for subsequent 3-year reporting period that begins in the year disciplinary action is taken 	<ul style="list-style-type: none"> • \$750 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Suspension of license for 1 year • Subject to CPE compliance review for subsequent 3-year reporting period following reinstatement
Failure to meet the annual minimum 20 CPE hours in any given calendar year(s)	<ul style="list-style-type: none"> • Reprimand 	<ul style="list-style-type: none"> • \$250 monetary penalty • Subject to CPE compliance review for subsequent 3-year reporting period that begins in the year disciplinary action is taken 	<ul style="list-style-type: none"> • \$500 monetary penalty • 1,000-word essay on "Virginia statutes and regulations regarding CPE requirements and how they protect the public" • Subject to CPE compliance review for subsequent 3-year reporting period that begins in the year disciplinary action is taken 	<ul style="list-style-type: none"> • \$750 monetary penalty • Suspension of license for 1 year • Subject to CPE compliance review for subsequent 3-year reporting period following reinstatement

Deficiency	1 st Case (self-report)	1 st Case (all others)	2 nd Case (all)	3 rd Case (all)
Failure to take 8 hours of Auditing and Attestation in any given calendar year(s)	<ul style="list-style-type: none"> • Reprimand • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Must make up deficient CPE for each year of reporting period within 60 days, which does not count towards the current year requirement 	<ul style="list-style-type: none"> • \$250 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Must make up deficient CPE for each year of reporting period within 60 days, which does not count towards the current year requirement • Subject to CPE compliance review for subsequent 3-year reporting period that begins in the year disciplinary action is taken • (If deficient A&A for more than 1 calendar year) May not release or authorize the release of reports on attest, compilation, or financial statement preparation services for 1 year 	<ul style="list-style-type: none"> • \$750 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Must make up deficient CPE for each year of reporting period within 60 days, which does not count towards the current year requirement • Subject to CPE compliance review for subsequent 3-year reporting period that begins in the year disciplinary action is taken • (If deficient A&A for more than 1 calendar year) May not release or authorize the release of reports on attest, compilation, or financial statement preparation services for 2 years 	<ul style="list-style-type: none"> • \$1,250 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Suspension of license for 1 year • Subject to CPE compliance review for subsequent 3-year reporting period following reinstatement • (If deficient A&A for more than 1 calendar year) May not release or authorize the release of reports on attest, compilation, or financial statement preparation services for 3 years
False certifications on any given renewal application	<p>(if deficient in the first or second year of the reporting period)</p> <ul style="list-style-type: none"> • Reprimand • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) 	<ul style="list-style-type: none"> • \$250 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) 	<ul style="list-style-type: none"> • \$250<u>\$500</u> monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • 1,000-word essay on "Ethical standards for CPAs and how they impact a CPA's interactions with 	<ul style="list-style-type: none"> • \$750 monetary penalty • Submit proof of completion of current year's Virginia-specific ethics course within 60 days (as offered) • Suspension of license for 1 year • Subject to CPE compliance review for subsequent 3-year reporting period following reinstatement

the public and his
regulator”

Deficiency

1st Case (self-report)

1st Case (all others)

2nd Case (all)

3rd Case (all)

CHOOSE ONE	Deficiency	1 st Case (self-report)	1 st Case (all others)	2 nd Case (all)	3 rd Case (all)
	Failure to respond within 30 days	• \$100 monetary penalty	• \$100 monetary penalty	• \$200 monetary penalty	• \$300 monetary penalty
	Failure to update mailing or email address within 30 days	• \$100 monetary penalty	• \$100 monetary penalty	• \$200 monetary penalty	• \$300 monetary penalty
	<u>Failing to meet any CPE requirement for a given calendar year or for the reporting period</u>	• <u>Submit proof of completion of the current year’s Virginia-specific ethics course</u>	• <u>Submit proof of completion of the current year’s Virginia-specific ethics course</u>	• <u>Submit proof of completion of the current year’s Virginia-specific ethics course</u>	• <u>Submit proof of completion of the current year’s Virginia-specific ethics course</u>
	Failure to comply with terms and conditions of Board disciplinary action	• Suspension of license • Must come before the Board to be considered for reinstatement	• Suspension of license • Must come before the Board to be considered for reinstatement	• Suspension of license • Must come before the Board to be considered for reinstatement	• Suspension of license • Must come before the Board to be considered for reinstatement
	Failure to respond at all to a CPE compliance review	• Proceeding under Code of Virginia § 2.2-4019	• Proceeding under Code of Virginia § 2.2-4019	• Proceeding under Code of Virginia § 2.2-4019	• Proceeding under Code of Virginia § 2.2-4019

Virginia Board of Accountancy
FY17 Board Report
As of December 31, 2017

REPORT CATEGORIES	FY2018 - YTD as of 12/31/17	FY2017 - YTD as of 12/31/16	Fiscal Year Ending 6/30/17	Fiscal Year Ending 6/30/16	Fiscal Year Ending 6/30/15	Fiscal Year Ending 6/30/14
LICENSEES						
Individuals:						
Number of Active, licensed CPAs	26,127	24,592	25,452	24,648	24,791	25,467
Number of Active - CPE Exempt, licensed CPAs (a)	1,449	1,269	1,326	1,158	898	
Number of Active - Renewal Fee Delinquent (<12 months), licensed CPAs	324	1,752	933	1,516	1,142	881
Total Number of Licensed CPAs	27,900	27,613	27,711	27,322	26,831	26,348
Number of out-of-state licensees	8,348	8,215	8,290	8,152	8,086	8,160
Reinstatements - Individuals	83	39	92	79	106	107
Number of new CPA licenses issued	724	770	1,378	1,322	1,240	1,345
Net change in number of expired/voluntary surrendered licenses (>12 months)	535	479	989	831	757	624
Firms:						
Number of Active, licensed CPA firms	1,150	1,034	1,123	1,092	1,115	1,147
Number of Active - Renewal Fee Delinquent (<12 months), licensed CPA firms	15	128	44	65	71	71
Total Number of Licensed CPA Firms	1,165	1,162	1,167	1,157	1,186	1,218
Reinstatements - Firms	4	2	5	5	0	5
Number of new CPA firm licenses issued	40	29	65	29	40	38
Net change in number of expired/voluntary surrendered firm licenses (>12 months)	42	24	55	58	72	50
EXAM CANDIDATES						
Number of first time candidates applying to sit for CPA exam	667	835	1,819	2,136	1,904	1,860
ENFORCEMENT						
Number of complaints	52	126	82	145	84	74
Types of complaints:						
Unlicensed activity	18	23	45	41	24	16
Other disciplinary matters	34	103	37	104	60	58
CPE AUDITS						
Number of CPE audits selected	1,235 (b)	893	2,022	1,578	1,088	971
Status of CPE Audits:						
# of CPE audits resulting in compliance	871	435	1,594	1,291	819	800
# of CPE audit deficiencies	148	109	428	286	269	171
# of CPE audit deficiencies resulting in surrender of license	8	3	51	30	17	7
# of CPE audit deficiencies resulting in suspension of license	0	8	24	19	19	10
# of CPE audits open/pending review	216	349	0	1	0	0
CPE Audit Deficiency Rate	15%	20%	21%	18%	25%	18%
BUDGET/EXPENDITURES						
Total YTD expenditures	\$1,125,501	\$864,930	\$1,727,506	\$1,642,512	\$1,424,978	\$1,366,765
Total fiscal year budget	\$2,764,010	\$2,414,828	\$2,414,828	\$1,886,458	\$1,648,449	\$1,648,384
% of expenditures vs. budget	40.7%	35.8%	71.5%	87.1%	86.4%	82.9%

NOTES:

(a) The Active - CPE Exempt status became effective on July 1, 2014.

(b) CPE audits selected through December 2017.

VIRGINIA BOARD OF ACCOUNTANCY
FINANCIAL REPORT
FY18 BUDGET vs. ACTUAL EXPENSES
AS OF DECEMBER 31, 2017

<u>Expenditure Type</u>	<u>FY18 Operating Budget</u>	<u>FY18 YTD Expenditures</u>	<u>% Expended</u>	<u>FY17 YTD Expenditures</u>	<u>FY16 YTD Expenditures</u>	<u>FY15 YTD Expenditures</u>
Salaries & Benefits	1,285,385	635,627	49.5%	1,103,143	999,185	901,488
Total Salaries & Benefits	\$ 1,285,385	\$ 635,627	49.5%	\$ 1,103,143	\$ 999,185	\$ 901,488
Contractual Services						
1209 Charge Card Purchases (not distributed)	-	-	---	-	-	-
1211 Express Services	-	172	---	-	-	-
1214 Postal Services	12,500	7,327	58.6%	7,975	9,144	9,049
1215 Printing Services	5,500	4,095	74.4%	5,245	4,163	3,296
1216 Telecommunications - VITA	13,000	2,956	22.7%	12,272	10,021	7,256
1217 Telecommunications - Nonstate	-	-	---	600	-	30
1219 Inbound Freight	450	31	7.0%	418	858	436
1221 Organization Memberships (primarily NASBA)	7,250	6,750	93.1%	7,250	7,030	6,690
1222 Publication Subscriptions	4,900	271	5.5%	4,730	5,254	370
1224 Training - Courses, Workshops, Conferences	8,900	6,742	75.8%	8,914	8,566	12,638
1227 Training-Transportation, Lodging, Meals, Incidentals	11,500	15,477	134.6%	10,933	16,123	2,264
1228 Employee IT Training Courses/Workshops and Conferences	100	-	0.0%	91	91	91
1242 Fiscal Services (Credit Card Merchant Fees)	55,000	23,271	42.3%	53,790	47,883	44,753
1243 Attorney Services (Including OAG)	51,736	25,868	50.0%	24,844	36,671	27,744
1244 Mgmt. Services - NASBA/special accommodations - IT Support	78,500	9,695	12.4%	75,641	64,564	10,085
1246 Public Info/Public Relations (subscriptions)	5,100	300	5.9%	5,015	1,756	590
1247 Legal Services (Includes court reporting services)	13,500	7,544	55.9%	12,977	10,306	9,079
1248 Media Services	-	-	---	-	235	-
1249 Recruitment Advertising	-	-	---	-	-	905
1252 Electrical Repair/Maintenance	-	-	---	90	-	485
1253 Equipment Repair/Maintenance	-	-	---	-	-	50
1257 Plant Repair & Maintenance Services	-	-	---	-	-	89
1263 Clerical / Temp Services	2,754	2,754	100.0%	2,475	-	-
1264 Food and Dietary Services	2,500	2,403	96.1%	2,156	2,170	3,115
1265 Laundry & Linen Services	-	-	---	25	-	-
1266 Manual Labor Services (Includes shredding services)	1,200	130	10.8%	1,122	380	736
1267 Production Services	-	-	---	-	1,771	1,500
1268 Skilled Services	-	-	---	-	960	7,407
1272 VITA Pass Thru Charges (SA Maintenance, IT Upgrades, and ISO services)	127,906	83,126	65.0%	122,620	87,475	78,203
1273 Info Mgmt Design and Development Services (Project Manager)	144,870	12,800	8.8%	-	-	599
1275 Computer Software Maintenance	-	-	---	-	43,200	43,227
1278 VITA Information Technology Infrastructure Services	108,832	54,002	49.6%	90,483	118,041	98,143
1279 Computer Software Development Services (MicroPact and Data Conversion)	634,596	149,021	23.5%	-	-	-
1282 Travel - Personal Vehicle	7,000	4,087	58.4%	6,980	5,926	4,691
1283 Travel - Public Carriers	700	(333)	-47.6%	589	543	1,032
1284 Travel - State Vehicles	1,000	74	7.4%	619	1,347	698
1285 Travel - Subsistence and Lodging	1,500	1,930	128.7%	1,250	1,749	6,484
1288 Travel, Meal Reimburse - Not IRS Rpt	1,000	1,279	127.9%	730	917	1,626
Total Contractual Services	\$ 1,301,794	\$ 421,772	32.4%	\$ 459,834	\$ 487,145	\$ 383,359
Supplies and Materials						
1311 Apparel Supplies	-	-	---	248	842	-
1312 Office Supplies	5,000	2,743	54.9%	4,338	6,726	3,923
1313 Stationery and Forms	2,500	810	32.4%	2,214	2,249	2,271
1323 Gasoline (Enterprise vehicles)	400	221	55.3%	155	308	60
1335 Packaging and Shipping Supplies	970	485	50.0%	958	715	280
1342 Medical & Dental Supplies	50	-	0.0%	260	48	32

VIRGINIA BOARD OF ACCOUNTANCY
FINANCIAL REPORT
FY18 BUDGET vs. ACTUAL EXPENSES
AS OF DECEMBER 31, 2017

<u>Expenditure Type</u>	FY18 Operating Budget	FY18 YTD Expenditures	%	FY17 YTD Expenditures	FY16 YTD Expenditures	FY15 YTD Expenditures
			Expended			
<u>Supplies and Materials, continued</u>						
1352 Custodian Repair & Maintenance	-	166	---	41	48	-
1353 Electrical Repair/Maintenance Materials	-	-	---	8	22	-
1362 Food & Dietary Supplies	575	106	18.4%	561	260	395
1363 Food Service Supplies	150	14	9.5%	107	15	7
1364 Laundry & Linen Supplies	-	-	---	24	-	18
1373 Computer Operating Supplies	7,100	2,179	30.7%	7,004	3,402	3,963
Total Supplies & Materials	\$ 16,745	\$ 6,724	40.2%	\$ 15,919	\$ 14,635	\$ 10,951
<u>Transfer Payments</u>						
1413 Awards & Recognition	1,000	123	12.3%	863	717	575
1415 Unemployment Compensation	-	-	---	-	-	4,512
1418 Incentives	300	-	0.0%	410	-	-
Total Transfer Payments	\$ 1,300	\$ 123	9.5%	\$ 1,273	\$ 717	\$ 5,087
<u>Continuous Charges</u>						
1512 Automobile Liability Insurance	231	-	0.0%	231	231	231
1516 Property Insurance	1,224	-	0.0%	1,224	1,224	1,224
1534 Equipment Rentals	8,500	2,542	29.9%	8,460	4,865	5,277
1539 Building Rentals - Non-State Owned Facilities	90,400	45,189	50.0%	88,126	76,350	77,951
1541 Agency Service Charges (DOA, PSB, DHRM, LVA & eVA)	36,326	5,174	14.2%	36,071	32,411	31,893
1551 General Liability Insurance	188	-	0.0%	188	188	188
1554 Surety Bonds	40	-	0.0%	40	40	40
1555 Worker's Compensation	1,000	-	0.0%	968	978	857
Total Continuous Charges	\$ 137,909	\$ 52,905	38.4%	\$ 135,308	\$ 116,287	\$ 117,661
<u>Equipment</u>						
2216 Network Components	1,200	276	23.0%	1,117	530	-
2217 Other Computer Equipment	500	443	88.5%	300	744	1,830
2218 Computer Software Purchases	-	-	---	2,157	3,556	140
2223 Exhibit Equipment	-	-	---	-	-	698
2224 Reference Equipment	50	-	0.0%	26	181	-
2231 Electronic Equipment	175	-	0.0%	164	-	-
2232 Photographic Equipment	552	552	100.0%	845	-	-
2233 Voice and Data Transmission Equipment	-	-	---	-	1,691	120
2238 Electronic and Photo Equipment Improvements (Board Rooms)	-	6,125	---	-	-	-
2261 Office Appurtenances (Blinds, Carpet, etc.)	500	-	0.0%	-	880	331
2262 Office Furniture	15,000	149	1.0%	3,375	14,385	2,068
2263 Office Incidentals	2,750	741	26.9%	2,646	1,627	792
2264 Office Machines	-	65	---	928	821	10
2268 Office Equipment Improvements	150	-	0.0%	129	129	445
2271 Household Equipment	-	-	---	342	-	-
Total Equipment	\$ 20,877	\$ 8,350	40.0%	\$ 12,030	\$ 24,543	\$ 6,433
TOTAL ALL EXPENSE TYPES	\$ 2,764,010	\$ 1,125,501	40.7%	\$ 1,727,506	\$ 1,642,512	\$ 1,424,978
APPROPRIATION - CHAPTER 836	\$ 1,917,446					
Budget Execution Adjustment Request Approved 12/31/17	\$ 500,000					
Outstanding Budget Execution Adjustment Requests	\$ 346,564					
Total Projected Appropriation	\$ 2,764,010					

**VIRGINIA BOARD OF ACCOUNTANCY
FINANCIAL REPORT
CASH BALANCE
As of December 31, 2017**

	Operating Fund (09226)		Special Fund (02020)	
	FY2018 - YTD as of 12/31/17	FY2017 - YTD as of 12/31/16	FY2018 - YTD as of 12/31/17	FY2017 - YTD as of 12/31/16
Beginning Fund Balance July 1:	\$ 511,346	\$ 507,753	\$ 3,677,602	\$ 2,807,901
YTD Revenue Collected *	1,272,648	1,282,640	11,211	8,089
Accounts Payable **	161,856	19,908	0	0
Interfund Cash Transfers In/(Out), based on September 30th balance	(267,307)	(84,473)	267,307	84,473
Interfund Cash Transfers In/(Out), based on December 31st balance	0	0	0	0
Interfund Cash Transfers In/(Out), based on March 31st balance	0	0	0	0
Interfund Cash Transfers In/(Out), based on June 30 balance	0	0	0	0
YTD Expenditures	(1,125,502)	(864,930)	0	0
Cash Balance before annual transfers	\$ 553,042	\$ 860,898	\$ 3,956,120	\$ 2,900,463
Projected Cash Transfers:				
Transfers to Central Service Agencies ***	(\$10,155)	(\$10,155)	\$0	\$0
Transfers for repayment of deferred contributions to the VRS ****	\$0	\$0	\$0	\$0
Cash Balance after transfers	\$ 542,887	\$ 850,743	\$ 3,956,120	\$ 2,900,463

* Includes Interest Earnings - Per Virginia Acts of Assembly - Chapter 732 - §3-3.03 -Approved April 10, 2016, the State Comptroller shall allocate revenue for interest earnings effective FY2016. Interest Earnings have not been allocated since FY2010.

** Prior to October 1, 2014 and the implementation of the Commonwealth's new financial accounting and reporting system (Cardinal) all payments immediately reduced cash when processed (in CARS). The new Cardinal financial system operates on a modified accrual basis and Cash balances are not affected until the voucher's due date. The Cardinal system generates an offsetting entry to a liability account (accounts payable) when the voucher is processed. Once the voucher due date arrives, the payment is made, the liability is relived and cash is now reduced.

*** Non-general fund Transfers required by Virginia Acts of Assembly Part 3-1.01F for expenses incurred by central service agencies due on or before June 30.

**** Non-general fund transfer required by 2017 Virginia Acts of Assembly, Chapter 836, Part 3-1.01 II.1 for the expedited repayment of deferred contributions to the Virginia Retirement System authorized in Chapter 732, 2016 Acts of Assembly (for FY17 only).

**VIRGINIA BOARD OF ACCOUNTANCY
FINANCIAL REPORT
FY2018 - REVENUE BY FEE TYPE
Source: VBOA Licensing System (MLO)**

Fee Type	FY2018 - YTD as of 12/31/17	FY2017 - YTD as of 12/31/16	Fiscal Year Ending 6/30/17	Fiscal Year Ending 6/30/16	Fiscal Year Ending 6/30/15
(a) Pre-Evaluation of Transcripts Application Fee	\$ -	\$ -	\$ -	\$ 3,975	\$ 13,800
(b) Re-Exam Application	\$ 145,515	\$ 168,355	\$ 333,960	\$ 369,945	\$ 320,765
(c) Renewal Fee	\$ 47,120	\$ 66,140	\$ 115,480	\$ 61,220	\$ -
Reinstatement Fee	\$ 1,028,270	\$ 1,006,865	\$ 2,086,540	\$ 1,864,290	\$ 1,849,935
Duplicate Wall Certificate Fee	\$ 28,800	\$ 23,475	\$ 45,775	\$ 35,450	\$ 40,750
License Verification Fee	\$ 1,050	\$ 775	\$ 1,775	\$ 1,750	\$ 1,825
CPA Exam Score Transfers	\$ 10,650	\$ 10,162	\$ 20,487	\$ 19,963	\$ 21,550
Failure to Respond to Board Requests	\$ 1,125	\$ 1,225	\$ 2,075	\$ 2,075	\$ 2,225
Administrative Fee	\$ -	\$ 4,700	\$ 5,100	\$ 4,300	\$ 2,200
Bad Check Fee	\$ 1,000	\$ 3,000	\$ 5,100	\$ 4,100	\$ 10,129
	\$ -	\$ 50	\$ 50	\$ 100	\$ 50
Total Revenue	\$ 1,263,530	\$ 1,284,747	\$ 2,616,342	\$ 2,367,168	\$ 2,263,229
(d) Net Revenue per Commonwealth Accounting and Reporting System (Cardinal)	\$ 1,269,810	\$ 1,281,017	\$ 2,604,132	\$ 2,378,598	\$ 2,263,479
(e) Difference	(6,280)	3,730	12,210	(11,430)	(250)

NOTES:

- (a) Effective October 15, 2015, VBOA no longer collected fees for Pre-Evaluation of Transcripts.
- (b) Effective January 5, 2016, VBOA implemented the Re-Exam Application fee.
- (c) Renewal Fee also includes associated late fees.
- (d) Net Revenue per Cardinal reported above includes only revenue received from regulatory fees.
- (e) Revenue Totals from the VBOA Licensing System (MLO) will not always match Revenue collected and reported on the VBOA Cash Report (Cardinal), due to timing differences in dates transactions are posted into each system and pending adjustments.

**VIRGINIA BOARD OF ACCOUNTANCY
FINANCIAL REPORT
ACCOUNTS RECEIVABLE
AS OF DECEMBER 31, 2017**

	FY2018 - YTD as of 12/31/17	FY2017 - YTD as of 12/31/16	Fiscal Year Ending 6/30/17	Fiscal Year Ending 6/30/16	Fiscal Year Ending 6/30/15
Fines levied/collected/receivable:					
\$ amount of fines levied	\$ 106,700	\$ 90,399	\$ 187,925	\$ 284,528	\$ 199,075
\$ amount of fines collected	\$ 112,491	\$ 109,698	\$ 198,771	\$ 252,626	\$ 206,367
\$ OAG Fees	\$ -	\$ -	\$ -	\$ 342	\$ 371
\$ Discharged	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Current fines receivable (< 365 Days)	\$ 13,551	\$ 32,306	\$ 25,442	\$ 51,538	\$ 220,724
Outstanding Written-off receivables (=> 365 Days) (a)	\$ 597,500	\$ 576,083	\$ 591,400	\$ 576,150	\$ 374,719

NOTE:

(a) All accounts uncollected after one year are deemed uncollectible, are written off of the VBOA's financial account records, and are no longer recognized receivables for financial reporting purposes; however, the legal obligation to pay the debt still remains.

**THE VIRGINIA
BOARD OF ACCOUNTANCY**

FINANCIAL STATEMENTS

For the Year Ended
June 30, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

As management of the Virginia Board of Accountancy (Board), the Board offers readers of these financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal year ended June 30, 2017.

Financial Highlights

The assets of the Board exceeded its liabilities at the close of the most recent fiscal year by \$3,236,110 (net position), an increase of \$734,511 in comparison with the prior year. Of this amount, \$3,136,809 represents unrestricted net position, which may be used to meet the Board's ongoing obligations.

At the close of FY2017, the Board's governmental funds reported combined ending fund balances of \$4,101,833, an increase of \$843,322 in comparison with the prior year. The committed portion of the fund balance is \$4,099,182 which is available for spending at the Board's discretion.

At the close of FY2017, the total fund balance for the Board's Operating Fund was \$424,231, or approximately 24 percent of total operating expenditures. The Board also has a Trust Account to be used for the study, research, investigation, and adjudication of matters involving possible violations of statutes or regulations relating to the profession of public accounting, or for any other purpose the Board determines is relevant to its statutory purposes and cannot otherwise be funded through its Operating Fund. At the close of FY2017, the Trust Account reported an ending fund balance of \$3,677,602.

Continued investments in technology are necessary to achieve the operational efficiencies necessary for the Board to reach its strategic goals. The Board is currently supported by a generic off-the-shelf licensing software system that was installed in FY 2009 which is used for licensing and enforcement of CPAs and CPA firms which includes online licensing renewals and applications. The current system does not meet the needs of staff, applicants, licensees or the public. The system is in need of updates and modifications. The Board received Project Initiation Approval (PIA) from the Chief Information Officer of the Commonwealth in early FY 2018 to procure a web-based, database system that will meet our specific business processes and work flow needs. The Board anticipates implementation of the new system by early calendar year 2019.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements, which are comprised of three components: (1) the entity-wide financial statements, (2) the fund financial statements, and (3) the Notes to Financial Statements.

Entity-Wide Financial Statements

The entity-wide financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to private-sector business.

The Statement of Net Position presents information on all of the Board's assets and deferred outflows of resources, and liabilities and deferred inflows of resources; net position represents the difference between all other elements in a statement of financial position and is displayed in three components – net investment in capital assets; restricted; and unrestricted. Over time, increases or decreases in net position may indicate whether the financial position of the Board is improving or deteriorating.

The Statement of Activities presents information showing how the Board's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned, but unused vacation leave).

The entity-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other state and local government agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Board's funds are governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions as governmental activities in the entity-wide financial statements. However, unlike the entity-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the Board's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Board has two governmental funds (Operating Fund and Trust Account), both of which are special revenue funds. Information is presented in separate columns in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for each fund.

The Board adopts an annual operating budget for its Operating Fund. The Board's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. A budgetary comparison statement has been provided for the Operating Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 10 through 15 of this report.

Entity-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$3,236,110 at the close of the most recent fiscal year.

By far the largest portion of the Board's net position (97 percent) is unrestricted, meaning they may be used to meet the Board's ongoing obligations. The remaining 3 percent of the Board's net position reflects its net investment in capital assets. The Board uses these capital assets to provide services to exam and license applicants, regulants and the public; consequently, these assets are not available for future spending.

Condensed Summary of Net Position

	for the year ended June 30,		Increase/(Decrease)	
	2017	2016	Amount	Percent
Current assets	\$ 4,229,392	\$ 3,386,591	\$ 842,801	25%
Capital assets	99,301	141,934	(42,633)	-30%
Total assets	<u>4,328,693</u>	<u>3,528,525</u>	<u>800,168</u>	<u>23%</u>
Deferred outflows	300,965	246,505	54,460	22%
Total assets and deferred outflows	<u>4,629,658</u>	<u>3,775,030</u>	<u>854,628</u>	<u>23%</u>
Current liabilities	158,788	165,510	(6,722)	-4%
Long-term liabilities	1,203,760	1,033,921	169,839	16%
Total liabilities	<u>1,362,548</u>	<u>1,199,431</u>	<u>163,117</u>	<u>14%</u>
Deferred inflows	31,000	74,000	(43,000)	-58%
Total liabilities and deferred inflows	<u>1,393,548</u>	<u>1,273,431</u>	<u>120,117</u>	<u>9%</u>
Net position:				
Net investment in capital assets	99,301	141,934	(42,633)	-30%
Unrestricted	<u>3,136,809</u>	<u>2,359,665</u>	<u>777,144</u>	<u>33%</u>
Total net position	<u>\$ 3,236,110</u>	<u>\$ 2,501,599</u>	<u>\$ 734,511</u>	<u>29%</u>

The Board's net position increased by \$734,511 during FY2017. This increase represents the degree to which licensing and examination fees exceeded operating expenses. Key elements of this increase in net position are as follows:

Condensed Summary of Changes in Net Position

	for the year ended June 30,		Increase/(Decrease)	
	2017	2016	Amount	Percent
Program revenues:				
Charges for services	\$ 2,637,681	\$ 2,399,309	\$ 238,372	10%
General revenues:				
Monetary penalties	194,654	271,127	(76,473)	-28%
Total revenues	<u>2,832,335</u>	<u>2,670,436</u>	<u>161,899</u>	<u>6%</u>
Licensing and enforcement expenses	<u>1,893,389</u>	<u>1,703,801</u>	<u>189,588</u>	<u>11%</u>
Increase (decrease) in net position before transfers	938,946	966,635	(27,689)	-3%
Transfers/(net)	<u>(204,435)</u>	<u>(275,937)</u>	<u>71,502</u>	<u>-26%</u>
Increase in net position:	734,511	690,698	43,813	6%
Net position - July 1	<u>2,501,599</u>	<u>1,810,901</u>	<u>690,698</u>	<u>38%</u>
Net position - June 30	<u><u>\$ 3,236,110</u></u>	<u><u>\$ 2,501,599</u></u>	<u><u>\$ 734,511</u></u>	<u><u>29%</u></u>

Financial Analysis of the Entity’s Special Revenue Funds

As noted earlier, the Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Board’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board’s financing requirements and fee structure. In particular, unrestricted fund balances may serve as a useful measure of the Board’s net resources available for spending at the end of the fiscal year.

Program Revenues and Expenditures

At the end of FY2017, the Board’s special revenue funds reported combined ending fund balances of \$4,101,833. The committed portion of the ending fund balances is \$4,099,182, meaning it is available for spending at the Board’s discretion.

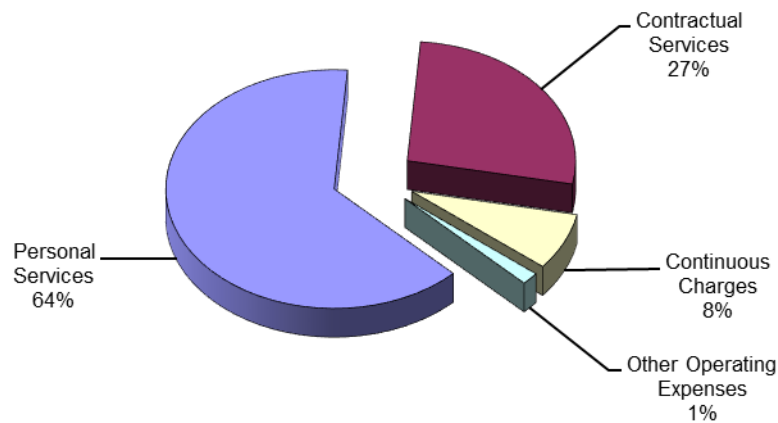
The Operating Fund is the primary operating fund of the Board. At the end of FY2017, the total fund balance of the Operating Fund was \$424,231. Per Board Policy #1 – Trust Account, it is the policy of the Board to maintain funds equal to three months of the operating budget in the Operating Fund. Funds exceeding this amount are transferred to the Trust Account on at least a quarterly basis. During FY 2017 the Board transferred \$840,930 from the Operating Fund into the Trust Account.

The total fund balance of the Board increased by \$843,322 during FY2017. Key factors affecting the change in fund balance are as follows:

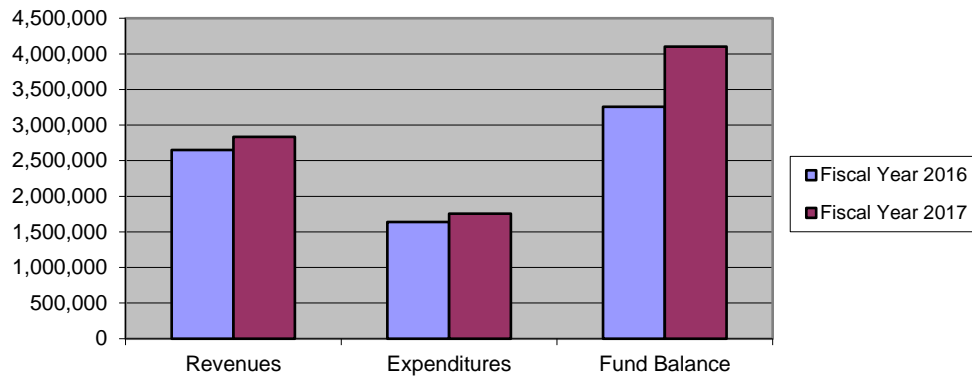
- Revenues exceeded expenditures by \$1,076,201 in FY2017.
 - Revenues from licensing and examination fees increased by \$224,010, 9% over the previous year. This is largely attributable to the \$222,250 increase in renewal fee revenue received during FY 2017. Renewal fees include late fees for licensees in the Active – Renewal Fee Delinquent status. In FY2017, the Board had a higher than average number of licensees in the Active – Renewal Fee Delinquent status that paid the respective renewal fee and late fee. The Board collected \$422,500 in late fees during FY 2017 compared to \$265,400 in FY 2016.
- Total expenditures increased by \$119,554 (7%) over the previous year. There was an increase of \$123,170 (12%) in personal services primarily related to salary and health insurance premium expenses during FY 2017. The Board filled two new full time Enforcement positions during the fiscal year and experienced costs related to the retirement of the Deputy Director in FY 2017.

At the end of FY2017, the total fund balance of the Trust Account was \$3,677,602. During FY2017, the Board transferred a net total of \$840,930 from the Operating Fund into the Trust Account.

Expenditures by Type



Revenues, Expenditures, and Fund Balances Operating and Trust Account Funds Combined



Operating Fund Budgetary Highlights

The Board adopts an annual operating budget for its Operating Fund. The Board's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly plus any pending budget execution transactions and amendments. The Board budgeted total expenditures of \$2,414,828. During the year, revenues were more than budgetary estimates due to the increases license renewals, re-exam applications, and the revenue received from interest earnings. Actual expenditures were less than budgetary estimates.

Capital Assets

The Board's net investment in capital assets at June 30, 2017, amounts to \$99,301 (net of accumulated depreciation). This amount consists of software costs for the Board's computerized licensing system, capitalized leasehold improvements and modular office furniture systems. Additional information on the Board's capital assets can be found in Note 5 on page 19 of this report.

Economic Factors and Next Year's Budget and Rates

The Board's major source of revenue is licensing and examination fees. The Board experienced a slight increase in the number of licensed individuals (1.4%) combined with a slight increase in the number of licensed firms (.86%) in the FY2017. The number of first time exam candidates applying to sit for the CPA exam decreased (15%) in FY2017; however, FY2016 was an anomaly due to the anticipated changes to the CPA exam. Revenue from licensing and examination fees increased by \$224,010 primarily related to the collection of renewal fees and late fees paid by licensees in the Active – Renewal Fee Delinquent status.

CPA License Holders

	<u>At June 30, 2017</u>	<u>At June 30, 2016</u>
Individuals	27,711	27,322
Firms	<u>1,167</u>	<u>1,157</u>
Total	<u>28,878</u>	<u>28,479</u>

On-going expenditures are increasing, primarily in the areas of personal services, information technology, legal services and fiscal services. The Board is also planning on significant costs beginning in FY2018 related to the purchase of a new licensing database system. All of these factors were considered in preparing the Board's budget for the fiscal year ending June 30, 2018.

FINANCIAL STATEMENTS

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VIRGINIA BOARD OF ACCOUNTANCY
STATEMENT OF NET POSITION
As of June 30, 2017
With Comparative Figures for 2016

	Governmental Activities	
	2017	2016
Assets:		
Cash held by the Treasurer of Virginia (Note 3)	\$ 4,208,252	\$ 3,350,045
Accounts receivable (Note 4)	18,489	33,035
Prepaid items (Note 1E)	2,651	3,511
Capital assets, net of accumulated depreciation (Note 5)	<u>99,301</u>	<u>141,934</u>
Total Assets	<u>4,328,693</u>	<u>3,528,525</u>
Deferred Outflow of Resources:		
Deferred outflows related to pension (Note 9)	<u>300,965</u>	<u>246,505</u>
Total Deferred Outflows	<u>300,965</u>	<u>246,505</u>
Liabilities:		
Accounts payable	33,016	36,788
Accrued salaries payable	76,054	59,069
Due to the State Literary Fund (Note 4)	18,489	31,134
Long-term liabilities due within one year		
Compensated absences payable (Note 6)	31,229	38,519
Long-term liabilities due in more than one year		
Compensated absences payable (Note 6)	44,760	11,921
Net Pension Liability (Note 9)	<u>1,159,000</u>	<u>1,022,000</u>
Total Liabilities	<u>1,362,548</u>	<u>1,199,431</u>
Deferred Inflows of Resources:		
Deferred inflows related to pension (Note 9)	<u>31,000</u>	<u>74,000</u>
Total Deferred Inflows	<u>31,000</u>	<u>74,000</u>
Net Position:		
Net investment in capital assets (Note 5)	99,301	141,934
Unrestricted	<u>3,136,809</u>	<u>2,359,665</u>
Total Net Position	<u>\$ 3,236,110</u>	<u>\$ 2,501,599</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

VIRGINIA BOARD OF ACCOUNTANCY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017
With Comparative Figures for 2016

	Governmental Activities		
	2017	2016	
	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	
<u>Functions/programs:</u>			
Governmental activities			
Licensing, examination and enforcement functions	\$ 1,893,389	\$ 2,637,681	\$ 744,292
General revenues:			
Monetary penalties			194,654
Transfers:			
Transfers to the State General Fund			(9,781)
Transfers to the State Literary Fund			(194,654)
Total general revenues and transfers			(9,781)
Changes in net position			734,511
Net position - beginning of year			2,501,599
Net position, June 30			\$ 3,236,110
			\$ 2,501,599

The accompanying Notes to Financial Statements are an integral part of this statement.

VIRGINIA BOARD OF ACCOUNTANCY
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2017
With Comparative Figures for 2016

	Special Revenue Funds			
	Operating Fund	Trust Account	Total	
			2017	2016
Assets:				
Cash held by the Treasurer of Virginia (Note 3)	\$ 530,650	\$ 3,677,602	\$ 4,208,252	\$ 3,350,045
Accounts receivable (Note 4)	18,489	-	18,489	33,035
Prepaid items (Note 1E)	2,651	-	2,651	3,511
Total assets	\$ 551,790	\$ 3,677,602	\$ 4,229,392	\$ 3,386,591
Liabilities, deferred inflows of resources and fund balance:				
Liabilities:				
Accounts payable	33,016	-	33,016	36,788
Accrued salaries payable	76,054	-	76,054	59,069
Due to the State Literary Fund	17,933	-	17,933	13,093
Total liabilities	127,003	-	127,003	108,950
Deferred Inflows of Resources:				
Revenue not currently available	556	-	556	19,130
Total deferred inflows of resources	556	-	556	19,130
Fund balance:				
Nonspendable:				
Prepaid insurance/other	2,651	-	2,651	3,511
Committed for:				
Board operations	421,580	3,677,602	4,099,182	3,255,000
Total fund balance	424,231	3,677,602	4,101,833	3,258,511
Total liabilities, deferred inflows of resources and fund balance	\$ 551,790	\$ 3,677,602	\$ 4,229,392	\$ 3,386,591

The accompanying Notes to Financial Statements are an integral part of this statement.

VIRGINIA BOARD OF ACCOUNTANCY
BALANCE SHEET, continued
GOVERNMENTAL FUNDS
As of June 30, 2017
With Comparative Figures for 2016

	Special Revenue Funds	
	2017	2016
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balance (per page 10)	\$ 4,101,833	\$ 3,258,511
Revenue not currently available - not due to the State Literary Fund.	-	1,089
Capital assets reported for governmental activities are not financial resources and, therefore, are not reported in the funds. (Note 5)	99,301	141,934
Long-term liability for compensated absences and net pension liability are not due and payable in the current period and therefore are not reported in the funds. (Note 6) and (Note 9)	(44,760) (31,229) (1,159,000)	(11,921) (38,519) (1,022,000)
Deferred inflows and outflows related to pension activity are not required to be reported in the funds but are required to be reported at the government-wide level. (Note 9)		
Deferred outflow - Employer contributions made subsequent to measurement date.	99,965	97,505
Deferred outflow - Changes in proportion and differences between employer contributions and proportionate share of contributions.	122,000	142,000
Deferred outflow - Net difference between projected and actual earnings on pension plan investments.	74,000	-
Deferred outflow - Difference between expected and actual experience.	5,000	7,000
Deferred inflow - Net difference between projected and actual earnings on pension plan investments.	(31,000)	(74,000)
Net position of governmental activities (page 8)	<u>\$ 3,236,110</u>	<u>\$ 2,501,599</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

VIRGINIA BOARD OF ACCOUNTANCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017
With Comparative Figures for 2016

	Special Revenue Funds			
	Operating Fund	Trust Account	Total	
			2017	2016
Revenues:				
Licensing and examination fees	\$ 2,603,320	\$ -	\$ 2,603,320	\$ 2,379,310
Interest income	6,679	28,771	35,450	19,409
Monetary penalties	194,098	-	194,098	253,086
Total revenues	2,804,097	28,771	2,832,868	2,651,805
Expenditures:				
Licensing, examination and enforcement functions:				
Personal services	1,120,127	-	1,120,127	996,957
Contractual services	472,000	-	472,000	484,095
Supplies and materials	15,920	-	15,920	14,635
Transfer payments	1,273	-	1,273	717
Continuous charges	135,318	-	135,318	116,166
Equipment purchases	12,029	-	12,029	24,543
Total expenditures	1,756,667	-	1,756,667	1,637,113
Excess of revenues over expenditures	1,047,430	28,771	1,076,201	1,014,692
Other financing sources/(uses):				
Transfers to/from other funds (Note 7)	(840,930)	840,930	-	-
Transfers to the State General Fund	(38,781)	-	(38,781)	(4,810)
Transfers to the State Literary Fund	(194,098)	-	(194,098)	(253,086)
Total other financing sources and uses	(1,073,809)	840,930	(232,879)	(257,896)
Net change in fund balance	(26,379)	869,701	843,322	756,796
Fund balance, July 1	450,610	2,807,901	3,258,511	2,501,715
Fund balance, June 30	<u>\$ 424,231</u>	<u>\$ 3,677,602</u>	<u>\$ 4,101,833</u>	<u>\$ 3,258,511</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

VIRGINIA BOARD OF ACCOUNTANCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, continued
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017
With Comparative Figures for 2016

	Special Revenue Funds	
	Total	
	2017	2016
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balance (page 12)	\$ 843,322	\$ 756,796
Governmental funds report revenue when they are collected within sixty days of the end of the current fiscal year. However, in the Statement of Activities revenues are recorded when earned. This is the amount of revenue not currently available that is not due to the State Literary Fund less prior year revenue not currently available that is not due to the State Literary Fund.	(1,089)	590
Governmental funds report equipment purchases as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of equipment purchases less depreciation expense in the current period.	(42,633)	(34,276)
The expense associated with compensated absences reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	(25,549)	6,544
Deferred inflows and outflows related to pension activity are not required to be reported in the funds but are required to be reported at the government-wide level.		
Change in deferred outflow - Employer contributions made subsequent to measurement date.	2,460	18,044
Change in deferred outflow - Changes in proportion and differences between employer contributions proportionate share of contributions.	(20,000)	43,000
Change in deferred outflow - Net difference between projected and actual earnings on pension plan.	74,000	-
Change in deferred outflow - Differences between expected and actual experience.	(2,000)	7,000
Change in deferred inflow - Net difference between projected and actual earnings on pension plan.	43,000	76,000
Change in net pension liability.	<u>(137,000)</u>	<u>(183,000)</u>
Changes in net position of governmental activities (page 9)	<u>\$ 734,511</u>	<u>\$ 690,698</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

VIRGINIA BOARD OF ACCOUNTANCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
PREPARED ON THE BUDGETARY (CASH BASIS) OF ACCOUNTING
SPECIAL REVENUE FUND
For the Year Ended June 30, 2017
With Comparative Figures for 2016

	Operating Fund				
	2017			2016	
	Original Budget	Final Budget	Actual Amounts	Final Budget/ Actual Variance Positive/ (Negative)	Actual Amounts
Revenues:					
Licensing and examination fees	\$ 2,229,394	\$2,229,394	\$ 2,604,132	\$ 374,738	\$2,378,598
Interest income	-	-	6,679	6,679	3,710
Monetary penalties	219,947	219,947	189,258	(30,689)	245,802
Total revenues	2,449,341	2,449,341	2,800,069	350,728	2,628,110
Expenditures:					
Licensing, examination and enforcement functions:					
Personal services	1,103,537	1,103,537	1,103,142	395	999,185
Contractual services	1,133,711	1,133,711	459,835	673,876	487,145
Supplies and materials	13,350	13,350	15,920	(2,570)	14,635
Transfer payments	1,000	1,000	1,273	(273)	717
Continuous charges	135,980	135,980	135,308	672	116,287
Equipment purchases	27,250	27,250	12,029	15,221	24,543
Total expenditures	2,414,828	2,414,828	1,727,507	687,321	1,642,512
Excess of revenues over expenditures	34,513	34,513	1,072,562	1,038,049	985,598
Other financing sources/(uses):					
Transfers from/(to) other funds (Note 7)	-	(840,930)	(840,930)	-	(717,393)
Transfers to the State General Fund	(38,781)	(38,781)	(38,781)	-	(4,810)
Transfers to the State Literary Fund	(219,947)	(219,947)	(189,258)	30,689	(245,802)
Total other financing sources and uses	(258,728)	(1,099,658)	(1,068,969)	30,689	(968,005)
Net change in fund balance	(224,215)	(1,065,145)	3,593	1,068,738	17,593
Fund balance, July 1	507,753	507,753	507,753	-	490,160
Fund balance, June 30	\$ 283,538	\$ (557,392)	\$ 511,346	\$ 1,068,738	\$ 507,753

The accompanying Notes to Financial Statements are an integral part of this statement.

VIRGINIA BOARD OF ACCOUNTANCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, continued
PREPARED ON THE BUDGETARY (CASH BASIS) OF ACCOUNTING
SPECIAL REVENUE FUND
For the Year Ended June 30, 2017
With Comparative Figures for 2016

This statement presents comparisons of the legally adopted budget prepared on the cash basis of accounting with actual data prepared on the cash basis. Actual amounts reported on the modified accrual basis of accounting are different because:

	Operating Fund	
	2017	2016
	Actual Amounts	Actual Amounts
Net change in fund balance (page 14)	\$ 3,593	\$ 17,593
Accrued revenues on modified accrual basis	4,028	7,996
Accrued expenditures on modified accrual basis	(29,160)	5,399
Accrued transfers on modified accrual basis	<u>(4,840)</u>	<u>(7,284)</u>
Change in fund balance on modified accrual basis (page 12)	<u>\$ (26,379)</u>	<u>\$ 23,704</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

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THE VIRGINIA BOARD OF ACCOUNTANCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board regulates the practice of accounting in Virginia, protecting and serving the citizens of the Commonwealth by administering the laws and regulations for their financial health, safety, and welfare. The Board's major activities include reviewing and approving applications to ensure applicants are competent to enter the public accounting profession; determining continued qualifications for licensure; conducting audits of continuing professional education; and adjudicating enforcement cases and disciplining those who do not follow acceptable, ethical, or professional standards.

A separate report is prepared for the Commonwealth, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Board is an agency of the Commonwealth and is included in the Commonwealth's Comprehensive Annual Financial Report.

B. Fund Accounting

The activities of the Board are accounted for in its special revenue funds. Special revenue funds account for transactions related to resources received and used for committed or specific purposes.

The Board has two special revenue funds. The Operating Fund is the Board's primary operating fund. It accounts for all financial resources of the Board, except those resources held in the Trust Account. The Trust Account is to be used for the study, research, investigation, and adjudication of matters involving possible violations of statutes or regulations relating to the profession of public accounting, or for any other purpose the Board determines is relevant to its statutory purposes and cannot otherwise be funded through its Operating Fund. Both funds are considered major funds of the Board.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Entity-Wide Financial Statements – The entity-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the Board's financial activities. For the most part, the effect of interfund activity has been removed from these statements. The Statement of Activities demonstrates the degree to which direct expenses are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues consist of charges to exam applicants and regulants. Other revenues not included among program revenues are reported instead as general revenues.

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund Financial Statements – The financial statements also include separate fund financial statements. The Operating Fund and Trust Account are reported in separate columns in the fund financial statements. The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

D. Fund Balance

With the implementation of GASB No. 54, the fund balance classifications are reported as Non-spendable, Restricted, Committed, Assigned, and Unassigned. The Non-spendable fund balance includes amounts that cannot be spent because they are either a) not in spendable form or b) legally required to be maintained intact such as the corpus of a permanent fund. The Committed fund balance includes amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority through enabling legislation. The highest level of decision authority for the Commonwealth is the General Assembly and the Governor.

E. Prepaid Items

Prepaid assets for rent, insurance, and similar items are recognized when purchased and expensed when used.

F. Summarized Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Board's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

G. Deferred Inflows and Outflows of Resources

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period. The deferred outflows of resources have a positive effect on net position similar to assets.

Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period. The deferred inflows of resources have a negative effect on net position similar to liabilities.

H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Retirement Plan and the additions to/deductions from the VRS State Employee Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. BUDGETARY INFORMATION

The Board adopts an annual operating budget for its Operating Fund. The Board's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. Unexpended appropriations at the end of the fiscal year generally lapse. However, they may be reappropriated for expenditure in the following fiscal year. The Governor, as required by the Code of Virginia, submits a budget composed of all proposed expenditures for the state, and of estimated revenues and borrowing for a biennium, to the General Assembly.

The budget is prepared on a biennial basis; however, the budget contains separate appropriations for each year within the biennial budget, as approved by the General Assembly, and signed into law by the Governor. For management control purposes, the budget is controlled at the program level.

Appropriations of special revenue funds may allow expenditures in excess of the original appropriations to the extent that revenues of the funds exceed original budget estimates and such additional expenditures are approved by the Governor through supplemental appropriations.

3. CASH WITH THE TREASURER OF VIRGINIA

All state funds of the Board are held by the Treasurer of Virginia, pursuant to Section 2.2-1800, Code of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Each fund's equity in pooled state funds is reported as "Cash Held by the Treasurer of Virginia" and is not categorized as to credit risk.

4. RECEIVABLES AND DUE TO THE STATE LITERARY FUND

The Board levies and collects penalties and administrative fees from regulants and non-regulants found guilty of violating the Board's statutes or regulations. The proceeds from penalties are deposited into the state's Literary Fund in accordance with Section 19.2-353, Code of Virginia. The proceeds from administrative fees are deposited into the Board's Operating Fund. Consequently, receivables are partially offset by a corresponding amount Due to the State Literary Fund and are not available to meet the Board's current operating needs. At June 30, 2017, the amount Due to the State Literary Fund for collections on monetary penalties was \$18,489.

	<u>June 30, 2017</u>
Gross receivables	\$ 25,441
Less: allowance for doubtful	<u>(6,952)</u>
Net Receivables	<u>\$ 18,489</u>

5. CAPITAL ASSETS

The following presents capital activity for the year ended June 30, 2017:

	Balance at June 30, 2016	Acquired	Deleted	Balance at June 30, 2017
Software	\$ 183,388	\$ -	\$ -	\$ 183,388
Tenant improvements	101,534	-	-	101,534
Equipment	72,260	-	-	72,260
	<u>357,182</u>	<u>-</u>	<u>-</u>	<u>357,182</u>
Total depreciable assets	357,182	-	-	357,182
Less accumulated depreciation	<u>(215,248)</u>	<u>(42,633)</u>	<u>-</u>	<u>(257,881)</u>
Capital assets, net	<u>\$ 141,934</u>	<u>\$ (42,633)</u>	<u>\$ -</u>	<u>\$ 99,301</u>

The Board capitalizes all software and equipment with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. This includes capitalizing personal service costs and vendor payments associated with developing its licensing software for internal use.

Capital assets are reported at historical cost less accumulated depreciation. Depreciation of software and equipment costs is expensed on a straight-line basis over their estimated useful life of ten years. Depreciation of tenant improvement costs is expensed on a straight-line basis over the ten year life of the lease agreement.

6. COMPENSATED ABSENCES

Compensated absences reflected in the Statement of Net Position represent the amounts of vacation, sick, and compensatory leave earned by the Board's employees but not taken at June 30, 2017. The amount reflects all earned vacation, sick, and compensatory leave payable under the Commonwealth's leave payout policies. Information on the Commonwealth's leave payout policies is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report.

Balance at June 30, 2016	Increases	Decreases	Balance at June 30, 2017
<u>\$50,440</u>	<u>\$63,510</u>	<u>(\$37,961)</u>	\$75,989
		Due within one year	<u>(31,229)</u>
		Due in more than one year	<u>\$44,760</u>

7. TRANSFERS TO AND FROM THE TRUST ACCOUNT

In accordance with § 54.1-4405.1 of the Code of Virginia, a special nonreverting fund known as the Board of Accountancy Trust Account (the Trust Account) was created. The purpose of the Trust Account is to provide a supplemental source of funds to the Board on a timely basis for its use in the study, research, investigation or adjudication of matters involving possible violations of the statutes or regulations pertaining to the profession of public accounting or for any other purpose that the Board determines is germane to its statutory purposes and cannot otherwise be funded through the Operating Fund. During FY 2017 the Board transferred a total of \$840,930 into the Trust Account, creating a cash balance on June 30, 2017 of \$3,677,602.

8. LEASE COMMITMENTS

On August 2, 2007, the Board moved its offices to the Perimeter Center Building at 9960 Mayland Drive, Henrico, VA 23233. The move brought the Board together with five other state agencies to facilitate the use of shared space and services. On August 29, 2007, the Board entered into a ten-year operating lease for the new space. The Perimeter Center Building was sold to a new owner in May of 2014. Effective April 1, 2015, the term of the lease was extended to January 31, 2025 which included a rent reduction and improvements which included an office space expansion for the Board in FY 2015. The rent reduction and increased costs related to the expansion are included in the future obligations listed below.

A summary of future obligations under the Board's lease agreement as of June 30, 2017, follows:

<u>Year Ending June 30,</u>	<u>Amount</u>	
2018	\$ 90,982	
2019	93,416	
2020	95,918	
2021	98,488	
2022	101,128	
2023	103,842	
2024	106,630	
2025	<u>63,445</u>	(Lease expires on 1/31/2025)
	<u>\$ 753,849</u>	

9. DEFINED BENEFIT PENSION PLAN

The Board contributes to the Virginia Retirement System (VRS), an agent, multiple-employer defined benefit pension plan administered by the VRS.

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior

service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out below:

VRS PLAN 1

About VRS Plan 1

VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Eligible Members

Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service

Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

Calculating the Benefit

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.

Normal Retirement Age

Age 65.

Earliest Unreduced Retirement Eligibility

Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Earliest Reduced Retirement Eligibility

Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS PLAN 2

About VRS Plan 2

VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Eligible Members

Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

Retirement Contributions

State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.

Creditable Service

Same as VRS Plan 1.

Vesting

Same as VRS Plan 1.

Calculating the Benefit

See definition under VRS Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Normal Retirement Age

Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility

Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Earliest Reduced Retirement Eligibility

Age 60 with at least five years (60 months) of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility

Same as VRS Plan 1

Exceptions to COLA Effective Dates

Same as VRS Plan 1

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Same as VRS Plan 1.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)

- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014

***Non-Eligible Members**

Some employees are not eligible to participate in the Hybrid Retirement Plan.

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

Retirement Contributions

A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make

voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service

Defined Benefit Component:

Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component:

Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Calculating the Benefit

Defined Benefit Component:

See definition under VRS Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Defined Contribution Component:

Not applicable.

Normal Retirement Age

Defined Benefit Component:

Same as VRS Plan 2.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as VRS Plan 2.

Defined Contribution Component:

Not applicable.

Eligibility

Same as VRS Plan 1 and VRS Plan 2.

Exceptions to COLA Effective Dates

Same as VRS Plan 1 and VRS Plan 2.

Disability Coverage

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component:

Same as VRS Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.
- The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After than one-year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component:

Not applicable.

Contributions

The contributions requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, the 5.00% member contribution was paid by the employer. Beginning July 1, 2012, state employees were required to pay the 5.00% member contribution and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required contribution rate for the year ended June 30, 2017, was 13.49% of covered employee compensation for employees in the VRS State Employee Retirement Plan. This rate was based on an actuarially determined rate from an actuarial

valuation as of June 30, 2015. The contribution rate for the VRS State Employee Retirement Plan also reflects the transfer in June 2016 of \$162,406,273 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Board to the VRS State Employee Retirement Plan were \$99,965 and \$97,505 for the years ended June 30, 2017, and June 30, 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Board reported a liability of \$1,159,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Board’s proportion of the Net Pension Liability was based on the Board’s actuarially determined employer contributions to the pension plan for the year ended June 30, 2016, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the Board’s proportion of the VRS State Employee Retirement Plan was 0.01759% as compared to 0.01669% at June 30, 2015.

For the year ended June 30, 2017, the Board recognized pension expense of \$171,000 for the VRS State Employee Retirement Plan. Since there was a change in proportionate share between June 30, 2015, and June 30, 2016, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,000	\$ 31,000
Net difference between projected and actual investment earnings on pension plan investments	74,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	122,000	-
Employer contributions made subsequent to measurement date	99,965	-
	<u>\$ 300,965</u>	<u>\$ 31,000</u>

\$99,965 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 64,000
2019	\$ 28,000
2020	\$ 47,000
2021	\$ 31,000
2022	\$ -

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 2 years and females were set back 3 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with females set back 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2016, NPL amounts for the VRS State Employee Retirement Plan are as follows (amounts expressed in thousands):

Total Pension Liability	\$	22,958,593
Plan Fiduciary Net Position		16,367,842
Employers’ Net Pension Liability	\$	6,590,751
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		71.29%

The total pension liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System’s notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
	*Expected arithmetic nominal return		8.33%

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the state agency for the VRS State Employee Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the State Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the state agency's proportionate share of the VRS State Employee Retirement Plan net pension liability calculated using the discount rate of 7.00%, as well as what the state agency's proportionate share of the net position liability would be if it were calculated using a stated discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Board's proportionate share of the VRS State Employee Retirement Plan net pension liability	\$1,632,000	\$1,159,000	\$763,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

10. OTHER POST RETIREMENT BENEFITS

The Virginia Retirement System administers life insurance and health related plans for retired employees. Information related to these plans is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR).

11. RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Board participates in insurance plans maintained by the Commonwealth. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, faithful performance of duty bond, and automobile plans. The Board pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

Virginia Board of Accountancy
Schedule of Employer's Share of Net Pension Liability
VRS State Employee Retirement Plan

Year Ended June 30,*	2017	2016	2015
Employer's proportion of the net pension liability	0.01759%	0.01669%	0.01498%
Employer's proportionate share of the net pension liability	\$1,159,000	\$1,022,000	\$839,000
Employer's covered payroll	\$695,362	\$644,621	\$578,909
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	166.68%	158.54%	144.93%
Plan fiduciary net position as a percentage of the total pension liability	71.29%	72.81%	74.28%

Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only two additional years of data is available. However, additional years will be included as they become available.

*The amounts presented have a measurement date as of the previous fiscal year end.

Virginia Board of Accountancy
Schedule of Employer Contributions
VRS State Employee Retirement Plan

Year Ended June 30,	2017	2016	2015
Contractually required contribution	\$ 99,965	\$ 97,505	\$ 79,482
Contributions in relation to the contractually required contribution	99,965	97,505	79,461
Contribution deficiency (excess)	\$ -	\$ -	\$ 21
Employer's covered payroll	\$ 692,185	\$ 695,362	\$ 644,621
Contributions as a percentage covered payroll	14.44%	14.02%	12.33%

Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only two additional years of data is available. However, additional years will be included as they become available.

Virginia Board of Accountancy

Notes to Required Supplementary Information

Year Ended June 30, 2017

Changes of benefit terms

There have been no actuarial material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Changes of assumptions

The following changes in actuarial assumptions were made for the VRS - State Employee Retirement Plan effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year

VIRGINIA BOARD OF ACCOUNTANCY

BOARD MEMBERSHIP

As of June 30, 2017

The Board is comprised of five Certified Public Accountants who hold Virginia licenses, one educator in the field of accountancy who holds a Virginia license, and one public member. The Governor appoints each member to a term of four years and no member may serve more than two consecutive terms.

James M. "Jim" Holland, CPA
Chair

Matthew P. Boshier, Esq.
Vice Chair

D. Brian Carson, CPA.	Susan Quaintance Ferguson, CPA
Andrea M. Kilmer, CPA, CFF, CGMA	Stephanie S. Saunders, CPA
Laurie A. Warwick, CPA	