

**THE VIRGINIA BOARD
OF
ACCOUNTANCY**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2009**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Virginia Board of Accountancy for the year ended June 30, 2009, found:

- the financial statements are presented fairly, in all material respects;
- no internal control matters that we consider to be material weaknesses; and
- no instances of noncompliance with material laws and regulations or other matters that are required to be reported.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

As management of the Virginia Board of Accountancy (Board), we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal year ended June 30, 2009.

Financial Highlights

The assets of the Board exceeded its liabilities at the close of the most recent fiscal year by \$775,595 (net assets), a decrease of \$178,885 in comparison with the prior year. Of this amount, \$585,905 represents unrestricted net assets, which may be used to meet the Board's ongoing obligations to citizens and creditors.

At the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$603,040, a decrease of \$230,182 in comparison with the prior year. The entire balance is unreserved and is available for spending at the Board's discretion.

At the close of the current fiscal year, the unreserved fund balance for the Board's Operating Fund was \$191,773, or 17 percent of total operating expenditures. The Board also has a Special Enforcement Fund 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. At the close of the current fiscal year, the Special Enforcement Fund reported an ending fund balance of \$411,267.

The Board's payroll and other operating expenses exceeded its license fees and interest income for the third year in a row creating a revenue shortfall. Since becoming an independent agency on July 1, 2001, the Board has actively worked to minimize costs through the creation of operating efficiencies and increased automation. However, the costs of inflation and recent shifts in expenditure patterns have outpaced the Board's ability to control costs solely through operating efficiencies, making a fee increase necessary.

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 Assets presents information on all of the Board's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The Statement of Activities presents information showing how the Board's net assets changed during the most recent fiscal year. All changes in net assets 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 (i.e., 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 governments, 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'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 Fund Balance Sheet and the Governmental Fund 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, both of which are special revenue funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund 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 12 of this report.

Entity-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets exceeded liabilities by \$775,595 at the close of the most recent fiscal year.

By far the largest portion of the Board's net assets (76 percent) is unrestricted, meaning they may be used to meet the Board's ongoing obligations to citizens and creditors. The remaining 24 percent of the Board's net assets reflects its investment in capital assets. The Board uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Net Assets

	2009	2008
Current assets	\$672,680	\$ 936,859
Capital assets	189,690	134,256
Total assets	862,370	1,071,115
Current liabilities	69,640	103,637
Long-term liabilities	17,135	12,998
Total liabilities	86,775	116,635
Net assets:		
Invested in capital asset:	189,690	134,256
Unrestricted	585,905	820,224
Total net assets	\$775,595	\$ 954,480

At the end of the current year, the Board is able to report a positive balance in both categories of net assets. The same situation held true for the prior fiscal year.

The Board's net assets decreased by \$178,885 during the current fiscal year. This decrease represents the degree to which payroll and other operating expenses exceeded license fees and interest income. Key elements of this change are as follows:

Changes in Net Assets

	2009	2008
Program revenues:		
Charges for services	\$ 879,612	\$ 796,714
General revenues:		
Interest income	22,499	50,370
Miscellaneous revenue	500	=
Monetary penalties	48,558	152,120
Total revenues	951,169	999,204
Licensing and enforcement expenses	1,069,776	1,125,006
Increase (decrease) in net assets before transfers	(118,607)	(125,802)
Transfers/(net)	(60,278)	(161,220)
Increase (decrease) in net assets:	(178,885)	(287,022)
Net assets – July 1	954,480	1,241,502
Net assets – June 30	\$ 775,595	\$ 954,480

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, unreserved 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 the current fiscal year, the Board's special revenue funds reported combined ending fund balances of \$603,040. This entire amount is unreserved, meaning it is available for spending at the Board's discretion.

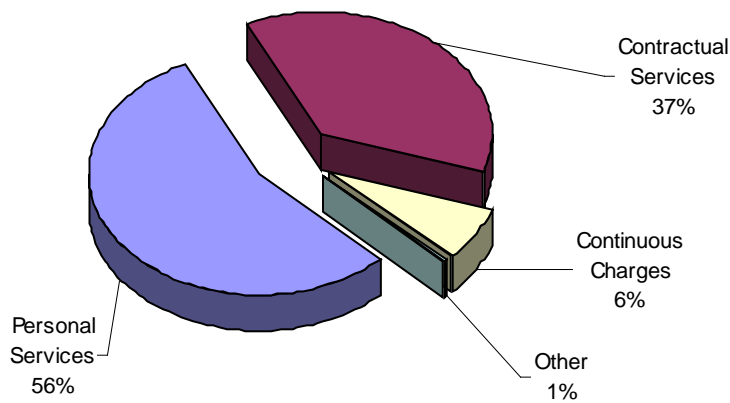
The Operating Fund is the chief operating fund of the Board. At the end of the current fiscal year, the unreserved fund balance of the Operating Fund was \$191,773. As a measure of the Operating Fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. The fund balance represents 17 percent of total expenditures.

The fund balance of the Board's Operating Fund increased by \$151,387 during the current fiscal year. Key factors affecting the change in fund balance are as follows:

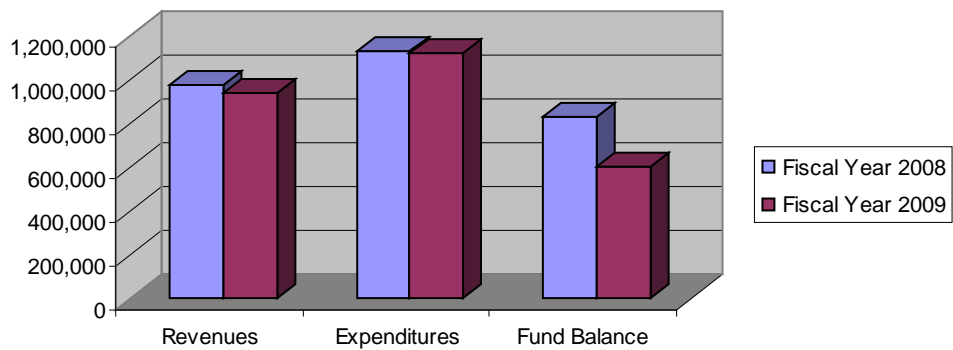
- The Board transferred \$400,000 from the Special Enforcement Fund to the Operating Fund during the year to provide needed cash for ongoing expenditures.
- Revenues from licenses and permits increased by \$82,898 during the year, primarily due to an increase in the number of examination applications.
- Contractual service payments for software development increased by \$158,200 during the year. Last fiscal year the Board contracted with an outside vendor for the development of a new automated licensing system. The new system was implemented in February 2009.
- Other licensing and enforcement expenses decreased by \$166,866 during the year. The decrease resulted from position vacancy savings, decreased equipment purchases now that the Perimeter Center office space is fully outfitted, and a decision to decrease discretionary spending to assist the Board in balancing its cash flows.

The Special Enforcement Fund has a total fund balance of \$411,267, all of which is unreserved. Interest income remains in the fund, helping to increase the fund balance. During the year the Board transferred \$400,000 from the Special Enforcement Fund to the Operating Fund to provide needed cash for ongoing expenditures. Consequently, the fund balance of the Board's Special Enforcement Fund decreased by \$381,569 during the current fiscal year.

Expenditures by Type



Revenues, Expenditures, and Fund Balances



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. Differences between the original budget and the final amended budget totaled \$210,700. The budgetary increase can be summarized as follows:

- \$170,700 increase in contractual services to fund the Board’s new automated licensing system.
- \$30,000 increase in contractual services to fund payments to an outside consultant used to conduct state-mandated ARMICS test work.
- \$10,000 increase in contractual services to fund increased information technology support and maintenance costs.

Capital Assets

The Board's investment in capital assets at June 30, 2009, amounts to \$189,690 (net of accumulated depreciation). This amount consists of software costs for the Board's computerized licensing system and capitalized leasehold improvements. Additional information on the Board's capital assets can be found in Note 5 on page 18 of this report.

Economic Factors and Next Year's Budget and Rates

The Board's major source of revenue is licensing and exam fees. Key factors affecting the Board's revenues are as follows:

- The 2007 Acts of Assembly included language to facilitate mobility between the states and the Board has many CPA licensees with out-of-state addresses. The Board experienced a slight decline in the number of licensed CPAs in fiscal year 2009. It is likely that this decline will continue in the coming year as out-of-state CPAs become fully aware of the mobility provisions and discontinue renewal of their Virginia licenses.
- The Board experienced a large decrease in the number of licensed firms over the last two years as a result of statutory changes to firm registry requirements. Now that the two-year firm registration cycle is complete, the number of registered firms and related revenue is expected to stabilize.
- Revenue from examination fees has stabilized over the last two years and is not expected to change significantly in the coming year.

CPA License Holders and Firm Registrations

	<u>At June 30, 2009</u>	<u>At June 30, 2008</u>
Individuals	21,231	22,150
Firms	<u>1,031</u>	<u>1,270</u>
Total	<u>22,262</u>	<u>23,420</u>

The Board's expenditures have exceeded its revenue for the last three years resulting in a revenue shortfall. The Board is actively working to reduce its discretionary spending and expenditures are expected to decrease significantly in the coming fiscal year.

The Board paid \$170,700 to System Automation Corporation during the current fiscal year for the development of a new automated licensing system. System implementation is now complete and these costs will not be repeated in the coming year.

The Board contracted with an outside consultant during the current year to complete state-mandated ARMICS internal control test work. The Board plans on conducting this annual test work internally in future years, causing expenditures to decrease.

Payments to VITA for systems maintenance and payments to the Office of the Attorney General for legal services are expected to increase in the coming year. These payments are non-discretionary and the Board has no ability to affect the amounts billed by these agencies.

All of these factors were considered in preparing the Board's budget for the upcoming fiscal year.

FINANCIAL STATEMENTS

VIRGINIA BOARD OF ACCOUNTANCY
STATEMENT OF NET ASSETS
As of June 30, 2009
With Comparative Figures for 2008

	Governmental Activities	
	2009	2008
Assets:		
Cash held by the Treasurer of Virginia (Note 3)	\$ 651,680	\$ 888,859
Accounts receivable (Note 4)	21,000	48,000
Capital assets, net of accumulated depreciation (Note 5)	<u>189,690</u>	<u>134,256</u>
Total Assets	<u>862,370</u>	<u>1,071,115</u>
Liabilities:		
Accounts payable	20,707	28,703
Accrued salaries payable	27,933	26,934
Due to the State Literary Fund (Note 4)	21,000	48,000
Compensated absences payable (Note 6)	<u>17,135</u>	<u>12,998</u>
Total Liabilities	<u>86,775</u>	<u>116,635</u>
Net Assets:		
Invested in capital assets	189,690	134,256
Unrestricted	<u>585,905</u>	<u>820,224</u>
Total Net Assets	<u>\$ 775,595</u>	<u>\$ 954,480</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, 2009
With Comparative Figures for 2008

	2009		2008	
	Program Revenues	Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services			
	<u>Expenses</u>			
<u>Functions/programs:</u>				
Governmental activities				
Licensing and enforcement functions	<u>\$ 1,069,776</u>	<u>\$ 879,612</u>	<u>\$ (190,164)</u>	<u>\$ (328,292)</u>
General revenues:				
Unrestricted interest income		22,499	50,370	
Miscellaneous revenue		500	-	
Monetary penalties		48,558	152,120	
Transfers:				
Transfers to the State General Fund		(11,720)	(9,100)	
Transfers to the State Literary Fund		(48,558)	(152,120)	
Total general revenues and transfers		<u>11,279</u>	<u>41,270</u>	
Changes in net assets		(178,885)	(287,022)	
Net assets, July 1		<u>954,480</u>	<u>1,241,502</u>	
Net assets, June 30		<u>\$ 775,595</u>	<u>\$ 954,480</u>	

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, 2009
With Comparative Figures for 2008

	Special Revenue Funds			
	Operating Fund	Special Enforcement Fund	Total 2009	Total 2008
Assets:				
Cash held by the Treasurer of Virginia (Note 3)	\$ 240,413	\$ 411,267	\$ 651,680	\$ 888,859
Accounts receivable (Note 4)	21,000	-	21,000	48,000
Total assets	<u>261,413</u>	<u>411,267</u>	<u>672,680</u>	<u>936,859</u>
Liabilities and fund balance:				
Liabilities:				
Accounts payable	\$ 20,707	\$ -	\$ 20,707	\$ 28,703
Accrued salaries payable	27,933	-	27,933	26,934
Due to the State Literary Fund (Note 4)	10,500	-	10,500	28,000
Deferred revenue	10,500	-	10,500	20,000
Total liabilities	<u>69,640</u>	<u>-</u>	<u>69,640</u>	<u>103,637</u>
Fund balance:				
Unreserved	<u>191,773</u>	<u>411,267</u>	<u>603,040</u>	<u>833,222</u>
Total liabilities and fund balance	<u>\$ 261,413</u>	<u>\$ 411,267</u>	<u>\$ 672,680</u>	<u>\$ 936,859</u>
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Total fund balance (per above)			603,040	833,222
Capital assets reported for governmental activities are not financial resources and, therefore, are not reported in the funds.			189,690	134,256
Long-term liability for compensated absences is not due and payable in the current period and therefore is not reported in the funds.			(17,135)	(12,998)
Net assets of governmental activities			<u>\$ 775,595</u>	<u>\$ 954,480</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, 2009
With Comparative Figures for 2008

	Special Revenue Funds			
	Operating Fund	Special Enforcement Fund	Total	Total
			2009	2008
Revenues:				
Licenses and permits	\$ 879,612	\$ -	\$ 879,612	\$ 796,714
Interest income	4,068	18,431	22,499	50,370
Miscellaneous revenue	500	-	500	-
Monetary penalties	<u>38,058</u>	<u>-</u>	<u>38,058</u>	<u>132,120</u>
Total revenues	<u>922,238</u>	<u>18,431</u>	<u>940,669</u>	<u>979,204</u>
Expenditures:				
Licensing and enforcement functions:				
Personal services	618,971	-	618,971	590,740
Contractual services	418,784	-	418,784	390,804
Supplies and materials	2,525	-	2,525	20,454
Transfer payments	-	-	-	5,291
Continuous charges	80,063	-	80,063	82,162
Equipment purchases	<u>730</u>	<u>-</u>	<u>730</u>	<u>40,288</u>
Total expenditures	<u>1,121,073</u>	<u>-</u>	<u>1,121,073</u>	<u>1,129,739</u>
Excess/(deficiency) of revenues over expenditure:	(198,835)	18,431	(180,404)	(150,535)
Other financing sources/(uses):				
Transfers to/from Other Funds	400,000	(400,000)	-	-
Transfers to the State General Fund	(11,720)	-	(11,720)	(9,100)
Transfers to the State Literary Fund	<u>(38,058)</u>	<u>-</u>	<u>(38,058)</u>	<u>(132,120)</u>
Total other financing sources and uses	<u>350,222</u>	<u>(400,000)</u>	<u>(49,778)</u>	<u>(141,220)</u>
Net change in fund balance	151,387	(381,569)	(230,182)	(291,755)
Fund balance, July 1	<u>40,386</u>	<u>792,836</u>	<u>833,222</u>	<u>1,124,977</u>
Fund balance, June 30	<u>\$ 191,773</u>	<u>\$ 411,267</u>	<u>\$ 603,040</u>	<u>\$ 833,222</u>

VIRGINIA BOARD OF ACCOUNTANCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009
With Comparative Figures for 2008

	<u>Special Revenue Funds</u>	
	<u>Total</u>	<u>Total</u>
	<u>2009</u>	<u>2008</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balance	(230,182)	(291,755)
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.	158,433	4,513
The capital asset disposal 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.	(102,999)	-
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.	<u>(4,137)</u>	<u>220</u>
Changes in net assets of governmental activities	<u>\$ (178,885)</u>	<u>\$ (287,022)</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, 2009
With Comparative Figures for 2008

	Operating Fund				2008
	2009		Actual Amounts	Variance with Final Budget - Positive/ (Negative)	
	Original Budget	Final Budget			
Revenues:					
Licenses and permits	\$ 909,281	\$ 909,281	\$ 879,612	\$ (29,669)	\$ 796,714
Interest income	4,000	4,000	4,068	68	5,914
Monetary penalties	-	-	55,558	55,558	140,620
Miscellaneous revenue	-	-	500	500	-
Total revenues	<u>913,281</u>	<u>913,281</u>	<u>939,738</u>	<u>26,457</u>	<u>943,248</u>
Expenditures:					
Licensing and enforcement functions:					
Personal services	667,814	667,814	617,972	49,842	589,630
Contractual services	115,777	326,477	407,828	(81,351)	419,741
Supplies and materials	48,769	48,769	11,515	37,254	13,805
Transfer payments	1,028	1,028	-	1,028	5,291
Continuous charges	63,087	63,087	90,025	(26,938)	72,501
Equipment purchases	<u>21,661</u>	<u>21,661</u>	<u>730</u>	<u>20,931</u>	<u>40,336</u>
Total expenditures	<u>918,136</u>	<u>1,128,836</u>	<u>1,128,070</u>	<u>766</u>	<u>1,141,304</u>
Excess/(deficiency) of revenues over expenditures	(4,855)	(215,555)	(188,332)	27,223	(198,056)
Other financing sources/(uses):					
Transfers from other funds	200,000	400,000	400,000	-	132,000
Transfers to the State General Fund	-	-	(11,720)	(11,720)	(9,100)
Transfers to the State Literary Fund	-	-	(55,558)	(55,558)	(140,620)
Total other financing sources and uses	<u>200,000</u>	<u>400,000</u>	<u>332,722</u>	<u>(67,278)</u>	<u>(17,720)</u>
Net change in fund balance	195,145	184,445	144,390	(40,055)	(215,776)
Fund balance, July 1	<u>96,023</u>	<u>96,023</u>	<u>96,023</u>	<u>-</u>	<u>311,799</u>
Fund balance, June 30	<u>\$ 291,168</u>	<u>\$ 280,468</u>	<u>\$ 240,413</u>	<u>\$ (40,055)</u>	<u>\$ 96,023</u>

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, 2009
With Comparative Figures for 2008

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:

	<u>2009</u>	<u>2008</u>
	Actual	Actual
	<u>Amounts</u>	<u>Amounts</u>
Net change in fund balance	\$ 144,390	\$ (215,776)
Accrued revenues on modified accrual basis	(17,500)	(8,500)
Accrued expenditures on modified accrual basis	6,997	11,565
Accrued transfers on modified accrual basis	<u>17,500</u>	<u>8,500</u>
Change in fund balance on modified accrual basis	<u>\$ 151,387</u>	<u>\$ (204,211)</u>

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

NOTES TO FINANCIAL STATEMENTS

THE VIRGINIA BOARD OF ACCOUNTANCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 health, safety, and welfare. The Board's major activities include reviewing applications to ensure applicants are competent to enter the 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 restricted 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 Special Enforcement Fund. The Special Enforcement Fund accounts for the resources accumulated and payments made for the investigation and adjudication of matters involving possible violations of statutes or regulations pertaining to the profession of public accounting. 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 Assets 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 regulants. Interest income and 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. License fees are recognized as revenue when received.

Governmental Fund Financial Statements – The financial statements also include separate fund financial statements. The Operating Fund and Special Enforcement Fund 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. 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, 2008, from which the summarized information was derived.

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. The Board received supplemental appropriations of \$210,700 during the current fiscal year to fund the purchase and modification of a new automated licensing system, the amount paid to outside consultants for performing state-mandated ARMICS test work, and increased information technology costs. The Board's original and final adjusted budgets are included in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.

The Board has no current plans to spend monies in its Special Enforcement Fund. Consequently, the Board did not adopt an operating budget for the Special Enforcement Fund.

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 from regulants found guilty of violating the Board's statutes or regulations. The proceeds from these penalties are deposited into the state's Literary Fund in accordance with Section 19.2-353, Code of Virginia. Consequently, receivables are 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, 2009, the amount Due to the State Literary Fund for collections on monetary penalties was \$21,000.

	<u>June 30, 2009</u>
Gross receivables	\$34,492
Less: allowance for doubtful accounts	<u>(13,492)</u>
Net Receivables	<u>\$21,000</u>

5. CAPITAL ASSETS

The following presents capital activity for the year ended June 30, 2009:

	<u>Balance at June 30, 2008</u>	<u>Acquired</u>	<u>Deleted</u>	<u>Balance at June 30, 2009</u>
Software	\$261,205	\$183,388	\$(261,205)	\$183,388
Tenant improvements	<u>17,249</u>	-	-	<u>17,249</u>
Total depreciable assets	<u>278,454</u>	<u>183,388</u>	<u>(261,205)</u>	<u>200,637</u>
Less accumulated depreciation	<u>(144,198)</u>	<u>(24,955)</u>	<u>158,206</u>	<u>(10,947)</u>
Capital assets, net	<u>\$134,256</u>	<u>\$158,433</u>	<u>\$(102,999)</u>	<u>\$189,690</u>

The Board capitalizes all software and equipment with an initial, individual cost of \$5,000 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. The Board capitalized the tenant improvement costs associated with preparing the Perimeter Center building for occupancy to the extent that they exceeded \$5,000.

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.

On January 7, 2008, the Board contracted with System Automation Corporation for a new automated licensing system. Programming was completed during this fiscal year and on February 20, 2009 the Board replaced its old licensing system with the new system developed by

System Automation. Licensing and enforcement expenses in the Statement of Activities include a loss on the disposal of the old licensing system of \$102,999.

6. COMPENSATED ABSENCES

Compensated absences reflected in the Statement of Net Assets represent the amounts of vacation, sick, and compensatory leave earned by the Board’s employees but not taken at June 30, 2009. 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.

<u>Balance at</u> <u>June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> <u>June 30, 2009</u>
<u>\$12,998</u>	<u>\$24,300</u>	<u>\$(20,163)</u>	<u>\$17,135</u>

7. TRANSFERS TO AND FROM THE SPECIAL ENFORCEMENT FUND

Effective July 1, 2004, in accordance with 54.1-4405 of the Code of Virginia, a special non-reverting fund known as the Board of Accountancy Special Enforcement Fund was created. The purpose of the fund is to provide a supplemental source of funds to the Board on a timely basis for use in the study, research, investigation and adjudication of matters involving possible violations of 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. On September 19, 2008, the Board transferred \$200,000 from the Special Enforcement Fund to the Operating Fund to provide needed cash for ongoing expenditures. On April 3, 2009 the Board transferred \$200,000 from the Special Enforcement Fund to the Operating Fund to provide additional cash.

8. LEASE COMMITMENTS

On August 2, 2007, the Board moved its offices to the Perimeter Center Building at 9960 Mayland Drive. 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. Total rental expense for the fiscal year ended June 30, 2009, was \$47,137.

A summary of future obligations under lease agreements as of June 30, 2009, follows.

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 53,770
2011	55,727
2012	57,275
2013	53,337
2014	59,998
2015	62,181
2016	63,909
2017	65,684
2018	<u>50,594</u>
	<u>\$522,475</u>

9. PENSION PLAN AND OTHER POST RETIREMENT BENEFITS

The Board's employees are employees of the Commonwealth. The employees participate in a defined benefit plan administered by the Virginia Retirement System (VRS). The VRS also administers life insurance and health related plans for retired employees. Information related to these plans is only available on a statewide level in the Commonwealth's Comprehensive Annual Financial Report. The Commonwealth, not the Board, has overall responsibility for contributions to these plans.

10. 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.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

January 29, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
And Review Commission

Board Members
Virginia Board of Accountancy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and the major funds of the **Virginia Board of Accountancy** (Board) as of and for the year ended June 30, 2009, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the Board's 2008 financial statements and, in our report dated January 29, 2009, we expressed unqualified opinions on the financial statements of the governmental activities and the major funds.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1A, the basic financial statements of the Board are intended to present the financial position and the changes in financial position of only that portion of the governmental-type activities and the aggregate remaining fund information of the Commonwealth of Virginia that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the Commonwealth of Virginia's overall financial position as of June 30, 2009, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Board as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis on pages 1 through 6 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance Prepared on the Budgetary (Cash Basis) of Accounting – Special Revenue Fund on pages 13 and 14 are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report Distribution and Exit Conference

The “Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters” is intended solely for the information and use of the Governor and General Assembly of Virginia, the Virginia Board of Accountancy and management, and is not intended to be and should not be used by anyone, other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We discussed this report with the Board Chairman on January 22, 2009.

AUDITOR OF PUBLIC ACCOUNTS

AVG/clj

VIRGINIA BOARD OF ACCOUNTANCY

As of June 30, 2009

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 citizen member. The Governor appoints each member to a term of four years and no member may serve more than two consecutive terms.

Dian T. Calderone, CPA
Chairman

O. Whitfield Broome, CPA
Vice Chairman

Regina P. Brayboy, MPA Tyrone E. Dickerson, CPA
Stephen D. Holton, CPA William E. Hunt, Jr., CPA
Lawrence D. Samuel, CPA