

THE VIRGINIA BOARD OF ACCOUNTANCY

FINANCIAL STATEMENTS

For the Year Ended
June 30, 2010

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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, 2010.

Financial Highlights

The assets of the Board exceeded its liabilities at the close of the most recent fiscal year by \$730,000 (net assets), a decrease of \$45,595 in comparison with the prior year. Of this amount, \$560,374 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 \$573,113, a decrease of \$29,927 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 \$158,949, or 18 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 \$414,164.

The Board's operating expenses and mandatory transfers exceeded its license fees and interest income for the fourth year in a row creating a revenue shortfall. During the current fiscal year the Board initiated an internal reorganization that resulted in the elimination of two classified positions, substantially decreasing the Board's operating expenses. As a result, program revenues exceeded operating expenses before transfers. The operating deficit results from mandatory transfers to the state General Fund.

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 (e.g., earned, but unused vacation leave).

The entity-wide financial statements can be found on pages 7 and 8 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, 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 9 through 13 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 \$730,000 at the close of the most recent fiscal year.

By far the largest portion of the Board's net assets (77 percent) is unrestricted, meaning they may be used to meet the Board's ongoing obligations to citizens and creditors. The remaining 23 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

	<u>2010</u>	<u>2009</u>
Current assets	\$ 616,983	\$ 672,680
Capital assets	<u>169,626</u>	<u>189,690</u>
Total assets	<u>786,609</u>	<u>862,370</u>
Current liabilities	43,870	69,640
Long-term liabilities	<u>12,739</u>	<u>17,135</u>
Total liabilities	<u>56,609</u>	<u>86,775</u>
Net assets:		
Invested in capital assets	169,626	189,690
Unrestricted	<u>560,374</u>	<u>585,905</u>
Total net assets	<u>\$ 730,000</u>	<u>\$ 775,595</u>

At the end of the current year, the Board reports 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 \$45,595 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

	<u>2010</u>	<u>2009</u>
Program revenues:		
Charges for services	\$ 987,256	\$ 879,612
General revenues:		
Interest income	4,262	22,499
Miscellaneous revenue	-	500
Monetary penalties	<u>94,263</u>	<u>48,558</u>
Total revenues	<u>1,085,781</u>	<u>951,169</u>
Licensing and enforcement expenses	<u>902,723</u>	<u>1,069,776</u>
Increase (decrease) in net assets before transfers	183,058	(118,607)
Transfers/(net)	<u>(228,653)</u>	<u>(60,278)</u>
Increase (decrease) in net assets:	(45,595)	(178,885)
Net assets – July 1	<u>775,595</u>	<u>954,480</u>
Net assets – June 30	<u>\$ 730,000</u>	<u>\$ 775,595</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, 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 \$573,113. This entire amount is unreserved, meaning it is available for spending at the Board's discretion.

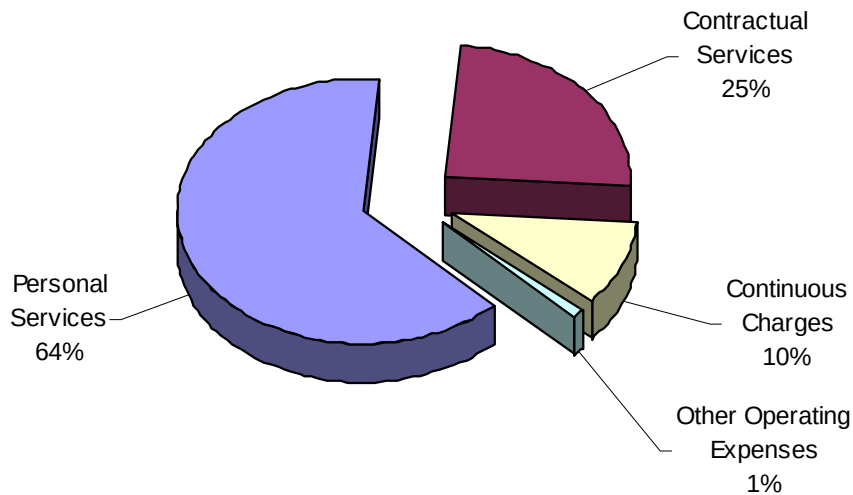
The Operating Fund is the chief operating fund of the Board. At the end of the current fiscal year, the unreserved fund balance of the Operating Fund was \$158,949. As a measure of the Operating Fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. The fund balance represents 18 percent of total expenditures.

The fund balance of the Board's Operating Fund decreased by \$32,824 during the current fiscal year. Key factors affecting the change in fund balance are as follows:

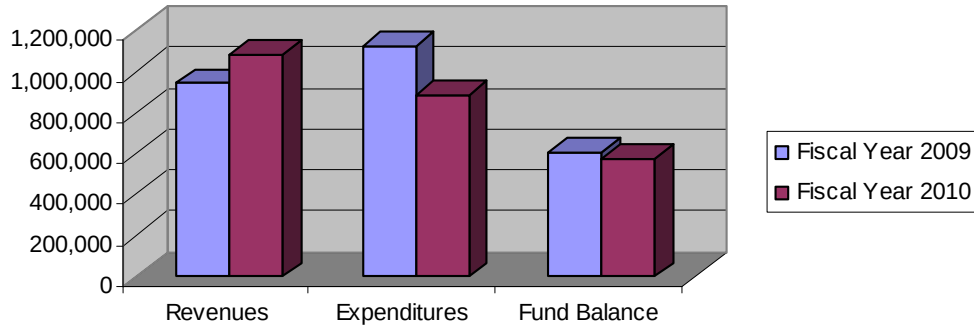
- Revenues from licenses and permits increased by \$107,644 during the year, primarily due to an increase in the number of exam applications.
- Contractual service payments for software development decreased by \$167,600 during the year. Last fiscal year the Board contracted with an outside vendor for the development of a new automated licensing system. The new system was implemented in February 2009 leaving only one small payment to be made in the current fiscal year.
- Personal services expenses decreased by \$51,341 as a result on an internal reorganization which eliminated two full-time classified positions.
- Mandatory transfers to the General Fund increased by \$122,670 during the year, primarily due to a mandatory non-general fund cash transfer of \$91,945.

The Special Enforcement Fund has a total fund balance of \$414,164, all of which is unreserved. Interest income remains in the fund, helping to increase the fund balance. The fund balance of the Board's Special Enforcement Fund increased by \$2,897 during the current fiscal year as a result of interest income.

Expenditures by Type



Revenues, Expenditures, and Fund Balances Operating and Special Enforcement 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. The Board budgeted total expenditures of \$919,454 and there were no budget amendments. During the year, revenues exceeded budgetary estimates primarily due to an increase in the number of licensees and CPA Exam applicants, and collections of monetary penalties. Actual expenditures were less than budgetary estimates, lessening the need to draw upon cash balances.

Capital Assets

The Board's investment in capital assets at June 30, 2010, amounts to \$169,626 (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 16 of this report.

Economic Factors and Next Year's Budget and Rates

The Board's major source of revenue is licensing and exam fees. The Board experienced an increase in the number of licensed individuals and firms in the current fiscal year. However, revenue from licensing and exam fees has been stabilizing 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, 2010</u>	<u>At June 30, 2009</u>
Individuals	23,278	21,231
Firms	<u>1,157</u>	<u>1,031</u>
Total	<u>24,435</u>	<u>22,262</u>

Payments to VITA for systems maintenance is expected to increase significantly in the coming year. These payments are non-discretionary and the Board has no ability to affect the amounts billed by this agency. Other expenditures, including personnel, are expected to increase during the next fiscal year. As a result, total budgeted expenditures are expected to increase in the coming year.

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, 2010
With Comparative Figures for 2009

	Governmental Activities	
	2010	2009
Assets:		
Cash held by the Treasurer of Virginia (Note 3)	\$ 611,890	\$ 651,680
Accounts receivable (Note 4)	2,800	21,000
Prepaid items (Note 1D)	2,293	-
Capital assets, net of accumulated depreciation (Note 5)	169,626	189,690
Total Assets	786,609	862,370
Liabilities:		
Accounts payable	4,698	20,707
Accrued salaries payable	32,567	27,933
Due to the State Literary Fund (Note 4)	2,800	21,000
Termination benefits payable (Note 6)	3,805	-
Compensated absences payable (Note 7)	12,739	17,135
Total Liabilities	56,609	86,775
Net Assets:		
Invested in capital assets	169,626	189,690
Unrestricted	560,374	585,905
Total Net Assets	\$ 730,000	\$ 775,595

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, 2010
With Comparative Figures for 2009

	Governmental Activities			
	2010		2009	
	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
<u>Functions/programs:</u>				
Governmental activities				
Licensing and enforcement functions	<u>\$ 902,723</u>	<u>\$ 987,256</u>	<u>\$ 84,533</u>	<u>\$ (190,164)</u>
General revenues:				
Unrestricted interest income			4,262	22,499
Miscellaneous revenue			-	500
Monetary penalties			94,263	48,558
Transfers:				
Transfers to the State General Fund			(134,390)	(11,720)
Transfers to the State Literary Fund			<u>(94,263)</u>	<u>(48,558)</u>
Total general revenues and transfers			<u>(130,128)</u>	<u>11,279</u>
Changes in net assets			<u>(45,595)</u>	<u>(178,885)</u>
Net assets, July 1			<u>775,595</u>	<u>954,480</u>
Net assets, June 30			<u>\$ 730,000</u>	<u>\$ 775,595</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, 2010
With Comparative Figures for 2009

	Special Revenue Funds			
	Operating Fund	Special Enforcement Fund	Total 2010	Total 2009
Assets:				
Cash held by the Treasurer of Virginia (Note 3)	\$ 197,726	\$ 414,164	\$ 611,890	\$ 651,680
Accounts receivable (Note 4)	2,800	-	2,800	21,000
Prepaid Items (Note 1D)	2,293	-	2,293	-
Total assets	<u>202,819</u>	<u>414,164</u>	<u>616,983</u>	<u>672,680</u>
Liabilities and fund balance:				
Liabilities:				
Accounts payable	\$ 4,698	\$ -	\$ 4,698	\$ 20,707
Accrued salaries payable	32,567	-	32,567	27,933
Due to the State Literary Fund (Note 4)	1,300	-	1,300	10,500
Termination benefits payable (Note 6)	3,805	-	3,805	-
Deferred revenue	1,500	-	1,500	10,500
Total liabilities	<u>43,870</u>	<u>-</u>	<u>43,870</u>	<u>69,640</u>
Fund balance:				
Unreserved	<u>158,949</u>	<u>414,164</u>	<u>573,113</u>	<u>603,040</u>
Total liabilities and fund balance	<u>\$ 202,819</u>	<u>\$ 414,164</u>	<u>\$ 616,983</u>	<u>\$ 672,680</u>
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Total fund balance (per above)			573,113	603,040
Capital assets reported for governmental activities are not financial resources and, therefore, are not reported in the funds.			169,626	189,690
Long-term liability for compensated absences is not due and payable in the current period and therefore is not reported in the funds.			(12,739)	(17,135)
Net assets of governmental activities (page 7)			<u>\$ 730,000</u>	<u>\$ 775,595</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, 2010
With Comparative Figures for 2009

	Special Revenue Funds			
	Operating Fund	Special Enforcement Fund	Total 2010	Total 2009
Revenues:				
Licenses and permits	\$ 987,256	\$ -	\$ 987,256	\$ 879,612
Interest income	1,365	2,897	4,262	22,499
Miscellaneous revenue	-	-	-	500
Monetary penalties	92,763	-	92,763	38,058
Total revenues	1,081,384	2,897	1,084,281	940,669
Expenditures:				
Licensing and enforcement functions:				
Personal services	567,630	-	567,630	618,971
Contractual services	218,353	-	218,353	418,784
Supplies and materials	7,888	-	7,888	2,525
Transfer payments	-	-	-	-
Continuous charges	91,141	-	91,141	80,063
Equipment purchases	2,043	-	2,043	730
Total expenditures	887,055	-	887,055	1,121,073
Excess/(deficiency) of revenues over expenditures	194,329	2,897	197,226	(180,404)
Other financing sources/(uses):				
Transfers to the State General Fund	(134,390)	-	(134,390)	(11,720)
Transfers to the State Literary Fund	(92,763)	-	(92,763)	(38,058)
Total other financing sources and uses	(227,153)	-	(227,153)	(49,778)
Net change in fund balance	(32,824)	2,897	(29,927)	(230,182)
Fund balance, July 1	191,773	411,267	603,040	833,222
Fund balance, June 30	\$ 158,949	\$ 414,164	\$ 573,113	\$ 603,040

VIRGINIA BOARD OF ACCOUNTANCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010
With Comparative Figures for 2009

	<u>Special Revenue Funds</u>	
	<u>Total</u>	<u>Total</u>
	<u>2010</u>	<u>2009</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balance (page 10)	(29,927)	(230,182)
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.	(20,064)	158,433
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.	4,396	(4,137)
Changes in net assets of governmental activities (page 8)	<u>\$ (45,595)</u>	<u>\$ (178,885)</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, 2010
With Comparative Figures for 2009

	Operating Fund			
	2010		2009	
	Original/Final Budget	Actual Amounts	Variance Positive/ (Negative)	Actual Amounts
Revenues:				
Licenses and permits	\$ 875,000	\$ 987,256	\$ 112,256	\$ 879,612
Interest income	4,375	1,365	(3,010)	4,068
Monetary penalties	75,000	101,963	26,963	55,558
Miscellaneous revenue	-	-	-	500
Total Revenues	954,375	1,090,584	136,209	939,738
Expenditures:				
Licensing and enforcement functions:				
Personal services	667,814	559,214	108,600	617,972
Contractual services	115,777	234,611	(118,834)	407,828
Supplies and materials	48,769	7,888	40,881	11,515
Transfer payments	1,028	-	1,028	-
Continuous charges	64,405	93,162	(28,757)	90,025
Equipment purchases	21,661	2,043	19,618	730
Total Expenditures	919,454	896,918	22,536	1,128,070
Excess/(deficiency) of revenues over expenditures	34,921	193,666	158,745	(188,332)
Other financing sources/(uses):				
Transfers from other funds	-	-	-	400,000
Transfers to the State General Fund	(117,686)	(134,390)	(16,704)	(11,720)
Transfers to the State Literary Fund	(75,000)	(101,963)	(26,963)	(55,558)
Total other financing sources and uses	(192,686)	(236,353)	(43,667)	332,722
Net change in fund balance	(157,765)	(42,687)	115,078	144,390
Fund balance, July 1	240,413	240,413	-	96,023
Fund balance, June 30	\$ 82,648	\$ 197,726	\$ 115,078	\$ 240,413

SPECIAL REVENUE FUND
For the Year Ended June 30, 2010
With Comparative Figures for 2009

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:

	2010	2009
	Actual	Actual
	<u>Amounts</u>	<u>Amounts</u>
Net change in fund balance (page 12)	(42,687)	144,390
Accrued revenues on modified accrual basis	(9,200)	(17,500)
Accrued expenditures on modified accrual basis	9,863	6,997
Accrued transfers on modified accrual basis	<u>9,200</u>	<u>17,500</u>
Change in fund balance on modified accrual basis (page 10)	<u>\$ (32,824)</u>	<u>\$ 151,387</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, 2010

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 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 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. Prepaid Items

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

E. 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, 2009, 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. Budgetary amounts shown in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual represent the original budgeted amounts. There were no budget amendments or supplemental appropriations in the current fiscal year.

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, 2010, the amount Due to the State Literary Fund for collections on monetary penalties was \$2,800.

	<u>June 30, 2010</u>
Gross receivables	\$4,300
Less: allowance for doubtful accounts	<u>1,500</u>
Net Receivables	<u>\$2,800</u>

5. CAPITAL ASSETS

The following presents capital activity for the year ended June 30, 2010:

	<u>Balance at June 30, 2009</u>	<u>Acquired</u>	<u>Deleted</u>	<u>Balance at June 30, 2010</u>
Software	\$183,388	\$ -	\$ -	\$183,388
Tenant improvements	<u>17,249</u>	<u>-</u>	<u>-</u>	<u>17,249</u>
Total depreciable assets	<u>200,637</u>	<u>-</u>	<u>-</u>	<u>200,637</u>
Less accumulated depreciation	<u>(10,947)</u>	<u>(20,064)</u>	<u>-</u>	<u>(31,011)</u>
Capital assets, net	<u>\$189,690</u>	<u>\$ (20,064)</u>	<u>-</u>	<u>\$169,626</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.

6. TERMINATION BENEFITS PAYABLE

The Workforce Transition Act of 1995 provides state employees involuntarily separated in a layoff because of a budget reduction, agency reorganization, workforce downsizing or other cause not related to job performance or misconduct with transitional severance benefits. All full-time, classified state employees and certain qualifying part-time salaried state employees covered by the Virginia Personnel Act are eligible for benefits under the Workforce Transition Act.

The employee receives severance payments determined by the amount of the employee's continuous state service and continued employer share of contribution toward health insurance and group life insurance premiums for up to 12 months from the employee's layoff date. At June 30, 2010, the liability for termination benefits under the Act was \$3,805, all of which will be paid in the coming fiscal year. This amount was computed using actual remaining premiums at year-end and has not been discounted.

7. 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, 2010. 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, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> <u>June 30, 2010</u>
<u>\$17,135</u>	<u>\$18,272</u>	<u>\$(22,668)</u>	<u>\$12,739</u>

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, 2010, was \$53,770.

A summary of future obligations under lease agreements as of June 30, 2010, follows.

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 55,727
2012	57,275
2013	53,337
2014	59,998
2015	62,181
2016	63,909
2017	65,685
2018	<u>50,594</u>
	<u>\$ 468,706</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.

VIRGINIA BOARD OF ACCOUNTANCY

As of June 30, 2010

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.

O. Whitfield Broome, Ph.D., CPA
Chairman

Tyrone E. Dickerson, CPA
Vice Chairman

Regina P. Brayboy, MPA, MBA	Dian T. Calderone, MTX, CPA
Stephen D. Holton, CPA	William E. Hunt, Jr., CPA
Lawrence D. Samuel, CPA	



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

March 1, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
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, 2010, 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 2009 financial statements and, in our report dated January 29, 2010, 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, 2010, 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, 2010, 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 12 and 13 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.

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2011 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.


AUDITOR OF PUBLIC ACCOUNTS

AG/clj