VIRGINIA BOARD OF ACCOUNTANCY

Tuesday, February 25, 2020
VBOA Board Meeting Agenda
Board Room #2
2nd Floor Conference Center
9960 Mayland Drive
Henrico, VA 23233
Phone: (804) 367-8505

10 a.m. Call to Order – **D. Brian Carson, CPA, CGMA, Chair**
Security Briefing – **Patti Hambright, CPE Coordinator and Administrative Assistant**
Determination of Quorum
Approval of February 25, 2020, Agenda
Approval of January 7, 2020, Board meeting minutes
Public comment period*
Approval of Consent Agenda
- 2016-0019PR (Bradshaw and Moyers)
- 2018-009-009C (Blount and Charity)
- 2018-457-009U (Glynn and Saunders)
- 2019-135-101D (Glynn and Warwick)
- 2019-174-012U (Saunders)
- 2019-204-016U (Rogers)

10:10 a.m. 1. Committee Updates – **D. Brian Carson, CPA, CGMA, Chair**
- NASBA Communications Committee – **D. Brian Carson, CPA, CGMA, Chair**
- NASBA Enforcement Resources Committee – **William R. Brown, CPA**
- NASBA Education Committee and UAA Committee – **Stephanie S. Saunders, CPA**
- NASBA Board of Directors – **Stephanie S. Saunders, CPA**

10:20 a.m. 2. PROC 2019 Report – **Reza Mahbod, CPA, CISA, CGFM, CICA, CGMA, CDFM, CFE**

10:30 a.m. 3. Executive Director's Report – **Nancy Glynn, CPA, Executive Director**
- General updates
- Financial and Board Report overview – **Renai Reinholtz, Deputy Director**
- Enforcement, CPE and status of open cases – **Amanda E.M. Blount, Enforcement Director**

10:40 a.m. 4. Closed Session
- OAG and legal updates

10:50 a.m. 5. Board Discussion Topics – **D. Brian Carson, CPA, CGMA, Chair**
- Fiscal Year 2019 Draft Financial Statements – **Renai Reinholtz, Deputy Director**
- VBOA Website redesign – **Kelli Anderson, Communications Manager**
- General update – **Elizabeth M. Marcello, Information and Policy Advisor**
  - NOIRA update

  - Pending legislation
- AICPA Practice Analysis – **Elizabeth M. Marcello, Information and Policy Advisor**
- Continuous testing window date – **Nancy Glynn, CPA, Executive Director**
- Ethics 2020 and 2021 – **D. Brian Carson, CPA, CGMA, Chair**
- Bylaws – **Nancy Glynn, CPA, Executive Director**
- Enforcement Processes – **Amanda E.M. Blount, Enforcement Director**
  - Enforcement Manual
  - Disposition of Disciplinary cases against CPAs Practicing with Expired Licenses for Unlicensed Use of the CPA Title
  - Discussion of CPE guidelines
- Publication of disciplinary action – **Nancy Glynn, CPA, Executive Director**

12 p.m. Recess for lunch

12:45 p.m. 6. Additional Items for Discussion – **D. Brian Carson, CPA, CGMA, Chair**

Carryover topics (Additional items for discussion)

- Required coursework for CPA examination/licensure
- CPE survey results/research
- Sign Conflict of Interest forms
- Sign Travel Expense vouchers
- Future meeting dates
  - April 28, 2020
  - May 21, 2020 (Planning meeting)
  - June 23, 2020
  - August 18, 2020
  - October 8, 2020

1:30 p.m. 7. Closed Session

Enforcement – **Amanda E.M. Blount, Enforcement Director**

- OAG and legal updates
- Final Orders:
  - 2018-465-410C (Glynn and Winters)
  - 2018-471-416C (Glynn and Winters)
  - 2018-433-001R (Brown and Saunders)
  - 2018-435-023D (Brown and Saunders)

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
January 7, 2020
Final/Approved minutes

The Virginia Board of Accountancy met on Tuesday, January 7, 2020, in Board Room #4 of the Perimeter Center, 9960 Mayland Dr., Henrico, VA 23233

MEMBERS PRESENT:	D. Brian Carson, CPA, CGMA, Chair Matthew P. Bosher, Esq. W. Barclay Bradshaw, CPA William R. Brown, CPA Nadia A. Rogers, CPA
MEMBERS PRESENT FOR A PORTION OF MEETING:	Laurie Warwick, CPA, Vice Chair Stephanie S. Saunders, CPA
LEGAL COUNSEL:	James Flaherty, Assistant Attorney General, Office of the Attorney General
STAFF PRESENT:	Nancy Glynn, CPA, Executive Director Renai Reinholtz, Deputy Director Amanda E. M. Blount, Enforcement Director Kelli Anderson, Communications Manager Elizabeth Marcello, Information and Policy Advisor Heather Rogers, Executive Administrative Assistant Laurie Burton, Investigator Jennifer Winters, Adjudication Specialist

MEMBERS OF THE PUBLIC PRESENT:

Emily Walker, CAE, Vice President, Advocacy, Virginia Society of Certified Public Accountants
Amy Mawyer, Vice President, Learning, Virginia Society of Certified Public Accountants
Linda Newsom-McCurdy, CAE, Senior Director, Learning, Virginia Society of Certified Public Accountants
Maureen Dingus, CAE, Chief Operating Officer, Virginia Society of Certified Public Accountants

CALL TO ORDER

Mr. Carson called the meeting to order at 10:04 a.m.

Board Meeting
January 7, 2020
Final/Approved minutes

SECURITY BRIEFING

Ms. Rogers provided the emergency evacuation procedures.

DETERMINATION OF QUORUM

Mr. Carson 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 January 7, 2020, agenda, as amended. The members voting "**AYE**" were Mr. Carson, Mr. Bosher, Mr. Bradshaw, Mr. Brown, Ms. Rogers and Ms. Saunders. Ms. Warwick was absent.

APPROVAL OF MINUTES

Upon a motion by Mr. Bradshaw, and duly seconded, the members voted unanimously to approve the November 15, 2019, Board meeting minutes, as amended. The members voting "**AYE**" were Mr. Carson, Mr. Bosher, Mr. Bradshaw, Mr. Brown, Ms. Saunders and Ms. Rogers. Ms. Warwick was absent.

PUBLIC COMMENT PERIOD

Ms. Walker spoke about the upcoming legislative session and how the VSCPA will be thorough in vetting any legislation concerning CPAs.

Ms. Dingus discussed the ethics course requirements and how the VSCPA will proceed in the future.

APPROVAL OF CONSENT AGENDA

Upon a motion by Ms. Saunders, and duly seconded, the members voted to approve the Consent Agenda, as presented. The members voting "**AYE**" were Mr. Brown, Ms. Saunders, Mr. Carson and Ms. Rogers. Mr. Bradshaw and Mr. Bosher abstained. Ms. Warwick was absent.

Ms. Warwick entered the meeting.

NASBA COMMITTEE UPDATES

NASBA Communications Committee

Mr. Carson stated there are no recent updates.

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NASBA Enforcement Resources Committee

Mr. Brown stated there are no recent updates.

NASBA Education Committee and UAA Committee

Ms. Saunders informed the Board that on December 10, 2019, the NASBA Education Committee held a Zoom meeting that included a presentation by Colleen Conrad and Dan Dustin on the CPA Evolution Model. A key takeaway was that the CORE would concentrate on basic knowledge of accounting, auditing, tax and technology. The NASBA Education Committee will have a follow up meeting on January 10, 2020, to discuss the recommendations from the AICPA-NASBA CPA Evolution Education Advisory Group, who will be discussing potential changes to the educational requirements of the UAA.

The NASBA UAA Committee held a telephone meeting on December 16, 2019, to discuss anticipated activity in the coming year. An update on the status of NOCLAR (noncompliance with laws and regulations) was presented. Discussion ensued.

NASBA Board of Directors

Ms. Saunders led the discussion regarding the NASBA Board of Directors meeting that will be held January 17, 2020.

EXECUTIVE DIRECTOR'S REPORT

General Updates

Ms. Glynn presented the following general updates regarding the VBOA:
- Ms. Glynn spoke briefly on the VBOA staff cross-training initiative.
- Ms. Glynn stated that a new project manager has been hired.
- Ms. Glynn informed the Board the continuous testing language was approved as of December 11, 2019, as well as VBOA Policies #4, #9 and #10.

Financial and Board Report

Ms. Reinholtz provided an overview of the financial and board reports. She provided handouts, in the board packet, on the updated budget and the cash balance report. She fielded questions from the Board.

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Enforcements, CPE and Status of Open Cases

Ms. Blount led the discussion regarding the status of open and closed enforcement cases. Ms. Blount guided the Board members through her report and fielded questions. Ms. Blount provided a summary on CPE cases and audits.

BOARD DISCUSSION TOPICS

PROC Meeting and Updates

Ms. Rogers provided an update on the Peer Review Oversight Committee meeting that took place on December 16, 2019. Ms. Rogers informed the Board that the Committee is currently comprised of three members and that it is currently searching for an additional member. The term served by Committee members was also discussed.

VBOA Policy #9

Ms. Marcello led the discussion regarding VBOA Policy #9. She fielded questions from the Board members.

Upon a motion by Mr. Bradshaw, and duly seconded, the members voted unanimously to accept the changes to VBOA Policy #9, as amended. The members voting "**AYE**" were Mr. Carson, Ms. Warwick, Mr. Bosher, Ms. Rogers, Mr. Brown, Ms. Saunders and Mr. Bradshaw.

Inactive Application Format

Ms. Anderson informed the Board members that in early February a mass email will be sent to all licensees with the update of the name change of the status from Active – CPE Exempt to Inactive.

Volunteer Services

Ms. Anderson presented the VBOA guidance on volunteer services for Virginia licensees.

VBOA Website Redesign

Ms. Anderson presented the new VBOA test website to the Board members and received feedback.

RECESS FOR LUNCH 12:16 p.m.

RECONVENE 12:47 p.m.

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Ethics 2020 and 2021

Ms. Glynn gave an update on the 2020 ethics sponsor application process, the ethics committee member search, how the Board may approve providers/sponsors/instructors in the future and discussed several responses from the CPE survey that was sent to all licensees in August 2019.

Enforcement/IFF Training

Ms. Saunders, Mr. Bradshaw and Mr. Brown gave a brief overview on how they approach presiding over an Informal Fact Finding (IFF) conference. Discussion ensued.

Ms. Saunders left the meeting.

ADDITIONAL ITEMS FOR DISCUSSION

Carry over topics

- Required coursework for CPA examination/licensure
- CPE survey results/research
- Publication of disciplinary actions

Sign Conflict of Interest forms

Sign Travel Expense vouchers

Future meeting dates

- February 25, 2020
- April 28, 2020
- May 21, 2020 (Planning Meeting)
- June 23, 2020
- August 18, 2020
- October 8, 2020

Begin closed meeting

"I move that the Virginia Board of Accountancy convene a closed meeting under the Virginia Freedom of Information Act to a matter lawfully exempted from open meeting requirements under the 'Legal advice regarding specific legal matters' and 'contracts' exemptions contained in Virginia Code § 2.2-3711 (A)(8) and § 2.2-3711 (A)(29)." The following non-members will be in attendance for the closed meeting to reasonably aid in the consideration of this topic: Nancy Glynn, Amanda Blount, Elizabeth Marcello and James Flaherty.

End closed meeting

"I move the following resolution:

WHEREAS, the Virginia Board of Accountancy has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, §2.2-3712 (D) 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 laws were discussed in the closed meeting to which this certification resolution convening the closed meeting were heard, discussed or considered by the VBOA."

CALL FOR VOTE:

D. Brian Carson, CPA, CGMA – Aye
Laurie A. Warwick, CPA – Aye
Matthew P. Bosher, Esq. – Aye
W. Barclay Bradshaw, CPA – Aye
William R. Brown, CPA – Aye
Nadia A. Rogers, CPA – Aye
Stephanie S. Saunders, CPA – Absent

VOTE:
Ayes: Six (6)
Abstain: None
Absent: One (1)
Nays: None

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

Case#2019-114-005E (Brown and Saunders)

Mr. Bradshaw, Mr. Brown and Ms. Saunders were not present and did not participate in the closed discussion.

Upon a motion by Mr. Bosher, and duly seconded, members voted to approve Final Order 2019-114-005E, as presented.

CALL FOR VOTE:

D. Brian Carson, CPA, CGMA – Aye
Laurie A. Warwick, CPA – Aye
Matthew P. Bosher, Esq. – Aye
W. Barclay Bradshaw, CPA – Abstain
William R. Brown, CPA – Abstain
Nadia A. Rogers, CPA – Aye
Stephanie S. Saunders, CPA – Absent

VOTE:
Ayes: Four (4)
Abstain: Two (2)
Absent: One (1)
Nays: None

Case#2015-U0025 (Bradshaw and Moyers)

Mr. Bradshaw and Ms. Saunders were not in attendance and did not participate in the discussion.

Upon a motion by Mr. Bosher, and duly seconded, members voted to defer the decision regarding case 2015-U0025.

CALL FOR VOTE:

D. Brian Carson, CPA, CGMA – Aye
Laurie A. Warwick, CPA – Aye

Matthew P. Bosher, Esq. – Aye
W. Barclay Bradshaw, CPA – Abstain
William R. Brown, CPA – Aye
Nadia A. Rogers, CPA – Aye
Stephanie S. Saunders, CPA – Absent

VOTE:
Ayes: Five (5)
Abstain: One (1)
Absent: One (1)
Nays: None

Case# 2018-009-009C (Blount and Charity)

Mr. Bradshaw and Ms. Saunders were not in attendance and did not participate in the discussion.

Upon a motion by Mr. Bosher, and duly seconded, members voted to defer the decision regarding this case.

CALL FOR VOTE:

D. Brian Carson, CPA, CGMA – Aye
Laurie A. Warwick, CPA – Aye
Matthew P. Bosher, Esq. – Aye
W. Barclay Bradshaw, CPA – Abstain
William R. Brown, CPA – Aye
Nadia A. Rogers, CPA – Aye
Stephanie S. Saunders, CPA – Absent

VOTE:
Ayes: Five (5)
Abstain: One (1)
Absent: One (1)
Nays: None

ADJOURNMENT

There being no further business before the VBOA, Mr. Carson adjourned the meeting at 3:45 p.m.

Board Meeting
January 7, 2020
Final/Approved minutes

APPROVED:

____
D. Brian Carson, CPA, CGMA, Chair

COPY TESTE:

____
Nancy Glynn, CPA, Executive Director

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

Reza Mahbod, CPA, Chair | Nicole R. Kint, CPA | Aimee D'Amato, 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, 2019 through December 31, 2019, 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, 2019 through December 31, 2019.

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
February 25, 2020

Peer Review Oversight Committee
Virginia Board of Accountancy

Attachment A

Summary of Oversight Visits and Participation in Conference Calls:

The VSCPA typically 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) observed meetings held on the following six dates in 2019: February 7, 2019; April 25, 2019; June 5, 2019; August 22, 2019; October 17, 2019; and December 5, 2019. The AICPA Peer Review Board Oversight Task Force performed oversight procedures in 2019 (biennial) and presented its results at the December 5, 2019 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.

Financial Report
FY20 Budget vs. Actual Expenses
As of January 31, 2020

	Expenditure Type	FY20 Operating Budget	FY20 YTD Expenditures	% Expended	FY19 YTD Expenditures	FY18 YTD Expenditures	FY17 YTD Expenditures
Salaries & Benefits		1,386,575	818,834	59.1%	1,175,925	1,174,172	1,103,143
	Total Salaries & Benefits	**$ 1,386,575**	**$ 818,834**	**59.1%**	**$ 1,175,925**	**$ 1,174,172**	**$ 1,103,143**
Contractual Services							
1209	Charge Card Purchases (not distributed)	-	(5,754)	---	-	-	-
1211	Express Services	150	84	56.2%	134	722	-
1214	Postal Services	12,000	7,522	62.7%	9,984	12,886	7,975
1215	Printing Services	5,500	3,240	58.9%	4,537	5,487	5,245
1216	Telecommunications - VITA	13,500	4,860	36.0%	12,539	11,613	12,272
1217	Telecommunications - Nonstate (CallFire)	300	995	331.7%	100	100	600
1219	Inbound Freight	150	260	173.2%	56	160	418
1221	Organization Memberships (primarily NASBA)	8,090	7,485	92.5%	7,625	7,255	7,250
1222	Publication Subscriptions	1,271	3,405	267.9%	1,271	1,266	4,730
1224	Training - Courses, Workshops, Conferences	7,290	2,224	30.5%	4,822	11,459	8,914
1225	Employee Tuition Reimbursement	-	-	---	1,618	-	-
1227	Training-Transportation, Lodging, Meals, Incidentals	11,000	7,572	68.8%	4,567	23,825	10,933
1228	Employee IT Training Courses/Workshops and Conferences	-	-	---	91	-	91
1242	Fiscal Services (Credit Card Merchant Fees)	55,000	36,421	66.2%	34,498	48,558	53,790
1243	Attorney Services (Including OAG)	77,315	30,840	39.9%	62,020	51,736	24,844
1244	Mgmt. Services - NASBA/special accommodations - IT Support	34,000	15,808	46.5%	33,808	21,736	75,641
1245	Personnel Management Services	-	-	---	79		
1246	Public Info/Public Relations (subscriptions)	3,470	4,484	129.2%	3,470	3,538	5,015
1247	Legal Services (Includes court reporting services)	1,500	2,266	151.1%	10,834	19,562	12,977
1252	Electrical Repair/Maintenance	-	-	---	-	-	90
1253	Equipment Repair/Maintenance	850	440	51.8%	823	-	-
1263	Clerical / Temp Services	-	-	---	-	2,754	2,475
1264	Food and Dietary Services	3,600	2,219	61.6%	3,585	3,236	2,156
1265	Laundry & Linen Services	25	-	---	13	-	25
1266	Manual Labor Services (Includes shredding services)	3,720	370	9.9%	320	394	1,122
1268	Skilled Services	1,200	-	---	1,138	-	-
1272	VITA Pass Thru Charges	133,205	60,112	45.1%	133,466	135,170	122,620
1273	Info Mgmt Design and Development Services (Project Manager and Website)	92,936	34,399	37.0%	108,923	94,600	-
1275	Computer Software Maintenance	74,800	-	0.0%	-	-	-
1278	VITA Information Technology Infrastructure Services	185,240	69,456	37.5%	146,380	119,126	90,483
1279	Computer Software Development Services	149,500	-	0.0%	234,015	346,155	-
1282	Travel - Personal Vehicle	7,500	4,816	64.2%	6,603	8,099	6,980
1283	Travel - Public Carriers	-	-	---	77	-	589
1284	Travel - State Vehicles	1,000	243	24.3%	200	652	619
1285	Travel - Subsistence and Lodging	1,500	1,113	74.2%	1,612	2,182	1,250
1288	Travel, Meal Reimburse - Not IRS Rpt	1,000	661	66.1%	824	1,423	730
	Total Contractual Services	**$ 886,612**	**$ 295,543**	**33.3%**	**$ 830,032**	**$ 933,694**	**$ 459,834**
Supplies and Materials							
1311	Apparel Supplies	-	-	---	-	-	248
1312	Office Supplies	4,500	624	13.9%	3,783	5,023	4,338
1313	Stationery and Forms	2,300	593	25.8%	1,844	2,028	2,214
1323	Gasoline (Enterprise vehicles)	250	87	34.7%	103	221	155
1335	Packaging and Shipping Supplies	800	351	43.8%	1,237	485	958
1342	Medical & Dental Supplies	50	-	0.0%	5	-	260

Expenditure Type		FY20 Operating Budget	FY20 YTD Expenditures	% Expended	FY19 YTD Expenditures	FY18 YTD Expenditures	FY17 YTD Expenditures
Supplies and Materials, continued							
1352	Custodian Repair & Maintenance	-	-	---	-	389	41
1353	Electrical Repair/Maintenance Materials	-	-	---	-	-	8
1362	Food & Dietary Supplies	525	391	74.5%	365	498	561
1363	Food Service Supplies	50	16	31.8%	56	62	107
1364	Laundry & Linen Supplies	-	-	---	-	-	24
1373	Computer Operating Supplies	4,100	549	13.4%	3,989	3,194	7,004
	Total Supplies & Materials	**$ 12,575**	**$ 2,611**	**20.8%**	**$ 11,382**	**$ 11,900**	**$ 15,919**
Transfer Payments							
1413	Awards & Recognition	150	-	0.0%	1,033	848	863
1418	Incentives	1,200	725	60.4%	325	-	410
	Total Transfer Payments	**$ 1,350**	**$ 725**	**53.7%**	**$ 1,358**	**$ 848**	**$ 1,273**
Continuous Charges							
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	8,112	4,729	58.3%	8,507	8,645	8,460
1539	Building Rentals - Non-State Owned Facilities	95,918	55,580	57.9%	93,416	90,982	88,126
1541	Agency Service Charges (DOA, PSB, DHRM, & eVA)	36,434	4,519	12.4%	37,335	38,169	36,071
1551	General Liability Insurance	188	-	0.0%	188	188	188
1554	Surety Bonds	40	-	0.0%	40	40	40
1555	Worker's Compensation	1,044	-	0.0%	1,044	978	968
	Total Continuous Charges	**$ 143,191**	**$ 64,828**	**45.3%**	**$ 141,985**	**$ 140,457**	**$ 135,308**
Equipment							
2216	Network Components	1,500	1,221	81.4%	452	341	1,117
2217	Other Computer Equipment	500	26	5.1%	1,590	685	300
2218	Computer Software Purchases	-	-	---	419	540	2,157
2224	Reference Equipment	50	-	0.0%	32	80	26
2231	Electronic Equipment	-	-	---	-	-	164
2232	Photographic Equipment	-	-	---	-	552	845
2233	Voice and Data Transmission Equipment	-	23	---	511	164	-
2238	Electronic and Photo Equipment Improvements (Board Rooms)	-	-	---	3,791	6,125	-
2261	Office Appurtenances (Blinds, Carpet, etc.)	150	687	457.9%	348	94	-
2262	Office Furniture	5,000	385	7.7%	5,666	555	3,375
2263	Office Incidentals	500	538	107.5%	109	969	2,646
2264	Office Machines	-	-	---	412	65	928
2268	Office Equipment Improvements	-	-	---	-	-	129
2271	Household Equipment	-	-	---	-	-	342
	Total Equipment	**$ 7,700**	**$ 2,879**	**37.4%**	**$ 13,330**	**$ 10,170**	**$ 12,029**
	Total Expenses	**$ 2,438,003**	**$ 1,185,419**	**56.3%**	**$ 2,174,012**	**$ 2,271,240**	**$ 1,727,506**
	Chapter 854 Appropriation	**$ 2,104,195**					
	Additional Appropriation Request	**$ 333,808**					
	Total Projected Appropriation	**$ 2,438,003**					

Virginia Board of Accountancy
Financial Report
Cash Balance
As of January 31, 2020

	Operating Fund (09226)		Special Fund (02020)	
	FY2020 - YTD as of 1/31/20	FY2019 - YTD as of 1/31/19	FY2020 - YTD as of 1/31/20	FY2019 - YTD as of 1/31/19
Beginning Fund Balance July 1:	**$ 681,659**	**$ 614,003**	**$ 4,405,230**	**$ 3,700,807**
YTD Revenue Collected *	287,789	919,122	49,784	33,079
Accounts Payable **	645	12,716	-	-
Cash Transfers In per Board Policy #1	868,979	-	-	(417,083)
Cash Transfers Out per Board Policy #1	-	417,083	(868,979)	-
YTD Expenditures	(1,185,419)	(1,384,045)	-	-
Cash Balance before required transfers	**$ 653,653**	**$ 578,879**	**$ 3,586,035**	**$ 3,316,803**
<u>Required Cash Transfers</u>:				
Transfers to Central Service Agencies ***	$ (11,302)	$ (11,302)	-	-
Cash Balance after required transfers	**$ 642,351**	**$ 567,577**	**$ 3,586,035**	**$ 3,316,803**

* 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 had 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.

Virginia Board of Accountancy
Financial Report
Revenue by Fee Type
Source: VBOA Licensing System (MLO)

	Fee Type	FY2020 - YTD as of 1/31/20	FY2019 - YTD as of 131/19	Fiscal Year Ending 6/30/19	Fiscal Year Ending 6/30/18	Fiscal Year Ending 6/30/17
	Application Fee	$ 161,635	$ 177,160	$ 300,895	$ 309,965	$ 333,960
(a)	Re-Exam Application	$ 52,580	$ 57,300	$ 95,420	$ 90,580	$ 115,480
(b)	Renewal Fee	$ 71,440	$ 633,638	$ 2,328,986	$ 1,859,054	$ 2,086,540
	Reinstatement Fee	$ 50,600	$ 39,600	$ 63,600	$ 64,570	$ 45,775
	Duplicate Wall Certificate Fee	$ 1,325	$ 1,075	$ 1,850	$ 1,950	$ 1,775
	License Verification Fee	$ 10,875	$ 11,425	$ 18,950	$ 20,025	$ 20,487
	CPA Exam Score Transfers	$ 1,375	$ 1,300	$ 1,950	$ 2,325	$ 2,075
	Failure to Respond to Board Requests	$ -	$ -	$ -	$ -	$ 5,100
	Administrative Fee		$ -	$ -	$ 1,000	$ 5,100
	Bad Check Fee	$ 163	$ 50	$ 50	$ 150	$ 50
	Total Revenue	**$ 349,993**	**$ 921,548**	**$ 2,811,701**	**$ 2,349,619**	**$ 2,616,342**
(c)	**Net Fee Revenue per Commonwealth Accounting and Reporting System (Cardinal)**	**$ 281,188**	**$ 913,987**	**$ 2,870,760**	**$ 2,338,729**	**$ 2,604,132**
(d)	**Difference**	**$ 68,805**	**$ 7,561**	**$ (59,059)**	**$ 10,890**	**$ 12,210**

NOTES:

(a) Effective January 5, 2016, VBOA implemented the Re-Exam Application fee.

(b) Renewal Fee also includes associated late fees prior to FY19.

(c) Net Revenue per Cardinal reported above includes only revenue received from regulatory fees.

(d) 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 January 31, 2020

	FY2020 - YTD as of 1/31/20	FY2019 - YTD as of 1/31/19	Fiscal Year Ending 6/30/19	Fiscal Year Ending 6/30/18	Fiscal Year Ending 6/30/17
Fines levied	$ 48,550	$ 107,248	$ 221,523	$ 326,285	$ 187,925
Fines collected	$ 61,152	$ 117,115	$ 191,199	$ 258,879	$ 198,771
Outstanding Current fines receivable (< 365 Days)	$ 43,158	$ 83,123	$ 60,230	$ 92,026	$ 25,442
Outstanding Written-off receivables (=> 365 Days) (a)	$ 658,563	$ 591,259	$ 654,093	$ 592,222	$ 591,400

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.

Individual and firm license activity January 31, 2020				
Fiscal Period	**Period ending 1/31/20**	**Period ending 1/31/19**	**Year ending 6/30/2019**	**Year ending 6/30/2018**
REGULANTS				
Individuals				
Active, licensed CPAs	27,147	26,650	26,282	26,318
Inactive, licensed CPAs	1,891	1,677	1,784	1,585
Total Licensed CPAs	**29,038**	**28,327**	**28,066**	**27,903**
Out-of-state licensees	8,756	8,525	8,435	8,330
Reinstatements - Individuals	125	99	162	178
New CPA licenses issued	851	713	1,133	1,227
Expired/voluntarily surrendered licenses	76	97	871	1,177
Exam Candidates				
Number of first time exam candidates	**748**	**886**	**1,624**	**1,675**
Firms				
Total active, licensed CPA firms	**1,177**	**1,164**	**1,126**	**1,177**
Reinstatements - Firms	3	2	10	10
New CPA firm licenses issued	45	27	38	74
Expired/voluntarily surrendered licenses	3	30	79	74

ENFORCEMENT REPORT

	As of 1/31/2020	Year ending 6/30/19	Year ending 6/30/18	Year ending 6/30/17
ENFORCEMENT				
Number of new enforcement cases[1]	33	49	85	82
Types of Complaints				
Unlicensed activity	20	14	20	45
Other disciplinary matters	13	35	65	37
CPE COMPLIANCE REVIEWS				
Number of CPE audits requested	542 [2]	1,325	2,402	2,022
Status of CPE Compliance Reviews				
Audits resulting in compliance	339	1,116	2,001	1,594
Audits resulting in deficiency	40	145	401	428
Audits open/pending review	163	-	-	-
CPE Audit Deficiency Rate	**11%**	**11%**	**17%**	**21%**

[1] These statistics represent the status of open cases through February 14, 2020. Future reports will reflect statistics as of the appropriate month's end.

[2] Number does not include Active - CPE Exempt or recently audited

Enforcement Report - February 25, 2020 Board Meeting

Case Statistics	As of January 31, 2020[1]	As of December 31, 2019
All Cases	128	115
Open Cases (Non-CPE)	66	62
≥ 160 Days	36	36
Source of Referrals		
Internal	79	70
Licensing		
» Self-Report	4	0
» Failure to Disclose	6	0
» Eligibility	0	1
Enforcement	7	17
CPE Division	62	52[2]
Interagency	8	8
AICPA	0	1
FSBA	2	2
DOL	1	1
NASBA	1	1
SEC	1	0
Other State BOA	2	2
State of Hawaii	1	1
Public	41	37
Anonymous	8	5
Named	33	32

Open Case Status for Non-CPE Cases	As of January 31, 2020[1]	As of December 31, 2019
1 Investigation Ongoing	24	29
2 Pending Investigative Report	13	7
3 Pending Probable Cause Review	15	11
4 Pending IFF	3	4
5 Pending Presiding Officer's Recommendation/Consent Order	0	3
6 Pending Signed Consent Order from Respondent	1	1
7 Pending Board Approval	8	5
8 Pending Board Request for Add'l Info	2	2
9 Deferred (Pending Trial, Litigation, Regulatory Review, etc.)	0	0
Types of Open Cases		
PR Peer Review	5	5
CPE CPE Deficiency	62	53
D Disciplinary	32	28
E Eligibility	0	1
U Unlicensed Activity	29	28
» Firms	9	10
» Individuals	20	18

[1] These statistics represent the status of open cases through February 14, 2020. Future reports will reflect statistics as of the appropriate month's end.

[2] One of the CPE cases resulted from an anonymous complaint. Therefore, the total Source of Referrals from the CPE Division is 52, but the total open CPE deficiency cases is 53.

Status of Open Cases as of February 14, 2020

By Days Open

Case No.	Case Summary	Next Action	Days Open
2015-D0012	Lack Due Professional Care	Investigation Ongoing	1155
2016-0007PR	CPA Firm Dropped From AICPA Peer Review Program	Pending Board Request for Add'l Information	1046
2016-0019PR	CPA Firm Dropped From AICPA Peer Review Program	Pending Board Approval (Feb. Board Mtg)	1018
2016-0005D	Performing Services Restricted to CPA Firm Licensure without a CPA Firm License	Pending IFF	1015
2016-0013D	Lack Due Professional Care	Pending Probable Cause Review	978
2016-0017D	Lack Due Professional Care	Pending Closure	926
2017-117-026U	Performing Services Restricted to CPA Firm Licensure without a CPA Firm License	Pending Board Request for Add'l Information	716
2019-108-019D	False, Misleading or Deceptive Acts in Promoting or Marketing Professional Services	Pending IFF	542
2019-109-005U	Offering, Advertising, or Performing Services Restricted to CPA Firm Licensure Without a CPA Firm License	Pending IFF	542
2018-243-010D	Lack Due Professional Care	Pending Investigative Report	467
2019-041-003D	Lack Due Professional Care	Pending Investigative Report	467
2018-425-005U	Unlicense Use of CPA Title	Pending Probable Cause Review	446
2019-042-004D	Lack Due Professional Care	Pending Probable Cause Review	437
2018-371-014D	Lack Due Professional Care	Pending Probable Cause Review	425
2018-436-024D	Lack Due Professional Care	Pending Probable Cause Review	404
2018-433-001R	Failure to Enroll in Peer Review Program	Pending Board Approval (Feb. Board Mtg)	395
2018-435-023D	Failure to Enroll in Peer Review Program	Pending Board Approval (Feb. Board Mtg)	395
2019-178-101D	Action by Other State Board of Accountancy	Pending Probable Cause Review	383
2018-457-009U	Unlicensed Use of CPA Title	Pending Board Approval (Feb. Board Mtg)	378
2019-037-001U	Unlicensed Use of CPA Title	Pending Probable Cause Review	329
2019-039-002D	Lack Due Professional Care	Pending Probable Cause Review	329
2019-048-020D	Lack Due Professional Care	Pending Probable Cause Review	303
2019-099-004U	Offering, Advertising, or Performing Services Restricted to CPA Firm Licensure Without a CPA Firm License	Investigation Ongoing	277

Status of Open Cases as of February 14, 2020

By Days Open

Case No.	Case Summary	Next Action	Days Open
2019-247-022D	Lack Due Professional Care	Investigation Ongoing	277
2019-085-018D	Lack Due Professional Care	Pending Report of Investigation	267
2019-117-008U	Unlicensed Use of CPA Title	Investigation Ongoing	265
2019-118-009U	Offering, Advertising, or Performing Services Restricted to CPA Firm Licensure Without a CPA Firm License	Investigation Ongoing	265
2019-179-015U	Offering, Advertising, or Performing Services Restricted to CPA Firm Licensure Without a CPA Firm License	Pending Investigative Report	243
2019-130-097D	Action by Other State Board of Accountancy	Pending Investigative Report	234
2019-044-020D	Lack Due Professional Care	Pending Probable Cause Review	223
2019-131-010U	Unlicensed Use of CPA Title	Pending Probable Cause Review	201
2019-133-099D	Lack Due Professional Care	Pending Probable Cause Review	189
2019-046-008U	Unlicensed Use of CPA Title	Pending Probable Cause Review	176
2019-135-101D	Lack Due Professional Care	Pending Board Approval (Feb. Board Mtg)	175
2019-134-100D	Embezzlement during the course of practice	Investigation Ongoing	169
2019-177-014U	Performing Services Restricted to CPA Firm Licensure without a CPA Firm License	Investigation Ongoing	168
2019-129-009U	Unlicensed Use of CPA Title	Pending Probable Cause Review	154
2019-174-012U	Unlicensed Use of CPA Title	Pending Board Approval (Feb. Board Mtg)	138
2019-211-103D	Lack Due Professional Care	Pending Probable Cause Review	135
2019-193-015U	Unlicensed Use of CPA Title	Pending Investigative Report	119
2019-212-016U	Offering, Advertising, or Performing Services Restricted to CPA Firm Licensure Without a CPA Firm License	Pending Report of Investigation	119
2019-176-014U	Offering, Advertising, or Performing Services Restricted to CPA Firm Licensure Without a CPA Firm License	Pending Signed Consent Order	118
2019-249-026U	Practice on an expired license	Investigation Ongoing	105
2019-213-017D	Lack Due Professional Care	Investigation Ongoing	102
2019-222-017U	Unlicensed Use of CPA Title	Pending Investigative Report	98
2019-204-016U	Unlicensed Use of CPA Title	Pending Board Approval (Feb. Board Mtg)	96
2019-221-018D	Embezzlement during the course of practice	Investigation Ongoing	89

Status of Open Cases as of February 14, 2020

By Days Open

Case No.	Case Summary	Next Action	Days Open
2019-205-017U	Unlicensed Use of CPA Title	Pending Investigative Report	86
2019-223-019D	Due Professional Care	Investigation Ongoing	85
2019-225-019U	Unlicensed Use of CPA Title	Pending Investigative Report	79
2019-224-018U	Offering, Advertising, or Performing Services Restricted to CPA Firm Licensure Without a CPA Firm License	Investigation Ongoing	73
2019-226-001PR	Offering, Advertising or Performing Services Restricted to CPA firm licensure without peer review enrollment	Investigation Ongoing	71
2019-251-024D	Lack Due Professional Care	Investigation Ongoing	69
2019-248-025U	Unlicensed Use of CPA Title	Pending Investigative Report	67
2019-227-020D	Due Professional Care	Investigation Ongoing	62
2019-229-021U	Unlicensed Use of CPA Title	Investigation Ongoing	58
2019-228-020U	Offering, Advertising, or Performing Services Restricted to CPA Firm Licensure Without a CPA Firm License	Pending Investigative Report	49
2019-230-022U	Unlicensed Use of CPA Title	Investigation Ongoing	48
2019-232-024U	Unlicensed Use of CPA Title	Investigation Ongoing	44
2019-231-023U	Unlicensed Use of CPA Title	Pending Investigative Report	43
2019-250-023D	Lack Due Professional Care	Investigation Ongoing	40
2020-002-001U	Unlicensed Use of CPA Title	Investigation Ongoing	26
2020-001-001D	Lack Due Professional Care	Investigation Ongoing	19
2020-003-002D	Lack Due Professional Care	Investigation Ongoing	14
2020-004-003D	Lack Due Professional Care	Investigation Ongoing	13
2020-005-002U	Unlicense Use of CPA Title	Investigation Ongoing	12

VIRGINIA BOARD OF ACCOUNTANCY

FINANCIAL STATEMENTS

For the Year Ended
June 30, 2019

- T A B L E O F C O N T E N T S –

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, 2019.

Financial Highlights

The assets and deferred outflows of resources of the Board exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $4,551,247 (net position), an increase of $1,068,455 in comparison with the prior year. Of this amount, $3,632,700 represents unrestricted net position, which may be used to meet the Board's ongoing obligations.

At the close of fiscal year 2019, the Board's governmental funds reported combined ending fund balances of $4,965,218, an increase of $727,049 in comparison with the prior year. The committed portion of the fund balance is $4,962,491, which is available for spending at the Board's discretion.

At the close of fiscal year 2019, the total fund balance for the Board's Operating Fund was $559,988, or approximately 25 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 fiscal year 2019, the Trust Account reported an ending fund balance of $4,405,230.

The Board received Project Initiation Approval (PIA) from the Chief Information Officer of the Commonwealth in early fiscal year 2018 for a new licensing database system and began development during that year. The Board incurred expenses related to system implementation through fiscal year 2019. In March 2019, the projected was placed in a suspended status with the Virginia Information Technologies Agency (VITA).

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 $4,551,247 at the close of the most recent fiscal year.

By far the largest portion of the Board's net position (80 percent) is unrestricted, meaning they may be used to meet the Board's ongoing obligations. The remaining portion of the Board's net position reflects its net investment in capital assets (19 percent) and other postemployment asset (1 percent). The Board uses 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 Statement of Net Position

	for the year ended June 30,		Increase/(Decrease)	
	2019	2018	Amount	Percent
Current and other assets	$ 5,205,074	$ 4,423,543	$ 781,531	18%
Capital assets, net of depreciation	878,547	554,322	324,225	58%
Total assets	6,083,621	4,977,865	1,105,756	22%
Deferred outflows of resources	221,694	259,312	(37,618)	(15%)
Total assets and deferred outflows	6,305,315	5,237,177	1,068,138	20%
Current liabilities	246,185	188,233	57,952	31%
Long-term liabilities	1,318,445	1,430,919	(112,474)	(8%)
Total liabilities	1,564,630	1,619,152	(54,522)	(3%)
Deferred inflows of resources	189,438	135,233	54,205	40%
Total liabilities and deferred inflows	1,754,068	1,754,385	(317)	0%
Net position:				
Net investment in capital assets	878,547	554,322	324,225	58%
Restricted	40,000	38,000	2,000	5%
Unrestricted	3,632,700	2,890,470	742,230	26%
Total net position	$ 4,551,247	$ 3,482,792	$ 1,068,455	31%

The Board's net position increased by $1,068,455 during fiscal year 2019. 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)	
	2019	2018	Amount	Percent
Program revenues:				
Charges for services	$ 2,957,418	$ 2,407,171	$ 550,247	23%
General revenues:				
Monetary penalties	198,632	276,738	(78,106)	(28%)
Total revenues	3,156,050	2,683,909	472,141	18%
Licensing and enforcement expenses	1,877,661	1,867,246	10,415	1%
Increase in net position before transfers	1,278,389	816,663	461,726	57%
Transfers/(net)	(209,934)	(286,893)	76,959	(27%)
Increase in net position:	1,068,455	529,770	538,685	102%
Net position - July 1	3,482,792	2,953,022	529,770	18%
Net position - June 30	$ 4,551,247	$ 3,482,792	$ 1,068,455	31%

Financial Analysis of the Board'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.

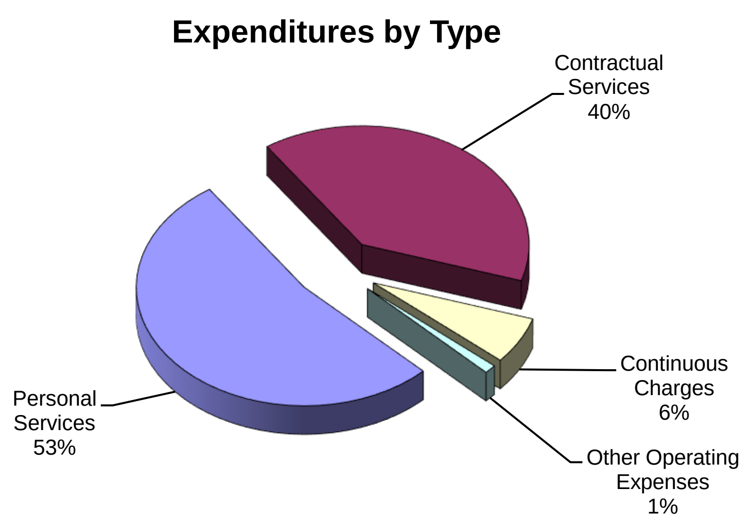
Program Revenues and Expenditures

The total fund balance of the Board increased by $727,049 during fiscal year 2019. Key factors affecting the change in fund balance are as follows:

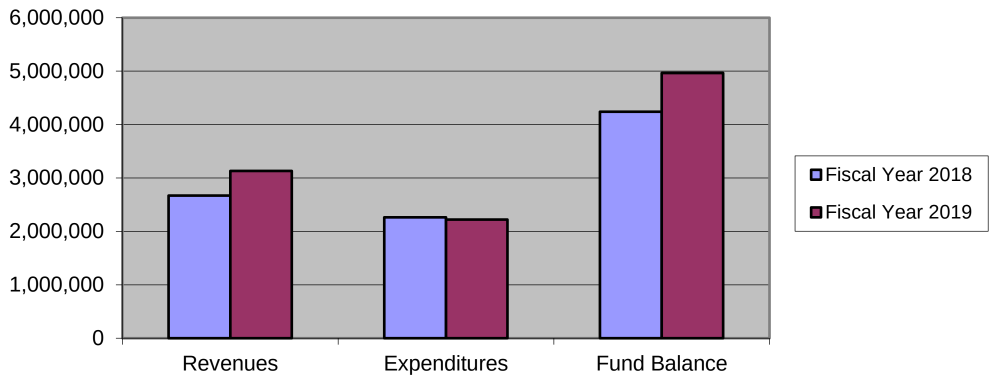
- Revenues exceeded expenditures by $838,200 in fiscal year 2019. Revenues from licensing and examination fees increased by $519,275 (22 percent) from the previous year. This is attributable to the Board's transition to a single renewal date in fiscal year 2019. Previously, licensees and firms renewed in the month when they first gained licensure. During fiscal year 2019, licensees and firms paid a pro-rated renewal fee to accomplish the move to a single renewal date of June 30. In addition, a full renewal fee was collected prior to June 30, 2019, allowing licensees and firms to remain active through June 30, 2020.

- Transfers to other funds totaled $184,304. Monetary penalties transferred to the Literary Fund represented 94 percent of these transfers.

- Total expenditures decreased by $41,612 (2 percent) over the previous year. The decrease is directly related to a decline in contractual services costs as system implementation expenses were suspended during fiscal year 2019.



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



<u>Operating Fund Budgetary Highlights</u>

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 $2,476,080 and total revenue of $2,532,399, including $230,472 in monetary penalties to be deposited into the Literary fund. During the year, revenues were higher than budgetary estimates due to the implementation of the single renewal date. Both pro-rated fees and full renewal fees were collected during the year as part of the transition to the single renewal date. Actual expenditures were less than budgetary estimates for the year due to the suspension of the licensing system database project.

<u>Capital Assets</u>

The Board's net investment in capital assets at June 30, 2019, totals $878,547 (net of accumulated depreciation). This is an increase of $324,225 from the prior year related to software construction in progress additions. The remaining portion of the capital asset amount consists of capitalized leasehold improvements and modular office furniture systems. Additional information on the Board's capital assets can be found in Note 5.

Economic Factors and the Fiscal Year 2020 Budget

The Board experienced an increase in the number of licensed individuals and a decrease in licensed firms in the fiscal year 2019.

CPA License Holders

	At June 30, 2019	At June 30, 2018
Individuals	28,066	27,903
Firms	1,126	1,177
Total	29,192	29,080

The Board's major source of revenue is licensing and examination fees. As national accounting enrollments continue to trend down, the number of exam candidates and licensees in Virginia have the potential to decline. On-going expenditures continue to increase for the Board primarily in the areas of personal services and information technology. The Board's authorized appropriation will decrease from $2,476,080 in fiscal year 2019 to $2,104,195 in fiscal year 2020.

FINANCIAL STATEMENTS

VIRGINIA BOARD OF ACCOUNTANCY
STATEMENT OF NET POSITION
As of June 30, 2019
With Comparative Figures for 2018

	Governmental Activities	
	2019	2018
Assets:		
Cash held by the Treasurer of Virginia (Note 3)	$ 5,128,792	$ 4,344,565
Accounts receivable, net (Note 4)	33,555	38,317
Prepaid items (Note 1E)	2,727	2,661
Net other postemployment benefit (Note 10)	40,000	38,000
Capital assets, net of accumulated depreciation (Note 5)	878,547	554,322
Total Assets	6,083,621	4,977,865
Deferred Outflow of Resources:		
Deferred outflows related to pension (Note 9)	165,808	200,090
Deferred outflows related to other postemployment benefit (Note 10)	55,886	59,222
Total Deferred Outflows	221,694	259,312
Liabilities:		
Accounts payable	92,348	34,121
Accrued salaries payable	73,953	74,936
Due to the State Literary Fund (Note 4)	33,555	38,317
Long-term liabilities due within one year		
Compensated absences payable (Note 6)	41,115	36,208
Net other postemployment liability (Note 10)	5,214	4,651
Long-term liabilities due in more than one year		
Compensated absences payable (Note 6)	16,842	28,202
Net pension liability (Note 9)	1,015,000	1,068,000
Net other postemployment liability (Note 10)	286,603	334,717
Total Liabilities	1,564,630	1,619,152
Deferred Inflows of Resources:		
Deferred inflows related to pension (Note 9)	88,000	77,000
Deferred inflows related to other postemployment benefit (Note 10)	101,438	58,233
Total Deferred Inflows	189,438	135,233
Net Position:		
Net investment in capital assets (Note 5)	878,547	554,322
Restricted for net other postemployment benefit (Note 10)	40,000	38,000
Unrestricted	3,632,700	2,890,470
Total Net Position	$ 4,551,247	$ 3,482,792

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, 2019
With Comparative Figures for 2018

	Governmental Activities			
	2019			2018
	Expenses	Program Revenues: Charges for Services	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/programs:				
Governmental activities				
Licensing, examination and enforcement functions	$ 1,877,661	$ 2,957,418	$ 1,079,757	$ 539,925
General revenues:				
Monetary penalties			198,632	276,738
Transfers:				
Transfers to the State General Fund			(11,302)	(10,155)
Transfers to the State Literary Fund			(198,632)	(276,738)
Total general revenues and transfers			(11,302)	(10,155)
Changes in net position			1,068,455	529,770
Net position - July 1			3,482,792	2,953,022
Net position, June 30			$ 4,551,247	$ 3,482,792

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, 2019
With Comparative Figures for 2018

	Special Revenue Funds			
	Operating Fund	Trust Account	Total 2019	Total 2018
Assets:				
Cash held by the Treasurer of Virginia (Note 3)	$ 723,562	$ 4,405,230	$ 5,128,792	$ 4,344,565
Accounts receivable, net (Note 4)	33,555	-	33,555	38,317
Prepaid items (Note 1E)	2,727	-	2,727	2,661
Total assets	$ 759,844	$ 4,405,230	$ 5,165,074	$ 4,385,543
Liabilities, deferred inflows of resources and fund balance:				
Liabilities:				
Accounts payable	$ 92,348	$ -	$ 92,348	$ 34,121
Accrued salaries payable	73,953	-	73,953	74,936
Due to the State Literary Fund	7,875	-	7,875	25,988
Total liabilities	174,176	-	174,176	135,045
Deferred Inflows of Resources:				
Revenue not currently available	25,680	-	25,680	12,329
Total deferred inflows of resources	25,680	-	25,680	12,329
Fund balance:				
Nonspendable:				
Prepaid insurance/other	2,727	-	2,727	2,661
Committed for:				
Board operations	557,261	4,405,230	4,962,491	4,235,508
Total fund balance	559,988	4,405,230	4,965,218	4,238,169
Total liabilities, deferred inflows of resources and fund balance	$ 759,844	$ 4,405,230	$ 5,165,074	$ 4,385,543

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

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VIRGINIA BOARD OF ACCOUNTANCY
BALANCE SHEET, continued
GOVERNMENTAL FUNDS
As of June 30, 2019
With Comparative Figures for 2018

	Special Revenue Funds	
	Total	
	2019	2018
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balance (per page 10)	$ 4,965,218	$ 4,238,169
Capital assets reported for governmental activities are not financial resources and, therefore, are not reported in the funds. (Note 5)	878,547	554,322
Restricted net other postemployment asset is not a financial resource and, therefore is not reported in the funds. (Note 10)	40,000	38,000
Long-term liability for compensated absences, net pension	(16,842)	(28,202)
liability, and net other postemployment liability are not due and	(41,115)	(36,208)
payable in the current period and therefore are not reported in the	(1,015,000)	(1,068,000)
funds. (Note 6, Note 9, and Note 10)	(291,817)	(339,368)
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	104,808	104,090
Deferred outflow - Changes in proportion and differences between employer contributions and proportionate share of contributions	54,000	84,000
Deferred outflow - Net difference between projected and actual earnings on pension plan investments	-	-
Deferred outflow - Difference between expected and actual experience	-	2,000
Deferred outflow - Change in assumptions	7,000	10,000
Deferred inflow - Net difference between projected and actual earnings on pension plan investments	(61,000)	(31,000)
Deferred inflow - Net difference between projected and actual earnings on pension plan investments	(27,000)	(46,000)
Deferred inflows and outflows related to other postemployment activity are not required to be reported in the funds but are required to be reported at the government-wide level. (Note 10)		
Deferred outflow - Change in proportion	-	36,753
Deferred outflow - Amounts associated with transactions subsequent to the measurement date	55,886	22,469
Deferred inflow - Differences between actual and expected experience	(28,570)	(9,054)
Deferred inflow - Change in assumptions	(56,721)	(44,179)
Deferred inflow - Change in proportion	(12,147)	-
Deferred inflow - Net difference between projected and actual earnings on plan investments	(4,000)	(5,000)
Net position of governmental activities (page 8)	$ 4,551,247	$ 3,482,792

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, 2019
With Comparative Figures for 2018

	Special Revenue Funds			
	Operating Fund	Trust Account	Total 2019	Total 2018
Revenues:				
Licensing and examination fees	$ 2,870,785	$ -	$ 2,870,785	$ 2,351,510
Interest income	13,481	73,153	86,634	54,774
Monetary penalties	173,002	-	173,002	264,409
Other revenues	-	-	-	887
Total revenues	3,057,268	73,153	3,130,421	2,671,580
Expenditures:				
Licensing, examination and enforcement functions:				
Personal services	1,174,942	-	1,174,942	1,173,054
Contractual services	876,136	-	876,136	924,263
Supplies and materials	11,382	-	11,382	11,900
Transfer payments	1,358	-	1,358	848
Continuous charges	141,919	-	141,919	140,447
Equipment purchases	13,331	-	13,331	10,168
Total expenditures	2,219,068	-	2,219,068	2,260,680
Excess of revenues over expenditures	838,200	73,153	911,353	410,900
Other financing sources/(uses):				
Transfers to/from other funds (Note 7)	(631,270)	631,270	-	-
Transfers to the State General Fund	(11,302)	-	(11,302)	(10,155)
Transfers to the State Literary Fund	(173,002)	-	(173,002)	(264,409)
Total other financing sources and uses	(815,574)	631,270	(184,304)	(274,564)
Net change in fund balance	22,626	704,423	727,049	136,336
Fund balance, July 1	537,362	3,700,807	4,238,169	4,101,833
Fund balance, June 30	$ 559,988	$ 4,405,230	$ 4,965,218	$ 4,238,169

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, 2019
With Comparative Figures for 2018

	Special Revenue Funds Total	
	2019	2018
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balance (page 12)	$ 727,049	$ 136,336
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.	324,225	455,021
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.	6,453	11,579
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.	718	4,125
Change in deferred outflow - Changes in proportion and differences between employer contributions proportionate share of contributions	(30,000)	(38,000)
Change in deferred outflow - Net difference between projected and actual earnings on pension plan	-	(74,000)
Change in deferred outflow - Change in assumptions	(3,000)	10,000
Change in deferred outflow - Differences between expected and actual experience	(2,000)	(3,000)
Change in deferred inflow - Net difference between projected and actual earnings on pension plan	19,000	(46,000)
Change in deferred inflow - Differences between expected and actual experience	(30,000)	-
Change in net pension liability	53,000	91,000
Deferred inflows and outflows related to other postemployment 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 - Amounts associated with transactions subsequent to the measurement date	431	(1,370)
Change in deferred outflow - Changes in proportion	(6,768)	36,753
Change in deferred outflow - Differences between expected and actual experience	3,000	-
Change in deferred inflow - Net difference between projected and actual earnings on plan investments	1,000	(5,000)
Change in deferred inflow - Differences between expected and actual experience	(19,515)	(9,054)
Change in deferred inflow - Change in assumptions	(12,542)	(44,179)
Change in deferred inflow - Changes in proportion	(12,147)	-
Change in net other postemployment liability	49,551	5,559
Changes in net position of governmental activities (page 9)	$ 1,068,455	$ 529,770

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, 2019
With Comparative Figures for 2018

	Operating Fund				
	2019				2018
	Original Budget	Final Budget	Actual Amounts	Final Budget/ Actual Variance Positive/ (Negative)	Actual Amounts
Revenues:					
Licensing and examination fees	$ 2,296,427	$2,296,427	$ 2,870,760	$ 574,333	$2,351,595
Interest income	5,500	5,500	13,481	7,981	7,134
Monetary penalties	230,472	230,472	191,115	(39,357)	256,354
Other revenues	-	-	-	-	887
Total revenues	2,532,399	2,532,399	3,075,356	542,957	2,615,970
Expenditures:					
Licensing, examination and enforcement functions:					
Personal services	1,246,789	1,246,789	1,175,925	70,864	1,174,172
Contractual services	1,048,914	1,048,914	830,032	218,882	933,694
Supplies and materials	14,725	14,725	11,382	3,343	11,900
Transfer payments	900	900	1,358	(458)	848
Continuous charges	143,002	143,002	141,985	1,017	140,457
Equipment purchases	21,750	21,750	13,331	8,419	10,168
Total expenditures	2,476,080	2,476,080	2,174,013	302,067	2,271,239
Excess of revenues over expenditures	56,319	56,319	901,343	845,024	344,731
Other financing sources/(uses):					
Transfers from/(to) other funds (Note 7)	-	(631,270)	(631,270)	-	24,435
Transfers to the State General Fund	(11,302)	(11,302)	(11,302)	-	(10,155)
Transfers to the State Literary Fund	(230,472)	(230,472)	(191,115)	39,357	(256,354)
Total other financing sources and uses	(241,774)	(873,044)	(833,687)	39,357	(242,074)
Net change in fund balance	(185,455)	(816,725)	67,656	884,381	102,657
Fund balance, July 1	614,003	614,003	614,003	-	511,346
Fund balance, June 30	$ 428,548	$ (202,722)	$ 681,659	$ 884,381	$ 614,003

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, 2019
With Comparative Figures for 2018

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	
	2019	2018
	Actual Amounts	Actual Amounts
Net change in fund balance (page 14)	$ 67,656	$ 102,657
Accrued revenues on modified accrual basis	(18,088)	7,970
Accrued expenditures on modified accrual basis	(45,055)	10,559
Accrued transfers on modified accrual basis	18,113	(8,055)
Change in fund balance on modified accrual basis (page 12)	$ 22,626	$ 113,131

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

NOTES TO FINANCIAL STATEMENTS

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 of Virginia, 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 of Virginia'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, 2018, 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

The Virginia Retirement System (VRS) State Employee Retirement Plan is a single employer pension plan that is treated like a cost-sharing plan. 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 VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by VRS are reported at fair value.

I. State Employee Health Insurance Credit Program (OPEB)

The VRS State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The State Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee Health Insurance Credit Program OPEB, and the State Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Health Insurance Credit Program; and the additions to/deductions from the VRS State Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Group Life Insurance Program (OPEB)

The VRS Group Life Insurance Program is a multiple employer, cost- sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Disability Insurance Program (OPEB)

The VRS Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost- sharing plan. The Disability Insurance Program was established pursuant to §51.1-1100 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Disability Insurance Program is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for state employees. For purposes of measuring the net Disability Insurance Program OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to the Disability Insurance Program OPEB, and Disability Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Disability Insurance Program

OPEB Plan and the additions to/deductions from the VRS Disability Insurance Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Pre-Medicare Retiree Healthcare (OPEB)

The Commonwealth of Virginia State Health Plans Program for Pre-Medicare Retirees (Pre-Medicare Retiree Healthcare Plan) is a single-employer defined benefit OPEB plan that is treated like a cost sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. The Pre-Medicare Retiree Healthcare Plan was established by Title 2.2, Chapter 28 of the Code of Virginia for retirees who are not yet eligible to participate in Medicare. Benefit payments are recognized when due and payable in accordance with benefit terms. There are no assets accumulated in a trust to pay benefits.

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 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. Consequently, receivables are offset by a corresponding amount Due to the Literary Fund and are not available to meet the Board's current operating needs. At June 30, 2019, the amount Due to the Literary Fund for collections on monetary penalties was $33,555.

	June 30, 2019
Gross receivables	$ 60,229
Less: allowance for doubtful	(26,674)
Net Receivables	$ 33,555

5. CAPITAL ASSETS

The following presents capital activity for the year ended June 30, 2019:

	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019
Nondepreciable capital assets:				
Construction-in-Progress	$ 496,073	$ 341,976	-	$ 838,049
Total nondepreciable assets	496,073	341,976	-	838,049
Depreciable capital assets:				
Software	183,388	-	-	183,388
Tenant improvements	101,534	-	-	101,534
Equipment	72,260	5,366	-	77,626
Total depreciable assets	357,182	5,366	-	362,548
Less accumulated depreciation for:				
Software	(172,690)	(10,699)	-	(183,389)
Tenant improvements	(94,545)	(4,971)	-	(99,516)
Equipment	(31,698)	(7,447)	-	(39,145)
Total accumulated depreciation	(298,933)	(23,117)	-	(322,050)
Depreciable capital assets, net	58,249	(17,751)	-	40,498
Total capital assets, net	$ 554,322	$ 324,225	$ -	$ 878,547

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, 2019. 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, 2018	Increases	Decreases	Balance at June 30, 2019
$64,410	$50,846	($57,299)	$57,957
		Due within one year	(41,115)
		Due in more than one year	$16,842

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 fiscal year 2019 the Board transferred a total of $631,270 to the Trust Account.

8. COMMITMENTS

On August 29, 2007, the Board entered into a ten-year operating lease for office space in the Perimeter Center Building at 9960 Mayland Drive, Henrico, VA 23233. 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 improvements and an office space expansion for the Board in fiscal year 2015. The increased costs related to the expansion are included in the future obligations listed below.

The Board has, as of June 30, 2019, the following future obligations due under the Perimeter Center Building lease agreement:

Year Ending June 30,	Amount	
2020	95,918	
2021	98,488	
2022	101,128	
2023	103,842	
2024	106,630	
2025	63,445	(Lease expires on 1/31/2025)
	$ 569,451	

9. DEFINED BENEFIT PENSION PLAN

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 in the table below:

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1	**About Plan 2**	**About the Hybrid Retirement Plan**
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.	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.	The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • 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	**Eligible Members**	**Eligible Members**
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. **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 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 Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Employees are in 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 non-hazardous duty covered 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 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 Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees* • Members in Plan 1 or 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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions	**Retirement Contributions**	**Retirement Contributions**
State employees, excluding state elected officials, and optional retirement plan participants, 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.	Same as Plan 1.	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.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Credible Service	**Credible Service**	**Credible 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.	Same as Plan 1.	**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	**Vesting**	**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.	Same as Plan 1.	**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. Plan 1 or 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.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
		Defined Contribution 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. Member 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	**Calculating the Benefit**	**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.	See definition under Plan 1.	**Defined Benefit Component:** See definition under 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.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Average Final Compensation	**Average Final Compensation**	**Average Final Compensation**
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	A member's average final compensation is their average of the 60 consecutive months of highest compensation as a covered employee.	Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier	**Service Retirement Multiplier**	**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 1.70%.	Same as Plan 1 of 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.	**Defined Benefit Component:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or 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	**Normal Retirement Age**	**Normal Retirement Age**
Age 65.	Normal Social Security retirement age.	**Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility	**Earliest Unreduced Retirement Eligibility**	**Earliest Unreduced Retirement Eligibility**
Age 65 with a least five years (60 months) of creditable service or age 50 with at least 30 years of creditable service.	Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	**Defined Benefit Component:** Normal Social Security retirement age with 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.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Earliest Reduced Retirement Eligibility	**Earliest Reduced Retirement Eligibility**	**Earliest Reduced Retirement Eligibility**
Age 55 with a least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service	Age 60 with at least five years (60 months) of creditable service	**Defined Benefit Component:** 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	**Cost-of-Living Adjustment (COLA) in Retirement**	**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 or 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.	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 Plan 1	**Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Exceptions to COLA Effective Dates	**Exceptions to COLA Effective Dates**	**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.	Same as Plan 1.	Same as Plan 1 and Plan 2.
Disability Coverage	**Disability Coverage**	**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.	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.	State employees (including Plan 1 or 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.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage	**Disability Coverage**	**Disability Coverage**
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.	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.	Hybrid members (including Plan 1 and 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	**Purchase of Prior Service**	**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 towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Same as Plan 1.	**Defined Benefit Component:** Same as Plan 1, with the following exceptions: *Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

Contributions

The contribution 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 provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required contribution rate for the year ended June 30, 2019, was 13.52% 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, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the cost 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 $104,808 and $104,090 for the years ended June 30, 2019 and 2018, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2019, the Board reported a liability of $1,015,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Board's proportion of the VRS State Employee Retirement Plan was 0.01876% as compared to 0.01833% at June 30, 2017.

For the year ended June 30, 2019, the Board recognized pension expense of $96,000 for the VRS State Employee Retirement Plan. Since there was a change in proportionate share between June 30, 2017 and June 30, 2018, 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, 2019, 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	$ -	$ 61,000
Change in assumptions	7,000	-
Net difference between projected and actual earnings on pension plan investments	-	27,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	54,000	-
Employer contributions subsequent to measurement date	104,808	-
	$ 165,808	$ 88,000

$104,808 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, 2020. 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,		
2020	$	17,000
2021	$	(1,000)
2022	$	(40,000)
2023	$	(3,000)
2024	$	-

Actuarial assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including Inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, 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-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disabled): Update to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: Adjusted rates to better match experience
- Salary scale: No change
- Line of duty disability: Increase rate from 14% to 25%

<u>Net pension liability</u>

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, 2018, NPL amounts for the VRS State Employee Retirement Plan are as follows (amounts expressed in thousands):

Total pension liability	$ 23,945,821
Plan fiduciary net position	18,532,189
Employers' net pension liability	$ 5,413,632
Plan fiduciary net position as a percentage of the total pension liability	77.39%

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.

<u>Long-term expected rate of return</u>

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:

Assets Class Strategy	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Estate	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
Inflation			2.50%
Expected arithmetic nominal return			7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, 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 Board 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 which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue 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 Board's proportionate share of the net pension liability to changes in the discount rate

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Board's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$ 1,537,000	$ 1,015,000	$ 576,000

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 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-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 EMPLOYMENT BENEFIT PLAN

The Board participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System and the Department of Human Resource Management. These programs include the State Employee Health Insurance Credit Program, Group Life Insurance Program, Virginia Sickness and Disability Program and Pre- Medicare Retiree Healthcare Program.

State Employee Health Insurance Credit Program

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Health Insurance Credit Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the State Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out below:

Plan Provisions

Eligible employees: The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.

Benefit amounts: The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- At Retirement **-** For State employees who retire with at least 15 years of service credit, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
- Disability Retirement **-** For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher.

Health Insurance Credit Program notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual's premium amount.
- Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2019 was 1.17% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 Health Insurance Credit Program were $9,070 and $9,103 for the years ended June 30, 2019 and 2018, respectively.

State Employee Health Insurance Credit Program OPEB Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019, the Board reported a liability of $104,000 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2018, and the total VRS State Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The Board's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the Board's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2018, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Board's proportion of the VRS State Employee Health Insurance Credit Program was 0.01145% as compared to 0.01139% at June 30, 2017.

For the year ended June 30, 2019, the Board recognized VRS State Employee Health Insurance Credit Program OPEB expense of $10,000. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on State HIC OPEB plan investments	-	-
Changes in assumptions	-	1,000
Changes in proportionate share		-
Employer contributions subsequent to the measurement date	9,070	-
Total	$ 9,070	$ 1,000

$9,070 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30,		
2020	$	(1,000)
2021	$	-
2022	$	-
2023	$	-
2024	$	-
Thereafter	$	-

Actuarial Assumptions

The total State Employee HIC OPEB liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including Inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of OPEB 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 the OPEB liabilities.

Mortality Rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: Adjusted rates to better match experience
- Salary scale: No change
- Line of duty disability: Increase rate from 14% to 25%

Mortality rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
- Retirement rates: Increased age 50 rates and lowered rates at older ages
- Withdrawal rates: Adjusted rates to better fit experience
- Disability rates: Adjusted rates to better match experience
- Salary scale: No change
- Line of duty disability: Increase rate from 60% to 85%

Mortality rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
- Retirement rates: Increased age 50 rates and lowered rates at older ages
- Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: Adjusted rates to better match experience
- Salary scale: No change
- Line of duty disability: Increase rate from 50% to 35%

Mortality rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Decreased rates at first retirement eligibility
- Withdrawal rates: No change
- Disability rates: Removed disability rates
- Salary scale: No change

Net state employee HIC OPEB liability

The net OPEB liability (NOL) for the State Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS State Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

Total state employee HIC OPEB liability	$ 1,008,184
Plan fiduciary net position	95,908
State employee net HIC OPEB liability	$ 912,276
Plan fiduciary net position as a percentage of the total state employee HIC OPEB liability	9.5%

The total State Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net State Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 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 VRS 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 VRS 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:

Assets Class Strategy	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Estate	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
	100.00%		4.80%
Inflation			2.50%
*Expected arithmetic nominal return			7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total State Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by the Board for the VRS State Employee Health Insurance Credit Program 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, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB 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 State Employee HIC OPEB liability.

Sensitivity of the Board's Proportionate Share of the State Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Board's proportionate share of the VRS State Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the Board's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Board's proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	$ 115,000	$ 104,000	$ 95,000

State Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out below:

Eligible employees: The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: City of Richmond, City of Portsmouth, City of Roanoke, City of Norfolk and Roanoke City Schools Board. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit amounts: The benefits payable under the Group Life Insurance Program have several components.

- Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit - The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Safety belt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

Reduction in benefit amounts: The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum benefit amount and Cost-of-Living Adjustment (COLA): For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,279 effective July 1, 2018.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019, was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were $4,062 and $4,043 for the years ended June 30, 2019 and 2018, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2019, the Board reported a liability of $61,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018, and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Board's proportion was 0.00406% as compared to 0.00399% at June 30, 2017.

For the year ended June 30, 2019, the Board recognized GLI OPEB expense of $1,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,000	$ 1,000
Change in assumptions	-	3,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	2,000
Employer contributions subsequent to the measurement date	4,062	-
	$ 7,062	$ 6,000

$4,062 reported as deferred outflows of resources related to the GLI OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30,		
2020	$	(1,000)
2021	$	(1,000)
2022	$	(1,000)
2023	$	-
2024	$	-
Thereafter	$	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of 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 the OPEB liabilities.

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: Adjusted rates to better match experience
- Salary scale: No change
- Line of duty disability: Increase rate from 14% to 25%

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: Adjusted rates to better match experience
- Salary scale: No change

Mortality rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
- Retirement rates: Increased age 50 rates and lowered rates at older ages
- Withdrawal rates: Adjusted rates to better fit experience
- Disability rates: Adjusted rates to better match experience
- Salary scale: No change
- Line of Duty Disability – Increased rate from 60% to 85%

Mortality rates – VaLORS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
- Retirement rates: Increased age 50 rates and lowered rates at older ages
- Withdrawal rates: Adjusted rates to better fit experience and service through 9 years of service
- Disability rates: Adjusted rates to better match experience
- Salary scale: No change
- Line of Duty Disability – Increased rate from 50% to 35%

Mortality rates – JRS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Decreased rates at first retirement eligibility
- Withdrawal rates: No change
- Disability rates: Removed disability rates
- Salary scale: No change

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Lowered retirement rates at older ages and extended final retirement age from 70 to 75
- Withdrawal rates: Adjusted termination rates to better fit experience at each age and service year
- Disability rates: Lowered disability rates
- Salary scale: No change
- Line of Duty Disability: Increased rate from 14% to 20%

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Lowered retirement rates at older ages and extended final retirement age from 70 to 75
- Withdrawal rates: Adjusted termination rates to better fit experience at each age and service year
- Disability rates: Lowered disability rates
- Salary scale: No change
- Line of Duty Disability: Increased rate from 14% to 15%

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Lowered retirement rates at older ages
- Withdrawal rates: Adjusted termination rates to better fit experience at each age and service year
- Disability rates: Increased disability rates
- Salary scale: No change
- Line of Duty Disability: Increased rate from 60% to 70%

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Increased age 50 rates and lowered rates at older ages
- Withdrawal rates: Adjusted termination rates to better fit experience at each age and service year
- Disability rates: Adjusted rates to better match experience
- Salary scale: No change
- Line of Duty Disability: Decreased rate from 60% to 45%

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

Total GLIP OPEB liability	$ 3,113,508
Plan fiduciary net position	1,594,773
Employers' net GLI OPEB liability	$ 1,518,735
Plan fiduciary net position as a percentage of the total GLI OPEB liability	51.22%

The total GLI OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 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 the System's 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 System's 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:

Assets Class Strategy	**Target Allocation**	**Arithmetic Long-term Expected Rate of Return**	**Weighted Average Long-term Expected Rate of Return**
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Estate	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
Inflation			2.50%
	*Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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 entity for the GLI OPEB will be subject to the portion of the VRS Board- certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Board's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the Board's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the Board's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Board's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 80,000	$ 61,000	$ 46,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

VRS Disability Insurance Program

Plan Description

All full-time and part-time permanent salaried state employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) hired on or after January 1, 1999 are automatically covered by the Disability Insurance Program (VSDP) upon employment. The Disability Insurance Program also covers state employees hired before January 1, 1999 who elected to transfer to VSDP rather than retain their eligibility to be considered for disability retirement. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

Plan Provisions

The specific information for Disability Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

Eligible employees: The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities. Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).
- State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.

- Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.

Benefit amounts: The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:

- Leave - Sick, family and personal leave. Eligible leave benefits are paid by the employer.
- Short-Term Disability - The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.
- Long Term Disability - The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.
- Income Replacement Adjustment - The program provides for an income replacement adjustment to 80% of catastrophic conditions.
- VSDP Long-Term Care Plan - The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

Disability Insurance Program (VSDP) Plan Notes:

- Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.
- A state employee who is approved for VSDP benefits on or after the date this is five years prior to his or her normal retirement date is eligible for up five years of VSDP benefits.
- Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

Cost-of-Living Adjustments (COLA):

- During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board.
  - Plan 1 employees vested as of 1/1/2013 - 100% of the VRS Plan 1 COLA (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%).
  - Plan 1 employee non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees - 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).

- For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement. 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%.
- For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement. 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%.

Contributions

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2019, was 0.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the Board were $4,555 and $4,672 for the years ended June 30, 2019 and 2018, respectively.

Disability Insurance Program (VSDP) OPEB Labilities (Assets), VSDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VSDP OPEB

At June 30, 2019, the Board reported a liability (asset) of $(40,000) for its proportionate share of the Net VSDP OPEB Liability (Asset). The Net VSDP OPEB Liability (Asset) was measured as of June 30, 2018, and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Liability (Asset) was determined by an actuarial valuation as of that date. The Board's proportion of the Net VSDP OPEB Liability (Asset) was based on the Board's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2018, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Board's proportion was 0.01797% as compared 0.01829% at June 30, 2017.

For the year ended June 30, 2019, the Board recognized VSDP OPEB expense of $3,000. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,000
Net difference between projected and actual earnings on VSDP OPEB plan investments	-	2,000
Changes in assumptions	-	2,000
Employer contributions subsequent to the measurement date	4,555	-
	$ 4,555	$ 6,000

$4,555 reported as deferred outflows of resources related to the VSDP OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (Asset) in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

Year Ended June 30,	
2020	$ (1,000)
2021	$ (1,000)
2022	$ (1,000)
2023	$ (1,000)
2024	$ (1,000)
Thereafter	$ (1,000)

Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation:	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, 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 OPEB liabilities.

Mortality Rates – General State Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Lowered rates at older ages and changed final retirement age from 70 to 75
- Withdrawal rates: Adjusted rates to better fit experience at each age and service through 9 years of service
- Disability rates: Adjusted rates to better match experience
- Salary scale: No change
- Line of Duty Disability: Increased rate from 14% to 25%

Mortality rates – SPORS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
- Retirement rates: Increased age 50 rates and lowered rates at older ages
- Withdrawal rates: Adjusted rates to better fit experience
- Disability rates: Adjusted rates to better match experience
- Salary scale: No change
- Line of Duty Disability: Increased rate from 60% to 85%

Mortality rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
- Retirement rates: Increased age 50 rates and lowered rates at older ages
- Withdrawal rates: Adjusted rates to better fit experience and service through 9 years of service
- Disability rates: Adjusted rates to better match experience
- Salary scale: No change
- Line of Duty Disability: Increased rate from 50% to 35%

Net VSDP OPEB Liability (Asset)

The net OPEB asset (NOA) for the Disability Insurance Program (VSDP) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2018, NOA amounts for the Disability Insurance Program (VSDP) is as follows (amounts expressed in thousands):

Total VSDP OPEB liability	$ 237,733
Plan fiduciary net position	462,961
Employers' net OPEB liability (asset)	$ (225,228)
Plan fiduciary net position as a percentage of the total VSDP OPEB liability	194.74%

The total VSDP OPEB 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 OPEB asset is disclosed in accordance with the requirements of GASB Statement No. 74 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 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 VRS 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:

Assets Class Strategy	**Target Allocation**	**Arithmetic Long-term Expected Rate of Return**	**Weighted Average Long-term Expected Rate of Return**
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Estate	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
Inflation			2.50%
Expected arithmetic nominal return			7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total VSDP OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by participating employers to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program'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 VSDP OPEB liability.

Sensitivity of the Board’s Proportionate Share of the Net VSDP OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the Board’s proportionate share of the net VSDP OPEB liability (asset) using the discount rate of 7.00%, as well as what the Board’s proportionate share of the net VSDP OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	**Current Discount Rate (7.00%)**	**1.00% Increase (8.00%)**
Board’s proportionate share of the total VSDP Net OPEB liability (asset)	$ (39,000)	$ (40,000)	$ (42,000)

VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Pre-Medicare Retiree Healthcare Program

The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. Following are eligibility requirements for Virginia Retirement System retirees:

- You are a retiring state employee who is eligible for a monthly retirement benefit from the Virginia Retirement System (VRS), and
- You start receiving (do not defer) your retirement benefit immediately upon retirement*, and
- Your last employer before retirement was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled) coverage as an active employee in the State Health Benefits Program until your retirement date (not including Extended Coverage/COBRA), and
- You enroll no later than 31 days from his or her retirement date.

*For VRS retirees, this means that the employing agency reported a retirement contribution or leave without pay status for retirement in the month immediately prior to your retirement date. Some faculty members may also be eligible if they are paid on an alternate pay cycle but maintain eligibly for active coverage until their retirement date.

Effective January 1, 2017**, following are eligibility requirements for Optional Retirement Plan retirees:

- You are a terminating state employee who participates in one of the qualified Optional Retirement Plans, and
- Your last employer before termination was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled) coverage in the State Employee Health Benefits Program for active employees at the time of your termination, and
- You meet the age and service requirements for an immediate retirement benefit under the non-ORP Virginia Retirement System plan that he or she would have been eligible for on his or her date of hire had he or she not elected ORP, and
- You enroll in the State Retiree Health Benefits Program no later than 31 days from the date he or she lose coverage (or lose eligibility for coverage) in the State Health Benefits Program for active employees due to termination of employment.

**This change applies to ORP terminations effective January 1, 2017, or later. Eligibility for those who terminated employment prior to January 1 should be determined based on the policy in place at the time of their termination.

The employer does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 5,200 retirees and 91,800 active employees in the program in fiscal year 2018. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Actuarial Assumptions and Methods

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2018. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.21 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 5.0 percent for medical and pharmacy and 4.0 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2018 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.19 years
Discount Rate	3.87%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical & Rx: 8.21% to 5.00% Dental: 4.00% Before reflecting Excise tax
Year of Ultimate Trend	2025
Mortality:	Mortality rates vary by participant status
Pre-Retirement	RP-2014 Employee Rates projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males and females setback 1 year
Post-Disablement	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2018.

Changes of Assumptions: The following assumptions were updated since the June 30, 2017, valuation based recent experience:

- Spousal coverage - reduced rate from 50% to 35%
- Retiree participation - reduced the rate from 70% to 60%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection scale BB to 2020. Additionally, the discount rate was increased from 3.58% to 3.87% based on the Bond Buyers GO 20 Municipal Bond Index.

<u>Pre-Medicare Retiree Healthcare OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources</u>

At June 30, 2019, the Board reported a liability of $126,817 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of $1.0 billion. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018. The Board’s proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on the Board’s healthcare premium contributions as a percentage of the total employer’s healthcare premium contributions for all participating employers. At June 30, 2018, the Board’s proportion was 0.01261% as compared to 0.01350% at June 30, 2017. For the year ended June 30, 2019, the Board recognized Pre-Medicare Retiree Healthcare OPEB expense of $6,766.

At June 30, 2019, the Board reported deferred outflows or resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	$ -	$ 25,570
Changes in assumptions	-	50,721
Changes in proportion	29,985	12,147
Subtotal	29,985	88,438
Amounts associated with transactions subsequent to the measurement date	5,214	-
Total	$ 35,199	$ 88,438

$5,214 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

Year Ended June 30,	
2020	$(11,387)
2021	$(11,387)
2022	$(11,387)
2023	$(11,387)
2024	$(10,905)
Thereafter	$ (2,001)

Sensitivity of the Board's Proportionate Share of the Pre-Medicare Retiree Healthcare OPEB Liability to Changes in the Discount Rate

The following presents the Board's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.87%, as well as what the Board's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate:

	1.00% Decrease (2.87%)	**Current Rate (3.87%)**	**1.00% Increase (4.87%)**
OPEB Liability	$135,691	$126,817	$118,379

Sensitivity of the Board's Proportionate Share of the Pre-Medicare Retiree Healthcare OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Board's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the healthcare cost trend rate of 8.21% decreasing to 5.00%, as well as what the Board's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.21% decreasing to 4.00%) or one percentage point higher (9.21% decreasing to 6.00%) than the current rate:

	1% Decrease (7.21% decreasing to 4.00%)	**Trend Rate (8.21% decreasing to 5.00%)**	**1% Increase (9.21% decreasing to 6.00%)**
OPEB Liability	$113,113	$126,817	$142,926

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

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

Year Ended June 30,*	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.01876%	0.01833%	0.01759%	0.01669%	0.01498%
Employer's proportionate share of the net pension liability	$1,015,000	$1,068,000	$1,159,000	$1,022,000	$839,000
Employer's covered payroll	$778,755	$739,906	$695,362	$644,621	$578,909
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	130.34%	144.34%	166.68%	158.54%	144.93%
Plan fiduciary net position as a percentage of the total pension liability	77.39%	75.33%	71.29%	72.81%	74.28%

Schedule is intended to show information for 10 years. Since 2019 is the fifth year for this presentation, only five 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,	2019	2018	2017	2016	2015
Contractually required contribution	$ 104,808	$ 104,090	$ 99,965	$ 97,505	$ 79,482
Contributions in relation to the contractually required contribution	104,808	104,090	99,965	97,505	79,461
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ 21
Employer's covered payroll	$ 784,323	$ 778,755	$ 739,906	$ 695,362	$ 644,621
Contributions as a percentage covered payroll	13.36%	13.37%	13.51%	14.02%	12.33%

Schedule is intended to show information for 10 years. Since 2019 is the fifth year for this presentation, only three additional years of data is available. However, additional years will be included as they become available.

VRS State Employee Retirement Plan
Notes to Required Supplementary Information for the Year Ended June 30, 2019

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made for the VRS - State Employee Retirement Plan effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

Virginia Board of Accountancy
Schedule of Employer's Share of Net OPEB Liability
Health Insurance Credit Program (HIC)

Year Ended June 30,*	**2019**	**2018**
Employer's proportion of the Net HIC OPEB Liability (Asset)	0.01145%	0.01139%
Employer's proportionate share of the Net HIC OPEB Liability (Asset)	$104,000	$104,000
Employer's covered payroll	$778,755	$739,907
Employer's proportionate share of the Net HIC OPEB Liability (Asset) as a percentage of its covered payroll	13.35%	14.06%
Plan fiduciary net position as a percentage of the total HIC OPEB Liability	9.51%	8.03%

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two 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
Health Insurance Credit Program (HIC)

Year Ended June 30,	**2019**	**2018**
Contractually required contribution	$ 9,070	$ 9,103
Contributions in relation to the contractually required contribution	9,070	9,103
Contribution deficiency (excess)	$ -	$ -
Employer's covered payroll	$ 784,323	$ 778,755
Contributions as a percentage covered payroll	1.16%	1.17%

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two years of data is available. However, additional years will be included as they become available.

Health Insurance Credit Program (HIC)
Notes to Required Supplementary Information for the Year Ended June 30, 2019

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP- 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

JRS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Virginia Board of Accountancy

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program (GLI)

Year Ended June 30,*	**2019**	**2018**
Employer's proportion of the Net GLI OPEB Liability (Asset)	0.00406%	0.00399%
Employer's proportionate share of the Net GLI OPEB Liability (Asset)	$61,000	$60,000
Employer's covered payroll	$778,755	$739,907
Employer's proportionate share of the Net GLI OPEB Liability (Asset) as a percentage of its covered payroll	7.83%	8.11%
Plan fiduciary net position as a percentage of the total GLI OPEB Liability	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two 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
Group Life Insurance Program (GLI)

Year Ended June 30,	2019	2018
Contractually required contribution	$ 4,062	$ 4,043
Contributions in relation to the contractually required contribution	4,062	4,043
Contribution deficiency (excess)	$ -	$ -
Employer's covered payroll	$ 784,323	$ 778,755
Contributions as a percentage covered payroll	0.52%	0.52%

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two years of data is available. However, additional years will be included as they become available.

Group Life Insurance Program (GLI)
Notes to Required Supplementary Information for the Year Ended June 30, 2019

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

JRS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

Largest Ten Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Virginia Board of Accountancy

Schedule of Employer's Share of Net OPEB Liability
Disability Insurance Program (VSDP)

Year Ended June 30,*	2019	2018
Employer's proportion of the Net VSDP OPEB Liability (Asset)	0.01797%	0.01829%
Employer's proportionate share of the Net VSDP OPEB Liability (Asset)	$40,000	$38,000
Employer's covered payroll	$715,906	$689,058
Employer's proportionate share of the Net VSDP OPEB Liability (Asset) as a percentage of its covered payroll	5.59%	5.51%
Plan fiduciary net position as a percentage of the total VSDP OPEB Liability	194.74%	186.63%

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two 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
Disability Insurance Program (VSDP)

Year Ended June 30,	2019	2018
Contractually required contribution	$ 4,555	$ 4,672
Contributions in relation to the contractually required contribution	4,555	4,672
Contribution deficiency (excess)	$ -	$ -
Employer's covered payroll	$ 747,661	$ 715,906
Contributions as a percentage covered payroll	0.61%	0.65%

Schedule is intended to show information for 10 years. Since 2019 is the second year for this presentation, only two years of data is available. However, additional years will be included as they become available.

Disability Insurance Program (VSDP)
Notes to Required Supplementary Information for the Year Ended June 30, 2019

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Virginia Board of Accountancy

Schedule of Employer's Share of Total OPEB Liability
Pre-Medicare Retiree Healthcare Program

Year Ended June 30,*	2019	2018
Employer's proportion of the collective total OPEB Liability	0.01261%	0.01350%
Employer's proportionate share of the collective collective total OPEB Liability	$126,817	$175,370
Employer's covered-employee payroll	$778,755	$745,758
Employer's proportionate share of the collective total OPEB Liability as a percentage of its covered-employee payroll	16.28%	23.52%

Schedule is intended to show information for 10 years. Since 2019 was the second year for this presentation, only two 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.

Pre-Medicare Retiree Healthcare Program
Notes to Required Supplementary Information for the Year Ended June 30, 2019

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms – There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following assumptions were updated since the June 30, 2017 valuation based on recent experience:

- Spousal Coverage – reduced the rate from 50% to 35%
- Retirement participation – reduced rate from 70% to 60%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect the mortality improvement projection scale BB to 2020. Additionally, the discount rate was increased from 3.58% to 3.87% based on the Bond Buyers GO 20 Municipal Bond Index.

VIRGINIA BOARD OF ACCOUNTANCY

BOARD MEMBERSHIP
As of June 30, 2019

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.

Susan Quaintance Ferguson, CPA
Chair

D. Brian Carson, CPA, CGFM
Vice Chair

Laurie A. Warwick, CPA
Stephanie S. Saunders, CPA
Matthew P. Bosher, Esq.
William R. Brown, CPA
W. Barclay Bradshaw, CPA

VIRGINIA BOARD OF ACCOUNTANCY

Ethics 2021

Revised approach

- The VBOA Ethics Committee will meet in June or July and develop an outline based on changes or areas of focus in professional regulations or standards.
- Annually, VBOA creates a video that addresses the outline requirements, the "VBOA Ethics Module." The VBOA Ethics Module will be included in every VBOA-approved ethics course.
- The VBOA Ethics Module will instruct licensees to contact the VBOA and/or provide links to the standards and regulations. The instructors will not be interpreting regulations or content.
- In order to be approved, a vendor must agree that the VBOA Ethics Module will be incorporated at the beginning of their specific professional ethics training.
- Vendors will submit the course, with the VBOA Ethics Module embedded, to VBOA for approval and, if approved, inclusion as a VBOA-approved course on the website.
- The VBOA Ethics Module will be completed by October 1 of each year.
- Vendors may submit courses for approval after October 1.
- Approved courses must include the VBOA Ethics Module. The remainder of the course can be professional ethics topics, including specific practice areas, decision models, standards and responsibilities, etc.
- Based on policy, the current year ethics courses will begin after January 31.

Current regulations – 18VAC5-22-90. Continuing Professional Education

*No changes needed

- …For each of the calendar years in that period, he shall have obtained at least 20 hours of continuing professional education, including an ethics course of at least two hours.
- …the ethics course shall conform to the requirements prescribed by the board.
- There is no regulatory or statutory requirement that licensees take a Virginia-Specific Ethics Course.

Current VBOA policies regarding ethics requirements

*Modifications required

- Policy #2, Continuing Professional Education Guidelines for Sponsors – updating terminology and striking the language regarding contracting with specific vendors and the need for the course to be instructor led by a CPA.
- Policy #4, Continuing Professional Education Guidelines for CPAs – also striking the language about the Virginia Procurement Act as it no longer applies.
- Policy #8, Ethics Committee – changing terminology and timelines

VIRGINIA BOARD OF ACCOUNTANCY

Other state examples

- Ohio, Florida, Mississippi and Washington are some examples of states with state specific ethics requirements.
- None of these models are alike, though each require specific content or topics in the state approved ethics courses.
- Each of the states mentioned as examples have more than 24 participating ethics vendors/courses that span over a range of practice areas and other professional ethics topics.

Potential increased administrative responsibilities for VBOA

- This may be relevant in years of significant change. The current process already requires significant VBOA administrative processes with the Ethics Committee, review of outlines, review of materials, approval of sponsors, and collection of evaluations.
- The VBOA Ethics Committee will continue to develop the outline. Our expectation is that the Committee will be much more engaged in the process.
- CPE audits may require an additional step to ensure the ethics course reported is approved, but this step is often required in the current audit process.

Benefits

- The new approach is responsive to the 2019 CPE survey.
- It provides choices for CPAs in various practices or areas of interest, while still delivering the ethical and regulatory content that the VBOA controls.
- It increases competition.
- It does not require a formal procurement process.

VIRGINIA BOARD OF ACCOUNTANCY

VBOA Policy #2

TITLE: Continuing Professional Education Guidelines for Sponsors

EFFECTIVE DATE:

AUTHORITY: VBOA regulation 18VAC5-22-90

POLICY STATEMENT:

VBOA-approved ethics course

The Virginia Board of Accountancy (VBOA) requires that all people holding a Virginia license who have not been granted an exemption or waiver to complete on an annual basis a VBOA-approved ethics course of at least 2 hours that complies with VBOA regulation 18VAC5-22-90 and VBOA Policy #4. The required annual ethics course must be completed no later than January 31 of each year to meet the previous calendar-year requirement. No sponsor may provide the annual ethics course later than January 31 for the previous calendar year.

A VBOA-approved ethics course must include a specific VBOA review of professional standards and responsibilities. The VBOA will post approved courses and sponsors on its website.

Sponsors submitting courses to be approved for the VBOA ethics requirement must:

- Obtain the course contents/materials from the VBOA
- Have their course, which must include the specific VBOA-provided course content, pre-approved annually by VBOA staff
- Be listed on the VBOA's website as an approved course and sponsor

Sponsors will be required to demonstrate their compliance with the VBOA's policy on content/material prior to approval. Sponsors or courses not pre-approved annually by VBOA staff will not be recognized by the VBOA as an acceptable VBOA-approved ethics course. A person who holds a Virginia license will not be deemed to have met the annual ethics requirement if they complete a Virginia ethics course from a non-approved sponsor.

Sponsors providing CPE other than the VBOA-approved ethics course

With the exception of a Virginia-approved ethics course, the VBOA does not maintain agreements with sponsors, pre-qualify sponsors or individual courses, or require a person who holds a Virginia license to obtain CPE from specific sponsors. Sponsors are encouraged to comply with the Statement on Standards for CPE Programs issued jointly by the American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASBA).

The VBOA generally accepts relevant and qualifying CPE from the following sponsors:

- National Registry of CPE Sponsors in affiliation with NASBA

- Quality Assurance Service in affiliation with NASBA
- Accredited college or university offering semester or quarter-hour credits
- Employer of a CPA
- Federal, state or local government
- State CPA society
- AICPA

The VBOA may accept hours of CPE from other sponsors. However, CPE obtained from sponsors not listed above may be subject to further examination and additional documentation requirements. Acceptance of hours of CPE is at the discretion of the VBOA.

At a minimum, sponsors must provide licensees a certificate of completion or some other form of documentation that includes the sponsor's name, participant's name, course/content name, date taken and hours of CPE earned.

APPROVAL AND REVIEW: This VBOA policy was reviewed on December February 25, 2020.

SUPPRESSION: This VBOA policy replaces Board Policy #2 that was effective on December 31, 2018.

VBOA CHAIR AT LAST REVIEW: D. Brian Carson, CPA, CGMA

VBOA MEMBERS AT LAST REVIEW:

Laurie A. Warwick, CPA, Vice Chair
Matthew P. Bosher
W. Barclay Bradshaw, CPA
William R. Brown, CPA
Nadia A. Rogers, CPA
Stephanie S. Saunders, CPA

EXECUTIVE DIRECTOR: Nancy J. Glynn, CPA

VIRGINIA BOARD OF ACCOUNTANCY

VBOA Policy #2

TITLE: Continuing Professional Education Guidelines for Sponsors

EFFECTIVE DATE: ~~December 31, 2018~~

AUTHORITY: VBOA regulation 18VAC5-22-90

POLICY STATEMENT:

~~Virginia-Specific Ethics Course CPE~~VBOA-approved ethics course

The Virginia Board of Accountancy (VBOA) requires that all people holding a Virginia license who have not been granted an exemption or waiver to complete on an annual basis a ~~Virginia-Specific Ethics Course~~VBOA-approved ethics course of at least 2 hours that complies with VBOA regulation 18VAC5-22-90 and VBOA Policy #4. The required annual ethics course must be completed no later than January 31 of each year to meet the previous calendar-year requirement. No sponsor may provide the annual ethics course later than January 31 for the previous calendar year.

~~The VBOA may contract with one or more vendors to provide the content/material for the Virginia-Specific Ethics Course, under the provisions of the Virginia Public Procurement Act (Code of Virginia § 2.2-4300 *et seq.*). The ethics course content/material must follow an annual outline approved by the VBOA. The VBOA will post on its website the selected provider(s) of the content/material for the Virginia-Specific Ethics Course.~~A VBOA-approved ethics course must include a specific VBOA review of professional standards and responsibilities. The VBOA will post approved courses and sponsors on its website.

Sponsors ~~desiring to provide the Virginia-Specific Ethics Course~~submitting courses to be approved for the VBOA ethics requirement must:

- Obtain the course contents/materials from the ~~provider(s) selected by the~~ VBOA
- ~~Be~~ Have their course, which must include the specific VBOA-provided course content, pre-approved annually by VBOA staff ~~as a sponsor of this course~~
- Be listed on the VBOA's website as an approved course and sponsor ~~of this course~~
- ~~Submit all course and evaluation comments to the VBOA within 60 days of the course being held~~

~~The course must be instructor-led but may be presented in a variety of different formats including, but not limited to, live seminars, conference sessions, online self-study presented by an instructor, live webcast and webcast replays, on-demand webcast and in-house training.~~

~~All instructors of the Virginia-Specific Ethics Course must hold an active Virginia license that is in good standing and must be pre-approved on an annual basis to instruct the Virginia-Specific Ethics Course.~~

Sponsors will be required to demonstrate their compliance with the VBOA's policy on content/material ~~and instructor requirements~~ prior to approval. Sponsors or courses not pre- approved annually by VBOA staff will not be recognized by the VBOA as an acceptable ~~Virginia-Specific Ethics Course~~VBOA-approved ethics course ~~sponsor~~. A person who holds a Virginia license will not be deemed to have met the annual ethics requirement if they complete a Virginia ~~-Specific Ethics Course~~ ethics course from a non-approved sponsor.

Sponsors providing CPE other than the ~~Virginia-Specific Ethics Course~~VBOA-approved ethics course

With the exception of ~~the~~ a Virginia-~~Specific Ethics Course~~approved ethics course, the VBOA does not maintain agreements with sponsors, pre-qualify sponsors or individual courses, or require a person who holds a Virginia license to obtain CPE from specific sponsors. Sponsors are encouraged to comply with the Statement on Standards for CPE Programs issued jointly by the American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASBA).

The VBOA generally accepts relevant and qualifying CPE from the following sponsors:

- National Registry of CPE Sponsors in affiliation with NASBA
- Quality Assurance Service in affiliation with NASBA
- Accredited college or university offering semester or quarter-hour credits
- Employer of a CPA
- Federal, state or local government
- State CPA society
- AICPA

The VBOA may accept hours of CPE from other sponsors. However, CPE obtained from sponsors not listed above may be subject to further examination and additional documentation requirements. Acceptance of hours of CPE is at the discretion of the VBOA.

At a minimum, sponsors must provide licensees a certificate of completion or some other form of documentation that includes the sponsor's name, participant's name, course/content name, date taken and hours of CPE earned.

APPROVAL AND REVIEW: This VBOA policy was reviewed on December ~~4, 2018~~February 25, 2020.

SUPPRESSION: This VBOA policy replaces Board Policy #2 that was effective on December ~~11, 2015~~31, 2018.

VBOA CHAIR AT LAST REVIEW: D. Brian Carson, CPA, CGMA~~Susan Quaintance Ferguson, CPA~~

VBOA MEMBERS AT LAST REVIEW:

Laurie A. Warwick, CPA~~D. Brian Carson, CPA, CGMA~~, Vice Chair
Matthew P. Bosher
W. Barclay Bradshaw, CPA

William R. Brown, CPA
Nadia A. Rogers, CPA
Stephanie S. Saunders, CPA
~~Laurie A. Warwick, CPA~~

EXECUTIVE DIRECTOR: Nancy J. Glynn, CPA

VIRGINIA BOARD OF ACCOUNTANCY

VBOA Policy #4

TITLE: Continuing Professional Education Guidelines for CPAs

EFFECTIVE DATE: ~~September 30, 2019~~

AUTHORITY: Code of Virginia §§ 54.1-4409.2 and 54.1-4413.2 and VBOA regulations 18VAC5-22-90 and 18VAC5-22-140

POLICY STATEMENT: Specific CPE requirements of the Virginia Board of Accountancy (VBOA) are listed in the authority sections named above. This policy details the CPE guidelines approved by the VBOA.

General guidelines

Persons who hold a Virginia license must obtain 120 hours of CPE during a rolling three-calendar-year reporting period. For each calendar year within the reporting period, the person must obtain a minimum of 20 hours of CPE that must include a VBOA-approved ethics course of at least 2 hours. If the person releases or authorizes the release of reports on attest services, compilation services, or financial statement preparation services during the calendar year, the person must obtain a minimum of 8 hours of CPE related to those services in that same calendar year, which are included as part of the annual minimum and reporting period minimum.

CPE requirements for persons who have been newly issued a Virginia license can be found in VBOA regulation 18VAC5-22-90(B). CPE requirements for a person wishing to reinstate a Virginia license or wishing to transition the status of their Virginia license from Inactive back to Active can be found in VBOA regulation 18VAC5-22-90(C).

The VBOA recognizes that 50 minutes of CPE participation equals one hour of CPE. Conversion of semester hours or quarter hours from an accredited college or university into hours of CPE can be found in VBOA regulation 18VAC5-22-90(F)(3). CPE requirements may be adjusted depending upon when a person who holds a Virginia license begins or ceases to provide services to the public or to or on behalf of an employer in accordance with VBOA regulation 18VAC5-22-90. Specific questions may be addressed by contacting the VBOA. All persons who hold a Virginia license have until January 31 to complete the previous calendar year's CPE requirements.

VBOA-approved ethics course

The VBOA requires that all people who hold a Virginia license complete on an annual basis a VBOA-approved ethics course of at least 2 hours, unless the person has been granted the Inactive status for their Virginia license or the VBOA has granted a waiver of this requirement.

The 2-hour VBOA-approved ethics course is a separate and distinct annual requirement from the one-time American Institute of Certified Public Accountants ethics course needed for initial licensure.

People who hold a Virginia license must complete the VBOA-approved ethics course no later than January 31 of each year to meet the previous calendar-year requirement. No sponsor may provide the annual ethics course later than January 31 for the previous calendar year.

The VBOA-approved ethics course must include the specific VBOA review of professional standards and responsibilities. Licensees must complete a VBOA-approved ethics course annually.

It is the responsibility of a person who holds a Virginia license to ensure that sponsors providing the VBOA-approved ethics course are listed on the VBOA's website as an approved sponsor of this course. A person who holds a Virginia license will not be deemed to have met the annual ethics requirement if they complete an ethics course from a non-approved sponsor.

People who hold a Virginia license must also ensure that sponsors provide a certificate of completion or some other form of documentation that includes the sponsor's name, participant's name, course/content name, date taken and hours of CPE earned.

If the person also holds the license of another state and Virginia is not his principal place of business, the ethics course taken to comply with this subsection either shall conform with the requirements prescribed by the VBOA or shall be an ethics course acceptable to the board of accountancy of another state in which the person holds a license.

Qualifying CPE other than the VBOA-approved ethics course

It is the intent of the VBOA that all CPE (1) meet the requirements of VBOA regulations 18VAC5-22-90 and 18VAC5-22-140; (2) provide course content pertinent to the profession; and (3) assist the person who holds a Virginia license in becoming a better accounting professional. The VBOA accepts CPE obtained through a variety of forums, providing that the person who holds a Virginia license is able to demonstrate that learning objectives were met.

A variety of continuing professional education is acceptable, as specified in VBOA regulations.

The VBOA will determine on a case-by-case basis the acceptability of other forums for CPE not otherwise specified in regulation. Restrictions on specific forums for CPE are found in VBOA regulations. Acceptance of hours of CPE is at the discretion of the VBOA.

The VBOA has also approved that Continuing Education (CE), Continuing Education Units (CEU), Continuing Legal Education (CLE), Continuing Medical Education (CME), and Quality Assurance Service (QAS) are acceptable as hours of CPE.

With the exception of the VBOA-approved ethics course, the VBOA does not currently require people who hold a Virginia license to obtain CPE from specific or approved sponsors.

CPE reporting period

The VBOA uses a rolling three calendar-year period to determine CPE compliance. This period includes the three calendar years prior to the current calendar year. For example, if asked by the VBOA to produce evidence of CPE compliance, submit such evidence for the three calendar years prior to the current calendar year.

CPE compliance reviews

On a monthly basis, the VBOA randomly selects people who hold a Virginia license for CPE compliance. The VBOA will notify licensees selected for a CPE compliance review. If selected, a person will be required to submit acceptable CPE documentation to verify compliance through a means determined by the VBOA. As a function of this CPE review process, a person may be required to provide additional documentation as requested by the VBOA to support compliance.

In addition to the random selection process, people who hold a Virginia license will also be selected for a CPE compliance review as a component of any open investigation or enforcement case or in situations where the VBOA believes that a CPE compliance review is warranted.

CPE documentation requirements

Required documentation can generally be satisfied by providing:

- Certificates of completion or some other form of documentation from the CPE sponsor(s) including the sponsor(s)' name, participant's name, course/content name, date taken and hours of CPE earned.
- Official transcript of the college or university for earning course credit at an accredited college or university.
- Syllabus/agenda and signed statement indicating the length of the presentation when making a presentation.
- Copy of published article, book or written material (or proof of publication) when producing written material relevant to CPAs who provide services to the public or to or on behalf of an employer.

The VBOA has restrictions on the types of documentation it regards as acceptable. The VBOA will not accept receipts, registration confirmations, canceled checks, outlines, PowerPoint presentations or sign-in sheets, etc., as valid CPE documentation.

Retention requirements for CPE documentation

People who hold a Virginia license must retain CPE documentation for the four calendar years preceding the current calendar year.

CPE violations

As the result of a CPE compliance review, the VBOA may find that a person who holds a Virginia license has violated the CPE requirements during the reporting period. In such cases, enforcement action may be taken and the person will generally be offered a consent order and be subject to disciplinary action.

A person who holds a Virginia license may also determine on their own, outside of a CPE compliance review, that they are deficient in CPE for a specific reporting period. The person should notify the VBOA immediately when it is determined that a CPE deficiency has occurred.

In accordance with VBOA regulations, depending on the facts and circumstances, the VBOA may waive all or part of the CPE requirement for one or more calendar years or grant additional time for complying with the CPE requirement, provided that the waiver or deferral is in the public interest. However, requests for a waiver or a deferral must generally be received in advance of the deadline for CPE completion. It is the policy of the VBOA that such waivers or deferrals generally be considered only in situations resulting from extreme medical hardship or active military deployment.

Requests for a waiver or deferral made under this section will be considered on a case-by-case basis. Such approvals are rare.

APPROVAL AND REVIEW: This VBOA policy was reviewed on February 25, 2020.

SUPPRESSION: This VBOA policy replaces Board Policy #4 that was approved on September 30, 2019.

VBOA CHAIR AT LAST REVIEW: D. Brian Carson, CPA, CGMA, Chair

VBOA MEMBERS AT LAST REVIEW:

Laurie A. Warwick, CPA, Vice Chair
Matthew P. Bosher
W. Barclay Bradshaw, CPA
William R. Brown, CPA
Nadia A. Rogers, CPA
Stephanie S. Saunders, CPA

EXECUTIVE DIRECTOR: Nancy J. Glynn, CPA

VIRGINIA BOARD OF ACCOUNTANCY

VBOA Policy #4

TITLE: Continuing Professional Education Guidelines for CPAs

EFFECTIVE DATE: ~~September 30, 2019~~

AUTHORITY: Code of Virginia §§ 54.1-4409.2 and 54.1-4413.2 and VBOA regulations 18VAC5-22-90 and 18VAC5-22-140

POLICY STATEMENT: Specific CPE requirements of the Virginia Board of Accountancy (VBOA) are listed in the authority sections named above. This policy details the CPE guidelines approved by the VBOA.

General guidelines

Persons who hold a Virginia license must obtain 120 hours of CPE during a rolling three-calendar-year reporting period. For each calendar year within the reporting period, the person must obtain a minimum of 20 hours of CPE that must include ~~the two hour~~ a VBOA-approved ~~Virginia-Specific~~ ethics course of at least 2 hours. If the person releases or authorizes the release of reports on attest services, compilation services, or financial statement preparation services during the calendar year, the person must obtain a minimum of ~~eight~~ 8 hours of CPE related to those services in that same calendar year, which are included as part of the annual minimum and reporting period minimum.

CPE requirements for persons who have been newly issued a Virginia license can be found in VBOA regulation 18VAC5-22-90(B). CPE requirements for a person wishing to reinstate a Virginia license or wishing to transition the status of their Virginia license from Inactive back to Active can be found in VBOA regulation 18VAC5-22-90(C).

The VBOA recognizes that 50 minutes of CPE participation equals one hour of CPE. Conversion of semester hours or quarter hours from an accredited college or university into hours of CPE can be found in VBOA regulation 18VAC5-22-90(F)(3). CPE requirements may be adjusted depending upon when a person who holds a Virginia license begins or ceases to provide services to the public or to or on behalf of an employer in accordance with VBOA regulation 18VAC5-22-90. Specific questions may be addressed by contacting the VBOA. All persons who hold a Virginia license have until January 31 to complete the previous calendar year's CPE requirements.

Commented [EM1]: this regulatory citation will no longer be valid when our regs are approved

~~Virginia-Specific~~ VBOA-approved ethics course

The VBOA requires that all people who hold a Virginia license complete on an annual basis a ~~Virginia-Specific~~ VBOA-approved ethics course of at least 2 hours, ~~that complies with VBOA regulation 18VAC5-22-90~~, unless the person has been granted the Inactive status for their Virginia license or the VBOA has granted a waiver of this requirement.

The ~~two~~ 2-hour ~~Virginia-Specific~~ VBOA-approved ethics course is a separate and distinct annual requirement from the one-time American Institute of Certified Public Accountants ethics course needed for initial licensure.

People who hold a Virginia license must complete ~~this~~ the VBOA-approved ethics course no later than January 31 of each year to meet the previous calendar-year requirement. No sponsor may provide the annual ethics course later than January 31 for the previous calendar year.

~~The VBOA may contract with one or more vendors to provide the content/material for the Virginia-Specific Ethics Course, under the provisions of the Virginia Public Procurement Act (Code of Virginia § 2.2-4300 *et seq*.). The ethics course content/material must follow an annual outline approved by the VBOA. The VBOA will post on its website the selected provider(s) of the content/material for the Virginia-Specific ethics Course.~~

~~The course must be instructor-led but may be presented in a variety of different formats including, but not limited to, live seminars, conference sessions, online self-study presented by an instructor, live webcast and webcast replays, on-demand webcast and in-house training.~~

The VBOA-approved ethics course must include the specific VBOA review of professional standards and responsibilities. Licensees must complete a VBOA-approved ethics course annually.

It is the responsibility of a person who holds a Virginia license to ensure that sponsors providing the ~~Virginia-Specific~~ VBOA-approved ethics course are listed on the VBOA's website as an approved sponsor of this course. A person who holds a Virginia license will not be deemed to have met the annual ethics requirement if they complete an ethics course from a non-approved sponsor.

People who hold a Virginia license must also ensure that sponsors provide a certificate of completion or some other form of documentation that includes the sponsor's name, participant's name, course/content name, date taken and hours of CPE earned.

~~If a person who holds a Virginia license is not satisfied with the content of the course or the instructor, the person is encouraged to contact the VBOA. A person who holds a Virginia license will not be deemed to have met the annual ethics requirement if they complete a Virginia-Specific Ethics Course from a non-approved sponsor.~~

If the person also holds the license of another state and Virginia is not his principal place of business, the ethics course taken to comply with this subsection either shall conform with the requirements prescribed by the VBOA or shall be an ethics course acceptable to the board of accountancy of another state in which the person holds a license.

Qualifying CPE other than the ~~Virginia-Specific~~ VBOA-approved ethics course

It is the intent of the VBOA that all CPE (1) meet the requirements of VBOA regulations 18VAC5-22-90 and 18VAC5-22-140; (2) provide course content pertinent to the profession; and (3) assist the person who holds a Virginia license in becoming a better accounting professional. The VBOA accepts CPE obtained through a variety of forums, providing that the person who holds a Virginia license is able to demonstrate that learning objectives were met.

A variety of continuing professional education is acceptable, as specified in VBOA regulations ~~18VAC5-22-90(E)~~.

The VBOA will determine on a case-by-case basis the acceptability of other forums for CPE not otherwise specified in regulation. Restrictions on specific forums for CPE are found in VBOA regulations ~~18VAC5-22-90(F)~~. Acceptance of hours of CPE is at the discretion of the VBOA.

The VBOA has also approved that Continuing Education (CE), Continuing Education Units (CEU), Continuing Legal Education (CLE), Continuing Medical Education (CME), and Quality Assurance Service (QAS) are acceptable as hours of CPE.

With the exception of the ~~Virginia-Specific~~ VBOA-approved ethics course, the VBOA does not currently require people who hold a Virginia license to obtain CPE from specific or approved sponsors.

CPE reporting period

The VBOA uses a rolling three calendar-year period to determine CPE compliance. This period includes the three calendar years prior to the current calendar year. For example, if asked by the VBOA to produce evidence of CPE compliance, submit such evidence for the three calendar years prior to the current calendar year.

CPE compliance reviews

On a monthly basis, the VBOA randomly selects people who hold a Virginia license for CPE compliance. The VBOA will notify licensees selected for a CPE compliance review. If selected, a person will be required to submit acceptable CPE documentation to verify compliance through a means determined by the VBOA. As a function of this CPE review process, a person may be required to provide additional documentation as requested by the VBOA to support compliance.

In addition to the random selection process, people who hold a Virginia license will also be selected for a CPE compliance review as a component of any open investigation or enforcement case or in situations where the VBOA believes that a CPE compliance review is warranted.

~~People who hold a Virginia license should not submit CPE documentation during the annual renewal process unless specifically requested by the VBOA.~~

CPE documentation requirements

Required documentation can generally be satisfied by providing:

- Certificates of completion or some other form of documentation from the CPE sponsor(s) including the sponsor(s)' name, participant's name, course/content name, date taken and hours of CPE earned.
- Official transcript of the college or university for earning course credit at an accredited college or university.
- Syllabus/agenda and signed statement indicating the length of the presentation when making a presentation.
- Copy of published article, book or written material (or proof of publication) when producing written material relevant to CPAs who provide services to the public or to or on behalf of an employer.

The VBOA has restrictions on the types of documentation it regards as acceptable. The VBOA will not accept receipts, registration confirmations, canceled checks, outlines, PowerPoint presentations or sign-in sheets, etc., as valid CPE documentation.

Retention requirements for CPE documentation

People who hold a Virginia license must retain CPE documentation for the four calendar years preceding the current calendar year.

CPE violations

As the result of a CPE compliance review, the VBOA may find that a person who holds a Virginia license has violated the CPE requirements during the reporting period. In such cases, enforcement action may be taken and the person will generally be offered a consent order and be subject to disciplinary action.

A person who holds a Virginia license may also determine on their own, outside of a CPE compliance review, that they are deficient in CPE for a specific reporting period. The person should notify the VBOA immediately when it is determined that a CPE deficiency has occurred.

In accordance with VBOA regulations ~~18VAC5-22-90(G)~~, depending on the facts and circumstances, the VBOA may waive all or part of the CPE requirement for one or more calendar years or grant additional time for complying with the CPE requirement, provided that the waiver or deferral is in the public interest. However, requests for a waiver or a deferral must generally be received in advance of the deadline for CPE completion. It is the policy of the VBOA that such waivers or deferrals generally be considered only in situations resulting from extreme medical hardship or active military deployment.

Requests for a waiver or deferral made under this section will be considered on a case-by-case basis. Such approvals are rare.

APPROVAL AND REVIEW: This VBOA policy was reviewed on ~~September 30, 2019~~ February 25, 2020.

SUPPRESSION: This VBOA policy replaces Board Policy #4 that was approved on ~~December 4, 2018~~ September 30, 2019.

VBOA CHAIR AT LAST REVIEW: D. Brian Carson, CPA, CGMA, Chair

VBOA MEMBERS AT LAST REVIEW:

Laurie A. Warwick, CPA, Vice Chair
Matthew P. Bosher
W. Barclay Bradshaw, CPA
William R. Brown, CPA
Nadia A. Rogers, CPA
Stephanie S. Saunders, CPA

EXECUTIVE DIRECTOR: Nancy J. Glynn, CPA

VIRGINIA BOARD OF ACCOUNTANCY

VBOA Policy #8

TITLE: Ethics Committee

EFFECTIVE DATE:

AUTHORITY: Code of Virginia §§ 54.1-4409.1, 54.1-4409.2 and 54.1-4413.2 and VBOA regulation 18VAC5-22-90

POLICY STATEMENT: The Virginia Board of Accountancy (VBOA) shall establish and maintain the Ethics Committee for the purpose of:

- Working with the VBOA member liaison and VBOA staff to develop a proposed outline for the following year's VBOA-approved ethics course, for presentation to the VBOA
- Reviewing the previous year's VBOA-approved ethics course content/material and making comments and/or recommendations for the VBOA's consideration
- Reviewing summary comments from VBOA-approved ethics course participants regarding content/material and/or instruction, and making comments and/or recommendations for the VBOA's consideration

The Ethics Committee shall consist of three or more persons, approved by the VBOA, who hold active Virginia licenses. No member of the Ethics Committee shall be current members of the VBOA or the Virginia Society of Certified Public Accountants' Board of Directors. Ethics Committee members shall be in good standing with all governing bodies including state boards of accountancy. The Ethics Committee member will be reimbursed for travel expenses in accordance with state travel guidelines.

Ethics Committee members shall generally serve a term of three years, with an option requiring approval by the VBOA for a second 3-year term. Terms may be modified to ensure continuity and rotation of Ethics Committee members. The VBOA reserves the right to terminate and/or modify member terms as necessary.

The Ethics Committee shall meet at least annually to develop and make a recommendation to the VBOA for a proposed outline for the next year's VBOA-approved ethics course.

APPROVAL AND REVIEW: This VBOA policy was reviewed on February 25, 2020.

SUPPRESSION: This VBOA policy replaces Board Policy #8 that was effective on December 31, 2018.

VBOA CHAIR AT LAST REVIEW: D. Brian Carson, CPA, CGMA

VBOA MEMBERS AT LAST REVIEW: Laurie A. Warwick, CPA, Vice Chair

Matthew P. Bosher
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EXECUTIVE DIRECTOR: Nancy J. Glynn, CPA

VIRGINIA BOARD OF ACCOUNTANCY

VBOA Policy #8

TITLE: Ethics Committee

EFFECTIVE DATE: ~~December 31, 2018~~

AUTHORITY: Code of Virginia §§ 54.1-4409.1, 54.1-4409.2 and 54.1-4413.2 and VBOA regulation 18VAC5-22-90

POLICY STATEMENT: The Virginia Board of Accountancy (VBOA) shall establish and maintain the Ethics Committee for the purpose of:

- Working with the VBOA member liaison and VBOA staff to develop a proposed outline for the following year's ~~Virginia-Specific Ethics Course~~VBOA-approved ethics course, for presentation to the VBOA
- Reviewing the previous year's~~'~~ ~~Virginia-Specific Ethics Course~~VBOA-approved ethics course content/material and making comments and/or recommendations for the VBOA's consideration
- Reviewing summary comments from ~~Virginia-Specific Ethics Course~~VBOA-approved ethics course participants regarding content/material and/or instruction, and making comments and/or recommendations for the VBOA's consideration

The Ethics Committee shall consist of three or more persons, approved by the VBOA, who hold active Virginia licenses. No member of the Ethics Committee shall be current members of the VBOA or the Virginia Society of Certified Public Accountants' Board of Directors. Ethics Committee members shall be in good standing with all governing bodies including state boards of accountancy. The Ethics Committee member will be reimbursed for travel expenses in accordance with state travel guidelines.

Ethics Committee members shall generally serve a term of three years, with an option requiring approval by the VBOA for a second 3-year term. Terms may be modified to ensure continuity and rotation of Ethics Committee members. The VBOA reserves the right to terminate and/or modify member terms as necessary.

The Ethics Committee shall meet at least annually to develop and make a recommendation to the VBOA for a proposed outline for the next year's ~~Virginia- Specific Ethics Course.~~VBOA-approved ethics course.

~~The VBOA shall annually provide the approved Virginia-Specific Ethics Course outline for the next year's course generally after the October Board meeting.~~

APPROVAL AND REVIEW: This VBOA policy was reviewed on ~~December 4, 2018~~February 25, 2020.

SUPPRESSION: This VBOA policy replaces Board Policy #8 that was effective on December ~~11, 2015~~31, 2018.

VIRGINIA BOARD OF ACCOUNTANCY

VBOA CHAIR AT LAST REVIEW: D. Brian Carson, CPA, CGMA~~Susan Quaintance Ferguson, CPA~~

VBOA MEMBERS AT LAST REVIEW:

~~D. Brian Carson, CPA, CGMA~~, Laurie A. Warwick, CPA, Vice Chair
Matthew P. Bosher
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Stephanie S. Saunders, CPA
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EXECUTIVE DIRECTOR: Nancy J. Glynn, CPA

VIRGINIA BOARD OF ACCOUNTANCY
BYLAWS
FEBRUARY 2020

Article I – Members

The appointment and limitations of service of the members shall be in accordance with Section 54.1-4402-54.1-4404 of the Code of Virginia.

Article II - Officers of the Board

Officers of the Board shall consist of Chair and Vice Chair. The terms of office of the Chair and Vice Chair shall be for 12 months, until succeeded, or their successor(s) are elected. The term of each office shall begin at the first meeting after July 1 of each year. No officer shall be eligible to serve more than two consecutive terms in the same office unless serving an unexpired term.

A. Chair: The Chair shall preserve order and preside at all meetings according to parliamentary rules, the Virginia Administrative Process Act, and the Virginia Freedom of Information Act. The Chair shall sign his or her name as Chair to the certificates authorized to be signed by the Chair.
B. Vice Chair: The Vice Chair shall act as Chair in the absence of the Chair.
C. The officers of the Board shall faithfully perform the duties of their offices and shall coordinate with staff regularly on matters pertaining to their offices.
D. Order of succession: In the event of a vacancy in the office of Chair, the Vice Chair shall assume the office of Chair for the remainder of the term. In the event of a vacancy in the office of Vice Chair, the Chair shall appoint a Board member to serve as Vice Chair for the remainder of the term.

Article III - Election of Officers

The Board shall elect officers for a term of one year. The term of each office shall begin at the conclusion of the June Board meeting and end at the conclusion of the subsequent June Board meeting.

Board members may nominate fellow Board members for Chair and Vice Chair at the first scheduled Board meeting following April 1 of each year. The election of officers shall occur at this meeting. The elected officers shall assume their duties at the conclusion of the June board meeting of each year.

A. Officers shall be elected at a meeting of the Board with a quorum present.
B. Voting shall be by voice vote, roll call or show of hands. A simple majority shall prevail with the current Chair casting a vote only to break a tie.
C. The election shall occur in the following order: Chair, Vice-Chair.

VIRGINIA BOARD OF ACCOUNTANCY

Article IV – Committees

A. The Board may establish standing or ad hoc committees as deemed necessary to assist the Board in its work.
B. The Board shall approve the members of the committees. The Board may appoint members to a committee who are not members of the Board when it serves the purpose of the committee.
C. All members of a committee shall have full and equal voting rights.
D. Members appointed to a committee shall faithfully perform the duties assigned to the committee.

Amendments to Bylaws

Amendments to these bylaws may be proposed by presenting the amendments in writing to all Board members seven calendar days prior to any scheduled Board meeting.

VIRGINIA BOARD OF ACCOUNTANCY

ENFORCEMENT PROCESSES

February 25, 2020

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STATEMENT OF INTENT

The Virginia Board of Accountancy (VBOA) is required by statutory mandate to take appropriate action against license holders, individuals, and entities to ensure the protection of the public. The VBOA has the authority to investigate possible violations of its statutes and regulations, and enforce these laws through several different types of penalties including, but not limited to, revoking, suspending or restricting a license.

In addition to the general statutory mandates and the VBOA's basic law, the disciplinary process is governed by the Virginia Administrative Process Act (APA), Virginia Code § 2.2-4000 *et seq*., by the provisions of law generally applicable to the regulation of professions and occupations, and by court decisions interpreting these laws. The Office of the Attorney General provides significant resources to support the VBOA in the quasi-judicial role of hearing charges of misconduct that have been made against a regulated person or entity.

This manual is designed to provide guidance to meet this important responsibility and to be of assistance to staff in the Enforcement Division. The guidance in the manual does not carry the force of law; it is intended to provide a framework for ensuring fair and consistent enforcement of Virginia's public accountancy laws. It has been prepared by the VBOA's Enforcement Division and has been approved as a guidance document by the VBOA. This manual should be used in conjunction with the VBOA's statutes, regulations, policies and other guidance documents.

This manual is not intended to, does not, and may not be relied upon to create any rights, substantive or procedural, enforceable at law by any party in any matter, civil or criminal. The information contained herein does not constitute and shall not be construed as legal advice. Please consult an attorney regarding any legal questions related to state or federal laws and regulations, including the interpretation and application of the laws and regulations governing the profession regulated by the VBOA. Under no circumstances shall the VBOA, its members, officers, agents, or employees be liable for any actions taken or omissions made in reliance on any information contained in this publication.

SECTION ONE:
COMPLAINT PROCESS

Consistent with statutory duties of the Executive Director and investigators of the VBOA, all reports received by the VBOA that may allege misconduct are referred to the Enforcement Division. The VBOA also generates internal referrals from the Licensing Division and CPE Division, as well as Enforcement Division staff monitoring news and social media for information regarding licensees or licensed practice that may suggest a violation has occurred.

The complaint form can be obtained through the VBOA's website at www.boa.virginia.gov, by referring to the Appendix of this manual, or upon request to the Enforcement Division. The completed complaint form can be submitted by fax, email or by mail.

INITIAL RECEIPT AND INTAKE

The Enforcement Director is responsible for reviewing reports and complaints to determine if there is a possible violation and if the agency has jurisdiction over the matter. If the Enforcement Director requires additional information to make a determination, a preliminary inquiry is initiated. Various types of records and documents may be obtained, interviews may be conducted by telephone, or correspondence may be generated to gather information to assist in making the initial determination.

The following are examples of items that will not be considered a complaint:

- Inquiries seeking advice or information
- Courtesy copies of complaints addressed to another agency
- Allegations of matters that the VBOA does not have jurisdiction over
- Courtesy copies of internal grievances
- Allegations submitted with no supporting documentation
- Allegations that a violation has been committed in another state
- Fee disputes

If the Enforcement Director determines that it is clear the VBOA lacks subject matter jurisdiction, the complaint has been untimely filed, or both he will refer the file to the Executive Director for review. If the Executive Director concurs with the Enforcement Director's recommendation, the Complainant is notified by the Enforcement Director, in writing, of the disposition of the complaint.

If the Enforcement Director determines that the information supports a reasonable suspicion that a possible violation of law or regulation has occurred, a case is opened for investigation and assigned to an Investigator. Unless the Complainant was anonymous, the Complainant is notified in writing that an investigation will be opened and is provided with the case number for reference purposes. Pursuant to Virginia Code § 54.1-108, the VBOA does not disclose information about open cases, including to Complainants.

Additional allegations from the same Complainant against the same recipient after the investigative process has begun can be reviewed on a case-by-case basis to determine whether the allegations should be added to the open complaint or treated as a new complaint. Retaliation complaints that are received after an investigation has begun will be assigned a new complaint number.

A person may file a complaint that is filed on behalf of another named individual(s). The VBOA will contact that individual (or, where the victim is a minor child or incompetent adult, contact the victim's parent, guardian, or attorney) on whose behalf the complaint is filed to ensure that the named victim wishes to pursue the allegations raised on their behalf. If the person declines to pursue the complaint, and the Enforcement Director believes a violation may have occurred the Enforcement Director will present the complaint to a Board member to determine whether an investigation should be initiated in light of the refusal.

SECTION TWO:
INVESTIGATIONS

It is the responsibility of the VBOA's Enforcement Division to conduct an investigation by obtaining copies of relevant documents, interviewing potential witnesses and obtaining any other relevant evidence. Once jurisdiction has been established, and complaints are assigned for investigation, the VBOA may engage outside consultants (Section Six) to assist in the investigation of complaints.

Once the investigation is initiated, the Enforcement Division will notify the Respondent of the complaint via a Notice of Apparent Violation (NOAV). Included in the NOAV will be information on the nature of the violations being investigated and the specific information being requested. This could include producing documents, answering specific questions, or both. The letter will also provide specific information on where to send a response.

Generally, a Respondent is given 14 calendar days to submit a written response to any request from the VBOA as required by 18VAC5-22-170(A). Failure to respond without good cause is a violation of the VBOA's regulations and may result in disciplinary action being taken.

The purpose of the investigation is to gather facts and assess whether violations of Virginia's public accountancy laws and the VBOA's regulations have occurred. Enforcement Division staff may make multiple requests during the course of the investigation to obtain all necessary and relevant facts and documentation.

The Enforcement Division will send the NOAV and any information requests by certified and first-class mail to the Respondent's address of record, or if the Respondent does not have an address of record, and then at the Respondent's last known address. The Enforcement Division may also send copies of its correspondence to the Respondent via the Respondent's email address of record. It is the licensee's responsibility to notify the VBOA of any change to their mailing address or email address within 30 days of the change.

It is important for Respondents to fully cooperate with the VBOA during the entire investigation process. Below are some tips in assisting in the investigation:

- Respond promptly to any requests from Enforcement Division staff.

- Provide true and accurate responses to questions and documentation requested by the Enforcement Division staff.
- Provide as much documentation as possible to ensure Enforcement Division staff have a clear understanding of the facts and circumstances.
- Ensure that the address of record is current.

Refusing to provide complete documentation to the VBOA may result in the VBOA pursuing a subpoena to secure the relevant evidence. The VBOA can both issue subpoenas under its own authority and can petition a court to issue a subpoena. This includes subpoenas duces tecum and subpoenas for witnesses.

The VBOA is committed to treating a licensee fairly and objectively during the course of the investigation to ensure it has all necessary and relevant facts and documentation to reach an outcome.

SECTION THREE:
ELIGIBILITY DETERMINATIONS

The Licensing Division makes initial eligibility determinations for initial licensure, renewal of licensure, or reinstatement of licensure. Upon receipt of a licensing denial, a license applicant may (i) cure the issue(s) identified by the Licensing Division through submission of a new application or (ii) request an Informal Fact-Finding (IFF) Conference proceeding under Code of Virginia § 2.2-4019~~.~~

The Licensing Division will transfer the denied licensing application and its attachments to the Enforcement Division if a licensing applicant requests an IFF Conference. The Enforcement Director will generate a case number for the referral and it will be assigned to an Investigator.

SECTION FOUR:
CONTINUING PROFESSIONAL EDUCATION COMPLIANCE REVIEWS

All holders of a Virginia individual CPA license are required to meet the continuing professional education (CPE) requirements prescribed by VBOA regulations 18VAC5-22-90 and 18VAC5-22-140 unless they have applied for and received an exemption from the VBOA. As part of the annual renewal process, CPAs are required to either affirm they are in compliance with the VBOA's CPE regulations or if they cannot make such affirmation, to contact the VBOA to report their CPE deficiencies.

To encourage strict compliance with the VBOA's CPE requirements, the VBOA randomly selects a percentage of licensees on a yearly basis (spread out over 12 months) to complete CPE compliance reviews. Additionally, some licensees may be subject to a CPE compliance review under the terms and conditions of a previously entered Consent Order. If a Respondent is a licensee, who is under investigation for unlicensed activity, due professional care, or peer review issues in their firm, the VBOA will also require the submission of CPE documentation as part of the investigation.

Regardless of whether the basis for a CPE compliance review is a self-report, random selection, or required by a disciplinary action, the Respondent must respond within 30 days of transmittal of the CPE compliance review notice, as required by 18VAC5-22-170(A). Failure to respond without good cause is a violation of the VBOA’s regulations and will result in disciplinary action being taken.

SECTION FIVE:
REASONABLE CAUSE DETERMINATION

Following completion of the investigation, the investigative report is reviewed by a Board member or designee to determine whether reasonable cause exists to proceed with an administrative proceeding on charges that one or more of the VBOA’s statutes or regulations may have been violated. In order to take disciplinary action against a licensee, the VBOA must have clear and convincing evidence that a violation of law or regulation has occurred. While one may believe that a practitioner's action could be considered improper, unethical or otherwise deserving of corrective action, it may not always be a violation of law or regulation.

The review may conclude with:

- Requesting more information from the Complainant or Respondent
- Offering a Consent Order, which the Respondent may accept. If accepted by the Respondent and ratified by the VBOA, the Consent Order will resolve the matter without the need for further administrative proceedings
- Referring the matter to an IFF Conference as described in Virginia Code §§ 2.2-4019 and 2.2-4021
- Closing the case by issuing a Letter of No Finding or a Letter Declining Action

SECTION SIX:
EXPERTS AND CONSULTANTS

The scope of the VBOA’s regulatory authority and the range of possible complaints demand that the VBOA receives guidance from consultants for licensing and disciplinary matters involving specialized fields of practice. The VBOA may contract with an expert in a particular specialty to review the investigative file and, if necessary, to testify on behalf of the VBOA in an administrative or court proceeding arising from the matter. An expert assists the VBOA in understanding the standard of practice in the specialty, and in evaluating the evidence to determine whether a practitioner performed in accordance with that standard.

The contract with the expert provides that the expert will:

- Be available to work with the Board to develop and present evidence of the alleged violation
- Review and evaluate a completed investigative report and other supporting material indicating the standard of practice
- Render in writing a well-documented expert opinion regarding the standard of practice provided by the subject
- Assist the staff in preparing for any disciplinary proceedings which are brought against the subject practitioner by the Board

    Provide expert testimony on behalf of the Board on any administrative or court proceeding arising from the matter

SECTION SEVEN:
INFORMAL FACT-FINDING CONFERENCES

Informal Fact-Finding (IFF) Conferences, as described in Virginia Code §§ 2.2-4019 and 2.2-4021, provide for case resolution without the formalities of a trial-like procedure. These conferences are public proceedings, held before a Presiding Officer assigned by the VBOA (agency subordinate). The IFF Conference gives the Respondent the opportunity to discuss with the Presiding Officer the allegations stated in the VBOA's notice and the evidence contained in the investigative file. In all disciplinary matters and proceedings, the burden of proof rests with the Commonwealth to establish evidence of a violation of law or regulation that governs the practice of public accounting. An exception is cases involving applicants for initial licensure, lifting of a suspension, or reinstatement, who bear the burden of proof to establish evidence that they meet eligibility requirements and are fit and suited to be licensed as a CPA.

IFF Conferences offer a timely, less costly, less adversarial means of adjudication, and most cases are resolved at this level. Respondents have the following rights with respect to informal conferences:

- To receive reasonable notice of the date, time, and location of the proceeding
- To receive reasonable notice of the allegations of misconduct
- To receive copies of all documentation or information that may be relied on during the decision making process
- To be informed, briefly and in writing, of the action that VBOA is authorized to take

The Respondent may choose to be represented by counsel at the IFF Conference. Enforcement Division staff's function at an IFF Conference in public session is to assist the Presiding Officer to determine whether the allegations are supported by the evidence.

IFF Conferences take place at the main office of the VBOA, in Henrico County, Virginia. Pursuant to Virginia Code § 2.2-4003, venue for administrative proceedings is where the agency has its principal office, unless the parties agree otherwise.

A VBOA selected Presiding Officer hears an IFF Conference. Any Presiding Officer, VBOA members, or staff who participate in an IFF Conference may not participate in any subsequent formal hearing regarding the same matter or consideration of the matter by the full VBOA, unless a Respondent agrees in writing to permit ex parte communications between the full VBOA and those VBOA members, former VBOA members, and staff who participated in the IFF Conference.

Following an IFF Conference, the Presiding Officer may take any of the following actions:

- Offer a Consent Order, which the Respondent may accept. If accepted by the Respondent and ratified by the VBOA, the Consent Order will resolve the matter without the need for further administrative proceedings.
- Submit a Proposed Finding of Facts, Conclusions of Law and Recommendation to the VBOA for its consideration.
- Close the case by issuing a Letter of No Finding or a Letter Declining Action.

SECTION EIGHT:
CASE CLOSURE

The VBOA's disposition of a case must be documented, and in the event the VBOA finds that a violation has occurred that warrants discipline, will take the form of an order. An order may result from a disciplinary proceeding or from a negotiated settlement in lieu of further disciplinary proceedings.

OUTCOMES OF INVESTIGATIONS

There are four types of case decisions that the VBOA can choose in closing an investigation:
- Letter of No Finding
- Letter Declining Further Action
- Consent Order
- Final Opinion and Order

A letter of no finding is a determination, either by the Presiding Officer or by the VBOA, that no facts have been discovered during the investigation that indicate a violation has occurred.

A letter declining action is a determination, either by the Presiding Officer or by the VBOA, that while facts have been discovered that indicate a violation has occurred, the violation is so minor or inconsequential that further disciplinary proceedings are not in the public interest.

A Consent Order results from a negotiated settlement, either prior to or in lieu of further disciplinary proceedings, and reflects a decision agreed to by the VBOA and a Respondent. The Presiding Officer typically offers Consent Orders when the Respondent admits to the facts or when the issues are clear. A proposed Consent Order that contains findings of fact, conclusions of law, sanctions and a waiver of rights to further proceedings is prepared and presented to the Respondent. If the Respondent agrees to the settlement offered, the Consent Order will be presented to the VBOA for approval. The VBOA may accept or reject, in whole or in part, the Consent Order. While Consent Orders are generally offered before an informal conference or formal hearing is scheduled, they may be used after an IFF Conference.

A Final Opinion and Order is a unilateral decision by the Board to impose penalties on a Respondent, and typically are the result of either a Respondent failing to cooperate with the investigation or a Respondent and the VBOA being unable to negotiate settlement. A Final Opinion and Order is not utilized unless an IFF Conference or formal hearing has been held. The Presiding Officer or Hearing Officer will prepare a Proposed Finding of Facts, Conclusions of Law, and Recommendation to the VBOA for its consideration. The Board, in its Final Opinion and Order, may accept or reject, in whole or in part, the proposal and may make its own findings of fact, conclusions of law, and impose penalties beyond what the Presiding Officer or hearing officer proposed.

PENALTIES AVAILABLE TO THE VBOA

In its deliberations, the VBOA may utilize statutes, VBOA regulations and VBOA policies. An enumeration of the penalties the VBOA may utilize can be found at Code of Virginia § 54.1-4413.4.

In licensure eligibility matters, the VBOA can also refuse to grant a person the privilege of using the CPA title in Virginia. See Code of Virginia § 54.1-4409.1(C).

FINAL ORDERS AND APPEALS

An appeal of a VBOA's Final Order must be made within 33 days from the date of service by mail, and is handled in the judicial system at the circuit court level. An appeal at this level must comply with the procedures in Part Two A of the Rules of the Supreme Court of Virginia. The order of the VBOA is **not** automatically vacated when appealed to the circuit court. However, the appealing party may request from the court a stay of the VBOA's order pending the appeal.

Because Consent Orders contain a waiver of any right to appeal, Respondents may not appeal a Consent Order.

Final Orders and Consent Orders are matters of public record, pursuant to Virginia Code §§ 2.2-4023 and 54.1-2400.2. A copy of a Final Order or Consent Order is mailed to the Complainant, except in the case of anonymous Complainants. Final Orders, Consent Orders and all related disciplinary case information obtained and maintained during the course of an investigation or disciplinary proceeding become a matter of public record upon the closure of an investigation and are subject to disclosure under the Virginia Freedom of Information Act (FOIA), Virginia Code § 2.2-3700 *et seq.*, unless otherwise exempted.

APPENDIX:

APPENDIX A

DEFINITIONS

Administrative Process Act (APA) – The procedural requirements for promulgating regulations and for deciding cases, found in Va. Code § 2.2-4000 *et seq.* The APA supplements the basic law of the VBOA.

Advisory Letter – In cases where there is insufficient evidence to support a finding of a violation, but there are concerns about the respondent's practice. The VBOA can send the respondent an advisory letter, which references only the related statutes/regulations of concern. It is a letter to a licensee who has been the subject of an investigation, informing the licensee that the case is being closed without any disciplinary action, but suggesting the licensee examine certain portions of his or her practice in light of certain, specific statutes and regulations. This action does not constitute disciplinary action. The source does not get a copy of this letter. The advisory letter only applies to the evidence within the case being reviewed.

Agency Subordinate – A person designated by the VBOA to preside over administrative proceedings conducted in accordance with Virginia Code § 2.2-4019, and who renders recommended findings of fact, conclusions of law, and decisions for review by the VBOA or offers revised Consent Orders that, if accepted by the Respondent, will then be submitted to the VBOA for approval. An agency subordinate may also be referred to as a Presiding Officer.

Appellant – The party who appeals a case decision of a VBOA to a circuit court for review.

Appellee – On appeal, the party who argues against the setting aside or the remand of a VBOA case decision.

Basic law – Provisions of Virginia statutes that pertain specifically to the VBOA.

Case decision – Any agency proceeding or determination that, under laws or regulations at the time, a named party as a matter of past or present fact, either is, is not, or may or may not be (i) in violation of such law or regulation or (ii) in compliance with any existing requirement for obtaining or retaining a license or other right or benefit.

Censure – A formal sanction of a person or entity who holds a Virginia license or the license of a substantially equivalent jurisdiction. It is a declaration that a Respondent is guilty of misconduct that does not require suspension or revocation. A stern rebuke that finds the conduct of the Respondent violates the standards of conduct and practice, detrimentally affects the integrity of the profession, and undermines public confidence in the practice of public accountancy. A censure also serves as a public warning to other members of the profession.

Civil remedy – A remedy provided by a civil court (e.g., an award for damages in a malpractice lawsuit).

Complainant – An individual or entity that files a complaint or makes a report of an allegation of misconduct.

Complaint – A report or allegation of misconduct.

Consent Order – An order voluntarily agreed to by both a Respondent and the VBOA. Sometimes called a "pre-hearing Consent Order" when it is offered in lieu of an IFF conference or a formal hearing. Consent Orders have the same effect as any Final Order and Opinion (see below).

Final Order and Opinion – A unilateral decision issued by the VBOA pursuant to its statutory authority, affecting a person or entity engaged in prohibited acts or affecting the license of a regulant licensed by the VBOA.

Hearing officer – A person who is qualified, in accordance with Virginia Code § 2.2-4024, to preside over administrative proceedings conducted under Virginia Code § 2.2-4020 and, if the parties mutually agree, over administrative proceedings conducted under Virginia Code § 2.2-4019, when the VBOA (full VBOA, a quorum, or a panel thereof consisting of at least five members) does not convene to conduct the hearing itself.

Informal Fact-Finding (IFF) Conference – A fact-finding proceeding conducted by a board member or a designee with a Respondent. It may result in one or more of the following actions: exonerate the Respondent; offer the Respondent a Consent Order; or make a recommendation containing findings of fact, conclusions of law, and penalties to the VBOA.

Investigative Questionnaire – A list of questions submitted to a Respondent during the course of an investigation of alleged misconduct.

Notice of Apparent Violation (NOAV) – A statement to the Respondent to notify them that they are the subject of a complaint and the general subject matter of the complaint. Also enclosed with the notice is a copy of the complaint and an Investigative Questionnaire.

Notice of Informal Fact-Finding Conference (IFF Notice) – A statement of specific charges provided to the Respondent who is the subject of a complaint. The notice states the time, place, and nature of the proceeding. Also enclosed with the notice is any information on which the VBOA will rely to make a case decision.

Party or parties – A person or persons having a direct interest in the subject matter or outcome of a case; one(s) who could assert a claim, make a defense, control proceedings, examine witnesses, or appeal a case decision (e.g., a Respondent). Only the Respondent may appeal a case decision of the VBOA.

Presiding Officer – see Agency Subordinate.

Reasonable cause – Having more evidence for than against. A reasonable ground for belief in the existence of facts as reported.

Reprimand - A formal sanction of a person or entity who holds a Virginia license or the license of a substantially equivalent jurisdiction. A rebuke for one or more violations does not require censure. A reprimand usually involves an isolated incident or behavior that can be easily corrected, or misconduct that is more serious but the Respondent presented substantial mitigating factors.

Respondent – The person or entity being investigated or responding to a complaint.

Service – The delivery of a notice of an administrative proceeding, a Consent Order, or an order of a VBOA to a party that charges the party with receipt of the document and subjects the party to the legal effect of it.

Standing – The legal right of a party to assert or enforce legal rights and duties against another. On appeal of a VBOA decision, the party aggrieved or claiming the unlawfulness of such decision (e.g., the Respondent).

Vacate – To set aside or render void an order of the VBOA.

Venue – The particular city, county, or geographical location in which a case may be heard and determined.

Disposition of Cases Involving Practicing on an Expired License

The Virginia Board of Accountancy voted on February 25, 2020, to delegate the VBOA Executive Director the authority to offer a pre-hearing Consent Order to resolve disciplinary cases in which a Virginia individual CPA has been found engaging in unlicensed use of the CPA title with an expired license.

Disciplinary Action for Practicing with an Expired License

The Board adopted the following guidelines for resolution of cases:

Cause	Possible Action
First offense 30 days or less	Advisory Letter
First offense 31 to 90 days	Consent Order; Reprimand
First offense 91 to 180 days	Consent Order; Reprimand and Monetary Penalty of $500
First offense Six months to one year	Consent Order; Reprimand and Monetary Penalty of $1,000
First offense More than one year	Consult Board Member – may result in the Board holding an Informal Fact-Finding (IFF) conference
Second offense One or more days	Consult Board Member – may result in the Board holding an IFF conference

Notwithstanding the foregoing, in cases in which there is suspicion of a willful act, the licensee will be scheduled for an IFF conference.