

FINANCIAL AUDIT

OKLAHOMA ACCOUNTANCY BOARD

For the fiscal years ended June 30, 2017 and June 30, 2016



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEARS ENDED
JUNE 30, 2017 AND 2016**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 74 O.S. § 212(B), has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

November 13, 2017

**TO THE HONORABLE MARY FALLIN
GOVERNOR OF THE STATE OF OKLAHOMA**

This is the audit report and financial statements of the Oklahoma Accountancy Board for the fiscal years ended June 30, 2017 and June 30, 2016. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

This report is also a public document pursuant to the Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR AND INSPECTOR

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016

TABLE OF CONTENTS

	Page
Board Members	1
Independent Auditor’s Report	2
Management’s Discussion and Analysis	4
Management’s Discussion and Analysis Summary	5
Using This Report.....	6
An Economic-Based Financial Analysis of OAB	6
Future Outlook	8
About OAB.....	8
Contacting OAB	9
Basic Financial Statements	10
Statement of Net Position	
Statement of Revenues, Expenses and Changes in Net Position	
Statement of Cash Flows	
Footnotes to Basic Financial Statements	
Required Supplementary Information	27
Pension Schedules and Related Ratios	
Internal Control and Compliance Information	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	29

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016

BOARD MEMBERS

Fiscal Year 2017

Term

Barbara A. Ley, CPA, Chair	07/01/06 to 06/30/17	Oklahoma City, Oklahoma
David Greenwell, CPA, Vice Chair	07/01/13 to 06/30/18	Oklahoma City, Oklahoma
Marc Delametter, CPA, Secretary	07/01/14 to 06/30/19	Tulsa, Oklahoma
Mike Sanner, CPA	07/01/10 to 06/30/20	Jones, Oklahoma
Jody M. Manning	12/01/11 to 06/30/21	Tulsa, Oklahoma
Randa Vernon, CPA	07/01/16 to 06/30/21	Tulsa, Oklahoma
Karen Cunningham, ChFC	Coterminous Beginning 5/2011	Oklahoma City, Oklahoma

Fiscal Year 2016

Term

Jay Engelbach, CPA, Chairperson	07/01/11 to 06/30/16	Oklahoma City, Oklahoma
Barbara A. Ley, CPA, Vice Chair	07/01/06 to 06/30/17	Oklahoma City, Oklahoma
David Greenwell, CPA, Secretary	07/01/13 to 06/30/18	Oklahoma City, Oklahoma
Mike Sanner, CPA	07/01/10 to 06/30/20	Jones, Oklahoma
Marc Delametter, CPA	07/01/14 to 06/30/19	Tulsa, Oklahoma
Karen Cunningham, ChFC	Coterminous Beginning 5/2011	Oklahoma City, Oklahoma
Jody M. Manning	12/01/11 to 06/30/21	Tulsa, Oklahoma



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

INDEPENDENT AUDITOR'S REPORT

TO THE OKLAHOMA ACCOUNTANCY BOARD

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Accountancy Board (OAB), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the OAB, as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the OAB are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the general fund of the State of Oklahoma that is attributable to the transactions of the OAB. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2017 and 2016, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension schedules and related ratios as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017 on our consideration of the OAB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OAB's internal control over financial reporting and compliance.



GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR AND INSPECTOR
November 13, 2017

MANAGEMENT'S DISCUSSION & ANALYSIS

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016**

MANAGEMENT'S DISCUSSION AND ANALYSIS SUMMARY

The management of the Oklahoma Accountancy Board (OAB) is pleased to provide the accompanying financial statements to the citizens of the State of Oklahoma and other report users to demonstrate its accountability and communicate the OAB financial condition and activities as of and for the fiscal years ended June 30, 2017 and 2016. Management of the OAB is responsible for the fair presentation of these financial statements, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of contracts.

Financial Highlights

For the years ended June 30, 2017 and 2016, the following financial results are considered noteworthy by management.

- Deferred outflows had a balance of \$201,063 for FY16 and increased by \$203,377 or 101.2% in FY17. Meanwhile, deferred inflows began with a FY16 balance of \$161,304 and decreased \$42,463 or 26.3%. Net pension liability's FY17 balance was \$336,586 which is an increase of \$220,570 or 190.1%. See footnote #7 for additional information.
- For the year ended June 30, 2017, OAB operating revenues decreased \$1,562, or 0.1%, over the prior year. Then, personnel services was increased by \$79,416 or 9.9% from FY16 to FY17. Therefore, total expenses increased \$64,079, or 5.6% for FY17.
- For the year ended June 30, 2017, OAB accounts receivable increased \$18,300, or 126.2% over the prior year. This amount compares to a decrease of \$2,125 for June 30, 2016, and a decrease of \$14,550 for June 30, 2015. The dramatic increase in FY17 was due to timing issues not present in the prior year. For the year ended June 30, 2017, OAB unearned revenue increased \$2,189, or 0.3% over the prior year. This increase compares to a decrease of \$1,966 or 0.3% for June 30, 2016 and decrease of \$8,171 or 1.2% for June 30, 2015.
- Fines receivable decreased by \$15,717 or 65.3% in FY 2017, and due to state decreased by \$15,717, or 65.3%. These decreases were due to a minimal increase in new receivables and a large increase in the fines allowance account which is made up of receivables past due 12 months or longer.
- The OAB reports its financial activity as an enterprise fund.

(Unaudited. See accompanying auditor's report.)

USING THIS REPORT

These financial statements are presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board (GASB) Statement No. 34.

The OAB's Reporting Entity

These financial statements include all activities for which the OAB is fiscally responsible. These activities, defined as the OAB's reporting entity, are operated within a single government agency. The OAB's financial statements are reported as a part of the financial presentation of the State of Oklahoma.

Overview of the OAB's Reporting Entity Presentation

The financial statements consist of three parts as follows:

Financial Statements: The fund financial statements report information, on the accrual basis of accounting and economic resources measurement focus, about the OAB as a whole using accounting methods similar to those used by private-sector companies. The "Statement of Net Position" includes all the OAB's assets and liabilities as of the fiscal years presented. All of the current year revenues and expenses are accounted for in the "Statement of Revenues, Expenses and Changes in Net Position" regardless of when cash is received or paid. All cash receipts and cash disbursements for the current year are captured in the "Statement of Cash Flows".

Notes to the Financial Statements: The notes to the financial statements are an integral part of these financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This Management Discussion and Analysis represents financial information required to be presented by GASB. Such information provides users of this report with additional data that supplements the financial statements and notes (collectively referred to as "the basic financial statements"). The benchmarks presented throughout Management's Discussion and Analysis are for guidance and measurement by the OAB and its constituents. The Pension Schedules and Related Ratios are required by GASB 68. These schedules provide users of the report with additional information regarding the pension in which OAB participates.

AN ECONOMIC-BASED FINANCIAL ANALYSIS OF OAB

Management's Discussion and Analysis on the Economic Basis Financial Condition:

One of the most important questions asked about the OAB is, "Has the entity utilized its resources to accomplish its mission assigned by the legislature of protecting the public?"

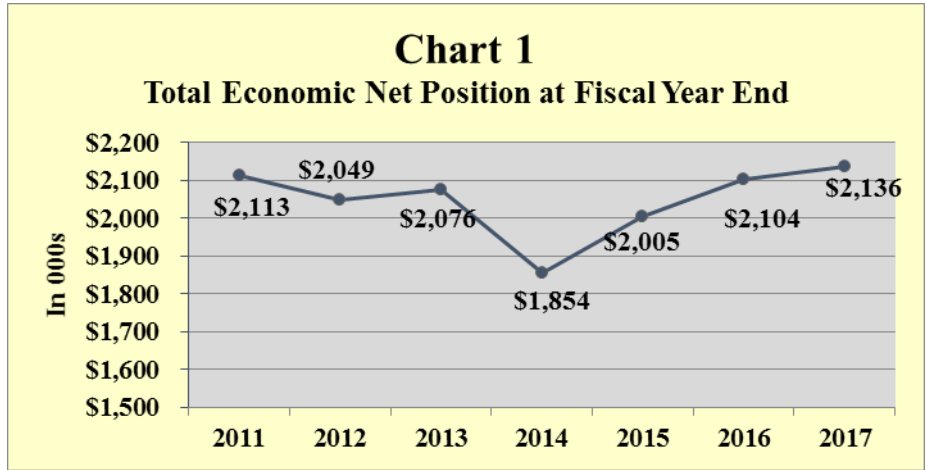
The "Statement of Net Position" and the "Statement of Revenues, Expenses and Changes in Net Position" report information about the OAB as an economic entity that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the OAB resource base and the status of its pending projects, to assess the overall health of the OAB. These economic basis statements include all OAB assets and liabilities, including capital assets.

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016**

AN ECONOMIC-BASED FINANCIAL ANALYSIS OF OAB, Cont.

For the years ended June 30, 2011 through 2017, the OAB’s overall financial condition changed as noted below.

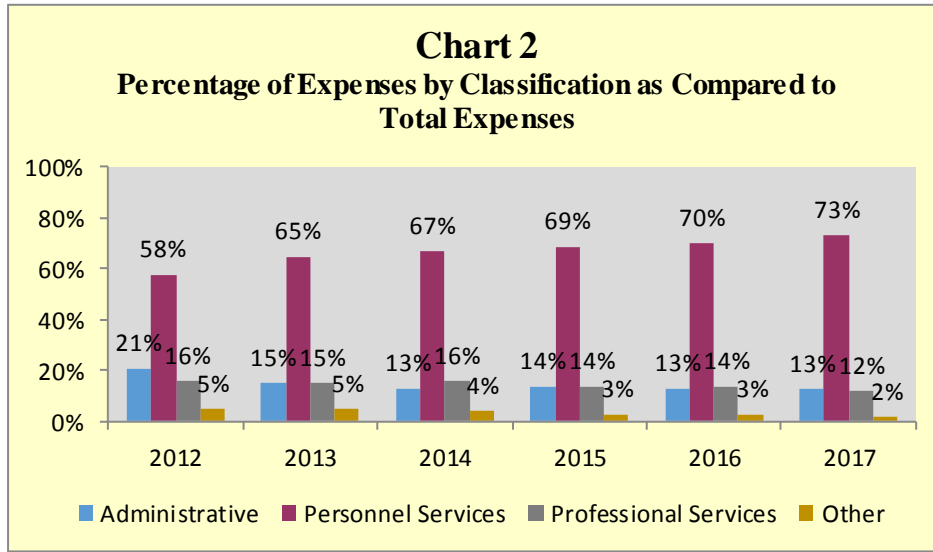


Percentage Change in Net Position	2012	2013	2014	2015	2016	2017
	-3.0%	+1.3%	-10.7%	+8.1%	+4.9%	+1.5%

For the year ended June 30, 2017 the OAB’s total net position increased by \$31,739, or 1.5%. For the year ended June 30, 2016, the OAB’s total net position increased by \$99,056, or 4.9%. For the year ended June 30, 2015, the OAB’s total net position increased by \$150,477, or 8.1%.

(Unaudited. See accompanying auditor’s report.)

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016**



FUTURE OUTLOOK

The Oklahoma Accountancy Board replaced their licensing system with a new system to be utilized by multiple licensing agencies throughout state government on February 1, 2012. The Board was a pilot agency for the project and became the first state agency in Oklahoma to implement the AMANDA licensing system. In FY-17 modifications were made to the system to enhance the registration experience. The Board will continue through the foreseeable future to maximize efficiency internally and enhance outreach to the profession. We should note that the State is actively pursuing alternatives to the AMANDA system and we will participate on the evaluation team. With enhanced capabilities the Board will begin monitoring compliance issues associated with continuing education to a much greater degree.

ABOUT OAB

The Oklahoma Accountancy Board is a part of the primary government of the State of Oklahoma. The first accountancy law was enacted by the Oklahoma Legislature in 1916. The OAB was continued by the legislature in 2014, in accordance with provisions of the Oklahoma Sunset Law. The OAB is composed of five Certified Public Accountants (CPAs), one Public Accountant (PA) or an individual that meets the education requirements to sit as a Public Accountant, and one public member. The responsibilities of the OAB include determining the eligibility of applicants to become candidates for the CPA and PA examinations and registering accountants, sole-proprietorships, partnerships, professional corporations, limited liability partnerships, and limited liability companies eligible to practice public accounting in Oklahoma. Also, the OAB regulates the practice and conduct of Certified Public Accountants and Public Accountants.

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016**

CONTACTING OAB

This report is designed to provide citizens, taxpayers, registrants, and creditors with a general overview of the OAB's finances and to demonstrate accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the OAB Executive Director's Office by mail at 201 N.W. 63rd Street, Suite 210, Oklahoma City, OK 73116, by telephone at (405) 521-2397, or by e-mail at www.ok.gov/oab.

BASIC FINANCIAL STATEMENTS

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016

Statement of Net Position
June 30, 2017 and 2016

	June 30,	
	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,930,069	\$ 2,944,438
Accounts receivable	32,800	14,500
Fines receivable, net of allowance of \$2,189,179 and \$2,173,178, respectively	8,338	24,055
Accounts receivable-cost recovery, net of allowance \$139,953 and \$130,790, respectively	723	10,750
Prepaid assets	10,876	3,417
Total current assets	2,982,806	2,997,160
Non-current assets:		
Capital assets, net of accumulated depreciation	3,493	5,383
Total assets	2,986,299	3,002,543
Total deferred outflows	404,440	201,063
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 25,769	\$ 34,361
Unearned revenue	693,484	691,295
Due to state	8,338	24,055
Current compensated absences	21,645	21,823
Total current liabilities	749,236	771,534
Non-current liabilities:		
Non-current compensated absences	50,506	50,921
Net pension liability	336,586	116,016
Total non-current liabilities	387,092	166,937
Total liabilities	1,136,328	938,471
DEFERRED INFLOWS OF RESOURCES		
Total deferred inflows	118,841	161,304
NET POSITION		
Invested in capital assets	3,493	5,383
Unrestricted	2,132,077	2,098,448
Total net position	\$ 2,135,570	\$ 2,103,831

The notes to the financial statements are an integral part of this statement.

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016

Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Licenses, permits, and fees	\$ 1,283,003	\$ 1,282,176
Cost recovery	8,427	10,816
Total operating revenues	<u>1,291,430</u>	<u>1,292,992</u>
Operating Expenses:		
Personnel services	885,409	805,993
Professional services	141,500	157,982
Travel	30,721	28,326
Administration expense	156,543	154,791
Depreciation expense	3,462	6,464
Total operating expenses	<u>1,217,635</u>	<u>1,153,556</u>
Operating income (loss)	73,795	139,436
Non-Operating Revenues (Expenses):		
Other income	<u>14,269</u>	<u>17,013</u>
Total non-operating revenues	<u>14,269</u>	<u>17,013</u>
Income (loss) before contributions and transfers	88,064	156,449
Transfers out	<u>(56,325)</u>	<u>(57,393)</u>
Change in net position	31,739	99,056
Total net position - beginning	2,103,831	2,004,775
Total net position - ending	<u><u>\$ 2,135,570</u></u>	<u><u>\$ 2,103,831</u></u>

The notes to the financial statements are an integral part of this statement.

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016

Statement of Cash Flows
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts of license, permits, fees, and cost	\$ 1,299,615	\$ 1,314,669
Payments to suppliers	(344,830)	(340,123)
Payments to employees	(911,257)	(904,321)
	<u>43,528</u>	<u>70,225</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out - State of Oklahoma	(56,325)	(57,393)
	<u>(56,325)</u>	<u>(57,393)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,572)	(7,332)
	<u>(1,572)</u>	<u>(7,332)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(14,369)	5,500
Balances - beginning of the year	<u>2,944,438</u>	<u>2,938,938</u>
Balances - end of the year	<u>\$ 2,930,069</u>	<u>\$ 2,944,438</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 73,795	\$ 139,436
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Other income	14,269	17,013
Depreciation expense	3,462	6,464
Change in assets and liabilities:		
Decrease (Increase) in accounts receivable	(18,300)	2,125
Decrease (Increase) in fines receivable	15,717	19,662
Decrease (Increase) in costs receivable	10,027	4,506
Decrease (Increase) in prepaid assets	(7,459)	3,647
Decrease (Increase) in deferred outflows	(203,377)	(103,646)
Increase (Decrease) in accounts payable	(8,592)	(2,662)
Increase (Decrease) in unearned revenue	2,189	(1,966)
Increase (Decrease) in due to state	(15,717)	(19,662)
Increase (Decrease) in accrued compensated absences	(593)	305
Increase (Decrease) in net pension liability	220,570	57,742
Increase (Decrease) in deferred inflows	(42,463)	(52,739)
	<u>\$ 43,528</u>	<u>\$ 70,225</u>
Net cash provided by (used in) operating activities		

The notes to the financial statements are an integral part of this statement.

FOOTNOTES TO THE FINANCIAL STATEMENTS

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016

Footnotes to the Statement of Net Position and Statement of Activities:

1. *Summary of Significant Accounting Policies*

The accompanying financial statements of the Oklahoma Accountancy Board (OAB) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements are intended to present the financial position and results of operations of only that portion of the State of Oklahoma that is attributable to the transactions of the OAB.

A. **Reporting Entity**

The Oklahoma Accountancy Board is a part of the primary government of the State of Oklahoma. The first accountancy law was enacted by the Oklahoma Legislature in 1916. The OAB was continued by the legislature in 2014, in accordance with provisions of the Oklahoma Sunset Law. The OAB is composed of five Certified Public Accountants (CPAs), one Public Accountant (PA) or an individual that meets the educational requirements to sit as a Public Accountant, and one public member. The responsibilities of the OAB include determining the eligibility of applicants to become candidates for the CPA and PA examinations and registering accountants, sole-proprietorships, partnerships, professional corporations, limited liability partnerships, and limited liability companies eligible to practice public accounting in Oklahoma. Also, the OAB regulates the practice and conduct of Certified Public Accountants and Public Accountants.

B. **Fund Financial Statements**

The fund financial statements (the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows) report information for OAB. OAB is classified as an enterprise activity; its function is the Regulatory Services function. The OAB is accounted for and presented similar to a special-purpose government engaged solely in business-type activities.

Operating revenues consist primarily of fees for licenses and permits to practice public accounting remitted by Certified Public Accountants, Public Accountants and Firms. Also included in operating revenues are fees paid by candidates to sit for the examination.

The OAB reports its financial activity as an enterprise fund.

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

Revenue Recognition:

Fund Financial Statements

The fund financial statements display information about OAB as a whole. They are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

D. Net Position Accounting Policies

Net position is normally displayed in three components (two of which are applicable to the OAB):

- a. *Invested in capital assets*—Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. *Restricted net position*—Consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or laws and regulations.
- c. *Unrestricted net position*—All other net position that do not meet the definition of “restricted” or “invested in capital assets.”

E. Cash

Cash and cash equivalents include amounts on deposit with and under the control of the State Treasurer. These amounts are collateralized in accordance with 62 O.S. § 72.1, the Security for Public Deposits Act. The bank balances as of June 30, 2017 and 2016 were fully insured or collateralized with securities held by the State’s agent in the State’s name.

F. Accounts Receivable

Accounts receivable reflect monies received in July and August for renewal notices sent prior to June 30th. Renewal notices relate to permits and registrations for Certified Public Accountants, Public Accountants and firms. Amounts shown as accounts receivable and unearned revenue are for permits and registrations for year’s beginning on or after July 1, 2017.

G. Fines Receivable, Accounts Receivable – Cost Recovery, and Due to State

The OAB in its enforcement program assesses fines and costs of investigation by certain registrants for violations of the Oklahoma Accountancy Act. When collected, the amount of the fines is remitted to the State General Fund and the costs are retained by the OAB. Beginning in fiscal year 2008, the OAB adopted the accounting methodology needed to more appropriately account for the fines receivable, cost receivable, and the related

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016

amount due to the state. All fines and costs receivable 365 days or older were considered to be uncollectible.

	Cost Recovery		
	Accounts Receivable	Allowance	Net
June 30, 2017	\$140,676	\$139,953	\$723
June 30, 2016	\$141,540	\$130,790	\$10,750

	Fines Receivable		
	Accounts Receivable	Allowance	Net
June 30, 2017	\$2,197,517	\$2,189,179	\$8,338
June 30, 2016	\$2,197,233	\$2,173,178	\$24,055

In addition to the Fines Receivable and the related amounts Due to State which are reflected in the financial statements, fines in the amount of \$19,216 and \$23,935 were collected and remitted to the State General Fund during the fiscal years 2017 and fiscal year 2016, respectively.

At June 30, 2016 and 2017, the Due to State of \$24,055 and \$8,338, respectively, reflects fines receivable due to the state (see footnote 9).

H. Capital Assets

Capital assets are capitalized in the statement of net position. Capital assets are reported at actual or estimated historical cost and net of accumulated depreciation. Capital assets are defined as assets that have a cost in excess of \$500 at the date of acquisition and have an expected useful life of 3 or more years, and consist primarily of information systems equipment, furniture, and other equipment. Depreciation is computed on the straight-line method over the estimated useful life of 6 years for office furniture and equipment and 3 years for information systems and related equipment.

I. Deferred Inflows and Deferred Outflows

Deferred inflows and deferred outflows of resources represent amounts associated with pension differences between expected and actual experience, differences between projected and actual earnings on pension fund investments, and changes in assumptions (see footnote 7).

J. Accounts Payable

Accounts payable include charges for all services or claims incurred on or before June 30. These payables represent amounts incurred in the ordinary course of business and are primarily owed to vendors.

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016

K. Unearned Revenue

Unearned revenues arise when resources are received by the OAB before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met or when OAB has legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

L. Compensated Absences

Employees earn annual vacation at the average rate of 10 hours per month for up to 5 years of service and may accumulate to a maximum of 240 hours. Employees earn an average of 12 hours per month for 5 to 10 years, an average of 13.33 hours per month for 10 to 20 years, and an average of 16.67 hours per month for over 20 years of service. Annual leave for employees with over 5 years of service may accumulate to a maximum of 480 hours. All accrued annual leave is payable upon layoff, resignation, retirement, or death.

2. Cash

All cash balances are held by the Oklahoma Office of the State Treasurer. OAB's cash is pooled with the cash of all other state agencies; this pool of cash is deposited in banks or invested by the State Treasurer in accordance with Oklahoma statutes. The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution.

3. Operating Leases

The OAB entered into operating lease agreements for office space, off-site storage, copier, and postage machines. Payments under these operating leases for the 2017 and 2016 fiscal years were approximately \$63,439 and \$62,401, respectively. The lease on the copier and postage machine are effective until June 30, 2021 and the lease for the office space is effective until June 30, 2018. The future minimum lease payments for these leases are as follows:

2018	\$61,917
2019	\$9,213
2020	\$9,213
2021	\$9,213
2022	<u>\$0</u>
Total	<u>\$89,556</u>

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016

4. Capital Assets

For the years ended June 30, 2017 and 2016, changes in capital assets were as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets	119,194	1,572	(9,541)	111,225
Accumulated depreciation	(113,811)	(3,462)	9,541	(107,732)
	\$5,383	(\$1,890)	-	\$3,493

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets	124,238	7,332	(12,376)	119,194
Accumulated depreciation	(119,723)	(6,464)	12,376	(113,811)
	\$4,515	\$868	-	\$5,383

5. Long-term Obligations

Long-term obligations are comprised of accrued compensated absences. For the years ended June 30, 2017 and 2016, the liability for accrued compensated absences liabilities changed as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Amounts Due Within One Year
	\$72,744	49,602	50,195	72,151	\$21,645

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Amounts Due Within One Year
	\$72,439	50,804	50,499	72,744	\$21,823

6. Risk Management

As part of the primary government, the State of Oklahoma, the risk of losses to which the OAB may be exposed is covered through the risk management activities of the State, and any losses and liabilities are the responsibility of, and financed through, the State's risk management activities. The Risk Management Division of the Office of Management and Enterprise Services (OMES) Division of Capital Assets Management (DCAM) is empowered by the authority of 74 O.S., Section 85.58. The division is responsible for the acquisition and administration of all insurance purchased by the State or administration of any self-insurance plans and programs adopted for use by the State or for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The State Risk Management is authorized to settle claims of the State and shall govern the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided to the State, agency, or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act, as prescribed by 51 O.S., Section 154. The Risk Management Division oversees the

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016**

collection of liability claims owed to the State incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Risk Management Division is also charged with the responsibility to immediately notify the Attorney General of any claims against the State.

7. Pension Plan

A. Plan Description

The OAB participates in the Oklahoma Public Employees Retirement Plan (OPERS), a cost-sharing multiple employer defined benefit retirement plan administered by the Oklahoma Public Employees Retirement System. A separately issued independent auditor's report may be obtained from the Public Employees Retirement System, P.O. Box 53007 Oklahoma City, OK 73152-3007 or can be obtained at www.opers.ok.gov. The pension benefit provisions were established by statute and benefit provisions are amended by the State Legislature. Cost-of-living adjustments are provided to plan members at the discretion of the State Legislature.

B. Benefits Provided

Eligible to Participate

All permanent employees of the State of Oklahoma, and any other employer such as a county, county hospital, city or town, conservation districts, circuit engineering districts, and any trust in which a county, city, or town participates and is the primary beneficiary, are eligible to join if:

- ❖ The employee is not eligible for or participating in another retirement system authorized under Oklahoma law, is covered by Social Security and not participating in the U.S. Civil Service Retirement System.
- ❖ The employee is scheduled for 1,000 hours per year and salary is not less than the hourly rate of the monthly minimum wage for state employees (for employees of local government employers, not less than the hourly rate of the monthly minimum wage for such employees).

Period Required to Vest

Eight years of credited service.

Eligibility for Distribution

- ❖ Normal retirement:
 - Member before November 1, 2011 one of the following:
 - Age 62 with 6 years of credited service. For elected officials age 60.

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016

- 80 points- The sum of age and years of service equals 80 if member before July 1, 1992.
- 90 points- The sum of age and years of service equals 90 if member after July 1, 1992.
- Member after November 1, 2011 one of the following:
 - Age 65 with 6 years of credited service. For elected officials age 65 with 8 years of elected service.
 - 90 points – At least age 60 and the sum of age and years of service equals 90.
- ❖ Disability benefit after 8 years of service, provided member qualifies for disability benefits from the Social Security Administration or the Railroad Retirement Board.
- ❖ Death benefit of \$5,000 payable upon death of retiree to the designated beneficiary.

Benefit Determination Base

Final average salary – member before July 1, 2013, the average compensation during the highest 36 months out of the last 10 years of service (including highest 3 longevity payments). Member after July 1, 2013, the average highest 60 months out of the last 10 years of service (including highest 5 longevity payments).

Benefit Determination Methods

- ❖ Normal Retirement:
2% of member's final average salary multiplied by the years of credited service.
- ❖ Disability Retirement:
Same as normal retirement.

Benefit Authorization

Benefits are established in accordance with Title 74 of the Oklahoma Statutes, Chapter 29, Sections 901 through 935 as amended.

Form of Benefit Payments

Life Annuity, Joint and 50% Survivor, Joint and 100% Survivor Annuity, Life Annuity with a minimum of 120 monthly payments, and Medicare Gap Benefit option.

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016**

C. Contributions

The authority to set and amend contribution rates is established by ordinance for OPERS defined benefit plan in accordance with Title 74 of the Oklahoma Statutes, Chapter 29, Section 908. The contribution rates for the current fiscal year have been made in accordance with Oklahoma statute. The rate for state employees is 3.5% of their covered salary and 16.5% of covered payroll for state agencies for 2017, 2016 and 2015. Contributions to OPERS by the Accountancy Board were \$97,930, \$100,553 and \$94,082 for 2017, 2016 and 2015, respectively.

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

At June 30, 2017 the Board reported a liability of \$336,586 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The OAB's proportion of the net pension liability was based on the Board's contributions received by OPERS relative to the total contributions received by OPERS for all participating employers as of June 30, 2016. Based upon this information, the Accountancy Board's proportion was 0.03392212%.

For the year ended June 30, 2017, the Board recognized pension expense of \$72,660. At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		\$14,791
Changes in assumptions	\$53,810	
Net difference between projected and actual earnings on pension plan investments	\$244,887	\$104,050
Changes in proportion and differences between Board contributions and proportionate share of contributions	\$7,813	
Board contributions subsequent to the measurement date	\$97,930	
	<u>\$404,440</u>	<u>\$118,841</u>

Reported deferred outflows of resources of \$97,930 resulting from the Accountancy Board's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016

	Deferred Outflows	Deferred Inflows
2018	\$97,912	\$(60,407)
2019	\$96,443	\$(57,969)
2020	\$69,820	\$(465)
2021	\$42,335	\$0
	<u>\$306,510</u>	<u>\$(118,841)</u>

E. Actuarial Methods and Assumptions

The total pension liability as of June 30, 2016 and 2015 was determined on an actuarial valuation prepared as of July 1, 2016 and July 1, 2015 using the following actuarial assumptions:

- Investment return- 7.25% for 2016 and 7.5% for 2015 compounded annually net of investment expense and including inflation
- Salary increases- 4.5% to 8.4% per year, including inflation
- Mortality rates- Active participants and nondisabled pensioners:RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)
- Annual post-retirement benefit increases- None
- Assumed inflation rate- 3%
- Payroll growth- 4% per year
- Actuarial cost method- Entry age
- Select period for the termination of employment assumptions- 10 years
- Percentage of married individuals- 85%, males and females
- Spouse age difference- Males four years older than spouse
- Turnover- Varies from 1-22%

With the exception of the long-term rate used in the July 1, 2016 valuation, the actuarial assumptions used in the July 1, 2016 and July 1, 2015 valuation are based on the results of the most recent actuarial experience study, which covers the 3-year period ending June 30, 2013. The experience study report is dated May 9, 2014. The long-term rate was modified during 2016.

The long-term expected rate of return on pension plan investment 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 plan 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 estimates of geometric real rates of return for each major

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016**

asset class as of June 30, 2016 and 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. large cap equity	38.0%	5.3%
U.S. small cap equity	6.0%	5.6%
U.S. fixed income	25.0%	0.7%
International stock	18.0%	5.6%
Emerging market stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate anticipation	3.5%	1.5%
	<u>100.0%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.25 % for 2016 and 7.50% for 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, OPERS fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

G. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employer for FY 2017 calculated using the discount rate of 7.25%, as well as what the Accountancy Board's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate. For FY 2016, the net pension liability of the employer was calculated using the discount rate of 7.50%, as well as what the Accountancy Board's net pension liability would have been if it were calculated using a discount rate that was 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.5%) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount <u>Rate (7.25%)</u>	1% Increase <u>(8.25%)</u>
2016 Net Pension Liability (asset)	\$689,007	\$336,586	\$37,410
	1% Decrease <u>(6.5%)</u>	Current Discount <u>Rate (7.5%)</u>	1% Increase <u>(8.5%)</u>
2015 Net Pension Liability (asset)	\$432,305	\$116,016	\$(152,880)

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016**

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the OPERS, which can be located at www.opers.ok.gov.

I. Accountancy Board Portion

The amounts presented below represent Net Pension Liability, Deferred Outflows, Deferred Inflows, and Pension Expense related to OPERS recorded to the Statement of Net Position. The amounts were determined based on the actuarial valuations performed as of July 1, 2016 and July 1, 2015 which are also the measurement dates.

	<u>Board %</u>	<u>Pension Assets</u>	<u>Pension Liability</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Pension Expense</u>
2016	0.03392212%	\$2,861,527	\$3,198,113	\$336,586	\$(404,440)	\$118,841	\$72,660
2015	0.03225498%	\$2,785,683	\$2,901,699	\$116,016	\$(201,063)	\$161,304	\$1,909

J. Legal and Accounting Liability

Attorney General opinions as well as the Oklahoma Supreme Court have implied that the State of Oklahoma is legally responsible for any pension liability over the employers’ set contribution amount. However, GASB Statement 68 requires that the net pension liability be accounted for and reported by the entity that created the liability. Therefore, the Accountancy Board’s portion of the State’s net pension liability has been recorded and reported.

8. Other Postemployment Benefits

In addition to the pension benefits described above, the State provides post-retirement healthcare benefits (OPEB) to employees. OPERS pays the Medicare supplement premium or \$105 per month, whichever is less, toward the cost of the monthly insurance premium for all retirees of OPERS who elect coverage at the time of retirement and retain health insurance coverage with the Oklahoma of Management and Enterprise Services: Employees Group Insurance Division (EGID). The retiree must pay the balance of the monthly health insurance premium plus any dependent coverage premiums. There is no OPEB obligation information available specific to the OAB.

9. Payment to State of Oklahoma

Under provisions of 59 O.S., Section 15.7, the “Board shall pay into the General Revenue Fund of the State ten percent (10%) of all annual registration fees so charged, collected, and received, and no other portion shall ever revert to the General Revenue Fund or any other fund of the state.” The OAB paid \$56,325 to the State General Revenue Fund in fiscal year 2017 and \$57,393 in fiscal year 2016, related to the 10% General Revenue Fund.

In addition, under the provision of 59 O.S., Section 15.24, “all monies, excluding costs, collected from civil penalties authorized in this section, such penalties being enforceable in the district

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016

courts of this state, shall be deposited with the State Treasurer to be paid into the General Revenue Fund of the state.” The amount assessed for civil penalties are recorded as Fines Receivable and a Due to State. During fiscal year 2017 and 2016, the OAB collected and remitted \$19,216 and \$23,935, respectively, and remitted these amounts to the State.

The OAB maintains a clearing account in which all amounts are deposited. When these transfers are made to the State General Revenue Fund, they are made directly from the OAB’s clearing account.

10. *Defined Contribution Plan*

The Accountancy Board also participates in the tax-qualified defined contribution retirement plan named Pathfinder which is administered by the Oklahoma Public Employees Retirement System. In a defined contribution plan, no specific benefit is promised to a plan participant. The amount a participant has at retirement under a defined contribution plan is dependent upon how much was contributed over his/her career, how well those investments performed, and how quickly distributions are taken in retirement. This plan applies only to state employees who first became employed by the Board on or after November 1, 2015, and have no prior participation in the OPERS defined benefit plan. At June 30, 2017 there was one employee participating in this plan.

Plan members are required to contribute between 4.5% and 7% of compensation annually. If the employee elects anything less than the 7% maximum, the Office matches the contribution at 6.0%. If the employee elects the maximum of 7%, the OAB will match at 7% as well. Employees are progressively vested in employer contributions at a rate of 20% per year and become 100% vested after 5 years of credited service. For the year ended June 30, 2017, the Accountancy Board contributed \$1,020, and the eligible employee contributed \$765 to the defined contribution plan.

REQUIRED SUPPLEMENTARY INFORMATION

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2017 and 2016

Required Supplementary Information
Pension Schedules and Related Ratios

Schedule 1
Oklahoma Public Employees Retirement System
Schedule of Proportionate Shares

	2016	2015	2014
OAB proportion of the net pension liability	0.03392212%	0.03225498%	0.03174592%
OAB proportional share of net pension liability	\$336,586	\$116,016	\$58,274
OAB covered payroll	\$609,410	\$570,192	\$537,835
OAB proportionate share of net pension liability as a percentage of covered payroll	55.23%	20.35%	10.83%
OPERS fiduciary net position as a percentage of the total pension liability	89.48%	96.00%	97.90%

Schedule 2
Oklahoma Public Employees Retirement System
Schedule of Contributions

	2017	2016	2015	2014	2013
Contractually required contribution	\$97,930	\$100,553	\$94,082	\$88,743	\$85,719
Contributions in relation to the contractually required contributions	\$97,930	\$100,553	\$94,082	\$88,743	\$85,719
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
OAB's covered payroll	\$599,698	\$609,410	\$570,192	\$537,835	\$519,508
Contributions as a percentage of covered payroll	16.3%	16.5%	16.5%	16.5%	16.5%

Notes to Schedule:

GASB Statement 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 68 and is the latest information available.

Benefit Changes: Information to present a 10-year history is not readily available.

Changes in Actuarial Assumptions: Information to present a 10-year history is not readily available.

Due to the adoption of GASB 82, the previous covered employee payroll amounts and ratios above have been revised to reflect covered payroll instead.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO THE OKLAHOMA ACCOUNTANCY BOARD

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma Accountancy Board (OAB), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2017. The report includes an emphasis of matter paragraph stating that the financial statements of the OAB are intended to present the financial position and results of daily operations of only that portion of the general fund of the State of Oklahoma attributable to the transactions of the OAB.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the OAB's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OAB's internal control. Accordingly, we do not express an opinion on the effectiveness of the OAB's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OAB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR AND INSPECTOR

November 13, 2017



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV