

FINANCIAL AUDIT

OKLAHOMA ACCOUNTANCY BOARD

For the fiscal years ended June 30, 2018 and June 30, 2017



*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, 2018 AND 2017**

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 123 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

December 20, 2018

**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, 2018 and June 30, 2017. 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 written in a cursive style with a long, sweeping underline.

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, 2018 and 2017**

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	33
Pension Schedules and Related Ratios	
OPEB 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	37

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017**

BOARD MEMBERS

Fiscal Year 2018

Term

David Greenwell, CPA, Chair	07/01/13 to 06/30/18	Oklahoma City, Oklahoma
Marc Delametter, CPA, Vice Chair	07/01/14 to 06/30/19	Tulsa, Oklahoma
Mike Sanner, CPA, Secretary	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
James Taylor, CPA	07/01/16 to 06/30/22	Tulsa, Oklahoma
Karen Cunningham, ChFC	Coterminous Beginning 5/2011	Oklahoma City, Oklahoma

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
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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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, 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.

As discussed in Notes 12 and 13 to the financial statements, in FY 2018 the OAB adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension schedules and related ratios, and the OPEB 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 December 20, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OAB's 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
December 20, 2018

MANAGEMENT'S DISCUSSION & ANALYSIS

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017**

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, 2018 and 2017. 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, 2018 and 2017, the following financial results are considered noteworthy by management.

- As a result of the implementation of GASB Statement 75, four new accounts were created for other post-employment benefits (OPEB). The accounts are deferred outflows for OPEB, deferred inflows for OPEB, net OPEB Liability, and total OPEB liability. Total deferred outflows had a balance of \$407,253 for FY17 and decreased by \$209,904 or 51.5% in FY18. Meanwhile, total deferred inflows for FY18 had a balance of \$43,189, which was a decrease \$75,652 or 63.7% from FY17. Net pension liability's FY18 balance was \$183,956 which is a decrease of \$138,920 or 43.0%. Then, the OPEB liabilities started with a FY17 balance of \$48,768 and decreased by \$12,000 or 24.6%.
- For the year ended June 30, 2018, OAB operating revenues decreased \$11,483, or 0.9%, over the prior year. Then, personnel services was increased by \$24,519 or 2.8% from FY17 to FY18. Therefore, total expenses increased \$33,329, or 2.7% for FY18.
- For the year ended June 30, 2018, OAB accounts receivable decreased \$5,925, or 18.1% over the prior year. This amount compares to an increase of \$18,300 for June 30, 2017, and a decrease of \$2,125 for June 30, 2016. The dramatic increase in FY17 was due to timing issues not present in the prior year or subsequent year. For the year ended June 30, 2018, OAB unearned revenue decreased \$7,044, or 1.0% over the prior year. This decrease compares to an increase of \$2,189 or 0.3% for June 30, 2017 and decrease of \$1,966 or 0.3% for June 30, 2016.
- Fines receivable decreased by \$2,159 or 25.9% in FY 2018, and due to state decreased by \$2,159, or 25.9%. There was a decrease in fines receivable and virtually no change 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 and OPEB Schedules and Related Ratios are required by GASB. These schedules provide users of the report with additional information regarding the pension plans and other post-employment benefit plans 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?"

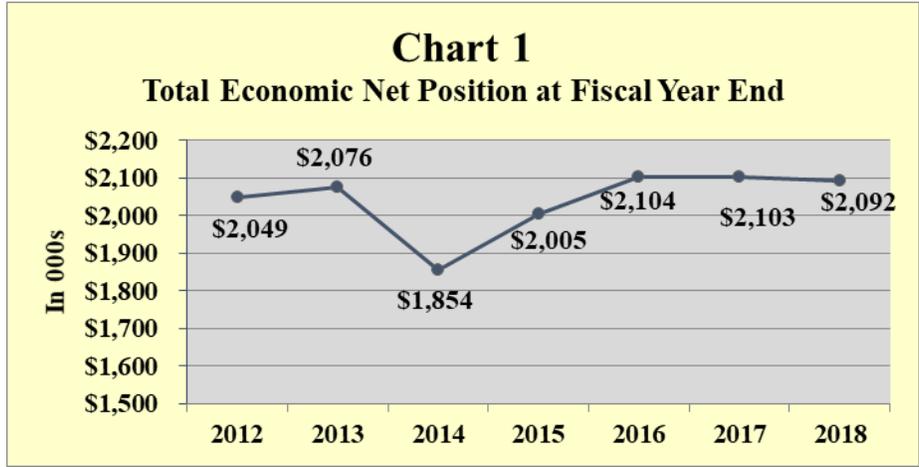
The "Statement of Net Position" and the "Statement of Revenues, Expenses and Changes in Net Position" report information about the OAB as an economic entity that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the OAB resource base and the 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, 2018 and 2017**

AN ECONOMIC-BASED FINANCIAL ANALYSIS OF OAB, Cont.

For the years ended June 30, 2012 through 2018, the OAB’s overall financial condition changed as noted below:

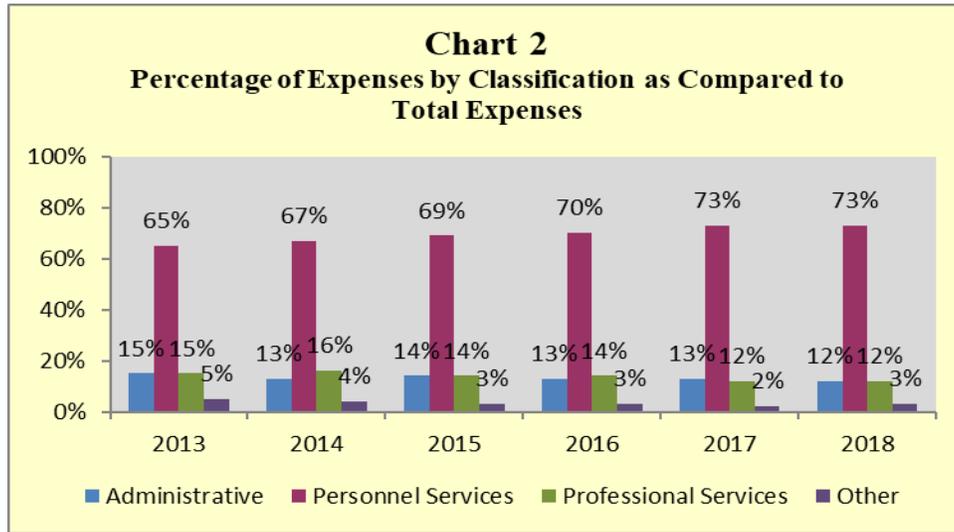


	2013	2014	2015	2016	2017	2018
Percentage Change in Net Position	+1.3%	-10.7%	+8.1%	+4.9%	-0.1%	-0.1%

For the year ended June 30, 2018 the OAB’s total net position decreased by \$10,887, or 0.1%. For the year ended June 30, 2017, the OAB’s total net position decreased by \$506, or 0.1%. For the year ended June 30, 2016, the OAB’s total net position increased by \$99,056, or 4.9%.

(Unaudited. See accompanying auditor’s report.)

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017**



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. The State has decided to acquire a new statewide licensing system in calendar year 2019. It will begin phasing out support of the AMANDA licensing system over the next three years. At the end of the three year period, any agencies continuing to use the AMANDA licensing system will be responsible for the maintenance and any associated changes to the system. With this knowledge the Board will begin the conversion process during the calendar 2019 year to the new licensing system.

It should be noted that OMES IT is still working toward the funding of this project and the timing of the implementation could be affected.

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, 2018 and 2017**

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, 2018 and 2017

Statement of Net Position
June 30, 2018 and 2017

	June 30,	
	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,917,930	\$ 2,930,069
Accounts receivable	26,875	32,800
Fines receivable, net of allowance of \$2,189,679 and \$2,189,179, respectively	6,179	8,338
Accounts receivable-cost recovery, net of allowance \$140,173 and \$139,953, respectively	1,836	723
Prepaid assets	8,789	10,876
Total current assets	2,961,609	2,982,806
Non-current assets:		
Capital assets, net of accumulated depreciation	526	3,493
Total assets	2,962,135	2,986,299
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows-pension	185,317	404,440
Deferred outflows-OPEB	12,032	2,813
Total deferred outflows	197,349	407,253
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 42,224	\$ 25,769
Unearned revenue	686,440	693,484
Due to state	6,179	8,338
Current compensated absences	20,487	21,645
Total current liabilities	755,330	749,236
Non-current liabilities:		
Non-current compensated absences	47,803	50,506
Net pension liability	183,956	322,876
Net OPEB liability	3,897	13,751
Total OPEB liability	32,871	35,017
Total non-current liabilities	268,527	422,150
Total liabilities	1,023,857	1,171,386
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows-pension	32,897	118,841
Deferred inflows-OPEB	10,292	-
Total deferred inflows	43,189	118,841
NET POSITION		
Invested in capital assets	526	3,493
Unrestricted	2,091,912	2,099,832
Total net position	\$ 2,092,438	\$ 2,103,325

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, 2018 and 2017

Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Licenses, Permits, and Fees	\$ 1,266,719	\$ 1,283,003
Cost recovery	13,228	8,427
Total operating revenues	<u>1,279,947</u>	<u>1,291,430</u>
Operating Expenses:		
Personnel services	909,928	885,409
Professional services	145,298	141,500
Travel	45,033	30,721
Administration expense	147,738	156,543
Depreciation expense	2,967	3,462
Total operating expenses	<u>1,250,964</u>	<u>1,217,635</u>
Operating income (loss)	28,983	73,795
Non-Operating Revenues (Expenses):		
Other income	<u>16,922</u>	<u>14,269</u>
Total non-operating revenues	<u>16,922</u>	<u>14,269</u>
Income (loss) before contributions and transfers	45,905	88,064
Transfers out	<u>(56,792)</u>	<u>(56,325)</u>
Change in net position	(10,887)	31,739
Total net position - beginning	2,103,325	2,071,586
Total net position - ending	<u><u>\$ 2,092,438</u></u>	<u><u>\$ 2,103,325</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, 2018 and 2017

Statement of Cash Flows
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts of license, permits, fees, and cost	\$ 1,294,637	\$ 1,299,615
Payments to suppliers	(319,605)	(344,830)
Payments to employees	(930,379)	(911,257)
Net cash provided by (used in) operating activities	44,653	43,528
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out - State of Oklahoma	(56,792)	(56,325)
Net cash provided by (used in) noncapital financing activities	(56,792)	(56,325)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	-	(1,572)
Net Cash provided by (used in) capital and related financing activities	-	(1,572)
Net Increase (Decrease) in Cash and Cash Equivalents	(12,139)	(14,369)
Balances - beginning of the year	2,930,069	2,944,438
Balances - end of the year	\$ 2,917,930	\$ 2,930,069
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 28,983	\$ 73,795
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Other income	16,922	14,269
Depreciation expense	2,967	3,462
Change in assets and liabilities:		
Decrease (Increase) in accounts receivable	5,925	(18,300)
Decrease (Increase) in fines receivable	2,159	15,717
Decrease (Increase) in costs receivable	(1,113)	10,027
Decrease (Increase) in prepaid assets	2,087	(7,459)
Decrease (Increase) in deferred outflows	209,904	(203,377)
Increase (Decrease) in accounts payable	16,455	(8,592)
Increase (Decrease) in unearned revenue	(7,044)	2,189
Increase (Decrease) in due to state	(2,159)	(15,717)
Increase (Decrease) in accrued compensated absences	(3,861)	(593)
Increase (Decrease) in net pension liability	(138,920)	220,570
Increase (Decrease) in net OPEB liability	(9,854)	-
Increase (Decrease) in Total OPEB liability	(2,146)	-
Increase (Decrease) in deferred inflows	(75,652)	(42,463)
Net cash provided by (used in) operating activities	\$ 44,653	\$ 43,528

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, 2018 and 2017

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, 2018 and 2017 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, 2018.

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

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017

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 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, 2018	\$142,009	\$140,173	\$1,836
June 30, 2017	\$140,676	\$139,953	\$723

	Fines Receivable		
	Accounts Receivable	Allowance	Net
June 30, 2018	\$2,195,858	\$2,189,679	\$6,179
June 30, 2017	\$2,197,517	\$2,189,179	\$8,338

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 \$27,409 and \$19,216 were collected and remitted to the State General Fund during the fiscal years 2018 and fiscal year 2017, respectively.

At June 30, 2017 and 2018, the Due to State of \$8,338 and \$6,179, respectively, reflects fines receivable due to the state (see footnote 11).

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 and OPEB fund investments, and changes in assumptions (see footnotes 7, 9, and 10).

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, 2018 and 2017

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 2018 and 2017 fiscal years were approximately \$64,067 and \$63,439, 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, 2019. The future minimum lease payments for these leases are as follows:

2019	\$61,917
2020	\$9,213
2021	\$9,213
2022	\$0
2023	<u>\$0</u>
Total	<u>\$80,343</u>

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017

4. Capital Assets

For the years ended June 30, 2018 and 2017, changes in capital assets were as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets	111,225	3,199	-	114,424
Accumulated depreciation	(107,732)	(6,166)	-	(113,898)
	<u>\$3,493</u>	<u>(\$2,967)</u>	<u>-</u>	<u>\$526</u>

	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)
	<u>\$5,383</u>	<u>(\$1,890)</u>	<u>-</u>	<u>\$3,493</u>

5. Long-term Obligations

Long-term obligations are comprised of accrued compensated absences. For the years ended June 30, 2018 and 2017, the liability for accrued compensated absences liabilities changed as follows:

Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Amounts Due Within One Year
<u>\$72,151</u>	<u>51,041</u>	<u>54,902</u>	<u>68,290</u>	<u>\$20,487</u>

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

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, 2018 and 2017**

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 Accountancy Board participates in the Oklahoma Public Employees Retirement Plan, 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 Oklahoma Public Employees Retirement System (OPERS), 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.

This plan applies only to state employees who were employed by the Office before November 1, 2015, or had prior participation in the OPERS defined benefit plan. At June 30, 2018 one OAB employee was not participating in this defined benefit retirement plan. This employee was instead a member of the defined contribution retirement plan discussed in Note 8.

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.

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017**

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.
 - 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.

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017**

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.

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 2018, 2017 and 2016. Contributions to OPERS by the Accountancy Board were \$91,738, \$91,524 and \$100,553 for 2018, 2017 and 2016, respectively.

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

At June 30, 2018 the Board reported a liability of \$183,956 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017. Based upon this information, the Accountancy Board's proportion was 0.03402417%.

For the year ended June 30, 2018, the Board recognized pension expense of \$79,591. At June 30, 2018, 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		\$32,897
Changes in assumptions	\$81,666	
Net difference between projected and actual earnings on pension plan investments	8,218	
Changes in proportion and differences between Board contributions and proportionate share of contributions	3,695	
Board contributions subsequent to the measurement date	91,738	
	<u>\$185,317</u>	<u>\$32,897</u>

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017

Reported deferred outflows of resources of \$91,738 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, 2019. 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:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
2019	\$81,739	\$(58,534)
2020	54,220	(454)
2021	41	13,045
2022	(42,421)	13,045
	<u>\$93,579</u>	<u>\$(32,897)</u>

E. Actuarial Methods and Assumptions

The total pension liability measured as of June 30, 2017 and 2016 was determined on an actuarial valuation prepared as of July 1, 2017 and July 1, 2016 using the following actuarial assumptions:

- Investment return- 7.0% for 2017 and 7.25 for 2016 compounded annually net of investment expense and including inflation
- Salary increases- 3.5% to 9.5% per year, including inflation
- Mortality rates- Active participants and nondisabled pensioners:RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years)
- Annual post-retirement benefit increases- None
- Assumed inflation rate- 2.75%
- Payroll growth- 3.5% 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 females
- Turnover- Varies from 1-24%

With the exception of the long-term rate used in the July 1, 2016, the actuarial assumptions used in the July 1, 2017 and July 1, 2016 valuation are based on the results of the most recent actuarial experience study, which covers the 3-year period ending June 30, 2016. The experience study report is dated April 13, 2017. The long-term rate was modified during 2017.

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

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017

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 asset class as of June 30, 2017, 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%
Treasury Inflation-Protected Securities	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 7.00% for 2017 and 7.25% for 2016. 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 calculated using the discount rate of 7.00%, 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 (6.0%) or 1 percentage-point higher (8.0%) than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Discount Rate <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
2017 Net Pension Liability (asset)	\$543,690	\$183,956	\$(120,654)
	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
2016 Net Pension Liability (asset)	\$689,007	\$322,876	\$37,410

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. 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. *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, 2018 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 Board 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, 2018, the Accountancy Board contributed \$2,087, and the eligible employee contributed \$1,562 to the defined contribution plan.

9. *Other Post-Employment Benefits – Implicit Rate Subsidy of Health Insurance*

A. Plan Description

The Employee Group Insurance Division (EGID) is a division of the Office of Management and Enterprise Services (OMES). EGID administers, manages, and provides group health, dental, life, and disability insurance for active employees and retirees of state agencies, school districts, and other governmental units of the State of Oklahoma (the State) through Title 74 of the Oklahoma Statutes, Sections 1301 et seq. as amended. As a state agency, the Board offers this insurance coverage and Board employees receive a post-employment benefit of blended health insurance rates. Therefore, the Board recognizes its proportionate piece of the State of Oklahoma Implicit Rate Subsidy of Health Insurance OPEB liability.

This OPEB Plan is a non-trusted single-employer plan in which no assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. Contributions are made by both participants and participating employer agencies on a "pay as you go" basis.

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017**

B. Benefits Provided

The Plan covers all current retirees of the OAB and provides for employee and dependent healthcare coverage from the date of retirement to age 65, provided the participant was covered by the Plan before retiring. The State of Oklahoma provides postretirement medical benefits through the Plan until age 65 if the retiree and spouse pay the full active premium. Participants can elect to enroll in special coverage, and surviving spouses may continue in the Plan until age 65. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma and the authority granted to EGID.

The amount of benefit payments during fiscal year June 30, 2018 were \$2,437.

C. OPEB Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018 the Accountancy Board reported a liability of \$36,768 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of July 1, 2017. The total OPEB liability used was determined by an actuarial valuation as of June 30, 2017. The OAB's portion of the total OPEB liability was based on the Accountancy Board's active employees of the plan relative to the total participation of the substantive plan as of June 30, 2017. Based upon this information, the Board's proportion was 0.02213620% percent. Changes of assumptions reflect a change in the discount rate from 2.85% in 2016 to 3.58% in 2017 resulting in recognition of a deferred inflow of resources.

For the year ended June 30, 2018, the Board recognized OPEB expense of \$2,437. At June 30, 2018, the OAB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		
Changes in assumptions		
Net difference between projected and actual earnings on pension plan investments		\$1,283
Changes in proportion and differences between Board contributions and proportionate share of contributions		
Board contributions subsequent to the measurement date	\$2,437	
	<u>\$2,437</u>	<u>\$1,283</u>

Reported deferred outflows of resources of \$2,437 related to OPEB resulting from the OAB's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. The amortization of deferred outflows of

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017**

resources and deferred inflows of resources related to OPEB is as follows:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
2019		\$(356)
2020		(356)
2021		(356)
2022		(215)
		<u>\$(1,283)</u>

D. Actuarial Methods and Assumptions

The total OPEB liability was determined based on actuarial valuations prepared using a July 1, 2017 measurement date using the following actuarial assumptions:

- Investment rates - Not applicable, as the Plan is unfunded and benefits are not paid from a qualifying trust
- Mortality rates - RP-2006 Combined Healthy Mortality Table, with a fully generational projection using Scale MP-2017
- Salary scale, retirement rate, withdrawal rate, and disability rate - Actuarial assumptions are based on rates for the various retirement systems that the Plan’s participants are in including:
 - Oklahoma Public Employees’ Retirement System
 - Oklahoma Law Enforcement Retirement System
 - Teachers’ Retirement System of Oklahoma
 - Uniform Retirement System of Justices & Judges
 - Oklahoma Dept. of Wildlife Conservation Defined Benefit Pension Plan
- Plan entry date - Date of hire
- Healthcare trend rate - 7.10% decreasing to 4.60%
- Actuarial cost method - Entry age normal based upon salary
- Plan participation - 40% of retired employees are assumed to participate in the Plan
- Marital assumptions-
 - Male participants: 25% who elect coverage are assumed to have a spouse who will receive coverage
 - Female participants: 15% who elect coverage are assumed to have a spouse who will receive coverage
- Spouse age difference - Males are assumed to be 3 years older than their spouses
- Discount rate- Based on bond buyer index

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017**

The June 30, 2018, valuation is based on a measured date of July 1, 2017, with a measurement period of July 1, 2016, to July 1, 2017.

E. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the Accountancy Board's proportionate share of the total OPEB liability, as well as what the OAB's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.58%) or 1 percentage-point higher (4.58%) than the current discount rate:

	1% Decrease <u>(2.58%)</u>	Current Discount <u>Rate (3.58%)</u>	1% Increase <u>(4.58%)</u>
Employer's Total OPEB	\$35,086	\$32,871	\$30,809

F. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the Board's proportionate share of the total OPEB liability, as well as what the Board's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower (6.1% decreasing to 3.6%) or 1 percentage-point higher (8.1% decreasing to 5.6%) than the current healthcare cost trend rates:

	6.1% Decreasing <u>to 3.6%</u>	Current 7.1% Decreasing <u>to 4.6%</u>	8.1% Decreasing <u>to 5.6%</u>
Employer' Total OPEB Liability	\$30,170	\$32,871	\$36,001

10. Other Post-Employment Benefits – Health Insurance Subsidy Plans (OPERS)

A. Plan Description

The Accountancy Board participates in the Supplemental Health Insurance Program, a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Public Employees Retirement System (OPERS). The authority to establish and amend benefit provisions rests with the State Legislature. OPERS issues a publicly available financial report that can be obtained at www.opers.ok.gov.

B. Benefits Provided

OPERS pays a medical insurance supplement to eligible members who elect to maintain health insurance with the Employees Group Insurance Division (EGID) or other qualified insurance plans provided by the State. This subsidy continues until the retiree terminates health insurance

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017**

coverage with EGID or other qualified plan, or until death. The subsidy is only for the retiree, not joint annuitants or beneficiaries. The supplement payment is capped at \$105 per month per retiree, remitted to EGID.

C. Contributions

The contribution rates for each member category of the System are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. An actuarially determined portion of the total contributions to the System are set aside to finance the cost of the benefits of the Health Insurance Subsidy Plan (HISP) in accordance with provisions of the Internal Revenue Code. Based on the contribution requirements of the plan employers and employees contribute a single amount based on a single contribution rate of 16.5% as described in Note 7 above; from this amount OPERS allocates a portion of the contributions to the supplemental health insurance program. Contributions allocated to the OPEB plan from the OAB were \$6,421.

D. OPEB Liabilities (Assets), Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the OAB reported a liability of \$3,897 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The Accountancy Board's proportion of the net OPEB liability was based on the Accountancy Board's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2017. Based upon this information, the Board's proportion was 0.03402417%

For the year ended June 30, 2018, the Board recognized OPEB expense of \$2,387. At June 30, 2018, the OAB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		\$4,804
Changes in assumptions	\$3,174	
Net difference between projected and actual earnings on pension plan investments		\$4,205
Changes in proportion and differences between Board contributions and proportionate share of contributions		
Board contributions subsequent to the measurement date	\$6,421	
	<u>\$9,595</u>	<u>\$9,009</u>

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017

Reported deferred outflows of resources of \$6,421 related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability (asset) in the year ended June 30, 2019. The amortization of deferred outflows of resources and deferred inflows of resources related to OPEB is as follows:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
2019	\$593	\$(1,949)
2020	593	(1,949)
2021	593	(1,949)
2022	593	(1,949)
2023	593	(898)
2024	208	(314)
	<u>\$3,174</u>	<u>\$(9,009)</u>

E. Actuarial Methods and Assumptions

The total OPEB liability was determined on an actuarial valuation prepared as of July 1, 2017, using the following actuarial assumptions:

- Investment return - 7.00% compounded annually net of investment expense and including inflation
- Salary increases - 3.5% to 9.5% per year, including inflation
- Mortality rates - Active participants and nondisabled pensioners: RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years)
- Annual post-retirement benefit increases - None
- Assumed inflation rate - 2.75%
- Payroll growth - 3.5% per year
- Actuarial cost method - Entry age
- Select period for termination of employment assumptions - 10 years
- Health Care Trend rate - N/A based on how the System is structured and benefit payments are made

The actuarial assumptions used in the July 1, 2017 valuation are based on the results of the most recent actuarial experience study, which covers the 3-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017**

log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 asset class as of June 30, 2017, 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%
Treasury Inflation-Protected Securities	3.5%	0.7%
Rate anticipation	3.5%	1.5%
	<u>100.0%</u>	

F. Discount Rate

A single discount rate of 7.00% was used to measure the total OPEB liability as of June 30, 2017. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position was projected through 2114 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the OAB's proportionate share of the total OPEB liability, as well as what the Board's proportionate share of the total OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00 %) or 1 percentage-point higher (8.00%) than the current discount rate:

	1% Decrease <u>(6.00%)</u>	Current Discount <u>Rate (7.00%)</u>	1% Increase <u>(8.00%)</u>
Employer's Net OPEB Liability	\$15,393	\$3,897	\$(5,986)

H. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB 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.

11. *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 \$56,792 to the State General Revenue Fund in fiscal year 2018 and \$56,325 in fiscal year 2017, 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 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 2018 and 2017, the OAB collected and remitted \$27,409 and \$19,216, 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.

12. *Prior Period Adjustment*

The beginning net position has been restated due to a change in accounting principle with the adoption of GASB 75. This restatement decreased the beginning net position by \$32,245.

Beginning Net Position as previously reported at June 30, 2017	\$2,103,831
Prior Period Adjustment-GASB 75 Implementation:	
Total OPEB Liability (measurement date)	\$(35,017)
Net OPEB Liability (measurement date)	\$(41)
Deferred Outflows-2017 Contributions	<u>\$2,813</u>
Total Prior Period Adjustment	\$(32,245)
Beginning Net Position as restated, June 30, 2017	<u>\$2,071,586</u>

In addition, the balance for the Net Pension Liability as reported at June 30, 2017 was adjusted by (\$13,710) to reclassify the OPEB included in the amount previous to the implementation of GASB Statement 75. Also, the OPEB liabilities (net and total) at June 30, 2017 were recorded and are reflected in the Statement of Net Position.

REQUIRED SUPPLEMENTARY INFORMATION

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017**

**Required Supplementary Information
Pension Schedules and Related Ratios**

**Schedule 1
Oklahoma Public Employees Retirement System
Schedule of Proportionate Shares**

	2017	2016	2015	2014
OAB proportion of the net pension liability	0.03402417%	0.03392212%	0.03225498%	0.03174592%
OAB proportional share of net pension liability	\$183,956	\$322,876	\$116,016	\$58,274
OAB covered-employee payroll	\$599,698	\$609,410	\$570,192	\$537,835
OAB proportionate share of net pension liability as a percentage of covered payroll	30.67%	52.98%	20.35%	10.83%
OPERS fiduciary net position as a percentage of the total pension liability	94.28%	89.48%	96.00%	97.90%

**Schedule 2
Oklahoma Public Employees Retirement System
Schedule of Contribution**

	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$91,739	\$91,524	\$100,553	\$94,082	\$88,743	\$85,719
Contributions in relation to the contractually required contributions	\$91,739	\$91,524	\$100,553	\$94,082	\$88,743	\$85,719
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0
OAB's covered payroll	\$607,527	\$599,698	\$609,410	\$570,192	\$537,835	\$519,508
Contributions as a percentage of covered payroll	15.10%	15.26%	16.50%	16.50%	16.50%	16.50%

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.

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017

Schedule 3

Implicit Rate Subsidy of Health Insurance OPEB Liability
Schedule of Changes in Total OPEB Liability and Related Ratios

	<u>2017</u>
Total OPEB Liability:	
OAB proportion of the total OPEB liability	0.0221362%
Service cost	\$1,310
Interest	\$996
Changes in assumptions	\$(1,639)
Benefit payments, including refunds of member contributions	\$(2,813)
Net change in total OPEB liability	\$ (2,146)
Total OPEB liability, beginning (restated)	\$35,017
Total OPEB liability, ending	\$32,871
Covered-employee payroll	\$607,527
Total OPEB liability as a percentage of covered-employee payroll	5.41%

Notes to Schedule:

GASB Statement 75 requires the information presented in the Schedules of Required Supplementary Information to cover the 10 most recent fiscal years. Only the current fiscal year is presented because 10-year data is not readily available.

The discount rate used for 2018 is 3.58%

Schedule 4

Oklahoma Public Employees Health Insurance Subsidy Plan
Schedule of Proportionate Share of Net OPEB Liability

	<u>2017</u>
OAB proportion of the net OPEB liability	0.03402417%
OAB proportional share of the net OPEB liability	\$3,897
OAB covered payroll	\$607,527
OAB proportionate share of the net OPEB liability as a percentage of covered payroll	0.64%
OPERS fiduciary net position as a percentage of the total OPEB liability	96.50%

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2018 and 2017**

Schedule 5

**Oklahoma Public Employees Health Insurance Subsidy Plan
Schedule of Contributions**

	<u>2018</u>
Contractually required contribution	\$6,421
Contributions in relation to the contractually required contributions	\$6,421
Contribution deficiency (excess)	\$0
OAB's covered payroll	\$607,527
Contributions as a percentage of covered payroll	1.06%

Notes to Schedule:

GASB Statement 75 requires the information presented in the Schedules of Required Supplementary Information to cover the 10 most recent fiscal years. Only the current fiscal year is presented because 10-year data is not readily available.



Oklahoma State Auditor & Inspector

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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, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2018. 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

December 20, 2018



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