

OKLAHOMA ACCOUNTANCY BOARD

**AUDITED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020**

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2021 and 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of
Oklahoma Accountancy Board
Oklahoma City, Oklahoma

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Oklahoma Accountancy Board's basic 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 financial position of the Oklahoma Accountancy Board as of June 30, 2021 and 2020, 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 Oklahoma Accountancy Board 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 activities of the Oklahoma Accountancy Board. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with the 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 pension schedules and related ratios on pages 3-9 and 33-35 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 12, 2021, on our consideration of the Oklahoma Accountancy Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Oklahoma Accountancy Board's internal control over financial reporting and compliance.

HBC CPAs & Advisors

Oklahoma City, Oklahoma
November 12, 2021

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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, 2021 and 2020. 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, 2021 and 2020, the following financial results are considered noteworthy by management:

- The Statement of Net Position provides a financial snapshot of the OAB’s financial condition for fiscal years 2021 and 2020. The statement reports all assets and liabilities using the accrual basis of accounting.

Oklahoma Accountancy Board
Financial Analysis
Statement of Net Position

	<u>2021</u>	<u>2020</u>
Current Assets	\$ 3,333,297	\$ 3,133,735
Non-current Assets	10,734	1,891
Total Assets	3,344,031	3,135,626
 Deferred Outflows	 278,003	 118,544
Current Liabilities	941,927	962,407
Non-Current Liabilities	408,462	123,979
Total Liabilities	1,350,389	1,086,386
 Deferred Inflows	 19,955	 43,631
Net Position		
Invested in Capital Assets	10,734	1,891
Unrestricted	2,240,956	2,122,262
Total Net Position	\$ 2,251,690	\$ 2,124,153

(Unaudited. See accompanying auditor’s report.)

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- As of June 30, 2021, OAB accounts receivable increased \$6,755, or 111.5% over the prior year. This amount compares to the increase of \$350 or 6.1% for June 30, 2020. As of June 30, 2021, OAB unearned revenue decreased by \$29,052, or 3.2% over the prior year. This decrease compares to the increase of \$236,238 or 34.6% for June 30, 2020. There was an 86.3% increase in the number of firms that were allowed to renew firm registrations in July instead of receiving a revocation, because of the use of the new licensing system Thentia. Firms renew their license beginning in May through June. The decrease in unearned revenue is due to the increase of registrants in retired status who are not required to pay an annual registration fee.
- Due to the emergence of Covid-19 in early 2020, the federal government passed the CARES Act to assist with the response to the pandemic. While the state of Oklahoma received funds from the Act during FY20, the OAB incurred \$1,832 in Covid-19 related expenses and \$9,746 in FY21. The expenses in FY21 were re-categorized as capital assets, and the corresponding revenue was \$9,746. During FY20, the OAB was reimbursed for federal expenditures in the amount of \$69 and it was categorized as federal revenue. The amount of federal expenses not reimbursed by June 30, 2020 was a federal receivable of \$1,763 and was also included in federal revenue, which brought total federal revenue to \$1,832. There was no FY21 federal receivable.
- Total deferred outflows had a balance of \$118,544 for FY20 and increased by \$159,459 or 134.5% to \$278,003 in FY21. Meanwhile, total deferred inflows for FY21 had a balance of \$19,955, which was a decrease of \$23,676 or 54.3% from FY20. Net pension liability's FY21 balance was \$314,141 which is an increase of \$265,432 or 544.9% from FY20. Then, the net OPEB asset increased from \$14,217 in FY20 to \$16,507 in FY21. The total FY21 OPEB liability is \$42,029 or 14.4% more than FY20.
- The Statement of Revenues, Expenses and Changes in Net Position presents the OAB's revenues and expenses for FY21 and FY20.

(Unaudited. See accompanying auditor's report.)

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Oklahoma Accountancy Board
Financial Analysis
Statement of Revenues, Expenses, and Changes in Net Position

	<u>2021</u>	<u>2020</u>
Operating Revenues	\$ 1,692,731	\$ 1,423,034
Operating Expenses	<u>1,507,190</u>	<u>1,306,411</u>
Operating Income (Loss)	<u>185,541</u>	<u>116,623</u>
Other Income	<u>18,119</u>	<u>24,157</u>
Income before Transfers	203,660	140,780
Transfers Out	<u>(76,123)</u>	<u>(78,015)</u>
Change in net Position	127,537	62,765
Beginning Net Position	2,124,153	2,061,388
Ending Net Position	<u><u>\$ 2,251,690</u></u>	<u><u>\$ 2,124,153</u></u>

- For the year ended June 30, 2021, OAB operating revenues increased by \$269,697, or 19.0%, over the prior year. Because of the fee increase in FY20, the unearned revenue liability account increased approximately \$200,000 causing the operating revenue account to temporarily decrease that year by that same amount. Then, personnel services increased by \$137,950 or 14.1% from FY20 to FY21. The increase is primarily due to the increase in net pension liability. Total operating expenses increased \$200,779 or 15.4% for FY21. As stated before, the majority of the increase is in personnel services. The \$40,847 increase in professional services is primarily due an increase in investigative services in enforcement, and the increase in administration expenses is because of the licensing fee of \$28,560 for the new licensing system Thentia.

- The OAB reports its financial activity as an enterprise fund.

(Unaudited. See accompanying auditor's report.)

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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:

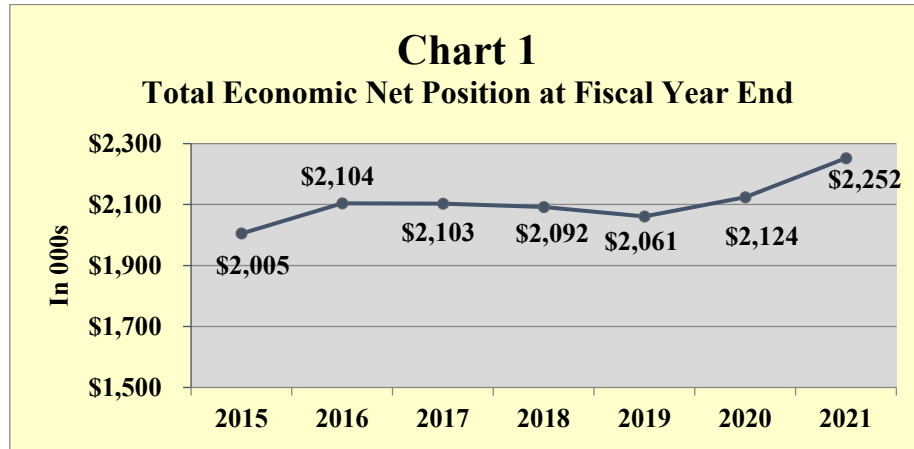
One of the most important questions asked about the OAB is: "Has the entity utilized its resources to accomplish its mission assigned by the legislature of protecting the public?"

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.

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AN ECONOMIC-BASED FINANCIAL ANALYSIS OF OAB, Cont.

As of June 30, 2015 through 2021, the OAB’s overall financial condition changed as noted below:



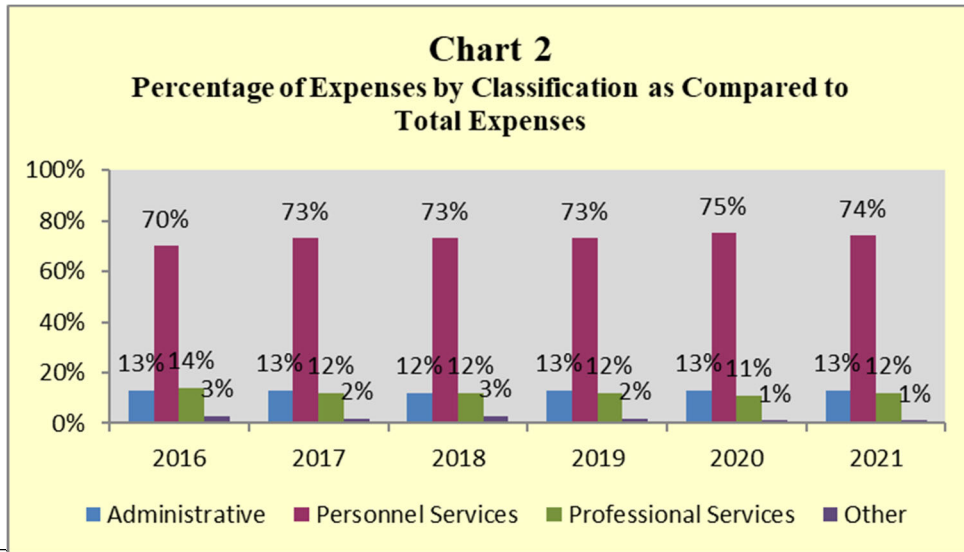
Percentage Change in Net Position	2016	2017	2018	2019	2020	2021
	+4.90%	-0.05%	-0.52%	-1.48%	3.10%	6.00%

As of June 30, 2021 the OAB’s total net position increased by \$127,537, or 6.0%. As of June 30, 2020, the OAB’s total net position increased by \$62,765 or 3.1%. As of June 30, 2019, the OAB’s total net position decreased by \$31,050, or 1.48%.

In August 2020, the OAB signed a contract with Thentia for the customization of a new licensing system. The new system went live in January 2021. Thentia has created a new and improved way for registrants to renew their license as well as track their continuing professional education. It has also given applicants a way to apply for a license in Oklahoma through the online portal. The OAB anticipates even more customizations primarily for internal use that will not affect registrants.

(Unaudited. See accompanying auditor’s report.)

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FUTURE OUTLOOK

As stated before, the OAB is expecting Thentia to customize the new licensing system even more as a newer version of Thentia is expected to roll out in the near future. The new version of Thentia should create smoother workflows and more efficiencies for OAB staff. Then in January 2024, there is an expectation that the National Association of the State Boards of Accountancy (NASBA) will create new exam requirements for candidates. The new CPA Evolution is a joint venture between NASBA and the AICPA. It is not NASBA’s mandate alone. Those new requirements mandate the OAB modify current exam requirements in the statutes and rules, which will also require an update to Thentia’s Applicant Portal to include the additional exam section as well. The OAB looks forward to the upcoming changes.

ABOUT OAB

An essential agency of Oklahoma government, the OAB promulgated the first accountancy laws enacted by the Oklahoma Legislature in 1916. In accordance with provisions of the Oklahoma Sunset Law, the OAB was continued by the legislature in 2019. 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 mission of the Board is to safeguard the public welfare by prescribing and assessing the qualifications of and regulating the professional conduct of individual registrants and registered firms authorized to engage in the practice of public accounting in the State of Oklahoma.

(Unaudited. See accompanying auditor’s report.)

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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.

(Unaudited. See accompanying auditor's report.)

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Statement of Net Position
June 30, 2021 and 2020

	June 30,	
	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,308,789	\$ 3,111,838
Accounts receivable	12,850	6,075
Federal receivable	-	1,763
Fines receivable, net of allowance of \$2,194,326 and \$2,193,576, respectively	1,389	1,251
Accounts receivable-cost recovery, net of allowance \$142,420 and \$142,008, respectively	502	626
Prepaid assets	9,767	12,182
Total current assets	3,333,297	3,133,735
Non-current assets:		
Capital assets, net of accumulated depreciation	10,734	1,891
Total assets	3,344,031	3,135,626
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows-pension	249,805	99,701
Deferred outflows-OPEB	28,198	18,843
Total deferred outflows	\$ 278,003	\$ 118,544
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 23,598	\$ 19,180
Unearned revenue	890,312	919,364
Due to state	1,389	1,251
Current compensated absences	26,628	22,612
Total current liabilities	941,927	962,407
Non-current liabilities:		
Non-current compensated absences	68,799	52,761
Net pension liability	314,141	48,709
Net OPEB liability (asset)	(16,507)	(14,217)
Total OPEB liability	42,029	36,726
Total non-current liabilities	408,462	123,979
Total liabilities	1,350,389	1,086,386
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows-pension	2,677	26,159
Deferred inflows-OPEB	17,278	17,472
Total deferred inflows	19,955	43,631
NET POSITION		
Invested in capital assets	10,734	1,891
Unrestricted	2,240,956	2,122,262
Total net position	\$ 2,251,690	\$ 2,124,153

See accompanying notes to the financial statements

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Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Licenses, permits, and fees	\$ 1,679,302	\$ 1,418,342
Cost recovery	3,683	2,860
Federal revenue	9,746	1,832
Total operating revenues	<u>1,692,731</u>	<u>1,423,034</u>
Operating Expenses:		
Personnel services	1,114,297	976,347
Professional services	185,331	144,484
Travel	4,224	16,824
Administration expense	198,208	166,454
Federal expense	-	1,832
Depreciation expense	5,130	470
Total operating expenses	<u>1,507,190</u>	<u>1,306,411</u>
Operating income (loss)	185,541	116,623
Non-Operating Revenues (Expenses):		
Other income	<u>18,119</u>	<u>24,157</u>
Total non-operating revenues	<u>18,119</u>	<u>24,157</u>
Income before contributions and transfers	203,660	140,780
Transfers out	<u>(76,123)</u>	<u>(78,015)</u>
Change in net position	127,537	62,765
Total net position - beginning	2,124,153	2,061,388
Total net position - ending	<u><u>\$ 2,251,690</u></u>	<u><u>\$ 2,124,153</u></u>

See accompanying notes to the financial statements

OKLAHOMA ACCOUNTANCY BOARD
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Statement of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts of license, permits, fees, cost and federal government	\$ 1,675,110	\$ 1,680,690
Payments to suppliers	(380,927)	(363,822)
Payments to employees	(1,008,930)	(986,584)
	<u>285,253</u>	<u>330,284</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out - State of Oklahoma	(76,123)	(78,015)
	<u>(76,123)</u>	<u>(78,015)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(12,179)	-
	<u>(12,179)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	196,951	252,269
Balances - beginning of the year	<u>3,111,838</u>	<u>2,859,569</u>
Balances - end of the year	<u>\$ 3,308,789</u>	<u>\$ 3,111,838</u>
Reconciliation of operating income to net cash provided (used in) by operating activities:		
Operating income (loss)	\$ 185,541	\$ 116,623
Adjustments to reconcile operating income to net cash provided by (used in) by operating activities:		
Other income	18,119	24,157
Donated Equipment	(1,794)	-
Depreciation expense	5,130	470
Change in assets and liabilities:		
Decrease (Increase) in accounts receivable	(6,775)	(350)
Decrease (Increase) in federal receivable	1,763	(1,763)
Decrease (Increase) in fines receivable	(138)	(302)
Decrease (Increase) in costs receivable	124	(626)
Decrease (Increase) in prepaid assets	2,415	(6,424)
Decrease (Increase) in deferred outflows	(159,459)	23,400
Increase (Decrease) in accounts payable	4,418	(28,070)
Increase (Decrease) in unearned revenue	(29,052)	236,238
Increase (Decrease) in due to state	138	302
Increase (Decrease) in accrued compensated absences	20,054	11,421
Increase (Decrease) in net pension liability	265,432	(20,292)
Increase (Decrease) in net OPEB liability	(2,290)	(9,639)
Increase (Decrease) in Total OPEB liability	5,303	5,264
Increase (Decrease) in deferred inflows	(23,676)	(20,125)
	<u>\$ 285,253</u>	<u>\$ 330,284</u>
Net cash provided by (used in) operating activities	<u>\$ 285,253</u>	<u>\$ 330,284</u>

See accompanying notes to the financial statements

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

1. *Summary of Significant Accounting Policies*

The accompanying financial statements of the OAB (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 OAB 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 2019, 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 CPAs and PAs.

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. The 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 CPAs, PAs 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 include amounts on deposit with and under the control of the Oklahoma Office 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, 2021 and 2020 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 30. Renewal notices relate to permits and registrations for CPAs, PAs and firms. Amounts shown as accounts receivable and unearned revenue are for permits and registrations for year’s beginning on or after July 1.

G. Federal Receivable

The federal receivable is based on Covid-19 related expenses that were incurred prior to June 30, 2020 and the federal reimbursement was received the following fiscal year. The federal government created the CARES Act to assist with Covid-19 related expenses and part of the assistance was sending funds to the states.

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H. 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. All fines and costs receivable 365 days or older were considered to be uncollectible.

	Cost Recovery		
	Accounts Receivable	Allowance	Net
June 30, 2021	\$142,922	\$142,420	\$502
June 30, 2020	\$142,634	\$142,008	\$626

	Fines Receivable		
	Accounts Receivable	Allowance	Net
June 30, 2021	\$2,195,715	\$2,194,326	\$1,389
June 30, 2020	\$2,194,827	\$2,193,576	\$1,251

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 \$7,113 and \$4,250 were collected and remitted to the State General Fund during the fiscal years 2021 and fiscal year 2020, respectively.

At June 30, 2020 and 2021, the amount reported as Due to State of \$1,251 and \$1,389, respectively, reflects fines receivable due to the state (see footnote 11).

I. 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 for IT related items and \$2,500 for office furniture 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.

J. 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).

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K. 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.

L. 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.

M. 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.

N. Comparative Financial Information

Certain 2020 amounts have been reclassified to conform to the 2021 financial statement presentation. These reclassifications have no effect on OAB's net position.

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, storage space, copier, postage machine and computer equipment. In August 2020, the OAB signed a contract with Thentia for a new licensing system which is the reason for the major increase in lease payments. Payments under these operating leases for the 2021 and 2020 fiscal years were approximately \$100,208 and \$68,795, respectively. In May 2021, the OAB received a new postage machine and signed a 60-month lease for it. Then, the OAB received a new copier and signed a lease beginning in July 2021 through June 2026. Also, in June, the OAB signed a new lease with BEP One LLP for office and storage space. The contract was effective beginning in July 2021 and lasts for five years.

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Currently, the OAB leases computer equipment from OMES and Dell Financial Services. The equipment leased from OMES has an addendum through FY22. The OAB anticipates OMES IT will end its role as PC lease administrator at the end of FY22, at which time the OAB anticipates receiving new computers in FY23. Those leases will be through Dell Financial Services Inc. Currently, the OAB leases two computers with Dell Financial Services Inc. and those devices are have a 36-month term that began in August 2020. Finally, the OAB has annual licensing fee with Thentia for the new licensing system. The amount of the licensing fee is calculated by the number of active registrants as of July 1st each year. Therefore, the amount changes each year. The future minimum lease payments for the aforementioned leases are as follows:

2022	\$101,316
2023	67,687
2024	67,628
2025	67,628
2026	<u>67,628</u>
Total	<u>\$372,417</u>

4. Capital Assets

For the years ended June 30, 2021 and 2020, changes in capital assets were as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets	110,397	13,979	19,112	105,263
Accumulated depreciation	(108,512)	5,130	19,112	(94,530)
	<u>\$1,885</u>	<u>(\$8,849)</u>	<u>-</u>	<u>\$10,734</u>

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets	110,397	-	-	110,397
Accumulated depreciation	(108,042)	(464)	-	(108,506)
	<u>\$2,355</u>	<u>(\$464)</u>	<u>-</u>	<u>\$1,891</u>

5. Long-term Obligations

Long-term obligations are comprised of accrued compensated absences. For the years ended June 30, 2021 and 2020, the liability for accrued compensated absences changed as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Amounts Due Within One Year
	\$75,373	50,213	30,158	95,427	\$26,628

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Amounts Due Within One Year
	\$63,956	51,856	40,440	75,373	\$22,612

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 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 System (OPERS), a cost-sharing multiple employer defined benefit retirement plan administered by the OPERS. 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, 2021 two OAB employees was not participating in this defined benefit retirement plan. These employees were instead members 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

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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.
 - 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).

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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.

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 2021, 2020 and 2019. Contributions to OPERS by the OAB were \$107,303, \$103,340 and \$103,107 for 2021, 2020 and 2019, respectively.

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

At June 30, 2021 the OAB reported a liability of \$314,141 for its proportionate share of the net pension liability and \$48,709 net pension liability at June 30, 2020. The 2021 net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The 2020 net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The OAB's proportion of the net pension liability was based on the OAB's contributions received by OPERS relative to the total contributions received by OPERS for all participating employers as of June 30, 2020 for FY21 and June 30, 2019 for FY20. Based upon this information, the OAB's proportion was 0.03521106% in FY21 and 0.03657124% in FY20.

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The OAB recognized pension expense of \$190,805 for the year ended June 30, 2021 and \$81,774 for FY20's pension expense. The OAB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>FY2021</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		\$1,717
Change of assumptions	\$112,208	
Net difference between projected and actual earnings on pension plan investments	\$37,328	
Changes in proportion and differences between OAB contributions and proportionate share of contributions		\$960
OAB contributions subsequent to the measurement date	100,270	
	<u>\$249,805</u>	<u>\$2,677</u>
<hr/>		
<u>FY2020</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		\$11,462
Net difference between projected and actual earnings on pension plan investments		\$14,697
Changes in proportion and differences between OAB contributions and proportionate share of contributions	\$3,231	
OAB contributions subsequent to the measurement date	96,470	
	<u>\$99,700</u>	<u>\$26,159</u>

Reported deferred outflows of resources of \$100,270 resulting from the OAB's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. 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:

2022	\$52,116
2023	52,053
2024	27,760
2025	7,466
2026	7,466
	<u>\$146,861</u>

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E. Actuarial Methods and Assumptions

The total pension liability measured as of June 30, 2020 and 2019 was determined on an actuarial valuation prepared as of July 1, 2020 and July 1, 2019 using the following actuarial assumptions:

- Investment return- 7.0% for 2019 and 2018 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
- Percentage of married individuals- 85%, males and females
- Spouse age difference- Males four years older than females
- Turnover- Varies from 1-24%
- Date of last experience study- July 1, 2013 to June 30, 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 asset class as of June 30, 2020, 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	34.0%	4.7%
U.S. Small Cap Equity	6.0%	5.8%
Int's Developed Equity	23.0%	6.5%
Emerging Market Equity	5.0%	8.5%
Core Fixed Income	25.0%	0.5%
Long Term Treasuries	3.5%	0.0%
US TIPS	3.5%	0.3%
	<u>100.0%</u>	

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The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2019, 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%	3.8%
U.S. small cap equity	6.0%	4.9%
Non-US Equity	24.0%	9.2%
US Fixed	32.0%	1.5%
	<u>100.0%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.00% for 2020 and 2019. 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 6.5% in 2021 7.0% for 2020, as well as what the OAB's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease <u>(5.5%)</u>	Current Discount Rate <u>(6.5%)</u>	1% Increase <u>(7.5%)</u>
2021 Net Pension Liability (asset)	\$739,512	\$314,140	\$(45,294)
	1% Decrease <u>(6.0%)</u>	Current Discount Rate <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
2020 Net Pension Liability (asset)	\$440,401	\$48,709	\$(283,372)

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 OAB's portion of the State's net pension liability has been recorded and reported.

8. *Defined Contribution Plan*

The OAB also participates in the tax-qualified defined contribution retirement plan named Pathfinder which is administered by the OPERS. 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 OAB on or after November 1, 2015, and have no prior participation in the OPERS defined benefit plan. At June 30, 2021 there was two employees 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 OAB 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, 2021, the OAB contributed \$4,740, and the eligible employees contributed \$12,097 to the defined contribution plan, and the OAB contributed \$4,414 in June 30, 2020 and the eligible employees contributed \$3,791.

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 OAB offers this insurance coverage and OAB employees receive a post-employment benefit of blended health insurance rates. Therefore, the OAB 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.

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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, 2020 were \$3,250 and \$3,178 during fiscal year June 30, 2021.

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

At June 30, 2021 and 2020 the OAB reported a liability of \$42,029 and \$36,725, respectively, for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of July 1, 2020 for June 30, 2021 and July 1, 2019 for June 30, 2020. The total OPEB liability used was determined by an actuarial valuation as of July 1, 2020 for FY21 and June 30, 2019 for FY20. The OAB's portion of the total OPEB liability was based on the OAB's active employees of the plan relative to the total participation of the substantive plan as of June 30, 2020 and 2019. Based upon this information, the OAB's proportion was 0.02957830% for 2020 and 0.02777970% for 2019. Changes of assumptions reflect a change in the discount rate to 2.21% in 2021 from 3.65% in 2020 resulting in recognition of a deferred inflow of resources.

For the year ended June 30, 2021 and 2020, the OAB recognized OPEB expense of \$4,462 and \$3,824, respectively. The OAB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>2021</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		\$372
Changes in assumptions	\$2,939	2,450
Changes in proportion and differences between OAB contributions and proportionate share of contributions	\$6,306	
OAB contributions during Measurement date		479
OAB contributions subsequent to the measurement date	\$3,121	
	<u>\$12,366</u>	<u>\$3,301</u>

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<u>2020</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		\$329
Changes in assumptions		3,528
Changes in proportion and differences between OAB contributions and proportionate share of contributions	\$6,474	
OAB contributions during Measurement date		501
OAB contributions subsequent to the measurement date	2,985	
	<u>\$9,459</u>	<u>\$4,358</u>

Reported deferred outflows of resources of \$3,121 in FY21 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, 2022. The amortization of deferred outflows of resources and deferred inflows of resources related to OPEB is as follows:

2022	\$2,696
2023	2,005
2024	443
2025	443
2026	341
Thereafter	<u>15</u>
	<u>\$5,943</u>

D. Actuarial Methods and Assumptions

The total OPEB liability was determined based on actuarial valuations prepared using a July 1, 2020 and July 1, 2019 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 – Pub 2010 Public Retirement Plans General Mortality Table weighted by Headcount projected by MP-2020
- 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

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- Uniform Retirement System of Justices & Judges
 - Oklahoma Dept. of Wildlife Conservation Defined Benefit Pension Plan
- Plan entry date - Date of hire
 - Healthcare trend rate – 2019 and 2020: 5.30% decreasing to 5.00%
 - 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- 2.21% in 2021 and 3.51% in 2020

The June 30, 2021, valuation is based on a measured date of July 1, 2020, with a measurement period of July 1, 2019, to July 1, 2020, while the June 30, 2020, valuation is based on a measured date of July 1, 2019, with a measurement period of July 1, 2018, to July 1, 2019.

E. 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 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 or 1 percentage-point higher than the current discount rate:

<u>2021</u>	1% Decrease <u>(1.21%)</u>	Current Discount <u>(2.21%)</u>	1% Increase <u>(3.21%)</u>
Total OPEB Liability	\$44,858	\$42,029	\$39,367

<u>2020</u>	1% Decrease <u>(2.51%)</u>	Current Discount <u>(3.51%)</u>	1% Increase <u>(4.51%)</u>
Total OPEB Liability	\$39,201	\$36,725	\$34,413

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

The following presents the OAB’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 healthcare cost trend rates that are 1 percentage-point lower or 1 percentage -point higher than the current healthcare cost trend rates:

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2021	1% Decrease in Healthcare Trend Rate (4.30%) decreasing to <u>4.00%</u>	1% Decrease in Healthcare Trend Rate (5.30%) decreasing to <u>5.00%</u>	1% Decrease in Healthcare Trend Rate (6.30%) decreasing to <u>6.00%</u>
Total OPEB Liability	\$37,847	\$42,029	\$46,948
2020	1% Decrease in Healthcare Trend Rate (4.30%) decreasing to <u>4.00%</u>	1% Decrease in Healthcare Trend Rate (5.30%) decreasing to <u>5.00%</u>	1% Decrease in Healthcare Trend Rate (6.30%) decreasing to <u>6.00%</u>
Total OPEB Liability	\$39,201	\$36,725	\$34,413

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

A. Plan Description

The OAB 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 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 \$7,033.

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

At June 30, 2021, the OAB reported an asset of \$16,508 for its proportionate share of the net OPEB asset, and at June 30, 2020, the OAB reported an asset of \$14,217 for its proportionate share. The net OPEB asset of 2021 and 2020 were measured as of June 30, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020 and 2019, respectively. The OAB's proportion of the FY21 net OPEB asset was based on the OAB'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, 2020, while the OAB proportion of the FY20 net OPEB asset was based on contributions received by the OPEB plan for employers as of June 30, 2019. Based upon this information, the OAB's proportion was 0.03521106% for 2021 and 0.03657124% for 2020.

For the year ended June 30, 2021 and 2020, the OAB recognized OPEB revenue of \$842 and \$733, respectively. The OAB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>2021</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		\$13,977
Changes in assumptions	\$5,825	
Net difference between projected and actual earnings on OPEB plan investments	2,513	
Changes in proportion and differences between OAB contributions and proportionate share of contributions	460	
OAB contributions subsequent to the measurement date	\$7,033	
	<u>\$15,831</u>	<u>\$13,977</u>

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<u>2020</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		\$11,553
Changes in assumptions	\$2,136	
Net difference between projected and actual earnings on pension plan investments		1,536
Changes in proportion and differences between OAB contributions and proportionate share of contributions	378	
OAB contributions during Measurement date		25
OAB contributions subsequent to the measurement date	6,870	
	<u>\$9,384</u>	<u>\$13,114</u>

Reported deferred outflows of resources of \$6,870 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 (asset) in the year ended June 30, 2022. The amortization of deferred outflows of resources and deferred inflows of resources related to OPEB is as follows:

2021	\$(856)
2022	(856)
2023	(856)
2024	(869)
2025	<u>(1,741)</u>
	<u><u>\$(5,178)</u></u>

E. Actuarial Methods and Assumptions

The total OPEB liability was determined on an actuarial valuation prepared as of July 1, 2020 for FY21 and July 1, 2019 for FY20, using the following actuarial assumptions:

- Investment return – 6.50% for 2020 and 7.00% for 2019 compounded annually net of investment expense and including inflation
- Salary increases - 3.5% to 9.5% per year, including inflation
- Mortality rates – In 2020, Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are set back one year, and female rates are set forward one year.
- Annual post-retirement benefit increases - None

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- Assumed inflation rate - 2.75% in 2019 and 2.50% in 2020
- Payroll growth - 3.5% per year for 2019 and 3.25% per year for 2020
- 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, 2019 valuations are based on the results of the most recent actuarial experience study, which covers the 3-year period ending June 30, 2016. The actuarial assumptions used in the July 1, 2020 valuation are based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2019. The experience study report is dated May 13, 2020.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of 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, 2019 is 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	34.00%	4.70%
U.S. small cap equity	6.00%	5.80%
Int's Developed Equity	23.00%	6.50%
Emerging Market Equity	5.00%	8.50%
Core Fixed Income	25.00%	0.50 %
Long Term Treasuries	3.50%	0.00 %
US TIPS	<u>3.50%</u>	0.30%
Total	<u>100.00%</u>	

F. Discount Rate

A single discount rate of 6.50% was used to measure the total OPEB liability as of June 30, 2020 and 7.00% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions from System members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected benefit payments of current System members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine

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the total pension liability. The discount rate determined does not use a municipal bond rate.

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 OAB’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 or 1 percentage-point higher than the current discount rate:

	1% Decrease <u>(5.50%)</u>	Current Discount Rate <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
2021 Net OPEB Liability (Asset)	\$(4,203)	\$(16,508)	\$(27,054)
	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
2020 Net OPEB Liability (Asset)	\$(2,246)	\$(14,217)	\$(24,514)

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. *Payments 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 \$76,123 to the State General Revenue Fund in fiscal year 2021 and \$78,015 in fiscal year 2020, 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 2021 and 2020, the OAB collected and remitted \$7,113 and \$4,250, 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.

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Required Supplementary Information
Pension Schedules and Related Ratios

Schedule 1

Oklahoma Public Employees Retirement System
Schedule of Proportionate Shares

	2020	2019	2018	2017	2016	2015	2014
OAB proportion of the net pension liability	0.03521106%	0.03657124%	0.03537731%	0.03402417%	0.03392212%	0.03225498%	0.03174592%
OAB proportional share of net pension liability	\$314,140	\$48,709	\$69,001	\$183,956	\$322,876	\$116,016	\$58,274
OAB covered-employee payroll	\$606,154	\$584,620	\$597,494	\$572,819	\$609,410	\$570,192	\$537,835
OAB proportionate share of net pension liability as a percentage of covered payroll	51.83%	8.33%	11.55%	32.11%	52.98%	20.35%	10.83%
OPERS fiduciary net position as a percentage of the total pension liability	91.59%	97.96%	97.96%	94.28%	89.48%	96.00%	97.90%

Schedule 2

Oklahoma Public Employees Retirement System
Schedule of Contribution

	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$207,247	\$199,803	\$103,107	\$98,160	\$100,553	\$94,082	\$88,743	\$85,719
Contributions in relation to the contractually required contributions	\$207,247	\$199,803	\$103,107	\$98,160	\$100,553	\$94,082	\$88,743	\$85,719
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OAB's covered payroll	\$606,154	\$584,620	\$597,494	\$572,819	\$609,410	\$570,192	\$537,835	\$519,508
Contributions as a percentage of covered payroll	34.19%	34.18%	17.26%	17.14%	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.

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Schedule 3

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

Total OPEB Liability:	2020	2019	2018	2017
OAB proportion of the total OPEB liability	0.02957830%	0.02777970%	0.02151960%	0.02213620%
Service cost	1,452	\$1,439	\$1,117	\$1,310
Interest	1,368	\$1,565	\$1,142	\$996
Change in deferred inflows/outflows	\$5,662	\$5,508	(\$384)	(\$1,639)
Benefit payments, including refunds of member contributions	(\$3,178)	(\$3,250)	(\$2,369)	(\$2,813)
Net change in total OPEB liability	\$5,304	\$2,258	(\$493)	(\$2,146)
Total OPEB liability, beginning	\$36,725	\$31,462	\$31,956	\$35,017
Total OPEB liability, ending	\$42,029	\$36,725	\$31,462	\$32,871
Covered-employee payroll	\$606,154	\$656,359	\$642,578	\$607,527
Total OPEB liability as a percentage of covered-employee payroll	6.93%	5.60%	4.90%	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. The information above covers the period retroactive to the adoption of GASB Statement 75 and is the latest information available.

The discount rate used for 2020, 2019 and 2018 is 2.21%, 3.51% and 3.87%, respectively.

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Schedule 4

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

	2020	2019	2018	2017
OAB proportion of the net OPEB liability	0.03521106%	0.03657124%	0.03537731%	0.034024170%
OAB proportional share of the net OPEB liability (asset)	(\$16,508)	(\$14,217)	(\$4,578)	\$3,897
OAB covered payroll	\$606,154	\$656,359	\$642,578	\$607,527
OAB proportionate share of the net OPEB liability as a percentage of covered payroll	-2.72%	-2.17%	-0.71%	0.64%
OPERS fiduciary net position as a percentage of the total OPEB liability	114.27%	112.11%	103.94%	96.50%

Schedule 5

Oklahoma Public Employees Health Insurance Subsidy Plan
Schedule of Contributions

	2020	2019	2018	2017
Contractually required contribution	\$7,033	\$6,870	\$7,091	\$6,421
Contributions in relation to the contractually required contributions	\$7,033	\$6,870	\$7,091	\$6,421
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
OAB's covered payroll	\$606,154	\$656,359	\$642,578	\$607,527
Contributions as a percentage of covered payroll	1.16%	1.05%	1.10%	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. The information above covers the period retroactive to the adoption of GASB Statement 75 and is the latest information available.



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 Board Members of
Oklahoma Accountancy Board
Oklahoma City, Oklahoma

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma Accountancy Board, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Oklahoma Accountancy Board's basic financial statements, and have issued our report thereon dated November 12, 2021. The report includes an emphasis of matter paragraph stating that the financial statements of the Oklahoma Accountancy Board are intended to present the financial position and results of operations of only that portion of the general fund of the State of Oklahoma attributable to the activities of the Oklahoma Accountancy Board.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Oklahoma Accountancy Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oklahoma Accountancy Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Oklahoma Accountancy Board'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 a 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 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 Oklahoma Accountancy Board'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 Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HBC CPAs & Advisors

Oklahoma City, Oklahoma
November 12, 2021