

**OKLAHOMA ACCOUNTANCY BOARD**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 and 2021**

**OKLAHOMA ACCOUNTANCY BOARD  
FINANCIAL STATEMENT REPORT  
As of and for the Years Ended June 30, 2022 and 2021**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the Oklahoma Accountancy Board (OAB), as of and for the years ended June 30, 2022 and 2021, 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.

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, 2022 and 2021, 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.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Oklahoma Accountancy Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Oklahoma Accountancy Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Oklahoma Accountancy Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Oklahoma Accountancy Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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, 2022 and 2021, 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 4-9 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 10, 2022, 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 10, 2022

**OKLAHOMA ACCOUNTANCY BOARD**  
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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, 2022 and 2021. 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, 2022 and 2021, 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 2022 and 2021. The statement reports all assets and liabilities using the accrual basis of accounting.

**Oklahoma Accountancy Board**  
**Financial Analysis**  
**Statement of Net Position**

	<u>2022</u>	<u>2021</u>
Current Assets	\$ 3,701,745	\$ 3,372,328
Non-current Assets	<u>6,471</u>	<u>10,734</u>
Total Assets	<u>3,708,216</u>	<u>3,383,062</u>
Deferred Outflows	174,616	278,003
Current Liabilities	1,020,333	953,795
Non-Current Liabilities	<u>(274,576)</u>	<u>435,625</u>
Total Liabilities	<u>745,757</u>	<u>1,389,420</u>
Deferred Inflows	591,375	19,955
Net Position		
Invested in Capital Assets	6,471	10,734
Unrestricted	<u>2,539,229</u>	<u>2,240,956</u>
Total Net Position	<u>\$ 2,545,700</u>	<u>\$ 2,251,690</u>

(Unaudited. See accompanying auditor's report.)

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- Due to the new GASB 87 lease standards, the FY21 financial statements were revised. A corresponding Right-to-use leased asset account and current and non-current lease liabilities accounts were added to the Statement of Net Position. The asset and liabilities accounts added equal each other causing no change in net position. The Right-to-Use leased asset was \$39,031 for FY21 and increased by \$182,136 to \$221,167 in FY22. The 466.6% is primarily due to new leases created in FY22 for office space, a new copy machine, and new computers for the majority of the office. The corresponding lease liabilities for current and non-current leases total \$39,031 in FY21 and \$221,167 in FY22. The Amortization expense account added to the Statement of Revenues, Expenses, and Changes in Net Position equal the long term lease payments made in FY22 of \$72,193 and \$15,775 in FY21.
- Total deferred outflows had a balance of \$278,003 for FY21 and decreased by \$103,387 or 37.2% to \$174,616 in FY22. Meanwhile, total deferred inflows for FY22 had a balance of \$591,375 which was an increase of \$571,420 or 2,863.5% from FY21. Net pension asset's FY22 balance was \$492,443 which is a decrease of \$806,584 or 256.8% from FY21. Then, the net OPEB asset increased from \$16,507 in FY21 to \$50,443 in FY22. The total FY21 OPEB liability is \$49,729 or 18.0% more than FY21.
- The Statement of Revenues, Expenses and Changes in Net Position presents the OAB's revenues and expenses for FY22 and FY21.

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

	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 1,645,487	\$ 1,692,731
Operating Expenses	1,285,659	1,507,190
Operating Income (Loss)	<u>359,828</u>	<u>185,541</u>
Other Income	<u>11,225</u>	<u>18,119</u>
Income before Transfers	371,053	203,660
Transfers Out	<u>(77,963)</u>	<u>(76,123)</u>
Change in net Position	293,090	127,537
Beginning Net Position	2,251,690	2,124,153
Ending Net Position	<u>\$ 2,544,780</u>	<u>\$ 2,251,690</u>

- For the year ended June 30, 2022, OAB operating revenues decreased by \$47,244, or 2.8%, over the prior year. Then, personnel services decreased by \$186,897 or 16.8% from FY21 to FY22. The decrease is primarily due to the decrease in net pension liability. Total operating expenses decreased \$221,531 or 14.7% for FY22. As stated before, the majority of the decrease is in personnel services. The \$60,897 decrease in professional services is primarily due a decrease in licensing subscription fees. The OAB no longer pays for the AMANDA licensing system. The \$58,846 reduction in Administrative services is due to re-classifying lease administrative expenses to amortization expense.
- The OAB reports its financial activity as an enterprise fund.

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD  
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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.

(Unaudited. See accompanying auditor's report.)



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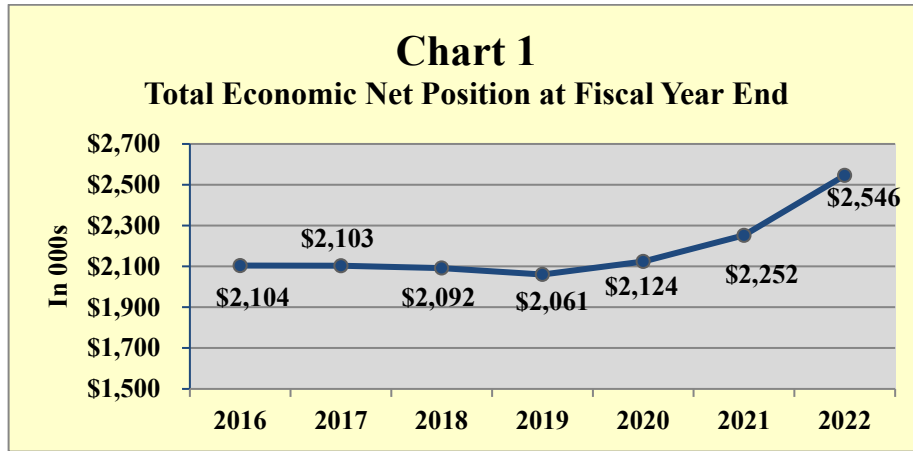
**AN ECONOMIC-BASED FINANCIAL ANALYSIS OF OAB**

**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.

As of June 30, 2016 through 2022, the OAB’s overall financial condition changed as noted below:



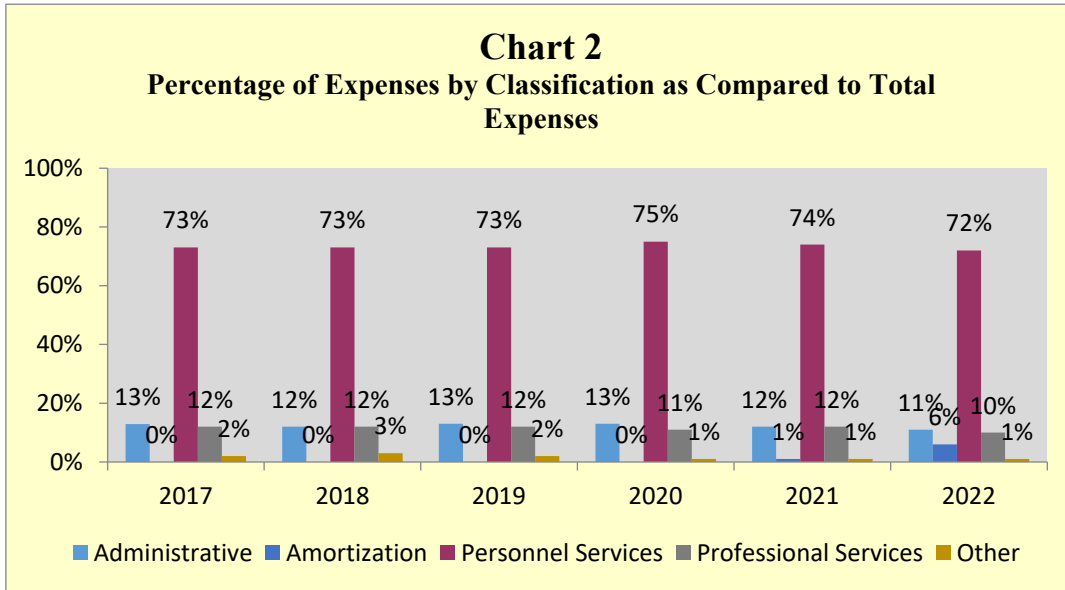
Percentage Change in Net Position	2017	2018	2019	2020	2021	2022
	-0.05%	-0.52%	-1.48%	+3.1%	+6.0%	+13.1%

As of June 30, 2022 the OAB’s total net position increased by \$293,090, or 13.1%. 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%.

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 Spring of 2023. Thentia 2.0 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 required the OAB modify exam requirements in the statutes and rules, which will also require an update to Thentia’s Applicant Portal to include the additional exams section as well. Also, during the 2023 legislative session, the OAB plans to update the rules to allow candidates to sit for the CPA before reaching the 150-hour requirement. This rule change is in line with other jurisdictions that around the country.

**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. 63<sup>rd</sup> Street, Suite 210, Oklahoma City, OK 73116, by telephone at (405) 521-2397, or by e-mail at [www.ok.gov/oab](http://www.ok.gov/oab).

(Unaudited. See accompanying auditor's report.)

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Statement of Net Position	June 30,	
	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,456,754	\$ 3,308,789
Accounts receivable	9,175	12,850
Fines receivable, net of allowance of \$2,194,826 and \$2,194,326, respectively	7,089	1,389
Accounts receivable-cost recovery, net of allowance \$142,662 and \$142,420, respectively	1,236	502
Right to use leased assets, net of accumulated amortization \$87,968 and \$15,775, respectively	221,167	39,031
Prepaid assets	6,324	9,767
Total current assets	3,701,745	3,372,328
Non-current assets:		
Capital assets, net of accumulated depreciation	6,471	10,734
Total assets	3,708,216	3,383,062
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows-pension	146,349	249,805
Deferred outflows-OPEB	28,267	28,198
Total deferred outflows	\$ 174,616	\$ 278,003
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 41,192	\$ 23,598
Unearned revenue	872,049	890,312
Due to state	7,089	1,389
Current lease liabilities	70,778	11,868
Current compensated absences	29,225	26,628
Total current liabilities	1,020,333	953,795
Non-current liabilities:		
Non-current lease liabilities	150,389	27,163
Non-current compensated absences	68,192	68,799
Net pension liability (asset)	(492,443)	314,141
Net OPEB liability (asset)	(50,443)	(16,507)
Total OPEB liability	49,729	42,029
Total non-current liabilities	(274,576)	435,625
Total liabilities	745,757	1,389,420
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows-pension	557,983	2,677
Deferred inflows-OPEB	33,392	17,278
Total deferred inflows	591,375	19,955
<b>NET POSITION</b>		
Invested in capital assets	6,471	10,734
Unrestricted	2,539,229	2,240,956
Total net position	\$ 2,545,700	\$ 2,251,690

See accompanying notes.

**OKLAHOMA ACCOUNTANCY BOARD**  
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**Statement of Revenues, Expenses and Changes in Net Position**

	<u>2022</u>	<u>2021</u>
<b>Operating Revenues:</b>		
Licenses, permits, and fees	\$ 1,634,073	\$ 1,679,302
Cost recovery	11,414	3,683
Federal revenue	-	9,746
<b>Total operating revenues</b>	<u>1,645,487</u>	<u>1,692,731</u>
<b>Operating Expenses:</b>		
Personnel services	927,400	1,114,297
Professional services	124,434	185,331
Travel	16,717	4,224
Administration expense	138,432	182,235
Interest expense	920	198
Amortization expense	72,193	15,775
Depreciation expense	5,563	5,130
<b>Total operating expenses</b>	<u>1,285,659</u>	<u>1,507,190</u>
<b>Operating income (loss)</b>	359,828	185,541
<b>Non-Operating Revenues (Expenses):</b>		
Other income	12,145	18,119
Interest expense	(920)	-
<b>Total non-operating revenues</b>	<u>11,225</u>	<u>18,119</u>
Income before contributions and transfers	371,053	203,660
Transfers out	(77,963)	(76,123)
<b>Change in net position</b>	293,090	127,537
<b>Total net position - beginning</b>	2,251,690	2,124,153
<b>Total net position - ending</b>	<u>\$ 2,544,780</u>	<u>\$ 2,251,690</u>

See accompanying notes.

**OKLAHOMA ACCOUNTANCY BOARD**  
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**Statement of Cash Flows**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts of license, permits, fees, cost and federal government	\$ 1,641,011	\$ 1,675,110
Payments to employees	(1,083,468)	(1,008,930)
Payments to suppliers	(186,309)	(349,179)
Cash paid for interest	(920)	(198)
Cash paid for operating lease expense	(72,193)	(15,775)
	<u>298,121</u>	<u>301,028</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers out - State of Oklahoma	(77,963)	(76,123)
	<u>(77,963)</u>	<u>(76,123)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	-	(12,179)
Reduction of finance lease liability	(72,193)	(15,775)
	<u>(72,193)</u>	<u>(27,954)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>147,965</b>	<b>196,951</b>
<b>Balances - beginning of the year</b>	<b>3,308,789</b>	<b>3,111,838</b>
<b>Balances - end of the year</b>	<b>\$ 3,456,754</b>	<b>\$ 3,308,789</b>
<b>Reconciliation of operating income to net cash provided (used in) by operating activities:</b>		
Operating income (loss)	\$ 359,828	\$ 185,541
Adjustments to reconcile operating income to net cash provided by (used in) by operating activities:		
Other income	12,145	18,119
Donated equipment	(1,300)	(1,794)
Amortization expense	72,193	15,775
Depreciation expense	5,563	5,130
Change in assets and liabilities:		
Decrease (Increase) in accounts receivable	3,675	(6,775)
Decrease (Increase) in federal receivable	-	1,763
Decrease (Increase) in fines receivable	(5,700)	(138)
Decrease (Increase) in costs receivable	(734)	124
Decrease (Increase) Leased assets	(182,136)	(39,031)
Decrease (Increase) in prepaid assets	3,443	2,415
Decrease (Increase) in deferred outflows	103,387	(159,459)
Increase (Decrease) in accounts payable	17,594	4,418
Increase (Decrease) in unearned revenue	(18,263)	(29,052)
Increase (Decrease) in due to state	5,700	138
Increase (Decrease) in lease liabilities	182,136	39,031
Increase (Decrease) in accrued compensated absences	1,990	20,054
Increase (Decrease) in net pension liability	(806,584)	265,432
Increase (Decrease) in net OPEB liability	(33,936)	(2,290)
Increase (Decrease) in Total OPEB liability	7,700	5,303
Increase (Decrease) in deferred inflows	571,420	(23,676)
	<u>\$ 298,121</u>	<u>\$ 301,028</u>
Net cash provided by (used in) operating activities	<b>\$ 298,121</b>	<b>\$ 301,028</b>

See accompanying notes.

**OKLAHOMA ACCOUNTANCY BOARD**  
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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, 2022 and 2021 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. 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.



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	Cost Recovery		
	Accounts Receivable	Allowance	Net
June 30, 2022	\$143,899	\$142,662	\$1,237
June 30, 2021	\$142,922	\$142,420	\$502

	Fines Receivable		
	Accounts Receivable	Allowance	Net
June 30, 2022	\$2,201,915	\$2,194,826	\$7,089
June 30, 2021	\$2,195,715	\$2,194,326	\$1,389

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 \$12,800 and \$7,113 were collected and remitted to the State General Fund during the fiscal years 2022 and fiscal year 2021, respectively.

At June 30, 2021 and 2022, the Due to State of \$1,389 and \$7,089, respectively, reflects fines receivable due to the state (see footnote 11).

**H. Right-to-Use Leased Assets and Lease Liabilities**

Right-to-use leased assets and current and non-current lease liabilities represents OAB's authority to utilize leased items, such as property or equipment, over the duration of an agreed-upon lease term. OAB is granted the right to obtain the economic benefit from the usage of an asset owned by another entity (see footnote 3).

**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).

**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.

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**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.

**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. Leases**

The OAB has lease agreements for office space, storage space, a copy machine, a postage machine, a licensing system and computer equipment. Each lease has an implied incremental borrowing rate of 1.02% set by the State of Oklahoma. The office space and storage space are in a combined contract with BEP One for \$4,869 per month for FY22 and FY23. In FY24, the payments will increase to \$4,983 per month and will continue through the end of FY25. Next, The OAB entered into a new contract with Standley Systems for a copy machine in August 2021. The monthly fee is \$173.05 per month for 60 months. Then, the OAB signed a lease agreement with MailFinance Inc for a mail machine in May 2021. It is also a 60-month lease at \$587 per month. The OAB currently has two vendors for computer equipment. The first vendor is Dell and the two leases are \$28.25 per month and will end in July 2023. The other computer equipment vendor is NTT Data, and the OAB leases 11 computers from them. Five of the computers are leased at \$43.46 per month for 36 months starting in June 2022. The other six are leased at \$29.25 per month beginning in July 2022 for 36 months. Finally, the OAB has a one-year licensing agreement with Thentia USA and is considered a short-term lease. The fee is based on the number of active registrants; therefore the fee changes each year. The OAB paid Thentia \$28,560 for FY22 and FY21.

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The future minimum lease payments for the aforementioned leases are as follows:

FY Ending June 30	Principal Payments	Interest Payments	Total
2023	\$ 70,778	\$ 569	\$ 71,347
2024	71,228	750	71,979
2025	71,093	326	71,419
2026	7,895	51	7,947
2027	<u>173</u>	<u>-</u>	<u>173</u>
	<u>\$ 221,167</u>	<u>\$ 1,697</u>	<u>\$ 222,865</u>

**4. Capital Assets**

For the years ended June 30, 2022 and 2021, changes in capital assets were as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets	105,263	1,300	-	106,563
Accumulated depreciation	<u>(94,530)</u>	<u>5,563</u>	<u>-</u>	<u>(100,093)</u>
	<u>\$10,734</u>	<u>(\$4,263)</u>	<u>-</u>	<u>\$6,470</u>

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

**5. Long-term Obligations**

Long-term obligations are comprised of accrued compensated absences. For the years ended June 30, 2022 and 2021, the liability for accrued compensated absences changed as follows:

Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Amounts Due Within One Year
<u>\$95,427</u>	<u>61,884</u>	<u>59,894</u>	<u>97,417</u>	<u>\$29,225</u>

Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Amounts Due Within One Year
<u>\$75,373</u>	<u>50,213</u>	<u>30,158</u>	<u>95,427</u>	<u>\$28,628</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 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](http://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, 2022 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 2022, 2021 and 2020. Contributions to OPERS by the OAB were \$117,143 and \$107,303 for 2022 and 2021, respectively.

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

At June 30, 2022 the OAB reported an asset of \$492,443 for its proportionate share of the net pension liability and \$314,141 net pension liability at June 30, 2021. The 2022 net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. 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 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, 2021 for FY22 and June 30, 2020 for FY21. Based upon this information, the OAB's proportion was 0.03669041 % in FY22 and 0.03521106% in FY21.

The OAB recognized pension expense/(revenue) of (\$39,675) for the year ended June 30, 2022 and \$190,805 for June 30, 2021. The OAB reported deferred outflows of resources and

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deferred inflows of resources related to pensions from the following sources:

<u>FY2022</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		\$12,382
Change of assumptions	\$36,286	
Net difference between projected and actual earnings on pension plan investments		\$549,165
Changes in proportion and differences between OAB contributions and proportionate share of contributions		(\$3,564)
OAB contributions subsequent to the measurement date	\$110,063	
	<u>\$146,349</u>	<u>\$557,983</u>
<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>

Reported deferred outflows of resources of \$110,063 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, 2023. 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:

2023	\$97,473
2024	98,709
2025	105,849
2026	109,833
2027	109,883
	<u>\$521,747</u>

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**E. Actuarial Methods and Assumptions**

The total pension liability measured as of June 30, 2021 and 2020 was determined on an actuarial valuation prepared as of July 1, 2021 and July 1, 2020 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- 2.5%
- 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, 2016 to June 30, 2019

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, 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	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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**F. Discount Rate**

The discount rate used to measure the total pension liability was 6.5% for 2021 and 2020. 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 and 2022, 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 <u>Rate (6.5%)</u>	1% Increase <u>(7.5%)</u>
2022 Net Pension Liability (asset)	\$(45,717)	\$(492,444)	\$(870,034)
	1% Decrease <u>(5.5%)</u>	Current Discount <u>Rate (6.5%)</u>	1% Increase <u>(7.5%)</u>
2021 Net Pension Liability (asset)	\$739,512	\$314,140	\$(45,294)

**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](http://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

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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, 2022 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, 2022, the OAB contributed \$4,879, and the eligible employees contributed \$13,161 to the defined contribution plan, and the OAB contributed \$4,740 in June 30, 2021 and the eligible employees contributed \$12,097.

**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.

**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, 2022 were \$3,660 and \$3,729 during fiscal year June 30, 2021.

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

At June 30, 2022 and 2021 the OAB reported a liability of \$49,729 and \$42,029, respectively, for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of July 1, 2021 for June 30, 2022 and July 1, 2020 for June 30, 2021. The total OPEB liability used was determined by an actuarial valuation as of July 1, 2021 for FY22 and June 30, 2020 for

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FY21. 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, 2021 and 2020. Based upon this information, the OAB's proportion was 0.03533350% for 2020 and 0.02957830% for 2020. Changes of assumptions reflect a change in the discount rate to 2.16% in 2022 from 2.21% in 2021 resulting in recognition of a deferred outflow of resources.

For the year ended June 30, 2022 and 2021, the OAB recognized OPEB expense of \$13,046 and \$4,462, respectively. The OAB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>2022</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		\$307
Changes in assumptions	\$2,901	1,614
Changes in proportion and differences between OAB contributions and proportionate share of contributions	\$10,144	
OAB contributions during Measurement date		758
OAB contributions subsequent to the measurement date	\$3,660	
	<u>\$16,706</u>	<u>\$2,678</u>
<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>

Reported deferred outflows of resources of \$3,660 in FY22 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, 2023. The amortization of deferred outflows of resources and deferred inflows of resources related to OPEB is as follows:

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2023	\$3,467
2024	1,905
2025	1,905
2026	1,804
2027	1,159
Thereafter	<u>128</u>
	<u>\$10,367</u>

**D. Actuarial Methods and Assumptions**

The total OPEB liability was determined based on actuarial valuations prepared using a July 1, 2021 and July 1, 2020 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 and MP-2021
- 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 – 2020: 5.30% decreasing to 5.00%; 2021 6.10% decreasing to 4.80%
- Actuarial cost method - Entry age normal based upon salary
- Plan participation - 45% 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- 2.16% in 2022 and 2.21% in 2021

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The June 30, 2022, valuation is based on a measured date of July 1, 2021, with a measurement period of July 1, 2020, to July 1, 2021, while 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.

**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:

	1% Decrease	Current Discount	1% Increase
<u>2022</u>	<u>(1.16%)</u>	<u>(2.16%)</u>	<u>(3.16%)</u>
Total OPEB Liability	\$53,107	\$49,728	\$46,529
	1% Decrease	Current Discount	1% Increase
<u>2021</u>	<u>(1.21%)</u>	<u>(2.21%)</u>	<u>(3.21%)</u>
Total OPEB Liability	\$44,858	\$42,029	\$39,367

**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:

	1% Decrease in Healthcare Trend Rate	1% Decrease in Healthcare Trend Rate	1% Decrease in Healthcare Trend Rate
2022	(5.10%	(6.10%	(7.10%
Total OPEB Liability	decreasing to <u>3.80%</u> \$45,050	decreasing to <u>4.80%</u> \$49,728	decreasing to <u>5.80%</u> \$55,223
	1% Decrease in Healthcare Trend Rate	1% Decrease in Healthcare Trend Rate	1% Decrease in Healthcare Trend Rate
2021	(4.30%	(5.30%	(6.30%
Total OPEB Liability	decreasing to <u>4.00%</u> \$37,847	decreasing to <u>5.00%</u> \$42,029	decreasing to <u>6.00%</u> \$46,948

**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](http://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 \$6,652.

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

At June 30, 2021, the OAB reported an asset of \$50,443 for its proportionate share of the net OPEB asset, and at June 30, 2020, the OAB reported an asset of \$16,508 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 0.03669041% for 2021 and 0.03521106% for 2020.

For the year ended June 30, 2020 and 2019, the OAB recognized OPEB revenue of \$6,275 and \$842, respectively. The OAB reported deferred outflows of resources and deferred inflows of

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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		\$16,351
Changes in assumptions	\$4,485	
Net difference between projected and actual earnings on OPEB plan investments		14,363
Changes in proportion and differences between OAB contributions and proportionate share of contributions	424	
OAB contributions subsequent to the measurement date	\$6,652	
	<u>\$11,561</u>	<u>\$30,714</u>
<u>2020</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>

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, 2021. The amortization of deferred outflows of resources and deferred inflows of resources related to OPEB is as follows:

2022	\$(4,311)
2023	(4,324)
2024	(4,393)
2025	(4,427)
2026	<u>(4,039)</u>
	<u>\$(21,494)</u>

**E. Actuarial Methods and Assumptions**

The total OPEB liability was determined on an actuarial valuation prepared as of July 1, 2021 for FY21 and July 1, 2020 for FY20, using the following actuarial assumptions:

- Investment return – 6.50% for 2020 and 2021 compounded annually net of investment expense and including inflation.
- Salary increases - 3.5% to 9.25% per year, including inflation
- Mortality rates – In 2020 and 2021, 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
- Assumed inflation rate - 2.50% for 2021 and 2020
- Payroll growth – 3.25% for 2021 and 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, 2021 valuations are based on the results of the most recent actuarial experience study, which covers the 3-year period ending June 30, 2019. 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:



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<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, 2021 and 2020. 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 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>
2022 Net OPEB Liability (Asset)	\$(37,930)	\$(50,443)	\$(61,168)
	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)

## **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](http://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 2022 and \$78,015 in fiscal year 2021, 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 2022 and 2021, the OAB collected and remitted \$6,652 and \$7,033, 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. *GASB Statement No 87***

Statement number 87, Leases, requires recognition of certain lease assets and liabilities for leases that were formerly classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contracts. The statement also creates a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

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

**Schedule 1**

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

	2021	2020	2019	2018	2017	2016	2015	2014
OAB proportion of the net pension liability	0.03669041%	0.03521106%	0.03657124%	0.03537731%	0.03402417%	0.03392212%	0.03225498%	0.03174592%
OAB proportional share of net pension liability	(\$492,444)	\$314,140	\$48,709	\$69,001	\$183,956	\$322,876	\$116,016	\$58,274
OAB covered-employee payroll	\$672,053	\$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	-73.27%	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	112.51%	91.59%	97.96%	97.96%	94.28%	89.48%	96.00%	97.90%

**Schedule 2**

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$226,005	\$207,247	\$199,803	\$103,107	\$98,160	\$100,553	\$94,082	\$88,743	\$85,719
Contributions in relation to the contractually required contributions	\$226,005	\$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	\$0
OAB's covered payroll	\$672,053	\$606,154	\$584,620	\$597,494	\$572,819	\$609,410	\$570,192	\$537,835	\$519,508
Contributions as a percentage of covered payroll	33.63%	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.

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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.

**Schedule 3**

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

Total OPEB Liability:	2021	2020	2019	2018	2017
OAB proportion of the total OPEB liability	0.03533350%	0.02957830%	0.02777970%	0.02151960%	0.02213620%
Service cost	2,822	1,452	\$1,439	\$1,117	\$1,310
Interest	7,343	1,368	\$1,565	\$1,142	\$996
Change in deferred inflows/outflows	(\$19,601)	\$5,662	\$5,508	(\$384)	(\$1,639)
Benefit payments, including refunds of member contributions	(\$3,660)	(\$3,121)	(\$3,250)	(\$2,369)	(\$2,813)
Net change in total OPEB liability	\$7,699	\$5,304	\$2,258	(\$493)	(\$2,146)
Total OPEB liability, beginning	\$42,029	\$36,725	\$31,462	\$31,956	\$35,017
Total OPEB liability, ending	\$49,728	\$42,029	\$36,725	\$31,462	\$32,871
Covered-employee payroll	\$672,053	\$606,154	\$656,359	\$642,578	\$607,527
Total OPEB liability as a percentage of covered-employee payroll	7.40%	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. Only the current fiscal year is presented because 10-year data is not readily available.

The discount rate used for 2019, 2018 and 2017 is 3.51%, 3.87% and 3.58%, respectively.

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**Schedule 4**

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

	2021	2020	2019	2018	2017
OAB proportion of the net OPEB liability	0.03669041%	0.03521106%	0.03657124%	0.03537731%	0.034024170%
OAB proportional share of the net OPEB liability (asset)	(\$50,443)	(\$16,508)	(\$14,217)	(\$4,578)	\$3,897
OAB covered payroll	\$672,053	\$606,154	\$656,359	\$642,578	\$607,527
OAB proportionate share of the net OPEB liability as a percentage of covered payroll	-7.51%	-2.72%	-2.17%	-0.71%	0.64%
OPERS fiduciary net position as a percentage of the total OPEB liability	142.87%	114.27%	112.11%	103.94%	96.50%

**Schedule 5**

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

	2021	2020	2019	2018	2017
Contractually required contribution	\$6,652	\$7,033	\$6,870	\$7,091	\$6,421
Contributions in relation to the contractually required contributions	\$6,652	\$7,033	\$6,870	\$7,091	\$6,421
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
OAB's covered payroll	\$672,053	\$606,154	\$656,359	\$642,578	\$607,527
Contributions as a percentage of covered payroll	0.99%	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. Only the current fiscal year is presented because 10-year data is not readily 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, 2022 and 2021, 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 10, 2022. 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.

**Report on 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.

## Report on 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.



Oklahoma City, Oklahoma  
November 10, 2022