

Oklahoma Accountancy Board



**OKLAHOMA ACCOUNTANCY BOARD  
ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS**

**AS OF AND FOR THE FISCAL YEARS ENDED  
JUNE 30, 2008 AND 2007**

**OKLAHOMA ACCOUNTANCY BOARD  
ANNUAL FINANCIAL REPORT  
As of and for the Years Ended June 30, 2008 and 2007**

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**Board Members**

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*Fiscal Year 2008*

	<b>Term</b>	
Tom Volturo, Public Member, Chairman	Conterminously with the Governor	Claremore, Oklahoma
Vicky Petete, CPA, Vice Chairman	7/1/04 to 6/30/09	Ada, Oklahoma
Wade Biswell, CPA, Secretary	7/1/06 to 6/30/11	Tulsa, Oklahoma
Janice L. Gray, CPA	7/1/03 to 6/30/08	Norman, Oklahoma
Carlos E. Johnson, CPA	7/1/05 to 6/30/10	Oklahoma City, Oklahoma
E. B. St. John, PA,	7/1/06 to 6/30/11	Owasso, Oklahoma
Barbara Ley, CPA	7/1/07 to 6/30/12	Oklahoma City, Oklahoma

*Fiscal Year 2007*

	<b>Term</b>	
Janice L. Gray, CPA, Chairman	7/1/03 to 6/30/08	Norman, Oklahoma
Tom Volturo, Public Member, Vice Chairman	Conterminously with the Governor	Claremore, Oklahoma
Vicky Petete, CPA, Secretary	7/1/04 to 6/30/09	Ada, Oklahoma
J. H. "Jay" Engelbach, CPA	7/1/02 to 6/30/07	Oklahoma City, Oklahoma
Carlos E. Johnson, CPA	7/1/05 to 6/30/10	Oklahoma City, Oklahoma
E. B. St. John, PA,	7/1/06 to 6/30/11	Owasso, Oklahoma
Wade Biswell, CPA	7/1/06 to 6/30/11	Tulsa, Oklahoma





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**INDEPENDENT AUDITORS' REPORT**

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Board of Directors  
Oklahoma Accountancy Board

We have audited the accompanying financial statements of the governmental activities and the general fund of the Oklahoma Accountancy Board (OAB), a part of the primary government of the State of Oklahoma, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the OAB's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the OAB's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentations. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the OAB are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the State of Oklahoma that is attributable to the transactions of the OAB. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2008 and 2007, and the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the OAB, as of June 30, 2008 and 2007, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States.

(Continued)

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**INDEPENDENT AUDITORS' REPORT, CONTINUED**

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Management's Discussion and Analysis and the Budgetary Comparison Schedules as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 16, 2008, on our consideration of the OAB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Finley & Cook, PLLC*

Shawnee, Oklahoma  
December 16, 2008

**OKLAHOMA ACCOUNTANCY BOARD  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**



**OKLAHOMA ACCOUNTANCY BOARD  
ANNUAL FINANCIAL REPORT  
As of and for the Years Ended June 30, 2008 and 2007**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS SUMMARY**

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The management of the Oklahoma Accountancy Board (OAB) is pleased to provide this annual financial report 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, 2008 and 2007. Management of the OAB is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts.

**Financial Highlights**

For the years ended June 30, 2008 and 2007, the following financial results are considered noteworthy by management:

- For the year ended June 30, 2008, the OAB's total net assets increased by \$536,787, or 32%, from the prior year. This compares to an increase of \$350,739, or 26.4%, for the year ended June 30, 2007.
- For the year ended June 30, 2008, OAB program revenues increased by \$138,724, or 10.4%, over the prior year, while total expenses decreased by approximately \$36,647, or 4.1%. The increase in revenues for 2008 is a result of an increase in the number of individual and firm permits and registrations as well as an increase in the number of exams given.
- For the year ended June 30, 2008, OAB accounts receivable increased by \$132,750, or 177% from the prior year. This compares to an increase of \$150, or 25%, for the year ended June 30, 2007. For the year ended June 30, 2008, OAB deferred revenue decreased by \$480,675, or 54.5% from the prior year. This compares to an increase of \$44,075, or 5.3%, for the year ended June 30, 2007. The increase in accounts receivable and the decrease in deferred revenue for 2008 are due the Board's decision to postpone registration deadlines by one month due to technical difficulties with the online registration system.
- For the year ended June 30, 2008, OAB fund balance reserved for encumbrances increased by \$272,400, or 268% from the prior year. This compares to an increase of \$22,358, or 28%, for the year ended June 30, 2007. The increase in fund balances reserved for encumbrances for 2008 is again due the Board's decision to postpone registration deadlines by one month due to technical difficulties with the online registration system. This resulted in a delay in other "regular" processes such as closing out encumbrance balances.
- The unreserved fund balances of the OAB's General Fund at June 30, 2008 and 2007, increased by \$270,593 or 16.9%, and increased by \$330,502 or 26.0%, respectively.

**Other Highlights**

- Effective April, 2004, the OAB began giving the CPA examination through a computer-based test (CBT). The CBT provides flexibility for the candidate, with the exam availability for two months during each quarter, the choice of taking one exam per attempt, and the use of a computer to take the examination. Since the implementation of the CBT, examination application fees have increased from \$53,000 in fiscal year 2005 to \$77,010 and \$63,550 in fiscal years 2008 and 2007 respectively.

**OKLAHOMA ACCOUNTANCY BOARD  
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**USING THIS ANNUAL REPORT**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board (GASB) Statement No. 34.

***The OAB's Reporting Entity***

This annual report includes 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 annual report consists of four parts as follows:

**Government-Wide Financial Statements:** The government-wide 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 "Statements of Net Assets" include 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 "Statements of Activities" regardless of when cash is received or paid.

These government-wide financial statements report information about the OAB's net assets and how they have changed. Measuring changes in net assets (the difference between the OAB's total assets and liabilities) is one way to measure the OAB's financial health or position.

- To assess the overall financial health of the OAB, the reader needs to consider additional non-financial factors such as changes in the regulatory requirements, enforcement policies, and other similar issues utilizing financial resources.

**Fund Financial Statements:** Fund financial statements provide financial information about the OAB's single fund—the General Fund—on a different basis of accounting and measurement focus than the government-wide financial statements. The fund financial statement presentation measures spendable financial resources and the changes therein.

The OAB accounts for all financial activity in a single governmental fund. A governmental type fund focuses on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for expenditure. Consequently, governmental fund statements provide a short-term view that helps the reader determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the future to finance the OAB's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental fund statements, or on the subsequent page, that explains the relationship (or differences) between them.

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**USING THIS ANNUAL REPORT, Cont.**

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***Overview of the OAB's Reporting Entity Presentation, Continued***

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

**Required Supplementary Information:** This Management Discussion and Analysis and the General Fund Budgetary Comparison Schedule represent financial information required to be presented by GASB. Such information provides users of this report with additional data that supplements the fund 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 benchmarks are not required by either the State of Oklahoma or GASB Statement No. 34.

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

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**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?"

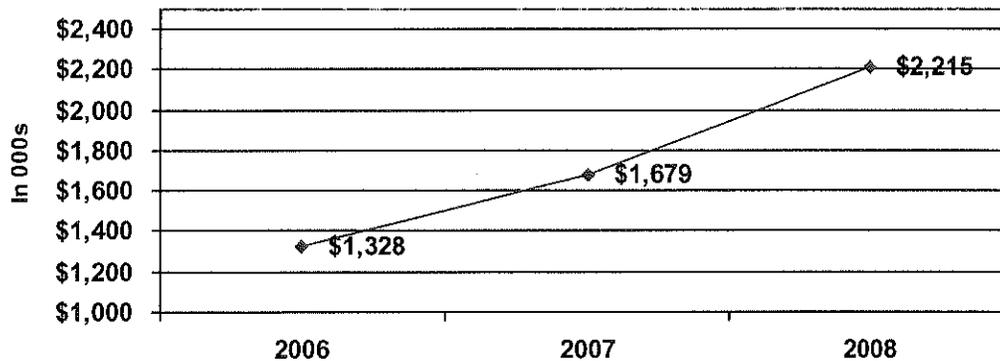
The "Statement of Net Assets" and the "Statement of Activities" report information about the OAB as an economic entity that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the OAB resource base and the status of its pending projects, to assess 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.**

For the years ended June 30, 2008 and 2007, the OAB's overall financial condition changed as noted below.

**Chart 1  
Total Economic Net Assets at Fiscal Year End**



	2008	2007
Percentage Change in Net Assets	+32%	+26.4%

For the year ended June 30, 2008, the OAB experienced a \$536,787, or 32%, increase in net assets, with an increase in revenues of \$138,724, or 10.4%, and a decrease in expenses of \$36,647, or 4.1%. The increase in net assets was due primarily to the increase in the number of individual and firm permits and registrations as well as an increase in the number of exams given.

For the year ended June 30, 2007, the OAB experienced a \$350,739, or 26.4%, increase in net assets, with an increase in revenues of \$174,777, or 15%, and an increase in expenses of \$18,398, or 2.1%. The increase in net assets was due primarily to the full impact of fee increases.

**A FUND-BASED FINANCIAL ANALYSIS OF OAB**

**Management's Discussion and Analysis on the General Fund Financial Condition:**

The OAB accounts for all its activities in a single fund—the General Fund. The General Fund presentation focuses on how money flows in to and out of the General Fund and the balances left at year-end that are available for expenditures (fund balance).

The General Fund reports activities on a modified accrual basis of accounting and current financial resources measurement focus that is different from the economic basis of presentation. For example, the General Fund reports the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. General Fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be expended in the near future to finance the OAB programs.

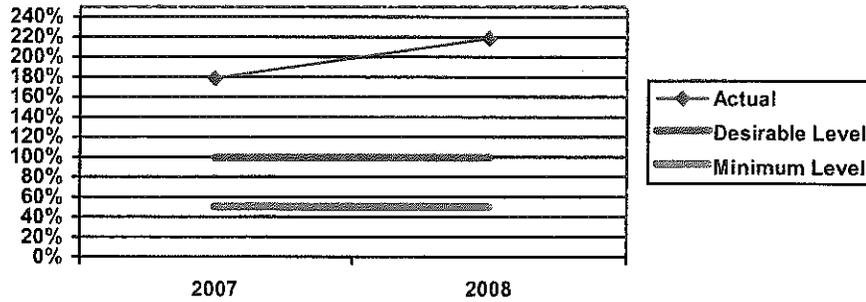
**OKLAHOMA ACCOUNTANCY BOARD  
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For the years ended June 30, 2008 and 2007, the General Fund experienced an increase in fund balance of \$542,993 and \$352,860, respectively.

**Chart 2**

**Unreserved-Undesignated Fund Balance as a Percentage of Annual Expenditures  
(How do the OAB uncommitted funds look?)**

Management Benchmarks	Desired 100%	Minimum 50%
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Unreserved Fund Balance Percentage	2008 219%	2007 179%
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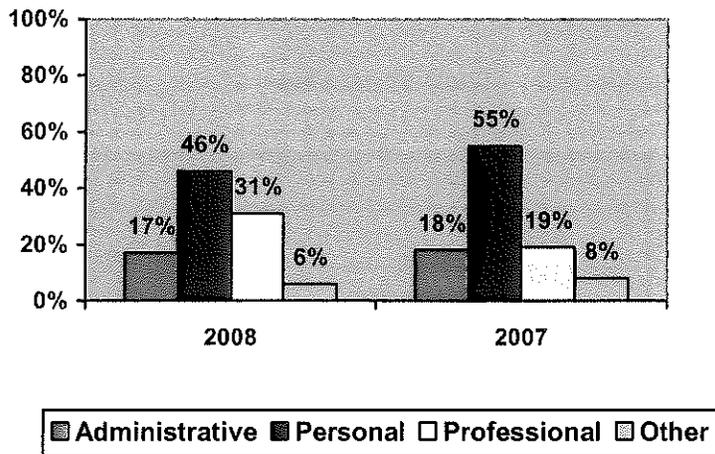
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**A FUND-BASED FINANCIAL ANALYSIS OF OAB, Cont.**

The OAB desires to maintain an unreserved fund balance of one year (100%) of annual expenditures. This fund balance is needed to provide resources for unexpected enforcement actions.

**Chart 3**

**Percentage of Expenditures by Classification as Compared to Total Expenditures**



	2008	2007
Administrative	17%	18%
Personal Services	46%	55%
Professional Services	31%	19%
Other	6%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS ON THE BUDGETARY RESULTS**

**Management's Discussion and Analysis on the Budgetary Results:**

For the year ended June 30, 2008, the General Fund actual budgetary basis revenues were less than final estimates by \$233,560, or a 22.9% negative variance. This is directly attributable to the Board's decision to grant an extension for individual and firm registration due to technical difficulties with the online registration system. General Fund actual expenditures and encumbrances were under final budgeted expenditures by \$131,966, or a 10.5% positive variance.

For the year ended June 30, 2007, the General Fund actual budgetary basis revenues had an excess of final estimates by \$108,189, or a 9.1% positive variance. General Fund actual expenditures and encumbrances were under final budgeted expenditures by \$309,812, or a 25.2% positive variance.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS ON THE BUDGETARY RESULTS, Cont.**

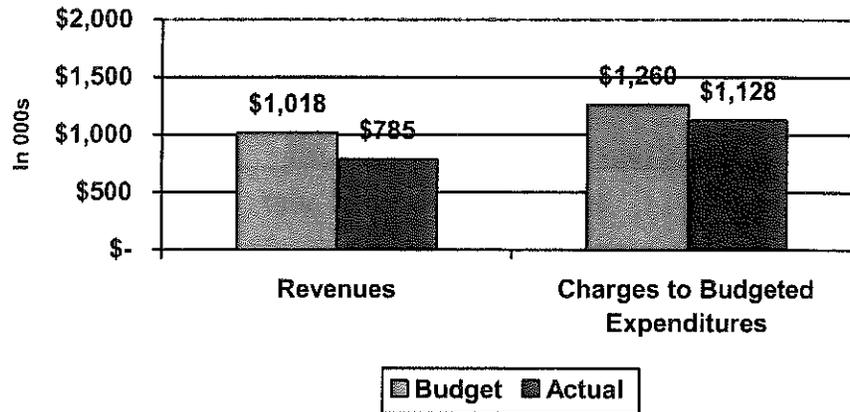
Chart 4 illustrates the budget versus actual results for revenues and charges to budgeted expenditures.

**Chart 4**

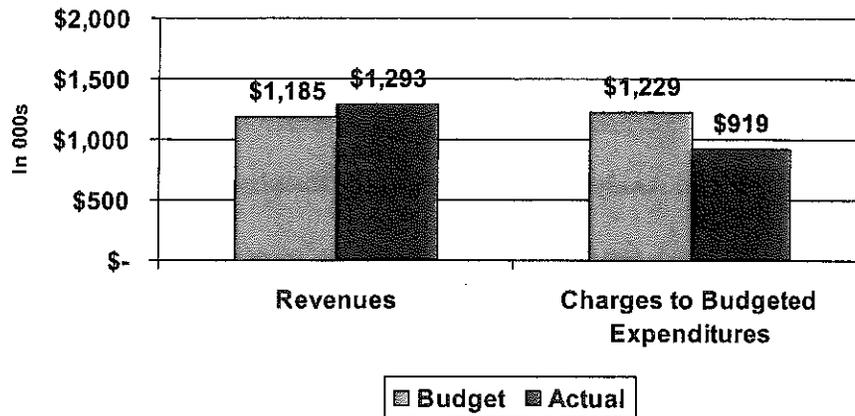
**Budget versus Actual Comparison of Revenues and Charges to Budgeted Expenditures  
(How well did we stay within our budget?)**

Management Benchmarks	Desired	Minimum
	Positive Variance	No Variance

**2008 Fiscal Year**



**2007 Fiscal Year**



Percentage Variance	2008	2007
Revenues	22.9% N	9.1% P
Charges to Budgeted Expenditures	10.5% P	25.2% P

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**ABOUT OAB**

The Oklahoma Accountancy Board is a part of the primary government of the State of Oklahoma. The first accountancy law was enacted by the Oklahoma Legislature in 1916. The OAB was continued by the legislature in 2004, in accordance with provisions of the Oklahoma Sunset Law. The Board is composed of five Certified Public Accountants, one Public Accountant, and one public member. The responsibilities of the Board include determining the eligibility of applicants for the CPA and PA exams and registering accountants, partnerships, professional corporations, limited liability partnerships, and limited liability companies eligible to practice public accounting in Oklahoma. Also, the OAB regulates the practice and conduct of certified public accountants and public accountants.

**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 4545 North Lincoln, Suite 165, Oklahoma City, OK 73105-3413, by telephone at (405) 521-2397, or by e-mail at [www.okaccybd@oab.ok.gov](mailto:www.okaccybd@oab.ok.gov).

(Unaudited. See accompanying auditor's report.)

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**BASIC FINANCIAL STATEMENTS**

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**Statements of Net Assets**

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 2,550,610	2,659,625
Accounts receivable	133,500	750
Prepaid assets	17,823	16,399
Capital assets, net of accumulated depreciation	8,529	19,936
Total assets	<u>2,710,462</u>	<u>2,696,710</u>
<b>LIABILITIES:</b>		
Accounts payable	\$ 54,652	91,811
Deferred revenue	401,300	881,975
Compensated absences:		
Current	26,450	24,753
Non-current	12,705	19,603
Total liabilities	<u>495,107</u>	<u>1,018,142</u>
<b>NET ASSETS:</b>		
Invested in capital assets	8,529	19,936
Unrestricted	<u>2,206,826</u>	<u>1,658,632</u>
Total net assets	<u>\$ 2,215,355</u>	<u>1,678,568</u>

See accompanying footnotes to these statements.

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**Statements of Activities**

	<b>For the years ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>EXPENSES</b>		
<b>Governmental Activities—Regulatory Services</b>		
Personal services	\$ 390,354	489,547
Professional services	261,141	171,334
Travel	50,871	42,444
Administrative	146,113	158,928
Property and equipment	1,333	14,080
Depreciation	12,066	22,192
Total expenses	861,878	898,525
 <b>PROGRAM REVENUES</b>		
Licenses, permits, and fees	1,463,705	1,325,774
Grants, refunds, and reimbursements	5,665	1,348
Other	739	4,263
Total program revenues	1,470,109	1,331,385
 <b>NET REVENUES (EXPENSES)</b>	608,231	432,860
 Transfer to the State General Fund	(71,444)	(82,121)
 <b>CHANGE IN NET ASSETS</b>	536,787	350,739
 <b>NET ASSETS—BEGINNING OF YEAR</b>	1,678,568	1,327,829
 <b>NET ASSETS—END OF YEAR</b>	\$ 2,215,355	1,678,568

See accompanying footnotes to these statements.

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**Balance Sheets – General Fund**

	<b>June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 2,550,610	2,659,625
Accounts receivable	133,500	750
Prepaid assets	17,823	16,399
Total assets	\$ 2,701,933	2,676,774
 <b>LIABILITIES AND FUND BALANCE:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 54,652	91,811
Deferred revenue	401,300	881,975
Total liabilities	455,952	973,786
 <b>Fund Balance:</b>		
Reserved for encumbrances	374,036	101,636
Unreserved	1,871,945	1,601,352
Total fund balance	2,245,981	1,702,988
Total liabilities and fund balance	\$ 2,701,933	2,676,774

See accompanying footnotes to these statements.

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**Statements of Revenues, Expenditures, and Changes in Fund Balance – General Fund**

	<u>For the years ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Revenues		
Licenses, permits, and fees	\$ 1,463,705	1,325,774
Grants, refunds, and reimbursement	5,665	1,348
Other	739	4,263
Total revenues	<u>1,470,109</u>	<u>1,331,385</u>
Expenditures		
Personal services	395,555	490,200
Professional services	261,141	171,334
Travel	50,871	42,444
Administrative	146,113	158,928
Property and equipment	1,992	33,498
Total expenditures	<u>855,672</u>	<u>896,404</u>
Revenues Greater than Expenditures	614,437	434,981
Other Financing Requirements		
Transfers out to primary government	<u>(71,444)</u>	<u>(82,121)</u>
Change in Fund Balance	542,993	352,860
Fund Balance—Beginning of Year	<u>1,702,988</u>	<u>1,350,128</u>
Fund Balance—End of Year	<u>\$ 2,245,981</u>	<u>1,702,988</u>

See accompanying footnotes to these statements.

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**Reconciliation of Balance Sheets—General Fund and Statements of Net Assets:**

	<b>June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Total Fund Balance—General Fund</b>	2,245,981	1,702,988
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund—		
Capital assets, net of accumulated depreciation	8,529	19,936
Certain liabilities are not due and payable in the current period and therefore are not reported in the fund—		
Compensated absences	(39,155)	(44,356)
<b>Net Assets per the Statements of Net Assets</b>	<b>2,215,355</b>	<b>1,678,568</b>

**Reconciliation of Statements of Revenues, Expenditures, and Changes in Fund Balance—General Fund and Statements of Activities:**

	<b>For the years ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Change in Fund Balance—General Fund</b>	\$ 542,993	352,860
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	659	19,418
Depreciation expense	(12,066)	(22,192)
Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease (Increase) in accrued compensated absences	5,201	653
<b>Change in Net Assets per the Statements of Activities</b>	<b>\$ 536,787</b>	<b>350,739</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

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**Footnotes to the Statements of Net Assets and Statements of Activities:**

**1. *Summary of Significant Accounting Policies***

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

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

**A. **Reporting Entity****

The Oklahoma Accountancy Board is a part of the primary government of the State of Oklahoma. The first accountancy law was enacted by the Oklahoma legislature in 1916. The Oklahoma Accountancy Board was re-created by the legislature in 1998, in accordance with provisions of the Oklahoma Sunset Law. The Board is composed of five Certified Public Accountants, one Public Accountant, and one lay member. The responsibilities of the Board include determining the eligibility of applicants for the CPA and PA exams, registering those accountants, partnerships, professional corporations, limited liability partnerships, and limited liability companies eligible to practice public accounting in Oklahoma, and regulating the practice and conduct of accountants holding out to the public as accountants eligible to practice public accounting in Oklahoma.

**B. **Government-wide and Fund Financial Statements****

The government-wide financial statements (the statement of net assets and the statement of activities) report information for OAB. OAB is classified as a governmental activity; its function is the Regulatory Services function.

The statement of activities demonstrates the degree to which the expenses of a given function are offset by program revenues. For OAB, program revenues consist primarily of fees for licenses and permits to practice collected from certified public accountants and public accountants. Also included in program revenues are fees for exams.

Separate financial statements are provided for the governmental fund, which for OAB is the General Fund.

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

**Government-wide Financial Statements**

The government-wide 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.

**Governmental Fund**

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available, usually within 60 days. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay

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liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as an expenditure when utilized. The amount of accumulated annual leave unpaid at June 30, 2008 and June 30, 2007, has been reported only in the government-wide financial statements.
- Executory purchase orders and contracts are recorded as a reservation of fund balance.

**D. Fund Accounting**

In fund accounting, activities are recorded in individual funds, each of which is deemed to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

**General Fund** – This fund accounts for all activities of OAB not specifically required to be accounted for in other funds. This fund is the operating fund of OAB, and all transactions are accounted for in this fund.

**E. Net Assets Accounting Policies**

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

**F. 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.

**G. Accounts Receivable**

Accounts receivable consist of amounts due from certified public accountants' and public accountants' permit fees, including firms.

**H. Capital Assets**

Capital assets are recorded as expenditures in the governmental fund statement of revenues, expenditures and changes in fund balance, but are capitalized in the statement of net assets. Capital assets are reported at actual or estimated historical cost and net of accumulated depreciation. Capital assets are defined as assets that have a cost in excess of \$500 at the date of acquisition and

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have an expected useful life of 3 or more years, and consist primarily of information systems equipment, furniture, and other equipment. Depreciation is computed on the straight-line method over the estimated useful life of 6 years for office furniture and equipment and 3 years for information systems and related equipment.

**I. Accounts Payable and Encumbrances**

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.

The fund balance reserve for encumbrances represents commitments related to unperformed contracts for the delivery of goods and services to the OAB. Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reserve that portion of fund balance, is utilized in governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**J. Deferred Revenue**

Deferred 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 deferred revenue is removed from the balance sheet and revenue is recognized.

**K. Compensated Absences**

Senate Bill 647, which was signed into law by Governor Brad Henry on April 28, 2003, changed the leave accrual basis for annual leave from a monthly accrual to an hourly accrual based upon hours worked (excluding overtime), paid leave, and holidays, not to exceed the total possible work hours for the month.

All vested accrued leave is payable upon termination, resignation, retirement, or death. In the statements of net assets, this accrued leave is reported as a liability. The maximum annual leave liability for each employee is 480 hours.

**2. Cash**

Cash and cash equivalents include amounts on deposit with and under the control of the State Treasurer. These amounts are collateralized in accordance with 62 O.S. 2001, § 72.1, the Security for Public Deposits Act. The bank balances as of June 30, 2008 and 2007, were fully insured or collateralized with securities held by the State's agent in the State's name.

**3. Operating Leases**

The OAB entered into operating lease agreements for office space, off-site storage, copier, and postage machines. Payments under these operating leases for the 2008 and 2007 fiscal years were approximately \$48,000 and \$46,000, respectively.

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**4. Capital Assets**

For the years ended June 30, 2008 and 2007, changes in capital assets were as follows:

	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
Capital assets	\$ 176,699	659	(40,685)	136,673
Accumulated depreciation	<u>(156,763)</u>	<u>(12,066)</u>	<u>40,685</u>	<u>(128,144)</u>
	<u>\$ 19,936</u>	<u>(11,407)</u>	<u>-</u>	<u>8,529</u>

	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
Capital assets	\$ 157,281	19,418	-	176,699
Accumulated depreciation	<u>(134,571)</u>	<u>(22,192)</u>	<u>-</u>	<u>(156,763)</u>
	<u>\$ 22,710</u>	<u>(2,774)</u>	<u>-</u>	<u>19,936</u>

**5. Long-term Obligations**

Long-term obligations are comprised of accrued compensated absences. For the years ended June 30, 2008 and 2007, the liability for accrued compensated absences liabilities changed as follows:

Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2008</u>	Amounts Due Within <u>One Year</u>
<u>\$ 44,356</u>	<u>21,249</u>	<u>(26,450)</u>	<u>39,155</u>	<u>26,450</u>

Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2007</u>	Amounts Due Within <u>One Year</u>
<u>\$ 45,009</u>	<u>24,100</u>	<u>(24,753)</u>	<u>44,356</u>	<u>24,753</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 Department of Central Services is empowered by the authority of 74 O.S., Section 85.34 et seq. 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.,

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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***

The OAB contributes to the Oklahoma Public Employees Retirement Plan, which is a state-wide cost-sharing, multi-employer defined benefit retirement plan administered by the Oklahoma Public Employees Retirement System (OPERS). A separately issued annual report for OPERS may be obtained from the Oklahoma Public Employees Retirement System, 5801 N. Broadway Extension, Suite 400, Oklahoma City, OK 73118. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The pension benefit provisions are established and amended by the State Legislature. Cost-of-living adjustments are provided to plan members and beneficiaries at the discretion of the State Legislature.

Plan members and the agencies are required to contribute at a rate established by State law. The contribution rate for 2008 and 2007 fiscal years was 13.5% and 12.5% respectively, of all salaries for State agencies, and for State employees, 3.5% of their annual covered salary. For the years ended June 30, 2008, 2007, and 2006, the OAB contributions to the plan were \$37,492, \$42,772, and \$41,316, respectively.

**8. *Other Postemployment Benefits***

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

**9. *Payment to State General Revenue Fund***

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." 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 OAB paid \$71,444 to the State General Revenue Fund in fiscal year 2008 and \$82,121 in fiscal year 2007. 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**  
**BUDGETARY COMPARISON SCHEDULES**

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**Budgetary Comparison Schedule (Budgetary Basis) – General Fund**  
**for the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Licenses, permits, and fees	\$ 1,018,800	\$ 1,018,800	\$ 778,836	\$ (239,964)
Other	-	-	6,404	6,404
 Total revenues	 <u>1,018,800</u>	 <u>1,018,800</u>	 <u>785,240</u>	 <u>(233,560)</u>
<b>Expenditures:</b>				
Personal services	693,686	693,686	396,391	297,295
Professional services	237,100	237,100	401,450	(164,350)
Travel	85,000	85,000	57,407	27,593
Administrative	227,252	227,252	200,306	26,946
Property and equipment	17,000	17,000	42,162	(25,162)
Other	-	-	30,356	(30,356)
 Total expenditures	 <u>1,260,038</u>	 <u>1,260,038</u>	 <u>1,128,072</u>	 <u>131,966</u>
 Excess (deficiency) of revenues over expenditures / net change in fund balance	  (241,238)	  (241,238)	  (342,832)	  (101,594)
 <b>Fund Balance, June 30, 2007</b>	 <u>2,108,150</u>	 <u>2,108,150</u>	 <u>2,482,577</u>	 <u>374,427</u>
 <b>Fund Balance, June 30, 2008</b>	 <u>\$ 1,866,912</u>	 <u>\$ 1,866,912</u>	 <u>\$ 2,139,745</u>	 <u>\$ 272,833</u>

See accompanying footnotes to this schedule.

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**Budgetary Comparison Schedule (Budgetary Basis) – General Fund**  
**for the Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Licenses, permits, and fees	\$ 1,185,000	\$ 1,185,000	\$ 1,287,578	\$ 102,578
Other	-	-	5,611	5,611
<b>Total revenues</b>	<u>1,185,000</u>	<u>1,185,000</u>	<u>1,293,189</u>	<u>108,189</u>
<b>Expenditures:</b>				
Personal services	544,234	544,234	486,975	57,259
Professional services	307,800	307,800	201,568	106,232
Travel	80,000	80,000	28,698	51,302
Administrative	224,040	224,040	121,423	102,617
Property and equipment	72,000	72,000	30,020	41,980
Other	500	500	50,078	(49,578)
<b>Total expenditures</b>	<u>1,228,574</u>	<u>1,228,574</u>	<u>918,762</u>	<u>309,812</u>
Excess (deficiency) of revenues over expenditures / net change in fund balance	(43,574)	(43,574)	374,427	418,001
<b>Fund Balance, July 1, 2006, restated</b>	<u>2,108,150</u>	<u>2,108,150</u>	<u>2,108,150</u>	-
<b>Fund Balance, June 30, 2007</b>	<u>\$ 2,064,576</u>	<u>\$ 2,064,576</u>	<u>\$ 2,482,577</u>	<u>\$ 418,001</u>

See accompanying footnotes to this schedule.

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**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported on a non-GAAP budgetary basis that reports revenues on a cash basis modified for the due from state, and charges to expenditures on a cash basis modified for reporting encumbrances, accounts payable and prepaid assets.
2. Because accounting principles applied for purposes of presenting the budgetary comparison information differ from those used in the presentation of the basic financial statements prepared in accordance with U.S. generally accepted accounting principles, a reconciliation resulting from those differences is presented as follows for the General Fund.

	June 30,	
	2008	2007
Budgetary basis fund balance	\$ 2,139,745	2,482,577
Add:		
Accounts receivable	133,500	750
Encumbrances	374,036	101,636
Subtract: Deferred revenue	(401,300)	(881,975)
GAAP basis fund balance	\$ 2,245,981	1,702,988

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

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Board of Directors  
Oklahoma Accountancy Board

We have audited the financial statements of the governmental activities and the general fund of the Oklahoma Accountancy Board (OAB), a part of the primary government of the State of Oklahoma, as of and for the year ended June 30, 2008, which collectively comprise the OAB's basic financial statements, and have issued our report thereon dated December 16, 2008, which includes an explanatory paragraph stating that the financial statements of the OAB are intended to present the financial position and results of operations of only that portion of the State of Oklahoma attributable to the transactions of the OAB and an explanatory paragraph related to required supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the OAB's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OAB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the OAB's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS, CONTINUED**

**Internal Control Over Financial Reporting, Continued**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the OAB's financial statements are free of 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*.

This report is intended solely for the information and use of the management of the OAB and its governing members and is not intended to be and should not be used by anyone other than these specified parties.

Shawnee, Oklahoma  
December 16, 2008

*Finley & Cook, PLLC*