Arkansas State Board of Public Accountancy
A Component Unit of the State of Arkansas

Independent Auditor’s Report and Financial Statements

June 30, 2017

Arkansas State Board of Public Accountancy
A Component Unit of the State of Arkansas
June 30, 2017

Contents

Independent Auditor's Report

Board of Directors
Arkansas State Board of Public Accountancy
Little Rock, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the Arkansas State Board of Public Accountancy (the Board), a component unit of the State of Arkansas, which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

5420 W Markham
Little Rock, AR 72205
Phone: (501) 663-0990
Fax: (501) 661-0880
www.bfjwcpa.com

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Board's Proportionate Share of the Net Pension Liability Arkansas Public Employees Retirement System, Schedule of Contributions Arkansas Public Employees Retirement System, and Management's Discussion and Analysis 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 February 22, 2018 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts, 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 Board's internal control over financial reporting and compliance.

Beall Foster Johnson & Watkins, LLP

February 22, 2018

Arkansas State Board of Public Accountancy
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2017

The following discussion and analysis of the financial performance of the Arkansas State Board of Public Accountancy (the Board), provides a narrative overview and analysis of the financial activities of the Board for the fiscal year ended June 30, 2017. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- Operating expenses exceeded operating revenues by $2,977

- Total Assets and deferred outflows of resources increased by 5.5% ending the year with a balance of $1,832,256.

- Total net position remained flat year over year, increasing by $887 or 0.1%.

Overview of the Financial Statements

The Arkansas State Board of Public Accountancy is a regulatory agency of the State of Arkansas. The Board's financial statements report only the financial activities of the Board, and do not include the government-wide financial statements of the State of Arkansas.

The Board has only one governmental fund which is the enterprise fund. This fund is reported using the accrual basis of accounting.

The *Statement of Net Position* presents information on the assets and liabilities at the end of the Board's fiscal year. The difference between assets and liabilities results in the total net position. Increases or decreases to the total net position may be a useful indicator of whether the financial position of the Board is improving or deteriorating. Total net position increases when revenues exceed expenditures.

The *Statement of Revenues, Expenditures, and Changes in Net Position* presents information showing how the Board's net position changed during the fiscal year. Generally, increases to the net position occur when revenues become measurable and available, while decreases in net position occur when expenditures are incurred, rather than when paid. However, some expenditures result in prepaid expenses. Prepaid expenses are reported as assets on the Statement of Net Position and are reported as expenses in the future when the prepayment is utilized.

The *Statement of Cash Flows* details how the cash balance changed from the beginning of the fiscal year until the end of the fiscal year. Cash provided by or used in operating activities and investing activities is presented, along with a reconciliation of operating income (loss) to the amount of cash provided by operating activities during the fiscal year.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

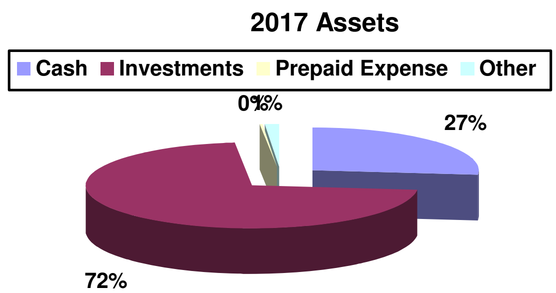
Generally, total net position is a useful indicator of a government entity's financial position. The Board's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,134,885 at the close of the most recent fiscal year. This represents a slight increase of $887 or 0.1% from the previous year.

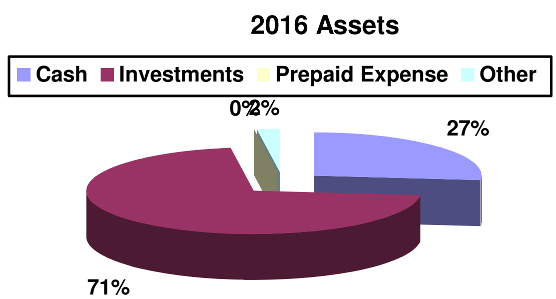
Below is a condensed summary of the assets, liabilities and net position of the Board at June 30th of the current and preceding year:

	2017	**2016**
Current Assets	$1,587,044	$1,573,710
Capital Assets, net	21,257	29,723
Deferred Outflows of resources	223,955	132,802
Total Assets and Deferred Outflows of Resources	**$1,832,256**	**$1,736,235**
Current liabilities	49,373	76,189
Net pension liability	600,553	452,397
Accrued compensated absences	24,758	20,346
Total liabilities	**$674,684**	**$548,932**
Deferred Inflows of Resources - Pension	22,687	53,305
Net Position		
Net investment in capital assets	21,257	29,723
Unrestricted	1,113,628	1,104,275
Total fund balance	$1,134,885	$1,133,998
Total Liabilities, Deferred Inflows of Resources and Net Position	**$1,832,256**	**$1,736,235**

The largest portion of the Board's assets at June 30, 2017 (71.7%) reflects its $1,152,593 investment in United States Treasury bills. At June 30, 2016, the Board's $1,148,541 investment in US Treasury Bills made up 71.6% of its total assets.

Arkansas State Board of Public Accountancy
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2017

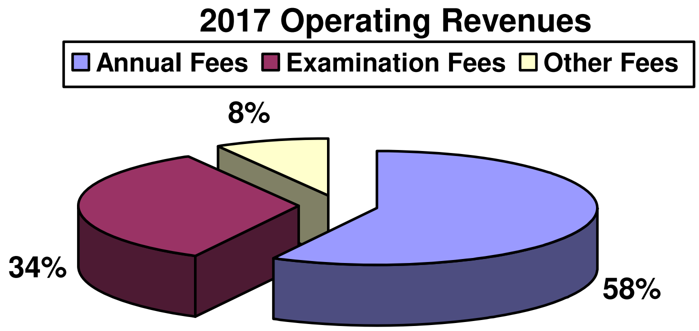


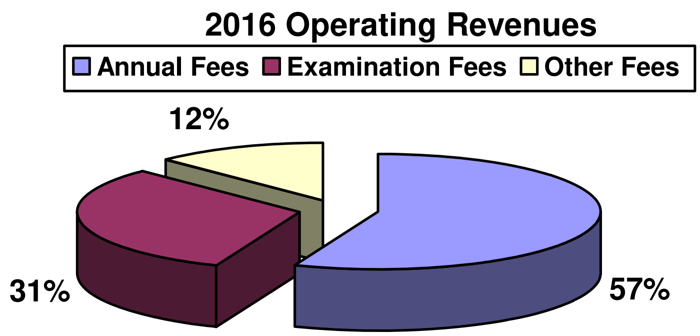


Below is a condensed summary of the Board's changes in fund balance for the year ended June 30, 2017 and 2016.

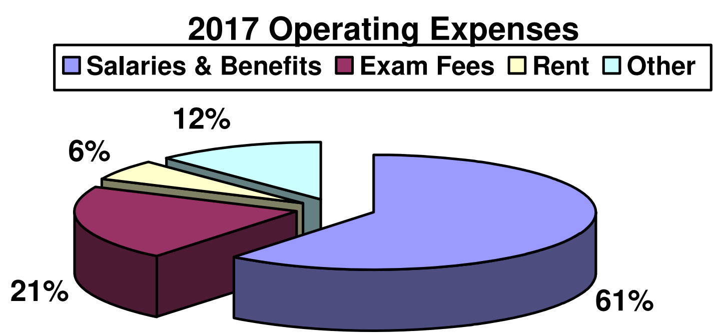
	2017	2016
Operating revenue	$1,066,969	$1,095,637
Operating expenses	1,069,946	1,057,800
Operating income (loss)	(2,977)	37,837
Loss on disposal of assets	(594)	(1,239)
Investment and interest income	4,458	5,887
Change in Net Position	$887	$42,485
Fund Balance, July 1	$1,133,998	$1,091,513
Fund Balance, June 30	$1,134,885	$1,133,998

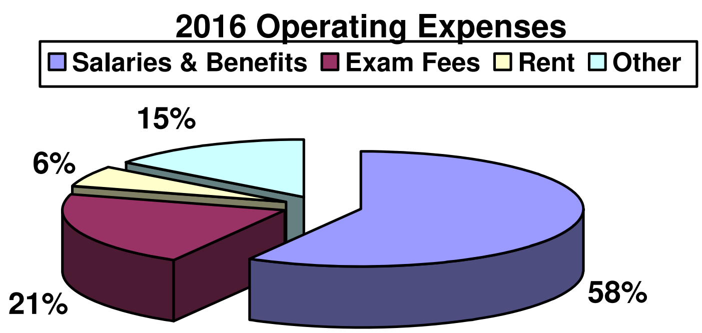
The sources of the Board's revenues for 2017 and 2016 are reflected in the following pie charts:





Operating expenses for 2017 and 2016 are reflected in the following pie charts:





Requests for Information

This financial report is designed to provide a general overview of the Arkansas State Board of Public Accountancy's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, Arkansas State Board of Public Accountancy, 101 East Capitol, Suite 450, Little Rock, Arkansas 72201.

Arkansas State Board of Public Accountancy
A Component Unit of the State of Arkansas
Statement of Net Position
June 30, 2017

Assets and Deferred Outflows of Resources

Current Assets		
Cash	$	431,043
Accounts receivable		1,742
Prepaid expenses		1,666
Investments		1,152,593
Total current assets		1,587,044
Noncurrent Assets		
Capital assets, Net		21,257
Total assets		1,608,301
Deferred Outflows of Resources		
Pension		223,955
Total assets and deferred outflows of resources	$	1,832,256

Arkansas State Board of Public Accountancy
A Component Unit of the State of Arkansas
Statement of Net Position (Concluded)
June 30, 2017

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities		
Due other agencies	$	5,945
Accrued payroll		19,458
Accrued compensated absences - short-term		4,121
Accrued exam fees		19,849
Total current liabilities		49,373
Net Pension Liability		600,553
Other Long-Term Liabilities		
Accrued compensated absences		24,758
Total liabilities		674,684
Deferred Inflows of Resources		
Pension		22,687
Net Position		
Net investment in capital assets		21,257
Unrestricted		1,113,628
Total net position		1,134,885
Total liabilities, deferred inflows of resources and net position	$	1,832,256

Arkansas State Board of Public Accountancy
A Component Unit of the State of Arkansas
Statement of Revenues, Expenses and Change in Net Position
Year Ended June 30, 2017

Operating Revenues		
Registration	$	616,715
Examination		362,704
Application fees		13,060
Quality review		13,400
Disciplinary, reinstatement and late fees		54,790
Background checks and other		6,300
Total operating revenues		1,066,969
Operating Expenses		
Accounting		6,500
Advertising		9,271
Data processing and printing		14,216
Exam		224,424
Insurance		306
Office supplies		2,454
Postage and freight		5,795
Professional fees		22,709
Quality review		5,132
Refund		12,878
Rent - facilities and equipment		62,763
Repairs, maintenance and expendable equipment		2,912
Salaries, wages and employee benefits		633,075
Subscriptions and dues		8,902
Telephone		7,294
Travel and conference fees - in state		13,052
Travel and conference fees - out of state		22,434
Other		7,957
Depreciation		7,872
Total operating expenses		1,069,946
Operating Loss		(2,977)
Nonoperating Revenues (Expenses)		
Loss on disposal of capital assets		(594)
Investment and interest income		4,458
Total nonoperating revenues		3,864
Change in Net Position		887
Net Position, Beginning of Year		1,133,998
Net Position, End of Year	$	1,134,885

Arkansas State Board of Public Accountancy
A Component Unit of the State of Arkansas
Statement of Cash Flows
Year Ended June 30, 2017

Operating Activities	
Receipts from customers	$ 1,069,506
Payments to suppliers and contractors	(459,183)
Payments to employees	(598,207)
Net cash provided by operating activities	12,116
Investing Activites	
Investment purchases	(1,149,790)
Investment maturities	1,150,000
Interest income received	196
Net cash provided by investing activities	406
Increase in Cash and Cash Equivalents	12,522
Cash, Beginning of Year	418,521
Cash, End of Year	$ 431,043
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	$ (2,977)
Adjustment to reconcile operating loss to net cash provided by operating activities	
Depreciation	7,872
Changes in operating assets and liabilities	
Accounts receivable	2,537
Prepaid expenses	703
Accounts payable	(13,795)
Due to other agencies	1,371
Accrued wages and compensated absences	7,112
Other accrued expenses	(17,092)
Net pension liability	26,385
Net cash provided by operating activities	$ 12,116
Supplemental Cash Flows Information	
Loss on disposal of capital assets	$ (594)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The Arkansas State Board of Public Accountancy (the Board), a Board of Arkansas State Government, was created by the Arkansas Legislature in Act 160 of 1975 to regulate the practice of public accountancy within the state. The Board consists of seven (7) governor-appointed members, of which five (5) members must be Certified Public Accountants and two (2) members must not be actively engaged in or retired from the profession of accounting. The Board receives most of its revenues from member, license, and examination fees. The Board's primary functions are to issue licenses, monitor the practice of public accountancy, administer a quality review program, and administer the Uniform Certified Public Accountant Examination.

Basis of Accounting and Presentation

The financial statements of the Board have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated non-exchange transactions, if any, are recognized when all applicable eligibility requirements are met.

Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program specific, investment income and interest on capital assets-related debt are included in non-operating revenues and expenses. The Board first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Board considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2017, no cash equivalents were held.

Note 1: Nature of Operations and Summary of Significant Accounting Policies (continued)

Risk Management

The Board is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. No claims were filed or settled during the year-ended June 30, 2017.

Investments and Investment Income

Investments in U.S. Treasury bills with a remaining maturity of one year or less at time of acquisition are carried at amortized cost. Investment income includes interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Furniture and equipment are being capitalized over a useful life between 3 – 10 years.

Compensated Absences

Board policies permit full-time employees to accumulate annual and sick leave benefits. Upon termination, employees are entitled to receive compensation for their unused annual accrued leave up to 30 days. Sick leave may be accrued up to one hundred twenty (120) days. Compensation up to a maximum of $7,500 for unused sick leave is payable to employees upon retirement.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and medicare taxes computed using rates in effect at that date.

Cost-Sharing Defined Benefit Pension Plan

The Board participates in a cost-sharing multiple-employer defined benefit pension plan, the Arkansas Public Employees Retirement System, (the Plan or APERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net

Note 1: Nature of Operations and Summary of Significant Accounting Policies (continued)

position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position of the Board is classified, if applicable, in four components:

Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings, if any, used to finance the purchase or construction of those assets.

Restricted expendable net position - consists of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Board.

Restricted nonexpendable net position - consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Board.

Unrestricted net position – consists of the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Income Taxes

As an essential government function of the state of Arkansas, the Board is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Board is subject to federal income tax on any unrelated business taxable income. The Board currently has no unrelated business income.

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Board's deposit policy for custodial credit risk requires compliance with the provisions of state law.

Arkansas Code Annotated § 19-4-805 requires that agencies holding monies not deposited in the State Treasury, other than the institutions of higher learning, abide by the recommendations of the State Board of Finance. The State Board of Finance promulgated cash management, collateralization, and investments policies and procedures, effective July 14, 2012, as referenced in the Financial Management Guide issued by the Department of Finance and Administration for use by all state agencies.

Note 2: Deposits, Investments and Investment Income (continued)

The stated goal of state cash management is the protection of principal, while maximizing investment income and minimizing non-interest earning balances. Deposits are to be made within the borders of the State of Arkansas and must qualify for Federal Deposit Insurance Corporation ("FDIC") deposit insurance coverage. Policy requires a minimum of four bids to be sought on interest-bearing deposits in order to obtain the highest rate possible.

Policy states that funds are to be in transactional and non-transactional accounts as defined in the Financial Management Guide. Funds in excess of immediate expenditure requirements (excluding minimum balances) should not remain in non-interest bearing accounts.

State Board of Finance policy states that cash funds may only be invested in accounts and investments authorized under Ark. Code Ann. §§ 19-3-510, -518. All noncash investments must be held in safekeeping by a bank or financial institution. In addition, all cash funds on deposit with a bank or financial institution that exceed FDIC deposit insurance coverage must be collateralized. Collateral pledged must be held by an unaffiliated third-party custodian in an amount at least equal to 105% of the cash funds on deposit.

At June 30, 2017, the Board's bank balances consisted of $374,354 "Cash in Bank" and $15,715 "Cash in State Treasury". The book value of the deposits was $388,542. The "cash in bank" balances were fully insured as of June 30, 2017. State Treasury Management Law governs the management of funds held in the State Treasury and it is the responsibility of the Treasurer of the State to ensure these funds are adequately insured and collateralized.

Investments and Investment Income

The Board may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities.

Investment	Fair Value	Investment Maturity Less than 1 Year
U.S. Treasury Bill	$ 1,152,593	$ 1,152,593

Investment and interest income:

Investment income	$ 4,286
Interest income	172
Total	$ 4,458

Note 2: Deposits, Investments and Investment Income (continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The summary above indicates that none of the Board's investment maturities are over one year.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Board's policy to limit its investments to those guaranteed by the U. S. government.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Board's investments are held by a third party investment broker in the Board's name.

Concentration of Credit Risk - The Board places no limit on the amount that may be invested in any one issuer. At June 30, 2017, 100% of the Board's investments were in a U. S. Treasury Bill.

Note 3: Capital Assets

Capital asset activity for the year ended June 30 was:

	Beginning Balance	Additions	Disposals	Ending Balance
Furniture and equipment	$ 107,466	$ -	$ (4,784)	$ 102,682
Less accumulated depreciation	(77,743)	(7,872)	4,190	(81,425)
Capital assets, net	$ 29,723	$ (7,872)	$ (594)	$ 21,257

Depreciation expense totaled $7,872 for the year ended June 30, 2017.

Note 4: Operating Leases

A non-cancellable operating lease for office space expires on June 30, 2018. The lease may be renegotiated at the end of the term. Future minimum lease payments at June 30, 2017 was $49,962.

Rental expense for all operating leases was $62,763 for the year ended June 30, 2017.

Note 5: Pension Plan

Plan Description

The Board contributes to the Arkansas Public Employees' Retirement System ("APERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the Board of Trustees of the Arkansas Public Employees' Retirement System. APERS provides retirement and disability benefits, annual redetermination of benefit adjustments, and survivor benefits to plan members and beneficiaries. The Constitution of Arkansas, Article 5, vests with the General Assembly the legislative power. This power includes the enactment and amendment of benefit provisions of APERS as published in Chapters 2, 3 and 4 of Title 24 of the Arkansas Code Annotated.

The Plan issues a publicly available financial report which may be obtained by contacting:

Arkansas Public Employees Retirement System
124 West Capitol, Suite 400
Little Rock, AR 72201-3704
(501) 682-7800
http://www.apers.org/annualreports/index.php

Benefits Provided

The Plan provides retirement, disability, and death benefits and annual adjustments to plan members and beneficiaries. The normal retirement benefit, paid on a monthly basis, is determined based on (1) the member's final average compensation (an average of the highest 36 months' earnings); and (2) the number of years of credited service. Retiree benefit increases are calculated each year on July 1 for the following 12 months. The redetermined amount is the amount of the benefit payable as of the preceding July 1, increased by 3%. Members are eligible for full retirement benefits (1) at any age with 28 years of credited service; (2) at age 65 with five years of actual service; or (3) at age 55 with 35 years of credited service as an elected official or public safety member. Members are eligible for reduced benefits (1) at any age with at least 25 years, but less than 28 years, of actual service; or (2) at age 55 with five years of actual service. Members who are defined as a public safety member are eligible for a reduced benefit with five years of actual service if the member is within 10 years of normal retirement age.

Contributions

Arkansas Code Title 24 establishes the contribution requirements of active members and participating employers. Contribution provisions applicable to the participating employers are established by the APERS' Board of Trustees and based on an independent actuary's determination of the rate required to fund the plan. For the fiscal year ended June 30, 2017, the Board’s contribution rate, as a percentage of active member payrolls, was 14.50% and contributions to APERS were $64,918.

Note 5: Pension Plan (continued)

APERS consist of both a contributory plan and a noncontributory plan. The contributory plan has been in effect since 1957 and is available to all persons who became members prior to January 1, 1978. The noncontributory plan was created by Act 793 of 1977 and was effective January 1, 1978. It automatically applied to all members hire from January 1, 1978 to June 30, 2005. Act 2084 of 2005 requires that, beginning July 1, 2005, all new hires become contributory members and are required to contribute 5% of their earnings to APERS. Previous noncontributory members were given the opportunity to become contributory members, if so elected, by December 13, 2005. During a member's participation in the APERS deferred retirement option plan (DROP), the employer continues to make contributions and the employee ceases to make contributions.

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

At June 30, 2017, the Board reported a liability of $600,553, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Board's proportion was 0.02511359%, which was an increase of .02% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the Board recognized pension expense of $91,303. At June 30, 2017, the Board reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual experience	$ 567	$ 21,543
Net difference between projected and actual investment earnings on investments	104,852	-
Changes in assumptions	46,021	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,597	1,144
Contributions subsequent to the measurement date	64,918	-
Totals	$ 223,955	$ 22,687

Note 5: Pension Plan (continued)

At June 30, 2017, the Board reported $64,918 as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2017, related to pensions will be recognized in pension expense as follows:

Year Ending June 30	APERS Net Deferred Outflow of Resources
2018	$ (1,342)
2019	(5,469)
2020	21,612

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent-of-payroll, closed
Remaining amortization	23 years
Asset valuation method	4-year smoothed market with 25% corridor
Investment rate of return	7.8%
Projected salary increase	3.75% to 10.35%, including inflation
Inflation	3.75%
Cost of living adjustment	3% annual compounded increase

Mortality rates were based on the RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females. The Average service life for all members is 4.4487 years.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study for the period of July 1, 2007 through June 30, 2012. The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Note 5: Pension Plan (continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Broad domestic equity	38%	6.82%
International equity	24	6.88
Real assets	16	3.07
Absolute return	5	3.35
Domestic fixed	17	.83
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the actuarial study completed as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The Board's proportionate share of the net pension liability has been calculated using a discount rate of 7.50%. The following presents the Board's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Current discount rate 7.5%	$ 909,087	$ 600,553	$ 343,779

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued APERS financial report found at http://www.apers.org/annualreports.

Note 6: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases, where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Board’s U. S. Treasury bill held as of June 30, 2017 is considered a Level 2 investment.

Required Supplementary Information

Arkansas State Board of Public Accountancy
A Component Unit of the State of Arkansas
Schedules of Required Supplementary Information
Schedule of the Board's Proportionate Share of the Net Pension Liability
Arkansas Public Employees Retirement System

June 30	2015	2016
Agency's proportion of the net pension liability	0.02456366%	0.02511359%
Agency's proportionate share of the net pension liability	452,397	600,553
Agency's covered-employee payroll	431,597	439,963
Agency's proportionate share of the net pension liability as a percentage of it covered-employee payroll	105%	137%
Plan fiduciary net position as a percentage of the total pension liability	80.39%	84.99%

*The amounts presented for each fiscal year were determined as of June 30.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the Board will only present available information.

Arkansas State Board of Public Accountancy
A Component Unit of the State of Arkansas
Schedule of Contributions
Arkansas Public Employees Retirement System

June 30	2015	2016	2017
Contractually required contribution	$ 64,327	$ 66,038	$ 64,918
Contributions related to the contractually required contribution	(64,327)	(66,038)	(64,918)
Contribution deficiency (excess)	$ -	$ -	$ -
Agency's covered-employee payroll	431,597	439,963	436,942
Contributions as a percentage of covered-employee payroll	14.90%	15.01%	14.86%

Note: Information in this schedule has been determined as of the Board's most recent year-end.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the Board will only present available information.

BELL FOSTER JOHNSON & WATKINS, LLP

Certified Public Accountants

Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit on Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Arkansas State Board of Public Accountancy
Little Rock, Arkansas

We have audited, 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, the financial statements of the Arkansas State Board of Public Accountancy (the Board) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated February 22, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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.*

5420 W Markham
Little Rock, AR 72205
Phone: (501) 663-0990
Fax: (501) 661-0880
www.bfjwcpa.com

BFJW

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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bell Foster Johnson + Watkins LLP

February 22, 2018