

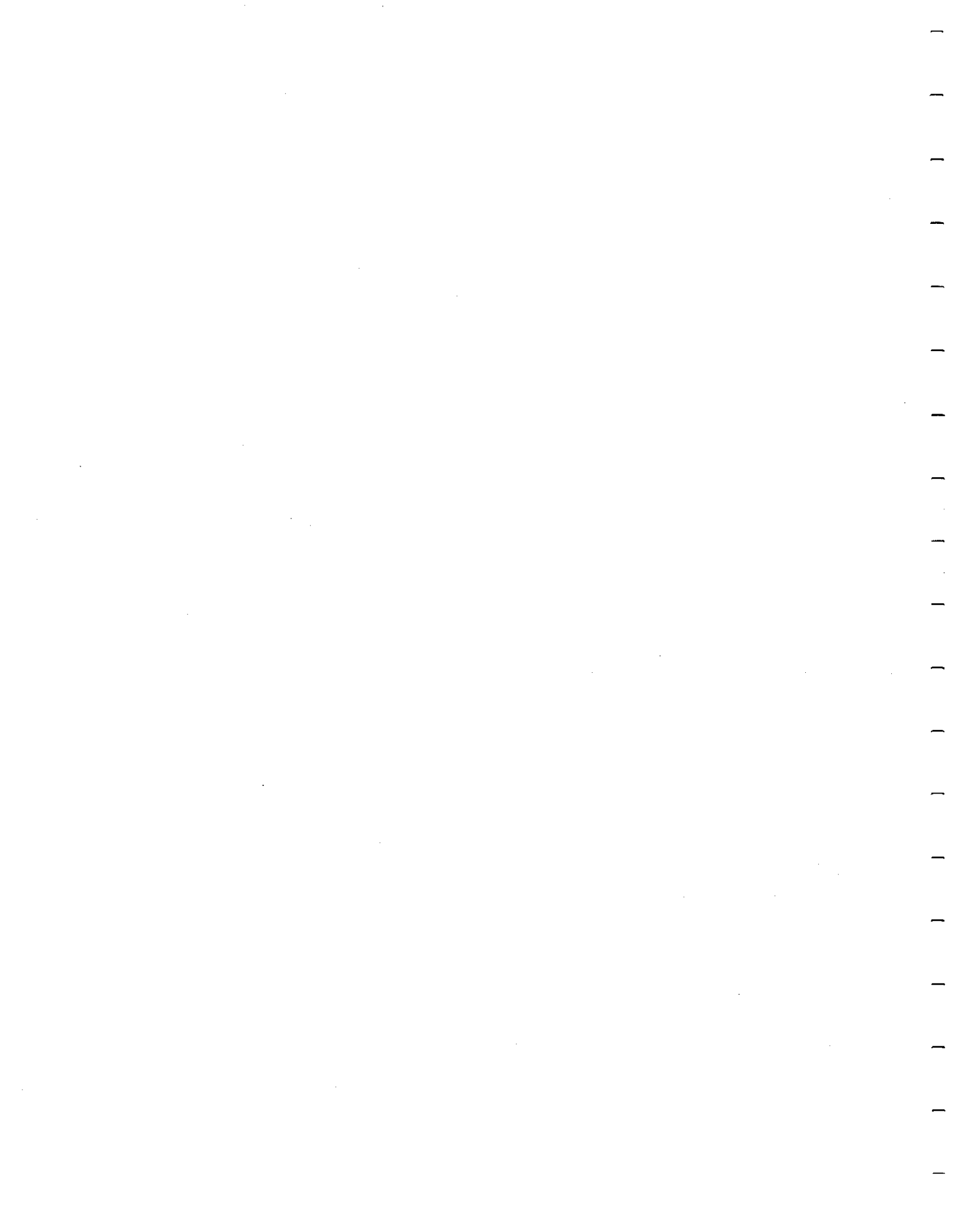
**STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR
SOUTH DAKOTA BOARD OF ACCOUNTANCY
BASIC FINANCIAL STATEMENTS
FOR THE TWO YEARS ENDED JUNE 30, 2010**



**STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR
SOUTH DAKOTA BOARD OF ACCOUNTANCY**

BOARD MEMBERS

Holly Brunick, CPA	Chair
John Linn, Jr., CPA	Vice-Chair
John Peterson	Secretary-Treasurer, Lay Member
David Olson, CPA	Member
John Mitchell, CPA	Member
Martin Guindon, CPA	Ex Officio Member



**STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR
SOUTH DAKOTA BOARD OF ACCOUNTANCY**

TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	4 - 5
Schedule of Prior Audit Finding	6
Schedule of Current Audit Finding and Recommendation	7
Independent Auditor's Report	8 - 9
Financial Statements:	
Statement of Net Assets	10
Statement of Revenues, Expenses, and Changes in Fund Net Assets	11
Statement of Cash Flows	12
Notes to the Financial Statements	13 - 18

Paul T. East, CPA
Paul W. Vander Woude, CPA
Rose M. Grant, CPA, MST

707 WEST 11th STREET
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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

The Honorable M. Michael Rounds
Governor of South Dakota
and

South Dakota Department of Labor
700 Governors Drive
Pierre, South Dakota
and

South Dakota Board of Accountancy
301 East 14th Street, Suite 200
Sioux Falls, South Dakota

We have audited the accompanying financial statements of the South Dakota Board of Accountancy, an enterprise fund of South Dakota state government, as of June 30, 2010 and for the two years then ended, which collectively comprise the Board's basic financial statements listed in the table of contents, and have issued our report thereon dated November 3, 2010.

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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board'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 of the effectiveness of Board of Accountancy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Board's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of the 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 *material weakness* is a deficiency, or combination of control deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 the internal control over financial reporting that might be deficiencies, 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 Board's financial statements are free of 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 object 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 South Dakota Legislature, state granting agencies, and governing board and management of the South Dakota Board of Accountancy, Sioux Falls, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 this report is matter of public record and its distribution is not limited.

East, Vander Woude, Grant & Co., P.C.

East, Vander Woude, Grant & Co., P.C.
November 3, 2010

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR
SOUTH DAKOTA BOARD OF ACCOUNTANCY
BASIC FINANCIAL STATEMENTS
FOR THE TWO YEARS ENDED JUNE 30, 2010

STATUS OF PRIOR AUDIT FINDINGS

Finding Number 2008-01:

A significant deficiency and a material weakness were reported for the auditor drafting of the financial statements and related footnote disclosures.

This situation was corrected by South Dakota Board of Accountancy Staff drafting the financial statements and related footnote disclosures in the current two year period under audit.

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR
SOUTH DAKOTA BOARD OF ACCOUNTANCY
BASIC FINANCIAL STATEMENTS
FOR THE TWO YEARS ENDED JUNE 30, 2010

CURRENT AUDIT FINDING AND RECOMMENDATION

There are no findings in the current year.

Paul T. East, CPA
Paul W. Vander Woude, CPA
Rose M. Grant, CPA, MST

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Sioux Falls, SD 57104
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Independent Auditor's Report

The Honorable M. Michael Rounds
Governor of South Dakota
and
South Dakota Department of Labor
700 Governors Drive
Pierre, South Dakota
and
South Dakota Board of Accountancy
301 East 14th Street, Suite 200
Sioux Falls, South Dakota

We have audited the accompanying financial statements of the South Dakota Board of Accountancy, an enterprise fund of South Dakota state government, as of and for the year ended June 30, 2010, and for each of the years in the biennial period then ended as listed in the table of contents. These financial statements are the responsibility of the management of the South Dakota Board of Accountancy. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements present only the South Dakota Board of Accountancy, an enterprise fund of the State of South Dakota and do not purport to, and do not, present fairly the financial position of the State of South Dakota as of June 30, 2010, and the changes in its financial position and its cash flows for each of the years in the biennial period then ended in conformity with accounting principles generally accepted in the United States of

America. Because the financial statements present only an enterprise fund and not the State of South Dakota, management has chosen not to present a Management's Discussion and Analysis for the enterprise fund that accounting principles generally accepted in the United States of America require to supplement, although not be a part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the of South Dakota Board of Accountancy as of June 30, 2010, and the changes in financial position and cash flows, for each of the biennial years then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2010 on our consideration of the South Dakota Board of Accountancy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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 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.

East, Vander Woude, Grant & Co. P.C.

East, Vander Woude, Grant & Co., P.C.
November 3, 2010

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR
SOUTH DAKOTA BOARD OF ACCOUNTANCY - ENTERPRISE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2010

Assets	
Current assets:	
Cash and cash equivalents	\$ 306,820
Investment Income Receivable	1,958
Total current assets	308,778
Noncurrent assets:	
Capital assets:	
Software development costs	140,063
Less accumulated depreciation	(80,717)
Total noncurrent assets	59,346
Total assets	\$ 368,124
Liabilities	
Current liabilities:	
Accounts payable	\$ 4,339
Amounts held for others	22,979
Accrued wages and benefits payable	7,552
Deferred revenues	25,010
Compensated absences, current portion	5,888
Total current liabilities	65,768
Noncurrent liabilities	
Compensated absences, long-term portion	5,274
Total noncurrent liabilities	5,274
Total liabilities	71,042
Net Assets	
Invested in capital assets	59,346
Unrestricted	237,736
Total net assets	297,082
Total liabilities and net assets	\$ 368,124

See accompanying notes to the financial statements.

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR
SOUTH DAKOTA BOARD OF ACCOUNTANCY - ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Licenses, permits and fees:		
Business and occupational licensing:		
Initial permits and renewals	\$ 174,345	\$ 188,660
Examination fees	10,860	8,940
Total licenses, permits and fees	<u>185,205</u>	<u>197,600</u>
Charges for sales and services:		
Quality review	4,850	7,525
Recovery of costs of proceedings	1,047	1,509
Total Charges for sales and services	<u>5,897</u>	<u>9,034</u>
Total operating revenues	<u>191,102</u>	<u>206,634</u>
Operating expenses:		
Personal services	88,564	88,002
Employee benefits	28,862	28,813
Travel	14,130	14,760
Contractual services	58,238	57,382
Supplies and materials	7,558	7,704
Depreciation	12,070	1,006
Total operating expenses	<u>209,422</u>	<u>197,667</u>
Operating Income (Loss)	<u>(18,320)</u>	<u>8,967</u>
Non-operating revenues:		
Interest income	13,977	21,797
Security lending rebate fees	-	(139)
Total non-operating revenues	<u>13,977</u>	<u>21,658</u>
Change in net assets	(4,343)	30,625
Net assets beginning of year	<u>301,425</u>	<u>270,800</u>
Net assets end of year	<u>\$ 297,082</u>	<u>\$ 301,425</u>

See accompanying notes to the financial statements.

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR
SOUTH DAKOTA BOARD OF ACCOUNTANCY - ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Receipts from customers	\$267,610	\$276,875
Payments to customers	(3,680)	(5,641)
Payments to suppliers	(157,095)	(129,277)
Payments to employees	(116,490)	(115,853)
Net cash provided (used) by operating activities	<u>(9,655)</u>	<u>26,104</u>
Cash flows from investing activities		
Interest on investments	15,225	22,286
Security lending rebate fees	-	(139)
Net cash provided by investing activities	<u>15,225</u>	<u>22,147</u>
Cash flows from capital and capital related financing activities		
Software Development Cost	-	(72,422)
Net cash provided (used) by financing activities	<u>-</u>	<u>(72,422)</u>
Net increase (decrease) in cash and cash equivalents	5,570	(24,171)
Cash and cash equivalents beginning of year	<u>301,250</u>	<u>325,421</u>
Cash and cash equivalents end of year	<u>\$ 306,820</u>	<u>\$ 301,250</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income (Loss)	\$ (18,320)	\$ 8,967
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	12,070	1,006
Increase (decrease) in accounts payable	(7,971)	5,196
Increase (decrease) amounts held for others	1,651	2,283
Increase (decrease) in deferred revenue	1,980	7,690
Increase (decrease) in accrued salaries payable	(189)	257
Increase in compensated absences	1,124	705
Net cash provided (used) by operating activities	<u>\$ (9,655)</u>	<u>\$ 26,104</u>

See accompanying notes to the financial statements.

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR
SOUTH DAKOTA BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The fund included in this report is controlled by or dependent upon the South Dakota Board of Accountancy. The South Dakota Board of Accountancy is an enterprise fund of the State of South Dakota government within the Department of Labor. Consequently, the financial statements do not purport to, and do not, present fairly the financial position, changes in financial position, and cash flows of the State of South Dakota government in accordance with accounting principles generally accepted in the United States of America. The purpose of the Board is to administer and enforce the rules and regulations regarding the practice of public accounting.

The accounting policies of the South Dakota Board of Accountancy conform to generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements. GASB Statement Nos. 20 and 34 provide the Board the option of electing to apply FASB pronouncements issued after November 30, 1989. The Board has elected not to apply those pronouncements.

b. Basis of Presentation

The Board is considered an enterprise fund of the State of South Dakota government. A fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses.

An enterprise fund is used to account for business-like activities provided to the general public. These activities are primarily financed by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Board utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used.

Operating income reported in the financial statements include revenues and expenses related to the primary continuing operations of the Board. Principal operating revenues are fees for occupational licensing and examinations. Principal expenses are the costs of providing these services and include administrative expenses and depreciation of capital assets. Other revenues, including interest income, and other expenses are classified as non-operating in the financial statements.

d. Cash and Investments

For the purpose of the Statement of Net Assets, cash includes the local checking account of the Board as well as the Board's interest in the pooled cash fund of the State of South Dakota government. Since the Board pools its cash resources for depositing and investing

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR
SOUTH DAKOTA BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

purposes, all reported deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

e. Capital Assets

The Board's policy is to capitalize all assets with an acquisition cost of \$5,000 or more and a useful life of more than one year. All assets are valued at historical cost or estimated cost if actual cost is not available, except for donated assets which are recorded at their estimated fair value at the date of donation. All of the reported capital assets have been valued at actual cost as of June 30, 2010.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Revenues, Expenses, and Changes in Fund Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The estimated useful life of software development costs has been estimated to be six years.

f. Compensated Absences

Annual leave is earned by all permanent employees who work in excess of 20 hours per week at the following rates:

0 – 15 years of service – .0576925 hours/hours worked cumulative to 240 hours

15 or more years of service – .076923125 hours/hours worked cumulative to 320 hours

Upon termination, if the employee has worked more than 6 months, all unused vacation hours are paid to the employee at the current rate of pay.

Sick leave is earned by all permanent employees at the rate of .053846154 hours per hour worked. Upon termination, if the employee has seven or more consecutive years of service, 25% of the unused hours are paid at the current rate of pay up to 480 hours.

The liability for these compensated absences is recorded as a liability in the financial statements. The current portion of this liability is estimated based on historical trends.

g. Equity

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR
SOUTH DAKOTA BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

2. DEPOSITS AND INVESTMENTS

Deposits – The Board’s deposits are made in qualified public depositories as defined by SDCL 4-6A-1 and with the South Dakota State Treasurer. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 110 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

The bank balance of the local checking account at June 30, 2010 was as follows:

	Bank
	<u>Balance</u>
Insured (FDIC/NCUA)	\$ 3,674.53
Total Deposits	<u>\$ 3,674.53</u>

The carrying amount of deposits at June 30, 2010 was \$3,674.53. They were all adequately insured as of June 30, 2010.

The Board’s cash includes a participating interest in the State’s internal investment pool held by the State Treasurer. The remaining reported cash of \$280,170.50 consists of \$280,170.50 held in the State’s internal investment pool. Management of the State’s internal investment pool is the statutory responsibility of the South Dakota Investment Council (SDIC). The investment policy and required risk disclosures for the State’s internal investment pool are presented in the SDIC’s audit report which can be obtained by contacting the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, South Dakota 57501.

3. CAPITAL ASSETS

A summary of changes in capital assets for the two fiscal years ended June 30, 2010, is as follows:

	Balance @ 7/1/08	Additions	Deletions	Balance @ 6/30/10
Computer software	\$ 67,641	\$ 72,422	\$ -	\$ 140,063
Accum. depreciation	(67,641)	(13,076)	-	(80,717)
Capital Assets, Net	\$ -	\$ 59,346	\$ -	\$ 59,346

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR
SOUTH DAKOTA BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

4. LONG- TERM DEBT

As of June 30, 2010, the following liabilities existed for accumulated unpaid leave balances calculated at the employees' June 30, 2010 pay rates including the employer's share of employee benefits:

Vacation pay	\$	5,888
Sick pay		5,274
Total	<u>\$</u>	<u>11,162</u>

A summary of the changes in long-term debt follows:

		<u>Compenstated Absences</u>
Debt payable, July 1, 2008	\$	9,333
Additions to compensated absences		14,549
Deductions from compensated absences		<u>(12,720)</u>
Debt payable, June 30, 2010	<u>\$</u>	<u>11,162</u>

See Note 1 for additional information relating to compensated absences.

5. LEASES

Operating Leases:

The South Dakota Board of Accountancy leases office space pursuant to an operating lease which expired September 2009. A new lease was signed in October 2009 and will expire in December 2012. Rents paid pursuant to this lease totaled \$14,931 and \$15,158 for the fiscal years ended June 30, 2009 and 2010, respectively.

The South Dakota Board of Accountancy leases a copier pursuant to operating leases which expired December 2009. A new lease was signed in December 2009 and will expire in December 2012. Rents paid pursuant to these leases totaled \$3,029 and \$1,778 for the fiscal years ended June 30, 2009 and 2010, respectively.

The South Dakota Board of Accountancy leases a postage machine pursuant to operating leases which would have expired August 2010. A new lease was signed in May 2010 and will expire in August 2015. Rents paid pursuant to these leases totaled \$2,009 and \$1,507 for the fiscal years ended June 30, 2009 and 2010, respectively.

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR
SOUTH DAKOTA BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

The following are the minimum payments on the existing operating leases:

Year	
<u>Ending</u>	<u>Amount</u>
6/30/11	\$ 18,745
6/30/12	18,745
6/30/13	6,758
6/30/14	2,388
6/30/15	<u>2,388</u>
Totals	<u>\$ 49,024</u>

6. RETIREMENT PLAN

The Board participates in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer defined benefit plan established to provide retirement, disability, and survivor benefits for employees of the State of South Dakota and its political subdivisions. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements, footnote disclosures, and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501 or by calling (605) 773-3731.

Employees are required by state statute to contribute 6% of their salary to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. The right to receive retirement benefits vests after three years of credited service. The Board's contributions to the SDRS for the fiscal years ended June 30, 2008, 2009 and 2010 were \$4,688.81, \$4,985.85 and \$5,009.95 respectively.

7. RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The South Dakota Board of Accountancy is an enterprise fund of the State of South Dakota government and the Board employees are considered employees of the State of South Dakota. The State of South Dakota is self-insured for workers' compensation benefits, unemployment insurance, health insurance, and life insurance. The State of South Dakota covers risks associated with automobile liability and general tort liability (including public officials' errors and omissions liability, medical malpractice liability, law enforcement liability, and products liability) through a Public Entity Pool Liability (PEPL). The State of South Dakota is insured for boiler insurance, aircraft, and performance bonds through outside insurance companies. The State of South Dakota is uninsured for property losses, with the exception of bonded and revenue-producing buildings that are covered through outside insurance companies.

The Board is charged "premiums" by the State of South Dakota for coverage provided.

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR
SOUTH DAKOTA BOARD OF ACCOUNTANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

The State of South Dakota issues a publicly available financial report that includes additional disclosures related to risk management.

8. EXAMINATION FEE REVENUE/AMOUNTS HELD FOR OTHERS

Subsequent to the November 2003 Uniform Certified Public Accountant Examination, a significant portion of the responsibility for administering the examination has been contractually transferred to the National Association of State Boards of Accountancy (NASBA). Beginning with the April-May 2004 exam window, the Board collects the total exam fee from the participants but reports as revenue only the portion of the fee that belongs to the South Dakota Board of Accountancy as established by administrative rule. The portion of the exam fee that will be remitted to NASBA and others is reported as a current liability account titled "Amounts Held For Others."