# Oklahoma Department of Wildlife Conservation

*Financial Statements*

June 30, 2012 and 2011
(With Independent Auditors' Report Thereon)

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

**OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION**

**FINANCIAL STATEMENTS**

*Table of Contents*



(Continued)

## INDEPENDENT AUDITORS' REPORT

The Commission
Oklahoma Department of Wildlife Conservation

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oklahoma Department of Wildlife Conservation (the "Department") as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Department's basic financial statements as listed in the table of contents. The Department is part of the reporting entity of the State of Oklahoma. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions of 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Oklahoma that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2012 and 2011, and its changes in financial position 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, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2012 and 2011, 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)



1421 East 45th Street • Shawnee, OK 74804
P: 405.878.7300 • www.finley-cook.com • F: 405.395.3300

**INDEPENDENT AUDITORS' REPORT, CONTINUED**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2012, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I–1 through I–7 and the schedules of funding progress and the schedule of employer contributions on pages 46–50 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, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Finley + Cook, PLLC

Shawnee, Oklahoma
September 25, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Oklahoma Department of Wildlife Conservation (the "Department"), we offer readers of the Department's financial statements this overview and analysis of the financial activities for the fiscal years ended June 30, 2012 and 2011.

### Financial Highlights

- During 2012 and 2011, the Department generated revenues of approximately $44 million and $57 million, respectively.

- In 2012 and 2011, the net assets of the Department increased by approximately $5 million from the previous fiscal, resulting in net assets of approximately $174 million at year-end in fiscal year 2012 and approximately $169 million at year-end in fiscal year 2011.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to the financial statements.

*Government-Wide Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private-sector business. Taxes and intergovernmental revenues support the governmental activities.

The statement of net assets presents information on all of the Department's assets and liabilities, with the difference between the two reported as net assets. Increases and decreases in net assets serve as useful indicators of whether the financial position of the Department is improving or deteriorating.

The statement of activities presents information demonstrating the degree of change in net assets during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

(Continued)

## Overview of the Financial Statements, Continued

*Governmental Fund Financial Statements*

Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, this information may be useful in evaluating a government's near-term financing requirements. The focus of governmental funds is narrower than that of the government-wide financial statements, thus it allows readers to better understand the long-term impact of the government's near-term decision making processes. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

Fiduciary fund financial statements provide information about the financial relationships—such as the retirement plans for the Department's employees—in which the Department acts solely as a trustee for the benefit of others, to whom the resources belong. The Department is responsible for ensuring the assets reported in these funds are used for their intended purposes. The fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the Department's government-wide financial statements due to the Department not being allowed to use these assets to finance its operations.

The Department for reporting purposes maintains two governmental funds and a fiduciary fund. The two governmental funds are the general fund and permanent fund. The general fund is the primary operating fund for the Department, except those required to be accounted for in another fund. Included in the general fund are the assets and operation of the lifetime licensed investment income account. As the resources of the investment income account may be used to support the Department's activities, they are reported in the general fund. The permanent fund accounts for the sale of lifetime licenses. The Department is required to maintain lifetime license sales in perpetuity by State statute. The pension trust funds account for the activities of the Department's retirement pension plans, which accumulate resources for pension benefit payments to qualified employees. Information is presented separately in the governmental fund balance sheet for the governmental funds and the fiduciary fund. All transactions relating to the general administration of the Department are accounted for in the governmental fund statement of revenues, expenditures, and changes in fund balances, whereas the fiduciary fund is custodial in nature and does not present results of operations or have a measurement focus.

## Capital Assets

The Department's investment in capital assets for its governmental activities as of June 30, 2012, 2011, and 2010, amounted to $74,200,123, $70,417,349, and $59,669,433, respectively. As a direct result of Governmental Accounting Standards Board (GASB) 34 implementation, our capital assets are being depreciated on a straight-line method over the asset's useful life and reported net of accumulated depreciation.

(Continued)

## Changes in Net Assets

Our revenue consists mainly of hunting and fishing license revenue, caviar sales, and federal operating grants. Our agency is a constitutional agency and does not receive state appropriations. Caviar sales accounted primarily for the increase in funds from the prior fiscal year. Additionally, there was a net increase of $3.8 million in capital assets for the purchase of land and a new paddlefish research and processing center.

In fiscal year 2012, our cash and cash equivalents (restricted and unrestricted) decreased by approximately $2,601,000, along with general revenue (including investment income) decreasing by approximately $7,332,000. In 2012, license sales decreased by approximately $174,000 and lifetime licenses increased by approximately $36,000. Overall expenses decreased by approximately $55,000. In fiscal year 2011, our cash and cash equivalents (restricted and unrestricted) increased by approximately $8,023,000, along with general revenue (including investment income) increasing by approximately $2,494,000. In 2011, license sales decreased by approximately $786,000 and lifetime licenses increased by approximately $154,000. Overall expenses increased by approximately $1,415,000.

The fiduciary net assets increased by approximately $2.6 million in 2012 due to investment earnings, resulting in net assets held in trust of approximately $76 million, $74 million, and $64 million in fiscal years 2012, 2011, and 2010, respectively.

## Government-Wide Financial Analysis

At the end of the current year, the Department's net assets are reported as follows:

*Oklahoma Department of Wildlife Conservation Net Assets*

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Current assets | $ 26,180,274 | 28,310,741 | 23,925,800 |
| Restricted assets | 78,498,640 | 75,264,251 | 72,949,677 |
| Capital assets, net | 74,200,123 | 70,417,349 | 59,669,433 |
| Total assets | 178,879,037 | 173,992,341 | 156,544,910 |
| Current liabilities | 783,649 | 1,102,561 | 1,349,755 |
| Long-term liabilities | 3,765,340 | 3,996,942 | 4,035,062 |
| Total liabilities | 4,548,989 | 5,099,503 | 5,384,817 |
| Invested in capital assets | 74,200,123 | 70,417,349 | 59,669,433 |
| Restricted net assets | 78,593,990 | 75,355,951 | 73,043,217 |
| Unrestricted | 21,535,935 | 23,119,538 | 18,447,443 |
| Total net assets | $ 174,330,048 | 168,892,838 | 151,160,093 |

(Continued)

## Government-Wide Financial Analysis, Continued

*Oklahoma Department of Wildlife Conservation Changes in Net Assets*

| | 2012 | | | |
|---|---|---|---|---|
| | | Program Revenues | | |
| | Expenses | License Fees | Federal Operating Grants | Net (Expense) Revenue/Change in Net Assets |
| Programs: | | | | |
| Game | $ (11,874,556) | 4,719,072 | 6,242,408 | (913,076) |
| Fish | (9,984,339) | 4,221,606 | 6,078,502 | 315,769 |
| Law enforcement | (10,628,940) | 3,518,650 | - | (7,110,290) |
| Information and education | (2,374,117) | 820,966 | 495,557 | (1,057,594) |
| Nongame | - | - | 913,987 | 913,987 |
| Administration and natural resources | (3,856,746) | 1,279,249 | - | (2,577,497) |
| Total program activities | $ (38,718,698) | 14,559,543 | 13,730,454 | (10,428,701) |
| General revenues: | | | | |
| Other wildlife sales | | | | 6,852,109 |
| Sales of general fixed assets | | | | 216,300 |
| Investment income | | | | 1,625,056 |
| Miscellaneous | | | | 1,886,139 |
| Agricultural and oil leases | | | | 2,704,450 |
| Non-expendable revenues—lifetime licenses | | | | 2,581,947 |
| Total general revenues | | | | 15,866,001 |
| Change in net assets | | | | 5,437,300 |
| Net assets, beginning of year | | | | 168,892,838 |
| Net assets, end of year | | | | $ 174,330,138 |

(Continued)

## Government-Wide Financial Analysis, Continued

*Oklahoma Department of Wildlife Conservation Changes in Net Assets, Continued*

| | 2011 | | | |
|---|---|---|---|---|
| | | Program Revenues | | |
| | Expenses | License Fees | Federal Operating Grants | Net (Expense) Revenue/Change in Net Assets |
| Programs: | | | | |
| Game | $ (11,860,811) | 4,350,081 | 8,472,354 | 961,624 |
| Fish | (9,592,702) | 4,212,875 | 5,955,421 | 575,594 |
| Law enforcement | (10,174,259) | 3,830,686 | - | (6,343,573) |
| Information and education | (2,340,728) | 914,027 | 998,518 | (428,183) |
| Administration and natural resources | (4,805,520) | 1,426,264 | 3,149,071 | (230,185) |
| Total program activities | $ (38,774,020) | 14,733,933 | 18,575,364 | (5,464,723) |
| General revenues: | | | | |
| Other wildlife sales | | | | 4,665,154 |
| Sales of general fixed assets | | | | 252,919 |
| Investment income | | | | 7,717,101 |
| Miscellaneous | | | | 5,548,850 |
| Agricultural and oil leases | | | | 2,467,971 |
| Non-expendable revenues—lifetime licenses | | | | 2,545,473 |
| Total general revenues | | | | 23,197,468 |
| Change in net assets | | | | 17,732,745 |
| Net assets, beginning of year | | | | 151,160,093 |
| Net assets, end of year | | | | $ 168,892,838 |

(Continued)

## Government-Wide Financial Analysis, Continued

*Oklahoma Department of Wildlife Conservation Changes in Net Assets, Continued*

| | 2010 | | | |
|---|---|---|---|---|
| | | Program Revenues | | |
| | Expenses | License Fees | Federal Operating Grants | Net (Expense) Revenue/Change in Net Assets |
| Programs: | | | | |
| Game | $ (10,974,891) | 4,903,055 | 8,358,560 | 2,286,724 |
| Fish | (9,791,157) | 4,319,268 | 6,633,018 | 1,161,129 |
| Law enforcement | (10,296,054) | 3,864,962 | - | (6,431,092) |
| Information and education | (2,304,523) | 929,972 | 1,033,664 | (340,887) |
| Administration and natural resources | (3,992,297) | 1,502,457 | 621,967 | (1,867,873) |
| Total program activities | $ (37,358,922) | 15,519,714 | 16,647,209 | (5,191,999) |
| General revenues: | | | | |
| Other wildlife sales | | | | 5,090,494 |
| Sales of general fixed assets | | | | 246,792 |
| Investment income | | | | 4,672,380 |
| Miscellaneous | | | | 5,364,257 |
| Agricultural and oil leases | | | | 2,938,650 |
| Non-expendable revenues—lifetime licenses | | | | 2,391,256 |
| Total general revenues | | | | 20,703,829 |
| Change in net assets | | | | 15,511,830 |
| Net assets, beginning of year | | | | 135,648,263 |
| Net assets, end of year | | | | $ 151,160,093 |

(Continued)

## Overview of the Oklahoma Department of Wildlife Conservation

The Department was created by a constitutional amendment in 1956 under Article 26. The Department has the primary duties of providing management, protection, and enhancement of wildlife resources and habitat for scientific, educational, recreational, and economic benefits to present and future generations of citizens and visitors to Oklahoma as stated in O.S. 29.

The Oklahoma Wildlife Conservation Commission (the "Commission") is an advisory, administrative, and policy-making body for the Department. The eight members of the Commission are appointed to 8-year terms by the Governor and confirmed by the State Senate of Oklahoma.

Our discussion and analysis of the Department's financial performance provides an overview of the Department's financial activities for the fiscal years ended June 30, 2012 and 2011.

The decrease in total expenditures for the year ended June 30, 2012, in comparison to the year ended June 30, 2011, is a result of less capital improvement expenditures.

## Request for Information

This financial report is designed to provide interested parties with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If you have any questions regarding this report, please contact the Oklahoma Department of Wildlife Conservation, 1801 North Lincoln, Oklahoma City, OK 73105.

**OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION**

**STATEMENTS OF NET ASSETS**

| *June 30,* | | *2012* | *2011* |
|---|---|---|---|
| Assets: | | | |
| Cash and cash equivalents | $ | 10,093,505 | 9,920,192 |
| Receivables | | 1,363,323 | 1,810,389 |
| Inventory held for sale | | 455,026 | 752,718 |
| Investments | | 14,268,420 | 15,827,442 |
| Restricted cash and cash equivalents | | 15,570,349 | 18,344,560 |
| Restricted investments | | 62,921,291 | 56,912,691 |
| Restricted assets | | 7,000 | 7,000 |
| Capital assets, net | | 74,200,123 | 70,417,349 |
| Total assets | | 178,879,037 | 173,992,341 |
| Liabilities: | | | |
| Accounts payable | | 367,857 | 271,550 |
| Unearned revenue | | 50,504 | 471,426 |
| Compensated absences payable—amount due in 1 year or less | | 365,288 | 359,585 |
| Compensated absences payable—amount due in more than 1 year | | 2,412,073 | 2,322,937 |
| Net pension obligation—amount due in more than 1 year | | 1,102,006 | 1,476,396 |
| Net OPEB obligation—amount due in more than 1 year | | 251,261 | 197,609 |
| Total liabilities | | 4,548,989 | 5,099,503 |
| Net assets: | | | |
| Invested in capital assets | | 74,200,123 | 70,417,349 |
| Restricted for: | | | |
| Lifetime licenses | | 73,222,922 | 70,640,975 |
| Purchase of land—legacy permits | | 5,371,068 | 4,714,976 |
| Unrestricted | | 21,535,935 | 23,119,538 |
| Total net assets | $ | 174,330,048 | 168,892,838 |

See Independent Auditors' Report.
See accompanying notes to financial statements.

**OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION**

**STATEMENTS OF ACTIVITIES**

*Year Ended June 30, 2012*

| | Expenses | Program Revenues: License Fees | Program Revenues: Federal Operating Grants | Net (Expense) Revenue/Change in Net Assets |
|---|---|---|---|---|
| Programs: | | | | |
| Game | $(11,874,556) | 4,719,072 | 6,242,408 | (913,076) |
| Fish | (9,984,339) | 4,221,606 | 6,078,502 | 315,769 |
| Law enforcement | (10,628,940) | 3,518,650 | - | (7,110,290) |
| Information and education | (2,374,117) | 820,966 | 495,557 | (1,057,594) |
| Nongame | - | - | 913,987 | 913,987 |
| Administration and natural resources | (3,856,746) | 1,279,249 | - | (2,577,497) |
| Total program activities | $(38,718,698) | 14,559,543 | 13,730,454 | (10,428,701) |
| General revenues: | | | | |
| Other wildlife sales | | | | 6,852,019 |
| Sales of general fixed assets | | | | 216,300 |
| Investment income | | | | 1,625,056 |
| Miscellaneous | | | | 1,886,139 |
| Agricultural and oil leases | | | | 2,704,450 |
| Non-expendable revenues—lifetime licenses | | | | 2,581,947 |
| Total general revenues | | | | 15,865,911 |
| Change in net assets | | | | 5,437,210 |
| Net assets, beginning of year | | | | 168,892,838 |
| Net assets, end of year | | | | $ 174,330,048 |

See Independent Auditors' Report.
See accompanying notes to financial statements.

## OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

## STATEMENTS OF ACTIVITIES, CONTINUED

*Year Ended June 30, 2011*

| | | Program Revenues | | |
|---|---|---|---|---|
| | Expenses | License Fees | Federal Operating Grants | Net (Expense) Revenue/Change in Net Assets |
| Programs: | | | | |
| Game | $(11,860,811) | 4,350,081 | 8,472,354 | 961,624 |
| Fish | (9,592,702) | 4,212,875 | 5,955,421 | 575,594 |
| Law enforcement | (10,174,259) | 3,830,686 | - | (6,343,573) |
| Information and education | (2,340,728) | 914,027 | 998,518 | (428,183) |
| Administration and natural resources | (4,805,520) | 1,426,264 | 3,149,071 | (230,185) |
| Total program activities | $(38,774,020) | 14,733,933 | 18,575,364 | (5,464,723) |
| General revenues: | | | | |
| Other wildlife sales | | | | 4,665,154 |
| Sales of general fixed assets | | | | 252,919 |
| Investment income | | | | 7,717,101 |
| Miscellaneous | | | | 5,548,850 |
| Agricultural and oil leases | | | | 2,467,971 |
| Non-expendable revenues—lifetime licenses | | | | 2,545,473 |
| Total general revenues | | | | 23,197,468 |
| Change in net assets | | | | 17,732,745 |
| Net assets, beginning of year | | | | 151,160,093 |
| Net assets, end of year | | | | $ 168,892,838 |

See Independent Auditors' Report.
See accompanying notes to financial statements.

**OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION**

**BALANCE SHEETS—GOVERNMENTAL FUNDS**

*June 30, 2012*

| | General Fund | Permanent Fund<br>Perpetual Lifetime Licenses | Total Governmental Funds |
|---|---|---|---|
| Assets: | | | |
| Cash and cash equivalents | $ 15,464,573 | 10,199,281 | 25,663,854 |
| Investments | 14,268,420 | 62,921,291 | 77,189,711 |
| Receivables | 1,363,323 | - | 1,363,323 |
| Due from other funds | - | 95,350 | 95,350 |
| Inventory held for sale | 455,026 | - | 455,026 |
| Other assets | - | 7,000 | 7,000 |
| Total assets | $ 31,551,342 | 73,222,922 | 104,774,264 |
| Liabilities: | | | |
| Accounts payable | $ 367,857 | - | 367,857 |
| Due to other funds | 95,350 | - | 95,350 |
| Unearned revenue | 50,504 | - | 50,504 |
| Total liabilities | 513,711 | - | 513,711 |
| Fund balances: | | | |
| Nonspendable: | | | |
| Lifetime licenses | - | 73,222,922 | 73,222,922 |
| Restricted for: | | | |
| Purchase of land—legacy permits | 5,371,068 | - | 5,371,068 |
| Unassigned | 25,666,563 | - | 25,666,563 |
| Total fund balances | 31,037,631 | 73,222,922 | 104,260,553 |
| Total liabilities and fund balances | $ 31,551,342 | 73,222,922 | 104,774,264 |
| Reconciliation: | | | |
| Fund balances from above | $ 31,037,631 | 73,222,922 | 104,260,553 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | 74,200,123 | - | 74,200,123 |
| Certain liabilities are not due and payable in the current period and therefore are not reported in the funds | (4,130,628) | - | (4,130,628) |
| Net assets per statement of net assets | $ 101,107,126 | 73,222,922 | 174,330,048 |

See Independent Auditors' Report.
See accompanying notes to financial statements.

## OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

## BALANCE SHEETS—GOVERNMENTAL FUNDS, CONTINUED

*June 30, 2011*

| | General Fund | Permanent Fund<br>Perpetual Lifetime Licenses | Total Governmental Funds |
|---|---|---|---|
| Assets: | | | |
| Cash and cash equivalents | $ 14,635,168 | 13,629,584 | 28,264,752 |
| Investments | 15,827,442 | 56,912,691 | 72,740,133 |
| Receivables | 1,810,389 | - | 1,810,389 |
| Due from other funds | - | 91,700 | 91,700 |
| Inventory held for sale | 752,718 | - | 752,718 |
| Other assets | - | 7,000 | 7,000 |
| Total assets | $ 33,025,717 | 70,640,975 | 103,666,692 |
| Liabilities: | | | |
| Accounts payable | $ 271,550 | - | 271,550 |
| Due to other funds | 91,700 | - | 91,700 |
| Unearned revenue | 471,426 | - | 471,426 |
| Total liabilities | 834,676 | - | 834,676 |
| Fund balances: | | | |
| Nonspendable: | | | |
| Lifetime licenses | - | 70,640,975 | 70,640,975 |
| Restricted for: | | | |
| Purchase of land—legacy permits | 4,714,976 | - | 4,714,976 |
| Unassigned | 27,476,065 | - | 27,476,065 |
| Total fund balances | 32,191,041 | 70,640,975 | 102,832,016 |
| Total liabilities and fund balances | $ 33,025,717 | 70,640,975 | 103,666,692 |
| Reconciliation: | | | |
| Fund balances from above | $ 32,191,041 | 70,640,975 | 102,832,016 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | 70,417,349 | - | 70,417,349 |
| Certain liabilities are not due and payable in the current period and therefore are not reported in the funds | (4,356,527) | - | (4,356,527) |
| Net assets per statement of net assets | $ 98,251,863 | 70,640,975 | 168,892,838 |

See Independent Auditors' Report.
See accompanying notes to financial statements.

**OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS**

*Year Ended June 30, 2012*

| | General Fund | Permanent Fund: Perpetual Lifetime Licenses | Total Governmental Funds |
|---|---|---|---|
| Revenues: | | | |
| Licenses | $ 14,559,543 | 2,581,947 | 17,141,490 |
| Other wildlife sales | 5,001,273 | - | 5,001,273 |
| Legacy permit sales | 1,850,746 | - | 1,850,746 |
| Agricultural and oil leases | 2,704,449 | - | 2,704,449 |
| Federal grant revenue | 13,730,454 | - | 13,730,454 |
| Investment income—lifetime licenses | 1,367,949 | - | 1,367,949 |
| Investment income | 257,107 | - | 257,107 |
| Miscellaneous | 1,886,139 | - | 1,886,139 |
| Total revenues | 41,357,660 | 2,581,947 | 43,939,607 |
| Expenditures: | | | |
| Administration and natural resources | 4,029,300 | - | 4,029,300 |
| Game | 12,482,381 | - | 12,482,381 |
| Fish | 10,483,521 | - | 10,483,521 |
| Law enforcement | 11,016,002 | - | 11,016,002 |
| Information and education | 2,460,209 | - | 2,460,209 |
| Land acquisitions | 2,255,957 | - | 2,255,957 |
| Total expenditures | 42,727,370 | - | 42,727,370 |
| Revenues (under) over expenditures | (1,369,710) | 2,581,947 | 1,212,237 |
| Other financing sources: | | | |
| Sales of other assets | 216,300 | - | 216,300 |
| Total other financing sources | 216,300 | - | 216,300 |
| Net changes in fund balances | (1,153,410) | 2,581,947 | 1,428,537 |
| Fund balances, beginning of year | 32,191,041 | 70,640,975 | 102,832,016 |
| Fund balances, end of year | $ 31,037,631 | 73,222,922 | 104,260,553 |

See Independent Auditors' Report.
See accompanying notes to financial statements.

**OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS, CONTINUED**

*Year Ended June 30, 2011*

| | General Fund | Permanent Fund<br>Perpetual Lifetime Licenses | Total Governmental Funds |
|---|---|---|---|
| Revenues: | | | |
| Licenses | $ 14,733,933 | 2,545,473 | 17,279,406 |
| Other wildlife sales | 2,727,289 | - | 2,727,289 |
| Legacy permit sales | 1,937,865 | - | 1,937,865 |
| Agricultural and oil leases | 2,467,971 | - | 2,467,971 |
| Federal grant revenue | 18,575,364 | - | 18,575,364 |
| Investment income—lifetime licenses | 7,363,976 | - | 7,363,976 |
| Investment income | 353,125 | - | 353,125 |
| Miscellaneous | 5,548,850 | - | 5,548,850 |
| Total revenues | 53,708,373 | 2,545,473 | 56,253,846 |
| Expenditures: | | | |
| Administration and natural resources | 4,778,651 | - | 4,778,651 |
| Game | 11,775,632 | - | 11,775,632 |
| Fish | 9,509,712 | - | 9,509,712 |
| Law enforcement | 10,099,985 | - | 10,099,985 |
| Information and education | 2,323,048 | - | 2,323,048 |
| Land acquisitions | 11,041,760 | - | 11,041,760 |
| Total expenditures | 49,528,788 | - | 49,528,788 |
| Revenues over expenditures | 4,179,585 | 2,545,473 | 6,725,058 |
| Other financing sources: | | | |
| Sales of other assets | 252,919 | - | 252,919 |
| Total other financing sources | 252,919 | - | 252,919 |
| Net changes in fund balances | 4,432,504 | 2,545,473 | 6,977,977 |
| Fund balances, beginning of year | 27,758,537 | 68,095,502 | 95,854,039 |
| Fund balances, end of year | $ 32,191,041 | 70,640,975 | 102,832,016 |

See Independent Auditors' Report.
See accompanying notes to financial statements.

**OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION**

## RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES

| *Years Ended June 30,* | *2012* | *2011* |
|---|---|---|
| Net change in fund balances—total governmental funds | $ 1,428,537 | 6,977,977 |
| Amounts reported for governmental activities in the statements of activities are different because: | | |
| 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: | | |
| Depreciation expense | (1,936,215) | (1,928,441) |
| Net capital asset purchases capitalized | 5,718,989 | 12,676,357 |
| 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: | | |
| Compensated absences payable | (94,839) | 10,386 |
| Net pension obligation | 374,390 | 77,193 |
| Net other post-retirement health benefits obligation | (53,652) | (80,727) |
| Change in net assets of governmental activities | $ 5,437,210 | 17,732,745 |

See Independent Auditors' Report.
See accompanying notes to financial statements.

**OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION**

**STATEMENTS OF FIDUCIARY NET ASSETS—FIDUCIARY FUND**

*June 30, 2012 and 2011*

| | Pension Trust Funds | | |
|---|---|---|---|
| 2012 | Defined Benefit Pension Plan | Defined Contribution Plan | Total |
| Assets: | | | |
| Investments at fair value: | | | |
| U.S. government securities | $ 11,068,795 | - | 11,068,795 |
| U.S. Treasury obligations | 13,065,075 | - | 13,065,075 |
| Collateralized mortgage obligations | 3,882,278 | - | 3,882,278 |
| Corporate bonds | 4,924,092 | - | 4,924,092 |
| Municipals | 518,796 | - | 518,796 |
| Yankee bonds | 832,507 | - | 832,507 |
| Domestic equity securities | 16,470,567 | - | 16,470,567 |
| Equity funds | 15,867,652 | 82,326 | 15,949,978 |
| International equity securities | 4,584,214 | - | 4,584,214 |
| Alternative investments | 3,139,073 | - | 3,139,073 |
| Cash and cash equivalents | 2,028,668 | - | 2,028,668 |
| Total assets | 76,381,717 | 82,326 | 76,464,043 |
| Net assets—held in trust for pension benefits | $ 76,381,717 | 82,326 | 76,464,043 |

| | Pension Trust Funds | | |
|---|---|---|---|
| 2011 | Defined Benefit Pension Plan | Defined Contribution Plan | Total |
| Assets: | | | |
| Investments at fair value: | | | |
| U.S. government securities | $ 7,832,651 | - | 7,832,651 |
| U.S. Treasury obligations | 10,209,225 | - | 10,209,225 |
| Collateralized mortgage obligations | 6,213,292 | - | 6,213,292 |
| Corporate bonds | 6,268,126 | - | 6,268,126 |
| Municipals | 491,780 | - | 491,780 |
| Yankee bonds | 851,170 | - | 851,170 |
| Domestic equity securities | 17,167,935 | - | 17,167,935 |
| Equity funds | 15,670,936 | 16,598 | 15,687,534 |
| International equity securities | 5,549,350 | - | 5,549,350 |
| Alternative investments | 2,236,283 | - | 2,236,283 |
| Cash and cash equivalents | 1,349,203 | - | 1,349,203 |
| Total assets | 73,839,951 | 16,598 | 73,856,549 |
| Net assets—held in trust for pension benefits | $ 73,839,951 | 16,598 | 73,856,549 |

See Independent Auditors' Report.
See accompanying notes to financial statements.

## OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

## STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS—FIDUCIARY FUND

*Year Ended June 30, 2012*

| | Pension Trust Funds | | |
|---|---|---|---|
| | Defined Benefit Pension Plan | Defined Contribution Plan | Total |
| Additions: | | | |
| Contributions: | | | |
| Employer's | $ 4,100,000 | 35,374 | 4,135,374 |
| Employees' | 704,491 | 29,135 | 733,626 |
| Total contributions | 4,804,491 | 64,509 | 4,869,000 |
| Investment income | 2,225,465 | 2,121 | 2,227,586 |
| Total additions | 7,029,956 | 66,630 | 7,096,586 |
| Deductions: | | | |
| Benefit payments | 4,297,887 | 301 | 4,298,188 |
| Administration | 190,303 | 601 | 190,904 |
| Total deductions | 4,488,190 | 902 | 4,489,092 |
| Change in net assets | 2,541,766 | 65,728 | 2,607,494 |
| Net assets—held in trust for pension benefits, beginning of year | 73,839,951 | 16,598 | 73,856,549 |
| Net assets—held in trust for pension benefits, end of year | $ 76,381,717 | 82,326 | 76,464,043 |

See Independent Auditors' Report.
See accompanying notes to financial statements.

## OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

## STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS—FIDUCIARY FUND, CONTINUED

*Year Ended June 30, 2011*

| | Pension Trust Funds | | |
|---|---|---|---|
| | Defined Benefit Pension Plan | Defined Contribution Plan | Total |
| Additions: | | | |
| Contributions: | | | |
| Employer's | $ 3,179,568 | 9,814 | 3,189,382 |
| Employees' | 570,202 | 6,542 | 576,744 |
| Total contributions | 3,749,770 | 16,356 | 3,766,126 |
| Investment income | 10,758,565 | 242 | 10,758,807 |
| Total additions | 14,508,335 | 16,598 | 14,524,933 |
| Deductions: | | | |
| Benefit payments | 4,116,096 | - | 4,116,096 |
| Administration | 237,185 | - | 237,185 |
| Total deductions | 4,353,281 | - | 4,353,281 |
| Change in net assets | 10,155,054 | 16,598 | 10,171,652 |
| Net assets—held in trust for pension benefits, beginning of year | 63,684,897 | - | 63,684,897 |
| Net assets—held in trust for pension benefits, end of year | $ 73,839,951 | 16,598 | 73,856,549 |

See Independent Auditors' Report.
See accompanying notes to financial statements.

## (1) NATURE OF THE ORGANIZATION

### Reporting Entity

The Oklahoma Department of Wildlife Conservation (the "Department") was created by a constitutional amendment in 1956 under Article 26. The Department is a department of the State of Oklahoma (the "State") and is included within the financial statements of the State. The Department has the primary duties of providing management, protection, and enhancement of wildlife resources and habitat for scientific, educational, recreational, and economic benefits to present and future generations of citizens and visitors to Oklahoma as stated in O.S. 29.

The Oklahoma Wildlife Conservation Commission (the "Commission") is an advisory, administrative, and policy-making body for the Department. The eight members of the Commission are appointed to 8-year terms by the Governor and confirmed by the State Senate of Oklahoma.

The Department's financial statements include the operations of all organizations for which the Department has financial accountability. Based on this criterion, the Department's employee retirement plans have been included in the accompanying financial statements.

The financial statements of the Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department, and not those of the entire State.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Department have been prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Department's accounting policies are described below.

### Basis of Presentation and Accounting

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. Governmental activities are supported by license fees, federal grants, and other revenues.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### Basis of Presentation and Accounting, Continued

The statements of activities demonstrate the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds in which major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Department considers receivables collected within 90 days after year-end to be available and recognizes them as revenues of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, net pension obligation, and net other post-employment benefit obligation are recorded only when payment is due.

The Department, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) has the following major governmental funds:

- The general fund is the Department's primary operating fund. It accounts for all financial resources of the Department, except those required to be accounted for in another fund.

- The perpetual lifetime license fund is a permanent fund which accounts for assets in which the principal may not be spent. The Department is required to maintain lifetime license sales in perpetuity by State statute.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### Basis of Presentation and Accounting, Continued

Additionally, the Department reports the following fund type:

- The pension trust funds account for the activities of the Department's retirement plans, which accumulate resources for pension benefit payments to qualified employees.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets together with any ordinary income derived therefrom are accounted for in the fund owning such assets, except for gains and losses and ordinary income of the permanent fund, which are accounted for in the general fund.

***Fund Balances***

GASB 54 defines fund balances for presentation as follows:

- Nonspendable—includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.
- Restricted—consists of fund balances with constraints placed on the use of the resources either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or b) law through constitutional provisions or enabling legislation.
- Unassigned—represents fund balances that have not been assigned to other funds and have not been restricted, committed, or assigned to specific purposes within the general fund.

Based on the above definitions, the components of the Department's fund balances are as follows:

- Nonspendable—represents the fund balance of the permanent fund, which accounts for assets derived from the sale of lifetime licenses. The nonspendable fund balance was $73,222,922 and $70,640,975 at June 30, 2012 and 2011, respectively. While the Department has inventory, the inventory is composed of items held for resale which will be converted into a spendable form. As such, the inventory is not a component of the nonspendable fund balance.
- Restricted—represents assets derived from the sale of $5 hunting and fishing legacy permits. The proceeds from the permits are to be used by the Department for the purchase of land and for the operation of such lands. Legacy permit sales were $1,850,746 and $1,937,865 for the years ended June 30, 2012 and 2011, respectively. The restricted fund balance was $5,371,068 and $4,714,976 at June 30, 2012 and 2011, respectively.
- Unassigned—represents the total fund balance less nonspendable and restricted. The unassigned fund balance totaled $25,666,563 and $27,476,065 at June 30, 2012 and 2011, respectively.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### Basis of Presentation and Accounting, Continued

***Fund Balances, Continued***

Investment earnings from the permanent fund can be utilized for any Department purpose and are reflected in the general fund; the fund balance is classified as unassigned. At June 30, the assets were comprised as follows:

| | 2012 | 2011 |
|---|---|---|
| Cash | $ 2,294,107 | 3,770,920 |
| Investments | 14,268,420 | 15,827,442 |
| | $ 16,562,527 | 19,598,362 |

Changes in the fund balance for the years ended June 30 were as follows:

| | 2012 | 2011 |
|---|---|---|
| Beginning fund balance | $ 19,598,362 | 13,844,982 |
| Investment earnings | 1,367,949 | 7,363,976 |
| Used in general fund operations | (4,403,784) | (1,610,596) |
| Ending fund balance | $ 16,562,527 | 19,598,362 |

As discussed previously, the Department also receives significant amounts of federal grants. Federal grant monies are considered restricted funds. However, the expenditures for federal grants are principally on a reimbursement basis, and at June 30, 2012 and 2011, there were no significant amounts of unspent federal monies; thus, there were no restricted fund balances related to federal grants. The Department chooses to spend federal grant monies first if both federal and nonfederal monies are available and can be spent for the same allowable purposes.

The Department's budgeting process determines what source to use for land acquisitions when both restricted and unrestricted resources are available, except that federal resources are always expended first.

See Independent Auditors' Report.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### Cash, Cash Equivalents, and Investments

Cash includes amounts on deposit with the Office of the State Treasurer, which is responsible for ensuring proper collateralization and insurance on such funds. Cash equivalents include all highly liquid investments with an original maturity of 3 months or less when purchased. Investments are stated at fair value based on the value reported by independent sources.

State statutes authorize the Department to invest the fiduciary fund in any investment permitted by a written investment policy adopted by the Commission, provided all investments shall be made in accordance with the Oklahoma Uniform Prudent Investor Act. The investment policies allow for investments such as publicly traded stocks, convertible bonds and preferred stocks, alternative investments, and fixed-income securities, whether interest-bearing or discount instruments.

The Department participates in a master investment program operated by the Office of the State Treasurer. The Office of the State Treasurer makes investments at its discretion on behalf of the Department. These investments are mainly composed of certificates of deposit, obligations of the U.S. government and its agencies, and money market funds.

### Derivatives

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include futures contracts, swap contracts, options contracts, and forward foreign currency exchange. The Department's derivative policy only allows the selling of covered call options on currency futures contracts, of which there were none as of June 30, 2012 or 2011.

The Department invests in mortgage-backed securities, which are reported at fair value in the statements of net assets, the balance sheets, and the statements of fiduciary net assets and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the values of these securities. The Department invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. Details regarding interest rate risks for these investments are included under the interest rate risk disclosures.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### Inventory Held for Sale and Unearned Revenue

The Department's inventory held for sale is comprised of paddlefish caviar from the 2012 and 2011 harvest. Buyers must make a 30% deposit and apply for a permit to transport the product across Oklahoma state lines. A sale is recognized when the permit is obtained and the balance is paid. The deposit is included in unearned revenue until the sale is recognized.

### Lifetime Licenses

The lifetime licenses sold by the Department are recorded as license revenue upon receipt in the permanent fund. The lifetime license revenue is nonrefundable and is not available for use by the Department. Investment income earned on the assets of the permanent fund is available for use by the Department.

### Legacy Permit Sales

The legacy permit sales sold by the Department are recorded as revenue upon receipt in the general fund. The legacy permit revenue is restricted for use by the Department for the purchase of land and for the operation for such land.

### Capital Assets

All capital assets are stated at cost at the date of acquisition or fair value at the date of donation, net of accumulated depreciation. Capital assets are defined as long-lived assets with initial individual costs greater than $500. Depreciation is computed on the straight-line method over the following estimated useful lives:

| | |
|---|---|
| Buildings | 39 years |
| Equipment | 5–20 years |
| Furniture and fixtures | 5–10 years |
| Machinery | 10 years |
| Vehicles | 5–8 years |
| Other | 5–20 years |

Expenses that increase values, change capacities, or extend useful lives are capitalized. Routine maintenance, repairs, and renewals are charged to operations. Upon disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is reflected in the period in which the asset is disposed.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### Compensated Absences

In the government-wide statements, vested or accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to employees. There are no accumulated sick leave benefits that vest for which any liability must be recognized.

### Income Taxes

As an integral part of the State, the income of the Department is exempt from federal and state income taxes.

### Federal Financial Awards

The federal government provides financial aid to the Department in the form of grants. The funds received are restricted for restoring, conserving, and enhancing wildlife and sport fish populations. The Department primarily receives federal funds through two federal programs—the Wildlife Restoration Act and the Sport Fish Restoration Program—which make-up the Fish and Wildlife Cluster. The Department considers this financial assistance as a significant part of its general operating activities; therefore, the receipts and disbursements of each program are reported within the general fund.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

### Advertising Costs

All costs associated with advertising are expensed as incurred.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### Recent Accounting Pronouncements

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements* (GASB 62). The objective of GASB 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures.

The requirements in GASB 62 will improve financial reporting by contributing GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. GASB 62 is effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The provisions of GASB 62 are required to be applied retroactively for all periods presented.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). The objective of GASB 63 is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The pronouncement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources; and recognize certain items that were previously reported as assets and liabilities as outflows of resources or inflows of resources. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### Recent Accounting Pronouncements, Continued

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67). GASB 67 addresses reporting by pension plans that administer benefits for governments, outlines basic framework for the separately issued financial reports of defined benefit pension plans, and details note disclosure requirements for defined benefit and defined contribution pension plans. This statement is effective for financial statements for periods beginning after June 15, 2013.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, GASB 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement is effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged.

### Date of Management's Subsequent Events Evaluation

The Department has evaluated subsequent events through September 25, 2012, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

## (3) CASH, CASH EQUIVALENTS, AND INVESTMENTS

### Cash and Cash Equivalents

At June 30, 2012 and 2011, the Department maintained cash and cash equivalent balances of approximately $15,580,000 and $13,052,000, respectively, with the Office of the State Treasurer and approximately $10,091,000 and $15,220,000, respectively, with a financial institution. The Department's deposits with the Office of the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in banks or invested as the Office of the State Treasurer may determine. Deposits are fully insured or collateralized with securities held by an agent of the State, in the State's name.

## (3) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

### Investments

At June 30, investments were composed of the following:

| | 2012 | 2011 |
|---|---|---|
| Restricted—permanent fund | $ 62,921,291 | 56,912,691 |
| Unrestricted—lifetime license investment account | 14,268,420 | 15,827,442 |
| Total permanent fund and lifetime license investment account | 77,189,711 | 72,740,133 |
| Pension trust funds: | | |
| Defined benefit pension plan | 76,381,717 | 73,839,951 |
| Defined contribution plan | 82,326 | 16,598 |
| Total pension trust funds | 76,464,043 | 73,856,549 |
| Total investments | $ 153,653,754 | 146,596,682 |

See Independent Auditors' Report.

## (3) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

### Investments, Continued

***Permanent Fund and Lifetime License Investment Account***

The following table presents the fair value of the permanent fund and the lifetime license investment account by type at June 30:

| Investment Type | Fair Value 2012 | Fair Value 2011 |
|---|---|---|
| Fixed income: | | |
| U.S. government securities | $ 36,972,958 | 25,430,981 |
| U.S. Treasury obligations | 5,156,362 | 10,482,295 |
| Collateralized mortgage obligations | - | 415,128 |
| Corporate bonds | 3,153,175 | 3,962,277 |
| Total fixed income | 45,282,495 | 40,290,681 |
| Equities: | | |
| Domestic equity securities | 20,947,132 | 20,089,113 |
| International equity securities | - | 534,415 |
| Equity funds | 5,593,837 | 6,048,989 |
| Fixed income fund | 1,652,399 | 1,545,661 |
| Preferred stock—nonconvertible | 416,240 | 838,777 |
| Total equities | 28,609,608 | 29,056,955 |
| Alternative investments: | | |
| Open-end mutual funds | 3,297,608 | 3,392,497 |
| | $ 77,189,711 | 72,740,133 |

See Independent Auditors' Report.

## (3) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

### Investments, Continued

#### *Permanent Fund and Lifetime License Investment Account, Continued*

*Custodial Credit Risk*—Custodial credit risk is the risk that in the event of the failure of a counterparty, the Department will not be able to recover the value of its investments. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Department, or are held by a counterparty or the counterparty's trust department but not in the name of the Department. While the investment policy does not specifically address custodial credit risk, all cash, cash equivalents, and investments are insured and collateralized.

*Concentration of Credit Risk*—The investment policy limits the concentration on equity investments to no more than 10% in any one issuer. The investment policy does not address concentrations of fixed-income securities. No single investment exceeded 5% of total investments in the permanent fund and lifetime license investment account. At June 30, 2012 and 2011, the permanent fund and lifetime license investment account did have more than 5% invested in U.S. government obligations; however, these obligations are backed by the full faith and credit of the United States.

*Foreign Currency Risk*—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The investment policy limits foreign equity investments to 10% of total assets. The international equity securities owned by the Department are traded in U.S. dollars with dividends also being paid in U.S. dollars. As such, they are not subject to foreign currency risk.

## (3) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

### Investments, Continued

#### *Permanent Fund and Lifetime License Investment Account, Continued*

*Credit Risk*—Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The investment policy for fixed-income securities requires the portfolio to maintain an average of A or higher. The following tables provide information concerning credit risk as of June 30:

| | 2012 | |
|---|---|---|
| Rating | Fair Value | Fair Value as a Percentage of Total Fixed Maturity Fair Value |
| AAA | $ 42,129,320 | 93.04% |
| AA | 415,291 | 0.92% |
| A | 2,338,687 | 5.16% |
| BAA | 295,947 | 0.65% |
| Not rated | 103,250 | 0.23% |
| | $ 45,282,495 | 100.00% |

| | 2011 | |
|---|---|---|
| Rating | Fair Value | Fair Value as a Percentage of Total Fixed Maturity Fair Value |
| AAA | $ 36,328,403 | 90.17% |
| AA | 1,475,712 | 3.66% |
| A | 2,486,566 | 6.17% |
| | $ 40,290,681 | 100.00% |

## (3) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

### Investments, Continued

***Permanent Fund and Lifetime License Investment Account, 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 investment policy states that the weighted-average maturity and effective duration of fixed-income securities should be between 75% and 125% of the Lehman Brothers Aggregate Bond index averages. As of June 30, the permanent fund and lifetime license investment account had the following investments with maturities:

| | 2012 | | | | |
|---|---|---|---|---|---|
| | Investments Maturities at Fair Value (in Years) | | | | |
| Investment Type | Less than 1 | 1 or More Less than 5 | 5 or More Less than 10 | 10 or More | Total Fair Value |
| U.S. government securities | $ 2,457 | 27,781 | 4,537,962 | 32,404,758 | 36,972,958 |
| U.S. Treasury obligations | 2,040,935 | 3,115,427 | - | - | 5,156,362 |
| Corporate bonds | - | 2,960,306 | 192,869 | - | 3,153,175 |
| | $ 2,043,392 | 6,103,514 | 4,730,831 | 32,404,758 | 45,282,495 |

| | 2011 | | | | |
|---|---|---|---|---|---|
| | Investments Maturities at Fair Value (in Years) | | | | |
| Investment Type | Less than 1 | 1 or More Less than 5 | 5 or More Less than 10 | 10 or More | Total Fair Value |
| U.S. government securities | $ - | 2,042,166 | 10,276,172 | 13,112,643 | 25,430,981 |
| U.S. Treasury obligations | 5,231,128 | 5,251,167 | - | - | 10,482,295 |
| Collateralized mortgage obligations | - | 49,979 | - | 365,149 | 415,128 |
| Corporate bonds | 724,675 | 2,804,189 | 433,413 | - | 3,962,277 |
| | $ 5,955,803 | 10,147,501 | 10,709,585 | 13,477,792 | 40,290,681 |

See Independent Auditors' Report.

## (3) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

### Investments, Continued

***Pension Trust Funds***

Defined Benefit Pension Plan

The following table presents the fair value of the defined benefit pension plan's investments by type at June 30:

| Investment Type | Fair Value 2012 | Fair Value 2011 |
|---|---|---|
| Cash and cash equivalents | $ 2,028,668 | 1,349,203 |
| Fixed income: | | |
| U.S. government securities | 11,068,795 | 7,832,651 |
| U.S. Treasury obligations | 13,065,075 | 10,209,225 |
| Collateralized mortgage obligations | 3,882,278 | 6,213,292 |
| Corporate bonds | 4,924,092 | 6,268,126 |
| Municipals | 518,796 | 491,780 |
| Yankee bonds | 832,507 | 851,170 |
| Total fixed income | 34,291,543 | 31,866,244 |
| Equities: | | |
| Domestic equity securities | 16,470,567 | 17,167,935 |
| Equity funds | 15,867,652 | 15,670,936 |
| International equity funds | 4,584,214 | 5,549,350 |
| Total equities | 36,922,433 | 38,388,221 |
| Alternative investments: | | |
| Open-end mutual funds | 3,139,073 | 2,236,283 |
| Total alternative investments | 3,139,073 | 2,236,283 |
| | $ 76,381,717 | 73,839,951 |

See Independent Auditors' Report.

## (3) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

### Investments, Continued

***Pension Trust Funds, Continued***

Defined Benefit Pension Plan, Continued

*Custodial Credit Risk*—Custodial credit risk is the risk that in the event of the failure of a counterparty, the Department will not be able to recover the value of its investments. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Department, or are held by a counterparty or the counterparty's trust department but not in the name of the Department. While the investment policy does not specifically address custodial credit risk, all cash, cash equivalents, and investments are insured and collateralized.

*Concentration of Credit Risk*—The investment policy limits the concentration on equity investments to no more than 5% in any one issuer. The investment policy does not address concentrations on fixed-income securities. Except as noted below, no single investment exceeds 5% of the defined benefit pension plan's total investments. The defined benefit pension plan at June 30, 2012 and 2011, did have more than 5% invested in U.S. government obligations; however, these obligations are backed by the full faith and credit of the United States. The following table presents the individual investments exceeding the 5% threshold at June 30, 2012:

| Classification of Investment | Name of Investment | Shares Held | Cost | Fair Value |
|---|---|---|---|---|
| Equity fund | Ishares Russell 1000 Value Fund | 60,250 | $ 3,817,904 | 4,133,011 |

*Foreign Currency Risk*—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The investment policy limits foreign equity investments to 10% of total assets. Yankee bonds are foreign country bonds but are traded in U.S. dollars with interest also being paid in U.S. dollars. As such, they are not subject to foreign currency risk. The international equity securities owned by the Department are also traded in U.S. dollars with dividends also being paid in U.S. dollars. As such, they are not subject to foreign currency risk.

## (3) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

### Investments, Continued

***Pension Trust Funds, Continued***

Defined Benefit Pension Plan, Continued

*Credit Risk*—Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The investment policy for fixed-income securities requires the portfolio to maintain an average of A or higher. The following tables provide information concerning credit risk as of June 30:

| | 2012 | |
|---|---|---|
| Rating | Fair Value | Fair Value as a Percentage of Total Fixed Maturity Fair Value |
| AAA | $ 24,517,894 | 71.50% |
| AA | 1,122,579 | 3.27% |
| A | 4,507,665 | 13.15% |
| BAA | 1,583,978 | 4.62% |
| BA | 517,956 | 1.51% |
| B | 181,202 | 0.53% |
| Not rated | 1,860,269 | 5.42% |
| | $ 34,291,543 | 100.00% |

See Independent Auditors' Report.

## (3) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

### Investments, Continued

***Pension Trust Funds, Continued***

Defined Benefit Pension Plan, Continued

*Credit Risk, Continued*

| | 2011 | |
|---|---|---|
| Rating | Fair Value | Fair Value as a Percentage of Total Fixed Maturity Fair Value |
| AAA | $ 20,499,465 | 64.33% |
| AA | 2,773,525 | 8.70% |
| A | 5,981,349 | 18.77% |
| BAA | 946,097 | 2.97% |
| BA | 523,277 | 1.64% |
| BB | 111,935 | 0.35% |
| B | 537,839 | 1.69% |
| CAA | 124,304 | 0.39% |
| CC | 236,065 | 0.74% |
| Not rated | 132,388 | 0.42% |
| | $ 31,866,244 | 100.00% |

See Independent Auditors' Report.

## (3) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

### Investments, Continued

***Pension Trust Funds, Continued***

Defined Benefit Pension Plan, 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 investment policy states that the weighted-average maturity and effective duration of fixed-income securities should be between 75% and 125% of the Lehman Brothers Aggregate Bond index averages. As of June 30, the defined benefit pension plan had the following investments with maturities:

| | 2012 | | | | |
|---|---|---|---|---|---|
| | Investments Maturities at Fair Value (in Years) | | | | |
| Investment Type | Less than 1 | 1 or More Less than 5 | 5 or More Less than 10 | 10 or More | Total Fair Value |
| U.S. government securities | $ 509,778 | 2,731,248 | 801,412 | 7,026,357 | 11,068,795 |
| U.S. Treasury obligations | - | 5,425,943 | 6,936,293 | 702,839 | 13,065,075 |
| Collateralized mortgage obligations | 398,844 | - | - | 3,483,434 | 3,882,278 |
| Corporate bonds | - | 3,762,446 | 1,097,156 | 64,490 | 4,924,092 |
| Municipals | - | - | - | 518,796 | 518,796 |
| Yankee bonds | - | 530,954 | 301,553 | - | 832,507 |
| | $ 908,622 | 12,450,591 | 9,136,414 | 11,795,916 | 34,291,543 |

| | 2011 | | | | |
|---|---|---|---|---|---|
| | Investments Maturities at Fair Value (in Years) | | | | |
| Investment Type | Less than 1 | 1 or More Less than 5 | 5 or More Less than 10 | 10 or More | Total Fair Value |
| U.S. government securities | $ - | 4,408,539 | 1,741,693 | 1,682,419 | 7,832,651 |
| U.S. Treasury obligations | - | 3,546,102 | 5,050,867 | 1,612,256 | 10,209,225 |
| Collateralized mortgage obligations | - | 522,992 | 626,330 | 5,063,970 | 6,213,292 |
| Corporate bonds | - | 3,945,104 | 2,323,022 | - | 6,268,126 |
| Municipals | - | - | - | 491,780 | 491,780 |
| Yankee bonds | - | 538,692 | - | 312,478 | 851,170 |
| | $ - | 12,961,429 | 9,741,912 | 9,162,903 | 31,866,244 |

## (3) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

### Investments, Continued

***Pension Trust Funds, Continued***

Defined Contribution Plan

The following table presents the fair value of the defined contribution plan's investments by type at June 30:

| Investment Type | Fair Value 2012 | Fair Value 2011 |
|---|---|---|
| Equities: | | |
| Equity funds | $ 82,326 | 16,598 |

*Custodial Credit Risk*—Custodial credit risk is the risk that in the event of the failure of a counterparty, the Department will not be able to recover the value of its investments. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Department, or are held by a counterparty or the counterparty's trust department but not in the name of the Department. While the trust agreement does not specifically address custodial credit risk, all cash, cash equivalents, and investments are insured and collateralized.

*Concentration of Credit Risk*—Except as noted below, no single investment exceeds 5% of the defined contribution plan's total investments. The following table presents the individual investments exceeding the 5% threshold at June 30, 2012:

| Classification of Investment | Name of Investment | Units Held | Cost | Fair Value |
|---|---|---|---|---|
| Equity fund | MAP Target 2030 Fund | 524.17 | $ 7,121 | 7,363 |
| Equity fund | MAP Target 2050 Fund | 4,823.23 | 64,896 | 66,928 |

## (4) RECEIVABLES

Receivables at June 30 consisted of the following:

| | 2012 | 2011 |
|---|---|---|
| License fees | $ 521,175 | 544,649 |
| Federal grants | 842,148 | 1,265,740 |
| | $ 1,363,323 | 1,810,389 |

Because of the nature of the receivables, no allowance for uncollectibility was considered necessary as of June 30, 2012 or 2011.

## (5) CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30:

| | 2012 | | | |
|---|---|---|---|---|
| | Balance at June 30, 2011 | Additions | Disposals | Balance at June 30, 2012 |
| Land | $ 58,131,237 | 2,255,957 | - | 60,387,194 |
| Depreciable capital assets: | | | | |
| Equipment | 9,076,583 | 367,631 | (41,387) | 9,402,827 |
| Furniture and fixtures | 94,681 | 9,267 | - | 103,948 |
| Machinery | 4,772,135 | 486,851 | (5,620) | 5,253,366 |
| Other | 334,233 | 98,475 | - | 432,708 |
| Vehicles | 7,240,357 | 1,409,233 | (664,092) | 7,985,498 |
| Infrastructure | 212,915 | - | - | 212,915 |
| Buildings | 7,073,050 | 1,136,465 | (65,608) | 8,143,907 |
| Depreciable capital assets, cost | 28,803,954 | 3,507,922 | (776,707) | 31,535,169 |
| Total capital assets | 86,935,191 | 5,763,879 | (776,707) | 91,922,363 |
| Accumulated depreciation: | | | | |
| Equipment | (5,759,470) | (481,998) | 41,387 | (6,200,081) |
| Furniture and fixtures | (62,017) | (6,764) | - | (68,781) |
| Machinery | (3,204,506) | (314,423) | 5,620 | (3,513,309) |
| Other | (257,686) | (23,548) | - | (281,234) |
| Vehicles | (4,328,069) | (938,071) | 619,202 | (4,646,938) |
| Infrastructure | (212,915) | - | - | (212,915) |
| Buildings | (2,693,179) | (171,411) | 65,608 | (2,798,982) |
| Total accumulated depreciation | (16,517,842) | (1,936,215) | 731,817 | (17,722,240) |
| Net capital assets | $ 70,417,349 | 3,827,664 | (44,890) | 74,200,123 |

See Independent Auditors' Report.

## (5) CAPITAL ASSETS, CONTINUED

| | 2011 | | | |
|---|---|---|---|---|
| | Balance at June 30, 2010 | Additions | Disposals | Balance at June 30, 2011 |
| Land | $ 47,089,477 | 11,041,760 | - | 58,131,237 |
| Depreciable capital assets: | | | | |
| Equipment | 8,546,110 | 900,553 | (370,080) | 9,076,583 |
| Furniture and fixtures | 91,223 | 3,458 | - | 94,681 |
| Machinery | 4,486,972 | 287,746 | (2,583) | 4,772,135 |
| Other | 324,618 | 10,827 | (1,212) | 334,233 |
| Vehicles | 7,455,004 | 378,818 | (593,465) | 7,240,357 |
| Infrastructure | 212,915 | - | - | 212,915 |
| Buildings | 6,931,931 | 155,565 | (14,446) | 7,073,050 |
| Depreciable capital assets, cost | 28,048,773 | 1,736,967 | (981,786) | 28,803,954 |
| Total capital assets | 75,138,250 | 12,778,727 | (981,786) | 86,935,191 |
| Accumulated depreciation: | | | | |
| Equipment | (5,590,974) | (513,634) | 345,138 | (5,759,470) |
| Furniture and fixtures | (56,039) | (5,978) | - | (62,017) |
| Machinery | (2,920,838) | (285,398) | 1,730 | (3,204,506) |
| Other | (233,670) | (25,228) | 1,212 | (257,686) |
| Vehicles | (3,932,164) | (914,385) | 518,480 | (4,328,069) |
| Infrastructure | (212,915) | - | - | (212,915) |
| Buildings | (2,522,217) | (183,818) | 12,856 | (2,693,179) |
| Total accumulated depreciation | (15,468,817) | (1,928,441) | 879,416 | (16,517,842) |
| Net capital assets | $ 59,669,433 | 10,850,286 | (102,370) | 70,417,349 |

Depreciation expense was charged to the following functions as of June 30:

| | 2012 | 2011 |
|---|---|---|
| Game | $ 627,570 | 569,358 |
| Fish | 561,415 | 551,399 |
| Law enforcement | 467,931 | 501,377 |
| Information and education | 109,177 | 119,632 |
| Administration and natural resources | 170,122 | 186,675 |
| Depreciation expense | $ 1,936,215 | 1,928,441 |

See Independent Auditors' Report.

## (6) CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity was as follows:

| | Balance at July 1, 2011 | Additions | Reductions | Balance at June 30, 2012 | Amounts due within 1 year |
|---|---|---|---|---|---|
| Compensated absences | $ 2,682,522 | 460,127 | (365,288) | 2,777,361 | 365,288 |
| Net pension obligation | 1,476,396 | - | (374,390) | 1,102,006 | - |
| Net other post-employment benefit obligation | 197,609 | 53,652 | - | 251,261 | - |
| | $ 4,356,527 | 513,779 | (739,678) | 4,130,628 | 365,288 |

| | Balance at July 1, 2010 | Additions | Reductions | Balance at June 30, 2011 | Amounts due within 1 year |
|---|---|---|---|---|---|
| Compensated absences | $ 2,692,908 | 349,199 | (359,585) | 2,682,522 | 359,585 |
| Net pension obligation | 1,553,589 | - | (77,193) | 1,476,396 | - |
| Net other post-employment benefit obligation | 116,882 | 80,727 | - | 197,609 | - |
| | $ 4,363,379 | 429,926 | (436,778) | 4,356,527 | 359,585 |

See Independent Auditors' Report.

## (7) DEFINED BENEFIT PENSION PLAN

### Description

The Department's defined benefit pension plan (the "Plan") is a single-employer plan that covers the employees of the Department with a hire date prior to July 1, 2010. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments are provided at the discretion of the Commission. Title 29 of the Oklahoma Statutes assigns the authority to establish and amend the benefit provisions of the Plan to the Commission.

The Plan's membership consisted of the following as of June 30:

| | 2012 | 2011 |
|---|---|---|
| Retirees, disabled, and beneficiaries currently receiving benefits | 181 | 183 |
| Terminated vested participants | 23 | 26 |
| Active participants | 307 | 316 |
| | 511 | 525 |

All permanent, full-time employees are eligible to participate in the Plan on the date of employment. The member must enter service prior to age 60, except law enforcement employees are not eligible if entering service after age 54.

Benefit provisions are determined at 2.5% of the highest 3 years' annual covered compensation received during the last 10 years of participating service multiplied by the number of years of credited service. For employees hired after July 1, 1995, the maximum benefit is 85% of the above-mentioned annual covered compensation and the minimum benefit is $50 per month. A maximum of 5 years' military service may be credited to the years of service calculation. Normal retirement age under the Plan is age 65. However, a participant may elect early retirement at age 55, having at least 15 years of credited service, for a reduced benefit equal to the maximum benefit allowed under normal retirement, reduced 2% for each year the participant receives a benefit prior to age 62. Members are eligible for special retirement upon reaching age 55 and if the sum of the participant's age and years of continuous service equals or exceeds 85. Members become fully vested upon completing 10 years of credited service. Members' contributions are 100% vested immediately and may be withdrawn, plus accrued interest, upon termination of employment.

The Plan does not issue stand-alone financial statements and related required supplementary information. The information is included within these financial statements, notes to the financial statements, and Schedules I and II and accompanying notes.

## (7) DEFINED BENEFIT PENSION PLAN, CONTINUED

### Funding Policy

The contribution requirements of the plan members are established and amended by the Commission. The members' required contribution rates were 5% for 2012 and 4% for 2011. The Department is required to contribute at an actuarially determined rate. The actuarially required contributions during fiscal years 2012 and 2011 were approximately $3,802,000 and $3,180,000, respectively.

### Annual Pension Cost and Net Pension Obligation

The Plan's annual pension cost and net pension obligation for fiscal years 2012 and 2011 were as follows:

| | 2012 | 2011 |
|---|---|---|
| Annual required contribution | $ 3,801,960 | 3,179,568 |
| Interest on net pension obligation | 103,348 | 116,519 |
| Adjustment to annual required contribution | (179,698) | (193,712) |
| Annual pension cost | 3,725,610 | 3,102,375 |
| Contributions made | (4,100,000) | (3,179,568) |
| Decrease in net pension obligation | (374,390) | (77,193) |
| Net pension obligation, beginning of year | 1,476,396 | 1,553,589 |
| Net pension obligation, end of year | $ 1,102,006 | 1,476,396 |

The Department's annual pension cost, the percentage of annual pension cost, and the net pension obligation relating to the Plan were as follows:

3-Year Trend Information

| Fiscal Year Ended | Annual Pension Cost | Percentage of Annual Pension Cost Contributed | Net Pension Obligation |
|---|---|---|---|
| 2012 | $ 3,725,610 | 110.05% | 1,102,006 |
| 2011 | 3,102,375 | 102.49% | 1,476,396 |
| 2010 | 4,308,432 | 102.44% | 1,553,589 |

See Independent Auditors' Report.

## (7) DEFINED BENEFIT PENSION PLAN, CONTINUED

### Funded Status and Funding Progress

The schedule of funding progress (Schedule I), presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the July 1, 2012, actuarial valuation using the individual entry age normal method. The actuarial assumptions included a) a 7.0% investment rate of return (net of administrative expenses) and b) projected salary increases of 4.5%–7.0%. The assumptions did not include a cost-of-living allowance for active, disabled, or retired members. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the fair value of investments over a 5-year period. The unfunded actuarial accrued liability (UAAL) is being amortized over the average future working lifetime for active members (11 years for the July 1, 2012, valuation).

As of July 1, 2012, the most recent actuarial valuation date, the Plan was 76.1% funded. The actuarial accrued liability (AAL) for benefits was $101.1 million and the actuarial value of assets was $76.9 million, resulting in a UAAL of $24.2 million. The covered payroll (annual payroll of active employees covered by the Plan) was $14.7 million and the ratio of the UAAL to the covered payroll was 165.0%.

## (8) DEFINED CONTRIBUTION PLAN

The Department's defined contribution plan (the "DC Plan") is a single-employer plan that covers the employees of the Department with a hire date of July 1, 2010, or later. The DC Plan provides retirement benefits to plan members and their beneficiaries. At June 30, 2012, there were 21 plan members. As of July 1, 2011, Plan members are required to contribute 5% of compensation annually. The Department's annual contribution is based on the employee's number of completed years of credited service with the Department, defined as follows:

| Years of Credited Service | Percent of Compensation Contributed by the Employer |
|---|---|
| Less than 5 | 6% |
| At least 5 but less than 10 | 8% |
| At least 10 but less than 15 | 10% |
| At least 15 or more | 12% |

Employees vest in 100% of the Department's contributions after 5 years of credited service.

For the years ending June 30, 2012 and 2011, the Department contributed $35,374 and $9,814, respectively, and eligible employees contributed $29,135 and $6,542, respectively, to the DC Plan.

## (9) OTHER POST-EMPLOYMENT BENEFITS

### Description

The Department provides at its expense a health insurance allowance of up to $100 per month ($150 per month commencing July 1, 2012) for the payment of health insurance premiums for eligible employees when they retire. The allowance is for retirees who elect post-retirement medical coverage through the umbrella of the State's group plan. The allowance is reduced when the retiree is eligible for Medicare. Providing for the insurance allowance is considered an other post-employment benefit (OPEB).

### Funding Policy

The health insurance allowance amount is established by the Commission on an annual basis. The required contribution is based on projected pay-as-you-go requirements. There are no monies deposited into a separate account to fund the payments, and the Department can discontinue the policy of providing for the payments at its discretion. The amount of the retiree insurance cost paid for the years ended June 30, 2012 and 2011, was approximately $159,000 and $131,000, respectively.

## (9) OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

### Annual OPEB Cost and Net OPEB Obligation

The Department's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table shows the components of the Department's annual OPEB cost, the actual amount of net employer disbursements, and changes in the Department's OPEB obligation for the years ended June 30.

| | 2012 | 2011 |
|---|---|---|
| Normal cost | $ 48,682 | 48,393 |
| Amortization of AAL | 167,448 | 165,469 |
| ARC | 216,130 | 213,862 |
| Interest on net OPEB obligation | 7,904 | 4,675 |
| ARC adjustment | (11,206) | (6,628) |
| Annual OPEB cost | 212,828 | 211,909 |
| Actual amount of net employer disbursements | (159,176) | (131,182) |
| Increase in net OPEB obligation | 53,652 | 80,727 |
| Net OPEB obligation, beginning of year | 197,609 | 116,882 |
| Net OPEB obligation, end of year | $ 251,261 | 197,609 |

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB plan, and the net OPEB obligation were as follows:

3-Year Trend Information

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 2012 | $ 212,828 | 74.79% | 251,261 |
| 2011 | 211,909 | 61.90% | 197,609 |
| 2010 | 159,854 | 78.76% | 116,882 |

See Independent Auditors' Report.

## (9) OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

### Funded Status and Funding Progress

The OPEB plan is not funded, and there are no OPEB plan assets as it is a substantive plan. As of July 1, 2012, the most recent actuarial valuation date, the AAL for benefits was approximately $4.5 million and the actuarial value of assets was zero, resulting in a UAAL of approximately $4.5 million. The covered payroll (annual payroll of active employees covered by the plan) was $15.3 million, and the ratio of the UAAL to the covered payroll was 29.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost and expense trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress (Schedule III), presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in AAL and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the individual entry age normal method of funding actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and an annual healthcare cost and expense trend of 9% initially, reduced by decrements to an ultimate rate of 5% in 2013. The UAAL is being amortized over 30 years based on a level dollar open-period basis. As of the date of this valuation, there were no plan assets. Retiree premiums are paid as they come due from general operating assets of the Department.

## (10) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN AND DEFERRED SAVINGS INCENTIVE PLAN

### Deferred Compensation Plan

The State offers its employees a Deferred Compensation Plan as authorized by Section 457 of the Internal Revenue Code (IRC), as amended by the Tax Reform Act of 1986, and in accordance with the provisions of Sections 1701 through 1706 of Title 74 of the Oklahoma Statutes.

The supervisory authority for the management and operation of the Deferred Compensation Plan is the Board of Trustees of the Oklahoma Public Employees Retirement System (the "Board").

The Deferred Compensation Plan is available to all State employees, as well as any elected officials receiving a salary from the State. Participants may direct the investment of their contributions in available investment options offered by the Deferred Compensation Plan. The minimum contribution amount is the equivalent of $25 per month, and participants are immediately 100% vested in their respective accounts. All interest, dividends, and investment fees are allocated to participants' accounts.

Participants may defer until future years up to the lesser of 100% of their compensation as defined by plan documents or the maximum amount allowed each year as determined by the Internal Revenue Service, currently $15,500.

The Deferred Compensation Plan offers a catch-up program to participants, which allows them to defer annually for the 3 years prior to their year of retirement up to twice that plan year's deferral limit. The amount of additional contributions in excess of the normal maximum contributions to the Deferred Compensation Plan are also limited to contributions for years in which the participant was eligible but did not participate in the Deferred Compensation Plan or the difference between contributions made and the maximum allowable level. To be eligible for the catch-up program, the participant must be within 3 years of retirement with no reduced benefits.

Participants age 50 or older may make additional contributions of up to $5,000 annually subject to certain limits.

Deferred compensation benefits are paid to participants or beneficiaries upon termination, retirement, death, or unforeseeable emergency. Such benefits are based on a participant's account balance and are disbursed in a lump sum or periodic payments at the option of the participant or beneficiaries in accordance with the Deferred Compensation Plan's provisions.

## (10) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN AND DEFERRED SAVINGS INCENTIVE PLAN, CONTINUED

### Deferred Compensation Plan, Continued

Effective January 1, 1998, the Board established a trust and a trust fund covering the Deferred Compensation Plan's assets, pursuant to federal legislation enacted in 1996, requiring public employers to establish such trusts for plans meeting the requirements of Section 457 of the IRC no later than January 1, 1999. Under the terms of the trust, the corpus or income of the trust fund may be used only for the exclusive benefit of the Deferred Compensation Plan's participants and their beneficiaries. Prior to the establishment of the trust, the Deferred Compensation Plan's assets were subject to the claims of general creditors of the State. The Board acts as trustee of the trust. The participants' accounts are invested in accordance with the investment elections of the participants. The Board is accountable for all deferred compensation received, but has no duty to require any compensation to be deferred or to determine that the amounts received comply with the Deferred Compensation Plan or to determine that the trust fund is adequate to provide the benefits payable pursuant to the Deferred Compensation Plan.

Further information may be obtained from the Oklahoma State Employees Deferred Compensation Plan's audited financial statements for the years ended June 30, 2012 and 2011. The Department believes that it has no liabilities in respect to the Deferred Compensation Plan.

### Deferred Savings Incentive Plan

Effective January 1, 1998, the State established the Oklahoma State Employees Deferred Savings Incentive Plan (the "Savings Incentive Plan") as a money purchase pension plan pursuant to IRC Section 401(a). The Savings Incentive Plan and its related trust are intended to meet the requirements of IRC Sections 401(a) and 501(a).

Any qualified participant who is a State employee who is an active participant in the Deferred Compensation Plan is eligible for a contribution of the amount determined by the State Legislature, currently the equivalent of $25 per month. Participation in the Savings Incentive Plan is automatic in the month of participation in the Deferred Compensation Plan and is not voluntary.

Upon cessation of contributions to the Deferred Compensation Plan, termination of employment with the State, retirement, or death, a participant will no longer be eligible for contributions from the State into the Savings Incentive Plan. Participants are at all times 100% vested in their Savings Incentive Plan account. Participant contributions are not required or permitted. Qualified participants may make rollover contributions to the Savings Incentive Plan, provided such rollover contributions meet applicable requirements of the IRC. Participants may direct the investment of the contributions in available investment options offered by the Savings Incentive Plan. All interest, dividends, and investment fees are allocated to the participants' accounts.

Savings Incentive Plan benefits are paid to participants or beneficiaries upon termination, retirement, or death. Such benefits are based on a participant's account balance and are disbursed in a lump sum or periodic payments or may be rolled over to a qualified plan at the option of the participant or beneficiaries.

## (11) FEDERAL AWARDS

### Sport Fish Restoration Program

The Sport Fish Restoration Program, more commonly known as "Dingell-Johnson" after its congressional sponsors, created a federal program for fisheries improvement throughout the United States. Applying the "user pay" concept to fish restoration, this program has employed an excise tax. This tax is added by manufacturers onto the purchase price of angling equipment and helps raise the revenue necessary to fund specific restoration projects by state fish and wildlife agencies. Each state's share is 60% on its licensed sport fishermen and 40% on its land and water area. No state may receive more than 5% or less than 1% of each year's total apportionment. Federal funding from the program pays for up to 75% of project costs, with the Department matching approximately 25%.

### Wildlife Restoration Act

The Wildlife Restoration Act, better known as the Pittman-Robertson Act, created a 10% tax on ammunition and firearms used for sport hunting. Federal funding from the act pays up to 75% of project costs, with the Department matching approximately 25%.

As of June 30, 2012 and 2011, the Department had accrued approximately $842,000 and $1,266,000, respectively, of accounts receivable from the federal government for the federal government's share of program expenditures.

## (12) COMMITMENTS AND CONTINGENCIES

The Department conducts certain programs pursuant to grants and contracts funded and is subject to audit by various federal and state agencies. Costs questioned as a result of audits, if any, may result in refunds to these governmental agencies.

Certain buildings and other properties of the Department are insured through the risk management program of the State. To the extent destruction or damage to the properties should occur, the Department expects to fund replacement costs from State sources.

The Department participates in the Oklahoma Risk Management Division's (a division of the Department of Central Services) insurance pool, which covers all governmental tort claims against the Department and virtually all other state agencies and authorities. Workers' compensation claims arising from incidents occurring during the year are fully insured through the State Insurance Fund.

These areas of insurance coverage include stop-loss provisions that limit the Department's exposure.

# REQUIRED
# SUPPLEMENTARY INFORMATION

**Schedule I**

## OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

### SCHEDULE OF FUNDING PROGRESS— DEFINED BENEFIT PENSION PLAN

*June 30, 2012*

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Annual Covered Payroll [(b-a)/c] |
|---|---|---|---|---|---|---|
| **7/1/2012** | **$ 76,865,388** | **101,054,107** | **24,188,719** | **76.1%** | **14,661,906** | **165.0%** |
| 7/1/2011 | 74,450,462 | 95,341,307 | 20,890,845 | 78.1% | 14,633,288 | 142.8% |
| 7/1/2010 | 71,468,071 | 87,648,347 | 16,180,276 | 81.5% | 14,838,949 | 109.0% |
| 7/1/2009 | 68,086,255 | 91,198,257 | 23,112,002 | 74.7% | 14,811,323 | 156.0% |
| 7/1/2008 | 71,289,342 | 88,442,052 | 17,152,710 | 80.6% | 14,462,210 | 118.6% |
| 7/1/2007 | 66,932,172 | 82,876,265 | 15,944,093 | 80.8% | 13,491,774 | 118.2% |
| 7/1/2006 | 61,760,540 | 76,823,132 | 15,062,592 | 80.4% | 13,310,870 | 113.2% |
| 7/1/2005 | 59,110,560 | 72,602,070 | 13,491,510 | 81.4% | 13,236,609 | 101.9% |
| 7/1/2004 | 58,071,577 | 67,563,270 | 9,491,693 | 86.0% | 12,933,174 | 73.4% |
| 7/1/2003 | 55,615,324 | 61,317,625 | 5,702,301 | 90.7% | 12,027,727 | 47.4% |

See Independent Auditors' Report.
See accompanying notes to required supplementary information.

**Schedule II**

**OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS —
DEFINED BENEFIT PENSION PLAN**

*June 30, 2012*

| Year Ended June 30 | Annual Required Contribution | Percentage Contributed |
|---|---|---|
| **2012** | **$ 3,801,960** | **107.8%** |
| 2011 | 3,179,568 | 100.0% |
| 2010 | 4,413,604 | 100.0% |
| 2009 | 3,405,626 | 100.1% |
| 2008 | 3,118,148 | 96.5% |
| 2007 | 2,894,541 | 103.9% |
| 2006 | 2,636,538 | 95.1% |
| 2005 | 2,120,317 | 118.3% |
| 2004 | 2,031,424 | 59.1% |
| 2003 | 1,543,351 | 77.8% |

See Independent Auditors' Report.
See accompanying notes to required supplementary information.

**Schedule III**

## OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

## SCHEDULE OF FUNDING PROGRESS—OPEB

*June 30, 2012*

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Annual Covered Payroll [(b-a)/c] |
|---|---|---|---|---|---|---|
| **7/1/2012** | **$ -** | **4,457,032** | **4,457,032** | **0.0%** | **15,272,154** | **29.2%** |
| 7/1/2011 | - | 2,952,859 | 2,952,859 | 0.0% | 14,873,076 | 19.9% |
| 7/1/2010 | - | 2,917,962 | 2,917,962 | 0.0% | 14,838,949 | 19.7% |
| 7/1/2009 | - | 2,138,735 | 2,138,735 | 0.0% | 14,811,323 | 14.4% |

See Independent Auditors' Report.
See accompanying notes to required supplementary information.

## DEFINED BENEFIT PENSION PLAN (SCHEDULES I AND II)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Valuation date | July 1, 2012 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, closed |
| Remaining amortization period | Average future working lifetime of active members |
| Assets' valuation method | 5-year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return | 7.0% |
| Projected salary increases | 4.5%–7.0% |
| Cost-of-living adjustment | None |

## OPEB (SCHEDULE III)

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Valuation date | July 1, 2012 |
| Actuarial cost method | Entry age normal |
| Amortization method | 30 years, level dollar, open period |
| Actuarial assumptions: | |
| Investment rate of return | 4.0% |
| Healthcare cost and expense trend: | |
| Fiscal year ending June 30, 2012 | 6.0% |
| Fiscal year ending June 30, 2013, and later | 5.0% |

See Independent Auditors' Report.

## OTHER

### Annual Budget-to-Actual Comparison

The Department is not required to and does not prepare a legally adopted annual budget. Therefore, an annual budget-to-actual comparison required by GASB 34 as required supplementary information is not presented.

See Independent Auditors' Report.

**OTHER**
**SUPPLEMENTARY INFORMATION**

**OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*Year Ended June 30, 2012*

| Federal Grantor/Program Title | CFDA # | Federal Expenditures |
|---|---|---|
| U.S. Department of Interior: | | |
| Fish and Wildlife Cluster: | | |
| Sport Fish Restoration Program | 15.605 | $ 6,312,708 |
| Wildlife Restoration Act | 15.611 | 5,635,195 |
| Total Fish and Wildlife Cluster | | 11,947,903 |
| Aquatic Nuisance Species | 15.608 | 5 |
| Endangered Species Conservation | 15.615 | 469,450 |
| Hunter Education and Safety | 15.626 | 140,090 |
| Partners of Fish and Wildlife | 15.631 | 185,373 |
| Land Owners Incentive Program | 15.633 | 135,639 |
| State Wildlife Grants | 15.634 | 257,168 |
| Research Grants | 15.650 | 99,813 |
| Recovery Act Funds—Habitat Enhancement, Restoration, and Improvement—Recovery (ARRA) | 15.656 | 15,004 |
| Total U.S. Department of Interior | | 13,250,445 |
| Bureau of Reclamation: | | |
| McGee Creek Project | - [(1)] | 216,888 |
| U.S. Department of Agriculture: | | |
| Animal and Plant Health Inspection Service: | | |
| Plant Protection and Quarantine | 10.025 | 59,334 |
| Natural Resource Conservation Service: | | |
| Soil and Water Conservation | 10.902 | 49,750 |
| Environmental Quality Incentives Program | 10.912 | 30,066 |
| Wildlife Habitat Incentive Program | 10.914 | 72,242 |
| Total Natural Resource Conservation Service | | 152,058 |
| Total U.S. Department of Agriculture | | 211,392 |
| U.S. Department of Energy: | | |
| Passed through—Western Governors' Association: | | |
| Electricity Delivery and Energy Reliability, Research, Development, and Analysis—Recovery (ARRA) | 81.122 | 51,729 |
| Total expenditures of federal awards | | $ 13,730,454 |

[(1)] Not a cooperative agreement or grant, but considered federal funds.

See Independent Auditors' Report.
See accompany notes to schedule of expenditures of federal awards.

## (1) BASIS OF ACCOUNTING AND PRESENTATION

The accompanying schedule of federal awards includes the federal grant activity of the Department and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

## (2) RECONCILIATION OF EXPENDITURES

The following is a reconciliation of the expenditures per the schedule of expenditures of federal awards to the statement of revenues, expenditures, and changes in fund balances—governmental funds and the statement of activities:

| | |
|---|---|
| Total expenditures per the schedule of expenditures of federal awards; and total revenues per the statement of revenues, expenditures, and changes in fund balances—governmental funds and the statement of activities | $ 13,730,454 |

See Independent Auditors' Report.

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

# 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 Commission
Oklahoma Department of Wildlife Conservation

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oklahoma Department of Wildlife Conservation (the "Department") as of and for the year ended June 30, 2012, which collectively comprise the Department's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 25, 2012. Our report includes a paragraph to emphasize the fact that the report included only that portion of the State of Oklahoma that was attributable to the transactions of the Department. Our report also includes an explanatory paragraph disclaiming an opinion on 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

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

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.

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 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.

(Continued)



1421 East 45th Street • Shawnee, OK 74804
P: 405.878.7300 • www.finley-cook.com • F: 405.395.3300

**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*, CONTINUED**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department'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 Commission, management, the State, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Finley & Cook, PLLC

Shawnee, Oklahoma
September 25, 2012

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Commission
Oklahoma Department of Wildlife Conservation

**Compliance**

We have audited the Oklahoma Department of Wildlife Conservation's (the "Department") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2012. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

(Continued)



1421 East 45th Street • Shawnee, OK 74804
P: 405.878.7300 • www.finley-cook.com • F: 405.395.3300

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, CONTINUED**

**Internal Control Over Compliance**

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Commission, management, the State, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Finley + Cook, PLLC

Shawnee, Oklahoma
September 25, 2012

## SECTION I—SUMMARY OF AUDITORS' RESULTS

### Financial Statements

Type of auditors' report issued: **Unqualified**

Internal control over financial reporting:

Material weakness(es) identified? ☐ **Yes** ☑ **None Noted**

Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ **Yes** ☑ **None Reported**

Noncompliance material to financial statements noted? ☐ **Yes** ☑ **None Noted**

### Federal Awards

Internal control over major programs:

Material weakness(es) identified? ☐ **Yes** ☑ **None Noted**

Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ **Yes** ☑ **None Reported**

Type of auditors' report issued on compliance for the major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ **Yes** ☑ **No**

Identification of major programs:

| CFDA# | Name of Federal Program |
|---|---|
| **15.605 and 15.611** | **Fish and Wildlife Cluster** |
| **15.656** | **Recovery Act Funds—Habitat Enhancement, Restoration, and Improvement—Recovery (ARRA)** |
| **15.615** | **Endangered Species Conservation** |
| **81.122** | **Electricity Delivery and Energy Reliability, Research, Development, and Analysis—Recovery (ARRA)** |

Dollar threshold used to distinguish between Type A and Type B programs: **$411,914**

Auditee qualified as low-risk auditee? ☑ **Yes** ☐ **No**

## SECTION II—FINDINGS—FINANCIAL STATEMENTS AUDIT

**None noted.**

## SECTION III—FINDINGS AND QUESTIONED COSTS— MAJOR FEDERAL AWARD PROGRAMS AUDIT

**None noted.**

**OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION**

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

*Year Ended June 30, 2012*

There were no findings or questioned costs noted in the audit report for the year ended June 30, 2011.