Legislative Service Bureau

Financial Statements

June 30, 2016 and 2015
(With Independent Auditors' Report Thereon)

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

LEGISLATIVE SERVICE BUREAU

FINANCIAL STATEMENTS

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FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Legislative Service Bureau

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Legislative Service Bureau (the "Bureau"), a component of the General Fund of the State of Oklahoma, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Bureau's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

(Continued)

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Bureau as of June 30, 2016 and 2015, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

Department-Only Financial Statements

As discussed in Note 1, the financial statements of the Bureau are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the General Fund of the State of Oklahoma that is attributable to the transactions of the Bureau. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2016 or 2015, or the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-5 and the schedule of the Bureau's proportionate share of net pension liability and the schedule of the Bureau's contributions on pages 34 and 35, respectively, 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.

Other Information

The Bureau is not required by statute to prepare a line-item budget. Accordingly, a schedule of revenues, expenditures, and changes in fund balances—budget to actual is not presented herein.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2017, on our consideration of the Bureau's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bureau's internal control over financial reporting and compliance.

Finley & Cook, PLLC

Shawnee, Oklahoma
January 12, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Legislative Service Bureau (the "Bureau"), we offer readers of the Bureau's financial statements this overview and analysis of the financial activities for the fiscal years ended June 30, 2016 and 2015.

Financial Highlights

- At June 30, 2016, the Bureau's net position increased $1,988,555 from June 30, 2015, resulting in a net position of $2,962,619. At June 30, 2015, the Bureau's net position increased $3,530 from June 30, 2014, resulting in a net position of $974,064. At June 30, 2014, the Bureau's net position increased $101,112 from June 30, 2013, resulting in a net position of $970,534.

- At June 30, 2016, the Bureau's assets totaling $3,060,455 increased $1,889,853 due to an increase of $1,886,523 in cash and an increase of $3,330 in capital assets. At June 30, 2015, the Bureau's assets totaling $1,170,602 increased $82,135 due to an increase of $41,234 in cash and an increase of $40,901 in capital assets. At June 30, 2014, the Bureau's assets totaling $1,088,467 increased $134,600 due to an increase of $123,820 in cash and an increase of $10,780 in capital assets.

- At June 30, 2016, the Bureau's liabilities totaling $125,029 increased by $12,174, due mainly to a $20,697 decrease in accounts payable and a $37,513 increase in net pension liability. At June 30, 2015, the Bureau's liabilities totaling $112,855 decreased by $5,078, due mainly to a $41,776 decrease in accounts payable and a $40,681 net pension liability resulting from the implementation of GASB 68 and GASB 71. At June 30, 2014, the Bureau's liabilities totaling $117,933 increased by $33,488, due mainly to a $64,509 increase in accounts payable and a $21,858 decrease in capital leases for equipment.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statements of net position and the statements of activities) are designed to provide readers with a broad overview of the Bureau's finances in a manner similar to a private sector business.

The statements of net position present information on all of the Bureau's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Bureau is improving or deteriorating.

The statements of activities present information showing how the Bureau's net position changed during the most recent fiscal year. All changes in net position 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 only result in cash flows in future periods.

Overview of the Financial Statements, Continued

Fund Financial Statements

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All governmental activities of the Bureau are reflected in the General Fund. However, unlike the government-wide 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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Bureau maintains one fund, which is the General Fund. Information is presented separately in the governmental fund balance sheets and the governmental fund statements of revenues, expenditures, and changes in fund balances for the General Fund. All transactions related to the general administration of the Bureau are accounted for in the General Fund.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

The Bureau's net position at June 30 was reported as follows:

	2016	2015	2014
Current assets	$ 2,979,888	1,093,365	1,052,131
Capital assets, net	80,567	77,237	36,336
Total assets	3,060,455	1,170,602	1,088,467
Deferred outflows of resources related to the pension plan	138,337	65,739	-
Current liabilities	28,915	51,409	95,496
Noncurrent liabilities	96,114	61,446	22,437
Total liabilities	125,029	112,855	117,933
Deferred inflows of resources related to the pension plan	111,144	149,422	-
Net position:			
Net investment in capital assets	80,567	77,237	36,336
Unrestricted	2,882,052	896,827	934,198
Total net position	$ 2,962,619	974,064	970,534

Government-Wide Financial Analysis, Continued

For the years ended June 30, the Bureau's changes in net position were reported as follows:

	2016	2015	2014
Governmental activities:			
Contributions to the House	$ (1,521,219)	(1,584,603)	(3,993,552)
Contributions to the Senate	-	(2,054,943)	(4,454,943)
Expenses, net	(1,040,563)	(1,064,754)	(1,343,228)
Total governmental activities	(2,561,782)	(4,704,300)	(9,791,723)
General revenues:			
Appropriations from the State	4,550,337	4,892,835	9,892,835
Total general revenues	4,550,337	4,892,835	9,892,835
Changes in net position	1,988,555	188,535	101,112
Net position, beginning of year	974,064	970,534	869,422
Cumulative adjustment in net position to adopt GASB 68 and GASB 71	-	(185,005)	-
Net position, beginning of year, restated in 2015	974,064	785,529	869,422
Net position, end of year	$ 2,962,619	974,064	970,534

This discussion and analysis of the Bureau's financial performance provides an overview of the Bureau's financial activities for the fiscal years ended June 30, 2016, 2015, and 2014.

The Bureau's 2016 total general revenues decreased approximately 7% from fiscal year 2015, due to a decrease in state appropriations. The Bureau's 2015 total general revenues decreased approximately 51% from fiscal year 2014, due to a decrease in state appropriations. The Bureau's 2014 total general revenues increased approximately 102% from fiscal year 2013, due to an increase in state appropriations.

The Bureau's total expenses for fiscal year 2016 decreased approximately 46% due to a decrease in the Bureau's contribution to the Oklahoma State Senate. The Bureau's total expenses for fiscal year 2015 decreased approximately 52% due to a decrease in the Bureau's contribution to the Oklahoma House of Representatives and the Oklahoma State Senate. The Bureau's total expenses for fiscal year 2014 increased approximately 15% due to an increase in the Bureau's contribution to the Oklahoma House of Representatives.

The Bureau's 2016 appropriations from the State of Oklahoma decreased $342,498 from fiscal year 2015. The Bureau's 2015 appropriations from the State of Oklahoma decreased $5,000,000 from fiscal year 2014. The Bureau's 2014 appropriations from the State of Oklahoma increased $5,000,000 from fiscal year 2013.

Capital Assets

As of June 30, 2016, 2015, and 2014, the Bureau had invested approximately $466,000, $508,000, and $460,000, respectively, in capital assets, including computer equipment and software, office equipment, and furniture. Net of accumulated depreciation, the Bureau's net capital assets as of June 30, 2016, 2015, and 2014, totaled approximately $81,000, $77,000, and $36,000, respectively. As of June 30, 2016, 2015, and 2014, these amounts represented a net increase of approximately $4,000, $41,000, and $10,000, respectively. As of June 30, 2016, 2015, and 2014, there was approximately $70,000, $62,000, and $39,000, respectively, in capital asset additions.

Capital Leases

As of June 30, 2016, 2015, and 2014, the Bureau had no capital lease obligations outstanding for the lease of certain office equipment. During the fiscal years 2016 and 2015, the Bureau made no capital lease payments. During the fiscal year 2014, the Bureau paid approximately $23,000 in lease payments, of which approximately $22,000 reduced the capital lease obligation and approximately $1,000 related to interest expense.

Description of Currently Known Facts, Decisions, or Conditions that are Expected to have a Significant Effect on the Financial Position or Results of Operations

The Governor has approved the Bureau's appropriation for the fiscal year July 1, 2016, to June 30, 2017.

The Bureau is not required by statute to adopt a budget; therefore, budgetary comparison schedules are not required as part of the required supplementary information.

Contacting the Bureau's Financial Management

This financial report is designed to provide interested parties with a general overview of the Bureau's finances and to demonstrate the Bureau's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Legislative Service Bureau, 2300 North Lincoln Boulevard, Room 309-1, State Capitol Building, Oklahoma City, Oklahoma 73105-4801.

LEGISLATIVE SERVICE BUREAU

STATEMENTS OF NET POSITION

June 30,		*2016*	*2015*
Assets			
Current assets:			
Cash	$	2,979,888	1,093,365
Total current assets		2,979,888	1,093,365
Capital assets, net of accumulated depreciation		80,567	77,237
Total assets		3,060,455	1,170,602
Deferred Outflows of Resources			
Deferred amounts related to the pension plan		138,337	65,739
Total deferred outflows of resources		138,337	65,739
Total assets and deferred outflows of resources	$	3,198,792	1,236,341
Liabilities			
Current liabilities:			
Accounts payable	$	2,036	22,733
Current maturities of long-term liabilities		26,879	28,676
Total current liabilities		28,915	51,409
Noncurrent liabilities:			
Compensated absences, less current maturities		17,920	20,765
Net pension liability		78,194	40,681
Total noncurrent liabilities		96,114	61,446
Total liabilities		125,029	112,855
Deferred Inflows of Resources			
Deferred amounts related to the pension plan		111,144	149,422
Total deferred inflows of resources		111,144	149,422
Net Position			
Net investment in capital assets		80,567	77,237
Unrestricted		2,882,052	896,827
Total net position		2,962,619	974,064
Total liabilities, deferred inflows of resources, and net position	$	3,198,792	1,236,341

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

LEGISLATIVE SERVICE BUREAU

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2016

	General Expenses	Program Revenues: Charges for Services	Program Revenues: Federal Operating Grants	Net (Expenses) Revenues/Changes in Net Position
Governmental activities:				
General government support services	$ (1,040,660)	97	-	(1,040,563)
Contributions to the House	(1,521,219)	-	-	(1,521,219)
Total governmental activities	$ (2,561,879)	97	-	(2,561,782)
General revenues:				
Appropriations from the State				4,550,337
Total general revenues				4,550,337
Changes in net position				1,988,555
Net position, beginning of year				974,064
Net position, end of year				$ 2,962,619

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

STATEMENTS OF ACTIVITIES, CONTINUED

Year Ended June 30, 2015

		Program Revenues		
	General Expenses	Charges for Services	Federal Operating Grants	Net (Expenses) Revenues/Changes in Net Position
Governmental activities:				
General government support services	$ (1,064,804)	50	-	(1,064,754)
Contributions to the House	(1,584,603)	-	-	(1,584,603)
Contributions to the Senate	(2,054,943)	-	-	(2,054,943)
Total governmental activities	$ (4,704,350)	50	-	(4,704,300)
General revenues:				
Appropriations from the State				4,892,835
Total general revenues				4,892,835
Changes in net position				188,535
Net position, beginning of year, as previously reported				970,534
Cumulative adjustment in net position to adopt GASB 68 and GASB 71				(185,005)
Net position, beginning year, restated				785,529
Net position, end of year				$ 974,064

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

BALANCE SHEETS—GENERAL FUND

June 30,		*2016*	*2015*
Assets			
Cash	$	2,979,888	1,093,365
Total assets	$	2,979,888	1,093,365
Liabilities and Fund Balances			
Accounts payable	$	2,036	22,733
Total liabilities		2,036	22,733
Fund balances:			
Assigned		2,118,327	-
Unassigned		859,525	1,070,632
Total fund balances		2,977,852	1,070,632
Total liabilities and fund balances	$	2,979,888	1,093,365
Reconciliation of Fund Balances to Net Position			
Total fund balances from above	$	2,977,852	1,070,632
Amounts reported in the statements of net position are different because they are not financial resources and therefore are not reported in the governmental fund financial statements:			
Net capital assets used in governmental activities		80,567	77,237
Deferred outflows related to the pension plan		138,337	65,739
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental fund financial statements:			
Compensated absences		(44,799)	(49,441)
Net pension liability		(78,194)	(40,681)
Deferred inflows related to the pension plan		(111,144)	(149,422)
Net position, per the statements of net position	$	2,962,619	974,064

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

LEGISLATIVE SERVICE BUREAU

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GENERAL FUND

Years Ended June 30,	*2016*	*2015*
Revenues:		
Other	$ 97	50
Total revenues	97	50
Expenditures:		
Personnel services	570,287	570,220
Contractual services	501,082	567,705
Supplies and materials	3,484	2,740
Capital outlay	47,142	29,664
Contributions to the House	1,521,219	1,584,603
Contributions to the Senate	-	2,054,943
Total expenditures	2,643,214	4,809,875
Deficiency of revenues over expenditures	(2,643,117)	(4,809,825)
Other funding sources:		
Appropriations from the State	4,550,337	4,892,835
Net changes in fund balances	1,907,220	83,010
Fund balances, beginning of year	1,070,632	987,622
Fund balances, end of year	$ 2,977,852	1,070,632

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

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GENERAL FUND TO THE STATEMENTS OF ACTIVITIES

Years Ended June 30,	*2016*	*2015*
Net changes in fund balances, per the statements of revenues, expenditures, and changes in fund balances—General Fund	$ 1,907,220	83,010
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures while government-wide activities report depreciation expense to allocate those expenditures over the lives of the assets:		
Depreciation expense	(66,977)	(21,174)
Capital asset purchases capitalized	70,307	62,075
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 fund financial statements:		
Accrued compensated absences	4,642	3,983
Deferred outflows related to the pension plan	73,363	60,641
Changes in net position, per the statements of activities	$ 1,988,555	188,535

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

(1) NATURE OF THE ORGANIZATION

The Legislative Service Bureau (the "Bureau") was created to serve, in various capacities, the Oklahoma House of Representatives (the "House") and the Oklahoma State Senate (the "Senate"). The Bureau is responsible for such services as directed by the Speaker of the House and the President Pro Tempore of the Senate.

Financial Reporting Entity

The financial statements of the Bureau have been prepared in conformity with accounting principles generally accepted in the United States as applied to government 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 Bureau's accounting policies are described below.

In accordance with GASB, the Bureau's financial statements should include the operations of all organizations for which the Bureau has financial accountability. The Bureau has determined there are no other organizations for which it has financial accountability.

Fund Accounting and Budgetary Information

The Bureau is included in the General Fund—Government of the State of Oklahoma (the "State"). The accompanying financial statements are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the General Fund of the State attributable to the transactions of the Bureau, and not those of the State. The Bureau is funded by an appropriation from unallocated general funds earmarked for State government. Appropriations are available for expenditures for a period of 30 months from the date the appropriations are approved. It is the practice of the Bureau to utilize unexpended appropriations from the prior year before expending current year appropriations. The Bureau is not required by statute to prepare a line-item budget. Accordingly, a schedule of revenues, expenditures, and changes in fund balances—budget to actual is not presented herein.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Basis of Accounting

The government-wide financial statements (i.e., the statements of net position and the statements of activities) report information on all of the nonfiduciary activities of the government. Governmental activities are supported by taxes and intergovernmental revenues.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation and Basis of Accounting, Continued

The statements of activities demonstrate the degree to which the direct expenses are offset by program revenues. Direct expenses are those that are clearly identifiable with the Bureau's grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

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.

The General Fund is used to account for the Bureau's expendable financial resources and related liabilities. All transactions related to the general administration of the Bureau are accounted for in this fund.

The 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. Available is defined by the Bureau as 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when the liability has matured.

Only current assets and current liabilities are included on the balance sheets. The operations present sources and uses of available spendable resources during a given period of time.

The Bureau receives certain monies that are designated as to how they can be transferred or used. The Bureau retains full control of all monies to achieve the designated purposes.

Cash

Cash includes amounts on deposit with the Office of the State Treasurer (the "State Treasurer"), which is responsible for ensuring proper collateralization and insurance on such funds. The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution. The amount of collateral securities to be pledged for the security of public deposits shall be established by rules and regulations promulgated by the State Treasurer.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets

Capital assets are recorded as expenditures in the statements of revenues, expenditures, and changes in fund balances—General Fund, but are capitalized in the statements of net position. Capital assets are stated at actual or estimated historical cost in the statements of net position.

Capital assets are defined as assets with initial costs of $500 or more. Depreciation is computed on the straight-line method over the estimated useful lives:

Computer equipment and software	3 years
Office equipment	5 years
Furniture	7 years

Upon disposition, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss, if any, is recorded.

Compensated Absences

Employees earn annual vacation leave based upon their start date and years of service. Unused annual leave may be accumulated to a maximum of 240 hours for employees with less than 5 years of service and a maximum of 480 hours for employees with 5 or more years of service. All accrued annual leave is payable upon termination, resignation, retirement, or death. The General Fund records expenditures when employees are paid for leave. Accrued annual leave is considered a long-term liability and is included in the statements of net position. Sick leave does not vest to the employee and therefore is not recorded as a liability.

Contribution Expense

The Bureau records as contribution expense assets and/or services that are paid to other state agencies other than for contractual services rendered by such agencies.

Pension Plans

Defined Benefit Plan

The Bureau participates in a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Public Employees Retirement Plan and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Pension Plans, Continued

Defined Contribution Plan

Effective November 1, 2015, OPERS established Pathfinder, a mandatory defined contribution plan for eligible state employees who first become employed by a participating employer on or after November 1, 2015, and have no prior participation in OPERS. Under Pathfinder, members will choose a contribution rate which will be matched by their employer up to 7%. During the year ended June 30, 2016, the Bureau made no contributions to Pathfinder.

Equity Classifications

Government-Wide Financial Statements

Equity is classified as net position displayed in three components:

a. Net investment in capital assets—consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition or improvement of those assets.

b. Restricted net position—consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position—all other net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

As of June 30, 2016 and 2015, the Bureau did not have any restricted net position.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classifications, Continued

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

a. Nonspendable fund balance—The nonspendable fund balance classification includes amounts that cannot be spent because they are either i) not in spendable form or ii) legally or contractually required to be maintained intact.

b. Restricted fund balance—The restricted fund balance classification should be reported when constraints placed on the use of resources are either i) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or ii) imposed by law through constitutional provisions or enabling legislation.

c. Committed fund balance—The committed fund balance classification reflects specific purposes pursuant to constraints imposed by formal action of the Bureau's highest level of decision-making authority. Also, such constraints can only be removed or changed by the same form of formal action.

d. Assigned fund balance—The assigned fund balance classification reflects amounts that are constrained by the Bureau's intent to be used for specific purposes, but meet neither the restricted nor committed forms of constraint. Assigned funds cannot cause a deficit in the unassigned fund balance.

   For purposes of an assigned fund balance, the Bureau has given authority to the Speaker of the House and the President Pro Tempore of the Senate to assign state appropriations received by the Bureau for specific purposes.

e. Unassigned fund balance—The unassigned fund balance classification is the residual classification for the General Fund only. It is also where negative residual amounts for all other governmental funds would be reported. An unassigned fund balance essentially consists of excess funds that have not been classified in the other four fund balance categories mentioned above.

It is the Bureau's policy to first use the restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both a restricted and an unrestricted fund balance are available. The Bureau's policy for the use of the unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classifications, Continued

Fund Financial Statements, Continued

The following table shows the fund balance classifications as shown on the governmental funds balance sheets in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the years ended June 30:

	2016	2015
Fund balances:		
Assigned:		
State appropriations assigned to the House	$ 63,384	-
State appropriations assigned to the Senate	2,054,943	-
Total fund balance assigned	2,118,327	-
Unassigned:		
State appropriations	859,525	1,070,632
	$ 2,977,852	1,070,632

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded as expenditures of the applicable funds. This is an extension of the formal budgetary integration in the General Fund. Encumbrances do not represent any further constraint on the use of amounts than is already communicated by governmental fund balance classification as restricted, committed, or assigned. As of June 30, 2016 and 2015, there were no such encumbrances outstanding.

Income Taxes

The income of the Bureau, as an integral part of the State, is exempt from federal and state income taxes.

Deferred Inflows and Outflows of Resources

Government-Wide Financial Statements

Deferred inflows and outflows of resources represent amounts associated with pension differences between expected and actual experience, differences between projected and actual earnings on pension fund investments, and changes in assumptions. Note 6 details the components of these items.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Recent Accounting Pronouncements

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. GASB 72 also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The Bureau adopted GASB 72 on July 1, 2015. Adoption of this statement had no significant impact on the financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). GASB 73 addresses accounting and financial reporting for pensions that do not meet the criteria for applying GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), and amends certain disclosure requirements of GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* (GASB 67) and GASB 68. GASB 73 amendments include restricting additional disclosures related to 10-year schedules required by GASB 67 to be limited to factors over which the plan or government has influence, such as a change in investment policies. Amendments also address payables to a plan that are not separately financed specific liabilities, and the timing of employer recognition of revenue for the support of nonemployer contributing entities. The Bureau adopted this statement on July 1, 2015. The adoption had no significant impact on the Bureau's financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74). GASB 74 seeks to improve the usefulness of information about postemployment benefits (OPEB) other than pensions. This statement provides guidance for reporting and disclosure of defined benefit and defined contribution OPEB plans. The Bureau adopted this statement on July 1, 2015. The Bureau has no items to be reported under GASB 74, and the adoption had no significant impact on the Bureau's financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB 74 establishes new accounting and financial reporting requirements for OPEB plans. The scope of GASB 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit OPEB, GASB 75 identifies the methods and assumptions that are required to 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. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. GASB 75 is effective for fiscal years beginning after June 15, 2017. The Bureau has not yet determined the complete impact of adopting GASB 75.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). GASB 76 identifies accounting sources used to prepare state and local government financial statements in conformity with GAAP, and established a GAAP hierarchy of these resources. This Statement improves financial reporting by raising the category of GAAP Implementation Guides in the GAAP hierarchy, by emphasizing the importance of analogies to authoritative literature when an accounting event is not specified in authoritative GAAP, and by requiring the consideration of consistency with GASB Concept Statements when evaluating accounting treatments in non-authoritative GAAP. The Bureau adopted this statement on July 1, 2015. The adoption had no significant impact on the Bureau's financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77). GASB 77 provides financial reporting and disclosure guidance to governments that have either entered into tax abatement agreements or that have revenues affected by tax abatements entered into by another government. Governments will generally use tax abatements to encourage specific economic development that benefit either the government or its citizens by forgoing certain taxes. The Bureau will adopt GASB 77 effective July 1, 2016, for the June 30, 2017, reporting year. The Bureau does not expect GASB 77 to have a significant impact on the financial statements.

In December 2015, GASB issued Statement No. 79, *Certain Investment Pools and Pool Participants* (GASB 79). GASB 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Specific criteria address (1) the way the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. The Bureau adopted this statement effective July 1, 2015. The adoption of this statement had no significant impact on the financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* (GASB 80). GASB 80 amends blending requirements for the financial statements of component units to include criteria requiring blending of a component unit organized as a not-for-profit corporation in which the primary government is the sole corporate member. The Bureau will adopt GASB 80 effective July 1, 2016, for the June 30, 2017, reporting year. The Bureau does not expect GASB 80 to have a significant impact on the financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81). GASB 81 provides recognition and measurement guidance for situations in which a government is one of the beneficiaries of an irrevocable split-interest agreement. Irrevocable split-interest agreements are a type of giving by a donor to provide resources to two or more beneficiaries, including governments. GASB 81 provides the recognition and reporting requirements applicable when a government is one of the parties to such an agreement. The Bureau will adopt GASB 81 effective July 1, 2017, for the June 30, 2018, reporting year. The Bureau does not expect GASB 81 to have a significant impact on the financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In March 2016, GASB issued Statement No. 82, *Pension Issues* (GASB 82). GASB 82 addresses issues that arose for pension plans and participating employers when implementing GASB 67 and GASB 68. Under GASB 82, "covered payroll" will be the metric used to prepare ratios and other measures in schedules included in required supplementary information. This change replaces "covered-employee payroll," the presentation required by GASB 67 and GASB 68, since this particular data element presented operational challenges to pension plans. GASB 82 also now clarifies that a deviation, as defined by the Actuarial Standards Board, when selecting the assumptions used to determine total pension and liability related measures, is not considered to be in conformity with GASB 67 and GASB 68. And lastly, in certain circumstances, employers may make a portion or the entire employee required contributions to a pension plan on behalf of the employee. Under GASB 82, these contributions are classified as plan member contributions for GASB 67. For purposes of GASB 68, including determining an employer's proportion, those amounts should also be considered employee contributions. The Bureau adopted this statement effective July 1, 2015. The adoption had no significant impact on the Bureau financial statements.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through January 12, 2017, 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 BALANCES

At June 30, 2016 and 2015, the Bureau maintained cash balances of approximately $2,980,000 and $1,093,000, respectively, with the State Treasurer. The Bureau's deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitation, placed in banks or invested as 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.

(4) CAPITAL ASSETS

The following summarizes the activity in capital assets during the years ended June 30:

	Balance at June 30, 2015	Additions	Disposals	Balance at June 30, 2016
Capital assets:				
Computer equipment and software	$ 321,574	51,868	-	373,442
Office equipment	180,286	18,439	(111,698)	87,027
Furniture	6,017	-	-	6,017
Total capital assets	507,877	70,307	(111,698)	466,486
Accumulated depreciation:				
Computer equipment and software	264,064	50,195	-	314,259
Office equipment	160,559	16,782	(111,698)	65,643
Furniture	6,017	-	-	6,017
Total accumulated depreciation	430,640	66,977	(111,698)	385,919
Net capital assets	$ 77,237	3,330	-	80,567

	Balance at June 30, 2014	Additions	Disposals	Balance at June 30, 2015
Capital assets:				
Computer equipment and software	$ 260,694	62,075	(1,195)	321,574
Office equipment	190,910	-	(10,624)	180,286
Furniture	8,889	-	(2,872)	6,017
Total capital assets	460,493	62,075	(14,691)	507,877
Accumulated depreciation:				
Computer equipment and software	249,569	15,690	(1,195)	264,064
Office equipment	165,699	5,484	(10,624)	160,559
Furniture	8,889	-	(2,872)	6,017
Total accumulated depreciation	424,157	21,174	(14,691)	430,640
Net capital assets	$ 36,336	40,901	-	77,237

The Bureau did not have any capitalized lease assets as of June 30, 2016 or 2015. The Bureau has no significant infrastructure assets.

See Independent Auditors' Report.

(4) CAPITAL ASSETS, CONTINUED

Capital assets are valued at cost and are depreciated using the straight-line method over their estimated useful lives.

The depreciation expense, by program activity, for the years ended June 30 is allocated as follows:

	2016	2015
General government support services	$ 66,977	21,174

(5) LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30 was as follows:

	Balance at June 30, 2015	Additions	Reductions	Balance at June 30, 2016	Amount Due Within 1 Year
Compensated absences	$ 49,441	30,432	(35,074)	44,799	26,879
Net pension liability	40,681	37,513	-	78,194	-
	$ 90,122	67,945	(35,074)	122,993	26,879

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Amount Due Within 1 Year
Compensated absences	$ 53,424	27,608	(31,591)	49,441	28,676
Net pension liability, restated	246,956	-	(206,275)	40,681	-
	$ 300,380	27,608	(237,866)	90,122	28,676

See Independent Auditors' Report.

(6) PENSION PLAN

Plan Description

The Bureau contributes to the Oklahoma Public Employees Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement plan administered by OPERS. OPERS provides retirement, disability, and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the Oklahoma Legislature. Title 74 of the Oklahoma Statutes, Sections 901–943, as amended, assigns the authority for management and operation of the Oklahoma Public Employees Retirement Plan to the Board of Trustees of OPERS (the "Board"). OPERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the Oklahoma Public Employees Retirement Plan. That annual report may be obtained by writing to the Oklahoma Public Employees Retirement System, 5801 N. Broadway Extension, Suite 200, Oklahoma City, Oklahoma 73118 or by calling 1-800-733-9008, or can be obtained at www.opers.ok.gov/websites/opers/images/pdfs/CAFR-2015-OPERS.pdf.

Benefits Provided

OPERS provides members with full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983, must have 6 or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of 10 years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

Disability retirement benefits are available for members having 8 years of credited service whose disability status has been certified as being within 1 year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

State, county, and local agency employees become eligible to vest fully upon termination of employment after attaining 8 years of credited service, or the members' contributions may be withdrawn upon termination of employment.

(6) PENSION PLAN, CONTINUED

Benefits Provided, Continued

For state, county, and local agency employees, benefits are determined at 2% of the average annual salary received during the highest 36 months of the last 10 years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last 10 years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the Plan.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Benefits are payable to the surviving spouse of an elected official only if the elected official had at least 6 years of participating elected service and was married at least 3 years immediately preceding death. Survivor benefits are terminated upon death of the named survivor and, for elected officials, remarriage of the surviving spouse. Upon the death of a retired member, with no survivor benefits payable, the member's beneficiary(ies) are paid the excess, if any, of the member's accumulated contributions over the sum of all retirement benefit payments made.

Upon the death of a retired member, OPERS will pay a $5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

(6) PENSION PLAN, CONTINUED

Benefits Provided, Continued

Legislation was enacted in 1999 which provided a limited additional benefit for certain terminated members eligible to vest as of July 1, 1998. This limited benefit is payable as an additional $200 monthly benefit upon the member's retirement up to the total amount of certain excess contributions paid by the participant to OPERS. In April 2001, limited benefit payments began for qualified retired members.

Contributions

The contribution rates for each member category of OPERS are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates.

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service (IRS) limitations on compensation.

For 2016, 2015, and 2014, state agency employers contributed 16.5% on all salary, and state employees contributed 3.5% on all salary.

For 2016, 2015, and 2014, contributions of participating county and local agencies totaled 20.0% of salary composed of a minimum employee contribution rate of 3.5% up to a maximum of 8.5% and a minimum employer contribution rate of 11.5% up to a maximum of 16.5%.

Members have the option to elect to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service. Those who make the election pay the standard contribution rate plus an additional contribution rate, 2.91%, which is actuarially determined. The election is available for all state, county, and local government employees, except for elected officials and hazardous duty members.

Contributions to OPERS by the Bureau for 2016, 2015, and 2014 were approximately as follows:

2016	2015	2014
$ 73,000	63,000	62,000

See Independent Auditors' Report.

(6) PENSION PLAN, CONTINUED

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

At June 30, 2016 and 2015, the Bureau reported a liability for its proportionate share of the net pension liability. As of June 30, 2016, the net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. As of June 30, 2015, the net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Bureau's proportion of the net pension liability was based on the Bureau's contributions received by OPERS relative to the total contributions received by OPERS for all participating employers as of June 30, 2015 and 2014. Based upon this information, the Bureau's proportion for June 30, 2016 and 2015, was 0.02173967% and 0.02216159%, respectively.

For the years ended June 30, 2016 and 2015, the Bureau recognized pension (credit) expense of $(797) and $2,770, respectively. At June 30, 2016 and 2015, the Bureau reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	8,694
Changes of assumptions	1,216	-
Net difference between projected and actual earnings on pension plan investments	64,555	100,024
Changes in proportion	-	2,426
Bureau contributions subsequent to the measurement date	72,566	-
	$ 138,337	111,144

See Independent Auditors' Report.

(6) PENSION PLAN, CONTINUED

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

2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	13,468
Changes of assumptions	2,328	-
Net difference between projected and actual earnings on pension plan investments	-	135,954
Bureau contributions subsequent to the measurement date	63,411	-
	$ 65,739	149,422

See Independent Auditors' Report.

(6) PENSION PLAN, CONTINUED

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

Reported deferred outflows of resources of $72,566 related to pensions resulting from the Bureau's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2017. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	
2017	$ (10,278)
2018	(10,278)
2019	(10,278)
2020	(7,445)
2021	(7,094)
	$ (45,373)

Actuarial Methods and Assumptions

The total pension liability was determined on an actuarial valuation prepared as of July 1, 2015 and 2014, using the following actuarial assumptions:

Investment return:	7.5% compounded annually net of investment expense and including inflation
Salary increases:	4.5% to 8.4% per year, including inflation
Mortality rates:	Active participants and nondisabled pensioners: RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)
Annual post-retirement benefit increases:	None
Assumed inflation rate:	3.0%
Payroll growth:	4.0% per year
Actuarial cost method:	Entry age
Select period for the termination of employment assumptions:	10 years

See Independent Auditors' Report.

(6) PENSION PLAN, CONTINUED

Actuarial Methods and Assumptions, Continued

The actuarial assumptions used in the July 1, 2015 and 2014, valuation are based on the results of the most recent actuarial experience study, which covers the 3-year period ending June 30, 2013. The experience study report is dated May 9, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2015 and 2014, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
U.S. large cap equity	38.0%	5.3%
U.S. small cap equity	6.0%	5.6%
U.S. fixed income	25.0%	0.7%
International stock	18.0%	5.6%
Emerging market stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate anticipation	3.5%	1.5%
	100.0%	

See Independent Auditors' Report.

(6) PENSION PLAN, CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, OPERS' fiduciary net position was projected through 2114 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employer calculated using the discount rate of 7.5%, as well as what the Bureau's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability (asset)	$ 291,371	78,194	(103,040)

Pension Plan Fiduciary Net Position

Detailed information about OPERS' fiduciary net position is available in the separately issued financial report of OPERS, which can be located at www.opers.ok.gov.

See Independent Auditors' Report.

(7) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN, DEFERRED SAVINGS INCENTIVE PLAN, AND DEFINED CONTRIBUTION PLAN

Deferred Compensation Plan

The State offers its employees a Deferred Compensation Plan (the "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 Plan is the Board.

The 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 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 IRS.

The 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 Plan is also limited to contributions for years in which the participant was eligible but did not participate in the 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 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 Plan's provisions.

Effective January 1, 1998, the Board established a trust and a trust fund covering the 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 Plan's participants and their beneficiaries. Prior to the establishment of the trust, the 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 Plan or to determine that the trust fund is adequate to provide the benefits payable pursuant to the Plan.

(7) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN, DEFERRED SAVINGS INCENTIVE PLAN, AND DEFINED CONTRIBUTION PLAN, CONTINUED

Deferred Compensation Plan, Continued

Further information may be obtained from the Oklahoma State Employees Deferred Compensation Plan's audited financial statements for the years ended June 30, 2016 and 2015. The Bureau believes that it has no liabilities with respect to the 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 and is an active participant in the Plan is eligible for a contribution of the amount determined by the Oklahoma Legislature, currently the equivalent of $25 per month. Participation in the Savings Incentive Plan is automatic in the month of participation in the Plan and is not voluntary.

Upon cessation of contributions to the 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. Plan 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.

(7) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN, DEFERRED SAVINGS INCENTIVE PLAN, AND DEFINED CONTRIBUTION PLAN, CONTINUED

Defined Contribution Plan

Pathfinder is a mandatory contribution plan for eligible state employees who first became employed by a participating employer on or after November 1, 2015, and who have no prior participation in OPERS.

Under this plan, members choose a contribution rate, which is matched by their employer up to 7%, and members have the freedom to select and change their investments. A defined contribution plan like Pathfinder does not provide a guaranteed lifetime source of income. The amount a participant has at retirement under a defined contribution plan is dependent upon how much was contributed over his/her career, how well those investments performed, and how quickly distributions are taken in retirement.

The Pathfinder plan is one retirement plan with two components: a savings incentive 401(a) plan for mandatory contributions; and a deferred compensation 457(b) plan for additional voluntary contributions. The mandatory 401(a) plan contribution is 4.5% of the participant's annual salary, and state agency employers contribute an additional 6%. In addition, the participant can receive an additional 1% matching contribution when they make a voluntary contribution of 2.5% to the 457(b) plan. The agency contributes 16.5% to all eligible employees. The amounts not used for matching with Pathfinder are given to OPERS and do not come back to the agency.

(8) OKLAHOMA LEGISLATURE CONTRIBUTIONS

During the year ended June 30, 2016, the Bureau paid no contributions to the Senate. During the year ended June 30, 2015, the Bureau contributed $2,054,943 to the Senate to be utilized by the Senate for operational activities. During the years ended June 30, 2016 and 2015, the Bureau contributed $1,521,219 and $1,584,603, respectively, to the House to be utilized by the House for operational activities. The $1,521,219 and $3,639,546, respectively, was paid from state appropriations of the Bureau.

See Independent Auditors' Report.

(9) OTHER STATE AGENCY PAYMENTS

The Bureau has paid other state agencies for administrative and other services during the current year, which are included in contractual services. The following is a breakdown of contractual services paid to various state agencies as of June 30:

		2016	2015
OPERS	$	8,565	-
Office of Management and Enterprise Services		7,511	6,109
CompSource Oklahoma		-	3,511
Oklahoma State Senate		35,000	35,000
	$	51,076	44,620

(10) RISK MANAGEMENT

The Risk Management Division of the Division of Capital Assets Management (the "Division") is empowered by the authority of Title 74 O.S. Supp. 1993, Section 85.34 et seq. The Division is responsible for the acquisition and administration of all insurance purchased by the State or administration of any self-insurance plans and programs adopted for use by the State for certain organizations and bodies outside of State government, at the sole expense of such organizations and bodies.

The Division is authorized to settle claims of the State and shall govern the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided by the State, an agency, or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Government Tort Claims Act, as provided by Title 51 O.S. Supp. 1988, Section 154. The Division oversees the collection of liability claims owed to the State incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Division is also charged with the responsibility to immediately notify the Office of the Attorney General of any claims against the State presented to the Division. The Division purchases insurance policies through third-party insurance carriers that ultimately inherit the risk of loss. The Division annually assesses each state agency, including the Bureau, their pro rata share of the premiums purchased. The Bureau has no obligations to any claims submitted against the Bureau.

(11) CONTINGENCIES

The Bureau is involved in legal proceedings in the normal course of operations, none of which, in the opinion of the Bureau's leadership, will have a material effect on the financial statements of the Bureau.

See Independent Auditors' Report.

SUPPLEMENTARY INFORMATION REQUIRED BY GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 68

LEGISLATIVE SERVICE BUREAU

SCHEDULE OF THE BUREAU'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
Oklahoma Public Employees Retirement System

Last 2 Fiscal Years

		2016*	2015*
The Bureau's proportion of the net pension liability		0.02173967%	0.02216159%
The Bureau's proportionate share of the net pension liability	$	78,194	40,681
The Bureau's covered payroll	$	381,818	375,758
The Bureau's proportionate share of the net pension liability as a percentage of its covered payroll		20.48%	10.83%
OPERS' fiduciary net position as a percentage of the total pension liability		96.00%	97.90%

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

Only the last 2 fiscal years are presented because 10-year data is not readily available.

See Independent Auditors' Report

LEGISLATIVE SERVICE BUREAU

SCHEDULE OF THE BUREAU'S CONTRIBUTIONS
Oklahoma Public Employees Retirement System

Last 6 Fiscal Years

	2016	2015	2014	2013	2012	2011
Contractually required contribution	$ 73,000	63,000	62,000	64,000	65,000	76,000
Contributions in relation to the contractually required contributions	73,000	63,000	62,000	64,000	65,000	76,000
Contribution deficiency (excess)	$ -	-	-	-	-	-
The Bureau's covered payroll	$ 442,424	381,818	375,758	387,879	393,939	490,323
Contributions as a percentage of covered payroll	16.50%	16.50%	16.50%	16.50%	16.50%	15.50%

Only the last 6 fiscal years are presented because 10-year data is not readily available.

See Independent Auditors' Report.

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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*

Legislative Service Bureau

We have audited, in accordance with the 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, the financial statements of the governmental activities and the General Fund of the Legislative Service Bureau (the "Bureau"), a component of the General Fund of the State of Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Bureau's basic financial statements, and have issued our report thereon dated January 12, 2017. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information, an explanatory paragraph to emphasize the fact that the financial statements of the Bureau are intended to present the financial position and changes in financial position of only that portion of the governmental activities and the General Fund of the State of Oklahoma attributable to the transactions of the Bureau, and an explanatory paragraph stating that the Bureau is not required by statute to prepare a line-item budget.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bureau's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bureau's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Bureau's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

(Continued)

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INDEPENDENT AUDITORS' 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

Internal Control Over Financial Reporting, Continued

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bureau's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bureau's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bureau's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley & Cook, PLLC

Shawnee, Oklahoma
January 12, 2017