

Oklahoma Department of Wildlife Conservation

Financial Statements

June 30, 2017 and 2016
(With Independent Auditors' Report Thereon)



OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

FINANCIAL STATEMENTS

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OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Oklahoma Wildlife Conservation Commission
Oklahoma Department of Wildlife Conservation

Report on the Financial Statements

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"), a component unit of the State of Oklahoma, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Department'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 audits 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinions

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, 2017 and 2016, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matters

Department-Only Financial Statements

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, 2017 and 2016, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States. Our opinion is 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-7 and the schedule of changes in net pension liability—defined benefit pension plan, the schedule of net pension liability—defined benefit pension plan, the schedule of contributions from employer—defined benefit pension plan, the schedule of investment returns—defined benefit pension plan, and the schedule of funding progress—OPEB on pages 62–69 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 audits 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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters, Continued

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2017, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2017, 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* in considering the Department's internal control over financial reporting and compliance.

Finlay + Cook, PLLC

Shawnee, Oklahoma
September 27, 2017

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, 2017 and 2016.

Financial Highlights

- During 2017 and 2016, the Department generated revenues of approximately \$60 million and \$47 million, respectively.
- In 2017 and 2016, the net position of the Department increased by approximately \$16 million and \$0.9 million, respectively, from the previous fiscal year, resulting in net position of approximately \$212.2 million at year-end in fiscal year 2017 and approximately \$196.4 million at year-end in fiscal year 2016.
- In compliance with Governmental Accounting Standards Board (GASB) 68 and GASB 71, the Department recognized a net pension liability of approximately \$12,370,000, \$19,581,000, and \$12,895,000, at June 30, 2017, 2016, and 2015, respectively.

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 position 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 position presents information on all of the Department's assets and liabilities, with the difference between the two reported as net position. Increases and decreases in net position 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 position 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 result in cash flows in future periods.

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS, 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 position and a statement of changes in fiduciary net position. 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, 2017, 2016, and 2015, amounted to \$108,915,769, \$95,446,995, and \$93,467,104, respectively. As a direct result of 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)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Changes in Net Position

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 and an increase in federal grants accounted primarily for the increase in funds from the prior fiscal year. Additionally, there was a net increase of approximately \$13,469,000 in capital assets.

In fiscal year 2017, our cash and cash equivalents (restricted and unrestricted) decreased by approximately \$10,743,000, along with general revenue (including investment income) increasing by approximately \$6,823,000. In 2017, license sales decreased by approximately \$728,000 and lifetime licenses decreased by approximately \$138,000. Overall expenses decreased by approximately \$1,982,000. In fiscal year 2016, our cash and cash equivalents (restricted and unrestricted) increased by approximately \$2,492,000, along with general revenue (including investment income) decreasing by approximately \$7,562,000. In 2016, license sales increased by approximately \$620,000 and lifetime licenses decreased by approximately \$542,000. Overall expenses increased by approximately \$5,720,000.

The fiduciary net position increased by approximately \$10,448,000 in 2017 due principally to the net appreciation in fair value of investments of approximately \$9,371,000, resulting in net position restricted for pensions of approximately \$111 million, \$100 million, and \$101 million in fiscal years 2017, 2016, and 2015, respectively.

Government-Wide Financial Analysis

The Department's net position is reported as follows:

Oklahoma Department of Wildlife Conservation Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current assets	\$ 34,613,968	31,914,609	36,153,139
Restricted assets	85,842,942	88,356,764	85,782,700
Capital assets, net	108,915,769	95,446,995	93,467,104
Total assets	<u>229,372,679</u>	<u>215,718,368</u>	<u>215,402,943</u>
Deferred outflows of resources related to the pension plan	<u>5,470,507</u>	<u>7,443,361</u>	<u>2,306,941</u>
Current liabilities	1,323,805	943,164	1,886,928
Long-term liabilities	15,943,058	22,999,874	16,144,792
Total liabilities	<u>17,266,863</u>	<u>23,943,038</u>	<u>18,031,720</u>
Deferred inflows of resources related to the pension plan	<u>5,327,889</u>	<u>2,832,651</u>	<u>4,187,016</u>
Net investment in capital assets	108,915,769	95,446,995	93,467,104
Restricted net position	85,928,417	88,444,739	85,895,175
Unrestricted	17,404,248	12,494,306	16,128,869
Total net position	<u>\$ 212,248,434</u>	<u>196,386,040</u>	<u>195,491,148</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Government-Wide Financial Analysis, Continued

Oklahoma Department of Wildlife Conservation Changes in Net Position

	2017			
	Program Revenues			Net (Expense)
	Expenses	License Fees	Federal Operating Grants	Revenue/Change in Net Assets
Programs:				
Game	\$ (13,052,807)	4,828,375	13,025,490	4,801,058
Fish	(10,945,407)	3,982,395	10,638,303	3,675,291
Law enforcement	(11,331,025)	3,943,193	-	(7,387,832)
Information and education	(3,700,585)	1,344,565	266,563	(2,089,457)
Nongame	-	-	947,841	947,841
Administration	(5,361,605)	1,780,488	-	(3,581,117)
Total program activities	<u>\$ (44,391,429)</u>	<u>15,879,016</u>	<u>24,878,197</u>	<u>(3,634,216)</u>
General revenues:				
Other wildlife sales				4,237,742
Sales of general fixed assets				305,063
Investment income				9,066,662
Miscellaneous				2,388,705
Agricultural and oil leases				1,401,588
Non-expendable revenues— lifetime licenses				<u>2,096,850</u>
Total general revenues				<u>19,496,610</u>
Changes in net position				15,862,394
Net position, beginning of year				<u>196,386,040</u>
Net position, end of year				<u>\$ 212,248,434</u>

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Government-Wide Financial Analysis, Continued

Oklahoma Department of Wildlife Conservation Changes in Net Position, Continued

	2016			
		Program Revenues		
	Expenses	License Fees	Federal Operating Grants	Net (Expense) Revenue/Change in Net Assets
Programs:				
Game	\$ (13,527,370)	4,961,873	8,883,022	317,525
Fish	(12,155,669)	4,657,172	8,238,809	740,312
Law enforcement	(11,609,418)	3,924,729	-	(7,684,689)
Information and education	(3,737,874)	1,295,579	245,124	(2,197,171)
Nongame	-	-	1,217,874	1,217,874
Administration	(5,962,199)	1,767,748	-	(4,194,451)
Total program activities	<u>\$ (46,992,530)</u>	<u>16,607,101</u>	<u>18,584,829</u>	<u>(11,800,600)</u>
General revenues:				
Other wildlife sales				5,076,575
Sales of general fixed assets				407,273
Investment income				593,703
Miscellaneous				1,344,718
Agricultural and oil leases				3,038,655
Non-expendable revenues— lifetime licenses				<u>2,234,568</u>
Total general revenues				<u>12,695,492</u>
Changes in net position				894,892
Net position, beginning of year				<u>195,491,148</u>
Net position, end of year				<u>\$ 196,386,040</u>

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Government-Wide Financial Analysis, Continued

Oklahoma Department of Wildlife Conservation Changes in Net Position, Continued

	2015			
		Program Revenues		
	Expenses	License Fees	Federal Operating Grants	Net (Expense) Revenue/Change in Net Assets
Programs:				
Game	\$ (13,382,334)	4,766,834	13,055,119	4,439,619
Fish	(9,152,288)	4,547,468	6,585,598	1,980,778
Law enforcement	(11,406,912)	3,722,151	-	(7,684,761)
Information and education	(3,551,178)	1,245,609	412,930	(1,892,639)
Nongame	-	-	1,302,646	1,302,646
Administration	(4,346,102)	1,705,024	-	(2,641,078)
Total program activities	<u>\$ (41,838,814)</u>	<u>15,987,086</u>	<u>21,356,293</u>	<u>(4,495,435)</u>
General revenues:				
Other wildlife sales				5,317,839
Sales of general fixed assets				515,637
Investment income				4,794,322
Miscellaneous				3,042,582
Agricultural and oil leases				3,810,325
Non-expendable revenues— lifetime licenses				<u>2,776,902</u>
Total general revenues				<u>20,257,607</u>
Changes in net position				15,762,172
Net position, beginning of year				<u>179,728,976</u>
Net position, end of year				<u>\$ 195,491,148</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS, 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, 2017 and 2016.

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, 2145 N.E. 36th Street, Oklahoma City, OK 73111.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

STATEMENTS OF NET POSITION

<i>June 30,</i>	<i>2017</i>	<i>2016</i>
Assets:		
Cash and cash equivalents	\$ 6,923,562	10,602,396
Receivables	6,021,971	1,883,760
Inventory held for sale	619,511	487,232
Investments	21,048,924	18,941,221
Restricted cash and cash equivalents	9,131,696	16,195,493
Restricted investments	76,704,246	72,154,271
Restricted assets	7,000	7,000
Capital assets, net	108,915,769	95,446,995
Total assets	229,372,679	215,718,368
Deferred outflows of resources:		
Deferred amounts related to the pension	5,470,507	7,443,361
Liabilities:		
Accounts payable	931,232	554,386
Unearned revenue	21,384	5,184
Compensated absences payable—amount due in 1 year or less	371,189	383,594
Compensated absences payable—amount due in more than 1 year	2,651,905	2,644,699
Net pension liability—amount due in more than 1 year	12,370,371	19,581,480
Net OPEB obligation—amount due in more than 1 year	920,782	773,695
Total liabilities	17,266,863	23,943,038
Deferred inflows of resources:		
Deferred amounts related to the pension	5,327,889	2,832,651
Net position:		
Investment in capital assets	108,915,769	95,446,995
Restricted for:		
Lifetime licenses	85,652,407	83,555,557
Purchase of land—legacy permits	276,010	4,889,182
Unrestricted	17,404,248	12,494,306
Total net position	\$ 212,248,434	196,386,040

See Independent Auditors' Report.

See accompanying notes to financial statements.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2017

		Program Revenues		
	Expenses	License Fees	Federal Operating Grants	Net (Expense) Revenue/Change in Net Assets
Programs:				
Game	\$ (13,052,807)	4,828,375	13,025,490	4,801,058
Fish	(10,945,407)	3,982,395	10,638,303	3,675,291
Law enforcement	(11,331,025)	3,943,193	-	(7,387,832)
Information and education	(3,700,585)	1,344,565	266,563	(2,089,457)
Nongame	-	-	947,841	947,841
Administration	(5,361,605)	1,780,488	-	(3,581,117)
Total program activities	<u>\$ (44,391,429)</u>	<u>15,879,016</u>	<u>24,878,197</u>	<u>(3,634,216)</u>
General revenues:				
Other wildlife sales				4,237,742
Sales of general fixed assets				305,063
Investment income				9,066,662
Miscellaneous				2,388,705
Agricultural and oil leases				1,401,588
Non-expendable revenues— lifetime licenses				<u>2,096,850</u>
Total general revenues				<u>19,496,610</u>
Changes in net position				15,862,394
Net position, beginning of year				<u>196,386,040</u>
Net position, end of year				<u>\$ 212,248,434</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

STATEMENTS OF ACTIVITIES, CONTINUED

Year Ended June 30, 2016

		Program Revenues		
			Federal	Net (Expense)
	Expenses	License Fees	Operating Grants	Revenue/Change in Net Assets
Programs:				
Game	\$ (13,527,370)	4,961,873	8,883,022	317,525
Fish	(12,155,669)	4,657,172	8,238,809	740,312
Law enforcement	(11,609,418)	3,924,729	-	(7,684,689)
Information and education	(3,737,874)	1,295,579	245,124	(2,197,171)
Nongame	-	-	1,217,874	1,217,874
Administration	(5,962,199)	1,767,748	-	(4,194,451)
Total program activities	<u>\$ (46,992,530)</u>	<u>16,607,101</u>	<u>18,584,829</u>	<u>(11,800,600)</u>
General revenues:				
Other wildlife sales				5,076,575
Sales of general fixed assets				407,273
Investment income				593,703
Miscellaneous				1,344,718
Agricultural and oil leases				3,038,655
Non-expendable revenues—lifetime licenses				<u>2,234,568</u>
Total general revenues				<u>12,695,492</u>
Changes in net position				894,892
Net position, beginning of year				<u>195,491,148</u>
Net position, end of year				<u>\$ 196,386,040</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

BALANCE SHEETS—GOVERNMENTAL FUNDS

June 30, 2017

	General Fund	Permanent Fund Perpetual Lifetime Licenses	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 7,199,572	8,855,686	16,055,258
Investments	21,048,924	76,704,246	97,753,170
Receivables	6,021,971	-	6,021,971
Due from other funds	-	85,475	85,475
Inventory held for sale	619,511	-	619,511
Other assets	-	7,000	7,000
Total assets	\$ 34,889,978	85,652,407	120,542,385
Liabilities:			
Accounts payable	\$ 931,232	-	931,232
Due to other funds	85,475	-	85,475
Unearned revenue	21,384	-	21,384
Total liabilities	1,038,091	-	1,038,091
Fund balances:			
Nonspendable:			
Lifetime licenses	-	85,652,407	85,652,407
Restricted for:			
Purchase of land—legacy permits	276,010	-	276,010
Unassigned	33,575,877	-	33,575,877
Total fund balances	33,851,887	85,652,407	119,504,294
Total liabilities and fund balances	\$ 34,889,978	85,652,407	120,542,385

(Continued)

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

BALANCE SHEETS—GOVERNMENTAL FUNDS, CONTINUED

June 30, 2017

		Permanent Fund	
	General Fund	Perpetual Lifetime Licenses	Total Governmental Funds
Reconciliation:			
Fund balances from above	\$ 33,851,887	85,652,407	119,504,294
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	108,915,769	-	108,915,769
Deferred outflows related to the pension are not financial resources and therefore are not reported in the funds	5,470,507	-	5,470,507
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds	(16,314,247)	-	(16,314,247)
Deferred inflows related to the pension are not due and payable in the current period and therefore are not reported in the funds	<u>(5,327,889)</u>	<u>-</u>	<u>(5,327,889)</u>
Net position per statement of net position	<u>\$ 126,596,027</u>	<u>85,652,407</u>	<u>212,248,434</u>

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

BALANCE SHEETS—GOVERNMENTAL FUNDS, CONTINUED

June 30, 2016

		Permanent Fund	
	General Fund	Perpetual Lifetime Licenses	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 15,491,578	11,306,311	26,797,889
Investments	18,941,221	72,154,271	91,095,492
Receivables	1,883,760	-	1,883,760
Due from other funds	-	87,975	87,975
Inventory held for sale	487,232	-	487,232
Other assets	-	7,000	7,000
Total assets	<u>\$ 36,803,791</u>	<u>83,555,557</u>	<u>120,359,348</u>
Liabilities:			
Accounts payable	\$ 554,386	-	554,386
Due to other funds	87,975	-	87,975
Unearned revenue	5,184	-	5,184
Total liabilities	<u>647,545</u>	<u>-</u>	<u>647,545</u>
Fund balances:			
Nonspendable:			
Lifetime licenses	-	83,555,557	83,555,557
Restricted for:			
Purchase of land—legacy permits	4,889,182	-	4,889,182
Unassigned	31,267,064	-	31,267,064
Total fund balances	<u>36,156,246</u>	<u>83,555,557</u>	<u>119,711,803</u>
Total liabilities and fund balances	<u>\$ 36,803,791</u>	<u>83,555,557</u>	<u>120,359,348</u>

(Continued)

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

BALANCE SHEETS—GOVERNMENTAL FUNDS, CONTINUED

June 30, 2016

	General Fund	Permanent Fund Perpetual	Total
Reconciliation:			
Fund balances from above	\$ 36,156,246	83,555,557	119,711,803
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	95,446,995	-	95,446,995
Deferred outflows related to the pension are not financial resources and therefore are not reported in the funds	7,443,361	-	7,443,361
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds	(23,383,468)	-	(23,383,468)
Deferred inflows related to the pension are not due and payable in the current period and therefore are not reported in the funds	(2,832,651)	-	(2,832,651)
Net position per statement of net position	<u>\$ 112,830,483</u>	<u>83,555,557</u>	<u>196,386,040</u>

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, 2017

	General Fund	Permanent Fund Perpetual Lifetime Licenses	Total Governmental Funds
Revenues:			
Licenses	\$ 15,879,016	2,096,850	17,975,866
Other wildlife sales	2,279,789	-	2,279,789
Legacy permit sales	1,957,953	-	1,957,953
Agricultural and oil leases	1,401,588	-	1,401,588
Federal grant revenue	24,878,197	-	24,878,197
Investment income—lifetime licenses	8,895,202	-	8,895,202
Investment income	171,460	-	171,460
Miscellaneous	2,388,705	-	2,388,705
Total revenues	<u>57,851,910</u>	<u>2,096,850</u>	<u>59,948,760</u>
Expenditures:			
Administration	5,037,598	-	5,037,598
Game	13,756,307	-	13,756,307
Fish	11,639,582	-	11,639,582
Law enforcement	12,154,824	-	12,154,824
Information and education	3,715,404	-	3,715,404
Capital improvements	6,627,091	-	6,627,091
Land acquisitions	7,530,526	-	7,530,526
Total expenditures	<u>60,461,332</u>	<u>-</u>	<u>60,461,332</u>
Revenues (under) over expenditures	<u>(2,609,422)</u>	<u>2,096,850</u>	<u>(512,572)</u>
Other financing sources:			
Sales of other assets	<u>305,063</u>	<u>-</u>	<u>305,063</u>
Total other financing sources	<u>305,063</u>	<u>-</u>	<u>305,063</u>
Net changes in fund balances	(2,304,359)	2,096,850	(207,509)
Fund balances, beginning of year	<u>36,156,246</u>	<u>83,555,557</u>	<u>119,711,803</u>
Fund balances, end of year	<u>\$ 33,851,887</u>	<u>85,652,407</u>	<u>119,504,294</u>

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, 2016

	General Fund	Permanent Fund Perpetual Lifetime Licenses	Total Governmental Funds
Revenues:			
Licenses	\$ 16,607,101	2,234,568	18,841,669
Other wildlife sales	2,865,121	-	2,865,121
Legacy permit sales	2,211,454	-	2,211,454
Agricultural and oil leases	3,038,655	-	3,038,655
Federal grant revenue	18,584,829	-	18,584,829
Investment income—lifetime licenses	395,763	-	395,763
Investment income	197,940	-	197,940
Miscellaneous	1,344,718	-	1,344,718
Total revenues	<u>45,245,581</u>	<u>2,234,568</u>	<u>47,480,149</u>
Expenditures:			
Administration	4,891,914	-	4,891,914
Game	13,543,853	-	13,543,853
Fish	12,282,990	-	12,282,990
Law enforcement	11,474,163	-	11,474,163
Information and education	3,782,946	-	3,782,946
Capital improvements	1,745,482	-	1,745,482
Land acquisitions	881,348	-	881,348
Total expenditures	<u>48,602,696</u>	<u>-</u>	<u>48,602,696</u>
Revenues (under) over expenditures	<u>(3,357,115)</u>	<u>2,234,568</u>	<u>(1,122,547)</u>
Other financing sources:			
Sales of other assets	<u>453,249</u>	<u>-</u>	<u>453,249</u>
Total other financing sources	<u>453,249</u>	<u>-</u>	<u>453,249</u>
Net changes in fund balances	(2,903,866)	2,234,568	(669,298)
Fund balances, beginning of year	<u>39,060,112</u>	<u>81,320,989</u>	<u>120,381,101</u>
Fund balances, end of year	<u>\$ 36,156,246</u>	<u>83,555,557</u>	<u>119,711,803</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

**RECONCILIATION OF NET CHANGES IN GOVERNMENTAL FUND BALANCES TO
GOVERNMENTAL ACTIVITIES CHANGES IN NET POSITION**

<i>Years Ended June 30,</i>	<i>2017</i>	<i>2016</i>
Net changes in fund balances—total governmental funds	\$ (207,509)	(669,298)
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	(2,999,954)	(2,665,649)
Net capital asset purchases capitalized	16,468,728	4,645,540
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	5,199	(86,462)
Net OPEB obligation	(147,087)	(133,945)
In the statements of activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.	<u>2,743,017</u>	<u>(195,294)</u>
Changes in net position of governmental activities	<u>\$ 15,862,394</u>	<u>894,892</u>

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

STATEMENTS OF FIDUCIARY NET POSITION—FIDUCIARY FUND

June 30, 2017 and 2016

	<u>2017</u>	Pension Trust Funds		<u>Total</u>
		Defined Benefit Pension <u>Plan</u>	Defined Contribution <u>Plan</u>	
Assets:				
Investments at fair value:				
U.S. government securities	\$	16,127,516	-	16,127,516
U.S. Treasury obligations		14,527,017	-	14,527,017
Collateralized mortgage obligations		922,654	-	922,654
Corporate bonds		2,778,995	-	2,778,995
Municipals		1,442,856	-	1,442,856
Yankee bonds		144,512	-	144,512
Domestic equity securities		29,978,215	-	29,978,215
Equity funds		37,663,628	1,577,391	39,241,019
Alternative investments		2,499,250	-	2,499,250
Cash and cash equivalents		2,896,774	63,662	2,960,436
Total assets		<u>108,981,417</u>	<u>1,641,053</u>	<u>110,622,470</u>
Net position—restricted for pension benefits	\$	<u>108,981,417</u>	<u>1,641,053</u>	<u>110,622,470</u>

	<u>2016</u>	Pension Trust Funds		<u>Total</u>
		Defined Benefit Pension <u>Plan</u>	Defined Contribution <u>Plan</u>	
Assets:				
Investments at fair value:				
U.S. government securities	\$	17,162,413	-	17,162,413
U.S. Treasury obligations		15,682,168	-	15,682,168
Collateralized mortgage obligations		2,004,257	-	2,004,257
Corporate bonds		1,378,594	-	1,378,594
Municipals		398,939	-	398,939
Yankee bonds		180,179	-	180,179
Domestic equity securities		25,207,721	-	25,207,721
Equity funds		23,994,168	1,035,872	25,030,040
International equity funds		7,332,393	-	7,332,393
Alternative investments		2,578,992	-	2,578,992
Cash and cash equivalents		3,218,539	-	3,218,539
Total assets		<u>99,138,363</u>	<u>1,035,872</u>	<u>100,174,235</u>
Net position—restricted for pension benefits	\$	<u>99,138,363</u>	<u>1,035,872</u>	<u>100,174,235</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION—FIDUCIARY FUND

Year Ended June 30, 2017

	Pension Trust Funds		
	Defined Benefit Pension Plan	Defined Contribution Plan	Total
Additions:			
Contributions:			
Employer's	\$ 4,780,001	245,884	5,025,885
Employees'	633,255	197,076	830,331
Total contributions	5,413,256	442,960	5,856,216
Investment income:			
Net appreciation in fair value of investments	9,169,372	201,565	9,370,937
Interest	692,911	-	692,911
Dividends	1,072,516	-	1,072,516
Other	63,569	-	63,569
Total investment income	10,998,368	201,565	11,199,933
Less investment expenses	(201,052)	-	(201,052)
Net investment income	10,797,316	201,565	10,998,881
Total additions	16,210,572	644,525	16,855,097
Deductions:			
Benefit payments	6,314,554	5,060	6,319,614
Administration	52,964	34,284	87,248
Total deductions	6,367,518	39,344	6,406,862
Changes in net position	9,843,054	605,181	10,448,235
Net position—restricted for pension benefits, beginning of year	99,138,363	1,035,872	100,174,235
Net position—restricted for pension benefits, end of year	\$ 108,981,417	1,641,053	110,622,470

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION—FIDUCIARY FUND,
CONTINUED**

Year Ended June 30, 2016

	Pension Trust Funds		
	Defined Benefit Pension Plan	Defined Contribution Plan	Total
Additions:			
Contributions:			
Employer's	\$ 3,700,000	197,830	3,897,830
Employees'	663,033	161,654	824,687
Rollovers	-	4,703	4,703
Total contributions	4,363,033	364,187	4,727,220
Investment income:			
Net depreciation in fair value of investments	(1,252,549)	(19,463)	(1,272,012)
Interest	853,617	-	853,617
Dividends	1,066,415	-	1,066,415
Other	17,080	-	17,080
Total investment income	684,563	(19,463)	665,100
Less investment expenses	(192,496)	-	(192,496)
Net investment income	492,067	(19,463)	472,604
Total additions	4,855,100	344,724	5,199,824
Deductions:			
Benefit payments	5,593,198	5,005	5,598,203
Administration	54,813	5,493	60,306
Total deductions	5,648,011	10,498	5,658,509
Changes in net position	(792,911)	334,226	(458,685)
Net position—restricted for pension benefits, beginning of year	99,931,274	701,646	100,632,920
Net position—restricted for pension benefits, end of year	\$ 99,138,363	1,035,872	100,174,235

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

(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 position 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.

See Independent Auditors’ Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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 \$85,652,407 and \$83,555,557 at June 30, 2017 and 2016, 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 \$1,957,953 and \$2,211,454 for the years ended June 30, 2017 and 2016, respectively. The restricted fund balance was \$276,010 and \$4,889,182 at June 30, 2017 and 2016, respectively.
- Unassigned—represents the total fund balance less nonspendable and restricted. The unassigned fund balance totaled \$32,977,750 and \$31,267,064 at June 30, 2017 and 2016, respectively.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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:

	<u>2017</u>	<u>2016</u>
Cash	\$ 1,743,454	2,392,098
Investments	<u>21,048,924</u>	<u>18,941,221</u>
	<u>\$ 22,792,378</u>	<u>21,333,319</u>

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

	<u>2017</u>	<u>2016</u>
Beginning fund balance	\$ 21,333,319	24,073,875
Investment earnings	8,895,202	395,763
Used in general fund operations	<u>(7,436,143)</u>	<u>(3,136,319)</u>
Ending fund balance	<u>\$ 22,792,378</u>	<u>21,333,319</u>

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, 2017 and 2016, 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.

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.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash, Cash Equivalents, and Investments, Continued

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, 2017 or 2016.

The Department invests in mortgage-backed securities, which are reported at fair value in the statements of net position, the balance sheets, and the statements of fiduciary net position 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.

Inventory Held for Sale and Unearned Revenue

The Department's inventory held for sale is comprised of paddlefish caviar from the 2017 and 2016 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.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Pensions

Defined Benefit Pension Plan—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 Department's defined benefit pension plan and additions to/deductions from the Department's defined benefit pension plan's fiduciary net position have been determined on the same basis as they are reported by the Department's defined benefit pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. As more explained in Note 7, the defined benefit plan was frozen so as to not allow employees hired after July 1, 2010, to participate.

Defined Contribution Plan—The Department also has a defined contribution plan. The defined contribution plan is more fully discussed in Note 8.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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.

Risks and Uncertainties

Contributions to the defined benefit retirement plan of the Department are actuarially determined based on certain assumptions based on interest rates, inflation rates, and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least a reasonable possibility that changes in these assumptions may occur in the near term and, due to uncertainties inherent in setting assumptions, that the effect on such changes could be material to the financial statements.

In addition, the Department reports investments in the various funds at fair value, and changes in the stock markets, in all probability, will cause investment earnings to react positively or negatively. Such reactions could be material to the overall financial position of the Department.

Advertising Costs

All costs associated with advertising are expensed as incurred.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements

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. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, 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 expense/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 Department has not yet determined the complete impact of adopting GASB 75.

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 Department adopted GASB 77 on July 1, 2016. The Department has no items to be reported, and the adoption 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 Department adopted this statement on July 1, 2016. The adoption had no significant impact on the financial statements.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

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 Department will adopt GASB 81 effective July 1, 2017, for the June 30, 2018, reporting year. The Department does not expect GASB 81 to have a significant impact on the financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 provides accounting and reporting requirements for certain asset retirement obligations (ARO) that arise from legally enforceable liabilities associated with the retirement of certain tangible capital assets. ARO's require an internal and external obligating event and the costs to be reasonably estimable for the incurrence of such a liability. The Department will adopt GASB 83 effective July 1, 2018, for the June 30, 2019, reporting year. The Department does not expect GASB 83 to have a significant impact on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 improves guidance regarding the recognition and reporting of fiduciary activities. GASB 84 identifies four types of reportable fiduciary fund types, including 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds. GASB 84 outlines the accounting and disclosure requirements for operating structures that qualify as a fiduciary activity. The Department will adopt GASB 84 effective July 1, 2019, for the June 30, 2020, reporting year. The Department does not expect GASB 84 to have a significant impact on the financial statements.

In March 2017, GASB issued Statement No 85, *Omnibus 2017* (GASB 85). GASB 85 clarified several practice issues identified during the application of earlier GASB pronouncements. GASB 85 addresses topics including the blending of component units, goodwill and negative goodwill, fair value measurement and application, employer accounting and reporting for pensions and OPEB, and reporting by OPEB plans. The Department will adopt GASB 85 on July 1, 2017, for the June 30, 2018, reporting year. The Department does not expect GASB 85 to have a significant impact on the financial statements.

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OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86). GASB 86 provides guidance regarding the in-substance defeasance of debt. Normally, a government will issue new debt at favorable rates and place the proceeds in trust to eliminate the liability of an existing debt. GASB 86 provides accounting and reporting guidance for situations where a government irrevocably sets aside cash and other assets to defease an existing debt. Guidance also addresses prepaid insurance related to extinguished debt and the financial valuation and disclosure of other assets used to defease debt. The Department will adopt GASB 86 on July 1, 2017, for the June 30, 2018, reporting year. The Department does not expect GASB 86 to have a significant impact on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Department has not determined the impact of GASB 87 on the financial statements.

Tribal Compact Agreements

The State of Oklahoma and the Choctaw Nation entered into a 3-year hunting and fishing compact during 2017. The State of Oklahoma and the Cherokee Nation entered into a 3-year hunting and fishing compact during 2016. Both compacts provide for the Department to issue a joint tribal hunting and fishing license to members of the Choctaw Nation and Cherokee Nation at a discount, if certain conditions, as outlined in the compacts, are met. The State and Department are working with other Oklahoma Tribal Nations to establish compacts.

Date of Management's Review of Subsequent Events

The Department has evaluated subsequent events through September 27, 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.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

At June 30, 2017 and 2016, the Department maintained cash and cash equivalent balances of approximately \$8,287,000 and \$15,719,000, respectively, with the Office of the State Treasurer and approximately \$7,775,000 and \$11,086,000, 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.

Investments

At June 30, investments were composed of the following:

	<u>2017</u>	<u>2016</u>
Restricted—permanent fund	\$ 76,704,246	72,154,271
Unrestricted—lifetime license investment account	<u>21,048,924</u>	<u>18,941,221</u>
Total permanent fund and lifetime license investment account	<u>97,753,170</u>	<u>91,095,492</u>
Pension trust funds:		
Defined benefit pension plan	108,981,417	99,138,363
Defined contribution plan	<u>1,641,053</u>	<u>1,035,872</u>
Total pension trust funds	<u>110,622,470</u>	<u>100,174,235</u>
Total investments	<u>\$ 208,375,640</u>	<u>191,269,727</u>

As a key part of the Department's activities, the Department holds investments that are measured and reported at fair value on a recurring basis. Generally accepted accounting principles establish a fair value hierarchy for the determination and measurement of fair value. This hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy generally is as follows:

1. Level 1—Unadjusted quoted prices in active markets for identical assets.
2. Level 2—Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.
3. Level 3—Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using net asset value (NAV) per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3. As of June 30, 2017 and 2016, the Department had no investments measured using NAV. Fair values of investments by level are presented below.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>June 30, 2017</i>	Amounts Measured at <u>Fair Value</u>			
<u>Investments by Fair Value Level</u>				
<i>Permanent Fund and Lifetime License Investment Account</i>				
Cash and cash equivalents:				
BOK—STIF-type investment; money market; high liquidity	\$ 7,775,500	7,775,500	-	-
Total cash equivalents measured at fair value	<u>\$ 7,775,500</u>	<u>7,775,500</u>	<u>-</u>	<u>-</u>
Fixed income:				
U.S. government securities	15,366,977	15,312,688	54,289	-
U.S. Treasury obligations	11,961,850	11,961,850	-	-
Corporate bonds	511,298	-	511,298	-
Total fixed income	<u>27,840,125</u>	<u>27,274,538</u>	<u>565,587</u>	<u>-</u>
Equities:				
Domestic equity securities	27,854,567	27,854,567	-	-
Equity funds	24,123,723	24,123,723	-	-
Fixed income funds	13,432,069	13,432,069	-	-
Total equities	<u>65,410,359</u>	<u>65,410,359</u>	<u>-</u>	<u>-</u>
Alternative investments:				
Open-end mutual funds	4,502,686	4,502,686	-	-
Total alternative investments	<u>4,502,686</u>	<u>4,502,686</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>\$97,753,170</u>	<u>97,187,583</u>	<u>565,587</u>	<u>-</u>

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OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2017</u>		Amounts Measured at Fair Value		
Investments by Fair Value Level, Continued				
<i>Defined Benefit Pension Plan</i>				
Cash and cash equivalents:				
BOK—STIF-type investment; money market; high liquidity	\$ 2,896,774	2,896,774	-	-
Fixed income:				
U.S. government securities	16,127,516	3,879,812	12,247,704	-
U.S. Treasury obligations	14,527,017	14,527,017	-	-
Collateralized mortgage obligations	922,654	-	922,654	-
Municipals	1,442,856	-	1,442,856	-
Foreign bonds	144,512	-	144,512	-
Corporate bonds	2,778,995	-	2,738,512	40,483
Total fixed income	35,943,550	18,406,829	17,496,238	40,483
Equities:				
Domestic equity securities	29,978,215	29,978,215	-	-
Equity funds	37,663,628	37,663,628	-	-
Total equities	67,641,843	67,641,843	-	-
Alternative investments:				
Open-end mutual funds	2,499,250	2,499,250	-	-
Total alternative investments	2,499,250	2,499,250	-	-
Total investments measured at fair value	\$ 108,981,417	91,444,696	17,496,238	40,483
<i>Defined Contribution Plan</i>				
Cash and cash equivalents:				
BOK—STIF-type investment; money market; high liquidity	\$ 63,662	63,662	-	-
Equities:				
Targeted pooled equity funds	1,577,391	1,577,391	-	-
Total investments measured at fair value	\$ 1,641,053	1,641,053	-	-

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>June 30, 2016</i>	<u>Amounts Measured at Fair Value</u>			
<u>Investments by Fair Value Level</u>				
<i>Permanent Fund and Lifetime License Investment Account</i>				
Fixed income:				
U.S. government securities	\$ 13,202,316	13,074,581	127,735	-
U.S. Treasury obligations	20,061,700	20,061,700	-	-
Corporate bonds	502,138	-	502,138	-
Total fixed income	<u>33,766,154</u>	<u>33,136,281</u>	<u>629,873</u>	<u>-</u>
Equities:				
Domestic equity securities	23,005,985	23,005,985	-	-
Equity funds	25,825,940	25,825,940	-	-
Fixed income funds	4,747,108	4,747,108	-	-
Total equities	<u>53,579,033</u>	<u>53,579,033</u>	<u>-</u>	<u>-</u>
Alternative investments:				
Open-end mutual funds	<u>3,750,305</u>	<u>3,750,305</u>	<u>-</u>	<u>-</u>
Total alternative investments	<u>3,750,305</u>	<u>3,750,305</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 91,095,492</u>	<u>90,465,619</u>	<u>629,873</u>	<u>-</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>June 30, 2016</i>				
<u>Investments by Fair Value Level, Continued</u>				
<i>Defined Benefit Pension Plan</i>				
Cash and cash equivalents:				
BOK—STIF-type investment; money market; high liquidity	\$ 3,218,539	3,218,539	-	-
Fixed income:				
U.S. government securities	17,162,413	2,480,389	14,682,024	-
U.S. Treasury obligations	15,682,168	15,682,168	-	-
Collateralized mortgage obligations	2,004,257	-	2,004,257	-
Municipals	398,939	-	398,939	-
Foreign bonds	180,179	-	180,179	-
Corporate bonds	1,378,594	-	1,332,937	45,657
Total fixed income	36,806,550	18,162,557	18,598,336	45,657
Equities:				
Domestic equity securities	25,207,721	25,207,721	-	-
Equity funds	31,326,561	31,326,561	-	-
Total equities	56,534,282	56,534,282	-	-
Alternative investments:				
Open-end mutual funds	2,578,992	2,578,992	-	-
Total alternative investments	2,578,992	2,578,992	-	-
Total investments measured at fair value	\$ 99,138,363	80,494,370	18,598,336	45,657
<i>Defined Contribution Plan</i>				
Targeted pooled equity funds	\$ 1,035,872	1,035,872	-	-
Total investments measured at fair value	\$ 1,035,872	1,035,872	-	-

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, 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:

<u>Investment Type</u>	<u>Fair Value</u>	
	<u>2017</u>	<u>2016</u>
Fixed income:		
U.S. government securities	\$ 15,312,688	13,202,316
U.S. Treasury obligations	11,961,850	20,061,700
Corporate bonds	511,298	502,138
Collateralized mortgage obligations	37,594	-
Asset-backed securities	16,695	-
Total fixed income	<u>27,840,125</u>	<u>33,766,154</u>
Equities:		
Domestic equity securities	27,854,567	23,005,985
Equity funds	24,123,723	25,825,940
Fixed income funds	<u>13,432,069</u>	<u>4,747,108</u>
Total equities	<u>65,410,359</u>	<u>53,579,033</u>
Alternative investments:		
Open-end mutual funds	<u>4,502,686</u>	<u>3,750,305</u>
	<u>\$ 97,753,170</u>	<u>91,095,492</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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 of 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, except for individual investments in U.S. government agencies (FNMA). At June 30, 2017 and 2016, the permanent fund and the 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.

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OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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:

2017		
		Fair Value as a Percentage of Total Fixed Maturity
<u>Rating</u>	<u>Fair Value</u>	<u>Fair Value</u>
AAA	\$ 27,328,826	98.16%
AA-	306,555	1.10%
BBB+	204,744	0.74%
	<u>\$ 27,840,125</u>	<u>100.00%</u>
2016		
		Fair Value as a Percentage of Total Fixed Maturity
<u>Rating</u>	<u>Fair Value</u>	<u>Fair Value</u>
AAA	\$ 33,264,016	98.51%
AA	303,976	0.90%
BBB	198,162	0.59%
	<u>\$ 33,766,154</u>	<u>100.00%</u>

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OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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 the lifetime license investment account had the following investments with maturities:

Investment Type	2017				
	Investments Maturities at Fair Value (in Years)				Total Fair Value
	Less than 1	1 or More Less than 5	5 or More Less than 10	10 or More	
U.S. government securities	\$ -	11,427,988	3,884,700	-	15,312,688
U.S. Treasury obligations	11,961,850	-	-	-	11,961,850
Corporate bonds	-	511,298	-	-	511,298
Collateralized mortgage obligations	-	-	656	36,938	37,594
Asset-backed securities	-	-	16,695	-	16,695
	<u>\$ 11,961,850</u>	<u>11,939,286</u>	<u>3,902,051</u>	<u>36,938</u>	<u>27,840,125</u>
Investment Type	2016				
	Investments Maturities at Fair Value (in Years)				Total Fair Value
	Less than 1	1 or More Less than 5	5 or More Less than 10	10 or More	
U.S. government securities	\$ -	1,020	4,000,348	9,200,948	13,202,316
U.S. Treasury obligations	7,934,661	12,127,039	-	-	20,061,700
Corporate bonds	-	502,138	-	-	502,138
	<u>\$ 7,934,661</u>	<u>12,630,197</u>	<u>4,000,348</u>	<u>9,200,948</u>	<u>33,766,154</u>

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OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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:

<u>Investment Type</u>	<u>Fair Value</u>	
	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 2,896,774	3,218,539
Fixed income:		
U.S. government securities	16,127,516	17,162,413
U.S. Treasury obligations	14,527,017	15,682,168
Collateralized mortgage obligations	922,654	2,004,257
Corporate bonds	2,778,995	1,378,594
Municipals	1,442,856	398,939
Yankee bonds	144,512	180,179
Total fixed income	<u>35,943,550</u>	<u>36,806,550</u>
Equities:		
Domestic equity securities	29,978,215	25,207,721
Equity funds	37,663,628	23,994,168
International equity funds	-	7,332,393
Total equities	<u>67,641,843</u>	<u>56,534,282</u>
Alternative investments:		
Open-end mutual funds	<u>2,499,250</u>	<u>2,578,992</u>
	<u>\$ 108,981,417</u>	<u>99,138,363</u>

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OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

Pension Trust Funds, Continued

Defined Benefit Pension Plan, Continued

Management of the Department is authorized to invest in eligible investments as approved by the Commission as set forth in its investment policy. The Commission reviews and updates the plan investment policy at least annually, making changes as deemed necessary to achieve policy goals. An investment policy change can be made anytime the need should arise at the discretion of the Commission.

Investment Allocation Policy—The Department's asset allocation policy for the defined benefit pension plan will currently maintain approximately 50% of assets in equity instruments; approximately 40% of assets in fixed income; and approximately 10% of assets in alternative investments to include diversified alternative strategies, hedged equities, real assets (commodities and real estate), private equities, and low correlation strategies.

Significant Investment Policy Changes Made During the Year—No significant investment policy changes were made during the years ended June 30, 2017 and 2016.

Rate of Return—For the years ended June 30, 2017 and 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.25% and 0.69%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Method Used to Value Investments—The defined benefit plan investments are reported at fair value. Cash and cash equivalents include an investment fund composed of an investment in units of a money market fund of the defined benefit plan's custodial agent (which is valued at cost, which approximates fair value). Debt, equity, and open-end mutual funds securities are reported at fair value, as determined by the defined benefit plan's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges. Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, and investment expenses, which includes investment management and custodial fees and all other significant investment related costs. Foreign currency translation gains and losses are reflected in the net appreciation (depreciation) in the fair value of investments.

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OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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 of 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, 2017 and 2016, 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:

<u>2017</u>					
<u>Classification</u>	<u>Name of Investment</u>	<u>Shares</u>		<u>Cost</u>	<u>Fair Value</u>
<u>of Investment</u>		<u>Held</u>			
Equity fund	Vanguard Institutional Index Fund #0094	40,880	\$	7,885,655	9,025,891
<u>2016</u>					
<u>Classification</u>	<u>Name of Investment</u>	<u>Shares</u>		<u>Cost</u>	<u>Fair Value</u>
<u>of Investment</u>		<u>Held</u>			
Equity fund	Vanguard Institutional Index Fund #0094	40,763	\$	7,861,552	7,817,528

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

Pension Trust Funds, Continued

Defined Benefit Pension Plan, Continued

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.

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:

	2017	
		Fair Value as a Percentage of Total Fixed Maturity
<u>Rating</u>	<u>Fair Value</u>	<u>Fair Value</u>
AAA	\$ 27,440,808	76.34%
AA+	4,339,034	12.07%
AA	707,625	1.97%
AA-	42,778	0.12%
A+	832,699	2.32%
A	357,491	0.99%
A-	1,018,329	2.83%
BBB+	823,785	2.29%
BBB	49,352	0.14%
BBB-	20,230	0.06%
BB+	94,559	0.26%
BB	6,918	0.02%
CCC	164,383	0.46%
Not rated	45,559	0.13%
	<u>\$ 35,943,550</u>	<u>100.00%</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

Pension Trust Funds, Continued

Defined Benefit Pension Plan, Continued

Credit Risk, Continued

		2016	
			Fair Value as a Percentage of Total Fixed Maturity
<u>Rating</u>	<u>Fair Value</u>		<u>Fair Value</u>
AAA	\$ 33,828,448		91.89%
AA	506,344		1.38%
A	1,179,881		3.21%
BBB	403,280		1.10%
BB	58,827		0.16%
CCC	193,583		0.53%
Not rated	<u>636,187</u>		<u>1.73%</u>
	<u>\$ 36,806,550</u>		<u>100.00%</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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 Barclays Bond index averages. As of June 30, the defined benefit pension plan had the following investments with maturities:

<u>Investment Type</u>	2017				
	<u>Investment Maturities at Fair Value (in Years)</u>				<u>Total Fair Value</u>
	<u>Less than 1</u>	<u>1 or More Less than 5</u>	<u>5 or More Less than 10</u>	<u>10 or More</u>	
U.S. government securities	\$ -	2,937,260	770,453	12,419,803	16,127,516
U.S. Treasury obligations	2,184,378	2,174,491	5,335,291	4,832,857	14,527,017
Collateralized mortgage obligations	-	7,897	98,743	816,014	922,654
Corporate bonds	-	968,372	1,810,623	-	2,778,995
Municipals	-	-	-	1,442,856	1,442,856
Yankee bonds	-	144,512	-	-	144,512
	<u>\$ 2,184,378</u>	<u>6,232,532</u>	<u>8,015,110</u>	<u>19,511,530</u>	<u>35,943,550</u>
<u>Investment Type</u>	2016				
	<u>Investment Maturities at Fair Value (in Years)</u>				<u>Total Fair Value</u>
	<u>Less than 1</u>	<u>1 or More Less than 5</u>	<u>5 or More Less than 10</u>	<u>10 or More</u>	
U.S. government securities	\$ 253,701	1,558,642	392,509	14,957,561	17,162,413
U.S. Treasury obligations	1,857,261	6,271,441	3,093,444	4,460,022	15,682,168
Collateralized mortgage obligations	-	42,766	191,066	1,770,425	2,004,257
Corporate bonds	-	980,831	397,763	-	1,378,594
Municipals	-	-	-	398,939	398,939
Yankee bonds	-	-	180,179	-	180,179
	<u>\$ 2,110,962</u>	<u>8,853,680</u>	<u>4,254,961</u>	<u>21,586,947</u>	<u>36,806,550</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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:

<u>Investment Type</u>	<u>Fair Value</u>	
	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 63,662	-
Equities:		
Equity funds	<u>1,577,391</u>	<u>1,035,872</u>
	<u>\$ 1,641,053</u>	<u>1,035,872</u>

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, 2017:

<u>Classification of Investment</u>	<u>Name of Investment</u>	<u>Units Held</u>	<u>Cost</u>	<u>Fair Value</u>
Equity fund	MAP Target 2030 Fund	9,837	\$ 183,333	208,312
Equity fund	MAP Target 2040 Fund	5,563	108,346	123,858
Equity fund	MAP Target 2050 Fund	44,154	833,242	1,020,913
Equity fund	MAP Target 2060 Fund	8,351	165,593	187,463

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) RECEIVABLES

Receivables at June 30 consisted of the following:

	<u>2017</u>	<u>2016</u>
License fees	\$ 152,191	377,605
Federal grants	<u>5,869,780</u>	<u>1,506,155</u>
	<u>\$ 6,021,971</u>	<u>1,883,760</u>

Because of the nature of the receivables, no allowance for uncollectibility was considered necessary as of June 30, 2017 or 2016.

(5) CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2017 and 2016:

	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2017</u>
Land	\$ 77,118,234	7,530,526	-	84,648,760
Construction in progress	<u>566,773</u>	<u>5,763,234</u>	-	<u>6,330,007</u>
Depreciable capital assets:				
Equipment	10,353,502	2,004,025	(614,481)	11,743,046
Furniture and fixtures	129,374	1,060	(8,183)	122,251
Machinery	7,371,343	561,433	(172,326)	7,760,450
Other	681,306	128,840	(9,092)	801,054
Vehicles	10,300,910	416,550	(1,446,134)	9,271,326
Infrastructure	212,915	-	-	212,915
Buildings	<u>9,800,248</u>	<u>285,445</u>	<u>(12,671)</u>	<u>10,073,022</u>
Depreciable capital assets	<u>38,849,598</u>	<u>3,397,353</u>	<u>(2,262,887)</u>	<u>39,984,064</u>
Total capital assets	<u>116,534,605</u>	<u>16,691,113</u>	<u>(2,262,887)</u>	<u>130,962,831</u>
Accumulated depreciation:				
Equipment	(7,442,272)	(601,213)	591,387	(7,452,098)
Furniture and fixtures	(90,662)	(7,772)	7,308	(91,126)
Machinery	(4,666,691)	(486,177)	135,044	(5,017,824)
Other	(372,540)	(45,485)	9,092	(408,933)
Vehicles	(4,693,257)	(1,631,262)	1,285,580	(5,038,939)
Infrastructure	(212,915)	-	-	(212,915)
Buildings	<u>(3,609,273)</u>	<u>(228,045)</u>	<u>12,091</u>	<u>(3,825,227)</u>
Total accumulated depreciation	<u>(21,087,610)</u>	<u>(2,999,954)</u>	<u>2,040,502</u>	<u>(22,047,062)</u>
Net capital assets	<u>\$ 95,446,995</u>	<u>13,691,159</u>	<u>(222,385)</u>	<u>108,915,769</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) CAPITAL ASSETS, CONTINUED

	Balance at June 30, 2015	Additions	Disposals	Balance at June 30, 2016
Land	\$ 76,282,863	881,347	(45,976)	77,118,234
Construction in progress	-	566,773	-	566,773
Depreciable capital assets:				
Equipment	10,146,756	570,158	(363,412)	10,353,502
Furniture and fixtures	120,436	12,529	(3,591)	129,374
Machinery	6,896,654	555,628	(80,939)	7,371,343
Other	467,727	213,579	-	681,306
Vehicles	10,201,910	1,990,482	(1,891,482)	10,300,910
Infrastructure	212,915	-	-	212,915
Buildings	9,803,611	-	(3,363)	9,800,248
Depreciable capital assets	37,850,009	3,342,376	(2,342,787)	38,849,598
Total capital assets	114,132,872	4,790,496	(2,388,763)	116,534,605
Accumulated depreciation:				
Equipment	(7,239,781)	(556,904)	354,413	(7,442,272)
Furniture and fixtures	(85,940)	(8,313)	3,591	(90,662)
Machinery	(4,267,858)	(474,425)	75,592	(4,666,691)
Other	(334,542)	(37,998)	-	(372,540)
Vehicles	(5,141,881)	(1,358,052)	1,806,676	(4,693,257)
Infrastructure	(212,915)	-	-	(212,915)
Buildings	(3,382,851)	(229,957)	3,535	(3,609,273)
Total accumulated depreciation	(20,665,768)	(2,665,649)	2,243,807	(21,087,610)
Net capital assets	\$ 93,467,104	2,124,847	(144,956)	95,446,995

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

	2017	2016
Game	\$ 912,204	796,443
Fish	752,377	747,535
Law enforcement	744,970	629,969
Information and education	254,023	207,957
Administration	336,380	283,745
Depreciation expense	\$ 2,999,954	2,665,649

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity was as follows:

	Balance at <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>June 30, 2017</u>	Amounts due within <u>1 year</u>
Compensated absences	\$ 3,028,293	365,990	(371,189)	3,023,094	371,189
Net pension liability	19,581,480	-	(7,211,109)	12,370,371	-
Net OPEB obligation	<u>773,695</u>	<u>147,087</u>	<u>-</u>	<u>920,782</u>	<u>-</u>
	<u>\$ 23,383,468</u>	<u>513,077</u>	<u>(7,582,298)</u>	<u>16,314,247</u>	<u>371,189</u>

	Balance at <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>June 30, 2016</u>	Amounts due within <u>1 year</u>
Compensated absences	\$ 2,941,831	470,056	(383,594)	3,028,293	383,594
Net pension liability	12,895,401	6,686,079	-	19,581,480	-
Net OPEB obligation	<u>639,750</u>	<u>133,945</u>	<u>-</u>	<u>773,695</u>	<u>-</u>
	<u>\$ 16,476,982</u>	<u>7,290,080</u>	<u>(383,594)</u>	<u>23,383,468</u>	<u>383,594</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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. Employees hired on or after July 1, 2010, are not eligible to participate in the Plan as the Plan was frozen as of that date for new-hires. Those employees are eligible for participation in the Department's defined contribution plan. 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:

	<u>2017</u>	<u>2016</u>
Retirees, disabled, and beneficiaries		
currently receiving benefits	210	202
Terminated vested participants	26	23
Active participants	<u>228</u>	<u>242</u>
	<u>464</u>	<u>467</u>

All permanent, full-time employees with a hire date prior to July 1, 2010, 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.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) DEFINED BENEFIT PENSION PLAN, CONTINUED

Description, Continued

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 through IV following the notes to the financial statements.

Contributions

The contribution requirements of the plan members are established and amended by the Commission. The members' required contribution rates were 5% for 2017 and 2016. The Department is required to contribute at an actuarially determined rate. The actuarially required contributions during fiscal years 2017 and 2016 were approximately \$2,988,000 and \$3,197,000, respectively.

Net Pension Liability

The components of the net pension liability at June 30 were as follows:

	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 121,351,788	118,719,843
Plan fiduciary net position	<u>108,981,417</u>	<u>99,138,363</u>
Employers' net pension liability	<u>\$ 12,370,371</u>	<u>19,581,480</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>89.81%</u>	<u>83.51%</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) DEFINED BENEFIT PENSION PLAN, CONTINUED

Net Pension Liability, Continued

Actuarial assumptions—The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3.0%
Salary increases:	3.0% to 8%, including inflation
Asset valuation method:	5-year smoothed market
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar, open
Remaining amortization period:	Average future working lifetime of active members
Investment rate of return:	7.0% net of pension plan investment expenses
Mortality rates:	Active members: RP-2014 Employee Mortality Table with Blue Collar Adjustment, projected to 2030 with Scale BB Retired members: RP-2014 Mortality Table for Healthy Annuitants with Blue Collar Adjustment, projected to 2030 with Scale BB Disabled members: RP-2014 Mortality Table for Disabled Annuitants, projected to 2030 with Scale BB
Cost-of-living adjustment:	None

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) DEFINED BENEFIT PENSION PLAN, CONTINUED

Net Pension Liability, Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30 (see discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	
	<u>2017</u>	<u>2016</u>
Fixed income	2.68%	0.77%
Equity	8.02%	8.70%
Alternative investments	3.07%	2.34%

Discount rate—The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the Department will be at least 100% of the Department's required contribution. Based on these assumptions, the pension plan's fiduciary net position was projected 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.

Sensitivity of the net pension liability to changes in the discount rate—The following presents the net pension liability, calculated using the discount rate of 7.0%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Net pension liability, June 30, 2017	<u>\$ 26,221,062</u>	<u>12,370,371</u>	<u>588,279</u>
Net pension liability, June 30, 2016	<u>\$ 33,337,590</u>	<u>19,581,480</u>	<u>7,891,575</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) **DEFINED BENEFIT PENSION PLAN, CONTINUED**

Changes in Net Pension Liability

<u>2017</u>	Increase (Decrease) Total Pension <u>Liability (a)</u>	Plan Fiduciary <u>Net Position (b)</u>	Net Pension <u>Liability (a)-(b)</u>
Balance at June 30, 2016	\$ 118,719,843	99,138,363	19,581,480
Changes for the year:			
Service cost	1,626,521	-	1,626,521
Interest	8,203,236	-	8,203,236
Differences between expected and actual expense	(883,258)	-	(883,258)
Changes in benefit terms	-	-	-
Change of assumptions	-	-	-
Contributions—employer	-	4,780,001	(4,780,001)
Contributions—employee	-	633,255	(633,255)
Net investment income	-	10,797,316	(10,797,316)
Benefit payments, including refunds	(6,314,554)	(6,314,554)	-
Administrative expense	-	(52,964)	52,964
Net changes	2,631,945	9,843,054	(7,211,109)
Balance at June 30, 2017	\$ 121,351,788	108,981,417	12,370,371

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) **DEFINED BENEFIT PENSION PLAN, CONTINUED**

Changes in Net Pension Liability, Continued

<u>2016</u>	Increase (Decrease) Total Pension <u>Liability (a)</u>	Plan Fiduciary <u>Net Position (b)</u>	Net Pension <u>Liability (a)-(b)</u>
Balance at June 30, 2015	\$ 112,826,675	99,931,274	12,895,401
Changes for the year:			
Service cost	1,848,180	-	1,848,180
Interest	7,831,478	-	7,831,478
Differences between expected and actual expense	456,220	-	456,220
Changes in benefit terms	1,155,584	-	1,155,584
Change of assumptions	194,904	-	194,904
Contributions—employer	-	3,700,000	(3,700,000)
Contributions—employee	-	663,033	(663,033)
Net investment income	-	492,067	(492,067)
Benefit payments, including refunds	(5,593,198)	(5,593,198)	-
Administrative expense	-	(54,813)	54,813
Net changes	5,893,168	(792,911)	6,686,079
Balance at June 30, 2016	\$ 118,719,843	99,138,363	19,581,480

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) DEFINED BENEFIT PENSION PLAN, CONTINUED

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

For the years ended June 30, 2017 and 2016, the Department recognized pension expense of \$2,036,984 and \$3,895,294, respectively.

Pension expense for the years ended June 30 was computed as follows:

	<u>2017</u>	<u>2016</u>
Service cost	\$ 1,626,521	1,848,180
Interest on total pension liability	8,203,236	7,831,478
Differences in expected and actual experiences	(82,432)	64,045
Changes in assumptions	32,322	32,322
Employee contributions	(633,255)	(663,033)
Projected earnings on investments	(6,906,286)	(6,950,215)
Differences between projected earnings and actual	(256,086)	522,120
Pension plan administrative expense	52,964	54,813
Change in benefit terms	<u>-</u>	<u>1,155,584</u>
	<u>\$ 2,036,984</u>	<u>3,895,294</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) DEFINED BENEFIT PENSION PLAN, CONTINUED

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

At June 30, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 412,007	918,879
Changes of assumptions	130,260	-
Net difference between projected and actual earnings on pension plan investments	<u>4,928,240</u>	<u>4,409,010</u>
	<u>\$ 5,470,507</u>	<u>5,327,889</u>
	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 534,231	240,277
Changes of assumptions	162,582	-
Net difference between projected and actual earnings on pension plan investments	<u>6,746,548</u>	<u>2,592,374</u>
	<u>\$ 7,443,361</u>	<u>2,832,651</u>

Amounts reported as of June 30, 2017, as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ (306,196)
2019	989,991
2020	430,717
2021	(824,264)
2022	(143,233)
Thereafter	<u>(4,397)</u>
	<u>\$ 142,618</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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, 2017 and 2016, there were 109 and 94 plan members, respectively. 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:

<u>Years of Credited Service</u>	<u>Percent of Compensation Contributed by the Employer</u>
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 ended June 30, 2017 and 2016, the Department contributed \$245,884 and \$197,830, respectively, and eligible employees contributed \$197,076 and \$161,654, respectively, to the DC Plan.

(9) OTHER POST-EMPLOYMENT BENEFITS

Description

The Department provides at its expense a health insurance allowance of up to \$150 per month 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 amounts of the retiree insurance cost paid for the years ended June 30, 2017 and 2016, were approximately \$225,000 and \$212,000, respectively.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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.

	<u>2017</u>	<u>2016</u>
Normal cost	\$ 89,609	83,009
Amortization of AAL	<u>295,710</u>	<u>273,150</u>
ARC	385,319	356,159
Interest on net OPEB obligation	30,948	25,590
ARC adjustment	<u>(43,874)</u>	<u>(36,278)</u>
Annual OPEB cost	372,393	345,471
Actual amount of net employer disbursements	<u>(225,306)</u>	<u>(211,526)</u>
Increase in net OPEB obligation	147,087	133,945
Net OPEB obligation, beginning of year	<u>773,695</u>	<u>639,750</u>
Net OPEB obligation, end of year	<u>\$ 920,782</u>	<u>773,695</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 372,393	60.50%	920,782
2016	345,471	61.23%	773,695
2015	337,373	63.28%	639,750

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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, 2017 and 2016, the most recent actuarial valuation dates, the actuarial accrued liability (AAL) for benefits was approximately \$5.2 million for each year and the actuarial value of assets was zero, resulting in an unfunded AAL (UAAL) of approximately \$5.2 million for each year. The covered payroll (annual payroll of active employees covered by the plan) at July 1, 2017 and 2016, was \$17.3 million and \$16.9 million, respectively, and the ratio of the UAAL to the covered payroll was 30% and 31%, respectively.

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—OPEB (Schedule V), 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, 2017 and 2016, 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 5%. 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.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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.

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.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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, 2017 and 2016. 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.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Deferred Savings Incentive Plan, Continued

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, 2017 and 2016, the Department had accrued approximately \$5,870,000 and \$1,506,000, respectively, of accounts receivable from the federal government for the federal government's share of program expenditures.

(12) **COMMITMENTS AND CONTINGENCIES**

Federal and State Grants and Contracts

The Department conducts certain programs pursuant to grants and contracts funded with federal monies, which are 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.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(12) COMMITMENTS AND CONTINGENCIES, CONTINUED

Insurance

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.

Legal

The Department, in the normal course of business, is occasionally involved in litigation. While there is litigation outstanding at June 30, 2017, management does not believe that the outcome of such litigation will have a material effect on the net position of the Department or on the results of its operations.

Building Renovations

The Department is making major renovations to its main facility located on Lincoln Boulevard. The estimated renovation costs are approximately \$13.5 million and to date, approximately \$4,000,000 have been expended. Expected completion is September 2018. The Department is also making major renovations to its fishing hatchery in Durant, Oklahoma. Approximately \$2,000,000 have been expended to date and expected completion is October 2017.

Temporary Building Lease

Due to the building renovation, the Department is leasing temporary space. Lease expense for the temporary space was approximately \$246,000 for the year ended June 30, 2017. The present lease, which was effective January 1, 2017, requires monthly payments of \$20,523 and expires December 31, 2017. The lease is subject to renewal in 1-year increments effective at the beginning of each calendar year.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(12) COMMITMENTS AND CONTINGENCIES, CONTINUED

Land Leases

The Department leases various tracts of land from owners for the purposes of establishing wildlife management areas and to provide the public with additional hunting, fishing, and recreational opportunities. Land lease expense for the year ended June 30, 2017, was approximately \$777,000. The Department presently has land lease commitments for the following periods and amounts:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 958,719
2019	950,558
2020	994,078
2021	189,104
2022	48,178
2023–2027	270,798
2028–2032	304,854
2033–2037	342,935
2038–2042	385,750

Certain of the land lease agreements contain options to renew the lease.

See Independent Auditors' Report.

**SUPPLEMENTARY INFORMATION REQUIRED BY
GOVERNMENTAL ACCOUNTING STANDARDS BOARD
STATEMENTS NO. 67 AND 68**

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY—
DEFINED BENEFIT PENSION PLAN

Last 5 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total pension liability					
Service cost	\$ 1,626,521	1,848,180	1,840,125	1,930,130	1,987,663
Interest	8,203,236	7,831,478	7,585,724	7,295,690	7,057,352
Changes of benefit terms	-	1,155,584	-	-	-
Differences between expected and actual experience	(883,258)	456,220	(356,635)	293,367	(844,258)
Changes in assumptions	-	194,904	-	-	-
Benefit payments, including refunds of member contributions	<u>(6,314,554)</u>	<u>(5,593,198)</u>	<u>(5,539,810)</u>	<u>(5,031,867)</u>	<u>(4,444,913)</u>
Net change in total pension liability	2,631,945	5,893,168	3,529,404	4,487,320	3,755,844
Total pension liability— beginning	<u>118,719,843</u>	<u>112,826,675</u>	<u>109,297,271</u>	<u>104,809,951</u>	<u>101,054,107</u>
Total pension liability— ending (a)	<u>\$ 121,351,788</u>	<u>118,719,843</u>	<u>112,826,675</u>	<u>109,297,271</u>	<u>104,809,951</u>

Information to present a 10-year history is not readily available.

(Continued)

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY—
DEFINED BENEFIT PENSION PLAN, CONTINUED

Last 5 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Plan fiduciary net position					
Contributions—employer	\$ 4,780,001	3,700,000	4,307,000	4,300,000	4,100,000
Contributions—					
members (employees)	633,255	663,033	654,586	680,742	697,769
Net investment income	10,797,316	492,067	4,096,971	12,370,424	7,482,507
Benefit payments, including					
refunds of member					
contributions	(6,314,554)	(5,593,198)	(5,539,810)	(5,031,867)	(4,444,913)
Administrative expense	<u>(52,964)</u>	<u>(54,813)</u>	<u>(48,953)</u>	<u>(37,906)</u>	<u>(36,993)</u>
Net change in plan fiduciary					
net position	9,843,054	(792,911)	3,469,794	12,281,393	7,798,370
Plan fiduciary net position—					
beginning	<u>99,138,363</u>	<u>99,931,274</u>	<u>96,461,480</u>	<u>84,180,087</u>	<u>76,381,717</u>
Plan fiduciary net position—					
ending (b)	<u>\$108,981,417</u>	<u>99,138,363</u>	<u>99,931,274</u>	<u>96,461,480</u>	<u>84,180,087</u>
Plan's net pension liability					
(a) - (b)	<u>\$ 12,370,371</u>	<u>19,581,480</u>	<u>12,895,401</u>	<u>12,835,791</u>	<u>20,629,864</u>

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION**SCHEDULE OF NET PENSION LIABILITY—DEFINED BENEFIT PENSION PLAN****Last 5 Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total pension liability	\$ 121,351,788	118,719,843	112,826,675	109,297,271	104,809,951
Plan fiduciary net position	<u>108,981,417</u>	<u>99,138,363</u>	<u>99,931,274</u>	<u>96,461,480</u>	<u>84,180,087</u>
Plan's net pension liability	<u>\$ 12,370,371</u>	<u>19,581,480</u>	<u>12,895,401</u>	<u>12,835,791</u>	<u>20,629,864</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>89.81%</u>	<u>83.51%</u>	<u>88.57%</u>	<u>88.26%</u>	<u>80.32%</u>
Covered payroll	<u>\$ 12,805,757</u>	<u>13,387,940</u>	<u>13,667,435</u>	<u>13,599,245</u>	<u>14,299,782</u>
Plan's net pension liability as a percentage of covered payroll	<u>96.60%</u>	<u>146.26%</u>	<u>94.35%</u>	<u>94.39%</u>	<u>144.27%</u>

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER—DEFINED BENEFIT PENSION PLAN

Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ <u>2,987,680</u>	<u>3,196,679</u>	<u>3,690,617</u>	<u>4,306,681</u>	<u>4,267,067</u>	<u>3,801,960</u>	<u>3,179,568</u>	<u>4,413,604</u>	<u>3,405,626</u>	<u>3,118,148</u>
Contributions in relation to the actuarially determined contribution:										
Employer	<u>4,780,001</u>	<u>3,700,000</u>	<u>4,307,000</u>	<u>4,300,000</u>	<u>4,100,000</u>	<u>4,100,000</u>	<u>3,179,568</u>	<u>4,413,604</u>	<u>3,410,000</u>	<u>3,008,312</u>
Contribution (excess) deficiency	\$ <u>(1,792,321)</u>	<u>(503,321)</u>	<u>(616,383)</u>	<u>6,681</u>	<u>167,067</u>	<u>(298,040)</u>	<u>-</u>	<u>-</u>	<u>(4,374)</u>	<u>109,836</u>
Covered payroll	<u>\$12,805,757</u>	<u>13,387,940</u>	<u>13,667,435</u>	<u>13,599,245</u>	<u>14,299,782</u>	<u>14,661,906</u>	<u>14,633,288</u>	<u>14,838,949</u>	<u>14,811,323</u>	<u>14,462,210</u>
Contributions as a percentage of covered payroll	<u>37.33%</u>	<u>27.64%</u>	<u>31.51%</u>	<u>31.62%</u>	<u>28.67%</u>	<u>27.96%</u>	<u>21.73%</u>	<u>29.74%</u>	<u>23.02%</u>	<u>20.80%</u>

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION**SCHEDULE OF INVESTMENT RETURNS—DEFINED BENEFIT PENSION PLAN****Last 5 Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual money-weighted rate of return, net of investment expense	11.25%	0.69%	4.48%	14.32%	10.46%

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

**SUPPLEMENTARY INFORMATION REQUIRED BY
GOVERNMENTAL ACCOUNTING STANDARDS BOARD
STATEMENT NO. 45**

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

SCHEDULE OF FUNDING PROGRESS—OPEB

June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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]
7/1/2017	\$ -	5,220,010	5,220,010	0.0%	17,277,272	30.2%
7/1/2016	-	5,214,710	5,214,710	0.0%	16,937,039	30.8%
7/1/2015	-	4,816,862	4,816,862	0.0%	16,620,253	29.0%
7/1/2014	-	4,760,477	4,760,477	0.0%	15,778,405	30.2%
7/1/2013	-	4,621,152	4,621,152	0.0%	15,580,098	29.7%
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%
7/1/2008	-	2,134,192	2,134,192	0.0%	14,462,210	14.8%

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2017

(1) DEFINED BENEFIT PENSION PLAN (SCHEDULES I THROUGH IV)

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, 2017
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar, open
Remaining amortization	Average future working lifetime of active members
Inflation:	3.0%
Mortality rates:	Active members: RP-2014 Employee Mortality Table with Blue Collar Adjustment, projected to 2030 with Scale BB Retired members: RP-2014 Mortality Table for Healthy Annuitants with Blue Collar Adjustment, projected to 2030 with Scale BB Disabled members: RP-2014 Mortality Table for Disabled Annuitants, projected to 2030 with Scale BB
Asset valuation method:	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%, net of pension plan investment expenses
Projected salary increases	3.0% to 8.0%, including inflation
Cost-of-living adjustment	None

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED

(2) OPEB (SCHEDULE V)

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, 2017
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	5.0%

(3) 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 Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, 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, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Interior:			
Fish and Wildlife Cluster:			
Sport Fish Restoration Program**	15.605	\$ 2,268,228	9,509,328
Wildlife Restoration Act	15.611	1,234,491	13,729,383
Total Fish and Wildlife Cluster		3,502,719	23,238,711
Fish and Wildlife Management Assistance	15.608	-	29,115
Endangered Species Conservation	15.615	79,850	97,499
Partners of Fish and Wildlife	15.631	-	312,478
Land Owners Incentive Program	15.633	-	150,123
State Wildlife Grants	15.634	805,186	700,220
Research Grants	15.650	-	2,700
Total U.S. Department of Interior		4,387,755	24,530,846
Bureau of Reclamation:			
McGee Creek Project	10.unknown*	-	137,616
U.S. Department of Agriculture:			
Natural Resource Conservation Service:			
Animal and Plant Health Inspection Service	10.028	-	17,200
Voluntary Public Access and Habitat Incentive	10.093	-	164,535
Agricultural Conservation Easement	10.931	-	28,000
Total Natural Resource Conservation Service		-	209,735
Total U.S. Department of Agriculture		-	209,735
Total expenditures of federal awards		\$ 4,387,755	24,878,197

*Not a cooperative agreement or grant, but considered federal funds.

**Amounts include approximately \$850,000 of federal expenditures incurred by a subrecipient during the year ended June 30, 2016, but were not reported to the Department until the year ended June 30, 2017. Therefore, these amounts were not included in the Department's Schedule of Expenditures of Federal Awards for the year ended June 30, 2016.

See Independent Auditors' Report.

See accompanying notes to schedule of expenditures of federal awards.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

(1) **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Department under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to, and does not, present the financial position, changes in net position/fund balances, or cash flows, if applicable, of the Department.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) **INDIRECT COST RATE**

The Department has an approved indirect cost rate of 19.23%, which was used during the year ended June 30, 2017, to charge federal awards.

(4) **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 federal grant revenue per the statement of revenues, expenditures, and changes in fund balances—governmental funds; and total federal operating grants revenue per the statement of activities	<u>\$ 24,878,197</u>
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See Independent Auditors' Report.



**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**

Oklahoma Wildlife Conservation Commission
Oklahoma Department of Wildlife Conservation

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, each major fund, and the aggregate remaining fund information of the Oklahoma Department of Wildlife Conservation (the "Department"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated September 27, 2017. Our report includes an explanatory paragraph to emphasize the fact that the financial statements include only that portion of the State of Oklahoma that is attributable to transactions of the Department. In addition, our report includes an explanatory paragraph disclaiming an opinion on required supplementary information.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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.

(Continued)

**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**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department'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 Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
September 27, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Oklahoma Wildlife Conservation Commission
Oklahoma Department of Wildlife Conservation

Report on Compliance for Each Major Federal Program

We have audited the Oklahoma Department of Wildlife Conservation's (the "Department"), a component unit of the State of Oklahoma, compliance with the types of compliance requirements described in the *OMB 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, 2017. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of 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, 2017.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
September 27, 2017

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

SECTION I—SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ None Reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ None Reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance?

☐ Yes ☒ No

Identification of major federal programs:

Federal CFDA

Number

Name of Federal Program or Cluster

15.605 and 15.611

Fish and Wildlife Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

Year Ended June 30, 2017

SECTION II—FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2017

There were no audit findings noted in the prior year audit for the year ended June 30, 2016.