

Oklahoma Department of Wildlife Conservation

Financial Statements

June 30, 2018 and 2017
(With Independent Auditors' Report Thereon)



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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, 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.

Adoption of New Accounting Pronouncement

As discussed in Notes 2 and 3 to the financial statements, in 2018 the Department adopted new accounting guidance, Statement No. 75 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The implementation of GASB 75 resulted in the restatement of the 2017 financial statements. 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, the schedule of changes in total OPEB liability—health insurance allowance, the schedule of changes in net OPEB liability—implicit rate subsidy of health insurance OPEB liability, and the related notes to the required supplementary information on pages 70–78 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, 2018, 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 October 16, 2018, 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.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 16, 2018

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, 2018 and 2017.

Financial Highlights

- During 2018 and 2017, the Department generated revenues of approximately \$56 million and \$60 million, respectively.
- In 2018 and 2017, the net position of the Department increased by approximately \$9 million and \$16 million, respectively, from the previous fiscal year, resulting in net position of approximately \$214.7 million at year-end in fiscal year 2018 and approximately \$209.0 million at year-end in fiscal year 2017.
- In compliance with Governmental Accounting Standards Board (GASB) 68 and GASB 71, the Department recognized a net pension liability of approximately \$10,820,000, \$12,370,000, and \$19,581,000, at June 30, 2018, 2017, and 2016, respectively.
- In compliance with GASB 75, the Department recognized a net other postemployment benefit (OPEB) liability of approximately \$10,717,000 and \$4,033,000 at June 30, 2018 and 2017, 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.

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, 2018, 2017, and 2016, amounted to \$123,469,523, \$108,915,769, and \$95,446,995, 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.

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 a decrease in federal grants accounted primarily for the increase in funds from the prior fiscal year. Additionally, there was a net increase of approximately \$14,554,000 in capital assets.

In fiscal year 2018, our cash and cash equivalents (restricted and unrestricted) decreased by approximately \$1,816,000, along with general revenue (including investment income) decreasing by approximately \$818,000. In 2018, license sales increased by approximately \$813,000 and lifetime licenses increased by approximately \$106,000. Overall expenses increased by approximately \$1,965,000. 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.

The fiduciary net position increased by approximately \$5,993,000 in 2018 due principally to the net appreciation in fair value of investments of approximately \$6,826,000, resulting in net position restricted for pensions of approximately \$117 million, \$111 million, and \$100 million in fiscal years 2018, 2017, and 2016, respectively.

Government-Wide Financial Analysis

The Department's net position is reported as follows:

Oklahoma Department of Wildlife Conservation Net Position

	<u>2018</u>	<u>2017</u> (Restated)	<u>2016</u>
Current assets	\$ 24,922,451	34,613,968	31,914,609
Restricted assets	92,165,211	85,842,942	88,356,764
Capital assets, net	<u>123,469,523</u>	<u>108,915,769</u>	<u>95,446,995</u>
Total assets	<u>240,557,185</u>	<u>229,372,679</u>	<u>215,718,368</u>
Deferred outflows of resources related to the pension plan	<u>4,367,696</u>	<u>5,470,507</u>	<u>7,443,361</u>
Current liabilities	2,031,694	1,323,805	943,164
Long-term liabilities	<u>24,207,386</u>	<u>19,055,011</u>	<u>22,999,874</u>
Total liabilities	<u>26,239,080</u>	<u>20,378,816</u>	<u>23,943,038</u>
Deferred inflows of resources related to the pension plan	<u>3,938,097</u>	<u>5,428,428</u>	<u>2,832,651</u>
Net investment in capital assets	123,469,523	108,915,769	95,446,995
Restricted net position	92,256,486	85,928,417	88,444,739
Unrestricted (deficit)	<u>(978,305)</u>	<u>14,191,756</u>	<u>12,494,306</u>
Total net position	<u>\$ 214,747,704</u>	<u>209,035,942</u>	<u>196,386,040</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Government-Wide Financial Analysis, Continued

Oklahoma Department of Wildlife Conservation Changes in Net Position

	2018			
	Program Revenues			Net (Expense)
	Expenses	License Fees	Federal Operating Grants	Revenue/Change in Net Position
Programs:				
Game	\$ (13,007,741)	5,027,722	11,930,434	3,950,415
Fish	(10,144,889)	4,055,153	7,070,889	981,153
Law enforcement	(12,124,605)	4,178,009	-	(7,946,596)
Information and education	(3,502,488)	1,392,633	324,476	(1,785,379)
Nongame	-	-	834,032	834,032
Administration	(7,427,316)	2,038,061	-	(5,389,255)
Total program activities	<u>\$ (46,207,039)</u>	<u>16,691,578</u>	<u>20,159,831</u>	<u>(9,355,630)</u>
General revenues:				
Other wildlife sales				3,898,497
Sales of general fixed assets				750,745
Investment income				8,498,586
Miscellaneous				2,005,386
Agricultural and oil leases				1,321,668
Non-expendable revenues— lifetime licenses				<u>2,203,254</u>
Total general revenues				<u>18,678,136</u>
Changes in net position				9,322,506
Net position, beginning of year, as restated (see Note 3)				<u>205,425,198</u>
Net position, end of year				<u>\$ 214,747,704</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Government-Wide Financial Analysis, Continued

Oklahoma Department of Wildlife Conservation Changes in Net Position, Continued

	2017			
	Program Revenues			Net (Expense)
	Expenses	License Fees	Federal Operating Grants	Revenue/Change in Net Position
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, as restated (see Note 3)				<u>193,173,548</u>
Net position, end of year				<u>\$ 209,035,942</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Government-Wide Financial Analysis, Continued

Oklahoma Department of Wildlife Conservation Changes in Net Position, Continued

	2016			
	Program Revenues			Net (Expense)
	Expenses	License Fees	Federal Operating Grants	Revenue/Change in Net Position
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>

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, 2018 and 2017.

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>2018</i>	<i>2017</i> <i>(Restated)</i>
Assets:		
Cash and cash equivalents	\$ 6,031,894	6,923,562
Receivables	1,817,585	6,021,971
Inventory held for sale	427,302	619,511
Investments	16,645,670	21,048,924
Restricted cash and cash equivalents	8,067,425	9,131,696
Restricted investments	84,090,786	76,704,246
Restricted assets	7,000	7,000
Capital assets—nondepreciable	96,750,561	90,978,767
Capital assets—depreciable, net	26,718,962	17,937,002
Total assets	<u>240,557,185</u>	<u>229,372,679</u>
Deferred outflows of resources:		
Deferred amounts related to the pension and OPEB	<u>4,367,696</u>	<u>5,470,507</u>
Liabilities:		
Accounts payable	1,566,050	931,232
Unearned revenue	50,000	21,384
Compensated absences payable—amount due in 1 year or less	415,644	371,189
Compensated absences payable—amount due in more than 1 year	2,670,303	2,651,905
Net pension liability—amount due in more than 1 year	10,820,293	12,370,371
Total OPEB liability—amount due in more than 1 year	<u>10,716,790</u>	<u>4,032,735</u>
Total liabilities	<u>26,239,080</u>	<u>20,378,816</u>
Deferred inflows of resources:		
Deferred amounts related to the pension and OPEB	<u>3,938,097</u>	<u>5,428,428</u>
Net position:		
Investment in capital assets	123,469,523	108,915,769
Restricted for:		
Lifetime licenses	87,855,661	85,652,407
Purchase of land—legacy permits	4,400,825	276,010
Unrestricted (deficit)	<u>(978,305)</u>	<u>14,191,756</u>
Total net position	<u>\$ 214,747,704</u>	<u>209,035,942</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2018

		Program Revenues		
	Expenses	License Fees	Federal Operating Grants	Net (Expense) Revenue/Change in Net Position
Programs:				
Game	\$ (13,007,741)	5,027,722	11,930,434	3,950,415
Fish	(10,144,889)	4,055,153	7,070,889	981,153
Law enforcement	(12,124,605)	4,178,009	-	(7,946,596)
Information and education	(3,502,488)	1,392,633	324,476	(1,785,379)
Nongame	-	-	834,032	834,032
Administration	(7,427,316)	2,038,061	-	(5,389,255)
Total program activities	<u>\$ (46,207,039)</u>	<u>16,691,578</u>	<u>20,159,831</u>	<u>(9,355,630)</u>
General revenues:				
Other wildlife sales				3,898,497
Sales of general fixed assets				750,745
Investment income				8,498,586
Miscellaneous				2,005,386
Agricultural and oil leases				1,321,668
Non-expendable revenues— lifetime licenses				<u>2,203,254</u>
Total general revenues				<u>18,678,136</u>
Changes in net position				9,322,506
Net position, beginning of year, as restated (see Note 3)				<u>205,425,198</u>
Net position, end of year				<u>\$ 214,747,704</u>

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

STATEMENTS OF ACTIVITIES, CONTINUED

Year Ended June 30, 2017

		Program Revenues		
	Expenses	License Fees	Federal Operating Grants	Net (Expense) Revenue/Change in Net Position
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, as restated (see Note 3)				<u>193,173,548</u>
Net position, end of year				<u>\$ 209,035,942</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

BALANCE SHEETS—GOVERNMENTAL FUNDS

June 30, 2018

		Permanent Fund	
	General Fund	Perpetual Lifetime Licenses	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 10,432,719	3,666,600	14,099,319
Investments	16,645,670	84,090,786	100,736,456
Receivables	1,817,585	-	1,817,585
Due from other funds	-	91,275	91,275
Inventory held for sale	427,302	-	427,302
Other assets	-	7,000	7,000
Total assets	<u>\$ 29,323,276</u>	<u>87,855,661</u>	<u>117,178,937</u>
Liabilities:			
Accounts payable	\$ 1,566,050	-	1,566,050
Due to other funds	91,275	-	91,275
Unearned revenue	50,000	-	50,000
Total liabilities	<u>1,707,325</u>	<u>-</u>	<u>1,707,325</u>
Fund balances:			
Nonspendable:			
Lifetime licenses	-	87,855,661	87,855,661
Restricted for:			
Purchase of land—legacy permits	4,400,825	-	4,400,825
Unassigned	23,215,126	-	23,215,126
Total fund balances	<u>27,615,951</u>	<u>87,855,661</u>	<u>115,471,612</u>
Total liabilities and fund balances	<u>\$ 29,323,276</u>	<u>87,855,661</u>	<u>117,178,937</u>

(Continued)

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

BALANCE SHEETS—GOVERNMENTAL FUNDS, CONTINUED

June 30, 2018

		Permanent Fund	
	General Fund	Perpetual Lifetime Licenses	Total Governmental Funds
Reconciliation:			
Fund balances from above	\$ 27,615,951	87,855,661	115,471,612
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	123,469,523	-	123,469,523
Deferred outflows related to the pension and OPEB are not financial resources and therefore are not reported in the funds	4,367,696	-	4,367,696
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds	(24,623,030)	-	(24,623,030)
Deferred inflows related to the pension and OPEB are not due and payable in the current period and therefore are not reported in the funds	<u>(3,938,097)</u>	<u>-</u>	<u>(3,938,097)</u>
Net position per statement of net position	<u>\$ 126,892,043</u>	<u>87,855,661</u>	<u>214,747,704</u>

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
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	<u>\$ 34,889,978</u>	<u>85,652,407</u>	<u>120,542,385</u>
Liabilities:			
Accounts payable	\$ 931,232	-	931,232
Due to other funds	85,475	-	85,475
Unearned revenue	21,384	-	21,384
Total liabilities	<u>1,038,091</u>	<u>-</u>	<u>1,038,091</u>
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	<u>33,851,887</u>	<u>85,652,407</u>	<u>119,504,294</u>
Total liabilities and fund balances	<u>\$ 34,889,978</u>	<u>85,652,407</u>	<u>120,542,385</u>

(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 position 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 and OPEB 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	(19,426,200)	-	(19,426,200)
Deferred inflows related to the pension and OPEB are not due and payable in the current period and therefore are not reported in the funds	(5,428,428)	-	(5,428,428)
Net position per statement of net position	<u>\$ 123,383,535</u>	<u>85,652,407</u>	<u>209,035,942</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, 2018

		Permanent Fund	
		Perpetual Lifetime Licenses	Total Governmental Funds
	General Fund		
Revenues:			
Licenses	\$ 16,691,578	2,203,254	18,894,832
Other wildlife sales	1,901,948	-	1,901,948
Legacy permit sales	1,996,549	-	1,996,549
Agricultural and oil leases	1,321,668	-	1,321,668
Federal grant revenue	20,159,831	-	20,159,831
Investment income—lifetime licenses	8,366,094	-	8,366,094
Investment income	132,492	-	132,492
Miscellaneous	2,005,386	-	2,005,386
Total revenues	52,575,546	2,203,254	54,778,800
Expenditures:			
Administration	5,773,485	-	5,773,485
Game	12,607,154	-	12,607,154
Fish	9,932,021	-	9,932,021
Law enforcement	11,551,165	-	11,551,165
Information and education	3,491,127	-	3,491,127
Capital improvements	14,921,811	-	14,921,811
Land acquisitions	1,285,464	-	1,285,464
Total expenditures	59,562,227	-	59,562,227
Revenues (under) over expenditures	(6,986,681)	2,203,254	(4,783,427)
Other financing sources:			
Sales of other assets	750,745	-	750,745
Total other financing sources	750,745	-	750,745
Net changes in fund balances	(6,235,936)	2,203,254	(4,032,682)
Fund balances, beginning of year	33,851,887	85,652,407	119,504,294
Fund balances, end of year	\$ 27,615,951	87,855,661	115,471,612

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, 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

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

<i>Years Ended June 30,</i>	<i>2018</i>	<i>2017</i>
Net changes in fund balances—total governmental funds	\$ (4,032,682)	(207,509)
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	(3,204,754)	(2,999,954)
Net capital asset purchases capitalized	17,758,508	16,468,728
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	(62,853)	5,199
Net OPEB obligation	(2,769,708)	(147,087)
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>1,633,995</u>	<u>2,743,017</u>
Changes in net position of governmental activities	<u>\$ 9,322,506</u>	<u>15,862,394</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, 2018 and 2017

	Pension Trust Funds		
	Defined	Defined	Total
	Benefit Pension Plan	Contribution Plan	
<u>2018</u>			
Assets:			
Investments at fair value:			
U.S. government securities	\$ 11,279,174	-	11,279,174
U.S. Treasury obligations	12,542,602	-	12,542,602
Collateralized mortgage obligations	907,705	-	907,705
Corporate bonds	4,723,084	-	4,723,084
Municipals	4,695,235	-	4,695,235
Yankee bonds	904,610	-	904,610
Domestic equity securities	35,043,891	-	35,043,891
Equity and fixed income funds	34,959,088	2,219,766	37,178,854
Alternative investments	4,378,412	-	4,378,412
Cash and cash equivalents	4,856,026	105,747	4,961,773
Total assets	<u>114,289,827</u>	<u>2,325,513</u>	<u>116,615,340</u>
Net position—restricted for pension benefits	<u>\$ 114,289,827</u>	<u>2,325,513</u>	<u>116,615,340</u>
<u>2017</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>

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, 2018

	Pension Trust Funds		
	Defined Benefit Pension Plan	Defined Contribution Plan	Total
Additions:			
Contributions:			
Employer's	\$ 3,100,000	316,482	3,416,482
Employees'	610,398	247,510	857,908
Rollover	-	9,780	9,780
Total contributions	3,710,398	573,772	4,284,170
Investment income:			
Net appreciation in fair value of investments	6,658,060	168,328	6,826,388
Interest	824,598	-	824,598
Dividends	1,214,113	-	1,214,113
Other	20,544	-	20,544
Total investment income	8,717,315	168,328	8,885,643
Less investment expenses	(217,658)	-	(217,658)
Net investment income	8,499,657	168,328	8,667,985
Total additions	12,210,055	742,100	12,952,155
Deductions:			
Benefit payments	6,843,269	52,370	6,895,639
Administration	58,376	5,270	63,646
Total deductions	6,901,645	57,640	6,959,285
Changes in net position	5,308,410	684,460	5,992,870
Net position—restricted for pension benefits, beginning of year	108,981,417	1,641,053	110,622,470
Net position—restricted for pension benefits, end of year	\$ 114,289,827	2,325,513	116,615,340

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, 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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

(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 statements of net position and the statements of activities) report information on all of the nonfiduciary activities of the government. Governmental activities are supported by 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 postemployment 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 \$87,855,661 and \$85,652,407 at June 30, 2018 and 2017, 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 \$1,996,549 and \$1,957,953 for the years ended June 30, 2018 and 2017, respectively. The restricted fund balance was \$4,400,825 and \$276,010 at June 30, 2018 and 2017, respectively.
- Unassigned—represents the total fund balance less nonspendable and restricted. The unassigned fund balance totaled \$23,215,126 and \$33,575,877 at June 30, 2018 and 2017, 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>2018</u>	<u>2017</u>
Cash	\$ 322,956	1,743,454
Investments	<u>16,645,670</u>	<u>21,048,924</u>
	<u>\$ 16,968,626</u>	<u>22,792,378</u>

Changes in the fund balance associated with these assets for the years ended June 30 were as follows:

	<u>2018</u>	<u>2017</u>
Beginning fund balance	\$ 22,792,378	21,333,319
Investment earnings	8,366,094	8,895,202
Used in general fund operations	<u>(14,189,846)</u>	<u>(7,436,143)</u>
Ending fund balance	<u>\$ 16,968,626</u>	<u>22,792,378</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, 2018 and 2017, 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, 2018 or 2017.

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 2018 and 2017 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 8, 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 9.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Other Postemployment Employee Benefits (OPEB)

Health Insurance Allowance—The Department provides at its expense a health insurance allowance of up to \$250 per month for the payment of health insurance premiums for eligible employees when they retire.

Implicit Rate Subsidy of Health Insurance OPEB Liability—The Department participates in the Oklahoma Employees Group Insurance Division (EGID) health insurance plan, which is a non-trusted single-employer plan that provides for employee and dependent healthcare coverage from the date of retirement to age 65, provided the participant was covered by the health insurance plan before retiring.

These OPEB plans are more fully discussed in Note 10.

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.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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. The Department adopted GASB 75 effective July 1, 2017, and the prior period financial statements were restated.

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 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 has not determined the impact of GASB 84 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.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 provides certain clarifications regarding debt as a liability and identifies additional required disclosures related to debt, including direct borrowings and direct placements of debt. The Department will adopt GASB 88 on July 1, 2019, for the June 30, 2020, reporting year. The Department does not expect GASB 88 to have a significant impact on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89 directs that interest costs incurred during the construction period of an asset be expensed in the period incurred. GASB 89 changes previous guidance regarding capitalized construction costs where such costs were typically included in the capitalized cost of the asset constructed and depreciated over time. The Department will adopt GASB 89 on July 1, 2020, for the June 30, 2021, reporting year. The Department does not expect GASB 89 to significantly impact the financial statements.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 the Cherokee Nation at a discount if certain conditions, as outlined in the compacts, are met. The State and the 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 October 16, 2018, the date which the financial statements were available to be issued. See Note 14 for a discussion of significant subsequent events.

(3) RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

The 2017 financial statements have been restated for implementation of GASB 75 in relation to the OPEB liability for an implicit rate subsidy. The effects of the changes on the financial statements were as follows:

	<u>Net OPEB Liability</u>	<u>Deferred Inflows Related to the Pension and OPEB</u>	<u>Unrestricted Net Position</u>	<u>Net Position, Beginning of Year</u>
As previously reported	\$ 920,782	5,327,889	17,404,248	196,386,040
Effects of changes	<u>3,111,953</u>	<u>100,539</u>	<u>(3,212,492)</u>	<u>(3,212,492)</u>
As restated	<u>\$ 4,032,735</u>	<u>5,428,428</u>	<u>14,191,756</u>	<u>193,173,548</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS, CONTINUED

Additionally, information was not readily available for restatement of the 2017 financial statements for the implementation of GASB 75 in relation to the Department's health insurance allowance OPEB plan; therefore the beginning net position was restated as of July 1, 2017, as follows:

Beginning net position, as previously reported	\$ 209,035,942
Implementation of GASB 75	<u>(3,610,744)</u>
Beginning net position, restated	<u>\$ 205,425,198</u>

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

At June 30, 2018 and 2017, the Department maintained cash and cash equivalent balances of approximately \$13,159,000 and \$8,287,000, respectively, with the Office of the State Treasurer and approximately \$947,000 and \$7,775,000, 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>2018</u>	<u>2017</u>
Restricted—permanent fund	\$ 84,090,786	76,704,246
Unrestricted—lifetime license investment account	<u>16,645,670</u>	<u>21,048,924</u>
Total permanent fund and lifetime license investment account	<u>100,736,456</u>	<u>97,753,170</u>
Pension trust funds:		
Defined benefit pension plan	114,289,827	108,981,417
Defined contribution plan	<u>2,325,513</u>	<u>1,641,053</u>
Total pension trust funds	<u>116,615,340</u>	<u>110,622,470</u>
Total investments	<u>\$ 217,351,796</u>	<u>208,375,640</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

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:

Level 1—Unadjusted quoted prices in active markets for identical assets.

Level 2—Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.

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, 2018 and 2017, 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

(4) 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)
	Amounts Measured at Fair Value			
<i>June 30, 2018</i>				
<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	\$ 946,721	946,721	-	-
Total cash equivalents measured at fair value	<u>\$ 946,721</u>	<u>946,721</u>	<u>-</u>	<u>-</u>
Fixed income:				
U.S. government securities	\$ 15,154,046	15,140,256	13,790	-
U.S. Treasury obligations	7,954,559	7,954,559	-	-
Corporate bonds	507,995	-	507,995	-
Total fixed income	<u>23,616,600</u>	<u>23,094,815</u>	<u>521,785</u>	<u>-</u>
Equities:				
Domestic equity securities	32,652,027	32,652,027	-	-
Equity funds	26,763,022	26,763,022	-	-
Fixed income funds	13,125,297	13,125,297	-	-
Total equities	<u>72,540,346</u>	<u>72,540,346</u>	<u>-</u>	<u>-</u>
Alternative investments:				
Open-end mutual funds	<u>4,579,510</u>	<u>4,579,510</u>	<u>-</u>	<u>-</u>
Total alternative investments	<u>4,579,510</u>	<u>4,579,510</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 100,736,456</u>	<u>100,214,671</u>	<u>521,785</u>	<u>-</u>

(Continued)

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) **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, 2018</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	\$ 4,856,026	4,856,026	-	-
Fixed income:				
U.S. government securities	11,279,174	3,553,434	7,725,740	-
U.S. Treasury obligations	12,542,602	12,542,602	-	-
Collateralized mortgage obligations	907,705	-	907,705	-
Municipals	4,695,235	-	4,695,235	-
Foreign bonds	904,610	-	904,610	-
Corporate bonds	4,723,084	-	4,688,672	34,412
Total fixed income	35,052,410	16,096,036	18,921,962	34,412
Equities:				
Domestic equity securities	35,043,891	35,043,891	-	-
Equity funds	24,341,028	24,341,028	-	-
Fixed income funds	10,618,060	10,618,060	-	-
Total equities	70,002,979	70,002,979	-	-
Alternative investments:				
Open-end mutual funds	4,378,412	4,378,412	-	-
Total alternative investments	4,378,412	4,378,412	-	-
Total investments measured at fair value	\$ 114,289,827	95,333,453	18,921,962	34,412
<i>Defined Contribution Plan</i>				
Cash and cash equivalents:				
BOK—STIF-type investment; money market; high liquidity	\$ 105,747	105,747	-	-
Equities:				
Targeted pooled equity funds	2,219,766	2,219,766	-	-
Total investments measured at fair value	\$ 2,325,513	2,325,513	-	-

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) **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 Fair Value		
<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>

(Continued)

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) **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>	<u>Amounts Measured at Fair Value</u>			
<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	\$ 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

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

Investments, Continued

Permanent Fund and Lifetime License Investment Account

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

<u>Investment Type</u>	<u>Fair Value</u>	
	<u>2018</u>	<u>2017</u>
Fixed income:		
U.S. government securities	\$ 15,154,046	15,312,688
U.S. Treasury obligations	7,954,559	11,961,850
Corporate bonds	507,995	511,298
Collateralized mortgage obligations	-	37,594
Asset-backed securities	-	16,695
Total fixed income	<u>23,616,600</u>	<u>27,840,125</u>
Equities:		
Domestic equity securities	32,652,027	27,854,567
Equity funds	26,763,022	24,123,723
Fixed income funds	<u>13,125,297</u>	<u>13,432,069</u>
Total equities	<u>72,540,346</u>	<u>65,410,359</u>
Alternative investments:		
Open-end mutual funds	<u>4,579,510</u>	<u>4,502,686</u>
	<u>\$ 100,736,456</u>	<u>97,753,170</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) 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. At June 30, 2018 and 2017, 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.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) 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:

<u>Rating</u>	<u>Fair Value</u>	2018
		Fair Value as a Percentage of Total Fixed Maturity <u>Fair Value</u>
AAA	\$ 23,108,605	97.85%
AA	<u>507,995</u>	<u>2.15%</u>
	<u>\$ 23,616,600</u>	<u>100.00%</u>

<u>Rating</u>	<u>Fair Value</u>	2017
		Fair Value as a Percentage of Total Fixed Maturity <u>Fair Value</u>
AAA	\$ 27,328,826	98.16%
AA-	306,555	1.10%
BBB+	<u>204,744</u>	<u>0.74%</u>
	<u>\$ 27,840,125</u>	<u>100.00%</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) 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:

<u>Investment Type</u>	2018				
	<u>Investments 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	\$ -	11,359,638	3,794,408	-	15,154,046
U.S. Treasury obligations	7,954,559	-	-	-	7,954,559
Corporate bonds	-	507,995	-	-	507,995
	<u>\$ 7,954,559</u>	<u>11,867,633</u>	<u>3,794,408</u>	<u>-</u>	<u>23,616,600</u>
<u>Investment Type</u>	2017				
	<u>Investments 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	\$ -	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>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) 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>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 4,856,026	2,896,774
Fixed income:		
U.S. government securities	11,279,174	16,127,516
U.S. Treasury obligations	12,542,602	14,527,017
Collateralized mortgage obligations	907,705	922,654
Corporate bonds	4,723,084	2,778,995
Municipals	4,695,235	1,442,856
Yankee bonds	904,610	144,512
Total fixed income	<u>35,052,410</u>	<u>35,943,550</u>
Equities:		
Domestic equity securities	35,043,891	29,978,215
Equity funds	24,341,028	37,663,628
Fixed income funds	10,618,060	-
Total equities	<u>70,002,979</u>	<u>67,641,843</u>
Alternative investments:		
Open-end mutual funds	<u>4,378,412</u>	<u>2,499,250</u>
	<u>\$ 114,289,827</u>	<u>108,981,417</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) 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, 2018 and 2017.

Rate of Return—For the years ended June 30, 2018 and 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.08% and 11.25%, 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.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) 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, 2018 and 2017, 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>Classification of Investment</u>	<u>Name of Investment</u>	<u>Shares Held</u>	<u>Cost</u>	<u>Fair Value</u>
<u>2018</u>				
Equity fund	Vanguard Institutional Index Fund #0094	26,301	\$ 5,073,882	6,515,982
<u>2017</u>				
Equity fund	Vanguard Institutional Index Fund #0094	40,880	\$ 7,885,655	9,025,891

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) 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:

<u>Rating</u>	<u>Fair Value</u>	2018
		Fair Value as a Percentage of Total Fixed Maturity <u>Fair Value</u>
AAA	\$ 14,466,523	41.27%
AA+	4,657,992	13.29%
AA	1,306,405	3.73%
AA-	713,769	2.03%
A+	1,387,414	3.96%
A	635,161	1.81%
A-	2,116,809	6.04%
A3	33,885	0.10%
BBB+	697,901	1.99%
Baa1	56,665	0.16%
BBB	826,095	2.36%
BBB-	784,586	2.24%
Baa3	6,207	0.02%
Ba1	41,594	0.12%
BB	20,278	0.06%
CCC	141,549	0.40%
Not rated	7,159,577	20.42%
	<u>\$ 35,052,410</u>	<u>100.00%</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

Pension Trust Funds, Continued

Defined Benefit Pension Plan, Continued

Credit Risk, Continued

		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

(4) **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>	2018				
	<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	\$ -	2,177,450	1,496,210	7,605,514	11,279,174
U.S. Treasury obligations	2,203,652	1,479,219	4,853,695	4,006,036	12,542,602
Collateralized mortgage obligations	-	59,305	2,653	845,747	907,705
Corporate bonds	258,033	1,440,087	3,024,964	-	4,723,084
Municipals	-	-	1,454,127	3,241,108	4,695,235
Yankee bonds	-	904,610	-	-	904,610
	<u>\$ 2,461,685</u>	<u>6,060,671</u>	<u>10,831,649</u>	<u>15,698,405</u>	<u>35,052,410</u>
<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>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) 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>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 105,747	63,662
Equities:		
Equity funds	<u>2,219,766</u>	<u>1,577,391</u>
	<u>\$ 2,325,513</u>	<u>1,641,053</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, 2018:

<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	11,704	\$ 228,540	267,910
Equity fund	MAP Target 2040 Fund	7,630	159,693	186,349
Equity fund	MAP Target 2050 Fund	54,702	1,101,167	1,396,052
Equity fund	MAP Target 2060 Fund	13,900	301,699	344,136

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) RECEIVABLES

Receivables at June 30 consisted of the following:

	<u>2018</u>	<u>2017</u>
License fees	\$ 265,181	152,191
Federal grants	<u>1,552,404</u>	<u>5,869,780</u>
	<u>\$ 1,817,585</u>	<u>6,021,971</u>

Because of the nature of the receivables, no allowance for uncollectibility was considered necessary as of June 30, 2018 or 2017.

(6) CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2018 and 2017:

	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2018</u>
Land	\$ 84,648,760	1,285,465	-	85,934,225
Construction in progress*	<u>6,330,007</u>	<u>13,404,463</u>	<u>(8,918,134)</u>	<u>10,816,336</u>
Depreciable capital assets:				
Equipment	11,743,046	585,302	(632,949)	11,695,399
Furniture and fixtures	122,251	2,469	(5,658)	119,062
Machinery	7,760,450	645,648	(72,655)	8,333,443
Other	801,054	45,109	(7,245)	838,918
Vehicles	9,271,326	1,619,234	(465,888)	10,424,672
Infrastructure	212,915	-	-	212,915
Buildings and land improvements	<u>10,073,022</u>	<u>9,190,658</u>	<u>(22,124)</u>	<u>19,241,556</u>
Depreciable capital assets	<u>39,984,064</u>	<u>12,088,420</u>	<u>(1,206,519)</u>	<u>50,865,965</u>
Total capital assets	<u>130,962,831</u>	<u>26,778,348</u>	<u>(10,124,653)</u>	<u>147,616,526</u>
Accumulated depreciation:				
Equipment	(7,452,098)	(795,033)	600,120	(7,647,011)
Furniture and fixtures	(91,126)	(6,142)	5,611	(91,657)
Machinery	(5,017,824)	(528,185)	72,402	(5,473,607)
Other	(408,933)	(50,977)	5,958	(453,952)
Vehicles	(5,038,939)	(1,582,655)	406,984	(6,214,610)
Infrastructure	(212,915)	-	-	(212,915)
Buildings and land improvements	<u>(3,825,227)</u>	<u>(241,762)</u>	<u>13,738</u>	<u>(4,053,251)</u>
Total accumulated depreciation	<u>(22,047,062)</u>	<u>(3,204,754)</u>	<u>1,104,813</u>	<u>(24,147,003)</u>
Net capital assets	<u>\$ 108,915,769</u>	<u>23,573,594</u>	<u>(9,019,840)</u>	<u>123,469,523</u>

*The disposals for construction in progress are reflected as additions to the depreciable capital assets.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) CAPITAL ASSETS, CONTINUED

	Balance at June 30, 2016	Additions	Disposals	Balance at June 30, 2017
Land	\$ 77,118,234	7,530,526	-	84,648,760
Construction in progress	566,773	5,763,234	-	6,330,007
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	9,800,248	285,445	(12,671)	10,073,022
Depreciable capital assets	38,849,598	3,397,353	(2,262,887)	39,984,064
Total capital assets	116,534,605	16,691,113	(2,262,887)	130,962,831
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	(3,609,273)	(228,045)	12,091	(3,825,227)
Total accumulated depreciation	(21,087,610)	(2,999,954)	2,040,502	(22,047,062)
Net capital assets	\$ 95,446,995	13,691,159	(222,385)	108,915,769

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

	2018	2017
Game	\$ 965,314	912,204
Fish	778,582	752,377
Law enforcement	802,171	744,970
Information and education	267,383	254,023
Administration	391,304	336,380
Depreciation expense	\$ 3,204,754	2,999,954

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity was as follows:

	Balance at July 1, 2017 <i>(Restated)</i>	Additions	Reductions	Balance at June 30, 2018	Amounts due within 1 year
Compensated absences	\$ 3,023,094	478,497	(415,644)	3,085,947	415,644
Net pension liability	12,370,371	-	(1,550,078)	10,820,293	-
Total OPEB liability— health insurance allowance	920,782	6,815,677	-	7,736,459	-
Net OPEB liability— implicit rate subsidy of health insurance OPEB liability	3,111,953	-	(131,622)	2,980,331	-
	<u>\$ 19,426,200</u>	<u>7,294,174</u>	<u>(2,097,344)</u>	<u>24,623,030</u>	<u>415,644</u>
	Balance at July 1, 2016 <i>(Restated)</i>	Additions	Reductions	Balance at June 30, 2017 <i>(Restated)</i>	Amounts due within 1 year
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	-
Total OPEB liability— health insurance allowance	773,695	147,087	-	920,782	-
Net OPEB liability— implicit rate subsidy of health insurance OPEB liability	3,212,492	-	(100,539)	3,111,953	-
	<u>\$ 26,595,960</u>	<u>513,077</u>	<u>(7,682,837)</u>	<u>19,426,200</u>	<u>371,189</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) 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>2018</u>	<u>2017</u>
Retirees, disabled, and beneficiaries		
currently receiving benefits	219	210
Terminated vested participants	27	26
Active participants	<u>212</u>	<u>228</u>
	<u>458</u>	<u>464</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

(8) 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 2018 and 2017. The Department is required to contribute at an actuarially determined rate. The actuarially required contributions during fiscal years 2018 and 2017 were approximately \$2,494,000 and \$2,988,000, respectively.

Net Pension Liability

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

	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 125,110,120	121,351,788
Plan fiduciary net position	<u>114,289,827</u>	<u>108,981,417</u>
Employers' net pension liability	<u>\$ 10,820,293</u>	<u>12,370,371</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>91.35%</u>	<u>89.81%</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) 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, 2018, 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, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015.

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OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) 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>2018</u>	<u>2017</u>
Fixed income	2.68%	2.68%
Equity	8.02%	8.02%
Alternative investments	3.07%	3.07%

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 (asset), June 30, 2018	<u>\$ 24,800,318</u>	<u>10,820,293</u>	<u>(1,087,442)</u>
Net pension liability, June 30, 2017	<u>\$ 26,221,062</u>	<u>12,370,371</u>	<u>588,279</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<u>2018</u>			
Balance at June 30, 2017	\$ 121,351,788	108,981,417	12,370,371
Changes for the year:			
Service cost	1,549,955	-	1,549,955
Interest	8,363,608	-	8,363,608
Differences between expected and actual expense	688,038	-	688,038
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Contributions—employer	-	3,100,000	(3,100,000)
Contributions—employee	-	610,398	(610,398)
Net investment income	-	8,499,657	(8,499,657)
Benefit payments, including refunds	(6,843,269)	(6,843,269)	-
Administrative expense	-	(58,376)	58,376
Net changes	3,758,332	5,308,410	(1,550,078)
Balance at June 30, 2018	\$ 125,110,120	114,289,827	10,820,293

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Changes in Net Pension Liability, Continued

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<u>2017</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	-	-	-
Changes in 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**

(8) 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, 2018 and 2017, the Department recognized pension expense of \$1,466,005 and \$2,036,984, respectively.

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

	<u>2018</u>	<u>2017</u>
Service cost	\$ 1,549,955	1,626,521
Interest on total pension liability	8,363,608	8,203,236
Differences in expected and actual experiences	41,763	(82,432)
Changes in assumptions	32,322	32,322
Employee contributions	(610,398)	(633,255)
Projected earnings on investments	(7,517,006)	(6,906,286)
Differences between projected earnings and actual	(452,615)	(256,086)
Pension plan administrative expense	58,376	52,964
Change in benefit terms	<u>-</u>	<u>-</u>
	<u>\$ 1,466,005</u>	<u>2,036,984</u>

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

	<u>2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 853,626	714,223
Changes of assumptions	97,938	-
Net difference between projected and actual earnings on pension plan investments	<u>3,109,933</u>	<u>3,120,739</u>
	<u>\$ 4,061,497</u>	<u>3,834,962</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

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

	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>

Amounts reported as of June 30, 2018, 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:	
2019	\$ 917,654
2020	358,382
2021	(896,599)
2022	(215,569)
2023	62,667
Thereafter	<u>-</u>
	<u>\$ 226,535</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(9) **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, 2018 and 2017, there were 125 and 109 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, 2018 and 2017, the Department contributed \$316,482 and \$245,884, respectively, and eligible employees contributed \$247,510 and \$197,076, respectively, to the DC Plan.

(10) **OTHER POSTEMPLOYMENT BENEFITS**

HEALTH INSURANCE ALLOWANCE OPEB

Description

The Department provides at its expense a health insurance allowance of up to \$250 per month (\$150 per month prior to June 30, 2018) 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 postemployment benefit" (OPEB).

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) **OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

HEALTH INSURANCE ALLOWANCE OPEB, CONTINUED

Description, Continued

As previously mentioned, effective July 1, 2017, the Department adopted GASB 75, which required the recording of the net OPEB liability, deferred outflows, deferred inflows, and OPEB expense associated with the OPEB plan. The effect of implementing GASB 75 was recognized during the year ended June 30, 2018, and there was no restatement presented as of or for the year ended June 30, 2017, as beginning balances were not readily available.

The June 30, 2017, OPEB obligation was calculated and disclosed in accordance with the parameters of GASB Statement No. 45, *Accounting and Finance Reporting by Employers for Postemployment Benefits Other Than Pensions*. The previously issued June 30, 2017, financial statements should be reviewed for further information on the June 30, 2017, OPEB obligation.

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, 2018 and 2017, were approximately \$236,000 and \$225,000, respectively.

See Independent Auditors’ Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) **OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

HEALTH INSURANCE ALLOWANCE OPEB, CONTINUED

Total OPEB Liability

At June 30, 2018, the Department's total OPEB liability of \$7,736,459 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions—The total OPEB liability was determined on an actuarial valuation prepared as of June 30, 2018:

Investment rate of return:	Not applicable, as the OPEB plan is unfunded and benefits are not paid from a qualifying trust.
Healthcare cost trend rate:	5.00%
Mortality rates:	Active members: RP-2014 Employee Mortality Tables with Blue Collar Adjustment, projected to 2030 with Scale BB (separate rates for males and females). Retired members: RP-2014 Mortality Table for Healthy Annuitants with Blue Collar Adjustment, projected to 2030 with Scale BB (separate rates for males and females). Disabled members: RP-2014 Mortality Table for Disabled Annuitants with Blue Collar Adjustment, projected to 2030 with Scale BB (separate rates for males and females).
Assumed inflation rate:	3.00% per year
Actuarial cost method:	Entry age normal

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015.

Discount Rate—The discount rate used to measure the total OPEB liability was 3.62% for 2018. For OPEB plans without assets, the total OPEB liability was measured using a 20-year municipal bond index rate (AA/Aa or higher). Using the June 29, 2018, Fidelity 20-year municipal GO AA index, a 3.62% discount rate was used for the current valuation.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

HEALTH INSURANCE ALLOWANCE OPEB, CONTINUED

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 920,782
GASB 75 beginning balance adjustments (see Note 3)	3,610,744
Changes for the year:	
Service cost	121,044
Interest	176,538
Changes in benefit terms	2,991,996
Differences between expected and actual experience	(28,011)
Changes in assumptions	179,532
Benefit payments	(236,166)
Net changes for the year	3,204,933
Balance at June 30, 2018	\$ 7,736,459

Sensitivity of the OPEB Liability to Changes in the Discount Rate—The following presents the OPEB total liability of the Department calculated using the discount rate of 3.62% for 2018, as well as what the Department's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

<u>June 30, 2018</u>	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB liability	\$ 8,602,851	7,736,459	6,996,244

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) **OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

HEALTH INSURANCE ALLOWANCE OPEB, CONTINUED

Changes in the Total OPEB Liability, Continued

Sensitivity of the OPEB Liability to Changes in the Healthcare Trend Rate—The following presents the net OPEB liability at June 30, 2018, calculated using the healthcare trend rate of 5.00%, as well as what the total liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (4%)	Current Healthcare Trend Rate (5%)	1% Increase (6%)
<u>June 30, 2018</u>			
Net OPEB liability	\$ <u>7,709,055</u>	<u>7,736,459</u>	<u>7,760,867</u>

**OPEB Expense and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the Department recognized OPEB expense of \$3,308,831. At June 30, 2018, the Department reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	24,452
Changes in assumptions	<u>156,720</u>	<u>-</u>
	<u>\$ 156,720</u>	<u>24,452</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) **OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

HEALTH INSURANCE ALLOWANCE OPEB, CONTINUED

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2018, will be recognized in OPEB expense as follows:

Years Ending June 30:		
2019	\$	19,253
2020		19,253
2021		19,253
2022		19,253
2023		19,253
Thereafter		<u>36,003</u>
	\$	<u>132,268</u>

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE OPEB LIABILITY

Description

The Department participates in the EGID health insurance plan, which is a non-trusted single-employer plan that provides for employee and dependent healthcare coverage from the date of retirement to age 65, provided the participant was covered by the health insurance plan before retiring.

In conjunction with providing the postretirement medical benefits through the health insurance plan, the State determined that an OPEB liability existed in relation to an implicit rate subsidy. The State calculated the implicit rate subsidy of health insurance plan OPEB liability (IRSHIP OPEB liability) for all State agencies that participate in the EGID health insurance plan and whose payroll is processed through the State's payroll system. The Department met these criteria and therefore was one of the agencies included in the State's calculation.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) **OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE OPEB LIABILITY, CONTINUED

Description, Continued

As previously discussed, the Department adopted GASB 75 effective July 1, 2017, which required the recording of the Department's allocated share of the net OPEB liability, deferred outflows, deferred inflows, and OPEB expense associated with the IRSHIP OPEB liability. The effect of implementing GASB 75 was recognized during the year ended June 30, 2018, and a restatement was presented as of and for the year ended June 30, 2017.

The IRSHIP provides members with postretirement medical benefits until age 65 if the retiree and spouse pay the full active premium. Participants in the health insurance plan can elect to enroll in special coverage, and surviving spouses may continue in the plan until age 65. Contributions to the health insurance plan are made by both participants and the Department on a "pay as you go" basis. Department contributions for the year ended June 30, 2018, were approximately \$149,000.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the Department reported a liability for its proportionate share of the net IRSHIP OPEB liability. The net IRSHIP OPEB liability was measured as of June 30, 2017, and the total IRSHIP OPEB liability used to calculate the net IRSHIP OPEB liability was determined by an actuarial valuation as of July 1, 2017. The Department's proportion of the net IRSHIP OPEB liability was based on the Department's active employees as of July 1, 2017, to all active employees of the State agencies included in the State of Oklahoma's calculation. Based upon this information, the Department's proportion was 1.35785990%.

For the year ended June 30, 2018, the Department recognized OPEB benefits of \$(302,957). At June 30, 2018, the Department reported deferred outflows of resources and deferred inflows of resources related to the IRSHIP OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	78,683
Department contributions subsequent to the measurement date	<u>149,479</u>	<u>-</u>
	<u>\$ 149,479</u>	<u>78,683</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE OPEB LIABILITY, CONTINUED

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

Reported deferred outflows of resources of \$149,479 related to IRSHIP OPEB resulting from the Department's contributions subsequent to the measurement date will be recognized as a decrease of the net IRSHIP OPEB liability in the year ending June 30, 2019. Any other amounts reported as deferred inflows of resources related to the IRSHIP OPEB liability as of June 30, 2018, will be recognized in OPEB expense as follows:

Years Ending June 30:	
2019	\$ (21,856)
2020	(21,856)
2021	(21,856)
2022	<u>(13,195)</u>
	<u>\$ (78,763)</u>

Actuarial Methods and Assumptions—The total IRSHIP OPEB liability was determined based on actuarial valuations prepared using a July 1, 2017, measurement date using the following actuarial assumptions:

- Investment return—Not applicable, as the health insurance plan is unfunded, and benefits are not paid from a qualifying trust.
- Mortality rates—RP-2006 Combined Healthy Mortality Table, with a fully generational projection using Scale MP-2017.
- Salary scale, retirement rate, withdrawal rate, and disability rate actuarial assumptions are based on rates for the various retirement systems that the health insurance plan's participants are in, including—
 - Oklahoma Public Employees Retirement System
 - Oklahoma Law Enforcement Retirement System
 - Teachers' Retirement System of Oklahoma
 - Uniform Retirement System of Justices & Judges
 - Oklahoma Department of Wildlife Conservation
Defined Benefit Pension Plan

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) **OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE OPEB LIABILITY, CONTINUED

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to OPEB, Continued**

Actuarial Methods and Assumptions, Continued—

- Plan participation—40% of retired employees are assumed to participate in the health insurance plan.
- Marital assumptions—Male participants: 25% who elect coverage are assumed to have a spouse who will receive coverage

Female participants: 15% who elect coverage are assumed to have a spouse who will receive coverage

Males are assumed to be 3 years older than their spouses

- Plan entry date is the date of hire
- Actuarial cost method—Entry age normal based upon salary
- Healthcare trend rate—7.10% decreasing to 4.60%

The June 30, 2018, valuation is based on a measured date of July 1, 2018, with a measurement period of July 1, 2016, to July 1, 2017.

At June 30, 2017, the Department had total participants in the health plan of 476, consisting of 337 active participants and 139 retirees.

Discount Rate—The discount rate used to measure the total OPEB liability was 3.58% for June 30, 2018. The discount rate was determined using the Bond Buyer GO 20-Bond Municipal Bond Index.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE OPEB LIABILITY, CONTINUED

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to OPEB, Continued**

Changes in the Net OPEB Liability

	Net OPEB Liability
Balance at June 30, 2017	\$ 3,111,953
Changes for the year:	
Service cost	80,381
Interest	61,067
Changes in assumptions	(100,539)
Benefit payments	(172,531)
Net changes for the year	(131,622)
Balance at June 30, 2018	\$ 2,980,331

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate—The following presents the net IRSHIP OPEB liability of the Department calculated using the discount rate of 3.58% for 2018, as well as what the Department's net IRSHIP OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

<u>June 30, 2018</u>	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB liability	\$ 3,116,161	2,980,331	2,853,851

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) **OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE OPEB LIABILITY, CONTINUED

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to OPEB, Continued**

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rate—The following presents the net OPEB liability at June 30, 2018, calculated using the healthcare trend rate of 7.10% decreasing to 4.60%, as well as what the liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease in Healthcare Trend Rate (6.10% decreasing to <u>3.60%</u>)	Current Healthcare Trend Rate (7.10% decreasing to <u>4.60%</u>)	1% Increase in Healthcare Trend Rate (8.10% decreasing to <u>5.60%</u>)
<u>June 30, 2018</u>			
Net OPEB liability	\$ <u>2,814,599</u>	<u>2,980,331</u>	<u>3,172,298</u>

A copy of the actuarial valuations for the IRSHIP OPEB liability can be obtained at the following link:

<http://omes.ok.gov/sites/g/files/gmc316/f/ActuarialValuationReport2018.pdf>

(11) **OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN AND
DEFERRED SAVINGS INCENTIVE PLAN**

Deferred Compensation Plan

The State offers its employees a Deferred Compensation Plan (the “DC 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 DC Plan is the Board of Trustees of the Oklahoma Public Employees Retirement System (the “Board”).

The DC 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 DC 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.

See Independent Auditors’ Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Deferred Compensation Plan, Continued

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

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

Further information may be obtained from the Oklahoma State Employees DC Plan's audited financial statements for the years ended June 30, 2018 and 2017. The Department believes that it has no liabilities in respect to the DC Plan.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

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 DC 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 DC Plan and is not voluntary.

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

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

(12) **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%.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(12) **FEDERAL AWARDS, CONTINUED**

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, 2018 and 2017, the Department had accrued approximately \$1,552,000 and \$5,870,000, respectively, of accounts receivable from the federal government for the federal government's share of program expenditures.

(13) **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.

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, 2018, 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.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(13) COMMITMENTS AND CONTINGENCIES, CONTINUED

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 \$10.5 million has been expended. Expected completion is October 2018.

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, 2018. The present lease, which was effective January 1, 2018, requires monthly payments of \$20,523 and expires December 31, 2018. The lease is subject to renewal in 1-year increments effective at the beginning of each calendar year.

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, 2018, was approximately \$1,009,000. The Department presently has land lease commitments for the following periods and amounts:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 1,087,303
2020	1,146,974
2021	55,695
2022	60,639
2023	54,160
2024–2028	283,254
2029–2033	318,774
2034–2038	358,584
2039–2043	244,740

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

(14) SUBSEQUENT EVENT

In July 2018, the Oklahoma Wildlife Conservation Foundation was launched. The foundation's purpose is to help provide additional support for the Department and its activities in managing the State's fish and wildlife resources and habitats.

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 6 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total pension liability						
Service cost	\$ 1,549,955	1,626,521	1,848,180	1,840,125	1,930,130	1,987,663
Interest	8,363,608	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	688,038	(883,258)	456,220	(356,635)	293,367	(844,258)
Changes in assumptions	-	-	194,904	-	-	-
Benefit payments, including refunds of member contributions	<u>(6,843,269)</u>	<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	3,758,332	2,631,945	5,893,168	3,529,404	4,487,320	3,755,844
Total pension liability— beginning	<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>	<u>101,054,107</u>
Total pension liability— ending (a)	<u>\$ 125,110,120</u>	<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 6 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Plan fiduciary net position						
Contributions—employer	\$ 3,100,000	4,780,001	3,700,000	4,307,000	4,300,000	4,100,000
Contributions— members (employees)	610,398	633,255	663,033	654,586	680,742	697,769
Net investment income	8,499,657	10,797,316	492,067	4,096,971	12,370,424	7,482,507
Benefit payments, including refunds of member contributions	(6,843,269)	(6,314,554)	(5,593,198)	(5,539,810)	(5,031,867)	(4,444,913)
Administrative expense	<u>(58,376)</u>	<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	5,308,410	9,843,054	(792,911)	3,469,794	12,281,393	7,798,370
Plan fiduciary net position— beginning	<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>	<u>76,381,717</u>
Plan fiduciary net position— ending (b)	<u>\$ 114,289,827</u>	<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>\$ 10,820,293</u>	<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 6 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total pension liability	\$ 125,110,120	121,351,788	118,719,843	112,826,675	109,297,271	104,809,951
Plan fiduciary net position	<u>114,289,827</u>	<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>\$ 10,820,293</u>	<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>91.35%</u>	<u>89.81%</u>	<u>83.51%</u>	<u>88.57%</u>	<u>88.26%</u>	<u>80.32%</u>
Covered payroll	<u>\$ 12,207,960</u>	<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>88.63%</u>	<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>2018</u>	<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>
Actuarially determined contribution	\$ <u>2,493,653</u>	<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>
Contributions in relation to the actuarially determined contribution:										
Employer	<u>3,100,000</u>	<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>
Contribution (excess) deficiency	\$ <u>(606,347)</u>	<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>
Covered payroll	<u>\$12,207,960</u>	<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>
Contributions as a percentage of covered payroll	<u>25.39%</u>	<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>

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 6 Fiscal Years**

	<u>2018</u>	<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	<u>8.08%</u>	<u>11.25%</u>	<u>0.69%</u>	<u>4.48%</u>	<u>14.32%</u>	<u>10.46%</u>

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. 75**

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

Health Insurance Allowance

June 30, 2018

Total OPEB Liability	
Service cost	\$ 121,044
Interest	176,538
Changes of benefit terms	2,991,996
Differences between expected and actual experience	(28,011)
Changes in assumptions	179,532
Benefit payments	<u>(236,166)</u>
Net change in total OPEB liability	3,204,933
Total OPEB liability—beginning	<u>4,531,526</u>
Total OPEB liability—ending	<u>\$ 7,736,459</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 CHANGES IN NET OPEB LIABILITY
Implicit Rate Subsidy of Health Insurance OPEB Liability

June 30, 2018

Net OPEB Liability	
Service cost	\$ 80,381
Interest	61,067
Changes in assumptions	(100,539)
Benefit payments	<u>(172,531)</u>
Net change in total OPEB liability	(131,622)
Net OPEB liability—beginning	<u>3,111,953</u>
Net OPEB liability—ending	<u><u>\$ 2,980,331</u></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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2018

(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, 2018
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 (SCHEDULES V AND VI)

The information presented in the required supplementary schedules V and VI were determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuations follows:

Schedule V

Valuation date:	June 30, 2018
Actuarial cost method:	Entry age normal
Assumed inflation rate:	3.00%
Actuarial assumptions:	
Investment rate of return	Not applicable, as the OPEB plan is unfunded and benefits are not paid from a qualifying trust
Healthcare cost trend rate	Level 5.00%

Schedule VI

Valuation date:	June 30, 2018
Actuarial cost method:	Entry age normal
Actuarial assumptions:	
Investment rate of return	Not applicable, as the OPEB plan is unfunded and benefits are not paid from a qualifying trust
Healthcare cost trend rate	7.10% decreasing to 4.60%

(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, 2018

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	\$ 225,893	7,249,001
Wildlife Restoration Act	15.611	641,320	10,485,414
Total Fish and Wildlife Cluster		867,213	17,734,415
Fish and Wildlife Management Assistance	15.608	-	57,707
Endangered Species Conservation	15.615	67,170	106,990
Enhanced Hunter and Safety Education	15.626	-	146,365
Partners of Fish and Wildlife	15.631	-	287,443
State Wildlife Grants	15.634	526,558	727,041
Total U.S. Department of Interior		1,460,941	19,059,961
Bureau of Reclamation:			
McGee Creek Project	10.unknown*	-	163,116
U.S. Department of Agriculture:			
Animal and Plant Health Inspection Service	10.028	-	10,000
Forest Services—Partnership Agreements	10.699	-	14,000
Natural Resource Conservation Service:			
Voluntary Public Access and Habitat Incentive	10.093	-	884,754
Agricultural Conservation Easement	10.931	-	28,000
Total Natural Resource Conservation Service		-	912,754
Total U.S. Department of Agriculture		-	936,754
Total expenditures of federal awards		\$ 1,460,941	20,159,831

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

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, 2018

(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, 2018. 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 22.56%, which was used during the year ended June 30, 2018, 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>\$ 20,159,831</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, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 16, 2018. 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. Our report also includes an explanatory paragraph to emphasize adoption of Governmental Accounting Standards Board Statement No. 75 by the Department, requiring the restatement of the 2017 financial statements. 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
October 16, 2018



**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, 2018. 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 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, 2018.

(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
October 16, 2018

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

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

10.093

Voluntary Public Access and Habitat Incentive

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, 2018

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, 2018

There were no audit findings noted in the prior year audit for the year ended June 30, 2017.