

Oklahoma House of Representatives

Financial Statements

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



OKLAHOMA HOUSE OF REPRESENTATIVES

FINANCIAL STATEMENTS

Table of Contents

	<u>Page</u>
<u>Independent Auditors’ Report</u>	1
<u>Management’s Discussion and Analysis</u>	I-1
<u>Basic Financial Statements:</u>	
<i>Government-Wide Financial Statements:</i>	
Statements of Net Position.....	4
Statements of Activities	5
<i>Fund Financial Statements:</i>	
Balance Sheets—General Fund	7
Statements of Revenues, Expenditures, and Changes in Fund Balance—General Fund.....	8
Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balance—General Fund to the Statements of Activities	9
Notes to Financial Statements.....	10
<u>Supplementary Information Required by Governmental Accounting Standards Board Statements No. 68 and No. 75:</u>	
Schedule of the House’s Proportionate Share of the Net Pension Liability— Oklahoma Public Employees Retirement System (Exhibit I).....	50
Schedule of the House’s Contributions— Oklahoma Public Employees Retirement System (Exhibit II)	51
Schedule of the House’s Proportionate Share of the Net OPEB Liability— Oklahoma Public Employees Health Insurance Subsidy Plan (Exhibit III)	52
Schedule of the House’s Contributions— Oklahoma Public Employees Health Insurance Subsidy Plan (Exhibit IV)	53
Schedule of the House’s Changes in Total OPEB Liability and Related Ratios— Implicit Rate Subsidy of Health Insurance OPEB Liability (Exhibit V)	54

OKLAHOMA HOUSE OF REPRESENTATIVES

FINANCIAL STATEMENTS, CONTINUED

Table of Contents, Continued

	<u>Page</u>
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in <u>Accordance with <i>Government Auditing Standards</i></u>	55



INDEPENDENT AUDITORS' REPORT

The Honorable Charles McCall
Speaker of the House
Oklahoma House of Representatives

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Oklahoma House of Representatives (the "House"), a component of the General Fund 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 House'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 misstatements.

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 House'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 House'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 and the General Fund of the House as of June 30, 2018 and 2017, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

Department-Only Financial Statements

As discussed in Note 1, the financial statements of the House are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the General Fund of the State of Oklahoma that is attributable to the transactions of the House. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2018 or 2017, or the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States. Our opinions are not modified with respect to this matter.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in 2018 the House 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 opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-5 and the schedule of the House's proportionate share of net pension liability, the schedule of the House's contributions, the Schedule of the House's Proportionate Share of the Net OPEB Liability—Oklahoma Public Employees Health Insurance Subsidy Plan, the Schedule of the House's Contributions—Oklahoma Public Employees Health Insurance Subsidy Plan, and the Schedule of the House's Changes in Total OPEB Liability and Related Ratios—Implicit Rate Subsidy of Health Insurance OPEB Liability on pages 50 through 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters, Continued

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019, on our consideration of the House'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 House's internal control over financial reporting and compliance.

Finley + Cook, PLLC

Shawnee, Oklahoma
January 18, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As leadership of the Oklahoma House of Representatives (the "House"), we offer readers of the House's financial statements this overview and analysis of the financial activities for the fiscal years ended June 30, 2018, 2017, and 2016.

FINANCIAL HIGHLIGHTS

- During 2018, the House's net position increased \$3,348,443 from June 30, 2017, resulting in a net position of \$9,289,153 at June 30, 2018. During 2017, the House's net position increased \$3,809,948 from June 30, 2016, resulting in a net position of \$5,940,710 at June 30, 2017, net of a restatement for the adoption of GASB 75. During 2016, the House's net position increased \$1,093,190 from June 30, 2015, resulting in a net position of \$2,679,301 at June 30, 2016.
- At June 30, 2018, the House's assets totaling \$11,264,903 increased \$3,003,342 from June 30, 2017, due to an increase in cash. At June 30, 2017, the House's assets totaling \$8,261,561 increased \$3,095,633 from June 30, 2016, due to an increase in cash. At June 30, 2016, the House's assets totaling \$5,165,928 decreased \$729,471 from June 30, 2015, due to a decrease in cash and capital assets.
- At June 30, 2018, the House's liabilities totaling \$4,027,587 decreased \$2,640,827 from June 30, 2017, due mainly to the decrease in the net pension liability. At June 30, 2017, the House's liabilities totaling \$6,668,414 increased \$3,836,857 from June 30, 2016, due mainly to an increase in the net pension liability and recording of the OPEB liability resulting from the adoption of GASB 75. At June 30, 2016, the House's liabilities totaling \$2,831,557 increased \$812,791 from June 30, 2015, due mainly to the net pension liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

The statements of activities present information showing how the House's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED

Fund Financial Statements

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All governmental activities of the House are reflected in the General Fund. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

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

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

Notes to the Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONTINUED

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The House's net position at June 30 are reported as follows:

	<u>2018</u>	<u>2017</u> *	<u>2016</u>
Assets			
Current assets	\$ 9,914,797	6,576,965	3,187,645
Capital assets, net	<u>1,350,106</u>	<u>1,684,596</u>	<u>1,978,283</u>
Total assets	<u>11,264,903</u>	<u>8,261,561</u>	<u>5,165,928</u>
Deferred outflows of resources related to the pension and OPEB	<u>2,832,517</u>	<u>6,399,929</u>	<u>3,313,535</u>
Liabilities			
Current liabilities	421,712	429,874	615,575
Noncurrent liabilities	<u>3,605,875</u>	<u>6,238,540</u>	<u>2,215,982</u>
Total liabilities	<u>4,027,587</u>	<u>6,668,414</u>	<u>2,831,557</u>
Deferred inflows of resources related to the pension and OPEB	<u>780,680</u>	<u>2,052,366</u>	<u>2,968,605</u>
Net Position			
Net investment in capital assets	1,350,106	1,684,596	1,777,156
Unrestricted	<u>7,939,047</u>	<u>4,256,114</u>	<u>902,145</u>
Total net position	<u>\$ 9,289,153</u>	<u>5,940,710</u>	<u>2,679,301</u>

* Restated for the adoption of GASB 75.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A), CONTINUED

GOVERNMENT-WIDE FINANCIAL ANALYSIS, CONTINUED

For the years ended June 30, the House’s changes in net position are reported as follows:

	<u>2018</u>	<u>2017*</u>	<u>2016</u>
General revenues—other	\$ 10,393	20,803	26,459
Gain on cancellation of capital lease	-	42,323	-
Expenses	<u>(16,090,693)</u>	<u>(16,677,506)</u>	<u>(15,951,147)</u>
Excess expenses before transfers	<u>(16,080,300)</u>	<u>(16,614,380)</u>	<u>(15,924,688)</u>
Transfers:			
Transfers in from the General Fund of the State of Oklahoma	11,897,233	12,839,725	15,496,659
Transfers in from the General Fund of the Legislative Service Bureau	<u>7,531,510</u>	<u>7,584,603</u>	<u>1,521,219</u>
Total transfers	<u>19,428,743</u>	<u>20,424,328</u>	<u>17,017,878</u>
Changes in net position	3,348,443	3,809,948	1,093,190
Cumulative adjustment in net position to adopt GASB 75	<u>-</u>	<u>(548,539)</u>	<u>-</u>
Net position, beginning of year	<u>5,940,710</u>	<u>2,679,301</u>	<u>1,586,111</u>
Net position, end of year	<u>\$ 9,289,153</u>	<u>5,940,710</u>	<u>2,679,301</u>

* Restated for the adoption of GASB 75

This discussion and analysis of the House’s financial performance provides an overview of the House’s financial activities for the fiscal years ended June 30, 2018, 2017, and 2016.

The House’s FY 2018 appropriation from the State of Oklahoma decreased \$942,492 from FY 2017. The House’s FY 2017 appropriation from the State of Oklahoma, including refunds, decreased \$2,656,934 from FY 2016. The House’s FY 2016 appropriation from the State of Oklahoma decreased \$166,415 from FY 2015.

The House’s FY 2018 expenditures, not including adjustments for depreciation, compensated absences, pensions, and OPEB, decreased approximately 5.24% from FY 2017. The House’s FY 2017 expenditures, not including adjustments for depreciation, compensated absences, and pensions, decreased approximately 1.30% from FY 2016. The House’s FY 2016 expenditures, not including adjustments for depreciation, compensated absences, and pensions, only decreased approximately 0.20% from FY 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONTINUED

CAPITAL ASSETS

As of June 30, 2018, 2017, and 2016, the House's investment in capital assets, net of accumulated depreciation, totaled approximately \$1,350,000, \$1,685,000, and \$1,978,000, respectively. Depreciation for 2018, 2017, and 2016, totaled approximately \$367,000, \$487,000, and \$710,000, respectively. Capital assets include computer equipment, office equipment, furniture, and building improvements.

CAPITAL LEASES

As of June 30, 2018 and 2017, the House had no capital lease obligations outstanding. During FY 2017, the House had capital lease obligations for the lease of certain office equipment which was scheduled to expire in September 2017; however, the House chose to cancel the lease in September 2016. During the year ended June 30, 2017, the House paid approximately \$41,000 in lease payments, of which approximately \$6,000 related to interest expense. At the time of the capital lease cancellation, the House had capital lease obligations outstanding of approximately \$166,000. The House recognized a gain on the cancellation of the capital lease of approximately \$42,000. As of June 30, 2016, the House had approximately \$201,000 of capital lease obligations outstanding for the lease of certain office equipment. During the year ended June 30, 2016, the House paid approximately \$164,000 in lease payments, of which approximately \$32,000 related to interest expense.

DESCRIPTION OF CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS THAT ARE EXPECTED TO HAVE A SIGNIFICANT EFFECT ON THE FINANCIAL POSITION OR RESULTS OF OPERATIONS

The Governor has approved the House's appropriation for the fiscal year July 1, 2018, to June 30, 2019.

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

CONTACTING THE HOUSE'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the House's finances and to demonstrate the House's accountability for the funds received. If you have questions relative to the report or have a need for additional financial information, contact the Comptroller of the Oklahoma House of Representatives, 2300 N. Lincoln Blvd., State Capitol Building, Oklahoma City, Oklahoma 73105-4885.

OKLAHOMA HOUSE OF REPRESENTATIVES

STATEMENTS OF NET POSITION

<i>June 30,</i>	<i>2018</i>	<i>2017</i>
Assets		
Current assets:		
Cash, including short-term investments	\$ 9,886,519	6,550,056
Prepaid expenses	28,278	26,909
Total current assets	<u>9,914,797</u>	<u>6,576,965</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	1,350,106	1,684,596
Total noncurrent assets	<u>1,350,106</u>	<u>1,684,596</u>
Total assets	<u>11,264,903</u>	<u>8,261,561</u>
Deferred Outflows of Resources		
Deferred amounts related to the pension and OPEB	2,832,517	6,399,929
Total deferred outflows of resources	<u>2,832,517</u>	<u>6,399,929</u>
Total assets and deferred outflows of resources	<u>\$ 14,097,420</u>	<u>14,661,490</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 31,973	17,387
Long-term liabilities, due within 1 year	389,739	412,487
Total current liabilities	<u>421,712</u>	<u>429,874</u>
Noncurrent liabilities:		
Long-term liabilities, due after 1 year	219,374	174,521
Net pension liability	2,812,002	5,515,480
Net OPEB liability, as restated	574,499	548,539
Total noncurrent liabilities	<u>3,605,875</u>	<u>6,238,540</u>
Total liabilities	<u>4,027,587</u>	<u>6,668,414</u>
Deferred Inflows of Resources		
Deferred amounts related to the pension and OPEB	780,680	2,052,366
Total deferred inflows of resources	<u>780,680</u>	<u>2,052,366</u>
Net Position		
Net investment in capital assets	1,350,106	1,684,596
Unrestricted	7,939,047	4,256,114
Total net position	<u>9,289,153</u>	<u>5,940,710</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 14,097,420</u>	<u>14,661,490</u>

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

OKLAHOMA HOUSE OF REPRESENTATIVES

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net</u>
		<u>Charges for</u>	<u>Operating</u>	<u>(Expenses)</u>
		<u>Services</u>	<u>Grants and</u>	<u>Revenues</u>
			<u>Contributions</u>	
Governmental activities:				
Legislative operations	\$ (16,090,693)	-	-	(16,090,693)
Contributions from the Legislative Service Bureau	<u> -</u>	<u> -</u>	<u>7,531,510</u>	<u>7,531,510</u>
Total governmental activities	<u>\$ (16,090,693)</u>	<u> -</u>	<u>7,531,510</u>	<u>(8,559,183)</u>
General revenues:				
State appropriations				11,809,752
Refund of appropriations				87,481
Other				<u>10,393</u>
Total general revenues				<u>11,907,626</u>
Changes in net position				3,348,443
Net position, beginning of year, as restated				<u>5,940,710</u>
Net position, end of year				<u>\$ 9,289,153</u>

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

OKLAHOMA HOUSE OF REPRESENTATIVES

STATEMENTS OF ACTIVITIES, CONTINUED

Year Ended June 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net</u>
		<u>Charges for</u>	<u>Operating</u>	<u>(Expenses)</u>
		<u>Services</u>	<u>Grants and</u>	<u>Revenues</u>
			<u>Contributions</u>	
Governmental activities:				
Legislative operations	\$ (16,671,961)	-	-	(16,671,961)
Contributions from the Legislative Service Bureau	-	-	7,584,603	7,584,603
Interest expense	<u>(5,545)</u>	<u>-</u>	<u>-</u>	<u>(5,545)</u>
Total governmental activities	<u>\$ (16,677,506)</u>	<u>-</u>	<u>7,584,603</u>	<u>(9,092,903)</u>
General revenues:				
State appropriations				12,409,825
Refund of appropriations				429,900
Gain on cancellation of capital lease				42,323
Other				<u>20,803</u>
Total general revenues				<u>12,902,851</u>
Changes in net position				3,809,948
Net position, beginning of year				2,679,301
Restatement for GASB 75 (see Note 1)				<u>(548,539)</u>
Net position, end of year, as restated				<u>\$ 5,940,710</u>

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

OKLAHOMA HOUSE OF REPRESENTATIVES

BALANCE SHEETS—GENERAL FUND

<i>June 30,</i>	<i>2018</i>	<i>2017</i>
Assets		
Cash, including short-term investments	\$ 9,886,519	6,550,056
Prepaid expenses	<u>28,278</u>	<u>26,909</u>
Total assets	<u>\$ 9,914,797</u>	<u>6,576,965</u>
Liabilities and Fund Balance		
Accounts payable	<u>\$ 31,973</u>	<u>17,387</u>
Total liabilities	<u>31,973</u>	<u>17,387</u>
Fund balance:		
Unassigned	<u>9,882,824</u>	<u>6,559,578</u>
Total fund balance	<u>9,882,824</u>	<u>6,559,578</u>
Total liabilities and fund balance	<u>\$ 9,914,797</u>	<u>6,576,965</u>
Reconciliation of Fund Balance to Net Position		
Total fund balance from above	\$ 9,882,824	6,559,578
Amounts reported in the statements of net position are different because they are not financial resources and therefore are not reported in the governmental fund financial statements:		
Net capital assets used in governmental activities	1,350,106	1,684,596
Deferred outflows related to the pension and OPEB	2,832,517	6,399,929
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental fund financial statements:		
Compensated absences	(609,113)	(587,008)
Net pension liability	(2,812,002)	(5,515,480)
Net OPEB liability, as restated	(574,499)	(548,539)
Deferred inflows related to the pension and OPEB	<u>(780,680)</u>	<u>(2,052,366)</u>
Net position, per statements of net position, as restated	<u>\$ 9,289,153</u>	<u>5,940,710</u>

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

OKLAHOMA HOUSE OF REPRESENTATIVES

**STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE—GENERAL FUND**

<i>Years Ended June 30,</i>	<i>2018</i>	<i>2017</i>
Revenues:		
Contributions from the Legislative Service Bureau	\$ 7,531,510	7,584,603
Other	10,393	20,803
Total revenues	<u>7,541,903</u>	<u>7,605,406</u>
Expenditures:		
Personnel services	14,469,941	14,896,806
Contractual services	387,211	514,204
Capital outlay	369,487	607,773
Travel	831,068	859,706
Supplies and materials	58,183	87,495
Debt service (capitalized leases):		
Principal	-	35,370
Interest	-	5,545
Total expenditures	<u>16,115,890</u>	<u>17,006,899</u>
Deficiency of revenues over expenditures	(8,573,987)	(9,401,493)
Other funding sources:		
State appropriations	11,809,752	12,409,825
Refund of appropriations	87,481	429,900
	<u>11,897,233</u>	<u>12,839,725</u>
Net changes in fund balance	3,323,246	3,438,232
Fund balance, beginning of year	<u>6,559,578</u>	<u>3,121,346</u>
Fund balance, end of year	<u>\$ 9,882,824</u>	<u>6,559,578</u>

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

OKLAHOMA HOUSE OF REPRESENTATIVES

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

<i>Years Ended June 30,</i>	<i>2018</i>	<i>2017</i>
Net change in fund balance—General Fund	\$ 3,323,246	3,438,232
<p>Amounts reported for governmental activities in the statements of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures while government-wide activities report depreciation expense to allocate those expenditures over the lives of the assets:</p>		
Depreciation expense	(366,716)	(487,104)
Capital asset purchases capitalized	42,386	318,979
	(324,330)	(168,125)
<p>In the statements of activities, the loss on the disposal of capital assets is recognized. The fund financial statements recognize no impact from these dispositions:</p>		
Loss on the disposal of capital assets/capital lease	(10,160)	(125,562)
<p>In the statements of activities, the amount of the capital lease payment that represents principal payments is used to reduce the capital lease payable:</p>		
Principal payments on capital lease	-	35,370
Cancellation of capital lease	-	165,757
<p>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 the governmental fund financial statements:</p>		
Accrued compensated absences	(22,105)	(14,493)
Deferred outflows related to the pension and OPEB	381,792	478,769
Changes in net position, per the statements of activities	\$ 3,348,443	3,809,948

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

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

(1) NATURE OF THE ORGANIZATION

The Oklahoma House of Representatives (the “House”) is a legislative body of the State of Oklahoma (the “State”). The House consists of 101 members who are elected by Oklahoma voters to serve 2-year terms. The House initiates legislation and holds legislative hearings.

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

Financial Reporting Entity

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

Fund Accounting and Budgetary Information

The House is included in the General Fund—Government of the State. The accompanying financial statements are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the General Fund of the State attributable to the transactions of the House. They do not purport to, and do not, present fairly the financial position or changes in financial position of the State. The House is funded by an appropriation from unallocated general funds earmarked for state government. Appropriations are available for expenditures for a period of 30 months from the date the appropriations are approved. It is the practice of the House to utilize unexpended appropriations from the prior year before expending current year appropriations.

The House is not required by statute to prepare a line-item budget and is only subject to the limitation of the total appropriation provided by the Oklahoma Legislature. Accordingly, a schedule of revenues, expenditures, and changes in fund balance—budget to actual is not presented herein.

See Independent Auditors’ Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Available is defined by the House as 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Only current assets and current liabilities are included on the balance sheets. Their operations present sources and uses of available spendable resources during a given period of time. The General Fund is used to account for the House's expendable financial resources and related liabilities. All transactions related to the general administration of the House are accounted for in this fund.

Contributions

The House records as contributions revenue assets and/or services that are paid for by other state agencies.

Cash

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

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets

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

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

Computer equipment	3 years
Office furniture and other equipment	7 years
Building improvements	10 years

While the House does not own or lease a portion of the State Capitol Building, they do maintain the space used and have capitalized improvements made to the space used.

A full year's depreciation is taken in the year an asset is placed in service. When assets are disposed of, depreciation is removed from the respective accounts and the resulting gain or loss, if any, is recorded in the statements of activities.

Compensated Absences

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

Capital Lease Obligations

The House entered into capital lease obligations during the fiscal year ended June 30, 2013, as more fully described in Note 6 to the financial statements. The capital lease obligations were cancelled in September 2016. There were no capital lease obligations as of June 30, 2018 and 2017.

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Pension Plans

Defined Benefit Plan

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

Defined Contribution Plan

Effective November 1, 2015, OPERS established Pathfinder, a mandatory defined contribution plan for eligible state employees who first become employed by a participating employer on or after November 1, 2015, and have no prior participation in OPERS. Under Pathfinder, members will choose a contribution rate which will be matched by their employer up to 7%. During the years ended June 30, 2018 and 2017, the House made contributions to Pathfinder of approximately \$146,000 and \$78,000, respectively.

Other Postemployment Employee Benefits

The House participates in the OPERS Health Insurance Subsidy Plan (HISP), a cost-sharing, multiple-employer defined benefit public employee health insurance subsidy retirement plan which is administered by OPERS.

The House participates in the Oklahoma Employees Group Insurance Division's (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.

The House adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) effective July 1, 2017, which required the recording of the House's allocated share of the net OPEB liability, deferred outflows, deferred inflows, and OPEB expense. The effect of implementing GASB 75 was recognized during the year ended June 30, 2018, and there was a restatement presented as of and for the year ended June 30, 2017.

See Independent Auditors' Report.

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

Income Taxes

The income of the House, a legislative body of the State, is exempt from federal and state income taxes.

Equity Classifications

Government-Wide Financial Statements

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

- a. Net investment in capital assets—consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position—consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position—all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the House’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available. As of June 30, 2018 and 2017, the House did not have any restricted net position.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classifications, Continued

Fund Financial Statements

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

- a. Nonspendable fund balance—includes amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact.
- b. Restricted fund balance—consists of fund balances with constraints placed on the use of resources that are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.
- c. Committed fund balance—the committed fund balance classification reflects specific purposes pursuant to constraints imposed by formal action of the House’s highest level of decision-making authority. Also, such constraints can only be removed or changed by the same form of formal action.
- d. Assigned fund balance—the assigned fund balance classification reflects amounts that are constrained by the House’s intent to be used for specific purposes, but meet neither the restricted nor committed forms of constraint. Assigned funds cannot cause a deficit in unassigned fund balance.

For purposes of an assigned fund balance, the House has given authority to the Speaker of the House to assign state appropriations received by the House for specific purposes.

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

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

See Independent Auditors’ Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Equity Classifications, Continued

Fund Financial Statements, Continued

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

	<u>General Fund</u>	
	<u>2018</u>	<u>2017</u>
Fund balances:		
Unassigned:		
State appropriations	\$ 9,882,824	6,559,578
Total fund balances	<u>\$ 9,882,824</u>	<u>6,559,578</u>

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded as expenditures of the applicable funds. This is an extension of the formal budgetary integration in the General Fund. Encumbrances do not represent any further constraint on the use of amounts than is already communicated by governmental fund balance classification as restricted, committed, or assigned. As of June 30, 2018 and 2017, there were no such encumbrances outstanding.

Deferred Inflows and Outflows of Resources

Government-Wide Financial Statements

Deferred inflows and outflows of resources represent amounts associated with pension and OPEB differences between expected and actual experience, differences between projected and actual earnings on pension fund investments, and changes in assumptions. Notes 7 and 8 detail the components of these items.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States require the House's leadership 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.

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

Recent Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of GASB 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit OPEB, GASB 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The House adopted GASB 75 effective July 1, 2017, and the prior period financial statements were restated.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77). GASB 77 provides financial reporting and disclosure guidance to governments that have either entered into tax abatement agreements or that have revenues affected by tax abatements entered into by another government. Governments will generally use tax abatements to encourage specific economic development that benefit either the government or its citizens by forgoing certain taxes. The House adopted GASB 77 on July 1, 2016. The House had no items to be reported, and the adoption had no significant impact on the financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* (GASB 80). GASB 80 amends blending requirements for the financial statements of component units to include criteria requiring blending of a component unit organized as a not-for-profit corporation in which the primary government is the sole corporate member. The House adopted this statement on July 1, 2016. The adoption had no significant impact on the financial statements.

See Independent Auditors' Report.

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

Recent Accounting Pronouncements, Continued

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

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

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

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

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Recent Accounting Pronouncements, Continued

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

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The House 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 House will adopt GASB 88 on July 1, 2019, for the June 30, 2020, reporting year. The House 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 House will adopt GASB 89 on July 1, 2020, for the June 30, 2021, reporting year. The House does not expect GASB 89 to significantly impact the financial statements.

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

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 implicit rate subsidy (see Note 8). The effects of the changes on the financial statements were as follows:

	Net OPEB <u>Liability</u>	Unrestricted <u>Net Position</u>	Total <u>Net Position</u>
As previously reported	\$ -	4,804,653	6,489,249
Effects of changes	<u>548,539</u>	<u>(548,539)</u>	<u>(548,539)</u>
As restated	<u>\$ 548,539</u>	<u>4,256,114</u>	<u>5,940,710</u>

Date of Management’s Review of Subsequent Events

The House’s leadership has evaluated subsequent events through January 18, 2019, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

(3) **CASH BALANCES**

The House maintained cash balances of the following amounts at June 30:

	<u>2018</u>	<u>2017</u>
Cash	<u>\$ 9,886,519</u>	<u>6,550,056</u>

All the balances were maintained with the State Treasurer.

The House’s deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitation, placed in banks or invested as the State Treasurer may determine. Deposits are fully insured or collateralized with securities held by an agent of the State, in the State’s name.

See Independent Auditors’ Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CAPITAL ASSETS

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

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>
Capital assets:				
Computer equipment	\$ 1,117,921	6,376	(13,466)	1,110,831
Office equipment	665,568	20,800	-	686,368
Furniture	1,175,930	-	(13,732)	1,162,198
Building improvements	<u>3,432,040</u>	<u>15,210</u>	<u>(57,945)</u>	<u>3,389,305</u>
Total capital assets	<u>6,391,459</u>	<u>42,386</u>	<u>(85,143)</u>	<u>6,348,702</u>
Accumulated depreciation:				
Computer equipment	980,344	93,891	(13,466)	1,060,769
Office equipment	486,784	39,362	-	526,146
Furniture	1,127,793	15,360	(13,732)	1,129,421
Building improvements	<u>2,111,942</u>	<u>218,103</u>	<u>(47,785)</u>	<u>2,282,260</u>
Total accumulated depreciation	<u>4,706,863</u>	<u>366,716</u>	<u>(74,983)</u>	<u>4,998,596</u>
Net capital assets	<u>\$ 1,684,596</u>	<u>(324,330)</u>	<u>(10,160)</u>	<u>1,350,106</u>

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CAPITAL ASSETS, CONTINUED

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>
Capital assets:				
Computer equipment	\$ 1,490,181	137,430	(509,690)	1,117,921
Office equipment	1,331,651	159,457	(825,540)	665,568
Furniture	1,183,567	2,196	(9,833)	1,175,930
Building improvements	3,412,144	19,896	-	3,432,040
Total capital assets	<u>7,417,543</u>	<u>318,979</u>	<u>(1,345,063)</u>	<u>6,391,459</u>
Accumulated depreciation:				
Computer equipment	1,392,102	95,804	(507,562)	980,344
Office equipment	1,151,415	37,475	(702,106)	486,784
Furniture	1,121,859	15,767	(9,833)	1,127,793
Building improvements	1,773,884	338,058	-	2,111,942
Total accumulated depreciation	<u>5,439,260</u>	<u>487,104</u>	<u>(1,219,501)</u>	<u>4,706,863</u>
Net capital assets	<u>\$ 1,978,283</u>	<u>(168,125)</u>	<u>(125,562)</u>	<u>1,684,596</u>

Depreciation expense for the years ended June 30, 2018 and 2017, was \$366,716 and \$487,104, respectively.

The House has no significant infrastructure assets.

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

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) LONG-TERM LIABILITIES

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

	<u>July 1,</u> <u>2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Paid</u>	<u>June 30,</u> <u>2018</u>	<u>Amount Due</u> <u>Within</u> <u>1 Year</u>
Compensated absences	\$ 587,008	373,182	-	(351,077)	609,113	389,739
Total long-term liabilities	<u>\$ 587,008</u>	<u>373,182</u>	<u>-</u>	<u>(351,077)</u>	<u>609,113</u>	<u>389,739</u>

	<u>July 1,</u> <u>2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Paid</u>	<u>June 30,</u> <u>2017</u>	<u>Amount Due</u> <u>Within</u> <u>1 Year</u>
Compensated absences	\$ 572,515	369,950	-	(355,457)	587,008	412,487
Capital leases	201,127	-	(165,757)	(35,370)	-	-
Total long-term liabilities	<u>\$ 773,642</u>	<u>369,950</u>	<u>(165,757)</u>	<u>(390,827)</u>	<u>587,008</u>	<u>412,487</u>

(6) CAPITAL LEASE OBLIGATIONS

Periodically, the House enters into agreements to lease certain office equipment. The agreements are in substance a purchase (capital lease) and are reported as capital lease obligations.

During the fiscal year ended June 30, 2013, the House entered into a new lease agreement with Xerox for copiers. The lease of the copiers was scheduled to expire in September 2017; however, the House chose to cancel the lease in September 2016. There were no new capital lease agreements entered into during the fiscal year ended June 30, 2018 and 2017.

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) PENSION PLAN

Plan Description

The House contributes to the Oklahoma Public Employees Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement plan administered by OPERS. OPERS provides retirement, disability, and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the Oklahoma Legislature. Title 74 of the Oklahoma Statutes, Sections 901–943, as amended, assigns the authority for management and operation of the Oklahoma Public Employees Retirement Plan to the Board of Trustees of OPERS (the “Board”). OPERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the Oklahoma Public Employees Retirement Plan. That annual report may be obtained by writing to the Oklahoma Public Employees Retirement System, 5400 N. Grand Boulevard, Suite 400, Oklahoma City, Oklahoma or by calling 1-800-733-9008, or can be obtained at www.opers.ok.gov/websites/opers/images/pdfs/CAFR-2017-OPERS.pdf.

Benefits Provided

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

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

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

See Independent Auditors’ Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) **PENSION PLAN, CONTINUED**

Benefits Provided

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

State, County, and Local Agency Employees

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

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

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

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) PENSION PLAN, CONTINUED

Benefits Provided, Continued

Elected Officials

Benefits are determined as the greater of the calculation described in the preceding section or, based on the official's contribution election, either 1.9% or 4.0% of the highest annual covered compensation received as an elected official, but not to exceed the applicable salary cap, multiplied by the number of years of credited service. For members elected prior to November 1, 2011, normal retirement age under the plan is 60 with 6 years of participation as an elected official or Rule of 80. For members elected on or after November 1, 2011, the normal retirement age is 62 with 10 years of participation as an elected official or 65 with 8 years of participation as an elected official. Members elected prior to November 1, 2011, become eligible to vest fully upon termination of employment after attaining 6 years of participating service as an elected official. Members elected on or after November 1, 2011, become eligible to vest fully upon termination of employment after attaining 8 years of participating service as an elected official. The members' contributions may be withdrawn upon termination of employment.

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

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

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

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) **PENSION PLAN, CONTINUED**

Benefits Provided, Continued

Elected Officials, Continued

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

Contributions

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

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

State, County, and Local Agency Employees

For 2018, 2017, and 2016, *state agency employers* contributed 16.5% on all salary, and *state employees* contributed 3.5% on all salary.

For 2018, 2017, and 2016, contributions of participating county and local agencies totaled 20.0% of salary, composed of a minimum employee contribution rate of 3.5% up to a maximum of 8.5% and a minimum employer contribution rate of 11.5% up to a maximum of 16.5%.

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) PENSION PLAN, CONTINUED

Contributions, Continued

State, County, and Local Agency Employees, Continued

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

Elected Officials

Elected officials' employee contributions are based on the maximum compensation levels set for all members, and the participating employers are required to contribute on the elected officials' covered salary using the same percentage and limits as applicable for state agencies. Members elected prior to November 1, 2011, must select an employee contribution rate of 4.5%, 6.0%, 7.5%, 8.5%, 9.0%, or 10.0%. Members elected on or after November 1, 2011, have a contribution rate of 3.5%.

Effective July 1, 1999, elected officials must affirmatively elect or decline participation in the plan within 90 days after taking office. This decision is irrevocable, and failure as an elected official to decline to participate in the plan will be deemed as an irrevocable election to participate and contribute at the highest rate (currently 3.5% for officials elected on or after November 1, 2011). All current elected officials who had not elected to participate in the plan must have either elected, including selecting a contribution rate, or declined to participate in the plan on or before December 1, 1999.

Elected officials who are first elected or appointed to an elected office between November 1, 2010, and October 31, 2011, may only select one of two benefit computation factors—1.9% or 4.0%—with the respective employee contribution rates of 4.5% or 10.0%.

Effective November 1, 2011, elected officials who are first elected or appointed to an elected office participate with a benefit computation factor of 2.0%, with an employee contribution rate of 3.5%.

Contributions to OPERS by the House for 2018, 2017, and 2016 were approximately as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$	<u>1,278,000</u>	<u>1,497,000</u>	<u>1,638,000</u>

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) PENSION PLAN, CONTINUED

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

At June 30, 2018 and 2017, the House reported a liability for its proportionate share of the net pension liability. As of June 30, 2018, the net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. As of June 30, 2017, the net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The House's proportion of the net pension liability was based on the House's contributions received by OPERS relative to the total contributions received by OPERS for all participating employers as of June 30, 2017 and 2016. Based upon this information, the House's proportion for June 30, 2018 and 2017, was 0.52010238% and 0.55586664%, respectively.

For the years ended June 30, 2018 and 2017, the House recognized pension expense of \$910,984 and \$1,018,447, respectively. At June 30, 2018 and 2017, the House reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2018</u>		
Differences between expected and actual experience	\$ -	502,866
Changes of assumptions	1,248,364	-
Net difference between projected and actual earnings on pension plan investments	125,618	-
Changes in proportion	4,209	120,007
House contributions subsequent to the measurement date	<u>1,278,169</u>	<u>-</u>
	<u>\$ 2,656,360</u>	<u>622,873</u>

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) PENSION PLAN, CONTINUED

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

<u>2017</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	242,373
Changes of assumptions	881,762	-
Net difference between projected and actual earnings on pension plan investments	4,012,846	1,705,021
Changes in proportion	8,105	104,972
House contributions subsequent to the measurement date	<u>1,497,216</u>	<u>-</u>
	<u>\$ 6,399,929</u>	<u>2,052,366</u>

Reported deferred outflows of resources of \$1,278,169 related to pensions resulting from the House's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2019. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	
2019	\$ 237,144
2020	272,630
2021	272,630
2022	272,630
2023	<u>(299,716)</u>
	<u>\$ 755,318</u>

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) PENSION PLAN, CONTINUED

Actuarial Methods and Assumptions

The total pension liability was determined on an actuarial valuation prepared as of July 1, 2017 and 2016, using the following actuarial assumptions:

Investment return:	7.00% for 2017 and 7.25% for 2016, compounded annually, net of investment expense and including inflation.
Salary increases:	3.50% to 9.50% for 2017 and 4.50% to 8.40% for 2016, including inflation
Mortality rates:	For 2017 Calculation—Active participants and nondisabled pensioners: RP-2014 Mortality Table projected to 2025 by Scale MP 2016 (disabled pensioners set forward 12 years). For 2016 Calculation—RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)
Annual post-retirement benefit increases:	None
Assumed inflation rate:	2.75% for 2017 and 3.00% for 2016
Payroll growth:	3.50% for 2017 and 4.00% for 2016
Actuarial cost method:	Entry age
Select period for the termination of employment assumptions:	10 years

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) PENSION PLAN, CONTINUED

Actuarial Methods and Assumptions, Continued

The actuarial assumptions used in the July 1, 2017, valuations are based on the results of the most recent actuarial experience study, which covers the 3-year period ending June 30, 2016. The experience study report is dated April 13, 2017. The long-term rate of return was modified by the Board during 2017.

The actuarial assumptions used in the July 1, 2016, valuations are based on the results of the most recent actuarial experience study, which covers the 3-year period ending June 30, 2016. The experience study report is dated May 9, 2014. The long-term rate of return was modified by the Board during 2016.

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

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2017 and 2016, are summarized in the following table:

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

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) PENSION PLAN, CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 7.00% in 2017 and 7.25% in 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, OPERS’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

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

The following presents the net pension liability as of June 30, 2018 and 2017, of the employer calculated using the discount rate of 7.00% and 7.25%, respectively, as well as what the House’s net pension 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 as of June 30:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<u>2018</u>			
Net pension liability (asset)	\$ <u>8,310,989</u>	<u>2,812,002</u>	<u>(1,844,350)</u>
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
<u>2017</u>			
Net pension liability	\$ <u>11,290,447</u>	<u>5,515,480</u>	<u>613,025</u>

Pension Plan Fiduciary Net Position

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

See Independent Auditors’ Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) **OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS**

HEALTH INSURANCE SUBSIDY OPEB

Description

The House participates in the OPERS Health Insurance Subsidy Plan (HISP), a cost-sharing, multiple-employer defined benefit public employee health insurance subsidy retirement plan which is administered by OPERS. The HISP is classified as an “other postemployment employee benefit.”

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

Benefits Provided

HISP provides a health insurance premium subsidy for retirees of OPERS who elect to maintain health insurance with EGID or other qualified insurance plan provided by the employers. The HISP subsidy is capped at \$105 per month per retiree. This subsidy continues until the retiree terminates health insurance coverage with EGID or other qualified plan, or until death. The subsidy is only for the retiree, not joint annuitants or beneficiaries.

Contributions

The contribution rates for each member category of OPERS are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. An actuarially determined portion of the total contribution to OPERS are set aside to finance the cost of the benefits of the HISP in accordance with provisions of the Internal Revenue Code.

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service (IRS) limitations on compensation. Only employers contribute to the HISP. For 2018, state agency employers contributed 16.5% on all salary.

Contributions to OPERS for the HISP by the House for the year ended June 30, 2018, were approximately \$89,000.

See Independent Auditors’ Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) **OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS, CONTINUED**

HEALTH INSURANCE SUBSIDY OPEB, CONTINUED

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

At June 30, 2018, the House reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. The House’s proportion of the net OPEB liability was based on the House’s contributions received by OPERS relative to the total contributions received by OPERS for all participating employers as of June 30, 2017. Based upon this information, the House’s proportion was 0.52010238%.

For the year ended June 30, 2018, the House recognized OPEB expense related to the HISP of \$148,765. At June 30, 2018, the House reported deferred outflows of resources and deferred inflows of resources related to the HISP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2018</u>		
Differences between expected and actual experience	\$ -	73,429
Changes in assumptions	48,521	-
Net difference between projected and actual earnings on OPEB investments	-	64,284
The House contributions subsequent to the measurement date	<u>89,463</u>	<u>-</u>
	<u>\$ 137,984</u>	<u>137,713</u>

See Independent Auditors’ Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) **OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS, CONTINUED**

HEALTH INSURANCE SUBSIDY OPEB, 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 \$89,463 related to OPEB resulting from the House's contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Any other 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	\$ (20,727)
2020	(20,727)
2021	(20,727)
2022	(20,727)
2023	<u>(6,284)</u>
	<u>\$ (89,192)</u>

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS, CONTINUED

HEALTH INSURANCE SUBSIDY OPEB, CONTINUED

Actuarial Methods and Assumptions

The total OPEB liability was determined on an actuarial valuation prepared as of July 1, 2017:

Investment return:	7.00%, compounded annually, net of investment expense and including inflation.
Salary increases:	3.5% to 9.5% per year, including inflation
Mortality rates:	Active participants and nondisabled pensioners: RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years)
Annual post-retirement benefit increases:	None
Assumed inflation rate:	2.75% per year
Payroll growth:	3.50% per year
Actuarial cost method:	Entry age
Select period for the termination of employment assumptions:	10 years
Healthcare trend rate	Not applicable based on how OPERS is structured and benefit paymnets are made.

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) **OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS, CONTINUED**

HEALTH INSURANCE SUBSIDY OPEB, CONTINUED

Actuarial Methods and Assumptions, Continued

The actuarial assumptions used in the July 1, 2017, valuations are based on the results of the most recent actuarial experience study, which covers the 3-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

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

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00% for 2017. The projection of cash flows used to determine the discount rate assumed that contributions from the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, OPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determined does not use a municipal bond rate.

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS, CONTINUED

HEALTH INSURANCE SUBSIDY OPEB, CONTINUED

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

The following presents the net OPEB liability of the House calculated using the discount rate of 7.00% for 2018, as well as what the House's net OPEB (asset) 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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
June 30, 2018			
Net OPEB liability (asset)	\$ 235,307	59,573	(91,510)

OPEB Plan Fiduciary Net Position

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

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE OPEB LIABILITY

Description

The House participates in the EGID's 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 of Oklahoma determined that an OPEB liability existed in relation to an implicit rate subsidy. The State of Oklahoma 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 of Oklahoma's payroll system. The House met these criteria and therefore was one of the Agency's included in the State of Oklahoma's calculation.

As previously discussed, the House adopted GASB 75 effective July 1, 2017, which required the recording of the House'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.

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE OPEB LIABILITY, CONTINUED

Description, Continued

The IRSHIP provides members with postretirement medical benefits until age 65 if the retiree and spouse pay the full active premium. Participation 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 House on a “pay as you go” basis. The House contributions for the year ended June 30, 2018, were approximately \$38,000.

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

At June 30, 2018, the House 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 House’s proportion of the net IRSHIP OPEB liability was based on the House’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 House’s proportion was 0.34676120%.

For the year ended June 30, 2018, the House recognized a net OPEB credit of \$141,155. At June 30, 2018, the House reported deferred outflows of resources and deferred inflows of resources related to the IRSHIP OPEB liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2018</u>		
Changes in assumptions	\$ -	20,094
The House contributions subsequent to the measurement date	<u>38,173</u>	<u>-</u>
	<u>\$ 38,173</u>	<u>20,094</u>

See Independent Auditors’ Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) **OTHER POSTEMPLOYMENT EMPLOYEE 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 \$38,173 related to OPEB resulting from the House's contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Deferred inflows of resources and deferred outflows 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	\$ (7,728)
2020	(7,728)
2021	<u>(4,638)</u>
	<u>\$ (20,094)</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 HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) **OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS, CONTINUED**

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE OPEB LIABILITY, 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%

At July 1, 2017, the House had 182 participants in the plan, consisting of 182 active participants and no retirees or surviving spouses.

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 HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE OPEB LIABILITY, CONTINUED

Changes in the Net OPEB Liability

The following table reports the components of changes in the net OPEB liability as of and for the year ended June 30, 2018:

Balance at beginning of year, as restated	\$	548,539
Changes for the year:		
Service cost		20,527
Interest expense		15,595
Changes in assumptions		(25,675)
Benefits paid		(44,060)
Net changes		<u>(33,613)</u>
Balance at end of year	\$	<u>514,926</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare Trend Rate

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate—The following presents the net IRSHIP OPEB liability of the House calculated using the discount rate of 3.58% for 2018, as well as what the House’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:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
<u>June 30, 2018</u>			
Net OPEB liability	<u>\$ 549,614</u>	<u>514,926</u>	<u>482,627</u>

See Independent Auditors’ Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE OPEB LIABILITY, CONTINUED

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare Trend Rate, 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>)
Net OPEB liability	\$ <u>472,603</u>	<u>514,926</u>	<u>563,950</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>

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

Deferred Compensation Plan

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

The supervisory authority for the management and operation of the Plan is the Board.

See Independent Auditors’ Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Deferred Compensation Plan, Continued

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

Participants may defer until future years up to the lesser of 100% of their compensation as defined by Plan documents or the maximum amount allowed each year as determined by the IRS.

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

Participants age 50 or older may make additional contributions annually, subject to certain limits.

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

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

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

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

**(9) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN,
DEFERRED SAVINGS INCENTIVE PLAN, AND
DEFINED CONTRIBUTION 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 Plan is eligible for a contribution of the amount determined by the Oklahoma Legislature, currently the equivalent of \$25 per month. Participation in the Savings Incentive Plan is automatic in the month of participation in the Plan and is not voluntary.

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

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

Defined Contribution Plan

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

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

See Independent Auditors’ Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Defined Contribution Plan, Continued

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

(10) LEGISLATIVE SERVICE BUREAU (LSB) PAYMENTS

LSB was created to serve, in various capacities, the House and the Oklahoma State Senate. It is responsible for such services as directed by the Speaker of the House and the President Pro Tempore of the Senate. One service which the LSB has been directed to provide the House is the transfer of funds for operational activities.

During the years ended June 30, 2018 and 2017, LSB paid contributions totaling \$7,531,510 and \$7,584,603, respectively, to the House to assist in the House's operating expenditures. These amounts were paid from appropriations of LSB and are reflected as contributions from LSB. For the years ended June 30, 2018 and 2017, LSB did not pay for capital assets for the benefit of the House. At June 30, 2018 and 2017, LSB had assigned funds for the benefit of the House of \$63,384 for the House's operating expenditures. These amounts will be funded in future years at the discretion of the Speaker of the House.

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(11) OTHER STATE AGENCY PAYMENTS

The House has paid other state agencies for administrative and other services, which are included in contractual services. The following is a breakdown of contractual services paid to the various state agencies for the years ended June 30:

	<u>2018</u>	<u>2017</u>
OneNet	\$ 636	-
Department of Libraries	7,439	8,999
Office of Management and Enterprise Services	93,087	112,701
Oklahoma Bar Association	2,295	2,815
Oklahoma Correctional Industries	-	691
Oklahoma Public Employees Retirement System	858	19,411
Oklahoma State Auditor and Inspector	-	170
Oklahoma State Bureau of Investigation	<u>810</u>	<u>960</u>
	<u>\$ 105,125</u>	<u>145,747</u>

(12) OPERATING LEASE COMMITMENTS

The House has various operating leases for equipment. The future minimum rental commitments for equipment operating leases as of June 30, 2018, are as follows:

2019	\$ 288,030
2020	276,043
2021	265,134
2022	<u>69,166</u>
	<u>\$ 898,373</u>

The rental expense was approximately \$293,000 and \$283,000 for the years ended June 30, 2018 and 2017, respectively.

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(13) RISK MANAGEMENT

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

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

The Division is also charged with the responsibility to immediately notify the attorney general of any claims against the State presented to the Division. The Division purchases insurance policies through third-party insurance carriers that ultimately inherit the risk of loss. The Division annually assesses each state agency, including the House, their pro rata share of the premiums purchased.

(14) COMMITMENTS AND CONTINGENCIES

Legal

The House is involved in legal proceedings which, in the opinion of the leadership, will not have a material effect on the net position or the changes in net position of the House.

See Independent Auditors’ Report.

**SUPPLEMENTARY INFORMATION REQUIRED BY
GOVERNMENTAL ACCOUNTING STANDARDS BOARD
STATEMENTS NO. 68 AND 75**

**OKLAHOMA HOUSE OF
REPRESENTATIVES**

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

Last 4 Fiscal Years

	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>
The House's proportion of the net pension liability	0.52010238%	0.55586664%	0.55371273%	0.58842438%
The House's proportionate share of the net pension liability	\$ 2,812,002	5,515,480	1,991,616	1,080,137
The House's covered payroll	9,072,727	9,927,273	9,787,879	9,969,697
The House's proportionate share of the net pension liability as a percentage of its covered payroll	30.99%	55.56%	20.35%	10.83%
OPERS' fiduciary net position as a percentage of the total pension liability	94.28%	89.48%	96.00%	97.90%

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

Only the last 4 fiscal years are presented because 10-year data is not readily available.

See Independent Auditors' Report

OKLAHOMA HOUSE OF REPRESENTATIVES

SCHEDULE OF THE HOUSE'S CONTRIBUTIONS

Oklahoma Public Employees Retirement System

Last 8 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>
Contractually required contribution	\$ 1,278,000	1,497,000	1,638,000	1,615,000	1,645,000	1,530,000	1,544,000	1,567,000
Contributions in relation to the contractually required contributions	<u>1,278,000</u>	<u>1,497,000</u>	<u>1,638,000</u>	<u>1,615,000</u>	<u>1,645,000</u>	<u>1,530,000</u>	<u>1,544,000</u>	<u>1,567,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
The House's covered payroll	\$ 8,288,679	9,072,727	9,927,273	9,787,879	9,969,697	9,272,727	9,357,576	10,109,677
Contributions as a percentage of covered payroll	15.42%	16.50%	16.50%	16.50%	16.50%	16.50%	16.50%	15.50%

Only the last 8 fiscal years are presented because 10-year data is not readily available.

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

**SCHEDULE OF THE HOUSE'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY**

Oklahoma Public Employees Health Insurance Subsidy Plan

Current Year*

2018

The House's proportion of the net OPEB liability	0.52010238%
The House's proportionate share of the net OPEB liability	\$ 59,573
The House's covered payroll	9,072,727
The House's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.66%
OPERS' fiduciary net position as a percentage of the total OPEB liability	96.50%

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

Only the current fiscal year is presented because 10-year data is not readily available.

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

**SCHEDULE OF THE HOUSE'S CONTRIBUTIONS
Oklahoma Public Employees Health Insurance Subsidy Plan**

Current Year

	<u>2018</u>
Contractually required contribution	\$ 89,463
Contributions in relation to the contractually required contributions	<u>89,463</u>
Contribution deficiency (excess)	<u>\$ -</u>
The House's covered payroll	\$ 8,288,679
Contributions as a percentage of covered payroll	1.08%

Only the current fiscal year is presented because 10-year data is not readily available.

See Independent Auditors' Report.

OKLAHOMA HOUSE OF REPRESENTATIVES

SCHEDULE OF THE HOUSE'S CHANGES IN TOTAL OPEB LIABILITY AND
RELATED RATIOS**Implicit Rate Subsidy of Health Insurance OPEB Liability****Current Year**2018

Total OPEB liability:	
Service cost	\$ 20,527
Interest	15,595
Changes in assumptions	(25,675)
Benefit payments, including refunds of member contributions	<u>(44,060)</u>
Net change in total OPEB liability	(33,613)
Total OPEB—beginning, restated	<u>548,539</u>
Total OPEB liability—ending	<u>\$ 514,926</u>
Covered-employee payroll	\$ 9,027,727
Total OPEB liability as a percentage of covered-employee payroll	5.70%

Only the current fiscal year is presented because 10-year data is not readily available.

The discount rate used for 2018 is 3.58%.

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**

The Honorable Charles McCall
Speaker of the House
Oklahoma House of Representatives

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Oklahoma House of Representatives (the "House"), a component of the General Fund 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 House's basic financial statements, and have issued our report thereon dated January 18, 2019. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information, an explanatory paragraph stating that the financial statements of the House are intended to present the financial position and changes in financial position of only that portion of the governmental activities and the General Fund of the State of Oklahoma attributable to the transactions of the House, an explanatory paragraph to emphasize the adoption of Governmental Accounting Standards Board Statement No. 75 by the House, requiring restatement of the 2017 financial statements, and an explanatory paragraph stating that the House is not required by statute to prepare a line-item budget.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the House'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 House's internal control. Accordingly, we do not express an opinion on the effectiveness of the House'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 House's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, CONTINUED**

Internal Control Over Financial Reporting, Continued

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

Compliance and Other Matters

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

Finley + Cook, PLLC

Shawnee, Oklahoma
January 18, 2019