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State Auditor & Inspector

**Oklahoma Department of
Wildlife Conservation**

*Financial Statements, Schedules, and
OMB Circular A-133 Report*

June 30, 2011 and 2010
(With Independent Auditors' Report Thereon)

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

FINANCIAL STATEMENTS

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OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

The Commission
Oklahoma Department of Wildlife Conservation

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oklahoma Department of Wildlife Conservation (the "Department") as of and for the years ended June 30, 2011 and 2010, which collectively comprise the Department's basic financial statements as listed in the table of contents. The Department is part of the reporting entity of the State of Oklahoma. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions of these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Oklahoma that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2011 and 2010, and its changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2011 and 2010, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

As more fully explained in Note 2 of the financial statements, the Department adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) as of July 1, 2010. The adoption of GASB 54 required a change in fund balance presentation. GASB 54 was adopted retrospectively, which changed the presentation of the 2010 financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2011, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-7 and the schedules of funding progress and the schedule of employer contributions on pages 45-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Finley + Cook, PLLC

Shawnee, Oklahoma
September 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Oklahoma Department of Wildlife Conservation (the "Department"), we offer readers of the Department's financial statements this overview and analysis of the financial activities for the fiscal years ended June 30, 2011 and 2010.

Financial Highlights

- During 2011 and 2010, the Department generated revenues of approximately \$57 million and \$53 million, respectively.
- In 2011 and 2010, the net assets of the Department increased by approximately \$18 million from the previous fiscal, resulting in net assets of approximately \$169 million at year-end in fiscal year 2011 and \$151 million at year-end in fiscal year 2010.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Overview of the Financial Statements, Continued

Governmental Fund Financial Statements

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

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

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

Capital Assets

The Department's investment in capital assets for its governmental activities as of June 30, 2011, 2010, and 2009, amounted to \$70,417,349, \$59,669,433, and \$53,840,636, respectively. As a direct result of Governmental Accounting Standards Board (GASB) 34 implementation, our capital assets are being depreciated on a straight-line method over the asset's useful life and reported net of accumulated depreciation.

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MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Changes in Net Assets

Our revenue consists of mainly hunting and fishing license revenue and federal operating grants. Our agency is a constitutional agency and does not receive state appropriations. Investment income from the restricted investments accounted primarily for the increase in funds from the prior fiscal year. Additionally, there was a \$10.7 million increase in capital assets for the purchase of land and a new paddlefish research center.

In fiscal year 2011, our cash and cash equivalents (restricted and unrestricted) increased by approximately \$8,023,000, along with general revenue including investment income increasing by approximately \$2,494,000. In 2011, license sales decreased by approximately \$786,000 and lifetime licenses increased by approximately \$154,000. Overall expenses increased by approximately \$1,415,000. In fiscal year 2010, our cash and cash equivalents (restricted and unrestricted) decreased by approximately \$12,759,000, along with general revenue including investment income increasing by approximately \$14,308,000. In 2010, license sales increased by approximately \$803,000 and lifetime licenses decreased by approximately \$302,000. Overall expenses increased by approximately \$459,000.

The fiduciary net assets increased by approximately \$10 million in 2011 due to investment earnings and the employer contribution, leaving an amount of approximately \$74 million, \$64 million, and \$57 million, in fiscal years 2011, 2010, and 2009, respectively.

Government-Wide Financial Analysis

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

Oklahoma Department of Wildlife Conservation Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 28,310,741	23,925,800	18,353,285
Restricted assets	75,264,251	72,949,677	68,377,608
Capital assets, net	<u>70,417,349</u>	<u>59,669,433</u>	<u>53,840,636</u>
Total assets	<u>173,992,341</u>	<u>156,544,910</u>	<u>140,571,529</u>
Current liabilities	1,102,561	1,349,755	914,323
Long-term liabilities	<u>3,996,942</u>	<u>4,035,062</u>	<u>4,008,943</u>
Total liabilities	<u>5,099,503</u>	<u>5,384,817</u>	<u>4,923,266</u>
Invested in capital assets	70,417,349	59,669,433	53,840,636
Restricted net assets	75,355,951	73,043,217	68,494,438
Unrestricted	<u>23,119,538</u>	<u>18,447,443</u>	<u>13,313,189</u>
Total net assets	<u>\$ 168,892,838</u>	<u>151,160,093</u>	<u>135,648,263</u>

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Government-Wide Financial Analysis, Continued

Oklahoma Department of Wildlife Conservation Changes in Net Assets

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

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Government-Wide Financial Analysis, Continued

Oklahoma Department of Wildlife Conservation Changes in Net Assets, Continued

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

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Government-Wide Financial Analysis, Continued

Oklahoma Department of Wildlife Conservation Changes in Net Assets, Continued

	2009			
	Expenses	Program Revenues		Net (Expense) Revenue/Changes in Net Assets
		License Fees	Federal Operating Grants	
Programs:				
Game	\$ 10,556,721	4,273,693	4,812,404	(1,470,624)
Fish	9,682,355	4,115,929	6,697,896	1,131,470
Law enforcement	10,126,586	3,954,884	-	(6,171,702)
Information and education	2,296,684	938,422	1,044,266	(313,996)
Administration and natural resources	4,237,328	1,434,141	981,921	(1,821,266)
Total program activities	<u>\$ 36,899,674</u>	<u>14,717,069</u>	<u>13,536,487</u>	<u>(8,646,118)</u>
General revenues:				
Other wildlife sales				3,170,655
Sales of general fixed assets				289,486
Investment loss				(3,362,274)
Miscellaneous				905,104
Agricultural and oil leases				2,699,912
Non-expendable revenues— lifetime licenses				<u>2,692,997</u>
Total general revenues				<u>6,395,880</u>
Change in net assets				(2,250,238)
Net assets, beginning of year				<u>137,898,501</u>
Net assets, end of year				<u>\$ 135,648,263</u>

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Overview of the Oklahoma Department of Wildlife Conservation

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

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

Our discussion and analysis of the Department's financial performance provides an overview of the Department's financial activities for the fiscal years ended June 30, 2011 and 2010.

The increase in total expenditures for the year ended June 30, 2011, in comparison to the year ended June 30, 2010, is a result of increased personnel expense in wildlife as a result of dedicated funding. The primary increase of the operational expenses is due to additional funding to complete projects for the lesser prairie chicken.

Request Information

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

STATEMENTS OF NET ASSETS

<i>June 30,</i>	<i>2011</i>	<i>2010</i>
Assets:		
Cash and cash equivalents	\$ 9,920,192	9,105,869
Receivables	1,810,389	1,607,135
Inventory held for sale	752,718	663,358
Investments	15,827,442	12,549,438
Restricted cash and cash equivalents	18,344,560	11,135,564
Restricted investments	56,912,691	61,807,113
Restricted assets	7,000	7,000
Capital assets, net	<u>70,417,349</u>	<u>59,669,433</u>
Total assets	<u>173,992,341</u>	<u>156,544,910</u>
Liabilities:		
Accounts payable	271,550	672,322
Unearned revenue	471,426	349,116
Compensated absences payable—amount due in 1 year or less	359,585	328,317
Compensated absences payable—amount due in more than 1 year	2,322,937	2,364,591
Net pension obligation—amount due in more than 1 year	1,476,396	1,553,589
Net other post-retirement health benefits obligation— amount due in more than 1 year	<u>197,609</u>	<u>116,882</u>
Total liabilities	<u>5,099,503</u>	<u>5,384,817</u>
Net assets:		
Invested in capital assets	70,417,349	59,669,433
Restricted for:		
Lifetime licenses	70,640,975	68,095,502
Purchase of land—legacy permits	4,714,976	4,947,715
Unrestricted	<u>23,119,538</u>	<u>18,447,443</u>
Total net assets	<u>\$ 168,892,838</u>	<u>151,160,093</u>

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2011

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

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

STATEMENTS OF ACTIVITIES, CONTINUED

Year Ended June 30, 2010

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

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

BALANCE SHEETS—GOVERNMENTAL FUNDS

June 30, 2011

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

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

BALANCE SHEETS—GOVERNMENTAL FUNDS, CONTINUED

June 30, 2010

	General Fund	Permanent Fund Perpetual Lifetime Licenses	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 14,053,584	6,187,849	20,241,433
Investments	12,549,438	61,807,113	74,356,551
Receivables	1,607,135	-	1,607,135
Due from other funds	-	93,540	93,540
Inventory held for sale	663,358	-	663,358
Other assets	-	7,000	7,000
Total assets	<u>\$ 28,873,515</u>	<u>68,095,502</u>	<u>96,969,017</u>
Liabilities:			
Accounts payable	\$ 672,322	-	672,322
Due to other funds	93,540	-	93,540
Unearned revenue	349,116	-	349,116
Total liabilities	<u>1,114,978</u>	<u>-</u>	<u>1,114,978</u>
Fund balances:			
Nonspendable:			
Lifetime licenses	-	68,095,502	68,095,502
Restricted for:			
Purchase of land—legacy permits	4,947,715	-	4,947,715
Unassigned	22,810,822	-	22,810,822
Total fund balances	<u>27,758,537</u>	<u>68,095,502</u>	<u>95,854,039</u>
Total liabilities and fund balances	<u>\$ 28,873,515</u>	<u>68,095,502</u>	<u>96,969,017</u>
Reconciliation:			
Fund balances from above	\$ 27,758,537	68,095,502	95,854,039
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	59,669,433	-	59,669,433
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds	(4,363,379)	-	(4,363,379)
Net assets per statement of net assets	<u>\$ 83,064,591</u>	<u>68,095,502</u>	<u>151,160,093</u>

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

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

Year Ended June 30, 2011

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

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

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

Year Ended June 30, 2010

	General Fund	Permanent Fund	
		Perpetual Lifetime Licenses	Total Governmental Funds
Revenues:			
Licenses	\$ 15,519,714	2,391,256	17,910,970
Other wildlife sales	3,041,668	-	3,041,668
Legacy permit sales	2,048,826	-	2,048,826
Agricultural and oil leases	2,938,650	-	2,938,650
Federal grant revenue	16,647,209	-	16,647,209
Investment income—lifetime license	4,421,618	-	4,421,618
Investment income	250,762	-	250,762
Miscellaneous	5,364,257	-	5,364,257
Total revenues	<u>50,232,704</u>	<u>2,391,256</u>	<u>52,623,960</u>
Expenditures:			
Administration and natural resources	4,117,421	-	4,117,421
Game	11,381,888	-	11,381,888
Fish	10,148,951	-	10,148,951
Law enforcement	10,615,773	-	10,615,773
Information and education	2,381,396	-	2,381,396
Land acquisitions	4,532,740	-	4,532,740
Total expenditures	<u>43,178,169</u>	<u>-</u>	<u>43,178,169</u>
Excess of revenues over expenditures	<u>7,054,535</u>	<u>2,391,256</u>	<u>9,445,791</u>
Other financing sources:			
Sales of other assets	<u>258,792</u>	<u>-</u>	<u>258,792</u>
Total other financing sources	<u>258,792</u>	<u>-</u>	<u>258,792</u>
Net changes in fund balances	7,313,327	2,391,256	9,704,583
Fund balances, beginning of year	<u>20,445,210</u>	<u>65,704,246</u>	<u>86,149,456</u>
Fund balances, end of year	<u>\$ 27,758,537</u>	<u>68,095,502</u>	<u>95,854,039</u>

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

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

<i>Years Ended June 30,</i>	<i>2011</i>	<i>2010</i>
Net change in fund balances—total governmental funds	\$ 6,977,977	9,704,583
<p>Amounts reported for governmental activities in the statements of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures; however, in the statements of activities, the cost of those assets is allocated over their estimated useful lives:</p>		
Depreciation expense	(1,928,441)	(1,767,691)
Net capital asset purchases capitalized	12,676,357	7,596,488
<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 governmental funds:</p>		
Compensated absences payable	10,386	(9,836)
Net pension obligation	77,193	105,168
Net other post-retirement health benefits obligation	<u>(80,727)</u>	<u>(116,882)</u>
Change in net assets of governmental activities	<u>\$ 17,732,745</u>	<u>15,511,830</u>

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

STATEMENTS OF FIDUCIARY NET ASSETS—FIDUCIARY FUND

June 30, 2011 and 2010

	Pension Trust Funds		
	Defined	Defined	Total
	Benefit Pension Plan	Contribution Plan	
<u>2011</u>			
Assets:			
Investments at fair value:			
U.S. government securities	\$ 7,832,651	-	7,832,651
U.S. Treasury obligations	10,209,225	-	10,209,225
Collateralized mortgage obligations	6,213,292	-	6,213,292
Corporate bonds	6,268,126	-	6,268,126
Municipals	491,780	-	491,780
Yankee bonds	851,170	-	851,170
Domestic equity securities	11,618,585	-	11,618,585
Equity funds	21,220,286	16,598	21,236,884
International equity securities	5,549,350	-	5,549,350
Alternative investments	2,236,283	-	2,236,283
Cash and cash equivalents	1,349,203	-	1,349,203
	<u>73,839,951</u>	<u>16,598</u>	<u>73,856,549</u>
Total assets			
Net assets—held in trust for pension benefits	<u>\$ 73,839,951</u>	<u>16,598</u>	<u>73,856,549</u>

	Pension Trust Funds		
	Defined	Defined	Total
	Benefit Pension Plan	Contribution Plan	
<u>2010</u>			
Assets:			
Investments at fair value:			
U.S. government securities	\$ 9,744,352	-	9,744,352
U.S. Treasury obligations	4,683,050	-	4,683,050
Collateralized mortgage obligations	5,973,335	-	5,973,335
Corporate bonds	9,129,872	-	9,129,872
Municipals	503,309	-	503,309
Yankee bonds	172,721	-	172,721
Domestic equity securities	15,934,267	-	15,934,267
Equity funds	9,040,591	-	9,040,591
International equity securities	4,320,218	-	4,320,218
Cash and cash equivalents	4,183,182	-	4,183,182
	<u>63,684,897</u>	<u>-</u>	<u>63,684,897</u>
Total assets			
Net assets—held in trust for pension benefits	<u>\$ 63,684,897</u>	<u>-</u>	<u>63,684,897</u>

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS—FIDUCIARY FUND

Year Ended June 30, 2011

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

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

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

Year Ended June 30, 2010

	Pension Trust Funds		
	Defined Benefit Pension Plan	Defined Contribution Plan	Total
Additions:			
Contributions:			
Employer's	\$ 4,413,600	-	4,413,600
Employees'	429,294	-	429,294
Total contributions	4,842,894	-	4,842,894
Investment income	6,111,206	-	6,111,206
Total additions	10,954,100	-	10,954,100
Deductions:			
Benefit payments	3,821,403	-	3,821,403
Administration	186,346	-	186,346
Total deductions	4,007,749	-	4,007,749
Change in net assets	6,946,351	-	6,946,351
Net assets—held in trust for pension benefits, beginning of year	56,738,546	-	56,738,546
Net assets—held in trust for pension benefits, end of year	\$ 63,684,897	-	63,684,897

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

(1) NATURE OF THE ORGANIZATION

Reporting Entity

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

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

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

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation and Accounting

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

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation and Accounting, Continued

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Department considers receivables collected within 90 days after year-end to be available and recognizes them as revenues of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, net pension obligation, and net other post-retirement health benefits obligation are recorded only when payment is due.

The Department, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) has reclassified the definitions of fund balances and based on the definition of special revenue funds per GASB 54 report the following major governmental funds:

The Department reports the following major governmental funds:

- The general fund is the Department's primary operating fund. It accounts for all financial resources of the Department, except those required to be accounted for in another fund.
- The perpetual lifetime license fund is a permanent fund which accounts for assets in which the principal may not be spent. The Department is required to maintain lifetime license sales in perpetuity by State Statute.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation and Accounting, Continued

Additionally, the Department reports the following fund type:

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

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

Fund Balances

GASB 54 defines fund balances for presentation as follows:

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

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

- **Nonspendable**—represents the fund balance of the permanent fund which accounts for assets derived from the sale of lifetime licenses. The nonspendable fund balance was \$70,640,975 and \$68,095,502 at June 30, 2011 and 2010, respectively. While the Department has inventory, the inventory is composed of items held for resale, which will be converted into a spendable form. As such, the inventory is not a component of nonspendable fund balance.
- **Restricted**—represents assets derived from the sale of a \$5 hunting and fishing permit. The proceeds from the permit are to be used by the Department for the purchase of land and for the operation of such lands. Legal permit sales were \$1,937,865 and \$2,048,826 for the years ended June 30, 2011 and 2010, respectively. The restricted fund balance was \$4,714,976 and \$4,947,715 at June 30, 2011 and 2010, respectively.
- **Unassigned**—represents the total fund balances less nonspendable and restricted. Unassigned fund balance totals \$27,476,065 and \$22,810,822 at June 30, 2011 and 2010, respectively.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation and Accounting, Continued

Fund Balances, Continued

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

	<u>2011</u>	<u>2010</u>
Cash	\$ 3,770,920	1,295,544
Investments	<u>15,827,442</u>	<u>12,549,438</u>
	<u>\$ 19,598,362</u>	<u>13,844,982</u>

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

	<u>2011</u>	<u>2010</u>
Beginning fund balance	\$ 13,844,982	12,664,008
Investment earnings	7,363,976	4,421,618
Used in general fund operations	<u>(1,610,596)</u>	<u>(3,240,644)</u>
Ending fund balance	<u>\$ 19,598,362</u>	<u>13,844,982</u>

As discussed previously, the Department also receives significant amounts of federal grants. Federal grant monies are considered restricted funds. However, the expenditures for federal grants are principally on a reimbursement basis, and at June 30, 2011 and 2010, there were no significant amounts of unspent federal monies; thus, there were no restricted fund balances related to federal grants. The Department chooses to spend federal grant monies first if both federal and nonfederal monies are available and can be spent for the same allowable purposes.

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

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Cash, Cash Equivalents, and Investments

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

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

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

Derivatives

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include futures contracts, swap contracts, options contracts, and forward foreign currency exchange. The Department's derivative policy only allows the selling of covered-call options currency future contracts, of which there were none as of June 30, 2011 and 2010.

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Inventory Held for Sale and Unearned Revenue

The Department's inventory held for sale is comprised of paddlefish caviar from the 2011 and 2010 harvest. Buyers must make a 30% deposit and apply for a permit to transport the product across Oklahoma state lines. A sale is recognized when the permit is obtained and the balance is paid. The deposit is included in unearned revenue until the sale is recognized.

Lifetime Licenses

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

Legacy Permit Sales

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

Capital Assets

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

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

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Compensated Absences

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

Income Taxes

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

Federal Financial Awards

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

All costs associated with advertising are expensed as incurred.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements

In March 2009, GASB 54 was issued, which provides guidance to governments to:

- Improve the consistency in reporting fund balance components;
- Enhance fund balance presentation;
- Improve the usefulness of fund balance information; and
- Clarify the definitions of the governmental fund types.

The Department adopted GASB 54 as of June 30, 2011, which required the Department to review its definitions of fund balances. The overall effect of GASB 54 upon the Department's financial reporting was not considered to be material. GASB 54 was applied retroactively to June 30, 2010.

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

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

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

Date of Management's Subsequent Events Evaluation

The Department has evaluated subsequent events through September 28, 2011, the date which the financial statements were available to be issued.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

At June 30, 2011 and 2010, the Department maintained cash and cash equivalent balances of approximately \$13,052,000 and \$14,781,000, respectively, with the Office of the State Treasurer and approximately \$15,220,000 and \$5,467,000, respectively, with a financial institution. The Department's deposits with the Office of the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in banks or invested as the Office of the State Treasurer may determine. Deposits are fully insured or collateralized with securities held by an agent of the State, in the State's name.

Investments

At June 30, investments were composed of the following:

	<u>2011</u>	<u>2010</u>
Restricted—permanent fund	\$ 56,912,691	61,807,113
Unrestricted—lifetime license investment account	<u>15,827,442</u>	<u>12,549,438</u>
Total permanent fund and lifetime license investment account	<u>72,740,133</u>	<u>74,356,551</u>
Pension trust funds:		
Defined benefit pension plan	73,839,951	63,684,897
Defined contribution plan	<u>16,598</u>	<u>-</u>
Total pension trust funds	<u>73,856,549</u>	<u>63,684,897</u>
Total investments	<u>\$ 146,596,682</u>	<u>138,041,448</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

Permanent Fund and Lifetime License Investment Account

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

<u>Investment Type</u>	<u>Fair Value</u>	
	<u>2011</u>	<u>2010</u>
Fixed income:		
U.S. government securities	\$ 25,430,981	28,208,353
U.S. Treasury obligations	10,482,295	17,431,674
Collateralized mortgage obligations	415,128	584,703
Corporate bonds	3,962,277	5,262,407
Total fixed income	<u>40,290,681</u>	<u>51,487,137</u>
Equities:		
Domestic equity securities	20,089,113	15,261,326
International equity securities	534,415	720,019
Equity funds	6,048,989	4,611,648
Fixed income fund	1,545,661	1,201,246
Preferred stock—nonconvertible	838,777	1,075,175
Total equities	<u>29,056,955</u>	<u>22,869,414</u>
Alternative investments:		
Open-end mutual funds	<u>3,392,497</u>	<u>-</u>
	<u>\$ 72,740,133</u>	<u>74,356,551</u>

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

Permanent Fund and Lifetime License Investment Account, Continued

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

Concentration of Credit Risk—The investment policy limits the concentration on equity investments to no more than 10% in any one issuer. The investment policy does not address concentrations of fixed-income securities. No single investment exceeded 5% of total investments in the permanent fund and lifetime license investment account. At June 30, 2011 and 2010, the permanent fund and lifetime license investment account did have more than 5% invested in U.S. government obligations; however, these obligations are backed by the full faith and credit of the United States.

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

Permanent Fund and Lifetime License Investment Account, Continued

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

<u>Rating</u>	<u>2011</u>	
	<u>Fair Value</u>	Fair Value as a Percent of Total Fixed Maturity <u>Fair Value</u>
AAA	\$ 36,328,403	90.17%
AA	1,475,712	3.66%
A	<u>2,486,566</u>	<u>6.17%</u>
	<u>\$ 40,290,681</u>	<u>100.00%</u>

<u>Rating</u>	<u>2010</u>	
	<u>Fair Value</u>	Fair Value as a Percent of Total Fixed Maturity <u>Fair Value</u>
AAA	\$ 46,224,730	89.78%
AA	1,479,332	2.87%
A	<u>3,783,075</u>	<u>7.35%</u>
	<u>\$ 51,487,137</u>	<u>100.00%</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

Permanent Fund and Lifetime License Investment Account, Continued

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy states that the weighted-average maturity and effective duration of fixed-income securities should be between 75% and 125% of the Lehman Brothers Aggregate Bond index averages. As of June 30, the permanent fund and lifetime license investment account had the following investments with maturities:

Investment Type	2011				
	Investments Maturities at Fair Value (in Years)				
	Less than 1	1 or More Less than 5	5 or More Less than 10	10 or More	Total Fair Value
U.S. government securities	\$ -	2,042,165	10,276,172	13,112,643	25,430,980
U.S. Treasury obligations	5,231,128	5,251,167	-	-	10,482,295
Collateralized mortgage obligations	-	49,979	-	365,149	415,128
Corporate bonds	724,675	2,804,190	433,413	-	3,962,278
	<u>\$ 5,955,803</u>	<u>10,147,501</u>	<u>10,709,585</u>	<u>13,477,792</u>	<u>40,290,681</u>
Investment Type	2010				
	Investments Maturities at Fair Value (in Years)				
	Less than 1	1 or More Less than 5	5 or More Less than 10	10 or More	Total Fair Value
U.S. government securities	\$ 13,403	3,067,727	20,251,564	4,875,659	28,208,353
U.S. Treasury obligations	9,821,067	7,610,607	-	-	17,431,674
Collateralized mortgage obligations	-	-	60,819	523,884	584,703
Corporate bonds	1,461,053	3,565,875	235,479	-	5,262,407
	<u>\$ 11,295,523</u>	<u>14,244,209</u>	<u>20,547,862</u>	<u>5,399,543</u>	<u>51,487,137</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

Pension Trust Funds

Defined Benefit Pension Plan

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

<u>Investment Type</u>	<u>Fair Value</u>	
	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 1,349,203	4,183,182
Fixed income:		
U.S. government securities	7,832,651	9,744,352
U.S. Treasury obligations	10,209,225	4,683,050
Collateralized mortgage obligations	6,213,292	5,973,335
Corporate bonds	6,268,126	9,129,872
Municipals	491,780	503,309
Yankee bonds	851,170	172,721
Total fixed income	<u>31,866,244</u>	<u>30,206,639</u>
Equities:		
Domestic equity securities	11,618,585	15,934,267
Equity funds	21,220,286	9,040,591
International equity securities	5,549,350	4,320,218
Total equities	<u>38,388,221</u>	<u>29,295,076</u>
Alternative investments:		
Open end mutual funds	2,236,283	-
Total alternative investments	<u>2,236,283</u>	-
	<u>\$ 73,839,951</u>	<u>63,684,897</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

Pension Trust Funds, Continued

Defined Benefit Pension Plan, Continued

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

Concentration of Credit Risk—The investment policy limits the concentration on equity investments to no more than 5% in any one issuer. The investment policy does not address concentrations on fixed-income securities. Except as noted below, no single investment exceeds 5% of the defined benefit pension plan's total investments. The defined benefit pension plan at June 30, 2011 and 2010, did have more than 5% invested in U.S. government obligations; however, these obligations are backed by the full faith and credit of the United States. The following table presents the individual investments exceeding the 5% threshold at June 30, 2011:

<u>Classification of Investment</u>	<u>Name of Investment</u>	<u>Shares Held</u>	<u>Cost</u>	<u>Fair Value</u>
Equity fund	Ishares MSCI EAFE Index Fund	73,500	\$ 4,294,719	4,420,290
Equity fund	Ishares Russell 1000 Value Fund	60,250	3,817,904	4,113,870

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

Pension Trust Funds, Continued

Defined Benefit Pension Plan, Continued

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

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

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

Pension Trust Funds, Continued

Defined Benefit Pension Plan, Continued

Credit Risk, Continued

	<u>2010</u>	
<u>Rating</u>	<u>Fair Value</u>	Fair Value as a Percent of Total Fixed Maturity <u>Fair Value</u>
AAA	\$ 17,885,905	59.21%
AA	3,166,323	10.48%
A	8,177,621	27.07%
BAA	350,986	1.16%
BB	25,945	0.09%
B	313,630	1.04%
CAA	90,980	0.30%
CC	1,048	0.01%
Not rated	<u>194,201</u>	<u>0.64%</u>
	<u>\$ 30,206,639</u>	<u>100.00%</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

Pension Trust Funds, Continued

Defined Benefit Pension Plan, Continued

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy states that the weighted-average maturity and effective duration of fixed-income securities should be between 75% and 125% of the Lehman Brothers Aggregate Bond index averages. As of June 30, the defined benefit pension plan had the following investments with maturities:

<u>Investment Type</u>	2011				<u>Total Fair Value</u>
	<u>Investments Maturities at Fair Value (in Years)</u>				
	<u>Less than 1</u>	<u>1 or More Less than 5</u>	<u>5 or More Less than 10</u>	<u>10 or More</u>	
U.S. government securities	\$ -	4,408,539	1,741,693	1,682,419	7,832,651
U.S. Treasury obligations	-	3,546,102	5,050,867	1,612,256	10,209,225
Collateralized mortgage obligations	-	522,992	626,330	5,063,970	6,213,292
Corporate bonds	-	3,945,104	2,323,022	-	6,268,126
Municipals	-	-	-	491,780	491,780
Yankee bonds	-	538,692	-	312,478	851,170
	<u>\$ -</u>	<u>12,961,429</u>	<u>9,741,912</u>	<u>9,162,903</u>	<u>31,866,244</u>
<u>Investment Type</u>	2010				<u>Total Fair Value</u>
	<u>Investments Maturities at Fair Value (in Years)</u>				
	<u>Less than 1</u>	<u>1 or More Less than 5</u>	<u>5 or More Less than 10</u>	<u>10 or More</u>	
U.S. government securities	\$ 1,692,571	4,617,368	552,444	2,881,969	9,744,352
U.S. Treasury obligations	1,751,569	1,433,365	1,498,116	-	4,683,050
Collateralized mortgage obligations	-	590,977	596,098	4,786,260	5,973,335
Corporate bonds	783,923	3,322,934	4,822,537	200,478	9,129,872
Municipals	-	-	-	503,309	503,309
Yankee bonds	-	172,197	-	524	172,721
	<u>\$ 4,228,063</u>	<u>10,136,841</u>	<u>7,469,195</u>	<u>8,372,540</u>	<u>30,206,639</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Investments, Continued

Pension Trust Funds, Continued

Defined Contribution Plan

The following table presents the fair value of the defined contribution plan's investments by type at June 30, 2011:

<u>Investment Type</u>	<u>Fair Value</u>
Equities:	
Equity funds	\$ <u>16,598</u>

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

Concentration of Credit Risk—Except as noted below, no single investment exceeds 5% of the defined contribution plan's total investments. The following table presents the individual investments exceeding the 5% threshold at June 30, 2011:

<u>Classification of Investment</u>	<u>Name of Investment</u>	<u>Shares Held</u>	<u>Cost</u>	<u>Fair Value</u>
Equity fund	MAP Target 2030 Fund	80.876	\$ 1,115	1,126
Equity fund	MAP Target 2050 Fund	1,099.040	15,241	15,472

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) RECEIVABLES

Receivables at June 30 consisted of the following:

	<u>2011</u>	<u>2010</u>
License fees	\$ 544,649	455,858
Federal grants	<u>1,265,740</u>	<u>1,151,277</u>
	<u>\$ 1,810,389</u>	<u>1,607,135</u>

Because of the nature of the receivables, no allowance for uncollectibility was considered necessary as of June 30, 2011 or 2010.

(5) CAPITAL ASSETS

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

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

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) CAPITAL ASSETS, CONTINUED

	2010			Balance at June 30, 2010
	Balance at June 30, 2009	Additions	Disposals	
Land	\$ 42,568,737	4,532,740	(12,000)	47,089,477
Depreciable capital assets:				
Equipment	8,116,457	644,824	(215,171)	8,546,110
Furniture and fixtures	85,709	6,189	(675)	91,223
Machinery	4,063,820	510,381	(87,229)	4,486,972
Other	307,828	18,069	(1,279)	324,618
Vehicles	7,376,676	785,081	(706,753)	7,455,004
Infrastructure	212,915	-	-	212,915
Buildings	5,474,324	1,465,323	(7,716)	6,931,931
Depreciable capital assets, cost	<u>25,637,729</u>	<u>3,429,867</u>	<u>(1,018,823)</u>	<u>28,048,773</u>
Total capital assets	<u>68,206,466</u>	<u>7,962,607</u>	<u>(1,030,823)</u>	<u>75,138,250</u>
Accumulated depreciation:				
Equipment	(5,277,840)	(488,368)	175,234	(5,590,974)
Furniture and fixtures	(50,284)	(6,430)	675	(56,039)
Machinery	(2,736,746)	(270,692)	86,600	(2,920,838)
Other	(205,099)	(29,704)	1,133	(233,670)
Vehicles	(3,557,524)	(767,986)	393,346	(3,932,164)
Infrastructure	(212,915)	-	-	(212,915)
Buildings	(2,325,422)	(204,511)	7,716	(2,522,217)
Total accumulated depreciation	<u>(14,365,830)</u>	<u>(1,767,691)</u>	<u>664,704</u>	<u>(15,468,817)</u>
Net capital assets	<u>\$ 53,840,636</u>	<u>6,194,916</u>	<u>(366,119)</u>	<u>59,669,433</u>

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

	2011	2010
Game	\$ 569,358	558,457
Fish	551,399	491,963
Law enforcement	501,377	440,218
Information and education	119,632	105,924
Administration and natural resources	186,675	171,129
	<u>\$ 1,928,441</u>	<u>1,767,691</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity was as follows:

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011	Amounts due within 1 year
Compensated absences	\$ 2,692,908	349,199	(359,585)	2,682,522	359,585
Net pension obligation	1,553,589	-	(77,193)	1,476,396	-
Net other post-retirement health benefits obligation	<u>116,882</u>	<u>80,727</u>	<u>-</u>	<u>197,609</u>	<u>-</u>
	<u>\$ 4,363,379</u>	<u>429,926</u>	<u>(436,778)</u>	<u>4,356,527</u>	<u>359,585</u>
	Balance at July 1, 2009	Additions	Reductions	Balance at June 30, 2010	Amounts due within 1 year
Compensated absences	\$ 2,683,072	338,153	(328,317)	2,692,908	328,317
Net pension obligation	1,658,757	-	(105,168)	1,553,589	-
Net other post-retirement health benefits obligation	<u>-</u>	<u>116,882</u>	<u>-</u>	<u>116,882</u>	<u>-</u>
	<u>\$ 4,341,829</u>	<u>455,035</u>	<u>(433,485)</u>	<u>4,363,379</u>	<u>328,317</u>

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) DEFINED BENEFIT PENSION PLAN

Description

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

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

	<u>2011</u>	<u>2010</u>
Retirees, disabled, and beneficiaries currently receiving benefits	183	183
Terminated vested participants	26	27
Active participants	<u>316</u>	<u>326</u>
	<u>525</u>	<u>536</u>

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

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

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

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) DEFINED BENEFIT PENSION PLAN, CONTINUED

Funding Policy

The contribution requirements of the plan members are established and amended by the Commission. For years beginning July 1, 2000, members' required contribution rates were 3%. The Department is required to contribute at an actuarially determined rate. The actuarially required contributions during fiscal years 2011 and 2010 were approximately \$3,180,000 and \$4,414,000, respectively.

Annual Pension Cost and Net Pension Obligation

The Plan's annual pension cost and net pension obligation for fiscal years 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 3,179,568	4,413,604
Interest on net pension obligation	116,519	132,701
Adjustment to annual required contribution	<u>(193,712)</u>	<u>(237,873)</u>
Annual pension cost	3,102,375	4,308,432
Contributions made	<u>(3,179,568)</u>	<u>(4,413,600)</u>
Decrease in net pension obligation	(77,193)	(105,168)
Net pension obligation, beginning of year	<u>1,553,589</u>	<u>1,658,757</u>
Net pension obligation, end of year	<u>\$ 1,476,396</u>	<u>1,553,589</u>

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

3-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 3,102,375	102.49%	1,476,396
2010	4,308,432	102.44%	1,553,589
2009	3,349,438	101.81%	1,658,757

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the July 1, 2011, actuarial valuation using the individual entry age normal method. The actuarial assumptions included a) 7.0% investment rate of return (net of administrative expenses) and b) projected salary increases of 4.5%–7.0%. The assumptions did not include a cost-of-living allowance for active, disabled, and retired members. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the fair value of investments over a 5-year period. The unfunded actuarial accrued liability (UAAL) is being amortized over the average future working lifetime for active members (12 years for the July 1, 2011, valuation).

As of July 1, 2011, the most recent actuarial valuation date, the Plan was 78.1% funded. The actuarial accrued liability (AAL) for benefits was \$95.3 million, and the actuarial value of assets was \$74.4 million, resulting in a UAAL of \$20.9 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$14.6 million, and the ratio of the UAAL to the covered payroll was 142.8%.

Funded Status and Funding Progress

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

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) **DEFINED CONTRIBUTION PLAN**

The Department's defined contribution plan (the "DC Plan") is a single-employer plan that covers the employees of the Department with a hire date of July 1, 2010, or later. The DC Plan provides retirement benefits to plan members and their beneficiaries. At June 30, 2011, there were 14 plan members. Plan members are required to contribute 4% of compensation as of July 1, 2010, and increasing to 5% of compensation on July 1, 2011. The Department's annual contribution is based on the employee's number of completed years of credited service with the Department, defined as follows:

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

Employees vest in 100% of employee contributions after 5 years of credited service.

For the year ending June 30, 2011, the Department contributed \$9,814 and eligible employees contributed \$6,542 to the DC Plan.

(9) **OTHER POST-RETIREMENT HEALTH BENEFITS**

Description

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

Funding Policy

The health insurance allowance amount is established by the Commission on an annual basis. The required contribution is based on projected pay-as-you-go requirements. There are no monies deposited into a separate account to fund the payments, and the Department can discontinue the policy of providing for the payments at its discretion. The amount of the retiree insurance cost paid for the years ended June 30, 2011 and 2010, was approximately \$131,000 and \$126,000, respectively.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(9) OTHER POST-RETIREMENT HEALTH BENEFITS, CONTINUED

Annual OPEB Cost and Net OPEB Obligation

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

	<u>2011</u>	<u>2010</u>
Normal cost	\$ 48,393	25,198
Amortization of actuarial accrued liability (AAL)	<u>165,469</u>	<u>135,775</u>
Annual required contribution (ARC)	213,862	160,973
Interest on net OPEB obligation	4,675	4,146
ARC adjustment	<u>(6,628)</u>	<u>(5,265)</u>
Annual OPEB cost	211,909	159,854
Actual amount of net employer disbursements	<u>(131,182)</u>	<u>(125,900)</u>
Increase in net OPEB obligation	80,727	33,954
Net OPEB obligation, beginning of year	<u>116,882</u>	<u>82,928</u>
Net OPEB obligation, end of year	<u>\$ 197,609</u>	<u>116,882</u>

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

3-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 211,909	61.90%	197,609
2010	159,854	78.76%	116,882
2009	160,306	71.27%	82,928

The information for 2009 is presented for comparison purposes only as the OPEB obligation of \$82,928 was not recognized as of June 30, 2009.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(9) **OTHER POST-RETIREMENT HEALTH BENEFITS, CONTINUED**

Funded Status and Funding Progress

The OPEB plan is not funded and there are no OPEB plan assets as it is a substantive plan. As of July 1, 2011, the most recent actuarial valuation date, the AAL for benefits was approximately \$3.0 million and the actuarial value of assets was zero, resulting in a UAAL of \$3.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.9 million, and the ratio of the UAAL to the covered payroll was 19.9%.

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

Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation, the individual entry age normal method of funding actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and an annual healthcare cost and expense trend of 9% initially, reduced by decrements to an ultimate rate of 5% in 2013. The UAAL is being amortized over 30 years based on a level dollar open-period basis. As of the date of this valuation, there were no plan assets. Retiree premiums are paid as they come due from general operating assets of the Department.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

Deferred Compensation Plan

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

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

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

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 are 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 of up to \$5,000 annually subject to certain limits.

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

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

Deferred Compensation Plan, Continued

Effective January 1, 1998, the Board established a Trust and a Trust Fund covering the 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 Oklahoma State Employees Deferred Compensation Plan's audited financial statements for the years ended June 30, 2011 and 2010. The Department believes that it has no liabilities in respect to the Plan.

Deferred Savings Incentive Plan

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

Any qualified participant who is a State employee that is an active participant in the Plan is eligible for a contribution of the amount determined by the State Legislature, currently the equivalent of \$25 per month. Participation in the Savings Incentive Plan is automatic in the month of participation in the 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. 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.

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(11) FEDERAL AWARDS

- **Sport Fish Restoration Program**—more commonly known as “Dingell-Johnson” after its congressional sponsors, created a federal program for fisheries improvement throughout the United States. Applying the “user pay” concept to fish restoration, this program has employed an excise tax. This tax is added by manufacturers onto the purchase price of angling equipment and helps raise the revenue necessary to fund specific restoration projects by state fish and wildlife agencies. Each state’s share is 60% on its licensed sport fishermen and 40% on its land and water area. No state may receive more than 5% or less than 1% of each year’s total apportionment. Federal funding from the program pays for up to 75% of project costs, with the Department matching approximately 25%.
- **Wildlife Restoration Act**—better known as the Pittman-Robertson Act, created a 10% tax on ammunition and firearms used for sport hunting. Federal funding from the act pays up to 75% of project costs, with the Department matching approximately 25%.

As of June 30, 2011 and 2010, the Department had accrued approximately \$1,266,000 and \$1,151,000, respectively, of accounts receivable from the federal government for the federal government’s share of program expenditures.

(12) COMMITMENTS AND CONTINGENCIES

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

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

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

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

(13) SUBSEQUENT EVENTS

Market Fluctuations

Subsequent to June 30, 2011, the United States financial market has had considerable downward fluctuation. The long-term ratings of U.S. government and federal agencies were lowered from AAA to AA+ by Standard & Poor’s rating agency. As the investments of the Department are at fair value, these values have varied considerably and may continue to vary.

See Independent Auditors’ Report.

**REQUIRED
SUPPLEMENTARY INFORMATION**

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

**SCHEDULE OF FUNDING PROGRESS—
DEFINED BENEFIT PENSION PLAN (UNAUDITED)**

June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll [(b-a)/c]
7/1/2011	\$ 74,450,462	95,341,307	20,890,845	78.1%	14,633,288	142.8%
7/1/2010	71,468,071	87,648,347	16,180,276	81.5%	14,838,949	109.0%
7/1/2009	68,086,255	91,198,257	23,112,002	74.7%	14,811,323	156.0%
7/1/2008	71,289,342	88,442,052	17,152,710	80.6%	14,462,210	118.6%
7/1/2007	66,932,172	82,876,265	15,944,093	80.8%	13,491,774	118.2%
7/1/2006	61,760,540	76,823,132	15,062,592	80.4%	13,310,870	113.2%
7/1/2005	59,110,560	72,602,070	13,491,510	81.4%	13,236,609	101.9%
7/1/2004	58,071,577	67,563,270	9,491,693	86.0%	12,933,174	73.4%
7/1/2003	55,615,324	61,317,625	5,702,301	90.7%	12,027,727	47.4%
7/1/2002	55,367,778	58,675,899	3,308,121	94.4%	12,058,092	27.4%

See Independent Auditors' Report.

See accompanying note to required supplementary information—defined benefit pension plan.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

**SCHEDULE OF EMPLOYER CONTRIBUTIONS —
DEFINED BENEFIT PENSION PLAN (UNAUDITED)**

June 30, 2011

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2011	\$ 3,179,568	100.0%
2010	4,413,604	100.0%
2009	3,405,626	100.1%
2008	3,118,148	96.5%
2007	2,894,541	103.9%
2006	2,636,538	95.1%
2005	2,120,317	118.3%
2004	2,031,424	59.1%
2003	1,543,351	77.8%
2002	913,181	100.1%

See Independent Auditors' Report.

See accompanying note to required supplementary information—defined benefit pension plan.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION—
DEFINED BENEFIT PENSION PLAN (SCHEDULES I AND II)**

Year Ended June 30, 2011

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

Valuation date	July 1, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	Average future working lifetime of active members
Assets' valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	4.5%–7.0%
Cost-of-living adjustment	None

See Independent Auditors' Report.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

SCHEDULE OF FUNDING PROGRESS—OPEB (UNAUDITED)

June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll [(b-a)/c]
7/1/2011	\$ -	2,952,859	2,952,859	0.0%	14,873,076	19.9%
7/1/2010	-	2,917,962	2,917,962	0.0%	14,838,949	19.7%
7/1/2009	-	2,138,735	2,138,735	0.0%	14,811,323	14.4%
7/1/2008	-	2,134,192	2,134,192	0.0%	14,462,210	14.8%

See Independent Auditors' Report.

See accompanying note to required supplementary information—OPEB.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION—OPEB (SCHEDULE III)

Year Ended June 30, 2011

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

Valuation date	July 1, 2011
Actuarial cost method	Entry Age Normal
Amortization method	30 years, level dollar, open period
Actuarial assumptions:	
Investment rate of return	4%
Healthcare cost and expense trend:	
Fiscal year ending June 30, 2011	7%
Fiscal year ending June 30, 2012	6%
Fiscal year ending June 30, 2013 and later	5%

See Independent Auditors' Report.

**OTHER
SUPPLEMENTARY INFORMATION**

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Interior:		
Fish and Wildlife Cluster:		
Sport Fish Restoration Program	15.605	\$ 6,168,656
Wildlife Restoration Act	15.611	8,683,810
Total Fish and Wildlife Cluster		<u>14,852,466</u>
Endangered Species Conservation	15.615	859,695
Hunter Education and Safety	15.626	15,904
Partners for Fish and Wildlife	15.631	110,878
Land Owners Incentive Program	15.633	86,517
State Wildlife Grants	15.634	2,116,102
Aquatic Nuisance Species	15.608	59,593
American Reinvestment and Recovery Act	15.656	92,994
Total U.S. Department of Interior		<u>18,194,149</u>
Bureau of Reclamation:		
McGee Creek Project	00.101	<u>71,472</u>
U.S. Department of Agriculture:		
Animal and Plant Health Inspection Service:		
Plant Protection and Quarantine	10.025	61,347
Animal Damage Control	10.028	24,913
Total Animal and Plant Health Inspection Service		<u>86,260</u>
Natural Resource Conservation Service:		
Soil and Water Conservation	10.902	15,414
Wildlife Habitat Incentive Program	10.914	121,312
Total Natural Resource Conservation Service		<u>136,726</u>
Total U.S. Department of Agriculture		<u>222,986</u>
U.S. Department of Justice:		
Bureau of Justice Assistance:		
Bulletproof Vest Partnership Program	16.607	<u>3,575</u>
U.S. Department of Energy:		
Passed through—Western Governors' Association:		
Electricity Delivery and Energy Reliability, Research, Development, and Analysis—Recovery (ARRA funds)	81.122	<u>83,182</u>
Total Expenditures of Federal Awards		<u>\$ 18,575,364</u>

See Independent Auditors' Report.

See accompany notes to schedule of expenditures of federal awards.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

(1) **BASIS OF ACCOUNTING AND PRESENTATION**

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

(2) **RECONCILIATION OF EXPENDITURES**

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

Total expenditures per the schedule of expenditures of federal awards; and total revenues per the statement of revenues, expenditures, and changes in fund balances, and the statement of activities	<u>\$ 18,575,364</u>
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See Independent Auditors' Report.

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

The Commission
Oklahoma Department of Wildlife Conservation

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oklahoma Department of Wildlife Conservation (the "Department") as of and for the year ended June 30, 2011, which collectively comprise the Department's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 28, 2011. Our report includes a paragraph to emphasize the fact that the report included only that portion of the State of Oklahoma that was attributable to the transactions of the Department. Our report also includes an explanatory paragraph noting the Department's adoption of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010. In addition, our report includes an explanatory paragraph disclaiming an opinion on required supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

(Continued)

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

Compliance and Other Matters

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

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

Finley + Cook, PLLC

Shawnee, Oklahoma
September 28, 2011

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

The Commission
Oklahoma Department of Wildlife Conservation

Compliance

We have audited the Oklahoma Department of Wildlife Conservation's (the "Department") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2011. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

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

In our opinion, the Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

(Continued)

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

Internal Control Over Compliance, Continued

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Finley & Cook, PLLC

Shawnee, Oklahoma
September 28, 2011

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

SECTION I—SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

Yes None Noted

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

Yes None Reported

Noncompliance material to financial statements noted?

Yes None Noted

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Yes None Noted

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

Yes None Reported

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

Yes No

Identification of major programs:

Federal CFDA#

Name of Federal Program

15.605 and 15.611

Fish and Wildlife Cluster

15.656

American Reinvestment and Recovery Act

15.615

Endangered Species Conservation

15.634

State Wildlife Grants

81.122

Electricity Delivery and Energy

Reliability, Research, Development, and

Analysis—Recovery (ARRA funds)

Dollar threshold used to distinguish between Type A and Type B programs: **\$557,261**

Auditee qualified as low-risk auditee?

Yes No

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

Year Ended June 30, 2011

SECTION II—FINDINGS—FINANCIAL STATEMENTS AUDIT

None noted.

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

None noted.

OKLAHOMA DEPARTMENT OF WILDLIFE CONSERVATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2011

There were no findings or questioned costs noted in the audit report for the year ended June 30, 2010.