

# Oklahoma State Senate

## *Financial Statements*

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)



**OKLAHOMA STATE SENATE**

**FINANCIAL STATEMENTS**

*Table of Contents*

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|   | <u>Page</u> |
|---|-------------|
| <u>Independent Auditors’ Report</u> .....   | 1           |
| <u>Management’s Discussion and Analysis</u> .....   | I-1         |
| <u>Basic Financial Statements:</u>  |             |
| <i>Government-Wide Financial Statements:</i>  |             |
| Statements of Net Position.....   | 4           |
| Statements of Activities .....  | 6           |
| <i>Fund Financial Statements:</i>   |             |
| Balance Sheets—General Fund .....   | 8           |
| Statements of Revenues, Expenditures, and<br>Changes in Fund Balance—General Fund.....  | 9           |
| Reconciliation of the Statements of Revenues, Expenditures, and<br>Changes in Fund Balance—General Fund to the Statements of Activities .....                                       | 10          |
| Notes to Financial Statements.....  | 11          |
| <u>Supplementary Information Required by<br/>Governmental Accounting Standards Board Statements No. 68 and No. 75:</u>  |             |
| Schedule of the Senate’s Proportionate Share of the Net Pension Liability—<br>Oklahoma Public Employees Retirement System—Pension Plan (Exhibit I).....                             | 52          |
| Schedule of the Senate’s Contributions— Oklahoma Public Employees Retirement System<br>—Pension Plan—Exhibit II .....   | 53          |
| Schedule of the Senate’s Proportionate Share of the Net OPEB (Asset) Liability—<br>Oklahoma Public Employees Retirement System—Health Insurance Subsidy Plan<br>(Exhibit III) ..... | 54          |
| Schedule of the Senate’s Contributions—Oklahoma Public Employees Retirement System—<br>Health Insurance Subsidy Plan—Exhibit IV .....   | 55          |
| Schedule of the Senate’s Changes in Net OPEB Liability and Related Ratios—<br>Implicit Rate Subsidy of Health Insurance Plan OPEB Liability—Exhibit V .....                         | 56          |

**OKLAHOMA STATE SENATE**

**FINANCIAL STATEMENTS**

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*Table of Contents, Continued*

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|   | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in<br><u>Accordance with <i>Government Auditing Standards</i></u> ..... | 57          |



## **INDEPENDENT AUDITORS' REPORT**

The Honorable Greg Treat  
President Pro Tempore  
Oklahoma State Senate

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Oklahoma State Senate (the "Senate"), a component of the General Fund of the State of Oklahoma, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Senate's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

(Continued)

## **INDEPENDENT AUDITORS' REPORT, CONTINUED**

### **Basis for Qualified Opinion on Governmental Activities**

#### *Contribution of Artwork*

As discussed in Note 4, we were unable to obtain sufficient appropriate audit evidence regarding the fair value of the artwork donated to the Senate by The Oklahoma State Senate Historical Preservation Fund. Consequently, we were unable to determine if any adjustment to the amount reflected for the artwork in the accompanying statements of net position at June 30, 2021 and 2020, was necessary. Donated capital assets should be reported at fair value as required by accounting principles generally accepted in the United States.

### **Qualified Opinion**

In our opinion, except for the possible effects, if any, of the matter described in the Basis for Qualified Opinion on Governmental Activities paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities of the Senate as of June 30, 2021 and 2020, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States.

### **Unmodified Opinion**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the General Fund of the Senate as of June 30, 2021 and 2020, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States.

### **Emphasis of Matter**

#### *Department-Only Financial Statements*

As discussed in Note 1, the financial statements of the Senate are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the General Fund of the State of Oklahoma that is attributable to the transactions of the Senate. They do not purport to, and do not present fairly the financial position of the State of Oklahoma as of June 30, 2021 or 2020, or the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States. Our opinions are not modified with respect to this matter.

(Continued)

## **INDEPENDENT AUDITORS' REPORT, CONTINUED**

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-5 and the schedules of the Senate's pension and OPEB information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2022, on our consideration of the Senate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Senate's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Senate's internal control over financial reporting and compliance.

*Finlay + Cook, PLLC*

Shawnee, Oklahoma  
June 1, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the Oklahoma State Senate (the "Senate"), we offer readers of the Senate's financial statements this overview and analysis of the financial activities for the fiscal years ended June 30, 2021, 2020, and 2019.

### FINANCIAL HIGHLIGHTS

- During 2021, the Senate's net position decreased \$4,501,995 from June 30, 2020, resulting in net position of \$5,133,703 at June 30, 2021. During 2020, the Senate's net position increased \$3,454,647 from June 30, 2019, resulting in net position of \$9,635,698 at June 30, 2020. During 2019, the Senate's net position increased \$655,804 from June 30, 2018, resulting in net position of \$6,181,051 at June 30, 2019.
- At June 30, 2021, the Senate's assets totaling \$7,171,115 decreased \$3,627,446 from June 30, 2020, due mainly to a decrease in cash. At June 30, 2020, the Senate's assets totaling \$10,798,561 increased \$3,297,893 from June 30, 2019, due mainly to an increase in cash, resulting from increased state appropriations. At June 30, 2019, the Senate's assets totaling \$7,500,668 increased \$271,687 from June 30, 2018, due mainly to an increase in cash.
- At June 30, 2021, the Senate's liabilities totaling \$4,894,810 increased \$3,057,056 from June 30, 2020, due mainly to an increase in pension liability. At June 30, 2020, the Senate's liabilities totaling \$1,837,754 decreased \$319,783 from June 30, 2019, due mainly to a decrease in pension and OPEB liabilities. At June 30, 2019, the Senate's liabilities totaling \$2,157,537 decreased \$1,616,884 from June 30, 2018, due mainly to a decrease in pension and OPEB liabilities.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### *Government-Wide Financial Statements*

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

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

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

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

### OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED

#### *Fund Financial Statements*

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

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

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

#### *Notes to the Financial Statements*

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



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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Senate's net position at June 30 is reported as follows:

|   | <u>2021</u>         | <u>2020</u>       | <u>2019</u>      |
|---|---------------------|-------------------|------------------|
| <b>Assets</b>   |                     |                   |                  |
| Current assets  | \$ 5,829,453        | 9,251,870         | 6,171,722        |
| Capital assets, net   | 1,148,469           | 1,380,657         | 1,270,945        |
| Net OPEB asset  | <u>193,193</u>      | <u>166,034</u>    | <u>58,001</u>    |
| Total assets  | <u>7,171,115</u>    | <u>10,798,561</u> | <u>7,500,668</u> |
|   |                     |                   |                  |
| Deferred outflows of resources<br>related to the pension and OPEB | <u>3,105,945</u>    | <u>1,264,996</u>  | <u>1,668,201</u> |
|   |                     |                   |                  |
| <b>Liabilities</b>  |                     |                   |                  |
| Current liabilities   | 559,550             | 644,685           | 556,608          |
| Noncurrent liabilities  | <u>4,335,260</u>    | <u>1,193,069</u>  | <u>1,600,929</u> |
| Total liabilities   | <u>4,894,810</u>    | <u>1,837,754</u>  | <u>2,157,537</u> |
|   |                     |                   |                  |
| Deferred inflows of resources<br>related to the pension and OPEB  | <u>248,547</u>      | <u>590,105</u>    | <u>830,281</u>   |
|   |                     |                   |                  |
| <b>Net Position</b>   |                     |                   |                  |
| Net investment in capital assets                                  | 1,148,469           | 1,380,657         | 1,270,945        |
| Unrestricted  | <u>3,985,234</u>    | <u>8,255,041</u>  | <u>4,910,106</u> |
| Total net position  | <u>\$ 5,133,703</u> | <u>9,635,698</u>  | <u>6,181,051</u> |

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, CONTINUED**

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

|   | <u>2021</u>         | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|---------------------|
| Governmental activities:  |                     |                     |                     |
| Charges for services  | \$ 43,281           | 48,408              | 43,120              |
| Operating grants  | 35,205              | 72,503              | -                   |
| Contributions from the<br>Legislative Service Bureau (LSB)          | -                   | 5,689,283           | 5,019,558           |
| Expenses  | <u>(15,598,400)</u> | <u>(13,832,546)</u> | <u>(13,626,295)</u> |
| Total governmental activities                                       | <u>(15,519,914)</u> | <u>(8,022,352)</u>  | <u>(8,563,617)</u>  |
| General revenues:   |                     |                     |                     |
| Appropriations from the<br>General Fund of<br>the State of Oklahoma | <u>11,017,919</u>   | <u>11,476,999</u>   | <u>9,219,421</u>    |
| Total general revenues  | <u>11,017,919</u>   | <u>11,476,999</u>   | <u>9,219,421</u>    |
| Changes in net position   | (4,501,995)         | 3,454,647           | 655,804             |
| Net position, beginning of year                                     | <u>9,635,698</u>    | <u>6,181,051</u>    | <u>5,525,247</u>    |
| Net position, end of year   | <u>\$ 5,133,703</u> | <u>9,635,698</u>    | <u>6,181,051</u>    |

This discussion and analysis of the Senate’s financial performance provides an overview of the Senate’s financial activities for the fiscal years ended June 30, 2021, 2020, and 2019.

The Senate’s 2021 appropriation from the State of Oklahoma, including refunds, decreased approximately 4%, or \$459,080, from FY 2020 due to a budgeted decrease in state revenue for FY 2021. During the year ended June 30, 2021, the LSB did not contribute funds to the Senate. The Senate’s 2020 appropriation from the State of Oklahoma increased approximately 24%, or \$2,257,578, from FY 2019 due to a budgeted increase in state revenues for FY 2020. During the year ended June 30, 2020, the LSB paid \$5,689,283 in contributions to the Senate. The Senate’s 2019 appropriation from the State of Oklahoma increased approximately 4%, or \$396,240, from FY 2018 due to the State of Oklahoma working to restore funding cuts from prior years. During the year ended June 30, 2019, the LSB paid \$5,019,558 in contributions to the Senate.

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS, CONTINUED**

The Senate's 2021 expenditures, not including adjustments for depreciation, capitalized lease items, compensated absences, or pensions, increased approximately 1%, or \$111,000, from FY 2020 due to an increase in salaries and wages, and travel expenses. The Senate's 2020 expenditures, not including adjustments for depreciation, capitalized lease items, compensated absences, or pensions, increased approximately 3%, or \$371,000, from FY 2019 due to expenditures related to purchasing laptops and other designated upgrades due to the COVID-19 pandemic. The Senate's 2019 expenditures, not including adjustments for depreciation, capitalized lease items, compensated absences, and pensions, increased approximately 2%, or \$305,000, from FY 2018 due to increases in salaries and wages, contractual services, and travel expenses.

### **CAPITAL ASSETS**

As of June 30, 2021, 2020, and 2019, the Senate's investment in capital assets, net of accumulated depreciation, totaled approximately \$1,148,000, \$1,381,000, and \$1,271,000, respectively. Depreciation for 2021, 2020, and 2019 totaled approximately \$285,000, \$283,000, and \$399,000, respectively. Capital assets include artwork, building improvements, computer equipment, office furniture, and other equipment.

### **CAPITAL LEASES**

As of June 30, 2021, 2020, and 2019, the Senate had no capital lease obligations outstanding. During the years ended June 30, 2021, 2020, and 2019, the Senate made no capital lease payments.

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

The Governor has approved the Senate's appropriation for the fiscal year July 1, 2021, to June 30, 2022.

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

### **CONTACTING THE SENATE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide interested parties with a general overview of the Senate's finances and to demonstrate the Senate's accountability for the funds received. If you have questions relative to the report or have a need for additional financial information, please contact the Oklahoma State Senate, State Capitol Building, 2300 N. Lincoln Blvd., Room 309, Oklahoma City, Oklahoma 73105-4808.

**OKLAHOMA STATE SENATE**

**STATEMENTS OF NET POSITION**

| <i>June 30,</i>                                     | <i>2021</i>          | <i>2020</i>       |
|---|----------------------|-------------------|
| <b>Assets</b>                                       |                      |                   |
| Current assets:                                     |                      |                   |
| Cash, including short-term investments              | \$ 5,829,453         | 9,179,367         |
| Grant receivable                                    | -                    | 72,503            |
| Total current assets                                | <u>5,829,453</u>     | <u>9,251,870</u>  |
| Noncurrent assets:                                  |                      |                   |
| Capital assets:                                     |                      |                   |
| Nondepreciable—artwork                              | 882,400              | 882,400           |
| Depreciable, net of accumulated depreciation        | 266,069              | 498,257           |
| Capital assets, net                                 | <u>1,148,469</u>     | <u>1,380,657</u>  |
| Net OPEB asset                                      | <u>193,193</u>       | <u>166,034</u>    |
| Total assets  | <u>7,171,115</u>     | <u>10,798,561</u> |
| <b>Deferred Outflows of Resources</b>               |                      |                   |
| Deferred amounts related to the pension and OPEB    | 3,105,945            | 1,264,996         |
| Total deferred outflows of resources                | <u>3,105,945</u>     | <u>1,264,996</u>  |
| Total assets and deferred outflows of resources     | <u>\$ 10,277,060</u> | <u>12,063,557</u> |
| <b>Liabilities</b>                                  |                      |                   |
| Current liabilities:                                |                      |                   |
| Accounts payable                                    | \$ 45,076            | 153,858           |
| Accrued salaries and benefits                       | 6,289                | 3,982             |
| Current portion of long-term obligations            | 508,185              | 486,845           |
| Total current liabilities                           | <u>559,550</u>       | <u>644,685</u>    |
| Noncurrent liabilities:                             |                      |                   |
| Noncurrent portion of long-term obligations         | 274,240              | 257,372           |
| Net pension liability                               | 3,676,375            | 568,846           |
| Net OPEB liability                                  | 384,645              | 366,851           |
| Total noncurrent liabilities                        | <u>4,335,260</u>     | <u>1,193,069</u>  |
| Total liabilities                                   | <u>4,894,810</u>     | <u>1,837,754</u>  |
| <b>Deferred Inflows of Resources</b>                |                      |                   |
| Deferred amounts related to the pension and OPEB    | 248,547              | 590,105           |
| Total liabilities and deferred inflows of resources | <u>5,143,357</u>     | <u>2,427,859</u>  |

(Continued)

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

**OKLAHOMA STATE SENATE**

**STATEMENTS OF NET POSITION, CONTINUED**

| <i>June 30,</i>  | <i>2021</i>          | <i>2020</i>       |
|--|----------------------|-------------------|
| <b>Net Position</b>  |                      |                   |
| Net investment in capital assets                                   | 1,148,469            | 1,380,657         |
| Unrestricted   | <u>3,985,234</u>     | <u>8,255,041</u>  |
| Total net position   | <u>5,133,703</u>     | <u>9,635,698</u>  |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 10,277,060</u> | <u>12,063,557</u> |

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

**OKLAHOMA STATE SENATE**

**STATEMENTS OF ACTIVITIES**

*Year Ended June 30, 2021*

|                                 | <u>Expenses</u>        | Program Revenues   |                      |                      | <u>Net</u>          |
|---------------------------------|------------------------|--------------------|----------------------|----------------------|---------------------|
|                                 |                        | <u>Charges for</u> | <u>Operating</u>     | <u>Capital</u>       | <u>(Expenses)</u>   |
|                                 |                        | <u>Services</u>    | <u>Grants and</u>    | <u>Grants and</u>    | <u>Revenues</u>     |
|                                 |                        |                    | <u>Contributions</u> | <u>Contributions</u> |                     |
| Governmental activities:        |                        |                    |                      |                      |                     |
| Legislative operations          | \$ (15,598,400)        | 43,281             | 35,205               | -                    | (15,519,914)        |
| Total governmental activities   | <u>\$ (15,598,400)</u> | <u>43,281</u>      | <u>35,205</u>        | <u>-</u>             | <u>(15,519,914)</u> |
| General revenues:               |                        |                    |                      |                      |                     |
| State appropriations            |                        |                    |                      |                      | <u>11,017,919</u>   |
| Total general revenues          |                        |                    |                      |                      | <u>11,017,919</u>   |
| Changes in net position         |                        |                    |                      |                      | (4,501,995)         |
| Net position, beginning of year |                        |                    |                      |                      | <u>9,635,698</u>    |
| Net position, end of year       |                        |                    |                      |                      | <u>\$ 5,133,703</u> |

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

**OKLAHOMA STATE SENATE**

**STATEMENTS OF ACTIVITIES, CONTINUED**

*Year Ended June 30, 2020*

|  |                            | <u>Program Revenues</u>         |   |   |  |
|--|----------------------------|---------------------------------|---|---|--|
|  | <u>Expenses</u>            | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Net<br/>(Expenses)<br/>Revenues</u> |
| Governmental activities:                             |                            |                                 |   |   |  |
| Legislative operations                               | \$ (13,832,546)            | 48,408                          | 72,503  | -   | (13,711,635)                           |
| Contributions from the<br>Legislative Service Bureau | -                          | -                               | 5,689,283   | -   | 5,689,283                              |
| <br>Total governmental<br>activities                 | <br><u>\$ (13,832,546)</u> | <br><u>48,408</u>               | <br><u>5,761,786</u>                              | <br><u>-</u>                                    | <br><u>(8,022,352)</u>                 |
| <br>General revenues:                                |                            |                                 |   |   |  |
| State appropriations                                 |                            |                                 |   |   | <u>11,476,999</u>                      |
| Total general revenues                               |                            |                                 |   |   | <u>11,476,999</u>                      |
| <br>Changes in net position                          |                            |                                 |   |   | <br>3,454,647                          |
| <br>Net position, beginning of year                  |                            |                                 |   |   | <br><u>6,181,051</u>                   |
| <br>Net position, end of year                        |                            |                                 |   |   | <br><u>\$ 9,635,698</u>                |

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

**OKLAHOMA STATE SENATE**

**BALANCE SHEETS—GENERAL FUND**

| <i>June 30,</i>   | <i>2021</i>         | <i>2020</i>      |
|---|---------------------|------------------|
| <b>Assets</b>   |                     |                  |
| Cash, including short-term investments  | \$ 5,829,453        | 9,179,367        |
| Grant receivable  | <u>-</u>            | <u>72,503</u>    |
| Total assets  | <u>\$ 5,829,453</u> | <u>9,251,870</u> |
| <b>Liabilities and Fund Balance</b>   |                     |                  |
| Liabilities:  |                     |                  |
| Accounts payable  | \$ 45,076           | 153,858          |
| Accrued salaries and benefits   | <u>6,289</u>        | <u>3,982</u>     |
| Total liabilities   | <u>51,365</u>       | <u>157,840</u>   |
| Fund balance:   |                     |                  |
| Unassigned  | <u>5,778,088</u>    | <u>9,094,030</u> |
| Total fund balance  | <u>5,778,088</u>    | <u>9,094,030</u> |
| Total liabilities and fund balance  | <u>\$ 5,829,453</u> | <u>9,251,870</u> |
| <b>Reconciliation of Fund Balance to Net Position</b>   |                     |                  |
| Total fund balance from above   | \$ 5,778,088        | 9,094,030        |
| Amounts reported in the statements of net position are different because they are not financial resources and therefore are not reported in the governmental fund financial statements: |                     |                  |
| Net capital assets used in governmental activities  | 1,148,469           | 1,380,657        |
| Deferred outflows related to the pension and OPEB   | 3,105,945           | 1,264,996        |
| Net OPEB asset  | 193,193             | 166,034          |
| Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental fund financial statements:   |                     |                  |
| Compensated absences  | (782,425)           | (744,217)        |
| Net pension liability   | (3,676,375)         | (568,846)        |
| Net OPEB liability  | (384,645)           | (366,851)        |
| Deferred inflows related to the pension and OPEB  | <u>(248,547)</u>    | <u>(590,105)</u> |
| Net position, per the statements of net position  | <u>\$ 5,133,703</u> | <u>9,635,698</u> |

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



**OKLAHOMA STATE SENATE**

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

| <i>Years Ended June 30,</i>                       | <i>2021</i>  | <i>2020</i> |
|---|--------------|-------------|
| Revenues:   |              |             |
| Contributions from the Legislative Service Bureau | \$ -         | 5,689,283   |
| Operating grants                                  | 35,205       | 72,503      |
| Other   | 43,281       | 48,408      |
| Total revenues                                    | 78,486       | 5,810,194   |
| Expenditures:                                     |              |             |
| Personnel services                                | 12,734,127   | 12,268,232  |
| Contractual services                              | 724,101      | 758,563     |
| Capital outlay                                    | 292,831      | 814,355     |
| Travel  | 544,109      | 410,080     |
| Supplies and materials                            | 117,179      | 50,276      |
| Total expenditures                                | 14,412,347   | 14,301,506  |
| Deficiency of revenues over expenditures          | (14,333,861) | (8,491,312) |
| Other funding sources:                            |              |             |
| State appropriations                              | 11,017,919   | 11,476,999  |
| Total other funding sources                       | 11,017,919   | 11,476,999  |
| Net changes in fund balance                       | (3,315,942)  | 2,985,687   |
| Fund balance, beginning of year                   | 9,094,030    | 6,108,343   |
| Fund balance, end of year                         | \$ 5,778,088 | 9,094,030   |

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

**OKLAHOMA STATE SENATE**

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

| <i>Years Ended June 30,</i>   | <i>2021</i>    | <i>2020</i> |
|---|----------------|-------------|
| Net changes in fund balance—General Fund  | \$ (3,315,942) | 2,985,687   |
| <p>Amounts reported for governmental activities in the statements of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures while government-wide activities report depreciation expense to allocate those expenditures over the lives of the assets:</p> |                |             |
| Depreciation expense  | (285,206)      | (283,241)   |
| Capital asset purchases capitalized   | 53,018         | 392,953     |
|   | (232,188)      | 109,712     |
| <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 fund financial statements:</p>   |                |             |
| Accrued compensated absences  | (38,208)       | 8,224       |
| Deferred amount related to the pension and OPEB   | (915,657)      | 351,024     |
|   | (953,865)      | 359,248     |
| Changes in net position, per the statements of activities   | \$ (4,501,995) | 3,454,647   |

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

**OKLAHOMA STATE SENATE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

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**(1) NATURE OF THE ORGANIZATION**

The Senate is a legislative body of the State of Oklahoma (the “State”). The Senate consists of 48 members who are elected by Oklahoma voters to serve 4-year terms. The Senate initiates legislation, holds legislative hearings, confirms appointments of the Governor, and tries impeachment cases.

**Financial Reporting Entity**

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

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

**Fund Accounting and Budgetary Information**

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

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

See Independent Auditors’ Report.

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

**Basis of Presentation and Basis of Accounting**

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

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

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

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

**Contributions**

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

**Cash**

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

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

**Capital Assets**

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

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

|                                      |         |
|--------------------------------------|---------|
| Computer equipment                   | 3 years |
| Office furniture and other equipment | 5 years |
| Building improvements                | 5 years |

While the Senate does not own or lease a portion of the State Capitol Building, it does maintain the space used and has capitalized improvements made to the space used.

A full year's depreciation is taken in the year an asset is placed in service, with the exception of building improvements, for which a full year's depreciation is taken if an asset is placed in service during the first half of the fiscal year and a half year's depreciation is taken if an asset is placed in service during the second half of the fiscal year. When assets are disposed of, depreciation is removed from the respective accounts and the resulting gain or loss, if any, is recorded in the statements of activities.

**Long-term Obligations**

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

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

**Pension Plans**

*Defined Benefit Plan*

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

*Defined Contribution Plan*

Effective November 1, 2015, OPERS established Pathfinder, a mandatory defined contribution plan for eligible state employees who first become employed by a participating employer on or after November 1, 2015, and have no prior participation in OPERS. Under Pathfinder, members will choose a contribution rate which will be matched by their employer up to 7%. During the years ended June 30, 2021 and 2020, the Senate made contributions to Pathfinder of approximately \$201,000 and \$133,000, respectively.

**Other Postemployment Benefits (OPEB)**

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

The Senate also participates in the Oklahoma Employees Group Insurance Division's (EGID) health insurance plan, which is a non-trusted single-employer plan that provides for employee and dependent healthcare coverage from the date of retirement to age 65, provided the participant was covered by the health insurance plan before retiring.

The Senate follows the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) in recording the net OPEB asset, the net OPEB liability, deferred outflows, deferred inflows, and OPEB expense.

**Income Taxes**

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

See Independent Auditors' Report.

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

**Equity Classifications**

*Government-Wide Financial Statements*

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

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

It is the Senate’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available. As of June 30, 2021 and 2020, the Senate did not have any restricted net position.

*Fund Financial Statements*

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

- a. Nonspendable fund balance—includes amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact.
- b. Restricted fund balance—consists of fund balances with constraints placed on the use of resources that are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.
- c. Committed fund balance—the committed fund balance classification reflects specific purposes pursuant to constraints imposed by formal action of the Senate’s highest level of decision-making authority. Also, such constraints can only be removed or changed by the same form of formal action.

(Continued)

See Independent Auditors’ Report.

OKLAHOMA STATE SENATE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

**Equity Classifications, Continued**

*Fund Financial Statements, Continued*

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

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

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

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

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

|                      | <u>General Fund</u>        |                         |
|----------------------|----------------------------|-------------------------|
|                      | <u>2021</u>                | <u>2020</u>             |
| Fund balances:       |                            |                         |
| Unassigned:          |                            |                         |
| State appropriations | \$ <u>5,778,088</u>        | <u>9,094,030</u>        |
| Total fund balances  | \$ <u><u>5,778,088</u></u> | <u><u>9,094,030</u></u> |

See Independent Auditors’ Report.



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

**Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded as expenditures of the applicable funds. This is an extension of the formal budgetary integration in the General Fund. Encumbrances do not represent any further constraint on the use of amounts than is already communicated by governmental fund balance classification as restricted, committed, or assigned. As of June 30, 2021 and 2020, there were no such encumbrances outstanding.

**Deferred Inflows and Outflows of Resources**

*Government-Wide Financial Statements*

Deferred inflows and outflows of resources represent amounts associated with pension and OPEB differences between expected and actual experience, differences between projected and actual earnings on pension fund investments, and changes in assumptions. Notes 6 and 7 detail the components of these items.

**Use of Estimates**

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

**Recent Accounting Pronouncements**

*New Accounting Pronouncements Adopted*

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95). GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

See Independent Auditors' Report.

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

**Recent Accounting Pronouncements, Continued**

*New Accounting Pronouncements Adopted, Continued*

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 improves guidance regarding the recognition and reporting of fiduciary activities. GASB 84 identifies four types of reportable fiduciary fund types, including (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. GASB 84 outlines the accounting and disclosure requirements for operating structures that qualify as a fiduciary activity. The Senate adopted GASB 84 effective July 1, 2020, for the June 30, 2021, reporting year, which did not have a significant impact on the Senate's financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interest* (GASB 90). GASB 90 improves the consistency and comparability of reporting government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Senate adopted GASB 90 effective July 1, 2020, for the June 30, 2021, reporting year, which did not have a significant impact on the Senate's financial statements.

*New Accounting Pronouncements Not Yet Adopted*

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

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligation, and (3) related note disclosures. The Senate will adopt GASB 91 effective July 1, 2021, for the June 30, 2022, reporting year. The Senate does not expect GASB 91 to have a significant impact on the financial statements.

See Independent Auditors' Report.

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

**Recent Accounting Pronouncements, Continued**

*New Accounting Pronouncements Not Yet Adopted, Continued*

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB 92). GASB 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. The Senate will adopt GASB 92 effective July 1, 2021, for the June 30, 2022, reporting year. The Senate does not expect GASB 92 to have a significant impact on the financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93). GASB 93 is to address other accounting and financial reporting implications that result from the replacement of interbank offered rates. The Senate will adopt GASB 93 effective July 1, 2022, for the June 30, 2023, reporting year. The Senate does not expect GASB 93 to have a significant impact on the financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The Senate will adopt GASB 94 effective July 1, 2022, for the June 30, 2023, reporting year. The Senate does not expect GASB 94 to have a significant impact on the financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Senate will adopt GASB 96 effective July 1, 2022, for the June 30, 2023, reporting year. The Senate has not determined the impact of GASB 96 on the financial statements.

See Independent Auditors' Report.

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

**Recent Accounting Pronouncements, Continued**

*New Accounting Pronouncements Not Yet Adopted, Continued*

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria and Accounting Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (GASB 97). GASB 97 objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Senate will adopt GASB 97 effective July 1, 2021, for the June 30, 2022, reporting year. The Senate has not determined the impact of GASB 97 on the financial statements.

**Date of Management’s Review of Subsequent Events**

The Senate’s leadership has evaluated subsequent events through June 1, 2022, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

(3) **CASH BALANCES**

At June 30, 2021 and 2020, the Senate maintained cash balances of approximately \$5,829,000 and \$9,179,000, respectively, with the State Treasurer. The Senate’s deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitation, are placed in banks or invested as the State Treasurer may determine. Deposits are fully insured or collateralized with securities held by an agent of the State, in the State’s name.

OKLAHOMA STATE SENATE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(4) CAPITAL ASSETS

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

|   | <u>July 1, 2020</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2021</u> |
|---|---------------------|------------------|--------------------|----------------------|
| Capital assets not being depreciated:       |                     |                  |                    |                      |
| Artwork                                     | \$ 882,400          | -                | -                  | 882,400              |
| Capital assets being depreciated:           |                     |                  |                    |                      |
| Computer equipment                          | 2,253,848           | 8,031            | -                  | 2,261,879            |
| Office furniture and other equipment        | 1,287,835           | 44,987           | -                  | 1,332,822            |
| Building improvements                       | <u>2,702,856</u>    | <u>-</u>         | <u>-</u>           | <u>2,702,856</u>     |
| Total capital assets being depreciated      | <u>6,244,539</u>    | <u>53,018</u>    | <u>-</u>           | <u>6,297,557</u>     |
| Accumulated depreciation:                   |                     |                  |                    |                      |
| Computer equipment                          | (1,902,924)         | (200,410)        | -                  | (2,103,334)          |
| Office furniture and other equipment        | (1,140,502)         | (84,796)         | -                  | (1,225,298)          |
| Building improvements                       | <u>(2,702,856)</u>  | <u>-</u>         | <u>-</u>           | <u>(2,702,856)</u>   |
| Total accumulated depreciation              | <u>(5,746,282)</u>  | <u>(285,206)</u> | <u>-</u>           | <u>(6,031,488)</u>   |
| Total capital assets being depreciated, net | <u>498,257</u>      | <u>(232,188)</u> | <u>-</u>           | <u>266,069</u>       |
| Capital assets, net                         | <u>\$ 1,380,657</u> | <u>(232,188)</u> | <u>-</u>           | <u>1,148,469</u>     |

See Independent Auditors' Report.

OKLAHOMA STATE SENATE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CAPITAL ASSETS, CONTINUED

|   | <u>July 1, 2019</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2020</u> |
|---|---------------------|------------------|--------------------|----------------------|
| Capital assets not being depreciated:       |                     |                  |                    |                      |
| Artwork                                     | \$ 882,400          | -                | -                  | 882,400              |
| Capital assets being depreciated:           |                     |                  |                    |                      |
| Computer equipment                          | 1,894,168           | 359,680          | -                  | 2,253,848            |
| Office furniture and other equipment        | 1,254,562           | 33,273           | -                  | 1,287,835            |
| Building improvements                       | <u>2,702,856</u>    | -                | -                  | <u>2,702,856</u>     |
| Total capital assets being depreciated      | <u>5,851,586</u>    | <u>392,953</u>   | -                  | <u>6,244,539</u>     |
| Accumulated depreciation:                   |                     |                  |                    |                      |
| Computer equipment                          | (1,709,752)         | (193,172)        | -                  | (1,902,924)          |
| Office furniture and other equipment        | (1,050,433)         | (90,069)         | -                  | (1,140,502)          |
| Building improvements                       | <u>(2,702,856)</u>  | -                | -                  | <u>(2,702,856)</u>   |
| Total accumulated depreciation              | <u>(5,463,041)</u>  | <u>(283,241)</u> | -                  | <u>(5,746,282)</u>   |
| Total capital assets being depreciated, net | <u>388,545</u>      | <u>109,712</u>   | -                  | <u>498,257</u>       |
| Capital assets, net                         | <u>\$ 1,270,945</u> | <u>109,712</u>   | -                  | <u>1,380,657</u>     |

The Senate did not have any capitalized lease assets as of June 30, 2021 or 2020.

The Senate has no significant infrastructure assets.

See Independent Auditors' Report.

**OKLAHOMA STATE SENATE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(4) CAPITAL ASSETS, CONTINUED**

During 2017, the Senate received a contribution of artwork valued at \$882,400. The valuation was based on management’s estimate and not an independent appraisal of the artwork as required by accounting principles generally accepted in the United States. The artwork is not being held as an investment, but rather for public exhibition, education, or research as part of a public service. Activities verifying the existence and assessing the condition of the items are performed continually. There will be no planned depreciation of the artwork, as it will be reviewed periodically for impairment.

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

Depreciation expense for 2021 and 2020 was approximately \$285,000 and \$283,000, respectively.

**(5) LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the years ended June 30 were as follows:

|                             | <u>July 1, 2020</u> | <u>Increase</u> | <u>Paid</u>      | <u>June 30, 2021</u> | <u>Amount<br/>Due Within<br/>1 Year</u> |
|-----------------------------|---------------------|-----------------|------------------|----------------------|---|
| Long-term obligations       | <u>\$ 744,217</u>   | <u>462,487</u>  | <u>(424,279)</u> | <u>782,425</u>       | <u>508,185</u>                          |
| Total long-term obligations | <u>\$ 744,217</u>   | <u>462,487</u>  | <u>(424,279)</u> | <u>782,425</u>       | <u>508,185</u>                          |
|                             |                     |                 |                  |                      | <u>Amount<br/>Due Within<br/>1 Year</u> |
|                             | <u>July 1, 2019</u> | <u>Increase</u> | <u>Paid</u>      | <u>June 30, 2020</u> |   |
| Long-term obligations       | <u>\$ 752,441</u>   | <u>467,927</u>  | <u>(476,151)</u> | <u>744,217</u>       | <u>486,845</u>                          |
| Total long-term obligations | <u>\$ 752,441</u>   | <u>467,927</u>  | <u>(476,151)</u> | <u>744,217</u>       | <u>486,845</u>                          |

For the statements of net position and the statements of activities, the changes in the accounts are reflected and the amounts estimated to be current are based on the average amount used in prior years.

See Independent Auditors’ Report.

(6) **PENSION PLAN**

**Plan Description**

The Senate contributes to the Oklahoma Public Employees Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement plan administered by OPERS. OPERS provides retirement, disability, and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the Oklahoma Legislature. Title 74 of the Oklahoma Statutes, Sections 901–943, as amended, assigns the authority for management and operation of the Oklahoma Public Employees Retirement Plan to the Board of Trustees of OPERS (the “Board”). OPERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the Oklahoma Public Employees Retirement Plan. That annual report may be obtained by writing to the Oklahoma Public Employees Retirement System, 5400 N. Grand Boulevard, Suite 400, Oklahoma City, Oklahoma 73112 or by calling 1-800-733-9008, or can be obtained at [https://www.opers.ok.gov/wp-content/uploads/2020/11/2020\\_CAFR\\_OPERS.pdf](https://www.opers.ok.gov/wp-content/uploads/2020/11/2020_CAFR_OPERS.pdf).

**Benefits Provided**

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

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

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



(6) **PENSION PLAN, CONTINUED**

**Benefits Provided, Continued**

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

**State, County, and Local Agency Employees**

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

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

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

(6) PENSION PLAN, CONTINUED

Benefits Provided, Continued

*Elected Officials*

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

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

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

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

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

See Independent Auditors' Report.

(6) **PENSION PLAN, CONTINUED**

**Contributions**

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

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

**State, County, and Local Agency Employees**

For 2021 and 2020, *state agency employers* contributed 16.5% on all salary, and *state employees* contributed 3.5% on all salary.

For 2021 and 2020, contributions of participating county and local agencies totaled 20.0% of salary, composed of a minimum employee contribution rate of 3.5% up to a maximum of 8.5% and a minimum employer contribution rate of 11.5% up to a maximum of 16.5%.

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

**Elected Officials**

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

(6) **PENSION PLAN, CONTINUED**

**Contributions, Continued**

**Elected Officials, Continued**

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

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

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

Contributions to OPERS by the Senate for 2021, 2020, and 2019 were approximately as follows:

| <u>2021</u>         | <u>2020</u>      | <u>2019</u>      |
|---------------------|------------------|------------------|
| \$ <u>1,124,000</u> | <u>1,130,000</u> | <u>1,122,000</u> |

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

At June 30, 2021 and 2020, the Senate reported a liability of \$3,676,375 and \$568,846, respectively, for its proportionate share of the net pension liability. As of June 30, 2021, the net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. As of June 30, 2020, the net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The Senate’s proportion of the net pension liability was based on the Senate’s contributions received by OPERS relative to the total contributions received by OPERS for all participating employers as of June 30, 2020 and 2019. Based upon this information, the Senate’s proportion for June 30, 2021 and 2020, was 0.41207428% and 0.42709983%, respectively.

See Independent Auditors’ Report.

OKLAHOMA STATE SENATE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) PENSION PLAN, CONTINUED

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

For the years ended June 30, 2021 and 2020, the Senate recognized pension expense of \$1,062,753 and pension benefits of \$235,166, respectively. At June 30, 2021 and 2020, the Senate reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>2021</u>  | Deferred Outflows<br><u>of Resources</u> | Deferred Inflows<br><u>of Resources</u> |
|--|--|---|
| Differences between expected and actual experience                               | \$ -                                     | 20,089                                  |
| Change of assumptions  | 1,313,165                                |   |
| Net difference between projected and actual earnings on pension plan investments | 436,845                                  | -                                       |
| Changes in proportion  | -  | 30,361                                  |
| Senate contributions subsequent to the measurement date                          | <u>1,124,046</u>                         | <u>-</u>                                |
|  | <u>\$ 2,874,056</u>                      | <u>50,450</u>                           |
| <br><u>2020</u><br>  |  |   |
| Differences between expected and actual experience                               | \$ -                                     | 133,857                                 |
| Net difference between projected and actual earnings on pension plan investments | -  | 171,641                                 |
| Changes in proportion  | -  | 45,442                                  |
| Senate contributions subsequent to the measurement date                          | <u>1,129,770</u>                         | <u>-</u>                                |
|  | <u>\$ 1,129,770</u>                      | <u>350,940</u>                          |

See Independent Auditors' Report.

**OKLAHOMA STATE SENATE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(6) PENSION PLAN, CONTINUED**

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

Reported deferred outflows of resources of \$1,124,046 at June 30, 2021, related to pensions resulting from the Senate’s contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2022. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense or benefits as follows:

| Years Ending June 30: |                     |
|-----------------------|---------------------|
| 2022                  | \$ 602,763          |
| 2023                  | 602,763             |
| 2024                  | 319,296             |
| 2025                  | 87,369              |
| 2026                  | <u>87,369</u>       |
|                       | <u>\$ 1,699,560</u> |

See Independent Auditors’ Report.

**OKLAHOMA STATE SENATE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(6) PENSION PLAN, CONTINUED**

**Actuarial Methods and Assumptions**

The total pension liability as of June 30, 2021 and 2020, was determined on an actuarial valuation prepared as of July 1, 2020 and 2019, respectively, using the following actuarial assumptions:

|  |  |
|--|--|
| Investment return:   | 6.50% for 2020 and 7.00% for 2019, compounded annually, net of investment expense and including inflation  |
| Salary increases:  | 3.50% to 9.25% for 2020 and 3.50% to 9.50% for 2019  |
| Mortality rates:   | For 2020 calculations—In 2020, Pub-2010 Below Media, General Membership Active/Retiree Healthy, Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are set back 1 year, and female rates are set forward 1 year.<br><br>For 2019 calculations—Active participants and nondisabled pensioners: RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years) |
| Annual post-retirement benefit increases:                    | None   |
| Assumed inflation rate:                                      | 2.50% for 2020 and 2.75% for 2019  |
| Payroll growth:  | 3.25% for 2020 and 3.50% for 2019  |
| Actuarial cost method:                                       | Entry age  |
| Select period for the termination of employment assumptions: | 10 years   |

The actuarial assumptions used in the July 1, 2020, valuation are based on the results of an actuarial experience study which covered the 3-year period ending June 30, 2019, with the experience study report dated May 13, 2020. The actuarial assumptions used in the July 1, 2019, valuation are based on the results of an actuarial experience study which covered the 3-year period ending June 30, 2016, with the experience study report dated April 13, 2017.

See Independent Auditors' Report.

**(6) PENSION PLAN, CONTINUED****Actuarial Methods and Assumptions, Continued**

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

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2021, are summarized in the following table:

| <u>Asset Class</u>     | <u>Target Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|--------------------------------|---|
| U.S. large cap equity  | 34.0%                          | 4.7%  |
| U.S. small cap equity  | 6.0%                           | 5.8%  |
| Int's developed equity | 23.0%                          | 6.5%  |
| Emerging market equity | 5.0%                           | 8.5%  |
| Core fixed income      | 25.0%                          | 0.5%  |
| Long-term treasuries   | 3.5%                           | 0.0%  |
| U.S. TIPS              | <u>3.5%</u>                    | 0.3%  |
|                        | <b><u>100.0%</u></b>           |   |

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

| <u>Asset Class</u>    | <u>Target Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------|--------------------------------|---|
| U.S. large cap equity | 38.0%                          | 3.8%  |
| U.S. small cap equity | 6.0%                           | 4.9%  |
| U.S. fixed income     | 32.0%                          | 1.4%  |
| Non-U.S. equity       | <u>24.0%</u>                   | 9.2%  |
|                       | <b><u>100.0%</u></b>           |   |

See Independent Auditors' Report.



OKLAHOMA STATE SENATE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(6) **PENSION PLAN, CONTINUED**

**Discount Rate**

The discount rate used to measure the total pension liability was 6.50% and 7.00%, net of investment expenses in 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, OPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

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

The following presents the net pension liability (asset) as of June 30, 2021 and 2020, of the Senate calculated using the discount rate of 6.50% in 2021 and 7.00% in 2020, as well as what the Senate's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate as of June 30:

|                               | 1% Decrease<br>(5.50%) | Current Discount<br>Rate (6.50%) | 1% Increase<br>(7.50%) |
|-------------------------------|------------------------|----------------------------------|------------------------|
| <u>2021</u>                   |                        |                                  |                        |
| Net pension liability (asset) | \$ 8,654,495           | 3,676,375                        | (530,075)              |
|                               |                        |                                  |                        |
|                               | 1% Decrease<br>(6.00%) | Current Discount<br>Rate (7.00%) | 1% Increase<br>(8.00%) |
| <u>2020</u>                   |                        |                                  |                        |
| Net pension liability (asset) | \$ 5,143,257           | 568,846                          | (3,309,380)            |

**Pension Plan Fiduciary Net Position**

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

See Independent Auditors' Report.

(7) **OTHER POSTEMPLOYMENT BENEFITS**

*HEALTH INSURANCE SUBSIDY PLAN OPEB*

**Description**

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

**Benefits Provided**

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

**Contributions**

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

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to the Internal Revenue Service (IRS) limitations on compensation. Only employers contribute to the HISP. For 2021 and 2020, state agency employers contributed 16.5% on all salary.

Contributions to OPERS for the HISP by the Senate were approximately \$79,000, \$80,000, and \$83,000 for the years ended June 30, 2021, 2020, and 2019, respectively.

OKLAHOMA STATE SENATE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

*HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED*

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

At June 30, 2021 and 2020, the Senate reported an asset for its proportionate share of the net OPEB asset of \$193,193 and \$166,034, respectively. The June 30, 2021, net OPEB asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of July 1, 2020. The June 30, 2020, net OPEB asset was measured as of June 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of July 1, 2019. The Senate's proportion of the net OPEB asset at June 30, 2021 and 2020, was based on the Senate's contributions received by OPERS relative to the total contributions received by OPERS for all participating employers as of June 30, 2020 and 2019, respectively. Based upon this information, the Senate's proportion for June 30, 2021 and 2020, was 0.41207428% and 0.42709983%, respectively.

For the years ended June 30, 2021 and 2020, the Senate recognized OPEB benefit related to the HISP of \$90,020 and \$86,618, respectively. At June 30, 2021 and 2020, the Senate reported deferred outflows of resources and deferred inflows of resources related to the HISP from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| <u>2021</u>  |   |  |
| Differences between expected and actual experience                       | \$ -                                      | 163,572                                  |
| Changes in assumptions   | 68,170                                    | -  |
| Net difference between projected and actual earnings on OPEB investments | 29,414                                    | -  |
| Changes in proportion  | -   | 2,050                                    |
| The Senate contributions subsequent to the measurement date              | <u>78,841</u>                             | <u>-</u>                                 |
|  | <u>\$ 176,425</u>                         | <u>165,622</u>                           |

See Independent Auditors' Report.

OKLAHOMA STATE SENATE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(7) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

*HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED*

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

| <u>2020</u>  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience                       | \$ -                                      | 134,918                                  |
| Changes in assumptions   | 24,950                                    | -  |
| Net difference between projected and actual earnings on OPEB investments | -   | 17,938                                   |
| Changes in proportion  | -   | 4,612                                    |
| The Senate contributions subsequent to the measurement date              | <u>80,460</u>                             | <u>-</u>                                 |
|  | <u>\$ 105,410</u>                         | <u>157,468</u>                           |

Reported deferred outflows of resources of \$78,841 at June 30, 2021, related to OPEB resulting from the Senate's contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2022. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2021, will be recognized in OPEB expense or benefit as follows:

| Years Ending June 30: |                    |
|-----------------------|--------------------|
| 2022                  | \$ (10,833)        |
| 2023                  | (10,833)           |
| 2024                  | (10,833)           |
| 2025                  | (10,833)           |
| 2026                  | (10,833)           |
| Thereafter            | <u>(13,873)</u>    |
|                       | <u>\$ (68,038)</u> |

See Independent Auditors' Report.

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

***HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED***

**Actuarial Methods and Assumptions**

The total OPEB liability as of June 30, 2021 and 2020, was determined on an actuarial valuation prepared as of July 1, 2020 and 2019, using the following actuarial assumptions:

|  |  |
|--|--|
| Investment return:   | 6.50% for 2020 and 7.00% for 2019, compounded annually, net of investment expense and including inflation  |
| Salary increases:  | 3.50% to 9.25% for 2020 and 3.50% to 9.50% for 2019  |
| Mortality rates:   | For 2020 calculations—In 2020, Pub-2010 Below Media, General Membership Active/Retiree Healthy, Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are set back 1 year, and female rates are set forward 1 year.<br><br>For 2019 calculations—Active participants and nondisabled pensioners: RP-2014 Mortality Table projected to 20254 by Scale MP02-16 (disabled pensioners set forward 12 years). |
| Annual post-retirement benefit increases:                    | None   |
| Assumed inflation rate:                                      | 2.50% for 2020 and 2.75% for 2019  |
| Payroll growth:  | 3.25% for 2020 and 3.50% for 2019  |
| Actuarial cost method:                                       | Entry age  |
| Select period for the termination of employment assumptions: | 10 years   |
| Healthcare trend rate  | Not applicable based on how OPERS is structured and benefit payments are made.   |

The actuarial assumptions used in the July 1, 2020, valuation are based on the results of an actuarial experience study which covered the 3-year period ending June 30, 2019, with the experience study report dated May 13, 2020. The actuarial assumptions used in the July 1, 2019, valuation are based on the results of an actuarial experience study which covered the 3-year period ending June 30, 2016, with the experience study report dated April 13, 2017.

See Independent Auditors' Report.

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

***HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED***

**Actuarial Methods and Assumptions, Continued**

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

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2021, are summarized in the following table:

| <u>Asset Class</u>     | <u>Target Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|--------------------------------|---|
| U.S. large cap equity  | 34.0%                          | 4.7%  |
| U.S. small cap equity  | 6.0%                           | 5.8%  |
| Int's developed equity | 23.0%                          | 6.5%  |
| Emerging market equity | 5.0%                           | 8.5%  |
| Core fixed income      | 25.0%                          | 0.5%  |
| Long-term treasuries   | 3.5%                           | 0.0%  |
| U.S. TIPS              | <u>3.5%</u>                    | 0.3%  |
|                        | <b><u>100.0%</u></b>           |   |

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

| <u>Asset Class</u>    | <u>Target Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------|--------------------------------|---|
| U.S. large cap equity | 38.0%                          | 3.8%  |
| U.S. small cap equity | 6.0%                           | 4.9%  |
| U.S. fixed income     | 32.0%                          | 1.4%  |
| Non-U.S. equity       | <u>24.0%</u>                   | 9.2%  |
|                       | <b><u>100.0%</u></b>           |   |

See Independent Auditors' Report.

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

*HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED*

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.50% for 2020 and 7.00% for 2019. The projection of cash flows used to determine the discount rate assumed that contributions from the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, OPERS’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determined does not use a municipal bond rate.

**Sensitivity of the Net OPEB (Asset) Liability to Changes in the Discount Rate**

The following presents the net OPEB (asset) liability of the Senate calculated using the discount rate of 6.50% for 2021 and 7.00% for 2020, as well as what the Senate’s net OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate as of June 30:

|                | 1% Decrease<br>(5.50%) | Current Discount<br>Rate (6.50%) | 1% Increase<br>(7.50%) |
|----------------|------------------------|----------------------------------|------------------------|
| <u>2021</u>    |                        |                                  |                        |
| Net OPEB asset | \$ (49,186)            | (193,193)                        | (316,609)              |
|                |                        |                                  |                        |
|                | 1% Decrease<br>(6.00%) | Current Discount<br>Rate (7.00%) | 1% Increase<br>(8.00%) |
| <u>2020</u>    |                        |                                  |                        |
| Net OPEB asset | \$ (26,226)            | (166,034)                        | (286,291)              |

**OPEB Plan Fiduciary Net Position**

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

See Independent Auditors’ Report.

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

***IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN  
OPEB LIABILITY***

**Description**

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

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

The IRSHIP provides members with postretirement medical benefits until age 65 if the retiree and spouse pay the full active premium. Participation in the health insurance plan can elect to enroll in special coverage, and surviving spouses may continue in the plan until age 65. Contributions to the health insurance plan are made by both participants and the Senate on a "pay as you go" basis. The Senate contributions for the years ended June 30, 2021 and 2020, were approximately \$29,000 and \$30,000, respectively.

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

At June 30, 2021 and 2020, the Senate reported a liability of \$384,645 and \$366,851, respectively, for its proportionate share of the net IRSHIP OPEB liability. The net IRSHIP OPEB liability was measured as of July 1, 2020 and 2019, and the total IRSHIP OPEB liability used to calculate the net IRSHIP OPEB liability was determined by an actuarial valuation as of June 30, 2020 and 2019. The Senate's proportion of the net IRSHIP OPEB liability was based on the Senate's active employees to all active employees of the state agencies included in the State's calculations as of July 1, 2020 and 2019. Based upon this information, the Senate's proportion was 0.2706989% and 0.27749680% at June 30, 2021 and 2020, respectively.

See Independent Auditors' Report.



OKLAHOMA STATE SENATE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

***IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN  
OPEB LIABILITY, CONTINUED***

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

For the years ended June 30, 2021 and 2020, the Senate recognized OPEB benefit of \$57,076 and \$29,239, respectively. At June 30, 2021 and 2020, the Senate reported deferred outflows of resources and deferred inflows of resources related to the IRSHIP OPEB liability from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| <u>2021</u>   |   |  |
| Differences between expected and actual experience  |   | 3,409                                    |
| Changes in assumptions  | 26,898                                    | 22,419                                   |
| Changes in proportion and differences between fund contributions and proportionate share of contributions | -   | 6,647                                    |
| The Senate contributions subsequent to the measurement date   | <u>28,566</u>                             | <u>-</u>                                 |
|   | <u>\$ 55,464</u>                          | <u>32,475</u>                            |
| <u>2020</u>   |   |  |
| Differences between expected and actual experience  | \$ -                                      | 3,283                                    |
| Changes in assumptions  | -   | 35,237                                   |
| Changes in proportion and differences between fund contributions and proportionate share of contributions | -   | 43,177                                   |
| The Senate contributions subsequent to the measurement date   | <u>29,816</u>                             | <u>-</u>                                 |
|   | <u>\$ 29,816</u>                          | <u>81,697</u>                            |

See Independent Auditors' Report.

OKLAHOMA STATE SENATE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

***IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN  
OPEB LIABILITY, CONTINUED***

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

Reported deferred outflows of resources of \$55,464 at June 30, 2021, related to OPEB resulting from the Senate’s contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2022. Deferred inflows of resources and deferred outflows of resources related to the IRSHIP OPEB liability as of June 30, 2021, will be recognized in OPEB expense or benefit as follows:

| Years Ending June 30: |                   |
|-----------------------|-------------------|
| 2022                  | \$ (968)          |
| 2023                  | (968)             |
| 2024                  | (968)             |
| 2025                  | <u>(2,673)</u>    |
|                       | <u>\$ (5,577)</u> |

**Actuarial Methods and Assumptions**

The total IRSHIP OPEB liability was determined based on actuarial valuations prepared using a July 1, 2020 and 2019, measurement date using the following actuarial assumptions:

- Investment return—Not applicable, as the health insurance plan is unfunded and benefits are not paid from a qualifying trust
- Mortality rates—Pub-2010 Public Retirement Plans General Mortality Table, weighted by Headcount, projected by MP-2020 for 2020 and MP-2019 for 2019.
- Salary scale, retirement rate, withdrawal rate, and disability rate actuarial assumptions are based on rates for the various retirement systems that the health insurance plan’s participants are in, including—
  - Oklahoma Public Employees Retirement System
  - Oklahoma Law Enforcement Retirement System
  - Teachers’ Retirement System of Oklahoma
  - Uniform Retirement System of Justices & Judges
  - Oklahoma Department of Wildlife Conservation Defined Benefit Pension Plan

See Independent Auditors’ Report.

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

***IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN  
OPEB LIABILITY, CONTINUED***

**Actuarial Methods and Assumptions, Continued**

- Plan participation—40% of retired employees are assumed to participate in the health insurance plan.
- Marital assumptions—Male participants: 25% who elect coverage are assumed to have a spouse who will receive coverage  
Female participants: 15% who elect coverage are assumed to have a spouse who will receive coverage  
Males are assumed to be 3 years older than their spouses.
- Plan entry date is the date of hire.
- Actuarial cost method—Entry age normal based upon salary
- Healthcare trend rate—5.30% decreasing to 5.00% for 2020 and for 2019.

At both July 1, 2020 and 2019, the Senate had 153 participants in the plan, consisting of 153 active participants and no retirees or surviving spouses.

**Discount Rate**

The discount rate used to measure the total IRSHIP OPEB liability was 2.21% and 3.51% for June 30, 2021 and 2020, respectively. The discount rate was determined using the Bond Buyer GO 20-Bond Municipal Bond Index.

OKLAHOMA STATE SENATE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

***IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN  
OPEB LIABILITY, CONTINUED***

**Changes in the Net OPEB Liability**

The following table reports the components of changes in the net IRSHIP OPEB liability as of and for the years ended June 30:

|  | <u>2021</u>       | <u>2020</u>      |
|--|-------------------|------------------|
| Balance at beginning of year                       | \$ 366,851        | 467,535          |
| Changes for the year:                              |                   |                  |
| Service cost                                       | 13,293            | 14,377           |
| Differences between expected and actual experience | (1,516)           | (1,696)          |
| Interest expense                                   | 12,522            | 15,635           |
| Changes in assumptions                             | 22,580            | (96,537)         |
| Benefits paid                                      | <u>(29,085)</u>   | <u>(32,463)</u>  |
| Net changes  | <u>17,794</u>     | <u>(100,684)</u> |
| Balance at end of year                             | <u>\$ 384,645</u> | <u>366,851</u>   |

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

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*—The following presents the net IRSHIP OPEB liability of the Senate calculated using the discount rate of 2.21% for 2021 and 3.51% for 2020, as well as what the Senate’s net IRSHIP OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate as of June 30:

|                           | 1% Decrease<br>( <u>1.21%</u> ) | Current Discount<br>Rate ( <u>2.21%</u> ) | 1% Increase<br>( <u>3.21%</u> ) |
|---------------------------|---------------------------------|---|---------------------------------|
| <u>2021</u>               |                                 |   |                                 |
| Net IRSHIP OPEB liability | \$ <u>410,534</u>               | <u>384,645</u>                            | <u>360,280</u>                  |
|                           | 1% Decrease<br>( <u>2.51%</u> ) | Current Discount<br>Rate ( <u>3.51%</u> ) | 1% Increase<br>( <u>4.51%</u> ) |
| <u>2020</u>               |                                 |   |                                 |
| Net IRSHIP OPEB liability | \$ <u>391,585</u>               | <u>366,851</u>                            | <u>343,758</u>                  |

See Independent Auditors’ Report.

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

***IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN  
OPEB LIABILITY, CONTINUED***

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

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rate*—The following presents the net IRSHIP OPEB liability at June 30, 2021 and 2020, calculated using the healthcare trend rate of 5.30% decreasing to 5.00% for both 2021 and 2020, as well as what the liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate as of June 30:

|                           | 1% Decrease in<br>Healthcare<br>Trend Rate<br>(4.30%<br>decreasing to<br><u>4.00%</u> ) | Current<br>Healthcare Trend<br>Rate (5.30%<br>decreasing to<br><u>5.00%</u> ) | 1% Increase in<br>Healthcare<br>Trend Rate<br>(6.30%<br>decreasing to<br><u>6.00%</u> ) |
|---------------------------|---|---|---|
| <u>2021</u>               |   |   |   |
| Net IRSHIP OPEB liability | \$ <u>346,376</u>   | <u>384,645</u>  | <u>429,670</u>  |
|                           | 1% Decrease in<br>Healthcare<br>Trend Rate<br>(4.30%<br>decreasing to<br><u>4.00%</u> ) | Current<br>Healthcare Trend<br>Rate (5.30%<br>decreasing to<br><u>5.00%</u> ) | 1% Increase in<br>Healthcare<br>Trend Rate<br>(6.30%<br>decreasing to<br><u>6.00%</u> ) |
| <u>2020</u>               |   |   |   |
| Net IRSHIP OPEB liability | \$ <u>335,759</u>   | <u>366,851</u>  | <u>403,044</u>  |

A copy of the actuarial valuations for the IRSHIP OPEB liability can be obtained at the following link: <https://oklahoma.gov/content/dam/ok/en/omes/documents/ActuarialValuationReport2021.pdf>

See Independent Auditors' Report.

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

**Deferred Compensation Plan**

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

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

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

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

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

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

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

(8) **OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN,  
DEFERRED SAVINGS INCENTIVE PLAN, AND  
DEFINED CONTRIBUTION 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 Plan's audited financial statements for the years ended June 30, 2021 and 2020. The Senate believes that it has no liabilities with respect to the Plan.

**Deferred Savings Incentive Plan**

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

Any qualified participant who is an employee of the State who is an active participant in the Savings Incentive Plan is eligible for a contribution of the amount determined by the Oklahoma Legislature, currently the equivalent of \$25 per month. Participation in the Savings Incentive Plan is automatic in the month of participation in the Savings Incentive Plan and is not voluntary.

Upon cessation of contributions to the Savings Incentive 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. The Savings Incentive Plan participants may direct the investment of the contributions in available investment options offered by the Savings Incentive Plan. All interest, dividends, and investment fees are allocated to the participants' accounts.

See Independent Auditors' Report.

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

**Deferred Savings Incentive Plan, Continued**

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

**Defined Contribution Plan**

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

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

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



**OKLAHOMA STATE SENATE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(9) LEGISLATIVE SERVICE BUREAU (LSB)**

LSB was created to serve, in various capacities, the Senate and the Oklahoma House of Representatives. It is responsible for such services as directed by the President Pro Tempore of the Senate and the Speaker of the House. One service in which LSB has been directed to serve the Senate is the payment of certain expenditures. These expenditures are included in the Senate's financial statements. LSB did not incur expenditures paid on behalf of the Senate for the years ended June 30, 2021 or 2020.

During the year ended June 30, 2021, LSB did not contribute funds to the Senate to assist in the Senate's operating expenditures. During the year ended June 30, 2020, LSB made contributions totaling \$5,689,283 to the Senate to assist in the Senate's operating expenditures. These amounts were paid from appropriations of LSB and are reflected as contributions from LSB. At both June 30, 2021 and 2020, LSB had assigned funds for the benefit of the Senate of \$82,198 for the Senate's operating expenditures. These amounts will be funded in future years at the discretion of the President Pro Tempore of the Senate.

**(10) OTHER STATE AGENCY PAYMENTS**

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

|   | <u>2021</u>       | <u>2020</u>    |
|---|-------------------|----------------|
| CompSource Oklahoma   | \$ 522            | 468            |
| Division of Capital Assets Management—<br>Central Printing          | 20,590            | 9,905          |
| Division of Capital Assets Management—<br>Fleet Management Division | 10,206            | 11,010         |
| Division of Capital Assets Management—<br>Risk Management Division  | 32,286            | 34,576         |
| Office of Management and Enterprise Services                        | 31,968            | 28,995         |
| Oklahoma Bar Association  | 2,537             | 2,913          |
| Oklahoma Department of Libraries                                    | 2,694             | 3,294          |
| Oklahoma Public Employees Retirement System                         | 44,105            | 35,377         |
| Oklahoma State Bureau of Investigation                              | 57                | 57             |
| Oklahoma State Election Board                                       | 47,589            | 47,589         |
|   | <u>\$ 192,554</u> | <u>174,184</u> |

See Independent Auditors' Report.

**OKLAHOMA STATE SENATE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(11) OPERATING LEASE COMMITMENTS**

The Senate has various operating leases for equipment and office space. The lease for the office space expires on June 30, 2021. The future minimum rental commitments for the operating leases as of June 30, 2021, are as follows:

|      |    |               |
|------|----|---------------|
| 2022 | \$ | 63,451        |
| 2023 |    | 3,591         |
| 2024 |    | 3,591         |
| 2025 |    | <u>1,496</u>  |
|      | \$ | <u>72,129</u> |

The rental expense was approximately \$72,000 and \$67,000 for the years ended June 30, 2021 and 2020, respectively.

**(12) RISK MANAGEMENT**

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

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

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

See Independent Auditors’ Report.

(13) **COMMITMENTS AND CONTINGENCIES**

**Legal**

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

**COVID-19**

The novel coronavirus (“COVID-19”), which was declared a global health emergency in January 2020 and a pandemic in March 2020, has caused significant changes in political and economic conditions around the world, including disruptions and volatility in the global capital markets. In response, the State of Oklahoma and local municipalities, including the City of Oklahoma City, Oklahoma, have taken various preventative or protective actions, such as imposing restrictions on business operations and advising or requiring individuals to limit or forgo their time outside of their homes. These issues impacted the operations of the Senate during the years ended June 30, 2021 and 2020, including instituting remote work requirements for some employees. The Senate’s leadership has considered the economic implications of the COVID-19 pandemic in making critical and significant accounting estimates included in the June 30, 2021 and 2020, financial statements.

The extent to which the COVID-19 pandemic may impact the Senate will depend on future developments which are uncertain, such as the duration of the outbreak, additional governmental mandates issued to mitigate the spread of the disease, business closures, economic disruptions, and the effectiveness of actions taken to contain and treat the virus. Accordingly, the COVID-19 pandemic may have a negative impact on the Senate’s future operations, the size and duration of which is difficult to predict. The Senate’s leadership will continue to actively monitor the situation and may take further actions altering operations that the Senate’s leadership determines are in the best interests of the Senate’s staff or as required by federal, state, or local authorities.

(14) **CARES ACT GRANT**

During 2021 and 2020, due to the ongoing global COVID-19 pandemic, the State of Oklahoma received federal coronavirus relief funding to help state agencies recover costs incurred to make improvements to their offices or equipment to counteract the pandemic. The Senate incurred approximately \$107,000 and \$73,000, respectively, in qualified expenses for the years ended June 30, 2021 and 2020, and has received total reimbursements for the qualified expenses of approximately \$108,000 from the Oklahoma Office of Management and Enterprise Services through June 30, 2021.

See Independent Auditors’ Report.

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

**OKLAHOMA STATE SENATE**

**SCHEDULE OF THE SENATE'S PROPORTIONATE SHARE OF  
NET PENSION LIABILITY**

**Oklahoma Public Employees Retirement System—Pension Plan**

**Last 7 Fiscal Years\***

|  | <u>2021</u>  | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| The Senate's proportion of the net pension liability   | 0.4121%      | 0.4271%     | 0.4482%     | 0.4607%     | 0.4508%     | 0.4452%     | 0.4561%     |
| The Senate's proportionate share of the net pension liability  | \$ 3,676,375 | 568,846     | 874,182     | 2,490,620   | 4,473,357   | 1,601,164   | 837,327     |
| The Senate's covered payroll   | 8,139,900    | 8,002,651   | 8,177,049   | 8,036,364   | 8,090,909   | 7,866,667   | 7,733,333   |
| The Senate's proportionate share of the net pension liability as a percentage of its covered payroll | 45.16%       | 7.11%       | 10.69%      | 30.99%      | 55.29%      | 20.35%      | 10.83%      |
| OPERS' fiduciary net position as a percentage of the total pension liability                         | 91.59%       | 98.63%      | 97.96%      | 94.28%      | 89.48%      | 96.00%      | 97.90%      |

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

Only the last 7 fiscal years are presented because 10-year data is not readily available.

See Independent Auditors' Report.

**OKLAHOMA STATE SENATE**

**SCHEDULE OF THE SENATE'S CONTRIBUTIONS  
Oklahoma Public Employees Retirement System—Pension Plan**

**Last 10 Fiscal Years**

|   | <u>2021</u>      | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      | <u>2012</u>      |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution                                   | \$ 1,124,000     | 1,130,000        | 1,122,000        | 1,247,000        | 1,326,000        | 1,335,000        | 1,298,000        | 1,276,000        | 1,260,000        | 1,204,000        |
| Contributions in relation to the contractually required contributions | <u>1,124,000</u> | <u>1,130,000</u> | <u>1,122,000</u> | <u>1,247,000</u> | <u>1,326,000</u> | <u>1,335,000</u> | <u>1,298,000</u> | <u>1,276,000</u> | <u>1,260,000</u> | <u>1,204,000</u> |
| Contribution deficiency (excess)                                      | \$ <u>-</u>      | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         |
| The Senate's covered payroll  | \$ 8,509,075     | 8,139,900        | 8,002,651        | 8,177,049        | 8,036,364        | 8,090,909        | 7,866,667        | 7,733,333        | 7,636,364        | 7,296,970        |
| Contributions as a percentage of covered payroll                      | 13.21%           | 13.88%*          | 14.02%*          | 15.25%*          | 16.50%           | 16.50%           | 16.50%           | 16.50%           | 16.50%           | 16.50%           |

\*The fund implemented GASB 75 for OPEB effective July 1, 2017; therefore, this amount represents the net percentage for the GASB 68 contribution to OPERS. When combined with the health insurance subsidy plan percentage for OPEB contributions to OPERS, the total amount contributed to OPERS is approximately 16.50%.

See Independent Auditors' Report.

**OKLAHOMA STATE SENATE**

**SCHEDULE OF THE SENATE'S PROPORTIONATE SHARE OF  
THE NET OPEB (ASSET) LIABILITY  
Oklahoma Public Employees Retirement System—Health Insurance Subsidy Plan**

**Last 4 Fiscal Years\***

|   | <u>2021</u>  | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|--------------|-------------|-------------|-------------|
| The Senate's proportion of the net OPEB (asset) liability   | 0.4121%      | 0.4271%     | 0.4482%     | 0.4607%     |
| The Senate's proportionate share of the net OPEB (asset) liability  | \$ (193,193) | (166,034)   | (58,001)    | 52,764      |
| The Senate's covered payroll  | 8,139,900    | 8,002,651   | 8,177,049   | 8,036,364   |
| The Senate's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll | (2.37)%      | (2.07)%     | (0.71)%     | 0.66%       |
| OPERS' fiduciary net position as a percentage of the total OPEB (asset) liability                         | 114.27%      | 112.11%     | 103.94%     | 96.50%      |

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

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

See Independent Auditors' Report.

**OKLAHOMA STATE SENATE**

**SCHEDULE OF THE SENATE'S CONTRIBUTIONS**

**Oklahoma Public Employees Retirement System—Health Insurance Subsidy Plan**

**Last 4 Fiscal Years**

|  | <u>2021</u>   | <u>2020</u>   | <u>2019</u>   | <u>2018</u>   |
|--|---------------|---------------|---------------|---------------|
| Contractually required contributions                                     | \$ 78,841     | 80,460        | 82,876        | 76,773        |
| Contributions in relation to the<br>contractually required contributions | <u>78,841</u> | <u>80,460</u> | <u>82,876</u> | <u>76,773</u> |
| Contribution deficiency (excess)   | <u>\$ -</u>   | <u>-</u>      | <u>-</u>      | <u>-</u>      |
| The Senate's covered payroll   | \$ 8,509,075  | 8,139,900     | 8,002,651     | 8,177,049     |
| Contributions as a percentage of<br>covered payroll                      | 0.93%         | 0.99%         | 1.04%         | 0.94%         |

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

See Independent Auditors' Report.



**OKLAHOMA STATE SENATE**

**SCHEDULE OF THE SENATE'S CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**

**Implicit Rate Subsidy of Health Insurance Plan OPEB Liability**

**Last 4 Fiscal Years**

|   | <u>2021</u>       | <u>2020</u>      | <u>2019</u>     | <u>2018</u>     |
|---|-------------------|------------------|-----------------|-----------------|
| Net IRSHIP OPEB liability—beginning                                   | \$ 366,851        | 467,535          | 476,735         | 507,854         |
| Changes for the year:   |                   |                  |                 |                 |
| Service cost  | 13,293            | 14,377           | 16,596          | 19,005          |
| Difference in expected and actual experience                          | (1,516)           | (1,696)          | -               | -               |
| Interest expense  | 12,522            | 15,635           | 16,970          | 14,438          |
| Changes in assumptions  | 22,580            | (96,537)         | (7,562)         | (23,770)        |
| Benefits paid   | <u>(29,085)</u>   | <u>(32,463)</u>  | <u>(35,204)</u> | <u>(40,792)</u> |
| Net change in net IRSHIP OPEB liability                               | <u>17,794</u>     | <u>(100,684)</u> | <u>(9,200)</u>  | <u>(31,119)</u> |
| Net IRSHIP OPEB liability—ending                                      | <u>\$ 384,645</u> | <u>366,851</u>   | <u>467,535</u>  | <u>476,735</u>  |
| Covered-employee payroll  | \$ 8,139,900      | 8,002,651        | 8,177,049       | 8,036,364       |
| Net IRSHIP OPEB liability as a percentage of covered-employee payroll | 4.73%             | 4.58%            | 5.72%           | 5.93%           |

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

The discount rate used for 2021 was 2.21%.

The discount rate used for 2020 was 3.51%.

The discount rate used for 2019 was 3.87%.

The discount rate used for 2018 was 3.58%.

See Independent Auditors' Report.



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

The Honorable Greg Treat  
President Pro Tempore  
Oklahoma State Senate

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Oklahoma State Senate (the "Senate"), a component of the General Fund of the State of Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Senate's basic financial statements, and have issued our report thereon dated June 1, 2022. We issued a modified report qualifying our opinion on the donated artwork, as the fair value of the donated artwork could not be determined. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information, an explanatory paragraph stating that the financial statements of the Senate are intended to present the financial position and changes in financial position of only that portion of the governmental activities and the General Fund of the State of Oklahoma attributable to the transactions of the Senate, and an explanatory paragraph stating that the Senate is not required by statute to prepare a line-item budget.

**Internal Control Over Financial Reporting**

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

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

(Continued)

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

**Internal Control Over Financial Reporting, Continued**

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

**Compliance and Other Matters**

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

**Purpose of This Report**

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

*Finley + Cook, PLLC*

Shawnee, Oklahoma  
June 1, 2022