



# Oklahoma

**2011**

**Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2011**

## Oklahoma State Capitol Dome

The state wildflower, the Gaillardia, is the central theme for the colors of the dome's interior. The Indian Blanket, its common name, appears draped over the interior dome with a deep red brown center, sunset red petal tones in the encircling coffers, and finally yellow tips which are depicted by the gold leafed recessed panels. The Gaillardia sits on a field of green representing the stems of the flowers set in Oklahoma prairie landscapes. A lower drum of blue symbolizing the vibrant Oklahoma sky is accented with bands of gold punctuated by darker reds, blues, and greens- depicting Indian beadery.

Photograph provided by the Oklahoma Legislative Service Bureau

# **OKLAHOMA**

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**Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2011**

Mary Fallin  
Governor

Prepared by

Office of State Finance

Preston L. Doerflinger, Director  
Brenda Bolander, State Comptroller

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Requests for additional copies, comments or questions may be directed to Susan Perry, Office of State Finance, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105.

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**Introductory Section**



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## Introductory Section



STATE OF OKLAHOMA  
OFFICE OF STATE FINANCE

December 30, 2011

To the Honorable Mary Fallin, Governor  
Members of the Legislature, and  
Citizens of the State of Oklahoma

The Office of State Finance is pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the fiscal year ended June 30, 2011. This report, presented in three sections - Introductory, Financial, and Statistical, is the primary means of reporting the State government's financial activities. Its objectives are to provide a clear picture of the government as a single, unified entity and to provide traditional fund based financial statements. The CAFR has been prepared in conformity with relevant Governmental Accounting Standards Board (GASB) statements.

The Introductory Section contains an overview of the State's economic performance, a review of current initiatives, and summary financial data. The Financial Section contains Management's Discussion and Analysis; Government Wide Financial Statements; and Fund Financial Statements for Governmental Funds, Proprietary Funds, Fiduciary Funds and Similar Component Units, and Major Component Units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information, and Other Supplementary Information. The Statistical Section contains selected financial and demographic information. Management's Discussion and Analysis contains complementary information and readers are encouraged to review this section.

## PROFILE OF THE GOVERNMENT

Management of the State, through the Office of State Finance (OSF), is responsible for the accuracy, fairness, and completeness of the financial statements presented in this report. The statements have been prepared in accordance with generally accepted accounting principles (GAAP). To the best of our knowledge and belief, the information presented is accurate in all material respects and includes all disclosures necessary for an understanding of the State's financial position and activities. The Governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority, college, and university whose data are presented in this report. The financial reporting entity, the State of Oklahoma, includes these funds, organizations, agencies, boards, commissions, and authorities. In accordance with Governmental Accounting Standards Board Statement 14, the State financial reporting entity includes twenty-three component units. There are eight major component units, nine non-major component units, and six fiduciary component units. The major and non-major component units are discretely presented in the financial statements. The fiduciary component units are presented in the fiduciary fund and similar component units' financial statements, along with the other fiduciary activities of the state. The fiduciary activities are not included in the government-wide financial statements because the resources of these funds are not available to support the State's own programs.

State finances are governed by rules designed to ensure sound, conservative management. The legislature cannot appropriate more than 95% of the general revenue expected to be collected in the coming year. The State Board of Equalization, an independent board not subject to legislative control, establishes the legislative appropriation authority. Unlike many states that use seasonal borrowing to meet cash demands, Oklahoma maintains a cash flow reserve sufficient to meet fluctuating cash needs. General obligation indebtedness is prohibited without a vote of the people. When revenue

receipts are less than estimated, the Director of Finance is mandated by the Oklahoma Constitution to declare a revenue shortfall and reduce appropriations as required to allow appropriations to be covered by current year tax collections.

The State's financial statements have been audited by the Office of the State Auditor and Inspector. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2011 are free of material misstatement. The audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion and that the State of Oklahoma's financial statements for the fiscal year ended June 30, 2011 are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

### **Internal Controls**

Management of the State of Oklahoma is responsible for the establishment and maintenance of internal accounting controls that have been designed to ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. Such internal controls require estimates and judgments from management so that, in attaining reasonable assurance as to the adequacy of such controls, the cost does not exceed the benefit obtained.

### **Budget and Fiscal Policy**

The budget process begins when each agency, other than the legislature, that expends money through the state treasury submits an annual budget request to the OSF. Copies are also provided to the legislative fiscal staffs. These requests are reviewed and analyzed for the Governor by the OSF. The Governor then makes formal recommendations in the "Executive Budget" which is presented to the Legislature on the first day of the legislative session. During the legislative session, legislative committees review agency needs and recommend appropriation levels. Then the Legislature must approve all appropriation bills to fund agency operations for the next fiscal year. Appropriation bills provide for state appropriated funds and establish spending limits for state agencies. The Governor can accept, reject or line-item veto particular legislative appropriations. Prior to encumbering or spending money in the fiscal year, each agency must submit a Budget Work Program to the OSF. The program outlines, by object of expenditure, fund source, and program category, how the agency plans to spend the available state, federal and revolving funds during the fiscal year. The OSF must approve an agency's budget work program before agencies can encumber or spend available funds.

Oklahoma's Constitution restricts total appropriations to 95% of estimated general revenues. The Board of Equalization is responsible for approving the official itemized estimate of revenues based upon information provided by the OSF and the Oklahoma Tax Commission and sets the amount of legislative appropriations authority. The Board is comprised of six elected officials and the President of the State Board of Agriculture. The six elected officials are the Governor, the State Auditor and Inspector, the State Treasurer, the Lieutenant Governor, the Attorney General, and the Superintendent of Public Instruction.

The Constitution requires that collections in excess of the Board of Equalization's itemized estimate of General Revenue Fund revenues be deposited to the Stabilization or "Rainy Day Fund" each year until the balance of the Rainy Day Fund equals 15% of the prior fiscal year's General Revenue Fund certified appropriations authority. In November of 2004, the voters of Oklahoma enacted new restrictions on the use of the Rainy Day Fund. Up to one-fourth of the July 1 balance each year may be appropriated upon an emergency declaration by the Governor with concurrence of two-thirds of the House and Senate, or by a declaration of an emergency by the Speaker of the House and President-Pro Tempore of the Senate with concurrence of three-fourths of the members of each house. Up to three-eighths of the fund may be accessed if the Board of Equalization is forecasting a decline in state revenues for the coming fiscal year and up to three-eighths may be utilized in the event of a current year revenue shortfall.

The State also has an oversight process for the issuance of debt. The Council on Bond Oversight is responsible for the review and approval of all debt issued by the State, its agencies and public trusts, and performs an assessment of all capital leases.

### **Proprietary Operations**

The State's proprietary operations are comprised of governmental agencies and quasi-governmental agencies providing goods and/or services to the public on a user charge basis. These activities are financed and operated in a manner similar to private business enterprises. They operate with the intent to recover the costs of operations from those directly benefiting from the goods or services. Some of the activities included in the State's proprietary operations are power generating plants, turnpikes, medical services, and insurance and financing services for both public and private entities.

### **Cash Management**

State law requires full collateralization of all State Treasurer bank balances. Generally, the Treasurer promulgates rules that establish the amount of collateral that must be pledged against deposits. However, component units of the State reporting entity may have collateralization policies that differ from those of the State Treasurer. The State Treasurer is required to keep at least 80% of available cash invested. At June 30, 2011, the State Treasurer's monthly investable base was \$3.114 billion.

### **Capital Assets**

These financial statements include the capital assets of the State. A discussion of capital assets accounting is included in the Management Discussion and Analysis that is part of the basic financial statements. More detailed information about capital assets can be found in the notes to the financial statements.

### **Debt Administration**

General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens. The general obligation bonds of the State are rated "Aa3" by Moody's Investors Service, "AA+" by Fitch Investors Service, and, in September 2008, Standard and Poor's Corporation raised their rating to "AA+". Prior to a 1993 general obligation bond program, except for refunding bonds, the State last issued general obligation bonds in 1968. Certain maturities of those bonds were advance refunded in 1977, 2003, and again in 2011. As of June 30, 2011, the outstanding general obligation net debt of the State of Oklahoma was \$176 million. This figure excludes the self-supporting taxable bonds of the Oklahoma Industrial Finance Authority, which are secured by the repayment of loans made to private businesses. State revenues have never been required to support debt service payments on these obligations.

Various agencies, trusts, and authorities issue revenue bonds on behalf of the State of Oklahoma, and these obligations are supported solely by the revenues of the issuing entities. Revenues may include appropriations to the respective entities. More detailed information about long-term obligations can be found in the notes to the financial statements.

### **Risk Management and Insurance**

In general, the State is "self-insured" for health care claims, workers' compensation, tort liability, vehicle liability, and property losses, with some exceptions for participation in health maintenance organizations and for excess coverage items. The property loss excess coverage is limited to a maximum loss of \$1 billion. The Oklahoma State and Education Employees' Group Insurance Board provides group health, life, dental and disability benefits to the State's employees and certain other eligible participants. CompSource provides workers' compensation coverage for both public and private sector employees in Oklahoma.

## ECONOMIC CONDITIONS AND OUTLOOK

Oklahoma is an attractive place to live and work and is getting better. The state enjoys a low tax burden, a low cost of doing business, a highly skilled and productive work force, and is geographically well positioned for businesses seeking to expand their markets.

Oklahoma has vibrant metropolitan areas and its two largest cities, Oklahoma City and Tulsa, have been singled out in national surveys for their economic strength and other qualities. Oklahoma City ranked No. 1 for economic security in one survey.

Over the last two years, Oklahoma has added thousands of manufacturing jobs, helping keep the State's unemployment rate lower than most other states. Oklahoma has some of the lowest utility costs in the nation, providing its manufacturers with a competitive advantage.

Employers in Oklahoma benefit from the Oklahoma Training for Industry Program, developed by the State's CareerTech agency. It is ranked as one of the country's most sophisticated for delivering high quality, customized training. Oklahoma has award-winning schools and a nationally-recognized early childhood development program.

Oklahoma is known for its abundant resources, most notably oil and natural gas. In 2011, Oklahoma made significant progress toward economic recovery from the Great Recession, partly because of a revival in the oil patch.

Agriculture has been a vital part of the Oklahoma economy since statehood. Oklahoma is a leading producer of agricultural products, ranking in the top ten in production of wheat, cattle and hogs, peanuts, grain sorghum, pecans and rye.

Oklahoma's citizens enjoy many recreational opportunities in a state that has the most diverse terrain in the country including everything from pine-topped mountains to cypress swamps. Oklahoma has more miles of shoreline than any other state, boasting 200 lakes and rivers. Oklahoma City and Tulsa have established themselves as major entertainment centers.

Some highlights of Oklahoma's economy over the past two years are:

- During much of 2011, Oklahoma had a lower unemployment rate than any of its bordering states. On November 22, the U.S. Bureau of Labor Statistics reported that Oklahoma had a 3.1% increase in non-farm employment over the year, the second highest in the country.
- Oklahoma's economic progress led to improvement in state revenues in 2011 and the replenishing of the State's depleted Rainy Day Fund with a \$249 million deposit.
- The State also acted to shore up its pension systems through legislation doing away with automatic cost-of-living increases for retirees and increasing the retirement age. It is estimated those changes and other reforms will reduce the unfunded liability of the systems by \$6 billion over time. More pension reform is expected in 2012.
- In December, 2011, Oklahoma City was ranked No. 1 and Tulsa No. 4 for economic performance among 100 cities in the Urban Institute's MetroTrends survey. Oklahoma City also was ranked No. 6 among 102 cities by [www.marketwatch](http://www.marketwatch) for having the best business conditions.
- In September, 2011, the Brookings Institute said Oklahoma City was one of only 15 large metropolitan areas that had job growth for the four quarters ending in June of that year. Tulsa and Oklahoma City were among only six cities that added manufacturing jobs during that same period.
- The Kauffman Foundation ranked Oklahoma, along with Montana, as the No. 1 state in the nation for entrepreneurship.
- In 2011, the Business Journals ranked Oklahoma City second and Tulsa sixth among the nation's largest metropolitan areas for offering the best climate for small businesses.

- The Fiscal Times ranked Tulsa as the fourth best city for finding a job among the nation's 100 largest metropolitan areas.
- In September, 2011, the final steel beam was laid on the 50-story, 850-foot tower being built by the Devon Energy Corp. in downtown Oklahoma City. Devon plans to begin moving the first of its 1,200 employees into the state's largest skyscraper in 2012.
- *Business Week* magazine ranked Tulsa as the 7<sup>th</sup> strongest metro economy in 2010.
- *Forbes* named the Tulsa area No. 2 in the midsize category for being among the "Best Cities for Job Growth" and No. 47 out of 200 large metro areas for "Best Places for Business and Careers." Tulsa also ranked No. 5 on a list of "America's Most Livable Cities."
- Portfolio.com ranked Oklahoma City 7<sup>th</sup> among the country's cities for enjoying the highest personal income growth. It ranked Oklahoma City and Tulsa, 6<sup>th</sup> and 8<sup>th</sup> respectively, as best markets nationally for young workers.
- In November, 2010, the voters of Oklahoma passed State Question 757 that increased the amount of surplus revenue which can go into the "Rainy Day Fund" from 10% of certified funds to 15%. The change will assist the state in future financial crises.
- In June, 2010, the Oklahoma Water Resources Board finished paying on a debt to the U.S. Army Corps of Engineers for their work in building Sardis Lake in the 1970's. The settlement relieved the state of a \$27 million liability.

Highlights of the fiscal year 2011 and fiscal year 2012 executive branch budgets include (expressed in millions):

	Amount		Percentage		Increase		Percentage	
	Appropriated		of Total		(Decrease) from		Increase	
	2011	2012	2011	2012	2011	2012	2011	2012
Department of Education	\$ 2,236	\$ 2,278	37%	36%	\$ 4	\$ 42	0%	2%
Regents for Higher Education	944	945	15%	15%	1	1	0%	0%
Career & Technical Education	142	134	2%	2%	(4)	(8)	(3%)	(6%)
Other Education	27	27	0%	0%	11	0	69%	0%
Total Education	<u>3,349</u>	<u>3,384</u>	<u>54%</u>	<u>53%</u>	<u>12</u>	<u>35</u>	<u>0%</u>	<u>1%</u>
Department of Health	62	59	1%	1%	(6)	(3)	(9%)	(5%)
Health Care Authority	700	912	11%	14%	151	212	28%	30%
Department of Mental Health	184	183	3%	3%	(1)	(1)	(1%)	(1%)
Other Health	14	38	0%	1%	(17)	24	(55%)	171%
Total Health	<u>960</u>	<u>1,192</u>	<u>15%</u>	<u>19%</u>	<u>127</u>	<u>232</u>	<u>15%</u>	<u>24%</u>
Department of Human Services	500	515	8%	8%	79	15	19%	3%
Office of Juvenile Affairs	98	96	2%	1%	(5)	(2)	(5%)	(2%)
Other Human Services	55	78	1%	1%	15	23	38%	42%
Total Human Services	<u>653</u>	<u>689</u>	<u>11%</u>	<u>10%</u>	<u>89</u>	<u>36</u>	<u>16%</u>	<u>6%</u>
Department of Corrections	462	460	8%	7%	(7)	(2)	(1%)	(0%)
Department of Transportation	115	107	2%	2%	(78)	(8)	(40%)	(7%)
Department of Public Safety	88	85	1%	1%	-	(3)	0%	(3%)
Other	526	493	9%	8%	(54)	(33)	(9%)	(6%)
Total	<u>\$ 6,153</u>	<u>\$ 6,410</u>	<u>100%</u>	<u>100%</u>	<u>\$ 89</u>	<u>\$ 257</u>	<u>1%</u>	<u>4%</u>

## FINANCIAL INFORMATION

### Governmental Functions

Most financial operations of the State are reported in governmental fund types, which are the General Fund and the Permanent Funds. Following are schedules of revenues and expenditures for these governmental funds. Note that the following tables present data according to generally accepted accounting principles for the fiscal year ended June 30, 2011, while previous tables have presented budgetary data for this and later periods. Transfers are primarily from the General Fund to support public institutions of higher education.

#### General Governmental Functions

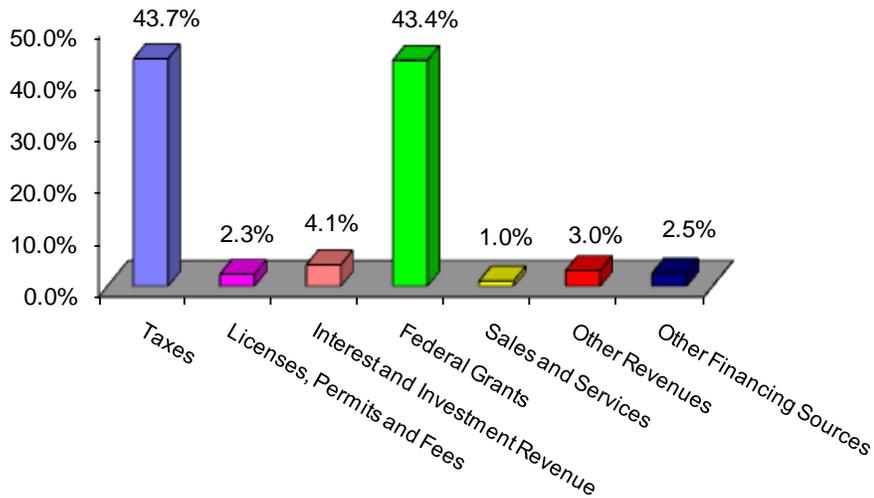
Governmental Funds: Revenues and Other Financing Sources - GAAP Basis  
(expressed in millions)

	2011 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	\$ 7,533	43.7%	\$ 1,016	15.6%
Licenses, permits and fees	403	2.3%	47	13.2%
Interest and investment revenue	699	4.1%	222	46.5%
Federal grants	7,499	43.4%	43	0.6%
Sales and services	167	1.0%	(18)	(9.7%)
Other revenues	522	3.0%	(258)	(33.1%)
Other financing sources:				
Operating transfers	72	0.4%	(12)	(14.3%)
Bond and note proceeds	313	1.8%	165	111.5%
Other	48	0.3%	27	128.6%
Total revenues and other financing sources	<u>\$ 17,256</u>	<u>100.00%</u>	<u>\$ 1,232</u>	7.7%

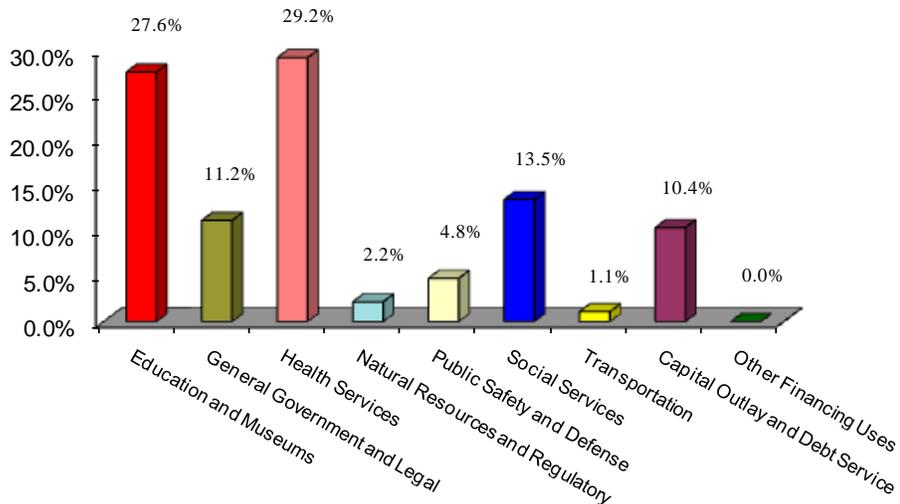
Governmental Funds: Expenditures and Other Financing Uses - GAAP Basis  
(expressed in millions)

	2011 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	\$ 4,572	27.5%	\$ (77)	(1.7%)
General government	1,634	9.8%	73	4.7%
Health services	4,852	29.2%	115	2.4%
Legal and judiciary	232	1.4%	(16)	(6.5%)
Museums	14	0.1%	(1)	(6.7%)
Natural resources	250	1.5%	(30)	(10.7%)
Public safety and defense	799	4.8%	44	5.8%
Regulatory services	115	0.7%	(3)	(2.5%)
Social services	2,252	13.5%	(7)	(0.3%)
Transportation	183	1.1%	5	2.8%
Capital outlay	1,551	9.3%	(75)	(4.6%)
Debt service	190	1.1%	8	4.4%
Other Financing Uses:				
Operating transfers	2	0.0%	(12)	(85.7%)
Total expenditures and other financing uses	<u>\$ 16,646</u>	<u>100.0%</u>	<u>\$ 24</u>	0.1%
Governmental Funds - Net increase in fund balance	<u>\$ 610</u>			

### Governmental Fund Revenues and Other Financing Sources (GAAP Basis) – Fiscal Year 2011



### Governmental Funds Expenditures and Other Financing Uses (GAAP Basis) – Fiscal Year 2011



#### Revenue Collections and Estimates

As noted in a preceding subsection, the budget is prepared using cash available plus 95% of the itemized revenue estimate as approved by the State Board of Equalization. It should be noted that taxes deposited into the budgetary General Revenue Fund (GRF), as defined by Oklahoma law, are approximately 75% of the total tax revenues of the governmental

funds, as defined by generally accepted accounting principles. However, the budgetary GRF should not be confused with the General Fund as presented in the accompanying GAAP-basis financial statements, as the two terms are not interchangeable. For example, the GAAP-basis General Fund includes revenues deposited to the State Transportation Fund, federal grant proceeds, revolving fund revenues, fees and charges as well as other money used in the general operations of government which are not considered in the Board of Equalization's estimates of tax revenues.

Receipts from the four major taxes (income tax, sales tax, gross production tax and motor vehicle tax) were more than revenues of the prior year. The taxes combined for \$4.4 billion, or 107% of total GRF receipts. The total of major taxes collected increased \$475 million or 12.1% from that of last year. As compared to fiscal year 2010, collections from income taxes increased by \$227 million, or 12.4%; sales taxes increased by \$153 million, or 10.1%; motor vehicle taxes increased \$51 million, or 34.8%; and gross production taxes on gas and oil increased by \$44 million, or 9.9%.

Oklahoma has established an enviable record in recent years for its revenue forecasting results. Since enactment of a constitutional amendment in 1985 establishing new revenue estimating procedures, collections have exceeded the estimate in fifteen years and dipped below the estimate eleven years. The comparison of estimated revenues to actual collections for fiscal year 2011 is as follows:

Revenue Collections Compared to Itemized Estimate for Fiscal 2011  
(expressed in millions)

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
Individual and Corporate				
Income tax	\$ 1,875.5	\$ 2,049.4	\$ 173.9	109.3%
Sales tax	1,583.7	1,668.3	84.6	105.3%
Motor vehicle tax	145.3	198.6	53.3	136.7%
Gross production tax	519.1	488.5	(30.6)	94.1%
Subtotal Major Taxes	4,123.6	4,404.8	281.2	106.8%
Other sources	765.0	733.0	(32.0)	95.8%
Total	\$ 4,888.6	\$ 5,137.8	\$ 249.2	105.1%

The fifteen-year comparative history of estimated to actual collections is shown in the following table.

Fiscal Year	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
1997	\$ 3,531	\$ 3,778	\$ 247	107.0%
1998	3,866	4,009	143	103.7%
1999	4,186	4,148	(38)	99.1%
2000	4,271	4,354	83	101.9%
2001	4,456	4,693	237	105.3%
2002	4,829	4,413	(416)	91.4%
2003	4,725	4,186	(539)	88.6%
2004	4,396	4,613	217	104.9%
2005	4,545	4,957	412	109.1%
2006	5,149	5,715	566	111.0%
2007	5,708	5,966	258	104.5%
2008	5,845	5,981	136	102.3%
2009	5,981	5,544	(437)	92.7%
2010	5,415	4,622	(793)	85.4%
2011	4,889	5,138	249	105.1%
Fifteen-Year Average	\$ 4,786	\$ 4,808	\$ 22	100.5%

The status of three important fund balances affecting the new year's fiscal picture is explained as follows:

**Cash-Flow Committed Fund** – Each year, 10% of the General Revenue Fund's certified appropriation level is set aside to meet anticipated monthly cash flow needs for the new fiscal year. At the close of fiscal year 2011, the amount the State set aside was \$497.4 million.

**General Revenue Fund** – In fiscal year 2011, \$63.5 million was added to the budget for prior year carryover compared to no carryover in fiscal year 2010. Carryover funds reflect the difference between the 95% appropriation limit and actual receipts up to 100% of the estimate. Funds required to replenish or increase the cash-flow committed fund also come from this source.

**Constitutional "Rainy Day Fund"** - At the start of each fiscal year, collections that exceed the estimate for the preceding year are automatically deposited in the Rainy Day Fund until the total balance equals 15% of the prior year's certified collections for the General Revenue Fund. As a result of different triggers for making the funds available for use, any amounts deposited to the fund are split between unassigned and restricted fund balance. For the fiscal year beginning July 1, 2011, the restricted portion had a balance of \$186.9 million and the unassigned portion had a balance of \$62.3 million, giving the total Constitutional Reserve Fund a balance of \$249.2 million.

## FOR THE FUTURE

State government continues to focus on three critical issues to ensure that the State capitalizes on its inherent potential for growth. Sustained efforts in the areas of education, health care, and economic development are essential for creating a bright, strong future.

Oklahoma's executive management will continue to lead in promoting improvement in these three key areas to improve the lives of all Oklahomans. With the Governor's leadership, Oklahoma will continue to make investments in a high quality educational system where all students can succeed, to make first-rate health care available and affordable for all

Oklahomans and will encourage investors to allow their money to work and grow in Oklahoma, creating more jobs and higher incomes.

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Oklahoma for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Since 1996, the State of Oklahoma has received the Certificate of Achievement. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

## ACKNOWLEDGMENTS

The Office of State Finance is pleased to recognize and commend the efforts of the numerous individuals across the State who made this Comprehensive Annual Financial Report possible. Questions or requests for additional information related to this report can be directed to our office at (405) 521-2141.

Respectfully submitted,



Preston L. Doerflinger  
Director of State Finance and Revenue



Brenda Bolander  
State Comptroller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Oklahoma

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director

# SELECTED OKLAHOMA STATE OFFICIALS

June 30, 2011



\* Appointed position

## CABINET DEPARTMENT SECRETARIES

Agriculture	Finance & Revenue	Safety & Security
Commerce & Tourism	Health	Secretary of State
Education	Human Resources & Administration	Science & Tech. Development
Energy	Human Services	Transportation
Environment	Military Affairs	Veterans Affairs

The Cabinet Secretaries are appointed by the Governor with the approval of the Senate. Many of the secretaries are also heads of the Executive Branch agencies. State agencies are assigned to a cabinet department by the Governor. The specific agency assignments to each cabinet are shown on the next page. Agency numbers are listed to the left of the agency name.



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# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## INDEPENDENT AUDITOR'S REPORT

### TO THE GOVERNOR AND MEMBERS OF THE LEGISLATURE OF THE STATE OF OKLAHOMA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of and for the year ended June 30, 2011, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

- the financial statements of the Commissioners of the Land Office, the Oklahoma Department of Commerce, the Native American Cultural and Educational Authority, the Oklahoma Insurance Department, the EDGE Fund, and the Oklahoma Department of Wildlife Conservation, which in the aggregate represent fourteen percent and five percent, respectively, of the assets and revenues of the governmental activities, and seven percent of the assets and three percent of the revenues of the general fund;
- the financial statements of the Water Resources Board and the Oklahoma Lottery Commission which in the aggregate represent seventy-eight percent of the assets and twenty-six percent of the revenues of the business-type activities and the enterprise funds;
- the financial statements of the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, the Oklahoma Department of Wildlife Conservation Lifetime Licenses permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent one hundred percent of the permanent funds; and
- the financial statements of the Oklahoma Firefighter's Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, the Oklahoma Police Pension and Retirement System, the Oklahoma Public Employee's Retirement System, the Oklahoma Teachers' Retirement System, the Uniform Retirement System for Judges and Justices, and the Oklahoma Department of Wildlife Conservation Retirement Plan, which in the aggregate represent ninety-eight percent of the assets and one hundred percent of the revenues of the aggregate remaining fund information.

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned entities, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14, the Teachers' Retirement System unfunded liability decreased from \$10,414,000,000 to \$7,600,000,000. This decrease was related to significant market asset gains as well as changes in assumptions. Based on the current contribution schedule, assuming no actuarial gains or losses in the future, the unfunded liability is expected to increase from the current level until fiscal year 2013 and decrease through June 30, 2033 and beyond. The current contribution schedule results in contributions sufficient to cover the interest on the current unfunded liability plus the normal cost resulting in negative amortization.

Also, as discussed in Note 1, the Multiple Injury Trust Fund (MITF) had a net deficit of approximately \$165,153,000 at December 31, 2010 primarily due to court awards exceeding the apportionment of special tax revenue collected.

Effective July 1, 2010 the State of Oklahoma implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). As more fully discussed in Note 1, the effect of implementing GASB 54 resulted in certain changes to the presentation of fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011, on our consideration of the State of Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Schedule-Budget to Actual (Non-GAAP Budgetary Basis) General Fund, and the Notes to Required Supplementary Information-Budgetary Reporting, as listed in the table of contents, and the Schedules of Funding Progress for the Wildlife Conservation Plan, Oklahoma Law Enforcement Retirement System, and the Uniform Retirement System for Judges and Justices presented in Note 14 to the basic financial statements are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, statistical section and combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section listed in the aforementioned table of contents have not been audited by us, and accordingly, we do not express an opinion on them.



GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

December 30, 2011



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**Management's Discussion and Analysis**



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## Management's Discussion and Analysis

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Oklahoma provides this *Management's Discussion and Analysis* of the State of Oklahoma's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Oklahoma is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the State's financial statements which follow.

### FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

#### Government-Wide Highlights:

*Net Assets* - The assets of the State exceeded its liabilities at fiscal year ending June 30, 2011 by \$14.6 billion (presented as "net assets"). Of this amount, \$1.4 billion was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the State's ongoing obligations to citizens and creditors.

*Changes in Net Assets* - The State's total net assets increased by \$1.0 billion (7.6% increase) in fiscal year 2011, after a 1.6% decrease during the previous fiscal year. Net assets of governmental activities increased by \$1.0 billion (a 7.9% increase), while net assets of the business-type activities showed an increase of \$29 million (a 3.5% increase).

#### Fund Highlights:

*Governmental Funds - Fund Balances* - As of the close of fiscal year 2011, the State's governmental funds reported a combined ending fund balance of \$5.9 billion, an increase of \$610 million in comparison with the prior year. Of this total amount, \$2.6 billion represents nonspendable fund balance, with \$65 million being in the general fund. Amounts that can be spent include \$1.0 billion of restricted fund balance, \$2.1 billion of committed fund balance, \$2.9 million of assigned fund balance, and \$89 million of unassigned fund balance. The portion of fund balance which is available is roughly 19.5% of the total governmental expenditures for the year.

#### Long-term Debt:

The State's total long-term debt obligations showed a net increase of \$287 million (15.2%) in the governmental type activities and a net increase of \$159 million (26.5%) in the business type activities long-term debt during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Oklahoma's basic financial statements. The State's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary schedules) and other supplementary information (combining financial statements) in addition to the basic financial statements themselves. These components are described below:

## Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the State – the *Government-Wide Financial Statements* and the *Fund Financial Statements and Combining Major Component Unit Financial Statements*. These financial statements also include the *Notes to the Financial Statements* that explain some of the information in the financial statements and provide more detail.

### *Government-Wide Financial Statements*

The *government-wide financial statements* provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The *statement of net assets* presents all of the government's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the state's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

Both of the above financial statements have separate sections for three different types of state programs or activities. These three types of activities are:

*Governmental Activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants). Most services normally associated with State government fall into this category, including education (support for both common public schools and higher education), general government, health services, legal and judiciary services, museums, natural resources, public safety and defense, regulatory services, social services, and transportation.

*Business-Type Activities* – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include the operations of the Oklahoma Unemployment Insurance Trust Fund (by the Oklahoma Employment Security Commission), the State's program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Oklahoma Water Resources Board), and the Oklahoma Lottery Commission. These three programs operate with minimal assistance from the governmental activities of the state.

*Discretely Presented Component Units* – These are operations that have certain independent qualities but for which the State has financial accountability. For the most part, these entities operate similar to private-sector businesses and the business-type activities described above. The State's discretely presented component units are presented in two categories, major and nonmajor. This separation is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units.

The State's eight discretely presented major component units are:

- CompSource Oklahoma
- State and Education Employees Group Insurance Board
- Oklahoma Student Loan Authority
- Oklahoma Housing Finance Agency
- Oklahoma Turnpike Authority
- Grand River Dam Authority
- Oklahoma Municipal Power Authority
- Higher Education Component Unit

The State's nine other (or nonmajor) component units are combined into a single column for reporting in the fund financial statements. These nonmajor component units are:

- Oklahoma Educational Television Authority
- Oklahoma Industrial Finance Authority
- Health Insurance High Risk Pool
- Multiple Injury Trust Fund
- University Hospitals Authority
- Oklahoma Development Finance Authority
- Oklahoma Capital Investment Board
- Oklahoma State University Medical Authority
- Oklahoma Centennial Commemoration Fund

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the State's component units are presented in the notes to the financial statements.

The government-wide financial statements can be found immediately following this discussion and analysis.

### ***Fund Financial Statements and Major Component Unit Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the State government, reporting the State's operations in more detail than the government-wide statements. All of the funds of the State can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of fund financial statements are:

*Governmental Funds Financial Statements* – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are essentially used to account for the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This is known as using the flow of current financial resources measurement focus approach and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

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 sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison

between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The State has four governmental funds. All four governmental funds are considered major funds for financial reporting purposes. These four major funds are – the General Fund, the Commissioners of the Land Office Permanent Fund, the Department of Wildlife Conservation Permanent Fund, and the Tobacco Settlement Endowment Permanent Fund. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The basic governmental funds financial statements can be found immediately following the government-wide statements.

*Proprietary Funds Financial Statements* – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The State has three enterprise funds, all of which are considered major proprietary funds for presentation purposes. As previously mentioned, they are the operations of the Oklahoma Unemployment Insurance Trust Fund (by the Oklahoma Employment Security Commission), the State’s program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Oklahoma Water Resources Board), and the Oklahoma Lottery Commission.

The basic proprietary funds financial statements can be found immediately following the governmental fund financial statements.

*Fiduciary Funds and Similar Component Units Financial Statements* – These funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting.

The State’s fiduciary funds are the Pension Trust Funds (seven separate retirement plans for employees), and the Agency Funds (which account for the assets held for distribution by the State as an agent for other governmental units, other organizations or individuals). Individual fund detail can be found in the combining financial statements described below.

The basic fiduciary funds and similar component units’ financial statements can be found immediately following the proprietary fund financial statements.

*Component Units Financial Statements* – As mentioned above, these are operations for which the State has financial accountability but they have certain independent qualities as well, and they operate similar to private-sector businesses. The government-wide financial statements present information for the component units in a single column of the statement of net assets. Also, some information on the statement of changes in net assets is aggregated for component units. The combining statement of net assets and combining statement of changes in net assets provide detail for each major component unit and the nonmajor component units in aggregate. Individual nonmajor component unit detail can be found in the combining financial statements described below.

The basic combining financial statements for major component units can be found immediately following the fiduciary fund and similar component unit’s financial statements.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following component units financial statements.

## Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes a schedule of reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the governmental fund financial statements.

## Other Supplementary Information

### *Combining Financial Statements*

The combining financial statements referred to earlier in connection with fiduciary funds and nonmajor component units are presented following the required supplementary information. The total of the columns of these combining financial statements carry to the applicable fund financial statement.

### *Budgetary Detail*

The Schedule of Expenditures and Intra-Agency Transfers – Detail Budget to Actual Comparison is presented in this section. It provides detail comparisons of expenditures and intra-agency transfers at the legal level of control. Comparisons can be made between the original budget, final budget, and actual.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (government and business-type activities) totaled \$14.6 billion at the end of 2011, compared to \$13.6 billion at the end of the previous year.

The largest portion of the State's net assets (59.6%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current Assets	\$ 4,393,440	\$ 4,041,218	\$ 537,453	\$ 469,305	\$ 4,930,893	\$ 4,510,523
Capital Assets	9,957,771	9,290,692	202	330	9,957,973	9,291,022
Other Assets	3,253,012	2,762,588	1,114,579	992,340	4,367,591	3,754,928
Total Assets	<u>17,604,223</u>	<u>16,094,498</u>	<u>1,652,234</u>	<u>1,461,975</u>	<u>19,256,457</u>	<u>17,556,473</u>
Noncurrent Liabilities	1,987,237	1,673,307	723,127	571,441	2,710,364	2,244,748
Other Liabilities	1,881,356	1,677,735	55,782	46,493	1,937,138	1,724,228
Total Liabilities	<u>3,868,593</u>	<u>3,351,042</u>	<u>778,909</u>	<u>617,934</u>	<u>4,647,502</u>	<u>3,968,976</u>
Invested in Capital Assets, Net of Related Debt	8,710,430	8,148,821	202	330	8,710,632	8,149,151
Restricted	3,647,627	2,492,399	867,777	834,824	4,515,404	3,327,223
Unrestricted	1,377,573	2,102,236	5,346	8,887	1,382,919	2,111,123
Total Net Assets	<u>\$ 13,735,630</u>	<u>\$ 12,743,456</u>	<u>\$ 873,325</u>	<u>\$ 844,041</u>	<u>\$ 14,608,955</u>	<u>\$ 13,587,497</u>

A portion of the State's net assets (30.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the State's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets.

At the end of the current fiscal year, the State is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

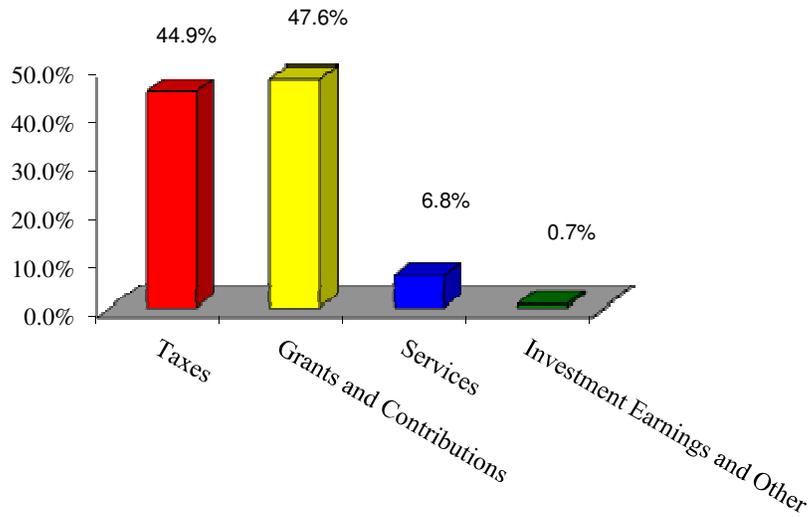
### Changes in Net Assets

The State's governmental net assets increased by \$1.0 billion, or 7.6%. Approximately 45 percent of the State's total revenue came from taxes, while 48 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided 6.8 percent of the total revenues. The State's expenses cover a range of services. The largest expenses were for general education, social services, and health services. In 2011, governmental activity expenses exceeded program revenues, resulting in the use of \$6.8 billion in general revenues (mostly taxes). The business-type activities' program revenues exceeded their expenses for 2011 by \$99 million.

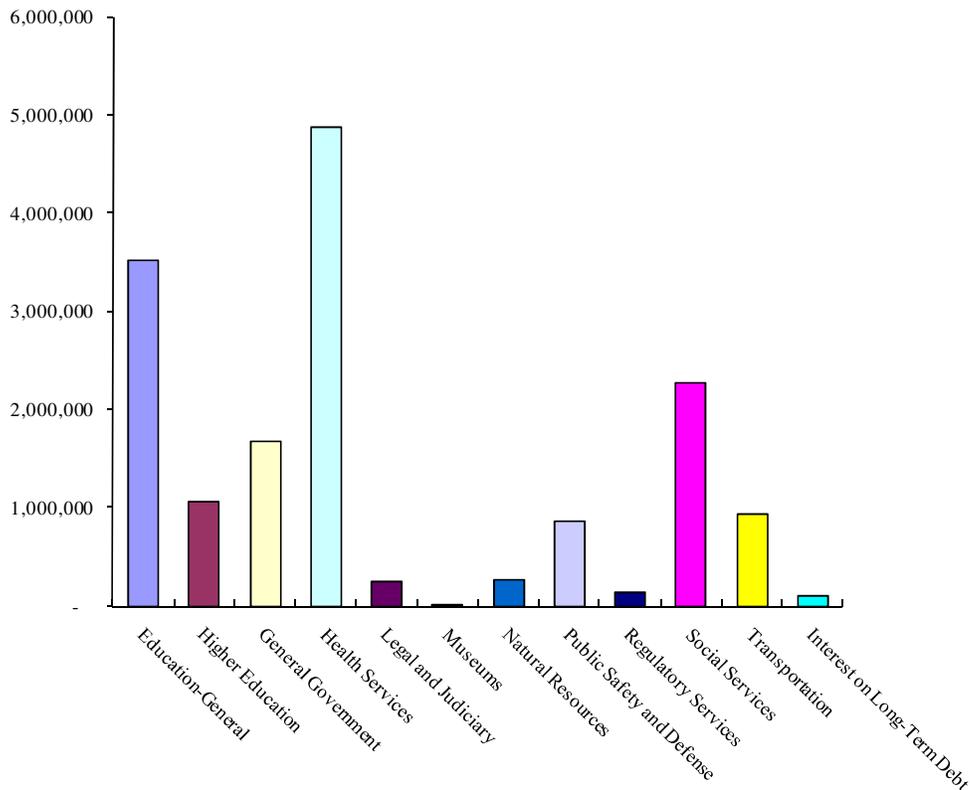
**State of Oklahoma's Changes in Net Assets-Primary Government**  
(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 1,141,233	\$ 1,292,885	\$ 626,957	\$ 433,668	\$ 1,768,190	\$ 1,726,553
Operating Grants and Contributions	7,982,737	7,804,862	421,483	596,350	8,404,220	8,401,212
General Revenues:						
Income Taxes-Individual	2,393,660	1,969,264	-	-	2,393,660	1,969,264
Income Taxes-Corporate	328,007	171,555	-	-	328,007	171,555
Sales Taxes	2,191,643	1,981,220	-	-	2,191,643	1,981,220
Gross Production Taxes	786,827	702,949	-	-	786,827	702,949
Motor Vehicle Taxes	633,107	551,029	-	-	633,107	551,029
Fuel Taxes	399,011	384,383	-	-	399,011	384,383
Other Taxes	801,175	756,987	-	-	801,175	756,987
Investment Earnings	117,128	45,116	-	-	117,128	45,116
Gain on Sale of Assets	-	3,816	-	-	-	3,816
<b>Total Revenues</b>	<b>16,774,528</b>	<b>15,664,066</b>	<b>1,048,440</b>	<b>1,030,018</b>	<b>17,822,968</b>	<b>16,694,084</b>
<b>Expenses:</b>						
Education-General	3,506,316	3,573,881	-	-	3,506,316	3,573,881
Education-Payments to Higher Education	1,065,225	1,076,248	-	-	1,065,225	1,076,248
General Government	1,663,883	1,611,256	-	-	1,663,883	1,611,256
Health Services	4,866,858	4,750,304	-	-	4,866,858	4,750,304
Legal and Judiciary	241,360	256,867	-	-	241,360	256,867
Museums	13,539	14,572	-	-	13,539	14,572
Natural Resources	257,998	249,020	-	-	257,998	249,020
Public Safety and Defense	850,190	811,999	-	-	850,190	811,999
Regulatory Services	127,211	119,044	-	-	127,211	119,044
Social Services	2,269,749	2,287,486	-	-	2,269,749	2,287,486
Transportation	934,272	842,394	-	-	934,272	842,394
Interest on Long-Term Debt	100,363	70,549	-	-	100,363	70,549
Unemployment Insurance Trust Fund	-	-	776,001	1,146,720	776,001	1,146,720
State Loan Program to Local Governments	-	-	40,769	26,739	40,769	26,739
Lottery Commission	-	-	132,812	132,642	132,812	132,642
<b>Total Expenses</b>	<b>15,896,964</b>	<b>15,663,620</b>	<b>949,582</b>	<b>1,306,101</b>	<b>16,846,546</b>	<b>16,969,721</b>
Increase (Decrease) in Net Assets Before Transfers and Contribution to Permanent Funds	877,564	446	98,858	(276,083)	976,422	(275,637)
Contribution to Permanent Funds	61,738	62,325	-	-	61,738	62,325
Transfers	69,574	70,315	(69,574)	(70,315)	-	-
<b>Change in Net Assets</b>	<b>1,008,876</b>	<b>133,086</b>	<b>29,284</b>	<b>(346,398)</b>	<b>1,038,160</b>	<b>(213,312)</b>
Net Assets, Beginning of Year	12,743,456	12,604,112	844,041	1,190,439	13,587,497	13,794,551
Adjustments to Beginning Net Assets	(16,702)	6,258	-	-	(16,702)	6,258
<b>Net Assets, End of Year</b>	<b>\$ 13,735,630</b>	<b>\$ 12,743,456</b>	<b>\$ 873,325</b>	<b>\$ 844,041</b>	<b>\$ 14,608,955</b>	<b>\$ 13,587,497</b>

### Revenues - Governmental Activities Fiscal Year 2011



### Expenses - Governmental Activities Fiscal Year 2011



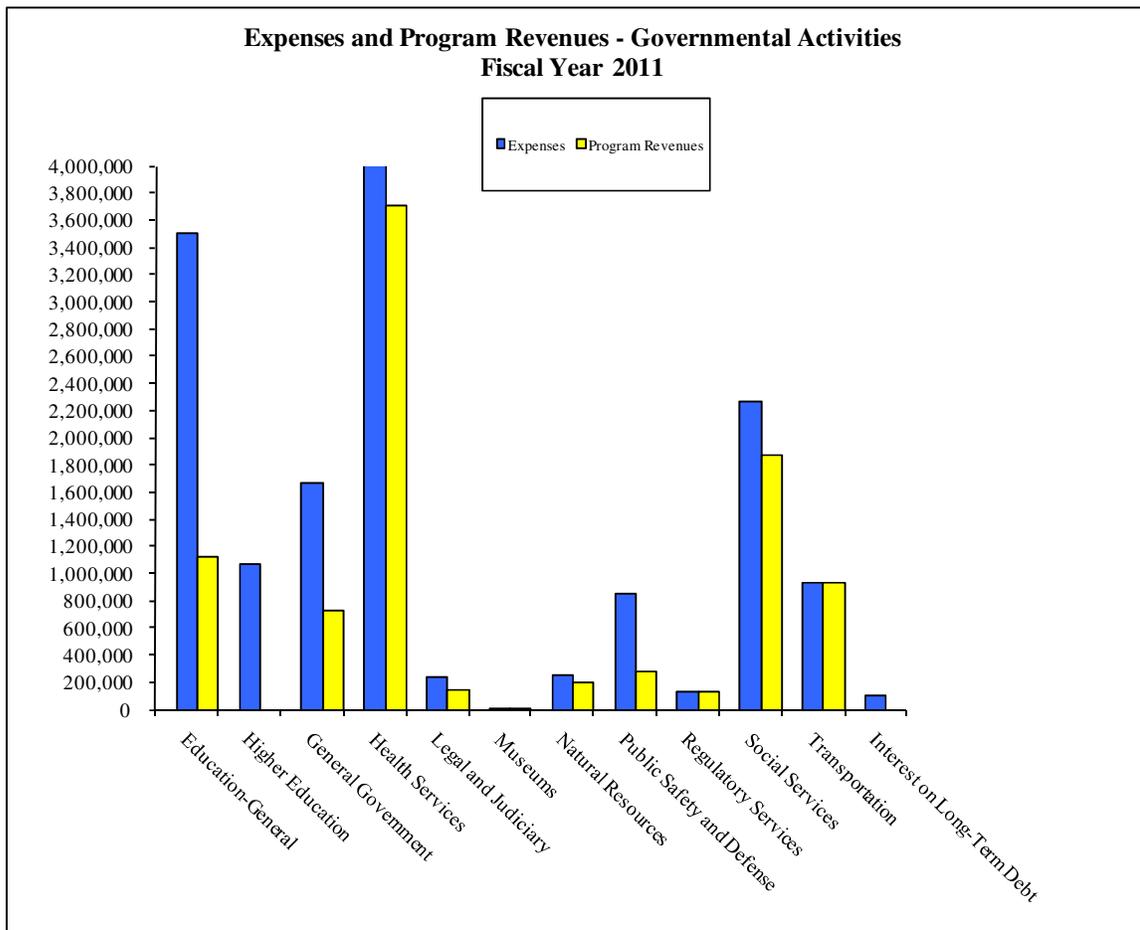
#### Governmental Activities

Governmental activities increased the State's net assets by \$1.0 billion. Tax revenues were up in all major types. Total revenues were up by \$1.1 billion, or 7.1% in 2011. Most of this increase came from improved tax receipts. The State

showed a \$424 million increase in individual income taxes, a \$210 million increase in sales taxes, and a \$156 million increase in corporate income taxes during 2011.

A comparison of the cost of services by function for the State's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities (expressed in thousands):

	<u>Governmental Activities</u>
<b>Expenses Net of Program Revenues:</b>	
Education-General	\$ (2,369,121)
Education-Payment to Higher Education	(1,065,225)
General Government	(936,707)
Health Services	(1,160,374)
Legal and Judiciary	(102,116)
Museums	(9,910)
Natural Resources	(62,997)
Public Safety and Defense	(572,540)
Regulatory Services	4,196
Social Services	(399,616)
Transportation	1,779
Interest on Long-Term Debt	(100,363)
Total Governmental Activities Expenses	<u>(6,772,994)</u>
<b>General Revenues:</b>	
Taxes	7,533,430
Investment Earnings	117,128
Contributions to Permanent Funds	61,738
Transfers	69,574
Increase in Governmental Activities Net Assets	<u><u>\$ 1,008,876</u></u>



### Business-Type Activities

The State's net assets in business-type activities increased by \$29 million, or 3.5%, to \$873 million. This increase comes after a decrease of 29.1% in the prior year. The increase primarily resulted from a reduction in payments by the Oklahoma Unemployment Insurance Trust Fund (OUIF). Unemployment benefit payments decreased over last year by \$371 million or 32.3%. The Oklahoma Water Resources Board's (OWRB) net assets increased by \$43 million while the Oklahoma Lottery Commission had an increase in net assets of \$66 million. The OUIF had a decrease in net assets of \$9.9 million.

### FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$5.9 billion, an increase of \$610 million from the prior year. The largest portion (\$2.6 billion or 44.5%) of this total amount constitutes nonspendable fund balance, which includes amounts that cannot be spent because they are either not in

spendable form or legally or contractually required to be maintained intact. In addition \$1.0 billion (17.8%) of fund balance is classified as restricted meaning that the funds can only be used for specific purposes defined by enabling legislation or externally imposed limitations. Amounts that can only be used for specific purposes pursuant to constraints of the government's highest level of decision-making authority are reported as committed fund balance. Committed fund balance represents \$2.1 billion (36.1%) of total fund balance. Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed are reported as assigned fund balance. Assigned fund balance represents \$2.9 million (0.1%) of total fund balance. The remainder funds that are not classified in any of the other four categories represent unassigned fund balance. For the fiscal year ended June 30, 2011 the State has \$88.7 million (1.5%) classified as unassigned fund balance.

The general fund is the chief operating fund of the State. At the end of the current fiscal year, the total fund balance increased \$237 million to \$3.3 billion. As a measure of the general fund's liquidity, it may be useful to compare the portion of fund balance not classified as nonspendable (spendable) and total fund balance to total fund expenditures. Spendable fund balance represents 19.4% of total general fund expenditures, while total fund balance represents 19.8% of that same amount.

Overall the fund balance of the State's general fund increased by \$237 million during the current fiscal year. This 7.8% increase from the prior year is primarily due to improved tax collections.

The Commissioners of the Land Office manage land and cash set aside by the Federal Government for the use and benefit of public education in Oklahoma to generate maximum earnings for Trust beneficiaries. The Trust beneficiaries are common education and thirteen Oklahoma colleges and universities. This year total program revenues were \$408 million compared to \$356 million for the prior year. Distributions to beneficiaries totaled \$156 million for fiscal year 2011 with \$37 million disbursed to universities and colleges and \$117 million disbursed to public schools, and \$2 million disbursed for public buildings. This was an increase of \$42 million from the apportionments of fiscal year 2010.

The Department of Wildlife's Lifetime Licenses fund balance increased by 3.7% to \$70.6 million. This increase occurred due to collections for licenses.

The Tobacco Settlement Endowment Permanent Fund holds certain moneys that are received in settlement of claims by the state against tobacco manufacturers. Earnings from these moneys are to be utilized for research, education, prevention and treatment of tobacco related diseases and certain other health programs. This fund reported a \$136 million net increase in fund balance with \$62 million coming in from the settlement payment by tobacco manufacturers for 2011. The prior year's payment was about \$62 million. The state now has \$662.1 million in the permanent fund.

## **Proprietary Funds**

The State's proprietary fund financial statements provide the same type of information found in the government-wide financial statements for business-type activities. This information is presented on the same basis of accounting, but provides more detail.

As discussed in the business-type activities section above, the State's net assets increased by \$29.3 million as a result of operations in the proprietary funds. This resulted from a \$9.9 million decrease in net assets by the Oklahoma Unemployment Insurance Trust Fund (OUIF), an increase in net assets of \$42.8 million by the Oklahoma Water Resources Board's (OWRB) program for making loans to local government units for drinking and waste water facilities, and a decrease in net assets of \$3.6 million by the Oklahoma Lottery Commission.

The OUIF decreased in net assets primarily due to reduction in operating revenues of \$17.6 million. This decrease came from a reduction in federal grants of approximately \$173.4 million compared to prior year.

The OWRB increased net assets by \$42.8 million which was \$34.0 million more than the \$8.8 million in the prior year. Federal grant revenues increased by \$44.6 million from the previous year.

The Oklahoma Lottery Commission had a decrease in net assets of \$3.6 million. Operating revenues were \$198 million, while operating expenses were \$132 million.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The differences between the original budget and the final amended budget amounted to \$63 million with \$63 million (100%) coming from budget carryovers from fiscal year 2010.

The differences between the final budget and actual collections amounted to \$164 million less than budget. Based on a review by the budget department, this was determined to be a normal variance.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$18.7 billion, net of accumulated depreciation of \$8.7 billion, leaving a net book value of \$10.0 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the State's investment in capital assets for the current fiscal year was about 7.3% in terms of net book value. Actual expenditures to purchase or construct assets that are capitalized were \$1.3 billion for the year, a \$76 million (6%) increase from the prior year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$449 million. Additional information on the State's capital assets can be found in Note 5 of the notes to the financial statements of this report.

### **Debt Administration**

The authority of the State to incur debt is described in Article X, Section 25, of the Oklahoma Constitution. In 1987, the State created the Council of Bond Oversight. The council meets to review all proposed debt issuances. The council must approve each financing plan before obligations are issued. The legislation that created the bond oversight council also created the position of State Bond Advisor, who advises the council, and must approve the pricing and fees associated with any debt issuance.

General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens.

The State of Oklahoma's total debt increased by \$287 million, or 15.2%, during the current fiscal year. The increase in long-term obligations of governmental activities was primarily due to the Oklahoma Capital Improvement Authority issuing \$100 million in revenue bonds for higher education endowed chairs and \$203 million for the department of transportation. Business-type activities' debt increased by \$159 million as Oklahoma Water Resources Board issued \$195.9 million in revenue bonds to provide resources to implement statewide financial assistance programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

Additional information on the State's long-term debt obligations can be found in Notes 9, 10, and 11 of the notes to the financial statements of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Oklahoma unemployment rate was consistently lower than that for the nation between 1997 and 2011. The national unemployment rate is currently 9.0% while Oklahoma's still remains less at 6.1% for the same time period.

Inflationary trends in the region continue to compare favorably to national indices as well.

These factors are considered by legislative leaders and management in preparing the State's budget for future years. (See below.)

### **Budget and Revenue Collections**

The State Constitution requires adoption of a balanced budget. The revenue certification provided by the State Board of Equalization is the basis for development of the State's General Revenue Fund (GRF) budget. The GRF is a budgetary cash account included in the State's General Fund.

If new laws or changes in existing laws are passed that affect revenues, the Equalization Board meets to certify the effects of these changes on the official estimate. Appropriations in any fiscal year may not exceed 95% of the official revenue estimate (plus any cash funds on-hand and available for appropriation).

If collections to a certified cash account are insufficient to cover the appropriations from that account, the Constitution requires that appropriations be reduced proportionately to all agencies receiving an appropriation from that source. The Office of State Finance has the statutory duty to monitor revenue collections and, if warranted, to make reductions in appropriations to prevent deficit spending.

The Legislature may, in regular or special session, make selective reductions in spending or consider revenue increases.

### **Fiscal Year 2011**

Since hitting the depths of the recession in February 2010, almost two-thirds of the lost revenue has been recovered. State leaders project that the recovery will continue during fiscal year 2012. As of November 2011, year-to-date revenue collections for fiscal year 2012 are 9.4% higher than prior year collections.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the State of Oklahoma's finances for all of Oklahoma's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State of Oklahoma, Office of State Finance, 2300 N. Lincoln, Suite 122, Oklahoma City, OK 73105-4801.



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## Basic Financial Statements



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## Basic Financial Statements



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**Government-Wide Financial Statements**



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# Government-Wide Financial Statements

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State of Oklahoma  
Government Wide  
Statement of Net Assets  
June 30, 2011  
(expressed in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Current Assets				
Cash/Cash Equivalents	\$ 2,816,998	\$ 398,171	\$ 3,215,169	\$ 1,512,368
Investments	214,879	64,655	279,534	2,499,158
Securities Lending Investments	488,753	0	488,753	117,872
Accounts Receivable	38,867	25,204	64,071	349,408
Interest and Investment Revenue Receivable	26,527	8,105	34,632	67,165
Federal Grants Receivable	466,480	791	467,271	11,430
Taxes Receivable	235,061	0	235,061	0
Leases Receivable	8,433	0	8,433	0
Leases Receivable - Component Units	2,122	0	2,122	0
Other Receivables	245	0	245	78,277
Notes Receivable	0	54,745	54,745	62,604
Internal Balances	14,485	(14,485)	0	0
Receivable from External Parties	5	0	5	9,401
Due from Component Units	2,590	0	2,590	5,730
Due from Primary Government	0	0	0	46,577
Inventory	64,990	0	64,990	90,407
Prepaid Items	977	0	977	20,167
Other Current Assets	12,028	267	12,295	12,674
<b>Total Current Assets</b>	<b>4,393,440</b>	<b>537,453</b>	<b>4,930,893</b>	<b>4,883,238</b>
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	183,835	69,039	252,874	691,565
Short-Term Investments - Restricted	0	0	0	1,631,839
Long-Term Investments	0	0	0	1,548,516
Long-Term Investments - Restricted	2,354,435	117,974	2,472,409	0
Leases Receivable	12,082	0	12,082	0
Leases Receivable - Component Units	597,650	0	597,650	0
Long-Term Notes Receivable, Net	0	919,673	919,673	92,624
Long-Term Notes Receivable, Net - Restricted	0	0	0	909,811
Long-Term Due from Component Units	51,792	0	51,792	0
Capital Assets - Depreciable, Net	8,214,781	202	8,214,983	6,008,287
Capital Assets - Land	1,569,119	0	1,569,119	363,050
Capital Assets - Construction in Progress	173,871	0	173,871	597,769
Other Noncurrent Assets	13,236	7,893	21,129	480,825
Other Noncurrent Assets - Restricted	39,982	0	39,982	22,810
<b>Total Noncurrent Assets</b>	<b>13,210,783</b>	<b>1,114,781</b>	<b>14,325,564</b>	<b>12,347,096</b>
<b>Total Assets</b>	<b>17,604,223</b>	<b>1,652,234</b>	<b>19,256,457</b>	<b>17,230,334</b>

The Notes to the Financial Statements are an integral part of this statement.

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable and Accrued Liabilities	836,581	8,699	845,280	311,125
Payable Under Securities Lending Agreements	488,753	0	488,753	121,972
Claims and Judgments	3,106	0	3,106	324,745
Interest Payable	37,511	7,571	45,082	53,141
Tax Refunds Payable	2,288	0	2,288	0
Payable to External Parties	20,920	0	20,920	619
Due to Component Units	52,172	0	52,172	5,730
Due to Primary Government	0	0	0	2,732
Due to Others	171,011	0	171,011	0
Unearned Revenue	81,257	545	81,802	230,027
Capital Leases	2,120	0	2,120	30,231
Capital Leases - Primary Government	0	0	0	2,122
Compensated Absences	93,910	149	94,059	81,419
Notes Payable	17,338	0	17,338	120,891
General Obligation Bonds	0	0	0	595
Revenue Bonds (Net)	74,389	36,580	110,969	185,195
Other Current Liabilities	0	2,238	2,238	237,040
<b>Total Current Liabilities</b>	<b>1,881,356</b>	<b>55,782</b>	<b>1,937,138</b>	<b>1,707,584</b>
Noncurrent Liabilities				
Claims and Judgments	22,110	0	22,110	907,779
Due to Primary Government	0	0	0	51,650
Pension Obligation	80,702	0	80,702	0
Capital Leases	10,599	0	10,599	318,580
Capital Leases - Primary Government	0	0	0	597,650
Compensated Absences	56,342	211	56,553	30,511
Notes Payable	212,591	0	212,591	587,059
General Obligation Bonds	175,645	0	175,645	46,755
Revenue Bonds (including Premiums)	1,429,248	722,913	2,152,161	5,013,873
Other Noncurrent Liabilities	0	3	3	507,757
<b>Total Noncurrent Liabilities</b>	<b>1,987,237</b>	<b>723,127</b>	<b>2,710,364</b>	<b>8,061,614</b>
<b>Total Liabilities</b>	<b>3,868,593</b>	<b>778,909</b>	<b>4,647,502</b>	<b>9,769,198</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	8,710,430	202	8,710,632	2,811,716
Restricted for:				
Debt Service	742,029	261,984	1,004,013	336,040
Preservation of Wildlife	70,641	0	70,641	0
Educational Systems	1,894,772	0	1,894,772	0
Unemployment Benefits	0	361,561	361,561	0
Water Resource Loans	0	244,232	244,232	0
Stabilization	186,902	0	186,902	0
Federal Grant Programs	91,162	0	91,162	0
Tobacco Cessation and Public Health				
Expendable	29,283	0	29,283	2,420,618
Nonexpendable	632,838	0	632,838	62,609
Unrestricted	1,377,573	5,346	1,382,919	1,830,153
<b>Total Net Assets</b>	<b>\$ 13,735,630</b>	<b>\$ 873,325</b>	<b>\$ 14,608,955</b>	<b>\$ 7,461,136</b>

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Government Wide  
Statement of Activities  
For the Fiscal Year Ended June 30, 2011  
(expressed in thousands)

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
Education-General	\$ 3,506,316	\$ 32,682	\$ 1,104,513	\$ (2,369,121)		\$ (2,369,121)	
Education-Payment to Higher Education	1,065,225	0	0	(1,065,225)		(1,065,225)	
General Government	1,663,883	224,414	502,762	(936,707)		(936,707)	
Health Services	4,866,858	174,185	3,532,299	(1,160,374)		(1,160,374)	
Legal and Judiciary	241,360	125,432	13,812	(102,116)		(102,116)	
Museums	13,539	2,751	878	(9,910)		(9,910)	
Natural Resources	257,998	108,697	86,304	(62,997)		(62,997)	
Public Safety and Defense	850,190	71,685	205,965	(572,540)		(572,540)	
Regulatory Services	127,211	123,696	7,711	4,196		4,196	
Social Services	2,269,749	171,890	1,698,243	(399,616)		(399,616)	
Transportation	934,272	105,801	830,250	1,779		1,779	
Interest on Long-Term Debt	100,363	0	0	(100,363)		(100,363)	
Total Governmental Activities	15,896,964	1,141,233	7,982,737	(6,772,994)		(6,772,994)	
<b>Business-Type Activities:</b>							
Employment Security Commission	776,001	352,458	413,621		\$ (9,922)	(9,922)	
Water Resources Board	40,769	76,225	7,557		43,013	43,013	
Lottery Commission	132,812	198,274	305		65,767	65,767	
Total Business-Type Activities	949,582	626,957	421,483		98,858	98,858	
Total Primary Government	\$ 16,846,546	\$ 1,768,190	\$ 8,404,220	(6,772,994)	98,858	(6,674,136)	
<b>Component Units:</b>							
CompSource Oklahoma	\$ 303,047	\$ 359,800	\$ 0				\$ 56,753
State and Education Employees Group Insurance Board	799,500	865,456	0				65,956
Oklahoma Student Loan Authority	21,871	19,831	0				(2,040)
Oklahoma Housing Finance Agency	192,584	64,490	145,378				17,284
Oklahoma Turnpike Authority	205,962	237,726	0				31,764
Grand River Dam Authority	335,197	398,415	0				63,218
Oklahoma Municipal Power Authority	163,229	163,991	0				762
Higher Education	4,090,265	2,148,923	1,508,686				(432,656)
Nonmajor Component Units	344,781	295,385	1,708				(47,688)
Total Component Units	\$ 6,456,436	\$ 4,554,017	\$ 1,655,772				(246,647)
<b>General Revenues</b>							
<b>Taxes:</b>							
Income Taxes-Individual				2,393,660	0	2,393,660	0
Income Taxes-Corporate				328,007	0	328,007	0
Sales Tax				2,191,643	0	2,191,643	0
Gross Production Taxes				786,827	0	786,827	0
Motor Vehicle Taxes				633,107	0	633,107	0
Fuel Taxes				399,011	0	399,011	0
Tobacco Taxes				267,948	0	267,948	0
Other Business Taxes				195,919	0	195,919	0
Other Personal Taxes				5,661	0	5,661	0
Insurance Taxes				113,948	0	113,948	0
Beverage Taxes				94,352	0	94,352	0
Other Taxes				123,347	0	123,347	0
Payments from Primary Government				0	0	0	1,106,699
<b>Investment Earnings</b>				117,128	0	117,128	0
<b>Contributions to Permanent Funds</b>				61,738	0	61,738	0
<b>Transfers</b>				69,574	(69,574)	0	0
Total General Revenues and Transfers				7,781,870	(69,574)	7,712,296	1,106,699
Change in Net Assets				1,008,876	29,284	1,038,160	860,052
<b>Net Assets - Beginning of Year (as restated)</b>				12,726,754	844,041	13,570,795	6,601,084
<b>Net Assets - End of Year</b>				\$ 13,735,630	\$ 873,325	\$ 14,608,955	\$ 7,461,136

The Notes to the Financial Statements are an integral part of this statement.



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**Fund Financial Statements**



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## Fund Financial Statements

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State of Oklahoma  
 Balance Sheet  
 Governmental Funds  
 June 30, 2011  
 (expressed in thousands)

	Permanent Funds				Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
<b>Assets</b>					
Assets					
Cash/Cash Equivalents	\$ 2,754,655	\$ 156,875	\$ 13,629	\$ 75,674	\$ 3,000,833
Investments	214,879	1,705,532	56,913	591,990	2,569,314
Securities Lending Investments	443,235	0	0	45,518	488,753
Accounts Receivable	38,867	0	0	0	38,867
Interest and Investment Revenue Receivable	26,527	11,978	0	4,099	42,604
Federal Grants Receivable	466,480	0	0	0	466,480
Taxes Receivable	235,061	0	0	0	235,061
Leases Receivable	20,515	0	0	0	20,515
Leases Receivable-Component Units	599,772	0	0	0	599,772
Other Receivables	245	20,387	0	3,518	24,150
Due from Other Funds	14,513	0	92	0	14,605
Due from Fiduciary Funds	5	0	0	0	5
Due from Component Units	2,590	0	0	0	2,590
Due from Component Units-Noncurrent	51,792	0	0	0	51,792
Inventory	64,990	0	0	0	64,990
Prepaid Items	977	0	0	0	977
Other Assets	12,021	0	7	0	12,028
<b>Total Assets</b>	<b>\$ 4,947,124</b>	<b>\$ 1,894,772</b>	<b>\$ 70,641</b>	<b>\$ 720,799</b>	<b>\$ 7,633,336</b>
<b>Liabilities and Fund Balance</b>					
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 794,143	\$ 29,665	\$ 0	\$ 12,773	\$ 836,581
Payable Under Securities					
Lending Agreements	443,235	0	0	45,518	488,753
Tax Refunds Payable	2,288	0	0	0	2,288
Due to Other Funds	92	0	0	28	120
Due to Fiduciary Funds	20,920	0	0	0	20,920
Due to Component Units	51,813	0	0	359	52,172
Due to Others	171,011	0	0	0	171,011
Deferred Revenue	203,354	5,889	0	0	209,243
<b>Total Liabilities</b>	<b>1,686,856</b>	<b>35,554</b>	<b>0</b>	<b>58,678</b>	<b>1,781,088</b>
Fund Balances					
Nonspendable	64,817	1,835,924	70,641	632,838	2,604,220
Restricted	1,020,229	23,294	0	0	1,043,523
Committed	2,112,921	0	0	0	2,112,921
Assigned	0	0	0	2,928	2,928
Unassigned	62,301	0	0	26,355	88,656
<b>Total Fund Balances</b>	<b>3,260,268</b>	<b>1,859,218</b>	<b>70,641</b>	<b>662,121</b>	<b>5,852,248</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,947,124</b>	<b>\$ 1,894,772</b>	<b>\$ 70,641</b>	<b>\$ 720,799</b>	

The Notes to the Financial Statements are an integral part of this statement.

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

**Total Fund Balance - Governmental Funds** \$ 5,852,248

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of :

Land	\$	1,569,119	
Buildings and Improvements		1,492,998	
Equipment		453,797	
Infrastructure		14,961,914	
Construction in Progress		173,871	
Accumulated Depreciation		<u>(8,693,928)</u>	
			9,957,771

Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 127,986

The Uniform Retirement System for Judges and Justices, the Oklahoma Law Enforcement Retirement System and Wildlife Department have under funded their Annual Required Contributions, creating a net pension obligation. This liability is not payable from current available financial resources and is not reported in the funds. (80,702)

Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets. 6,831

Certain bonds issued by the State are for the purpose of refunding older bond issues. Some bonds that are refunded are done so at a loss to the State. These losses are costs in the funds, but are amortized over the life of the refunding bonds on the statement of net assets. 6,405

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Notes Payable		(229,929)	
General Obligation and Revenue Bonds		(1,604,465)	
Capital Leases and Certificates of Participation		(12,719)	
Bond Issue Premiums		(74,817)	
Accrued Interest on Bonds		(37,511)	
Compensated Absences		(150,252)	
Claims and Judgements		<u>(25,216)</u>	
			(2,134,909)

**Net Assets of Governmental Activities** \$ 13,735,630

The Notes to the Financial Statements are an integral part of this statement.

# State of Oklahoma

## Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds

For the Fiscal Year Ended June 30, 2011  
(expressed in thousands)

	Permanent Funds				Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
<b>Revenues</b>					
Taxes					
Income Taxes-Individual	\$ 2,393,660	\$ 0	\$ 0	\$ 0	\$ 2,393,660
Sales Tax	2,191,643	0	0	0	2,191,643
Gross Production Taxes	786,827	0	0	0	786,827
Income Taxes-Corporate	328,007	0	0	0	328,007
Motor Vehicle Taxes	633,107	0	0	0	633,107
Fuel Taxes	399,011	0	0	0	399,011
Tobacco Taxes	267,948	0	0	0	267,948
Other Business Taxes	195,919	0	0	0	195,919
Other Personal Taxes	5,661	0	0	0	5,661
Insurance Taxes	113,948	0	0	0	113,948
Beverage Taxes	94,352	0	0	0	94,352
Other Taxes	123,347	0	0	0	123,347
Licenses, Permits and Fees	400,810	0	2,545	0	403,355
Interest and Investment Revenue	210,510	394,037	0	94,707	699,254
Federal Grants	7,499,163	0	0	0	7,499,163
Sales and Services	153,886	12,709	0	0	166,595
Other Grants and Reimbursements	394,069	0	0	0	394,069
Fines and Penalties	47,484	0	0	0	47,484
Other	17,057	1,448	0	61,738	80,243
<b>Total Revenues</b>	<b>16,256,409</b>	<b>408,194</b>	<b>2,545</b>	<b>156,445</b>	<b>16,823,593</b>
<b>Expenditures</b>					
Education	4,399,422	172,882	0	0	4,572,304
General Government	1,613,827	0	0	20,524	1,634,351
Health Services	4,851,630	0	0	0	4,851,630
Legal and Judiciary	232,245	0	0	0	232,245
Museums	13,801	0	0	0	13,801
Natural Resources	250,174	0	0	0	250,174
Public Safety and Defense	798,995	0	0	0	798,995
Regulatory Services	115,076	0	0	0	115,076
Social Services	2,252,188	0	0	0	2,252,188
Transportation	182,708	0	0	0	182,708
Capital Outlay	1,551,004	0	0	13	1,551,017
Debt Service					
Principal Retirement	118,163	0	0	0	118,163
Interest and Fiscal Charges	72,074	0	0	0	72,074
<b>Total Expenditures</b>	<b>16,451,307</b>	<b>172,882</b>	<b>0</b>	<b>20,537</b>	<b>16,644,726</b>
Revenues in Excess of (Less Than) Expenditures	(194,898)	235,312	2,545	135,908	178,867
<b>Other Financing Sources (Uses)</b>					
Transfers In	71,919	0	0	0	71,919
Transfers Out	(2,345)	0	0	0	(2,345)
Bonds Issued	202,640	0	0	0	202,640
Refunding Bonds	356,405	0	0	0	356,405
Payments to Refunded bond Escrow Agent	(246,044)	0	0	0	(246,044)
Bond Issue Premiums	38,627	0	0	0	38,627
Capital Leases	2,640	0	0	0	2,640
Sale of Capital Assets	7,601	0	0	0	7,601
<b>Total Other Financing Sources (Uses)</b>	<b>431,443</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>431,443</b>
<b>Net Change in Fund Balances</b>	<b>236,545</b>	<b>235,312</b>	<b>2,545</b>	<b>135,908</b>	<b>610,310</b>
<b>Fund Balances - Beginning of Year (as restated)</b>	<b>3,023,723</b>	<b>1,623,906</b>	<b>68,096</b>	<b>526,213</b>	<b>5,241,938</b>
<b>Fund Balances - End of Year</b>	<b>\$ 3,260,268</b>	<b>\$ 1,859,218</b>	<b>\$ 70,641</b>	<b>\$ 662,121</b>	<b>\$ 5,852,248</b>

The Notes to the Financial Statements are an integral part of this statement.

## Reconciliation of the Governmental Funds Schedule of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

**Net Change in Fund Balances - Total Governmental Funds** \$ 610,310

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,142,990) exceeded depreciation (\$449,405) in the current period. 693,585

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (11,900)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 13,844

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which bond proceeds (\$559,045) exceeded repayments (\$333,444). (225,601)

Bond issuance premiums and discounts are other financing sources or uses to governmental funds, but are deferred liabilities in the statement of net assets. This is the amount of bond issue premiums. (38,627)

Contributions to certain pension plans use current financial resources from governmental funds, while an increase in the net pension obligation (\$32,600) is an expense in the statement of activities. (32,600)

Some of the assets acquired this year were financed as capital leases. The amount financed is reported in the governmental funds as a source of financing. However, capital leases are long-term liabilities in the statement of net assets. This is the amount by which the addition of new capital leases (\$2,640) exceeds the payment of principal (\$2,474) on capital leases. (166)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Accretion of bond premiums	8,534	
Increase in entity-wide interest payable	(10,858)	
(Increase) Decrease in compensated absences	7,721	
Amortization of losses on refunded bonds	(997)	
Amortization of bond issuance costs	(902)	
Deferral of bond issuance costs	2,826	
Increase in claims and judgements payable	(6,293)	
	31	31

**Change in Net Assets of Governmental Activities** \$ 1,008,876

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011  
(expressed in thousands)

	Business-Type Activities - Enterprise Funds			Total
	Employment Security Commission	Water Resources Board	Lottery Commission	
<b>Assets</b>				
Current Assets				
Cash/Cash Equivalents	\$ 345,111	\$ 37,604	\$ 15,456	\$ 398,171
Investments	0	64,655	0	64,655
Accounts Receivable	16,695	0	8,509	25,204
Interest and Investment Revenue Receivable	0	8,105	0	8,105
Federal Grants Receivable	163	628	0	791
Notes Receivable	0	54,745	0	54,745
Other Current Assets	0	267	0	267
Total Current Assets	361,969	166,004	23,965	551,938
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	0	69,039	0	69,039
Long-Term Investments - Restricted	0	117,974	0	117,974
Long-Term Notes Receivable	0	919,673	0	919,673
Capital Assets, Net	0	53	149	202
Other Noncurrent Assets	0	3,972	3,921	7,893
Total Noncurrent Assets	0	1,110,711	4,070	1,114,781
Total Assets	361,969	1,276,715	28,035	1,666,719
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable and Accrued Liabilities	284	130	8,285	8,699
Interest Payable	0	7,571	0	7,571
Compensated Absences	0	36	113	149
Deferred Revenue	124	0	421	545
Revenue Bonds	0	36,580	0	36,580
Due to Other Funds	0	818	13,667	14,485
Other Current Liabilities	0	2,238	0	2,238
Total Current Liabilities	408	47,373	22,486	70,267
Noncurrent Liabilities				
Revenue Bonds	0	722,913	0	722,913
Compensated Absences	0	154	57	211
Other Noncurrent Liabilities	0	3	0	3
Total Noncurrent Liabilities	0	723,070	57	723,127
Total Liabilities	408	770,443	22,543	793,394
<b>Net Assets</b>				
Invested in Capital Assets	0	53	149	202
Restricted for:				
Debt Service	0	261,984	0	261,984
Unemployment Benefits	361,561	0	0	361,561
Water Resource Loans	0	244,232	0	244,232
Unrestricted	0	3	5,343	5,346
Total Net Assets	\$ 361,561	\$ 506,272	\$ 5,492	\$ 873,325

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Statement of Revenues, Expenses  
and Changes in Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2011  
(expressed in thousands)

	Business-Type Activities - Enterprise Funds			Total
	Employment Security Commission	Water Resources Board	Lottery Commission	
<b>Operating Revenues</b>				
Sales and Services	\$ 337,576	\$ 0	\$ 198,154	\$ 535,730
Federal Grants	413,621	5,330	0	418,951
Interest and Investment Revenue	0	25,111	0	25,111
Other	243	0	120	363
<b>Total Operating Revenues</b>	<b>751,440</b>	<b>30,441</b>	<b>198,274</b>	<b>980,155</b>
<b>Operating Expenses</b>				
Facilities Operations and Maintenance	0	0	205	205
Administrative and General	0	6,990	6,290	13,280
Prizes, Commissions and Other	0	0	125,716	125,716
Interest	0	24,922	0	24,922
Depreciation	0	43	101	144
Benefit Payments and Refunds	776,001	0	0	776,001
<b>Total Operating Expenses</b>	<b>776,001</b>	<b>31,955</b>	<b>132,312</b>	<b>940,268</b>
Operating Income (Loss)	(24,561)	(1,514)	65,962	39,887
<b>Nonoperating Revenues (Expenses)</b>				
Interest and Investment Revenue	12,143	7,151	305	19,599
Other Nonoperating Revenues	2,496	406	0	2,902
Nonoperating Federal Grants	0	45,784	0	45,784
Other Nonoperating Expenses	0	(8,814)	(500)	(9,314)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>14,639</b>	<b>44,527</b>	<b>(195)</b>	<b>58,971</b>
Income (Loss) Before Transfers	(9,922)	43,013	65,767	98,858
Transfers In	0	2,345	0	2,345
Transfers Out	0	(2,523)	(69,396)	(71,919)
Change in Net Assets	(9,922)	42,835	(3,629)	29,284
<b>Total Net Assets - Beginning of Year</b>	<b>371,483</b>	<b>463,437</b>	<b>9,121</b>	<b>844,041</b>
<b>Total Net Assets - Ending</b>	<b>\$ 361,561</b>	<b>\$ 506,272</b>	<b>\$ 5,492</b>	<b>\$ 873,325</b>

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Statement of Cash Flows  
Proprietary Funds

For the Fiscal Year Ended June 30, 2011  
(expressed in thousands)

	Business-Type Activities - Enterprise Funds			Total
	Employment Security Commission	Water Resources Board	Lottery Commission	
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 329,785	\$ 0	\$ 186,141	\$ 515,926
Receipts from Federal Grants	414,626	5,511	0	420,137
Payments of Benefits	(776,252)	571	0	(775,681)
Payments to Suppliers	0	(3,471)	(9,136)	(12,607)
Payments to Employees	0	(2,968)	(2,910)	(5,878)
Payments to Prize Winners	0	0	(106,216)	(106,216)
Payments to fund deposit with Multi-State Lottery	0	0	(172)	(172)
Collections of Interest on Loans to Governmental Units	0	23,439	0	23,439
Payments of Operating Interest Expense	0	(25,643)	0	(25,643)
Net Cash Provided (Used) by Operating Activities	(31,841)	(2,561)	67,707	33,305
<b>Cash Flows from Noncapital Financing Activities</b>				
Federal Grants and Other Contributions	2,496	233,525	0	236,021
Transfers In	0	2,240	0	2,240
Transfers Out	0	(339)	(65,630)	(65,969)
Principal Paid on Bonds and Notes Payable	0	(35,950)	0	(35,950)
Net Cash Provided (Used) by Noncapital Financing Activities	2,496	199,476	(65,630)	136,342
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	0	0	(15)	(15)
Net Cash Used by Capital and Related Financing Activities	0	0	(15)	(15)
<b>Cash Flows from Investing Activities</b>				
Interest and Investment Revenue	12,143	6,850	308	19,301
Proceeds from Sale and Maturity of Investments	0	20,779	0	20,779
Payments to Purchase Investments	0	(81,800)	0	(81,800)
Collections of Principal on Loans to Governmental Units	0	68,902	0	68,902
Payments to Issue Notes Receivable	0	(226,253)	0	(226,253)
Net Cash Provided by Investing Activities	12,143	(211,522)	308	(199,071)
Net Increase in Cash/Cash Equivalents	(17,202)	(14,607)	2,370	(29,439)
<b>Cash/Cash Equivalents - Beginning of Year</b>	362,313	121,250	13,086	496,649
<b>Cash/Cash Equivalents - End of Year</b>	\$ 345,111	\$ 106,643	\$ 15,456	\$ 467,210
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ (24,561)	\$ (1,514)	\$ 65,962	\$ 39,887
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	0	43	101	144
Amortization (Accretion) and Other Noncash Expenses	0	(960)	42	(918)
Decrease (Increase) in Assets				
Accounts Receivable	(7,153)	181	985	(5,987)
Interest and Investment Receivable	0	(1,673)	0	(1,673)
Deposit with Multi-State Lottery	0	0	(173)	(173)
Other Receivables	0	339	0	339
Increase (Decrease) in Liabilities				
Accounts Payable and Accrued Liabilities	(251)	(182)	306	(127)
Interest Payable	0	640	0	640
Prizes Payable	0	0	459	459
Compensated Absences	0	(16)	0	(16)
Due to other funds	0	0	(74)	(74)
Deferred Revenue	124	0	99	223
Other Current Liabilities	0	581	0	581
Net Cash Provided (Used) by Operating Activities	\$ (31,841)	\$ (2,561)	\$ 67,707	\$ 33,305

The Notes to the Financial Statements are an integral part of this statement.

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State of Oklahoma  
Statement of Fiduciary Net Assets  
Fiduciary Funds and Similar Component Units  
June 30, 2011  
(expressed in thousands)

	Pension Trust Funds	Agency Fund
<b>Assets</b>		
Cash/Cash Equivalents	\$ 646,674	\$ 558,870
Investments, at fair value		
Equity Securities	10,542,340	0
Governmental Securities	3,076,882	0
Debt Securities	3,427,457	0
Mutual Funds	2,974,921	0
Other Investments	1,107,033	85
Securities Lending Investments	3,080,109	0
Taxes Receivable	0	1
Accounts Receivable	0	23
Interest and Investment Revenue Receivable	68,588	0
Employer Contributions Receivable	49,454	0
Employee Contributions Receivable	27,313	0
Other Contributions Receivable	27,322	0
Other Receivables	395	0
Due from Brokers	483,474	0
Due from Other Funds	20,920	0
Due from Component Units	0	619
Inventory	0	7,044
Capital Assets, Net	2,657	0
Other Assets	227	0
Total Assets	<u>25,535,766</u>	<u>\$ 566,642</u>
<b>Liabilities</b>		
Accounts Payable	4,789	\$ 470
Tax Refunds Payable	0	3,651
Securities Lending Payable	3,080,109	0
Due to Brokers	762,271	0
Due to Other Funds	5	0
Due to Component Units	9,718	0
Due to Others	0	562,521
Benefits in the Process of Payment	94,300	0
Other Liabilities	10,275	0
Total Liabilities	<u>3,961,467</u>	<u>\$ 566,642</u>
<b>Net Assets</b>		
Held in Trust for Pension Benefits and Pool Participants	<u>\$ 21,574,299</u>	

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Statement of Changes in  
Fiduciary Net Assets  
Fiduciary Funds and Similar Component Units  
For the Fiscal Year Ended June 30, 2011  
(expressed in thousands)

	Pension Trust Funds
<b>Additions</b>	
Contributions	
Employer Contributions	\$ 694,755
Employee Contributions	400,199
Other Contributions	375,937
Total Contributions	<u>1,470,891</u>
Investment Earnings	
Net Increase (Decrease) in Fair Value of Investments	3,504,335
Interest and Investment Revenue	465,666
Total Investment Earnings	<u>3,970,001</u>
Less Investment Expenses	<u>71,596</u>
Net Investment Earnings	<u>3,898,405</u>
Total Additions	<u>5,369,296</u>
<b>Deductions</b>	
Administrative and General Expenses	14,029
Benefit Payments and Refunds	1,810,371
Total Deductions	<u>1,824,400</u>
Change in Net Assets	3,544,896
<b>Net Assets - Beginning of Year (as restated)</b>	<u>18,029,403</u>
<b>Net Assets - End of Year</b>	<u><u>\$ 21,574,299</u></u>

The Notes to the Financial Statements are an integral part of this statement.

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## MAJOR COMPONENT UNITS

The State of Oklahoma has eight major component units which are described below:

### COMPSOURCE OKLAHOMA

P.O. Box 53505, Oklahoma City, Oklahoma 73152

The Fund provides a source of workers' compensation insurance for all employers within the state including state agencies and other governmental units. The Fund is financed through employer premiums.

### STATE AND EDUCATION EMPLOYEES GROUP INSURANCE BOARD

3545 N.W. 58<sup>th</sup> Street, Suite 1000, Oklahoma City, Oklahoma 73112

The Board provides varying coverage of group health, dental, life, and disability benefits to active employees and retirees of the State, local governments, and education entities as well as certain other eligible participants. The Board is financed through employer and employee premiums.

### OKLAHOMA STUDENT LOAN AUTHORITY

P.O. Box 18145, Oklahoma City, Oklahoma 73154

The Authority provides loans to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations.

### OKLAHOMA HOUSING FINANCE AGENCY

100 N.W. 63rd Street, Suite 200, Oklahoma City, Oklahoma 73116

The Agency is authorized to issue revenue bonds and notes in order to provide funds to promote the development of adequate residential housing and other economic development for the benefit of the State of Oklahoma.

### OKLAHOMA TURNPIKE AUTHORITY

4401 W. Memorial Rd, Suite 130, Oklahoma City, Oklahoma 73134

The Authority is authorized to construct, maintain, repair, and operate turnpike projects at locations authorized by the Legislature and approved by the Department of Transportation. The Authority receives revenues from turnpike tolls and a percentage of the turnpike concessions sales. The Authority issues revenue bonds to finance the cost of turnpike projects.

### GRAND RIVER DAM AUTHORITY

P.O. Box 409, Vinita, Oklahoma 74301

The Authority controls the waters of the Grand River system to generate water power and electric energy and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma.

### OKLAHOMA MUNICIPAL POWER AUTHORITY

P.O. Box 1960, Edmond, Oklahoma 73083

The Authority provides a means for the municipal electric systems in the state to jointly plan, finance, acquire, and operate electrical power supply facilities necessary to meet the electrical energy requirements of their consumers. The Authority also sells electric power to its member municipalities.

### HIGHER EDUCATION

Higher Education is primarily comprised of colleges and universities which are members of the Oklahoma State System of Higher Education. The System includes the following colleges and universities:

### COMPREHENSIVE UNIVERSITIES

University of Oklahoma  
Oklahoma State University

### OTHER FOUR YEAR UNIVERSITIES

University of Central Oklahoma  
East Central University  
Northeastern State University  
Northwestern Oklahoma State University  
Southeastern Oklahoma State University  
Southwestern Oklahoma State University  
Cameron University  
Langston University  
Oklahoma Panhandle State University  
Rogers State University  
University of Science and Arts of Oklahoma

### TWO YEAR COLLEGES

Carl Albert State College  
Connors State College  
Eastern Oklahoma State College  
Redlands Community College  
Murray State College  
Northeastern Oklahoma A & M College  
Northern Oklahoma College  
Oklahoma City Community College  
Rose State College  
Seminole State College  
Tulsa Community College  
Western Oklahoma State College

Each institution which is a member of the Oklahoma State System of Higher Education (the "System") is governed by a Board of Regents. The Boards of Regents consist of five to ten members appointed by the Governor, with the advice and consent of the Senate. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Higher Education Component Unit are the following entities:

**Oklahoma State Regents for Higher Education** serves as the coordinating board of control for the System.

**Regional University System of Oklahoma Regents** has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University.

**Ardmore Higher Education Program** was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning. Students enrolled in the Program earn credit applicable toward academic degrees and certificates at participating institutions in the System.

**Rose State College Technical Area Education District, South Oklahoma City Area School District, and Tulsa Community College Area School District #18** were created to provide secondary vocational, technical, and adult education programs for persons within their defined geographical boundaries.

State of Oklahoma  
Combining Statement of Net Assets  
Major Component Units  
June 30, 2011  
(expressed in thousands)

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
<b>Assets</b>										
Current Assets										
Cash/Cash Equivalents										
Unrestricted	\$ 20,720	\$ 87,437	\$ 4	\$ 11,673	\$ 47,559	\$ 22,753	\$ 1,056	\$ 1,211,764	\$ 109,402	\$ 1,512,368
Investments	1,223,237	219,017	24,365	3,807	53,283	157,433	19,297	772,519	26,200	2,499,158
Securities Lending Investments	117,872	0	0	0	0	0	0	0	0	117,872
Accounts Receivable	9,773	32,807	0	845	1,588	36,931	15,053	251,223	1,188	349,408
Interest and Investment										
Revenue Receivable	0	431	68	210	775	752	120	64,523	286	67,165
Federal Grants Receivable	0	0	0	0	0	0	0	11,430	0	11,430
Other Receivables	2,649	841	0	0	0	0	0	74,628	159	78,277
Notes Receivable	50,005	0	0	0	0	0	0	10,218	2,381	62,604
Due from Fiduciary Funds	16	9,385	0	0	0	0	0	0	0	9,401
Due from Other Component Units	855	0	0	0	0	0	0	3,272	1,603	5,730
Due from Primary Government	782	10,872	0	0	937	0	0	27,968	6,018	46,577
Inventory	0	0	0	0	6,068	56,305	2,442	25,592	0	90,407
Prepaid Items	0	0	0	271	220	4,328	2,209	13,019	120	20,167
Other Current Assets	4,089	0	0	0	0	0	2,820	5,253	512	12,674
<b>Total Current Assets</b>	<b>1,429,998</b>	<b>360,790</b>	<b>24,437</b>	<b>16,806</b>	<b>110,430</b>	<b>278,502</b>	<b>42,997</b>	<b>2,471,409</b>	<b>147,869</b>	<b>4,883,238</b>
Noncurrent Assets										
Cash/Cash Equivalents -										
Restricted	0	0	420	177,538	118,797	0	0	394,549	261	691,565
Investments - Restricted	0	0	81,652	613,866	133,518	444,946	153,542	185,240	19,075	1,631,839
Long-Term Investments										
Unrestricted	0	0	0	7,402	0	0	30,231	1,482,204	28,679	1,548,516
Long-Term Notes Receivable, Net										
Unrestricted	21,591	0	5,932	0	0	0	0	47,373	17,728	92,624
Restricted	0	0	908,824	987	0	0	0	0	0	909,811
Capital Assets										
Depreciable, Net										
Land	19,008	631	425	2,890	902,089	665,821	312,244	3,878,629	226,550	6,008,287
Construction in Progress	1,179	0	0	550	162,930	33,516	0	160,740	4,135	363,050
Other Noncurrent Assets	0	0	0	0	52,559	102,086	82,076	336,515	24,533	597,769
Other Noncurrent Assets										
Unrestricted	6,468	0	191	0	86,017	24,228	124,112	219,675	20,134	480,825
Restricted	0	0	14,938	7,395	0	0	441	0	36	22,810
<b>Total Noncurrent Assets</b>	<b>48,246</b>	<b>631</b>	<b>1,012,382</b>	<b>810,628</b>	<b>1,455,910</b>	<b>1,270,597</b>	<b>702,646</b>	<b>6,704,925</b>	<b>341,131</b>	<b>12,347,096</b>
<b>Total Assets</b>	<b>1,478,244</b>	<b>361,421</b>	<b>1,036,819</b>	<b>827,434</b>	<b>1,566,340</b>	<b>1,549,099</b>	<b>745,643</b>	<b>9,176,334</b>	<b>489,000</b>	<b>17,230,334</b>

The Notes to the Financial Statements are an integral part of this statement.

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
<b>Liabilities</b>										
Current Liabilities										
Accounts Payable and Accrued Liabilities	0	9,545	6,945	1,314	16,059	28,477	22,726	196,682	29,377	311,125
Payable Under Securities										
Lending Agreements	121,972	0	0	0	0	0	0	0	0	121,972
Claims and Judgments	206,309	98,541	0	0	0	0	0	3,317	16,578	324,745
Interest Payable	0	0	580	2,354	15,694	3,754	14,160	15,647	952	53,141
Due to Fiduciary Funds	0	0	0	0	1	618	0	0	0	619
Due to Other Component Units	0	16	0	0	35	95	0	2,319	3,265	5,730
Due to Primary Government	3	0	23	2	2,430	124	0	149	1	2,732
Deferred Revenue	70,641	0	0	700	21,735	0	0	136,858	93	230,027
Capital Leases	0	0	0	0	0	0	0	30,231	0	30,231
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	2,122	0	2,122
Compensated Absences	1,792	898	233	942	1,788	3,742	0	71,665	359	81,419
Notes Payable	0	0	0	42,426	33,490	0	1,582	42,041	1,352	120,891
General Obligation Bonds	0	0	0	0	0	0	0	0	595	595
Revenue Bonds	0	0	0	0	48,645	81,665	18,085	35,760	1,040	185,195
Other Current Liabilities	14,112	10,364	0	0	0	0	2,209	184,305	26,050	237,040
<b>Total Current Liabilities</b>	<b>414,829</b>	<b>119,364</b>	<b>7,781</b>	<b>47,738</b>	<b>139,877</b>	<b>118,475</b>	<b>58,762</b>	<b>721,096</b>	<b>79,662</b>	<b>1,707,584</b>
Noncurrent Liabilities										
Claims and Judgments	751,035	11,068	0	0	0	0	0	3,454	142,222	907,779
Due to Primary Government	0	0	0	0	51,650	0	0	0	0	51,650
Capital Leases	0	0	0	0	0	0	0	318,580	0	318,580
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	597,650	0	597,650
Compensated Absences	0	0	0	0	0	0	0	30,359	152	30,511
Notes Payable	0	0	386,694	0	0	0	47,323	131,428	21,614	587,059
General Obligation Bonds	0	0	0	0	0	0	0	0	46,755	46,755
Revenue Bonds	0	0	579,565	631,092	960,154	997,998	593,051	1,192,100	59,913	5,013,873
Other Noncurrent Liabilities	0	4,988	3	1,356	81,630	15,868	24,591	378,810	511	507,757
<b>Total Noncurrent Liabilities</b>	<b>751,035</b>	<b>16,056</b>	<b>966,262</b>	<b>632,448</b>	<b>1,093,434</b>	<b>1,013,866</b>	<b>664,965</b>	<b>2,652,381</b>	<b>271,167</b>	<b>8,061,614</b>
<b>Total Liabilities</b>	<b>1,165,864</b>	<b>135,420</b>	<b>974,043</b>	<b>680,186</b>	<b>1,233,311</b>	<b>1,132,341</b>	<b>723,727</b>	<b>3,373,477</b>	<b>350,829</b>	<b>9,769,198</b>
<b>Net Assets</b>										
Invested in Capital Assets, Net of Related Debt	20,187	631	424	3,440	100,747	188,760	(25,875)	2,319,330	204,072	2,811,716
Restricted for:										
Debt Service	0	0	0	96,443	107,454	66,485	13,862	51,796	0	336,040
Other Special Purpose										
Expendable	5,000	0	32,218	6,661	30,144	514	9,638	2,331,908	4,535	2,420,618
Nonexpendable	0	0	0	0	0	0	0	62,609	0	62,609
Unrestricted	287,193	225,370	30,134	40,704	94,684	160,999	24,291	1,037,214	(70,436)	1,830,153
<b>Total Net Assets</b>	<b>\$ 312,380</b>	<b>\$ 226,001</b>	<b>\$ 62,776</b>	<b>\$ 147,248</b>	<b>\$ 333,029</b>	<b>\$ 416,758</b>	<b>\$ 21,916</b>	<b>\$ 5,802,857</b>	<b>\$ 138,171</b>	<b>\$ 7,461,136</b>

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Combining Statement of Activities  
Major Component Units  
For the Fiscal Year Ended June 30, 2011  
(expressed in thousands)

	Expenses	Program Revenues		Net (Expense) Revenue	General Revenue		Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
		Charges for Services	Operating Grants and Contributions		Payments from Primary Government				
<b>Component Units:</b>									
CompSource Oklahoma	\$ 303,047	\$ 359,800	\$ 0	\$ 56,753	\$ 0	\$ 56,753	\$ 255,627	\$ 312,380	
State Education and Employees									
Group Insurance Board	799,500	865,456	0	65,956	0	65,956	160,045	226,001	
Oklahoma Student Loan Authority	21,871	19,831	0	(2,040)	0	(2,040)	64,816	62,776	
Oklahoma Housing Finance Agency	192,584	64,490	145,378	17,284	0	17,284	129,964	147,248	
Oklahoma Turnpike Authority	205,962	237,726	0	31,764	0	31,764	301,265	333,029	
Grand River Dam Authority	335,197	398,415	0	63,218	0	63,218	353,540	416,758	
Oklahoma Municipal Power Authority	163,229	163,991	0	762	0	762	21,154	21,916	
Higher Education Component Unit	4,090,265	2,148,923	1,508,686	(432,656)	1,065,225	632,569	5,170,288	5,802,857	
Nonmajor Component Units Total	344,781	295,385	1,708	(47,688)	41,474	(6,214)	144,385	138,171	
Total Component Units	<u>\$ 6,456,436</u>	<u>\$ 4,554,017</u>	<u>\$ 1,655,772</u>	<u>\$ (246,647)</u>	<u>\$ 1,106,699</u>	<u>\$ 860,052</u>	<u>\$ 6,601,084</u>	<u>\$ 7,461,136</u>	

The Notes to the Financial Statements are an integral part of this statement.



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**Notes to the Financial Statements**



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**Notes to the Financial Statements**

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

### **Note 1. Summary of Significant Accounting Policies**

The accompanying financial statements of the State of Oklahoma (the "State") have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

In February 2009 the GASB issued Statement 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The state was required to implement this standard for the fiscal year ended June 30, 2011.

In June 2010 the GASB issued Statement 59 *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

The state was required to implement this standard for the fiscal year ended June 30, 2011.

The accompanying financial statements present the financial position of the State and the various funds and fund types, the results of operations of the State and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2011, and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts, authorities and other organizational units governed by the Oklahoma State Legislature and/or Constitutional Officers of the State of Oklahoma.

#### **A. Reporting Entity**

The State has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. Local school districts (the State's support of the public education system is reported in the General Fund) and other local authorities of various kinds that may meet only one of the criteria for inclusion in this report have not been included.

As required by generally accepted accounting principles, these financial statements present the State of Oklahoma (the Primary Government) and its component units.

#### **Discrete Component Units**

Component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Separately issued independent audit reports may be obtained from the Office of State Finance, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105. The audit reports may also be obtained from the respective component units at the addresses presented on the description page of the Fund Financial Statements section for the Major

Component Units, and the description page in the Combining Financial Statement section of this report for the NonMajor Component Units.

The Component Units columns of the government-wide financial statements include the financial data of the following entities:

### MAJOR COMPONENT UNITS

**CompSource Oklahoma** provides a source for workers' compensation insurance for all public and private employers within the State and operates similarly to an insurance company. CompSource is financed through employer premiums. The Board of Managers is comprised of nine members: The Director of State Finance, the Lieutenant Governor, the State Auditor (or their designees), the Director of Central Services, appointees by the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The State can impose its will on the Fund by its ability to remove board members at will. The Fund was audited by other independent auditors for the year ended December 31, 2010, and their report, dated March 25, 2011, has been previously issued under separate cover.

**State and Education Employees Group Insurance Board** provides group health, life, dental, disability and other benefits to active employees and retirees of the State and certain other eligible participants. The Board is financed through employer and employee premiums. The Board consists of eight members: the State Insurance Commissioner, the Director of State Finance, appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. A financial benefit/burden relationship exists between the State and the Board. The Board was audited by other independent auditors for the year ended December 31, 2010, and their report, dated April 27, 2011, has been previously issued under separate cover.

**Oklahoma Student Loan Authority** provides loan funds to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations. The Authority is composed of five members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2011, and their report, dated October 18, 2011, has been previously issued under separate cover.

**Oklahoma Housing Finance Agency** is authorized to issue revenue bonds and notes in order to provide funds to promote the development of residential housing and other economic development for the benefit of citizens. In addition, the Agency administers Section 8 Housing Assistance Payments Programs for the U.S. Department of Housing and Urban Development. The Board of Trustees consists of five members appointed by the Governor. The State can impose its will on the Agency by its ability to veto or modify the Agency's decisions. The Agency was audited by other independent auditors for the year ended September 30, 2010, and their report, dated May 18, 2011, has been previously issued under separate cover.

**Oklahoma Turnpike Authority** constructs, maintains, repairs, and operates turnpike projects at locations authorized by the Legislature and approved by the State Department of Transportation. The Authority receives its revenues from turnpike tolls and a percentage of turnpike concession sales. The Authority issues revenue bonds to finance turnpike projects. The Authority consists of the Governor and six members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2010, and their report, dated April 30, 2011, has been previously issued under separate cover.

**Grand River Dam Authority** controls the waters of the Grand River system to develop and generate water power and electric energy, and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma. The customers consist of rural electric cooperatives, municipalities, industries and off-system sales. The Board of Directors consists of seven members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or

modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2010, and their report, dated March 31, 2011, has been previously issued under separate cover.

**Oklahoma Municipal Power Authority** provides a means for the municipal electric systems in the state to jointly plan, finance, acquire, and operate electrical power supply facilities. Facilities are financed through the issuance of revenue bonds, which are approved by the State's Bond Oversight Commission. Exclusion of the Component Unit would cause the State's financial statements to be misleading or incomplete. The Authority was audited by other independent auditors for the year ended December 31, 2010, and their report, dated April 1, 2011, has been previously issued under separate cover.

**Higher Education Component Unit** - This component unit is primarily comprised of the 25 colleges and universities that are members of the Oklahoma State System of Higher Education (the System). All of the colleges and universities have foundations that receive and hold economic resources for the benefit of their associated entity. These foundations are component units of their respective college or university and are included as part of the Higher Education Component Unit. Separately issued independent audit reports for each college, university, foundation, or other included entity may be obtained from the Office of State Finance, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105. Each institution in the System is governed by a Board of Regents. The Boards of Regents consist of five to ten members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on each institution by its ability to modify and approve their budget. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Higher Education Component Unit are the following entities:

- **Oklahoma State Regents for Higher Education** serves as the coordinating board of control for the System. The Board of Regents for Higher Education consists of nine members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the State Regents for Higher Education by its ability to modify and approve their budget.
- **Regional University System of Oklahoma** has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University. The Board consists of nine members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Board of Regents by its ability to modify and approve their budget. Each of the six regional state universities has one or more foundations that are component units of their respective university and are included in the Higher Education Component Unit.
- **Ardmore Higher Education Program** was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning. Students enrolled in the Program earn credit applicable toward academic degrees and certificates at participating institutions in the System. The Program is administered by a Board of Trustees appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Program by its ability to modify and approve their budget.
- **Rose State College Technical Area Education District, South Oklahoma City Area School District, and Tulsa Community College Area School District #18** were created to provide postsecondary vocational, technical, and adult education programs for persons within their defined geographical boundaries. The primary source of operating funds is ad valorem taxes assessed against real property located in their districts. The Districts are component units of Rose State College, Oklahoma City Community College, and Tulsa Community College, respectively.

## NONMAJOR COMPONENT UNITS

**Oklahoma Educational Television Authority (OETA)** was created to “make educational television services available to all Oklahoma citizens on a coordinated statewide basis.” The Board of Directors is comprised of thirteen members, seven of which are appointed by the Governor, with the advice and consent of the Senate. A financial benefit/burden relationship exists between the State and OETA. OETA also has a non-profit foundation that was established to receive private donations and contributions for the benefit of OETA. This foundation qualifies as a component unit of OETA, and is combined with OETA. OETA was audited by other independent auditors for the year ended June 30, 2011, and their report, dated October 26, 2011, has been previously issued under separate cover.

**Oklahoma Industrial Finance Authority** assists with the State's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. These loans are secured by first or second mortgages on real estate and equipment. The Authority's loans are financed by issuance of general obligation bonds. The Board of Directors is comprised of seven members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2011, and their report, dated October 19, 2011, has been previously issued under separate cover.

**Health Insurance High Risk Pool (HIHRP)** provides health insurance to individuals who are unable to obtain coverage from independent insurers. HIHRP is financed by assessments levied on independent insurers. The Board consists of nine members appointed by the Insurance Commissioner. The State can impose its will on HIHRP by its ability to modify the decisions of the Board. HIHRP was audited by other independent auditors for the year ended June 30, 2011, and their report, dated October 28, 2011, has been previously issued under separate cover.

**Multiple Injury Trust Fund** provides additional compensation to a worker with a pre-existing injury who suffers a second injury. The State can impose its will on the Fund by its ability to remove management (appointees) at will. The Fund was audited by other independent auditors for the period ended December 31, 2010, and their report, dated June 30, 2011, has been previously issued under separate cover.

**University Hospitals Authority** consists of The University Hospital and Children's Hospital of Oklahoma, and their related clinics and other services. The Authority is affiliated with the University of Oklahoma Health Sciences Center whose medical school residents and staff provide patient care, in-service education, and certain administrative duties for the benefit of the Authority. The Authority is governed by a six-member board consisting of appointees of the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate, and officials from the state Medicaid Program, the University of Oklahoma Health Sciences Center and the Authority. A financial benefit/burden relationship exists between the State and the Authority. The Authority was audited by other independent auditors for the year ended June 30, 2011, and their report, dated October 28, 2011, has been previously issued under separate cover.

**Oklahoma Development Finance Authority** provides financing for both public and private entities in the State. The Authority obtains funds through the issuance of bonds and notes. Private entities qualifying for financing are generally agricultural, civic, educational, health care, industrial, or manufacturing enterprises. Financing is also provided to governmental agencies and instrumentalities of the State. The Governing Board is comprised of seven members, of which five are appointed by the Governor, with the advice and consent of the Senate, plus the Director of the Department of Commerce and the State Treasurer. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2011, and their report, dated October 25, 2011, has been previously issued under separate cover.

**Oklahoma Capital Investment Board** assists the State with industrial development by mobilizing equity and near-equity capital making investments for the potential creation of jobs and growth that will diversify and stabilize the economy. The Board of Directors is comprised of five members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Board by its

ability to veto or modify the Board's decisions. The Board, in order to mobilize investments, owns the Oklahoma Capital Formation Company LLC (OCFC), a formerly independent corporation. During fiscal year 2006, the Board purchased 100% of the ownership of the OCFC. In fiscal year 2007 OCFC changed its corporate structure and name from a corporation to an Oklahoma limited liability company (LLC). Operations of the OCFC are included in the financial results of the Board. The Board was audited by other independent auditors for the year ended June 30, 2011, and their report, dated August 29, 2011, has been previously issued under separate cover.

**Oklahoma State University Medical Authority** is affiliated with the Oklahoma State University Center for Health Sciences to provide funding, teaching and training for graduate medical students. It also serves as a site for conducting medical research by faculty and providing patient care. The board is governed by seven members. Three are appointees of the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives respectively. Additional members include the CEO of the Oklahoma Health Care Authority, President of the OSU Center for Health Sciences, CEO of the Authority and an appointee of the President of Oklahoma State University. A financial benefit\burden exists between the Authority and the State. The Authority was audited by other independent auditors for the year ended June 30, 2011, and their report, dated October 14, 2011, has been issued under separate cover.

**Oklahoma Centennial Commemoration Fund** is affiliated with the Capitol Complex and Centennial Commemorative Commission and exists to support the former Commission with the planning and financing of the 2007 State Centennial Commemoration and the state's capitol dome. The Fund is administered by a Board of Directors that was appointed by the Commission. The Fund was compiled by other independent auditors for the year ended December 31, 2010, and their report has been issued under separate cover.

### **Fiduciary Component Units**

Six Public Employee Retirement Systems (PERS) administer pension funds for the State and its political subdivisions. The six PERS are subject to state legislative and executive controls and the administrative expenses are subject to legislative budget controls. These component units, while meeting the definition of a component unit and are legally separate, are presented in the fund financial statements along with other primary government fiduciary funds of the State. They have been omitted from the government-wide financial statements.

Separately issued independent audit reports are available even though they are excluded from the government-wide financial statements. They may be obtained from the Office of State Finance, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105, or the respective fiduciary component units at the addresses presented on the description page of the combining financial statement section of this report.

**Oklahoma Firefighters Pension and Retirement System** provides retirement benefits for municipal firefighters. The System is administered by a board comprised of thirteen members: The President of the Professional Fire Fighters of Oklahoma, the President of the Oklahoma State Retired Fire Fighters Association, the State Insurance Commissioner, and the Director of State Finance (or their designees), the five members of the Board of Trustees of the Oklahoma Firefighters Association; and appointees by the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2011, and their report, dated October 13, 2011, has been previously issued under separate cover.

**Oklahoma Law Enforcement Retirement System** provides retirement benefits for qualified law enforcement officers. The System is administered by a board comprised of thirteen members: The Assistant Commissioner of Public Safety, the Director of State Finance (or his designee), members of the Department of Public Safety, the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, and the Alcoholic Beverage Laws Enforcement Commission, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2011, and their report, dated October 11, 2011, has been previously issued under separate cover.

**Oklahoma Public Employees Retirement System** administers the Oklahoma Public Employee Retirement Plan which provides retirement benefits for state, county and local employees. The board is comprised of thirteen members: The Chairman of the Corporation Commission, the Administrator of the Office of Personnel Management, the State Insurance Commissioner, the Director of State Finance (or their designees), a member of the State Tax Commission, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2011, and their report, dated October 20, 2011, has been previously issued under separate cover.

**Uniform Retirement System for Justices and Judges** is administered by the Oklahoma Public Employee Retirement System and provides retirement benefits for justices and judges. The System was audited by other independent auditors for the year ended June 30, 2011, and their report, dated October 20, 2011, has been previously issued under separate cover.

**Oklahoma Police Pension and Retirement System** provides retirement benefits for police officers employed by participating municipalities. The System is administered by a board comprised of thirteen members: Seven members elected from the seven Districts, the Director of State Finance, the State Insurance Commissioner (or their designees) and appointees by the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2011, and their report, dated September 19, 2011, has been previously issued under separate cover.

**Teachers' Retirement System of Oklahoma** provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions. The System is administered by a board consisting of the Superintendent of Public Instruction, the Director of the State Department of Vocational and Technical Education, the Director of State Finance (or their designees), and appointees by the Governor, with the advice and consent of the Senate, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives. The System was audited by other independent auditors for the year ended June 30, 2011, and their report, dated November 7, 2011, has been previously issued under separate cover.

#### **Related Organizations and Related Parties**

Organizations for which a primary government is accountable because the State appoints a voting majority of the board, but is not financially accountable, are considered to be related organizations. The Oklahoma Ordinance Works Authority (OOWA) is a related organization of the State. The State appoints a voting majority of the Trustees of OOWA but has no further accountability.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information for all of the non-fiduciary activities of the Primary Government and its Component Units. For the most part, the effect of interfund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from the legally separate Component Units for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

**Governmental Fund Financial Statements** – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within sixty days of the end of the current fiscal year end. Principal revenue sources considered susceptible to accrual include federal grants, interest on investments, sales and income taxes, and lease payments receivable. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the State's present appropriation system. These revenues have been accrued in accordance with generally accepted accounting principles (GAAP) since they have been earned and are expected to be collected within sixty days of the end of the period. Other revenues are considered to be measurable and available only when cash is received by the State.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as an expenditure as it is utilized. Unused reimbursable leave following an employee's resignation or retirement that is unpaid at year end is recognized as an expenditure and a liability of the fund.
- Interest on general long-term obligations is recognized when paid.
- Executory purchase orders and contracts are recorded as a commitment of fund balance.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

**Proprietary Funds, Fiduciary Funds and Similar Component Units, and Component Units Financial Statements** – The financial statements of the proprietary funds, fiduciary funds and similar component units, and component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Each proprietary fund has the option under Governmental Accounting Standards Board (GASB), Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Primary Government's three enterprise funds have elected to not apply FASBs issued after the applicable date. Each of the proprietary component units have individually made this election as disclosed in their separate audit reports.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the state's enterprise funds are the moneys requisitioned from the Oklahoma Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits, interest revenue charges for loans made to local entities by the Oklahoma Water Resources Board (OWRB) and the sale of lottery tickets and related chance games by the Lottery Commission. The OWRB reports federal grants as both operating and nonoperating, depending on the types of grants received.

## **D. Fund Accounting**

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the State that are reported in the accompanying financial statements have been classified into the following major governmental and proprietary funds. In addition, a description of the fiduciary and component units follows:

### **1. Governmental Funds**

**General Fund** - This fund accounts for all activities of the State not specifically required to be accounted for in other Funds. Included are transactions for services such as education, general government, health services, legal and judiciary, museums, natural resources, public safety and defense, regulatory services, social services, and transportation. Debt service transactions and related cash balances are reported in the General Fund with balances held to service imminent debt activity presented as a component of restricted fund balance.

**Commissioners of the Land Office Permanent Fund** – This fund accounts for the land and cash granted to the State by the United States Congress for the use and benefit of educational systems in Oklahoma. This fund’s assets are held by the State and only the income derived from the principal may be expended for designated operations. The principal must be preserved intact.

**Department of Wildlife Conservation Permanent Fund** – This fund accounts for moneys held in trust for the improvement and preservation of wildlife. The moneys have been accumulated from the sale of lifetime hunting and fishing licenses. This fund’s assets are held by the State and only the income derived from the principal may be expended for designated operations. The principal must be preserved intact.

**Tobacco Settlement Endowment Permanent Fund** – This fund accounts for certain moneys transferred from the General Fund that were received in settlement of claims by the state against tobacco manufacturers. The earnings from these moneys are to be utilized for research, education, prevention and treatment of tobacco related diseases and certain other health programs. The principal must be preserved intact.

### **2. Proprietary Funds**

These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determinations of results of operations are appropriate.

**Employment Security Commission Enterprise Fund** - This fund accounts for the deposit of moneys requisitioned from the Oklahoma Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits.

**Oklahoma Water Resources Board Enterprise Fund** - This fund is comprised of Oklahoma Water Resources Board and the Department of Environmental Quality bond issues and revolving loan programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

**Oklahoma Lottery Commission Enterprise Fund** – This fund operates the state-wide lottery program and related chance games, seeking to generate additional revenues for the benefit of the State’s educational system.

### **3. Fiduciary Funds and Similar Component Units**

The State presents as fiduciary funds those activities that account for assets held in a trustee capacity or as an agent for individuals, private organizations or other governmental units.

**Pension Trust Funds** - These Funds account for the transactions, assets, liabilities, and net assets of the Wildlife Conservation Retirement Plan in the Primary Government, and six Public Employee Retirement Systems (PERS) that meet the definition of a component unit of the State.

**Agency Funds** - These Funds account for the assets held for distribution by the State as an agent for other governmental units, other organizations or individuals.

#### **4. Component Units**

These entities are legally separate from the State but are considered part of the reporting entity. These Funds meet the definition of both a component unit and that of an enterprise fund as previously described. The six Public Employee Retirement Systems (PERS) meet the definition of a component unit, but are presented with the other fiduciary funds of the State.

#### **5. Financial Statement Reporting Periods**

The accompanying financial statements of the State are presented as of June 30, 2011, and for the year then ended, except for the following funds and entities which were audited, with the exception of Oklahoma Centennial Commemoration Fund which was compiled, by other independent auditors.

CompSource Oklahoma	12-31-10
Multiple Injury Trust Fund	12-31-10
State and Education Employees Group Insurance Board	12-31-10
Oklahoma Turnpike Authority	12-31-10
Grand River Dam Authority	12-31-10
Oklahoma Municipal Power Authority	12-31-10
Oklahoma Housing Finance Agency	09-30-10
Oklahoma Centennial Commemoration Fund	12-31-10

#### **E. Budgeting and Budgetary Control**

The State's annual budget is prepared on the cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the accompanying financial statements, encumbrances are recorded as expenditures for budgetary purposes if expected to be presented for payment by November 15 following the end of the fiscal year and as a component of either restricted or committed fund balance for GAAP purposes. Since the budgetary basis differs from GAAP, budget and actual amounts in the accompanying Required Supplementary Information – Budgetary Schedules are presented on the budgetary basis. A reconciliation of revenues in excess of (less than) expenditures and other financing sources (uses) on a budgetary basis at June 30, 2011 to revenues in excess of (less than) expenditures and other financing sources (uses) presented in conformity with GAAP is set forth in the Notes to Required Supplementary Information.

The Governor prepares and submits to the Legislature at the beginning of each annual legislative session a balanced budget based on budget requests prepared by the various state agencies. The General Fund is the only Fund for which an annual budget is legally adopted. Budgeted expenditures can not exceed the amount available for appropriation as certified by the State Board of Equalization. The Legislature may modify the Governor's proposed budget as it deems necessary and legally enacts an annual state budget through the passage of appropriation bills. The Governor has the power to approve or veto each line item appropriation.

The legal level of budgetary control is maintained at the line item level (i.e., General Operations, Duties, etc.) identified in the appropriation acts. Budgets may be modified subject to statutory limits on transfers. The Director of State Finance can approve transfers of up to 25% between line items. The Contingency Review Board (a three-member board comprised of the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives) can approve transfers between line items of up to 40%. All transfers are subject to review by the Joint Legislative Committee on Budget and Program Oversight to determine if the transfer tends to effectuate or subvert the intention and objectives of the Legislature.

Current policy allows agencies to use unexpended moneys for one-time purchases or non-recurring expenditures in the next fiscal year. This policy provides an incentive for agency managers to distribute resources efficiently; however, it is subject to annual approval by the Legislature. Unexpended balances not carried forward to the new fiscal year by November 15 may: 1) lapse to unrestricted balances and be available for future appropriation, 2) lapse to restricted balances and be available for future appropriations restricted for specific purposes as defined by statute, or 3) be non-fiscal, and may be spent from one to thirty months from the date of appropriation.

If funding sources are not sufficient to cover appropriations, the Director of State Finance is required to reduce the budget by the amount of such deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental appropriation. All fiscal year 2011 appropriated line items were within their authorized spending level.

#### **F. Cash and Cash Equivalents**

The State uses a pooled cash concept in maintaining its bank accounts. All cash is pooled for operating and investment purposes and each fund has relative equity in the pooled amount. For reporting purposes, cash and related time deposits have been allocated to each fund based on its equity in the pooled amount. Interest earned on investments is allocated to the General Fund except for those investments made specifically for the proprietary fund type, fiduciary fund type, proprietary component units, and higher education component unit, for each of which investment revenue is allocated to the investing fund.

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution. The State Treasurer also promulgates all rules and regulations regarding the amount of collateral securities that must be pledged to secure public deposits.

The Oklahoma Employment Security Commission Trust Fund is maintained to account for the collection of unemployment contributions from employers and the payment of unemployment benefits to eligible claimants. As required by Federal Law, all resources not necessary for current benefit payments are placed on deposit with the U.S. Treasury. Interest from these resources is retained in the Fund.

For purposes of reporting cash flows, cash equivalents are defined as short-term, highly liquid investments with a maturity of three months or less that are readily convertible to cash.

#### **G. Investments**

Investments, which may be restricted by law or legal instruments, are under control of either the State Treasurer or other administrative bodies as determined by law.

Investments are generally stated at fair value in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

#### **H. Receivables**

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Governmental fund type receivables consist primarily of amounts due from the Federal government. Interest and investment revenue receivable in all funds consist of revenues due on each investment. Taxes receivable in governmental funds represent taxes subject to accrual, primarily income taxes and sales taxes, which are collected within sixty days after year end. Lease payments receivable in the General Fund consists primarily of capital lease payments due for equipment and railroad lines owned by the Department of Transportation. Collectability of these lease payments is reasonably assured and no allowance for uncollectible amounts has been established.

Taxes receivable in enterprise funds represents unemployment taxes due at year end, net of an allowance for uncollectible amounts. The uncollectible amounts are based on collection experience and a review of the status of existing receivables.

## **I. Inter/Intrafund Transactions**

**Interfund Transactions** - The State has two types of interfund transactions:

- Services rendered transactions are accounted for as revenues and expenditures or expenses in the funds involved.
- Operating appropriations/subsidies are accounted for as transfers in the funds involved.

**Intrafund Transactions** - Intrafund transfers, as a result of contracts among departments and/or agencies within the same fund, are considered expenditures by the contractor and revenues by the contractee for budgetary purposes. The Required Supplementary Information – Budgetary Schedules includes these transactions. However, as a general rule recorded intrafund revenues and expenditures have been eliminated in the GAAP-basis government wide financial statements. A portion of motor fuel excise taxes collected on fuels consumed on the State's turnpikes is made available to the Oklahoma Turnpike Authority (OTA) from the Oklahoma Tax Commission. These taxes are apportioned to OTA monthly to fund debt service, but only to the extent amounts are not otherwise available to OTA. If the motor fuel excise taxes apportioned to OTA are not needed in the month of apportionment, the taxes are transferred to the Department of Transportation (DOT). Before these monthly transfers were mandated, a balance owed to DOT had accumulated and at year end this balance is presented as a noncurrent Due to Other Funds on the financial statements of OTA.

## **J. Inventories and Prepaid Expenses**

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Generally, inventories are valued at cost and predominantly on either the first-in first-out or weighted average basis. Inventories of federal surplus properties are valued at a percentage of federal acquisition cost. General Fund inventories are recorded as expenditures when consumed rather than when purchased by recording adjustments to the inventory account on the balance sheet. The General Fund inventories on hand at year-end are reflected as a component of nonspendable fund balance on the balance sheet, except for \$1,150,000 in food commodities which is recorded as inventory and deferred revenue. Upon distribution, the food commodities are recognized as revenues and expenditures of the General Fund.

The value of the inventory of food commodities in the General Fund is calculated by using a weighted average cost based on the U.S. Department of Agriculture commodity price list at the inventory receipt date. The value of the inventory of food stamps in the general fund is valued at coupon value.

Higher education component unit inventories are stated at the lower of cost or market, with cost being determined on either the first-in first-out or average cost basis.

Prepaid expenses are recorded using the “purchases method,” meaning that they are initially recorded as expenditures. At fiscal year-end, significant amounts of prepaid expenditures are shown as a component of nonspendable fund balance, indicating they do not constitute available expendable resources.

## **K. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (which are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the state as assets which have a cost of \$25,000 or more at the date of acquisition and have an expected useful life of five or more years. Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated fixed assets are recorded at their fair market value at the date of donation.

The estimates of historical costs of buildings and other improvements were based on appraised value, as of August 4, 1994, indexed to the date of acquisition. Infrastructure constructed prior to July 1, 2000 has been recorded at estimated historical cost. The estimated historical cost for years 1916-2000 was based on capital outlay expenditures reported by DOT and the Federal Highway Administration, less an amount estimated for the historical cost of the acquisition of land for right-of-way. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend an asset's useful life are not capitalized. Interest incurred during construction of capital facilities is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units financial statements.

Capital assets of the Primary Government and the component units are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and construction in progress. Generally, estimated useful lives are as follows:

Machinery and Equipment	3 - 20 years
Buildings and Other Improvements	7 - 60 years
Infrastructure	30 years

Collections and works of art are not included in capital assets of the Primary Government on the Statement of Net Assets. GASB Statement No. 34 does not require capitalization of collections if they meet all of the following criteria; held for public exhibition, education, or research in furtherance of service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The State elected not to capitalize collections and works of art since they meet all of the above conditions.

**L. Other Assets**

Included in other assets (noncurrent for component units) are costs to be recovered from future revenues. Certain items included in the operating costs of **Grand River Dam Authority**, an unregulated enterprise, are recovered through rates set by the Board of Directors. Recognition of these costs, primarily depreciation on debt funded fixed assets, amortization of debt discount and expense, and amortization of losses on advance refunding of long-term debt, is deferred to the extent that such costs will be included in rates charged in future years. The **Oklahoma Municipal Power Authority (OMPA)** enters into power sales contracts with participating municipalities that provide for billings to those municipalities for output and services of the projects. Revenues from these contracts provide for payment of current operating and maintenance expenses (excluding depreciation and amortization), as well as payment of scheduled debt principal and interest, and deposits into certain funds as prescribed in the bond resolutions. For financial reporting purposes, OMPA currently recognizes depreciation of assets financed by bond principal and amortization expense. The difference between current operating expenses and the amounts currently billed under the terms of the power sales contracts are deferred to future periods in which these amounts will be recovered through revenues.

**M. Deferred Revenue**

Deferred revenues at the fund level arise when potential revenue does not meet the available criterion for recognition in the current period. Available is defined as due (or past due) at June 30, and collected within sixty days thereafter to pay obligations due at June 30. Deferred revenues also arise when resources are received by the State before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the State has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet, and revenue is recognized. Deferred revenues at the government-wide level arise only when the State receives resources before it has a legal claim to them. Also included in deferred revenue at both levels are the undistributed food commodity inventories.

**N. Compensated Absences**

Employees earn annual vacation leave at the average rate of 10 hours per month for the first 5 years of service, 12 hours per month for service of 5 to 10 years, 13.33 hours per month for service of 10 to 20 years, and 16.67 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 480 hours. All accrued annual leave is payable upon termination, resignation, retirement, or death. The governmental fund financial statements record expenditures when employees are paid for leave. The government-wide financial statements present the cost of accumulated vacation leave as a liability. The liability is valued based on current rate of pay. There is no liability for unpaid accumulated sick leave since the state does not have a policy to pay this amount when employees separate from service.

## **O. Risk Management**

The Risk Management Division of the Department of Central Services 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 use by the State or for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The Risk Management Division is authorized to settle claims of the State and oversee the dispensation and/or settlement of claims against a state political subdivision. In no event shall self-insurance coverage exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act. The Risk Management Division oversees the collection of liability claims owed to the State incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Risk Management Division is also charged with the responsibility to immediately notify the Attorney General of any claims against the State presented to the Risk Management Division.

## **P. Federal Grants**

In addition to monetary transactions, Federal grants also include non-monetary transactions for surplus inventory, food stamps, food, and other commodities. Surplus inventory is valued at a percentage of government acquisition cost. Food stamps are valued at coupon value. Commodities are valued at their federally reported value in the General Fund.

## **Q. Long-Term Obligations**

**Premiums, Discounts and Issuance Costs** – In the government-wide financial statements, long-term debt and other long-term obligations are presented in the columns for governmental and business-type activities. The same is presented in the proprietary fund financial statements. Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges in other assets and are amortized over the term of the related debt.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**Arbitrage Rebate Liability** – The enterprise funds and component units account for any arbitrage rebate payable as a liability of the fund.

## **R. Governmental Activities**

Per a review of State agencies, it was determined that the activities of the Oklahoma Health Care Authority, Department of Veteran Affairs, and the J.D. McCarty Center are more accurately reflected in the Health Services function of government instead of Social Services. Beginning with the fiscal year ended June 30, 2005, these agencies are reported as a function of Health Services. This will affect the comparability of activities with years prior to 2005.

## **S. Governmental Fund – Fund Balance Reserves and Designations**

The governmental fund financial statements present fund balance at the aggregate level of detail within the categories defined by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The table below represents the detailed amount of fund balance available to each functional level of government within those categories. This table also contains a separate detailed categorization for the State's stabilization, or Rainy Day fund if a balance is available at fiscal year end (expressed in thousands):

	Permanent Funds				Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
Nonspendable					
Inventories	63,840	-	-	-	63,840
Prepays	977	-	-	-	977
Permanent Fund Principal	-	1,835,924	70,641	632,838	2,539,403
Restricted					
Education	14,947	23,294	-	-	38,241
General Government	760,371	-	-	-	760,371
Health Services	16,409	-	-	-	16,409
Legal and Judiciary	8,583	-	-	-	8,583
Museums	3,269	-	-	-	3,269
Natural Resources	13,198	-	-	-	13,198
Safety and Defense	4,503	-	-	-	4,503
Regulatory Services	2,307	-	-	-	2,307
Social Services	9,723	-	-	-	9,723
Transportation	17	-	-	-	17
Stabilization Fund (Rainy Day)	186,902	-	-	-	186,902
Committed					
Education	34,638	-	-	-	34,638
General Government	1,056,700	-	-	-	1,056,700
Health Services	60,534	-	-	-	60,534
Legal and Judiciary	67,840	-	-	-	67,840
Museums	743	-	-	-	743
Natural Resources	160,551	-	-	-	160,551
Safety and Defense	106,650	-	-	-	106,650
Regulatory Services	128,561	-	-	-	128,561
Social Services	168,465	-	-	-	168,465
Transportation	328,239	-	-	-	328,239
Assigned	-	-	-	2,928	2,928
Unassigned					
Permanent Fund	-	-	-	26,355	26,355
Stabilization Fund (Rainy Day)	62,301	-	-	-	62,301
<b>Total Fund Balances</b>	<b>3,260,268</b>	<b>1,859,218</b>	<b>70,641</b>	<b>662,121</b>	<b>5,852,248</b>

Nonspendable fund balance represents amounts that are not in spendable form. These amounts are not expected to be converted to cash. The state's primary forms of nonspendable fund balance are inventories and prepaid items such as rent or postage. Nonspendable fund balance also includes principal amounts within each respective permanent fund that is legally required to be maintained into perpetuity.

Restricted fund balance represents amounts that have constraints upon their use through either outside creditors, grantors, contributors or other governments as well as those amounts restricted through constitutional provisions or enabling legislation that can be legally enforced by parties outside the government. The State's general fund restricted fund balance is primarily comprised of amounts yet to be expended under federal grant awards, imminent payments on outstanding bond issues, long-term receivables that must be used for debt repayment, and 75% of any available balance in the stabilization or "Rainy Day" fund. The Commissioners of the Land Office Permanent Fund is restricted for educational systems. Fund balance as restricted by the various constraints in the general fund for the fiscal year ended June 30, 2011 were as follows (expressed in thousands):

	General Fund - Restricted			
	For	Federal	By	Restricted
	Debt Service	Cash	Enabling	Fund
	Only		Legislation	Balance
Restricted				
Education	-	14,947	-	14,947
General Government	731,609	28,762	-	760,371
Health Services	1,201	15,208	-	16,409
Legal and Judiciary	-	8,583	-	8,583
Museums	916	2,353	-	3,269
Natural Resources	-	13,198	-	13,198
Safety and Defense	1,181	3,322	-	4,503
Regulatory Services	2,248	59	-	2,307
Social Services	4,857	4,866	-	9,723
Transportation	17	-	-	17
Stabilization Fund (Rainy Day)	-	-	186,902	186,902
Total Fund Balances	742,029	91,298	186,902	1,020,229

Committed fund balance is presented for each respective function of government as directed by the State's highest level of decision making authority. Along with ratification by the Governor, the Senate and the House of Representatives write, prepare and approve legislative bills to allocate the state's available resources each fiscal year. This process is a formal legislative action constituting the highest level of decision making authority. Once this authority has been exercised, the same action must be taken to modify or rescind a previously approved bill or allocation of resources.

Under GAAP reporting, the nonspendable and restricted fund balance categories are considered to be restricted fund balance. The committed, assigned and unassigned fund balances are considered to be unrestricted fund balance. Generally when the state has both restricted and unrestricted resources available, the restricted balances will be used first as expenditures are incurred as long as conditions that created the restriction are met. When unrestricted fund balance is used, the order of use would generally be committed, then assigned, and finally unassigned.

Article 10, Section 23 of the state constitution establishes a stabilization arrangement (Constitutional Reserve or Rainy Day Fund) under certain conditions where revenues collected exceed estimates made by the State Board of Equalization. Each year this board determines the amount available for allocation by the legislature not to exceed 95% of the board's estimate, or General Revenue Fund certification amount. Any year amounts collected exceed 100% of the board's estimated revenues this excess is placed in the constitutional reserve fund until the fund reaches 15% of the General Revenue Fund certification amount for the preceding fiscal year. Up to 37.5% of the balance in the fund at the beginning of the year may be appropriated for the forthcoming fiscal year when the Equalization Board's estimate is lower than the current fiscal year certification. An additional 37.5% of the constitutional reserve fund at the beginning of the year may be appropriated for the current year if the Equalization Board determines that a revenue failure has occurred with respect to the General Revenue Fund for the current year. The remaining 25% of the balance in the reserve fund may be appropriated upon a declaration by the governor that emergency conditions exist with concurrence by a 2/3rds vote within the Senate and House of Representatives. This same 25% may also be appropriated through a joint declaration of emergency by both the Senate and House of Representatives with a concurrent 3/4ths vote by each legislative body. Due to the different methods for accessing the stabilization fund, any balance with the fund at year end is presented as 75% restricted and 25% unassigned. This split in presentation most closely aligns the government's ability to access these funds with the proper fund balance classification. The total Constitutional Reserve Fund balance at June 30, 2011 was \$249,200,000, with \$186,900,000 presented as restricted fund balance and \$62,300,000 as unassigned fund balance.

The Tobacco Trust Fund's assigned fund balance classification reflects amounts that are constrained by the Fund's intent to be used for specific purposes. For purposes of assigned fund balance, the Fund's Board of Directors has authority to assign funds for specific purposes. The Board of Directors has determined that 10% of the unassigned fund balance be designated as a reserve for future periods should annual earnings prove insufficient to cover expenses. For the fiscal year ended June 30, 2011, the assigned fund balance was \$2,928,000.

As further explained in item J above, the General Fund inventory includes \$1,150,000 in food commodities which is also included in deferred revenue. Therefore, nonspendable fund balance for inventory/prepaid on the balance sheet is \$1,150,000 less than the total of inventory and prepaid items.

**T. Deficit Fund Balance – Multiple Injury Trust Fund/Oklahoma Capital Investment Board**

The Multiple Injury Trust Fund (MITF), a component unit, continues to operate in a deficit situation. MITF had total net liabilities (negative net assets) of \$165,153,000 at December 31, 2010. Legislation was passed in May 2000 providing new funding for MITF through an assessment on gross premiums on workers compensation policies written by insurance carriers and an assessment on disability awards paid by self-insured employers, and further limits future awards against MITF to claimants that timely filed injury claims that occurred before June 1, 2000, against their employer. These claimants have no time limitation for filing against MITF. No new claims related to injuries subsequent to June 1, 2000, can be filed. Funding is to continue until the Board of Managers of the CompSource Oklahoma, pursuant to an independent actuarial audit, has certified that there are sufficient funds to satisfy all outstanding obligations of MITF.

The Oklahoma Capital Investment Board (OCIB), a component unit, operated at a deficit for the fiscal year. In fiscal year 2006 the OCIB purchased 100% of the ownership of the Oklahoma Capital Formation Company LLC (OCFC), a formerly blended entity. This purchase brought on the long-term liabilities of the OCFC, and as a result, puts the OCIB in a negative net asset position. For the fiscal year ended June 30, 2011, the OCIB had negative net assets of \$7,696,000. The OCIB takes a long-term approach to economic stimulation, and it is anticipated that a negative net asset balance could persist well into the future.

**U. Pollution Remediation Obligations**

During the fiscal year ended June 30, 2011, it was determined that several agencies incurred expenses of \$1,846,000 for pollution obligations related to hazardous material on highways and asbestos removal, where clean-up is generally required to comply with federal regulations. This type of remediation is generally a control obligation performed as part of current operations during road construction or building renovation. There was also a liability incurred of \$2,921,000 which is included in accounts payable on the government-wide financial statements.

**Note 2. Deposits and Investments**

The State Treasurer maintains two investment portfolios. The Treasurer’s Portfolio is used to manage the investments of all State moneys that are under the control of the Treasurer where earnings accrue to the general fund of the State. The State Agency Portfolio is used for the investment of a limited number of state agencies specifically authorized by statute to direct the activities of certain funds and accounts where the earnings accrue to those funds and accounts. Ancillary to the Treasurer’s Portfolio is an internal investment pool, OK INVEST, for all state funds and agencies that are considered part of the State of Oklahoma. All cash balances held through the State Treasurer for the Primary Government, Component Units and Fiduciary Funds earn a return through the OK INVEST pool program.

In accordance with statutes, the State Treasurer’s investment policy allows for investments in the following categories:

United States Treasury Bills, Notes and Bonds	Collateralized or insured certificates of deposit
United States Government Agency Securities	Negotiable certificates of deposit
Prime Banker's acceptances	Prime commercial paper
Investment grade obligations of state and local governments	Repurchase agreements
Short-term bond funds	Money market funds
Foreign bonds	

The State Treasurer’s investment policy attempts to reduce portfolio risk through diversification by security, institution and maturity. With the exception of U.S. Treasury securities, no more than 50% of the State’s total funds available for investment will be invested in a single security or with a single financial institution. In addition, the Treasurer’s investments will not have an average maturity greater than 4 years unless specifically otherwise designated by the Treasurer. The following table outlines the State Treasurer’s diversification limits designed to control various types of risk:

Investment Type	Percentage of Total Invested	Percentage of Total by Issuer	Maturity Limit	Rating
U.S Government Agency Securities	50%	35%	10 Years	AAA
U.S. Government Agency Mortgage Backed Securities	40%	No Limit	7 Years	AAA
Collateralized or Insured Certificates of Deposit	Limit of \$35 Million per financial institution		365 Days	N/A
Negotiable Certificates of Deposit	7.5%	2.5%	180 Days	A-1 & P-1
Bankers Acceptance	7.5%	2.5%	270 Days	A-1 & P-1
Commercial Paper	7.5%	2.5%	180 Days	A-1 & P-1
State and Local Government Obligations	10%	5.0%	30 Years	AAA
Repurchase and Tri-party Repurchase Agreements	30%	10%	14 Days	A-1
Money Market Mutual Funds	30%	10%	1 Day	AAA
Foreign Bonds	2.5%	2.5%	5 Years	A-/A3 or better

The Primary Government's three permanent funds, Commissioners of the Land Office, Department of Wildlife Lifetime Licenses, and the Tobacco Settlement Endowment all have investment goals and horizons that differ from the State Treasurer. Accordingly, the investment policies for the permanent funds allow for broader classes of investments as well as extended dates of maturity.

The Employment Security Commission, Water Resources Board and Lottery Commission are the three business-type activities within the Primary Government. These agencies generally have investment policies that correlate to the operations and services that they perform. The Employment Security Commission generally will not invest outside of U.S. Government securities and typically maintains deposit balances only. The Water Resources Board and Lottery Commission both operate with longer investment horizons and as part of normal operations will attempt to match maturities of investments with the approaching maturity of liabilities.

Due to the nature of the internal investment pool, ownership of investments cannot be assigned to individual funds, including the Pension Trust Funds and Component Units. The investment pool also holds securities purchased with cash collateral from securities lending, which are not assigned to individual funds. For these reasons, total investments will not tie to the financial statements for the Primary Government. The following table details the investments held by the Primary Government at June 30, 2011 (expressed in thousands):

<b>Investments - Primary Government</b>				
Investment Type	General Government	Permanent Funds	Business-Type Activities	Total Primary Government
<b>POOLED INVESTMENTS</b>				
US Treasury	\$ 94,685	\$ -	\$ -	\$ 94,685
US Agency	4,017,978	-	-	4,017,978
Repurchase Agreements	363,000	-	-	363,000
Money Market Mutual Funds	642,624	-	-	642,624
Securities Lending Collateral Pool	443,235	45,518	-	488,753
Mutual Funds	1,633	-	-	1,633
Certificates of Deposit	253,995	-	-	253,995
State & Muni Bond Issues	195,809	-	-	195,809
<b>NON-POOLED INVESTMENTS</b>				
US Treasury	39,643	199,152	59,705	298,500
US Agency	10,805	292,477	7,306	310,588
Domestic Corporate Bonds	25,328	711,196	-	736,524
Foreign Corporate Bonds	20,000	79,105	-	99,105
Domestic Equities	77,958	966,363	-	1,044,321
Foreign Equities	-	90,538	-	90,538
Other	7,193	15,604	-	22,797
Money Market Mutual Funds	6,056	-	-	6,056
Guaranteed Investment Contracts	-	-	115,618	115,618
Totals	<u>\$ 6,199,942</u>	<u>\$ 2,399,953</u>	<u>\$ 182,629</u>	<u>\$ 8,782,524</u>

### **Fiduciary Funds and Similar Component Units**

The Fiduciary Funds of the State have investment goals that vary significantly from the Primary Government. Due to the long term nature of these funds, investment options are broader and maturities can be longer than that of the Primary Government. Generally these funds have investment policies allowing for investments in stocks, bonds, fixed income securities and other investment securities including commingled, mutual and index funds. Generally policies allow for a portion of investments to be held in securities of foreign companies and countries. Policies also allow for portions of the total portfolio to be held in derivatives and derivative like investments such as U.S. Treasury Strips, collateralized mortgage obligations, convertible securities and variable rate instruments.

### **Component Units**

The Component Units of the State have varied investment goals based on the demands of their specific enterprise, and commonly have investment policies that allow for broader asset classes and longer maturities than that of the Primary Government. Various finance authorities invest in an attempt to match targeted returns to the maturity of liabilities. The Higher Education Component Unit is comprised of numerous foundations that invest in order to maximize gains for the institutions that they support. These foundations may also hold assets of different classes as part of donor restrictions and covenants. The following table outlines the Component Units' investment holdings at June 30, 2011 (expressed in thousands):

### Investments - Component Units

Investment Type	Total Component Units
US Treasury	\$ 864,195
US Agency	318,407
Domestic Debt Instruments	1,019,009
Foreign Corporate Bonds	40,076
State, Muni and Local Gov't Debt Instruments	18,608
Domestic Equities and Equity Funds	1,269,030
Foreign Equities	138,054
Other	1,539,180
Money Market Mutual Funds	463,188
Guaranteed Investment Contracts	9,766
	<u>\$ 5,679,513</u>

#### A. Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the State will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, not registered in the name of the State, or held by the counterparty or its trust department but not in the State's name.

#### Primary Government

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 is established by rules promulgated by the State Treasurer. In accordance with the Office of State Treasurer's policies, the collateral securities to be pledged by financial institutions through the State Treasurer's Office are pledged at market value and must be at 110% of value to collateralize the amount on deposit, less any federal insurance coverage. All investments held by the State Treasurer are insured, registered, or held in the name of the State Treasurer.

As of June 30, 2011, the Primary Government's bank balances of deposits are fully insured or collateralized with securities held by an agent of the State in the State's name. In addition to these deposits, the State has approximately \$345,376,000 on deposit with the U.S. Government. These funds represent unemployment insurance taxes collected from Oklahoma employers that are held by the U.S. Treasury. The book value of deposits does not materially differ from the bank balance.

#### Fiduciary Funds and Similar Component Units

The Pension Trust Funds, fiduciary component units of the State, have investment policies that do not specifically address custodial credit risk of deposits and investments. However, each Pension Trust Fund utilizes multiple investment managers and limits cash and short-term investments to no more than 5% of each investment manager's portfolio. At June 30, 2011, the Pension Trust Funds had deposits and cash equivalents of \$646,674,000 of which \$388,886,000 were uninsured and uncollateralized.

#### Component Units

Generally, the Component Units of the State have investment policies that do not specifically address or limit custodial credit risk of deposits and investments. All Component Units typically follow the diversification and securitization of deposit policies defined by the State Treasurer in an effort to minimize custodial credit risk. At June 30, 2011, the Component Units had \$13,833,000 of custodial credit risk through U.S. Government debt as collateral for securities lent.

## B. Credit Risk

Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the debt instrument issuer's ability to meet its obligation. The State, its Fiduciary Funds and Component Units utilize the credit quality ratings issued by Moody's, Standard and Poor's, or Fitch in determining the risk associated with its fixed-income investments. Obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government are not considered to have credit risk. Certain debt instruments are commingled investments that do not have an applicable credit risk rating. These investments are presented as not rated in the accompanying tables.

### Primary Government

As outlined in an earlier table, the State Treasurer seeks to hold investments with a rating of A or higher as rated by Moody's. Generally, the Permanent Funds and the business-type activities seek to maintain the same or higher rating. The Water Resources Board, which has a high concentration of investments with one issuer, requires that issuer to maintain an average credit rating of AA or higher. Should this issuer's rating fall below AA, it is required to collateralize the guaranteed investments sufficient to maintain an AA rating on the contracts. At June 30, 2011, the Primary Government had the following investments subject to credit risk (expressed in thousands):

#### Credit Risk - Primary Government

Investment Rating Moody's/S&P/Fitch	US Government Securities	Treasury, Agency and Municipal Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ -	\$ 4,684,411	\$ 714,458	\$ 6,046	\$ 5,404,915
Aa/AA/AA	-	80,529	31,588	6,135	118,252
A/A/A	-	16,481	437,828	14,370	468,679
Baa/BBB/BBB	-	-	149,208	26,328	175,536
Ba/BB/BB	-	-	110,497	12,544	123,041
B/B/B	-	-	169,742	10,154	179,896
Caa/CCC/CCC	-	-	50,448	881	51,329
Ca/CC/CC	-	-	2,919	187	3,106
C/C/C	-	-	49	20	69
D/D/D	-	-	479	-	479
Not Rated	-	23,358	196,606	22,440	242,404
Credit Risk Not Applicable	112,781	-	-	-	112,781
Total	\$ 112,781	\$ 4,804,779	\$ 1,863,822	\$ 99,105	\$ 6,880,487

### Fiduciary Funds and Similar Component Units

The Pension Trust Funds typically hold a significant portion of assets in the form of debt instruments. Each Pension Trust Fund has an investment policy governing their credit risk exposure. Generally, at the time of purchase, investments in domestic fixed-income investments must carry the highest rating either Aaa, (Moody's) or AAA, (S&P, Fitch) as determined by the national rating organizations. International debt instruments must be Baa or BBB at the time of purchase. Overall, each investment policy generally requires that an average credit quality rating of A or higher be maintained for total debt instrument holdings. At June 30, 2011, the Pension Trust Funds had the following credit risk exposure (expressed in thousands):

**Credit Risk - Pension Trust Funds**

Investment Rating Moody's/S&P/Fitch	US Government		Treasury, Agency and Municipal	International Government	US Corporate Debt	International Debt	Total
	Securities		Securities	Securities	Instruments	Instruments	
Aaa/AAA/AAA	\$	-	\$ 235,089	\$ 40,791	\$ 543,240	\$ 779	\$ 819,899
Aa/AA/AA		-	11,234	2,197	142,977	4,332	160,740
A/A/A		-	28,437	39,049	446,981	1,424	515,891
Baa/BBB/BBB		-	6,773	32,782	684,087	1,370	725,012
Ba/BB/BB		-	518	7,560	535,434	1,431	544,943
B/B/B		-	-	5,751	371,468	-	377,219
Caa/CCC/CCC		-	-	2,528	91,982	-	94,510
Ca/CC/CC		-	-	-	5,244	-	5,244
D/D/D		-	-	-	5,420	-	5,420
Not Rated		-	684,591	23,764	489,853	101,435	1,299,643
Credit Risk Not Applicable		1,955,818	-	-	-	-	1,955,818
Total	\$	1,955,818	\$ 966,642	\$ 154,422	\$ 3,316,686	\$ 110,771	\$ 6,504,339

**Component Units**

The Component Units usually hold a significant portion of their respective portfolios in debt instruments. Each Component Unit has an investment policy governing credit risk. As a general rule, the Component Units have more liberal investment policies than the Primary Government that allow for greater levels of credit risk regarding debt securities. Foundations within the Higher Education Component Unit also hold a significant portion of their total debt portfolio as either bond funds or money market mutual funds. These debt instruments are generally pooled or commingled investments and are not subject to credit risk disclosures. Investments in U.S. Government securities are not subject to credit risk. At June 30, 2011 the Component Units had the following credit risk exposure (expressed in thousands):

**Credit Risk - Component Units**

Investment Rating Moody's/S&P/Fitch	US Government		Treasury, Agency and Municipal	International Government	US Corporate Debt	International Debt	Total
	Securities		Securities	Securities	Instruments	Instruments	
Aaa/AAA/AAA	\$	-	\$ 238,416	\$ -	\$ 362,808	\$ -	\$ 601,224
Aa/AA/AA		-	18,390	-	149,626	22,119	190,135
A/A/A		-	-	-	323,893	-	323,893
Baa/BBB/BBB		-	-	-	129,814	-	129,814
Not Rated		-	86,375	389	525,594	17,568	629,926
Credit Risk Not Applicable		858,257	-	-	-	-	858,257
Total	\$	858,257	\$ 343,181	\$ 389	\$ 1,491,735	\$ 39,687	\$ 2,733,249

**C. Concentration of Credit Risk**

**Primary Government**

The State Treasurer's investment policy seeks to mitigate concentration of credit risk through targeted diversification limits as outlined earlier in this note. With the exception of US Treasury securities, no more than 50% of the State's total funds available for investment will be invested in a single security type or with a single financial institution. The Water Resources Board, a business-type activity of the Primary Government, has no policy limiting amounts that may be invested in one issuer. At June 30, 2011, the Board held Guaranteed Investment Contracts issued by Transamerica Occidental Life Insurance Co. / Transamerica Life Insurance and Annuity Co. in the amount of \$112,128,000 or 39% of its portfolio.

## D. Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Duration is a measure of a debt instrument's exposure to fair value changes arising from changes in interest rates based on the present value of future cash flows, weighted for those cash flows as a percentage of the investment's full price. Modified duration estimates the sensitivity of a bond's price to interest rate changes. The State, its Fiduciary Funds, and Component Units use either duration, modified duration or weighted average years outstanding as the standard measures for assessing interest rate risk. Generally, the longer the duration or years outstanding, the greater sensitivity an investment has to interest rate risk.

### Primary Government

As outlined in a previous table, the State Treasurer follows an investment policy seeking to keep the average maturity for its entire portfolio to less than four years. The Permanent Funds and the business-type activities of the Primary Government do not have the same liquidity demands as the Treasurer, and as a matter of policy are not as restrictive regarding maturities. At June 30, 2011, the Primary Government had the following investments with maturities (expressed in thousands):

Weighted Average Years to Maturity	US Government	Treasury, Agency	US Corporate	International	Total
	Securities	and Municipal	Debt	Debt	
	Securities	Securities	Instruments	Instruments	
Less than 1 year Weighted Average to Maturity	\$ 366	\$ 147,908	\$ 1,011,204	\$ -	\$ 1,159,478
1 - 5 years	96,473	4,338,751	709,673	40,675	5,185,572
6 - 10 years	15,942	271,169	25,761	58,430	371,302
10 or more years	-	46,951	365	-	47,316
No Maturity or Not Applicable	-	-	116,819	-	116,819
Total	\$ 112,781	\$ 4,804,779	\$ 1,863,822	\$ 99,105	\$ 6,880,487

### Fiduciary Funds and Similar Component Units

The Pension Trust Funds generally do not have a formal investment policy on interest rate risk. However, interest rate risk is generally controlled through diversification of portfolio management styles. Each Pension Trust Fund reviews the performance of each investment manager, and monitors the interest rate risk as part of the performance assessment. At June 30, 2011, the Pension Trust Funds had the following exposure to interest rate risk (expressed in thousands):

Duration or Weighted Average Years	US Government	Treasury, Agency	International	US Corporate	International	Total
	Securities	and Municipal	Government	Debt	Debt	
	Securities	Securities	Securities	Instruments	Instruments	
Less than 1 year duration	\$ 26,629	\$ 4,663	\$ 14,380	\$ 317,325	\$ -	\$ 362,997
1 - 5 years	318,161	846,344	49,806	1,415,154	7,562	2,637,027
6 - 10 years	706,725	34,831	54,571	944,137	1,723	1,741,987
10 or more years	729,674	80,804	35,665	434,503	51	1,280,697
No Duration	174,629	-	-	205,567	101,435	481,631
Total	\$ 1,955,818	\$ 966,642	\$ 154,422	\$ 3,316,686	\$ 110,771	\$ 6,504,339

### Component Units

The State's Component Units typically have board approved investment policies designed to manage exposure to fair value losses that arise from interest rate risk. The policies of the various Component Units can differ significantly since each investment policy is designed to match the portfolio objectives for that Component Unit. A substantial portion of the Component Units' holdings in debt instruments is in money market mutual funds and bond mutual funds with demand maturities which are presented below as not having an applicable maturity. On June 30, 2011, the Component Units had the following interest rate risk exposure (expressed in thousands):

**Interest Rate Risk - Component Units**

<b>Weighted Average Years to Maturity</b>	<b>US Government Securities</b>	<b>Treasury, Agency and Municipal Securities</b>	<b>International Government Securities</b>	<b>US Corporate Debt Instruments</b>	<b>International Debt Instruments</b>	<b>Total</b>
Less than 1 year Weighted Average to Maturity	\$ 275,124	\$ 86,126	\$ -	\$ 297,860	\$ -	\$ 659,110
1 - 5 years	136,951	137,054	359	764,298	-	1,038,662
6 - 10 years	304,874	31,840	30	207,322	22,119	566,185
10 or more years	25,972	5,585	-	-	-	31,557
No Maturity or Not Applicable	115,336	82,576	-	222,255	17,568	437,735
<b>Total</b>	<b>\$ 858,257</b>	<b>\$ 343,181</b>	<b>\$ 389</b>	<b>\$ 1,491,735</b>	<b>\$ 39,687</b>	<b>\$ 2,733,249</b>

**E. Foreign Currency Risk**

Foreign Currency Risk is the risk that changes in currency exchange rates will adversely affect the fair value of a deposit or investment. The State, its Fiduciary Funds and Component Units typically make investments in foreign securities to achieve an additional level of diversification within the various portfolios under management. Foreign currencies held as cash and cash equivalents are usually held to limit losses in foreign investments due to fluctuations in currency values.

**Primary Government**

The Primary Government does not invest in international securities as a matter of general policy; however, the Permanent Funds have policies that will typically allow a portion of the total portfolio to be invested in international securities in an effort to improve diversification and total returns. The business-type activity's investing policies do not specifically address foreign investments, and they will typically not hold any international securities. At June 30, 2011, the Primary Government had the following foreign currency risk (expressed in thousands):

### Foreign Currency Risk - Primary Government

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	\$ 1,607	\$ -	\$ -	\$ 1,607
Argentine peso	-	53	-	53
Brazilian real	5,909	1,554	1	7,464
British pound sterling	13,925	3,219	263	17,407
Bermuda dollar	-	842	-	842
Canadian dollar	4,944	2,240	-	7,184
Cayman dollar	727	1,222	-	1,949
Chinese renminbi	2,150	-	-	2,150
Columbian peso	-	258	-	258
Czech koruna	153	-	-	153
Danish krone	504	-	-	504
Egyptian pound	3,265	-	-	3,265
Euro	34,147	18,819	494	53,460
Hong Kong dollar	7,935	-	-	7,935
Indian rupee	1,225	-	-	1,225
Israeli shekel	1,275	-	-	1,275
Japanese yen	12,286	-	-	12,286
Malaysian ringgit	-	916	9	925
Mexican peso	98	1,242	47	1,387
New Taiwan dollar	485	-	-	485
Norwegian krone	58	-	-	58
Peruvian nuevo sol	2	473	16	491
Russian ruble	3,359	708	-	4,067
Singapore dollar	2,227	-	-	2,227
South African rand	2,089	-	-	2,089
South Korean won	3,597	-	-	3,597
Swedish krona	1,659	-	-	1,659
Swiss franc	6,109	567	-	6,676
Thai baht	904	-	-	904
Turkish lira	-	223	-	223
Venezuelan bolivar	-	154	-	154
<b>Totals</b>	<b>\$ 110,639</b>	<b>\$ 32,490</b>	<b>\$ 830</b>	<b>\$ 143,959</b>

### Fiduciary Funds and Similar Component Units

The Pension and Other Employee Benefit Trust Funds generally have investment policies regarding limits on the amount of foreign securities that can be held within their respective portfolios. The Trust Funds have a significantly longer time frame for achieving their investment goals, and investments in foreign securities offer an additional level of diversification, as well as provide the opportunity for increased returns. Typically, holdings in foreign currencies are used to limit losses on foreign securities due to currency fluctuations. The Trust Funds had the following foreign currency risk at June 30, 2011 (expressed in thousands):

### Foreign Currency Risk - Pension Trust Funds

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	\$ 34,076	\$ 18,418	\$ (12)	\$ 52,482
Brazilian real	37,217	14,222	43	51,482
British pound sterling	349,139	13,396	(92)	362,443
Bulgarian lev	297	-	-	297
Canadian dollar	49,005	7,832	1,062	57,899
Chilean Peso	592	-	-	592
Czech koruna	808	-	75	883
Danish krone	18,927	-	22	18,949
Estonian krone	-	-	5	5
Egyptian pound	225	-	-	225
Euro	718,426	9,204	12,205	739,835
Hong Kong dollar	134,516	-	1,145	135,661
Hungarian forint	-	4,061	-	4,061
Indian Rupee	-	2,818	-	2,818
Indonesian rupiah	8,546	13,321	27	21,894
Japanese yen	370,513	-	3,011	373,524
Malaysian ringgit	6,657	7,268	-	13,925
Mexican peso	18,217	12,202	287	30,706
New Israeli shekel	1,442	-	-	1,442
New Taiwan dollar	18,960	-	(2)	18,958
New Turkish lira	-	-	833	833
New Zealand dollar	2,770	5,715	-	8,485
Norwegian krone	7,028	6,378	32	13,438
Philippines peso	-	4,691	-	4,691
Polish zloty	7,093	9,348	13	16,454
Singapore dollar	20,986	-	1	20,987
South African rand	20,952	4,662	112	25,726
South Korean won	45,446	12,051	24	57,521
Swedish krona	24,444	-	9	24,453
Swiss franc	108,629	-	61	108,690
Thai baht	7,399	-	-	7,399
Turkish lira	10,827	-	-	10,827
Totals	<u>\$ 2,023,137</u>	<u>\$ 145,587</u>	<u>\$ 18,861</u>	<u>\$ 2,187,585</u>

#### Securities Lending Definition

In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future.

#### Securities Lending Activity – Primary Government

State Statute Title 62, Section 90 authorizes the State Treasurer's Office to participate in securities lending transactions. All securities held by Northern Trust Company, as trustee or custodian, may be lent in the securities lending program unless specifically excluded by the State Treasurer's Office.

During the fiscal year ended June 30, 2011, securities lending agents lent primarily U.S. Government securities. Cash and U.S. Government securities were provided as collateral for the securities lent. Generally, collateral must equal at least 100% of the fair value of the securities loaned. At June 30, 2011, the fair value of the securities on loan was approximately \$432,000,000. The underlying collateral for these securities had a market value of approximately \$443,000,000. Because these securities cannot be sold or pledged unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in U.S. Government securities and is included as an asset on the balance sheet with an offsetting liability for the return of collateral.

At June 30, 2011, there was no credit risk exposure to borrowers because the amounts the Primary Government owes the borrowers exceed the amounts the borrowers owe the Primary Government. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, resulting from the default of a borrower or the lending agent. Because these transactions are terminable at will, their duration generally did not match the duration of the investments made with cash collateral.

The Tobacco Trust Fund, a Permanent Fund of the State, participates in securities lending as defined by its investment policy. During the year, the Tobacco Trust lent U.S. Government securities, corporate debt, and domestic and foreign equities. Collateral was provided as cash for securities lent. Collateral must equal at least 102% of the market value of securities lent unless the principal market for the collateral is outside the United States, in which case a margin of 105% must be maintained. At June 30, 2011, the fair value of securities on loan was \$45,181,000. The collateral for securities lent had a market value of \$45,518,000. The investment made with cash collateral had an average maturity of one day and did not match the duration of the security on loan since the loans are terminable at will. There was no credit risk to borrowers.

#### **Securities Lending Activity – Fiduciary Funds and Similar Component Units**

The six Public Employees Retirement Systems (PERS) participate in securities lending transactions as provided by their respective investment policies. During the fiscal year ended June 30, 2011, securities lending agents lent primarily U.S. Government securities, equity securities, and debt securities. Cash, U.S. Government securities, and letters of credit were provided as collateral for the securities lent. Generally, collateral must be provided in the amount of 102% of the fair value of the securities loaned. In certain instances collateral must be provided in the amount of 105% when the principal trading market for the loaned securities is outside the United States. At June 30, 2011, the carrying amount and fair value of securities on loan was approximately \$3,218,825,000. The underlying collateral for these securities had a market value of approximately \$3,286,044,000. Collateral of securities and letters of credit represented approximately \$205,935,000 of total collateral. Because these securities and letters of credit cannot be sold or pledged unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investments pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

At June 30, 2011, there was no credit risk exposure to borrowers because the amounts the Fiduciary Funds owe the borrowers exceed the amounts the borrowers owe the Fiduciary Funds. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, resulting from the default of a borrower or the lending agent. Investment policies do not require the maturities of investments made with cash collateral to match the maturities of securities lent; however, investment policies may establish minimum levels of liquidity to minimize the interest rate risk associated with not matching the maturity of the investments with the loans. Generally, their duration did not match the duration of the investments made with cash collateral.

#### **Securities Lending Activity – Component Units**

CompSource Oklahoma participates in securities lending transactions as provided by its investment policies. There are no restrictions regarding the amount of securities that may be lent.

During the fiscal year, securities lending agents lent primarily U.S. Government securities, equity securities, and debt securities. Cash, U.S. Government securities, and letters of credit were provided as collateral for the securities lent. Collateral must be provided in the amount of 102% of the fair value of the securities loaned. At fiscal year end, the carrying amount and market value of securities on loan was approximately \$133,133,000. The underlying collateral for these securities had a market value of approximately \$136,154,000. Collateral of securities and letters of credit represented approximately \$14,182,000 of total collateral. Because collateral securities and letters of credit cannot be pledged or sold unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investment pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

During the fiscal year certain losses occurred from securities lending transactions. An unrealized loss of \$174,000 was recognized in fiscal 2010. This loss represents CompSource’s proportionate share of the decline in market value of one investment within a liquidating trust. CompSource had an unrealized loss of \$222,000 from the cash collateral pool and currently estimates no fair market value on its liquidating trust that has an amortized cost of \$3,878,000. Recorded unrealized losses are included as a net decrease in the fair value of investments and as a reduction to the asset value of the securities lending collateral on the Statement of Net Assets for Major Component Units. Due to the unrealized loss and liquidating trust, the value of securities lending assets is not equal the payables for securities lending.

At fiscal year end, there is no credit risk exposure to borrowers because the amount CompSource owes the borrowers exceeds the amount the borrowers owe CompSource. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions or recoveries from prior period losses resulting from the default of a borrower or the lending agent. Because these transactions are terminable at will, their duration generally did not match the duration of the investments made with the cash collateral.

### Derivative Investments Definition

Derivatives are often complex financial arrangements used to manage specific risks or to act as investments. Derivatives can act as hedges to more effectively manage cash flow or act as investments thereby increasing or decreasing exposure to certain types of investments.

### Derivative Investments –Primary Government

Certain state agencies utilize derivative investments as tools to efficiently and effectively manage domestic, international and fixed income investments within their respective portfolios. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2011 and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Permanent Fund	Derivative Instrument	Notional Amount	Fair Value		Change in Fair Value	
			Classification	Amount	Classification	Amount
Tobacco Settlement Trust (TST)	Foreign Currency Forward Contracts	\$ 17	Net Payable	\$ (2)	Investment Income	\$ 93

### Derivative Investments – Fiduciary Funds and Similar Component Units

Several of the State’s Public Employees Retirement Systems (PERS) utilize derivative investments as tools to efficiently and effectively manage domestic, international and fixed income investments within their respective portfolios. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2011 and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Pension System	Derivative Instrument	Notional Amount	Fair Value		Change in Fair Value	
			Classification	Amount	Classification	Amount
Firefighters Pension and Retirement System (OFPRS)	Foreign Currency Forward Contracts	\$ 73,432	Net Payable	\$ (1,235)	Investment Income	\$ (3,010)
Teachers' Retirement System	Foreign Currency Forward Contracts	(624,240)	Investment	(466)	Investment Income	(2,277)

The OFPRS system uses foreign currency forward contracts primarily to hedge foreign currency exposure. The receivable is net of gross receivables of \$132,437 and liabilities of \$1,367,471. The gross receivables are supported by collateral in investments valued at \$132,437 with a credit risk ratings of AA by S&P and Aa3 by Moody's. The foreign currency forward contracts for the TRS subject the System to foreign currency risk because the investments are denominated in foreign currencies. The fair value of foreign currency forward contracts was determined by market rates for exchanging dollars against the contracted currencies.

### Derivative Investments- Component Units

The Component Units of the State have varied investment goals based on the demands of their specific operations and commonly have investment policies allowing for greater investment diversity and risk. Certain component units and foundations with the Higher Education Component Unit will utilize derivative investments on occasion to secure specific returns matched to maturing liabilities to mitigate overall portfolio risk.

### Note 3. Accounts Receivable

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts as of June 30, 2011, including the applicable allowances for uncollectible accounts, are presented below (expressed in thousands):

	General Fund	Component Units	
	Accounts Receivable	Accounts Receivable	Notes Receivable
Gross Receivables	\$ 90,498	\$ 483,090	\$ 1,076,257
Less: Allowance for Uncollectibles	(51,631)	(133,682)	(11,218)
Net Receivables	<u>\$ 38,867</u>	<u>\$ 349,408</u>	<u>\$ 1,065,039</u>



Lifetime Licenses permanent fund is due \$92,000 from the general fund for legislative mandated transfer of earnings on certain funds.

Remaining interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made.

**B. Notes Payable and Capital Leases**

The Multiple Injury Trust Fund (MITF) component unit reports a note payable to CompSource Oklahoma component unit of \$22,966,000, as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit not to exceed \$11,300,000. The remaining \$5,300,000 has not been advanced. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

The Higher Education (HE) component unit has entered into capital lease agreements with the general fund's Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. The capital lease outstanding balances are \$599,772,000.

**C. Interfund Transfers**

A summary of interfund transfers for the fiscal year ended June 30, 2011, follows (expressed in thousands):

<u>Transfers From (Out)</u>	<u>Transfers To (In)</u>	<u>For (Purpose)</u>	<u>Amount</u>
<b>Governmental Funds:</b>			
General Fund	Oklahoma Water Resources Board	Payment for administrative costs	\$ 2,345
		Total transfers out of the General Fund	<u>2,345</u>
<b>Proprietary Funds:</b>			
Oklahoma Water Resources Board	General Fund	Restricted investment revenue	(2,523)
Lottery Commission	General Fund	Transfer of expendable earnings	<u>(69,396)</u>
		Total transfers in to the General Fund	<u>(71,919)</u>
		Net Transfers In/Out - General Fund	<u>\$ (69,574)</u>

## Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows (expressed in thousands):

### Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,515,135	\$ 54,120	\$ (136)	\$ 1,569,119
Construction in progress	285,541	73,004	(184,674)	173,871
Total capital assets, not being depreciated	<u>1,800,676</u>	<u>127,124</u>	<u>(184,810)</u>	<u>1,742,990</u>
Capital assets, being depreciated:				
Buildings and improvements	1,298,326	198,137	(3,465)	1,492,998
Equipment	406,088	59,711	(12,002)	453,797
Infrastructure	14,032,493	942,876	(13,455)	14,961,914
Total capital assets, being depreciated	<u>15,736,907</u>	<u>1,200,724</u>	<u>(28,922)</u>	<u>16,908,709</u>
Less accumulated depreciation for:				
Buildings and improvements	(622,606)	(30,470)	2,596	(650,480)
Equipment	(260,172)	(34,984)	6,850	(288,306)
Infrastructure	(7,378,719)	(383,951)	7,528	(7,755,142)
Total accumulated depreciation	<u>(8,261,497)</u>	<u>(449,405)</u>	<u>16,974</u>	<u>(8,693,928)</u>
Total capital assets, being depreciated, net	<u>7,475,410</u>	<u>751,319</u>	<u>(11,948)</u>	<u>8,214,781</u>
Governmental activities capital assets, net	<u>\$ 9,276,086</u>	<u>\$ 878,443</u>	<u>\$ (196,758)</u>	<u>\$ 9,957,771</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Equipment	\$ 1,900	\$ 15	\$ -	\$ 1,915
Total capital assets, being depreciated	1,900	15	-	1,915
Less accumulated depreciation for:				
Equipment	(1,570)	(144)	1	(1,713)
Total accumulated depreciation	<u>(1,570)</u>	<u>(144)</u>	<u>1</u>	<u>(1,713)</u>
Business-type activities capital assets, net	<u>\$ 330</u>	<u>\$ (129)</u>	<u>\$ 1</u>	<u>\$ 202</u>

Current period depreciation expense was charged to functions of the primary government as follows (expressed in thousands):

Governmental activities:	
Education	\$ 742
General government	17,673
Health services	5,127
Legal and judiciary	88
Museums	159
Natural resources	6,185
Public safety and defense	16,826
Regulatory services	448
Social services	6,688
Transportation	395,469
Total depreciation expense - governmental activities	<u>\$ 449,405</u>
Business-type activities:	
General government	\$ 101
Natural resources	43
Total depreciation expense - business-type activities	<u>\$ 144</u>

## Component Units

Capital asset activity for the year ended June 30, 2011, (December 31, 2010, or September 30, 2010, for those entities identified in Item D of Note 1) was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 357,881	\$ 5,232	\$ (63)	\$ 363,050
Construction in progress	590,186	423,347	(415,764)	597,769
Total capital assets, not being depreciated	948,067	428,579	(415,827)	960,819
Capital assets, being depreciated:				
Buildings and improvements	6,685,877	459,510	(68,029)	7,077,358
Equipment	1,585,147	177,871	(43,754)	1,719,264
Infrastructure	2,149,275	14,172	(5,646)	2,157,801
Total capital assets, being depreciated	10,420,299	651,553	(117,429)	10,954,423
Less accumulated depreciation for:				
Buildings and improvements	(2,393,063)	(184,322)	37,226	(2,540,159)
Equipment	(1,086,242)	(126,836)	40,892	(1,172,186)
Infrastructure	(1,166,494)	(71,747)	4,450	(1,233,791)
Total accumulated depreciation	(4,645,799)	(382,905)	82,568	(4,946,136)
Total capital assets, being depreciated, net	5,774,500	268,648	(34,861)	6,008,287
Capital assets, net	\$ 6,722,567	\$ 697,227	\$ (450,688)	\$ 6,969,106

## Note 6. Risk Management and Insurance

It is the policy of the State to cover the risk of losses to which it may be exposed through risk management activities. In general, the State is self-insured for health care claims (except for employee participation in certain health maintenance organizations), workers' compensation, second injury workers' compensation, tort liability (except for excess coverage for certain losses in excess of \$1,000,000), vehicle liability, and property losses (except for excess coverage for certain losses in excess of \$250,000, or \$750,000 for certain agencies). The property loss excess coverage is limited to a maximum loss of \$1,000,000,000.

Coverage for health care claims and workers' compensation is provided by two separate component units. The State and Education Employees' Group Insurance Board is a component unit that provides group health, life, dental and disability benefits to the State's employees and certain other eligible participants. CompSource Oklahoma (CSO) is a component unit that provides workers' compensation coverage for the State's employees (and private and local government employees).

CSO administers claim payments and provides excess-of-loss coverage to certain governmental entities. The premiums and fees received in connection with these transactions are included in sales revenue and were approximately \$9,866,000 in 2010. The liability for claims in excess of the self-insured entities' respective retention limits included in unpaid losses and loss adjustment expenses was approximately \$66,054,000 at December 31, 2010.

CSO limits the maximum net loss that can arise from risks by entering into reinsurance agreements to assign risk to other insurers on a catastrophe basis. Premiums paid for this reinsurance were approximately \$2,057,000 in 2010. No losses have been ceded under these agreements. Reinsurance receivables with a single reinsurer of \$873,000 at December 31, 2010, have been recorded in anticipation of estimated amounts to be recovered from reinsurers in future years for losses ceded pursuant to certain prior year reinsurance agreements. These agreements do not relieve CSO from its obligation to policyholders. Failure of reinsurers to honor their obligations could result in losses to CSO. Management believes that all reinsurers presently used are financially sound and will be able to meet their contractual obligations.

Coverage for second injury workers' compensation is provided by a discretely presented component unit. The Multiple Injury Trust Fund (MITF) was created to encourage the hiring of individuals with a pre-existing disability and to protect those employers from liability for the pre-existing disability. MITF records a liability for outstanding court awards only as those amounts are awarded by the Workers' Compensation Court for permanent total disability awards. There is no

provision for incurred but not reported claims or claims pending Court determination. Claims and Judgments which were due and owing at December 31, 2010, have been charged to operations for the year ended December 31, 2010. At year end, the MITF loss liability exceeded net assets. MITF was indebted to claimants for court awarded judgments. Only those judgments currently payable in arrears bear interest. The rate, set by statute, is the Treasury bill rate plus 4% to be updated annually.

The remaining risk management activities of the State are included in the State's General Fund. The Risk Management Division of the Department of Central Services is responsible for administering the State's tort liability, vehicle liability, property loss, and other types of risk coverage. Also, the Division is responsible for the acquisition and administration of all insurance policies purchased by the State and administration of any self-insurance plans and programs adopted for use by the State (and for certain organizations and bodies outside of state government).

Except for MITF, estimates relating to incurred but not reported claims, as well as other probable and estimable losses have been included in accrued liabilities for each fund. None of the funds have included non-incremental claims adjustment expense as part of accrued liabilities. Because actual claims liabilities are impacted by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, and other economic and social factors.

The General Fund self-insurance loss liability for the Risk Management Division of the Department of Central Services represents an estimate of amounts to be paid from economic financial resources.

The following table presents the changes in claims liability balances (both current and noncurrent) during the current fiscal year ended June 30, 2011, (December 31, 2010, for CompSource Oklahoma, State and Education Employees Group Insurance Board, and Multiple Injury Trust Fund) and the prior fiscal year, (expressed in thousands):

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
<b>Current Fiscal Year</b>						
General Fund -						
Risk Management Division	\$ 18,923	\$ 9,399	\$ (3,106)	\$ 25,216	\$ 22,110	\$ 3,106
Component Units:						
CompSource Oklahoma	\$ 925,182	\$ 262,050	\$ (229,888)	\$ 957,344	\$ 751,035	\$ 206,309
State and Education Employees						
Group Insurance Board	121,426	773,897	(785,714)	109,609	11,068	98,541
Multiple Injury Trust Fund	114,882	61,455	(17,537)	158,800	142,222	16,578
Total Component Units*	\$1,161,490	\$1,097,402	\$ (1,033,139)	\$1,225,753	\$ 904,325	\$ 321,428

\* The Higher Education Component Unit's claims and judgments (\$3,454 – noncurrent) are for accrued liabilities not related to risk management.

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
<b>Prior Fiscal Year</b>						
General Fund -						
Risk Management Division	\$ 21,258	\$ 7,092	\$ (9,427)	\$ 18,923	\$ 9,496	\$ 9,427
Component Units:						
CompSource Oklahoma	\$ 894,015	\$ 264,623	\$ (233,456)	\$ 925,182	\$ 725,117	\$ 200,065
State and Education Employees						
Group Insurance Board	111,778	820,375	(810,727)	121,426	10,963	110,463
Multiple Injury Trust Fund	98,992	32,719	(16,829)	114,882	101,366	13,516
Total Component Units	\$1,104,785	\$1,117,717	\$ (1,061,012)	\$1,161,490	\$ 837,446	\$ 324,044

**Public Entity Risk Pool - State and Education Employees' Group Insurance Board**

The State operates the Oklahoma State and Education Employees' Group Insurance Board (Plan), a Public Entity Risk Pool.

**A. Description of Plan**

The Plan provides group health, dental, life, and disability benefits to active state employees and local government employees, as well as varying coverages for active education employees and certain participants of the state's retirement systems, survivors, and persons covered by COBRA. Disability coverage is available only to active state employees and local government employees. The Plan is self-insured and provides participants with the option of electing coverage from certain health maintenance organizations (HMOs). Premium rates for the various groups are separately established.

The coverages are funded by monthly premiums paid by individuals, the State, local governments, educational employers, and retirement systems. A participant may extend coverage to dependents for an additional monthly premium based on the coverage requested. Of the 221,000 primary participants and dependents, approximately 32,000 primary participants and 25,000 dependents were covered by HMOs. These counts relate to health coverage only.

All state agencies are required to participate in the Plan. Eligible local governments may elect to participate in the Plan (300 local governments actually participate). Any education entity or local government which elects to withdraw from the Plan may do so with 30 days written notice, and must withdraw both its active and inactive participants.

A summary of available coverages and eligible groups, along with the number of health care participants follows:

	State Employee	Local Government Employee	Education Employee	Teachers' Retirement System	Other Retirement Systems	Survivors	COBRA
Health	X	X	X	X	X	X	X
Dental	X	X	X	X	X	X	X
Life	X	X	X	X	X		
Disability	X	X					
Medicare Supplement				X	X	X	X
Health Care Participants:							
Primary	21,000	8,000	47,000	----- 38,000 -----			
Dependents	-----			50,000	-----		

**B. Unpaid Claims Liabilities**

The Plan establishes policy and contract claim reserves based on the estimated ultimate cost of settling claims that have been reported but not settled, and of claims that have been incurred but not yet reported. Disability reserves are also established based on the estimated ultimate cost of settling claims of participants currently receiving benefits and for disability claims incurred but not yet reported to the Plan.

The reserves are determined using the Plan's historical benefit payment experience. The length of time for which costs must be estimated depends on the coverages involved. Although such estimates are the Plan's best estimates of the incurred claims to be paid, due to the complex nature of the factors involved in the calculation, the actual results may be more or less than the estimate. The claim liabilities are recomputed on a periodic basis using actuarial and statistical techniques which consider the effects of general economic conditions, such as inflation, and other factors of past experience, such as changes in participant counts. Adjustments to claim liabilities are recorded in the periods in which they are made. Premium deficiency reserves are required to be recorded when the anticipated costs of settling claims for the following fiscal year are in excess of the anticipated premium receipts for the following year. Anticipated investment income is considered in determining whether a premium deficiency exists.

### C. Reconciliation of Claims Liabilities

The schedule below presents the changes in policy and contract claim reserves and disability reserves for the three types of coverages: health and dental, life, and disability (expressed in thousands):

	Health and Dental	Life	Disability	Total
	Fiscal Year 12/31/2010	Fiscal Year 12/31/2010	Fiscal Year 12/31/2010	Fiscal Year 12/31/2010
Reserves at beginning of period	\$ 102,804	\$ 4,813	\$ 13,809	\$ 121,426
Incurred claims:				
Provision for insured events of current period	746,466	21,083	5,348	772,897
Changes in provisions for insured events of prior periods	3,362	(451)	(1,911)	1,000
	<u>749,828</u>	<u>20,632</u>	<u>3,437</u>	<u>773,897</u>
Payments:				
Claims attributable to insured events of current period	659,895	17,393	749	678,037
Claims attributable to insured events of prior periods	101,857	3,312	2,508	107,677
	<u>761,752</u>	<u>20,705</u>	<u>3,257</u>	<u>785,714</u>
Reserves at end of period	<u>\$ 90,880</u>	<u>\$ 4,740</u>	<u>\$ 13,989</u>	<u>\$ 109,609</u>

### D. Revenue and Claims Development Information

The separately issued audited financial statements for the Plan include Required Supplementary Information regarding revenue and claims development.

## Note 7. Operating Lease Commitments

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for equipment operating leases as of June 30, 2011, are as follows (expressed in thousands):

	General Fund	Fiduciary Funds	Component Units
2012	\$ 263	\$ 185	\$ 3,177
2013	88	-	2,931
2014	82	-	2,590
2015	81	-	2,208
2016	12	-	385
2017-2021	-	-	1
Total Future Minimum Lease Payments	<u>\$ 526</u>	<u>\$ 185</u>	<u>\$ 11,292</u>
Operating lease commitments for building rental for year ended June 30, 2012	\$ 20,145	\$ 413	\$ 4,069
Rent expenditures/expenses for operating leases for year ended June 30, 2011	\$ 18,602	\$ 428	\$ 17,755

## Note 8. Lessor Agreements

### Primary Government

#### Direct Financing Leases

The Department of Transportation maintains leases classified as direct financing leases. The State leases heavy equipment and machinery to counties within the State. The lease terms are determined by the depreciation schedules published by the American Association of State Highway Transportation Officials. All new county equipment leases were charged an interest amount equivalent to 3% of the equipment cost. Title to this equipment passes to the counties at the end of the lease term. The Department of Transportation also leases railroad lines within the state to the AT&L Railroad Company and the Oklahoma, Kansas, and Texas Railroad Company with lease terms ending in 2014 and 2011, respectively. No interest or executory costs are charged, and the leases include bargain purchase options. The unguaranteed residual values of the machinery, equipment, and railroad lines are not estimated by the State. Contingent rentals are not a part of any lease and uncollectible amounts are not expected. The total minimum lease payments to be received by the Department of Transportation in future years is approximately \$20,461,000, which is also the net investment in direct financing leases at June 30, 2011. The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands):

	2012	2013	2014	2015	2016
Department of Transportation	\$ 7,313	\$ 3,719	\$ 3,030	\$ 2,408	\$ 1,682
Oklahoma Capital Improvement Authority	2,122	2,225	17,718	35,965	31,730
Total	<u>\$ 9,435</u>	<u>\$ 5,944</u>	<u>\$ 20,748</u>	<u>\$ 38,373</u>	<u>\$ 33,412</u>

The Oklahoma Capital Improvement Authority (OCIA) has capital lease agreements with the higher education component unit for the lease of various facilities, equipment and improvements. At June 30, 2011, the total minimum lease payments to be received by OCIA from the higher education component unit are \$599,772,000. These lease agreements end in fiscal year 2035.

#### Operating Leases

The State has operating leases maintained by various state agencies consisting primarily of state owned building space leased to non-state entities. The Primary Government's total operating leases receivable recognized in the current fiscal year is approximately \$54,000. Minimum future rentals receivable from these operating leases is presented in the following schedule (expressed in thousands):

2012	2013	2014	2015	2016
\$ 305	\$ 235	\$ 159	\$ 100	\$ 90

In addition, the leasing operations of the Commissioners of the Land Office consist of leasing approximately 745,000 acres of land principally for agricultural purposes. The lease terms are principally for five-year periods with one-fifth of the leases expiring each year. The lease year is on a calendar year basis with rents prepaid one year in advance. The rental amount is determined based on the maximum amount bid by the lessee. The following schedule presents minimum future rentals receivable from the leasing of these lands (expressed in thousands):

2012	2013	2014	2015	2016
\$ 9,010	\$ 6,574	\$ 4,173	\$ 2,183	\$ -

### Component Units

The **Oklahoma Municipal Power Authority** executed a Power Purchase Agreement with FPL Energy Oklahoma Wind, LLC (FPLE Oklahoma), for the development of a wind generation facility in northwestern Oklahoma. Under the agreement, FPLE Oklahoma was responsible for acquiring, constructing and installing the wind project. The Authority

issued taxable limited obligation notes which were payable solely from lease payments made by FPLE Oklahoma. The Authority used the proceeds of the notes to finance the Authority's acquisition of the wind project and has leased the wind project to FPLE Oklahoma under a long-term capital lease agreement for an amount sufficient to pay the debt service, principal and interest, on the notes. The Power Purchase Agreement has a term of approximately 25 years and power is sold on a take and pay basis. FPLE Oklahoma retains the operational risk related to the wind project. The following schedule lists the components of the lease agreement as of December 31, 2010 (expressed in thousands):

Total minimum lease payments to be received	\$ 81,301
Less: Amounts representing interest included in total minimum lease payments	(32,396)
Net investment in direct financing leases	<u>\$ 48,905</u>

### Operating Leases

The Oklahoma Turnpike Authority has various noncancelable contracts with concessionaires to provide patron services on the State's turnpike system. The contracts are generally for five year terms, with two five-year renewal options. The Authority receives concession revenue that includes minimum rentals plus contingent rentals based on sales volume. The Authority also leases antenna space under noncancelable contracts with a 20 year term. The University Hospital Authority has leased substantially all capital assets, except construction-in-progress, to the joint operations of OUMC and OU Health Sciences Center. The University Hospital Authority carries receipts through 2048. The following schedule presents minimum future rentals receivable from these contracts (expressed in thousands):

	2012	2013	2014	2015	2016	Thereafter
University Hospitals Authority	\$ 714	\$ 676	\$ 676	\$ 676	\$ 676	\$ 21
Oklahoma Turnpike Authority	506	457	457	408	408	6,982
Total	<u>\$ 1,220</u>	<u>\$ 1,133</u>	<u>\$ 1,133</u>	<u>\$ 1,084</u>	<u>\$ 1,084</u>	<u>\$ 7,003</u>

The cost and carrying amount of the University Hospitals Authority leased property for the year ended June 30, 2011 (expressed in thousands):

Land	\$4,009
Buildings	287,781
Equipment	123,315
Infrastructure	7,210
Cost	<u>422,315</u>
Less Accumulated Depreciation	<u>(237,831)</u>
Net Leased Property	<u>\$184,484</u>

## Note 9. Long-Term Obligations As Related to Governmental Activities

Long-term obligations at June 30, 2011, and changes for the fiscal year then ended (expressed in thousands):

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds Payable from Tax Revenue:								
Oklahoma Bldg 2003A, Refunding	2003	2.00%-5.00%	2019	\$ 188,030	\$ -	\$ 119,350	\$ 68,680	\$ -
Oklahoma Bldg 2010A, Refunding	2011	2.00%-5.00%	2019	-	102,670	-	102,670	-
Oklahoma Bldg 2010B, Capitalized Interest	2011	1.59%	2014	-	4,295	-	4,295	-
Total				188,030	106,965	119,350	175,645	-
Revenue Bonds Payable from Lease Rentals:								
OCIA Series 1999B	2000	6.20%-7.63%	2020	355	-	25	330	25
OCIA Series 2000, Highway	2000	4.30%-5.00%	2012	35,720	-	17,275	18,445	18,445
OCIA Series 2002A	2003	2.00%-4.65%	2023	9,345	-	565	8,780	585
OCIA 2003A, Highway	2003	2.00%-5.00%	2015	36,335	-	6,590	29,745	6,910
OCIA 2003B, Highway	2003	2.00%-5.00%	2015	14,575	-	2,680	11,895	2,790
OCIA 2003C, State Facilities	2004	2.00%-4.75%	2025	14,590	-	735	13,855	760
OCIA 2003D, State Facilities	2004	2.00%-4.75%	2024	2,685	-	150	2,535	155
OCIA 2003E, State Facilities	2004	2.00%-4.00%	2016	9,220	-	2,385	6,835	1,265
OCIA 2004A, Refunding	2005	2.50%-5.00%	2025	107,060	-	8,660	98,400	9,085
OCIA 2005, Revenue	2006	3.50%-4.30%	2021	4,130	-	310	3,820	320
OCIA 2005A, Revenue	2005	3.00%-4.35%	2021	4,790	-	360	4,430	375
OCIA 2005B, Revenue	2005	3.00%-4.05%	2026	3,410	-	160	3,250	165
OCIA 2005C, Revenue	2005	3.00%-5.00%	2028	30,665	-	1,220	29,445	1,260
OCIA Series 2005D	2006	3.00%-4.38%	2031	19,840	-	635	19,205	655
OCIA Series 2005E	2006	3.70%-5.00%	2026	2,590	-	115	2,475	120
OCIA Series 2005F	2006	3.38%-5.00%	2031	314,495	-	95,290	219,205	-
OCIA Series 2006	2006	5.00%-5.23%	2016	34,400	-	34,400	-	-
OCIA Series 2006A	2006	3.55%-4.38%	2027	21,810	-	930	20,880	965
OCIA Series 2006B	2006	3.50%-4.25%	2027	16,900	-	720	16,180	750
OCIA Series 2006C	2006	4.00%-4.50%	2027	19,795	-	825	18,970	855
OCIA Series 2006D	2006	1.00%-5.00%	2036	113,225	-	5,400	107,825	-
OCIA Series 2006E	2006	4.00%-4.50%	2027	5,760	-	240	5,520	250
OCIA Series 2008A	2008	2.90%-5.30%	2026	25,380	-	1,155	24,225	1,195
OCIA Series 2008B	2009	2.70%-5.48%	2030	11,600	-	380	11,220	395
OCIA Series 2009A	2009	1.00%-4.20%	2025	24,880	-	1,160	23,720	1,360
OCIA Series 2009AA	2010	2.00%-4.00%	2025	79,250	-	6,420	72,830	8,240
OCIA Series 2009B	2010	5.04%-5.34%	2025	68,830	-	-	68,830	-
OCIA Series 2010, Refunding Revenue	2011	1.77%-5.61%	2031	-	132,075	-	132,075	-
OCIA Series 2010A, Refunding	2011	2.00%-5.00%	2019	-	87,260	-	87,260	-
OCIA Series 2010B, Capitalized Interest	2011	2.03%-2.48%	2016	-	30,105	-	30,105	-
OCIA Series 2010A DOT	2011	2.00%-5.00%	2021	-	110,565	-	110,565	-
OCIA Series 2010B DOT	2011	4.24%-4.79%	2026	-	92,075	-	92,075	-
Corrections 2003A, Central OK (ODFA)	2003	2.25%-4.65%	2023	26,370	-	1,600	24,770	1,655
Corrections 2004, Central OK (ODFA)	2004	3.00%-4.45%	2024	3,050	-	190	2,860	195
Corrections 2006, Central OK (ODFA)	2006	3.75%-4.50%	2026	3,760	-	170	3,590	180
Tourism 2002	2002	2.10%-4.25%	2012	790	-	385	405	405
DHS-Pittsburg Co. 1998 (ODFA)	1998	4.25%-5.30%	2013	505	-	110	395	120
DHS-Canad/Linc Co. 2000 (ODFA)	2000	4.30%-5.60%	2015	1,555	-	280	1,275	295
DHS-8 County (ODFA)	2001	2.00%-5.25%	2017	8,305	-	1,035	7,270	1,075
DHS-Logan/Okla Co. 2004A (ODFA)	2004	1.00%-3.85%	2019	5,570	-	545	5,025	560
DHS-2004B (ODFA)	2005	1.60%-5.13%	2020	3,480	-	290	3,190	300
DHS-2008 (ODFA)	2008	3.25%-4.15%	2023	20,510	-	1,270	19,240	1,315
Veterans Series 2005 (ODFA)	2005	2.65%-3.65%	2015	4,265	-	800	3,465	825
Law Enforcement Education/Train (ODFA)	2002	3.65%-5.50%	2027	20,805	-	825	19,980	855
Finance 2009 (ODFA) (Beg. Bal. Restated)	2009	2.50%-5.00%	2036	43,540	-	1,115	42,425	1,150
Total				1,174,140	452,080	197,400	1,428,820	65,855
Notes Payable from Tax Revenue (Tourism) and Grant Revenue (ODOT):								
Tourism 2004, Clean Water	2004	2.13%	2024	2,458	-	154	2,304	158
ODOT 2004A, Grant Anticipation	2004	1.00%-5.00%	2019	31,180	-	2,865	28,315	2,995
ODOT 2005A, Grant Anticipation	2006	3.00%-5.00%	2020	38,455	-	2,845	35,610	2,930
ODOT 2007A, Grant Anticipation	2007	3.25%-5.00%	2023	82,190	-	4,805	77,385	5,000
ODOT 2008A, Grant Anticipation	2009	3.00%-5.00%	2021	92,340	-	6,025	86,315	6,255
Total				246,623	-	16,694	229,929	17,338
Capital Leases				12,553	2,640	2,474	12,719	2,120
Compenstated Absences				157,973	86,189	93,910	150,252	93,910
Pension Obligation				48,102	32,600	-	80,702	-
Bond Issue Premiums				44,724	38,627	8,534	74,817	8,534
Claims and Judgements Payable				18,923	9,399	3,106	25,216	3,106
Total Long-Term Obligations				\$ 1,891,068	\$ 728,500	\$ 441,468	\$ 2,178,100	\$ 190,863

Reductions of debt includes an advance refunding of \$102,875 as an other financing use to partially defease the Oklahoma Building Refunding 2003A GO bonds, an advance refunding of \$86,210 as an other financing use to partially defease the OCIA 2005F Revenue bonds, and an advance refunding of \$28,670 to defease the 2006 OCIA revenue bonds. Increases in debt are from three refunding issues, two capitalized interest, and two new OCIA issues for the benefit of the Department of Transportation.

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2011, which have scheduled debt service amounts (expressed in thousands):

	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	Total
<b>General Obligation bonds:</b>										
Oklahoma Bldg 2003A, Refunding	\$ 3,079	\$ 20,803	\$ 20,874	\$ 21,729	\$ 1,689	\$ 10,056	\$ -	\$ -	\$ -	\$ 78,230
Oklahoma Bldg 2010A, Refunding	4,264	4,264	4,595	7,956	28,093	78,881	-	-	-	128,053
Oklahoma Bldg 2010B, Capitalized Interest	68	69	4,329	-	-	-	-	-	-	4,466
Less: Interest	7,411	6,976	6,093	5,085	4,062	5,477	-	-	-	35,104
Total Principal	-	18,160	23,705	24,600	25,720	83,460	-	-	-	175,645
<b>Revenue Bonds:</b>										
OCIA Series 1999B	49	52	50	52	50	203	-	-	-	456
OCIA Series 2000, Highway	18,906	-	-	-	-	-	-	-	-	18,906
OCIA Series 2002A	947	946	949	944	948	4,711	1,875	-	-	11,320
OCIA 2003A, Highway	8,261	8,260	8,259	8,259	-	-	-	-	-	33,039
OCIA 2003B, Highway	3,268	3,267	3,269	3,269	-	-	-	-	-	13,073
OCIA 2003C, State Facilities	1,331	1,330	1,331	1,330	1,326	6,628	5,286	-	-	18,562
OCIA 2003D, State Facilities	258	258	257	256	254	1,277	761	-	-	3,321
OCIA 2003E, State Facilities	1,495	1,496	1,503	1,506	1,505	-	-	-	-	7,505
OCIA 2004A, Refunding	13,738	13,727	13,713	13,710	13,686	51,998	1,257	-	-	121,829
OCIA 2005 Revenue	466	464	467	464	464	2,328	-	-	-	4,653
OCIA 2005A, Revenue	545	542	543	543	542	2,694	-	-	-	5,409
OCIA 2005B, Revenue	303	301	300	298	301	1,483	1,466	-	-	4,452
OCIA 2005C, Revenue	2,511	2,508	2,508	2,509	2,507	12,342	12,144	4,842	-	41,871
OCIA 2005D Revenue	1,428	1,431	1,427	1,427	1,425	7,118	7,093	7,057	-	28,406
OCIA 2005E Revenue	222	226	226	226	225	1,116	1,109	-	-	3,350
OCIA 2005F Revenue	-	5,397	20,831	20,825	20,823	56,902	104,647	119,468	-	348,893
OCIA 2006 Revenue	-	-	-	-	-	-	-	-	-	-
OCIA 2006A Revenue	1,791	1,791	1,788	1,789	1,787	8,927	8,892	1,774	-	28,539
OCIA 2006B Revenue	1,386	1,384	1,385	1,384	1,381	6,900	6,878	1,368	-	22,066
OCIA 2006C Revenue	1,657	1,658	1,656	1,658	1,659	8,263	8,226	1,642	-	26,419
OCIA 2006D Revenue	5,661	5,400	5,383	5,391	5,391	26,965	26,948	26,956	120,393	228,488
OCIA 2006E Revenue	481	480	480	480	479	2,394	2,386	476	-	7,656
OCIA 2008A Revenue	2,283	2,284	2,277	2,276	2,277	11,341	11,278	-	-	34,016
OCIA 2008B Revenue	928	923	924	923	925	4,601	4,581	3,639	-	17,444
OCIA 2009A Revenue	2,202	2,193	2,187	2,186	2,189	10,908	8,697	-	-	30,562
OCIA 2009AA Revenue	10,442	10,436	10,434	10,427	10,409	31,098	-	-	-	83,246
OCIA 2009B Revenue	3,588	3,588	3,588	3,588	3,588	38,304	52,509	-	-	108,753
OCIA Series 2010, Refunding/Revenue	3,193	6,386	11,441	11,419	11,403	56,778	56,465	56,063	-	213,148
OCIA Series 2010A, Refunding	5,196	3,841	3,841	3,841	9,138	88,251	-	-	-	114,108
OCIA Series 2010B, Capitalized Interest	902	666	666	18,039	12,711	-	-	-	-	32,984
OCIA 2010A DOT	4,342	14,779	14,784	14,764	14,746	73,388	-	-	-	136,803
OCIA 2010B DOT	4,229	4,229	4,229	4,229	4,229	21,145	104,325	-	-	146,615
Corrections 2003A, Central OK (ODFA)	2,694	2,694	2,690	2,693	2,691	13,460	5,382	-	-	32,304
Corrections 2004, Central OK (ODFA)	309	308	306	309	305	1,540	614	-	-	3,691
Corrections 2006, Central OK (ODFA)	333	331	329	332	329	1,654	1,655	-	-	4,963
Tourism 2002	414	-	-	-	-	-	-	-	-	414
DHS-Pittsburg Co. 1988 (ODFA)	138	282	-	-	-	-	-	-	-	420
DHS-Canad/Linc Co. 2000 (ODFA)	365	365	362	364	-	-	-	-	-	1,456
DHS-8 County 2002 (ODFA)	1,430	1,434	1,429	1,433	1,433	1,430	-	-	-	8,589
DHS-Logan/Okla Co. 2004A (ODFA)	733	732	735	735	734	2,202	-	-	-	5,871
DHS-2004B	433	430	433	434	430	1,716	-	-	-	3,876
DHS-2008	2,031	2,030	2,033	2,033	2,031	10,152	4,064	-	-	24,374
Veterans Series 2005 (ODFA)	946	943	945	943	-	-	-	-	-	3,777
Law Enforcement Education/Train (ODFA)	1,853	1,858	1,854	1,853	1,853	9,275	9,274	1,855	-	29,675
Finance 2009 (ODFA)	2,920	2,919	2,918	2,916	2,918	14,579	14,513	14,428	11,489	69,600
	116,608	114,569	134,730	152,057	139,092	594,071	462,325	239,568	131,882	2,084,902
Less: Interest	50,753	54,966	57,733	54,524	51,015	199,750	120,483	53,217	13,641	656,082
Total Principal	65,855	59,603	76,997	97,533	88,077	394,321	341,842	186,351	118,241	1,428,820
<b>Notes Payable:</b>										
Tourism 2004, Clean Water	206	207	208	209	210	1,062	541	-	-	2,643
ODOT 2004A, Grant Anticipation	4,258	4,259	4,252	4,255	4,248	12,713	-	-	-	33,985
ODOT 2005A, Grant Anticipation	4,442	4,441	4,417	4,417	4,412	22,017	-	-	-	44,146
ODOT 2007A, Grant Anticipation	8,530	8,535	8,518	8,472	8,468	42,326	16,870	-	-	101,719
ODOT 2008A, Grant Anticipation	10,157	10,137	10,136	10,123	10,113	50,355	10,037	-	-	111,058
	27,593	27,579	27,531	27,476	27,451	128,473	27,448	-	-	293,551
Less: Interest	10,255	9,546	8,775	7,905	6,951	19,159	1,031	-	-	63,622
Total Principal	17,338	18,033	18,756	19,571	20,500	109,314	26,417	-	-	229,929
<b>Capital Leases</b>										
	3,149	3,077	2,421	1,204	932	6,420	-	-	-	17,203
Less: Interest	621	501	383	328	300	1,310	-	-	-	3,443
Less: Executory Cost	408	397	234	2	-	-	-	-	-	1,041
Total Principal	2,120	2,179	1,804	874	632	5,110	-	-	-	12,719
Total	\$ 85,313	\$ 97,975	\$121,262	\$ 142,578	\$ 134,929	\$ 592,205	\$ 368,259	\$ 186,351	\$ 118,241	\$ 1,847,113
<b>Long-Term Debt without scheduled debt service:</b>										
Compensated Absences										150,252
Pension Obligation										80,702
Bond Issue Premiums										74,817
Claims and Adjustments Payable										25,216
Total Long-Term Obligations										\$2,178,100

**A. General Obligation Bonds**

General obligation bonds, administered by the State Treasurer, are authorized and issued primarily to provide resources for State-owned capital improvements, including office buildings for state agencies. The State has pledged 100% of cigarette taxes collected under these bond issues. General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the bonds.

**B. Revenue Bonds**

The **Oklahoma Capitol Improvement Authority (OCIA)** has thirty-two outstanding series of building bonds to construct and equip state office buildings and prisons. Principal and interest payments on these bond issues are paid from rents collected from the various state and federal agencies that occupy the buildings constructed with the bond proceeds. The 2006D series are multi-modal variable rate demand bonds and are the only variable rate bonds issued by OCIA. The interest rate resets on a daily, weekly, or monthly interest rate mode which is determined by public bond market conditions.

The **Oklahoma Development Finance Authority (ODFA)** has issued lease revenue bonds to provide lease financing for the Department of Corrections, the Department of Human Services, the Department of Veterans Affairs, the Council for Law Enforcement Education and Training, and the Office of State Finance. The actual lease payments are made to a trustee who is responsible for payments to individual investors.

**C. Notes Payable**

The **Oklahoma Department of Transportation** has issued several series of Grant Anticipation Notes for the purpose of financing certain qualified federal aid transportation projects in the State. The notes are secured by federal revenue received from the Federal Highway Administration (FHA) and have a final maturity in 2023. Total revenue received from the FHA in fiscal year 2011 was \$805,847,000 with a portion of that amount, \$290,908,000, reserved as security for the notes. Current year note obligations for principal and interest totaled \$27,410,000.

**D. Capital Leases**

The State has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. Capital lease obligations are reported for those leases where the fair market value of the leased asset at inception of the lease is \$25,000 or more.

Leased equipment under capital leases in capital assets at June 30, 2011, includes the following (expressed in thousands):

	Buildings	Equipment	Total
Cost	\$ 1,869	\$ 18,321	\$ 20,190
Less: Accumulated depreciation	(168)	(4,738)	(4,906)
Total	<u>\$ 1,701</u>	<u>\$ 13,583</u>	<u>\$ 15,284</u>

**E. Other Liabilities**

Compensated absences are liquidated by the general fund and do not have scheduled future debt service requirements beyond one year. The pension obligation is for the Oklahoma Department of Wildlife Conservation defined benefit pension plan, the Oklahoma Law Enforcement Retirement System and the Uniform Retirement System for Judges and Justices. These plans are single-employer plans that provide retirement, disability, and death benefits to the plan members and their beneficiaries. These pension obligations do not have scheduled future debt service requirements. The Wildlife Pension Plan obligation will be liquidated by the general fund. The pension liability for the Oklahoma Law Enforcement Retirement System and the Uniform Retirement System for Judges and Justices will be liquidated by the respective pensions.

## **F. Authorized Unissued Bonds**

The Oklahoma Capital Improvement Authority (OCIA) has been authorized to issue bonds in the amount of \$9,000,000 for the Department of Tourism and Recreation to acquire, construct and renovate offices. OCIA also has authorization to issue \$2,665,000 of bonds for the School of Science and Mathematics, \$6,000,000 of bonds for the Department of Mental Health/Substance Abuse Services pending matching funding, and \$70,000,000 for the Department of Transportation to be used for highways, roads, and bridges.

## **G. Defeased Debt**

On July 20, 2010 the State issued tax-exempt series 2010A and taxable 2010B general obligation (GO) bonds with a par value of \$102,670,000 and \$4,295,000, respectively, bearing interest at rates from 1.59% to 5.00%. The 2010A bonds were issued to partially refund the 2003A general obligation bonds with a \$102,875,000 principal value and interest rates between 2.90% and 5.00%, while the 2010B bonds were issued to cover capitalized interest costs on both the refunded and refunding bonds. The 2010A bonds were issued at a premium of \$12,911,000, and after paying issuance costs of \$590,000, the net proceeds were \$114,991,000. The 2010B bonds were issued at par, and after paying issuance costs of \$19,000, the net proceeds were \$4,276,000. Proceeds of \$114,987,000 from the tax-exempt series 2010A were used to purchase U.S. Treasury - State and Local Government Series (SLGS) securities and placed in an irrevocable deposit with the State Treasurer, who, as escrow agent, will provide for the timely debt service until the 2003A GO bonds, maturing on July 15, 2018, are called on July 15, 2013. This advance refunding met the requirements of a legal defeasance and the 2003A partially defeased bonds were removed from the State's government-wide financial statements. The taxable 2010B GO bonds were placed on deposit with the State treasurer to pay the capitalized interest on the 2010A and 2010B bonds from the date of issuance to July 15, 2011. As a result of the advance refunding by the tax-exempt 2010A GO bonds, the State reduced its total debt service needs by \$1,241,000 which resulted in a present value economic gain of \$2,794,000.

On August 4, 2010 the Oklahoma Capital Improvement Authority (OCIA) issued taxable series 2010 Endowed Chairs funding and refunding bonds with a par value of \$132,075,000 bearing interest at rates of 1.77% to 5.61%. This issue provided \$32,075,000 to advance refund the OCIA 2006 series revenue bonds. The 2010 bonds were issued at par, and after paying issuance costs of \$549,000, the net proceeds were \$131,526,000. Of these proceeds, \$99,584,000 was provided to fund Endowed Chairs through a lease agreement with the Regents for Higher Education. The remaining proceeds of \$31,941,000 were placed on deposit with the State Treasurer in irrevocable escrow to refund the OCIA series 2006 outstanding balance of \$28,670,000, with interest rates between 5.00% and 5.23%, maturing on July 1, 2015. This advance refunding met the requirements of an in-substance defeasance and the 2006 OCIA revenue bonds were removed from the State's government-wide financial statements. Since the component of new money was combined with the refunding amount from the 2010 bonds, gain or loss calculations on the refunding of the 2006 revenue bonds cannot be determined.

On August 24, 2010 the Oklahoma Capital Improvement Authority (OCIA) issued tax-exempt 2010A refunding bonds and taxable 2010B revenue bonds with a par value of \$87,260,000 and \$30,105,000, respectively, bearing interest at rates from 2.00% to 5.00%. The 2010A bonds were issued to partially refund the 2005F OCIA revenue bonds with a principal value of \$86,210,000 and interest rates between 4.00% and 5.00%. The taxable 2010B bonds were issues to pay capitalized interest on the 2010A and 2010B bonds from their date of issuance to July 1, 2012 and to pay interest on the unrefunded portion of the 2005F revenue bonds to July 1, 2012. The 2010A bonds were issued with a premium of \$12,374,000, and after paying issuance costs of \$519,000, the net proceeds were \$99,115,000. The 2010B bonds were issued at par, and after paying issuance costs of \$166,000, the net proceeds were \$29,939,000. Proceeds of \$99,115,000 from the tax-exempt 2010A were placed in irrevocable trust with the State Treasurer and used to purchase U.S. Treasury – SLGS securities. The State Treasurer, as escrow agent, will provide for the timely debt service until the 2005F revenue bonds, maturing July 1, 2021, are called on July 1, 2015. This advance refunding met the requirements of an in-substance defeasance and the 2005F partially defeased bonds were removed from the State's government-wide financial statements. The taxable 2010B GO bonds were placed on deposit with the State Treasurer to pay capitalized interest on the 2010A and 2010B bonds through July 1, 2012 and to pay interest on the 2005F bonds through July 1, 2012, providing budgetary relief for fiscal years 2011 and 2012. As a result of the advance refunding by the tax-exempt 2010A revenue bonds, the State reduced its total debt service needs by \$782,000, resulting in a present value economic gain of \$1,803,000.

## Note 10. Long-Term Obligations As Related to Business-Type Activities

The **Oklahoma Water Resources Board** (Board) along with the **Department of Environmental Quality** has issued eighteen series of revenue bonds. These bonds provide resources to implement statewide financial assistance programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

Long-term obligations at June 30, 2011, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds Payable from User Fees:								
1989-2011 Issues	1989-2011	0.40-6.70%	2042	\$ 582,950	\$ 185,140	\$ 35,948	\$ 732,142	\$ 36,580
Adjusted for: Bond Premiums and Discounts				17,034	10,739	422	27,351	-
Revenue Bonds Payable Net of Bond Premiums and Discounts				599,984	195,879	36,370	759,493	36,580
Other Noncurrent Liabilities				110	-	107	3	-
Compensated Absences				379	320	336	363	149
Total Long-Term Obligations				\$ 600,473	\$ 196,199	\$ 36,813	\$ 759,859	\$ 36,729

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2011, which have scheduled debt service amounts (expressed in thousands):

	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	2042	Total
Revenue Bonds:												
1989-2011 Issues	\$ 67,692	\$ 71,627	\$ 71,295	\$ 69,175	\$ 68,862	\$ 310,846	\$ 245,879	\$ 106,545	\$ 32,929	\$ 11,647	\$ 366	\$ 1,056,863
Less: Interest	31,112	30,321	28,913	27,200	25,526	100,525	54,221	19,544	5,922	1,420	17	324,721
Principal	36,580	41,306	42,382	41,975	43,336	210,321	191,658	87,001	27,007	10,227	349	732,142
Total	\$ 36,580	\$ 41,306	\$ 42,382	\$ 41,975	\$ 43,336	\$ 210,321	\$ 191,658	\$ 87,001	\$ 27,007	\$ 10,227	\$ 349	\$ 732,142
Adjusted for: Bond and Note Premium and Discounts												27,351
Long-Term Obligations without scheduled debt service:												
Other Noncurrent Liabilities												3
Compensated Absences												363
Total Long-Term Obligations												\$ 759,859

Several of the bonds bear interest at variable rates, initially set at 0.87% to 3.80% and are periodically adjusted, pursuant to the provisions of the bond indentures, to a maximum rate of 12% to 14% per year. Variable rates are reset semiannually by the remarketing agent. The interest rate on the bonds was 0.55% at June 30, 2011. At the option of the Board and subject to applicable provisions of the bond indenture, which require, among other things, that all bonds be successfully remarketed, the variable interest rate may be converted to a term rate that would stay fixed until maturity. These converted rate bonds bear interest at fixed rates ranging from 2.85% to 5.90%.

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liability on issuers of tax-exempt debt. The arbitrage rebate liability is recorded as other liabilities (\$3,000 noncurrent). This amount will be liquidated by the reporting enterprise fund. There are no scheduled future debt service requirements beyond one year.

## Note 11. Long-Term Obligations As Related to Component Units

Long-term obligations at June 30, 2011 (September 30, 2010, for Oklahoma Housing Finance Agency and December 31, 2010, for Oklahoma Turnpike Authority, Grand River Dam Authority and Municipal Power Authority), and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General Obligation Bonds Payable from User Fees:								
Industrial Finance Authority	1987-2006	2.50 - 5.25%	2022	\$ 48,015	\$ -	\$ 565	\$ 47,450	\$ 595
Total Before Adjustments				48,015	-	565	47,450	
Adjusted for: Bond Premiums				49	-	5	44	
Net Deferred Debits on Refundings				(161)	-	(17)	(144)	
Total General Obligation Bonds Payable								
Net of Bond Premiums and Deferrals				47,903	-	553	47,350	595
Revenue Bonds Payable from User Fees:								
Student Loan Authority	1995-2008	0.30 - 5.63%	2041	716,785	448,718	585,060	580,443	-
Development Finance Auth.	1996	2.50%	2031	9,999	-	-	9,999	-
Housing Finance Agency	1987-2010	0.73 - 8.00%	2040	638,348	204,440	169,270	673,518	42,426
Turnpike Authority	1998-2007	3.00 - 6.00%	2028	1,079,620	-	45,094	1,034,526	48,645
Grand River Dam Authority	1993-2010	3.20 - 6.25%	2040	930,091	239,315	95,495	1,073,911	81,665
Municipal Power Authority	1992-2010	0.34 - 6.31%	2047	577,760	181,260	132,945	626,075	18,085
University Hospitals Authority	2005	0.09 - 0.12%	2036	52,080	-	980	51,100	1,040
Higher Education	1993-2007	1.20 - 10.00%	2034	1,114,738	277,701	165,400	1,227,039	35,760
Total Before Discounts/Deferrals				5,119,421	1,351,434	1,194,244	5,276,611	
Adjusted for: Bond (Discount) Premiums				21,116	1,218	(380)	22,714	
Net Deferred Debits on Refundings				(60,282)	(9,609)	(12,060)	(57,831)	
Total Revenue Bonds Payable								
Net of Bond (Discounts) Premiums and Deferrals				5,080,255	1,343,043	1,181,804	5,241,494	227,621
Notes Payable:								
Multiple Injury Trust Fund	2000-2001	7.00%	2031	24,227	-	1,261	22,966	1,352
Oklahoma Turnpike Authority	2009-2010	1.01%	2012	35,000	-	1,510	33,490	33,490
Student Loan Authority	1995-2004	0.41 - 0.80%	2035	388,075	100,000	101,381	386,694	-
Municipal Power Authority	2003	6.00%	2028	50,397	-	1,492	48,905	1,582
Higher Education	2001-2007	1.88 - 8.00%	2046	326,952	42,404	195,887	173,469	42,041
Total				824,651	142,404	301,531	665,524	78,465
Capital Leases:								
Higher Education				787,943	285,789	125,149	948,583	32,353
Total				787,943	285,789	125,149	948,583	32,353
Claims and Judgments								
Due to Primary Government				1,168,145	1,083,856	1,019,477	1,232,524	324,745
Compensated Absences				53,391	991	-	54,382	2,732
Other Noncurrent Liabilities				106,657	50,574	45,301	111,930	81,419
Total Long-Term Obligations				514,048	600,441	369,692	744,797	237,040
Total Long-Term Obligations				\$ 8,582,993	\$ 3,507,098	\$ 3,043,507	\$ 9,046,584	\$ 984,970

### A. General Obligation Bonds

**Oklahoma Industrial Finance Authority (OIFA)** has six series of general obligation bonds outstanding. These bonds are issued for the funding of industrial finance loans to encourage business development within the state. All revenues arising from the net proceeds from repayment of industrial finance loans and interest received thereon are pledged under these bond issues. In addition, these general obligation bonds are backed by the full faith and credit of the State.

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2011 (September 30, 2010, for Oklahoma Housing Finance Agency and December 31, 2010, for Oklahoma Transportation Authority, Grand River Dam Authority and Municipal Power Authority), which have scheduled debt service amounts (expressed in thousands):

	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	2042-2046	2045-2049	Total
<b>General Obligation Bonds:</b>													
Industrial Finance Authority	\$ 1,948	\$ 1,948	\$ 1,946	\$ 1,948	\$ 1,944	\$ 38,206	\$ 10,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,065
	1,948	1,948	1,946	1,948	1,944	38,206	10,125	-	-	-	-	-	58,065
Less: Interest	1,353	1,323	1,291	1,258	1,224	4,041	125	-	-	-	-	-	10,615
Total Principal	595	625	655	690	720	34,165	10,000	-	-	-	-	-	47,450
<b>Revenue Bonds:</b>													
Student Loan Authority	7,066	7,066	7,066	7,066	7,066	35,331	151,895	92,929	103,880	329,815	-	-	749,180
Development Finance Auth.	250	250	250	250	250	1,250	1,250	11,186	-	-	-	-	14,936
Housing Finance Agency	69,008	177,654	38,402	37,488	37,051	184,400	181,450	176,298	202,632	-	-	-	1,104,383
Turnpike Authority	93,744	91,995	90,268	88,297	87,987	431,859	368,526	216,935	-	-	-	-	1,469,611
Grand River Dam Authority	133,429	133,807	133,476	91,344	61,816	308,296	307,052	305,823	217,864	87,369	-	-	1,780,276
Municipal Power Authority	46,051	47,638	47,674	47,674	47,066	232,500	201,898	120,097	113,339	112,838	112,243	21,392	1,150,410
University Hospitals Authority	1,967	1,999	2,046	2,082	2,131	11,371	12,729	14,077	15,714	-	-	-	64,116
Higher Education	90,751	95,129	94,541	92,985	92,505	442,194	408,536	344,018	253,758	116,856	4,020	-	2,035,293
	442,266	555,538	413,723	367,186	335,872	1,647,201	1,633,336	1,281,363	907,187	646,878	116,263	21,392	8,368,205
Less: Interest	214,645	209,450	197,753	204,951	183,313	808,622	598,264	380,174	203,390	72,461	17,208	1,363	3,091,594
Total Principal	227,621	346,088	215,970	162,235	152,559	838,579	1,035,072	901,189	703,797	574,417	99,055	20,029	5,276,611
<b>Notes Payable:</b>													
Multiple Injury Trust Fund	2,925	2,925	2,925	2,925	2,925	14,623	4,375	-	-	-	-	-	33,623
Oklahoma Turnpike Authority	33,828	-	-	-	-	-	-	-	-	-	-	-	33,828
Student Loan Authority	1,572	1,572	233,654	408	408	41,455	15,818	1,500	100,951	-	-	-	397,338
Municipal Power Authority	4,517	4,517	4,517	4,517	4,517	22,583	22,583	13,550	-	-	-	-	81,301
Higher Education	49,560	29,776	20,048	19,511	18,278	36,688	18,987	16,142	9,397	1,087	1,089	-	220,563
	92,402	38,790	261,144	27,361	26,128	115,349	61,763	31,192	110,348	1,087	1,089	-	766,653
Less: Interest	13,937	11,849	9,880	8,168	7,241	26,417	14,595	6,532	2,066	314	130	-	101,129
Total Principal	78,465	26,941	251,264	19,193	18,887	88,932	47,168	24,660	108,282	773	959	-	665,524
<b>Capital Leases:</b>													
Higher Education	65,691	78,893	92,982	99,595	96,336	363,180	300,709	261,019	125,139	18,170	-	-	1,501,714
	65,691	78,893	92,982	99,595	96,336	363,180	300,709	261,019	125,139	18,170	-	-	1,501,714
Less: Interest	33,338	37,686	41,800	41,573	39,322	160,026	120,195	62,068	15,381	1,742	-	-	553,131
Total Principal	32,353	41,207	51,182	58,022	57,014	203,154	180,514	198,951	109,758	16,428	-	-	948,583
Total	\$ 339,034	\$ 414,861	\$ 519,071	\$ 240,140	\$ 229,180	\$ 1,164,830	\$ 1,272,754	\$ 1,124,800	\$ 921,837	\$ 591,618	\$ 100,014	\$ 20,029	\$ 6,938,168
Adjusted for: Net Discounts and Deferred Debits on Refundings													(35,217)
Long-Term Obligations without scheduled debt service:													
Claims and Judgments													1,232,524
Due to Primary Government													54,382
Compensated Absences													111,930
Other Noncurrent Liabilities													744,797
Total Long-Term Obligations													\$ 9,046,584

## B. Revenue Bonds

The **Oklahoma Student Loan Authority (OSLA)** has issued eleven series of revenue bonds with outstanding balances. The bonds are issued for the purpose of funding student loans. All bonds payable are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective bond resolution. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in bond indentures. At June 30, 2011, the variable interest rates ranged from 0.3% to 5.63%.

The **Oklahoma Development Finance Authority (ODFA)** has issued a revenue bond to fund loans to various investment enterprises in connection with the Quality Jobs Investment Program. The bond is payable solely from and secured by the revenues and funds in the Quality Jobs Investment Program and a Credit Enhancement Reserve Fund guarantee insurance policy. The interest rate is variable and is equal to the Oklahoma Industrial Finance Authority's cost of funds on its outstanding variable rate bond issues. The interest rate at June 30, 2011 was 2.5%.

The **Oklahoma Housing Finance Agency (OHFA)** has issued 32 series of revenue bonds with outstanding balances at year end. The net proceeds of these bonds are used to provide financing for qualifying residences, provide interim and permanent financing for multi family construction projects, and establish debt service reserves as required by the various trust indentures.

The **Oklahoma Turnpike Authority (OTA)** has issued four series of revenue bonds with an original issue amount of \$1,250,910,000. The bonds are issued for the purpose of financing capital improvements and new projects relating to the State's turnpike system and are financed primarily by tolls assessed on users of the turnpikes.

The **Grand River Dam Authority (GRDA)** has issued four series of revenue bonds with an original issue amount of \$1,093,061,000. Oklahoma statutes have authorized GRDA to issue revenue bonds with the aggregate outstanding indebtedness not to exceed \$1,410,000,000.

The **Oklahoma Municipal Power Authority (OMPA)** has issued ten series of revenue bonds. The bonds are issued to finance portions of OMPA's acquisition and construction activities. The bonds are payable from and collateralized by a pledge of and security interest in the proceeds of the sale of the bonds, the revenues of OMPA, and assets in the funds

established by the respective bond resolutions. Neither the State of Oklahoma nor any political subdivision thereof is obligated to pay principal or interest on the bonds. OMPA does not have any taxing authority. Certain series of the bonds have a variable interest rate which is established either by auction or a weekly index. The maximum rate is 14%.

The **University Hospitals Authority** (UHA) has issued two revenue bond series (2005A-Tax Exempt and 2005B-Taxable) with an original issue amount of \$55,460,000. The proceeds were used to finance construction of new pediatric ambulatory care facilities and a basic research center.

Twenty-two of the State's colleges and universities within the **Higher Education** component unit have authorized and issued 97 series of revenue bonds with an original issue amount of \$1,046,103,000. These bonds were issued for the construction of student housing and other facilities. Student fees, revenues produced by the constructed facilities, and other revenues collateralize the revenue bonds.

### C. Defeased Bonds

In prior years, component units have defeased bonds by placing assets in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the assets of the trusts and the liabilities for the defeased bonds are not included in the accompanying financial statements. The following defeased bonds were outstanding at June 30, 2011 (December 31, 2010 for OTA, GRDA, and OMPA) (expressed in thousands):

Revenue Bonds				
OTA	GRDA	OMPA	Higher Education	
\$ 1,500	\$ 28,970	\$ 40,955	\$	14,025

### D. Notes Payable

The **Multiple Injury Trust Fund** (MITF) component unit reports a note payable to **CompSource Oklahoma** component unit of \$22,966,000 as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit not to exceed \$11,300,000. The remaining \$5,300,000 has not been advanced. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

Notes of the **Oklahoma Student Loan Authority** (OSLA) are issued to fund student loans and are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective financing agreements. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in lending agreements. At year end the variable interest rates ranged from 0.41% to 0.80%.

The **Oklahoma Municipal Power Authority** (OMPA) has issued \$57,739,000 of taxable limited obligation notes. The notes are payable solely from lease payments made by FPL Energy Oklahoma Wind, LLC with no recourse to OMPA. The notes bear an interest rate of 6%, and annual principal and interest payments are due through December 31, 2028.

The **Higher Education** component unit has entered into various notes payable agreements. Lease payments, a pledge of "Section Thirteen Fund State Educational Institutions" moneys, the equipment purchased, and the facilities constructed are pledged as collateral on the notes.

### E. Capital Leases

The **Higher Education** component unit has entered into agreements with unrelated parties as well as agreements with the Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. In fiscal year 1999, the Higher Education component unit signed capital lease agreements with OCIA totaling \$49,178,000 and additional agreements totaling \$515,350,000 during fiscal year 2006. In fiscal year 2011, additional agreements with

OCIA totaling \$249,440,000 were added. The outstanding principal balance for the OCIA leases at June 30, 2011, is \$599,772,000. Only the principal balance of the leases is recognized since it is equivalent to the value of the items leased. The OCIA agreements are aggregated with the other capital lease obligations on the statement of net assets for year end.

Leased assets under capital leases in capital assets at June 30, 2011, included the following (expressed in thousands):

	Land	Construction		Equipment	Total
		In Progress	Buildings		
Cost	\$ 470	\$ 4,727	\$ 291,542	\$ 93,642	\$ 390,381
Less: Accumulated depreciation	-	-	(40,049)	(18,843)	(58,892)
Total	\$ 470	\$ 4,727	\$ 251,493	\$ 74,799	\$ 331,489

#### F. Other Liabilities and Arbitrage Rebate Liability

Claims and judgments, due to primary government, compensated absences, and other noncurrent liabilities of each component unit, as presented in the financial statements, will be liquidated by the reporting component unit. Other noncurrent liabilities include deferred revenue and other miscellaneous liability amounts. These liabilities do not have scheduled future debt service requirements beyond one year.

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liability on issuers of tax-exempt debt. At June 30, 2011 (December 31, 2010 for OTA and GRDA), the cumulative arbitrage rebate liability is as follows (expressed in thousands):

Reported as:	OSLA	GRDA
Other liabilities	\$ 3	\$ -

#### G. Authorized Unissued Bonds

By statute, **Oklahoma Industrial Finance Authority** (OIFA) has authority to issue general obligation bonds not to exceed \$90,000,000 plus the balance in its bond redemption account. This results in \$48,015,000 of authorized but unissued general obligation bonds. Certain institutions within the **Higher Education** component unit have been authorized to issue revenue bonds in the amount of \$41,648,000 for various construction, renovation and acquisition of property.

## Note 12. Beginning Fund Balance/Net Assets Adjustments and Other Restatements

### Primary Government

Beginning net assets related to Governmental Activities on the Statement of Activities have been restated due to adjustments to capital assets (\$14,606,000), and accounting errors (\$2,096,000) at July 1, 2010. This restatement decreased beginning net assets by \$16,702,000.

The Statement of Revenues, Expenditures and Changes in Fund Balance for Governmental Funds have been restated due to reclassification of funds as a result of GASB Statement 54. Beginning fund balance for Department of Wildlife Lifetime Licenses Permanent Fund decreased by \$13,845,000 while the General Fund increased by the same amount. The General Fund decreased due to accounting errors (\$981,000) at July 1, 2010. Total beginning fund balance for Governmental funds decreased \$981,000.

## **Component Units**

Beginning net assets for the Higher Education Component Unit have been restated due to accounting errors \$2,048,000. The net effect of the restatements increased beginning net assets by \$2,048,000 as of July 1, 2010.

## **Fiduciary Funds**

Beginning net assets for the Fiduciary Funds have been restated by \$214,957,000. The change was due to a reevaluation of the State's authority of the defined contribution plan for the Teachers Retirement System. The net effect of the restatements decreased beginning net assets by \$214,957,000 as of July 1, 2010.

## **Note 13. Nonrecourse Debt and Debt Guarantees**

### **Nonrecourse (Conduit) Debt, Notes Receivable and Funds in Trust**

Financing agreements of Oklahoma Development Finance Authority (ODFA) and Oklahoma Housing Finance Agency (OHFA) are structured such that the debt is to be repaid solely from the revenues derived from the related facilities leased or acquired, or from the disposition of collateral. ODFA and OHFA do not hold notes receivable and trust investments in amounts equal to the long-term financings. As of September 30, 2010 OHFA had two series of multifamily bonds outstanding with an aggregate principal amount payable of approximately \$9,215,000. These financings are not general obligations of the State or state agencies, and it is the opinion of agency management and its legal counsel that, in the event of default by a borrower, the State has no responsibility for repayment of such financings. Accordingly, the nonrecourse debt and the related notes receivable and trust investments of ODFA and OHFA's multi family bond programs have been excluded from the financial statements. The debt and other obligations and the related notes receivable and other assets of OHFA's single family bonds are presented in the financial statements, since any assets remaining when the single family bond programs are liquidated are transferred to OHFA.

### **Credit Enhancement Reserve Fund**

Under the Constitution of the State of Oklahoma, ODFA may issue bonds of the State, to be known as Credit Enhancement Reserve Fund General Obligation Bonds, in a total principal amount of \$100,000,000 for the sole purpose of generating resources if there are insufficient assets to meet insurance obligations. The Fund is managed, administered, and utilized by ODFA solely to secure the payment of interest insurance on the revenue bonds and other financial obligations issued by the Authority for the specific purpose of enhancing and supporting the credit of such obligations. As of June 30, 2011, there were approximately \$46,000,000 of outstanding financial obligations insured by ODFA. At year end, the Fund has accrued a reserve for losses of approximately \$51,000 to cover potential losses from outstanding financial obligations insured by the Fund. Through June 30, 2011, there have been no Oklahoma Credit Enhancement Reserve Fund General Obligation Bonds issued since it is the intention of ODFA to utilize existing assets to meet obligations arising from losses reserved and accrued payments in lieu of interest by the Fund.

## **Note 14. Retirement and Pension Systems**

The State of Oklahoma has six Public Employee Retirement Systems (PERS) that administer pension plans; Oklahoma Firefighters Pension and Retirement System (OFPRS), Oklahoma Law Enforcement Retirement System (OLERS), Oklahoma Public Employees Retirement System (OPERS), Uniform Retirement System for Justices and Judges (URSJJ), Oklahoma Police Pension and Retirement System (OPPRS), and the Teachers' Retirement System of Oklahoma (TRS). These plans are all fiduciary component units of the State. The Department of Wildlife Conservation administers the Wildlife Conservation Retirement Plan (WCRP) which is part of the Primary Government. The Oklahoma Housing Finance Authority, Department of Wildlife Conservation, and Teachers' Retirement System have defined contribution plans that are privately administered.

## A. Primary Government

### 1. General Description of the Retirement System

The WCRP is a single-employer defined benefit retirement system administered by the Wildlife Conservation Commission for employees of the Department of Wildlife Conservation with a hire date prior to July 1, 2010. The WCRP provides retirement, disability and death benefits to plan members and their beneficiaries. The WCRP was established by statute; however, benefit provisions are established and amended by the Wildlife Conservation Commission. Cost-of-living adjustments are provided to members at the discretion of the Wildlife Conservation Commission.

The WCRP is included in the separately issued audit report of the Department of Wildlife Conservation. This report may be obtained from the Department of Wildlife Conservation, 1801 N. Lincoln, Oklahoma City, OK 73105.

### 2. Funding Policy

The WCRP required contribution is determined by the Wildlife Conservation Commission and is based on actuarial calculations.

The WCRP receives contributions from each member based on their annual covered salary. The contribution requirements are established and amended by the Wildlife Conservation Commission. For fiscal year 2011, the employee contribution rate was 3%. The Department of Wildlife Conservation is required to contribute at an actuarially determined rate. The required contribution for the year ended June 30, 2011 was \$3,180,000.

### 3. Annual Pension Cost and Net Pension Obligation

The current year annual pension cost and net pension obligation for the WCRP was as follows (expressed in thousands):

	WCRP
Annual required contribution	\$ 3,180
Interest on net pension obligation	117
Adjustment to annual required contribution	(195)
Annual pension cost	<u>3,102</u>
Contributions made	<u>3,180</u>
Increase (decrease) in net pension obligation	(78)
Net pension obligation-beginning of year	<u>1,554</u>
Net pension obligation-end of year	<u>\$ 1,476</u>
Actuarial Assumptions:	
Investment rate of return	7.0%
Annual salary increase	4.5 - 7.0%
COLA increase	0.0%
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	12 years

The annual required contribution for the WCRP for the current year was determined as part of the July 1, 2011 actuarial valuation. Actual contributions equaled 100% of required contributions and 102% of annual pension costs for fiscal year 2011. The actuarial value of assets is set equal to the market value of assets.

**Three-Year Trend Information**  
**Wildlife Conservation Retirement Plan**  
(expressed in thousands)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/2011	\$ 3,102	102%	\$ 1,476
6/30/2010	4,308	102%	1,554
6/30/2009	3,349	102%	1,659

The following Required Supplementary Information for the WCRP was determined as part of the actuarial valuations at the dates indicated.

**Schedule of Funding Progress**  
**Wildlife Conservation Retirement Plan**  
(unaudited)  
(expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2011	\$ 74,450	\$ 95,341	\$ 20,891	78.1%	\$ 14,633	142.8%
7/1/2010	71,468	87,648	16,180	81.5%	14,839	109.0%
7/1/2009	68,086	91,198	23,112	74.7%	14,811	156.0%

**B. Component Units**

**1. General Description of the Retirement Systems**

The Oklahoma Firefighters Pension and Retirement System (OFPRS), Oklahoma Public Employees Retirement System (OPERS), Oklahoma Police Pension and Retirement System (OPPRS), and the Teachers' Retirement System of Oklahoma (TRS) are all cost-sharing multi-employer defined benefit retirement systems. The Uniform Retirement System for Justices and Judges (URSJJ) and the Oklahoma Law Enforcement Retirement System (OLERS) are single-employer defined benefit retirement systems. Pension benefit provisions for all plans were established by statute and benefit provisions are amended by the State Legislature. Each plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments are provided to plan members at the discretion of the State Legislature.

Separately issued independent audit reports for each pension plan may be obtained from the following:

Firefighters Pension and Retirement 4545 N. Lincoln Boulevard, Suite 265 Oklahoma City, OK 73105-3414	Law Enforcement Retirement 421 N.W. 13th Street, Suite 100 Oklahoma City, OK 73103-3701	Police Pension and Retirement 1001 N.W. 63rd Street, Suite 305 Oklahoma City, OK 73116-7335
Public Employees Retirement P.O. Box 53007 Oklahoma City, OK 73152-3007	Uniform Retirement System for Judges and Justices P.O. Box 53007 Oklahoma City, OK 73152-3007	Teachers' Retirement System 2500 N. Lincoln Boulevard, 5th Floor Oklahoma City, OK 73105-4209

The number of participating employers in cost-sharing multiple employer plans is as follows:

OFPRS	OPERS	OPPRS	TRS
613	286	131	614

During fiscal year 2011, the TRS's unfunded liability decreased from \$10,414,000,000 to \$7,600,000,000. This decrease was related to significant market asset gains as well as changes in assumptions. Based on the current contribution schedule, assuming no actuarial gains or losses in the future, the unfunded liability is expected to increase from the current level until fiscal year 2013 and decrease through June 30, 2033 and beyond. The current contribution schedule results in contributions sufficient to cover the interest on the current unfunded liability plus the normal cost resulting in negative amortization.

## **2. Funding Policy**

The contribution requirements for the six PERS are an established rate determined by the State Legislature each year and are not based on actuarial calculations. During the current year and the two years prior, 100% of required contributions were made into each PERS.

OFPRS receives contributions from participating full-time firefighters equal to 8% of applicable earnings, while member cities contribute 13% of the member's applicable earnings. In addition, the member cities contribute \$60 for each volunteer firefighter unless their income in the general fund is less than \$25,000, in which case they are exempt. Effective July 1, 2008, House Bill 3112 provided a 4% cost-of-living allowance for members receiving benefits as of June 30, 2007. The State of Oklahoma's total allocation to the Plan during 2011 was \$60,000,000, which represented the 34% insurance premium tax allocation. Insurance premium contributions to the plan for the years ended June 30, 2011, 2010, and 2009 totaled \$60,000,000, \$54,000,000, and \$54,000,000, respectively.

OLERS receives contributions from state agencies and members of 10% and 8%, respectively, of the actual paid base salary of each member. OLERS also receives other state contributions of 1.2% of all fees, taxes, and penalties collected by motor license agents after approximately the first 5%, and 5% of the insurance premium taxes collected by the insurance commissioner as required by statute. The other state contributions to the plan for years ended June 30, 2011, 2010, and 2009 totaled \$16,965,000, \$15,456,000, and \$17,311,000, respectively.

OPERS receives contributions from each member based on their gross salary earned, excluding overtime. There is no cap on qualifying gross salary earned, subject to Internal Revenue Service limitations on compensation.

State, County, and Local Agency Employees - The following contribution rates were in effect during fiscal year 2011:

State employees and agencies – State employees contribute 3.5% on all salary. State agency employers contribute 15.5% of total salary.

Participating county and local agencies – Employees contribute a minimum of 3.5% up to a maximum of 8.5% of salary. Employers contribute a minimum of 11.5% up to a maximum of 16.5%. Combined employee and employer contributions equal 20% of total salary.

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. Elected officials must select an employee contribution rate of 4.5%, 6.0%, 7.5%, 8.5%, 9.0%, or 10.0%.

Hazardous Duty Members – Hazardous Duty Members contribute 8% of total salary. Employers contribute 15.5% of total salary.

State agency employer contributions to OPERS for the years ended June 30, 2011, 2010, and 2009 were \$204,212,000, \$214,002,000, and \$197,091,000, respectively.

URSJJ member contributions for fiscal year 2011 are 8% of members' monthly salary. State statutes require participating court employers to contribute monthly a percentage of the gross salaries of active members. Effective for the fiscal year ended June 30, 2009, the employer contribution rate increased to 7.0% of payroll and will increase 1.5% annually up to 22% for the fiscal years ending June 30, 2019, and thereafter. For fiscal year ended June 30, 2011, the effective employer

contribution rate was 10%. State employer contributions to URSJJ for the year ended June 30, 2011, 2010, and 2009 were \$3,193,000, \$8,704,000, and \$2,244,000, respectively. During fiscal year 2010, the State Legislature designated an additional \$6,000,000 to pay employer contributions.

Oklahoma Police Pension and Retirement System (OPPRS) receives contributions from each participating municipality and each participant. Until July 1, 1991, each municipality contributed 10% of the actual base salary of each participant employed by the municipality. Beginning July 1, 1991, municipality contributions increased by 0.5% per year and continued until July 1, 1996, when the contribution level reached 13%, where it remains. Each participant of OPPRS contributes 8% of actual paid base salary. In addition, the State allocates a portion of the insurance premium taxes collected from insurance companies on various types of insurance policies as required by statute. Insurance premium contributions to the plan for the years ended June 30, 2011, 2010, and 2009 totaled \$24,645,000, \$22,292,000, and \$26,913,000, respectively.

TRS receives contributions from participating members and employers. All active members contribute to the system; however, the employer may elect to make all or part of the contribution for its employees. All members must contribute 7% of regular annual compensation, not to exceed the members' maximum compensation. For members other than those employed by a comprehensive university on or before June 30, 1995, the maximum compensation level will be the member's regular annual compensation. Beginning July 1, 2008 members employed by a comprehensive university will have the full amount of regular compensation considered, subject to contribution limits established under the Internal Revenue code.

Employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate was 9.5% from January 1, 2010 to June 30, 2011 for all remitting entities other than comprehensive and four year universities. The employer contribution rate for comprehensive and four year universities was 8.55% on January 1, 2010. New legislation enacted in 2007 systematically raised employer contribution rates for all entities other than comprehensive and four year universities to 9.5% on January 1, 2010 and thereafter. Employer contribution rates for comprehensive and four year universities also systematically increased to 8.55% on January 1, 2010 and thereafter. Oklahoma Statutes require the state to contribute 4.5% of the State's sales, income and use tax. Amended statutes increased this contribution rate to 5% at July 1, 2007. In addition, the system receives 1% of the cigarette taxes collected by the State and receives 5% of net lottery proceeds collected by the State. TRS received contributions of approximately \$251,000,000 from this source for fiscal year 2011. State contributions on behalf of employees totaled approximately \$36,366,000 for fiscal year 2011. State employer contributions to TRS for the years ended June 30, 2011, 2010, and 2009 were \$6,583,000, \$6,881,000, and \$6,701,000, respectively.

### 3. Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation (excess funding is represented as negative amounts) for the current year were as follows (expressed in thousands):

	<u>OLERS</u>	<u>URSJJ</u>
Annual required contribution	\$ 50,094	\$ 12,519
Interest on net pension obligation	2,863	628
Adjustment to annual required contribution	<u>(5,032)</u>	<u>(646)</u>
Annual pension cost	47,925	12,501
Contributions made	<u>24,556</u>	<u>3,193</u>
Increase (decrease) in net pension obligation	23,369	9,308
Net pension obligation-beginning of year	<u>38,170</u>	<u>8,378</u>
Net pension obligation-end of year	<u>\$ 61,539</u>	<u>\$ 17,686</u>
Actuarial Assumptions:		
Investment rate of return	7.5%	7.5%
Annual salary increase	1% to 5%	5.3%
COLA increase	3.25%	2.0%
Inflation rate	3.25%	3.0%
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level % of payroll, closed
Remaining amortization period	10 years	16 years

The annual required contribution for URSJJ for the current year was determined as part of the July 1, 2010 actuarial valuation. For the period July 1, 1994, through July 1, 1999, the aggregate actuarial cost method was used to determine cost. Effective July 1, 2000, URSJJ adopted the entry age normal method for determining cost. Contributions equaled 26% of the annual required contributions for the current year.

The annual required contribution for OLEERS for the current year was determined as part of the July 1, 2010 actuarial valuation. Costs were prepared using the entry age normal method for all valuation dates except July 1, 1997, when the unfunded actuarial liability was negative and the actuarial cost method was changed to the aggregate cost method. The entry age normal method was used for all valuations subsequent to the 1997 valuation, including the current year. Contributions equaled 49% of the annual required contributions for the current year.

For actuarial purposes, assets are determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains or losses) for the year ended on the valuation date, assuming a 7.5% rate of return for URSJJ and 7.5% rate of return for OLEERS. Prior years' unrecognized gains and losses are added to this amount to develop expected actuarial value. The expected actuarial value is then compared to the market value of the assets at the valuation date, and 20% of any gain (loss) for the last five years is added to the expected actuarial value. The gain (loss) is amortized over five years with the actuarial value of the assets being constrained to a range of 80% to 120% of the market value at the valuation date.

### Three-Year Trend Information

(expressed in thousands)

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
Oklahoma Law Enforcement Retirement System	6/30/2011	\$ 47,925	49%	\$ 61,539
	6/30/2010	47,412	48%	38,170
	6/30/2009	36,616	68%	13,895
Uniform Retirement System for Justices and Judges	6/30/2011	12,501	26%	17,686
	6/30/2010	10,786	81%	8,378
	6/30/2009	8,171	28%	6,296

The following Required Supplementary Information for OLEERS and URSJJ was determined as part of the actuarial valuations at the dates indicated.

### Schedules of Funding Progress

#### Oklahoma Law Enforcement Retirement System

(unaudited)

(expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2011	\$ 684,063	\$ 900,879	\$ 216,816	75.9%	\$ 70,967	305.5%
7/1/2010	664,794	903,567	238,773	73.6%	73,400	325.3%
7/1/2009	659,908	892,017	232,109	74.0%	75,320	308.2%

**Uniform Retirement System for Judges and Justices**

(unaudited)

(expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2011	\$ 237,627	\$ 246,792	\$ 9,165	96.3%	\$ 34,701	26.4%
7/1/2010	230,010	282,765	52,755	81.3%	35,023	150.6%
7/1/2009	221,576	261,396	39,820	84.8%	33,580	118.6%

**4. Other Retirement Systems**

The Department of Wildlife Conservation’s defined contribution plan is a single-employer plan that covers the employees of the Department of Wildlife Conservation with a hire date of July 1, 2010, or later. The defined contribution plan provides retirement benefits to plan members and their beneficiaries. Plan members are required to contribute 4% of compensation as of July 1, 2010, and increasing to 5% of compensation on July 1, 2011. The employer’s annual contribution ranges from 6% to 12% and is based on the employee’s number of completed years of credited service with the Department of Wildlife Conservation.

The Oklahoma Housing Finance Agency (OHFA), a Component Unit of the State, contributes to the Oklahoma Housing Finance Agency Retirement Plan, which is a defined contribution plan. Under its provisions, all new employees are required to participate in the Oklahoma Public Employees Retirement System (OPERS), and are not eligible to join the OHFA plan after June 30, 1997. OHFA's contribution amount is at the discretion of the Board of Trustees and does not have any limitations. The current contribution rate is 15.5% of eligible employees’ compensation. Employees begin vesting after two years of service and become fully vested after six years of service. Plan provisions were established and may be amended by the Board of Trustees.

In addition to the TRS, various institutions in the Higher Education Component Unit participate in other pension plans, primarily the Teachers Insurance and Annuity Association. These plans are defined contribution plans. Contributions made by participating institutions are based on a percentage of payrolls for qualified employees as determined by each institution’s contract. For those institutions providing these plans, the total covered payroll was \$874,697,000. The institution contributions were \$75,506,000 or 8.6% of covered payroll. Employees are not required to contribute to the plans.

Several institutions in the Higher Education Component Unit also sponsor supplemental retirement annuities to guarantee eligible retirees a minimum level of benefits from other retirement sources. New employees are not eligible to participate in these plans. These annuities operate as defined benefit plans. Funding varies among institutions, with some funding based on actuarial calculations and others on a pay-as-you-go basis. Employees are not required to contribute to these plans.

**Note 15. Other Postemployment Benefits (OPEB)**

**1. General Description of the Other Postemployment Benefits**

The Oklahoma State and Education Employee Group Insurance Board (OSEEGIB) is a special purpose component unit of the State that was created to administer, manage and provide group health, dental, life and disability insurance for active employees and retirees (should they so elect) of state agencies, school districts and other governmental units. OSEEGIB, as a multi-line insurance provider, receives OPEB payments on behalf of retiree’s from several of the state’s pension plans and the Department of Wildlife.

The Department of Wildlife Conservation, part of the Primary Government, at its expense, provides a health insurance allowance (OPEB) to retiree's for the payment of health insurance premiums at retirement where the retiree elects continued coverage through OSEEGIB. This allowance is reduced when the retiree is eligible for Medicare. The coverage amount is established by the Department on an annual basis and can be discontinued at the board's discretion.

As mandated by statute, several of the state's pension plans provide an OPEB benefit to retirees' should a retiree make such an election at retirement to continue health coverage through the state's provider, OSEEGIB. This contribution is for a fixed, limited amount that varies slightly from pension to pension. This benefit is included in the pension systems' actuarial valuations to determine both funded and unfunded liabilities, but is not considered material to each respective pension as a whole.

## 2. Funding Policy

The Oklahoma State and Education Employees Group Insurance Board, a legal trust, operates as an insurance company and as an access provider to other health and dental plans, primarily board approved health maintenance organizations (HMOs) and dental maintenance organizations (DMOs). OSEEGIB receives monthly premium contributions directly from retirees except for the nominal amount received from the participating pension plans and the Department of Wildlife. Employers make no contribution on a retiree's behalf, and have no liability to OSEEGIB once an employee enters retirement.

The State has one department of the Primary Government that makes payments to OSEEGIB on behalf of retirees, the Department of Wildlife Conservation. The Department provides \$100 per month as established by its board toward health insurance coverage should retirees so elect at retirement. These contributions are made on a pay-as-you go basis, and no separate account has been established to pre-fund these costs. For the fiscal years 2011, 2010 and 2009 the department paid into OSEEGIB as follows, representing 100% of the Department's board mandated contributions to OSEEGIB:

	<u>FY 2011 Contributions</u>	<u>FY 2010 Contributions</u>	<u>FY 2009 Contributions</u>
<b>Primary Government</b>			
Dept. of Wildlife Conservation	<u>\$ 131,000</u>	<u>\$ 126,000</u>	<u>\$ 114,000</u>

The State has two cost-sharing multi-employer retirement systems that make payments to OSEEGIB on behalf of retirees should a retiree so elect. These plans are the Oklahoma Public Employees Retirement System (OPERS) and the Teachers' Retirement System of Oklahoma (TRS). The State also has two single employer retirement systems that make payments to OSEEGIB on behalf of retirees, the Uniform Retirement System for Judges and Justices (URSJJ) and the Oklahoma Law Enforcement Retirement System (OLERS). As mandated by statute, these plans pay between \$100 and \$105 per month to OSEEGIB on behalf of retirees if so elected. For fiscal years 2011, 2010 and 2009 the retirement systems paid into OSEEGIB as follows, representing 100% of the State's legislatively required contributions to OSEEGIB:

	<u>FY 2011 Contributions</u>	<u>FY 2010 Contributions</u>	<u>FY 2009 Contributions</u>
<b>Fiduciary Component Units</b>			
OPERS (a)	\$ 18,551,000	\$ 17,856,000	\$ 17,748,000
TRS (a)	29,405,000	29,916,000	30,523,000
URSJJ (b)	161,000	146,000	140,000
OLERS (b)	818,000	796,000	788,000
	<u>\$ 48,935,000</u>	<u>\$ 48,714,000</u>	<u>\$ 49,199,000</u>

(a) - Cost Sharing Multi-Employer Retirement Plan

(b) - Single Employer Retirement Plan

## Component Units

Twenty-one of the institutions included in the Higher Education Component Unit sponsor single-employer OPEB plans as designated by each institution's governing Board of Regents. These independent trust plans primarily provide supplemental health, dental, and life insurance benefits to participating retirees. Eligibility requirements and benefits differ significantly between the participating higher education institutions. Current year benefit expenditures, funded primarily on a pay-as-you-go basis, totaled approximately \$11,053,000 in fiscal year 2011 for the twenty-one participating institutions. Complete disclosure for each higher education institution can be obtained from the Oklahoma State Regents for Higher Education, 655 Research Parkway, Suite 200, Oklahoma City, OK 73104.

### 3. Annual Pension Cost and Net OPEB Obligation

The Department of Wildlife Conservation's annual OPEB cost is calculated based on its annual required contribution (ARC), an actuarially determined amount in accordance with GAAP. It represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period of 30 years. The annual OPEB cost and net OPEB obligation for the current year was as follows (expressed in thousands):

	Wildlife OPEB
Normal cost	\$ 48
Amortization of actuarial accrued liability (AAL)	165
Annual required contribution (ARC)	<u>213</u>
Interest on net OPEB obligation	5
ARC adjustment	(6)
Annual OPEB cost	<u>212</u>
Actual amount of net employer disbursements	(131)
Increase in net OPEB obligation	<u>81</u>
Net OPEB obligation, beginning of year	117
Net OPEB obligation, end of year	<u><u>\$ 198</u></u>
Actuarial Assumptions:	
Investment rate of return	4.0%
Annual healthcare cost (beginning at 9% and declining to 5% in FY2013)	7.0%
Actuarial cost method	Entry age normal
Amortization method	30 years, level dollar, open period

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

#### Three-Year Trend Information Wildlife Conservation OPEB Substantive Plan (expressed in thousands)

Fiscal Year Ending	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 212	62%	\$ 198
6/30/2010	160	79%	117
6/30/2009	160	71%	83

The following Required Supplementary Information for the Department of Wildlife Conservation was determined as part of the actuarial valuation for the dates indicated.

**Schedule of Funding Progress**  
**Wildlife Conservation OPEB Substantive Plan**  
(unaudited)  
(expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2011	\$ -	\$ 2,953	\$ 2,953	0.0%	\$ 14,873	19.9%
7/1/2010	-	2,918	2,918	0.0%	14,839	19.7%
7/1/2009	-	2,139	2,139	0.0%	14,811	14.4%

The Department's OPEB is not funded and there are no OPEB plan assets as it is a substantive plan. As of July 1, 2011, the most recent actuarial valuation date, the AAL for benefits was approximately \$3.0 million and the actuarial value of assets was zero, resulting in an UAAL of \$3.0 million.

The actuarial valuation for this substantive plan (the plan as currently understood by the employer and the plan members), involves estimates of the value of reported amounts and assumptions about the probability of events occurring far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Projections include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods used are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective.

## Note 16. On-Behalf Payments

The Teacher's Retirement System (TRS) of Oklahoma receives 5% of the State's sales, use, corporate and individual income taxes collected as dedicated tax. Senate Bill 1376, which became law in July 2002, provides that the percentage of the State's collected dedicated taxes allocated to the TRS increased from 4.5% to 5.0% on July 1, 2007 and thereafter. The System receives 1% of the cigarette taxes collected by the State and receives 5% of the net lottery proceeds collected by the State. The System received approximately \$251,000,000 from the State for the year ended June 30, 2011.

The Firefighters Pension and Retirement System (OFPRS) of Oklahoma received 34% of the State's insurance premium tax revenue. OFPRS received approximately \$60,000,000 from the State for the year ended June 30, 2011. Of the same insurance premium tax revenue, the Police Pension and Retirement System (OPPRS) of Oklahoma and Law Enforcement Retirement System (OLERS) received 14% and 5% respectively. OPPRS and OLERS received approximately \$25,000,000 and \$9,000,000 from the State for the year ended June 30, 2011 respectively.

## Note 17. Commitments

### Primary Government

For the year ended June 30, 2011, the General Fund had encumbrances of \$305,971,000 within the restricted and committed fund balances of the governmental funds.

The **Department of Transportation** had contractual commitments at June 30, 2011, of approximately \$953,790,000 for the construction of various highway projects. Future appropriations will fund these commitments as work is performed.

The **Department of Human Services** (DHS) maintains a construction unit which engages in capital improvements of state buildings. At year end, DHS had long-term projects totaling \$46,187,000 for the General Fund.

### **Component Units**

The **University of Oklahoma** had outstanding commitments under construction contracts totaling \$99,898,000 at June 30, 2011.

**Oklahoma State University** (University) had outstanding commitments under construction contracts of approximately \$30,772,000 at June 30, 2011. In addition, Cowboy Athletics, Inc., a component unit of Oklahoma State University, had significant construction in process on several projects which will be contributed to the University upon completion. At December 31, 2010, approximately \$16,771,000 was spent on these projects and management's estimated cost to complete the projects is approximately \$20,746,000.

The **Oklahoma Student Loan Authority** (OSLA) has entered into various forward purchase and sale commitment agreements with certain Oklahoma financial institutions for which it performs interim status loan servicing. Under these forward purchase and sale commitments, OSLA is required to purchase Federal Family Education Loans (FFEL) under certain terms and conditions. As of June 30, 2011, OSLA was committed to purchase approximately \$152,193,000 of FFEL.

The **Oklahoma Turnpike Authority** (OTA) had commitments outstanding at December 31, 2010, relating to equipment orders and supplies of approximately \$2,403,000. At December 31, 2010, OTA had commitments outstanding relating to construction and maintenance contracts of approximately \$44,818,000.

The **Oklahoma Municipal Power Authority** (OMPA) purchased approximately \$17,976,000 of power pursuant to several long-term purchase agreements during 2010. OMPA is obligated to purchase, at a minimum, approximately \$19,807,000 of power in 2011.

The **Grand River Dam Authority** (Authority) makes and receives commitments for purchases of coal and other materials. The Authority had contractual commitments at December 31, 2010 for long-term coal and freight purchases under contracts through 2020 with estimated minimum obligations for the next fiscal year ending December 31, 2011 of \$120,615,000, and total obligations of \$984,079,000 through 2020.

## **Note 18. Litigation and Contingencies**

The State and its component units are parties to numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the State for property damage and personal injury, alleged breaches of contract, condemnation proceedings, and other alleged violations of state and federal laws. Certain claims have been adjudicated against the State, but remained unpaid as of June 30, 2011.

The State receives significant financial assistance from the Federal Government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the State. As of June 30, 2011, the State is unable to estimate what liabilities may result from such audits.

### **Primary Government**

Through the normal course of operations there are many legal cases which involve the State as a party. Most of these cases are currently deemed to have a remote chance of loss or will result in a gain to the State. The assessment of several cases indicates there is the reasonably possible chance of a loss occurring to the State. Current estimates for these losses range from \$4,000,000 to \$7,355,000. No liability has been accrued for these estimated losses.

The **Department of Transportation** (DOT) has incurred significant expenditures on construction projects that have exceeded the amounts approved by the federal grantor. These project expenditures are held in suspense until approved by the federal grantor and subsequently reimbursed. Based on prior years' experience, the reimbursement of expenditures is highly probable. At June 30, 2011, DOT had project expenditures totaling \$9,469,000 that will be reimbursed pending approval of the Federal Government.

### **Component Units**

The **Oklahoma Capital Investment Board** (OCIB), as a public trust of the State of Oklahoma, has authority to transfer tax credits to public entities. Tax credits can be transferred by OCIB in conjunction with a legitimate call on an OCIB guarantee. Prior to fiscal year 2011, OCIB had both term notes and a line of credit to provide liquidity. These short term financings were combined into a maximum commitment line of credit for \$38,000,000. As of June 30, 2011, the line of credit had an outstanding balance of \$25,980,000. As of June 30, 2011 there was only current debt in connection with the line of credit. In addition to the debt, OCIB reported June 30, 2011 net asset deficit of \$7,697,000.

The credits and OCIB's right to transfer the credits expire if not utilized by July 1, 2015. As of June 30, 2011, \$27,515,000 of tax credits had been transferred. Four entities currently have signed agreements to purchase up to an aggregate of \$8,000,000 of tax credits per year at the sole discretion of OCIB. OCIB has the authority to issue up to \$20,000,000 of tax credits per year with an overall maximum of \$100,000,000. The remaining \$72,485,000 of tax credits were not considered impaired at June 30, 2011, as there was sufficient time remaining for the tax credits to be utilized before they expire.

## **Note 19. Subsequent Events**

Subsequent to June 30, 2011, the United States financial markets and banking systems have experienced some volatility, resulting in an upward fluctuation. These events have had a positive impact on the investment portfolios of the State. The Fiduciary Funds and Component Units are at a higher risk of exposure due to the long term focus of their investment portfolios.

### **Primary Government**

**Oklahoma Capitol Improvement Authority (OCIA)** has currently authorized but not issued bonds totaling \$71,000,000 for the State Highway Improvement Project.

**The Office of State Finance** has authorized but not issued bonds totaling \$4,500,000 for capital projects.

### **Component Units**

**Board of Regents** has issued general revenue bonds totaling \$22,895,000 to refund outstanding tax-exempt issue. Currently the Board of Regents has authorized but not issued general revenue bonds totaling \$80,000,000.

**Oklahoma Development Finance Authority (ODFA)** has issued bonds totaling \$31,940,000 for the Oklahoma State Regents for Higher Education Master Equipment Lease Revenue Bonds and the Mid-Continent Project. Currently ODFA has authorized but not issued bonds totaling \$5,400,000 for the Process Manufacturing Project and the Parrish Enterprises Project.

**Oklahoma Housing Finance Authority** has issued bonds totaling \$70,000,000 for capital projects.

**Oklahoma Turnpike Authority** has issued bonds totaling \$683,660,000 for capital projects.

**Water Resources Board** has issued bonds totaling \$42,000,000 for capital projects.



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**Required Supplementary Information  
Budgetary Schedule**



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**Required Supplementary Information  
Budgetary Schedule**

State of Oklahoma  
 Budgetary Comparison Schedule  
 Budget to Actual (Non-GAAP Budgetary Basis)  
 General Fund  
 For the Fiscal Year Ended June 30, 2011  
 (expressed in thousands)

	Budgetary General Fund				Variance with Final Budget
	Original	Budget	Final	Actual Amounts	
	Budget	Amendments	Budget		
<b>Revenues</b>					
Taxes	\$ 4,564,779	\$ 0	\$ 4,564,779	\$ 4,978,202	\$ 413,423
Licenses, Permits and Fees	80,800	0	80,800	67,649	(13,151)
Interest and Investment Revenue	137,551	0	137,551	117,040	(20,511)
Local Receipts and Reimbursements	4,596	0	4,596	4,626	30
Other	556,611	0	556,611	699,125	142,514
<b>Total Revenues</b>	<b>5,344,337</b>	<b>0</b>	<b>5,344,337</b>	<b>5,866,642</b>	<b>522,305</b>
<b>Expenditures</b>					
Education	195,721	23,536	219,257	173,095	46,162
General Government	133,376	17,337	150,713	129,674	21,039
Health Services	245,183	6,238	251,421	223,355	28,066
Legal and Judiciary	89,637	1,295	90,932	86,273	4,659
Museums	13,965	531	14,496	13,378	1,118
Natural Resources	72,527	2,947	75,474	66,712	8,762
Public Safety and Defense	598,500	4,646	603,146	562,665	40,481
Regulatory Services	18,795	124	18,919	18,491	428
Social Services	140,561	3,943	144,504	131,023	13,481
Transportation	424	0	424	349	75
<b>Total Expenditures</b>	<b>1,508,689</b>	<b>60,597</b>	<b>1,569,286</b>	<b>1,405,015</b>	<b>164,271</b>
Revenues in Excess of Expenditures	3,835,648	(60,597)	3,775,051	4,461,627	686,576
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	293,831	293,831	293,831	0
Transfers Out	(948,787)	0	(948,787)	(948,787)	0
Intra Agency Transfers to Continuing Funds	(2,763,197)	(2,855)	(2,766,052)	(2,766,052)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(3,711,984)</b>	<b>290,976</b>	<b>(3,421,008)</b>	<b>(3,421,008)</b>	<b>0</b>
Revenue and Other Sources in Excess of Expenditures and Other Uses	123,664	230,379	354,043	1,040,619	686,576
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>610,370</b>	<b>0</b>	<b>610,370</b>	<b>610,370</b>	<b>0</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 734,034</b>	<b>\$ 230,379</b>	<b>\$ 964,413</b>	<b>\$ 1,650,989</b>	<b>\$ 686,576</b>

The Notes to the Required Supplementary Information are an integral part of this schedule.

# Notes to Required Supplementary Information - Budgetary Reporting

## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis) presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis. The Schedule represents budgetary comparisons at the legal level of budgetary control (i.e. line item level). The schedule is prepared on a cash basis plus encumbrances where the expenditures are expected to be presented by November 15<sup>th</sup> in the following fiscal year. Certain appropriations are transferred to continuing funds for expenditure. Unexpended amounts may then be rebudgeted in subsequent fiscal years. These transfers are not included in the total expenditures on the Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis).

### Reconciliation of Budgetary Fund Balance to GAAP Fund Balance

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resulting basis, perspective, and entity differences in the revenues in excess of (less than) expenditures and other financing sources (uses) between budgetary and GAAP presentations for the year ended June 30, 2011, is presented below (expressed in thousands) for the General Fund:

Budgetary Basis Fund Balance, June 30, 2010	\$ 610,370
Excess of total sources over total uses of financial resources (Budgetary Basis)	<u>1,040,619</u>
Budgetary Basis Fund Balance, June 30, 2011	1,650,989
Entity and Perspective Differences:	
Non-budgeted Funds and Capital Funds	1,675,655
Encumbrances	86,125
Basis Differences:	
Add: Net accrued revenues, related receivables, and deferred revenues	1,265,034
Less: Net accrued expenditures and related liabilities	<u>(1,417,535)</u>
GAAP Basis Fund Balance, June 30, 2011	<u><u>\$ 3,260,268</u></u>

Expenditures reported in the Budgetary Comparison Schedule were aggregated by function of government. The following table (expressed in thousands) represents budgetary comparisons at the level of budgetary control (i.e., line item level):

	GENERAL FUND				
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
<b>EDUCATION</b>					
<b>State Arts Council</b>					
01 Duties	\$ 4,407	\$ -	\$ 4,407	\$ 2,318	\$ 2,089
11 FY-10 Carryover	-	199	199	199	-
Agency Total	<u>4,407</u>	<u>199</u>	<u>4,606</u>	<u>2,517</u>	<u>2,089</u>

	GENERAL FUND				
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
<b>Department of Career and Technology Education</b>					
08 Duties	138,592	-	138,592	123,700	14,892
18 FY-10 Carryover	-	13,154	13,154	11,280	1,874
Agency Total	138,592	13,154	151,746	134,980	16,766
<b>Department of Education</b>					
01 Financial support of Public Schools (Min Lea)	4,085	-	4,085	4,085	-
02 Financial support of Public Schools (Min Lea)	1,656	-	1,656	1,656	-
02 Public School Activities	414,789	-	414,789	405,950	8,839
02 Public School Activities	5,000	-	5,000	5,000	-
03 Admin & Support Functions - DOE	22,343	-	22,343	16,425	5,918
01 Admin & Support Functions - DOE	1,074,330	-	1,074,330	1,074,330	-
03 Instructional Expenses (Textbooks)	33,000	-	33,000	32,985	15
12 FY-10 Carryover	-	1,150	1,150	746	404
13 FY-10 Carryover	-	9,029	9,029	5,898	3,131
Agency Total	1,555,203	10,179	1,565,382	1,547,075	18,307
<b>Commission of the Land Office</b>					
01 Duties	7,109	-	7,109	4,932	2,177
11 FY-10 Carryover	-	737	737	566	171
Agency Total	7,109	737	7,846	5,498	2,348
<b>Department of Libraries</b>					
01 Duties	6,343	-	6,343	5,873	470
11 FY-10 Carryover	-	127	127	91	36
Agency Total	6,343	127	6,470	5,964	506
<b>Center for Advancement of Science and Technology</b>					
01 Duties	19,152	-	19,152	14,128	5,024
11 FY-10 Carryover	-	92	92	86	6
Agency total	19,152	92	19,244	14,214	5,030
<b>Physician Manpower Training Commission</b>					
01 Duties	3,340	-	3,340	3,262	78
07 Duties	400	-	400	400	-
11 FY-10 Carryover	-	2	2	2	-
Agency Total	3,740	2	3,742	3,664	78
<b>Oklahoma School of Science and Math</b>					
01 Duties	6,540	-	6,540	5,967	573
11 FY-10 Carryover	-	344	344	344	-
12 FY-10 Carryover	-	3	3	3	-
Agency Total	6,540	347	6,887	6,314	573
<b>Oklahoma Commission for Teacher Preparation</b>					
01 Duties	1,641	-	1,641	1,197	444
11 FY-10 Carryover	-	373	373	352	21
Agency Total	1,641	373	2,014	1,549	465
<b>Education Total</b>	<b>1,742,727</b>	<b>25,210</b>	<b>1,767,937</b>	<b>1,721,775</b>	<b>46,162</b>

## GENERAL FUND

	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
<b>GENERAL GOVERNMENT</b>					
<b>State Auditor and Inspector</b>					
01 Duties	4,823	-	4,823	4,820	3
02 County Govt Personnel Educ & Trng	330	-	330	303	27
Agency Total	5,153	-	5,153	5,123	30
<b>State Bond Advisor</b>					
01 Duties	156	-	156	156	-
Agency Total	156	-	156	156	-
<b>Department of Central Services</b>					
01 Duties	13,657	-	13,657	7,823	5,834
04 Maintenance of the Hissom Center	152	-	152	35	117
02 For transfer to Bldg & Fac Revolv ( Fund 245)	663	-	663	663	-
01 For transfer to Bldg & Fac Revolv ( Fund 245)	1,501	-	1,501	1,501	-
11 FY-10 Carryover	-	4,967	4,967	4,956	11
14 FY-10 Carryover	-	67	67	67	-
Agency Total	15,973	5,034	21,007	15,045	5,962
<b>Department of Commerce</b>					
01 Duties	20,084	-	20,084	16,383	3,701
02 Duties - NACEA	6,822	-	6,822	6,392	430
14 FY-10 Carryover	-	384	384	331	53
15 FY-10 Carryover	-	-	-	-	-
12 FY-10 Carryover	-	1	1	-	1
Agency Total	26,906	385	27,291	23,106	4,185
<b>State Election Board</b>					
01 Duties	5,488	-	5,488	4,471	1,017
08 Duties	2,559	-	2,559	2,411	148
11 FY-10 Carryover	-	482	482	430	52
Agency Total	8,047	482	8,529	7,312	1,217
<b>Ethics Commission</b>					
01 Duties	546	-	546	545	1
11 FY-10 Carryover	-	17	17	17	-
Agency Total	546	17	563	562	1
<b>Office of State Finance</b>					
01 Duties	9,623	-	9,623	6,442	3,181
02 Duties	11,000	-	11,000	9,348	1,652
11 FY-10 Carryover	-	3,743	3,743	3,743	-
12 FY-10 Carryover	-	5,219	5,219	5,219	-
Agency Total	20,623	8,962	29,585	24,752	4,833
<b>Governor</b>					
01 Duties	2,130	-	2,130	2,107	23
11 FY-10 Carryover	-	138	138	138	-
Agency Total	2,130	138	2,268	2,245	23

	GENERAL FUND				
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
<b>Lieutenant Governor</b>					
01 Duties	528	-	528	474	54
11 FY-10 Carryover	-	123	123	123	-
Agency Total	528	123	651	597	54
<b>Merit Protection Commission</b>					
01 Duties	528	-	528	506	22
11 FY-10 Carryover	-	33	33	33	-
Agency Total	528	33	561	539	22
<b>Office of Personnel Management</b>					
01 Duties	3,914	-	3,914	3,016	898
11 FY-10 Carryover	-	618	618	618	-
Agency Total	3,914	618	4,532	3,634	898
<b>Secretary of State</b>					
01 Duties	304	-	304	304	-
Agency Total	304	-	304	304	-
<b>Tax Commission</b>					
30 Duties	46,831	-	46,831	44,617	2,214
Agency Total	46,831	-	46,831	44,617	2,214
<b>State Treasurer</b>					
01 Duties	3,803	-	3,803	2,227	1,576
10 State Land Reimbursements	100	-	100	100	-
11 FY-10 Carryover	-	1,546	1,546	1,522	24
Agency Total	3,903	1,546	5,449	3,849	1,600
<b>General Government Total</b>					
	135,542	17,338	152,880	131,841	21,039
<b>HEALTH SERVICES</b>					
<b>Department of Health</b>					
01 Duties	61,548	-	61,548	48,100	13,448
21 FY-10 Carryover	-	29	29	28	1
22 FY-10 Carryover	-	3	3	3	-
25 FY-10 Carryover	-	506	506	506	-
91 FY-10 Carryover	-	1,441	1,441	1,365	76
13 FY-10 Carryover	-	313	313	214	99
65 FY-10 Carryover	-	550	550	341	209
02 FY-10 Carryover	-	721	721	697	24
Agency Total	61,548	3,563	65,111	51,254	13,857
<b>Mental Health and Substance Abuse</b>					
01 Duties	183,635	-	183,635	169,426	14,209
91 FY-10 Carryover	-	2,676	2,676	2,676	-
Agency Total	183,635	2,676	186,311	172,102	14,209
<b>Health Services total</b>					
	245,183	6,239	251,422	223,356	28,066
<b>LEGAL AND JUDICIARY</b>					
<b>Attorney General</b>					
01 Duties	12,705	-	12,705	12,153	552
11 FY-10 Carryover	-	83	83	23	60
Agency Total	12,705	83	12,788	12,176	612

	GENERAL FUND				
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
<b>Court of Criminal Appeals</b>					
01 Duties	3,296	-	3,296	3,199	97
01 Duties	160	-	160	134	26
Agency Total	3,456	-	3,456	3,333	123
<b>District Attorney's Council</b>					
01 Duties	34,258	-	34,258	33,676	582
11 FY-10 Carryover	-	328	328	328	-
Agency Total	34,258	328	34,586	34,004	582
<b>District Courts</b>					
01 Duties - District Courts	6,042	-	6,042	5,795	247
Agency Total	6,042	-	6,042	5,795	247
<b>Indigent Defense System</b>					
01 Duties	15,054	-	15,054	13,627	1,427
01 Duties	100	-	100	7	93
11 FY-10 Carryover	-	809	809	809	-
Agency Total	15,154	809	15,963	14,443	1,520
<b>Council on Judicial Complaints</b>					
01 Duties	231	-	231	151	80
11 FY-10 Carryover	-	75	75	75	-
Agency Total	231	75	306	226	80
<b>Supreme Court</b>					
01 Duties	14,449	-	14,449	12,954	1,495
02 To Legal Svcs Revolving ( Fd 225)	933	-	933	933	-
Agency Total	15,382	-	15,382	13,887	1,495
<b>Workers' Compensation Court</b>					
01 Duties	4,349	-	4,349	4,349	-
Agency Total	4,349	-	4,349	4,349	-
<b>Legal and Judiciary Total</b>	<b>91,577</b>	<b>1,295</b>	<b>92,872</b>	<b>88,213</b>	<b>4,659</b>
<b>MUSEUMS</b>					
<b>Historical Society</b>					
01 Duties	12,914	-	12,914	11,923	991
11 FY-10 Carryover	-	441	441	430	11
Agency Total	12,914	441	13,355	12,353	1,002
<b>J.M Davis Memorial Commission</b>					
01 Duties	307	-	307	299	8
11 FY-10 Carryover	-	13	13	13	-
Agency Total	307	13	320	312	8
<b>Will Rogers Memorial Commission</b>					
01 Duties	745	-	745	637	108
11 FY-10 Carryover	-	76	76	76	-
Agency Total	745	76	821	713	108
<b>Museums Total</b>	<b>13,966</b>	<b>530</b>	<b>14,496</b>	<b>13,378</b>	<b>1,118</b>

	GENERAL FUND				
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
<b>NATURAL RESOURCES</b>					
<b>Department of Agriculture</b>					
01 Duties	19,307	-	19,307	18,202	1,105
04 Duties	7,000	-	7,000	6,596	404
11 FY-10 Carryover	-	872	872	832	40
13 FY-10 Carryover	-	238	238	229	9
Agency Total	26,307	1,110	27,417	25,859	1,558
<b>Conservation Commission</b>					
01 Duties	9,845	-	9,845	9,139	706
Agency Total	9,845	-	9,845	9,139	706
<b>Department of Environmental Quality</b>					
01 Duties	8,127	-	8,127	7,061	1,066
Agency Total	8,127	-	8,127	7,061	1,066
<b>Scenic Rivers Commission</b>					
01 Duties	279	-	279	275	4
Agency Total	279	-	279	275	4
<b>Department of Tourism and Recreation</b>					
01 Duties	22,503	-	22,503	18,676	3,827
11 FY-10 Carryover	-	1,533	1,533	1,214	319
Agency Total	22,503	1,533	24,036	19,890	4,146
<b>Water Resources Board</b>					
01 Duties	5,699	-	5,699	4,417	1,282
11 FY-10 Carryover	-	1,485	1,485	1,485	-
14 FY-10 Carryover	-	-	-	-	-
Agency Total	5,699	1,485	7,184	5,902	1,282
<b>Natural Resources Total</b>					
	72,760	4,128	76,888	68,126	8,762
<b>PUBLIC SAFETY AND DEFENSE</b>					
<b>Alcohol Beverage Laws Enforcement</b>					
01 Duties	3,377	-	3,377	3,282	95
Agency Total	3,377	-	3,377	3,282	95
<b>State Bureau of Investigation</b>					
01 Duties	14,716	-	14,716	14,716	-
11 FY-10 Carryover	-	227	227	227	-
Agency Total	14,716	227	14,943	14,943	-
<b>Department of Corrections</b>					
08 Duties	30,000	-	30,000	26,375	3,625
30 Duties	382,142	-	382,142	354,277	27,865
1 Duties	50,000	-	50,000	50,000	-
31 FY-10 Carryover	-	2,772	2,772	2,686	86
Agency total	462,142	2,772	464,914	433,338	31,576

	GENERAL FUND				
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
<b>Council on Law Enforcement, Education and Training</b>					
01 Duties	3,127	-	3,127	2,621	506
02 Duties	227	-	227	227	-
01 Duties	564	-	564	475	89
11 FY-10 Carryover	-	76	76	76	-
11 FY-10 Carryover	-	447	447	447	-
Agency Total	3,918	523	4,441	3,846	595
<b>Department of Emergency Management</b>					
01 Duties	693	-	693	669	24
Agency Total	693	-	693	669	24
<b>State Fire Marshall</b>					
01 Duties	1,932	-	1,932	1,920	12
Agency Total	1,932	-	1,932	1,920	12
<b>Board of Medicolegal Investigations</b>					
01 Duties	4,794	-	4,794	4,688	106
11 FY-10 Carryover	-	103	103	103	-
11 FY-10 Carryover	-	119	119	119	-
Agency Total	4,794	222	5,016	4,910	106
<b>Oklahoma Military Department</b>					
01 Duties	10,787	-	10,787	8,651	2,136
11 FY-10 Carryover	-	903	903	150	753
Agency Total	10,787	903	11,690	8,801	2,889
<b>Bureau of Narcotics and Dangerous Drugs</b>					
01 Duties	5,466	-	5,466	5,442	24
Agency Total	5,466	-	5,466	5,442	24
<b>Pardon and Parole Board</b>					
01 Duties	2,334	-	2,334	2,272	62
Agency Total	2,334	-	2,334	2,272	62
<b>Department of Public Safety</b>					
01 Duties	88,432	-	88,432	83,334	5,098
Agency Total	88,432	-	88,432	83,334	5,098
<b>Public Safety and Defense Total</b>					
	598,591	4,647	603,238	562,757	40,481
<b>REGULATORY SERVICES</b>					
<b>Commission on Consumer Credit</b>					
01 Duties	535	-	535	529	6
11 FY-10 Carryover	-	16	16	16	-
Agency Total	535	16	551	545	6
<b>Corporation Commission</b>					
01 Duties	10,134	-	10,134	9,890	244
11 FY-10 Carryover	-	11	11	11	-
Agency Total	10,134	11	10,145	9,901	244

	GENERAL FUND				
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
<b>Oklahoma Horse Racing Commission</b>					
01 Duties	2,136	-	2,136	1,979	157
11 FY-10 Carryover	-	87	87	81	6
Agency Total	2,136	87	2,223	2,060	163
<b>Insurance Department</b>					
01 Duties	2,013	-	2,013	2,013	-
Agency Total	2,013	-	2,013	2,013	-
<b>Department of Labor</b>					
01 Duties	1,534	-	1,534	1,534	-
02 Duties	917	-	917	917	-
01 Duties	715	-	715	712	3
11 FY-10 Carryover	-	1	1	1	-
Agency Total	3,166	1	3,167	3,164	3
<b>Department of Mines</b>					
01 Duties	811	-	811	799	12
11 FY-10 Carryover	-	9	9	9	-
Agency Total	811	9	820	808	12
<b>Regulatory Services Total</b>					
	18,795	124	18,919	18,491	428
<b>SOCIAL SERVICES</b>					
<b>Commission on Children and Youth</b>					
10 Duties	2,157	-	2,157	1,851	306
40 FY-10 Carryover	-	250	250	250	-
Agency Total	2,157	250	2,407	2,101	306
<b>Office of Disability Concerns</b>					
01 Duties	342	-	342	333	9
Agency Total	342	-	342	333	9
<b>Health Care Authority</b>					
01 Duties (to Disbursing Funds 200 and 340)	483,315	-	483,315	483,315	-
02 Duties (to Disbursing Funds 200 and 340)	234	-	234	234	-
02 Duties (to Disbursing Funds 200 and 340)	15,302	-	15,302	15,302	-
03 Duties (to Disbursing Funds 200 and 340)	134,881	-	134,881	134,881	-
01 Duties (to Disbursing Funds 200 and 340)	66,143	-	66,143	66,143	-
Agency Total	699,875	-	699,875	699,875	-
<b>Oklahoma Human Rights Commission</b>					
10 Duties	571	-	571	547	24
20 FY-10 Carryover	-	11	11	4	7
Agency Total	571	11	582	551	31
<b>Department of Human Services</b>					
01 Duties (to Disbursing Funds)	401,434	-	401,434	401,434	-
04 Duties (to Disbursing Funds)	80,000	-	80,000	80,000	-
Agency Total	481,434	-	481,434	481,434	-

	GENERAL FUND				
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
<b>Oklahoma Indian Affairs Commission</b>					
10 Duties	207	-	207	159	48
20 FY-10 Carryover	-	48	48	48	-
Agency Total	207	48	255	207	48
<b>J.D McCarty Center</b>					
10 Duties	3,664	-	3,664	3,120	544
Agency Total	3,664	-	3,664	3,120	544
<b>Office of Juvenile Affairs</b>					
01 Duties	97,664	-	97,664	87,351	10,313
11 FY-10 Carryover	-	1,343	1,343	611	732
12 FY-10 Carryover	-	1,000	1,000	-	1,000
13 FY-10 Carryover	-	90	90	90	-
91 FY-10 Carryover	-	958	958	958	-
Agency Total	97,664	3,391	101,055	89,010	12,045
<b>Department of Rehabilitation Services</b>					
01 Duties (to disbursing funds)	30,454	-	30,454	30,454	-
Agency Total	30,454	-	30,454	30,454	-
<b>Department of Vetran Affairs</b>					
01 Duties	35,957	-	35,957	35,485	472
11 FY-10 Carryover	-	243	243	217	26
Agency Total	35,957	243	36,200	35,702	498
<b>Social Services Total</b>	<b>1,352,325</b>	<b>3,943</b>	<b>1,356,268</b>	<b>1,342,787</b>	<b>13,481</b>
<b>TRANSPORTATION</b>					
<b>Oklahoma Space Industry Development Auth.</b>					
01 Duties to Space Industries Dev.	424	-	424	349	75
Agency Total	424	-	424	349	75
<b>Transportation Total</b>	<b>424</b>	<b>-</b>	<b>424</b>	<b>349</b>	<b>75</b>
<b>General Fund Total</b>	<b>\$ 4,271,890</b>	<b>\$ 63,454</b>	<b>\$ 4,335,344</b>	<b>\$ 4,171,073</b>	<b>\$ 164,271</b>



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## Combining Financial Statements



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## Combining Financial Statements

## FIDUCIARY FUNDS AND SIMILAR COMPONENT UNITS

Fiduciary Funds account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governmental organizations, and/or other funds.

### PENSION TRUST FUNDS

The Pension Trust Funds account for the transactions, assets, liabilities, and net assets held in a trustee capacity for the benefit of the Plan members.

### WILDLIFE CONSERVATION RETIREMENT PLAN

This Plan is part of the primary government. The Plan accounts for transactions, assets, liabilities, and net assets available for payment of plan benefits to employees of the Department of Wildlife Conservation.

The State of Oklahoma has six Public Employee Retirement Systems (PERS) that meet the definition of a component unit, but are presented with the fiduciary funds of the State:

### OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

4545 N. Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105

The System provides retirement benefits for municipal firefighters in the State of Oklahoma.

### OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

421 NW 13<sup>th</sup> St., Suite 100, Oklahoma City, Oklahoma 73103

The System provides retirement benefits for qualified law enforcement officers in the State of Oklahoma.

### OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

P.O. Box 53007, Oklahoma City, Oklahoma 73152

The System administers the Oklahoma Public Employee Retirement Plan, which provides retirement benefits for state, county and local employees in the State of Oklahoma.

### UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

P.O. Box 53007, Oklahoma City, Oklahoma 73152

The System provides retirement benefits for justices and judges in the State of Oklahoma.

### OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

1001 N.W. 63<sup>rd</sup> Street, Suite 305, Oklahoma City, Oklahoma 73116

The System provides retirement benefits for police officers employed by participating municipalities in the State of Oklahoma.

### TEACHER'S RETIREMENT SYSTEM OF OKLAHOMA

2500 N. Lincoln Blvd., Oklahoma City, Oklahoma 73105

The System provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions in the State of Oklahoma.

### AGENCY FUNDS

Agency Funds account for the receipt and disbursement of various moneys and property collected by the State, acting in the capacity of an agent, for distribution to non-state parties.

**Taxes Held for Outside Entities** is maintained by the Oklahoma Tax Commission to account for taxes: (1) being held for distribution to county and city governments, (2) to cover anticipated tax refunds, (3) paid conditionally on an increase in gross value of oil and/or gas sold by a producer waiting on approval or settlement of an appeal, and (4) that have been intercepted by the Tax Commission to be disbursed to claimants.

**Funds Held in Escrow** are moneys held in an account until certain conditions or requirements are met. These include: (1) Cash Performance Bonds maintained by the Department of Mines until mining is complete and reclamation meets specifications, (2) Unlocated Mineral Owner's Fund maintained by the Corporation Commission (3) Workers' Compensation Claims Under Appeal maintained by the Workers' Compensation Court, (4) Unsettled Premium Tax Suits, an escrow account maintained by the Oklahoma Insurance Department for depositing of protested taxes and/or fees imposed under Oklahoma law, (5) Other moneys accounted for by the State Department of Health for bond requirements for disposal sites, by the Department of Public Safety for the retention and refund of financial responsibility security amounts and sign deposits for motor vehicle inspection stations, (6) Funds in escrow at the Attorney General's Office received as a result of litigation.

**Assets Held for Beneficiaries** are moneys maintained for: (1) clients in institutions under the jurisdiction of the Office of Juvenile Affairs (OJA), Department of Human Services (DHS), the Department of Corrections (DOC), the Department of Veterans Affairs, and the Department of Mental Health, (2) DHS custodial parents from the collection from absent parents, and (3) DHS clients placed in agency custody.

**Other** is moneys accounted for (1) by the Employees' Benefit Council for payment of employee claims against SoonerFlex flexible spending accounts, (2) deposits held by the Department of Central Services for bid process documents, (3) donations held by the District Attorney's Council for the Murrah Crime Victims Compensation Fund, (4) funds held by the Department of Transportation which had accrued to its former health insurance rate stabilization account and is being returned to the accounts contributors.

State of Oklahoma  
Combining Statement of Fiduciary Net Assets  
Pension Trust Funds (Including Similar Component Units)  
June 30, 2011  
(expressed in thousands)

	Primary Government	Fiduciary Component Units						Total
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	
<b>Assets</b>								
Cash/Cash Equivalents	\$ 1,349	\$ 43,898	\$ 11,841	\$ 174,890	\$ 5,033	\$ 33,516	\$ 376,147	\$ 646,674
Investments, at fair value								
Equity Securities	17,168	1,024,132	426,137	1,760,492	0	719,802	6,594,609	10,542,340
Governmental Securities	18,534	296,798	65,301	1,439,775	52,826	14,121	1,189,527	3,076,882
Debt Securities	13,333	22,990	158,784	889,762	32,392	330,503	1,979,693	3,427,457
Mutual Funds	23,456	0	0	2,785,865	165,600	0	0	2,974,921
Other Investments	0	340,978	58,892	0	0	707,163	0	1,107,033
Securities Lending Investments	0	192,135	75,725	725,638	18,385	44,578	2,023,648	3,080,109
Interest and Investment Revenue Receivable	0	3,260	787	15,493	439	2,973	45,636	68,588
Contributions Receivable:								
Employer	0	997	1,367	10,884	250	1,472	34,484	49,454
Employee	0	594	445	3,078	200	893	22,103	27,313
Other Contributions Receivable	0	0	0	0	0	0	27,322	27,322
Other Receivables	0	391	1	0	0	3	0	395
Due from Brokers	0	0	0	330,609	12,070	0	140,795	483,474
Due from Other Funds	0	13,420	1,974	0	0	5,526	0	20,920
Capital Assets, Net	0	38	12	819	0	913	875	2,657
Other Assets	0	0	0	227	0	0	0	227
<b>Total Assets</b>	<b>73,840</b>	<b>1,939,631</b>	<b>801,266</b>	<b>8,137,532</b>	<b>287,195</b>	<b>1,861,463</b>	<b>12,434,839</b>	<b>25,535,766</b>
<b>Liabilities</b>								
Accounts Payable	0	2,188	929	0	0	1,672	0	4,789
Securities Lending Payable	0	192,135	75,725	725,638	18,385	44,578	2,023,648	3,080,109
Due to Brokers	0	1,137	11,436	570,885	20,621	3,744	154,448	762,271
Due to Other Funds	0	0	0	3	0	2	0	5
Due to Component Units	0	0	0	4	0	7	9,707	9,718
Benefits in the Process of Payment	0	0	3,105	0	0	10,718	80,477	94,300
Other Liabilities	0	73	0	0	0	0	10,202	10,275
<b>Total Liabilities</b>	<b>0</b>	<b>195,533</b>	<b>91,195</b>	<b>1,296,530</b>	<b>39,006</b>	<b>60,721</b>	<b>2,278,482</b>	<b>3,961,467</b>
<b>Fund Balance Reserved for Employees' Pension Benefits</b>	<b>\$ 73,840</b>	<b>\$ 1,744,098</b>	<b>\$ 710,071</b>	<b>\$ 6,841,002</b>	<b>\$ 248,189</b>	<b>\$ 1,800,742</b>	<b>\$ 10,156,357</b>	<b>\$ 21,574,299</b>

State of Oklahoma  
Combining Statement of Changes in Fiduciary Net Assets  
Pension Trust Funds (Including Similar Component Units)  
For the Fiscal Year Ended June 30, 2011  
(expressed in thousands)

	Primary Government	Fiduciary Component Units						Total
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	
<b>Additions</b>								
Contributions								
Employer Contributions	\$ 3,180	\$ 31,910	\$ 7,694	\$ 252,905	\$ 3,194	\$ 31,846	\$ 364,026	\$ 694,755
Employee Contributions	570	18,905	5,493	66,431	2,668	19,489	286,643	400,199
Other Contributions	0	59,876	16,965	0	0	24,645	274,451	375,937
<b>Total Contributions</b>	<b>3,750</b>	<b>110,691</b>	<b>30,152</b>	<b>319,336</b>	<b>5,862</b>	<b>75,980</b>	<b>925,120</b>	<b>1,470,891</b>
Investment Income								
Net Appreciation in Fair Value of Investments	0	295,131	122,541	1,122,811	42,149	276,186	1,645,517	3,504,335
Interest and Investment Revenue	10,759	22,991	9,596	111,897	2,601	17,843	289,979	465,666
Less Investment Expenses	10,759	318,122	132,137	1,234,708	44,750	294,029	1,935,496	3,970,001
	0	11,128	3,477	8,021	194	11,724	37,052	71,596
<b>Net Investment Income</b>	<b>10,759</b>	<b>306,994</b>	<b>128,660</b>	<b>1,226,687</b>	<b>44,556</b>	<b>282,305</b>	<b>1,898,444</b>	<b>3,898,405</b>
<b>Total Additions</b>	<b>14,509</b>	<b>417,685</b>	<b>158,812</b>	<b>1,546,023</b>	<b>50,418</b>	<b>358,285</b>	<b>2,823,564</b>	<b>5,369,296</b>
<b>Deductions</b>								
Administrative and General Expenses	237	1,646	917	4,681	119	1,712	4,716	14,028
Benefit Payments and Refunds	4,116	151,837	47,294	474,719	13,290	104,658	1,014,457	1,810,371
<b>Total Deductions</b>	<b>4,353</b>	<b>153,483</b>	<b>48,211</b>	<b>479,400</b>	<b>13,409</b>	<b>106,370</b>	<b>1,019,173</b>	<b>1,824,399</b>
<b>Net Increase</b>	<b>10,156</b>	<b>264,202</b>	<b>110,601</b>	<b>1,066,623</b>	<b>37,009</b>	<b>251,915</b>	<b>1,804,391</b>	<b>3,544,897</b>
<b>Fund Balance Reserved for Employees' Pension Benefits</b>								
<b>Beginning of Year (as restated)</b>	<b>63,684</b>	<b>1,479,896</b>	<b>599,470</b>	<b>5,774,379</b>	<b>211,180</b>	<b>1,548,827</b>	<b>8,351,966</b>	<b>18,029,402</b>
<b>End of Year</b>	<b>\$ 73,840</b>	<b>\$ 1,744,098</b>	<b>\$ 710,071</b>	<b>\$ 6,841,002</b>	<b>\$ 248,189</b>	<b>\$ 1,800,742</b>	<b>\$ 10,156,357</b>	<b>\$ 21,574,299</b>

State of Oklahoma  
Combining Statement of Assets and Liabilities  
Agency Funds  
June 30, 2011  
(expressed in thousands)

	Taxes Held For Outside Entities	Funds Held In Escrow	Assets Held For Beneficiaries	Other	Total
<b>Assets</b>					
Cash/Cash Equivalents	\$ 398,661	\$ 46,697	\$ 58,570	\$ 54,942	\$ 558,870
Investments	0	0	85	0	85
Accounts Receivable	0	0	23	0	23
Taxes Receivable	1	0	0	0	1
Due from Component Units	0	0	0	619	619
Inventory	0	0	0	7,044	7,044
Total Assets	<u>\$ 398,662</u>	<u>\$ 46,697</u>	<u>\$ 58,678</u>	<u>\$ 62,605</u>	<u>\$ 566,642</u>
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	\$ 0	\$ 0	\$ 470	\$ 0	\$ 470
Tax Refunds Payable	3,651	0	0	0	3,651
Due to Others	395,011	46,697	58,208	62,605	562,521
Total Liabilities	<u>\$ 398,662</u>	<u>\$ 46,697</u>	<u>\$ 58,678</u>	<u>\$ 62,605</u>	<u>\$ 566,642</u>

State of Oklahoma  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Fiscal Year Ended June 30, 2011  
(expressed in thousands)

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<b>Taxes Held for Outside Entities</b>				
Assets				
Cash/Cash Equivalents	\$ 221,013	\$ 3,347,576	\$ 3,169,928	\$ 398,661
Taxes Receivable	1	0	0	1
Total Assets	<u>\$ 221,014</u>	<u>\$ 3,347,576</u>	<u>\$ 3,169,928</u>	<u>\$ 398,662</u>
Liabilities				
Tax Refunds Payable	\$ 13,997	\$ 3,651	\$ 13,997	\$ 3,651
Due to Others	207,017	3,343,925	3,155,931	395,011
Total Liabilities	<u>\$ 221,014</u>	<u>\$ 3,347,576</u>	<u>\$ 3,169,928</u>	<u>\$ 398,662</u>
<b>Funds Held in Escrow</b>				
Assets				
Cash/Cash Equivalents	\$ 40,765	\$ 14,118	\$ 8,186	\$ 46,697
Total Assets	<u>\$ 40,765</u>	<u>\$ 14,118</u>	<u>\$ 8,186</u>	<u>\$ 46,697</u>
Liabilities				
Due to Others	40,765	14,118	8,186	46,697
Total Liabilities	<u>\$ 40,765</u>	<u>\$ 14,118</u>	<u>\$ 8,186</u>	<u>\$ 46,697</u>
<b>Assets Held for Beneficiaries</b>				
Assets				
Cash/Cash Equivalents	\$ 125,472	\$ 419,174	\$ 486,076	\$ 58,570
Investments	85	85	85	85
Accounts Receivable	19	23	19	23
Total Assets	<u>\$ 125,576</u>	<u>\$ 419,282</u>	<u>\$ 486,180</u>	<u>\$ 58,678</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 463	\$ 470	\$ 463	\$ 470
Due to Others	125,113	418,812	485,717	58,208
Total Liabilities	<u>\$ 125,576</u>	<u>\$ 419,282</u>	<u>\$ 486,180</u>	<u>\$ 58,678</u>
<b>Other</b>				
Assets				
Cash/Cash Equivalents	\$ 49,084	\$ 169,376	\$ 163,518	\$ 54,942
Accounts Receivable	114	0	114	0
Due from Component Units	598	619	598	619
Inventory	6,861	628	445	7,044
Total Assets	<u>\$ 56,657</u>	<u>\$ 170,623</u>	<u>\$ 164,675</u>	<u>\$ 62,605</u>
Liabilities				
Due to Others	\$ 56,657	\$ 170,623	\$ 164,675	\$ 62,605
Total Liabilities	<u>\$ 56,657</u>	<u>\$ 170,623</u>	<u>\$ 164,675</u>	<u>\$ 62,605</u>
<b>Total - All Agency Funds</b>				
Assets				
Cash/Cash Equivalents	\$ 436,334	\$ 3,950,244	\$ 3,827,708	\$ 558,870
Investments	85	85	85	85
Accounts Receivable	133	23	133	23
Taxes Receivable	1	0	0	1
Due from Component Units	598	619	598	619
Inventory	6,861	628	445	7,044
Total Assets	<u>\$ 444,012</u>	<u>\$ 3,951,599</u>	<u>\$ 3,828,969</u>	<u>\$ 566,642</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 463	\$ 470	\$ 463	\$ 470
Tax Refunds Payable	13,997	3,651	13,997	3,651
Due to Others (as restated)	429,552	3,947,478	3,814,509	562,521
Total Liabilities	<u>\$ 444,012</u>	<u>\$ 3,951,599</u>	<u>\$ 3,828,969</u>	<u>\$ 566,642</u>

## NONMAJOR COMPONENT UNITS

The State of Oklahoma has nine nonmajor component units which are described below:

**OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY**  
P.O. Box 14190, Oklahoma City, Oklahoma 73113

The Authority provides educational television services to all Oklahoma citizens on a coordinated statewide basis.

**OKLAHOMA INDUSTRIAL FINANCE AUTHORITY**  
5900 N. Classen Ct., Oklahoma City, Oklahoma 73118

The Authority assists with the State's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. The loans are financed by issuance of general obligation bonds.

**HEALTH INSURANCE HIGH RISK POOL**  
3814 N. Santa Fe, Oklahoma City, Oklahoma 73118

The Pool provides health insurance to individuals who are unable to obtain coverage from independent insurers. The Pool is financed by assessments levied on independent insurers.

**MULTIPLE INJURY TRUST FUND**  
410 N. Walnut, Oklahoma City, Oklahoma 73104

The Fund provides additional compensation to a worker with a pre-existing injury who suffers a second injury.

**UNIVERSITY HOSPITALS AUTHORITY**  
P.O. Box 26307, Oklahoma City, Oklahoma 73126

The Authority consists of The University Hospital and Children's Hospital of Oklahoma. The University Hospital is affiliated with the University of Oklahoma Health Sciences Center. The University Hospital is financed primarily through patient service charges.

**OKLAHOMA DEVELOPMENT FINANCE AUTHORITY**  
5900 N. Classen Ct., Oklahoma City, Oklahoma 73118

The Authority provides financing for both public and private entities in the state. The Authority obtains funds through the issuance of bonds and notes.

**OKLAHOMA CAPITAL INVESTMENT BOARD**

301 N.W. 63<sup>rd</sup> Street, Suite 520, Oklahoma City, Oklahoma 73116

The Authority assists the State with industrial development by mobilizing equity and near-equity capital for investment to potential creation of jobs and growth that will diversify and stabilize the economy.

**OKLAHOMA STATE UNIVERSITY MEDICAL AUTHORITY**  
1111 W. 17<sup>th</sup> Street, Tulsa, Oklahoma 74107

The Authority is charged with overseeing the 50-year Academic Affiliation Agreement signed between Tulsa Regional Medical Center and OSU Center for Health Sciences. The agreement provides for funding, teaching and training facilities to the graduate medical program associated with the Oklahoma State University Center for Health Sciences.

**OKLAHOMA CENTENNIAL COMMEMORATION FUND**  
133 W. Main Street, Suite 100, Oklahoma City, Oklahoma 73102

The Fund is affiliated with the Capitol Complex and Centennial Commemorative Commission, and exists to support the Commission with the planning and financing of the 2007 State Centennial Commemoration.

State of Oklahoma  
Combining Statement of Net Assets  
NonMajor Component Units  
June 30, 2011  
(expressed in thousands)

	Oklahoma Educational Television Authority	Oklahoma Industrial Finance Authority	Health Insurance High Risk Pool	Multiple Injury Trust Fund	University Hospitals Authority	Oklahoma Development Finance Authority	Oklahoma Capital Investment Board	Oklahoma Centennial Commemoration Fund	Oklahoma State Univ. Medical Authority	Nonmajor Component Units Total
<b>Assets</b>										
Current Assets										
Cash/Cash Equivalents										
Unrestricted	\$ 8,268	\$ 5,694	\$ 6,416	\$ 12,442	\$ 62,626	\$ 11,515	\$ 144	\$ 529	\$ 1,768	\$ 109,402
Investments	24,891	0	0	0	68	1,241	0	0	0	26,200
Accounts Receivable	723	1	0	0	28	0	0	42	394	1,188
Interest and Investment										
Revenue Receivable	59	200	0	0	25	2	0	0	0	286
Other Receivables	159	0	0	0	0	0	0	0	0	159
Notes Receivable	0	2,381	0	0	0	0	0	0	0	2,381
Due from Other Component Units	0	0	0	0	1,474	129	0	0	0	1,603
Due from Primary Government	0	0	0	5,855	92	71	0	0	0	6,018
Prepaid Items	116	0	0	0	4	0	0	0	0	120
Other Current Assets	0	0	0	0	0	339	0	173	0	512
<b>Total Current Assets</b>	<b>34,216</b>	<b>8,276</b>	<b>6,416</b>	<b>18,297</b>	<b>64,317</b>	<b>13,297</b>	<b>144</b>	<b>744</b>	<b>2,162</b>	<b>147,869</b>
Noncurrent Assets										
Cash/Cash Equivalents -										
Restricted	0	11	0	0	250	0	0	0	0	261
Investments - Restricted	0	0	0	0	884	0	18,191	0	0	19,075
Long-Term Investments	0	28,679	0	0	0	0	0	0	0	28,679
Long-Term Notes Receivable, Net	0	13,396	0	0	0	4,332	0	0	0	17,728
Capital Assets										
Depreciable, Net	20,638	130	0	62	205,254	466	0	0	0	226,550
Land	26	0	0	0	4,009	100	0	0	0	4,135
Construction in Progress	148	0	0	0	24,385	0	0	0	0	24,533
Other Noncurrent Assets										
Unrestricted	0	26	0	0	20,108	0	0	0	0	20,134
Restricted	0	0	0	0	36	0	0	0	0	36
<b>Total Noncurrent Assets</b>	<b>20,812</b>	<b>42,242</b>	<b>0</b>	<b>62</b>	<b>254,926</b>	<b>4,898</b>	<b>18,191</b>	<b>0</b>	<b>0</b>	<b>341,131</b>
<b>Total Assets</b>	<b>55,028</b>	<b>50,518</b>	<b>6,416</b>	<b>18,359</b>	<b>319,243</b>	<b>18,195</b>	<b>18,335</b>	<b>744</b>	<b>2,162</b>	<b>489,000</b>
<b>Liabilities</b>										
Liabilities										
Current Liabilities										
Accounts Payable and										
Accrued Liabilities	985	1	0	1,013	27,258	61	48	11	0	29,377
Claims and Judgments	0	0	0	16,578	0	0	0	0	0	16,578
Interest Payable	0	287	0	662	0	0	3	0	0	952
Due to Other Component Units	0	3	0	0	143	3,119	0	0	0	3,265
Due to Primary Government	1	0	0	0	0	0	0	0	0	1
Deferred Revenue	0	0	0	0	93	0	0	0	0	93
Compensated Absences	203	85	0	71	0	0	0	0	0	359
Notes Payable	0	0	0	1,352	0	0	0	0	0	1,352
General Obligation Bonds	0	595	0	0	0	0	0	0	0	595
Revenue Bonds	0	0	0	0	1,040	0	0	0	0	1,040
Other Current Liabilities	8	0	0	0	62	0	25,980	0	0	26,050
<b>Total Current Liabilities</b>	<b>1,197</b>	<b>971</b>	<b>0</b>	<b>19,676</b>	<b>28,596</b>	<b>3,180</b>	<b>26,031</b>	<b>11</b>	<b>0</b>	<b>79,662</b>
Noncurrent Liabilities										
Claims and Judgments	0	0	0	142,222	0	0	0	0	0	142,222
Compensated Absences	152	0	0	0	0	0	0	0	0	152
Notes Payable	0	0	0	21,614	0	0	0	0	0	21,614
General Obligation Bonds	0	46,755	0	0	0	0	0	0	0	46,755
Revenue Bonds	0	0	0	0	49,914	9,999	0	0	0	59,913
Other Noncurrent Liabilities	0	0	0	0	236	275	0	0	0	511
<b>Total Noncurrent Liabilities</b>	<b>152</b>	<b>46,755</b>	<b>0</b>	<b>163,836</b>	<b>50,150</b>	<b>10,274</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>271,167</b>
<b>Total Liabilities</b>	<b>1,349</b>	<b>47,726</b>	<b>0</b>	<b>183,512</b>	<b>78,746</b>	<b>13,454</b>	<b>26,031</b>	<b>11</b>	<b>0</b>	<b>350,829</b>
<b>Net Assets</b>										
Invested in Capital Assets, Net of Related Debt	20,812	0	0	0	182,694	566	0	0	0	204,072
Restricted for:										
Other Special Purpose										
Expendable	2,227	11	0	0	1,170	0	0	733	394	4,535
Unrestricted	30,640	2,781	6,416	(165,153)	56,633	4,175	(7,696)	0	1,768	(70,436)
<b>Total Net Assets</b>	<b>\$ 53,679</b>	<b>\$ 2,792</b>	<b>\$ 6,416</b>	<b>\$ (165,153)</b>	<b>\$ 240,497</b>	<b>\$ 4,741</b>	<b>\$ (7,696)</b>	<b>\$ 733</b>	<b>\$ 2,162</b>	<b>\$ 138,171</b>

State of Oklahoma  
Combining Statement of Activities  
NonMajor Component Units  
For the Fiscal Year Ended June 30, 2011  
(expressed in thousands)

	Expenses	Program Revenues		Net (Expense) Revenue	General Revenue		Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
		Charges for Services	Operating Grants and Contributions		Payments from Primary Government				
Nonmajor Component Units:									
Oklahoma Educational Television Authority	\$ 15,984	\$ 11,295	\$ 1,708	\$ (2,981)	\$ 4,200	\$ 1,219	\$ 52,460	\$ 53,679	
Oklahoma Industrial Finance Authority	1,744	1,815	0	71	0	71	2,721	2,792	
Health Insurance High Risk Pool	28,968	29,395	0	427	0	427	5,989	6,416	
Multiple Injury Trust Fund	62,775	331	0	(62,444)	22,436	(40,008)	(125,145)	(165,153)	
University Hospitals Authority	223,862	239,726	0	15,864	14,838	30,702	209,795	240,497	
Oklahoma Development Finance Authority	902	1,002	0	100	0	100	4,641	4,741	
Oklahoma Capital Investment Board	857	6,649	0	5,792	0	5,792	(13,488)	(7,696)	
Oklahoma Centennial Commemoration Fund	1,026	172	0	(854)	0	(854)	1,587	733	
Oklahoma State Univ. Medical Authority	8,663	5,000	0	(3,663)	0	(3,663)	5,825	2,162	
<b>Total Nonmajor Component Units</b>	<b>\$ 344,781</b>	<b>\$ 295,385</b>	<b>\$ 1,708</b>	<b>\$ (47,688)</b>	<b>\$ 41,474</b>	<b>\$ (6,214)</b>	<b>\$ 144,385</b>	<b>\$ 138,171</b>	

The Notes to the Financial Statements are an integral part of this statement.



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**Other Supplementary Information**



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**Other Supplementary Information**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

**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***

**TO THE GOVERNOR AND MEMBERS  
OF THE LEGISLATURE OF THE STATE OF OKLAHOMA**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Oklahoma as of and for the year ended June 30, 2011, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 30, 2011, which included an emphasis paragraph on the unfunded actuarial accrued liability of the Teachers' Retirement System and an emphasis paragraph on the Multiple Injury Trust fund for a net deficit related primarily to court awards that exceeded the apportionment of special tax revenue collected. Our report was modified to include a reference to other auditors. In addition, our report included a paragraph noting the State of Oklahoma's implementation of GASB 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements noted below:

- the financial statements of the Commissioners of the Land Office, the Oklahoma Department of Commerce, the Native American Cultural and Educational Authority, the Oklahoma Insurance Department, the EDGE Fund, and the Oklahoma Department of Wildlife Conservation, which in the aggregate represent fourteen percent and five percent, respectively, of the assets and revenues of the governmental activities, and seven percent of the assets and three percent of the revenues of the general fund.
- the financial statements of the Water Resources Board and the Oklahoma Lottery Commission which in the aggregate represent seventy-eight percent of the assets and twenty-six percent of the revenues of the business-type activities and the enterprise funds;
- the financial statements of the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, the Oklahoma Department of Wildlife Conservation Lifetime Licenses permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent one hundred percent of the permanent funds; and
- the financial statements of the Oklahoma Firefighter's Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, the Oklahoma Police Pension and Retirement System, the Oklahoma Public Employees Retirement System, the Oklahoma Teachers' Retirement System, the Uniform Retirement System for Judges and Justices, and the Oklahoma Department of Wildlife Conservation Retirement Plan, which in the aggregate represent ninety-eight percent of the assets and one hundred percent of the revenues of the aggregate remaining fund information.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the State of Oklahoma is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State of Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of

Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Oklahoma's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weaknesses. [11-265-001IT].

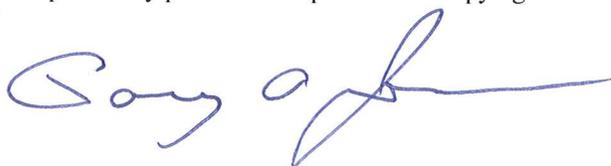
A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency. [11-265-14]

#### Compliance and Other Matters

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

The State of Oklahoma's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the State of Oklahoma's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the State of Oklahoma and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

December 30, 2011

**SCHEDULE OF FINDINGS AND RESPONSES  
FINANCIAL STATEMENT FINDINGS  
(INTERNAL CONTROL)**

**REF NO:** 11-265-001IT (10-265-001IT)

**STATE AGENCY:** Oklahoma State Department of Education (OSDE)

**OTHER:** Internal Control Information Security

**Criteria:** According to CobiT (Plan and Organize 4), an IT organization is defined by considering requirements for staff, skills, functions, accountability, authority, roles and responsibilities, and supervision. This organization is embedded into an IT process framework that ensures transparency and control as well as the involvement of senior executives and business management. A strategy committee ensures board oversight of IT, and one or more steering committees in which business and IT participate determine the prioritization of IT resources in line with business needs. Processes, policies, and procedures are in place for all functions, with specific attention to control, quality assurance, risk management, information security, data and systems ownership, and segregation of duties. To ensure timely support of business requirements, IT is to be involved in relevant decision processes.

**Condition:** OSDE has a significant deficiency with regard to segregation of duties within the IT division.

**Effect:** The lack of adequate segregation of duties creates a high risk of fraud and/or waste for the agency.

**Recommendation:** We recommend that OSDE evaluate the current position requirements as they are currently filled. Job descriptions and requirements need to be written for each position. Some positions need to be created and/or altered to provide adequate segregation of duties. There needs to be continuing education to ensure that one individual does not have too many critical responsibilities. OSDE should perform an evaluation to check if the current staff is sufficient to meet current agency demands.

**Agency Management Response:** The Office of State Finance will establish the application administrator function separate from developers/programmers, evaluate other existing functions, and identify critical responsibilities that need to be segregated. In addition, positions will be created with job descriptions to segregate duties appropriately. This finding will be addressed through the OSF IT consolidation plan.

**REF NO:** 11-265-14

**STATE AGENCY:** Oklahoma State Department of Education

**CONTROL CATEGORY:** Federal Grants and Education Expenditures

**Criteria/Condition:** A key part of internal controls is the performance of a reconciliation of funds between the agency and external records. The reconciliation process is essential because it ensures that accounting records are accurate and that errors are detected and corrected in a timely manner.

During the reconciliation of the agency records to the External Award Activity Report from the U.S. Department of Education, we noted the following deposits were not posted to the PeopleSoft general ledger as of June 30, 2011:

<u>Draw No.</u>	<u>Draw Date</u>	<u>Draw Amount</u>
2011-31	12/9/10	\$ 2,660,110.78
2011-38	01/27/11	\$13,522,967.81
ARRA-2011-32	01/27/11	\$ 3,474,331.33
	<b>Total</b>	<b>\$19,657,409.92</b>

**Cause/Effect:** The Oklahoma Department of Education was not reconciling federal revenues received per the G-5 federal system with actual revenues recorded to the PeopleSoft general ledger system. Due to the deposits not being posted to the general ledger system by June 30, 2011, the federal grants revenue and Education expenditures on the Combining Trial Balance were understated by \$19,657,409.92. The three draws or deposits and resulting expenditures were made in the PeopleSoft general ledger system in state fiscal year 2012.

**Recommendation:** We recommend a reconciliation be performed by the Oklahoma State Department of Education to external records on a monthly basis to ensure the financial information is complete, accurate, and reliable for users of the State of Oklahoma's PeopleSoft system.

**Agency Management Response:** We will formalize our reconciliation process and begin reconciling revenue on a monthly basis to timely resolve any identified discrepancies. We will also determine if a report is available on PeopleSoft that would tell us if a deposit is complete in the system, but is not in valid status.





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**Statistical Section**

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## Using the Statistical Section

The statistical section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health. The information is grouped into the following five categories.

### **Financial Trends** – Net Assets by Component, Changes in Net Assets, Fund Balances, and Changes in Fund Balance

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

### **Revenue Capacity** – Personal Income by Industry, Personal Income Tax Filers and Liability by Adjusted Gross Income, and Tax Collections

These schedules contain information to help the reader assess the ability of the State to generate and collect taxes.

### **Debt Capacity** – Percentage of Annual Debt Service Expenditures for General Bonded Debt to Total Expenditures, Ratios of Outstanding Debt by Type, and Revenue Bond Coverage

These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt, its ability to issue additional debt in the future, and its ability to repay the outstanding debt.

### **Demographic and Economic Information** – Major Employers by Size, Demographic and Economic Statistics, and School Enrollments

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place and to help make comparisons over time and with other governments.

### **Operating Information** – Government Employees by Function, Capital Asset Utilization by Function, Operating Indicators for Governmental Functions, and Additional Information and Sources of Statistical Data

These schedules contain information about the State's operations and resources to help the reader understand how the State's financial information relates to the services the State provides and the activities it performs.

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual report for the relevant year.*

**State of Oklahoma**  
**Schedule of Net Assets By Component**  
**Last Ten Fiscal Years**  
(expressed in thousands)

	2002	2003	2004	2005
<b>Governmental Activities</b>				
Invested in capital assets, net of related debt	\$ 5,543,009	\$ 5,658,694	\$ 5,991,173	\$ 6,086,534
Restricted	1,673,732	1,645,107	1,497,652	1,682,789
Unrestricted	1,279,298	1,380,071	1,955,354	2,371,787
<b>Total governmental activities net assets</b>	<b>8,496,039</b>	<b>8,683,872</b>	<b>9,444,179</b>	<b>10,141,110</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	114	121	220	161
Restricted	574,812	482,163	485,159	886,391
Unrestricted	208,628	220,885	224,997	-
<b>Total business-type activities net assets</b>	<b>783,554</b>	<b>703,169</b>	<b>710,376</b>	<b>886,552</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	5,543,123	5,658,815	5,991,393	6,086,695
Restricted	2,248,544	2,127,270	1,982,811	2,569,180
Unrestricted	1,487,926	1,600,956	2,180,351	2,371,787
<b>Total primary government net assets</b>	<b>\$ 9,279,593</b>	<b>\$ 9,387,041</b>	<b>\$ 10,154,555</b>	<b>\$ 11,027,662</b>

**State of Oklahoma**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(Modified accrual basis of accounting)  
(expressed in thousands)

	2002	2003	2004	2005
<b>General Fund</b>				
Reserved	\$ 439,037	\$ 587,039	\$ 354,525	\$ 359,492
Unreserved	1,384,506	1,239,784	1,719,849	2,164,492
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
<b>Total General Fund</b>	<b>1,823,543</b>	<b>1,826,823</b>	<b>2,074,374</b>	<b>2,523,984</b>
<b>All Other Governmental Funds</b>				
Reserved	1,145,531	1,266,125	1,423,558	1,589,641
Unreserved	4,392	3,520	-	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total All Other Governmental Funds</b>	<b>1,149,923</b>	<b>1,269,645</b>	<b>1,423,558</b>	<b>1,589,641</b>
<b>Total All Governmental Fund Balances</b>	<b>\$ 2,973,466</b>	<b>\$ 3,096,468</b>	<b>\$ 3,497,932</b>	<b>\$ 4,113,625</b>

	2006	2007	2008	2009	2010	2011
\$	6,246,160	\$ 6,633,078	\$ 7,118,384	\$ 7,364,509	\$ 8,148,821	\$ 8,710,430
	1,887,136	2,172,697	3,368,766	2,268,701	2,492,399	3,647,627
	3,156,226	3,348,465	2,284,063	2,970,902	2,102,236	1,377,573
	<u>11,289,522</u>	<u>12,154,240</u>	<u>12,771,213</u>	<u>12,604,112</u>	<u>12,743,456</u>	<u>13,735,630</u>
	608	1,028	771	527	330	202
	1,062,156	1,207,733	9,019	1,178,940	834,824	867,777
	202	6,961	1,283,673	10,972	8,887	5,346
	<u>1,062,966</u>	<u>1,215,722</u>	<u>1,293,463</u>	<u>1,190,439</u>	<u>844,041</u>	<u>873,325</u>
	6,246,768	6,634,106	7,119,155	7,365,036	8,149,151	8,710,632
	2,949,292	3,380,430	3,377,785	3,447,641	3,327,223	4,515,404
	3,156,428	3,355,426	3,567,736	2,981,874	2,111,123	1,382,919
\$	<u>12,352,488</u>	<u>\$ 13,369,962</u>	<u>\$ 14,064,676</u>	<u>\$ 13,794,551</u>	<u>\$ 13,587,497</u>	<u>\$ 14,608,955</u>

	2006	2007	2008	2009	2010	2011
\$	586,051	\$ 731,850	\$ 758,702	\$ 767,554	\$ 679,812	\$ -
	3,373,911	3,449,196	3,504,990	3,166,157	2,331,047	-
	-	-	-	-	-	64,817
	-	-	-	-	-	1,020,229
	-	-	-	-	-	2,112,921
	-	-	-	-	-	62,301
	<u>3,959,962</u>	<u>4,181,046</u>	<u>4,263,692</u>	<u>3,933,711</u>	<u>3,010,859</u>	<u>3,260,268</u>
	1,748,747	2,024,316	2,052,390	1,906,950	2,232,060	-
	-	-	-	-	-	-
	-	-	-	-	-	2,539,403
	-	-	-	-	-	23,294
	-	-	-	-	-	2,928
	-	-	-	-	-	26,355
	<u>1,748,747</u>	<u>2,024,316</u>	<u>2,052,390</u>	<u>1,906,950</u>	<u>2,232,060</u>	<u>2,591,980</u>
\$	<u>5,708,709</u>	<u>\$ 6,205,362</u>	<u>\$ 6,316,082</u>	<u>\$ 5,840,661</u>	<u>\$ 5,242,919</u>	<u>\$ 5,852,248</u>

# State of Oklahoma

## Changes in Net Assets by Component

### Last Ten Fiscal Years

(expressed in thousands)

	2002	2003	2004	2005
<b>Expenses</b>				
<b>Governmental Activities:</b>				
Education-General	\$ 2,553,744	\$ 2,522,466	\$ 2,614,823	\$ 2,751,320
Education-Payment to Higher Education	831,855	800,490	802,985	786,862
General Government	405,243	1,003,118	1,254,177	1,518,198
Health Services	408,545	399,572	393,661	3,096,903
Legal and Judiciary	169,429	167,971	160,952	175,673
Museums	12,738	11,008	11,042	11,634
Natural Resources	195,205	190,289	181,033	201,039
Public Safety and Defense	776,385	603,306	645,820	674,507
Regulatory Services	169,529	175,512	71,733	83,421
Social Services	3,720,896	3,858,546	4,154,504	1,664,577
Transportation	579,246	545,193	559,628	580,027
Interest on Long-Term Debt	53,453	46,174	45,615	47,769
Governmental Activities	<u>9,876,268</u>	<u>10,323,645</u>	<u>10,895,973</u>	<u>11,591,930</u>
<b>Business-Type Activities:</b>				
Employment Security Commission	267,462	365,701	335,197	194,373
Water Resources Board	15,108	13,792	15,965	24,636
Lottery Commission	-	-	-	92
Business-Type Activities	<u>282,570</u>	<u>379,493</u>	<u>351,162</u>	<u>219,101</u>
Total Primary Government Expenses	<u>\$ 10,158,838</u>	<u>\$ 10,703,138</u>	<u>\$ 11,247,135</u>	<u>\$ 11,811,031</u>
<b>Program Revenues</b>				
<b>Governmental Activities:</b>				
Charges for Services:				
General Government	\$ 197,531	\$ 195,789	\$ 103,377	\$ 188,708
Health Services	62,243	52,032	48,308	205,753
Social Services	179,385	186,120	289,548	56,351
All Others	342,699	340,014	378,666	452,317
Total Charges for Services	<u>781,858</u>	<u>773,955</u>	<u>819,899</u>	<u>903,129</u>
Operating Grants and Contributions	3,620,888	4,012,431	4,533,045	4,641,036
Capital Grants and Contributions	14,003	16,396	9,056	1,304
Total Governmental Activities	<u>4,416,749</u>	<u>4,802,782</u>	<u>5,362,000</u>	<u>5,545,469</u>
<b>Business-Type Activities:</b>				
Charges for Services:				
Employment Security Commission	133,174	181,586	263,265	328,445
Water Resources Board	21,816	13,490	13,284	41,761
Lottery Commission	-	-	-	-
Total Charges for Services	<u>154,990</u>	<u>195,076</u>	<u>276,549</u>	<u>370,206</u>
Operating Grants and Contributions	131,801	104,568	82,199	25,434
Total Business-Type Activities	<u>286,791</u>	<u>299,644</u>	<u>358,748</u>	<u>395,640</u>
Total Primary Government Revenue	<u>\$ 4,703,540</u>	<u>\$ 5,102,426</u>	<u>\$ 5,720,748</u>	<u>\$ 5,941,109</u>
Net (Expense) Revenue:				
Governmental Activities	\$ (5,459,519)	\$ (5,520,863)	\$ (5,533,973)	\$ (6,046,461)
Business-Type Activities	4,221	(79,849)	7,586	176,539
<b>Total Primary Government</b>	<u>\$ (5,455,298)</u>	<u>\$ (5,600,712)</u>	<u>\$ (5,526,387)</u>	<u>\$ (5,869,922)</u>
<b>General Revenues</b>				
<b>Governmental Activities:</b>				
Taxes	\$ 5,081,788	\$ 5,540,110	\$ 6,268,763	\$ 6,652,722
Investment Earnings	72,769	38,307	21,600	46,981
Contributions to Permanent Funds	37,906	41,814	39,039	43,504
Gain (Loss) on Sale of Assets	(1,491)	(790)	-	-
Special Item - Taxpayer Refund	-	-	-	-
Transfers	675	577	379	363
Total Governmental Activities	<u>5,191,647</u>	<u>5,620,018</u>	<u>6,329,781</u>	<u>6,743,570</u>
<b>Business-Type Activities:</b>				
Transfers	(675)	(577)	(379)	(363)
Total Business-Type Activities	<u>(675)</u>	<u>(577)</u>	<u>(379)</u>	<u>(363)</u>
Total General Revenues and Transfers	<u>\$ 5,190,972</u>	<u>\$ 5,619,441</u>	<u>\$ 6,329,402</u>	<u>\$ 6,743,207</u>
Change in Net Assets	(264,326)	18,729	803,015	873,285
<b>Net Assets - Beginning of Year (as restated)</b>	<u>9,543,919</u>	<u>9,368,312</u>	<u>9,351,540</u>	<u>10,154,377</u>
<b>Net Assets - End of Year</b>	<u>\$ 9,279,593</u>	<u>\$ 9,387,041</u>	<u>\$ 10,154,555</u>	<u>\$ 11,027,662</u>

	2006	2007	2008	2009	2010	2011
\$	2,942,969	\$ 3,285,059	\$ 3,479,319	\$ 3,548,104	\$ 3,573,881	\$ 3,506,316
	823,489	936,404	910,385	1,074,409	1,076,248	1,065,225
	1,529,506	1,712,841	1,680,106	1,718,794	1,611,256	1,663,883
	3,471,042	3,954,939	4,214,407	4,542,241	4,750,304	4,866,858
	197,324	213,955	222,319	230,706	256,867	241,360
	33,840	17,834	32,164	17,507	14,572	13,539
	242,466	271,734	249,235	265,197	249,020	257,998
	728,331	829,663	926,959	951,387	811,999	850,190
	116,516	110,218	95,653	130,033	119,044	127,211
	1,727,808	1,797,721	1,782,333	1,976,556	2,287,486	2,269,749
	654,147	482,831	791,993	902,151	842,394	934,272
	68,383	69,769	74,108	70,026	70,549	100,363
	<u>12,535,821</u>	<u>13,682,968</u>	<u>14,458,981</u>	<u>15,427,111</u>	<u>15,663,620</u>	<u>15,896,964</u>
	164,954	177,914	194,549	533,629	1,146,720	776,001
	29,829	28,015	27,016	25,527	26,739	40,769
	164,862	145,028	145,951	122,961	132,642	132,812
	<u>359,645</u>	<u>350,957</u>	<u>367,516</u>	<u>682,117</u>	<u>1,306,101</u>	<u>949,582</u>
\$	<u>12,895,466</u>	<u>\$ 14,033,925</u>	<u>\$ 14,826,497</u>	<u>\$ 16,109,228</u>	<u>\$ 16,969,721</u>	<u>\$ 16,846,546</u>
\$	200,292	\$ 215,773	\$ 222,663	\$ 230,663	\$ 219,412	\$ 224,414
	219,040	166,816	140,691	126,087	167,567	174,185
	76,898	72,674	157,818	190,535	198,086	171,890
	441,250	472,406	483,933	569,538	707,820	570,744
	<u>937,480</u>	<u>927,669</u>	<u>1,005,105</u>	<u>1,116,823</u>	<u>1,292,885</u>	<u>1,141,233</u>
	4,928,318	5,370,772	5,528,650	6,141,165	7,804,862	7,982,737
	-	-	-	-	-	-
	<u>5,865,798</u>	<u>6,298,441</u>	<u>6,533,755</u>	<u>7,257,988</u>	<u>9,097,747</u>	<u>9,123,970</u>
	311,294	271,705	227,733	267,591	206,763	352,458
	35,596	52,300	37,585	53,973	26,979	76,225
	205,075	215,223	214,400	193,326	199,926	198,274
	<u>551,965</u>	<u>539,228</u>	<u>479,718</u>	<u>514,890</u>	<u>433,668</u>	<u>626,957</u>
	24,432	34,457	33,862	134,029	596,350	421,483
	<u>576,397</u>	<u>573,685</u>	<u>513,580</u>	<u>648,919</u>	<u>1,030,018</u>	<u>1,048,440</u>
\$	<u>6,442,195</u>	<u>\$ 6,872,126</u>	<u>\$ 7,047,335</u>	<u>\$ 7,906,907</u>	<u>\$ 10,127,765</u>	<u>\$ 10,172,410</u>
\$	(6,670,023)	\$ (7,384,527)	\$ (7,925,226)	\$ (8,169,123)	\$ (6,565,873)	\$ (6,772,994)
	216,752	222,728	146,064	(33,198)	(276,083)	98,858
	<u>(6,453,271)</u>	<u>(7,161,799)</u>	<u>(7,779,162)</u>	<u>(8,202,321)</u>	<u>(6,841,956)</u>	<u>(6,674,136)</u>
\$	7,712,816	\$ 7,974,727	\$ 8,181,246	\$ 7,865,527	\$ 6,517,387	\$ 7,533,430
	114,884	192,733	247,191	141,264	45,116	117,128
	43,684	48,839	68,018	73,548	62,325	61,738
	5,386	1,989	-	1,316	3,816	-
	(91,869)	-	-	-	-	-
	40,325	69,972	68,323	69,826	70,315	69,574
	<u>7,825,226</u>	<u>8,288,260</u>	<u>8,564,778</u>	<u>8,151,481</u>	<u>6,698,959</u>	<u>7,781,870</u>
	(40,325)	(69,972)	(68,323)	(69,826)	(70,315)	(69,574)
	<u>(40,325)</u>	<u>(69,972)</u>	<u>(68,323)</u>	<u>(69,826)</u>	<u>(70,315)</u>	<u>(69,574)</u>
\$	<u>7,784,901</u>	<u>\$ 8,218,288</u>	<u>\$ 8,496,455</u>	<u>\$ 8,081,655</u>	<u>\$ 6,628,644</u>	<u>\$ 7,712,296</u>
	1,331,630	1,056,489	717,293	(120,666)	(213,312)	1,038,160
	11,020,858	12,313,473	13,347,383	13,915,217	13,800,809	13,570,795
\$	<u>12,352,488</u>	<u>\$ 13,369,962</u>	<u>\$ 14,064,676</u>	<u>\$ 13,794,551</u>	<u>\$ 13,587,497</u>	<u>\$ 14,608,955</u>

**State of Oklahoma**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(Modified accrual basis of accounting)  
(expressed in thousands)

	2002	2003	2004	2005
<b>Revenues</b>				
Taxes:				
Income Taxes-Individual	\$ 2,193,040	\$ 2,063,414	\$ 2,427,239	\$ 2,410,234
Income Taxes-Corporate	205,759	178,161	199,937	277,265
Sales Tax	1,478,325	1,437,630	1,623,423	1,682,636
Gross Production Taxes	226,094	468,064	656,035	737,204
Motor Vehicle Taxes	250,870	539,748	572,844	574,800
Fuel Taxes	274,476	378,021	383,871	407,276
Tobacco Taxes	-	-	-	124,347
Insurance Taxes	174,424	197,799	173,535	81,852
Beverage Taxes	55,637	66,291	68,617	71,300
Other Taxes	223,163	210,982	163,262	285,808
Licenses, Permits and Fees	243,821	244,143	257,683	285,323
Interest and Investment Revenue	72,649	191,728	234,560	294,796
Federal Grants	3,661,140	3,945,318	4,314,751	4,493,290
Sales and Services	149,237	163,384	158,314	169,374
Other	401,243	348,298	416,874	388,193
<b>Total Revenues</b>	<b>9,609,878</b>	<b>10,432,981</b>	<b>11,650,945</b>	<b>12,283,698</b>
<b>Expenditures</b>				
Education	3,387,027	3,319,533	3,413,856	3,534,042
General Government	385,320	981,408	1,242,562	1,478,107
Health Services	396,472	390,047	385,634	3,144,918
Legal and Judiciary	164,410	163,576	155,822	170,337
Museums	9,302	7,943	9,497	11,171
Natural Resources	182,524	186,898	170,469	191,514
Public Safety and Defense	737,410	607,896	596,905	628,901
Regulatory Services	167,360	174,004	70,559	81,333
Social Services	3,684,277	3,822,301	4,118,013	1,589,397
Transportation	233,439	222,475	205,421	146,013
Capital Outlay	721,007	669,574	635,411	673,562
Debt Service				
Principal Retirement	63,850	75,226	28,212	31,550
Interest and fiscal Charges	53,453	46,174	45,615	47,769
<b>Total Expenditures</b>	<b>10,185,851</b>	<b>10,667,055</b>	<b>11,077,976</b>	<b>11,728,614</b>
Revenues in Excess of (Less Than) Expenditures	(575,973)	(234,074)	572,969	555,084
<b>Other Financing Sources (Uses)</b>				
Transfers In	4,256	7,363	6,575	4,439
Transfers Out	(3,581)	(6,786)	(6,196)	(4,076)
Bonds Issued	41,810	12,930	34,180	47,940
Notes Issued	-	24,190	54,770	-
Refunding Bonds Issued	3,135	353,380	22,070	118,825
Bond Issue Premiums	148	35,784	2,670	8,497
Bond Issue Discounts	(39)	(103)	(182)	(421)
Payment to Refunded Bond Escrow Agent	(3,135)	(93,670)	(298,591)	(126,670)
Capital Leases and Certificates of Participation	879	2,935	1,886	311
Sale of Capital Assets	9,049	9,212	11,008	11,764
<b>Total Other Financing Sources (Uses)</b>	<b>52,522</b>	<b>345,235</b>	<b>(171,810)</b>	<b>60,609</b>
<b>Net Changes in Fund Balances</b>	<b>(523,451)</b>	<b>111,161</b>	<b>401,159</b>	<b>615,693</b>
Fund Balances - Beginning of Year (as restated)	3,496,917	2,985,307	3,096,773	3,497,932
Fund Balances - End of Year	\$ 2,973,466	\$ 3,096,468	\$ 3,497,932	\$ 4,113,625
Debt Service as a Percentage of Noncapital Expenditures	1.2%	1.2%	0.7%	0.7%

2006	2007	2008	2009	2010	2011
\$ 2,693,548	\$ 2,654,294	\$ 2,753,040	\$ 2,537,221	\$ 1,969,264	\$ 2,393,660
426,725	772,668	552,193	449,910	171,555	328,007
1,843,803	1,968,931	2,107,116	2,190,082	1,981,220	2,191,643
1,036,888	822,888	1,114,950	1,136,279	702,949	786,827
584,294	609,669	604,926	585,084	551,029	633,107
414,677	401,992	419,617	397,852	384,383	399,011
216,512	220,556	237,166	254,006	234,540	267,948
76,874	104,403	100,778	105,076	87,805	113,948
75,517	79,996	86,648	90,071	83,673	94,352
343,978	339,330	204,812	119,946	350,969	324,927
296,521	289,717	323,903	357,226	356,321	403,355
382,545	637,729	399,006	89,296	476,597	699,254
4,770,328	5,006,861	5,503,532	6,227,575	7,456,421	7,499,163
183,369	185,278	173,117	201,307	184,977	166,595
434,451	366,988	475,020	570,192	780,630	521,796
<u>13,780,030</u>	<u>14,461,300</u>	<u>15,055,824</u>	<u>15,311,123</u>	<u>15,772,333</u>	<u>16,823,593</u>
3,762,683	4,218,333	4,387,428	4,619,951	4,648,786	4,572,304
1,607,212	1,604,462	1,694,758	1,631,219	1,560,521	1,634,351
3,447,085	3,936,893	4,200,188	4,525,993	4,737,363	4,851,630
190,644	207,229	215,942	225,225	248,996	232,245
30,316	17,045	31,586	16,903	14,993	13,801
231,616	238,075	263,551	271,487	279,830	250,174
674,494	773,813	876,660	915,880	755,376	798,995
114,871	108,231	93,438	127,803	117,821	115,076
1,697,057	1,758,475	1,755,810	1,933,117	2,259,473	2,252,188
224,885	173,532	286,540	199,517	177,683	182,708
768,003	918,055	1,010,262	1,438,064	1,626,181	1,551,017
98,512	103,606	126,103	95,155	111,816	118,163
68,383	69,769	74,108	70,026	70,549	72,074
<u>12,915,761</u>	<u>14,127,518</u>	<u>15,016,374</u>	<u>16,070,340</u>	<u>16,609,388</u>	<u>16,644,726</u>
864,269	333,782	39,450	(759,217)	(837,055)	178,867
50,405	80,606	76,576	77,371	84,362	71,919
(10,080)	(10,634)	(8,253)	(7,545)	(14,047)	(2,345)
614,400	6,430	23,000	105,400	148,080	559,045
48,875	95,675	-	98,230	-	-
-	-	-	-	-	-
14,562	4,573	-	2,478	2,671	38,627
(975)	(82)	-	(730)	-	-
-	-	-	-	-	(246,044)
248	2,501	2,873	3,655	8,116	2,640
13,191	7,613	7,860	5,832	10,142	7,601
<u>730,626</u>	<u>186,682</u>	<u>102,056</u>	<u>284,691</u>	<u>239,324</u>	<u>431,443</u>
<b>1,594,895</b>	<b>520,464</b>	<b>141,506</b>	<b>(474,526)</b>	<b>(597,731)</b>	<b>610,310</b>
4,113,814	5,684,898	6,174,576	6,315,187	5,840,650	5,241,938
<u>\$ 5,708,709</u>	<u>\$ 6,205,362</u>	<u>\$ 6,316,082</u>	<u>\$ 5,840,661</u>	<u>\$ 5,242,919</u>	<u>\$ 5,852,248</u>

1.4%      1.3%      1.4%      1.1%      1.2%      1.3%

# State of Oklahoma

## Personal Income by Industry

### Last Ten Calendar Years

(expressed in millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Total Personal Income</b>	\$ 90,161	\$ 90,178	\$ 93,032	\$ 98,095	\$ 106,111	\$ 115,960	\$ 126,280	\$ 131,070	\$ 132,144	\$ 133,149
Farm Earnings	625	774	736	917	870	401	486	828	110	955
Nonfarm Earnings	65,716	65,337	68,022	72,218	78,528	85,495	91,723	93,894	93,158	92,177
<b>Private Earnings</b>	<b>52,287</b>	<b>51,078</b>	<b>53,238</b>	<b>56,529</b>	<b>61,924</b>	<b>67,681</b>	<b>72,903</b>	<b>73,787</b>	<b>71,887</b>	<b>70,174</b>
Agriculture Services, Forestry	168	148	161	177	189	186	203	203	199	193
Mining, Oil & Natural Gas Extraction	3,673	3,261	4,002	4,549	6,389	8,265	8,634	7,963	8,528	5,813
Utilities	1,043	1,178	1,386	1,444	1,274	1,385	1,721	1,309	1,473	1,407
Construction	3,350	3,216	3,363	3,533	3,806	4,112	4,154	4,722	4,383	4,861
Manufacturing - Durable	5,165	4,996	5,116	5,164	5,270	5,759	6,020	6,266	5,389	5,717
Manufacturing - Nondurable	5,946	4,830	5,070	5,293	6,907	7,185	8,533	5,734	5,476	3,240
Wholesale Trade	2,662	2,790	2,747	2,938	3,209	3,548	3,745	4,060	3,727	3,667
Retail Trade	4,728	4,871	4,932	5,096	5,311	5,578	5,746	6,255	5,810	6,414
Transportation and Warehousing	2,985	2,537	2,573	2,776	2,865	3,260	3,484	3,732	3,698	3,931
Services	22,567	23,251	23,888	25,559	26,704	28,403	30,663	33,543	33,204	34,931
<b>Government</b>	<b>13,429</b>	<b>14,259</b>	<b>14,784</b>	<b>15,689</b>	<b>16,604</b>	<b>17,814</b>	<b>18,820</b>	<b>20,107</b>	<b>21,271</b>	<b>22,003</b>
Federal, civilian	3,149	3,352	3,446	3,696	3,816	4,001	4,170	4,193	4,467	4,797
Military	1,624	1,851	2,128	2,265	2,393	2,621	2,691	2,825	3,024	3,261
State and Local	8,656	9,056	9,210	9,728	10,395	11,192	11,959	13,089	13,780	13,945
Highest Personal Income Tax Rate	6.75%	6.75%	7.00%	7.00%	6.65%	5.65%	5.65%	5.50%	5.50%	5.50%
Corporate Income Tax Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

Source: U. S. Department of Commerce, Bureau of Economic Analysis, and the Oklahoma Tax Commission.  
Data is the latest available at time of printing.

**State of Oklahoma**  
**Personal Income Tax Filers and Liability by Adjusted Gross Income**  
**Calendar (Tax) Years 2009 and 2000**

Calendar Year 2009

<u>Adjusted Gross Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$100,001 and higher	171,608	10%	\$1,166,168,409	48%
\$75,001 - \$100,000	114,452	7%	\$340,371,418	14%
\$50,001 - \$75,000	202,309	12%	\$404,539,157	17%
\$25,001 - \$50,000	408,771	25%	\$396,348,709	16%
\$10,001 - \$25,000	421,282	26%	\$97,517,052	4%
\$10,000 and lower	<u>330,556</u>	<u>20%</u>	<u>\$2,175,716</u>	<u>1%</u>
Total	<u>1,648,978</u>	100%	<u>\$2,407,120,461</u>	100%

Calendar Year 2000

<u>Adjusted Gross Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$100,001 and higher	94,491	6%	\$833,818,085	38%
\$75,001 - \$100,000	76,186	5%	\$273,675,259	12%
\$50,001 - \$75,000	178,394	12%	\$441,341,966	20%
\$25,001 - \$50,000	373,824	25%	\$479,051,800	22%
\$10,001 - \$25,000	429,038	28%	\$157,506,964	7%
\$10,000 and lower	<u>357,219</u>	<u>24%</u>	<u>\$12,099,203</u>	<u>1%</u>
Total	<u>1,509,152</u>	100%	<u>\$2,197,493,277</u>	100%

Source: Oklahoma Tax Commission

# State of Oklahoma

## Tax Collections

### For Last Nine Fiscal Years

Taxes	2003	2004	2005	2006	2007	2008	2009	2010	2011
Aircraft Excise Tax	\$ 3,561,783	\$ 2,130,160	\$ 3,839,124	\$ 2,781,702	\$ 4,894,881	\$ 4,756,533	\$ 4,172,388	\$ 4,234,993	\$ 4,358,022
Alcoholic Beverage Excise Tax	24,025,186	25,032,825	26,311,626	18,368,824	19,298,490	20,898,973	21,886,066	21,905,099	22,777,383
Beverage Tax	23,866,102	24,003,209	23,735,552	24,253,880	24,876,901	25,337,878	26,359,749	25,303,290	24,934,826
Bingo Tax	6,184,991	4,978,884	4,051,661	1,640,473	1,088,643	491,681	222,436	140,859	136,038
Business Activity Tax	-	-	-	-	-	-	-	-	4,869,667
Charity Games Tax	486,646	376,960	308,613	136,253	107,404	71,363	51,222	54,607	20,623
Cigarette Tax	50,346,995	40,475,363	95,450,565	176,915,506	197,416,262	202,745,622	204,236,542	196,519,460	215,941,799
City Use Tax - Collect/Deposit	454,259	567,686	660,926	790,748	897,305	1,069,561	958,607	1,002,399	1,000,347
Coin Operated Device Decal	3,830,917	3,925,921	4,159,453	2,811,672	3,560,571	3,512,188	3,956,591	3,111,604	2,197,531
Controlled Dangerous Substance Tax	-	-	6,653	23,564	19,295	17,766	33,260	20,674	30,586
County Tax (Use & Lodging)	-	-	125,697	150,697	192,820	213,985	219,223	194,713	237,749
Diesel Fuel Excise Tax	81,089,139	83,245,595	102,260,840	72,494,201	60,427,734	69,806,535	72,681,342	71,963,557	69,230,643
Documentary Stamp Tax	10,304,768	12,047,669	14,000,568	16,768,900	17,153,783	16,584,410	13,307,236	11,090,994	10,981,645
Farm Implement Tax Stamps	-	-	7,010	5,870	6,305	8,324	8,287	6,397	8,033
Franchise Tax	41,854,891	41,660,448	40,671,476	41,476,258	43,068,528	46,103,569	46,908,656	46,714,746	32,647,715
Freight Car Tax	764,012	741,459	765,646	755,298	782,258	707,620	707,694	530,685	619,364
Fuels Excise Tax	-	-	-	-	-	-	-	-	49,665
Gaming Exclusivity Fees	-	-	1,653,098	14,191,695	43,618,582	79,779,165	104,803,681	118,624,111	125,560,707
Gasoline Excise Tax	295,106,890	302,366,783	301,720,983	219,279,433	207,928,969	207,968,692	206,287,240	208,545,441	197,712,177
Gross Production Tax - Oil and Gas	539,938,656	645,764,813	751,196,057	880,226,067	787,621,631	950,392,198	976,062,637	579,700,531	631,755,429
Horse Track Gaming	-	-	-	3,145,867	10,019,698	10,429,536	13,727,728	13,710,940	16,915,904
Income Tax (Individual)	2,113,947,134	2,319,213,479	2,469,593,556	2,761,624,929	2,774,850,747	2,778,617,533	2,605,269,216	2,230,787,128	2,385,413,131
Income Tax (Corporate)	104,447,596	133,308,896	168,889,848	304,381,318	554,759,229	359,823,533	376,971,517	212,866,850	330,905,421
Inheritance and Estate Tax	74,927,778	111,145,361	75,708,394	81,923,012	69,312,845	52,416,680	43,803,931	23,433,845	5,661,243
Insurance Premium Tax	156,636,886	275,709,270	139,575,679	129,587,854	159,816,876	161,504,757	165,916,913	141,255,690	170,627,316
Mixed Beverage Gross Receipts Tax	18,434,327	19,384,468	20,950,603	23,378,598	25,754,035	29,749,193	31,554,602	32,494,306	35,344,321
Occupational Health and Safety Tax	1,563,901	1,796,126	1,791,197	1,919,509	2,263,308	2,311,554	2,521,511	2,757,188	2,672,792
Pari-Mutuel Taxes	2,687,696	2,799,509	1,827,015	1,638,435	1,834,816	1,811,980	1,647,939	1,265,853	1,117,663
Pari-Mutuel - Other Tax	21,350	22,390	13,836	14,948	18,645	33,155	18,178	28,721	11,155
Petroleum Excise Tax	8,012,472	9,286,470	11,310,702	15,540,837	13,214,922	15,861,718	16,010,447	11,045,779	13,077,225
Rural Electric Co-operative Tax	18,487,011	20,431,429	17,306,353	1,249,543	1,448,501	1,488,051	1,602,814	1,521,744	1,642,867
Sales Tax	1,404,275,613	1,496,365,797	1,546,643,407	1,677,854,488	1,790,192,096	1,913,387,580	1,989,494,833	1,806,049,515	1,982,182,368
Sales Tax - City	10,941,969	9,853,256	10,327,761	12,798,204	13,735,769	12,425,284	13,720,926	13,113,139	12,948,170
Sales Tax - County	1,123,179	1,538,470	1,865,652	2,208,807	2,853,056	2,583,542	2,851,342	2,715,907	2,853,587
Special Fuel Decal	297,866	272,297	268,856	221,878	719,261	320,595	315,226	355,578	503,848
Special Fuel Use Tax	152,939	37,152	18,719	990,474	1,461,588	1,423,614	1,438,287	1,498,427	1,522,816
Tag Agent Remittance Tax	540,300,580	572,966,808	553,892,770	261,355,513	277,606,225	307,223,643	261,581,867	247,546,872	307,579,624
Telephone Surcharge	1,196,625	904,408	978,355	953,770	925,799	917,690	885,980	837,385	796,832
Tobacco Products Tax	12,282,099	12,423,543	17,199,744	23,970,831	23,700,748	24,311,479	26,073,091	27,045,416	30,947,514
Tourism Gross Receipt Tax	4,289,009	4,742,439	4,801,137	5,175,280	5,532,552	1,163,187	2,946	-	-
Tribal Compact in Lieu of Tax Payments	9,468,712	10,579,504	15,099,194	20,383,536	22,734,204	28,031,272	43,708,777	47,165,891	40,180,597
Unclaimed Property Tax	27,678,270	39,408,944	52,245,461	10,829,856	11,849,607	11,756,295	11,444,647	11,418,562	9,424,634
Unclassified Tax Receipts	5,181	53,627	41,819	62,370	135,530	278,502	510,559	274,693	188,102
Use Tax	75,860,919	98,007,540	114,197,882	133,775,850	155,857,219	167,314,341	191,222,671	152,323,434	176,061,390
Vehicle Revenue Tax Stamps	44,847	45,275	43,908	45,452	46,074	46,769	39,793	37,247	40,797
Workers' Compensation Awards - Assessments	39,422,004	28,749,473	26,242,427	31,319,198	31,355,388	22,427,205	23,056,945	23,440,505	25,534,690
Workers' Compensation Insurance Premium Tax	5,572,798	6,325,844	6,617,592	7,259,704	7,652,100	7,622,856	7,567,468	7,452,455	8,802,817
Other Taxes	15,513,185	16,427,233	20,791,539	18,902,571	17,453,681	19,685,781	19,825,879	19,113,157	21,172,515
<b>Total</b>	<b>\$ 5,729,407,181</b>	<b>\$ 6,379,116,783</b>	<b>\$ 6,649,168,954</b>	<b>\$ 7,005,583,673</b>	<b>\$ 7,390,064,881</b>	<b>\$ 7,565,402,020</b>	<b>\$ 7,535,648,889</b>	<b>\$ 6,321,220,387</b>	<b>\$ 6,927,199,288</b>

Prepared using cash basis to aid in budgetary analysis.  
Source: Oklahoma Tax Commission as adjusted.

Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. The period from 2003 to present is presented above because of the addition of new taxes and the repeal or expiration of other taxes. This is to clarify presentation of the data and does not materially effect the total amount of taxes collected. Please refer to prior year reports for information prior to 2003.

**State of Oklahoma**  
**Percentage of Annual Debt Service Expenditures**  
**for General Bonded Debt to Total Expenditures**  
**Governmental Funds**  
For Last Ten Fiscal Years  
(expressed in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Service										
Principal Retirement	\$ 63,850	\$ 75,226	\$ 28,212	\$ 31,550	\$ 98,512	\$ 103,606	\$ 126,103	\$ 95,155	\$ 111,816	\$ 118,163
Interest and Fiscal Charges	53,453	46,174	45,615	47,769	68,383	69,769	74,108	70,026	70,549	72,074
<b>Total Debt Service</b>	<u>117,303</u>	<u>121,400</u>	<u>73,827</u>	<u>79,319</u>	<u>166,895</u>	<u>173,375</u>	<u>200,211</u>	<u>165,181</u>	<u>182,365</u>	<u>190,237</u>
<b>Total Expenditures</b>	\$ 10,185,851	\$ 10,667,055	\$ 11,077,976	\$ 11,728,614	\$ 12,915,761	\$ 14,127,518	\$ 15,016,374	\$ 16,070,340	\$ 16,609,388	\$ 16,644,726
<b>Ratio</b>	1.152%	1.138%	0.666%	0.676%	1.292%	1.227%	1.333%	1.028%	1.098%	1.143%

**State of Oklahoma**  
**Ratios of Outstanding Debt by Type –**  
**Primary Government**  
**Last Ten Fiscal Years**  
(expressed in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental Activities Debt:</b>										
General Obligation Bonds	\$ 280,470	\$ 531,185	\$ 261,210	\$ 261,210	\$ 247,500	\$ 233,510	\$ 218,955	\$ 203,755	\$ 188,030	\$ 175,645
General Obligation Bonds as a Percentage of General Revenue <sup>a</sup>	5.40%	9.45%	4.13%	3.87%	3.16%	2.82%	2.56%	2.50%	2.81%	2.26%
Per Capita (actual-not in thousands) <sup>b</sup>	\$ 80	\$ 152	\$ 74	\$ 74	\$ 69	\$ 65	\$ 60	\$ 55	\$ 50	\$ 46
Revenue bonds	635,154	588,986	640,619	668,091	1,208,646	1,137,350	1,061,570	1,099,625	1,173,025	1,428,820
Notes Payable	35,673	59,579	107,842	97,869	136,966	221,898	211,570	299,266	246,623	229,929
Certificates of Participation	2,262	1,430	559	57	-	-	-	-	-	-
Capital Leases	4,884	5,894	5,336	4,161	3,287	4,641	5,082	6,650	12,553	12,719
Total Governmental Activities	<u>958,443</u>	<u>1,187,074</u>	<u>1,015,566</u>	<u>1,031,388</u>	<u>1,596,399</u>	<u>1,597,399</u>	<u>1,497,177</u>	<u>1,609,296</u>	<u>1,620,231</u>	<u>1,847,113</u>
<b>Business-Type Activities Debt:</b>										
Revenue Bonds	\$ 359,019	\$ 346,853	\$ 534,727	\$ 701,364	\$ 653,070	\$ 580,049	\$ 544,900	\$ 502,901	\$ 599,984	\$ 759,493
Notes Payable	5,782	2,485	-	-	-	-	-	-	-	-
Total Business-Type Activities	<u>364,801</u>	<u>349,338</u>	<u>534,727</u>	<u>701,364</u>	<u>653,070</u>	<u>580,049</u>	<u>544,900</u>	<u>502,901</u>	<u>599,984</u>	<u>759,493</u>
Total Primary Government	<u>1,323,244</u>	<u>1,536,412</u>	<u>1,550,293</u>	<u>1,732,752</u>	<u>2,249,469</u>	<u>2,177,448</u>	<u>2,042,077</u>	<u>2,112,197</u>	<u>2,220,215</u>	<u>2,606,606</u>
Total Primary Government Debt as a Percentage of Personal Income <sup>c</sup>	1.47%	1.66%	1.55%	1.62%	1.92%	1.72%	1.60%	1.60%	1.66%	1.92%
Per Capita (actual-not in thousands) <sup>b</sup>	\$ 380	\$ 438	\$ 440	\$ 488	\$ 629	\$ 602	\$ 559	\$ 575	\$ 595	\$ 679

<sup>a</sup> General Revenue values can be found in the Changes in Net Assets statistics schedule.

<sup>b</sup> Population data can be found in the Demographic and Economic Statistics schedule. The amount for the current year is estimated. Population data for the current year was unavailable at printing.

<sup>c</sup> Debt by Type information can be found in the notes to the financial statements. The percentage for the current year is estimated. Current year personal income data was unavailable at printing.

**State of Oklahoma**  
**Revenue Bond Coverage**  
**Enterprise Fund and Component Units**  
For Last Ten Fiscal Years  
(expressed in thousands)

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
<b>COMPONENT UNITS:</b>						
<b>Oklahoma Student Loan Authority</b> (June 30 year end)	2011	\$ 19,831	\$ (296)	\$ 20,127	\$ 7,734	2.60
	2010	19,858	(1,993)	21,851	42,601	0.51
	2009	39,625	867	38,758	94,891	0.41
	2008	60,391	958	59,433	95,588	0.62
	2007	65,329	887	64,442	41,813	1.54
	2006	50,446	1,431	49,015	56,296	0.87
	2005	33,029	3,979	29,050	30,846	0.94
	2004	21,306	3,367	17,939	10,452	1.72
	2003	22,266	3,106	19,160	19,617	0.98
	2002	26,790	3,639	23,151	15,113	1.53
<b>Oklahoma Housing Finance Agency</b> (December 31 year end)	2010	\$ 64,490	\$ 15,346	\$ 49,144	\$ 44,125	1.11
	2009	83,223	14,233	68,990	104,808	0.66
	2008	67,511	13,402	54,109	72,439	0.75
	2007	54,416	12,831	41,585	54,104	0.77
	2006	36,019	12,278	23,741	50,091	0.47
	2005	33,503	11,525	21,978	76,490	0.29
	2004	39,740	11,870	27,870	117,072	0.24
	2003	43,239	11,110	32,129	87,628	0.37
	2002	61,492	10,722	50,770	102,995	0.49
2001	79,650	10,955	68,695	77,381	0.89	
<b>Oklahoma Turnpike Authority</b> (December 31 year end)	2010	\$ 237,047	\$ 72,396	\$ 164,651	\$ 100,389	1.64
	2009	217,158	70,915	146,243	99,555	1.47
	2008	273,732	75,320	198,412	94,143	2.11
	2007	212,380	70,197	142,183	89,604	1.59
	2006	208,835	64,819	144,016	82,546	1.74
	2005	203,372	59,883	143,489	91,624	1.57
	2004	195,710	53,340	142,370	91,799	1.55
	2003	188,999	52,441	136,558	79,430	1.72
	2002	194,531	48,797	145,734	102,773	1.42
2001	191,988	45,868	146,120	72,031	2.03	
<b>Grand River Dam Authority</b> (December 31 year end)	2010	\$ 398,415	\$ 196,671	\$ 201,744	\$ 142,448	1.42
	2009	340,341	214,758	125,583	124,702	1.01
	2008	346,067	156,179	189,888	68,780	2.76
	2007	314,287	127,530	186,757	99,214	1.88
	2006	300,888	181,698	119,190	100,131	1.19
	2005	289,868	164,443	125,425	100,986	1.24
	2004	235,641	121,399	114,242	101,869	1.12
	2003	213,124	109,850	103,274	102,609	1.01
	2002	203,020	104,945	98,075	103,065	0.95
2001	203,860	101,018	102,842	103,108	1.00	

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
<b>Oklahoma Municipal Power Authority</b>	2010	\$ 163,991	\$ 117,610	\$ 46,381	\$ 40,299	1.15
(December 31 year end)	2009	153,534	113,568	39,966	35,494	1.13
	2008	158,006	122,828	35,178	36,346	0.97
	2007	153,391	119,268	34,123	32,730	1.04
	2006	167,944	132,472	35,472	30,265	1.17
	2005	170,128	133,730	36,398	32,779	1.11
	2004	139,703	102,548	37,155	31,813	1.17
	2003	134,334	98,703	35,631	31,973	1.11
	2002	115,514	80,521	34,993	30,290	1.16
	2001	118,382	84,156	34,226	29,156	1.17
<b>Higher Education</b>	2011	\$ 4,722,834	\$ 3,562,033	\$ 1,160,801	\$ 207,268	5.60
(June 30 year end)	2010	4,177,035	3,670,063	506,972	303,612	1.67
	2009	3,831,790	3,636,123	195,667	95,303	2.05
	2008	4,109,380	3,365,616	743,764	69,859	10.65
	2007	3,950,840	3,201,403	749,437	194,053	3.86
	2006	3,726,961	3,004,968	721,993	117,155	6.16
	2005	3,193,703	2,697,338	496,365	60,609	8.19
	2004	3,055,770	2,586,517	469,253	86,143	5.45
	2003	2,638,386	2,441,841	196,545	55,145	3.56
	2002	2,489,644	2,327,184	162,460	30,565	5.32
<b>ENTERPRISE FUND:</b>						
<b>Oklahoma Water Resources Board</b>	2011	\$ 14,705	\$ 1,529	\$ 13,176	\$ 34,638	0.38
(June 30 year end)	2010	12,885	1,126	11,759	34,162	0.34
	2009	12,069	807	11,262	40,149	0.28
	2008	13,523	823	12,700	36,575	0.35
	2007	14,992	781	14,211	140,922	0.10
	2006	14,815	1,813	13,002	59,607	0.22
	2005	11,955	2,092	9,863	49,697	0.20
	2004	-	1,519	(1,519)	57,564	-0.03
	2003	21,702	1,706	19,996	21,134	0.95
	2002	26,227	1,687	24,540	43,670	0.56

(1) Gross revenues including interest and investment income, but excluding revenues restricted to other debt.

(2) Operating expenses, exclusive of depreciation and operating interest (where applicable)

- Revenue bond coverage is not intended to portray compliance with bond indenture agreements.

- Debt service requirements do not include one time debt service payments from refunding bonds.

**State of Oklahoma**  
**Major Employers by Size**  
 Non-Government  
 For Years 2001 and 2010

Non-Governmental Major Employers 2001	Non-Governmental Major Employers 2010	Employment 2010	Percentage of Total State Employment 2010
Wal-Mart Stores, Inc.	Wal-Mart Stores, Inc.	35,000	2.11%
Integrus Health	Integrus Health	8,750	0.53%
HCA Healthcare	Marian/St. John Health System	7,500	0.45%
General Motors	YUM! Brands	7,000	0.42%
AMR Corp.	AMR Corp.	7,000	0.42%
Hillcrest Healthcare System	Sonic Corp.	6,500	0.39%
Saint Francis Hospital	Saint Francis Hospital	5,500	0.33%
The Hertz Corporation	Mercy Health System	5,000	0.30%
W. H. Braum, Inc.	McDonalds	4,750	0.29%
Phillips Petroleum Co.	ConocoPhillips	4,500	0.27%

*Source: Oklahoma Department of Commerce*

*Note: The information above is compiled every two years by the Department of Commerce and is the latest available at the date of publication.*

# State of Oklahoma

## Demographic and Economic Statistics

### Last Ten Fiscal Years

Year	Population <sup>a</sup> (in thousands)				Personal Income <sup>a</sup> (in thousands)	Per Capita Personal Income <sup>a</sup>			Civilian Labor Force <sup>b</sup>		
	U. S.	Change from Prior Period	State of Oklahoma	Change from Prior Period	State of Oklahoma	U. S.	State of Oklahoma	Oklahoma as a Percentage of U.S.	Employed	Unemployed	Unemployment Rate
2001	285,040	1.02%	3,463	0.26%	90,838	31,149	26,228	84.20%	1,615,813	53,150	3.2%
2002	287,727	0.94%	3,483	0.58%	91,364	31,470	26,232	83.36%	1,602,356	78,010	4.6%
2003	290,211	0.86%	3,496	0.37%	94,148	32,284	26,929	83.41%	1,597,617	100,957	5.9%
2004	292,892	0.92%	3,512	0.46%	101,179	33,899	28,810	84.99%	1,608,525	87,991	5.2%
2005	295,561	0.91%	3,530	0.51%	107,641	35,447	30,492	86.02%	1,626,191	78,410	4.6%
2006	298,363	0.95%	3,568	1.08%	118,747	37,728	33,280	88.21%	1,647,755	69,844	4.1%
2007	301,290	0.98%	3,608	1.12%	123,889	39,430	34,336	87.08%	1,657,767	76,688	4.4%
2008	304,060	0.92%	3,642	0.94%	131,070	40,208	35,985	89.50%	1,682,000	71,000	4.1%
2009	307,007	0.97%	3,687	1.24%	132,144	39,626	35,840	90.45%	1,660,000	114,000	6.4%
2010	309,350	0.76%	3,762	2.03%	133,149	39,945	35,396	88.61%	1,631,000	124,000	7.1%

<sup>a</sup> source U.S. Bureau of Economic Analysis as adjusted

<sup>b</sup> source Oklahoma Employment Security Commission and U.S. Bureau of Labor Statistics as adjusted

*Note: The information above is the latest available at the date of publication.*

# State of Oklahoma

## School Enrollments

For the Years 2001 through 2010

<u>Public School Enrollments:</u>	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Early childhood	21,111	22,787	24,476	26,297	29,685	33,418	34,378	35,270	37,726	39,784
Kindergarten	39,067	39,242	40,801	42,603	44,193	48,667	49,362	49,306	50,497	51,037
Elementary School	239,247	238,068	233,332	231,626	230,323	255,144	236,130	239,446	242,668	246,305
Junior High School	109,546	110,627	112,790	113,080	112,771	117,026	137,251	136,059	135,889	138,626
Senior High School	150,519	148,822	148,900	148,816	149,585	157,248	178,292	178,400	176,679	177,366
No-High School Districts (Grades 1-8)	16,707	16,594	16,757	16,669	16,421	19,435	20,743	22,603	24,090	23,938
Special Education (Ungraded)	2,934	2,904	3,062	3,161	2,499	3,802	3,978	3,584	1,649	1,684
Out-of-Home Placements	1,613	1,751	1,648	1,674	1,687	1,777	1,854	1,635	1,806	1,720
<b>Total</b>	<b>580,744</b>	<b>580,795</b>	<b>581,766</b>	<b>583,926</b>	<b>587,164</b>	<b>636,516</b>	<b>661,988</b>	<b>666,303</b>	<b>671,004</b>	<b>680,460</b>
<u>Higher Education:</u>										
Public Institutions	216,758	220,448	225,040	230,090	237,455	235,730	233,371	235,388	250,673	255,503
Private Institutions	30,185	30,264	29,007	27,125	24,661	24,060	24,070	25,278	21,945	25,856
<b>Total</b>	<b>246,943</b>	<b>250,712</b>	<b>254,047</b>	<b>257,215</b>	<b>262,116</b>	<b>259,790</b>	<b>257,441</b>	<b>260,666</b>	<b>272,618</b>	<b>281,359</b>
<u>Career-Technology Education:</u>										
Secondary *	133,054	138,042	145,788	151,833	151,703	154,857	160,310	156,755	154,492	148,831
Adult	316,789	327,829	330,095	357,619	375,790	404,260	407,597	378,772	345,016	354,949
<b>Total</b>	<b>449,843</b>	<b>465,871</b>	<b>475,883</b>	<b>509,452</b>	<b>527,493</b>	<b>559,117</b>	<b>567,907</b>	<b>535,527</b>	<b>499,508</b>	<b>503,780</b>

\* These students may also be included in public school enrollments above.

Sources: Department of Education, Regents for Higher Education, and Department of Vocational and Technical education.

**State of Oklahoma**  
**Government Employees by Function**  
 Fiscal Years 2001 through 2010  
 (excluding Higher Education)

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005<sup>a</sup></b>	<b>2006<sup>a</sup></b>	<b>2007<sup>a</sup></b>	<b>2008<sup>a</sup></b>	<b>2009<sup>a</sup></b>	<b>2010<sup>a</sup></b>
<b>Function:</b>										
Education	1,355	1,176	1,203	1,079	1,026	1,002	993	1,052	1,043	963
General Government	2,807	1,477	2,573	2,443	1,993	2,105	2,023	2,312	2,297	2,324
Health Services	4,370	4,358	4,158	4,195	3,998	4,709	4,719	4,977	4,920	4,550
Legal and Judiciary	628	647	586	582	341	444	745	2,345	2,335	2,316
Museums	207	219	186	187	158	164	164	176	168	158
Natural Resources	3,608	3,346	3,318	3,382	2,704	2,010	1,973	2,570	2,547	2,418
Public Safety and Defense	7,563	7,539	7,245	7,212	6,911	8,835	8,524	7,287	7,224	6,857
Regulatory Services	1,458	1,411	1,448	1,417	1,244	1,839	1,625	1,376	1,368	1,328
Social Services	13,024	13,037	12,692	13,043	12,197	11,810	11,303	12,191	12,635	12,027
Transportation	2,958	2,940	2,941	3,001	2,945	3,027	2,984	2,971	3,109	3,019
<b>Total</b>	<b>37,978</b>	<b>36,150</b>	<b>36,350</b>	<b>36,541</b>	<b>33,517</b>	<b>35,945</b>	<b>35,053</b>	<b>37,257</b>	<b>37,646</b>	<b>35,960</b>

Source: State Office of Personnel Management (OPM)

<sup>a</sup> OPM changed to the PeopleSoft HRMS system in FY2005. Information from FY2005 to current year includes only full-time, regular employees.

**State of Oklahoma**  
**Capital Asset Utilization by Function-**  
**Primary Government**  
**Last Ten Fiscal Years**  
(net of depreciation, expressed in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Governmental activities:</b>										
Education	\$ 20,719	\$ 19,984	\$ 19,423	\$ 19,213	\$ 19,079	\$ 18,592	\$ 18,130	\$ 23,888	\$ 24,064	\$ 28,402
General Government	118,072	142,828	150,593	150,583	161,620	161,339	173,422	173,235	220,891	235,887
Health Services	35,054	34,349	32,876	32,003	30,632	28,161	28,784	142,580	149,604	146,835
Legal and Judiciary	490	278	100	20	139	300	302	125	387	310
Museums	6,419	6,593	6,879	6,760	6,607	6,454	6,576	6,594	11,156	12,662
Natural Resources	113,547	95,123	94,712	98,016	99,250	103,066	122,618	140,616	160,253	180,892
Public Safety and Defense	220,982	260,661	266,182	278,764	297,093	306,970	320,743	372,077	460,894	502,434
Regulatory Services	1,146	888	624	552	637	697	682	1,597	1,532	1,173
Social Services	147,036	165,406	176,706	192,402	198,744	203,034	209,140	97,722	122,358	118,942
Transportation	5,761,173	6,042,589	6,184,651	6,268,343	6,444,886	6,828,923	7,179,503	7,513,128	8,139,553	8,730,234
Governmental activities, net	<u>\$ 6,424,638</u>	<u>\$ 6,768,699</u>	<u>\$ 6,932,746</u>	<u>\$ 7,046,656</u>	<u>\$ 7,258,687</u>	<u>\$ 7,657,536</u>	<u>\$ 8,059,900</u>	<u>\$ 8,471,562</u>	<u>\$ 9,290,692</u>	<u>\$ 9,957,771</u>
<b>Business-type activities, net</b>	<u>\$ 114</u>	<u>\$ 121</u>	<u>\$ 220</u>	<u>\$ 175</u>	<u>\$ 608</u>	<u>\$ 1,028</u>	<u>\$ 771</u>	<u>\$ 527</u>	<u>\$ 330</u>	<u>\$ 202</u>

# State of Oklahoma

## Operating Indicators for Governmental Functions

### Fiscal Years 2007-2011

	2007	2008	2009	2010	2011		2007	2008	2009	2010	2011
<b>General Government</b>						<b>Public Safety and Defense</b>					
Department of Central Services						Department of Public Safety					
Number of motor vehicles maintained	1,019	1,019	964	1,267	1,203	Driver's Licenses Issued	1,011,457	902,069	954,419	744,878	690,131
Number of buildings managed by DCS	17	17	17	18	18	Citations Processed	221,659	219,442	168,346	227,426	162,748
						Collision Reports Processed	14,175	14,033	76,947	79,354	74,714
<b>Health Services</b>						<b>Department of Corrections</b>					
Department of Health						Capacity (Number of Beds)	24,845	24,815	25,515	25,455	25,364
Protective services:						Prison Population	24,124	24,433	24,337	24,870	24,384
Retail food establishment inspections	24,704	33,648	33,648	24,369	23,368	As a percentage of capacity	97.1%	98.5%	95.4%	97.7%	96.1%
Food inspections	45,847	43,387	42,342	48,036	44,878	Cost to house an inmate:					
Nursing Homes:						Per diem cost/day - Maximum Security	\$60.07	\$70.04	\$64.35	\$75.97	\$75.85
Facility licensing, inspections and complaints	3,335	3,622	2,314	2,120	1,912	Per diem cost/day - Medium Security	\$51.94	\$56.10	\$44.93	\$42.41	\$38.98
Residents (approximate)	18,500	18,950	17,813	19,623	21,202						
						<b>Regulatory Services</b>					
Mental Health and Substance Abuse Department						Oklahoma Corporation Commission					
Number of patients:						Number of regulated utilities	586	548	494	511	484
Mental Health	44,623	47,422	52,226	54,804	56,478	Hearings and administrative proceedings	33,523	32,273	35,582	29,981	30,504
Substance Abuse	19,470	21,084	22,144	20,981	18,881	Motor carrier vehicles registered (power units)	156,895	131,444	151,639	121,874	132,927
Hospitals - Inpatient Care	3	3	3	3	3	Oil and gas wells plugged (leaking, abandoned)	2,016	1,699	1,629	1,582	2,926
						Petroleum storage tanks inspected	3,816	3,388	4,174	5,490	4,341
						Retail gasoline pump inspections	70,465	82,470	85,118	97,326	77,444
<b>Legal and Judiciary</b>						<b>Social Services</b>					
Oklahoma Indigent Defense system						Department of Human Services					
Provides legal representation for indigent citizens charged with committing criminal acts.						Adoption subsidies	9,923	10,051	10,951	11,924	12,384
Represented - Total Court Appointments	38,556	39,334	39,385	43,883	41,965	Adult services (protective and day services)	29,098	27,428	27,653	28,334	26,464
Included above: Non-capital trial cases	32,000	30,000	30,000	32,000	33,000	Child care services provided (monthly average)	45,246	40,250	39,079	39,060	39,017
Capital trial cases	65	71	92	105	112	Licensed facilities	5,533	4,762	4,696	4,561	4,376
General appeals cases	696	596	529	558	609	Licensed capacity	140,507	137,743	137,973	136,534	136,816
Average cost: Non-capital case (Staff Attorney)	\$463	\$410	\$373	\$279	\$380	Child protective services-Investigations and assessments	13,827	11,714	8,605	7,248	8,110
Capital case (Staff Attorney)	\$38,708	\$34,824	\$28,756	\$28,423	\$21,196	Child support enforcement (monthly average cases)	169,394	182,228	188,327	193,000	198,390
						Developmental Disabilities Persons Served	12,692	13,724	14,063	14,352	14,602
						Elderly support services (meals)	4,117,680	4,005,247	3,902,997	6,176,989	6,098,275
						Food stamps (monthly average persons)	433,372	415,397	445,364	559,626	609,723
						Foster care children (monthly average)	7,898	12,108	9,489	7,973	8,502
						Oklahoma Employment Security Commission					
						Initial unemployment claims	112,153	107,308	183,159	218,918	183,849
						Unemployment insurance paid	\$153,706,474	\$158,694,794	\$350,260,138	\$499,636,015	\$340,695,628
						<b>Transportation</b>					
						Oklahoma Department of Transportation					
						State Highway System	12,266 miles	12,266 miles	12,266 miles	12,266 miles	12,882 miles
						Bridges on the State Highway System	6,728	6,728	6,728	6,728	6,800
						System usage growth next 20 years (est.)					
						Automobiles	33%	33%	33%	33%	65%
						Trucks	70%	70%	70%	70%	65%
						Freight railroads operating in Oklahoma	20	20	20	20	22
						Passenger railroad	1	1	1	1	1
						Rail passengers (average per year)	54,000	54,000	54,000	54,000	81,000
						Railroad track	3,234 miles	3,234 miles	3,234 miles	3,234 miles	3,746 miles
						Public Waterway Ports	2	2	2	2	2

Source: Agency reports, Governor's annual budget report. Data above is the latest available at the date of publication.

Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. Fiscal year 2007 was the first year the operating indicators above were reported in the CAFR.

# State of Oklahoma

## Additional Information and Sources of Statistical Data

### Fiscal Year 2011

#### **Additional Information:**

The population of Oklahoma has steadily increased since 2003, averaging 1.02% per year.

The state unemployment rate is at 7.1% which is the highest rate since 2000, but below the national rate of 9.6%. Oklahoma's unemployment rate has been below the national average since 1996.

Oklahoma's total personal income rate has increased at an average of 5.38% annually since 2003. During the same period personal income per capita increased by 4.31% averaged annually compared to 3.48% nationally.

As a result, annual total tax collections since 2003 have increased by \$1,197,792,107 or 20.9%.

Please refer to the preceding statistical tables, managements discussion and analysis, the financial statements and notes for more details and analysis.

#### **Sources of Statistical Data:**

Data provided in the statistical section of the CAFR is the latest available at the time of publication.

Primary sources of statistical data provided in the Statistical Section of the CAFR include:

- Oklahoma Department of Commerce
- Oklahoma Department of Labor
- Oklahoma Employment Security Commission
- Oklahoma Tax Commission
- Oklahoma Department of Education
- Oklahoma Regents for Higher Education
- Oklahoma Department of Vocational and Technical Education
- Oklahoma Office of Personnel Management
- U. S. Bureau of Labor Statistics
- U. S. Census Bureau
- U. S. Department of Commerce
- U. S. Bureau of Economic Analysis

Report Prepared by  
the Office of State Finance

- Administration - Preston L. Doerflinger, Director
- Susan Perry, Administrative Assistant
- Division of Central Accounting and Reporting - Brenda Bolander, CPA, State Comptroller
- Steve L. Funck, CPA, Deputy State Comptroller
- Financial Reporting Unit - Deric Berousek, CPA, Financial Reporting Supervisor
- Matt Clarkson, CPA, Financial Reporting Analyst
- Grover Roberts, CPA, Financial Reporting Analyst
- Angela Pierce, CPA, Financial Reporting Analyst
- Rochelle Quillman, CPA, Financial Analyst
- Nykkia Harris, CPA, Financial Analyst
- Accounting and Reporting Unit - Jennie Pratt, CPA, Accounting Supervisor
- Lisa Raihl, CPA, Accounting and Reporting Analyst
- Dan Thomason, CPA, Accounting and Reporting Analyst
- Jean Hayes, Payroll Compliance Officer
- Vivian Day, Accountant
- Beth Brox, Administrative Assistant
- Norcetta Whitfield, Administrative Technician

With Assistance From

- Office of State Finance
- Finance Division - Riley Shaull, CFO
- Budget Division - Brandy Manek, Director of Budget and Policy
- Budget Division - Shelly Paulk, Budget Analyst
- Information Services Division - Joe Fleckinger, Information Services Director

- Office of the State Auditor and Inspector
- State Auditor and Inspector - Gary Jones, CPA
- State Agency Audit Division - Lisa Hodges, CFE, Director
- Billy Swindell, Audit Manager, and Teams

- Office of State Bond Advisor
- State Bond Advisor - Tim Martin
- Administrative Assistant - Lorie Collier

State Agency Finance Officers and Team

- Department of Central Services
- Central Printing - Mark Dame, Jon Paulk, and Team

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# 2011 OKLAHOMA

## General Information

Admitted to Union (46th State) .....	1907
Capital .....	Oklahoma City
2010 Population .....	3,761,702
Population per square mile .....	53.8
Counties .....	77

## State Symbols

Nickname .....	Sooner State
Motto .....	Labor Omnia Vincit ( Labor conquers all things)
Colors .....	Green and White
Flower .....	Oklahoma Rose
Floral Emblem .....	Mistletoe
Tree .....	Redbud
Bird .....	Scissor-tailed Flycatcher
Animal .....	American Buffalo
Fish .....	White Bass (Sand Bass)
Butterfly .....	Black Swallowtail
Reptile .....	Mountain Boomer (Collared Lizard)
Rock .....	Rose Rock
Wildflower .....	Indian Blanket

## Area

Total Area .....	69,903 square miles
Land Area .....	68,679 square miles
Water Area .....	1,224 square miles

## Recreation

Number of State Parks .....	35
Number of State Trails .....	91
Number of Lakes .....	135



# OKLAHOMA OFFICE OF STATE FINANCE

2300 North Lincoln Boulevard, Room 122

Oklahoma City, OK 73105-4801

(405) 521-2141

<http://www.ok.gov/OSF/Comptroller>