

Oklahoma 2010

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010



**ROUTE 66
THE ULTIMATE
ROAD TRIP**

Oklahoma Highways - Past and Future

Route 66 - The Ultimate Road Trip

Get your kicks on more than 400 miles of Route 66 in Oklahoma. The nation's longest driveable stretch of Route 66 cuts through Oklahoma, making its way past charming towns, roadside diners and quirky attractions. Experience Oklahoma City, Tulsa and authentic hometowns along the Mother Road where you'll meet friendly people and find unique shopping and dining opportunities. Take a nostalgic ride on Route 66 and let the golden age of the road whisper to you through brightly colored neon signs, quaint motels, drive-in movie theaters and friendly small towns in Oklahoma.

American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act was enacted in February, 2009 and in March, 2009, Oklahoma awarded \$205 million in stimulus funded construction contracts making it the first state to put to work a significant portion of transportation-related stimulus funds. In January, 2010, Oklahoma Department of Transportation officials welcomed U.S. Congressional leaders to see how Oklahoma was putting its share of stimulus funds to work. These leaders noted that Oklahoma has been effective at investing its funds and has consistently ranked among the top states in Recovery Act projects. These investments have resulted in nearly 7,000 family-wage construction jobs on the state's highways and bridges, and more than \$225 million has been pumped into Oklahoma's economy.

Photo Courtesy of the Oklahoma Tourism and Recreation Department

OKLAHOMA

2010

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

Brad Henry
Governor

Prepared by

Office of State Finance

Michael Clingman, Director
Brenda Bolander, State Comptroller

The Oklahoma Comprehensive Annual Financial Report is an annual publication of the Oklahoma Office of State Finance and is prepared by the Division of Central Accounting & Reporting.

This publication is issued under authority of the Office of State Finance. Pursuant to 74 O.S. 1992, Section 3105, 250 bound copies and 500 compact discs have been prepared and

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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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STATE OF OKLAHOMA
OFFICE OF STATE FINANCE

December 30, 2010

To the Honorable Brad Henry, 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, 2010. This report, presented in three sections - Introductory, Financial, and Statistical - is the primary means of reporting the State government's financial activities. Its objective is to provide a clear picture of the government as a single, unified entity as well as providing 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, 2010 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, 2010 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 his "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 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 "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, 2010, the State Treasurer's monthly investable base was \$3.347 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 and again in 2003. As of June 30, 2010, the outstanding general obligation net debt of the State of Oklahoma was \$188 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. Those 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. The state enjoys a very low tax burden, a low cost of doing business, has a highly skilled and productive work force, and is geographically well positioned to take advantage of opportunities anywhere in the United States. Manufacturers in Oklahoma gain a competitive edge by taking advantage of some of the lowest utility costs in the nation.

Oklahoma is known for its abundant resources, most notably its oil and natural gas production. Oklahoma is a leading producer of agricultural products, ranking in the top ten in production of wheat, peanuts, grain sorghum, pecans, rye, hogs and cattle. Its 200 lakes and rivers provide Oklahomans with many opportunities for outdoor recreation. In fact, Oklahoma has more miles of shoreline than any other state.

Oklahoma boasts high quality education systems with award-winning schools. Oklahoma's Career-Technology has developed the Oklahoma Training for Industry program. This program has been ranked one of America's best and most sophisticated training programs by delivering high quality, customized training to Oklahoma employers for free. Oklahoma's Pre-Kindergarten program has been held as an example for America with more four-year-olds attending public preschool programs than any other State.

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

- According to the U.S. Bureau of Economic Analysis, Oklahoma led the nation in the growth of its Gross Domestic Product during the past year.
- In 2009 Oklahoma City continued its commitment to improving its infrastructure by approving MAPS 3, a far-reaching \$777 million initiative aimed at continuing citywide progress that began with the first MAPS in 1993. MAPS is a major building initiative which will complete a new convention center, downtown recreational facilities, and other major improvements to existing facilities.
- The U.S. Bureau of Labor Statistics ranked Oklahoma City ninth in the nation in the growth of private sector jobs for the year ending September 30, 2010.
- The Kauffman Foundation ranked Oklahoma as the #1 state in the nation for entrepreneurship.
- Oklahoma's diversification for green energy sources has continued. Oklahoma is ranked 10th in the nation in wind power production.
- Oklahoma's housing enjoyed the highest appreciation of any state in the nation (up 3.53% in 2009.)
- In November 2009, *Forbes* ranked Tulsa No. 12 and Oklahoma City No. 13 among its list of "America's Fastest-Recovering Cities." In creating this list, *Forbes* ranked the 100 largest metropolitan statistical areas in five categories: unemployment rate, gross metropolitan product, foreclosures, home prices and sales rates. The Oklahoma Metro area was also ranked by *Forbes* as America's most livable city.
- *Business Week* magazine ranked Tulsa as the 7th 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."
- Oklahoma City enjoyed the 7th highest personal income growth in the nation.
- *BusinessWeek* magazine has ranked Tulsa and Oklahoma City among the 40 strongest metros in the United States. Oklahoma City is No. 3 and Tulsa is No. 7. Those rankings were released in October, 2009. The

magazine based its ranking on data and analysis from the Brookings Institution's new MetroMonitor study, including job growth, employment, economic growth and home prices.

- *BusinessWeek* says metro areas like Oklahoma City and Tulsa never let home prices get too hot or too cold, which has paid off in the form of a more stable economy during the recession.
- Portfolio.com ranked Oklahoma City and Tulsa 6th and 8th 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 2010 and fiscal year 2011 executive branch budgets include (expressed in millions):

| | Amount Appropriated | | Percentage of Total Appropriations | | Increase (Decrease) from Prior Year | | Percentage Increase (Decrease) | |
|------------------------------|---------------------|-----------------|------------------------------------|-------------|-------------------------------------|---------------|--------------------------------|------------|
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 |
| Department of Education | \$ 2,232 | \$ 2,404 | 36% | 37% | \$ (300) | \$ 172 | (12%) | 8% |
| Regents for Higher Education | 943 | 1,002 | 16% | 15% | (97) | 59 | (9%) | 6% |
| Career & Technical Education | 146 | 158 | 2% | 2% | (12) | 12 | (8%) | 8% |
| Other Education | 16 | 27 | 0% | 1% | (15) | 11 | (48%) | 69% |
| Total Education | 3,337 | 3,591 | 54% | 55% | (424) | 254 | (11%) | 8% |
| Department of Health | 68 | 73 | 1% | 1% | (7) | 5 | (9%) | 7% |
| Health Care Authority | 549 | 663 | 9% | 10% | (293) | 114 | (35%) | 21% |
| Department of Mental Health | 185 | 200 | 3% | 3% | (25) | 15 | (12%) | 8% |
| Other Health | 31 | 33 | 1% | 0% | (12) | 2 | (28%) | 6% |
| Total Health | 833 | 969 | 14% | 14% | (337) | 136 | (29%) | 16% |
| Department of Human Services | 421 | 479 | 7% | 7% | (138) | 58 | (25%) | 14% |
| Office of Juvenile Affairs | 103 | 112 | 2% | 2% | (9) | 9 | (8%) | 9% |
| Other Human Services | 40 | 43 | 1% | 1% | (3) | 3 | (7%) | 8% |
| Total Human Services | 564 | 634 | 10% | 10% | (150) | 70 | (21%) | 12% |
| Department of Corrections | 469 | 503 | 8% | 8% | (34) | 34 | (7%) | 7% |
| Department of Transportation | 193 | 209 | 3% | 3% | (15) | 16 | (7%) | 8% |
| Department of Public Safety | 88 | 95 | 1% | 1% | (9) | 7 | (9%) | 8% |
| Other | 580 | 610 | 10% | 9% | 84 | 30 | 17% | 5% |
| Total | \$ 6,064 | \$ 6,611 | 100% | 100% | \$ (885) | \$ 547 | (13%) | 9% |

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,

2010, 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

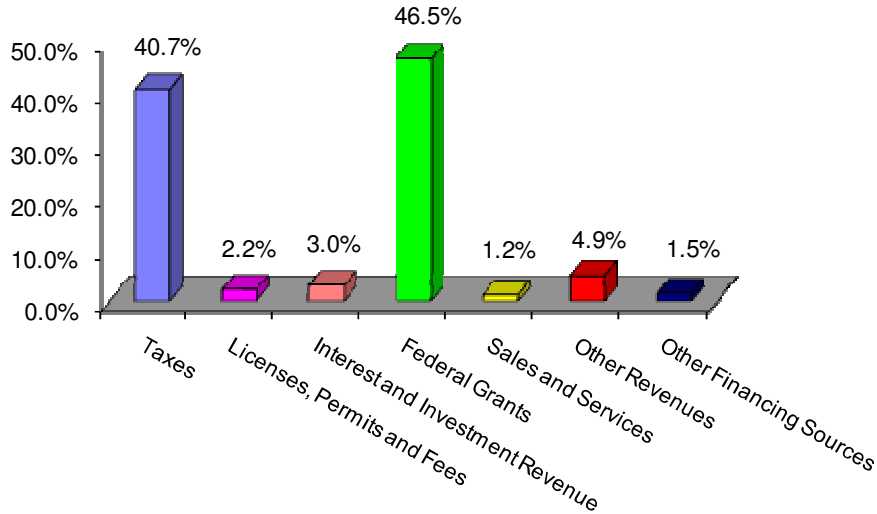
Governmental Funds: Revenues and Other Financing Sources - GAAP Basis
(expressed in millions)

| | 2010 Amount | Percentage of Total | Increase (Decrease) from Prior Year | Percentage Increase (Decrease) |
|--|------------------|------------------------|--|-----------------------------------|
| Taxes | \$ 6,517 | 40.7% | \$ (1,349) | (17.1%) |
| Licenses, permits and fees | 356 | 2.2% | (1) | (0.3%) |
| Interest and investment revenue | 477 | 3.0% | 388 | 436.0% |
| Federal grants | 7,456 | 46.5% | 1,228 | 19.7% |
| Sales and services | 185 | 1.2% | (16) | (8.0%) |
| Other revenues | 780 | 4.9% | 210 | 36.8% |
| Other financing sources: | | | | |
| Operating transfers | 84 | 0.5% | 7 | 9.1% |
| Bond and note proceeds | 148 | 0.9% | (57) | (27.8%) |
| Other | 21 | 0.1% | 12 | 133.3% |
| Total revenues and other financing sources | <u>\$ 16,024</u> | <u>100.00%</u> | <u>\$ 422</u> | <u>2.7%</u> |

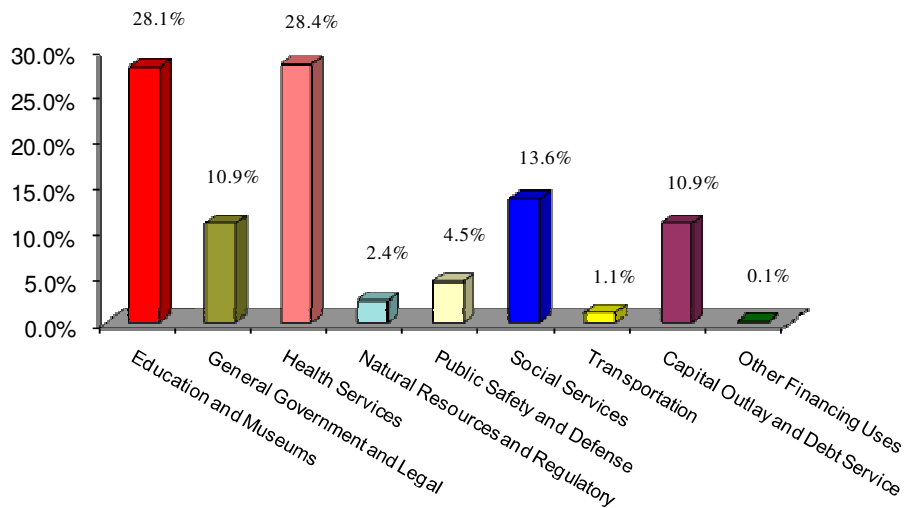
Governmental Funds: Expenditures and Other Financing Uses - GAAP Basis
(expressed in millions)

| | 2010 Amount | Percentage of Total | Increase (Decrease) from Prior Year | Percentage Increase (Decrease) |
|--|------------------|------------------------|--|-----------------------------------|
| Education | \$ 4,649 | 28.0% | \$ 29 | 0.6% |
| General government | 1,561 | 9.4% | (70) | (4.3%) |
| Health services | 4,737 | 28.4% | 212 | 4.7% |
| Legal and judiciary | 248 | 1.5% | 23 | 10.2% |
| Museums | 15 | 0.1% | (2) | (11.8%) |
| Natural resources | 280 | 1.7% | 9 | 3.3% |
| Public safety and defense | 755 | 4.5% | (161) | (17.6%) |
| Regulatory services | 118 | 0.7% | (10) | (7.8%) |
| Social services | 2,259 | 13.6% | 326 | 16.9% |
| Transportation | 178 | 1.1% | (21) | (10.6%) |
| Capital outlay | 1,626 | 9.8% | 188 | 13.1% |
| Debt service | 182 | 1.1% | 17 | 10.3% |
| Other Financing Uses: | | | | |
| Operating transfers | 14 | 0.1% | 6 | 75.0% |
| Total expenditures and other financing uses | <u>\$ 16,622</u> | <u>100.0%</u> | <u>\$ 546</u> | <u>3.4%</u> |
| Governmental Funds - Net decrease in fund balance | <u>\$ (598)</u> | | | |

Governmental Fund Revenues and Other Financing Sources (GAAP Basis) – Fiscal Year 2010



Governmental Funds Expenditures and Other Financing Uses (GAAP Basis) – Fiscal Year 2010



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 less than revenues of the prior year. The taxes combined for \$3.9 billion, or 85% of total GRF receipts. The total of major taxes collected decreased \$845 million or 17.7% from that of last year. As compared to fiscal year 2009, collections from income taxes decreased by \$402 million, or 18.1%; sales taxes decreased by \$131 million, or 7.9%; motor vehicle taxes decreased \$29 million, or 16.2%, and gross production taxes on gas and oil decreased by \$283 million, or 38.9%.

Oklahoma has established an enviable record in recent years in its revenue forecasting results. Since enactment of a constitutional amendment in 1985 establishing new revenue estimating procedures, collections have exceeded the estimate in fourteen years and dipped below the estimate eleven years. The comparison of estimated revenues to actual collections for fiscal year 2010 is as follows:

Revenue Collections Compared to Itemized Estimate for Fiscal 2010
(expressed in millions)

| | Itemized Estimate | Actual Collections | Over (Under) Estimate | Percentage Collected |
|--------------------------|----------------------|-----------------------|--------------------------|-------------------------|
| Individual and Corporate | | | | |
| Income tax | \$ 2,351.4 | \$ 1,822.6 | \$ (528.8) | 77.5% |
| Sales tax | 1,754.1 | 1,515.7 | (238.4) | 86.4% |
| Motor vehicle tax | 141.4 | 147.3 | 5.9 | 104.2% |
| Gross production tax | 427.5 | 444.4 | 16.9 | 104.0% |
| Subtotal Major Taxes | 4,674.4 | 3,930.0 | (744.4) | 84.1% |
| Other sources | 741.0 | 692.0 | (49.0) | 93.4% |
| Total | \$ 5,415.4 | \$ 4,622.0 | \$ (793.4) | 85.3% |

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

Budgetary General Revenue Fund Comparisons
(expressed in millions)

| Fiscal Year | Itemized Estimate | Actual Collections | Over (Under) Estimate | Percentage Collected |
|----------------------|----------------------|-----------------------|--------------------------|-------------------------|
| 1996 | \$ 3,614 | \$ 3,705 | \$ 91 | 102.5% |
| 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% |
| Fifteen-Year Average | \$ 4,701 | \$ 4,712 | \$ 11 | 100.2% |

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

Cash-Flow Reserve 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 2010 the amount the State set aside was \$464.4 million.

General Revenue Fund – There was no cash carryover for fiscal year 2010, compared to \$59.6 million in fiscal year 2009. 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 reserve fund also come from this source.

Constitutional Reserve "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. For the fiscal year beginning July 1, 2010, this fund had a balance of \$149.1 million.

FOR THE FUTURE

Like the rest of the nation the State of Oklahoma has faced significant decreases in revenue collection resulting from a nationwide economic recession. Due to a series of fiscally successful years, however, the State had a well funded "Rainy Day Fund" that assisted in meeting its fiscal requirements during this economically challenging period. 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, 2009. 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,



Michael Clingman
Director of State Finance



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, 2009

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.

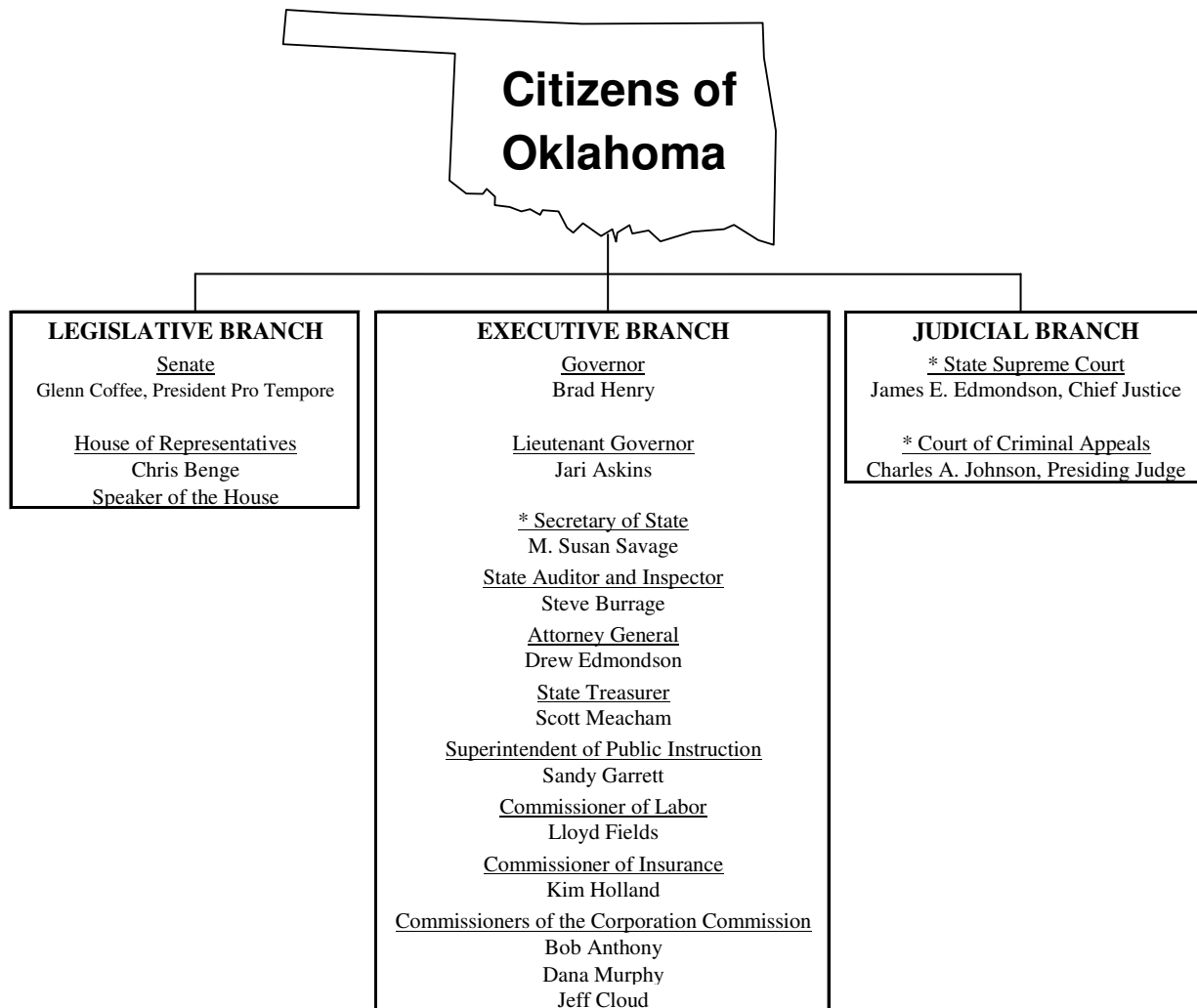


President

Executive Director

SELECTED OKLAHOMA STATE OFFICIALS

June 30, 2010



*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.

| | | | | | |
|-----|--|----------------------|--|-----|---|
| 305 | Office of the Governor | 665 | Southwestern Oklahoma State Univ. | 343 | Perfusionists, State Bd. of Examiners |
| 440 | Office of the Lieutenant Governor | 618 | Student Loan Authority | 548 | Personnel Management |
| | <u>Agriculture</u> | 750 | Tulsa Community College | 560 | Pharmacy Board |
| 40 | Agriculture, Department of | 120 | University of Central Oklahoma | 140 | Podiatric Medical Examiners, Bd. of |
| 39 | Boll Weevil Eradication Org. | 760 | University of Oklahoma | 570 | Prof. Engin. & Land Surveyors Bd. |
| 645 | Conservation Commission | 150 | Univ. of Science and Arts of Okla. | 575 | Psychologists, Bd. of Examiners |
| 615 | Foresters, Board of Registered | 41 | Western Oklahoma State College | 588 | Real Estate Commission |
| 535 | Peanut Commission | | | 622 | Social Workers Board, Bd. of Lic. |
| 875 | Wheat Commission | 185 | <u>Energy</u> | 632 | Speech-Lang. Pathology & Aud. Bd. |
| | <u>Commerce and Tourism</u> | 359 | Corporation Commission * | 516 | State and Ed. Empl. Group Ins. Bd. |
| 981 | Capital Investment Board | 980 | Energy Resources Board | 755 | Used Motor Vehicle & Parts |
| 007 | Centennial Commission | 307 | Grand River Dam Authority | 790 | Veterinary Medical Examiners Board |
| 160 | Commerce, Department of | 445 | Interstate Oil Comp. Com. | | |
| 900 | Development Finance Authority | 444 | LPG Board | | |
| 290 | Employment Security Commission | 444 | LPG Research, Marketing and Safety | 127 | <u>Human Services</u> |
| 350 | Historical Society | 446 | Marg. Prod. O&G Wells, Comm. on | 326 | Children & Youth, Commission |
| 922 | Housing Finance Authority | 125 | Mines, Department of | 830 | Handicapped Concerns, Office of |
| 370 | Industrial Finance Authority | | | 360 | Human Services, Department of |
| 204 | J.M. Davis Memorial Commission | 292 | <u>Environment</u> | 670 | Indian Affairs Commission |
| 405 | Labor, Department of * | 920 | Dept. of Environmental Quality | 400 | J.D. McCarty Center |
| 981 | Municipal Power Authority | 920 | Environmental Finance Authority | 619 | Juvenile Affairs, Office of |
| 361 | Native American Cultural/Ed. Auth | 835 | Environmental Finance Authority | 805 | Physicians Manpower Trng. Comm. |
| 568 | Scenic Rivers Comm. | 320 | Water Resources Board | 805 | Rehabilitative Services |
| 566 | Tourism & Recreation, Dept. of | | Wildlife Conservation, Dept. of | 825 | University Hospitals Authority |
| 880 | Will Rogers Memorial Commission | 300 | <u>Finance and Revenue</u> | | |
| | <u>Education</u> | 65 | Auditor & Inspector * | 25 | <u>Military Affairs</u> |
| 44 | Anatomical Board | 582 | Banking Department | | Military Department |
| 55 | Arts Council | 91 | Bond Advisor | | |
| 800 | Career & Technology Education | 105 | Building Bonds Commission | 30 | <u>Safety and Security</u> |
| 266 | Educational TV Authority | 390 | Capitol Improvement Authority | 49 | ABLE Commission |
| 265 | Education, Department of * | 635 | CompSource Oklahoma | 772 | Attorney General * |
| 430 | Library Department | 90 | Consumer Credit, Comm. for | 309 | Chem. Tests for Alc/Drug Infl., Bd. of |
| 563 | Private Vocational School, Board of | 315 | Finance, Office of State | 131 | Civil Emergency Mgmt, Dept. of |
| 629 | School of Science & Mathematics | 410 | Firefighters Pension & Retirement | 220 | Corrections Department |
| 269 | Teacher Preparation, Comm. for | 385 | Insurance Department * | 310 | District Attorney's Council |
| | <u>Colleges and Universities:</u> | 416 | Land Office, Commissioners of the | 47 | Fire Marshal, State |
| 100 | Cameron University | 435 | Law Enforcement Retirement | 308 | Indigent Defense System |
| 108 | Carl Albert State College | 557 | Lottery Commission | 415 | Investigation, Bureau of |
| 165 | Connors State College | 557 | Police Pension & Retirement System | 342 | Law Enf. Educ. & Trng., Council on |
| 230 | East Central University | 515 | Public Employees' Retirement System | 477 | Medicolegal Investigations, Bd. of |
| 240 | Eastern Oklahoma State College | 630 | Securities Commission | 306 | Narcotics & Dang. Drugs, Bureau of |
| 420 | Langston University | 695 | Tax Commission | 585 | Pardon and Parole Board |
| 470 | Murray State College | 715 | Teachers' Retirement System | | Public Safety, Department of |
| 480 | Northeastern Okla. A & M College | 740 | Treasurer * | 628 | <u>Science and Technology Dev.</u> |
| 485 | Northeastern State University | | | | Center f/t Adv. of Sci. & Technology |
| 490 | Northern Oklahoma College | <u>Health</u> | | | |
| 505 | Northwestern Oklahoma State Univ. | 022 | Abstractor's Board | | <u>Secretary of State</u> |
| 530 | Oklahoma Panhandle State Univ. | 448 | Alcohol and Drug Coun., Bd. of Lic. | 270 | Election Board |
| 10 | Oklahoma State University | 783 | Community Hospitals Authority | 296 | Ethics Commission |
| 761 | Oklahoma University Law Center | 170 | Construction Industries Bd. | 678 | Judicial Complaints, Council on |
| 633 | Oklahoma City Community College | 807 | Health Care Authority | 625 | Secretary of State |
| 770 | Okla. University Health Science Ctr. | 340 | Health, Department of | | |
| 773 | OSU -College of Osteopathic Medicine | 452 | Mental Health and Sub. Abuse Svc. | | <u>Transportation</u> |
| 14 | OSU -College of Veterinary Medicine | 509 | Nursing Homes, Board of Exam. for | 978 | Okla. Transportation Authority |
| 11 | OSU -Experiment Station | 092 | Tobacco Settle. End. Trust Bd. of Dir. | 346 | Space Industry Development Auth. |
| 12 | OSU -Extension Division | | | 345 | Transportation, Department of |
| 13 | OSU -School of Tech. Training | 20 | <u>Human Resources and Admin.</u> | 060 | Aeronautics Commission |
| 15 | OSU -Technical Institute of OKC | 45 | Accountancy Board | | |
| 16 | OSU -Tulsa | 580 | Architects, Board of Gov. of Licensed | 650 | <u>Veterans Affairs</u> |
| 771 | OU Health Sci. Ctr. Prof. Prac. Plan | 145 | Central Services, Dept. of | | Veterans Affairs, Department of |
| 620 | Qtz Mtn. Arts/Conf. Cntr/Nat. Pk. | 190 | Chiropractic Examiners Board | | |
| 241 | Redlands Community College | 215 | Cosmetology Board | | |
| 600 | Regents for A&M Colleges | 815 | Dentistry, Board of | | |
| 605 | Regents for Higher Education | 285 | Employees Benefits Council | | |
| 610 | Regents for Oklahoma Colleges | 353 | Funeral Board | | |
| 461 | Rogers State University | 355 | Horse Racing Commission | | |
| 531 | Rose State College | 450 | Human Rights Commission | | |
| 623 | Seminole State College | 298 | Medical Licensure & Supv., Bd. of | | |
| 660 | Southeastern Oklahoma State Univ. | 475 | Merit Protection Commission | | |
| | | 510 | Motor Vehicle Commission | | |
| | | 520 | Nursing Board | | |
| | | 525 | Optometry Board | | |
| | | | Osteopathic Examiners Board | | |

* Agency is headed by a statewide elected official or their controlling board is made up of elected officials. They are assigned to a cabinet department for purposes of coordinating services and programs only.

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

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, 2010, 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 thirteen percent and five percent, respectively, of the assets and revenues of the governmental activities, and seven percent of the assets and two 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-five percent of the assets and twenty-three 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, 2010, 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 faces possible difficulty in meeting its future obligations. The actuary for the Teachers' Retirement System determined, "the System's unfunded actuarial accrued liability ("UAAL") is approximately \$10,414,000,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes. Under the present funding schedule, the statutory contribution rates are projected to be insufficient to amortize the UAAL. Negative amortization is occurring and is expected to continue indefinitely, resulting in an infinite funding period.

Also, as discussed in Note 1, the Multiple Injury Trust Fund (MITF) had a net deficit of approximately \$125,145,000 at December 31, 2009 primarily due to court awards exceeding the apportionment of special tax revenue collected.

In accordance with *Government Auditing Standards*, we have also issued our report (under separate cover) dated December 30, 2010, 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.



Steve Burrage, CPA
State Auditor and Inspector

December 30, 2010



Management's Discussion and Analysis



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, 2010. 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, 2010 by \$13.6 billion (presented as "net assets"). Of this amount, \$2.1 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 decreased by \$213 million (1.6% decrease) in fiscal year 2010, more than the 0.9% decrease from the previous fiscal year. Net assets of governmental activities increased by \$133.1 million (a 1.1% increase), while net assets of the business-type activities showed a decrease of \$346 million (a 29.1% decrease).

Fund Highlights:

Governmental Funds - Fund Balances - As of the close of fiscal year 2010, the State's governmental funds reported a combined ending fund balance of \$5.2 billion, a decrease of \$598 million in comparison with the prior year. Of this total amount, \$2.3 billion represents the "unreserved fund balances", all being in the general fund. Of this \$2.3 billion, \$464 million (increased \$30 million) is in the Cash Flow Reserve Fund and \$149 million (decreased \$447 million) is in the Rainy Day Fund leaving \$1.7 billion (decreased \$418 million) as undesignated for the general fund. This \$1.7 billion is roughly 10.4% of the total governmental funds expenditures for the year. This ratio decreased 3.0% from a year ago.

Long-term Debt:

The State's total long-term debt obligations showed a net increase of \$30 million (1.6%) in the governmental type activities and a net increase of \$97 million (19.3%) in the business type activities long-term debt during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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 funds 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, with all three being 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 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 \$13.6 billion at the end of 2010, compared to \$13.8 billion at the end of the previous year.

The largest portion of the State's net assets (60.0%) 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; consequentially, 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 | |
|--|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Current Assets | \$ 4,041,218 | \$ 5,821,285 | \$ 469,305 | \$ 841,296 | \$ 4,510,523 | \$ 6,662,581 |
| Capital Assets | 9,290,692 | 8,477,892 | 330 | 527 | 9,291,022 | 8,478,419 |
| Other Assets | 2,762,588 | 2,448,796 | 992,340 | 869,817 | 3,754,928 | 3,318,613 |
| Total Assets | <u>16,094,498</u> | <u>16,747,973</u> | <u>1,461,975</u> | <u>1,711,640</u> | <u>17,556,473</u> | <u>18,459,613</u> |
| Noncurrent Liabilities | 1,673,307 | 1,653,142 | 571,441 | 473,004 | 2,244,748 | 2,126,146 |
| Other Liabilities | 1,677,735 | 2,484,461 | 46,493 | 48,197 | 1,724,228 | 2,532,658 |
| Total Liabilities | <u>3,351,042</u> | <u>4,137,603</u> | <u>617,934</u> | <u>521,201</u> | <u>3,968,976</u> | <u>4,658,804</u> |
| Invested in Capital Assets, Net of Related Debt | 8,148,821 | 7,364,509 | 330 | 527 | 8,149,151 | 7,365,036 |
| Restricted | 2,492,399 | 2,268,701 | 834,824 | 1,178,940 | 3,327,223 | 3,447,641 |
| Unrestricted | 2,102,236 | 2,977,160 | 8,887 | 10,972 | 2,111,123 | 2,988,132 |
| Total Net Assets | <u>\$ 12,743,456</u> | <u>\$ 12,610,370</u> | <u>\$ 844,041</u> | <u>\$ 1,190,439</u> | <u>\$ 13,587,497</u> | <u>\$ 13,800,809</u> |

A portion of the State's net assets (24%) 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.

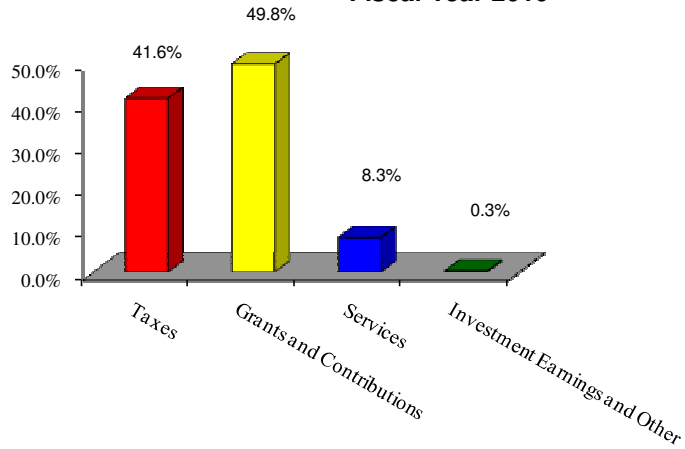
Changes in Net Assets

The State's net assets decreased by \$213.3 million, or 1.6%. Approximately 42 percent of the State's total revenue came from taxes, while 50 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided 8.3 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 2010, governmental activity expenses exceeded program revenues, resulting in the use of \$6.6 billion in general revenues (mostly taxes). The business-type activities' program expenses exceeded their revenues for 2010 by \$276 million.

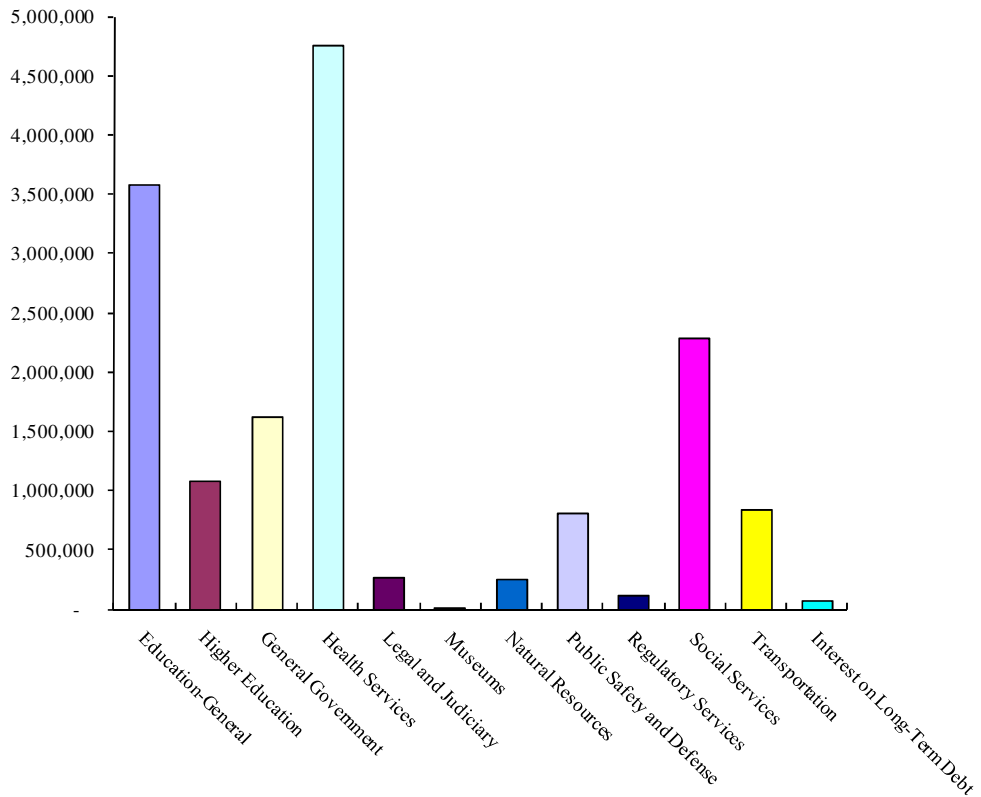
State of Oklahoma's Changes in Net Assets-Primary Government (expressed in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 1,292,885 | \$ 1,116,823 | \$ 433,668 | \$ 514,890 | \$ 1,726,553 | \$ 1,631,713 |
| Operating Grants and Contributions | 7,804,862 | 6,141,165 | 596,350 | 134,029 | 8,401,212 | 6,275,194 |
| General Revenues: | | | | | | |
| Income Taxes-Individual | 1,969,264 | 2,537,221 | - | - | 1,969,264 | 2,537,221 |
| Income Taxes-Corporate | 171,555 | 449,910 | - | - | 171,555 | 449,910 |
| Sales Taxes | 1,981,220 | 2,190,082 | - | - | 1,981,220 | 2,190,082 |
| Gross Production Taxes | 702,949 | 1,136,279 | - | - | 702,949 | 1,136,279 |
| Motor Vehicle Taxes | 551,029 | 585,084 | - | - | 551,029 | 585,084 |
| Fuel Taxes | 384,383 | 397,852 | - | - | 384,383 | 397,852 |
| Other Taxes | 756,987 | 569,099 | - | - | 756,987 | 569,099 |
| Investment Earnings | 45,116 | 141,264 | - | - | 45,116 | 141,264 |
| Gain on Sale of Assets | 3,816 | 1,316 | - | - | 3,816 | 1,316 |
| Total Revenues | 15,664,066 | 15,266,095 | 1,030,018 | 648,919 | 16,694,084 | 15,915,014 |
| Expenses: | | | | | | |
| Education-General | 3,573,881 | 3,548,104 | - | - | 3,573,881 | 3,548,104 |
| Education-Payments to Higher Education | 1,076,248 | 1,074,409 | - | - | 1,076,248 | 1,074,409 |
| General Government | 1,611,256 | 1,718,794 | - | - | 1,611,256 | 1,718,794 |
| Health Services | 4,750,304 | 4,542,241 | - | - | 4,750,304 | 4,542,241 |
| Legal and Judiciary | 256,867 | 230,706 | - | - | 256,867 | 230,706 |
| Museums | 14,572 | 17,507 | - | - | 14,572 | 17,507 |
| Natural Resources | 249,020 | 265,197 | - | - | 249,020 | 265,197 |
| Public Safety and Defense | 811,999 | 951,387 | - | - | 811,999 | 951,387 |
| Regulatory Services | 119,044 | 130,033 | - | - | 119,044 | 130,033 |
| Social Services | 2,287,486 | 1,976,556 | - | - | 2,287,486 | 1,976,556 |
| Transportation | 842,394 | 902,151 | - | - | 842,394 | 902,151 |
| Interest on Long-Term Debt | 70,549 | 70,026 | - | - | 70,549 | 70,026 |
| Unemployment Insurance Trust Fund | - | - | 1,146,720 | 533,629 | 1,146,720 | 533,629 |
| State Loan Program to Local Governments | - | - | 26,739 | 25,527 | 26,739 | 25,527 |
| Lottery Commission | - | - | 132,642 | 122,961 | 132,642 | 122,961 |
| Total Expenses | 15,663,620 | 15,427,111 | 1,306,101 | 682,117 | 16,969,721 | 16,109,228 |
| Increase (Decrease) in Net Assets Before Transfers and Contribution to Permanent Funds | 446 | (161,016) | (276,083) | (33,198) | (275,637) | (194,214) |
| Contribution to Permanent Funds | 62,325 | 73,548 | - | - | 62,325 | 73,548 |
| Transfers | 70,315 | 69,826 | (70,315) | (69,826) | - | - |
| Change in Net Assets | 133,086 | (17,642) | (346,398) | (103,024) | (213,312) | (120,666) |
| Net Assets, Beginning of Year | 12,604,112 | 12,621,754 | 1,190,439 | 1,293,463 | 13,794,551 | 13,915,217 |
| Adjustments to Beginning Net Assets | 6,258 | - | - | - | 6,258 | - |
| Net Assets, End of Year | \$ 12,743,456 | \$ 12,604,112 | \$ 844,041 | \$ 1,190,439 | \$ 13,587,497 | \$ 13,794,551 |

**Revenues - Governmental Activities
Fiscal Year 2010**



**Expenses - Governmental Activities
Fiscal Year 2010**

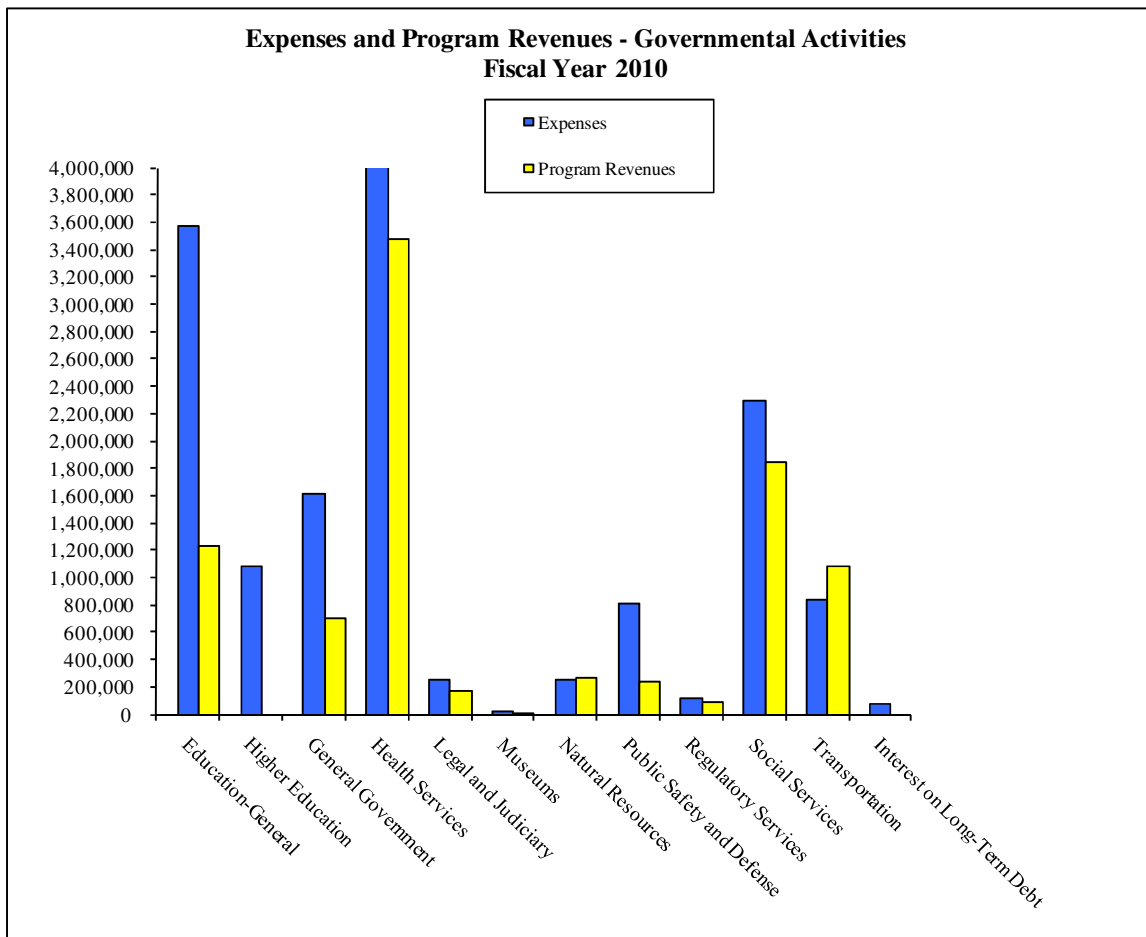


Governmental Activities

Governmental activities increased the State's net assets by \$133 million. Tax revenues were down in all major types. Total revenues were up by \$398 million, or 2.7% in 2010. Most of this increase came from operating grants rising \$1.7 billion. This was offset by a decrease in individual and corporate income taxes. The State showed a \$568 million decrease in individual income taxes, and a \$278 million decrease in corporate income taxes during 2010.

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> |
|--|--------------------------------|
| Expenses Net of Program Revenues: | |
| Education-General | \$ (2,342,415) |
| Education-Payment to Higher Education | (1,076,248) |
| General Government | (916,265) |
| Health Services | (1,278,683) |
| Legal and Judiciary | (90,194) |
| Museums | (10,025) |
| Natural Resources | 21,291 |
| Public Safety and Defense | (568,670) |
| Regulatory Services | (25,000) |
| Social Services | (449,756) |
| Transportation | 240,641 |
| Interest on Long-Term Debt | (70,549) |
| Total Governmental Activities Expenses | <u>(6,565,873)</u> |
| General Revenues: | |
| Taxes | 6,517,387 |
| Investment Earnings | 45,116 |
| Contributions to Permanent Funds | 62,325 |
| Gain on Sale of Assets | 3,816 |
| Transfers | 70,315 |
| Increase in Governmental Activities Net Assets | <u>\$ 133,086</u> |



Business-Type Activities

The business-type activities reduced the State's net assets in business-type activities by \$346 million, a 29.1% decrease, to \$844 million. This decrease is more than last year's 8.0% decrease. The decrease primarily resulted from a \$353.0 million decrease in net assets by the Oklahoma Unemployment Insurance Trust Fund (OUIF). Unemployment benefit payments increased over last year by \$613.1 million or 115%. The Oklahoma Water Resources Board's (OWRB) net assets increased by \$8.8 million while the Oklahoma Lottery Commission had a decrease in net assets of \$2.3 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, unreserved 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 \$5.2 billion, a decrease of \$598 million from the prior year. The largest portion (\$2.3 billion or 44.5%) of this total amount constitutes unreserved fund balance, which is available for spending in the coming year. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate

contracts and purchase orders of the prior fiscal year (\$364.5 million), 2) to pay debt service (\$108.7 million), 3) to be held in permanent trust funds for education, wildlife and prevention of tobacco related health issues (\$2.1 billion), 4) to be used for the "Economic Development Generating Excellence" Fund (\$145.3 million), or 5) for a variety of other restricted purposes (\$167.4 million).

The general fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2.3 billion, while the total fund balance decreased \$923 million to \$3.0 billion. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14.2% of total general fund expenditures (down from 19.9% a year ago), while total fund balance represents 18.3% of that same amount (down from 24.7%).

Overall the fund balance of the State's general fund decreased by \$923 million during the current fiscal year. This 23.5% decrease from the prior year is primarily due to reduced 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 a net \$356 million gain compared to a \$55 million loss for the prior year. Distributions to beneficiaries totaled \$114 million for fiscal year 2010 with \$31 million disbursed to universities and colleges and \$83 million disbursed to public schools. This was an increase of \$32 million from the apportionments of fiscal year 2009.

The Department of Wildlife's Lifetime Licenses fund balance increased by 4.6% to \$81.9 million. This increase occurred due to improved investment revenue over the previous year.

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 \$97.9 million net increase in fund balance with \$62 million coming in from the settlement payment by tobacco manufacturers for 2010. The prior year's payment was about \$74 million. The state now has \$526.2 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 decreased by \$346 million as a result of operations in the proprietary funds. This resulted from a \$353 million decrease in net assets by the Oklahoma Unemployment Insurance Trust Fund (OUIF), an increase in net assets of \$9 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 \$2.3 million by the Oklahoma Lottery Commission.

The OUIF decreased in net assets primarily due to payments for unemployment benefits increasing \$613 million during 2010. Operating revenues increased \$538.7 million overall, mostly from an increase in federal grants. Federal grants revenues increased by \$587 million from the previous year.

The OWRB increased net assets by \$8.8 million which was \$32.3 million less than the \$41.1 million in the prior year. Federal grant revenues increased by \$2.0 million from the previous year.

The Oklahoma Lottery Commission had a decrease in net assets of \$2.3 million. Operating revenues were \$200 million, while operating expenses were \$132 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the original budget and the final amended budget amounted to \$130 million with \$81 million (62.5%) coming from budget carryovers from fiscal year 2009. In addition, \$22 million was appropriated by the Legislature to the Office of State Finance for the administration of voluntary buyouts to state employees and \$15 million was transferred by the Office of the Governor for the State Emergency Fund to reimburse cities and towns for costs associated with natural disasters. The remaining balance relates to supplemental appropriations made to agencies by the legislature.

The differences between the final budget and actual collections amounted to \$171 million less than budget. As a result of poor economic conditions and revenue shortfalls, the state instituted across the board cuts of 7.5% for the year. Also, the \$22 million appropriated to the Office of State Finance for voluntary buyouts to state employees had no reimbursable costs in fiscal year 2010, so the funds were not transferred.

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, 2010, amounts to \$17.5 billion, net of accumulated depreciation of \$8.2 billion, leaving a net book value of \$9.3 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 9.6% in terms of net book value. Actual expenditures to purchase or construct assets that are capitalized were \$1.3 billion for the year, a \$264 million (27%) increase from the prior year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$416 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 \$30 million, or 1.6%, during the current fiscal year. The increase in long-term obligations of governmental activities was primarily due to the Oklahoma Capital Improvement Authority issuing \$148.1 million in revenue bonds for highway improvement. Business-type activities' debt increased by \$97 million as Oklahoma Water Resources Board issued \$127.3 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 the national rate between 1997 and 2009. The national unemployment rate is currently 9.3% while Oklahoma's remains lower at 6.4% 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.)

During fiscal year 2010 the total fund balance in the general fund decreased \$923 million to \$3.0 billion, with \$464 million of this in the Cash Flow Reserve Fund and \$149 million in the State's Rainy Day Fund leaving \$1.7 billion as undesignated. This \$1.7 billion is roughly 10.4% of the total governmental fund expenditures for the year.

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. Oklahoma experienced a significant budget shortfall during fiscal year 2010. As a result, 75% of the Rainy Day Fund was utilized to keep essential government programs running.

Fiscal Year 2011

After the worst revenue shortfall in state history, all signs point to better times ahead. As of November 2010, year-to-date revenue collections for fiscal year 2011 are 6.3% higher than prior year collections and 2.7% above budgetary estimates.

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.



Basic Financial Statements



Basic Financial Statements





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State of Oklahoma
Government Wide
Statement of Net Assets
June 30, 2010
(expressed in thousands)

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|-------------------|--------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Assets | | | | |
| Current Assets | | | | |
| Cash/Cash Equivalents | \$ 2,751,124 | \$ 393,275 | \$ 3,144,399 | \$ 1,481,075 |
| Investments | 173,800 | 11,818 | 185,618 | 2,075,016 |
| Securities Lending Investments | 280,567 | 0 | 280,567 | 172,409 |
| Accounts Receivable | 34,475 | 18,620 | 53,095 | 319,671 |
| Interest and Investment Revenue Receivable | 691 | 6,578 | 7,269 | 23,135 |
| Federal Grants Receivable | 476,508 | 1,434 | 477,942 | 7,628 |
| Taxes Receivable | 212,606 | 0 | 212,606 | 0 |
| Leases Receivable | 9,166 | 0 | 9,166 | 0 |
| Leases Receivable - Component Units | 17,203 | 0 | 17,203 | 0 |
| Other Receivables | 133 | 604 | 737 | 15,363 |
| Notes Receivable | 0 | 47,084 | 47,084 | 50,858 |
| Internal Balances | 10,108 | (10,108) | 0 | 0 |
| Receivable from External Parties | 12 | 0 | 12 | 9,385 |
| Due from Component Units | 3,832 | 0 | 3,832 | 2,736 |
| Due from Primary Government | 0 | 0 | 0 | 79,285 |
| Inventory | 59,613 | 0 | 59,613 | 90,595 |
| Prepaid Items | 1,388 | 0 | 1,388 | 17,426 |
| Other Current Assets | 9,992 | 0 | 9,992 | 9,168 |
| Total Current Assets | 4,041,218 | 469,305 | 4,510,523 | 4,353,750 |
| Noncurrent Assets | | | | |
| Cash/Cash Equivalents - Restricted | 105,354 | 103,374 | 208,728 | 347,858 |
| Short-Term Investments - Restricted | 0 | 0 | 0 | 1,604,031 |
| Long-Term Investments | 0 | 154,099 | 154,099 | 1,268,306 |
| Long-Term Investments - Restricted | 2,087,714 | 0 | 2,087,714 | 0 |
| Leases Receivable | 13,298 | 0 | 13,298 | 0 |
| Leases Receivable - Component Units | 461,157 | 0 | 461,157 | 0 |
| Long-Term Notes Receivable, Net | 0 | 728,084 | 728,084 | 109,821 |
| Long-Term Notes Receivable, Net - Restricted | 0 | 0 | 0 | 1,026,234 |
| Long-Term Due from Component Units | 51,349 | 0 | 51,349 | 0 |
| Capital Assets - Depreciable, Net | 7,491,797 | 330 | 7,492,127 | 5,774,500 |
| Capital Assets - Land | 1,515,135 | 0 | 1,515,135 | 357,881 |
| Capital Assets - Construction in Progress | 283,760 | 0 | 283,760 | 590,186 |
| Other Noncurrent Assets | 12,309 | 6,783 | 19,092 | 473,171 |
| Other Noncurrent Assets - Restricted | 31,407 | 0 | 31,407 | 27,510 |
| Total Noncurrent Assets | 12,053,280 | 992,670 | 13,045,950 | 11,579,498 |
| Total Assets | 16,094,498 | 1,461,975 | 17,556,473 | 15,933,248 |

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

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|----------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts Payable and Accrued Liabilities | 811,051 | 8,235 | 819,286 | 303,523 |
| Payable Under Securities Lending Agreements | 280,567 | 0 | 280,567 | 177,198 |
| Claims and Judgments | 9,427 | 0 | 9,427 | 327,259 |
| Interest Payable | 26,653 | 6,910 | 33,563 | 54,978 |
| Tax Refunds Payable | 7,313 | 0 | 7,313 | 0 |
| Payable to External Parties | 18,615 | 0 | 18,615 | 598 |
| Due to Component Units | 95,422 | 1 | 95,423 | 2,736 |
| Due to Primary Government | 128 | 0 | 128 | 3,967 |
| Due to Others | 131,769 | 0 | 131,769 | 0 |
| Unearned Revenue | 89,571 | 322 | 89,893 | 236,500 |
| Capital Leases | 2,055 | 0 | 2,055 | 27,916 |
| Capital Leases - Primary Government | 0 | 0 | 0 | 17,203 |
| Compensated Absences | 90,333 | 162 | 90,495 | 78,483 |
| Notes Payable | 16,694 | 0 | 16,694 | 151,191 |
| General Obligation Bonds | 16,475 | 0 | 16,475 | 565 |
| Revenue Bonds (Net) | 81,662 | 28,870 | 110,532 | 235,286 |
| Other Current Liabilities | 0 | 1,993 | 1,993 | 228,008 |
| Total Current Liabilities | 1,677,735 | 46,493 | 1,724,228 | 1,845,411 |
| Noncurrent Liabilities | | | | |
| Claims and Judgments | 9,496 | 0 | 9,496 | 840,886 |
| Due to Primary Government | 0 | 0 | 0 | 51,214 |
| Pension Obligation | 48,102 | 0 | 48,102 | 0 |
| Capital Leases | 10,498 | 0 | 10,498 | 281,667 |
| Capital Leases - Primary Government | 0 | 0 | 0 | 461,157 |
| Compensated Absences | 67,640 | 217 | 67,857 | 28,174 |
| Notes Payable | 229,929 | 0 | 229,929 | 673,460 |
| General Obligation Bonds | 171,555 | 0 | 171,555 | 47,338 |
| Revenue Bonds (including Premiums) | 1,136,087 | 571,114 | 1,707,201 | 4,844,969 |
| Other Noncurrent Liabilities | 0 | 110 | 110 | 259,936 |
| Total Noncurrent Liabilities | 1,673,307 | 571,441 | 2,244,748 | 7,488,801 |
| Total Liabilities | 3,351,042 | 617,934 | 3,968,976 | 9,334,212 |
| Net Assets | | | | |
| Invested in Capital Assets, Net of Related Debt | 8,148,821 | 330 | 8,149,151 | 2,618,754 |
| Restricted for: | | | | |
| Debt Service | 108,723 | 247,848 | 356,571 | 348,847 |
| EDGE Fund | 145,305 | 0 | 145,305 | 0 |
| Preservation of Wildlife | 68,096 | 0 | 68,096 | 0 |
| Educational Systems | 1,630,217 | 0 | 1,630,217 | 0 |
| Unemployment Benefits | 0 | 371,483 | 371,483 | 0 |
| Water Resource Loans | 0 | 215,493 | 215,493 | 0 |
| Other Purposes | | | | |
| Expendable | 38,014 | 0 | 38,014 | 2,025,577 |
| Nonexpendable | 502,044 | 0 | 502,044 | 74,826 |
| Unrestricted | 2,102,236 | 8,887 | 2,111,123 | 1,531,032 |
| Total Net Assets | \$ 12,743,456 | \$ 844,041 | \$ 13,587,497 | \$ 6,599,036 |

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, 2010
(expressed in thousands)

| Functions | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | Component Units |
|---|---------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|-----------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-Type Activities | Total | |
| Primary Government: | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| Education-General | \$ 3,573,881 | \$ 180,474 | \$ 1,050,992 | \$ 0 | \$ (2,342,415) | | \$ (2,342,415) | |
| Education-Payment to Higher Education | 1,076,248 | 0 | 0 | 0 | (1,076,248) | | (1,076,248) | |
| General Government | 1,611,256 | 219,412 | 475,579 | 0 | (916,265) | | (916,265) | |
| Health Services | 4,750,304 | 167,567 | 3,304,054 | 0 | (1,278,683) | | (1,278,683) | |
| Legal and Judiciary | 256,867 | 132,261 | 34,412 | 0 | (90,194) | | (90,194) | |
| Museums | 14,572 | 3,617 | 930 | 0 | (10,025) | | (10,025) | |
| Natural Resources | 249,020 | 148,603 | 121,708 | 0 | 21,291 | | 21,291 | |
| Public Safety and Defense | 811,999 | 66,237 | 177,092 | 0 | (568,670) | | (568,670) | |
| Regulatory Services | 119,044 | 87,027 | 7,017 | 0 | (25,000) | | (25,000) | |
| Social Services | 2,287,486 | 198,086 | 1,639,644 | 0 | (449,756) | | (449,756) | |
| Transportation | 842,394 | 89,601 | 993,434 | 0 | 240,641 | | 240,641 | |
| Interest on Long-Term Debt | 70,549 | 0 | 0 | 0 | (70,549) | | (70,549) | |
| Total Governmental Activities | 15,663,620 | 1,292,885 | 7,804,862 | 0 | (6,565,873) | | (6,565,873) | |
| Business-Type Activities: | | | | | | | | |
| Employment Security Commission | 1,146,720 | 206,763 | 587,005 | 0 | | \$ (352,952) | (352,952) | |
| Water Resources Board | 26,739 | 26,979 | 8,905 | 0 | | 9,145 | 9,145 | |
| Lottery Commission | 132,642 | 199,926 | 440 | 0 | | 67,724 | 67,724 | |
| Total Business-Type Activities | 1,306,101 | 433,668 | 596,350 | 0 | | (276,083) | (276,083) | |
| Total Primary Government | \$ 16,969,721 | \$ 1,726,553 | \$ 8,401,212 | \$ 0 | (6,565,873) | (276,083) | (6,841,956) | |
| Component Units: | | | | | | | | |
| CompSource Oklahoma | \$ 303,966 | \$ 368,894 | \$ 0 | \$ 0 | | | | \$ 64,928 |
| State and Education Employees | | | | | | | | |
| Group Insurance Board | 826,910 | 876,512 | 0 | 0 | | | | 49,602 |
| Oklahoma Student Loan Authority | 31,287 | 19,858 | 0 | 0 | | | | (11,429) |
| Oklahoma Housing Finance Agency | 171,585 | 83,222 | 116,838 | 0 | | | | 28,475 |
| Oklahoma Turnpike Authority | 205,869 | 214,723 | 0 | 0 | | | | 8,854 |
| Grand River Dam Authority | 316,134 | 336,611 | 0 | 0 | | | | 20,477 |
| Oklahoma Municipal Power Authority | 157,839 | 156,060 | 0 | 0 | | | | (1,779) |
| Higher Education | 3,950,479 | 1,753,665 | 1,579,502 | 0 | | | | (617,312) |
| Nonmajor Component Units | 240,525 | 173,632 | 1,555 | 0 | | | | (65,338) |
| Total Component Units | \$ 6,204,594 | \$ 3,983,177 | \$ 1,697,895 | \$ 0 | | | | (523,522) |
| General Revenues | | | | | | | | |
| Taxes: | | | | | | | | |
| Income Taxes-Individual | | | | | 1,969,264 | 0 | 1,969,264 | 0 |
| Income Taxes-Corporate | | | | | 171,555 | 0 | 171,555 | 0 |
| Sales Tax | | | | | 1,981,220 | 0 | 1,981,220 | 0 |
| Gross Production Taxes | | | | | 702,949 | 0 | 702,949 | 0 |
| Motor Vehicle Taxes | | | | | 551,029 | 0 | 551,029 | 0 |
| Fuel Taxes | | | | | 384,383 | 0 | 384,383 | 0 |
| Tobacco Taxes | | | | | 234,540 | 0 | 234,540 | 0 |
| Other Business Taxes | | | | | 167,260 | 0 | 167,260 | 0 |
| Other Personal Taxes | | | | | 20,683 | 0 | 20,683 | 0 |
| Insurance Taxes | | | | | 87,805 | 0 | 87,805 | 0 |
| Beverage Taxes | | | | | 83,673 | 0 | 83,673 | 0 |
| Other Taxes | | | | | 163,026 | 0 | 163,026 | 0 |
| Payments from Primary Government | | | | | 0 | 0 | 0 | 1,133,077 |
| Investment Earnings | | | | | 45,116 | 0 | 45,116 | 0 |
| Contributions to Permanent Funds | | | | | 62,325 | 0 | 62,325 | 0 |
| Gain on Sale of Assets | | | | | 3,816 | 0 | 3,816 | 0 |
| Transfers | | | | | 70,315 | (70,315) | 0 | 0 |
| Total General Revenues and Transfers | | | | | 6,698,959 | (70,315) | 6,628,644 | 1,133,077 |
| Change in Net Assets | | | | | 133,086 | (346,398) | (213,312) | 609,555 |
| Net Assets - Beginning of Year (as restated) | | | | | 12,610,370 | 1,190,439 | 13,800,809 | 5,989,481 |
| Net Assets - End of Year | | | | | \$ 12,743,456 | \$ 844,041 | \$ 13,587,497 | \$ 6,599,036 |

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





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State of Oklahoma
Balance Sheet
Governmental Funds
June 30, 2010
(expressed in thousands)

| | Permanent Funds | | | | Total Governmental Funds |
|--|---------------------|-------------------------------------|--|------------------------------------|--------------------------------|
| | General | Commissioners of the Land Office | Department of Wildlife Lifetime Licenses | Tobacco Settlement Endowment | |
| Assets | | | | | |
| Assets | | | | | |
| Cash/Cash Equivalents | \$ 2,727,435 | \$ 86,792 | \$ 7,484 | \$ 34,767 | \$ 2,856,478 |
| Investments | 173,800 | 1,515,626 | 74,356 | 497,732 | 2,261,514 |
| Securities Lending Investments | 235,570 | 0 | 0 | 44,997 | 280,567 |
| Accounts Receivable | 34,475 | 0 | 0 | 0 | 34,475 |
| Interest and Investment Revenue Receivable | 691 | 13,314 | 0 | 3,602 | 17,607 |
| Federal Grants Receivable | 476,508 | 0 | 0 | 0 | 476,508 |
| Taxes Receivable | 212,606 | 0 | 0 | 0 | 212,606 |
| Leases Receivable | 22,464 | 0 | 0 | 0 | 22,464 |
| Leases Receivable-Component Units | 478,360 | 0 | 0 | 0 | 478,360 |
| Other Receivables | 133 | 14,485 | 0 | 6 | 14,624 |
| Due from Other Funds | 10,142 | 0 | 94 | 0 | 10,236 |
| Due from Fiduciary Funds | 12 | 0 | 0 | 0 | 12 |
| Due from Component Units | 3,832 | 0 | 0 | 0 | 3,832 |
| Due from Component Units-Noncurrent | 51,349 | 0 | 0 | 0 | 51,349 |
| Inventory | 59,613 | 0 | 0 | 0 | 59,613 |
| Prepaid Items | 1,388 | 0 | 0 | 0 | 1,388 |
| Other Assets | 9,985 | 0 | 7 | 0 | 9,992 |
| Total Assets | \$ 4,498,363 | \$ 1,630,217 | \$ 81,941 | \$ 581,104 | \$ 6,791,625 |
| Liabilities and Fund Balance | | | | | |
| Liabilities | | | | | |
| Accounts Payable and Accrued Liabilities | \$ 801,525 | \$ 0 | \$ 0 | \$ 9,526 | \$ 811,051 |
| Payable Under Securities | | | | | |
| Lending Agreements | 235,570 | 0 | 0 | 44,997 | 280,567 |
| Tax Refunds Payable | 7,313 | 0 | 0 | 0 | 7,313 |
| Due to Other Funds | 94 | 0 | 0 | 34 | 128 |
| Due to Fiduciary Funds | 18,615 | 0 | 0 | 0 | 18,615 |
| Due to Component Units | 95,088 | 0 | 0 | 334 | 95,422 |
| Due to Others | 131,897 | 0 | 0 | 0 | 131,897 |
| Deferred Revenue | 197,402 | 6,311 | 0 | 0 | 203,713 |
| Total Liabilities | 1,487,504 | 6,311 | 0 | 54,891 | 1,548,706 |
| Fund Balances | | | | | |
| Reserved | | | | | |
| Encumbrances | 364,502 | 0 | 0 | 0 | 364,502 |
| Inventory/Prepaid Items | 60,732 | 0 | 0 | 0 | 60,732 |
| Debt Service | 108,723 | 0 | 0 | 0 | 108,723 |
| EDGE Fund | 145,305 | 0 | 0 | 0 | 145,305 |
| Preservation of Wildlife | 0 | 0 | 68,096 | 0 | 68,096 |
| Permanent Trust | 0 | 1,623,906 | 0 | 502,044 | 2,125,950 |
| Undistributed Revenue | 0 | 0 | 13,845 | 24,169 | 38,014 |
| Other Special Purposes | 550 | 0 | 0 | 0 | 550 |
| Unreserved, reported in | | | | | |
| General Fund | | | | | |
| Designated for Cash Flow Reserve Fund | 464,418 | 0 | 0 | 0 | 464,418 |
| Designated for Rainy Day Fund | 149,143 | 0 | 0 | 0 | 149,143 |
| Undesignated | 1,717,486 | 0 | 0 | 0 | 1,717,486 |
| Total Fund Balances | 3,010,859 | 1,623,906 | 81,941 | 526,213 | 5,242,919 |
| Total Liabilities and Fund Balances | \$ 4,498,363 | \$ 1,630,217 | \$ 81,941 | \$ 581,104 | |

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 \$ 5,242,919

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 | \$ | 1,515,135 | |
| Buildings and Improvements | | 1,301,212 | |
| Equipment | | 388,079 | |
| Infrastructure | | 14,040,194 | |
| Construction in Progress | | 283,760 | |
| Accumulated Depreciation | | <u>(8,237,688)</u> | |
| | | | 9,290,692 |

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. 114,142

The Uniform Retirement System for Judges and Justices and the Oklahoma Law Enforcement Retirement System 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. (46,548)

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. 4,907

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. 7,402

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 | | (246,623) | |
| General Obligation and Revenue Bonds | | (1,361,055) | |
| Capital Leases and Certificates of Participation | | (12,553) | |
| Net Pension Obligation (Wildlife) | | (1,554) | |
| Bond Issue Premium | | (44,724) | |
| Accrued Interest on Bonds | | (26,653) | |
| Compensated Absences | | (157,973) | |
| Claims and Judgements | | <u>(18,923)</u> | |
| | | | (1,870,058) |

Net Assets of Governmental Activities \$ 12,743,456

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, 2010
(expressed in thousands)

| | Permanent Funds | | | | Total Governmental Funds |
|--|---------------------|-------------------------------------|--|------------------------------------|--------------------------------|
| | General | Commissioners of the Land Office | Department of Wildlife Lifetime Licenses | Tobacco Settlement Endowment | |
| Revenues | | | | | |
| Taxes | | | | | |
| Income Taxes-Individual | \$ 1,969,264 | \$ 0 | \$ 0 | \$ 0 | \$ 1,969,264 |
| Sales Tax | 1,981,220 | 0 | 0 | 0 | 1,981,220 |
| Gross Production Taxes | 702,949 | 0 | 0 | 0 | 702,949 |
| Income Taxes-Corporate | 171,555 | 0 | 0 | 0 | 171,555 |
| Motor Vehicle Taxes | 551,029 | 0 | 0 | 0 | 551,029 |
| Fuel Taxes | 384,383 | 0 | 0 | 0 | 384,383 |
| Tobacco Taxes | 234,540 | 0 | 0 | 0 | 234,540 |
| Other Business Taxes | 167,260 | 0 | 0 | 0 | 167,260 |
| Other Personal Taxes | 20,683 | 0 | 0 | 0 | 20,683 |
| Insurance Taxes | 87,805 | 0 | 0 | 0 | 87,805 |
| Beverage Taxes | 83,673 | 0 | 0 | 0 | 83,673 |
| Other Taxes | 163,026 | 0 | 0 | 0 | 163,026 |
| Licenses, Permits and Fees | 353,930 | 0 | 2,391 | 0 | 356,321 |
| Interest and Investment Revenue | 75,096 | 342,064 | 4,422 | 55,015 | 476,597 |
| Federal Grants | 7,456,421 | 0 | 0 | 0 | 7,456,421 |
| Sales and Services | 171,048 | 11,880 | 2,049 | 0 | 184,977 |
| Other Grants and Reimbursements | 459,236 | 0 | 0 | 0 | 459,236 |
| Fines and Penalties | 46,047 | 0 | 0 | 0 | 46,047 |
| Other | 211,268 | 1,754 | 0 | 62,325 | 275,347 |
| Total Revenues | 15,290,433 | 355,698 | 8,862 | 117,340 | 15,772,333 |
| Expenditures | | | | | |
| Education | 4,516,770 | 132,016 | 0 | 0 | 4,648,786 |
| General Government | 1,541,068 | 0 | 0 | 19,453 | 1,560,521 |
| Health Services | 4,737,363 | 0 | 0 | 0 | 4,737,363 |
| Legal and Judiciary | 248,996 | 0 | 0 | 0 | 248,996 |
| Museums | 14,993 | 0 | 0 | 0 | 14,993 |
| Natural Resources | 279,830 | 0 | 0 | 0 | 279,830 |
| Public Safety and Defense | 755,376 | 0 | 0 | 0 | 755,376 |
| Regulatory Services | 117,821 | 0 | 0 | 0 | 117,821 |
| Social Services | 2,259,473 | 0 | 0 | 0 | 2,259,473 |
| Transportation | 177,683 | 0 | 0 | 0 | 177,683 |
| Capital Outlay | 1,626,149 | 0 | 0 | 32 | 1,626,181 |
| Debt Service | | | | | |
| Principal Retirement | 111,816 | 0 | 0 | 0 | 111,816 |
| Interest and Fiscal Charges | 70,549 | 0 | 0 | 0 | 70,549 |
| Total Expenditures | 16,457,887 | 132,016 | 0 | 19,485 | 16,609,388 |
| Revenues in Excess of (Less Than) Expenditures | (1,167,454) | 223,682 | 8,862 | 97,855 | (837,055) |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 84,362 | 0 | 0 | 0 | 84,362 |
| Transfers Out | (8,758) | 0 | (5,289) | 0 | (14,047) |
| Bonds Issued | 148,080 | 0 | 0 | 0 | 148,080 |
| Bond and Note Issue Premiums | 2,671 | 0 | 0 | 0 | 2,671 |
| Capital Leases | 8,116 | 0 | 0 | 0 | 8,116 |
| Sale of Capital Assets | 10,142 | 0 | 0 | 0 | 10,142 |
| Total Other Financing Sources (Uses) | 244,613 | 0 | (5,289) | 0 | 239,324 |
| Net Change in Fund Balances | (922,841) | 223,682 | 3,573 | 97,855 | (597,731) |
| Fund Balances - Beginning of Year (as restated) | 3,933,700 | 1,400,224 | 78,368 | 428,358 | 5,840,650 |
| Fund Balances - End of Year | \$ 3,010,859 | \$ 1,623,906 | \$ 81,941 | \$ 526,213 | \$ 5,242,919 |

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

| | | |
|---|-----------|----------------|
| Amounts reported for governmental activities in the statement of activities are different because: | \$ | (597,731) |
| 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 (\$1,236,838) exceeded depreciation (\$415,868) in the current period. | | 820,970 |
| 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. | | (8,169) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (47,982) |
| 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 (\$148,080) exceeded repayments (\$143,048). | | (5,032) |
| 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. | | (2,671) |
| Contributions to certain pension plans use current financial resources from governmental funds, and can increase the net pension obligation (\$26,252) in the statement of activities. | | (26,252) |
| 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 (\$8,108) exceeds the payment of principal (\$2,199) on and the deletion of (\$67), capital leases. | | (5,842) |
| 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 | 4,511 | |
| Increase in entity-wide interest payable | (1,971) | |
| (Increase) Decrease in compensated absences | 3,384 | |
| Amortization of losses on refunded bonds | (2,019) | |
| Amortization of bond issuance costs | (618) | |
| Deferral of bond issuance costs | 173 | |
| Increase in claims and judgements payable | 2,335 | |
| | 5,795 | |
| Change in Net Assets of Governmental Activities | \$ | 133,086 |

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

State of Oklahoma
Statement of Net Assets
Proprietary Funds
June 30, 2010
(expressed in thousands)

| | Business-Type Activities - Enterprise Funds | | | Total |
|--|--|-----------------------------|-----------------------|-------------------|
| | Employment Security Commission | Water Resources Board | Lottery Commission | |
| Assets | | | | |
| Current Assets | | | | |
| Cash/Cash Equivalents | \$ 362,313 | \$ 23,013 | \$ 7,949 | \$ 393,275 |
| Investments | 0 | 11,818 | 0 | 11,818 |
| Accounts Receivable | 9,081 | 0 | 9,539 | 18,620 |
| Interest and Investment Revenue Receivable | 0 | 6,578 | 0 | 6,578 |
| Federal Grants Receivable | 625 | 809 | 0 | 1,434 |
| Other Receivables | 0 | 604 | 0 | 604 |
| Notes Receivable | 0 | 47,084 | 0 | 47,084 |
| Total Current Assets | 372,019 | 89,906 | 17,488 | 479,413 |
| Noncurrent Assets | | | | |
| Cash/Cash Equivalents - Restricted | 0 | 98,237 | 5,137 | 103,374 |
| Long-Term Investments | 0 | 154,099 | 0 | 154,099 |
| Long-Term Notes Receivable | 0 | 728,084 | 0 | 728,084 |
| Capital Assets, Net | 0 | 96 | 234 | 330 |
| Other Noncurrent Assets | 0 | 3,034 | 3,749 | 6,783 |
| Total Noncurrent Assets | 0 | 983,550 | 9,120 | 992,670 |
| Total Assets | 372,019 | 1,073,456 | 26,608 | 1,472,083 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts Payable and Accrued Liabilities | 536 | 109 | 7,590 | 8,235 |
| Interest Payable | 0 | 6,910 | 0 | 6,910 |
| Compensated Absences | 0 | 45 | 117 | 162 |
| Deferred Revenue | 0 | 0 | 322 | 322 |
| Revenue Bonds | 0 | 28,870 | 0 | 28,870 |
| Due to Other Funds | 0 | 708 | 9,401 | 10,109 |
| Other Current Liabilities | 0 | 1,993 | 0 | 1,993 |
| Total Current Liabilities | 536 | 38,635 | 17,430 | 56,601 |
| Noncurrent Liabilities | | | | |
| Revenue Bonds | 0 | 571,114 | 0 | 571,114 |
| Compensated Absences | 0 | 160 | 57 | 217 |
| Other Noncurrent Liabilities | 0 | 110 | 0 | 110 |
| Total Noncurrent Liabilities | 0 | 571,384 | 57 | 571,441 |
| Total Liabilities | 536 | 610,019 | 17,487 | 628,042 |
| Net Assets | | | | |
| Invested in Capital Assets | 0 | 96 | 234 | 330 |
| Restricted for: | | | | |
| Debt Service | 0 | 247,848 | 0 | 247,848 |
| Unemployment Benefits | 371,483 | 0 | 0 | 371,483 |
| Water Resource Loans | 0 | 215,493 | 0 | 215,493 |
| Unrestricted | 0 | 0 | 8,887 | 8,887 |
| Total Net Assets | \$ 371,483 | \$ 463,437 | \$ 9,121 | \$ 844,041 |

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, 2010
(expressed in thousands)

| | Business-Type Activities - Enterprise Funds | | | Total |
|---|--|-----------------------------|-----------------------|-------------------|
| | Employment Security Commission | Water Resources Board | Lottery Commission | |
| | | | | |
| Operating Revenues | | | | |
| Sales and Services | \$ 181,962 | \$ 0 | \$ 199,863 | \$ 381,825 |
| Federal Grants | 587,005 | 5,490 | 0 | 592,495 |
| Interest and Investment Revenue | 0 | 20,339 | 0 | 20,339 |
| Other | 100 | 0 | 63 | 163 |
| Total Operating Revenues | <u>769,067</u> | <u>25,829</u> | <u>199,926</u> | <u>994,822</u> |
| Operating Expenses | | | | |
| Facilities Operations and Maintenance | 0 | 0 | 230 | 230 |
| Administrative and General | 0 | 5,622 | 7,565 | 13,187 |
| Prizes, Commissions and Other | 0 | 0 | 124,147 | 124,147 |
| Interest | 0 | 21,005 | 0 | 21,005 |
| Depreciation | 0 | 43 | 200 | 243 |
| Benefit Payments and Refunds | 1,146,720 | 0 | 0 | 1,146,720 |
| Total Operating Expenses | <u>1,146,720</u> | <u>26,670</u> | <u>132,142</u> | <u>1,305,532</u> |
| Operating Income (Loss) | <u>(377,653)</u> | <u>(841)</u> | <u>67,784</u> | <u>(310,710)</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Interest and Investment Revenue | 22,650 | 8,327 | 440 | 31,417 |
| Other Nonoperating Revenues | 2,051 | 578 | 0 | 2,629 |
| Nonoperating Federal Grants | 0 | 1,150 | 0 | 1,150 |
| Other Nonoperating Expenses | 0 | (69) | (500) | (569) |
| Total Nonoperating Revenues (Expenses) | <u>24,701</u> | <u>9,986</u> | <u>(60)</u> | <u>34,627</u> |
| Income (Loss) Before Transfers | <u>(352,952)</u> | <u>9,145</u> | <u>67,724</u> | <u>(276,083)</u> |
| Transfers In | 0 | 8,758 | 0 | 8,758 |
| Transfers Out | 0 | (9,099) | (69,974) | (79,073) |
| Change in Net Assets | <u>(352,952)</u> | <u>8,804</u> | <u>(2,250)</u> | <u>(346,398)</u> |
| Total Net Assets - Beginning of Year | <u>724,435</u> | <u>454,633</u> | <u>11,371</u> | <u>1,190,439</u> |
| Total Net Assets - Ending | <u>\$ 371,483</u> | <u>\$ 463,437</u> | <u>\$ 9,121</u> | <u>\$ 844,041</u> |

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, 2010
(expressed in thousands)

| | Business-Type Activities - Enterprise Funds | | | Total |
|---|--|-----------------------------|-----------------------|--------------|
| | Employment Security Commission | Water Resources Board | Lottery Commission | |
| Cash Flows from Operating Activities | | | | |
| Receipts from Customers and Users | \$ 180,614 | \$ 0 | \$ 185,481 | \$ 366,095 |
| Receipts from Federal Grants | 589,014 | 4,390 | 0 | 593,404 |
| Payments of Benefits | (1,147,105) | 0 | 0 | (1,147,105) |
| Payments to Suppliers | 0 | (3,041) | (10,702) | (13,743) |
| Payments to Employees | 0 | (3,245) | (3,128) | (6,373) |
| Payments to Prize Winners | 0 | 0 | (105,789) | (105,789) |
| Payments to fund deposit with Multi-State Lottery | 0 | 0 | (283) | (283) |
| Collections of Interest on Loans to Governmental Units | 0 | 20,539 | 0 | 20,539 |
| Payments of Operating Interest Expense | 0 | (20,472) | 0 | (20,472) |
| Net Cash Provided (Used) by Operating Activities | (377,477) | (1,829) | 65,579 | (313,727) |
| Cash Flows from Noncapital Financing Activities | | | | |
| Federal Grants and Other Contributions | 2,051 | 135,399 | 0 | 137,450 |
| Transfers In | 0 | 8,758 | 0 | 8,758 |
| Transfers Out | 0 | (9,099) | (68,632) | (77,731) |
| Principal Paid on Bonds and Notes Payable | 0 | (36,765) | 0 | (36,765) |
| Net Cash Provided (Used) by Noncapital Financing Activities | 2,051 | 98,293 | (68,632) | 31,712 |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Payments for Acquisition of Capital Assets | 0 | (10) | (36) | (46) |
| Net Cash Used by Capital and Related Financing Activities | 0 | (10) | (36) | (46) |
| Cash Flows from Investing Activities | | | | |
| Interest and Investment Revenue | 22,650 | 9,203 | 450 | 32,303 |
| Proceeds from Sale and Maturity of Investments | 0 | 40,868 | 0 | 40,868 |
| Payments to Purchase Investments | 0 | (3,170) | 0 | (3,170) |
| Collections of Principal on Loans to Governmental Units | 0 | 64,187 | 0 | 64,187 |
| Payments to Issue Notes Receivable | 0 | (153,963) | 0 | (153,963) |
| Net Cash Provided by Investing Activities | 22,650 | (42,875) | 450 | (19,775) |
| Net Increase in Cash/Cash Equivalents | (352,776) | 53,579 | (2,639) | (301,836) |
| Cash/Cash Equivalents - Beginning of Year | 715,089 | 67,671 | 15,725 | 798,485 |
| Cash/Cash Equivalents - End of Year | \$ 362,313 | \$ 121,250 | \$ 13,086 | \$ 496,649 |
| Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities | | | | |
| Operating Income (Loss) | \$ (377,653) | \$ (841) | \$ 67,784 | \$ (310,710) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | | | |
| Depreciation Expense | 0 | 43 | 200 | 243 |
| Amortization (Accretion) and Other Noncash Expenses | 0 | (1,054) | 30 | (1,024) |
| Decrease (Increase) in Assets | | | | |
| Accounts Receivable | 562 | (107) | (581) | (126) |
| Interest and Investment Receivable | 0 | (790) | 0 | (790) |
| Deposit with Multi-State Lottery | 0 | 0 | (283) | (283) |
| Other Receivables | 0 | (606) | 0 | (606) |
| Increase (Decrease) in Liabilities | | | | |
| Accounts Payable and Accrued Liabilities | (386) | 107 | (166) | (445) |
| Interest Payable | 0 | 1,663 | 0 | 1,663 |
| Prizes Payable | 0 | 0 | (525) | (525) |
| Compensated Absences | 0 | (43) | 0 | (43) |
| Arbitrage Rebate Payable | 0 | 0 | 0 | 0 |
| Due to other funds | 0 | 0 | (572) | (572) |
| Deferred Revenue | 0 | 0 | (308) | (308) |
| Other Current Liabilities | 0 | (201) | 0 | (201) |
| Net Cash Provided (Used) by Operating Activities | \$ (377,477) | \$ (1,829) | \$ 65,579 | \$ (313,727) |

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, 2010
(expressed in thousands)

| | Pension Trust Funds | Agency Fund |
|--|------------------------|-------------------|
| Assets | | |
| Cash/Cash Equivalents | \$ 480,404 | \$ 436,334 |
| Investments, at fair value | | |
| Equity Securities | 8,142,392 | 0 |
| Governmental Securities | 2,872,725 | 0 |
| Debt Securities | 3,539,835 | 0 |
| Mutual Funds | 2,956,551 | 0 |
| Other Investments | 358,160 | 85 |
| Securities Lending Investments | 3,187,972 | 0 |
| Taxes Receivable | 0 | 1 |
| Accounts Receivable | 0 | 133 |
| Interest and Investment Revenue Receivable | 66,636 | 0 |
| Employer Contributions Receivable | 49,810 | 0 |
| Employee Contributions Receivable | 27,806 | 0 |
| Other Contributions Receivable | 23,543 | 0 |
| Other Receivables | 378 | 0 |
| Due from Brokers | 334,026 | 0 |
| Due from Other Funds | 18,615 | 0 |
| Due from Component Units | 0 | 598 |
| Inventory | 0 | 6,861 |
| Capital Assets, Net | 1,953 | 0 |
| Other Assets | 258 | 0 |
| Total Assets | 22,061,064 | \$ 444,012 |
| Liabilities | | |
| Accounts Payable | 3,034 | \$ 463 |
| Tax Refunds Payable | 0 | 13,997 |
| Securities Lending Payable | 3,187,972 | 0 |
| Due to Brokers | 587,645 | 0 |
| Due to Other Funds | 12 | 0 |
| Due to Component Units | 9,799 | 0 |
| Due to Others | 0 | 429,552 |
| Benefits in the Process of Payment | 20,113 | 0 |
| Other Liabilities | 8,129 | 0 |
| Total Liabilities | 3,816,704 | \$ 444,012 |
| Net Assets | | |
| Held in Trust for Pension Benefits and Pool Participants | \$ 18,244,360 | |

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, 2010
(expressed in thousands)

| | Pension Trust Funds |
|--|------------------------|
| Additions | |
| Contributions | |
| Employer Contributions | \$ 711,260 |
| Employee Contributions | 411,987 |
| Other Contributions | 346,283 |
| Total Contributions | <u>1,469,530</u> |
| Investment Earnings | |
| Net Increase (Decrease) in Fair Value of Investments | 1,940,217 |
| Interest and Investment Revenue | 427,975 |
| Total Investment Earnings | <u>2,368,192</u> |
| Less Investment Expenses | <u>60,423</u> |
| Net Investment Earnings | <u>2,307,769</u> |
| Total Additions | <u>3,777,299</u> |
| Deductions | |
| Administrative and General Expenses | 14,851 |
| Benefit Payments and Refunds | 1,741,630 |
| Total Deductions | <u>1,756,481</u> |
| Change in Net Assets | 2,020,818 |
| Net Assets - Beginning of Year (as restated) | <u>16,223,542</u> |
| Net Assets - End of Year | <u>\$ 18,244,360</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. 58th 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, 2010
(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 |
|---------------------------------|------------------------|--|---------------------------------------|--|-----------------------------------|---------------------------------|---|--|---|------------------------------------|
| Assets | | | | | | | | | | |
| Current Assets | | | | | | | | | | |
| Cash/Cash Equivalents | | | | | | | | | | |
| Unrestricted | \$ 34,268 | \$ 83,858 | \$ 394 | \$ 15,505 | \$ 52,166 | \$ 17,206 | \$ 1,676 | \$ 1,171,091 | \$ 104,911 | \$ 1,481,075 |
| Investments | 1,127,646 | 175,348 | 14,730 | 3,430 | 50,326 | 197,530 | 14,413 | 467,250 | 24,343 | 2,075,016 |
| Securities Lending Investments | 172,409 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 172,409 |
| Accounts Receivable | 0 | 15,570 | 0 | 1,048 | 2,536 | 37,421 | 14,264 | 242,849 | 5,983 | 319,671 |
| Interest and Investment | | | | | | | | | | |
| Revenue Receivable | 9,690 | 4,217 | 189 | 147 | 2,594 | 1,428 | 293 | 4,162 | 415 | 23,135 |
| Federal Grants Receivable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,628 | 0 | 7,628 |
| Other Receivables | 681 | 997 | 0 | 0 | 0 | 0 | 0 | 13,473 | 212 | 15,363 |
| Notes Receivable | 42,596 | 0 | 0 | 0 | 0 | 0 | 0 | 6,215 | 2,047 | 50,858 |
| Due from Fiduciary Funds | 0 | 9,385 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,385 |
| Due from Other Component Units | 129 | 0 | 0 | 0 | 0 | 1,438 | 0 | 145 | 1,024 | 2,736 |
| Due from Primary Government | 3,369 | 14,096 | 0 | 0 | 820 | 372 | 0 | 56,713 | 3,915 | 79,285 |
| Inventory | 0 | 0 | 0 | 0 | 2,119 | 59,152 | 5,394 | 23,930 | 0 | 90,595 |
| Prepaid Items | 0 | 0 | 0 | 250 | 261 | 5,777 | 0 | 11,054 | 84 | 17,426 |
| Other Current Assets | 3,276 | 0 | 0 | 0 | 0 | 0 | 2,544 | 2,652 | 696 | 9,168 |
| Total Current Assets | 1,394,064 | 303,471 | 15,313 | 20,380 | 110,822 | 320,324 | 38,584 | 2,007,162 | 143,630 | 4,353,750 |
| Noncurrent Assets | | | | | | | | | | |
| Cash/Cash Equivalents - | | | | | | | | | | |
| Restricted | 0 | 0 | 321 | 31,446 | 119,363 | 0 | 2,006 | 194,462 | 260 | 347,858 |
| Investments - Restricted | 0 | 0 | 101,843 | 697,942 | 116,635 | 244,179 | 104,094 | 284,929 | 54,409 | 1,604,031 |
| Long-Term Investments | | | | | | | | | | |
| Unrestricted | 0 | 0 | 0 | 11,159 | 0 | 0 | 38,447 | 1,218,700 | 0 | 1,268,306 |
| Long-Term Notes Receivable, Net | | | | | | | | | | |
| Unrestricted | 22,944 | 0 | 20,454 | 0 | 0 | 0 | 0 | 49,091 | 17,332 | 109,821 |
| Restricted | 0 | 0 | 1,021,645 | 4,589 | 0 | 0 | 0 | 0 | 0 | 1,026,234 |
| Capital Assets | | | | | | | | | | |
| Depreciable, Net | | | | | | | | | | |
| Land | 18,030 | 609 | 538 | 2,986 | 973,119 | 658,872 | 324,252 | 3,600,313 | 195,781 | 5,774,500 |
| Construction in Progress | 1,179 | 0 | 0 | 550 | 162,706 | 33,279 | 0 | 156,032 | 4,135 | 357,881 |
| Other Noncurrent Assets | 0 | 0 | 0 | 0 | 7,777 | 86,339 | 61,683 | 409,458 | 24,929 | 590,186 |
| Other Noncurrent Assets | | | | | | | | | | |
| Unrestricted | 6,555 | 0 | 211 | 0 | 4,837 | 22,589 | 114,949 | 303,888 | 20,142 | 473,171 |
| Restricted | 0 | 0 | 14,539 | 10,518 | 0 | 0 | 417 | 0 | 2,036 | 27,510 |
| Total Noncurrent Assets | 48,708 | 609 | 1,159,551 | 759,190 | 1,384,437 | 1,045,258 | 645,848 | 6,216,873 | 319,024 | 11,579,498 |
| Total Assets | 1,442,772 | 304,080 | 1,174,864 | 779,570 | 1,495,259 | 1,365,582 | 684,432 | 8,224,035 | 462,654 | 15,933,248 |

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 |
|--|------------------------|--|---------------------------------------|--|-----------------------------------|---------------------------------|---|--|---|------------------------------------|
| Liabilities | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | |
| Accounts Payable and Accrued Liabilities | 0 | 9,247 | 3,282 | 3,019 | 14,256 | 33,905 | 24,127 | 184,718 | 30,969 | 303,523 |
| Payable Under Securities | | | | | | | | | | |
| Lending Agreements | 177,198 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 177,198 |
| Claims and Judgments | 200,065 | 110,440 | 0 | 0 | 0 | 0 | 0 | 3,238 | 13,516 | 327,259 |
| Interest Payable | 0 | 0 | 1,654 | 2,771 | 17,048 | 3,839 | 13,046 | 15,544 | 1,076 | 54,978 |
| Due to Fiduciary Funds | 0 | 0 | 0 | 0 | 2 | 596 | 0 | 0 | 0 | 598 |
| Due to Other Component Units | 0 | 23 | 0 | 0 | 41 | 64 | 0 | 2,482 | 126 | 2,736 |
| Due to Primary Government | 10 | 0 | 0 | 2 | 2,177 | 103 | 0 | 1,665 | 10 | 3,967 |
| Deferred Revenue | 69,104 | 0 | 0 | 403 | 22,105 | 14,481 | 0 | 130,291 | 116 | 236,500 |
| Capital Leases | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 27,916 | 0 | 27,916 |
| Capital Leases-Primary Govt. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,203 | 0 | 17,203 |
| Compensated Absences | 1,704 | 924 | 221 | 913 | 0 | 3,742 | 0 | 70,562 | 417 | 78,483 |
| Notes Payable | 0 | 0 | 56,959 | 0 | 35,000 | 0 | 1,493 | 56,478 | 1,261 | 151,191 |
| General Obligation Bonds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 565 | 565 |
| Revenue Bonds | 0 | 0 | 28,964 | 13,369 | 45,095 | 95,470 | 16,180 | 35,228 | 980 | 235,286 |
| Other Current Liabilities | 13,947 | 12,438 | 0 | 0 | 0 | 0 | 2,454 | 163,256 | 35,913 | 228,008 |
| Total Current Liabilities | 462,028 | 133,072 | 91,080 | 20,477 | 135,724 | 152,200 | 57,300 | 708,581 | 84,949 | 1,845,411 |
| Noncurrent Liabilities | | | | | | | | | | |
| Claims and Judgments | 725,117 | 10,963 | 0 | 0 | 0 | 0 | 0 | 3,440 | 101,366 | 840,886 |
| Due to Primary Government | 0 | 0 | 0 | 0 | 51,214 | 0 | 0 | 0 | 0 | 51,214 |
| Capital Leases | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 281,667 | 0 | 281,667 |
| Capital Leases-Primary Govt. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 461,157 | 0 | 461,157 |
| Compensated Absences | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 28,039 | 135 | 28,174 |
| Notes Payable | 0 | 0 | 331,116 | 0 | 0 | 0 | 48,905 | 270,473 | 22,966 | 673,460 |
| General Obligation Bonds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 47,338 | 47,338 |
| Revenue Bonds | 0 | 0 | 687,821 | 624,979 | 1,007,056 | 844,164 | 539,073 | 1,080,931 | 60,945 | 4,844,969 |
| Other Noncurrent Liabilities | 0 | 0 | 31 | 4,150 | 0 | 15,678 | 18,000 | 221,507 | 570 | 259,936 |
| Total Noncurrent Liabilities | 725,117 | 10,963 | 1,018,968 | 629,129 | 1,058,270 | 859,842 | 605,978 | 2,347,214 | 233,320 | 7,488,801 |
| Total Liabilities | 1,187,145 | 144,035 | 1,110,048 | 649,606 | 1,193,994 | 1,012,042 | 663,278 | 3,055,795 | 318,269 | 9,334,212 |
| Net Assets | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 19,209 | 609 | 538 | 3,536 | 83,237 | 154,705 | (26,850) | 2,211,138 | 172,632 | 2,618,754 |
| Restricted for: | | | | | | | | | | |
| Debt Service | 0 | 0 | 0 | 83,637 | 103,547 | 59,544 | 26,786 | 75,333 | 0 | 348,847 |
| Other Special Purpose | | | | | | | | | | |
| Expendable | 5,000 | 0 | 28,815 | 7,663 | 18,458 | 394 | 9,309 | 1,921,195 | 34,743 | 2,025,577 |
| Nonexpendable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 74,826 | 0 | 74,826 |
| Unrestricted | 231,418 | 159,436 | 35,463 | 35,128 | 96,023 | 138,897 | 11,909 | 885,748 | (62,990) | 1,531,032 |
| Total Net Assets | \$ 255,627 | \$ 160,045 | \$ 64,816 | \$ 129,964 | \$ 301,265 | \$ 353,540 | \$ 21,154 | \$ 5,168,240 | \$ 144,385 | \$ 6,599,036 |

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, 2010
(expressed in thousands)

| | Expenses | Program Revenues | | | General Revenue | | Change in Net Assets | Net Assets Beginning of Year | Net Assets End of Year |
|------------------------------------|---------------------|-------------------------|--|--------------------------|--|-------------------|-------------------------|------------------------------------|---------------------------|
| | | Charges for Services | Operating Grants and Contributions | Net (Expense) Revenue | Payments from Primary Government | | | | |
| Component Units: | | | | | | | | | |
| CompSource Oklahoma | \$ 303,966 | \$ 368,894 | \$ 0 | \$ 64,928 | \$ 0 | \$ 64,928 | \$ 190,699 | \$ 255,627 | |
| State Education and Employees | | | | | | | | | |
| Group Insurance Board | 826,910 | 876,512 | 0 | 49,602 | 0 | 49,602 | 110,443 | 160,045 | |
| Oklahoma Student Loan Authority | 31,287 | 19,858 | 0 | (11,429) | 0 | (11,429) | 76,245 | 64,816 | |
| Oklahoma Housing Finance Agency | 171,585 | 83,222 | 116,838 | 28,475 | 0 | 28,475 | 101,489 | 129,964 | |
| Oklahoma Turnpike Authority | 205,869 | 214,723 | 0 | 8,854 | 0 | 8,854 | 292,411 | 301,265 | |
| Grand River Dam Authority | 316,134 | 336,611 | 0 | 20,477 | 0 | 20,477 | 333,063 | 353,540 | |
| Oklahoma Municipal Power Authority | 157,839 | 156,060 | 0 | (1,779) | 0 | (1,779) | 22,933 | 21,154 | |
| Higher Education Component Unit | 3,950,479 | 1,753,665 | 1,579,502 | (617,312) | 1,076,248 | 458,936 | 4,709,304 | 5,168,240 | |
| Nonmajor Component Units Total | 240,525 | 173,632 | 1,555 | (65,338) | 56,829 | (8,509) | 152,894 | 144,385 | |
| Total Component Units | \$ 6,204,594 | \$ 3,983,177 | \$ 1,697,895 | \$ (523,522) | \$ 1,133,077 | \$ 609,555 | \$ 5,989,481 | \$ 6,599,036 | |

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





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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 June 2007 the GASB issued Statement 51 *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets.

The State was required to implement this standard for the fiscal year ending June 30, 2010.

In June 2008 the GASB issued statement 53 *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

The State was required to implement this standard for the fiscal year ending June 30, 2010.

In March, 2009 the GASB issued Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and Statement 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. Statement 55 improves financial reporting by contributing to the GASB’s efforts to codify all GAAP for state and local governments so that they derive from a single source. Statement 56 incorporates accounting and financial reporting guidance previously contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB’s accounting and financial reporting literature for state and local governments. Statement 56 addresses three issues from the AICPA’s literature - related party transactions, going concern considerations, and subsequent events. The Statement brings existing guidance without substantive changes into the GASB’s body of standards, as appropriate for governmental entities.

Both Statement 55 and 56 were effective upon issuance.

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, 2010, and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts and authorities and any 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, 2009, and their report, dated March 31, 2010, 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, 2009, and their report, dated April 29, 2010, 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, 2010, and their report, dated October 25, 2010, 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, 2009, and their report, dated May 17, 2010, 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, 2009, and their report, dated March 30, 2010, 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, 2009, and their report, dated March 31, 2010, 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, 2009, and their report, dated April 1, 2010, 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). Twenty-four of these colleges and universities have one or more 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, 2010, and their report, dated October 26, 2010, 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, 2010, and their report, dated October 19, 2010, 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, 2010, and their report, dated October 25, 2010, 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 at will. The Fund was audited by other independent auditors for the period ended December 31, 2009, and their report, dated June 28, 2010, 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, 2010, and their report, dated October 29, 2010, 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, 2010, and their report, dated October 22, 2010, has been previously issued under separate cover.

Oklahoma Capital Investment Board 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. 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, 2010, and their report, dated September 2, 2010, 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, 2010, and their report, dated October 29, 2010, 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 Commission with the planning and financing of the 2007 State Centennial Commemoration. The Fund is administered by a Board of Directors that is appointed by the Commission. The Fund was compiled by other independent auditors for the year ended December 31, 2009, 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, 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, 2010, and their report, dated October 7, 2010, 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, 2010, and their report, dated October 12, 2010, 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, 2010, and their report, dated October 21, 2010, 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, 2010, and their report, dated October 21, 2010, 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, 2010, and their report, dated October 15, 2010, 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, 2010, and their report, dated November 15, 2010, 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 reservation 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 for 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 a reservation of fund balance for debt service.

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 for 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, 2010, 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 | 12-31-09 |
| Multiple Injury Trust Fund | 12-31-09 |
| State and Education Employees Group Insurance Board | 12-31-09 |
| Oklahoma Transportation Authority | 12-31-09 |
| Grand River Dam Authority | 12-31-09 |
| Oklahoma Municipal Power Authority | 12-31-09 |
| Oklahoma Housing Finance Agency | 09-30-09 |
| Oklahoma Centennial Commemoration Fund | 12-31-09 |

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 reservations of 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, 2010 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 2010 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 reservation of fund balance on the balance sheet, except for \$269,000 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 reservation of fund balance, indicating they do not constitute available expendable resources.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (which is 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 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 reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use. The reserves for related assets such as inventories and prepayments are examples of the former. Reserves for encumbrances, contracts, and other specific purposes are examples of the latter. The governmental funds' designation of fund balance reflects tentative plans for future use of financial resources.

The Economic Development Generating Excellence (EDGE) Fund was established in fiscal year 2006 to support innovation that will strengthen current Oklahoma businesses and create businesses that will likely remain in the State. Earnings from the fund are restricted for projects and programs that will increase private and public applied research and development, technology transfer, and technology commercialization in Oklahoma.

As further explained in item J above, the General Fund inventory includes \$269,000 in food commodities which is also included in deferred revenue. Therefore, the reservation of fund balance for inventory/prepaid on the balance sheet is \$269,000 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 \$125,145,000 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, 2010, the OCIB had negative net assets of \$13,488,000. 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, 2010, it was determined that several agencies incurred expenses of \$4,589,000 for pollution obligations related to hazardous material on highways and asbestos removal. There was also a liability incurred of \$4,721,000 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 monies 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% | 35.0% | 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, 2010 (expressed in thousands):

| Investments - Primary Government | | | | |
|---|---------------------------|------------------------|---------------------------------|---------------------------------|
| Investment Type | General Government | Permanent Funds | Business-Type Activities | Total Primary Government |
| POOLED INVESTMENTS | | | | |
| US Treasury | \$ 156,372 | \$ - | \$ - | \$ 156,372 |
| US Agency | 3,785,947 | - | - | 3,785,947 |
| Repurchase Agreements | 320,000 | - | - | 320,000 |
| Money Market Mutual Funds | 436,758 | - | - | 436,758 |
| Securities Lending Collateral Pool | 235,570 | 44,997 | - | 280,567 |
| Mutual Funds | 1,285 | - | - | 1,285 |
| Certificates of Deposit | 284,126 | - | - | 284,126 |
| State & Muni Bond Issues | 205,275 | - | - | 205,275 |
| NON-POOLED INVESTMENTS | | | | |
| US Treasury | 16,742 | 177,453 | 11,818 | 206,013 |
| US Agency | 9,812 | 268,238 | 7,801 | 285,851 |
| Domestic Corporate Bonds | 28,476 | 922,440 | - | 950,916 |
| Foreign Corporate Bonds | 19,776 | 65,643 | - | 85,419 |
| Domestic Equities | 58,508 | 580,064 | - | 638,572 |
| Foreign Equities | - | 66,632 | - | 66,632 |
| Other | - | 7,244 | 11,143 | 18,387 |
| Money Market Mutual Funds | 16,898 | - | - | 16,898 |
| Guaranteed Investment Contracts | - | - | 135,155 | 135,155 |
| Totals | <u>\$ 5,575,545</u> | <u>\$ 2,132,711</u> | <u>\$ 165,917</u> | <u>\$ 7,874,173</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, 2010 (expressed in thousands):

Investments - Component Units

| Investment Type | Total Component Units |
|--|--------------------------|
| US Treasury | \$ 726,398 |
| US Agency | 275,238 |
| Domestic Debt Instruments | 941,351 |
| Foreign Corporate Bonds | 50,624 |
| State, Muni and Local Gov't Debt Instruments | 20,685 |
| Domestic Equities and Equity Funds | 1,060,671 |
| Foreign Equities | 60,413 |
| Other | 1,409,489 |
| Money Market Mutual Funds | 276,323 |
| Guaranteed Investment Contracts | 126,161 |
| | <u>\$ 4,947,353</u> |

A. Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of the failure of 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, 2010, 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 \$362,621,000 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, 2010, the Pension Trust Funds had deposits and cash equivalents of \$480,404,000 of which \$263,685,000 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, 2010, the Component Units had \$7,597,000 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 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, 2010, 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 | \$ - | \$ 4,580,239 | \$ 541,663 | \$ 2,875 | \$ 5,124,777 |
| Aa/AA/AA | - | 1,041 | 37,426 | 4,972 | 43,439 |
| A/A/A | - | 10,616 | 414,849 | 8,838 | 434,303 |
| Baa/BBB/BBB | - | - | 210,827 | 23,131 | 233,958 |
| Ba/BB/BB | - | - | 165,604 | 8,719 | 174,323 |
| B/B/B | - | - | 205,897 | 12,741 | 218,638 |
| Caa/CCC/CCC | - | - | 64,859 | 1,772 | 66,631 |
| Ca./CC/CC | - | - | 232 | 83 | 315 |
| C/C/C | - | - | 2,348 | 62 | 2,410 |
| D/D/D | - | - | 61 | - | 61 |
| Not Rated | - | 7,801 | 215,961 | 22,226 | 245,988 |
| Credit Risk Not Applicable | 39,761 | - | - | - | 39,761 |
| Total | \$ 39,761 | \$ 4,599,697 | \$ 1,859,727 | \$ 85,419 | \$ 6,584,604 |

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, 2010, 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 Securities | Treasury, Agency and Municipal Securities | International Government Securities | US Corporate Debt Instruments | International Debt Instruments | Total |
|--|-----------------------------|---|---|-------------------------------------|--------------------------------------|---------------------|
| Aaa/AAA/AAA | \$ - | \$ 478,755 | \$ 47,041 | \$ 691,082 | \$ 1,717 | \$ 1,218,595 |
| Aa/AA/AA | - | 39,860 | - | 161,224 | - | 201,084 |
| A/A/A | - | 59,198 | 40,469 | 423,836 | - | 523,503 |
| Baa/BBB/BBB | - | 13,911 | 9,120 | 636,063 | - | 659,094 |
| Ba/BB/BB | - | 2,814 | 2,605 | 457,311 | - | 462,730 |
| B/B/B | - | 2,818 | - | 391,785 | - | 394,603 |
| Caa/CCC/CCC | - | - | - | 136,981 | - | 136,981 |
| Ca./CC/CC | - | - | - | 4,837 | - | 4,837 |
| C/C/C | - | - | - | 423 | - | 423 |
| D/D/D | - | - | - | 1,139 | - | 1,139 |
| Not Rated | - | 425,548 | 5,557 | 548,781 | 84,656 | 1,064,542 |
| Credit Risk Not Applicable | 1,745,029 | - | - | - | - | 1,745,029 |
| Total | \$ 1,745,029 | \$ 1,022,904 | \$ 104,792 | \$ 3,453,462 | \$ 86,373 | \$ 6,412,560 |

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, 2010 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 Securities | Treasury, Agency and Municipal Securities | International Government Securities | US Corporate Debt Instruments | International Debt Instruments | Total |
|--|-----------------------------|--|--|----------------------------------|-----------------------------------|---------------------|
| Aaa/AAA/AAA | \$ - | \$ 275,785 | \$ - | \$ 373,191 | \$ - | \$ 648,976 |
| Aa/AA/AA | - | 20,685 | 16,274 | 101,488 | - | 138,447 |
| A/A/A | - | - | - | 246,450 | - | 246,450 |
| Baa/BBB/BBB | - | - | - | 110,233 | - | 110,233 |
| C/C/C | - | - | 18,797 | - | - | 18,797 |
| Not Rated | - | 66,418 | - | 512,246 | 15,553 | 594,217 |
| Credit Risk Not Applicable | 659,660 | - | - | - | - | 659,660 |
| Total | \$ 659,660 | \$ 362,888 | \$ 35,071 | \$ 1,343,608 | \$ 15,553 | \$ 2,416,780 |

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, 2010, the Board held Guaranteed Investment Contracts issued by Transamerica Occidental Life Insurance Co. / Transamerica Life Insurance and Annuity Co. in the amount of \$131,665,000 or 46% 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, 2010, the Primary Government had the following investments with maturities (expressed in thousands):

Interest Rate Risk - Primary Government

| Weighted Average Years to Maturity | Treasury, Agency and Municipal | | US Corporate | International | Total |
|---|-----------------------------------|--------------|---------------------|---------------------|--------------|
| | US Government Securities | Securities | Debt Instruments | Debt Instruments | |
| Less than 1 year Weighted Average to Maturity | \$ 378 | \$ 115,019 | \$ 775,117 | \$ - | \$ 890,514 |
| 1 - 5 years | 13,709 | 4,443,248 | 3,566 | 37,837 | 4,498,360 |
| 6 - 10 years | 20,252 | 27,954 | 945,365 | 47,582 | 1,041,153 |
| 10 or more years | 5,422 | 13,476 | 524 | - | 19,422 |
| No Maturity or Not Applicable | - | - | 135,155 | - | 135,155 |
| Total | \$ 39,761 | \$ 4,599,697 | \$ 1,859,727 | \$ 85,419 | \$ 6,584,604 |

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, 2010, the Pension Trust Funds had the following exposure to interest rate risk (expressed in thousands):

Interest Rate Risk - Pension Trust Funds

| Duration or Weighted Average Years | Treasury, Agency and Municipal | | International | US Corporate | International | Total |
|------------------------------------|-----------------------------------|------------|--------------------------|---------------------|---------------------|--------------|
| | US Government Securities | Securities | Government Securities | Debt Instruments | Debt Instruments | |
| Less than 1 year duration | \$ - | \$ 53,887 | \$ 39,807 | \$ 355,754 | \$ - | \$ 449,448 |
| 1 - 5 years | 542,734 | 587,051 | 18,550 | 1,303,577 | - | 2,451,912 |
| 6 - 10 years | 191,880 | 9,411 | 25,075 | 852,817 | 1,566 | 1,080,749 |
| 10 or more years | 1,174,939 | 70,315 | 21,360 | 500,512 | - | 1,767,126 |
| No Duration | 135,669 | 2,047 | - | 440,802 | 84,807 | 663,325 |
| Total | \$ 2,045,222 | \$ 722,711 | \$ 104,792 | \$ 3,453,462 | \$ 86,373 | \$ 6,412,560 |

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, 2010, the Component Units had the following interest rate risk exposure (expressed in thousands):

Interest Rate Risk - Component Units

| Weighted Average Years to Maturity | US Government Securities | Treasury, Agency and Municipal Securities | International Government Securities | US Corporate Debt Instruments | International Debt Instruments | Total |
|---|-------------------------------------|--|--|--|---|---------------------|
| Less than 1 year Weighted Average to Maturity | \$ 152,906 | \$ 26,044 | \$ - | \$ 261,628 | \$ - | \$ 440,578 |
| 1 - 5 years | 211,617 | 78,090 | - | 756,593 | 136 | 1,046,436 |
| 6 - 10 years | 282,347 | 53,220 | 16,274 | 131,821 | - | 483,662 |
| 10 or more years | 1,042 | 26,022 | - | - | - | 27,064 |
| No Maturity or Not Applicable | 11,748 | 179,512 | 18,797 | 193,566 | 15,417 | 419,040 |
| Total | <u>\$ 659,660</u> | <u>\$ 362,888</u> | <u>\$ 35,071</u> | <u>\$ 1,343,608</u> | <u>\$ 15,553</u> | <u>\$ 2,416,780</u> |

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, 2010, 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 | \$ 4,477 | \$ 282 | \$ 7 | \$ 4,766 |
| Argentine peso | - | 186 | - | 186 |
| Brazilian real | 312 | 1,471 | - | 1,783 |
| British pound sterling | 11,239 | 3,551 | 359 | 15,149 |
| Bermuda dollar | - | 889 | - | 889 |
| Canadian dollar | 4,770 | 1,597 | - | 6,367 |
| Cayman dollar | 1,119 | 1,172 | - | 2,291 |
| Chinese renminbi | 609 | - | - | 609 |
| Chilean Peso | - | 163 | - | 163 |
| Columbian peso | - | 821 | - | 821 |
| Czech koruna | 196 | - | - | 196 |
| Danish krone | 139 | 221 | - | 360 |
| Euro | 21,514 | 11,179 | 464 | 33,157 |
| Hong Kong dollar | 5,945 | - | - | 5,945 |
| Hungarian forint | 106 | - | - | 106 |
| Indian rupee | 542 | - | - | 542 |
| Indonesian rupiah | 29 | 339 | - | 368 |
| Israeli shekel | 1,563 | - | - | 1,563 |
| Japanese yen | 16,121 | - | - | 16,121 |
| Malaysian ringgit | - | 315 | - | 315 |
| Mexican peso | 252 | 816 | - | 1,068 |
| Norwegian krone | 1,637 | 48 | - | 1,685 |
| Peruvian nuevo sol | 19 | 18 | - | 37 |
| Polish zloty | 264 | - | - | 264 |
| Qatar rial | - | 369 | - | 369 |
| Russian ruble | 948 | 891 | - | 1,839 |
| Singapore dollar | 1,449 | - | - | 1,449 |
| South African rand | 403 | 157 | - | 560 |
| South Korean won | 1,402 | - | - | 1,402 |
| Swedish krona | 180 | 647 | - | 827 |
| Swiss franc | 1,197 | 246 | - | 1,443 |
| Thai baht | 708 | 273 | - | 981 |
| Turkish lira | - | 1,056 | - | 1,056 |
| Ukrainian Hryvnia | 17 | - | - | 17 |
| Venezuelan bolivar | - | 671 | - | 671 |
| Totals | <u>\$ 77,157</u> | <u>\$ 27,378</u> | <u>\$ 830</u> | <u>\$ 105,365</u> |

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, 2010 (expressed in thousands):

Foreign Currency Risk - Pension Trust Funds

| Currency | Equities | Debt Instruments | Cash and Equivalents | Total |
|------------------------|---------------------|---------------------|-------------------------|---------------------|
| Australian dollar | \$ 55,803 | \$ 6,878 | \$ 139 | \$ 62,820 |
| Brazilian real | 30,733 | 2,730 | 28 | 33,491 |
| British pound sterling | 260,177 | 8,173 | 177 | 268,527 |
| Bulgarian lev | 168 | - | - | 168 |
| Canadian dollar | 45,909 | 2,406 | 606 | 48,921 |
| Czech koruna | 3,248 | - | 41 | 3,289 |
| Danish krone | 17,295 | - | - | 17,295 |
| Egyptian pound | 307 | - | - | 307 |
| Euro | 537,383 | - | 14,109 | 551,492 |
| Hong Kong dollar | 86,652 | - | 155 | 86,807 |
| Hungarian forint | 554 | - | 17 | 571 |
| Taiwan Dollar | 5,378 | - | - | 5,378 |
| Indonesian rupiah | 7,492 | 2,547 | 38 | 10,077 |
| Japanese yen | 330,625 | - | 1,637 | 332,262 |
| Malaysian ringgit | 3,821 | 3,858 | - | 7,679 |
| Mexican peso | 39,347 | 2,888 | 176 | 42,411 |
| New Israeli shekel | 2,136 | - | - | 2,136 |
| New Zealand dollar | 14,780 | 2,659 | 33 | 17,472 |
| Norwegian krone | 6,085 | 3,077 | - | 9,162 |
| Philippines peso | - | - | 1 | 1 |
| Polish zloty | 3,689 | 4,312 | 48 | 8,049 |
| Singapore dollar | 19,492 | - | 4 | 19,496 |
| South African rand | 10,074 | 953 | - | 11,027 |
| South Korean won | 32,484 | 3,406 | 31 | 35,921 |
| Swedish krona | 21,412 | 2,330 | - | 23,742 |
| Swiss franc | 119,583 | - | - | 119,583 |
| Thai baht | 3,104 | - | - | 3,104 |
| Turkish lira | 8,079 | - | - | 8,079 |
| Totals | \$ 1,665,810 | \$ 46,217 | \$ 17,240 | \$ 1,729,267 |

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, 2010, 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, 2010, the fair value of the securities on loan was approximately \$228,000,000. The underlying collateral for these securities had a market value of approximately \$235,570,000. 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, 2010, 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, 2010, the fair value of securities on loan was \$44,665,000. The collateral for securities lent had a market value of \$44,997,000. 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, 2010, 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, 2010, the carrying amount and fair value of securities on loan was approximately \$3,139,265,000. The underlying collateral for these securities had a market value of approximately \$3,304,480,000. Collateral of securities and letters of credit represented approximately \$116,508,000 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, 2010, 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 \$180,794,000. The underlying collateral for these securities had a market value of approximately \$184,795,000. Collateral of securities and letters of credit

represented approximately \$7,597,000 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 unrealized losses were recognized from securities lending transactions. Unrealized losses of \$839,000 and \$3,950,000 were recognized in fiscal 2009 and fiscal 2008, respectively, for a total net unrealized loss of \$4,789,000. This loss represents CompSource's proportionate share of the decline in market value of one investment within a cash collateral liquidating pool. 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 these unrealized losses, 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 – 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, 2010 and the change in fair value of such derivatives for the year then ended are as follows:

| 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 | - | Net Receivable | 618,143 | Investment Income | 1,235,063 |
| Oklahoma Public Employees Retirement System (OPERS) | Forward contracts on government mortgage-backed securities | 157,780,000 | Investment | 166,041,911 | Investment Income | 860,642 |
| Uniform Retirement System for Judges and Justices (URSJJ) | Forward contracts on government mortgage-backed securities | 5,635,000 | Investment | 5,908,035 | Investment Income | 34,431 |
| Teachers' Retirement System (TRS) | Foreign Currency Forward Contracts | (82,465,000) | Investment | 1,811,000 | Investment Income | 4,666,000 |
| | Forward contracts on government mortgage-backed securities | 42,800,000 | Investment | 45,266,000 | Investment Income | 590,000 |

The OFPRS system uses foreign currency forward contracts primarily to hedge foreign currency exposure. The receivable is net of gross receivables of \$970,487 and liabilities of \$352,344. The gross receivables are supported by collateral in investments valued at \$970,487 with a credit risk ratings of AA by S&P and Aa3 by Moody's. The majority of contracts expire September 2010. OPERS, URSJJ and TRS all invest in "TBA" contracts or "to-be-announced" securities that act as forward contracts on mortgage backed securities trades. The fair values for these forward contracts are as quoted through a highly liquid secondary market for such securities. These securities expose all three systems to counterparty credit risk should the counterparty fail to fulfill its obligations for the TBA securities. The TBA interest rate risk for OPERS as measured by duration was 4.5 years, and 4.7 years for USRJJ. The TBA securities for the TRS are categorized as governmental bonds and carry a credit rating of AAA by S&P. 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, 2010, including the applicable allowances for uncollectible accounts, are presented below (expressed in thousands).

| | <u>General Fund</u> | <u>Component Units</u> | |
|---------------------------------------|------------------------|------------------------|---------------------|
| | Accounts Receivable | Accounts Receivable | Notes Receivable |
| Gross Receivables | \$ 78,054 | \$ 437,656 | \$ 1,188,726 |
| Less: Allowance for Uncollectibles | <u>(43,579)</u> | <u>(117,985)</u> | <u>(1,813)</u> |
| Net Receivables | <u>\$ 34,475</u> | <u>\$ 319,671</u> | <u>\$ 1,186,913</u> |

Note 4. Interfund Accounts and Transfers

A. Due from Other Funds/Due to Other Funds

A summary of interfund obligations at June 30, 2010, is shown below (expressed in thousands):

| | Due From Other Funds | | | Due From Fiduciary Funds | Due From Component Units | Due To Other Funds | | | Due To Fiduciary Funds | Due To Component Units |
|--|--------------------------------|--------------------|---------------------|--------------------------------|---|------------------------------|-------------------------------|------------------------------|---------------------------------------|------------------------------|
| | General Fund | Permanent Funds | Enterprise Funds | | | General Fund | Wildlife Permanent Fund | Permanent Funds | | |
| Governmental Funds | | | | | | | | | | |
| General Fund | \$ - | \$ 34 | \$ 10,108 | \$ 12 | \$ 55,181 | \$ - | \$ 94 | \$ 18,615 | \$ 95,088 | |
| Wildlife Permanent Fund | 94 | - | - | - | - | - | - | - | - | - |
| Tobacco Permanent Fund | - | - | - | - | - | 34 | - | - | - | 334 |
| Total Governmental Funds | \$ 94 | \$ 34 | \$ 10,108 | \$ 12 | \$ 55,181 | \$ 34 | \$ 94 | \$ 18,615 | \$ 95,422 | |
| Enterprise Funds | | | | | | | | | | |
| Oklahoma Water Resources Board | \$ - | | | | | \$ 708 | | | \$ - | |
| Oklahoma Lottery Commission | - | | | | | 9,400 | | | 1 | |
| Total Enterprise Funds | \$ - | | | | | \$ 10,108 | | | \$ 1 | |
| Fiduciary Funds | | | | | | | | | | |
| Pension Trust Funds: | | | | | | | | | | |
| Firefighters Pension and Retirement System | \$ 11,942 | | | \$ - | \$ - | \$ 7 | | \$ - | \$ - | |
| Oklahoma Law Enforcement Retirement System | 1,756 | | | - | - | - | | - | - | |
| Oklahoma Police Pension and Retirement System | 4,917 | | | - | - | 5 | | - | - | |
| Teachers' Retirement System of Oklahoma | - | | | - | - | - | | - | 9,799 | |
| Agency Funds: | | | | | | | | | | |
| Other | - | | | - | 598 | - | | - | - | |
| Total Fiduciary Funds | \$ 18,615 | | | \$ - | \$ 598 | \$ 12 | | \$ - | \$ 9,799 | |
| | | | | | | | | | | |
| | Due From Primary Government | | | Due From Fiduciary Funds | Due From Other Component Units | Due To Primary Government | | Due To Fiduciary Funds | Due To Other Component Units | |
| | General Fund | Permanent Funds | Enterprise Funds | | | General Fund | Permanent Funds | | | |
| Major Component Units: | | | | | | | | | | |
| CompSource Oklahoma | \$ 3,368 | \$ - | \$ 1 | \$ - | \$ 129 | \$ 10 | \$ - | \$ - | | |
| Oklahoma Housing Finance Agency | - | - | - | - | - | 2 | - | - | | |
| Oklahoma Turnpike Authority | 820 | - | - | - | - | 53,391 | 2 | 41 | | |
| State and Education Emp. Group Insurance Board | 14,096 | - | - | 9,385 | - | - | - | 23 | | |
| Grand River Dam Authority | 372 | - | - | - | 1,438 | 103 | 596 | 64 | | |
| Higher Education | 56,379 | 334 | - | - | 145 | 1,665 | - | 2,482 | | |
| Nonmajor Component Units: | | | | | | | | | | |
| Oklahoma Industrial Finance Authority | - | - | - | - | - | 5 | - | - | | |
| University Hospitals Authority | 3,834 | - | - | - | 706 | 1 | - | 126 | | |
| Oklahoma Development Finance Authority | 81 | - | - | - | 318 | 4 | - | - | | |
| Total Component Units | \$ 78,950 | \$ 334 | \$ 1 | \$ 9,385 | \$ 2,736 | \$ 55,181 | \$ 598 | \$ 2,736 | | |

A reconciliation of interfund receivables and interfund payables at June 30, 2010 follows. Timing differences occur between agencies with a June 30 year end and the component units with September 30 or December 31 year ends.

| | | | |
|--|-------------------|---|-------------------|
| Due From Other Funds | | Due To Other Funds | |
| Wildlife Permanent Fund | \$ 94 | General Fund to Enterprise Funds | \$ 10,108 |
| Fiduciary Funds | 18,615 | General Fund to Fiduciary Funds | 12 |
| Permanent Funds | 34 | Enterprise Funds | - |
| Enterprise Funds | 10,108 | Wildlife Permanent Fund | 94 |
| Due From Fiduciary Funds | 12 | Tobacco Permanent Fund | 34 |
| Due From Enterprise Funds | | Fiduciary Funds | 18,615 |
| General Fund | - | Due To Component Units | |
| Due From Component Units | | General Fund | 95,088 |
| General Fund | 55,181 | Tobacco Permanent Fund | 334 |
| Fiduciary Funds | 598 | Fiduciary Funds | 9,799 |
| Due From Primary Government | | Due to Enterprise Fund | 1 |
| General Fund | 78,950 | Due To Primary Government - General Fund | 55,181 |
| Permanent Fund | 334 | Due To Fiduciary Funds | 598 |
| Enterprise Funds | 1 | Due To Other Component Units | 2,736 |
| Due From Fiduciary Funds | 9,385 | Total Interfund Payables per Financial Statements | 192,600 |
| Due From Other Component Units | 2,736 | Timing Differences, Fiscal Year Ending | |
| Total Interfund Receivables per Financial Statements | <u>\$ 176,048</u> | December 31, 2009: Component Units | (16,552) |
| | | Total Interfund Payables | <u>\$ 176,048</u> |

The general fund Due From Other Funds includes \$51,349,000 from Oklahoma Turnpike Authority (OTA) (\$51,214,000 at December 31, 2009 on OTA) for a portion of motor fuel excise taxes collected on fuels consumed on turnpikes. The balance accumulates and is payable when certain OTA revenue bonds payable have been paid in full. The Wildlife

Lifetime Licenses permanent fund is due \$94,000 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 \$24,227,000, 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 \$478,360,000.

C. Interfund Transfers

A summary of interfund transfers for the fiscal year ended June 30, 2010, follows (expressed in thousands):

| <u>Transfers From (Out)</u> | <u>Transfers To (In)</u> | <u>For (Purpose)</u> | <u>Amount</u> |
|-------------------------------------|--------------------------------|---|--------------------|
| Governmental Funds: | | | |
| General Fund | Oklahoma Water Resources Board | Payment for administrative costs | \$ 8,758 |
| | | Total transfers out of the General Fund | 8,758 |
| Permanent Funds: | | | |
| Commissioners of Land Office | General Fund | Transfer of expendable earnings | - |
| Department of Wildlife Conservation | General Fund | Transfer of expendable earnings | (5,289) |
| Proprietary Funds: | | | |
| Oklahoma Water Resources Board | General Fund | Restricted investment revenue | (9,099) |
| Lottery Commission | General Fund | Transfer of expendable earnings | (69,974) |
| | | Total transfers in to the General Fund | (84,362) |
| | | Net Transfers In/Out - General Fund | <u>\$ (75,604)</u> |

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows (expressed in thousands):

Primary Government

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-------------------|--------------------|---------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,451,479 | \$ 63,929 | \$ (273) | \$ 1,515,135 |
| Construction in progress | 123,872 | 172,269 | (12,381) | 283,760 |
| Total capital assets, not being depreciated | <u>1,575,351</u> | <u>236,198</u> | <u>(12,654)</u> | <u>1,798,895</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 1,275,488 | 26,225 | (501) | 1,301,212 |
| Equipment | 354,542 | 45,510 | (11,973) | 388,079 |
| Infrastructure | 13,112,970 | 944,261 | (17,037) | 14,040,194 |
| Total capital assets, being depreciated | <u>14,743,000</u> | <u>1,015,996</u> | <u>(29,511)</u> | <u>15,729,485</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (595,287) | (27,756) | 343 | (622,700) |
| Equipment | (216,836) | (28,528) | 9,584 | (235,780) |
| Infrastructure | (7,028,337) | (359,584) | 8,713 | (7,379,208) |
| Total accumulated depreciation | <u>(7,840,460)</u> | <u>(415,868)</u> | <u>18,640</u> | <u>(8,237,688)</u> |
| Total capital assets, being depreciated, net | <u>6,902,540</u> | <u>600,128</u> | <u>(10,871)</u> | <u>7,491,797</u> |
| Governmental activities capital assets, net | <u>\$ 8,477,891</u> | <u>\$ 836,326</u> | <u>\$ (23,525)</u> | <u>\$ 9,290,692</u> |
| Business-type activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Equipment | \$ 1,854 | \$ 46 | \$ - | \$ 1,900 |
| Total capital assets, being depreciated | <u>1,854</u> | <u>46</u> | <u>-</u> | <u>1,900</u> |
| Less accumulated depreciation for: | | | | |
| Equipment | (1,327) | (243) | - | (1,570) |
| Total accumulated depreciation | <u>(1,327)</u> | <u>(243)</u> | <u>-</u> | <u>(1,570)</u> |
| Business-type activities capital assets, net | <u>\$ 527</u> | <u>\$ (197)</u> | <u>\$ -</u> | <u>\$ 330</u> |

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

| | |
|--|-------------------|
| Governmental activities: | |
| Education | \$ 782 |
| General government | 15,873 |
| Health services | 5,670 |
| Legal and judiciary | 55 |
| Museums | 151 |
| Natural resources | 5,273 |
| Public safety and defense | 14,826 |
| Regulatory services | 450 |
| Social services | 5,880 |
| Transportation | 366,908 |
| Total depreciation expense - governmental activities | <u>\$ 415,868</u> |

Component Units

Capital asset activity for the year ended June 30, 2010, (December 31, 2009, or September 30, 2009, 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 | \$ 350,979 | \$ 7,942 | \$ (1,040) | \$ 357,881 |
| Construction in progress | 827,247 | 750,669 | (987,730) | 590,186 |
| Total capital assets, not being depreciated | <u>1,178,226</u> | <u>758,611</u> | <u>(988,770)</u> | <u>948,067</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 5,932,922 | 969,847 | (216,892) | 6,685,877 |
| Equipment | 1,480,532 | 158,424 | (53,809) | 1,585,147 |
| Infrastructure | 2,045,512 | 103,763 | - | 2,149,275 |
| Total capital assets, being depreciated | <u>9,458,966</u> | <u>1,232,034</u> | <u>(270,701)</u> | <u>10,420,299</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (2,268,936) | (177,109) | 52,982 | (2,393,063) |
| Equipment | (1,016,189) | (113,933) | 43,880 | (1,086,242) |
| Infrastructure | (1,094,514) | (71,980) | - | (1,166,494) |
| Total accumulated depreciation | <u>(4,379,639)</u> | <u>(363,022)</u> | <u>96,862</u> | <u>(4,645,799)</u> |
| Total capital assets, being depreciated, net | <u>5,079,327</u> | <u>869,012</u> | <u>(173,839)</u> | <u>5,774,500</u> |
| Capital assets, net | <u>\$ 6,257,553</u> | <u>\$ 1,627,623</u> | <u>\$ (1,162,609)</u> | <u>\$ 6,722,567</u> |

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 \$9,367,000 in 2009. The liability for claims in excess of the self-insured entities' respective retention limits included in unpaid losses and loss adjustment expenses was approximately \$44,890,000 at December 31, 2009.

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 \$2,021,000 in 2009. No losses have been ceded under these agreements. Reinsurance receivables with a single reinsurer of \$924,000 at December 31, 2009, 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, 2009, have been charged to operations for the year ended December 31, 2009. 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, 2010, (December 31, 2009, 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 |
|-------------------------------|----------------------|---|----------------------------|-------------------|-------------------------|----------------------|
| Current Fiscal Year | | | | | | |
| 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 |

* The Higher Education Component Unit's claims and judgments (\$3,440 – 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 |
|---|-------------------|--|----------------------|----------------|----------------------|-------------------|
| Prior Fiscal Year | | | | | | |
| General Fund - Risk Management Division | \$ 11,549 | \$ 17,136 | \$ (7,427) | \$ 21,258 | \$ 13,831 | \$ 7,427 |
| Component Units: | | | | | | |
| CompSource Oklahoma State and Education Employees | \$ 886,520 | \$ 240,901 | \$ (233,406) | \$ 894,015 | \$ 699,750 | \$ 194,265 |
| Group Insurance Board | 102,088 | 789,029 | (779,339) | 111,778 | 10,552 | 101,226 |
| Multiple Injury Trust Fund | 105,298 | 16,685 | (22,991) | 98,992 | 86,969 | 12,023 |
| Total Component Units | \$ 1,093,906 | \$ 1,046,615 | \$ (1,035,736) | \$ 1,104,785 | \$ 797,271 | \$ 307,514 |

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 237,000 primary participants and dependents, approximately 31,000 primary participants and 23,000 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 (303 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 | 24,000 | 9,000 | 54,000 | ----- 39,000 ----- | | | |
| Dependents | ----- | | | 57,000 | ----- | | |

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 12/31/2009 | Fiscal Year 12/31/2009 | Fiscal Year 12/31/2009 | Fiscal Year 12/31/2009 |
| Reserves at beginning of period | \$ 93,771 | \$ 4,708 | \$ 13,299 | \$ 111,778 |
| Incurred claims: | | | | |
| Provision for insured events of current period | 782,521 | 22,474 | 4,782 | 809,777 |
| Changes in provisions for insured events of prior periods | 10,425 | 1,300 | (1,127) | 10,598 |
| | <u>792,946</u> | <u>23,774</u> | <u>3,655</u> | <u>820,375</u> |
| Payments: | | | | |
| Claims attributable to insured events of current period | 684,927 | 19,476 | 584 | 704,987 |
| Claims attributable to insured events of prior periods | 98,986 | 4,193 | 2,561 | 105,740 |
| | <u>783,913</u> | <u>23,669</u> | <u>3,145</u> | <u>810,727</u> |
| Reserves at end of period | <u>\$ 102,804</u> | <u>\$ 4,813</u> | <u>\$ 13,809</u> | <u>\$ 121,426</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, 2010, are as follows (expressed in thousands):

| | General Fund | Fiduciary Funds | Component Units |
|--|---------------|-----------------|-----------------|
| 2011 | \$ 284 | \$ 207 | \$ 3,057 |
| 2012 | 12 | 207 | 1,210 |
| 2013 | 6 | 207 | 998 |
| 2014 | 5 | - | 720 |
| 2015 | - | - | 551 |
| 2016-2020 | - | - | 192 |
| 2021-2025 | - | - | - |
| Total Future Minimum Lease Payments | <u>\$ 307</u> | <u>\$ 621</u> | <u>\$ 6,728</u> |
| Operating lease commitments for building rental for year ended June 30, 2011 | \$ 20,689 | \$ 407 | \$ 4,020 |
| Rent expenditures/expenses for operating leases for year ended June 30, 2010 | \$ 19,623 | \$ 428 | \$ 18,158 |

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 \$22,432,000, which is also the net investment in direct financing leases at June 30, 2010. The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands):

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|------------------|------------------|------------------|------------------|-----------------|
| Department of Transportation | \$ 6,303 | \$ 5,516 | \$ 2,922 | \$ 2,199 | \$ 1,515 |
| Oklahoma Capital Improvement Authority | 17,203 | 18,002 | 18,830 | 19,758 | - |
| Total | <u>\$ 23,506</u> | <u>\$ 23,518</u> | <u>\$ 21,752</u> | <u>\$ 21,957</u> | <u>\$ 1,515</u> |

The Oklahoma Capital Improvement Authority (OCIA) has capital lease agreements with component units for the lease of various facilities, equipment and improvements. At June 30, 2010, the total minimum lease payments to be received by OCIA from component units is \$478,360,000.

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 \$32,000. Minimum future rentals receivable from these operating leases is presented in the following schedule (expressed in thousands):

| 2011 | 2012 | 2013 | 2014 | 2015 |
|--------|-------|-------|-------|-------|
| \$ 255 | \$ 92 | \$ 78 | \$ 69 | \$ 60 |

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):

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|----------|----------|----------|----------|------|
| | \$ 8,409 | \$ 6,499 | \$ 4,255 | \$ 1,983 | \$ - |

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, 2009 (expressed in thousands):

| | |
|--|------------------|
| Total minimum lease payments to be received | \$ 85,818 |
| Less: Amounts representing interest included in total minimum lease payments | (35,420) |
| Net investment in direct financing leases | <u>\$ 50,398</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):

| | 2011 | 2012 | 2013 | 2014 | 2015 | Thereafter |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|------------------|
| University Hospitals Authority | \$ 676 | \$ 676 | \$ 676 | \$ 676 | \$ 675 | \$ 22,696 |
| Oklahoma Turnpike Authority | 215 | 205 | 155 | 155 | 155 | 1,998 |
| Total | <u>\$ 891</u> | <u>\$ 881</u> | <u>\$ 831</u> | <u>\$ 831</u> | <u>\$ 830</u> | <u>\$ 24,694</u> |

The cost and carrying amount of the University Hospitals Authority leased property for the year ended June 30, 2010 (expressed in thousands):

| | |
|-------------------------------|------------------|
| Land | \$4,009 |
| Buildings | 257,717 |
| Equipment | 123,964 |
| Infrastructure | 5,456 |
| Cost | <u>391,146</u> |
| Less Accumulated Depreciation | (236,284) |
| Net Leased Property | <u>\$154,862</u> |

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

Long-term obligations at June 30, 2010, and changes for the fiscal year then ended are as follows (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 Refunding 2003A | 2003 | 2.00%-5.00% | 2019 | \$ 203,755 | \$ - | \$ 15,725 | \$ 188,030 | \$ 16,475 |
| Total | | | | <u>203,755</u> | <u>-</u> | <u>15,725</u> | <u>188,030</u> | <u>16,475</u> |
| Revenue Bonds Payable from Lease Rentals: | | | | | | | | |
| OCIA Series B of 1994 | 1995 | 4.85%-7.15% | 2010 | 1,760 | - | 1,760 | - | - |
| OCIA Series 1999A | 2000 | 4.10%-5.50% | 2010 | 6,910 | - | 6,910 | - | - |
| OCIA Series 1999B | 2000 | 6.20%-7.63% | 2020 | 660 | - | 305 | 355 | 25 |
| OCIA Series 1999C | 2000 | 4.10%-5.50% | 2010 | 225 | - | 225 | - | - |
| OCIA Series 1999D | 2000 | 3.85%-5.70% | 2010 | 595 | - | 595 | - | - |
| OCIA Series 2000, Highway | 2000 | 4.30%-5.00% | 2012 | 52,205 | - | 16,485 | 35,720 | 17,275 |
| OCIA Series 2002A | 2003 | 2.00%-4.65% | 2023 | 9,895 | - | 550 | 9,345 | 565 |
| OCIA 2003A, Highway | 2003 | 2.00%-5.00% | 2015 | 42,630 | - | 6,295 | 36,335 | 6,590 |
| OCIA 2003B, Highway | 2003 | 2.00%-5.00% | 2015 | 17,155 | - | 2,580 | 14,575 | 2,680 |
| OCIA 2003C, State Facilities | 2004 | 2.00%-4.75% | 2025 | 15,305 | - | 715 | 14,590 | 735 |
| OCIA 2003D, State Facilities | 2004 | 2.00%-4.75% | 2024 | 2,830 | - | 145 | 2,685 | 150 |
| OCIA 2003E, State Facilities | 2004 | 2.00%-4.00% | 2016 | 11,520 | - | 2,300 | 9,220 | 2,385 |
| OCIA 2004A, Refunding | 2005 | 2.50%-5.00% | 2024 | 108,245 | - | 1,185 | 107,060 | 8,660 |
| OCIA 2005, Revenue | 2006 | 3.50%-5.30% | 2020 | 4,430 | - | 300 | 4,130 | 310 |
| OCIA 2005A, Revenue | 2005 | 3.00%-4.35% | 2020 | 5,140 | - | 350 | 4,790 | 360 |
| OCIA 2005B, Revenue | 2005 | 3.00%-4.05% | 2025 | 3,565 | - | 155 | 3,410 | 160 |
| OCIA 2005C, Revenue | 2005 | 3.00%-5.00% | 2027 | 31,850 | - | 1,185 | 30,665 | 1,220 |
| OCIA Series 2005D | 2006 | 3.00%-4.38% | 2030 | 20,455 | - | 615 | 19,840 | 635 |
| OCIA Series 2005E | 2006 | 3.70%-5.00% | 2025 | 2,700 | - | 110 | 2,590 | 115 |
| OCIA Series 2005F | 2006 | 3.38%-5.00% | 2030 | 323,205 | - | 8,710 | 314,495 | 9,080 |
| OCIA Series 2006 | 2006 | 5.00%-5.23% | 2015 | 39,855 | - | 5,455 | 34,400 | 5,730 |
| OCIA Series 2006A | 2006 | 3.55%-4.38% | 2026 | 22,710 | - | 900 | 21,810 | 930 |
| OCIA Series 2006B | 2006 | 3.50%-4.25% | 2026 | 17,595 | - | 695 | 16,900 | 720 |
| OCIA Series 2006C | 2006 | 4.00%-4.50% | 2026 | 20,590 | - | 795 | 19,795 | 825 |
| OCIA Series 2006D | 2006 | 1.00%-5.00% | 2035 | 120,000 | - | 6,775 | 113,225 | - |
| OCIA Series 2006E | 2006 | 4.00%-4.50% | 2026 | 5,990 | - | 230 | 5,760 | 240 |
| OCIA Series 2008A | 2008 | 2.90%-5.30% | 2026 | 25,380 | - | - | 25,380 | 1,155 |
| OCIA Series 2008B | 2008 | 2.70%-5.48% | 2030 | 11,600 | - | - | 11,600 | 380 |
| OCIA Series 2009A | 2009 | 1.00%-4.20% | 2025 | 24,880 | - | - | 24,880 | 1,160 |
| OCIA Series 2009AA | 2010 | 2.00%-4.00% | 2025 | - | 79,250 | - | 79,250 | 6,420 |
| OCIA Series 2009B | 2010 | 5.04%-5.34% | 2025 | - | 68,830 | - | 68,830 | - |
| Corrections 2003A, Central OK (ODFA) | 2003 | 2.25%-4.65% | 2023 | 27,920 | - | 1,550 | 26,370 | 1,600 |
| Corrections 2004, Central OK (ODFA) | 2004 | 3.00%-4.45% | 2024 | 3,235 | - | 185 | 3,050 | 190 |
| Corrections 2006, Central OK (ODFA) | 2006 | 3.75%-4.50% | 2026 | 3,925 | - | 165 | 3,760 | 166 |
| Tourism 2002 | 2002 | 2.10%-4.25% | 2012 | 1,160 | - | 370 | 790 | 385 |
| DHS-Pittsburg Co. 1998 (ODFA) | 1998 | 4.25%-5.30% | 2013 | 610 | - | 105 | 505 | 110 |
| DHS-Canad/Linc Co. 2000 (ODFA) | 2000 | 4.30%-5.60% | 2015 | 1,820 | - | 265 | 1,555 | 280 |
| DHS-8 County (ODFA) | 2001 | 2.00%-5.25% | 2017 | 9,300 | - | 995 | 8,305 | 1,035 |
| DHS-Logan/Okla Co. 2004A (ODFA) | 2004 | 1.00%-3.85% | 2019 | 6,105 | - | 535 | 5,570 | 545 |
| DHS-2004B (ODFA) | 2005 | 1.60%-5.13% | 2019 | 3,760 | - | 280 | 3,480 | 290 |
| DHS-2008 (ODFA) | 2008 | 3.25%-4.15% | 2023 | 21,735 | - | 1,225 | 20,510 | 1,270 |
| Veterans Series 2005 (ODFA) | 2005 | 2.65%-3.65% | 2015 | 5,040 | - | 775 | 4,265 | 800 |
| Law Enforcement Education/Train (ODFA) | 2002 | 3.65%-5.50% | 2027 | 21,595 | - | 790 | 20,805 | 825 |
| Finance 2009 (ODFA) | 2009 | 2.50%-5.00% | 2034 | 43,540 | - | 1,115 | 42,425 | 1,150 |
| Total | | | | <u>1,099,625</u> | <u>148,080</u> | <u>74,680</u> | <u>1,173,025</u> | <u>77,151</u> |
| Notes Payable from Tax Revenue (Tourism) and Grant Revenue (ODOT): | | | | | | | | |
| Tourism 2004, Clean Water | 2004 | 2.13% | 2024 | 5,595 | - | 3,137 | 2,458 | 154 |
| ODOT 2004A, Grant Anticipation | 2004 | 1.00%-5.00% | 2019 | 33,975 | - | 2,795 | 31,180 | 2,865 |
| ODOT 2005A, Grant Anticipation | 2005 | 3.00%-5.00% | 2020 | 41,215 | - | 2,760 | 38,455 | 2,845 |
| ODOT 2007A, Grant Anticipation | 2007 | 3.25%-5.00% | 2023 | 86,820 | - | 4,630 | 82,190 | 4,805 |
| ODOT 2008A, Grant Anticipation | 2009 | 3.00%-5.00% | 2021 | 98,230 | - | 5,890 | 92,340 | 6,025 |
| Total | | | | <u>265,835</u> | <u>-</u> | <u>19,212</u> | <u>246,623</u> | <u>16,694</u> |
| Notes Payable - Sardis Reservoir | | | | | | | | |
| Capital Leases | | | | 33,431 | - | 33,431 | - | - |
| Compenstated Absences | | | | 6,711 | 8,108 | 2,266 | 12,553 | 2,055 |
| Pension Obligation | | | | 161,357 | 86,949 | 90,333 | 157,973 | 90,333 |
| Bond Issue Premiums | | | | 21,850 | 26,252 | - | 48,102 | - |
| Claims and Judgements Payable | | | | 46,564 | 2,671 | 4,511 | 44,724 | 4,511 |
| Total Long-Term Obligations | | | | <u>\$ 1,860,386</u> | <u>\$ 279,152</u> | <u>\$ 249,585</u> | <u>\$ 1,889,953</u> | <u>\$ 216,646</u> |

Reductions of debt include deletions of Capital Leases (\$67) that are not principal retirement on the operating statement. The increase in debt is due to the issuance of new capital lease bonds at OCIA.

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.

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2010, which have scheduled debt service amounts (expressed in thousands):

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016-2020 | 2021-2025 | 2026-2030 | 2031-2035 | 2036-2040 | Total |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|-----------|--------------|
| General Obligation bonds: | | | | | | | | | | | |
| Oklahoma Bldg Refunding 2003A | \$ 25,043 | \$ 25,065 | \$ 25,082 | \$ 25,153 | \$ 26,008 | \$ 105,737 | \$ - | \$ - | \$ - | \$ - | \$ 232,088 |
| Less: Interest | 8,568 | 7,770 | 6,922 | 6,078 | 5,168 | 9,552 | - | - | - | - | 44,058 |
| Total Principal | 16,475 | 17,295 | 18,160 | 19,075 | 20,840 | 96,185 | - | - | - | - | 188,030 |
| Revenue Bonds: | | | | | | | | | | | |
| OCIA Series 1999B | 51 | 49 | 52 | 50 | 52 | 253 | - | - | - | - | 507 |
| OCIA Series 2000, Highway | 18,903 | 18,906 | - | - | - | - | - | - | - | - | 37,809 |
| OCIA Series 2002A | 947 | 947 | 946 | 949 | 944 | 4,721 | 2,813 | - | - | - | 12,267 |
| OCIA 2003A, Highway | 8,262 | 8,261 | 8,260 | 8,259 | 8,259 | - | - | - | - | - | 41,301 |
| OCIA 2003B, Highway | 3,267 | 3,268 | 3,267 | 3,268 | 3,270 | - | - | - | - | - | 16,340 |
| OCIA 2003C, State Facilities | 1,330 | 1,331 | 1,330 | 1,331 | 1,330 | 6,632 | 6,608 | - | - | - | 19,892 |
| OCIA 2003D, State Facilities | 258 | 258 | 258 | 257 | 256 | 1,278 | 1,014 | - | - | - | 3,579 |
| OCIA 2003E, State Facilities | 2,672 | 1,495 | 1,496 | 1,503 | 1,506 | 1,505 | - | - | - | - | 10,177 |
| OCIA 2004A, Refunding | 13,756 | 13,738 | 13,727 | 13,713 | 13,710 | 65,207 | 1,734 | - | - | - | 135,585 |
| OCIA 2005 Revenue | 467 | 466 | 464 | 467 | 464 | 2,328 | 464 | - | - | - | 5,120 |
| OCIA 2005A, Revenue | 542 | 545 | 542 | 543 | 543 | 2,699 | 537 | - | - | - | 5,951 |
| OCIA 2005B, Revenue | 303 | 303 | 301 | 300 | 298 | 1,488 | 1,471 | 291 | - | - | 4,755 |
| OCIA 2005C, Revenue | 2,511 | 2,511 | 2,508 | 2,508 | 2,509 | 12,407 | 12,166 | 7,263 | - | - | 44,383 |
| OCIA 2005D Revenue | 1,429 | 1,428 | 1,431 | 1,427 | 1,427 | 7,122 | 7,096 | 7,065 | 1,410 | - | 29,835 |
| OCIA 2005E Revenue | 223 | 222 | 226 | 226 | 226 | 1,119 | 1,111 | 220 | - | - | 3,573 |
| OCIA 2005F Revenue | 24,235 | 24,220 | 24,211 | 24,176 | 24,169 | 120,592 | 120,129 | 119,592 | 23,842 | - | 505,166 |
| OCIA 2006 Revenue | 7,352 | 7,344 | 7,333 | 7,324 | 7,316 | 2,750 | - | - | - | - | 39,419 |
| OCIA 2006A Revenue | 1,791 | 1,791 | 1,791 | 1,788 | 1,789 | 8,934 | 8,896 | 3,549 | - | - | 30,329 |
| OCIA 2006B Revenue | 1,384 | 1,386 | 1,384 | 1,385 | 1,384 | 6,904 | 6,880 | 2,742 | - | - | 23,449 |
| OCIA 2006C Revenue | 1,661 | 1,658 | 1,658 | 1,656 | 1,658 | 8,271 | 8,236 | 3,282 | - | - | 28,080 |
| OCIA 2006D Revenue | 6,000 | 5,661 | 5,670 | 5,652 | 5,661 | 28,306 | 28,315 | 28,298 | 132,534 | - | 246,097 |
| OCIA 2006E Revenue | 480 | 481 | 480 | 480 | 479 | 2,397 | 2,389 | 950 | - | - | 8,136 |
| OCIA 2008A Revenue | 2,284 | 2,283 | 2,284 | 2,278 | 2,276 | 11,354 | 11,293 | 2,248 | - | - | 36,300 |
| OCIA 2008B Revenue | 926 | 928 | 923 | 924 | 923 | 4,609 | 4,584 | 4,553 | - | - | 18,370 |
| OCIA 2009A Revenue | 2,027 | 2,202 | 2,193 | 2,187 | 2,186 | 10,919 | 10,874 | - | - | - | 32,588 |
| OCIA 2009AA Revenue | 8,795 | 10,442 | 10,436 | 10,434 | 10,427 | 41,508 | - | - | - | - | 92,042 |
| OCIA 2009B Revenue | 3,588 | 3,588 | 3,588 | 3,588 | 3,588 | 28,222 | 66,180 | - | - | - | 112,342 |
| Corrections 2003A, Central OK (ODFA) | 2,694 | 2,694 | 2,694 | 2,691 | 2,693 | 13,457 | 8,075 | - | - | - | 34,998 |
| Corrections 2004, Central OK (ODFA) | 310 | 310 | 307 | 306 | 308 | 1,538 | 921 | - | - | - | 4,000 |
| Corrections 2006, Central OK (ODFA) | 330 | 333 | 331 | 329 | 331 | 1,652 | 1,657 | 329 | - | - | 5,292 |
| Tourism 2002 | 410 | 414 | - | - | - | - | - | - | - | - | 824 |
| DHS-Pittsburg Co. 1988 (ODFA) | 134 | 138 | 282 | - | - | - | - | - | - | - | 554 |
| DHS-Canad/Linc Co. 2000 (ODFA) | 365 | 365 | 365 | 363 | 364 | - | - | - | - | - | 1,822 |
| DHS-8 County 2002 (ODFA) | 1,432 | 1,430 | 1,434 | 1,429 | 1,433 | 2,863 | - | - | - | - | 10,021 |
| DHS-Logan/Okla Co. 2004A (ODFA) | 733 | 733 | 732 | 735 | 735 | 2,936 | - | - | - | - | 6,604 |
| DHS-2004B | 434 | 433 | 430 | 432 | 434 | 2,147 | - | - | - | - | 4,310 |
| DHS-2008 | 2,031 | 2,031 | 2,030 | 2,032 | 2,033 | 10,153 | 6,094 | - | - | - | 26,404 |
| Veterans Series 2005 (ODFA) | 946 | 946 | 943 | 945 | 943 | - | - | - | - | - | 4,723 |
| Law Enforcement Education/Train (ODFA) | 1,857 | 1,853 | 1,858 | 1,854 | 1,853 | 9,274 | 9,272 | 3,711 | - | - | 31,532 |
| Finance 2009 (ODFA) | 2,937 | 2,937 | 2,937 | 2,935 | 2,937 | 14,685 | 14,691 | 14,685 | 11,749 | - | 70,493 |
| Less: Interest | 130,057 | 130,329 | 111,102 | 110,724 | 110,714 | 440,230 | 343,500 | 198,778 | 169,535 | - | 1,744,969 |
| Total Principal | 52,901 | 48,961 | 45,900 | 43,127 | 40,229 | 163,013 | 102,449 | 54,115 | 21,249 | - | 571,944 |
| | 77,156 | 81,368 | 65,202 | 67,597 | 70,485 | 277,217 | 241,051 | 144,663 | 148,286 | - | 1,173,025 |
| Notes Payable: | | | | | | | | | | | |
| Tourism 2004, Clean Water | 206 | 206 | 207 | 208 | 209 | 1,058 | 755 | - | - | - | 2,849 |
| ODOT 2004A, Grant Anticipation | 4,267 | 4,258 | 4,259 | 4,252 | 4,255 | 16,961 | - | - | - | - | 38,252 |
| ODOT 2005A, Grant Anticipation | 4,450 | 4,442 | 4,441 | 4,417 | 4,417 | 22,023 | 4,406 | - | - | - | 48,596 |
| ODOT 2007A, Grant Anticipation | 8,530 | 8,529 | 8,535 | 8,518 | 8,473 | 42,351 | 25,314 | - | - | - | 110,250 |
| ODOT 2008A, Grant Anticipation | 10,163 | 10,156 | 10,137 | 10,136 | 10,122 | 50,417 | 20,089 | - | - | - | 121,220 |
| | 27,616 | 27,591 | 27,579 | 27,531 | 27,476 | 132,810 | 50,564 | - | - | - | 321,167 |
| Less: Interest | 10,922 | 10,255 | 9,546 | 8,775 | 7,905 | 24,342 | 2,799 | - | - | - | 74,544 |
| Total Principal | 16,694 | 17,336 | 18,033 | 18,756 | 19,571 | 108,468 | 47,765 | - | - | - | 246,623 |
| Capital Leases | | | | | | | | | | | |
| Less: Interest | 3,184 | 2,471 | 2,400 | 1,744 | 949 | 4,281 | 3,058 | - | - | - | 18,087 |
| Less: Executory Cost | 710 | 582 | 475 | 371 | 326 | 1,220 | 390 | - | - | - | 4,074 |
| Total Principal | 419 | 408 | 397 | 234 | 2 | - | - | - | - | - | 1,460 |
| | 2,055 | 1,481 | 1,528 | 1,139 | 621 | 3,061 | 2,668 | - | - | - | 12,553 |
| Total | \$ 112,380 | \$ 117,480 | \$ 102,923 | \$ 106,567 | \$ 111,517 | \$ 484,931 | \$ 291,484 | \$ 144,663 | \$ 148,286 | \$ - | \$ 1,620,231 |
| Long-Term Debt without scheduled debt service: | | | | | | | | | | | |
| Compensated Absences | | | | | | | | | | | 157,973 |
| Pension Obligation | | | | | | | | | | | 48,102 |
| Bond Issue Premiums | | | | | | | | | | | 44,724 |
| Claims and Adjustments Payable | | | | | | | | | | | 18,923 |
| Total Long-Term Obligations | | | | | | | | | | | \$ 1,889,953 |

B. Revenue Bonds

The **Oklahoma Capitol Improvement Authority** (OCIA) has twenty-seven 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 2010 was \$966,287,000 with a portion of that amount, \$318,318,000, restricted as security for the notes. Current year note obligations totaled \$27,518,000.

The **Oklahoma Water Resources Board** reached an agreement for the sale of the water storage rights at Sardis Reservoir to the Oklahoma City Water Utilities Trust. The proceeds from the sale were used to pay the U. S. Army Corp of Engineers for the construction of Sardis Reservoir. A single payment of \$27,814,000 was made June 23, 2010 in full settlement of the debt owed by the State of Oklahoma to the U.S. Government.

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. The beginning balance of capital leases has been adjusted \$61,000 due to an accounting error. Leased equipment under capital leases in capital assets at June 30, 2010, includes the following (expressed in thousands):

| | <u>Buildings</u> | <u>Equipment</u> | <u>Total</u> |
|--------------------------------|------------------|------------------|------------------|
| Cost | \$ 1,869 | \$ 18,479 | \$ 20,348 |
| Less: Accumulated depreciation | (131) | (5,172) | (5,303) |
| Total | <u>\$ 1,738</u> | <u>\$ 13,307</u> | <u>\$ 15,045</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 and \$6,000,000 of bonds for the Department of Mental Health/Substance Abuse Services pending matching funding.

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 sixteen 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, 2010, 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: | | | | | | | | |
| 1989-2010 Issues | 1989-2010 | 0.50-6.70% | 2036 | \$ 492,395 | \$ 127,320 | \$ 36,765 | \$ 582,950 | \$ 28,870 |
| Adjusted for: Bond Premiums and Discounts | | | | 10,506 | 6,852 | 324 | 17,034 | - |
| Revenue Bonds Payable Net of Bond Premiums and Discounts | | | | <u>502,901</u> | <u>134,172</u> | <u>37,089</u> | <u>599,984</u> | <u>28,870</u> |
| Other Noncurrent Liabilities | | | | 126 | 413 | 429 | 110 | - |
| Compensated Absences | | | | 437 | 259 | 317 | 379 | 162 |
| Total Long-Term Obligations | | | | <u>\$ 503,464</u> | <u>\$ 134,844</u> | <u>\$ 37,835</u> | <u>\$ 600,473</u> | <u>\$ 29,032</u> |

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2010, which have scheduled debt service amounts (expressed in thousands):

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016-2020 | 2021-2025 | 2026-2030 | 2031-2035 | 2036-2040 | Total |
|---|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|------------------|-----------------|---------------|-------------------|
| Revenue Bonds: | | | | | | | | | | | |
| 1989-2010 Issues | \$ 53,083 | \$ 57,641 | \$ 57,614 | \$ 57,050 | \$ 56,803 | \$ 249,384 | \$ 200,358 | \$ 79,710 | \$ 9,724 | \$ 514 | \$ 821,881 |
| Less: Interest | 25,493 | 23,761 | 22,576 | 21,334 | 20,642 | 75,571 | 39,695 | 9,278 | 567 | 14 | 238,931 |
| Principal | 27,590 | 33,880 | 35,038 | 35,716 | 36,161 | 173,813 | 160,663 | 70,432 | 9,157 | 500 | 582,950 |
| Total | <u>\$ 27,590</u> | <u>\$ 33,880</u> | <u>\$ 35,038</u> | <u>\$ 35,716</u> | <u>\$ 36,161</u> | <u>\$ 173,813</u> | <u>\$ 160,663</u> | <u>\$ 70,432</u> | <u>\$ 9,157</u> | <u>\$ 500</u> | <u>\$ 582,950</u> |
| Adjusted for: Bond and Note Premium and Discounts | | | | | | | | | | | 17,034 |
| Long-Term Obligations without scheduled debt service: | | | | | | | | | | | |
| Other Noncurrent Liabilities | | | | | | | | | | | 110 |
| Compensated Absences | | | | | | | | | | | 379 |
| Total Long-Term Obligations | | | | | | | | | | | <u>\$ 600,473</u> |

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 0.75% at June 30, 2010. 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 .75% 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 (\$110,000 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, 2010 (September 30, 2009, for Oklahoma Housing Finance Agency and December 31, 2009, 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 | 3.00 - 7.65% | 2022 | \$ 51,290 | \$ - | \$ 3,275 | \$ 48,015 | \$ 565 |
| Total Before Adjustments | | | | 51,290 | - | 3,275 | 48,015 | |
| Adjusted for: Bond Premiums | | | | 52 | (3) | - | 49 | |
| Net Deferred Debits on Refundings | | | | (178) | - | (17) | (161) | |
| Total General Obligation Bonds Payable | | | | | | | | |
| Net of Bond Premiums and Deferrals | | | | 51,164 | (3) | 3,258 | 47,903 | 565 |
| Revenue Bonds Payable from User Fees: | | | | | | | | |
| Student Loan Authority | 1994-2008 | 0.65 - 6.35% | 2037 | 878,907 | - | 162,122 | 716,785 | 28,964 |
| Development Finance Auth. | 1996 | 2.50% | 3031 | 9,999 | - | - | 9,999 | - |
| Housing Finance Agency | 1987-2007 | 3.14 - 8.00% | 2038 | 734,322 | 63,705 | 159,679 | 638,348 | 13,369 |
| Turnpike Authority | 1998-2007 | 3.00 - 6.00% | 2028 | 1,121,940 | - | 42,320 | 1,079,620 | 45,095 |
| Grand River Dam Authority | 1993-2008 | 3.20 - 6.25% | 2033 | 1,002,681 | - | 72,590 | 930,091 | 95,470 |
| Municipal Power Authority | 1990-2005 | 2.00 - 6.75% | 2028 | 590,545 | - | 12,785 | 577,760 | 16,180 |
| University Hospitals Authority | 2005 | 1.55 - 2.50% | 2036 | 53,005 | 8 | 933 | 52,080 | 980 |
| Centennial Commemoration Fund | 2001 | 4.35% | 2011 | 2,760 | - | 2,760 | - | - |
| Higher Education | 1993-2007 | 1.20 - 10.00% | 2034 | 1,103,587 | 266,024 | 254,873 | 1,114,738 | 35,228 |
| Total Before Discounts/Deferrals | | | | 5,497,746 | 329,737 | 708,062 | 5,119,421 | |
| Adjusted for: Bond (Discount) Premiums | | | | 22,384 | - | 1,268 | 21,116 | |
| Net Deferred Debits on Refundings | | | | (68,201) | - | (7,919) | (60,282) | |
| Total Revenue Bonds Payable | | | | | | | | |
| Net of Bond (Discounts) Premiums and Deferrals | | | | 5,451,929 | 329,737 | 701,411 | 5,080,255 | 235,286 |
| Notes Payable: | | | | | | | | |
| Multiple Injury Trust Fund | 2000-2001 | 7.00% | 2031 | 25,364 | - | 1,137 | 24,227 | 1,261 |
| Oklahoma Turnpike Authority | 2009-2010 | 1.35% | 2010 | - | 35,000 | - | 35,000 | 35,000 |
| Student Loan Authority | 1993-2005 | 3.75 - 5.82% | 2038 | 416,951 | 206,287 | 235,163 | 388,075 | 56,959 |
| Municipal Power Authority | 2003 | 6.00% | 2028 | 51,806 | - | 1,409 | 50,397 | 1,493 |
| Higher Education | 2001-2007 | 1.88 - 8.00% | 2046 | 161,401 | 186,533 | 20,982 | 326,952 | 56,478 |
| Total | | | | 655,522 | 427,820 | 258,691 | 824,651 | 151,191 |
| Capital Leases: | | | | | | | | |
| University Hospitals Authority | | | | 44 | - | 44 | - | - |
| Higher Education | | | | 714,116 | 124,200 | 50,373 | 787,943 | 45,119 |
| Total | | | | 714,160 | 124,200 | 50,417 | 787,943 | 45,119 |
| Claims and Judgments | | | | 1,110,493 | 310,824 | 253,172 | 1,168,145 | 327,259 |
| Due to Primary Government | | | | 52,550 | 3,967 | 3,126 | 53,391 | 2,177 |
| Compensated Absences | | | | 105,988 | 55,007 | 54,338 | 106,657 | 78,483 |
| Other Noncurrent Liabilities | | | | 546,406 | 181,859 | 214,217 | 514,048 | 254,112 |
| Total Long-Term Obligations | | | | \$ 8,688,212 | \$ 1,433,411 | \$ 1,538,630 | \$ 8,582,993 | \$ 1,094,192 |

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, 2010 (September 30, 2009, for Oklahoma Housing Finance Agency and December 31, 2009, for Oklahoma Transportation Authority, Grand River Dam Authority and Municipal Power Authority), which have scheduled debt service amounts (expressed in thousands):

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015-2019 | 2020-2024 | 2025-2029 | 2030-2034 | 2035-2039 | 2040-2044 | 2045-2049 | Total |
|--|------------|------------|------------|------------|------------|--------------|--------------|--------------|--------------|------------|-----------|-----------|--------------|
| General Obligation Bonds: | | | | | | | | | | | | | |
| Industrial Finance Authority | \$ 1,947 | \$ 1,948 | \$ 1,948 | \$ 1,946 | \$ 1,948 | \$ 38,837 | \$ 11,271 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 59,845 |
| | 1,947 | 1,948 | 1,948 | 1,946 | 1,948 | 38,837 | 11,271 | - | - | - | - | - | 59,845 |
| Less: Interest | 1,382 | 1,353 | 1,323 | 1,291 | 1,258 | 4,867 | 356 | - | - | - | - | - | 11,830 |
| Total Principal | 565 | 595 | 625 | 655 | 690 | 33,970 | 10,915 | - | - | - | - | - | 48,015 |
| Revenue Bonds: | | | | | | | | | | | | | |
| Student Loan Authority | 44,216 | 80,032 | 77,012 | 24,045 | 5,216 | 26,078 | 26,078 | 82,582 | 310,030 | 176,183 | - | - | 851,472 |
| Development Finance Auth. | 250 | 250 | 250 | 250 | 250 | 1,250 | 1,250 | 9,999 | - | - | - | - | 13,749 |
| Housing Finance Agency | 46,701 | 48,111 | 48,285 | 47,001 | 46,407 | 230,606 | 227,343 | 221,781 | 279,478 | - | - | - | 1,195,713 |
| Turnpike Authority | 92,142 | 93,744 | 91,995 | 90,268 | 88,297 | 434,493 | 381,851 | 288,963 | - | - | - | - | 1,561,753 |
| Grand River Dam Authority | 139,076 | 120,210 | 120,587 | 120,256 | 78,124 | 219,387 | 218,512 | 217,596 | 173,308 | - | - | - | 1,407,056 |
| Municipal Power Authority | 45,532 | 45,560 | 45,483 | 45,516 | 45,509 | 222,501 | 201,216 | 121,174 | 98,765 | 89,711 | 53,485 | 32,090 | 1,046,542 |
| University Hospitals Authority | 1,931 | 1,967 | 1,999 | 2,046 | 2,082 | 11,116 | 12,467 | 13,790 | 15,362 | 3,442 | - | - | 66,202 |
| Higher Education | 76,432 | 155,871 | 81,864 | 80,839 | 77,690 | 380,515 | 350,230 | 284,495 | 208,186 | 91,216 | - | - | 1,787,338 |
| | 446,280 | 545,745 | 467,475 | 410,221 | 343,575 | 1,525,946 | 1,418,947 | 1,240,380 | 1,085,129 | 360,552 | 53,485 | 32,090 | 7,929,825 |
| Less: Interest | 210,970 | 205,293 | 190,158 | 177,371 | 183,746 | 743,344 | 545,277 | 338,212 | 165,632 | 35,382 | 12,335 | 2,684 | 2,810,404 |
| Total Principal | 235,310 | 340,452 | 277,317 | 232,850 | 159,829 | 782,602 | 873,670 | 902,168 | 919,497 | 325,170 | 41,150 | 29,406 | 5,119,421 |
| Notes Payable: | | | | | | | | | | | | | |
| Multiple Injury Trust Fund | 2,925 | 2,925 | 2,925 | 2,925 | 2,925 | 14,624 | 7,299 | - | - | - | - | - | 36,548 |
| Oklahoma Turnpike Authority | 35,434 | - | - | - | - | - | - | - | - | - | - | - | 35,434 |
| Student Loan Authority | 59,648 | 2,645 | 2,645 | 2,645 | 292,393 | 40,679 | 540 | - | - | - | - | - | 401,195 |
| Municipal Power Authority | 4,517 | 4,517 | 4,517 | 4,517 | 4,517 | 22,583 | 22,583 | 18,066 | - | - | - | - | 85,817 |
| Higher Education | 70,959 | 160,547 | 23,630 | 14,434 | 14,720 | 43,718 | 19,960 | 17,549 | 16,230 | 4,070 | - | - | 385,817 |
| | 173,483 | 170,634 | 33,717 | 24,521 | 314,555 | 121,604 | 50,382 | 35,615 | 16,230 | 4,070 | - | - | 944,811 |
| Less: Interest | 22,292 | 12,208 | 11,090 | 10,269 | 8,096 | 28,202 | 16,775 | 7,984 | 2,717 | 527 | - | - | 120,160 |
| Total Principal | 151,191 | 158,426 | 22,627 | 14,252 | 306,459 | 93,402 | 33,607 | 27,631 | 13,513 | 3,543 | - | - | 824,651 |
| Capital Leases: | | | | | | | | | | | | | |
| Higher Education | 81,283 | 78,502 | 75,669 | 71,953 | 77,711 | 273,590 | 228,198 | 189,379 | 151,652 | 18,891 | - | - | 1,246,828 |
| | 81,283 | 78,502 | 75,669 | 71,953 | 77,711 | 273,590 | 228,198 | 189,379 | 151,652 | 18,891 | - | - | 1,246,828 |
| Less: Interest | 36,164 | 34,439 | 32,656 | 30,848 | 33,126 | 122,588 | 89,368 | 56,653 | 20,911 | 2,132 | - | - | 458,885 |
| Total Principal | 45,119 | 44,063 | 43,013 | 41,105 | 44,585 | 151,002 | 138,830 | 132,726 | 130,741 | 16,759 | - | - | 787,943 |
| Total | \$ 432,185 | \$ 543,536 | \$ 343,582 | \$ 288,862 | \$ 511,563 | \$ 1,060,976 | \$ 1,057,022 | \$ 1,062,525 | \$ 1,063,751 | \$ 345,472 | \$ 41,150 | \$ 29,406 | \$ 6,780,030 |
| Adjusted for: Net Discounts and Deferred Debits on Refundings (39,278) | | | | | | | | | | | | | |
| Long-Term Obligations without scheduled debt service: | | | | | | | | | | | | | |
| Claims and Judgments | | | | | | | | | | | | | 1,168,145 |
| Due to Primary Government | | | | | | | | | | | | | 53,391 |
| Compensated Absences | | | | | | | | | | | | | 106,657 |
| Other Noncurrent Liabilities | | | | | | | | | | | | | 514,048 |
| Total Long-Term Obligations | | | | | | | | | | | | | \$ 8,582,993 |

B. Revenue Bonds

The **Oklahoma Student Loan Authority (OSLA)** has issued sixteen 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, 2010, the variable interest rates ranged from 0.65% to 6.35%.

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, 2010 was 2.5%.

The **Oklahoma Housing Finance Agency (OHFA)** has issued 37 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 six series of revenue bonds with an original issue amount of \$1,618,331,000. 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 nine 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 will be used to finance construction of new pediatric ambulatory care facilities and a basic research center.

Twenty-six of the State's colleges and universities within the **Higher Education** component unit have authorized and issued 78 series of revenue bonds with an original issue amount of \$1,016,942,000. 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 trusts' assets and the liability for the defeased bonds are not included in the accompanying financial statements. The following defeased bonds were outstanding at June 30, 2010 (December 31, 2009 for OTA, GRDA, and OMPA) (expressed in thousands):

| Revenue Bonds | | | |
|---------------|-----------|-----------|---------------------|
| OTA | GRDA | OMPA | Higher Education |
| \$ 1,500 | \$ 28,970 | \$ 42,285 | \$ 23,395 |

D. Notes Payable

The **Multiple Injury Trust Fund (MITF)** component unit reports a note payable to **CompSource Oklahoma** component unit of \$24,227,000 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 0.30% to 5.75%.

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. The outstanding principal balance for these OCIA leases at June 30, 2010, is \$478,360,000. 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, 2010, included the following (expressed in thousands):

| | Land | Construction In Progress | Buildings | Equipment | Total |
|--------------------------------|---------------|-----------------------------|-------------------|------------------|-------------------|
| Cost | \$ 470 | \$ 8,247 | \$ 232,486 | \$ 79,843 | \$ 321,046 |
| Less: Accumulated depreciation | - | - | (25,317) | (33,308) | (58,625) |
| Total | <u>\$ 470</u> | <u>\$ 8,247</u> | <u>\$ 207,169</u> | <u>\$ 46,535</u> | <u>\$ 262,421</u> |

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, 2010 (December 31, 2009 for OTA and GRDA), the cumulative arbitrage rebate liability is as follows (expressed in thousands):

| Reported as: | OSLA | GRDA |
|-------------------|------|-------|
| Accounts payable | \$ - | \$ 12 |
| Other liabilities | 31 | - |

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 \$154,000,000 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 Net Assets have been restated due to certain transactions being crossed between fund types (\$12,000), adjustments to capital assets \$6,331,000, and accounting errors (\$61,000) at July 1, 2009. This restatement increased beginning net assets by \$6,258,000.

Component Units

Beginning net assets for the Higher Education Component Unit have been restated due to accounting errors \$9,460,000. The net effect of the restatements increased beginning net assets by \$9,460,000 as of July 1, 2009.

Fiduciary Funds

Beginning net assets for the Fiduciary Funds have been restated due to accounting errors \$989,000. The net effect of the restatements increased beginning net assets by \$989,000 as of July 1, 2009.

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 June 30, 2010 ODFA had 213 series of debt outstanding for non-state entities with an aggregate principal amount payable of approximately \$1,200,000,000 and an original issuance amount of approximately \$1,500,000,000. As of September 30, 2009 OHFA had two series of multi family bonds outstanding with an aggregate principal amount payable of approximately \$9,668,000. 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, 2010, 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, 2010, 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 has a defined contribution plan that is 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. 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 2010, 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, 2010 was \$4,414,000.

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):

| | <u>WCRP</u> |
|---|----------------------|
| Annual required contribution | \$ 4,414 |
| Interest on net pension obligation | 133 |
| Adjustment to annual required contribution | <u>(238)</u> |
| Annual pension cost | 4,309 |
| Contributions made | <u>4,414</u> |
| Increase (decrease) in net pension obligation | <u>(105)</u> |
| Net pension obligation-beginning of year | <u>1,659</u> |
| Net pension obligation-end of year | <u>\$ 1,554</u> |
| Actuarial Assumptions: | |
| Investment rate of return | 7.5% |
| 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, 2010 actuarial valuation. Actual contributions equaled 100% of required contributions and 102% of annual pension costs for fiscal year 2010. 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 |
|--------------------------|---------------------------------|-------------------------------------|------------------------------|
| 6/30/2010 | \$ 4,308 | 102% | \$ 1,554 |
| 6/30/2009 | 3,349 | 102% | 1,659 |
| 6/30/2008 | 3,025 | 99% | 1,719 |

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 |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|--|
| 7/1/2010 | \$ 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% |
| 7/1/2008 | 71,289 | 88,442 | 17,153 | 80.6% | 14,462 | 118.6% |

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 |
|-------|-------|-------|-----|
| 604 | 279 | 131 | 627 |

During fiscal year 2010, the TRS's unfunded liability increased from \$9,512,000,000 to \$10,414,000,000. This increase was related to significant market asset losses. Based on the current contribution schedule, assuming no actuarial gains or losses in the future, the unfunded liability is expected to continue increasing from the current level. The current contribution schedule results in contributions insufficient 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 2010 was \$54,000,000, which represented the 34% insurance premium tax allocation. Insurance premium contributions to the plan for the years ended June 30, 2010, 2009, and 2008 totaled \$54,000,000, \$54,000,000, and \$53,000,000 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, 2010, 2009, and 2008 totaled \$15,456,000, \$17,311,000, and \$17,670,000, 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 2010:

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 10.5% up to a maximum of 15.5%. Combined employee and employer contributions equal 19% 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% of total salary.

State agency employer contributions to OPERS for the years ended June 30, 2010, 2009, and 2008 were \$214,002,000, \$197,091,000, and \$184,281,000, respectively.

URSJJ member contributions for fiscal year 2010 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, 2010, the effective employer contribution rate was 8.5%. State employer contributions to URSJJ for the year ended June 30, 2010, 2009, and 2008 were \$8,704,000, \$2,244,000, and \$1,689,000, respectively. During fiscal year 2010, \$6,000,000 were designated by the State Legislature 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, 2010, 2009, and 2008 totaled \$22,292,000, \$26,913,000, and \$26,020,000, 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 9.0% from January 1, 2009 to December 31, 2009 and 9.5% from January 1, 2010 to June 30, 2010 for all remitting entities other than comprehensive and four year universities. The employer contribution rate for comprehensive and four year universities was 8.05% on January 1, 2009 and 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 \$228,000,000 from this source for fiscal year 2010. State contributions on behalf of employees totaled approximately \$33,576,000 for fiscal year 2010. State employer contributions to TRS for the years ended June 30, 2010, 2009, and 2008 were \$6,881,000, \$6,701,000, and \$6,049,000, 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):

| | OLERS | URSJJ |
|---|----------------------|----------------------------|
| Annual required contribution | \$ 48,103 | \$ 10,779 |
| Interest on net pension obligation | 1,042 | 472 |
| Adjustment to annual required contribution | (1,733) | (465) |
| Annual pension cost | <u>47,412</u> | <u>10,786</u> |
| Contributions made | <u>23,137</u> | <u>8,704</u> |
| Increase (decrease) in net pension obligation | 24,275 | 2,082 |
| Net pension obligation-beginning of year | <u>13,895</u> | <u>6,296</u> |
| Net pension obligation-end of year | <u>\$ 38,170</u> | <u>\$ 8,378</u> |
| Actuarial Assumptions: | | |
| Investment rate of return | 7.5% | 7.5% |
| Annual salary increase | 1% to 5% | 5.5% |
| 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 | 11 years | 18 years |

The annual required contribution for URSJJ for the current year was determined as part of the July 1, 2009 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 81% of the annual required contributions for the current year.

The annual required contribution for OLERS for the current year was determined as part of the July 1, 2009 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 48% 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 OLERS. Prior year's 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 | 6/30/2010 | \$ 48,103 | 48% | \$ 38,170 |
| | 6/30/2009 | 36,616 | 68% | 13,895 |
| | 6/30/2008 | 32,884 | 76% | 2,270 |
| Uniform Retirement System for Justices and Judges | 6/30/2010 | 8,704 | 81% | 8,378 |
| | 6/30/2009 | 8,171 | 28% | 6,296 |
| | 6/30/2008 | 7,750 | 22% | 369 |

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

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 |
|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| 7/1/2010 | \$ 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% |
| 7/1/2008 | 731,000 | 881,000 | 150,000 | 83.0% | 73,501 | 204.1% |

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 |
|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| 7/1/2010 | \$ 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% |
| 7/1/2008 | 235,297 | 244,062 | 8,765 | 96.4% | 32,389 | 27.1% |

4. Other Retirement Systems

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 \$822,696,000. The institution contributions were \$66,136,000 or 8.0% 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

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 has reviewed its activity related to covered retirees of participating employers and determined that an OPEB plan does not exist according to the provisions of GASB Statement 43 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. Accordingly, OSEEGIB’s financial statement accounting and reporting is through a single enterprise fund with an insurance focus. OSEEGIB has an eight member administrative board charged with the fiduciary responsibility of managing funds and investing its assets. OSEEGIB uses the accrual basis of accounting and recognizes contributions, benefits and refunds paid on the accrual basis. OSEEGIB issues an independent audit report that may be obtained from the Oklahoma State and Education Employees Group Insurance Board, 3545 NW 58th, Suite 1000, Oklahoma City, OK 73112-4725. At December 31, 2009 OSEEGIB provided health coverage to 133 state agency divisions, 616 school districts, 303 local government entities and 33 other groups. There were also contributions received and health benefits provided to 80,000 dependents associated with the employer participants.

2. Funding Policy

The Oklahoma State and Education Employees Group Insurance Board, a legal trust, operates as an insurance company. The OSEEGIB board has the authority to amend the plan structure and set premium or contribution rates each year. The board utilizes an outside consultant to analyze actual claims experience and establish contribution or premium rates on a calendar year basis. The plan is also an access provider to other health and dental plans, primarily board approved health maintenance organizations (HMOs) and dental maintenance organizations (DMOs). All eligible insurance plans are added to the pool of benefits a participant may select from. OSEEGIB receives monthly premium contributions directly from retirees except for the nominal amount received from the participating pension plans as outlined below. Employers make no contribution on a retiree’s behalf, and have no liability to OSEEGIB once an employee enters retirement. Retired participants paid a premium that ranged from a low of \$303 to a high of \$716 per month in calendar year 2009, depending on the type of plan selected for health insurance coverage. Although various other types of insurance coverage are available to retirees, health coverage represents the primary coverage selected.

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 2010, 2009 and 2008 the retirement systems paid into OSEEGIB as follows, representing 100% of the State’s legislatively required contributions to OSEEGIB:

| | FY 2010 Contributions | FY 2009 Contributions | FY 2008 Contributions |
|----------------------------------|--------------------------|--------------------------|--------------------------|
| Fiduciary Component Units | | | |
| OPERS (a) | \$ 17,856,000 | \$ 17,748,000 | \$ 17,347,000 |
| TRS (a) | 29,916,000 | 30,523,000 | 30,404,000 |
| URSJJ (b) | 146,000 | 140,000 | 136,000 |
| OLERS (b) | 796,000 | 788,000 | 721,000 |
| | <u>\$ 48,714,000</u> | <u>\$ 49,199,000</u> | <u>\$ 48,608,000</u> |

(a) - Cost Sharing Multi-Employer Retirement Plan

(b) - Single Employer Retirement Plan

The State also 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. These contributions are made on a pay-as-you go basis, and the Department’s

board can elect to cancel the payment at any time. For the fiscal years 2010, 2009 and 2008 the department paid into OSEEGIB as follows, representing 100% of the Department's board mandated contributions to OSEEGIB:

| | <u>FY 2010</u> <u>Contributions</u> | <u>FY 2009</u> <u>Contributions</u> | <u>FY 2008</u> <u>Contributions</u> |
|--------------------------------|--|--|--|
| Primary Government | | | |
| Dept. of Wildlife Conservation | <u>\$ 126,000</u> | <u>\$ 114,000</u> | <u>\$ 120,000</u> |

Component Units

Twenty of the institutions included in the Higher Education Component Unit sponsor single-employer other post employment benefits (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 \$10,888,000 in fiscal year 2010 for the twenty participating institutions. Complete disclosure for each higher education institution can be obtained from the Oklahoma State Regents for Higher Education, P.O. Box 108850, Oklahoma City, OK 73101-8850.

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 \$228,000,000 from the State for the year ended June 30, 2010.

Note 17. Commitments

Primary Government

The **Department of Transportation** had contractual commitments at June 30, 2010, of approximately \$848,381,000 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 \$45,788,000 for the General Fund.

Component Units

The **University of Oklahoma** had outstanding commitments under construction contracts totaling \$72,054,000 at June 30, 2010.

Oklahoma State University (University) had outstanding commitments under construction contracts of approximately \$59,459,000 at June 30, 2010. 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, 2009, approximately \$53,957,000 was spent on these projects and management's estimated cost to complete the projects is approximately \$60,238,000.

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, 2010, OSLA was committed to purchase approximately \$415,078,000 of FFEL.

The **Oklahoma Turnpike Authority** (OTA) had commitments outstanding at December 31, 2009, relating to equipment orders and supplies of approximately \$2,377,000. At December 31, 2009, OTA had commitments outstanding relating to construction and maintenance contracts of approximately \$22,129,000.

The **Oklahoma Municipal Power Authority** (OMPA) purchased approximately \$17,346,000 of power pursuant to several long-term purchase agreements during 2009. OMPA is obligated to purchase, at a minimum, approximately \$17,985,000 of power in 2010.

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, 2009 for long-term coal and freight purchases under contracts through 2016 with estimated minimum obligations for the year ending December 31, 2009 of \$104,290,000 and \$986,610,000 through 2016.

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, 2010.

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, 2010, the State is unable to estimate what liabilities may result from such audits.

Primary Government

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, 2010, DOT had project expenditures totaling \$2,887,000 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. OCIB also has a \$15,812,000 line of credit and a \$33,258,000 term loan. As of June 30, 2010 there was only current debt in connection with the line of credit. In addition to the debt, OCIB reported June 30, 2010 net asset deficit of \$13,488,000.

The credits and OCIB's right to transfer the credits expire if not utilized by July 1, 2015. As of June 30, 2010, \$19,515,000 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.

Note 19. Subsequent Events

Subsequent to June 30, 2010, 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 issued revenue bonds totaling \$441,680,000 for the State Highway Improvement Project. OCIA has currently authorized but not issued bonds totaling \$2,665,000 for the School of Science and Mathematics.

Component Units

Board of Regents has issued general revenue bonds totaling \$153,320,000 to refund outstanding tax-exempt issue. Currently the Board of Regents has authorized but not issued bonds totaling \$50,395,000 for capital projects.

Oklahoma Development Finance Authority (ODFA) has issued bonds totaling \$90,845,000 for the Oklahoma State Regents for Higher Education Master Equipment Lease Revenue Bonds. Currently ODFA has authorized but not issued bonds totaling \$3,700,000 for Tillman County.

Oklahoma Student Loan Authority (OSLA) has issued bonds totaling \$243,518,000 for the Refunding Program. OSLA has currently authorized but not issued bonds totaling \$475,000,000 for the Refunding Program.

Oklahoma Municipal Power Authority has issued bonds totaling \$70,000,000 for the Power Supply System.

Grand River Dam Authority has issued bonds totaling \$239,315,000 for capital projects.

Water Resources Board has issued bonds totaling \$27,955,000 for capital projects.



**Required Supplementary Information
Budgetary Schedule**



**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, 2010
 (expressed in thousands)

| | | GENERAL FUND | | | | |
|---|---|--------------|------------|-----------|-----------|----------|
| | | BUDGET | | | ACTUAL | VARIANCE |
| | | ORIGINAL | Amendments | FINAL | | |
| EDUCATION | | | | | | |
| State Arts Council | | | | | | |
| 01 | Duties | \$ 4,664 | \$ - | \$ 4,664 | \$ 2,869 | \$ 1,795 |
| 02 | Arts Council Arts Education Revolving Fund | 100 | - | 100 | 58 | 42 |
| 11 | FY-09 Carryover | - | 223 | 223 | 223 | - |
| Agency Total | | 4,764 | 223 | 4,987 | 3,150 | 1,837 |
| Department of Career and Technology Education | | | | | | |
| 08 | Duties | 142,732 | - | 142,732 | 128,126 | 14,606 |
| 18 | FY-09 Carryover | - | 11,325 | 11,325 | 10,176 | 1,149 |
| Agency Total | | 142,732 | 11,325 | 154,057 | 138,302 | 15,755 |
| Department of Education | | | | | | |
| 01 | Financial support of Public Schools* | 925,583 | - | 925,583 | 923,304 | 2,279 |
| 01 | Financial support of Public Schools (Min Lea) | 4,085 | - | 4,085 | 2,518 | 1,567 |
| 02 | Financial support of Public Schools (Min Lea) | 1,721 | - | 1,721 | 1,721 | - |
| 02 | Public School Activities | 424,163 | - | 424,163 | 424,163 | - |
| 01 | Financial support of Public Schools | 15,656 | - | 15,656 | 15,656 | - |
| 02 | Financial support of Public Schools** | 103,450 | - | 103,450 | 103,450 | - |
| 01 | Financial support of Public Schools (Ed Ref) | 50,000 | - | 50,000 | 50,000 | - |
| 02 | Financial support of Public Schools | 40,265 | - | 40,265 | 40,265 | - |
| 19 | Textbooks | 33,000 | - | 33,000 | 32,985 | 15 |
| 03 | Admin & Support Functions - DOE | 22,436 | - | 22,436 | 18,274 | 4,162 |
| 12 | FY-09 Carryover | - | 868 | 868 | 612 | 256 |
| 13 | FY-09 Carryover | - | 11,954 | 11,954 | 8,507 | 3,447 |
| Agency Total | | 1,620,359 | 12,822 | 1,633,181 | 1,621,455 | 11,726 |
| Commission of the Land Office | | | | | | |
| 01 | Duties | 5,005 | - | 5,005 | 4,150 | 855 |
| 11 | FY-09 Carryover | - | 222 | 222 | 222 | - |
| Agency Total | | 5,005 | 222 | 5,227 | 4,372 | 855 |
| Department of Libraries | | | | | | |
| 01 | Duties | 6,747 | - | 6,747 | 6,145 | 602 |
| 11 | FY-09 Carryover | - | 306 | 306 | 287 | 19 |
| Agency Total | | 6,747 | 306 | 7,053 | 6,432 | 621 |
| Center for Advancement of Science and Technology | | | | | | |
| 01 | Duties | 850 | - | 850 | 820 | 30 |
| 02 | To Research Support Plev Fund (200) | 19,525 | - | 19,525 | 19,525 | - |
| 11 | FY-09 Carryover | - | 40 | 40 | 30 | 10 |
| Agency Total | | 20,375 | 40 | 20,415 | 20,375 | 40 |
| Physical Manpower Training Commission | | | | | | |
| 01 | Duties | 4,382 | - | 4,382 | 4,376 | 6 |
| 06 | Duties | 400 | - | 400 | 400 | - |
| 11 | FY-09 Carryover | - | 107 | 107 | 107 | - |
| Agency Total | | 4,782 | 107 | 4,889 | 4,883 | 6 |
| Oklahoma School of Science and Math | | | | | | |
| 01 | Duties | 4,805 | - | 4,805 | 4,667 | 138 |
| 02 | Pilot Outreach Programs | 2,176 | - | 2,176 | 1,745 | 431 |
| 11 | FY-09 Carryover | - | 548 | 548 | 548 | - |
| 12 | FY-09 Carryover | - | 274 | 274 | 274 | - |
| 13 | FY-09 Carryover | - | 212 | 212 | 212 | - |
| Agency Total | | 6,981 | 1,034 | 8,015 | 7,446 | 569 |

| GENERAL FUND | | | | | |
|--|-----------|------------|-----------|-----------|----------|
| | BUDGET | | | ACTUAL | VARIANCE |
| | ORIGINAL | Amendments | FINAL | | |
| Oklahoma Commission for Teacher Preparation | | | | | |
| 01 Duties | 1,772 | - | 1,772 | 1,325 | 447 |
| 11 FY-09 Carryover | - | 233 | 233 | 57 | 176 |
| Agency Total | 1,772 | 233 | 2,005 | 1,382 | 623 |
| Education Total | 1,813,517 | 26,312 | 1,839,829 | 1,807,797 | 32,032 |
| GENERAL GOVERNMENT | | | | | |
| State Auditor and Inspector | | | | | |
| 01 Duties | 5,089 | - | 5,089 | 5,056 | 33 |
| 02 County Govt Personnel Educ & Trng | 344 | - | 344 | 316 | 28 |
| 11 FY-09 Carryover | - | 26 | 26 | 26 | - |
| 12 FY-09 Carryover | - | - | - | - | - |
| Agency Total | 5,433 | 26 | 5,459 | 5,398 | 61 |
| State Bond Advisor | | | | | |
| 01 Duties | 160 | - | 160 | 160 | - |
| Agency Total | 160 | - | 160 | 160 | - |
| Department of Central Services | | | | | |
| 01 Duties | 10,356 | - | 10,356 | 5,261 | 5,095 |
| 04 Maintenance of the Hissom Center | 140 | - | 140 | 62 | 78 |
| 01 Duties | 3,100 | - | 3,100 | 2,913 | 187 |
| 03 Maintenance in Sequoyah and Will Rogers buildings | - | 700 | 700 | 21 | 679 |
| 02 For transfer to Bldg & Fac Revolv (Fund 245) | 1,418 | - | 1,418 | 1,418 | - |
| 01 For transfer to Bldg & Fac Revolv (Fund 245) | 1,538 | - | 1,538 | 1,538 | - |
| 11 FY-09 Carryover | - | 3,637 | 3,637 | 3,553 | 84 |
| 14 FY-09 Carryover | - | 114 | 114 | 114 | - |
| 15 FY-09 Carryover | - | 979 | 979 | - | 979 |
| 32 FY-09 Carryover | - | 1,533 | 1,533 | 1,533 | - |
| Agency Total | 16,552 | 6,963 | 23,515 | 16,413 | 7,102 |
| Department of Commerce | | | | | |
| 04 Duties | 30,323 | - | 30,323 | 26,758 | 3,565 |
| 05 Duties | 463 | - | 463 | 462 | 1 |
| 01 Duties | 16,000 | - | 16,000 | 16,000 | - |
| 02 Duties | - | 52 | 52 | 31 | 21 |
| 14 FY-09 Carryover | - | 99 | 99 | 66 | 33 |
| 31 FY-09 Carryover | - | 1,500 | 1,500 | 1,500 | - |
| Agency Total | 46,786 | 1,651 | 48,437 | 44,817 | 3,620 |
| State Election Board | | | | | |
| 01 Duties | 5,757 | - | 5,757 | 4,838 | 919 |
| 02 Duties | 150 | - | 150 | 106 | 44 |
| 11 FY-09 Carryover | - | 289 | 289 | 228 | 61 |
| 21 FY-08 Carryover | - | 84 | 84 | 84 | - |
| Agency Total | 5,907 | 373 | 6,280 | 5,256 | 1,024 |
| Ethics Commission | | | | | |
| 01 Duties | 575 | - | 575 | 556 | 19 |
| 11 FY-09 Carryover | - | 1 | 1 | 1 | - |
| Agency Total | 575 | 1 | 576 | 557 | 19 |
| Office of State Finance | | | | | |
| 01 Duties | 11,175 | - | 11,175 | 5,730 | 5,445 |
| 02 Duties | 11,000 | - | 11,000 | 5,412 | 5,588 |
| 01 VOBO Reimbursement Fund | - | 22,000 | 22,000 | - | 22,000 |
| 11 FY-09 Carryover | - | 5,093 | 5,093 | 5,093 | - |
| Agency Total | 22,175 | 27,093 | 49,268 | 16,235 | 33,033 |
| Governor | | | | | |
| 01 Duties | 2,290 | - | 2,290 | 2,131 | 159 |
| 11 FY-09 Carryover | - | 118 | 118 | 118 | - |
| 01 For Transfer to State Emergency Fund | - | 6,600 | 6,600 | 6,600 | - |
| 02 For Transfer to State Emergency Fund | - | 8,400 | 8,400 | 8,400 | - |
| Agency Total | 2,290 | 15,118 | 17,408 | 17,249 | 159 |
| Lieutenant Governor | | | | | |
| 01 Duties | 567 | - | 567 | 438 | 129 |
| 11 FY-09 Carryover | - | 186 | 186 | 186 | - |
| Agency Total | 567 | 186 | 753 | 624 | 129 |

GENERAL FUND

| | BUDGET | | | ACTUAL | VARIANCE |
|---|----------|------------|---------|---------|----------|
| | ORIGINAL | Amendments | FINAL | | |
| Merit Protection Commission | | | | | |
| 01 Duties | 568 | - | 568 | 522 | 46 |
| 11 FY-09 Carryover | - | 2 | 2 | 2 | - |
| Agency Total | 568 | 2 | 570 | 524 | 46 |
| Office of Personnel Management | | | | | |
| 01 Duties | 4,208 | - | 4,208 | 3,434 | 774 |
| 11 FY-09 Carryover | - | 855 | 855 | 855 | - |
| Agency Total | 4,208 | 855 | 5,063 | 4,289 | 774 |
| Secretary of State | | | | | |
| 01 Duties | 327 | - | 327 | 327 | - |
| Agency Total | 327 | - | 327 | 327 | - |
| Oklahoma Tax Commission | | | | | |
| 30 Duties | 41,351 | - | 41,351 | 40,646 | 705 |
| 40 Duties | 1,388 | - | 1,388 | 1,388 | - |
| 50 OSU Center for Local Gov't Technology | 92 | - | 92 | 92 | - |
| 31 FY-09 Carryover | - | 369 | 369 | 369 | - |
| Agency Total | 42,831 | 369 | 43,200 | 42,495 | 705 |
| State Treasurer | | | | | |
| 01 Duties | 3,924 | - | 3,924 | 2,353 | 1,571 |
| 08 State Land Reimbursements | 100 | - | 100 | 100 | - |
| 09 State Land Reimbursements | 2,000 | - | 2,000 | 2,000 | - |
| 11 FY-09 Carryover | - | 1,514 | 1,514 | 1,364 | 150 |
| Agency Total | 6,024 | 1,514 | 7,538 | 5,817 | 1,721 |
| General Government Total | | | | | |
| | 154,403 | 54,151 | 208,554 | 160,161 | 48,393 |
| HEALTH SERVICES | | | | | |
| Department of Health | | | | | |
| 01 Duties | 54,831 | - | 54,831 | 46,704 | 8,127 |
| 12 To Child Abuse Prevention (Fund 265) | 3,336 | - | 3,336 | 3,086 | 250 |
| 17 Dental Loan Repayment Revolving Fund | 500 | - | 500 | 463 | 37 |
| 23 To Kidney Health Revolving (Fund 202) | 114 | - | 114 | 105 | 9 |
| 40 Alternatives to Abortion Services Rev Fund | 40 | - | 40 | 37 | 3 |
| 37 Oklahoma Institute for Child Advocacy | 75 | - | 75 | 60 | 15 |
| 15 Dental Services for the Disabled/Elderly | 137 | - | 137 | 106 | 31 |
| 29 Hearts for Hearing Foundation | 200 | - | 200 | 152 | 48 |
| 43 College of Osteo Med Area Hlth Ed Ctrs | 750 | - | 750 | 208 | 542 |
| 48 Alzheimer's Association, OK Chapter | 8 | - | 8 | 6 | 2 |
| 10 OUHSC Pathology Department | 40 | - | 40 | 37 | 3 |
| 47 OUHSC Pediatric Endocrinology Dept | 93 | - | 93 | 71 | 22 |
| 45 North Tulsa Heritage Foundation, Inc. | 36 | - | 36 | 29 | 7 |
| 42 Greenwood Educational & Cultural Center | 119 | - | 119 | 90 | 29 |
| 31 OK Dental Foundation | 100 | - | 100 | 71 | 29 |
| 39 OSU College of Osteopathic Medicine | 100 | - | 100 | 93 | 7 |
| 19 High-risk perinatal direct services | 2,254 | - | 2,254 | 1,922 | 332 |
| 20 Perinatal continuing education | 209 | - | 209 | 160 | 49 |
| 24 Community Health Centers | 3,841 | - | 3,841 | 1,930 | 1,911 |
| 38 Primary Care and Rural Health Development | 700 | - | 700 | 96 | 604 |
| 16 Eastern OK Donated Dental Services | 70 | - | 70 | 65 | 5 |
| 65 FY-09 Carryover | - | 190 | 190 | 190 | - |
| 63 FY-09 Carryover | - | 251 | 251 | 251 | - |
| 64 FY-09 Carryover | - | 91 | 91 | 88 | 3 |
| Agency Total | 67,553 | 532 | 68,085 | 56,020 | 12,065 |
| Mental Health and Substance Abuse | | | | | |
| 01 Duties | 179,939 | - | 179,939 | 162,332 | 17,607 |
| 02 Duties | 5,000 | - | 5,000 | 5,000 | - |
| 11 FY-09 Carryover | - | 7,323 | 7,323 | 7,323 | - |
| Agency Total | 184,939 | 7,323 | 192,262 | 174,655 | 17,607 |
| Health Services Total | | | | | |
| | 252,492 | 7,855 | 260,347 | 230,675 | 29,672 |
| LEGAL AND JUDICIARY | | | | | |
| Attorney General | | | | | |
| 01 Duties | 12,693 | - | 12,693 | 12,223 | 470 |
| 11 FY-09 Carryover | - | 64 | 64 | 58 | 6 |
| Agency Total | 12,693 | 64 | 12,757 | 12,281 | 476 |

| | | GENERAL FUND | | | | |
|--|-----------------------------------|----------------|--------------|----------------|----------------|--------------|
| | | BUDGET | | | ACTUAL | VARIANCE |
| | | ORIGINAL | Amendments | FINAL | | |
| Court of Criminal Appeals | | | | | | |
| 01 | Duties | 3,057 | - | 3,057 | 3,054 | 3 |
| 11 | FY-09 Carryover | - | 68 | 68 | 68 | - |
| Agency Total | | 3,057 | 68 | 3,125 | 3,122 | 3 |
| District Attorneys Council | | | | | | |
| 01 | Duties | 36,836 | - | 36,836 | 36,400 | 436 |
| 11 | FY-09 Carryover | - | 655 | 655 | 644 | 11 |
| Agency Total | | 36,836 | 655 | 37,491 | 37,044 | 447 |
| District Courts | | | | | | |
| 01 | Duties - District Courts | 18,503 | - | 18,503 | 18,472 | 31 |
| 11 | FY-09 Carryover | - | 254 | 254 | 254 | - |
| Agency Total | | 18,503 | 254 | 18,757 | 18,726 | 31 |
| Indigent Defense System | | | | | | |
| 01 | Duties | 14,542 | - | 14,542 | 13,242 | 1,300 |
| 03 | Duties | 13 | - | 13 | 13 | - |
| 11 | FY-09 Carryover | - | 1,182 | 1,182 | 1,182 | - |
| Agency Total | | 14,555 | 1,182 | 15,737 | 14,437 | 1,300 |
| Council on Judicial Complaints | | | | | | |
| 01 | Duties | 248 | - | 248 | 168 | 80 |
| 11 | FY-09 Carryover | - | 63 | 63 | 63 | - |
| Agency Total | | 248 | 63 | 311 | 231 | 80 |
| Supreme Court | | | | | | |
| 01 | Duties | 15,447 | - | 15,447 | 14,544 | 903 |
| 08 | Duties | 300 | - | 300 | 283 | 17 |
| 11 | FY-09 Carryover | - | 1,509 | 1,509 | 1,509 | - |
| 02 | To Legal Svcs Revolving (Fd 225) | 803 | - | 803 | 803 | - |
| Agency Total | | 16,550 | 1,509 | 18,059 | 17,139 | 920 |
| Workers Compensation Court | | | | | | |
| 01 | Duties | 4,677 | - | 4,677 | 4,677 | - |
| 11 | FY-09 Carryover | - | 6 | 6 | 6 | - |
| Agency Total | | 4,677 | 6 | 4,683 | 4,683 | - |
| Legal and Judiciary Total | | 107,119 | 3,801 | 110,920 | 107,663 | 3,257 |
| MUSEUMS | | | | | | |
| Historical Society | | | | | | |
| 01 | Duties | 13,184 | - | 13,184 | 11,908 | 1,276 |
| 01 | Duties | - | 293 | 293 | 293 | - |
| 11 | FY-09 Carryover | - | 496 | 496 | 293 | 203 |
| 12 | FY-09 Carryover | - | 210 | 210 | 293 | (83) |
| Agency Total | | 13,184 | 999 | 14,183 | 12,787 | 1,396 |
| J.M. Davis Memorial Commission | | | | | | |
| 01 | Duties | 332 | - | 332 | 315 | 17 |
| 11 | FY-09 Carryover | - | 23 | 23 | 7 | 16 |
| Agency Total | | 332 | 23 | 355 | 322 | 33 |
| Will Rogers Memorial Commission | | | | | | |
| 01 | Duties | 803 | - | 803 | 719 | 84 |
| 11 | FY-09 Carryover | - | 57 | 57 | 39 | 18 |
| Agency Total | | 803 | 57 | 860 | 758 | 102 |
| Museums Total | | 14,319 | 1,079 | 15,398 | 13,867 | 1,531 |
| NATURAL RESOURCES | | | | | | |
| Department of Agriculture | | | | | | |
| 01 | Duties | 23,641 | - | 23,641 | 21,999 | 1,642 |
| 03 | Duties | 7,000 | - | 7,000 | - | 7,000 |
| 01 | Duties | - | 136 | 136 | 136 | - |
| 11 | FY-09 Carryover | - | 1,244 | 1,244 | 851 | 393 |
| 03 | FY-09 Carryover | - | 6,762 | 6,762 | 6,745 | 17 |
| Agency Total | | 30,641 | 8,142 | 38,783 | 29,731 | 9,052 |

| GENERAL FUND | | | | | |
|--|----------|------------|---------|---------|----------|
| | BUDGET | | | ACTUAL | VARIANCE |
| | ORIGINAL | Amendments | FINAL | | |
| Conservation Commission | | | | | |
| 01 Duties | 8,855 | - | 8,855 | 8,329 | 526 |
| 01 Duties | - | 167 | 167 | 167 | - |
| 11 FY-09 Carryover | - | 11 | 11 | 11 | - |
| Agency Total | 8,855 | 178 | 9,033 | 8,507 | 526 |
| Department of Environmental Quality | | | | | |
| 01 Duties | 8,600 | - | 8,600 | 8,132 | 468 |
| 11 FY-09 Carryover | - | 12 | 12 | 12 | - |
| Agency Total | 8,600 | 12 | 8,612 | 8,144 | 468 |
| Scenic Rivers Commission | | | | | |
| 01 Duties (to Fund 260) | 297 | - | 297 | 297 | - |
| Agency Total | 297 | - | 297 | 297 | - |
| Department of Tourism and Recreation | | | | | |
| 01 Duties | 23,966 | - | 23,966 | 21,702 | 2,264 |
| 11 FY-09 Carryover | - | 2,099 | 2,099 | 2,003 | 96 |
| Agency Total | 23,966 | 2,099 | 26,065 | 23,705 | 2,360 |
| Water Resources Board | | | | | |
| 01 Duties | 3,710 | - | 3,710 | 1,927 | 1,783 |
| 04 Rural Water Association | 280 | - | 280 | 258 | 22 |
| 02 To WRB's REAP (Fund 225) for Duties | 2,046 | - | 2,046 | 1,951 | 95 |
| 01 Renovation, repair and improvement of water and sewer systems | 2,000 | - | 2,000 | 2,000 | - |
| 11 FY-09 Carryover | - | 125 | 125 | 125 | - |
| Agency Total | 8,036 | 125 | 8,161 | 6,261 | 1,900 |
| Natural Resources Total | | | | | |
| | 80,395 | 10,556 | 90,951 | 76,645 | 14,306 |
| PUBLIC SAFETY AND DEFENSE | | | | | |
| Alcoholic Beverage Laws Enforcement | | | | | |
| 01 Duties | 3,631 | - | 3,631 | 3,568 | 63 |
| 11 FY-09 Carryover | - | 5 | 5 | 5 | - |
| Agency Total | 3,631 | 5 | 3,636 | 3,573 | 63 |
| State Bureau of Investigation | | | | | |
| 01 Duties | 15,824 | - | 15,824 | 15,666 | 158 |
| 11 FY-09 Carryover | - | 515 | 515 | 515 | - |
| Agency Total | 15,824 | 515 | 16,339 | 16,181 | 158 |
| Department of Corrections | | | | | |
| 40 Duties | 50,000 | - | 50,000 | 50,000 | - |
| 30 Duties | 419,025 | - | 419,025 | 397,027 | 21,998 |
| 01 Duties | - | 7,200 | 7,200 | 7,196 | 4 |
| 31 FY-09 Carryover | - | 8,943 | 8,943 | 8,943 | - |
| Agency Total | 469,025 | 16,143 | 485,168 | 463,166 | 22,002 |
| Council on Law Enforcement, Education and Training | | | | | |
| 01 Duties | 3,314 | - | 3,314 | 2,704 | 610 |
| 02 Duties | 132 | - | 132 | 132 | - |
| 01 Duties | 896 | - | 896 | 811 | 85 |
| 11 FY-09 Carryover | - | 24 | 24 | 24 | - |
| 11 FY-09 Carryover | - | 96 | 96 | 96 | - |
| Agency Total | 4,342 | 120 | 4,462 | 3,767 | 695 |
| Department of Emergency Management | | | | | |
| 01 Duties | 729 | - | 729 | 702 | 27 |
| 11 FY-09 Carryover | - | 301 | 301 | 301 | - |
| Agency Total | 729 | 301 | 1,030 | 1,003 | 27 |
| State Fire Marshal | | | | | |
| 01 Duties | 2,077 | - | 2,077 | 2,077 | - |
| Agency Total | 2,077 | - | 2,077 | 2,077 | - |
| Board of Medicolegal Investigation | | | | | |
| 01 Duties | 4,347 | - | 4,347 | 4,245 | 102 |
| 01 Duties | - | 233 | 233 | 99 | 134 |
| 11 FY-09 Carryover | - | 563 | 563 | 562 | 1 |
| Agency Total | 4,347 | 796 | 5,143 | 4,906 | 237 |

| GENERAL FUND | | | | | |
|--|----------|------------|---------|---------|----------|
| BUDGET | | | | | |
| | ORIGINAL | Amendments | FINAL | ACTUAL | VARIANCE |
| Oklahoma Military Department | | | | | |
| 01 Duties | 11,183 | - | 11,183 | 9,988 | 1,195 |
| 01 Duties | - | 42 | 42 | - | 42 |
| 02 Officer Incentive Program (Fund 200) | 150 | - | 150 | 150 | - |
| 11 FY-09 Carryover | - | 1,195 | 1,195 | 1,025 | 170 |
| Agency Total | 11,333 | 1,237 | 12,570 | 11,163 | 1,407 |
| Bureau of Narcotics and Dangerous Drugs | | | | | |
| 01 Duties | 4,578 | - | 4,578 | 4,577 | 1 |
| 02 Duties | 1,350 | - | 1,350 | 1,350 | - |
| 11 FY-09 Carryover | - | 8 | 8 | 8 | - |
| Agency Total | 5,928 | 8 | 5,936 | 5,935 | 1 |
| Pardon and Parole Board | | | | | |
| 01 Duties | 2,334 | - | 2,334 | 2,321 | 13 |
| Agency Total | 2,334 | - | 2,334 | 2,321 | 13 |
| Department of Public Safety | | | | | |
| 01 Duties | 83,114 | - | 83,114 | 79,513 | 3,601 |
| 02 Duties | 2,312 | - | 2,312 | 2,312 | - |
| 03 Capitol Patrol Officer - Workers Comp Court | 26 | - | 26 | 26 | - |
| 04 Clinton/Sherman Industrial Complex | 65 | - | 65 | 60 | 5 |
| 05 OK Climatological Survey | 351 | - | 351 | 351 | - |
| 06 Oklahoma Office of Homeland Security | 471 | - | 471 | 307 | 164 |
| 07 Construction of Troop K Headquarters | 1,200 | - | 1,200 | - | 1,200 |
| 01 Duties | - | 3,000 | 3,000 | 3,000 | - |
| 11 FY-09 Carryover | - | 117 | 117 | 117 | - |
| Agency Total | 87,539 | 3,117 | 90,656 | 85,686 | 4,970 |
| Public Safety and Defense Total | | | | | |
| | 607,109 | 22,242 | 629,351 | 599,778 | 29,573 |
| REGULATORY SERVICES | | | | | |
| Commission on Consumer Credit | | | | | |
| 01 Duties | 576 | - | 576 | 560 | 16 |
| 11 FY-09 Carryover | - | 27 | 27 | 26 | 1 |
| Agency Total | 576 | 27 | 603 | 586 | 17 |
| Corporation Commission | | | | | |
| 01 Duties | 10,735 | - | 10,735 | 10,174 | 561 |
| 11 FY-09 Carryover | - | 728 | 728 | 706 | 22 |
| 12 FY-09 Carryover | - | 15 | 15 | 8 | 7 |
| Agency Total | 10,735 | 743 | 11,478 | 10,888 | 590 |
| Oklahoma Horse Racing Commission | | | | | |
| 01 Duties | 2,297 | - | 2,297 | 2,121 | 176 |
| 11 FY-09 Carryover | - | 92 | 92 | 86 | 6 |
| Agency Total | 2,297 | 92 | 2,389 | 2,207 | 182 |
| Insurance Department | | | | | |
| 01 Duties | 2,164 | - | 2,164 | 2,101 | 63 |
| 11 FY-09 Carryover | - | 3 | 3 | 3 | - |
| Agency Total | 2,164 | 3 | 2,167 | 2,104 | 63 |
| Department of Labor | | | | | |
| 01 Duties | 1,143 | - | 1,143 | 1,140 | 3 |
| 01 Duties | 1,549 | - | 1,549 | 1,546 | 3 |
| 02 Duties | 713 | - | 713 | 691 | 22 |
| 11 FY-09 Carryover | - | 2 | 2 | 2 | - |
| Agency Total | 3,405 | 2 | 3,407 | 3,379 | 28 |
| Department of Mines | | | | | |
| 01 Duties | 872 | - | 872 | 801 | 71 |
| 11 FY-09 Carryover | - | 1 | 1 | 1 | - |
| Agency Total | 872 | 1 | 873 | 802 | 71 |
| Regulatory Services Total | | | | | |
| | 20,049 | 868 | 20,917 | 19,966 | 951 |
| SOCIAL SERVICES | | | | | |
| Commission on Children and Youth | | | | | |
| 10 Duties | 2,294 | - | 2,294 | 1,905 | 389 |
| 40 FY-09 Carryover | - | 524 | 524 | 524 | - |
| Agency Total | 2,294 | 524 | 2,818 | 2,429 | 389 |

| | GENERAL FUND | | | | |
|--|--------------|------------|--------------|--------------|------------|
| | BUDGET | | | ACTUAL | VARIANCE |
| | ORIGINAL | Amendments | FINAL | | |
| Office of Disability Concerns | | | | | |
| 01 Duties | 363 | - | 363 | 362 | 1 |
| 11 FY-09 Carryover | - | - | - | - | - |
| Agency Total | 363 | - | 363 | 362 | 1 |
| Health Care Authority | | | | | |
| 01 Duties (to Disbursing Funds 200 and 340) | 436,977 | - | 436,977 | 436,977 | - |
| 02 Duties (to Disbursing Funds 200 and 340) | 58,146 | - | 58,146 | 58,146 | - |
| 01 Duties | 30,000 | - | 30,000 | 30,000 | - |
| Agency Total | 525,123 | - | 525,123 | 525,123 | - |
| Oklahoma Human Rights Commission | | | | | |
| 10 Duties | 614 | - | 614 | 596 | 18 |
| 20 FY-09 Carryover | - | 5 | 5 | 4 | 1 |
| Agency Total | 614 | 5 | 619 | 600 | 19 |
| Department of Human Services | | | | | |
| 01 Duties (to Disbursing Funds) | 359,980 | - | 359,980 | 359,980 | - |
| 08 Duties (to Disbursing Funds) | 50,000 | - | 50,000 | 50,000 | - |
| 03 Duties (to Disbursing Funds) | 10,000 | - | 10,000 | 10,000 | - |
| 02 Child Welfare Program | 925 | - | 925 | 925 | - |
| Agency Total | 420,905 | - | 420,905 | 420,905 | - |
| Oklahoma Indian Affairs Commission | | | | | |
| 10 Duties | 222 | - | 222 | 171 | 51 |
| 20 FY-09 Carryover | - | 50 | 50 | 49 | 1 |
| Agency Total | 222 | 50 | 272 | 220 | 52 |
| J.D. McCarty Center | | | | | |
| 10 Duties | 3,783 | - | 3,783 | 3,766 | 17 |
| 20 FY-09 Carryover | - | 5 | 5 | 5 | - |
| Agency Total | 3,783 | 5 | 3,788 | 3,771 | 17 |
| Office of Juvenile Affairs | | | | | |
| 01 Duties | 99,963 | - | 99,963 | 91,814 | 8,149 |
| 08 Duties | 2,000 | - | 2,000 | 1,835 | 165 |
| 02 Tulsa County Juvenile Justice Center | 1,000 | - | 1,000 | - | 1,000 |
| 03 Level E Detention Center, southw est OK | 500 | - | 500 | 316 | 184 |
| 11 FY-09 Carryover | - | 1,631 | 1,631 | 1,457 | 174 |
| Agency Total | 103,463 | 1,631 | 105,094 | 95,422 | 9,672 |
| Department of Rehabilitation Services | | | | | |
| 01 Duties (to disbursing funds) | 27,800 | - | 27,800 | 27,800 | - |
| 02 Duties OSB/OSD capital needs | 370 | - | 370 | 370 | - |
| 01 Duties (to disbursing funds) | 1,200 | - | 1,200 | 1,200 | - |
| Agency Total | 29,370 | - | 29,370 | 29,370 | - |
| Department of Veteran Affairs | | | | | |
| 01 Duties | 37,261 | - | 37,261 | 36,810 | 451 |
| 11 FY-09 Carryover | - | 799 | 799 | 799 | - |
| Agency Total | 37,261 | 799 | 38,060 | 37,609 | 451 |
| Social Services Total | | | | | |
| | 1,123,398 | 3,014 | 1,126,412 | 1,115,811 | 10,601 |
| TRANSPORTATION | | | | | |
| Oklahoma Space Industry Development Auth. | | | | | |
| 11 FY-09 Carryover | - | 438 | 438 | 189 | 249 |
| 01 Duties to Space Industries Dev. | 456 | - | 456 | 456 | - |
| Agency Total | 456 | 438 | 894 | 645 | 249 |
| Transportation Total | | | | | |
| | 456 | 438 | 894 | 645 | 249 |
| General Fund Total | | | | | |
| | \$ 4,173,257 | \$ 130,316 | \$ 4,303,573 | \$ 4,133,008 | \$ 170,565 |

Note to Required Supplementary Information - Budgetary Reporting FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 15th 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, 2010, is presented below (expressed in thousands) for the General Fund:

| | | |
|--|----|-------------|
| Budgetary Basis Fund Balance, June 30, 2009 | \$ | 1,729,935 |
| Excess of total sources over total uses of financial resources (Budgetary Basis) | | (1,119,565) |
| Budgetary Basis Fund Balance, June 30, 2010 | | 610,370 |
| Entity and Perspective Differences: | | |
| Non-budgeted Funds and Capital Funds | | 2,455,333 |
| Encumbrances | | 71,102 |
| Basis Differences: | | |
| Add: Net accrued revenues, related receivables, and deferred revenues | | 1,103,155 |
| Less: Net accrued expenditures and related liabilities | | (1,229,101) |
| GAAP Basis Fund Balance, June 30, 2010 | \$ | 3,010,859 |



Combining Financial Statements



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 13th 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. 63rd 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) property distribution maintained by the Department of Central Services to account for federal surplus property transferred to the State's custody to be sold or donated to other governmental entities and/or specified nonprofit organizations and property seized by state organizations pending the outcome of legal proceedings, (3) deposits held by the Department of Central Services for bid process documents, (4) donations held by the District Attorney's Council for the Murrah Crime Victims Compensation Fund, (5) funds held by the Department of Transportation which had accrued to its former health insurance rate stabilization account and being returned to the accounts contributors.

State of Oklahoma
Combining Statement of Fiduciary Net Assets
Pension Trust Funds (Including Similar Component Units)
June 30, 2010
(expressed in thousands)

| | Fiduciary Component Units | | | | | | | Total |
|--|---------------------------|---|--|---|---|---|---|----------------------|
| | Primary Government | 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 | |
| Assets | | | | | | | | |
| Cash/Cash Equivalents | \$ 4,183 | \$ 22,129 | \$ 10,308 | \$ 157,360 | \$ 3,034 | \$ 22,931 | \$ 260,459 | \$ 480,404 |
| Investments, at fair value | | | | | | | | |
| Equity Securities | 20,254 | 832,888 | 345,973 | 1,322,183 | 0 | 635,820 | 4,985,274 | 8,142,392 |
| Governmental Securities | 15,103 | 183,771 | 48,149 | 1,331,647 | 49,162 | 28,338 | 1,216,555 | 2,872,725 |
| Debt Securities | 15,103 | 117,070 | 149,510 | 938,459 | 34,192 | 433,922 | 1,851,579 | 3,539,835 |
| Mutual Funds | 9,041 | 0 | 0 | 2,174,574 | 130,027 | 427,952 | 214,957 | 2,956,551 |
| Other Investments | 0 | 310,141 | 48,019 | 0 | 0 | 0 | 0 | 358,160 |
| Securities Lending Investments | 0 | 174,724 | 80,803 | 615,488 | 20,364 | 48,845 | 2,247,748 | 3,187,972 |
| Interest and Investment Revenue Receivable | 0 | 1,849 | 782 | 14,990 | 485 | 2,905 | 45,625 | 66,636 |
| Contributions Receivable: | | | | | | | | |
| Employer | 0 | 974 | 1,388 | 11,241 | 214 | 1,440 | 34,553 | 49,810 |
| Employee | 0 | 583 | 468 | 3,201 | 202 | 870 | 22,482 | 27,806 |
| Other Contributions Receivable | 0 | 0 | 0 | 0 | 0 | 0 | 23,543 | 23,543 |
| Other Receivables | 0 | 348 | 28 | 0 | 2 | 0 | 0 | 378 |
| Due from Brokers | 0 | 0 | 0 | 278,378 | 9,286 | 0 | 46,362 | 334,026 |
| Due from Other Funds | 0 | 11,942 | 1,756 | 0 | 0 | 4,917 | 0 | 18,615 |
| Capital Assets, Net | 0 | 48 | 34 | 669 | 0 | 1,014 | 188 | 1,953 |
| Other Assets | 0 | 0 | 0 | 258 | 0 | 0 | 0 | 258 |
| Total Assets | 63,684 | 1,656,467 | 687,218 | 6,848,448 | 246,968 | 1,608,954 | 10,949,325 | 22,061,064 |
| Liabilities | | | | | | | | |
| Accounts Payable | 0 | 1,391 | 481 | 0 | 0 | 1,162 | 0 | 3,034 |
| Securities Lending Payable | 0 | 174,724 | 80,803 | 615,488 | 20,364 | 48,845 | 2,247,748 | 3,187,972 |
| Due to Brokers | 0 | 376 | 2,466 | 458,581 | 15,424 | 201 | 110,597 | 587,645 |
| Due to Other Funds | 0 | 7 | 0 | 0 | 0 | 5 | 0 | 12 |
| Due to Component Units | 0 | 0 | 0 | 0 | 0 | 0 | 9,799 | 9,799 |
| Benefits in the Process of Payment | 0 | 0 | 3,998 | 0 | 0 | 9,914 | 6,201 | 20,113 |
| Other Liabilities | 0 | 73 | 0 | 0 | 0 | 0 | 8,056 | 8,129 |
| Total Liabilities | 0 | 176,571 | 87,748 | 1,074,069 | 35,788 | 60,127 | 2,382,401 | 3,816,704 |
| Fund Balance Reserved for | | | | | | | | |
| Employees' Pension Benefits | \$ 63,684 | \$ 1,479,896 | \$ 599,470 | \$ 5,774,379 | \$ 211,180 | \$ 1,548,827 | \$ 8,566,924 | \$ 18,244,360 |

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, 2010
(expressed in thousands)

| | Primary | Fiduciary Component Units | | | | | | Total |
|--|--------------|---------------------------|-------------|--------------|--------------|--------------|--------------|---------------|
| | Government | Oklahoma | Oklahoma | Oklahoma | Uniform | Oklahoma | Teachers' | |
| | Wildlife | Firefighters | Law | Public | Retirement | Police | Teachers' | |
| | Conservation | Pension and | Enforcement | Employees | System for | Pension and | Retirement | |
| | Retirement | Retirement | Retirement | Retirement | Justices and | Retirement | System of | |
| | Plan | System | System | System | Judges | System | Oklahoma | |
| Additions | | | | | | | | |
| Contributions | | | | | | | | |
| Employer Contributions | \$ 4,414 | \$ 32,063 | \$ 7,778 | \$ 259,779 | \$ 8,704 | \$ 32,240 | \$ 366,282 | \$ 711,260 |
| Employee Contributions | 429 | 19,003 | 5,639 | 69,041 | 2,599 | 19,626 | 295,650 | 411,987 |
| Other Contributions | 0 | 54,159 | 15,456 | 0 | 0 | 22,292 | 254,376 | 346,283 |
| Total Contributions | 4,843 | 105,225 | 28,873 | 328,820 | 11,303 | 74,158 | 916,308 | 1,469,530 |
| Investment Income | | | | | | | | |
| Net Appreciation in Fair Value of Investments | 6,111 | 122,504 | 65,447 | 610,499 | 24,391 | 157,918 | 953,347 | 1,940,217 |
| Interest and Investment Revenue | 0 | 17,049 | 8,279 | 113,828 | 2,908 | 16,092 | 269,819 | 427,975 |
| | 6,111 | 139,553 | 73,726 | 724,327 | 27,299 | 174,010 | 1,223,166 | 2,368,192 |
| Less Investment Expenses | 0 | 8,419 | 2,210 | 7,432 | 182 | 10,281 | 31,899 | 60,423 |
| Net Investment Income | 6,111 | 131,134 | 71,516 | 716,895 | 27,117 | 163,729 | 1,191,267 | 2,307,769 |
| Total Additions | 10,954 | 236,359 | 100,389 | 1,045,715 | 38,420 | 237,887 | 2,107,575 | 3,777,299 |
| Deductions | | | | | | | | |
| Administrative and General Expenses | 186 | 1,631 | 1,004 | 4,556 | 115 | 2,379 | 4,980 | 14,851 |
| Benefit Payments and Refunds | 3,822 | 144,816 | 44,891 | 440,318 | 11,772 | 108,147 | 987,864 | 1,741,630 |
| Total Deductions | 4,008 | 146,447 | 45,895 | 444,874 | 11,887 | 110,526 | 992,844 | 1,756,481 |
| Net Increase | 6,946 | 89,912 | 54,494 | 600,841 | 26,533 | 127,361 | 1,114,731 | 2,020,818 |
| Fund Balance Reserved for Employees' Pension Benefits | | | | | | | | |
| Beginning of Year (as restated) | 56,738 | 1,389,984 | 544,976 | 5,173,538 | 184,647 | 1,421,466 | 7,452,193 | 16,223,542 |
| End of Year | \$ 63,684 | \$ 1,479,896 | \$ 599,470 | \$ 5,774,379 | \$ 211,180 | \$ 1,548,827 | \$ 8,566,924 | \$ 18,244,360 |

State of Oklahoma
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2010
(expressed in thousands)

| | Taxes Held For Outside Entities | Funds Held In Escrow | Assets Held For Beneficiaries | Other | Total |
|---|---------------------------------------|-------------------------|-------------------------------------|------------------|-------------------|
| Assets | | | | | |
| Cash/Cash Equivalents | \$ 221,013 | \$ 40,765 | \$ 125,472 | \$ 49,084 | \$ 436,334 |
| Investments | 0 | 0 | 85 | 0 | 85 |
| Accounts Receivable | 0 | 0 | 19 | 114 | 133 |
| Taxes Receivable | 1 | 0 | 0 | 0 | 1 |
| Due from Component Units | 0 | 0 | 0 | 598 | 598 |
| Inventory | 0 | 0 | 0 | 6,861 | 6,861 |
| Total Assets | <u>\$ 221,014</u> | <u>\$ 40,765</u> | <u>\$ 125,576</u> | <u>\$ 56,657</u> | <u>\$ 444,012</u> |
| Liabilities | | | | | |
| Accounts Payable and Accrued Liabilities | \$ 0 | \$ 0 | \$ 463 | \$ 0 | \$ 463 |
| Tax Refunds Payable | 13,997 | 0 | 0 | 0 | 13,997 |
| Deferred Revenue | 0 | 0 | 0 | 0 | 0 |
| Due to Other Funds | 0 | 0 | 0 | 0 | 0 |
| Due to Others | 207,017 | 40,765 | 125,113 | 56,657 | 429,552 |
| Total Liabilities | <u>\$ 221,014</u> | <u>\$ 40,765</u> | <u>\$ 125,576</u> | <u>\$ 56,657</u> | <u>\$ 444,012</u> |

State of Oklahoma
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2010
(expressed in thousands)

| | June 30, 2009 | Additions | Deletions | June 30, 2010 |
|--|-------------------|---------------------|---------------------|-------------------|
| Taxes Held for Outside Entities | | | | |
| Assets | | | | |
| Cash/Cash Equivalents | \$ 122,621 | \$ 3,115,123 | \$ 3,016,731 | \$ 221,013 |
| Taxes Receivable | 1 | 1 | 1 | 1 |
| Total Assets | <u>\$ 122,622</u> | <u>\$ 3,115,124</u> | <u>\$ 3,016,732</u> | <u>\$ 221,014</u> |
| Liabilities | | | | |
| Tax Refunds Payable | \$ 5,751 | \$ 13,997 | \$ 5,751 | \$ 13,997 |
| Due to Others | 116,871 | 3,101,127 | 3,010,981 | 207,017 |
| Total Liabilities | <u>\$ 122,622</u> | <u>\$ 3,115,124</u> | <u>\$ 3,016,732</u> | <u>\$ 221,014</u> |
| Funds Held in Escrow | | | | |
| Assets | | | | |
| Cash/Cash Equivalents | \$ 29,635 | \$ 16,467 | \$ 5,337 | \$ 40,765 |
| Total Assets | <u>\$ 29,635</u> | <u>\$ 16,467</u> | <u>\$ 5,337</u> | <u>\$ 40,765</u> |
| Liabilities | | | | |
| Accounts Payable and Accrued Liabilities | \$ 762 | \$ 0 | \$ 762 | \$ 0 |
| Due to Other Funds | 202 | 0 | 202 | 0 |
| Due to Others | 28,671 | 16,467 | 4,373 | 40,765 |
| Total Liabilities | <u>\$ 29,635</u> | <u>\$ 16,467</u> | <u>\$ 5,337</u> | <u>\$ 40,765</u> |
| Assets Held for Beneficiaries | | | | |
| Assets | | | | |
| Cash/Cash Equivalents | \$ 104,479 | \$ 401,730 | \$ 380,737 | \$ 125,472 |
| Investments | 85 | 85 | 85 | 85 |
| Accounts Receivable | 38 | 19 | 38 | 19 |
| Total Assets | <u>\$ 104,602</u> | <u>\$ 401,834</u> | <u>\$ 380,860</u> | <u>\$ 125,576</u> |
| Liabilities | | | | |
| Accounts Payable and Accrued Liabilities | \$ 1,064 | \$ 544 | \$ 1,145 | \$ 463 |
| Other Liabilities | 11 | 0 | 11 | 0 |
| Due to Others | 103,527 | 401,290 | 379,704 | 125,113 |
| Total Liabilities | <u>\$ 104,602</u> | <u>\$ 401,834</u> | <u>\$ 380,860</u> | <u>\$ 125,576</u> |
| Other | | | | |
| Assets | | | | |
| Cash/Cash Equivalents | \$ 49,993 | \$ 157,862 | \$ 158,771 | \$ 49,084 |
| Accounts Receivable | 136 | 114 | 136 | 114 |
| Due from Component Units | 586 | 598 | 586 | 598 |
| Inventory | 6,445 | 1,981 | 1,565 | 6,861 |
| Total Assets | <u>\$ 57,160</u> | <u>\$ 160,555</u> | <u>\$ 161,058</u> | <u>\$ 56,657</u> |
| Liabilities | | | | |
| Due to Others | \$ 57,160 | \$ 160,555 | \$ 161,058 | \$ 56,657 |
| Total Liabilities | <u>\$ 57,160</u> | <u>\$ 160,555</u> | <u>\$ 161,058</u> | <u>\$ 56,657</u> |
| Total - All Agency Funds | | | | |
| Assets | | | | |
| Cash/Cash Equivalents | \$ 306,728 | \$ 3,691,182 | \$ 3,561,576 | \$ 436,334 |
| Investments | 85 | 85 | 85 | 85 |
| Accounts Receivable | 174 | 133 | 174 | 133 |
| Taxes Receivable | 1 | 1 | 1 | 1 |
| Due from Component Units | 586 | 598 | 586 | 598 |
| Inventory | 6,445 | 1,981 | 1,565 | 6,861 |
| Total Assets | <u>\$ 314,019</u> | <u>\$ 3,693,980</u> | <u>\$ 3,563,987</u> | <u>\$ 444,012</u> |
| Liabilities | | | | |
| Accounts Payable and Accrued Liabilities | \$ 1,826 | \$ 544 | \$ 1,907 | \$ 463 |
| Tax Refunds Payable | 5,751 | 13,997 | 5,751 | 13,997 |
| Other Liabilities | 11 | 0 | 11 | 0 |
| Due to Other Funds | 202 | 0 | 202 | 0 |
| Due to Others (as restated) | 306,229 | 3,679,439 | 3,556,116 | 429,552 |
| Total Liabilities | <u>\$ 314,019</u> | <u>\$ 3,693,980</u> | <u>\$ 3,563,987</u> | <u>\$ 444,012</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
301 N.W. 63rd Street, Suite 225, Oklahoma City, Oklahoma 73116

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
P.O. Box 528801, Oklahoma City, Oklahoma 73152

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

UNIVERSITY HOSPITALS AUTHORITY
940 N.E. 13th Street, Oklahoma City, Oklahoma 73104

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
301 N.W. 63rd Street, Suite 225, Oklahoma City, Oklahoma 73116

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. 63rd 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. 17th 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 122, 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, 2010
(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 State Univ. Medical Authority | Oklahoma Centennial Commemoration Fund | Nonmajor Component Units Total |
|--|--|--|--|-------------------------------------|--------------------------------------|---|--|---|---|---|
| Assets | | | | | | | | | | |
| Current Assets | | | | | | | | | | |
| Cash/Cash Equivalents | | | | | | | | | | |
| Unrestricted | \$ 8,774 | \$ 1,376 | \$ 5,983 | \$ 10,133 | \$ 61,930 | \$ 10,631 | \$ 106 | \$ 5,431 | \$ 547 | \$ 104,911 |
| Investments | 22,783 | 0 | 0 | 0 | 53 | 1,507 | 0 | 0 | 0 | 24,343 |
| Accounts Receivable | 195 | 1 | 0 | 4,507 | 9 | 0 | 0 | 394 | 877 | 5,983 |
| Interest and Investment | | | | | | | | | | |
| Revenue Receivable | 67 | 211 | 0 | 30 | 51 | 56 | 0 | 0 | 0 | 415 |
| Other Receivables | 212 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 212 |
| Notes Receivable | 0 | 2,018 | 0 | 0 | 0 | 29 | 0 | 0 | 0 | 2,047 |
| Due from Other Component Units | 0 | 0 | 0 | 0 | 706 | 318 | 0 | 0 | 0 | 1,024 |
| Due from Primary Government | 0 | 0 | 0 | 0 | 3,834 | 81 | 0 | 0 | 0 | 3,915 |
| Prepaid Items | 73 | 0 | 7 | 0 | 4 | 0 | 0 | 0 | 0 | 84 |
| Other Current Assets | 0 | 0 | 0 | 0 | 0 | 522 | 0 | 0 | 174 | 696 |
| Total Current Assets | 32,104 | 3,606 | 5,990 | 14,670 | 66,587 | 13,144 | 106 | 5,825 | 1,598 | 143,630 |
| Noncurrent Assets | | | | | | | | | | |
| Cash/Cash Equivalents - | | | | | | | | | | |
| Restricted | 0 | 11 | 0 | 0 | 249 | 0 | 0 | 0 | 0 | 260 |
| Investments - Restricted | 0 | 31,150 | 0 | 0 | 878 | 0 | 22,381 | 0 | 0 | 54,409 |
| Long-Term Notes Receivable, Net | 0 | 16,079 | 0 | 0 | 0 | 1,253 | 0 | 0 | 0 | 17,332 |
| Capital Assets | | | | | | | | | | |
| Depreciable, Net | 18,878 | 133 | 0 | 163 | 176,156 | 451 | 0 | 0 | 0 | 195,781 |
| Land | 26 | 0 | 0 | 0 | 4,009 | 100 | 0 | 0 | 0 | 4,135 |
| Construction in Progress | 2,491 | 0 | 0 | 0 | 22,438 | 0 | 0 | 0 | 0 | 24,929 |
| Other Noncurrent Assets | | | | | | | | | | |
| Unrestricted | 0 | 28 | 0 | 0 | 20,114 | 0 | 0 | 0 | 0 | 20,142 |
| Restricted | 0 | 0 | 0 | 0 | 2,036 | 0 | 0 | 0 | 0 | 2,036 |
| Total Noncurrent Assets | 21,395 | 47,401 | 0 | 163 | 225,880 | 1,804 | 22,381 | 0 | 0 | 319,024 |
| Total Assets | 53,499 | 51,007 | 5,990 | 14,833 | 292,467 | 14,948 | 22,487 | 5,825 | 1,598 | 462,654 |
| Liabilities | | | | | | | | | | |
| Liabilities | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | |
| Accounts Payable and | | | | | | | | | | |
| Accrued Liabilities | 710 | 1 | 1 | 121 | 30,059 | 17 | 49 | 0 | 11 | 30,969 |
| Claims and Judgments | 0 | 0 | 0 | 13,516 | 0 | 0 | 0 | 0 | 0 | 13,516 |
| Interest Payable | 0 | 294 | 0 | 684 | 0 | 0 | 98 | 0 | 0 | 1,076 |
| Due to Other Component Units | 0 | 0 | 0 | 0 | 126 | 0 | 0 | 0 | 0 | 126 |
| Due to Primary Government | 0 | 5 | 0 | 0 | 1 | 4 | 0 | 0 | 0 | 10 |
| Deferred Revenue | 0 | 0 | 0 | 0 | 95 | 21 | 0 | 0 | 0 | 116 |
| Capital Leases-Primary Govt. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Compensated Absences | 168 | 83 | 0 | 64 | 102 | 0 | 0 | 0 | 0 | 417 |
| Notes Payable | 0 | 0 | 0 | 1,261 | 0 | 0 | 0 | 0 | 0 | 1,261 |
| General Obligation Bonds | 0 | 565 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 565 |
| Revenue Bonds | 0 | 0 | 0 | 0 | 980 | 0 | 0 | 0 | 0 | 980 |
| Other Current Liabilities | 26 | 0 | 0 | 0 | 59 | 0 | 35,828 | 0 | 0 | 35,913 |
| Total Current Liabilities | 904 | 948 | 1 | 15,646 | 31,422 | 42 | 35,975 | 0 | 11 | 84,949 |
| Noncurrent Liabilities | | | | | | | | | | |
| Claims and Judgments | 0 | 0 | 0 | 101,366 | 0 | 0 | 0 | 0 | 0 | 101,366 |
| Compensated Absences | 135 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 135 |
| Notes Payable | 0 | 0 | 0 | 22,966 | 0 | 0 | 0 | 0 | 0 | 22,966 |
| General Obligation Bonds | 0 | 47,338 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 47,338 |
| Revenue Bonds | 0 | 0 | 0 | 0 | 50,946 | 9,999 | 0 | 0 | 0 | 60,945 |
| Other Noncurrent Liabilities | 0 | 0 | 0 | 0 | 304 | 266 | 0 | 0 | 0 | 570 |
| Total Noncurrent Liabilities | 135 | 47,338 | 0 | 124,332 | 51,250 | 10,265 | 0 | 0 | 0 | 233,320 |
| Total Liabilities | 1,039 | 48,286 | 1 | 139,978 | 82,672 | 10,307 | 35,975 | 0 | 11 | 318,269 |
| Net Assets | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | | | | | | | | | | |
| Restricted for: | 21,395 | 10 | 0 | 0 | 150,677 | 550 | 0 | 0 | 0 | 172,632 |
| Other Special Purpose | | | | | | | | | | |
| Expendable | 29,599 | 0 | 0 | 0 | 3,163 | 0 | 0 | 394 | 1,587 | 34,743 |
| Unrestricted | 1,466 | 2,711 | 5,989 | (125,145) | 55,955 | 4,091 | (13,488) | 5,431 | 0 | (62,990) |
| Total Net Assets | \$ 52,460 | \$ 2,721 | \$ 5,989 | \$ (125,145) | \$ 209,795 | \$ 4,641 | \$ (13,488) | \$ 5,825 | \$ 1,587 | \$ 144,385 |

State of Oklahoma
Combining Statement of Activities
NonMajor Component Units
For the Fiscal Year Ended June 30, 2010
(expressed in thousands)

| | Program Revenues | | | | Net (Expense) Revenue | General Revenue | | Change in Net Assets | Net Assets Beginning of Year | Net Assets End of Year |
|---|-------------------|-------------------------|--|--|--------------------------|--|-------------------|-------------------------|---------------------------------|---------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | Payments from Primary Government | | | | |
| Nonmajor Component Units: | | | | | | | | | | |
| Oklahoma Educational Television Authority | \$ 14,277 | \$ 6,226 | \$ 1,555 | \$ 0 | \$ (6,496) | \$ 4,468 | \$ (2,028) | \$ 54,488 | \$ 52,460 | |
| Oklahoma Industrial Finance Authority | 1,841 | 1,855 | 0 | 0 | 14 | 0 | 14 | 2,707 | 2,721 | |
| Health Insurance High Risk Pool | 26,252 | 22,729 | 0 | 0 | (3,523) | 0 | (3,523) | 9,512 | 5,989 | |
| Multiple Injury Trust Fund | 33,170 | 298 | 0 | 0 | (32,872) | 21,341 | (11,531) | (113,614) | (125,145) | |
| University Hospitals Authority | 150,418 | 130,717 | 0 | 0 | (19,701) | 31,020 | 11,319 | 198,476 | 209,795 | |
| Oklahoma Development Finance Authority | 967 | 1,082 | 0 | 0 | 115 | 0 | 115 | 4,526 | 4,641 | |
| Oklahoma Capital Investment Board | 1,220 | 4,632 | 0 | 0 | 3,412 | 0 | 3,412 | (16,900) | (13,488) | |
| Oklahoma State Univ. Medical Authority | 9,739 | 5,000 | 0 | 0 | (4,739) | 0 | (4,739) | 10,564 | 5,825 | |
| Oklahoma Centennial Commemoration Fund | 2,641 | 1,093 | 0 | 0 | (1,548) | 0 | (1,548) | 3,135 | 1,587 | |
| Total Nonmajor Component Units | \$ 240,525 | \$ 173,632 | \$ 1,555 | \$ 0 | \$ (65,338) | \$ 56,829 | \$ (8,509) | \$ 152,894 | \$ 144,385 | |





STATISTICAL SECTION INDEX

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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. The State of Oklahoma implemented GASB 34 in 2001; schedules presenting government-wide information include information beginning in that year.

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

| | 2001 | 2002 | 2003 | 2004 |
|---|----------------------|---------------------|---------------------|----------------------|
| Governmental Activities | | | | |
| Invested in capital assets, net of related debt | \$ 6,005,182 | \$ 5,543,009 | \$ 5,658,694 | \$ 5,991,173 |
| Restricted | 1,282,421 | 1,673,732 | 1,645,107 | 1,497,652 |
| Unrestricted | 2,191,416 | 1,279,298 | 1,380,071 | 1,955,354 |
| Total governmental activities net assets | <u>9,479,019</u> | <u>8,496,039</u> | <u>8,683,872</u> | <u>9,444,179</u> |
| Business-type activities | | | | |
| Invested in capital assets, net of related debt | 116 | 114 | 121 | 220 |
| Restricted | 586,717 | 574,812 | 482,163 | 485,159 |
| Unrestricted | 193,175 | 208,628 | 220,885 | 224,997 |
| Total business-type activities net assets | <u>780,008</u> | <u>783,554</u> | <u>703,169</u> | <u>710,376</u> |
| Primary government | | | | |
| Invested in capital assets, net of related debt | 6,005,298 | 5,543,123 | 5,658,815 | 5,991,393 |
| Restricted | 1,869,138 | 2,248,544 | 2,127,270 | 1,982,811 |
| Unrestricted | 2,384,591 | 1,487,926 | 1,600,956 | 2,180,351 |
| Total primary government net assets | <u>\$ 10,259,027</u> | <u>\$ 9,279,593</u> | <u>\$ 9,387,041</u> | <u>\$ 10,154,555</u> |

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

| | 2001 | 2002 | 2003 | 2004 |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | |
| Reserved | \$ 429,305 | \$ 439,037 | \$ 587,039 | \$ 354,525 |
| Unreserved | 1,879,727 | 1,384,506 | 1,239,784 | 1,719,849 |
| Total General Fund | <u>2,309,032</u> | <u>1,823,543</u> | <u>1,826,823</u> | <u>2,074,374</u> |
| All Other Governmental Funds | | | | |
| Reserved | 1,184,603 | 1,145,531 | 1,266,125 | 1,423,558 |
| Unreserved | - | 4,392 | 3,520 | - |
| Total All Other Governmental Funds | <u>1,184,603</u> | <u>1,149,923</u> | <u>1,269,645</u> | <u>1,423,558</u> |
| Total All Governmental Fund Balances | <u>\$ 3,493,635</u> | <u>\$ 2,973,466</u> | <u>\$ 3,096,468</u> | <u>\$ 3,497,932</u> |

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|----|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ | 6,086,534 | \$ 6,246,160 | \$ 6,633,078 | \$ 7,118,384 | \$ 7,364,509 | \$ 8,148,821 |
| | 1,682,789 | 1,887,136 | 2,172,697 | 3,368,766 | 2,268,701 | 2,492,399 |
| | 2,371,787 | 3,156,226 | 3,348,465 | 2,284,063 | 2,970,902 | 2,102,236 |
| | <u>10,141,110</u> | <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> |
| | 161 | 608 | 1,028 | 771 | 527 | 330 |
| | 886,391 | 1,062,156 | 1,207,733 | 9,019 | 1,178,940 | 834,824 |
| | - | 202 | 6,961 | 1,283,673 | 10,972 | 8,887 |
| | <u>886,552</u> | <u>1,062,966</u> | <u>1,215,722</u> | <u>1,293,463</u> | <u>1,190,439</u> | <u>844,041</u> |
| | 6,086,695 | 6,246,768 | 6,634,106 | 7,119,155 | 7,365,036 | 8,149,151 |
| | 2,569,180 | 2,949,292 | 3,380,430 | 3,377,785 | 3,447,641 | 3,327,223 |
| | 2,371,787 | 3,156,428 | 3,355,426 | 3,567,736 | 2,981,874 | 2,111,123 |
| \$ | <u>11,027,662</u> | <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> |

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|----|------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ | 359,492 | \$ 586,051 | \$ 731,850 | \$ 758,702 | \$ 767,554 | \$ 679,812 |
| | 2,164,492 | 3,373,911 | 3,449,196 | 3,504,990 | 3,166,157 | 2,331,047 |
| | <u>2,523,984</u> | <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> |
| | 1,589,641 | 1,748,747 | 2,024,316 | 2,052,390 | 1,906,950 | 2,232,060 |
| | - | - | - | - | - | - |
| | <u>1,589,641</u> | <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>4,113,625</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> |

State of Oklahoma

Changes in Net Assets by Component

Last Ten Fiscal Years

(expressed in thousands)

| | 2001 | 2002 | 2003 | 2004 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Expenses | | | | |
| Governmental Activities: | | | | |
| Education-General | \$ 2,514,961 | \$ 2,553,744 | \$ 2,522,466 | \$ 2,614,823 |
| Education-Payment to Higher Education | 835,371 | 831,855 | 800,490 | 802,985 |
| General Government | 521,153 | 405,243 | 1,003,118 | 1,254,177 |
| Health Services | 367,569 | 408,545 | 399,572 | 393,661 |
| Legal and Judiciary | 163,037 | 169,429 | 167,971 | 160,952 |
| Museums | 11,755 | 12,738 | 11,008 | 11,042 |
| Natural Resources | 192,980 | 195,205 | 190,289 | 181,033 |
| Public Safety and Defense | 702,059 | 776,385 | 603,306 | 645,820 |
| Regulatory Services | 170,691 | 169,529 | 175,512 | 71,733 |
| Social Services | 3,303,724 | 3,720,896 | 3,858,546 | 4,154,504 |
| Transportation | 599,698 | 579,246 | 545,193 | 559,628 |
| Interest on Long-Term Debt | 42,275 | 53,453 | 46,174 | 45,615 |
| Governmental Activities | 9,425,273 | 9,876,268 | 10,323,645 | 10,895,973 |
| Business-Type Activities: | | | | |
| Employment Security Commission | 147,051 | 267,462 | 365,701 | 335,197 |
| Water Resources Board | 16,230 | 15,108 | 13,792 | 15,965 |
| Lottery Commission | - | - | - | - |
| Business-Type Activities | 163,281 | 282,570 | 379,493 | 351,162 |
| Total Primary Government Expenses | \$ 9,588,554 | \$ 10,158,838 | \$ 10,703,138 | \$ 11,247,135 |
| Program Revenues | | | | |
| Governmental Activities: | | | | |
| Charges for Services: | | | | |
| General Government | \$ 250,694 | \$ 197,531 | \$ 195,789 | \$ 103,377 |
| Health Services | 57,119 | 62,243 | 52,032 | 48,308 |
| Social Services | 116,904 | 179,385 | 186,120 | 289,548 |
| All Others | 380,783 | 342,699 | 340,014 | 378,666 |
| Total Charges for Services | 805,500 | 781,858 | 773,955 | 819,899 |
| Operating Grants and Contributions | 3,219,285 | 3,620,888 | 4,012,431 | 4,533,045 |
| Capital Grants and Contributions | 3,076 | 14,003 | 16,396 | 9,056 |
| Total Governmental Activities | 4,027,861 | 4,416,749 | 4,802,782 | 5,362,000 |
| Business-Type Activities: | | | | |
| Charges for Services: | | | | |
| Employment Security Commission | 99,880 | 133,174 | 181,586 | 263,265 |
| Water Resources Board | 21,287 | 21,816 | 13,490 | 13,284 |
| Lottery Commission | - | - | - | - |
| Total Charges for Services | 121,167 | 154,990 | 195,076 | 276,549 |
| Operating Grants and Contributions | 29,802 | 131,801 | 104,568 | 82,199 |
| Capital Grants and Contributions | - | - | - | - |
| Total Business-Type Activities | 150,969 | 286,791 | 299,644 | 358,748 |
| Total Primary Government Revenue | \$ 4,178,830 | \$ 4,703,540 | \$ 5,102,426 | \$ 5,720,748 |
| Net (Expense) Revenue: | | | | |
| Governmental Activities | \$ (5,397,412) | \$ (5,459,519) | \$ (5,520,863) | \$ (5,533,973) |
| Business-Type Activities | (12,312) | 4,221 | (79,849) | 7,586 |
| Total Primary Government | \$ (5,409,724) | \$ (5,455,298) | \$ (5,600,712) | \$ (5,526,387) |
| General Revenues | | | | |
| Governmental Activities: | | | | |
| Taxes | \$ 5,426,859 | \$ 5,081,788 | \$ 5,540,110 | \$ 6,268,763 |
| Investment Earnings | 137,744 | 72,769 | 38,307 | 21,600 |
| Contributions to Permanent Funds | - | 37,906 | 41,814 | 39,039 |
| Gain (Loss) on Sale of Assets | 9,518 | (1,491) | (790) | - |
| Special Item - Taxpayer Refund | - | - | - | - |
| Transfers | (1,043) | 675 | 577 | 379 |
| Total Governmental Activities | 5,573,078 | 5,191,647 | 5,620,018 | 6,329,781 |
| Business-Type Activities: | | | | |
| Transfers | 1,043 | (675) | (577) | (379) |
| Total Business-Type Activities | 1,043 | (675) | (577) | (379) |
| Total General Revenues and Transfers | \$ 5,574,121 | \$ 5,190,972 | \$ 5,619,441 | \$ 6,329,402 |
| Change in Net Assets | 164,397 | (264,326) | 18,729 | 803,015 |
| Net Assets - Beginning of Year (as restated) | 10,094,630 | 9,543,919 | 9,368,312 | 9,351,540 |
| Net Assets - End of Year | \$ 10,259,027 | \$ 9,279,593 | \$ 9,387,041 | \$ 10,154,555 |

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|----|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ | 2,751,320 | \$ 2,942,969 | \$ 3,285,059 | \$ 3,479,319 | \$ 3,548,104 | \$ 3,573,881 |
| | 786,862 | 823,489 | 936,404 | 910,385 | 1,074,409 | 1,076,248 |
| | 1,518,198 | 1,529,506 | 1,712,841 | 1,680,106 | 1,718,794 | 1,611,256 |
| | 3,096,903 | 3,471,042 | 3,954,939 | 4,214,407 | 4,542,241 | 4,750,304 |
| | 175,673 | 197,324 | 213,955 | 222,319 | 230,706 | 256,867 |
| | 11,634 | 33,840 | 17,834 | 32,164 | 17,507 | 14,572 |
| | 201,039 | 242,466 | 271,734 | 249,235 | 265,197 | 249,020 |
| | 674,507 | 728,331 | 829,663 | 926,959 | 951,387 | 811,999 |
| | 83,421 | 116,516 | 110,218 | 95,653 | 130,033 | 119,044 |
| | 1,664,577 | 1,727,808 | 1,797,721 | 1,782,333 | 1,976,556 | 2,287,486 |
| | 580,027 | 654,147 | 482,831 | 791,993 | 902,151 | 842,394 |
| | 47,769 | 68,383 | 69,769 | 74,108 | 70,026 | 70,549 |
| | <u>11,591,930</u> | <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> |
| | 194,373 | 164,954 | 177,914 | 194,549 | 533,629 | 1,146,720 |
| | 24,636 | 29,829 | 28,015 | 27,016 | 25,527 | 26,739 |
| | 92 | 164,862 | 145,028 | 145,951 | 122,961 | 132,642 |
| | <u>219,101</u> | <u>359,645</u> | <u>350,957</u> | <u>367,516</u> | <u>682,117</u> | <u>1,306,101</u> |
| \$ | <u>11,811,031</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> |
| \$ | 188,708 | \$ 200,292 | \$ 215,773 | \$ 222,663 | \$ 230,663 | \$ 219,412 |
| | 205,753 | 219,040 | 166,816 | 140,691 | 126,087 | 167,567 |
| | 56,351 | 76,898 | 72,674 | 157,818 | 190,535 | 198,086 |
| | <u>452,317</u> | <u>441,250</u> | <u>472,406</u> | <u>483,933</u> | <u>569,538</u> | <u>707,820</u> |
| | 903,129 | 937,480 | 927,669 | 1,005,105 | 1,116,823 | 1,292,885 |
| | 4,641,036 | 4,928,318 | 5,370,772 | 5,528,650 | 6,141,165 | 7,804,862 |
| | 1,304 | - | - | - | - | - |
| | <u>5,545,469</u> | <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> |
| | 328,445 | 311,294 | 271,705 | 227,733 | 267,591 | 206,763 |
| | 41,761 | 35,596 | 52,300 | 37,585 | 53,973 | 26,979 |
| | - | 205,075 | 215,223 | 214,400 | 193,326 | 199,926 |
| | <u>370,206</u> | <u>551,965</u> | <u>539,228</u> | <u>479,718</u> | <u>514,890</u> | <u>433,668</u> |
| | 25,434 | 24,432 | 34,457 | 33,862 | 134,029 | 596,350 |
| | - | - | - | - | - | - |
| | <u>395,640</u> | <u>576,397</u> | <u>573,685</u> | <u>513,580</u> | <u>648,919</u> | <u>1,030,018</u> |
| \$ | <u>5,941,109</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> |
| \$ | (6,046,461) | \$ (6,670,023) | \$ (7,384,527) | \$ (7,925,226) | \$ (8,169,123) | \$ (6,565,873) |
| | 176,539 | 216,752 | 222,728 | 146,064 | (33,198) | (276,083) |
| \$ | <u>(5,869,922)</u> | <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> |
| \$ | 6,652,722 | \$ 7,712,816 | \$ 7,974,727 | \$ 8,181,246 | \$ 7,865,527 | \$ 6,517,387 |
| | 46,981 | 114,884 | 192,733 | 247,191 | 141,264 | 45,116 |
| | 43,504 | 43,684 | 48,839 | 68,018 | 73,548 | 62,325 |
| | - | 5,386 | 1,989 | - | 1,316 | 3,816 |
| | - | (91,869) | - | - | - | - |
| | 363 | 40,325 | 69,972 | 68,323 | 69,826 | 70,315 |
| | <u>6,743,570</u> | <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> |
| | (363) | (40,325) | (69,972) | (68,323) | (69,826) | (70,315) |
| | <u>(363)</u> | <u>(40,325)</u> | <u>(69,972)</u> | <u>(68,323)</u> | <u>(69,826)</u> | <u>(70,315)</u> |
| \$ | <u>6,743,207</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> |
| | 873,285 | 1,331,630 | 1,056,489 | 717,293 | (120,666) | (213,312) |
| | 10,154,377 | 11,020,858 | 12,313,473 | 13,347,383 | 13,915,217 | 13,800,809 |
| \$ | <u>11,027,662</u> | <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> |

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

| | 2001 | 2002 | 2003 | 2004 |
|--|------------------|-------------------|-------------------|-------------------|
| Revenues | | | | |
| Taxes: | | | | |
| Income Taxes-Individual | \$ 2,213,891 | \$ 2,193,040 | \$ 2,063,414 | \$ 2,427,239 |
| Income Taxes-Corporate | 169,343 | 205,759 | 178,161 | 199,937 |
| Sales Tax | 1,475,338 | 1,478,325 | 1,437,630 | 1,623,423 |
| Gross Production Taxes | 561,713 | 226,094 | 468,064 | 656,035 |
| Motor Vehicle Taxes | 270,724 | 250,870 | 539,748 | 572,844 |
| Fuel Taxes | 263,128 | 274,476 | 378,021 | 383,871 |
| Tobacco Taxes | - | - | - | - |
| Insurance Taxes | 152,746 | 174,424 | 197,799 | 173,535 |
| Beverage Taxes | 128,591 | 55,637 | 66,291 | 68,617 |
| Other Taxes | 191,385 | 223,163 | 210,982 | 163,262 |
| Licenses, Permits and Fees | 220,235 | 243,821 | 244,143 | 257,683 |
| Interest and Investment Revenue | 202,290 | 72,649 | 191,728 | 234,560 |
| Federal Grants | 3,265,672 | 3,661,140 | 3,945,318 | 4,314,751 |
| Sales and Services | 149,868 | 149,237 | 163,384 | 158,314 |
| Other | 324,281 | 401,243 | 348,298 | 416,874 |
| Total Revenues | 9,589,205 | 9,609,878 | 10,432,981 | 11,650,945 |
| Expenditures | | | | |
| Education | 3,345,934 | 3,387,027 | 3,319,533 | 3,413,856 |
| General Government | 503,015 | 385,320 | 981,408 | 1,242,562 |
| Health Services | 359,078 | 396,472 | 390,047 | 385,634 |
| Legal and Judiciary | 158,085 | 164,410 | 163,576 | 155,822 |
| Museums | 9,409 | 9,302 | 7,943 | 9,497 |
| Natural Resources | 187,661 | 182,524 | 186,898 | 170,469 |
| Public Safety and Defense | 675,513 | 737,410 | 607,896 | 596,905 |
| Regulatory Services | 168,128 | 167,360 | 174,004 | 70,559 |
| Social Services | 3,280,669 | 3,684,277 | 3,822,301 | 4,118,013 |
| Transportation | 180,821 | 233,439 | 222,475 | 205,421 |
| Capital Outlay | 678,942 | 721,007 | 669,574 | 635,411 |
| Debt Service | | | | |
| Principal Retirement | 55,675 | 63,850 | 75,226 | 28,212 |
| Interest and fiscal Charges | 42,275 | 53,453 | 46,174 | 45,615 |
| Total Expenditures | 9,645,205 | 10,185,851 | 10,667,055 | 11,077,976 |
| Revenues in Excess of (Less Than) Expenditures | (56,000) | (575,973) | (234,074) | 572,969 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 25,262 | 4,256 | 7,363 | 6,575 |
| Transfers Out | (26,306) | (3,581) | (6,786) | (6,196) |
| Bonds Issued | 157,340 | 41,810 | 12,930 | 34,180 |
| Notes Issued | - | - | 24,190 | 54,770 |
| Refunding Bonds Issued | - | 3,135 | 353,380 | 22,070 |
| Bond Issue Premiums | 2,203 | 148 | 35,784 | 2,670 |
| Bond Issue Discounts | - | (39) | (103) | (182) |
| Payment to Refunded Bond Escrow Agent | - | (3,135) | (93,670) | (298,591) |
| Capital Leases and Certificates of Participation | 2,343 | 879 | 2,935 | 1,886 |
| Sale of Capital Assets | 10,930 | 9,049 | 9,212 | 11,008 |
| Total Other Financing Sources (Uses) | 171,772 | 52,522 | 345,235 | (171,810) |
| Net Changes in Fund Balances | 115,772 | (523,451) | 111,161 | 401,159 |
| Fund Balances - Beginning of Year (as restated) | 3,377,863 | 3,496,917 | 2,985,307 | 3,096,773 |
| Fund Balances - End of Year | \$ 3,493,635 | \$ 2,973,466 | \$ 3,096,468 | \$ 3,497,932 |
| Debt Service as a Percentage of Noncapital Expenditures | 1.1% | 1.2% | 1.2% | 0.7% |

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|----|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ | 2,410,234 | \$ 2,693,548 | \$ 2,654,294 | \$ 2,753,040 | \$ 2,537,221 | \$ 1,969,264 |
| | 277,265 | 426,725 | 772,668 | 552,193 | 449,910 | 171,555 |
| | 1,682,636 | 1,843,803 | 1,968,931 | 2,107,116 | 2,190,082 | 1,981,220 |
| | 737,204 | 1,036,888 | 822,888 | 1,114,950 | 1,136,279 | 702,949 |
| | 574,800 | 584,294 | 609,669 | 604,926 | 585,084 | 551,029 |
| | 407,276 | 414,677 | 401,992 | 419,617 | 397,852 | 384,383 |
| | 124,347 | 216,512 | 220,556 | 237,166 | 254,006 | 234,540 |
| | 81,852 | 76,874 | 104,403 | 100,778 | 105,076 | 87,805 |
| | 71,300 | 75,517 | 79,996 | 86,648 | 90,071 | 83,673 |
| | 285,808 | 343,978 | 339,330 | 204,812 | 119,946 | 350,969 |
| | 285,323 | 296,521 | 289,717 | 323,903 | 357,226 | 356,321 |
| | 294,796 | 382,545 | 637,729 | 399,006 | 89,296 | 476,597 |
| | 4,493,290 | 4,770,328 | 5,006,861 | 5,503,532 | 6,227,575 | 7,456,421 |
| | 169,374 | 183,369 | 185,278 | 173,117 | 201,307 | 184,977 |
| | 388,193 | 434,451 | 366,988 | 475,020 | 570,192 | 780,630 |
| | <u>12,283,698</u> | <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> |
| | 3,534,042 | 3,762,683 | 4,218,333 | 4,387,428 | 4,619,951 | 4,648,786 |
| | 1,478,107 | 1,607,212 | 1,604,462 | 1,694,758 | 1,631,219 | 1,560,521 |
| | 3,144,918 | 3,447,085 | 3,936,893 | 4,200,188 | 4,525,993 | 4,737,363 |
| | 170,337 | 190,644 | 207,229 | 215,942 | 225,225 | 248,996 |
| | 11,171 | 30,316 | 17,045 | 31,586 | 16,903 | 14,993 |
| | 191,514 | 231,616 | 238,075 | 263,551 | 271,487 | 279,830 |
| | 628,901 | 674,494 | 773,813 | 876,660 | 915,880 | 755,376 |
| | 81,333 | 114,871 | 108,231 | 93,438 | 127,803 | 117,821 |
| | 1,589,397 | 1,697,057 | 1,758,475 | 1,755,810 | 1,933,117 | 2,259,473 |
| | 146,013 | 224,885 | 173,532 | 286,540 | 199,517 | 177,683 |
| | 673,562 | 768,003 | 918,055 | 1,010,262 | 1,438,064 | 1,626,181 |
| | 31,550 | 98,512 | 103,606 | 126,103 | 95,155 | 111,816 |
| | 47,769 | 68,383 | 69,769 | 74,108 | 70,026 | 70,549 |
| | <u>11,728,614</u> | <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> |
| | 555,084 | 864,269 | 333,782 | 39,450 | (759,217) | (837,055) |
| | 4,439 | 50,405 | 80,606 | 76,576 | 77,371 | 84,362 |
| | (4,076) | (10,080) | (10,634) | (8,253) | (7,545) | (14,047) |
| | 47,940 | 614,400 | 6,430 | 23,000 | 105,400 | 148,080 |
| | - | 48,875 | 95,675 | - | 98,230 | - |
| | 118,825 | - | - | - | - | - |
| | 8,497 | 14,562 | 4,573 | - | 2,478 | 2,671 |
| | (421) | (975) | (82) | - | (730) | - |
| | (126,670) | - | - | - | - | - |
| | 311 | 248 | 2,501 | 2,873 | 3,655 | 8,116 |
| | 11,764 | 13,191 | 7,613 | 7,860 | 5,832 | 10,142 |
| | <u>60,609</u> | <u>730,626</u> | <u>186,682</u> | <u>102,056</u> | <u>284,691</u> | <u>239,324</u> |
| | 615,693 | 1,594,895 | 520,464 | 141,506 | (474,526) | (597,731) |
| | 3,497,932 | 4,113,814 | 5,684,898 | 6,174,576 | 6,315,187 | 5,840,650 |
| \$ | <u>4,113,625</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> |
| | 0.7% | 1.4% | 1.3% | 1.4% | 1.1% | 1.2% |

State of Oklahoma

Personal Income by Industry

Last Nine Calendar Years

(expressed in millions)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total Personal Income | \$ 90,161 | \$ 90,178 | \$ 93,032 | \$ 98,095 | \$ 106,111 | \$ 115,960 | \$ 126,280 | \$ 131,070 | \$ 132,144 |
| Farm Earnings | 625 | 774 | 736 | 917 | 870 | 401 | 486 | 828 | 110 |
| Nonfarm Earnings | 65,716 | 65,337 | 68,022 | 72,218 | 78,528 | 85,495 | 91,723 | 93,894 | 93,158 |
| Private Earnings | 52,287 | 51,078 | 53,238 | 56,529 | 61,924 | 67,680 | 72,902 | 73,787 | 71,887 |
| Agriculture Services, Forestry | 168 | 148 | 161 | 177 | 189 | 186 | 203 | 203 | 199 |
| Mining, Oil & Natural Gas Extraction | 3,673 | 3,261 | 4,002 | 4,549 | 6,389 | 8,265 | 8,634 | 7,963 | 8,528 |
| Utilities | 1,043 | 1,178 | 1,386 | 1,444 | 1,274 | 1,385 | 1,721 | 1,309 | 1,473 |
| Construction | 3,350 | 3,216 | 3,363 | 3,533 | 3,806 | 4,112 | 4,154 | 4,722 | 4,383 |
| Manufacturing | 11,111 | 9,826 | 10,186 | 10,457 | 12,178 | 12,943 | 14,552 | 12,000 | 10,865 |
| Durable Goods | 5,165 | 4,996 | 5,116 | 5,164 | 5,270 | 5,759 | 6,020 | 6,266 | 5,389 |
| Nondurable goods | 5,946 | 4,831 | 5,070 | 5,293 | 6,908 | 7,184 | 8,532 | 5,734 | 5,476 |
| Wholesale Trade | 2,662 | 2,790 | 2,747 | 2,938 | 3,209 | 3,548 | 3,745 | 4,060 | 3,727 |
| Retail Trade | 4,728 | 4,871 | 4,932 | 5,096 | 5,311 | 5,578 | 5,746 | 6,255 | 5,810 |
| Transportation and Warehousing | 2,985 | 2,537 | 2,573 | 2,776 | 2,865 | 3,260 | 3,484 | 3,732 | 3,698 |
| Services | 22,567 | 23,251 | 23,888 | 25,559 | 26,704 | 28,403 | 30,663 | 33,543 | 33,204 |
| Government | 13,429 | 14,259 | 14,784 | 15,689 | 16,604 | 17,814 | 18,820 | 20,107 | 21,271 |
| Federal, civilian | 3,149 | 3,352 | 3,446 | 3,696 | 3,816 | 4,001 | 4,170 | 4,193 | 4,467 |
| Military | 1,624 | 1,851 | 2,128 | 2,265 | 2,392 | 2,621 | 2,691 | 2,825 | 3,024 |
| State and Local | 8,656 | 9,056 | 9,210 | 9,728 | 10,395 | 11,192 | 11,959 | 13,089 | 13,780 |
| Highest Personal Income Tax Rate | 6.75% | 6.75% | 7.00% | 7.00% | 6.65% | 5.65% | 5.65% | 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% |

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

Note: Totals may not add due to rounding

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 information above covers the period retroactive to the adoption of GASB Statement 34 and is the latest available at the date of publication.

State of Oklahoma
Personal Income Tax Filers and Liability by Adjusted Gross Income
Calendar (Tax) Years 2008 and 1999

Calendar Year 2008

| <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 | 189,311 | 11% | \$1,405,693,547 | 51% |
| \$75,001 - \$100,000 | 121,949 | 7% | \$365,769,483 | 13% |
| \$50,001 - \$75,000 | 211,797 | 13% | \$433,981,596 | 16% |
| \$25,001 - \$50,000 | 412,728 | 24% | \$428,700,393 | 15% |
| \$10,001 - \$25,000 | 414,895 | 25% | \$115,532,125 | 4% |
| \$10,000 and lower | 338,464 | 20% | \$4,133,436 | 1% |
| Total | 1,689,144 | 100% | \$2,753,810,580 | 100% |

Calendar Year 1999

| <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 | 68,753 | 5% | \$589,080,279 | 32% |
| \$75,001 - \$100,000 | 63,070 | 4% | \$228,879,024 | 13% |
| \$50,001 - \$75,000 | 157,898 | 12% | \$391,432,132 | 22% |
| \$25,001 - \$50,000 | 337,066 | 25% | \$430,990,204 | 24% |
| \$10,001 - \$25,000 | 398,527 | 29% | \$143,116,230 | 8% |
| \$10,000 and lower | 337,611 | 25% | \$11,301,454 | 1% |
| Total | 1,362,925 | 100% | \$1,794,799,323 | 100% |

Source: Oklahoma Tax Commission

State of Oklahoma

Tax Collections

For Last Eight Fiscal Years

| Taxes | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| 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 |
| 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 |
| 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 |
| Bingo Tax | 6,184,991 | 4,978,884 | 4,051,661 | 1,640,473 | 1,088,643 | 491,681 | 222,436 | 140,859 |
| Charity Games Tax | 486,646 | 376,960 | 308,613 | 136,253 | 107,404 | 71,363 | 51,222 | 54,607 |
| 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 |
| City Use Tax - Collect/Deposit | 454,259 | 567,686 | 660,926 | 790,748 | 897,305 | 1,069,561 | 958,607 | 1,002,399 |
| 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 |
| Controlled Dangerous Substance Tax | - | - | 6,653 | 23,564 | 19,295 | 17,766 | 33,260 | 20,674 |
| County Tax (Use & Lodging) | - | - | 125,697 | 150,697 | 192,820 | 213,985 | 219,223 | 194,713 |
| 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 |
| 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 |
| Farm Implement Tax Stamps | - | - | 7,010 | 5,870 | 6,305 | 8,324 | 8,287 | 6,397 |
| 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 |
| Freight Car Tax | 764,012 | 741,459 | 765,646 | 755,298 | 782,258 | 676,250 | 707,694 | 530,685 |
| Gaming Exclusivity Fees | - | - | 1,653,098 | 14,191,695 | 43,618,582 | 79,779,165 | 104,803,681 | 118,624,111 |
| 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 |
| 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 |
| Horse Track Gaming | - | - | - | 3,145,867 | 10,019,698 | 10,429,536 | 13,727,728 | 13,710,940 |
| Income Tax (Individual) | 2,113,947,134 | 2,319,213,479 | 2,469,593,556 | 2,761,624,929 | 2,774,850,747 | 2,778,617,535 | 2,605,269,216 | 2,230,787,128 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| Pari-Mutuel - Other Tax | 21,350 | 22,390 | 13,836 | 14,948 | 18,645 | 33,155 | 18,178 | 28,721 |
| 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 |
| Rural Electric Co-operative Tax | 18,487,011 | 20,431,429 | 17,306,353 | 12,499,543 | 1,448,501 | 1,488,051 | 1,602,814 | 1,521,744 |
| 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 |
| 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 |
| 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 |
| Special Fuel Decal | 297,866 | 272,297 | 268,856 | 221,878 | 719,261 | 320,595 | 315,226 | 355,578 |
| Special Fuel Use Tax | 152,939 | 37,152 | 18,719 | 990,474 | 1,461,588 | 1,423,614 | 1,438,287 | 1,498,427 |
| 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 |
| Telephone Surcharge | 1,196,625 | 904,408 | 978,355 | 953,770 | 925,799 | 917,690 | 885,980 | 837,385 |
| 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 |
| 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 |
| 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 |
| Unclassified Tax Receipts | 5,181 | 53,627 | 41,819 | 62,370 | 135,530 | 278,502 | 510,559 | 274,693 |
| 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 |
| Vehicle Revenue Tax Stamps | 44,847 | 45,275 | 43,908 | 45,452 | 46,074 | 46,769 | 39,793 | 37,247 |
| 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 |
| 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 |
| 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 |
| Total | \$ 5,729,407,181 | \$ 6,379,116,783 | \$ 6,649,168,954 | \$ 7,005,583,673 | \$ 7,390,064,881 | \$ 7,565,402,020 | \$ 7,535,648,889 | \$ 6,321,220,387 |

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)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-----------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Debt Service | | | | | | | | | | |
| Principal Retirement | \$ 55,675 | \$ 63,850 | \$ 75,226 | \$ 28,212 | \$ 31,550 | \$ 98,512 | \$ 103,606 | \$ 126,103 | \$ 95,155 | \$ 111,816 |
| Interest and Fiscal Charges | 42,275 | 53,453 | 46,174 | 45,615 | 47,769 | 68,383 | 69,769 | 74,108 | 70,026 | 70,549 |
| Total Debt Service | 97,950 | 117,303 | 121,400 | 73,827 | 79,319 | 166,895 | 173,375 | 200,211 | 165,181 | 182,365 |
| Total Expenditures | \$ 9,645,205 | \$ 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 |
| Ratio | 1.016% | 1.152% | 1.138% | 0.666% | 0.676% | 1.292% | 1.227% | 1.333% | 1.028% | 1.098% |

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

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Governmental Activities Debt: | | | | | | | | | | |
| General Obligation Bonds | \$ 290,500 | \$ 280,470 | \$ 531,185 | \$ 261,210 | \$ 261,210 | \$ 247,500 | \$ 233,510 | \$ 218,955 | \$ 203,755 | \$ 188,030 |
| General Obligation Bonds as a Percentage of General Revenue ^a | 5.21% | 5.40% | 9.45% | 4.13% | 3.87% | 3.16% | 2.82% | 2.56% | 2.50% | 2.81% |
| Per Capita (actual-not in thousands) ^b | \$ 84 | \$ 80 | \$ 152 | \$ 74 | \$ 74 | \$ 69 | \$ 65 | \$ 60 | \$ 55 | \$ 50 |
| Revenue bonds | 644,139 | 635,154 | 588,986 | 640,619 | 668,091 | 1,208,646 | 1,137,350 | 1,061,570 | 1,099,625 | 1,173,025 |
| Notes Payable | 35,946 | 35,673 | 59,579 | 107,842 | 97,869 | 136,966 | 221,898 | 211,570 | 299,266 | 246,623 |
| Certificates of Participation | 3,036 | 2,262 | 1,430 | 559 | 57 | - | - | - | - | - |
| Capital Leases | 6,820 | 4,884 | 5,894 | 5,336 | 4,161 | 3,287 | 4,641 | 5,082 | 6,650 | 12,553 |
| Total Governmental Activities | <u>980,441</u> | <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> |
| Business-Type Activities Debt: | | | | | | | | | | |
| Revenue Bonds | \$ 253,279 | \$ 359,019 | \$ 346,853 | \$ 534,727 | \$ 701,364 | \$ 653,070 | \$ 580,049 | \$ 544,900 | \$ 502,901 | \$ 599,984 |
| Notes Payable | 8,820 | 5,782 | 2,485 | - | - | - | - | - | - | - |
| Total Business-Type Activities | <u>262,099</u> | <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> |
| Total Primary Government | <u>1,242,540</u> | <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> |
| Total Primary Government Debt as a Percentage of Personal Income ^c | 1.38% | 1.47% | 1.66% | 1.55% | 1.62% | 1.92% | 1.72% | 1.60% | 1.60% | 1.66% |
| Per Capita (actual-not in thousands) ^b | \$ 359 | \$ 380 | \$ 438 | \$ 440 | \$ 488 | \$ 629 | \$ 602 | \$ 559 | \$ 575 | \$ 595 |

^a General Revenue values can be found in the Changes in Net Assets statistics schedule.

^b 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.

^c 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 |
|--|----------------------|-----------------------|---------------------------|----------------------------------|------------------------------|------------------------|
| COMPONENT UNITS: | | | | | | |
| Oklahoma Student Loan Authority (June 30 year end) | 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 |
| | 2001 | 31,505 | 3,679 | 27,826 | 18,474 | 1.51 |
| Oklahoma Housing Finance Agency (December 31 year end) | 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 |
| | 2000 | 67,974 | 6,782 | 61,192 | 96,456 | 0.63 |
| Oklahoma Turnpike Authority (December 31 year end) | 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 |
| | 2000 | 170,135 | 40,865 | 129,270 | 67,611 | 1.91 |
| Grand River Dam Authority (December 31 year end) | 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 |
| | 2000 | 216,046 | 114,725 | 101,321 | 94,243 | 1.08 |

| | Fiscal Year Ended | Gross Revenues (1) | Operating Expenses (2) | Net Revenues for Debt Service | Debt Service Requirements | Debt Serv. Coverage |
|---|----------------------|-----------------------|---------------------------|----------------------------------|------------------------------|------------------------|
| Oklahoma Municipal Power Authority | 2009 | \$ 153,534 | \$ 113,568 | \$ 39,966 | \$ 35,494 | 1.13 |
| (December 31 year end) | 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 |
| | 2000 | 121,023 | 88,192 | 32,831 | 28,108 | 1.17 |
| Higher Education | 2010 | \$ 4,177,035 | \$ 3,670,063 | \$ 506,972 | \$ 303,612 | 1.67 |
| (June 30 year end) | 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 |
| | 2001 | 2,300,325 | 2,125,609 | 174,716 | 27,178 | 6.43 |
| ENTERPRISE FUND: | | | | | | |
| Oklahoma Water Resources Board | 2010 | \$ 12,885 | \$ 1,126 | \$ 11,759 | \$ 34,162 | 0.34 |
| (June 30 year end) | 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 |
| | 2001 | 10,702 | 1,175 | 9,527 | 19,654 | 0.48 |

(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.

- Upon implementation of GASB Statement 34, Higher Education was included within the Component Units. Comparable data prior to their inclusion not available.

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 Inc. | 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

State of Oklahoma

Demographic and Economic Statistics

Last Ten Fiscal Years

| Year | Population ^a (in thousands) | | | | Personal Income ^a (in thousands) | Per Capita Personal Income ^a | | | Civilian Labor Force ^b | | |
|------|--|-----------------------------------|----------------------|-----------------------------------|---|---|----------------------|---|-----------------------------------|------------|----------------------|
| | 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 |
| 2000 | 282,172 | 1.12% | 3,454 | 0.49% | 84,985 | 30,318 | 24,606 | 81.16% | 1,609,478 | 53,176 | 3.2% |
| 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% |

^a source U.S. Bureau of Economic Analysis as adjusted

^b source Oklahoma Employment Security Commission and U.S. Bureau of Labor Statistics as adjusted

*Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years.
The information above is the latest available at the date of publication.*

State of Oklahoma

School Enrollments

For the Years 2001 through 2009

| <u>Public School Enrollments:</u> | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Early childhood | 21,111 | 22,787 | 24,476 | 26,297 | 29,685 | 33,418 | 34,378 | 35,270 | 37,726 |
| Kindergarten | 39,067 | 39,242 | 40,801 | 42,603 | 44,193 | 48,667 | 49,362 | 49,306 | 50,497 |
| Elementary School | 239,247 | 238,068 | 233,332 | 231,626 | 230,323 | 255,144 | 236,130 | 239,446 | 242,668 |
| Junior High School | 109,546 | 110,627 | 112,790 | 113,080 | 112,771 | 117,026 | 137,251 | 136,059 | 135,889 |
| Senior High School | 150,519 | 148,822 | 148,900 | 148,816 | 149,585 | 157,248 | 178,292 | 178,400 | 176,679 |
| No-High School Districts (Grades 1-8) | 16,707 | 16,594 | 16,757 | 16,669 | 16,421 | 19,435 | 20,743 | 22,603 | 23,445 ** |
| Special Education (Ungraded) | 2,934 | 2,904 | 3,062 | 3,161 | 2,499 | 3,802 | 3,978 | 3,584 | 1,649 |
| Out-of-Home Placements | 1,613 | 1,751 | 1,648 | 1,674 | 1,687 | 1,777 | 1,854 | 1,635 | 1,806 |
| Total | <u>580,744</u> | <u>580,795</u> | <u>581,766</u> | <u>583,926</u> | <u>587,164</u> | <u>636,516</u> | <u>661,988</u> | <u>666,303</u> | <u>670,359</u> |
| <u>Higher Education:</u> | | | | | | | | | |
| Public Institutions | 216,758 | 220,448 | 225,040 | 230,090 | 237,455 | 235,730 | 233,371 | 235,388 | 250,673 |
| Private Institutions | 30,185 | 30,264 | 29,007 | 27,125 | 24,661 | 24,060 | 24,070 | 25,278 | 21,945 |
| Total | <u>246,943</u> | <u>250,712</u> | <u>254,047</u> | <u>257,215</u> | <u>262,116</u> | <u>259,790</u> | <u>257,441</u> | <u>260,666</u> | <u>272,618</u> |
| <u>Career-Technology Education:</u> | | | | | | | | | |
| Secondary * | 133,054 | 138,042 | 145,788 | 151,833 | 151,703 | 154,857 | 160,310 | 156,755 | 154,492 |
| Adult | 316,789 | 327,829 | 330,095 | 357,619 | 375,790 | 404,260 | 407,597 | 378,772 | 345,016 |
| Total | <u>449,843</u> | <u>465,871</u> | <u>475,883</u> | <u>509,452</u> | <u>527,493</u> | <u>559,117</u> | <u>567,907</u> | <u>535,527</u> | <u>499,508</u> |

* These students may also be included in public school enrollments above.

** Data for 2009 was not available at publication. Enrollment is estimated using the average annual change from 2001 to 2008.

Sources: Department of Education, Regents for Higher Education, and Department of Vocational and Technical education.

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 information above covers the period retroactive to the adoption of GASB Statement 34 and is the latest available at the date of publication.

State of Oklahoma
Government Employees by Function
 Fiscal Years 2001 through 2009
 (excluding Higher Education)

| | 2001 | 2002 | 2003 | 2004 | 2005^a | 2006^a | 2007^a | 2008^a | 2009^a |
|---------------------------|---------------|---------------|---------------|---------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Function: | | | | | | | | | |
| Education | 1,355 | 1,176 | 1,203 | 1,079 | 1,026 | 1,002 | 993 | 1,052 | 1,043 |
| General Government | 2,807 | 1,477 | 2,573 | 2,443 | 1,993 | 2,105 | 2,023 | 2,312 | 2,297 |
| Health Services | 4,370 | 4,358 | 4,158 | 4,195 | 3,998 | 4,709 | 4,719 | 4,977 | 4,920 |
| Legal and Judiciary | 628 | 647 | 586 | 582 | 341 | 444 | 745 | 2,345 | 2,335 |
| Museums | 207 | 219 | 186 | 187 | 158 | 164 | 164 | 176 | 168 |
| Natural Resources | 3,608 | 3,346 | 3,318 | 3,382 | 2,704 | 2,010 | 1,973 | 2,570 | 2,547 |
| Public Safety and Defense | 7,563 | 7,539 | 7,245 | 7,212 | 6,911 | 8,835 | 8,524 | 7,287 | 7,224 |
| Regulatory Services | 1,458 | 1,411 | 1,448 | 1,417 | 1,244 | 1,839 | 1,625 | 1,376 | 1,368 |
| Social Services | 13,024 | 13,037 | 12,692 | 13,043 | 12,197 | 11,810 | 11,303 | 12,191 | 12,635 |
| Transportation | 2,958 | 2,940 | 2,941 | 3,001 | 2,945 | 3,027 | 2,984 | 2,971 | 3,109 |
| Total | 37,978 | 36,150 | 36,350 | 36,541 | 33,517 | 35,945 | 35,053 | 37,257 | 37,646 |

Source: State Office of Personnel Management (OPM)

^a OPM changed to the PeopleSoft HRMS system in FY2005. Information from FY2005 to current year includes only full-time, regular employees.

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 information above covers the period retroactive to the adoption of GASB Statement 34 and is the latest available at the date of publication.

State of Oklahoma
Capital Asset Utilization by Function-
Primary Government
Last Ten Fiscal Years
(net of depreciation, expressed in thousands)

| | <u>2001</u> | <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> |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Governmental activities: | | | | | | | | | | |
| Education | \$ 15,008 | \$ 20,719 | \$ 19,984 | \$ 19,423 | \$ 19,213 | \$ 19,079 | \$ 18,592 | \$ 18,130 | \$ 23,888 | \$ 24,064 |
| General Government | 106,599 | 118,072 | 142,828 | 150,593 | 150,583 | 161,620 | 161,339 | 173,422 | 173,235 | 220,891 |
| Health Services | 34,478 | 35,054 | 34,349 | 32,876 | 32,003 | 30,632 | 28,161 | 28,784 | 142,580 | 149,604 |
| Legal and Judiciary | 702 | 490 | 278 | 100 | 20 | 139 | 300 | 302 | 125 | 387 |
| Museums | 6,549 | 6,419 | 6,593 | 6,879 | 6,760 | 6,607 | 6,454 | 6,576 | 6,594 | 11,156 |
| Natural Resources | 114,356 | 113,547 | 95,123 | 94,712 | 98,016 | 99,250 | 103,066 | 122,618 | 140,616 | 160,253 |
| Public Safety and Defense | 211,201 | 220,982 | 260,661 | 266,182 | 278,764 | 297,093 | 306,970 | 320,743 | 372,077 | 460,894 |
| Regulatory Services | 1,217 | 1,146 | 888 | 624 | 552 | 637 | 697 | 682 | 1,597 | 1,532 |
| Social Services | 115,821 | 147,036 | 165,406 | 176,706 | 192,402 | 198,744 | 203,034 | 209,140 | 97,722 | 122,358 |
| Transportation | 6,300,187 | 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 |
| Governmental activities, net | <u>\$ 6,906,118</u> | <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> |
| Business-type activities: | | | | | | | | | | |
| Enterprise Funds | \$ 116 | \$ 114 | \$ 121 | \$ 220 | \$ 175 | \$ 608 | \$ 1,028 | \$ 771 | \$ 527 | \$ 330 |
| Business-type activities, net | <u>\$ 116</u> | <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> |

State of Oklahoma

Operating Indicators for Governmental Functions

Fiscal Years 2007-2010

| | 2007 | 2008 | 2009 | 2010 | | 2007 | 2008 | 2009 | 2010 |
|--|-----------|-----------|-----------|-----------|--|-----------|---------|---------|---------|
| General Government | | | | | Public Safety and Defense | | | | |
| Department of Central Services | | | | | Department of Public Safety | | | | |
| Number of motor vehicles maintained | 1,019 | 1,019 | 964 | 1,267 | Driver's Licenses Issued | 1,011,457 | 902,069 | 954,419 | 744,878 |
| Number of buildings managed by DCS | 17 | 17 | 17 | 18 | Citations Processed | 221,659 | 219,442 | 168,346 | 227,426 |
| Health Services | | | | | Department of Corrections | | | | |
| Department of Health | | | | | Capacity (Number of Beds) | | | | |
| Protective services: | | | | | Prison Population | | | | |
| Retail food establishment inspections | 24,704 | 33,648 | 33,648 | 24,369 | As a percentage of capacity | 97.1% | 98.5% | 95.4% | 97.7% |
| Food inspections | 45,847 | 43,387 | 42,342 | 48,036 | Cost to house an inmate: | | | | |
| Nursing Homes: | | | | | Per diem cost/day - Maximum Security | | | | |
| Facility licensing, inspections and complaints | 3,335 | 3,622 | 2,314 | 2,120 | Per diem cost/day - Medium Security | \$51.94 | \$56.10 | \$44.93 | \$42.41 |
| Residents (approximate) | 18,500 | 18,950 | 17,813 | 19,623 | Regulatory Services | | | | |
| Mental Health and Substance Abuse Department | | | | | Oklahoma Corporation Commission | | | | |
| Number of patients: | | | | | Number of regulated utilities | | | | |
| Mental Health | 44,623 | 47,422 | 52,226 | 54,804 | Hearings and administrative proceedings | 33,523 | 32,273 | 35,582 | 29,981 |
| Substance Abuse | 19,470 | 21,084 | 22,144 | 20,981 | Motor carrier vehicles registered (power units) | 156,895 | 131,444 | 151,639 | 121,874 |
| Hospitals - Inpatient Care | 3 | 3 | 3 | 3 | Oil and gas wells plugged (leaking, abandoned) | 2,016 | 1,699 | 1,629 | 1,582 |
| Legal and Judiciary | | | | | Petroleum storage tanks inspected | | | | |
| Oklahoma Indigent Defense system | | | | | Retail gasoline pump inspections | | | | |
| Provides legal representation for indigent citizens charged with committing criminal acts. | | | | | Social Services | | | | |
| Represented - Total Court Appointments | | | | | Department of Human Services | | | | |
| Included above: Non-capital trial cases | 38,556 | 39,334 | 39,385 | 43,883 | Adoption subsidies | | | | |
| Capital trial cases | 32,000 | 30,000 | 30,000 | 32,000 | Adult services (protective and day services) | | | | |
| General appeals cases | 65 | 71 | 92 | 105 | Child care services provided (monthly average) | | | | |
| Average cost: Non-capital case (Staff Attorney) | 696 | 596 | 529 | 558 | Licensed facilities | | | | |
| Capital case (Staff Attorney) | \$463 | \$410 | \$373 | \$279 | Licensed capacity | | | | |
| | \$38,708 | \$34,824 | \$28,756 | \$28,423 | Child protective services-Investigations and assessments | | | | |
| Museums | | | | | Child support enforcement (monthly average cases) | | | | |
| J. M. Davis Memorial | | | | | Developmental Disabilities Persons Served | | | | |
| Museum - 40,000 sq. ft. | | | | | Elderly support services (meals) | | | | |
| Number of artifacts | 45,000 | 48,012 | 48,012 | 48,012 | Food stamps (monthly average persons) | | | | |
| Visitors per year (average) | 22,000 | 22,000 | 22,000 | 22,000 | Foster care children (monthly average) | | | | |
| Oklahoma Historical Society | | | | | Medicaid (monthly average persons) | | | | |
| Center - 18 acres 215,000 sq. ft. | | | | | Oklahoma Employment Security Commission | | | | |
| Number of artifacts (on exhibit) | >2,000 | >2,000 | >2,000 | >2,000 | Initial unemployment claims | | | | |
| Visitors and researchers per year (average) | 200,000 | 225,000 | 244,000 | 244,000 | Unemployment insurance paid | | | | |
| Will Rogers Memorial | | | | | Transportation | | | | |
| Museum - 8 Galleries - 16,652 sq. ft. | | | | | Oklahoma Department of Transportation | | | | |
| Library - 2,400 sq. ft. | | | | | State Highway System | | | | |
| Archives - number of documents, photographs | 18,000 | 18,000 | 18,000 | 18,000 | Bridges on the State Highway System | | | | |
| Visitors and researchers per year (average) | 116,000 | 115,000 | 120,000 | 117,000 | System usage growth next 20 years (est.) | | | | |
| Natural Resources | | | | | Automobiles | | | | |
| Wildlife Conservation | | | | | Trucks | | | | |
| Number of Anglers in State (last census) | 774,000 | 697,000 | 697,000 | 697,000 | Average annual growth from 2001 to 2003 | | | | |
| Number of Hunters (last census) | 261,000 | 445,000 | 445,000 | 445,000 | Freight railroads operating in Oklahoma | | | | |
| Number of Wildlife Watchers (last census) | 1,131,000 | 1,110,000 | 1,110,000 | 1,110,000 | Passenger railroad | | | | |
| | | | | | Rail passengers (average per year) | | | | |
| | | | | | Railroad track | | | | |
| | | | | | Public Waterway Ports | | | | |
| | | | | | Annual tonnage through the ports (average) | | | | |

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 2010

Additional Information:

The population of Oklahoma has steadily increased since 2003, averaging .85% per year.

The state unemployment rate is at 6.4% which is the highest rate since 2000, but below the national rate. Oklahoma's unemployment rate has been below the national average since 1996.

Oklahoma's total personal income rate has increased at an average of 6.15% annually since 2003. During the same period personal income per capita increased by 5.23% averaged annually compared to 3.93% nationally.

As a result, annual total tax collections since 2003 have increased by \$591,813,206 or 10.3%.

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 - Michael Clingman, 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 Myers, CPA, Financial Reporting 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, Budget Director
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 - Steve Burrage, 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

Special Thanks To

Cover photo courtesy of the Oklahoma Tourism & Recreation Department

2010 OKLAHOMA

General Information

| | |
|--------------------------------------|---------------|
| Admitted to Union (46th State) | 1907 |
| Capital | Oklahoma City |
| 2009 Population | 3,687,050 |
| Population per square mile | 52.7 |
| 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 Staet Parks | 50 |
| Number of State Trails | 99 |
| 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>