



# OKLAHOMA

2009

**Comprehensive Annual Financial Report**

**Fiscal Year Ended June 30, 2009**

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Featured on the front cover is a photo of Lake Hefner, located in Oklahoma City, Oklahoma. The State of Oklahoma has more miles of shoreline than any other state.

Photo courtesy of Bradley B. Riebe.

# **OKLAHOMA**

# **2009**

**Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2009**

Brad Henry  
Governor

Prepared by

Office of State Finance

Michael Clingman, Director  
Brenda Bolander, State Comptroller

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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 Becky Wilson, Office of State Finance, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105.

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## Introductory Section



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## Introductory Section



STATE OF OKLAHOMA  
OFFICE OF STATE FINANCE

December 31, 2009

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, 2009. 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; 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. The 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 nonmajor component units, and six fiduciary component units. The major and nonmajor component units are discretely presented in the financial statements. The fiduciary component units are presented in the fiduciary fund and similar component unit's 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, 2009, 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, 2009 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 10% 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, 2009, the State Treasurer's monthly investable base was \$3.853 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, 2009, the outstanding general obligation net debt of the State of Oklahoma was \$207 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. In May the NBC TV show Today ranked Oklahoma City as one of the 100 best places to raise a family. 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 are:

- Oklahoma's first major league sports franchise, the OKC Thunder of the National Basketball Association, began their inaugural season in Oklahoma City during 2008. To attract the team, the citizens of Oklahoma City passed a \$121.6 million initiative to renovate and expand the Ford Center, a 19,675-seat multi purpose arena, and build a practice facility.
- 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.
- Bizjournals rated the Oklahoma City housing market the most affordable of the 50 largest metropolitan areas in America. It reported that housing payments averaged \$667 (including all property taxes) with housing payments constituting only 19% of income.
- 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.
- Both Tulsa and Oklahoma City have earned several prominent rankings this year.
- *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 was ranked No. 1 among the "Best Cities for Startups" by *Fortune* and No. 6 among the "Best Cities to Look for a Job" by *Indeed.com*.
- *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.
- *BusinessWeek* says in the Oklahoma City metro area, home prices grew 2.1% in the second quarter compared with the same period a year earlier. The magazine says Tulsa has remained relatively stable in large part because of the oil and gas industry, with home prices growing 2.5% in the second quarter.

Highlights of the fiscal year 2009 and fiscal year 2010 executive branch budgets include (expressed in millions):

	Amount Appropriated		Percentage of Total Appropriations		Increase (Decrease) from Prior Year		Percentage Increase (Decrease)	
	2009	2010	2009	2010	2009	2010	2009	2010
Department of Education	\$ 2,532	\$ 2,404	37%	37%	\$ 52	\$ (128)	2%	(5%)
Regents for Higher Education	1,040	1,002	15%	15%	(14)	(38)	(1%)	(4%)
Career & Technical Education	158	158	2%	2%	3	0	2%	0%
Other Education	31	27	0%	1%	1	(4)	3%	(13%)
Total Education	<u>3,761</u>	<u>3,591</u>	<u>54%</u>	<u>55%</u>	<u>42</u>	<u>(170)</u>	<u>1%</u>	<u>(5%)</u>
Department of Health	75	73	1%	1%	1	(2)	1%	(3%)
Health Care Authority	842	663	12%	10%	70	(179)	9%	(21%)
Department of Mental Health	210	200	3%	3%	2	(10)	1%	(5%)
Other Health	43	33	1%	0%	2	(10)	5%	(23%)
Total Health	<u>1,170</u>	<u>969</u>	<u>17%</u>	<u>14%</u>	<u>75</u>	<u>(201)</u>	<u>7%</u>	<u>(17%)</u>
Department of Human Services	559	479	8%	7%	2	(80)	0%	(14%)
Office of Juvenile Affairs	112	112	2%	2%	2	0	2%	0%
Other Human Services	43	43	1%	1%	0	0	0%	0%
Total Human Services	<u>714</u>	<u>634</u>	<u>11%</u>	<u>10%</u>	<u>4</u>	<u>(80)</u>	<u>1%</u>	<u>(11%)</u>
Department of Corrections	503	503	7%	8%	25	0	5%	0%
Department of Transportation	208	209	3%	3%	(10)	1	(5%)	0%
Department of Public Safety	97	95	1%	1%	(1)	(2)	(1%)	(2%)
Other	496	610	7%	9%	10	114	2%	23%
Total	<u>\$ 6,949</u>	<u>\$ 6,611</u>	<u>100%</u>	<u>100%</u>	<u>\$ 145</u>	<u>\$ (338)</u>	<u>2%</u>	<u>(5%)</u>

## FINANCIAL INFORMATION

### Governmental Functions

Most financial operations of the State are reported in governmental fund types, which are the General Fund and the Permanent Funds. Following are schedules of revenues and expenditures for these governmental funds. Note that the following tables present data according to generally accepted accounting principles for the fiscal year ended June 30, 2009, 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.

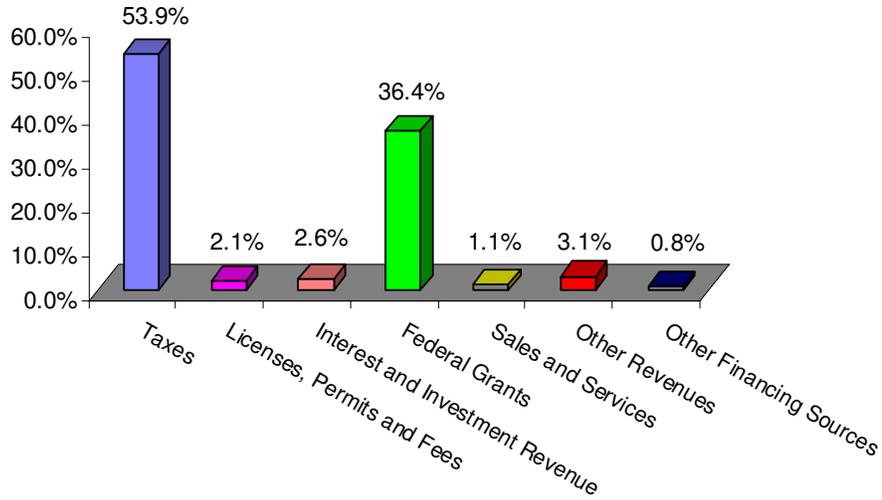
Governmental Funds: Revenues and Other Financing Sources - GAAP Basis  
(expressed in millions)

	2009 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	\$ 7,866	53.9%	\$ (315)	(3.9%)
Licenses, permits and fees	357	2.1%	33	10.2%
Interest and investment revenue	89	2.6%	(310)	(77.7%)
Federal grants	6,228	36.4%	724	13.2%
Sales and services	201	1.1%	28	16.2%
Other revenues	570	3.1%	95	20.0%
Other financing sources:				
Operating transfers	77	0.5%	1	1.3%
Bond and note proceeds	205	0.2%	182	791.3%
Other	9	0.1%	(2)	(18.2%)
<b>Total revenues and other financing sources</b>	<b>\$ 15,602</b>	<b>100.00%</b>	<b>\$ 436</b>	<b>2.9%</b>

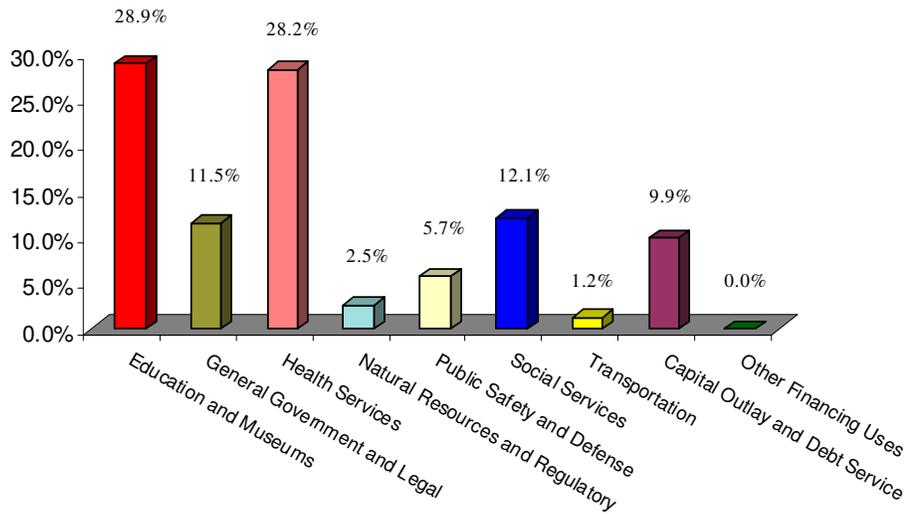
Governmental Funds: Expenditures and Other Financing Uses - GAAP Basis  
(expressed in millions)

	2009 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	\$ 4,620	28.8%	\$ 233	5.3%
General government	1,631	10.1%	(64)	(3.8%)
Health services	4,525	28.2%	325	7.7%
Legal and judiciary	225	1.4%	9	4.2%
Museums	17	0.1%	(15)	(46.9%)
Natural resources	271	1.7%	7	2.7%
Public safety and defense	916	5.7%	39	4.4%
Regulatory services	128	0.8%	35	37.6%
Social services	1,933	12.1%	177	10.1%
Transportation	199	1.2%	(87)	(30.4%)
Capital outlay	1,438	8.9%	428	42.4%
Debt service	165	1.0%	(35)	(17.5%)
Other Financing Uses:				
Operating transfers	8	0.0%	0	0.0%
<b>Total expenditures and other financing uses</b>	<b>\$ 16,076</b>	<b>100.0%</b>	<b>\$ 1,052</b>	<b>7.0%</b>
<b>Governmental Funds - Net decrease in fund balance</b>	<b>\$ (474)</b>			

**Governmental Fund Revenues and Other Financing Sources (GAAP Basis) – Fiscal Year 2009**



**Governmental Funds Expenditures and Other Financing Uses (GAAP Basis) – Fiscal Year 2009**



### 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 \$4.8 billion, or 86% of total GRF receipts. The total of major taxes collected decreased \$432 million or 7.3% from that of last year. As compared to fiscal year 2008, collections from income taxes decreased by \$293 million, or 11.6%; sales taxes increased by \$35 million, or 2.2%; motor vehicle taxes decreased \$76 million, or 30.2%, and gross production taxes on gas and oil decreased by \$98 million, or 11.9%.

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 ten years. The comparison of estimated revenues to actual collections for fiscal year 2009 is as follows:

Revenue Collections Compared to Itemized Estimate for Fiscal 2009  
(expressed in millions)

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
Individual and Corporate				
Income tax	\$ 2,454.0	\$ 2,225.2	\$ (228.8)	90.7%
Sales tax	1,701.4	1,646.6	(54.8)	96.8%
Motor vehicle tax	246.9	175.8	(71.1)	71.2%
Gross production tax	760.3	727.3	(33.0)	95.7%
Subtotal Major Taxes	5,162.6	4,774.9	(387.7)	92.5%
Other sources	818.2	769.2	(49.0)	94.0%
Total	<u>\$ 5,980.8</u>	<u>\$ 5,544.1</u>	<u>\$ (436.7)</u>	92.7%

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
1995	\$ 3,515	\$ 3,512	\$ (3)	99.9%
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%
Fifteen-Year Average	\$ 4,575	\$ 4,638	\$ 64	101.4%

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 2009 the amount the State set aside was \$434.4 million.

**General Revenue Fund** - The fiscal year 2009 cash carryover available to the next Legislature was \$59.6 million, compared to \$60.4 million in fiscal year 2008. The 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 10% of the prior year's certified collections for the General Revenue Fund. For the fiscal year beginning July 1, 2009, this fund had a balance of \$596.6 million.

## FOR THE FUTURE

Like most of the nation the State of Oklahoma is faced with challenges in revenue collection resulting from a nationwide economic recession. Due to previous successful years in that regard, however, the State has a well funded "Rainy Day Fund" that will, in all likelihood, be used to assist in meeting fiscal requirements as the economy recovers. In the meantime, the State government has focused on three critical issues to ensure that the State capitalizes on its inherent potential for growth. A sustained effort 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, 2008. 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, 2008

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.



A handwritten signature in black ink, appearing to read "M. L. R. M.", written in a cursive style.

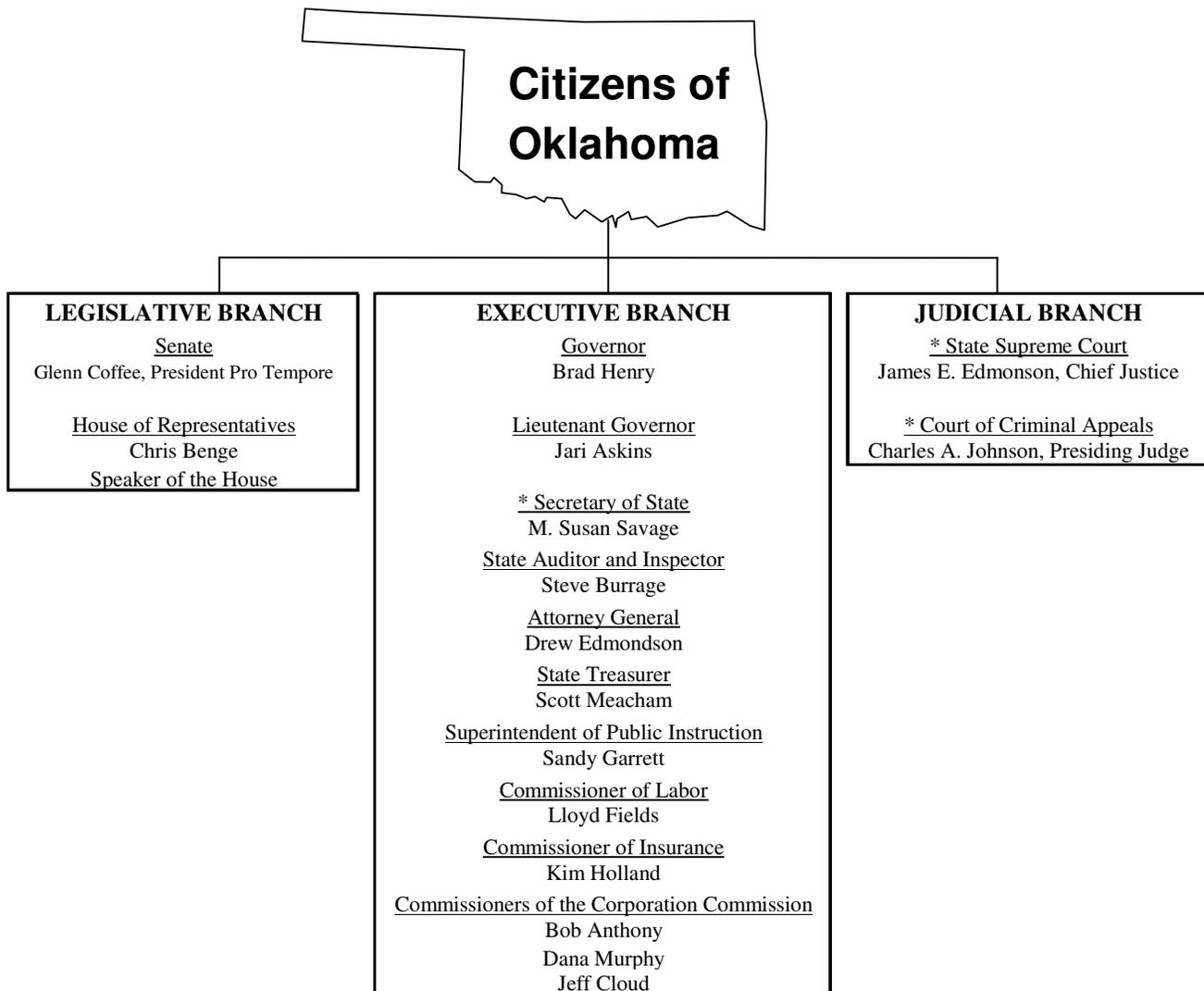
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", written in a cursive style.

Executive Director

# SELECTED OKLAHOMA STATE OFFICIALS

June 30, 2009



\*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
	<b><u>Agriculture</u></b>	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	<b><u>Energy</u></b>	632	Speech-Lang. Pathology & Aud. Bd.
	<b><u>Commerce and Tourism</u></b>	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	<b><u>Human Services</u></b>
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	<b><u>Environment</u></b>	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	<b><u>Finance and Revenue</u></b>		
	<b><u>Education</u></b>	65	Auditor & Inspector *	25	<b><u>Military Affairs</u></b>
44	Anatomical Board	582	Banking Department		Military Department
55	Arts Council	91	Bond Advisor		
800	Career & Technology Education	105	Building Bonds Commission	30	<b><u>Safety and Security</u></b>
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
	<b><u>Colleges and Universities:</u></b>	416	Land Office, Commissioners of the	47	Fire Marshal, State
100	Cameron University	416	Law Enforcement Retirement	308	Indigent Defense System
108	Carl Albert State College	435	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	<b><u>Science and Technology Dev.</u></b>
485	Northeastern State University				Center f/t Adv. of Sci. & Technology
490	Northern Oklahoma College	<b><u>Health</u></b>			
505	Northwestern Oklahoma State Univ.	022	Abstractor's Board		<b><u>Secretary of State</u></b>
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.		<b><u>Transportation</u></b>
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	<b><u>Human Resources and Admin.</u></b>	060	Aeronautics Commission
15	OSU -Technical Institute of OKC	45	Accountancy Board		
16	OSU -Tulsa	580	Architects, Board of Gov. of Licensed	650	<b><u>Veterans Affairs</u></b>
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	355	Human Rights Commission		
623	Seminole State College	450	Medical Licensure & Supv., Bd. of		
660	Southeastern Oklahoma State Univ.	298	Merit Protection Commission		
		475	Motor Vehicle Commission		
		510	Nursing Board		
		520	Optometry Board		
		525	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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## Financial Section

# 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, 2009, 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 eleven percent and two percent, respectively, of the assets and revenues of the governmental activities, and four percent of the assets and one 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 fifty-eight percent of the assets and forty 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 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, 2009, 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 the notes to the financial statements, the Teachers' Retirement System faces possible difficulty in meeting its future obligations. The auditor for the Teachers' Retirement System reported, "the System's actuary has determined that the System's unfunded actuarial accrued liability ("UAAL") is approximately \$9,512,000,000. 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. The ultimate outcome of the ability of the System to meet its future obligations is dependent on funding established by Oklahoma Statutes, and cannot presently be determined.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2009, 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 31, 2009



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# Management's Discussion and Analysis



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# Management's Discussion and Analysis

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Oklahoma provides this *Management's Discussion and Analysis* of the State of Oklahoma's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Oklahoma is for the fiscal year ended June 30, 2009. 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, 2009 by \$13.8 billion (presented as "net assets"). Of this amount, \$3.0 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 \$121 million (less than 0.9% decrease) in fiscal year 2009, less than the 5.4% increase from the previous fiscal year. Net assets of governmental activities decreased by \$17.6 million (a 0.1% decrease), while net assets of the business-type activities showed a decrease of \$103 million (an 8.0% decrease).

#### Fund Highlights:

*Governmental Funds - Fund Balances* - As of the close of fiscal year 2009, the State's governmental funds reported a combined ending fund balance of \$5.8 billion, a decrease of \$475 million in comparison with the prior year. Of this total amount, \$3.2 billion represents the "unreserved fund balances", all being in the general fund. Of this \$3.2 billion, \$434 million (decreased \$130 million) is in the Cash Flow Reserve Fund and \$597 million (no change) is in the Rainy Day Fund leaving \$2.1 billion (decreased \$208 million) as undesignated for the general fund. This \$2.1 billion is roughly 13.4% of the total governmental funds expenditures for the year. This ratio decreased 2.4% from a year ago.

#### Long-term Debt:

The State's total long-term debt obligations showed a net increase of \$132 million (7.6%) in the governmental type activities and a net decrease of \$42 million (7.8%) 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 basically 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 for which the State has financial accountability but they have certain independent qualities as well. 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 used to account for essentially the same functions reported 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 approach is known as using the flow of current financial resources measurement focus 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 \$13.8 billion at the end of 2009, compared to \$13.9 billion at the end of the previous year.

The largest portion of the State's net assets (53.4%) 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	
	2009	2008	2009	2008	2009	2008
Current Assets	\$ 5,821,285	\$ 6,904,387	\$ 841,296	\$ 954,951	\$ 6,662,581	\$ 7,859,338
Capital Assets	8,471,561	7,911,336	527	771	8,472,088	7,912,107
Other Assets	2,448,869	2,608,487	869,817	903,753	3,318,686	3,512,240
Total Assets	<u>16,741,715</u>	<u>17,424,210</u>	<u>1,711,640</u>	<u>1,859,475</u>	<u>18,453,355</u>	<u>19,283,685</u>
Noncurrent Liabilities	1,653,142	1,534,324	473,004	508,834	2,126,146	2,043,158
Other Liabilities	2,484,461	3,268,132	48,197	57,178	2,532,658	3,325,310
Total Liabilities	<u>4,137,603</u>	<u>4,802,456</u>	<u>521,201</u>	<u>566,012</u>	<u>4,658,804</u>	<u>5,368,468</u>
Invested in Capital Assets, Net of Related Debt	7,364,509	7,118,384	527	771	7,365,036	7,119,155
Restricted	2,268,701	2,284,063	1,178,940	1,283,673	3,447,641	3,567,736
Unrestricted	2,970,902	3,219,307	10,972	9,019	2,981,874	3,228,326
Total Net Assets	<u>\$12,604,112</u>	<u>\$12,621,754</u>	<u>\$1,190,439</u>	<u>\$ 1,293,463</u>	<u>\$13,794,551</u>	<u>\$13,915,217</u>

A portion of the State's net assets (25%) 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

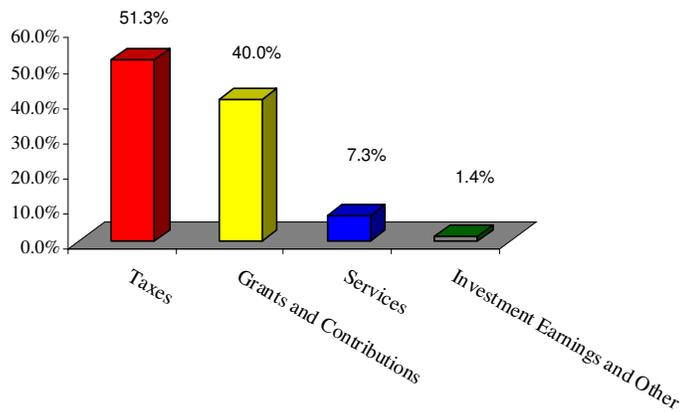
The State's net assets decreased by \$120.7 million, or 0.9%. Approximately 51 percent of the State's total revenue came from taxes, while 40 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided 7.3 percent of the total revenues. The State's expenses cover a range of services. The largest expenses were for general education, social services, and health services. In 2009, governmental activity expenses exceeded program revenues, resulting in the use of \$8.2 billion in general revenues (mostly taxes). The business-type activities' program revenues exceeded their expenses for 2009 by \$33 million.

#### State of Oklahoma's Changes in Net Assets-Primary Government

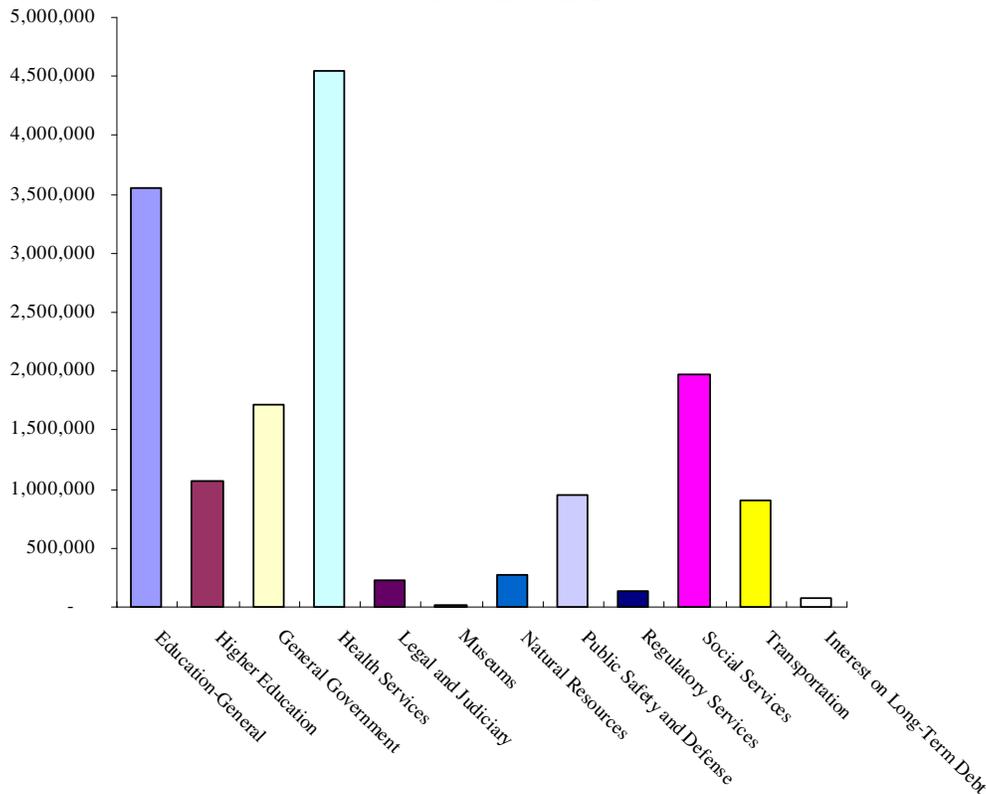
(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 1,116,823	\$ 1,005,105	\$ 514,890	\$ 479,718	\$ 1,631,713	\$ 1,484,823
Operating Grants and Contributions	6,141,165	5,528,650	134,029	33,862	6,275,194	5,562,512
General Revenues:						
Income Taxes-Individual	2,537,221	2,753,040			2,537,221	2,753,040
Income Taxes-Corporate	449,910	552,193			449,910	552,193
Sales Taxes	2,190,082	2,107,116			2,190,082	2,107,116
Gross Production Taxes	1,136,279	1,114,950			1,136,279	1,114,950
Motor Vehicle Taxes	585,084	604,926			585,084	604,926
Fuel Taxes	397,852	419,617			397,852	419,617
Other Taxes	569,099	629,404			569,099	629,404
Investment Earnings	141,264	247,191			141,264	247,191
Gain on Sale of Assets	1,316	-			1,316	-
<b>Total Revenues</b>	<b>15,266,095</b>	<b>14,962,192</b>	<b>648,919</b>	<b>513,580</b>	<b>15,915,014</b>	<b>15,475,772</b>
<b>Expenses:</b>						
Education-General	3,548,104	3,358,829			3,548,104	3,358,829
Education-Payments to Higher Education	1,074,409	1,030,875			1,074,409	1,030,875
General Government	1,718,794	1,680,106			1,718,794	1,680,106
Health Services	4,542,241	4,214,407			4,542,241	4,214,407
Legal and Judiciary	230,706	222,319			230,706	222,319
Museums	17,507	32,164			17,507	32,164
Natural Resources	265,197	249,235			265,197	249,235
Public Safety and Defense	951,387	926,959			951,387	926,959
Regulatory Services	130,033	95,653			130,033	95,653
Social Services	1,976,556	1,782,333			1,976,556	1,782,333
Transportation	902,151	791,993			902,151	791,993
Interest on Long-Term Debt	70,026	74,108			70,026	74,108
Unemployment Insurance Trust Fund	-	-	533,629	194,549	533,629	194,549
State Loan Program to Local Governments	-	-	25,527	27,016	25,527	27,016
Lottery Commission	-	-	122,961	145,951	122,961	145,951
<b>Total Expenses</b>	<b>15,427,111</b>	<b>14,458,981</b>	<b>682,117</b>	<b>367,516</b>	<b>16,109,228</b>	<b>14,826,497</b>
Increase (Decrease) in Net Assets Before Transfers and Contribution to Permanent Funds	(161,016)	503,211	(33,198)	146,064	(194,214)	649,275
Contribution to Permanent Funds	73,548	68,018	-	-	73,548	68,018
Transfers	69,826	68,323	(69,826)	(68,323)	-	-
<b>Change in Net Assets</b>	<b>(17,642)</b>	<b>639,552</b>	<b>(103,024)</b>	<b>77,741</b>	<b>(120,666)</b>	<b>717,293</b>
Net Assets, Beginning of Year	12,771,213	12,131,661	1,293,463	1,215,722	14,064,676	13,347,383
Adjustments to Beginning Net Assets	(149,459)	-	-	-	(149,459)	-
<b>Net Assets, End of Year</b>	<b>\$ 12,604,112</b>	<b>\$ 12,771,213</b>	<b>\$ 1,190,439</b>	<b>\$ 1,293,463</b>	<b>\$ 13,794,551</b>	<b>\$ 14,064,676</b>

**Revenues - Governmental Activities  
Fiscal Year 2009**



**Expenses - Governmental Activities  
Fiscal Year 2009**

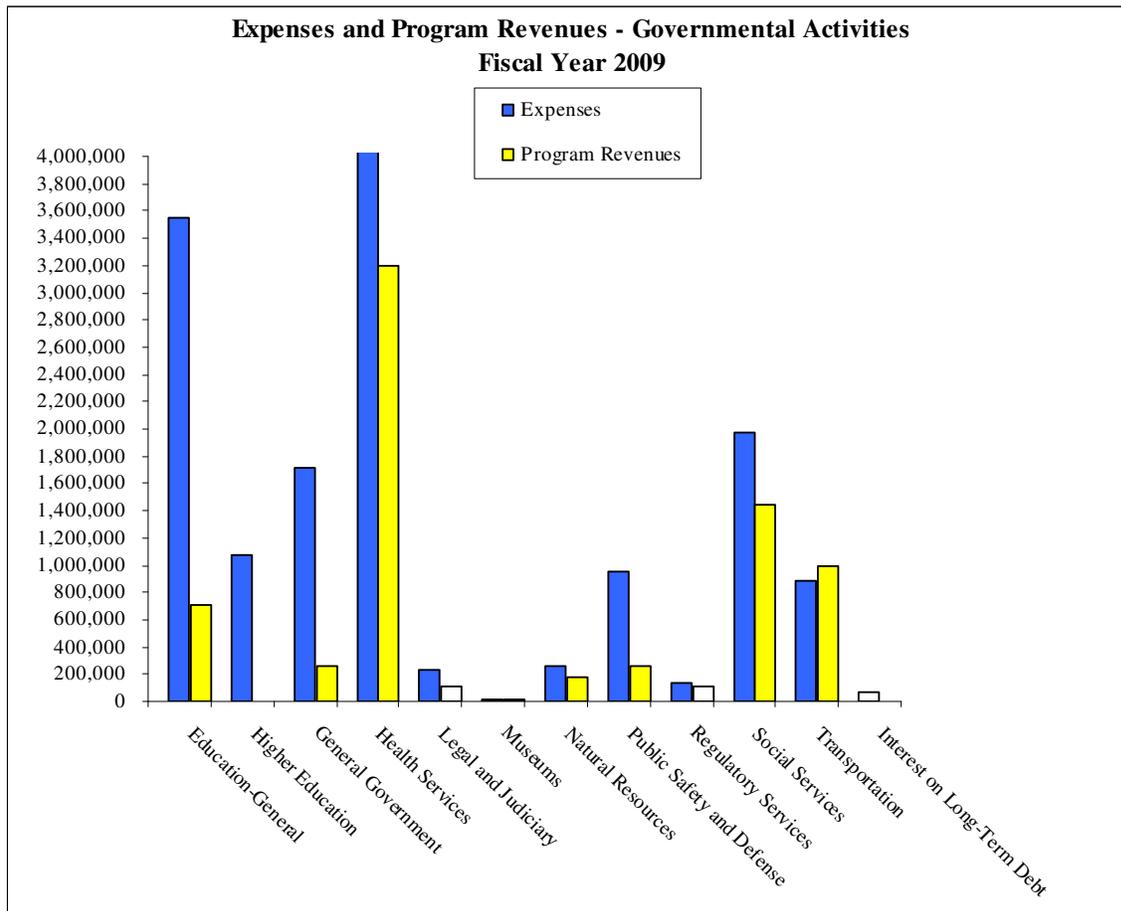


**Governmental Activities**

Governmental activities reduced the State's net assets by \$17.6 million. Tax revenues were up in most major types. Total revenues were up by \$309 million, or 2.1% in 2009. Most of this increase came from operating grants rising \$612 million. This was offset by a decrease in individual and corporate income taxes. The State showed a \$216 million decrease in individual income taxes, and a \$102 million decrease in corporate income taxes during 2009.

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

	<u>Governmental Activities</u>
<b>Expenses Net of Program Revenues:</b>	
Education-General	\$ (2,835,577)
Education-Payment to Higher Education	(1,074,409)
General Government	(1,464,445)
Health Services	(1,350,622)
Legal and Judiciary	(115,833)
Museums	(9,224)
Natural Resources	(90,840)
Public Safety and Defense	(693,691)
Regulatory Services	(23,457)
Social Services	(531,467)
Transportation	90,468
Interest on Long-Term Debt	(70,026)
	<hr/>
Total Governmental Activities Expenses	(8,169,123)
<b>General Revenues:</b>	
Taxes	7,865,527
Investment Earnings	141,264
Contributions to Permanent Funds	73,548
Gain on Sale of Assets	1,316
Transfers	69,826
	<hr/>
Increase in Governmental Activities Net Assets	<u>\$ (17,642)</u>



## **Business-Type Activities**

The business-type activities reduced the State's net assets in business-type activities by \$103 million, a 8.0% decrease, to \$1.2 billion. This decrease is less than last year's 7.9% increase from 2008. The decrease primarily resulted from a \$145.4 million decrease in net assets by the Oklahoma Unemployment Insurance Trust Fund (OUI TF). Unemployment benefit payments increased over last year by \$339 million or 174%. The Oklahoma Water Resources Board's (OWRB) net assets increased by \$41 million while the Oklahoma Lottery Commission had an increase in net assets of \$1.7 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 \$5.8 billion, a decrease of \$475 million from the prior year. More than one half (\$3.1 billion or 54.2%) 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 (\$356.9 million), 2) to pay debt service (\$100.5 million), 3) to be held in permanent trust funds for education, wildlife and prevention of tobacco related health issues (\$1.8 billion), 4) to be used for the "Economic Development Generating Excellence" Fund (\$157.4 million), or 5) for a variety of other restricted purposes (\$253.2 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 \$3.1 billion, while the total fund balance decreased \$329 million to \$3.9 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 19.9% of total general fund expenditures (down from 24.2% a year ago), while total fund balance represents 24.7% of that same amount (down from 29.5%).

Overall the fund balance of the State's general fund decreased by \$329 million during the current fiscal year. This 7.7% 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 \$55 million loss compared to a \$73 million gain for the prior year. Distributions to beneficiaries totaled \$82 million for fiscal year 2009 with \$22 million disbursed to universities and colleges and \$60 million disbursed to public schools. This was an increase of \$6 million from the apportionments of fiscal year 2008.

The Department of Wildlife's Lifetime Licenses fund balance decreased by 3.1% to \$78.4 million. This decrease occurred due to losses in 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 \$12.8 million net increase in fund balance with \$74 million coming in from the settlement payment by tobacco manufacturers for 2009. The prior year's payment was about \$68 million. The state now has \$428.4 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 \$103 million as a result of operations in the proprietary funds. This resulted from a \$145.9 million decrease in net assets by the Oklahoma Unemployment Insurance Trust Fund (OUIF), an increase in net assets of \$41 million by the Oklahoma Water Resources Board's (OWRB) program for making loans to local government units for drinking and waste water facilities, and an increase in net assets of \$1.7 million by the Oklahoma Lottery Commission.

The OUIF decreased in net assets primarily due to payments for unemployment benefits increasing \$339 million during 2009. Operating revenues increased \$40.4 million overall, mostly from an increase in collections (sales and services). Federal grants revenues decreased by \$2.9 million from the previous year.

The OWRB increased net assets by \$41.1 million which was \$16.8 million more than the \$24.3 million in the prior year. Federal grant revenues increased by \$503 thousand from the previous year.

The Oklahoma Lottery Commission had an increase in net assets of \$1.7 million. Operating revenues were \$193 million, while operating expenses were \$123 million.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The differences between the original budget and the final amended budget were relatively minor (\$65 million increase in appropriations), almost entirely (99.0%) coming from budget carryovers from fiscal year 2008.

## **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, 2009, amounts to \$16.3 billion, net of accumulated depreciation of \$7.9 billion, leaving a net book value of \$8.5 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 5.1% in terms of net book value. Actual expenditures to purchase or construct assets that are capitalized were \$988 million for the year, a \$160 million (19%) increase from the prior year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$392 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 \$132 million, or 7.6%, during the current fiscal year. The increase in long-term obligations of governmental activities was primarily due to Department of Transportation issuing \$98.2 million in notes payable, and the Office of State Finance issuing \$43.5 million for building bonds. Business-type activities' debt decreased by \$42 million as long-term revenue bonds were paid down through normal debt extinguishment.

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

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

The Oklahoma unemployment rate was consistently lower than that for the nation between 1997 and 2008. The national unemployment rate is currently 5.9% while Oklahoma's still remains less at 4.1% for the same time period.

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

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

During fiscal year 2009, unreserved fund balance in the general fund decreased \$339 million to \$3.2 billion, with \$434 million of this in the Cash Flow Reserve Fund and \$597 million in the State's Rainy Day Fund leaving \$2.1 billion as undesignated. This \$2.1 billion is roughly 13.4% 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 modest increase in revenue in 2009 after three years of healthy revenue increases. As a result, the balances in the Rainy Day Fund remained static at \$597 million, providing a sizeable reserve which will, in all likelihood, be used during the current economic slowdown.

### **Fiscal Year 2010**

Revenue collections during the current fiscal year have lagged significantly. As of the end of November, year-to-date collections were 28.5% below prior year and 24.3% less than budget estimates. As a result, the State Director of Finance has implemented a 10% cut in allocations through January 2010 with the possibility of extending those to the end of the fiscal year depending on Tax Commission projections. There is also a strong likelihood that the "Rainy Day Fund" will be utilized to aide in covering budget shortfalls.

## **REQUESTS FOR INFORMATION**

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



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# Basic Financial Statements



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## Basic Financial Statements



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# Government-wide Financial Statements



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# Government-wide Financial Statements

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State of Oklahoma  
Government Wide  
Statement of Net Assets  
June 30, 2009  
(expressed in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Current Assets				
Cash/Cash Equivalents	\$ 3,671,956	\$ 739,395	\$ 4,411,351	\$ 1,139,114
Investments	320,112	44,212	364,324	1,971,139
Securities Lending Investments	805,386	0	805,386	242,300
Accounts Receivable	29,478	18,480	47,958	341,198
Interest and Investment Revenue Receivable	38,048	6,112	44,160	19,685
Federal Grants Receivable	615,348	1,487	616,835	4,872
Taxes Receivable	243,262	0	243,262	0
Leases Receivable	7,977	0	7,977	0
Leases Receivable - Component Units	17,109	0	17,109	0
Other Receivables	76	0	76	30,252
Notes Receivable	0	39,866	39,866	53,384
Internal Balances	8,256	(8,256)	0	0
Receivable from External Parties	207	0	207	0
Due from Component Units	1,815	0	1,815	2,285
Due from Primary Government	0	0	0	173,297
Inventory	53,923	0	53,923	84,915
Prepaid Items	1,105	0	1,105	13,308
Other Current Assets	7,227	0	7,227	7,231
<b>Total Current Assets</b>	<b>5,821,285</b>	<b>841,296</b>	<b>6,662,581</b>	<b>4,082,980</b>
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	72,902	59,090	131,992	485,824
Short-Term Investments - Restricted	0	0	0	1,896,892
Long-Term Investments	0	159,403	159,403	1,009,878
Long-Term Investments - Restricted	1,778,016	0	1,778,016	0
Leases Receivable	16,901	0	16,901	0
Leases Receivable - Component Units	485,135	0	485,135	0
Long-Term Notes Receivable, Net	0	645,390	645,390	121,414
Long-Term Notes Receivable, Net - Restricted	0	0	0	1,177,899
Long-Term Due from Component Units	50,735	0	50,735	0
Capital Assets - Depreciable, Net	6,896,911	527	6,897,438	5,079,327
Capital Assets - Land	1,451,342	0	1,451,342	350,979
Capital Assets - Construction in Progress	123,308	0	123,308	827,247
Other Noncurrent Assets	14,773	5,934	20,707	341,627
Other Noncurrent Assets - Restricted	30,407	0	30,407	110,269
<b>Total Noncurrent Assets</b>	<b>10,920,430</b>	<b>870,344</b>	<b>11,790,774</b>	<b>11,401,356</b>
<b>Total Assets</b>	<b>16,741,715</b>	<b>1,711,640</b>	<b>18,453,355</b>	<b>15,484,336</b>

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

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable and Accrued Liabilities	931,983	9,876	941,859	285,426
Payable Under Securities Lending Agreements	805,386	0	805,386	253,689
Claims and Judgments	7,427	0	7,427	309,957
Interest Payable	35,592	5,210	40,802	56,594
Tax Refunds Payable	6,214	0	6,214	0
Payable to External Parties	18,226	0	18,226	586
Due to Component Units	151,827	0	151,827	2,285
Due to Primary Government	0	0	0	2,581
Due to Others	224,033	0	224,033	0
Unearned Revenue	99,966	0	99,966	215,801
Capital Leases	1,805	0	1,805	41,288
Capital Leases - Primary Government	0	0	0	44
Compensated Absences	93,269	312	93,581	78,792
Notes Payable	16,754	0	16,754	117,474
General Obligation Bonds	15,725	0	15,725	1,040
Revenue Bonds	67,870	29,935	97,805	297,383
Bond Issue Premiums	4,333	0	4,333	0
Other Current Liabilities	4,051	2,864	6,915	252,624
<b>Total Current Liabilities</b>	<b>2,484,461</b>	<b>48,197</b>	<b>2,532,658</b>	<b>1,915,564</b>
Noncurrent Liabilities				
Claims and Judgments	13,831	0	13,831	800,536
Due to Primary Government	0	0	0	49,969
Pension Obligation	21,850	0	21,850	0
Capital Leases	4,845	0	4,845	672,828
Capital Leases - Primary Government	0	0	0	0
Compensated Absences	68,088	0	68,088	27,167
Notes Payable	282,512	0	282,512	538,048
General Obligation Bonds	188,030	0	188,030	50,124
Revenue Bonds	1,031,755	472,966	1,504,721	5,154,546
Bond Issue Premiums	42,231	0	42,231	0
Other Noncurrent Liabilities	0	38	38	295,533
<b>Total Noncurrent Liabilities</b>	<b>1,653,142</b>	<b>473,004</b>	<b>2,126,146</b>	<b>7,588,751</b>
<b>Total Liabilities</b>	<b>4,137,603</b>	<b>521,201</b>	<b>4,658,804</b>	<b>9,504,315</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	7,364,509	527	7,365,036	2,295,728
Restricted for:				
Capital Projects	97,576	0	97,576	0
Debt Service	100,520	245,647	346,167	310,230
EDGE Fund	157,377	0	157,377	0
Preservation of Wildlife	65,704	0	65,704	0
Educational Systems	1,406,502	0	1,406,502	0
Unemployment Benefits	0	724,435	724,435	0
Water Resource Loans	0	208,858	208,858	0
Other Purposes				
Expendable	34,679	0	34,679	1,553,691
Nonexpendable	406,343	0	406,343	520,647
Unrestricted	2,970,902	10,972	2,981,874	1,299,725
<b>Total Net Assets</b>	<b>\$ 12,604,112</b>	<b>\$ 1,190,439</b>	<b>\$ 13,794,551</b>	<b>\$ 5,980,021</b>

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

State of Oklahoma  
Government Wide  
Statement of Activities  
For the Fiscal Year Ended June 30, 2009  
(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	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
Education-General	\$ 3,548,104	\$ 10,187	\$ 702,340	\$ 0	\$ (2,835,577)		\$ (2,835,577)	
Education-Payment to Higher Education	1,074,409	0	0	0	(1,074,409)		(1,074,409)	
General Government	1,718,794	230,663	23,686	0	(1,464,445)		(1,464,445)	
Health Services	4,542,241	126,087	3,065,532	0	(1,350,622)		(1,350,622)	
Legal and Judiciary	230,706	101,224	13,649	0	(115,833)		(115,833)	
Museums	17,507	7,339	944	0	(9,224)		(9,224)	
Natural Resources	265,197	103,093	71,264	0	(90,840)		(90,840)	
Public Safety and Defense	951,387	67,858	189,838	0	(693,691)		(693,691)	
Regulatory Services	130,033	100,304	6,272	0	(23,457)		(23,457)	
Social Services	1,976,556	190,535	1,254,554	0	(531,467)		(531,467)	
Transportation	902,151	179,533	813,086	0	90,468		90,468	
Interest on Long-Term Debt	70,026	0	0	0	(70,026)		(70,026)	
Total Governmental Activities	15,427,111	1,116,823	6,141,165	0	(8,169,123)		(8,169,123)	
<b>Business-Type Activities:</b>								
Employment Security Commission	533,629	267,591	120,135	0		\$ (145,903)	(145,903)	
Water Resources Board	25,527	53,973	13,302	0		41,748	41,748	
Lottery Commission	122,961	193,326	592	0		70,957	70,957	
Total Business-Type Activities	682,117	514,890	134,029	0		(33,198)	(33,198)	
Total Primary Government	\$ 16,109,228	\$ 1,631,713	\$ 6,275,194	\$ 0	(8,169,123)	(33,198)	(8,202,321)	
<b>Component Units:</b>								
CompSource Oklahoma	\$ 296,803	\$ 208,490	\$ 0	\$ 0				\$ (88,313)
State and Education Employees								
Group Insurance Board	837,375	776,328	0	0				(61,047)
Oklahoma Student Loan Authority	49,375	39,625	0	0				(9,750)
Oklahoma Housing Finance Agency	166,403	67,511	118,728	0				19,836
Oklahoma Turnpike Authority	206,360	207,961	0	0				1,601
Grand River Dam Authority	263,405	346,374	0	0				82,969
Oklahoma Municipal Power Authority	160,090	159,859	0	0				(231)
Higher Education	3,914,294	1,726,038	629,974	0				(1,558,282)
Nonmajor Component Units	214,142	166,025	2,031	0				(46,086)
Total Component Units	\$ 6,108,247	\$ 3,698,211	\$ 750,733	\$ 0				(1,659,303)
<b>General Revenues</b>								
<b>Taxes:</b>								
Income Taxes-Individual					2,537,221	0	2,537,221	0
Income Taxes-Corporate					345,929	0	345,929	0
Sales Tax					2,190,082	0	2,190,082	0
Gross Production Taxes					1,136,279	0	1,136,279	0
Motor Vehicle Taxes					585,084	0	585,084	0
Fuel Taxes					397,852	0	397,852	0
Tobacco Taxes					254,006	0	254,006	0
Other Business Taxes					103,981	0	103,981	0
Other Personal Taxes					40,952	0	40,952	0
Insurance Taxes					105,076	0	105,076	0
Beverage Taxes					90,072	0	90,072	0
Other Taxes					78,993	0	78,993	0
Payments from Primary Government					0	0	0	1,144,760
<b>Investment Earnings</b>					141,264	0	141,264	0
<b>Contributions to Permanent Funds</b>					73,548	0	73,548	0
<b>Gain on Sale of Assets</b>					1,316	0	1,316	0
<b>Transfers</b>					69,826	(69,826)	0	0
Total General Revenues and Transfers					8,151,481	(69,826)	8,081,655	1,144,760
Change in Net Assets					(17,642)	(103,024)	(120,666)	(514,543)
<b>Net Assets - Beginning of Year (as restated)</b>					12,621,754	1,293,463	13,915,217	6,494,564
<b>Net Assets - End of Year</b>					\$ 12,604,112	\$ 1,190,439	\$ 13,794,551	\$ 5,980,021

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



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# Fund Financial Statements



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# Fund Financial Statements

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State of Oklahoma  
Balance Sheet  
Governmental Funds  
June 30, 2009  
(expressed in thousands)

	Permanent Funds				Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
<b>Assets</b>					
Assets					
Cash/Cash Equivalents	\$ 3,636,984	\$ 60,539	\$ 25,501	\$ 21,834	\$ 3,744,858
Investments	320,112	1,319,383	52,743	405,890	2,098,128
Securities Lending Investments	748,497	0	0	56,889	805,386
Accounts Receivable	29,478	0	0	0	29,478
Interest and Investment Revenue Receivable	38,048	13,016	0	3,494	54,558
Federal Grants Receivable	615,348	0	0	0	615,348
Taxes Receivable	243,262	0	0	0	243,262
Leases Receivable	24,878	0	0	0	24,878
Leases Receivable-Component Units	502,244	0	0	0	502,244
Other Receivables	76	13,564	0	333	13,973
Due from Other Funds	8,283	0	117	0	8,400
Due from Fiduciary Funds	207	0	0	0	207
Due from Component Units	1,815	0	0	0	1,815
Due from Component Units-Noncurrent	50,735	0	0	0	50,735
Inventory	53,923	0	0	0	53,923
Prepaid Items	1,105	0	0	0	1,105
Other Assets	7,220	0	7	0	7,227
<b>Total Assets</b>	<b>\$ 6,282,215</b>	<b>\$ 1,406,502</b>	<b>\$ 78,368</b>	<b>\$ 488,440</b>	<b>\$ 8,255,525</b>
<b>Liabilities and Fund Balance</b>					
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 929,060	\$ 0	\$ 0	\$ 2,923	\$ 931,983
Payable Under Securities Lending Agreements	748,497	0	0	56,889	805,386
Interest Payable	10,910	0	0	0	10,910
Tax Refunds Payable	6,214	0	0	0	6,214
Due to Other Funds	117	0	0	27	144
Due to Fiduciary Funds	18,226	0	0	0	18,226
Due to Component Units	151,584	0	0	243	151,827
Due to Others	224,033	0	0	0	224,033
Deferred Revenue	255,812	6,278	0	0	262,090
Other Liabilities	4,051	0	0	0	4,051
<b>Total Liabilities</b>	<b>2,348,504</b>	<b>6,278</b>	<b>0</b>	<b>60,082</b>	<b>2,414,864</b>
Fund Balances					
Reserved					
Encumbrances	356,856	0	0	0	356,856
Inventory/Prepaid Items	54,675	0	0	0	54,675
Debt Service	100,520	0	0	0	100,520
EDGE Fund	157,377	0	0	0	157,377
Capital Construction	97,576	0	0	0	97,576
Preservation of Wildlife	0	0	65,704	0	65,704
Permanent Trust	0	1,400,224	0	406,343	1,806,567
Undistributed Revenue	0	0	12,664	22,015	34,679
Other Special Purposes	550	0	0	0	550
Unreserved, reported in					
General Fund					
Designated for Cash Flow Reserve Fund	434,417	0	0	0	434,417
Designated for Rainy Day Fund	596,573	0	0	0	596,573
Undesignated	2,135,167	0	0	0	2,135,167
<b>Total Fund Balances</b>	<b>3,933,711</b>	<b>1,400,224</b>	<b>78,368</b>	<b>428,358</b>	<b>5,840,661</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,282,215</b>	<b>\$ 1,406,502</b>	<b>\$ 78,368</b>	<b>\$ 488,440</b>	

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

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

**Total Fund Balance - Governmental Funds** \$ 5,840,661

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	\$	1,451,342	
Buildings and Improvements		1,271,466	
Equipment		361,854	
Infrastructure		13,115,931	
Construction in Progress		123,308	
Accumulated Depreciation		<u>(7,852,340)</u>	
			8,471,561

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. 162,124

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. (20,191)

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. 5,352

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. 9,421

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		(299,266)	
General Obligation and Revenue Bonds		(1,303,380)	
Capital Leases and Certificates of Participation		(6,650)	
Net Pension Obligation (Wildlife)		(1,659)	
Bond Issue Premium		(46,564)	
Accrued Interest on Bonds		(24,682)	
Compensated Absences		(161,357)	
Claims and Judgements		<u>(21,258)</u>	
			(1,864,816)

**Net Assets of Governmental Activities** \$ 12,604,112

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, 2009  
(expressed in thousands)

	Permanent Funds				Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
<b>Revenues</b>					
Taxes					
Income Taxes-Individual	\$ 2,537,221	\$ 0	\$ 0	\$ 0	\$ 2,537,221
Sales Tax	2,190,082	0	0	0	2,190,082
Gross Production Taxes	1,136,279	0	0	0	1,136,279
Income Taxes-Corporate	345,929	0	0	0	345,929
Motor Vehicle Taxes	585,084	0	0	0	585,084
Fuel Taxes	397,852	0	0	0	397,852
Tobacco Taxes	254,006	0	0	0	254,006
Other Business Taxes	103,981	0	0	0	103,981
Other Personal Taxes	40,952	0	0	0	40,952
Insurance Taxes	105,076	0	0	0	105,076
Beverage Taxes	90,071	0	0	0	90,071
Other Taxes	78,994	0	0	0	78,994
Licenses, Permits and Fees	354,533	0	2,693	0	357,226
Interest and Investment Revenue	203,053	(66,216)	(3,598)	(43,943)	89,296
Federal Grants	6,227,575	0	0	0	6,227,575
Sales and Services	188,706	11,000	1,601	0	201,307
Other Grants and Reimbursements	330,166	0	0	0	330,166
Fines and Penalties	48,762	0	0	0	48,762
Other	117,716	0	0	73,548	191,264
<b>Total Revenues</b>	<b>15,336,038</b>	<b>(55,216)</b>	<b>696</b>	<b>29,605</b>	<b>15,311,123</b>
<b>Expenditures</b>					
Education	4,519,438	100,513	0	0	4,619,951
General Government	1,614,395	0	0	16,824	1,631,219
Health Services	4,525,993	0	0	0	4,525,993
Legal and Judiciary	225,225	0	0	0	225,225
Museums	16,903	0	0	0	16,903
Natural Resources	271,487	0	0	0	271,487
Public Safety and Defense	915,880	0	0	0	915,880
Regulatory Services	127,803	0	0	0	127,803
Social Services	1,933,117	0	0	0	1,933,117
Transportation	199,517	0	0	0	199,517
Capital Outlay	1,438,064	0	0	0	1,438,064
Debt Service					
Principal Retirement	95,155	0	0	0	95,155
Interest and Fiscal Charges	70,026	0	0	0	70,026
<b>Total Expenditures</b>	<b>15,953,003</b>	<b>100,513</b>	<b>0</b>	<b>16,824</b>	<b>16,070,340</b>
Revenues in Excess of (Less Than) Expenditures	(616,965)	(155,729)	696	12,781	(759,217)
<b>Other Financing Sources (Uses)</b>					
Transfers In	77,371	0	0	0	77,371
Transfers Out	(4,357)	0	(3,188)	0	(7,545)
Bonds Issued	105,400	0	0	0	105,400
Notes Issued	98,230	0	0	0	98,230
Bond and Note Issue Premiums	2,478	0	0	0	2,478
Bond and Note Issue Discounts	(730)	0	0	0	(730)
Capital Leases	3,655	0	0	0	3,655
Sale of Capital Assets	5,832	0	0	0	5,832
<b>Total Other Financing Sources (Uses)</b>	<b>287,879</b>	<b>0</b>	<b>(3,188)</b>	<b>0</b>	<b>284,691</b>
Net Change in Fund Balances	(329,086)	(155,729)	(2,492)	12,781	(474,526)
<b>Fund Balances - Beginning of Year (as restated)</b>	<b>4,262,797</b>	<b>1,555,953</b>	<b>80,860</b>	<b>415,577</b>	<b>6,315,187</b>
<b>Fund Balances - End of Year</b>	<b>\$ 3,933,711</b>	<b>\$ 1,400,224</b>	<b>\$ 78,368</b>	<b>\$ 428,358</b>	<b>\$ 5,840,661</b>

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

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

### Net Change in Fund Balances - Total Governmental Funds

Amounts reported for governmental activities in the statement of activities are different because:		\$ (474,526)
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 (\$959,124) exceeded depreciation (\$391,673) in the current period.		567,451
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.		(7,226)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		29,903
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 and note proceeds (\$203,630) exceeded repayments (\$93,079).		(110,551)
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 that bond issue premiums (\$2,478) exceed bond issue discounts of (\$730) and net immaterial bond expenses of (\$260).		(2,008)
Contributions to certain pension plans use current financial resources from governmental funds, and can increase the net pension obligation (\$17,491) in the statement of activities.		(17,491)
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 (\$3,655) exceeds the payment of principal (\$2,076) on and the deletion of (\$11), capital leases.		(1,568)
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	4,333	
Increase in entity-wide interest payable	(662)	
Increase in compensated absences	(4,189)	
Amortization of bond issuance costs	(606)	
Deferral of bond issuance costs	184	
Increase in claims and judgements payable	(686)	
	(1,626)	
<b>Change in Net Assets of Governmental Activities</b>		<b>\$ (17,642)</b>

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

State of Oklahoma  
Statement of Net Assets  
Proprietary Funds  
June 30, 2009  
(expressed in thousands)

	Business-Type Activities - Enterprise Funds			Total
	Employment Security Commission	Water Resources Board	Lottery Commission	
<b>Assets</b>				
Current Assets				
Cash/Cash Equivalents	\$ 715,089	\$ 16,087	\$ 8,219	\$ 739,395
Investments	0	44,212	0	44,212
Accounts Receivable	9,482	0	8,998	18,480
Interest and Investment Revenue Receivable	0	6,112	0	6,112
Federal Grants Receivable	785	702	0	1,487
Other Receivables	0	0	0	0
Notes Receivable	0	39,866	0	39,866
<b>Total Current Assets</b>	<b>725,356</b>	<b>106,979</b>	<b>17,217</b>	<b>849,552</b>
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	0	51,584	7,506	59,090
Long-Term Investments	0	159,403	0	159,403
Long-Term Notes Receivable	0	645,390	0	645,390
Capital Assets, Net	0	128	399	527
Other Noncurrent Assets	0	2,468	3,466	5,934
<b>Total Noncurrent Assets</b>	<b>0</b>	<b>858,973</b>	<b>11,371</b>	<b>870,344</b>
<b>Total Assets</b>	<b>725,356</b>	<b>965,952</b>	<b>28,588</b>	<b>1,719,896</b>
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable and Accrued Liabilities	870	44	8,962	9,876
Interest Payable	0	5,210	0	5,210
Compensated Absences	0	249	63	312
Deferred Revenue	0	0	631	631
Revenue Bonds	0	29,935	0	29,935
Due to Other Funds	51	644	7,561	8,256
Other Current Liabilities	0	2,233	0	2,233
<b>Total Current Liabilities</b>	<b>921</b>	<b>38,315</b>	<b>17,217</b>	<b>56,453</b>
Noncurrent Liabilities				
Revenue Bonds	0	472,966	0	472,966
Other Noncurrent Liabilities	0	38	0	38
<b>Total Noncurrent Liabilities</b>	<b>0</b>	<b>473,004</b>	<b>0</b>	<b>473,004</b>
<b>Total Liabilities</b>	<b>921</b>	<b>511,319</b>	<b>17,217</b>	<b>529,457</b>
<b>Net Assets</b>				
Invested in Capital Assets, net of related debt	0	128	399	527
Restricted for:				
Debt Service	0	245,647	0	245,647
Unemployment Benefits	724,435	0	0	724,435
Water Resource Loans	0	208,858	0	208,858
Unrestricted	0	0	10,972	10,972
<b>Total Net Assets</b>	<b>\$ 724,435</b>	<b>\$ 454,633</b>	<b>\$ 11,371</b>	<b>\$ 1,190,439</b>

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, 2009  
(expressed in thousands)

	Business-Type Activities - Enterprise Funds			Total
	Employment Security Commission	Water Resources Board	Lottery Commission	
<b>Operating Revenues</b>				
Sales and Services	\$ 229,981	\$ 0	\$ 193,277	\$ 423,258
Federal Grants	0	3,486	0	3,486
Interest and Investment Revenue	0	18,870	0	18,870
Other	375	0	49	424
<b>Total Operating Revenues</b>	<b>230,356</b>	<b>22,356</b>	<b>193,326</b>	<b>446,038</b>
<b>Operating Expenses</b>				
Facilities Operations and Maintenance	0	0	242	242
Administrative and General	0	4,543	8,115	12,658
Prizes, Commissions and Other	0	0	114,352	114,352
Interest	0	20,813	0	20,813
Depreciation	0	51	252	303
Benefit Payments and Refunds	533,629	0	0	533,629
<b>Total Operating Expenses</b>	<b>533,629</b>	<b>25,407</b>	<b>122,961</b>	<b>681,997</b>
Operating Income (Loss)	(303,273)	(3,051)	70,365	(235,959)
<b>Nonoperating Revenues (Expenses)</b>				
Interest and Investment Revenue	37,235	11,408	592	49,235
Other Nonoperating Revenues	0	1,894	0	1,894
Nonoperating Federal Grants	120,135	31,617	0	151,752
Other Nonoperating Expenses	0	(120)	0	(120)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>157,370</b>	<b>44,799</b>	<b>592</b>	<b>202,761</b>
Income (Loss) Before Transfers	(145,903)	41,748	70,957	(33,198)
Transfers In	0	4,357	0	4,357
Transfers Out	0	(4,957)	(69,226)	(74,183)
Change in Net Assets	(145,903)	41,148	1,731	(103,024)
<b>Total Net Assets - Beginning of Year</b>	<b>870,338</b>	<b>413,485</b>	<b>9,640</b>	<b>1,293,463</b>
<b>Total Net Assets - Ending</b>	<b>\$ 724,435</b>	<b>\$ 454,633</b>	<b>\$ 11,371</b>	<b>\$ 1,190,439</b>

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

State of Oklahoma  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2009  
(expressed in thousands)

	Business-Type Activities - Enterprise Funds			
	Employment Security Commission	Water Resources Board	Lottery Commission	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 234,279	\$ 0	\$ 180,954	\$ 415,233
Receipts from Federal Grants	0	3,312	0	3,312
Payments of Benefits	(533,042)	0	0	(533,042)
Payments to Suppliers	0	(2,269)	(11,606)	(13,875)
Payments to Employees	0	(1,750)	(3,002)	(4,752)
Payments to Prize Winners	0	0	(98,431)	(98,431)
Collections of Interest on Loans to Governmental Units	0	18,960	0	18,960
Payments of Operating Interest Expense	0	(22,345)	0	(22,345)
Net Cash Provided (Used) by Operating Activities	<u>(298,763)</u>	<u>(4,092)</u>	<u>67,915</u>	<u>(234,940)</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Federal Grants and Other Contributions	120,488	33,991	0	154,479
Transfers In	0	4,356	0	4,356
Transfers Out	0	(4,956)	(78,394)	(83,350)
Deposit with Multi-State Lottery	0	0	(1,068)	(1,068)
Principal Paid on Bonds and Notes Payable	0	(41,025)	0	(41,025)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>120,488</u>	<u>(7,634)</u>	<u>(79,462)</u>	<u>33,392</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	0	(30)	(30)	(60)
Net Cash Used by Capital and Related Financing Activities	<u>0</u>	<u>(30)</u>	<u>(30)</u>	<u>(60)</u>
<b>Cash Flows from Investing Activities</b>				
Interest and Investment Revenue	37,235	10,730	637	48,602
Proceeds from Sale and Maturity of Investments	0	51,356	0	51,356
Payments to Purchase Investments	0	(26,509)	0	(26,509)
Collections of Principal on Loans to Governmental Units	0	47,043	0	47,043
Payments to Issue Notes Receivable	0	(92,750)	0	(92,750)
Net Cash Provided by Investing Activities	<u>37,235</u>	<u>(10,130)</u>	<u>637</u>	<u>27,742</u>
Net Increase in Cash/Cash Equivalents	(141,040)	(21,886)	(10,940)	(173,866)
<b>Cash/Cash Equivalents - Beginning of Year</b>	856,129	89,557	26,665	972,351
<b>Cash/Cash Equivalents - End of Year</b>	<u>\$ 715,089</u>	<u>\$ 67,671</u>	<u>\$ 15,725</u>	<u>\$ 798,485</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ (303,273)	\$ (3,051)	\$ 70,365	\$ (235,959)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	0	51	252	303
Amortization (Accretion) and Other Noncash Expenses	0	(691)	8	(683)
Decrease (Increase) in Assets				
Accounts Receivable	3,924	(82)	(111)	3,731
Interest and Investment Receivable	0	60	0	60
Other Receivables	0	0	0	0
Increase (Decrease) in Liabilities				
Accounts Payable and Accrued Liabilities	586	83	(560)	109
Interest Payable	0	(558)	0	(558)
Prizes Payable	0	0	(2,034)	(2,034)
Compensated Absences	0	72	0	72
Arbitrage Rebate Payable	0	(6)	0	(6)
Due to other funds	0	0	(73)	(73)
Deferred Revenue	0	0	68	68
Other Current Liabilities	0	30	0	30
Net Cash Provided (Used) by Operating Activities	<u>\$ (298,763)</u>	<u>\$ (4,092)</u>	<u>\$ 67,915</u>	<u>\$ (234,940)</u>

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, 2009  
(expressed in thousands)

	Pension Trust Funds	Agency Fund
<b>Assets</b>		
Cash/Cash Equivalents	\$ 486,973	\$ 306,728
Investments, at fair value		
Equity Securities	6,929,642	0
Governmental Securities	2,991,890	0
Debt Securities	3,118,894	0
Mutual Funds	2,449,032	0
Other Investments	390,693	85
Securities Lending Investments	2,118,807	0
Taxes Receivable	0	1
Accounts Receivable	0	174
Interest and Investment Revenue Receivable	65,636	0
Employer Contributions Receivable	42,091	0
Employee Contributions Receivable	30,782	0
Other Contributions Receivable	24,960	0
Other Receivables	384	0
Due from Brokers	694,422	0
Due from Other Funds	18,226	0
Due from Component Units	0	586
Inventory	0	6,445
Capital Assets, Net	758	0
Other Assets	114	0
Total Assets	<u>19,363,304</u>	<u>\$ 314,019</u>
<b>Liabilities</b>		
Accounts Payable	4,244	\$ 1,826
Tax Refunds Payable	0	5,751
Securities Lending Payable	2,129,944	0
Due to Brokers	910,309	0
Due to Other Funds	5	202
Due to Component Units	8,723	0
Due to Others	0	306,229
Benefits in the Process of Payment	79,002	0
Other Liabilities	8,524	11
Total Liabilities	<u>3,140,751</u>	<u>\$ 314,019</u>
<b>Net Assets</b>		
Held in Trust for Pension Benefits and Pool Participants	<u>\$ 16,222,553</u>	

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

State of Oklahoma  
Statement of Changes in  
Fiduciary Net Assets  
Fiduciary Funds and Similar Component Units  
For the Fiscal Year Ended June 30, 2009  
(expressed in thousands)

	Pension Trust Funds
<b>Additions</b>	
Contributions	
Employer Contributions	\$ 658,399
Employee Contributions	412,565
Other Contributions	377,885
Total Contributions	<u>1,448,849</u>
Investment Earnings	
Net Increase (Decrease) in Fair Value of Investments	(3,536,968)
Interest and Investment Revenue	458,772
Total Investment Earnings	<u>(3,078,196)</u>
Less Investment Expenses	89,863
Net Investment Earnings	<u>(3,168,059)</u>
Total Additions	<u>(1,719,210)</u>
<b>Deductions</b>	
Administrative and General Expenses	14,928
Benefit Payments and Refunds	1,667,061
Total Deductions	<u>1,681,989</u>
Change in Net Assets	(3,401,199)
<b>Net Assets - Beginning of Year (as restated)</b>	<u>19,623,752</u>
<b>Net Assets - End of Year</b>	<u>\$ 16,222,553</u>

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

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## MAJOR COMPONENT UNITS

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

### COMPSOURCE OKLAHOMA

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

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

### STATE AND EDUCATION EMPLOYEES GROUP INSURANCE BOARD

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

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

### OKLAHOMA STUDENT LOAN AUTHORITY

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

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

### OKLAHOMA HOUSING FINANCE AGENCY

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

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

### OKLAHOMA TURNPIKE AUTHORITY

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

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

### GRAND RIVER DAM AUTHORITY

P.O. Box 409, Vinita, Oklahoma 74301

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

### OKLAHOMA MUNICIPAL POWER AUTHORITY

P.O. Box 1960, Edmond, Oklahoma 73083

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

### HIGHER EDUCATION

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

### COMPREHENSIVE UNIVERSITIES

University of Oklahoma  
Oklahoma State University

### OTHER FOUR YEAR UNIVERSITIES

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

### TWO YEAR COLLEGES

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

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

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

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

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

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

State of Oklahoma  
Combining Statement of Net Assets  
Major Component Units  
June 30, 2009  
(expressed in thousands)

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
<b>Assets</b>										
<b>Current Assets</b>										
Cash/Cash Equivalents										
Unrestricted	\$ 54,526	\$ 63,240	\$ 390	\$ 11,122	\$ 24,938	\$ 16,244	\$ 272	\$ 855,215	\$ 113,167	\$ 1,139,114
Investments	1,012,163	153,767	8,504	0	94,696	331,541	10,143	337,216	23,109	1,971,139
Securities Lending Investments	242,300	0	0	0	0	0	0	0	0	242,300
Accounts Receivable	0	9,301	0	906	1,440	32,701	12,574	268,706	15,570	341,198
Interest and Investment										
Revenue Receivable	9,466	1,276	869	129	1,683	1,835	644	3,439	344	19,685
Federal Grants Receivable	0	0	0	0	0	0	0	4,872	0	4,872
Other Receivables	2,212	1,536	0	0	0	0	0	26,266	238	30,252
Notes Receivable	44,569	0	0	0	0	0	0	6,979	1,836	53,384
Due from Fiduciary Funds	0	20,895	0	0	0	0	0	0	0	20,895
Due from Other Component Units	178	0	0	0	0	1,167	0	371	569	2,285
Due from Primary Government	1,726	50	0	0	1,656	1,049	0	147,699	222	152,402
Inventory	0	0	0	0	1,841	55,482	3,653	23,939	0	84,915
Prepaid Items	0	0	0	222	160	2,707	0	9,960	259	13,308
Other Current Assets	2,638	0	0	0	0	822	1,654	1,520	597	7,231
<b>Total Current Assets</b>	<b>1,369,778</b>	<b>250,065</b>	<b>9,763</b>	<b>12,379</b>	<b>126,414</b>	<b>443,548</b>	<b>28,940</b>	<b>1,686,182</b>	<b>155,911</b>	<b>4,082,980</b>
<b>Noncurrent Assets</b>										
Cash/Cash Equivalents -										
Restricted	0	0	159	35,572	72,615	0	0	377,224	254	485,824
Investments - Restricted	0	0	144,619	765,467	104,928	206,647	134,952	516,386	23,893	1,896,892
Long-Term Investments										
Unrestricted	0	0	0	14,458	0	0	43,920	918,842	32,658	1,009,878
Long-Term Notes Receivable, Net										
Unrestricted	24,166	0	28,692	0	0	0	0	50,550	18,006	121,414
Restricted	0	0	1,170,962	6,937	0	0	0	0	0	1,177,899
Capital Assets										
Depreciable, Net	17,098	710	751	2,988	945,271	651,145	328,660	3,018,383	114,321	5,079,327
Land	1,179	0	0	550	162,665	31,392	0	151,058	4,135	350,979
Construction in Progress	0	0	0	0	70,359	47,625	36,284	583,802	89,177	827,247
Other Noncurrent Assets										
Unrestricted	6,637	0	321	0	5,286	22,723	115,212	170,052	21,396	341,627
Restricted	0	0	21,038	8,058	0	0	963	78,174	2,036	110,269
<b>Total Noncurrent Assets</b>	<b>49,080</b>	<b>710</b>	<b>1,366,542</b>	<b>834,030</b>	<b>1,361,124</b>	<b>959,532</b>	<b>659,991</b>	<b>5,864,471</b>	<b>305,876</b>	<b>11,401,356</b>
<b>Total Assets</b>	<b>1,418,858</b>	<b>250,775</b>	<b>1,376,305</b>	<b>846,409</b>	<b>1,487,538</b>	<b>1,403,080</b>	<b>688,931</b>	<b>7,550,653</b>	<b>461,787</b>	<b>15,484,336</b>

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

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
<b>Liabilities</b>										
Current Liabilities										
Accounts Payable and Accrued Liabilities	0	20,603	1,342	3,152	11,819	31,590	22,645	178,037	16,238	285,426
Payable Under Securities										
Lending Agreements	253,689	0	0	0	0	0	0	0	0	253,689
Claims and Judgments	193,905	101,226	0	0	0	0	0	2,803	12,023	309,957
Interest Payable	0	0	2,498	3,085	16,641	9,224	11,549	12,432	1,165	56,594
Due to Fiduciary Funds	0	0	0	0	1	585	0	0	0	586
Due to Other Component Units	358	0	0	0	42	66	1,164	591	64	2,285
Due to Primary Government	2	18	17	0	791	109	0	1,644	0	2,581
Deferred Revenue	67,850	0	0	439	21,227	0	0	120,894	5,391	215,801
Capital Leases	0	0	0	0	0	0	0	41,288	0	41,288
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	0	44	44
Compensated Absences	1,605	915	287	855	1,908	3,696	0	69,147	379	78,792
Notes Payable	0	0	100,537	0	0	0	1,408	14,393	1,136	117,474
General Obligation Bonds	0	0	0	0	0	0	0	0	1,040	1,040
Revenue Bonds	0	0	68,643	69,166	42,320	72,590	12,785	29,894	1,985	297,383
Other Current Liabilities	11,000	7,018	0	0	0	0	0	234,502	104	252,624
<b>Total Current Liabilities</b>	<b>528,409</b>	<b>129,780</b>	<b>173,324</b>	<b>76,697</b>	<b>94,749</b>	<b>117,860</b>	<b>49,551</b>	<b>705,625</b>	<b>39,569</b>	<b>1,915,564</b>
Noncurrent Liabilities										
Claims and Judgments	699,750	10,552	0	0	0	0	0	3,265	86,969	800,536
Due to Primary Government	0	0	0	0	49,969	0	0	0	0	49,969
Capital Leases	0	0	0	0	0	0	0	672,828	0	672,828
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	0	0	0
Compensated Absences	0	0	0	0	0	0	0	26,994	173	27,167
Notes Payable	0	0	316,414	0	0	0	50,398	147,008	24,228	538,048
General Obligation Bonds	0	0	0	0	0	0	0	0	50,124	50,124
Revenue Bonds	0	0	810,264	665,156	1,050,409	937,454	552,449	1,075,198	63,616	5,154,546
Other Noncurrent Liabilities	0	0	58	3,067	0	14,703	13,600	219,891	44,214	295,533
<b>Total Noncurrent Liabilities</b>	<b>699,750</b>	<b>10,552</b>	<b>1,126,736</b>	<b>668,223</b>	<b>1,100,378</b>	<b>952,157</b>	<b>616,447</b>	<b>2,145,184</b>	<b>269,324</b>	<b>7,588,751</b>
<b>Total Liabilities</b>	<b>1,228,159</b>	<b>140,332</b>	<b>1,300,060</b>	<b>744,920</b>	<b>1,195,127</b>	<b>1,070,017</b>	<b>665,998</b>	<b>2,850,809</b>	<b>308,893</b>	<b>9,504,315</b>
<b>Net Assets</b>										
Invested in Capital Assets, Net of Related Debt	18,277	710	751	3,538	78,343	178,062	(25,650)	1,890,139	151,558	2,295,728
Restricted for:										
Debt Service	0	0	0	54,070	93,360	51,568	21,174	90,058	0	310,230
Other Special Purpose										
Expendable	5,000	0	37,203	12,025	5,582	408	8,834	1,471,802	12,837	1,553,691
Nonexpendable	0	0	0	0	0	0	0	520,647	0	520,647
Unrestricted	167,422	109,733	38,291	31,856	115,126	103,025	18,575	727,198	(11,501)	1,299,725
<b>Total Net Assets</b>	<b>\$ 190,699</b>	<b>\$ 110,443</b>	<b>\$ 76,245</b>	<b>\$ 101,489</b>	<b>\$ 292,411</b>	<b>\$ 333,063</b>	<b>\$ 22,933</b>	<b>\$ 4,699,844</b>	<b>\$ 152,894</b>	<b>\$ 5,980,021</b>

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

State of Oklahoma  
Combining Statement of Activities  
Major Component Units  
For the Fiscal Year Ended June 30, 2009  
(expressed in thousands)

	Expenses	Program Revenues			Net (Expense) Revenue	General Revenue		Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Payments from Primary Government				
<b>Component Units:</b>										
CompSource Oklahoma	\$ 296,803	\$ 208,490	\$ 0	\$ 0	\$ (88,313)	\$ 0	\$ (88,313)	\$ 279,012	\$ 190,699	
State Education and Employees										
Group Insurance Board	837,375	776,328	0	0	(61,047)	0	(61,047)	171,490	110,443	
Oklahoma Student Loan Authority	49,375	39,625	0	0	(9,750)	0	(9,750)	85,995	76,245	
Oklahoma Housing Finance Agency	166,403	67,511	118,728	0	19,836	0	19,836	81,653	101,489	
Oklahoma Turnpike Authority	206,360	207,961	0	0	1,601	0	1,601	290,810	292,411	
Grand River Dam Authority	263,405	346,374	0	0	82,969	0	82,969	250,094	333,063	
Oklahoma Municipal Power Authority	160,090	159,859	0	0	(231)	0	(231)	23,164	22,933	
Higher Education Component Unit	3,914,294	1,726,038	629,974	0	(1,558,282)	1,074,409	(483,873)	5,183,717	4,699,844	
Nonmajor Component Units Total	214,142	166,025	2,031	0	(46,086)	70,351	24,265	128,629	152,894	
Total Component Units	<u>\$ 6,108,247</u>	<u>\$ 3,698,211</u>	<u>\$ 750,733</u>	<u>\$ -</u>	<u>\$ (1,659,303)</u>	<u>\$ 1,144,760</u>	<u>\$ (514,543)</u>	<u>\$ 6,494,564</u>	<u>\$ 5,980,021</u>	

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



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## Notes to the Financial Statements



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## Notes to the Financial Statements

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FISCAL YEAR ENDED JUNE 30, 2009

### **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 November 2006 GASB issued Statement 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities.

The State was required to implement this standard for the fiscal year ending June 30, 2009.

In November 2007 the GASB issued Statement 52 *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

The State was required to implement this standard for the fiscal year ending June 30, 2009.

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, 2009, 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, 2008, and their report, dated March 30, 2009, 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, 2008, and their report, dated May 15, 2009, 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, 2009, and their report, dated October 27, 2009, 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, 2008, and their report, dated May 5, 2009, 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, 2008, and their report, dated March 25, 2009, 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, 2008, and their report, dated March 31, 2009, 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, 2008, and their report, dated March 10, 2009, 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-three 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, 2009, and their report, dated October 9, 2009, 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, 2009, and their report, dated October 22, 2009, 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, 2009, and their report, dated October 23, 2009, 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, 2008, and their report, dated June 12, 2009, 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, 2009, and their report, dated October 12, 2009, 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, 2009, and their report, dated October 27, 2009, 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, 2009, and their report, dated September 9, 2009, 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, 2009, and their report, dated October 1, 2009, 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, 2008, and their report, dated October 15, 2009, 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, 2009, and their report, dated October 7, 2009, 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, 2009, and their report, dated October 20, 2009, 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, 2009, and their report, dated October 12, 2009, 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, 2009, and their report, dated October 12, 2009, 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, 2009, and their report, dated September 14, 2009, 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, 2009, and their report, dated December 14, 2009, 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, 2009, and for the year then ended, except for the following funds and entities which were audited by other independent auditors.

CompSource Oklahoma	12-31-08
Multiple Injury Trust Fund	12-31-08
State and Education Employees Group Insurance Board	12-31-08
Oklahoma Transportation Authority	12-31-08
Grand River Dam Authority	12-31-08
Oklahoma Municipal Power Authority	12-31-08
Oklahoma Housing Finance Agency	09-30-08
Oklahoma Centennial Commemoration Fund	12-31-08

#### **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, 2009 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 2009 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**

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 \$353,000 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.

**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 \$353,000 in food commodities which is also included in deferred revenue. Therefore, the reservation of fund balance for inventory/prepaid on the balance sheet is \$353,000 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 \$113,614,000 at December 31, 2008. 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, 2009, the OCIB had negative net assets of \$16,900,000. 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, 2009, it was determined that several agencies incurred expenses of \$4,088,000 for pollution obligations related to hazardous material on highways and asbestos removal. There was also a liability incurred of \$6,169,000 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	70%	35.0%	10 years	AAA
U.S. Government Agency Mortgage Backed Securities	25%	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	2.50%	2.50%	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, 2009 (expressed in thousands):

Investment Type	Investments - Primary Government			
	General Government	Permanent Funds	Business-Type Activities	Total Primary Government
<b>POOLED INVESTMENTS</b>				
US Treasury	\$ 519,131	\$ -	\$ 44,212	\$ 563,343
US Agency	3,586,532	-	-	3,586,532
Repurchase Agreements	410,000	-	-	410,000
Money Market Mutual Funds	413,855	-	-	413,855
Securities Lending Collateral Pool	748,497	56,889	-	805,386
Mutual Funds	1,171	-	-	1,171
Certificates of Deposit	347,853	-	-	347,853
State & Muni Bond Issues	176,861	-	-	176,861
<b>NON-POOLED INVESTMENTS</b>				
US Treasury	18,120	95,164	-	113,284
US Agency	19,989	233,274	-	253,263
Domestic Corporate Bonds	18,805	823,279	-	842,084
Foreign Corporate Bonds	10,000	59,258	-	69,258
Domestic Equities	55,721	496,872	-	552,593
Foreign Equities	15,589	65,599	-	81,188
Other	-	4,570	-	4,570
Money Market Mutual Funds	110,235	-	-	110,235
Guaranteed Investment Contracts	-	-	159,403	159,403
Totals	\$ 6,452,359	\$ 1,834,905	\$ 203,615	\$ 8,490,879

## 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, 2009 (expressed in thousands):

<b>Investments - Component Units</b>	
Investment Type	Total Component Units
US Treasury	\$ 686,541
US Agency	360,117
Domestic Debt Instruments	952,188
Foreign Corporate Bonds	17,117
State, Muni and Local Gov't Debt Instruments	32,420
Domestic Equities and Equity Funds	1,023,628
Foreign Equities	30,568
Other	1,139,064
Money Market Mutual Funds	439,575
Guaranteed Investment Contracts	196,691
	<u>\$ 4,877,909</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, 2009, 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 \$716,959,000 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, 2009, the Pension Trust Funds had deposits and cash equivalents of \$486,973,000 of which \$372,115,000 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, 2009, the Component Units had \$82,000 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, 2009, 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	\$ -	\$ 4,606,683	\$ 625,684	\$ 3,465	\$ 5,235,832
Aa/AA/AA	-	-	27,832	4,230	32,062
A/A/A	-	-	517,815	13,621	531,436
Baa/BBB/BBB	-	2,556	193,534	16,969	213,059
Ba/BB/BB	-	-	130,318	9,881	140,199
B/B/B	-	-	159,298	6,851	166,149
Caa/CCC/CCC	-	-	73,164	467	73,631
Ca./CC/CC	-	-	12,315	78	12,393
C/C/C	-	-	170	75	245
Not Rated	-	1,535	195,714	13,354	210,603
Credit Risk Not Applicable	82,509	-	-	-	82,509
Total	\$ 82,509	\$ 4,610,774	\$ 1,935,844	\$ 68,991	\$ 6,698,118

## 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, AAA or AAA) 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, 2009, 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	\$ -	\$ 735,278	\$ 49,684	\$ 816,760	\$ 1,134	\$ 1,602,856
Aa/AA/AA	-	41,599	2,137	128,358	31,975	204,069
A/A/A	-	45,197	12,834	368,296	9,992	436,319
Baa/BBB/BBB	-	9,682	8,392	379,316	56,062	453,452
Ba/BB/BB	-	-	17,489	237,980	24,919	280,388
B/B/B	-	-	3,731	239,904	32,064	275,699
Caa/CCC/CCC	-	-	-	129,761	2,003	131,764
Ca./CC/CC	-	-	-	28,082	318	28,400
C/C/C	-	-	-	12	1,913	1,925
Not Rated	-	448,661	1,159	546,981	83,064	1,079,865
Credit Risk Not Applicable	1,616,047	-	-	-	-	1,616,047
Total	\$ 1,616,047	\$ 1,280,417	\$ 95,426	\$ 2,875,450	\$ 243,444	\$ 6,110,784

## 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, 2009 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	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ -	\$ 375,918	\$ 464,788	\$ -	\$ 840,706
Aa/AA/AA	-	32,420	77,580	-	110,000
A/A/A	-	-	197,303	-	197,303
Baa/BBB/BBB	-	-	92,500	133	92,633
Ba/BB/BB	-	-	-	-	-
B/B/B	-	-	-	-	-
Caa/CCC/CCC	-	-	-	-	-
Not Rated	-	115,407	756,283	16,984	888,674
Credit Risk Not Applicable	555,333	-	-	-	555,333
Total	\$ 555,333	\$ 523,745	\$ 1,588,454	\$ 17,117	\$ 2,684,649

## 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, 2009, the Board held Guaranteed Investment Contracts issued by Transamerica Occidental Life Insurance Co. / Transamerica Life Insurance and Annuity Co. in the amount of \$135,317,000 or 50% of its portfolio. Additionally, \$12,910,000, or 5% of the portfolio was invested in Guaranteed Investment Contracts issued by Financial Security Assurance.

## 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, 2009, the Primary Government had the following investments with maturities (expressed in thousands):

Weighted Average Years to Maturity	US Government	Treasury, Agency	US Corporate	International	Total
	Securities	and Municipal Securities	Debt Instruments	Debt Instruments	
Less than 1 year Weighted Average to Maturity	\$ -	\$ 144,478	\$ 935,709	\$ -	\$ 1,080,187
1 - 5 years	62,815	4,459,911	4,424	24,270	4,551,420
6 - 10 years	17,815	4,153	835,428	44,721	902,117
10 or more years	1,879	2,232	880	-	4,991
No Maturity or Not Applicable	-	-	159,403	-	159,403
Total	\$ 82,509	\$ 4,610,774	\$ 1,935,844	\$ 68,991	\$ 6,698,118

## 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, 2009, the Pension Trust Funds had the following exposure to interest rate risk (expressed in thousands):

Duration or Weighted Average Years	US Government	Treasury, Agency	International	US Corporate	International	Total
	Securities	and Municipal Securities	Government Securities	Debt Instruments	Debt Instruments	
Less than 1 year duration	\$ 256	\$ 14,435	\$ 2,030	\$ 155,614	\$ 4,810	\$ 177,145
1 - 5 years	8,250	787,034	40,575	1,131,241	52,214	2,019,314
6 - 10 years	9,248	229,667	33,400	560,472	85,818	918,605
10 or more years	1,396,269	249,281	19,421	564,572	22,317	2,251,860
No Duration	202,024	-	-	463,551	78,285	743,860
Total	\$ 1,616,047	\$ 1,280,417	\$ 95,426	\$ 2,875,450	\$ 243,444	\$ 6,110,784

## 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, 2009, the Component Units had the following interest rate risk exposure (expressed in thousands):

Weighted Average Years to Maturity	US Government	Treasury, Agency	US Corporate	International	Total
	Securities	and Municipal Securities	Debt Instruments	Debt Instruments	
Less than 1 year Weighted Average to Maturity	\$ 75,363	\$ 93,607	\$ 79,883	\$ -	\$ 248,853
1 - 5 years	203,702	170,383	1,189,248	133	1,563,466
6 - 10 years	241,349	28,016	78,653	16,984	365,002
10 or more years	34,500	152,485	555	-	187,540
No Maturity or Not Applicable	419	79,254	240,115	-	319,788
Total	\$ 555,333	\$ 523,745	\$ 1,588,454	\$ 17,117	\$ 2,684,649

## 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, 2009, 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	\$ 917	\$ -	\$ -	\$ 917
Argentine peso	-	116	-	116
Brazilian real	1,701	-	-	1,701
British pound sterling	13,535	1,851	99	15,485
Bermuda dollar	-	571	-	571
Canadian dollar	725	1,296	-	2,021
Cayman dollar	1,034	669	-	1,703
Chinese renminbi	867	-	-	867
Chilean Peso	16	-	-	16
Columbian peso	16	-	-	16
Czech koruna	1,202	-	-	1,202
Danish krone	83	-	-	83
Egyptian pound	16	-	-	16
Euro	22,569	11,467	517	34,553
Hong Kong dollar	4,222	-	-	4,222
Hungarian forint	206	-	-	206
Indian rupee	605	92	-	697
Indonesian rupiah	31	-	-	31
Israeli shekel	47	-	-	47
Korean won (North)	936	-	-	936
Japanese yen	14,046	366	11	14,423
Malaysian ringgit	48	-	-	48
Mexican peso	701	-	-	701
New Israeli shekel	1,263	-	-	1,263
New Taiwan dollar	1,153	-	-	1,153
Norwegian krone	1,007	-	-	1,007
Peruvian nuevo sol	78	-	-	78
Polish zloty	16	-	-	16
Russian rubel	376	1,086	-	1,462
Singapore dollar	1,094	-	-	1,094
South African rand	48	-	-	48
South Korean won	444	-	-	444
Swedish krona	10,845	-	-	10,845
Swiss franc	943	-	-	943
Thai baht	16	-	-	16
Turkish lira	16	-	-	16
Ukrainian Hryvnia	125	-	-	125
Totals	<u>\$ 80,947</u>	<u>\$ 17,514</u>	<u>\$ 627</u>	<u>\$ 99,088</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, 2009 (expressed in thousands):

### Foreign Currency Risk - Pension Trust Funds

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	\$ 54,798	\$ 4,810	\$ 325	\$ 59,933
Brazilian real	12,676	5,201	9	17,886
British pound sterling	219,484	3,074	(113)	222,445
Bulgarian lev	403	-	97	500
Canadian dollar	42,974	5,499	92	48,565
Czech koruna	2,885	-	115	3,000
Danish krone	15,762	-	-	15,762
Eqyptian pound	1,592	-	-	1,592
Euro	525,516	16,162	11,847	553,525
Hong Kong dollar	92,388	-	134	92,522
Hungarian forint	1,081	-	-	1,081
Indonesian rupiah	-	-	35	35
Japanese yen	292,143	-	547	292,690
Malaysian ringgit	855	-	-	855
Mexican peso	11,962	-	-	11,962
New Israeli shekel	1,394	-	5	1,399
New Taiwan dollar	5,201	-	939	6,140
New Zealand dollar	4,952	-	33	4,985
Norwegian krone	7,595	-	-	7,595
Philippines peso	-	-	1	1
Polish zloty	1,409	-	-	1,409
Russian rubel	12	-	-	12
Singapore dollar	23,571	-	-	23,571
South African rand	5,661	-	-	5,661
South Korean won	15,542	-	4	15,546
Swedish krona	24,038	-	-	24,038
Swiss franc	83,380	-	4	83,384
Thai baht	1,792	-	-	1,792
Turkish lira	6,389	-	(804)	5,585
Totals	<u>\$ 1,455,455</u>	<u>\$ 34,746</u>	<u>\$ 13,270</u>	<u>\$ 1,503,471</u>

#### Securities Lending Definition

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

#### Securities Lending Activity – Primary Government

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

During the fiscal year ended June 30, 2009, 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, 2009, the fair value of the securities on loan was approximately \$728,400,000. The underlying collateral for these securities had a market value of approximately

\$748,497,000. 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, 2009, 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, 2009, the fair value of securities on loan was \$56,162,000. The collateral for securities lent had a market value of \$56,889,000. 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, 2009, 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, 2009, the carrying amount and fair value of securities on loan was approximately \$2,152,295,000. The underlying collateral for these securities had a market value of approximately \$2,205,533,000. Collateral of securities and letters of credit represented approximately \$86,726,000 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.

During the fiscal year certain securities lending transactions resulted in realized and unrealized losses. At June 30, 2009, realized losses were \$1,173,000 and unrealized losses were \$11,137,000, which represented the State's proportionate share of the decline in fair value of investments purchased with cash collateral pools. Unrealized losses are included as a net decrease in the fair value of investments on the Statement of Changes in Fiduciary Net Assets and as a reduction to the asset value of securities lending collateral on the Statement of Fiduciary Net Assets. As a result of these unrealized losses, the value of the securities lending investments is not equal to the payables for securities lending.

At June 30, 2009, 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 \$249,455,000. The underlying collateral for these securities had a market value of approximately \$253,771,000. Collateral of securities and letters of credit represented approximately \$82,000 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 securities lending transactions resulted in unrealized losses. Unrealized losses were \$11,389,000, which represented CompSource’s proportionate share of the decline in fair value of investments purchased with cash collateral pools. Unrealized losses are included as a net decrease in the fair value of investments and as a reduction to the asset value of securities lending collateral on the Statement of Net Assets for Major Component Units. As a result of these unrealized losses, the value of the securities lending investments is not equal to 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.

### 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, 2009, 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	\$ 56,644	\$ 452,551	\$ 1,355,627
Less: Allowance for Uncollectibles	<u>(27,166)</u>	<u>(111,353)</u>	<u>(2,930)</u>
Net Receivables	<u>\$ 29,478</u>	<u>\$ 341,198</u>	<u>\$ 1,352,697</u>



funds. The Wildlife Lifetime Licenses permanent fund is due \$117,000 from the general fund for legislative mandated transfer of earnings on certain funds.

The component units Due From Primary Government includes \$44,000 for University Hospitals Authority. This amount is due from the general fund for draw downs of principal from Oklahoma Capital Improvement Authority capital lease agreements.

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 \$25,363,000, 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) and University Hospitals Authority (UHA) component units have 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 \$502,244,000 for HE and \$44,000 for UHA.

**C. Interfund Transfers**

A summary of interfund transfers for the fiscal year ended June 30, 2009, follows (expressed in thousands):

<u>Transfers From (Out)</u>	<u>Transfers To (In)</u>	<u>For (Purpose)</u>	<u>Amount</u>
<b>Governmental Funds:</b>			
General Fund	Oklahoma Water Resources Board	Payment for administrative costs	\$ 4,357
		Total transfers out of the General Fund	4,357
Permanent Funds:			
Commissioners of Land Office	General Fund	Transfer of expendable earnings	-
Department of Wildlife Conservation	General Fund	Transfer of expendable earnings	(3,188)
<b>Proprietary Funds:</b>			
Oklahoma Water Resources Board	General Fund	Restricted investment revenue	(4,957)
Lottery Commission	General Fund	Transfer of expendable earnings	(69,226)
		Total transfers in to the General Fund	<u>(77,371)</u>
		Net Transfers In/Out	<u>\$ (73,014)</u>

## Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows (expressed in thousands):

### Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,318,519	\$ 133,010	\$ (187)	\$ 1,451,342
Construction in progress	77,174	74,734	(28,600)	123,308
Total capital assets, not being depreciated	<u>1,395,693</u>	<u>207,744</u>	<u>(28,787)</u>	<u>1,574,650</u>
Capital assets, being depreciated:				
Buildings and improvements	1,224,624	53,674	(6,832)	1,271,466
Equipment	360,263	35,805	(34,214)	361,854
Infrastructure	12,426,950	690,501	(1,520)	13,115,931
Total capital assets, being depreciated	<u>14,011,837</u>	<u>779,980</u>	<u>(42,566)</u>	<u>14,749,251</u>
Less accumulated depreciation for:				
Buildings and improvements	(570,642)	(25,926)	2,719	(593,849)
Equipment	(231,831)	(27,409)	31,852	(227,388)
Infrastructure	(6,693,721)	(338,338)	956	(7,031,103)
Total accumulated depreciation	<u>(7,496,194)</u>	<u>(391,673)</u>	<u>35,527</u>	<u>(7,852,340)</u>
Total capital assets, being depreciated, net	<u>6,515,643</u>	<u>388,307</u>	<u>(7,039)</u>	<u>6,896,911</u>
Governmental activities capital assets, net	<u>\$ 7,911,336</u>	<u>\$ 596,051</u>	<u>\$ (35,826)</u>	<u>\$ 8,471,561</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Equipment	\$ 1,793	\$ 61	\$ -	\$ 1,854
Total capital assets, being depreciated	<u>1,793</u>	<u>61</u>	<u>-</u>	<u>1,854</u>
Less accumulated depreciation for:				
Equipment	(1,022)	(305)	-	(1,327)
Total accumulated depreciation	<u>(1,022)</u>	<u>(305)</u>	<u>-</u>	<u>(1,327)</u>
Business-type activities capital assets, net	<u>\$ 771</u>	<u>\$ (244)</u>	<u>\$ -</u>	<u>\$ 527</u>

Current period depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Education	\$ 786
General government	15,140
Health services	6,524
Legal and judiciary	177
Museums	157
Natural resources	4,520
Public safety and defense	14,091
Regulatory services	335
Social services	4,983
Transportation	344,960
Total depreciation expense - governmental activities	<u>\$ 391,673</u>

### Component Units

Capital asset activity for the year ended June 30, 2009, (December 31, 2008, or September 30, 2008, 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	\$ 339,151	\$ 12,250	\$ (422)	\$ 350,979
Construction in progress	732,366	578,970	(484,089)	827,247
Total capital assets, not being depreciated	<u>1,071,517</u>	<u>591,220</u>	<u>(484,511)</u>	<u>1,178,226</u>
Capital assets, being depreciated:				
Buildings and improvements	5,003,792	937,405	(8,275)	5,932,922
Equipment	1,385,213	142,395	(47,076)	1,480,532
Infrastructure	1,950,629	95,059	(176)	2,045,512
Total capital assets, being depreciated	<u>8,339,634</u>	<u>1,174,859</u>	<u>(55,527)</u>	<u>9,458,966</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,088,700)	(185,508)	5,272	(2,268,936)
Equipment	(957,094)	(100,650)	41,555	(1,016,189)
Infrastructure	(1,029,630)	(65,012)	128	(1,094,514)
Total accumulated depreciation	<u>(4,075,424)</u>	<u>(351,170)</u>	<u>46,955</u>	<u>(4,379,639)</u>
Total capital assets, being depreciated, net	<u>4,264,210</u>	<u>823,689</u>	<u>(8,572)</u>	<u>5,079,327</u>
Capital assets, net	<u>\$ 5,335,727</u>	<u>\$ 1,414,909</u>	<u>\$ (493,083)</u>	<u>\$ 6,257,553</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 reinsurance to certain governmental entities that are self-insured. The premiums and fees received in connection with these transactions are included in sales revenue and were approximately \$8,878,000 in 2008. The liability for claims in excess of the self-insured entities' respective retention limits included in unpaid losses and loss adjustment expenses was approximately \$45,041,000 at December 31, 2008.

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 \$2,105,000 in 2008. No losses have been ceded under these agreements. Reinsurance receivables with a single reinsurer of \$946,000 at December 31, 2008, 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, 2008, have been charged to operations for the year ended December 31, 2008. 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, 2009, (December 31, 2008, for CompSource Oklahoma, State and Education Employees Group Insurance Board, and Multiple Injury Trust Fund) and the prior fiscal year, (expressed in thousands):

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
<b>Current Fiscal Year</b>						
General Fund - Risk Management Division	\$ 11,549	\$ 17,136	\$ (7,427)	\$ 21,258	\$ 13,831	\$ 7,427
Component Units:						
CompSource Oklahoma	\$ 886,520	\$ 240,901	\$ (233,406)	\$ 894,015	\$ 699,750	\$ 194,265
State and Education Employees 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*	<u>\$ 1,093,906</u>	<u>\$ 1,046,615</u>	<u>\$ (1,035,736)</u>	<u>\$ 1,104,785</u>	<u>\$ 797,271</u>	<u>\$ 307,514</u>

\* The Higher Education Component Unit's claims and judgments (\$3,281 – noncurrent) are for accrued liabilities not related to risk management.

\*\* During 2008, OSEEGIB determined its activity related to covered retirees of participating employers did not meet the definition of an OPEB plan, and therefore is not subject to GASB 43. The preferred method of accounting was determined to be that of a special-purpose government engaged solely in business-type activities. As a result of this change in presentation, the beginning balance will not match the prior year ending balance.

\*\*\* Multiple Injury Trust Fund restated previously issued 2007 financial statements for errors related to permanent total orders payable, court awarded future payments, net deficit and the related reconciling items to the governmental funds. As a result the prior fiscal year beginning balance has been amended from the fiscal year 2008 report. See Note 12 for beginning fund balance change.

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
<b>Prior Fiscal Year</b>						
General Fund* - Risk Management Division	\$ 33,736	\$ (14,502)	\$ (7,685)	\$ 11,549	\$ 3,864	\$ 7,685
Component Units:						
CompSource Oklahoma State and Education Employees	\$ 847,063	\$ 261,794	\$ (222,337)	\$ 886,520	\$ 692,994	\$ 193,526
Group Insurance Board	66,793	546,589	(525,717)	87,665	-	87,665
Multiple Injury Trust Fund ***	123,598	7,344	(25,644)	105,298	92,316	12,982
Total Component Units	\$ 1,037,454	\$ 815,727	\$ (773,698)	\$ 1,079,483	\$ 785,310	\$ 294,173

## 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 233,000 primary participants and dependents, approximately 30,000 primary participants and 22,000 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 (315 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	52,000	----- 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 12/31/2008	Fiscal Year 12/31/2008	Fiscal Year 12/31/2008	Fiscal Year 12/31/2008
Reserves at beginning of period *	\$ 84,797	\$ 3,787	\$ 13,504	\$ 102,088
Incurred claims:				
Provision for insured events of current period	764,751	21,540	4,756	791,047
Changes in provisions for insured events of prior periods	1,187	(536)	(2,669)	(2,018)
	<u>765,938</u>	<u>21,004</u>	<u>2,087</u>	<u>789,029</u>
Payments:				
Claims attributable to insured events of current period	673,810	17,241	448	691,499
Claims attributable to insured events of prior periods	83,154	2,842	1,844	87,840
	<u>756,964</u>	<u>20,083</u>	<u>2,292</u>	<u>779,339</u>
Reserves at end of period	<u>\$ 93,771</u>	<u>\$ 4,708</u>	<u>\$ 13,299</u>	<u>\$ 111,778</u>

\* During 2008, OSEEGIB determined its activity related to covered retirees of participating employers did not meet the definition of an OPEB plan, and therefore is not subject to GASB 43. The preferred method of accounting was determined to be that of a special-purpose government engaged solely in business-type activities. As a result of this change in presentation, the beginning balance will not match the prior year ending balance.

**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, 2009, are as follows (expressed in thousands):

	General Fund	Fiduciary Funds	Component Units
2010	\$ 359	\$ -	\$ 3,295
2011	109	-	3,286
2012	6	-	980
2013	5	-	766
2014	-	-	499
2015-2019	-	-	783
2020-2024	-	-	460
Total Future Minimum Lease Payments	<u>\$ 479</u>	<u>\$ -</u>	<u>\$ 10,069</u>
Operating lease commitments for building rental for year ended June 30, 2010	\$ 21,006	\$ 150	\$ 3,739
Rent expenditures/expenses for operating leases for year ended June 30, 2009	\$ 18,739	\$ 200	\$ 16,104

## 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. The 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 \$24,858,000, which is also the net investment in direct financing leases at June 30, 2009. The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands):

	2010	2011	2012	2013	2014
Department of Transportation	\$ 6,801	\$ 5,880	\$ 5,078	\$ 2,445	\$ 1,706
Oklahoma Capital Improvement Authority	17,109	17,203	18,002	18,830	-
Total	<u>\$ 23,910</u>	<u>\$ 23,083</u>	<u>\$ 23,080</u>	<u>\$ 21,275</u>	<u>\$ 1,706</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, 2009, the total minimum lease payments to be received by OCIA from component units is \$502,244,000.

#### 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 \$14,000. Minimum future rentals receivable from these operating leases is presented in the following schedule (expressed in thousands):

2010	2011	2012	2013	2014
\$ 219	\$ 147	\$ 81	\$ 71	\$ 64

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):

2010	2011	2012	2013	2014
\$ 8,912	\$ 6,678	\$ 4,587	\$ 2,247	\$ -

## 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, 2008 (expressed in thousands):

Total minimum lease payments to be received	\$ 90,335
Less: Amounts representing interest included in total minimum lease payments	(38,528)
Net investment in direct financing leases	<u>\$ 51,807</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 various building leases. The following schedule presents minimum future rentals receivable from these contracts (expressed in thousands):

	2010	2011	2012	2013	2014
Univeristy Hospitals Authority	\$ 6,320	\$ 6,320	\$ 676	\$ 676	\$ 676
Oklahoma Turnpike Authority	67	67	57	7	55
Total	<u>\$ 6,387</u>	<u>\$ 6,387</u>	<u>\$ 733</u>	<u>\$ 683</u>	<u>\$ 731</u>

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

Long-term obligations at June 30, 2009, 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	\$ 218,955	\$ -	\$ 15,200	\$ 203,755	\$ 15,725
Total				<u>218,955</u>	<u>-</u>	<u>15,200</u>	<u>203,755</u>	<u>15,725</u>
Revenue Bonds Payable from Lease Rentals:								
OCIA Series B of 1994	1995	4.85%-7.15%	2010	3,405	-	1,645	1,760	1,760
OCIA Series 1999A	2000	4.10%-5.50%	2010	13,490	-	6,580	6,910	6,910
OCIA Series 1999B	2000	6.20%-7.63%	2020	940	-	280	660	305
OCIA Series 1999C	2000	4.10%-5.50%	2010	435	-	210	225	225
OCIA Series 1999D	2000	3.85%-5.70%	2010	1,160	-	565	595	595
OCIA Series 2000, Highway	2000	4.30%-5.00%	2012	67,920	-	15,715	52,205	16,485
OCIA Series 2002A	2003	2.00%-4.65%	2023	10,430	-	535	9,895	550
OCIA 2003A, Highway	2003	2.00%-5.00%	2015	48,665	-	6,035	42,630	6,295
OCIA 2003B, Highway	2003	2.00%-5.00%	2015	19,640	-	2,485	17,155	2,580
OCIA 2003C, State Facilities	2004	2.00%-4.75%	2025	16,000	-	695	15,305	715
OCIA 2003D, State Facilities	2004	2.00%-4.75%	2024	2,970	-	140	2,830	145
OCIA 2003E, State Facilities	2004	2.00%-4.00%	2016	13,730	-	2,210	11,520	2,300
OCIA 2004A, Refunding	2005	2.50%-5.00%	2024	109,395	-	1,150	108,245	1,185
OCIA 2005, Revenue	2006	3.50%-5.30%	2020	4,720	-	290	4,430	300
OCIA 2005A, Revenue	2005	3.00%-4.35%	2020	5,480	-	340	5,140	350
OCIA 2005B, Revenue	2005	3.00%-4.05%	2025	3,715	-	150	3,565	155
OCIA 2005C, Revenue	2005	3.00%-5.00%	2027	33,000	-	1,150	31,850	1,185
OCIA Series 2005D	2006	3.00%-4.38%	2030	21,055	-	600	20,455	615
OCIA Series 2005E	2006	3.70%-5.00%	2025	2,805	-	105	2,700	110
OCIA Series 2005F	2006	3.38%-5.00%	2030	331,605	-	8,400	323,205	8,710
OCIA Series 2006	2006	5.00%-5.23%	2015	45,050	-	5,195	39,855	5,455
OCIA Series 2006A	2006	3.55%-4.38%	2026	23,575	-	865	22,710	900
OCIA Series 2006B	2006	3.50%-4.25%	2026	18,260	-	665	17,595	695
OCIA Series 2006C	2006	4.00%-4.50%	2026	21,350	-	760	20,590	795
OCIA Series 2006D	2006	1.00%-5.00%	2035	123,270	-	3,270	120,000	-
OCIA Series 2006E	2006	4.00%-4.50%	2026	6,215	-	225	5,990	230
OCIA Series 2008A	2008	2.90%-5.30%	2026	-	25,380	-	25,380	-
OCIA Series 2008B	2008	2.70%-5.48%	2030	-	11,600	-	11,600	-
OCIA Series 2009A	2009	1.00%-4.20%	2025	-	24,880	-	24,880	-
Corrections 2003A, Central OK (ODFA)	2003	2.25%-4.65%	2023	29,425	-	1,505	27,920	1,550
Corrections 2004, Central OK (ODFA)	2004	3.00%-4.45%	2024	3,415	-	180	3,235	185
Corrections 2006, Central OK (ODFA)	2006	3.75%-4.50%	2026	4,085	-	160	3,925	165
Tourism 2002	2002	2.10%-4.25%	2012	1,520	-	360	1,160	370
DHS-Pittsburg Co. 1998 (ODFA)	1998	4.25%-5.30%	2013	710	-	100	610	100
DHS-Canad/Linc Co. 2000 (ODFA)	2000	4.30%-5.60%	2015	2,075	-	255	1,820	255
DHS-8 County (ODFA)	2001	2.00%-5.25%	2017	10,255	-	955	9,300	955
DHS-Logan/Okla Co. 2004A (ODFA)	2004	1.00%-3.85%	2019	6,630	-	525	6,105	525
DHS-2004B (ODFA)	2005	1.60%-5.13%	2019	4,030	-	270	3,760	270
DHS-2008 (ODFA)	2008	3.25%-4.15%	2023	23,000	-	1,265	21,735	1,265
Veterans Series 2005 (ODFA)	2005	2.65%-3.65%	2015	5,790	-	750	5,040	775
Law Enforcement Education/Train (ODFA)	2002	4.00%-5.50%	2027	22,355	-	760	21,595	790
Finance 2009 (ODFA)	2009	2.50%-5.00%	2034	-	43,540	-	43,540	1,115
Total				<u>1,061,570</u>	<u>105,400</u>	<u>67,345</u>	<u>1,099,625</u>	<u>67,870</u>
Notes Payable from Tax Revenue (Tourism) and Grant Revenue (ODOT):								
Tourism 2004, Clean Water	2004	2.13%	2024	5,910	-	315	5,595	320
ODOT 2004A, Grant Anticipation	2004	1.00%-5.00%	2019	36,700	-	2,725	33,975	2,795
ODOT 2005A, Grant Anticipation	2005	3.00%-5.00%	2020	43,895	-	2,680	41,215	2,760
ODOT 2007A, Grant Anticipation	2007	3.25%-5.00%	2023	91,275	-	4,455	86,820	4,630
ODOT 2008A, Grant Anticipation	2009	3.00%-5.00%	2021	-	98,230	-	98,230	5,890
Total				<u>177,780</u>	<u>98,230</u>	<u>10,175</u>	<u>265,835</u>	<u>16,395</u>
Notes Payable - Sardis Reservoir				33,790	-	359	33,431	359
Capital Leases				5,082	3,655	2,087	6,650	1,805
Compenstated Absences				157,168	97,458	93,269	161,357	93,269
Pension Obligation				4,359	17,491	-	21,850	-
Bond Issue Premiums				48,889	2,008	4,333	46,564	4,333
Claims and Judgements Payable				20,572	17,136	16,450	21,258	7,427
Total Long-Term Obligations				<u>\$ 1,728,165</u>	<u>\$ 341,378</u>	<u>\$ 209,218</u>	<u>\$ 1,860,325</u>	<u>\$ 207,183</u>

Reductions of debt include deletions of Capital Leases (\$11) 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 Finance office bond through ODFA and new Grant Anticipation notes issued by Transportation.

## 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, 2009, which have scheduled debt service amounts (expressed in thousands):

	2010	2011	2012	2013	2014	2015-2019	2020-2024	2025-2029	2030-2034	2035-2039	Total
<b>General Obligation bonds:</b>											
Oklahoma Bldg Refunding 2003A	\$ 25,034	\$ 25,044	\$ 25,065	\$ 25,082	\$ 25,153	\$ 131,744	\$ -	\$ -	\$ -	\$ -	\$ 257,122
Less: Interest	9,309	8,569	7,770	6,922	6,078	14,719	-	-	-	-	53,367
<b>Total Principal</b>	<b>15,725</b>	<b>16,475</b>	<b>17,295</b>	<b>18,160</b>	<b>19,075</b>	<b>117,025</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>203,755</b>
<b>Revenue Bonds:</b>											
OCIA Series B of 1994	1,823	-	-	-	-	-	-	-	-	-	1,823
OCIA Series 1999A	7,083	-	-	-	-	-	-	-	-	-	7,083
OCIA Series 1999B	343	51	49	52	50	253	53	-	-	-	851
OCIA Series 1999C	231	-	-	-	-	-	-	-	-	-	231
OCIA Series 1999D	609	-	-	-	-	-	-	-	-	-	609
OCIA Series 2000, Highway	18,903	18,903	18,906	-	-	-	-	-	-	-	56,712
OCIA Series 2002A	951	947	947	946	949	4,725	3,753	-	-	-	13,218
OCIA 2003A, Highway	8,261	8,262	8,261	8,260	8,259	8,259	-	-	-	-	49,562
OCIA 2003B, Highway	3,270	3,267	3,268	3,267	3,268	3,270	-	-	-	-	19,610
OCIA 2003C, State Facilities	1,331	1,330	1,331	1,330	1,331	6,637	6,612	1,321	-	-	21,223
OCIA 2003D, State Facilities	258	258	258	258	257	1,277	1,271	-	-	-	3,837
OCIA 2003E, State Facilities	2,666	2,672	1,495	1,496	1,503	3,011	-	-	-	-	12,843
OCIA 2004A, Refunding	6,515	13,756	13,738	13,727	13,713	66,823	13,567	261	-	-	142,100
OCIA 2005 Revenue	468	467	466	464	467	2,322	934	-	-	-	5,588
OCIA 2005A, Revenue	543	542	545	542	543	2,703	1,076	-	-	-	6,494
OCIA 2005B, Revenue	303	303	303	301	300	1,491	1,472	586	-	-	5,059
OCIA 2005C, Revenue	2,514	2,511	2,511	2,508	2,508	12,463	12,191	9,690	-	-	46,896
OCIA 2005D Revenue	1,428	1,429	1,428	1,431	1,427	7,126	7,102	7,073	2,819	-	31,263
OCIA 2005E Revenue	223	223	222	226	226	1,121	1,116	439	-	-	3,796
OCIA 2005F Revenue	24,238	24,235	24,220	24,211	24,176	120,678	120,225	119,709	47,712	-	529,404
OCIA 2006 Revenue	7,360	7,352	7,344	7,333	7,324	10,066	-	-	-	-	46,779
OCIA 2006A Revenue	1,795	1,791	1,791	1,791	1,788	8,938	8,906	5,324	-	-	32,124
OCIA 2006B Revenue	1,387	1,384	1,386	1,384	1,385	6,908	6,887	4,115	-	-	24,836
OCIA 2006C Revenue	1,663	1,661	1,658	1,658	1,656	8,280	8,241	4,927	-	-	29,744
OCIA 2006D Revenue	6,275	6,000	6,000	6,010	5,990	30,000	30,000	30,000	115,493	31,500	267,277
OCIA 2006E Revenue	480	480	481	480	480	2,396	2,392	1,427	-	-	8,616
OCIA 2008A Revenue	1,331	2,284	2,283	2,284	2,278	11,364	11,305	4,502	-	-	37,631
OCIA 2008B Revenue	608	926	928	923	924	4,614	4,587	4,560	909	-	18,979
OCIA 2009A Revenue	507	2,027	2,202	2,193	2,187	10,924	10,883	2,173	-	-	33,096
Corrections 2003A, Central OK (ODFA)	2,694	2,694	2,694	2,694	2,691	13,457	10,767	-	-	-	37,691
Corrections 2004, Central OK (ODFA)	310	310	309	307	306	1,539	1,229	-	-	-	4,310
Corrections 2006, Central OK (ODFA)	331	330	333	331	329	1,652	1,657	660	-	-	5,623
Tourism 2002	410	410	414	-	-	-	-	-	-	-	1,234
DHS-Pittsburg Co. 1988 (ODFA)	134	134	138	282	-	-	-	-	-	-	688
DHS-Canad/Line Co. 2000 (ODFA)	364	365	365	365	362	364	-	-	-	-	2,185
DHS-8 County 2002 (ODFA)	1,432	1,432	1,430	1,434	1,429	4,296	-	-	-	-	11,453
DHS-Logan/Okla Co. 2004A (ODFA)	735	733	733	732	735	3,671	-	-	-	-	7,339
DHS-2004B	433	435	433	431	432	2,151	429	-	-	-	4,744
DHS-2008	2,028	2,031	2,031	2,030	2,033	10,156	8,124	-	-	-	28,433
Veterans Series 2005 (ODFA)	944	946	947	943	944	943	-	-	-	-	5,667
Law Enforcement Education/Train (ODFA)	1,854	1,857	1,853	1,858	1,854	9,271	9,271	5,568	-	-	33,386
Finance 2009 (ODFA)	2,935	2,936	2,937	2,937	2,937	14,684	14,691	14,687	14,685	-	73,429
	117,971	117,674	116,638	97,419	97,041	397,833	298,741	217,031	181,618	31,500	1,673,466
Less: Interest	50,101	46,934	43,514	40,670	38,124	154,903	105,057	63,143	29,895	1,500	573,841
<b>Total Principal</b>	<b>67,870</b>	<b>70,740</b>	<b>73,124</b>	<b>56,749</b>	<b>58,917</b>	<b>242,930</b>	<b>193,684</b>	<b>153,888</b>	<b>151,723</b>	<b>30,000</b>	<b>1,099,625</b>
<b>Notes Payable:</b>											
Tourism 2004, Clean Water	439	442	445	448	450	2,255	2,078	-	-	-	6,557
ODOT 2004A, Grant Anticipation	4,297	4,267	4,258	4,258	4,252	21,217	-	-	-	-	42,549
ODOT 2005A, Grant Anticipation	4,451	4,450	4,442	4,441	4,417	22,029	8,818	-	-	-	53,048
ODOT 2007A, Grant Anticipation	8,538	8,530	8,529	8,535	8,518	42,369	33,769	-	-	-	118,788
ODOT 2008A, Grant Anticipation	10,232	10,163	10,156	10,137	10,136	50,481	30,146	-	-	-	131,451
	27,957	27,852	27,830	27,819	27,773	138,351	74,811	-	-	-	352,393
Less: Interest	11,562	10,987	10,306	9,599	8,823	29,676	5,605	-	-	-	86,558
<b>Total Principal</b>	<b>16,395</b>	<b>16,865</b>	<b>17,524</b>	<b>18,220</b>	<b>18,950</b>	<b>108,675</b>	<b>69,206</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>265,835</b>
<b>Capital Leases</b>											
	2,582	2,248	1,536	1,466	835	612	-	-	-	-	9,279
Less: Interest	350	250	154	81	13	-	-	-	-	-	848
Less: Executory Cost	427	391	380	369	214	-	-	-	-	-	1,781
<b>Total Principal</b>	<b>1,805</b>	<b>1,607</b>	<b>1,002</b>	<b>1,016</b>	<b>608</b>	<b>612</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,650</b>
<b>Total</b>	<b>\$ 101,795</b>	<b>\$ 105,687</b>	<b>\$ 108,945</b>	<b>\$ 94,145</b>	<b>\$ 97,550</b>	<b>\$ 469,242</b>	<b>\$ 262,890</b>	<b>\$ 153,888</b>	<b>\$ 151,723</b>	<b>\$ 30,000</b>	<b>\$ 1,575,865</b>
<b>Long-Term Debt without scheduled debt service:</b>											
Note Payable-Sardis Reservoir											33,431
Compensated Absences											161,357
Pension Obligation											21,850
Bond Issue Premiums											46,564
Claims and Adjustments Payable											21,258
<b>Total Long-Term Obligations</b>											<b>\$ 1,860,325</b>

## B. Revenue Bonds

The Oklahoma Capitol Improvement Authority (OCIA) has twenty-nine 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 2009 was \$756,635,000 with a portion of that amount, \$345,836,000, restricted as security to the notes. Current year note obligations totaled \$17,289,000.

The **Oklahoma Water Resources Board** has a contractual agreement to repay the United States, through the Army Corp of Engineers, for the costs of constructing water supply storage at Sardis Reservoir in southeastern Oklahoma. Under the 1974 contract, annual payments over a period of 50 years are to be made for the reservoir construction, operation and maintenance allocated to the present use water supply storage. The water storage facility was completed in 1982 and annual payments began in 1983. There are no scheduled future debt service requirements beyond one year. For further discussion of this note payable, refer to the Litigation and Contingencies note.

**D. Capital Leases**

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

Leased equipment under capital leases in capital assets at June 30, 2009, includes the following (expressed in thousands):

	Buildings	Equipment	Total
Cost	\$ 1,869	\$ 10,997	\$ 12,866
Less: Accumulated depreciation	(93)	(4,115)	(4,208)
Total	<u>\$ 1,776</u>	<u>\$ 6,882</u>	<u>\$ 8,658</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.

**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 fifteen 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, 2009, 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:								
1989-2007 Issues	1989-2007	3.20-5.90%	2036	\$ 533,420	\$ -	\$ 41,025	\$ 492,395	\$ 29,935
Adjusted for: Bond Premiums and Discounts				11,480	-	974	10,506	-
Revenue Bonds Payable Net of Bond Premiums and Discounts				<u>544,900</u>	<u>-</u>	<u>41,999</u>	<u>502,901</u>	<u>29,935</u>
Other Noncurrent Liabilities				349	-	311	38	-
Total Long-Term Obligations				<u>\$ 545,249</u>	<u>\$ -</u>	<u>\$ 42,310</u>	<u>\$ 502,939</u>	<u>\$ 29,935</u>

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2009, which have scheduled debt service amounts (expressed in thousands):

	2010	2011	2012	2013	2014	2015-2019	2020-2024	2025-2029	2030-2034	2035-2039	Total
Revenue Bonds:											
1989-2007 Issues	\$ 50,683	\$ 52,057	\$ 51,295	\$ 49,427	\$ 47,808	\$ 213,600	\$ 156,169	\$ 53,908	\$ 2,511	\$ 318	\$ 677,776
Less: Interest	20,748	19,827	18,674	17,467	16,230	60,265	28,013	3,967	171	19	185,381
Principal	29,935	32,230	32,621	31,960	31,578	153,335	128,156	49,941	2,340	299	492,395
Total	<u>\$ 29,935</u>	<u>\$ 32,230</u>	<u>\$ 32,621</u>	<u>\$ 31,960</u>	<u>\$ 31,578</u>	<u>\$ 153,335</u>	<u>\$ 128,156</u>	<u>\$ 49,941</u>	<u>\$ 2,340</u>	<u>\$ 299</u>	<u>\$ 492,395</u>
Adjusted for: Bond and Note Premium and Discounts											10,506
Long-Term Obligations without scheduled debt service:											
Other Noncurrent Liabilities											38
Total Long-Term Obligations											<u>\$ 502,939</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 ranged from 1.50% to 1.63% at June 30, 2009. 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 0.75% to 6.70%.

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 (\$38,000 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, 2009 (September 30, 2008, for Oklahoma Housing Finance Agency and December 31, 2008, 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	\$ 55,355	\$ -	\$ 4,065	\$ 51,290	\$ 1,040
Total Before Adjustments				55,355	-	4,065	51,290	
Adjusted for: Bond Premiums				56	-	4	52	
Net Deferred Debits on Refundings				(194)	-	(16)	(178)	
Total General Obligation Bonds Payable								
Net of Bond Premiums and Deferrals				55,217	-	4,053	51,164	1,040
Revenue Bonds Payable from User Fees:								
Student Loan Authority	1994-2008	1.32 - 4.25%	2037	937,275	175,305	233,673	878,907	68,643
Development Finance Auth.	1996	5.36%	3031	9,999	-	-	9,999	-
Housing Finance Agency	1987-2007	3.14 - 8.00%	2038	685,737	143,013	94,428	734,322	69,166
Turnpike Authority	1998-2007	3.00 - 6.00%	2028	1,160,720	-	38,780	1,121,940	42,320
Grand River Dam Authority	1993-2008	3.20 - 6.25%	2033	496,086	575,375	68,780	1,002,681	72,590
Municipal Power Authority	1990-2005	2.00 - 6.75%	2028	508,475	99,330	17,260	590,545	12,785
University Hospitals Authority	2005	1.55 - 2.50%	2036	53,875	8	878	53,005	925
Centennial Commemoration Fund	2001	4.35%	2011	3,765	-	1,005	2,760	1,060
Higher Education	1993-2007	1.20 - 10.00%	2034	996,820	157,752	50,985	1,103,587	29,894
Total Before Discounts/Deferrals				4,852,752	1,150,783	505,789	5,497,746	
Adjusted for: Bond (Discount) Premiums				7,502	14,338	(544)	22,384	
Net Deferred Debits on Refundings				(77,120)	-	(8,919)	(68,201)	
Total Revenue Bonds Payable								
Net of Bond (Discounts) Premiums and Deferrals				4,783,134	1,165,121	496,326	5,451,929	297,383
Notes Payable:								
Multiple Injury Trust Fund	2000-2001	7.00%	2031	46,133	-	20,769	25,364	1,136
Student Loan Authority	1993-2005	3.75 - 5.82%	2038	281,414	201,871	66,334	416,951	100,537
Municipal Power Authority	2003	6.00%	2028	53,136	-	1,330	51,806	1,408
Higher Education	2001-2007	1.88 - 8.00%	2046	243,264	96,965	178,828	161,401	14,393
Total				623,947	298,836	267,261	655,522	117,474
Capital Leases:								
University Hospitals Authority				320	-	276	44	44
Higher Education				711,740	102,246	99,870	714,116	41,288
Total				712,060	102,246	100,146	714,160	41,332
Claims and Judgments				1,083,959	285,519	258,985	1,110,493	309,957
Due to Primary Government				-	52,550	-	52,550	2,581
Compensated Absences				99,032	53,125	46,198	105,959	78,792
Other Noncurrent Liabilities				424,471	326,746	203,060	548,157	252,624
Total Long-Term Obligations				\$ 7,781,820	\$ 2,284,143	\$ 1,376,029	\$ 8,689,934	\$ 1,101,183

## A. General Obligation Bonds

**Oklahoma Industrial Finance Authority (OIFA)** has eight 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, 2009 (September 30, 2008, for Oklahoma Housing Finance Agency and December 31, 2008, 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
<b>General Obligation Bonds:</b>													
Industrial Finance Authority	\$ 2,566	\$ 2,561	\$ 2,563	\$ 2,561	\$ 2,561	\$ 19,492	\$ 32,564	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,868
Less: Interest	1,326	1,476	1,423	1,366	1,306	19,492	32,564	-	-	-	-	-	64,868
Total Principal	1,040	1,085	1,140	1,195	1,255	13,790	31,785	-	-	-	-	-	51,290
<b>Revenue Bonds:</b>													
Student Loan Authority	86,319	83,476	80,633	77,790	24,974	30,757	30,757	33,770	324,487	277,558	-	-	1,050,521
Development Finance Authority	250	250	250	250	250	1,250	1,250	1,250	10,436	-	-	-	15,436
Housing Finance Agency	103,375	48,808	49,921	49,261	47,862	235,520	235,371	241,097	351,612	-	-	-	1,362,827
Turnpike Authority	91,575	92,142	93,744	91,995	76,730	385,501	404,845	347,021	69,774	-	-	-	1,653,327
Grand River Dam Authority	125,751	139,076	120,210	120,587	120,256	253,665	218,731	217,782	216,748	-	-	-	1,532,806
Municipal Power Authority	37,532	45,532	45,560	45,483	45,516	223,855	211,934	134,857	98,768	98,769	53,481	42,787	1,084,074
University Hospitals Authority	1,907	1,932	1,968	1,999	2,046	10,874	12,181	13,507	15,021	6,501	-	-	67,936
Centennial Commemoration Fund	1,152	1,053	707	-	-	-	-	-	-	-	-	-	2,912
Higher Education	78,544	81,985	83,605	83,884	93,495	374,867	337,827	290,674	215,048	101,646	4,182	-	1,745,757
Less: Interest	526,405	494,254	476,598	471,249	411,129	1,516,289	1,452,896	1,279,958	1,301,894	484,474	57,663	42,787	8,515,596
Total Principal	229,022	219,309	206,678	193,881	181,122	770,356	582,656	374,721	202,455	39,030	14,208	4,412	3,017,850
Total Principal	297,383	274,945	269,920	277,368	230,007	745,933	870,240	905,237	1,099,439	445,444	43,455	38,375	5,497,746
<b>Notes Payable:</b>													
Multiple Injury Trust Fund	2,925	2,903	2,901	2,899	2,898	14,455	10,068	-	-	-	-	-	39,409
Student Loan Authority	103,933	96,462	1,444	1,444	1,444	201,624	643	21,749	-	-	-	-	428,743
Municipal Power Authority	4,517	4,517	4,517	4,517	4,517	22,583	22,583	22,584	-	-	-	-	90,335
Higher Education	21,088	27,048	15,953	23,905	15,350	53,536	20,703	17,705	16,445	7,198	-	-	218,931
Less: Interest	132,463	130,930	24,815	32,765	24,209	292,198	53,997	62,038	16,445	7,198	-	-	777,058
Total Principal	14,989	12,292	11,281	10,310	9,487	30,622	18,666	9,723	3,262	904	-	-	121,536
Total Principal	117,474	118,638	13,534	22,455	14,722	261,576	35,331	52,315	13,183	6,294	-	-	655,522
<b>Capital Leases:</b>													
University Hospitals Authority	47	-	-	-	-	-	-	-	-	-	-	-	47
Higher Education	74,544	70,648	67,860	65,015	61,149	257,197	203,340	170,405	167,120	1,491	-	-	1,138,769
Less: Interest	74,591	70,648	67,860	65,015	61,149	257,197	203,340	170,405	167,120	1,491	-	-	1,138,816
Total Principal	33,259	31,721	30,058	28,438	26,833	113,788	82,773	54,246	23,324	216	-	-	424,656
Total	41,332	38,927	37,802	36,577	34,316	143,409	120,567	116,159	143,796	1,275	-	-	714,160
Total	\$ 457,229	\$ 433,595	\$ 322,396	\$ 337,595	\$ 280,300	\$ 1,164,708	\$ 1,057,923	\$ 1,073,711	\$ 1,256,418	\$ 453,013	\$ 43,455	\$ 38,375	\$ 6,918,718
Adjusted for: Net Discounts and Deferred Debits on Refundings													(45,943)
<b>Long-Term Obligations without scheduled debt service:</b>													
Claims and Judgments													1,110,493
Due to Primary Government													52,550
Compensated Absences													105,959
Other Noncurrent Liabilities													548,157
Total Long-Term Obligations													\$ 8,689,934

## 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, 2009, the variable interest rates ranged from 0.68% to 8.44%.

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, 2009 was 2.5%.

The **Oklahoma Housing Finance Agency (OHFA)** has issued 39 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 six series of revenue bonds with an original issue amount of \$1,937,920,000. 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 ten series of revenue bonds. The bonds are issued to finance portions of OMPA's acquisition and construction activities. The bonds are payable from and collateralized by a pledge of and security interest in the proceeds of the sale of the bonds, the revenues of OMPA, and assets in the funds established by the respective bond resolutions. Neither the State of Oklahoma nor any political subdivision thereof is obligated to pay principal or interest on the bonds. OMPA does not have any taxing authority. Certain series of the bonds have a variable interest rate which is established either by auction or a weekly index. The maximum rate is 14%.

The **University Hospitals Authority** (UHA) has issued two revenue bond series (2005A-Tax Exempt and 2005B-Taxable) with an original issue amount of \$55,460,000. The proceeds 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, 2009 (December 31, 2008 for OTA, GRDA, and OMPA) (expressed in thousands):

Revenue Bonds			
OTA	GRDA	OMPA	Higher Education
\$ 1,500	\$ 28,970	\$ 43,540	\$ 27,830

### D. Notes Payable

The **Multiple Injury Trust Fund** (MITF) component unit reports a note payable to **CompSource Oklahoma** component unit of \$25,363,000 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 .45% 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, 2009, is \$502,244,000. 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, 2009, 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	\$ 470	\$ 8,247	\$ 207,169	\$ 46,535	\$ 262,421

#### 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, 2009 (December 31, 2008 for OTA and GRDA), the cumulative arbitrage rebate liability is as follows (expressed in thousands):

Reported as:	OSLA	GRDA
Accounts payable	\$ -	\$ 86
Other liabilities	58	-

#### 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 \$38,710,000 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 \$287,000,000 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 (\$895,000) and adjustments to capital assets (\$148,564,000). These restatements decreased beginning net assets by \$149,459,000 at July 1, 2008.

### Component Units

Beginning net assets for the Higher Education Component Unit have been restated due to accounting errors (\$963,000) and the reclassification of certain funds (\$151,000). The net effect of the restatements increased beginning net assets by \$1,114,000 as of July 1, 2008.

Beginning net assets for the Multiple Injury Trust Fund (MITF) have been restated due to accounting errors. The net effect of the restatements decreased net assets by \$569,000 as of July 1, 2008.

Beginning net assets for Oklahoma State Employees and Education Group Insurance Board (OSEEGIB) on the Statement of Net Assets have been restated due to a change in presentation. This entity was formerly classified as a component unit

of the state and other employee benefit trust fund. During fiscal year 2009, OSEEGIB determined their activity related to covered retirees of participating employers does not meet the definition of an OPEB plan, and therefore is not subject to GASB Statement 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The preferred method of accounting and reporting presentation is a special-purpose government engaged solely in business-type activities, more specifically an insurance enterprise. As a result, OSEEGIB reported results in a single enterprise fund presentation and no longer included an agency fund. The result of this reclassification decreased the Component Units' net assets by \$16,401,000 at July 1, 2008.

As a result of the above adjustments, Component Units beginning net assets were decreased by \$15,856,000 as of July 1, 2008.

## **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, 2009 ODFA had 264 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, 2008 OHFA had two series of multi family bonds outstanding with an aggregate principal amount payable of approximately \$11,266,000. 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, 2009, 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, 2009, 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 2009, 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, 2009 was \$3,406,000.

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

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

	WCRP
Annual required contribution	\$ 3,406
Interest on net pension obligation	137
Adjustment to annual required contribution	(194)
Annual pension cost	<u>3,349</u>
Contributions made	<u>3,410</u>
Increase (decrease) in net pension obligation	(61)
Net pension obligation-beginning of year	<u>1,720</u>
Net pension obligation-end of year	<u>\$ 1,659</u>
Actuarial Assumptions:	
Investment rate of return	8.0%
Annual salary increase	5.0%
COLA increase	2.0%
Inflation rate	3.0%
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	11 years

The annual required contribution for the WCRP for the current year was determined as part of the July 1, 2009 actuarial valuation. Actual contributions equaled 100% of required contributions and 102% of annual pension costs for fiscal year 2009. 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
6/30/2009	\$ 3,349	102%	\$ 1,659
6/30/2008	3,025	99%	1,719
6/30/2007	2,804	107%	1,703

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
7/1/2009	\$ 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%
7/1/2007	66,932	82,876	15,944	80.8%	13,492	118.2%

**B. Component Units**

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

The Oklahoma Firefighters Pension and Retirement System (OFFRS), 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:

OFFRS	OPERS	OPPRS	TRS
595	151	130	624

During fiscal year 2009, the TRS's unfunded liability increased from \$9,090,000,000 to \$9,512,000,000. 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. The Uniform Retirement System for Judges and Justices Board has the ability to

adjust contribution rates to prevent a funded ratio of less than 100%. 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 2009 was \$54,000,000, which represented the 34% insurance premium tax allocation. Insurance premium contributions to the plan for the years ended June 30, 2009, 2008, and 2007 totaled \$54,000,000, \$53,000,000, and \$56,000,000 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 6.1% 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, 2009, 2008, and 2007 totaled \$17,311,000, \$17,670,000, and \$18,162,000, 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 2009:

State employees and agencies – State employees contribute 3.5% on all salary. State agency employers contribute 14.5% 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 9.5% up to a maximum of 14.5%. Combined employee and employer contributions equal 17% 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 14.5% of total salary.

State agency employer contributions to OPERS for the years ended June 30, 2009, 2008, and 2007 were \$197,091,000, \$184,281,000, and \$166,432,000, respectively.

URSJJ member contributions for fiscal year 2009 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. State employer contributions to URSJJ for the year ended June 30, 2009, 2008, and 2007 were \$8,169,000, \$7,615,000, and \$5,936,000, respectively.

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, 2009, 2008, and 2007 totaled \$29,913,000, \$26,020,000, and \$28,122,000, 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 8.5% from July 1, 2008 to December 31, 2008 and 9.0% from January 1, 2009 to June 30, 2009 for all remitting entities other than comprehensive and four year universities. The employer contribution rate for comprehensive and four year universities was 7.55% on January 1, 2008 and 8.05% on January 1, 2009. New legislation enacted in 2007 will systematically raise 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 will also systematically increase 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 \$257,000,000 from this source for fiscal year 2009. State contributions on behalf of employees totaled approximately \$36,366,000 for fiscal year 2009. State employer contributions to TRS for the years ended June 30, 2009, 2008, and 2007 were \$6,701,000, \$6,049,000, and \$5,376,000 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	\$ 36,616	\$ 8,169
Interest on net pension obligation	170	28
Adjustment to annual required contribution	(269)	(26)
Annual pension cost	<u>36,517</u>	<u>8,171</u>
Contributions made	<u>24,892</u>	<u>2,244</u>
Increase (decrease) in net pension obligation	<u>11,625</u>	<u>5,927</u>
Net pension obligation-beginning of year	<u>2,270</u>	<u>369</u>
Net pension obligation-end of year	<u><u>\$ 13,895</u></u>	<u><u>\$ 6,296</u></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 dollar, closed
Remaining amortization period	13 years	19 years

The annual required contribution for URSJJ for the current year was determined as part of the July 1, 2008 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 28% 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, 2008 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 68% 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	6/30/2009	\$ 36,616	68%	\$ 13,895
	6/30/2008	32,884	76%	2,270
	6/30/2007	32,987	75%	(5,591)
Uniform Retirement System for Justices and Judges	6/30/2009	8,171	28%	6,296
	6/30/2008	7,750	22%	369
	6/30/2007	6,167	20%	(5,692)

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

**Schedules of Funding Progress**

**Oklahoma Law Enforcement Retirement System**

(unaudited)

(expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2009	\$ 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%
7/1/2007	697,560	840,557	142,997	83.0%	63,764	224.3%

**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
7/1/2009	\$ 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%
7/1/2007	224,578	227,062	2,484	98.9%	32,192	7.7%

**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 14.5% 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 \$801,258,000. The institution contributions were \$64,266,000 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. During its fiscal year ended December 31, 2008 OSEEGIB made a review of the activity related to covered retirees of participating employers and determined that an OPEB plan did not exist according to the provisions of GASB Statement 43 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. Accordingly, OSEEGIB changed its financial statement accounting and reporting presentation to a single enterprise fund with an insurance focus and no longer segregates any related retiree component into an agency fund. 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 58<sup>th</sup>, Suite 1000, Oklahoma City, OK 73112-4725. At December 31, 2008 OSEEGIB provided health coverage to 134 state agency divisions, 614 school districts, 315 local government entities and 32 other groups. There were also contributions received and health benefits provided to 79,000 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 \$304 to a high of \$649 per month in calendar year 2008, 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 three 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), the Uniform Retirement System for Justices and Judges (URSJJ), and the Teachers' Retirement System of Oklahoma (TRS). The State also has one single employer retirement system that makes payments to OSEEGIB on behalf of retirees, 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 2009, 2008 and 2007 the retirement systems paid into OSEEGIB as follows, representing 100% of the State's legislatively required contributions to OSEEGIB:

	FY 2009 Contributions	FY 2008 Contributions	FY 2007 Contributions
OPERS	\$ 17,748,000	\$ 17,347,000	\$ 17,100,000
URSJJ	140,000	136,000	129,000
TRS	30,523,000	30,404,000	30,492,000
OLERS	788,000	721,000	703,000
	<u>\$ 49,199,000</u>	<u>\$ 48,608,000</u>	<u>\$ 48,424,000</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 \$9,498,000 in fiscal year 2009 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 \$257,000,000 from the State for the year ended June 30, 2009.

## Note 17. Commitments

### Primary Government

The **Department of Transportation** had contractual commitments at June 30, 2009, of approximately \$872,150,000 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 \$54,118,000 for the General Fund.

### Component Units

The **University of Oklahoma** had outstanding commitments under construction contracts totaling \$84,118,000 at June 30, 2009.

**Oklahoma State University** (University) had outstanding commitments under construction contracts of approximately \$51,610,000 at June 30, 2009. 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, 2008, approximately \$178,091,000 was spent on these projects and management's estimated cost to complete the projects is approximately \$85,000,000.

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, 2009, OSLA was committed to purchase approximately \$407,112,000 of FFEL.

The **Oklahoma Turnpike Authority** (OTA) had commitments outstanding at December 31, 2008, relating to equipment orders and supplies of approximately \$7,848,000. At December 31, 2008, OTA had commitments outstanding relating to construction and maintenance contracts of approximately \$30,634,000.

The **Oklahoma Municipal Power Authority** (OMPA) purchased approximately \$23,225,000 of power pursuant to several long-term purchase agreements during 2008. OMPA is obligated to purchase, at a minimum, approximately \$17,485,000 of power in 2009.

The **Grand River Dam Authority** makes and receives commitments for purchases of coal and other materials. The Authority had contractual commitments at December 31, 2008 for long-term coal and freight purchases under contracts through 2016 with estimated minimum obligations for the year ending December 31, 2009 of \$103,160,000 and \$800,360,000 through 2016.

The **Oklahoma Education Television Authority** (OETA) is in the process of converting to digital transmission as established by the Federal Communication Commission on May 1, 2003. The total estimated cost of the digital conversion is currently estimated to be \$24,880,000. OETA has incurred approximately \$22,284,000 in costs leaving a balance of \$2,595,000. OETA has total funds on hand or committed of less than \$2,254,000 resulting in an estimated shortfall of \$341,000. State appropriations have been requested to cover unfunded future obligations.

## **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, 2009.

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, 2009, 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, 2009, DOT had project expenditures totaling \$4,880,000 that will be reimbursed pending approval of the Federal Government.

The **Oklahoma Water Resources Board** (Board), pursuant to statute, assumed the obligations of the Oklahoma Water Conservation Storage Commission including a 1974 contractual obligation to repay the United States (through the Army Corps of Engineers) for the costs of constructing water supply storage at the Sardis Reservoir in southeastern Oklahoma. Under the 1974 contract, annual payments are made for the reservoir construction, operation, and maintenance allocated to the present use water supply storage. Total unaudited construction costs of the Sardis Reservoir allocated to water supply storage are approximately \$38,400,000. Payments on the reservoir began in 1983 and are to continue for 50 years. As of June 30, 2009, the State has made payments of approximately \$4,538,000; however, the Board did not receive legislative authorization to pay the annual payments due in the fiscal years 1989 through 1996. The amount in arrears, including interest and penalty is approximately \$17,807,000. In June 2006, the 10<sup>th</sup> U.S. Circuit Court of Appeals ruled that the State of Oklahoma is legally required to perform its obligations under the 1974 contract.

## **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 \$30,000,000 line of credit and a \$25,000,000 term loan. As of June 30, 2009, the outstanding debt in connection with the line of credit and term note was approximately \$39,872,000. In addition to the long-term debt, OCIB reported a June 30, 2009 net asset deficit of \$16,900,000.

The credits and OCIB's right to transfer the credits expire if not utilized by July 1, 2015. As of June 30, 2009, \$12,700,000 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.

At December 31, 2008, the **Grand River Dam Authority (GRDA)** had settled the remaining six claims related to the alleged flooding of property upstream from Grand Lake in the early 1900s. The Plaintiffs had sought damages in the approximate amount of \$10,000,000, and the amount of any damages to be awarded will be determined individually subsequent to trial of each claim.

GRDA is also the defendant in another case which involves approximately 50 landowners claiming damages due to flooding. Until further information related to these claims is obtained, the Authority is unable to assess the probability or amount of liability, if any, in these cases.

## **Note 19. Subsequent Events**

Subsequent to June 30, 2009, 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)** issued lease revenue bonds totaling \$24,880,000 for Conservation Projects and \$148,080,000 for the State Highway Improvement Project. OCIA has currently authorized but not issued bonds totaling \$300,000,000 for Transportation Projects, \$25,000,000 for Tulsa River Projects, and \$100,000,000 for the Endowed Chairs Program.

### **Component Units**

**Board of Regents** issued general revenue bonds totaling \$82,845,000 to refund outstanding tax-exempt issues and \$144,720,000 in taxable bond anticipation notes. Currently the Board of Regents has authorized but not issued bonds totaling \$127,000,000 for capital projects.

**Oklahoma Housing Finance Agency** issued Series 2009 single-family mortgage revenue bonds totaling \$63,705,000.

**Oklahoma Development Finance Authority (ODFA)** issued \$76,490,000 for the Oklahoma State Regents for Higher Education Master Equipment Lease Revenue Bonds. Currently ODFA has authorized but not issued bonds totaling \$10,000,000 for the Regents' Master Equipment Lease Program.

**Oklahoma Student Loan Authority** has authorized but not issued bonds totaling \$153,000,000 for the Refunding Program.

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**Required Supplementary Information  
Budgetary Schedule**



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**Required Supplementary Information  
Budgetary Schedule**

State of Oklahoma  
 Budgetary Comparison Schedule  
 Budget to Actual (Non-GAAP Budgetary Basis)  
 General Fund  
 For the Fiscal Year Ended June 30, 2009  
 (expressed in thousands)

		GENERAL FUND				
		BUDGET			ACTUAL	VARIANCE
		ORIGINAL	Amendments	FINAL		
<b>EDUCATION</b>						
<b>State Arts Council</b>						
01	Duties	\$ 5,051	\$ -	\$ 5,051	\$ 2,897	\$ 2,154
02	Arts Council Arts Education Revolving Fund	100	-	100	100	-
11	FY-08 Carryover	-	241	241	241	-
Agency Total		5,151	241	5,392	3,238	2,154
<b>Department of Career and Technology Education</b>						
08	Duties	152,692	-	152,692	140,131	12,561
09	Volunteer Firefighter Training	400	-	400	-	400
10	Duties	1,370	-	1,370	-	1,370
11	FY-08 Carryover	-	8,786	8,786	8,646	140
Agency Total		154,462	8,786	163,248	148,777	14,471
<b>Department of Education</b>						
01	Financial support of Public Schools	1,335,761	-	1,335,761	1,335,761	-
01	Financial support of Public Schools (Min Lea)	4,085	-	4,085	4,085	-
02	Financial support of Public Schools (Min Lea)	782	-	782	782	-
02	Public School Activities	430,554	-	430,554	430,554	-
19	Textbooks	33,000	-	33,000	33,000	-
03	Admin & Support Functions - DOE	24,256	-	24,256	18,788	5,468
04	Duties	800	-	800	-	800
05	Special Education Litigation	200	-	200	130	70
12	FY-08 Carryover	-	717	717	717	-
13	FY-08 Carryover	-	11,070	11,070	10,278	792
Agency Total		1,829,438	11,787	1,841,225	1,834,095	7,130
<b>Commission of the Land Office</b>						
01	Duties	4,810	-	4,810	4,505	305
03	Duties	55	-	55	55	-
11	FY-08 Carryover	-	175	175	169	6
Agency Total		4,865	175	5,040	4,729	311
<b>Department of Libraries</b>						
01	Duties	7,295	-	7,295	6,801	494
11	FY-08 Carryover	-	201	201	192	9
Agency Total		7,295	201	7,496	6,993	503
<b>Center for Advancement of Science and Technology</b>						
01	Duties	691	-	691	643	48
02	To Research Support Rev Fund (200)	21,766	-	21,766	21,766	-
11	FY-08 Carryover	-	4	4	4	-
Agency Total		22,457	4	22,461	22,413	48
<b>Physical Manpower Training Commission</b>						
01	Duties	5,124	-	5,124	5,016	108
05	Duties	400	-	400	400	-
11	FY-08 Carryover	-	11	11	11	-
Agency Total		5,524	11	5,535	5,427	108
<b>Oklahoma School of Science and Math</b>						
01	Duties	5,563	-	5,563	4,862	701
02	Pilot Outreach Programs	2,063	-	2,063	1,751	312
03	Duties	360	-	360	120	240
11	FY-08 Carryover	-	687	687	687	-
12	FY-08 Carryover	-	249	249	248	1
Agency Total		7,986	936	8,922	7,668	1,254

GENERAL FUND

	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
<b>Oklahoma Commission for Teacher Preparation</b>					
01 Duties	2,060	-	2,060	1,773	287
11 FY-08 Carryover	-	293	293	223	70
Agency Total	2,060	293	2,353	1,996	357
<b>Education Total</b>	<b>2,039,238</b>	<b>22,434</b>	<b>2,061,672</b>	<b>2,035,336</b>	<b>26,336</b>
<b>GENERAL GOVERNMENT</b>					
<b>State Auditor and Inspector</b>					
01 Duties	5,915	-	5,915	5,654	261
02 County Govt Personnel Educ & Trng	400	-	400	367	33
Agency Total	6,315	-	6,315	6,021	294
<b>State Bond Advisor</b>					
01 Duties	186	-	186	181	5
Agency Total	186	-	186	181	5
<b>Department of Central Services</b>					
01 Duties	14,295	-	14,295	10,453	3,842
04 Maintenance of the Hissom Center	152	-	152	31	121
03 For transfer to Bldg & Fac Revolv ( Fund 245)	1,682	-	1,682	-	1,682
01 For transfer to Bldg & Fac Revolv ( Fund 245)	1,479	-	1,479	1,479	-
05 Dam Construction	979	-	979	-	979
05 Dam Construction	127	-	127	-	127
11 FY-08 Carryover	-	2,721	2,721	2,069	652
14 FY-08 Carryover	-	31	31	31	-
22 FY-08 Carryover	-	706	706	590	116
Agency Total	18,714	3,458	22,172	14,653	7,519
<b>Department of Commerce</b>					
04 Duties	16,563	-	16,563	15,131	1,432
30 Debt Service	1,106	-	1,106	-	1,106
30 Duties	1,500	-	1,500	-	1,500
14 FY-08 Carryover	-	1,410	1,410	1,288	122
Agency Total	19,169	1,410	20,579	16,419	4,160
<b>State Election Board</b>					
01 Duties	2,806	-	2,806	2,426	380
11 FY-08 Carryover	-	780	780	765	15
17 FY-08 Carryover	-	221	221	221	-
Agency Total	2,806	1,001	3,807	3,412	395
<b>Ethics Commission</b>					
01 Duties	668	-	668	660	8
11 FY-08 Carryover	-	19	19	14	5
Agency Total	668	19	687	674	13
<b>Office of State Finance</b>					
01 Duties	12,081	-	12,081	6,327	5,754
02 Duties	11,000	-	11,000	1,787	9,213
11 FY-08 Carryover	-	3,129	3,129	3,129	-
Agency Total	23,081	3,129	26,210	11,243	14,967
<b>Governor</b>					
199 Duties	2,662	-	2,662	2,528	134
198 FY-08 Carryover	-	56	56	56	-
Agency Total	2,662	56	2,718	2,584	134
<b>Lieutenant Governor</b>					
01 Duties	660	-	660	469	191
11 FY-08 Carryover	-	194	194	194	-
Agency Total	660	194	854	663	191
<b>Merit Protection Commission</b>					
01 Duties	614	-	614	604	10
11 FY-08 Carryover	-	19	19	19	-
Agency Total	614	19	633	623	10

GENERAL FUND

	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
<b>Office of Personnel Management</b>					
01 Duties	4,892	-	4,892	3,938	954
11 FY-08 Carryover	-	734	734	734	-
Agency Total	4,892	734	5,626	4,672	954
<b>Secretary of State</b>					
01 Duties	381	-	381	380	1
Agency Total	381	-	381	380	1
<b>Oklahoma Tax Commission</b>					
30 Duties	49,135	-	49,135	48,002	1,133
40 Duties	1,066	-	1,066	627	439
06 Duties - OSU Center for Local Government Technology	-	100	100	-	100
Agency Total	50,201	100	50,301	48,629	1,672
<b>State Treasurer</b>					
01 Duties	4,569	-	4,569	2,913	1,656
07 State Land Reimbursements	100	-	100	100	-
11 FY-08 Carryover	-	834	834	811	23
Agency Total	4,669	834	5,503	3,824	1,679
<b>HEALTH SERVICES</b>					
<b>Department of Health</b>					
01 Duties	59,836	-	59,836	56,425	3,411
12 To Child Abuse Prevention (Fund 265)	3,336	-	3,336	3,336	-
17 Dental Loan Repayment Revolving Fund	375	-	375	375	-
23 To Kidney Health Revolving (Fund 202)	114	-	114	114	-
40 Alternatives to Abortion Services Rev Fund	40	-	40	40	-
50 Disaster and Emergency Medicine Rev Fund	3,000	-	3,000	3,000	-
04 Margaret Hudson Program	34	-	34	31	3
09 Emerson Teen Parent Program	107	-	107	76	31
37 Oklahoma Institute for Child Advocacy	75	-	75	63	12
15 Dental Services for the Disabled/Elderly	137	-	137	137	-
29 Hearts for Hearing Foundation	200	-	200	160	40
43 College of Osteo Med Area Hlth Ed Ctrs	565	-	565	363	202
08 Sickle Cell Research Foundation	183	-	183	168	15
48 Alzheimer's Association, OK Chapter	8	-	8	6	2
10 OUHSC Pathology Department	44	-	44	34	10
11 Tolliver Alternative Care Center, Inc.	37	-	37	36	1
47 OUHSC Pediatric Endocrinology Dept	93	-	93	78	15
26 Emergency Medical Services Authority	400	-	400	198	202
45 North Tulsa Heritage Foundation, Inc.	36	-	36	31	5
44 Metropolitan Tulsa Urban League, Inc.	39	-	39	21	18
42 Greenwood Educational & Cultural Center	119	-	119	83	36
31 OK Dental Foundation	100	-	100	100	-
18 OU College of Medicine - Tulsa	400	-	400	322	78
39 OSU College of Osteopathic Medicine	500	-	500	271	229
30 OK Economic Development Association	19	-	19	-	19
41 Bd. Of Examiners for Nursing Home Admin.	347	-	347	264	83
19 High-risk perinatal direct services	2,254	-	2,254	2,008	246
20 Perinatal continuing education	209	-	209	166	43
24 Community Health Centers	1,341	-	1,341	671	670
38 Primary Care and Rural Health Development	700	-	700	421	279
16 Eastern OK Donated Dental Services	70	-	70	70	-
03 Duties	310	-	310	310	-
57 FY-08 Carryover	-	237	237	235	2
58 FY-08 Carryover	-	23	23	23	-
59 FY-08 Carryover	-	8	8	8	-
62 FY-08 Carryover	-	500	500	500	-
Agency Total	75,028	768	75,796	70,144	5,652
<b>Mental Health and Substance Abuse</b>					
01 Duties	202,429	-	202,429	180,054	22,375
03 Duties	5,000	-	5,000	4,969	31
02 Duties	2,150	-	2,150	2,150	-
11 FY-08 Carryover	-	6,757	6,757	6,652	105
Agency Total	209,579	6,757	216,336	193,825	22,511
<b>Health Services Total</b>					
	284,607	7,525	292,132	263,969	28,163
<b>LEGAL AND JUDICIARY</b>					
<b>Attorney General</b>					
01 Duties	14,532	-	14,532	14,090	442
02 Address Confidentiality Program	150	-	150	83	67
03 Duties	100	-	100	-	100
11 FY-08 Carryover	-	47	47	37	10
Agency Total	14,782	47	14,829	14,210	619

		GENERAL FUND				
		BUDGET			ACTUAL	VARIANCE
		ORIGINAL	Amendments	FINAL		
<b>Court of Criminal Appeals</b>						
01	Duties	3,475	-	3,475	3,388	87
11	FY-08 Carryover	-	117	117	101	16
Agency Total		3,475	117	3,592	3,489	103
<b>District Attorneys Council</b>						
01	Duties	42,820	-	42,820	42,031	789
11	FY-08 Carryover	-	709	709	704	5
Agency Total		42,820	709	43,529	42,735	794
<b>District Courts</b>						
01	Duties - District Courts	20,573	-	20,573	20,258	315
11	FY-08 Carryover	-	274	274	212	62
Agency Total		20,573	274	20,847	20,470	377
<b>Indigent Defense System</b>						
01	Duties	16,634	-	16,634	14,442	2,192
02	Duties	100	-	100	100	-
11	FY-08 Carryover	-	1,077	1,077	1,036	41
Agency Total		16,734	1,077	17,811	15,578	2,233
<b>Council on Judicial Complaints</b>						
01	Duties	284	-	284	214	70
11	FY-08 Carryover	-	65	65	65	-
Agency Total		284	65	349	279	70
<b>Supreme Court</b>						
01	Duties	16,832	-	16,832	15,213	1,619
02	To Legal Svcs Revolving ( Fd 225)	1,165	-	1,165	1,165	-
08	Duties	300	-	300	248	52
03	To Supreme Court Revolving (Fund 205)	950	-	950	950	-
Agency Total		19,247	-	19,247	17,576	1,671
<b>Workers Compensation Court</b>						
01	Duties	5,260	-	5,260	5,250	10
Agency Total		5,260	-	5,260	5,250	10
<b>Legal and Judiciary Total</b>		123,175	2,289	125,464	119,587	5,877
<b>MUSEUMS</b>						
<b>Historical Society</b>						
01	Duties	14,587	-	14,587	13,937	650
02	Duties	380	-	380	128	252
11	FY-08 Carryover	-	713	713	123	590
Agency Total		14,967	713	15,680	14,188	1,492
<b>J.M. Davis Memorial Commission</b>						
01	Duties	385	-	385	337	48
11	FY-08 Carryover	-	6	6	6	-
Agency Total		385	6	391	343	48
<b>Will Rogers Memorial Commission</b>						
01	Duties	934	-	934	821	113
11	FY-08 Carryover	-	57	57	57	-
Agency Total		934	57	991	878	113
<b>Museums Total</b>		16,286	776	17,062	15,409	1,653
<b>NATURAL RESOURCES</b>						
<b>Department of Agriculture</b>						
01	Duties	28,935	-	28,935	26,656	2,279
02	Duties	4,500	-	4,500	4,468	32
02	Duties	1,105	-	1,105	682	423
11	FY-08 Carryover	-	796	796	515	281
Agency Total		34,540	796	35,336	32,321	3,015
<b>Conservation Commission</b>						
01	Duties	9,187	-	9,187	8,388	799
02	Debt Service	1,106	-	1,106	-	1,106
Agency Total		10,293	-	10,293	8,388	1,905

	GENERAL FUND				
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
<b>Department of Environmental Quality</b>					
01 Duties	9,728	-	9,728	9,043	685
11 FY-08 Carryover	-	19	19	-	19
Agency Total	9,728	19	9,747	9,043	704
<b>Scenic Rivers Commission</b>					
01 Duties (to Fund 260)	345	-	345	345	-
11 FY-08 Carryover	-	47	47	2	45
Agency Total	345	47	392	347	45
<b>Department of Tourism and Recreation</b>					
01 Duties	27,822	-	27,822	24,417	3,405
02 Duties	220	-	220	47	173
11 FY-08 Carryover	-	2,365	2,365	1,823	542
11 FY-08 Carryover	-	807	807	612	195
Agency Total	28,042	3,172	31,214	26,899	4,315
<b>Water Resources Board</b>					
01 Duties	4,301	-	4,301	3,911	390
04 Rural Water Association	301	-	301	276	25
02 To WRB's REAP (Fund 225) for Duties	2,200	-	2,200	2,200	-
11 FY-08 Carryover	-	174	174	174	-
14 FY-08 Carryover	-	2	2	2	-
Agency Total	6,802	176	6,978	6,563	415
<b>Natural Resources Total</b>					
	89,750	4,210	93,960	83,561	10,399
<b>PUBLIC SAFETY AND DEFENSE</b>					
<b>Alcoholic Beverage Laws Enforcement</b>					
01 Duties	3,925	-	3,925	3,855	70
Agency Total	3,925	-	3,925	3,855	70
<b>State Bureau of Investigation</b>					
01 Duties	17,316	-	17,316	16,772	544
11 FY-08 Carryover	-	303	303	255	48
Agency Total	17,316	303	17,619	17,027	592
<b>Department of Corrections</b>					
30 Duties	483,000	-	483,000	449,670	33,330
07 Duties	20,000	-	20,000	20,000	-
31 FY-08 Carryover	-	6,349	6,349	6,260	89
Agency Total	503,000	6,349	509,349	475,930	33,419
<b>Council on Law Enforcement, Education and Training</b>					
01 Duties	3,278	-	3,278	2,935	343
02 Duties	320	-	320	320	-
01 Duties	1,016	-	1,016	895	121
11 FY-08 Carryover	-	22	22	15	7
11 FY-08 Carryover	-	63	63	13	50
Agency Total	4,614	85	4,699	4,178	521
<b>Department of Emergency Management</b>					
01 Duties	1,157	-	1,157	746	411
2 Gov - To transfer GR to Emergency Fund	15,000	-	15,000	15,000	-
Agency Total	16,157	-	16,157	15,746	411
<b>State Fire Marshal</b>					
01 Duties	2,271	-	2,271	2,268	3
Agency Total	2,271	-	2,271	2,268	3
<b>Board of Medicolegal Investigation</b>					
01 Duties	4,826	-	4,826	4,396	430
11 FY-08 Carryover	-	168	168	30	138
Agency Total	4,826	168	4,994	4,426	568
<b>Oklahoma Military Department</b>					
01 Duties	12,982	-	12,982	10,785	2,197
02 Officer Incentive Program	150	-	150	150	-
11 FY-08 Carryover	-	1,217	1,217	1,086	131
Agency Total	13,132	1,217	14,349	12,021	2,328
<b>Bureau of Narcotics and Dangerous Drugs</b>					
01 Duties	6,774	-	6,774	6,766	8
03 Duties	-	650	650	-	650
11 FY-08 Carryover	-	440	440	303	137
Agency Total	6,774	1,090	7,864	7,069	795

GENERAL FUND					
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
<b>Pardon and Parole Board</b>					
01 Duties	2,578	-	2,578	2,533	45
11 FY-08 Carryover	-	54	54	47	7
Agency Total	2,578	54	2,632	2,580	52
<b>Department of Public Safety</b>					
01 Duties	96,408	-	96,408	91,438	4,970
02 Capitol Patrol Officer - Workers Comp Court	26	-	26	26	-
03 Clinton/Sherman Industrial Complex	65	-	65	60	5
06 OK Climatological Survey	351	-	351	351	-
04 Oklahoma Office of Homeland Security	321	-	321	165	156
11 FY-08 Carryover	-	1,200	1,200	-	1,200
5 FY-08 Carryover	-	59	59	20	39
Agency Total	97,171	1,259	98,430	92,060	6,370
<b>Public Safety and Defense Total</b>					
	671,764	10,525	682,289	637,160	45,129
<b>REGULATORY SERVICES</b>					
<b>Commission on Consumer Credit</b>					
01 Duties	669	-	669	631	38
11 FY-08 Carryover	-	27	27	27	-
Agency Total	669	27	696	658	38
<b>Corporation Commission</b>					
01 Duties	12,210	-	12,210	11,598	612
02 Duties	205	-	205	10	195
11 FY-08 Carryover	-	534	534	517	17
Agency Total	12,415	534	12,949	12,125	824
<b>Oklahoma Horse Racing Commission</b>					
01 Duties	2,670	-	2,670	2,546	124
11 FY-08 Carryover	-	99	99	29	70
Agency Total	2,670	99	2,769	2,575	194
<b>Insurance Department</b>					
01 Duties	2,516	-	2,516	2,513	3
Agency Total	2,516	-	2,516	2,513	3
<b>Department of Labor</b>					
01 Duties	1,418	-	1,418	1,409	9
01 Duties	1,615	-	1,615	1,561	54
02 Duties	728	-	728	667	61
11 FY-08 Carryover	-	6	6	-	6
Agency Total	3,761	6	3,767	3,637	130
<b>Department of Mines</b>					
01 Duties	1,014	-	1,014	949	65
Agency Total	1,014	-	1,014	949	65
<b>Regulatory Services Total</b>					
	23,045	666	23,711	22,457	1,254
<b>SOCIAL SERVICES</b>					
<b>Commission on Children and Youth</b>					
10 Duties	2,608	-	2,608	1,953	655
40 FY-08 Carryover	-	338	338	333	5
Agency Total	2,608	338	2,946	2,286	660
<b>Office of Disability Concerns</b>					
01 Duties	413	-	413	412	1
11 FY-08 Carryover	-	3	3	3	-
Agency Total	413	3	416	415	1
<b>Health Care Authority</b>					
01 Duties (to Disbursing Funds 200 and 340)	690,788	-	690,788	689,953	835
01 Duties (to Disbursing Funds 200 and 340)	16,500	-	16,500	16,500	-
Agency Total	707,288	-	707,288	706,453	835
<b>Oklahoma Human Rights Commission</b>					
10 Duties	710	-	710	700	10
20 FY-08 Carryover	-	6	6	6	-
Agency Total	710	6	716	706	10
<b>Department of Human Services</b>					
01 Duties (to Disbursing Funds)	527,107	-	527,107	527,107	-
01 Duties (to Disbursing Funds)	20,000	-	20,000	20,000	-
06 Duties (to Disbursing Funds)	10,000	-	10,000	10,000	-
02 Duties (to Disbursing Funds)	2,000	-	2,000	1,361	639
Agency Total	559,107	-	559,107	558,468	639

GENERAL FUND					
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
<b>Oklahoma Indian Affairs Commission</b>					
10 Duties	258	-	258	203	55
20 FY-08 Carryover	-	76	76	73	3
Agency Total	258	76	334	276	58
<b>J.D. McCarty Center</b>					
10 Duties	4,453	-	4,453	4,376	77
Agency Total	4,453	-	4,453	4,376	77
<b>Office of Juvenile Affairs</b>					
01 Duties	110,129	-	110,129	102,330	7,799
10 Duties	2,000	-	2,000	1,789	211
02 Duties	125	-	125	108	17
19 FY-08 Carryover	-	1,030	1,030	-	1,030
11 FY-08 Carryover	-	772	772	772	-
13 FY-08 Carryover	-	-	-	-	-
15 FY-08 Carryover	-	1	1	1	-
16 FY-08 Carryover	-	294	294	294	-
17 FY-08 Carryover	-	22	22	22	-
07 FY-08 Carryover	-	2,070	2,070	2,070	-
Agency Total	112,254	4,189	116,443	107,386	9,057
<b>Department of Rehabilitation Services</b>					
01 Duties (to disbursing funds)	30,054	-	30,054	29,517	537
Agency Total	30,054	-	30,054	29,517	537
<b>Department of Veteran Affairs</b>					
01 Duties	40,283	-	40,283	39,604	679
11 FY-08 Carryover	-	758	758	758	-
Agency Total	40,283	758	41,041	40,362	679
<b>Social Services Total</b>	1,457,428	5,370	1,462,798	1,450,245	12,553
<b>TRANSPORTATION</b>					
<b>Oklahoma Space Industry Development Auth.</b>					
01 Duties to Space Industries Dev.	530	-	530	89	441
Agency Total	530	-	530	89	441
<b>Department of Transportation</b>					
01 Duties (To Highway Const and Maint Fund)	100	-	100	100	-
Agency Total	100	-	100	100	-
<b>Transportation Total</b>	630	-	630	189	441
<b>General Fund Total</b>	\$ 4,840,941	\$ 64,749	\$ 4,905,690	\$ 4,741,891	\$ 163,799

## Note to Required Supplementary Information - Budgetary Reporting FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resulting basis, perspective, and entity differences in the revenues in excess of (less than) expenditures and other financing sources (uses) between budgetary and GAAP presentations for the year ended June 30, 2009, is presented below (expressed in thousands) for the General Fund:

Budgetary Basis Fund Balance, June 30, 2008	\$	1,270,207
Excess of total sources over total uses of financial resources (Budgetary Basis)		459,728
Budgetary Basis Fund Balance, June 30, 2009		1,729,935
Entity and Perspective Differences:		
Non-budgeted Funds and Capital Funds		2,893,219
Encumbrances		82,439
Basis Differences:		
Add: Net accrued revenues, related receivables, and deferred revenues		1,265,782
Less: Net accrued expenditures and related liabilities		(2,037,664)
GAAP Basis Fund Balance, June 30, 2009	\$	3,933,711



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# Combining Financial Statements



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# Combining Financial Statements

## FIDUCIARY FUNDS AND SIMILAR COMPONENT UNITS

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

### PENSION TRUST FUNDS

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

### WILDLIFE CONSERVATION RETIREMENT PLAN

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

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

#### OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

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

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

#### OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

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

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

#### OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

#### UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

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

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

#### OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

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

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

#### TEACHER'S RETIREMENT SYSTEM OF OKLAHOMA

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

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

## AGENCY FUNDS

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

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

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

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

**Other** is moneys accounted for (1) by the Employees' Benefit Council for payment of employee claims against SoonerFlex flexible spending accounts, (2) 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, 2009  
(expressed in thousands)

	Primary Government	Fiduciary Component Units						Total
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	
<b>Assets</b>								
Cash/Cash Equivalents	\$ 0	\$ 36,087	\$ 7,200	\$ 64,643	\$ 1,243	\$ 24,019	\$ 353,781	\$ 486,973
Investments, at fair value								
Equity Securities	16,984	665,655	309,422	1,184,489	74,040	577,310	4,101,742	6,929,642
Governmental Securities	14,144	202,024	45,758	1,197,867	42,042	10,522	1,479,533	2,991,890
Debt Securities	15,131	137,012	136,707	833,604	30,552	414,683	1,551,205	3,118,894
Mutual Funds	7,339	0	0	2,004,593	41,374	395,726	0	2,449,032
Other Investments	3,140	339,351	48,202	0	0	0	0	390,693
Securities Lending Investments	0	140,562	52,361	785,096	22,510	23,803	1,094,475	2,118,807
Interest and Investment								
Revenue Receivable	0	724	1,019	17,586	525	2,874	42,908	65,636
Contributions Receivable:								
Employer	0	1,039	0	7,232	175	1,464	32,181	42,091
Employee	0	622	0	2,084	200	901	26,975	30,782
Other Contributions Receivable	0	0	1,773	0	0	0	23,187	24,960
Accounts Receivable	0	0	0	0	0	0	0	0
Other Receivables	0	306	75	0	3	0	0	384
Due from Brokers	0	0	0	444,383	6,591	0	243,448	694,422
Due from Other Funds	0	10,853	1,947	0	0	5,426	0	18,226
Capital Assets, Net	0	37	53	444	0	0	224	758
Other Assets	0	0	0	114	0	0	0	114
<b>Total Assets</b>	<b>56,738</b>	<b>1,534,272</b>	<b>604,517</b>	<b>6,542,135</b>	<b>219,255</b>	<b>1,456,728</b>	<b>8,949,659</b>	<b>19,363,304</b>
<b>Liabilities</b>								
Accounts Payable	0	1,354	1,639	0	0	1,251	0	4,244
Securities Lending Payable	0	140,562	52,361	795,946	22,797	23,803	1,094,475	2,129,944
Due to Brokers	0	2,299	594	572,650	11,811	369	322,586	910,309
Due to Other Funds	0	0	0	1	0	0	4	5
Due to Component Units	0	0	0	0	0	0	8,723	8,723
Benefits in the Process of Payment	0	0	4,947	0	0	10,828	63,227	79,002
Other Liabilities	0	73	0	0	0	0	8,451	8,524
<b>Total Liabilities</b>	<b>0</b>	<b>144,288</b>	<b>59,541</b>	<b>1,368,597</b>	<b>34,608</b>	<b>36,251</b>	<b>1,497,466</b>	<b>3,140,751</b>
<b>Fund Balance Reserved for Employees' Pension Benefits</b>	<b>\$ 56,738</b>	<b>\$ 1,389,984</b>	<b>\$ 544,976</b>	<b>\$ 5,173,538</b>	<b>\$ 184,647</b>	<b>\$ 1,420,477</b>	<b>\$ 7,452,193</b>	<b>\$ 16,222,553</b>

State of Oklahoma  
Combining Statement of Changes in Fiduciary Net Assets  
Pension Trust Funds (Including Similar Component Units)  
For the Fiscal Year Ended June 30, 2009  
(expressed in thousands)

	Primary	Fiduciary Component Units						Total
	Government	Oklahoma Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	
<b>Additions</b>								
Contributions								
Employer Contributions	\$ 3,410	\$ 31,387	\$ 7,686	\$ 243,022	\$ 2,244	\$ 31,675	\$ 338,975	\$ 658,399
Employee Contributions	431	18,952	5,638	68,713	2,775	19,139	296,917	412,565
Other Contributions	0	53,989	17,311	0	0	26,913	279,672	377,885
<b>Total Contributions</b>	<b>3,841</b>	<b>104,328</b>	<b>30,635</b>	<b>311,735</b>	<b>5,019</b>	<b>77,727</b>	<b>915,564</b>	<b>1,448,849</b>
Investment Income								
Net Appreciation in Fair Value of Investments	(9,691)	(322,740)	(112,681)	(1,096,980)	(39,397)	(288,656)	(1,666,823)	(3,536,968)
Interest and Investment Revenue	0	21,667	6,552	152,631	4,230	17,387	256,305	458,772
	(9,691)	(301,073)	(106,129)	(944,349)	(35,167)	(271,269)	(1,410,518)	(3,078,196)
Less Investment Expenses	0	10,336	2,275	22,899	573	12,250	41,530	89,863
Net Investment Income	(9,691)	(311,409)	(108,404)	(967,248)	(35,740)	(283,519)	(1,452,048)	(3,168,059)
<b>Total Additions</b>	<b>(5,850)</b>	<b>(207,081)</b>	<b>(77,769)</b>	<b>(655,513)</b>	<b>(30,721)</b>	<b>(205,792)</b>	<b>(536,484)</b>	<b>(1,719,210)</b>
<b>Deductions</b>								
Administrative and General Expenses	0	1,509	979	4,603	117	2,503	5,217	14,928
Benefit Payments and Refunds	3,745	146,645	43,664	421,553	10,440	89,048	951,966	1,667,061
<b>Total Deductions</b>	<b>3,745</b>	<b>148,154</b>	<b>44,643</b>	<b>426,156</b>	<b>10,557</b>	<b>91,551</b>	<b>957,183</b>	<b>1,681,989</b>
Net Increase	(9,595)	(355,235)	(122,412)	(1,081,669)	(41,278)	(297,343)	(1,493,667)	(3,401,199)
<b>Fund Balance Reserved for Employees' Pension Benefits</b>								
<b>Beginning of Year (as restated)</b>	66,333	1,745,219	667,388	6,255,207	225,925	1,717,820	8,945,860	19,623,752
<b>End of Year</b>	<b>\$ 56,738</b>	<b>\$ 1,389,984</b>	<b>\$ 544,976</b>	<b>\$ 5,173,538</b>	<b>\$ 184,647</b>	<b>\$ 1,420,477</b>	<b>\$ 7,452,193</b>	<b>\$ 16,222,553</b>

State of Oklahoma  
Combining Statement of Assets and Liabilities  
Agency Funds  
June 30, 2009  
(expressed in thousands)

	Taxes Held For Outside Entities	Funds Held In Escrow	Assets Held For Beneficiaries	Other	Total
<b>Assets</b>					
Cash/Cash Equivalents	\$ 122,621	\$ 29,635	\$ 104,479	\$ 49,993	\$ 306,728
Investments	0	0	85	0	85
Accounts Receivable	0	0	38	136	174
Taxes Receivable	1	0	0	0	1
Due from Component Units	0	0	0	586	586
Inventory	0	0	0	6,445	6,445
<b>Total Assets</b>	<b>\$ 122,622</b>	<b>\$ 29,635</b>	<b>\$ 104,602</b>	<b>\$ 57,160</b>	<b>\$ 314,019</b>
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	\$ 0	\$ 762	\$ 1,064	\$ 0	\$ 1,826
Tax Refunds Payable	5,751	0	0	0	5,751
Deferred Revenue	0	0	11	0	11
Due to Other Funds	0	202	0	0	202
Due to Component Units	0	0	0	0	0
Due to Others	116,871	28,671	103,527	57,160	306,229
<b>Total Liabilities</b>	<b>\$ 122,622</b>	<b>\$ 29,635</b>	<b>\$ 104,602</b>	<b>\$ 57,160</b>	<b>\$ 314,019</b>

State of Oklahoma  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Fiscal Year Ended June 30, 2009  
(expressed in thousands)

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<b>Taxes Held for Outside Entities</b>				
Assets				
Cash/Cash Equivalents	\$ 313,647	\$ 2,961,687	\$ 3,152,713	\$ 122,621
Accounts Receivable	2	0	2	0
Taxes Receivable	12,979	1	12,979	1
<b>Total Assets</b>	<b>\$ 326,628</b>	<b>\$ 2,961,688</b>	<b>\$ 3,165,694</b>	<b>\$ 122,622</b>
Liabilities				
Tax Refunds Payable	\$ 1,496	\$ 5,751	\$ 1,496	\$ 5,751
Due to Others	325,132	2,955,937	3,164,198	116,871
<b>Total Liabilities</b>	<b>\$ 326,628</b>	<b>\$ 2,961,688</b>	<b>\$ 3,165,694</b>	<b>\$ 122,622</b>
<b>Funds Held in Escrow</b>				
Assets				
Cash/Cash Equivalents	\$ 17,946	\$ 16,721	\$ 5,032	\$ 29,635
Accounts Receivable	3	0	3	0
<b>Total Assets</b>	<b>\$ 17,949</b>	<b>\$ 16,721</b>	<b>\$ 5,035</b>	<b>\$ 29,635</b>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 52	\$ 762	\$ 52	\$ 762
Due to Other Funds	200	2	0	202
Due to Others	17,697	15,957	4,983	28,671
<b>Total Liabilities</b>	<b>\$ 17,949</b>	<b>\$ 16,721</b>	<b>\$ 5,035</b>	<b>\$ 29,635</b>
<b>Assets Held for Beneficiaries</b>				
Assets				
Cash/Cash Equivalents	\$ 111,563	\$ 378,469	\$ 385,553	\$ 104,479
Investments	85	0	0	85
Accounts Receivable	46	38	46	38
<b>Total Assets</b>	<b>\$ 111,694</b>	<b>\$ 378,507</b>	<b>\$ 385,599</b>	<b>\$ 104,602</b>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 1,156	\$ 1,063	\$ 1,155	\$ 1,064
Other Liabilities	14	11	14	11
Due to Others	110,524	377,433	384,430	103,527
<b>Total Liabilities</b>	<b>\$ 111,694</b>	<b>\$ 378,507</b>	<b>\$ 385,599</b>	<b>\$ 104,602</b>
<b>Other</b>				
Assets				
Cash/Cash Equivalents	\$ 26,163	\$ 52,915	\$ 29,085	\$ 49,993
Accounts Receivable	57	136	57	136
Due from Component Units	531	586	531	586
Inventory	6,566	2,727	2,848	6,445
<b>Total Assets</b>	<b>\$ 33,317</b>	<b>\$ 56,364</b>	<b>\$ 32,521</b>	<b>\$ 57,160</b>
Liabilities				
Due to Component Units	\$ 6,632	\$ 0	\$ 6,632	\$ 0
Due to Other Funds	0	0	0	0
Due to Others (as restated)	26,685	56,364	25,889	57,160
<b>Total Liabilities</b>	<b>\$ 33,317</b>	<b>\$ 56,364</b>	<b>\$ 32,521</b>	<b>\$ 57,160</b>
<b>Total - All Agency Funds</b>				
Assets				
Cash/Cash Equivalents	\$ 469,319	\$ 3,409,792	\$ 3,572,383	\$ 306,728
Investments	85	0	0	85
Accounts Receivable	108	174	108	174
Taxes Receivable	12,979	1	12,979	1
Due from Component Units	531	586	531	586
Inventory	6,566	2,727	2,848	6,445
<b>Total Assets</b>	<b>\$ 489,588</b>	<b>\$ 3,413,280</b>	<b>\$ 3,588,849</b>	<b>\$ 314,019</b>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 1,208	\$ 1,825	\$ 1,207	\$ 1,826
Tax Refunds Payable	1,496	5,751	1,496	5,751
Other Liabilities	14	11	14	11
Due to Other Funds	200	2	0	202
Due to Component Units	6,632	0	6,632	0
Due to Others (as restated)	480,038	3,405,691	3,579,500	306,229
<b>Total Liabilities</b>	<b>\$ 489,588</b>	<b>\$ 3,413,280</b>	<b>\$ 3,588,849</b>	<b>\$ 314,019</b>

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## 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. 63<sup>rd</sup> 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. 13<sup>th</sup> 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. 63<sup>rd</sup> 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. 63<sup>rd</sup> Street, Suite 520, Oklahoma City, Oklahoma 73116

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

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

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

### OKLAHOMA CENTENNIAL COMMEMORATION FUND 133 W. Main Street, Suite 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, 2009  
(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
<b>Assets</b>										
Current Assets										
Cash/Cash Equivalents										
Unrestricted	\$ 15,385	\$ 3,313	\$ 9,512	\$ 7,008	\$ 62,856	\$ 8,689	\$ 112	\$ 5,000	\$ 1,292	\$ 113,167
Investments	18,272	0	0	0	53	2,776	0	0	2,008	23,109
Accounts Receivable	1,079	0	0	4,315	15	0	0	8,776	1,385	15,570
Interest and Investment										
Revenue Receivable	59	182	0	27	49	27	0	0	0	344
Other Receivables	238	0	0	0	0	0	0	0	0	238
Notes Receivable	0	1,824	0	0	0	12	0	0	0	1,836
Due from Other Component Units	0	0	0	0	397	172	0	0	0	569
Due from Primary Government	0	0	0	0	146	76	0	0	0	222
Prepaid Items	255	0	0	0	4	0	0	0	0	259
Other Current Assets	0	0	0	0	0	455	0	0	142	597
<b>Total Current Assets</b>	<b>35,288</b>	<b>5,319</b>	<b>9,512</b>	<b>11,350</b>	<b>63,520</b>	<b>12,207</b>	<b>112</b>	<b>13,776</b>	<b>4,827</b>	<b>155,911</b>
Noncurrent Assets										
Cash/Cash Equivalents -										
Restricted	0	5	0	0	249	0	0	0	0	254
Investments - Restricted	0	32,658	0	0	877	0	23,016	0	0	56,551
Long-Term Notes Receivable, Net	0	16,114	0	0	0	1,892	0	0	0	18,006
Capital Assets										
Depreciable, Net	20,209	135	0	262	93,231	484	0	0	0	114,321
Land	26	0	0	0	4,009	100	0	0	0	4,135
Construction in Progress	2,845	0	0	0	86,332	0	0	0	0	89,177
Other Noncurrent Assets										
Unrestricted	0	42	0	0	20,122	150	0	0	1,082	21,396
Restricted	0	0	0	0	2,036	0	0	0	0	2,036
<b>Total Noncurrent Assets</b>	<b>23,080</b>	<b>48,954</b>	<b>0</b>	<b>262</b>	<b>206,856</b>	<b>2,626</b>	<b>23,016</b>	<b>0</b>	<b>1,082</b>	<b>305,876</b>
<b>Total Assets</b>	<b>58,368</b>	<b>54,273</b>	<b>9,512</b>	<b>11,612</b>	<b>270,376</b>	<b>14,833</b>	<b>23,128</b>	<b>13,776</b>	<b>5,909</b>	<b>461,787</b>
<b>Liabilities</b>										
Liabilities										
Current Liabilities										
Accounts Payable and										
Accrued Liabilities	2,985	1	0	0	13,176	7	55	0	14	16,238
Claims and Judgments	0	0	0	12,023	0	0	0	0	0	12,023
Interest Payable	0	318	0	746	0	0	101	0	0	1,165
Due to Other Component Units	0	0	0	64	0	0	0	0	0	64
Deferred Revenue	0	0	0	0	5,369	22	0	0	0	5,391
Capital Leases-Primary Govt.	0	0	0	0	44	0	0	0	0	44
Compensated Absences	140	83	0	60	96	0	0	0	0	379
Notes Payable	0	0	0	1,136	0	0	0	0	0	1,136
General Obligation Bonds	0	1,040	0	0	0	0	0	0	0	1,040
Revenue Bonds	0	0	0	0	925	0	0	0	1,060	1,985
Other Current Liabilities	104	0	0	0	0	0	0	0	0	104
<b>Total Current Liabilities</b>	<b>3,229</b>	<b>1,442</b>	<b>0</b>	<b>14,029</b>	<b>19,610</b>	<b>29</b>	<b>156</b>	<b>0</b>	<b>1,074</b>	<b>39,569</b>
Noncurrent Liabilities										
Claims and Judgments	0	0	0	86,969	0	0	0	0	0	86,969
Compensated Absences	173	0	0	0	0	0	0	0	0	173
General Obligation Bonds	0	50,124	0	24,228	0	0	0	0	0	74,352
Revenue Bonds	0	0	0	0	51,917	9,999	0	0	1,700	63,616
Other Noncurrent Liabilities	478	0	0	0	373	279	39,872	3,212	0	44,214
<b>Total Noncurrent Liabilities</b>	<b>651</b>	<b>50,124</b>	<b>0</b>	<b>111,197</b>	<b>52,290</b>	<b>10,278</b>	<b>39,872</b>	<b>3,212</b>	<b>1,700</b>	<b>269,324</b>
<b>Total Liabilities</b>	<b>3,880</b>	<b>51,566</b>	<b>0</b>	<b>125,226</b>	<b>71,900</b>	<b>10,307</b>	<b>40,028</b>	<b>3,212</b>	<b>2,774</b>	<b>308,893</b>
<b>Net Assets</b>										
Invested in Capital Assets, Net of Related Debt										
Restricted for:	20,240	5	0	0	130,729	584	0	0	0	151,558
Other Special Purpose										
Expendable	976	0	0	0	3,162	0	0	5,564	3,135	12,837
Unrestricted	33,272	2,702	9,512	(113,614)	64,585	3,942	(16,900)	5,000	0	(11,501)
<b>Total Net Assets</b>	<b>\$ 54,488</b>	<b>\$ 2,707</b>	<b>\$ 9,512</b>	<b>\$ (113,614)</b>	<b>\$ 198,476</b>	<b>\$ 4,526</b>	<b>\$ (16,900)</b>	<b>\$ 10,564</b>	<b>\$ 3,135</b>	<b>\$ 152,894</b>

State of Oklahoma  
Combining Statement of Activities  
NonMajor Component Units  
For the Fiscal Year Ended June 30, 2009  
(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	\$ 14,199	\$ 499	\$ 2,031	\$ 0	\$ (11,669)	\$ 8,394	\$ (3,275)	\$ 57,763	\$ 54,488	
Oklahoma Industrial Finance Authority	1,962	2,209	0	0	247	0	247	2,460	2,707	
Health Insurance High Risk Pool	21,966	24,283	0	0	2,317	0	2,317	7,195	9,512	
Multiple Injury Trust Fund	15,557	27,822	0	0	12,265	18,759	31,024	(144,638)	(113,614)	
University Hospitals Authority	135,694	106,565	0	0	(29,129)	43,198	14,069	184,407	198,476	
Oklahoma Development Finance Authority	1,580	1,143	0	0	(437)	0	(437)	4,963	4,526	
Oklahoma Capital Investment Board	1,607	(5,259)	0	0	(6,866)	0	(6,866)	(10,034)	(16,900)	
Oklahoma State Univ. Medical Authority	14,751	5,000	0	0	(9,751)	0	(9,751)	20,315	10,564	
Oklahoma Centennial Commemoration Fund	6,826	3,763	0	0	(3,063)	0	(3,063)	6,198	3,135	
<b>Total Nonmajor Component Units</b>	<b>\$ 214,142</b>	<b>\$ 166,025</b>	<b>\$ 2,031</b>	<b>\$ 0</b>	<b>\$ (46,086)</b>	<b>\$ 70,351</b>	<b>\$ 24,265</b>	<b>\$ 128,629</b>	<b>\$ 152,894</b>	

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

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**Other Supplementary Information**



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**Other Supplementary Information**

# 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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Oklahoma as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 31, 2009, which included an emphasis paragraph on the unfunded actuarial accrued liability of the Teachers' Retirement System. Our report was modified to include a reference to 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. Other auditors audited the financial statements noted below:

- the financial statements of the Commissioners of the Land Office, the Oklahoma Department of Commerce, the Native American Cultural and Educational Authority, the Oklahoma Insurance Department, the EDGE Fund, and the Oklahoma Department of Wildlife Conservation, which in the aggregate represent eleven percent and two percent, respectively, of the assets and revenues of the governmental activities, and four percent of the assets and one 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 fifty-eight percent of the assets and forty 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.

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

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might

be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. [09-090-003, 09-265-001IT, and 09-265-002IT]

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do consider significant deficiencies 09-090-003 and 09-265-001IT described above to be material weaknesses.

#### Compliance and Other Matters

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

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

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



Steve Burrage, CPA  
State Auditor and Inspector

December 31, 2009

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

**Reference Number: 09-090-003**

**State Agency: Office of State Finance**

**Criteria/Condition:** An essential part of the internal controls established by the Office of State Finance (OSF) is the performance of a cash reconciliation of treasury funds between the CORE general ledger and the State Treasurer's Office (OST). The reconciliation is an important process in ensuring the accuracy of the accounting records and ensuring that errors are detected and corrected in a timely manner. While it appears the agencies have made great strides by reconciling cash monthly for state fiscal year 2009, there are still outstanding differences between OSF and OST totaling \$137,351,668.

**Cause/Effect:** The delay in resolving the outstanding differences appears to be due to staffing issues related to ongoing implementation of the CORE system along with the death of the employee responsible for reconciling the major fund differences. The Office of State Finance has assigned the reconciliation responsibilities to another employee and hopes to be able to address the major cash differences among class-funding and business unit for state fiscal year 2010. Without the material cash reconciling items being resolved between OSF and OST, the financial information could be incomplete, inaccurate and/or unreliable for users of the CORE system.

In addition, while the outstanding cash differences have went down in total from 2007, we are seeing an increasing number of class-funds that make up the majority of the reconciling balance.

**Recommendation:** We recommend the cash reconciliation of treasury funds between OSF and OST continue to be reviewed and reconciled on a timely basis to ensure the financial information is complete, accurate and reliable for users of the CORE system.

**Views of Responsible Official(s):**

**Contact Person:** Jennie Pratt, Deric Berousek

**Anticipated Completion Date:** June 30, 2010

**Corrective Action Planned:** OSF currently reconciles the treasury funds between OSF and OST on a monthly basis. OSF suffered a setback in the reconciliation of aged differences due to the loss of an employee that developed many of the processes currently in place. New staff members are currently training on performing the monthly reconciliations as well as how to resolve discrepancies on aged differences. OSF plans to reduce the number of class-funds with discrepancies by fiscal year end.

**Reference Number: 09-265-001IT**

**State Agency: Oklahoma State Department of Education (OSDE)**

**Criteria:** According to CobiT (Delivery and Support 5), management is responsible for establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

**Condition:** OSDE has a material weakness in the area of information security. There are several unaddressed threats that could result in loss of data or damage to equipment.

**Cause/Effect:** The lack of adequate security measures creates a substantial risk of data loss and equipment damage for the agency.

**Recommendation:** We recommend that the OSDE update the current security systems that are protecting agency information and assets. There are also several policy and procedure improvements that could greatly enhance the security situation.

**Views of Responsible Official(s):**

**Contact Person:** Patti High

**Anticipated Completion Date:** State fiscal year 2011

**Corrective Action Planned:** Management and key technical staff will research cost and submit requisitions for approval for security system upgrades. Several policies are being updated to reflect actual procedures, and we are also preparing new policies to address key risk areas.

**Reference Number: 09-265-002IT**

**State Agency: Oklahoma State Department of Education (OSDE)**

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

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

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

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

**Views of Responsible Official(s):**

**Contact Person:** Patti High

**Anticipated Completion Date:** State fiscal year 2011

**Corrective Action Planned:** Additional staff will be requested in the FY11 budget to provide flexibility with assignments. Duties will be reassigned as staff are trained and/or hired. Ideally, this will ensure enough staff to sufficiently develop and maintain IT projects, create and staff a centralized help-desk for key applications, as well as reduce reliance on a single individual for multiple critical tasks.



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**Statistical Section**



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## Statistical Section

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## Using the Statistical Section

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

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

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

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

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

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

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

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

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

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

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

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual report for the relevant year. 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 Nine Fiscal Years**  
(expressed in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Governmental Activities</b>									
Invested in capital assets, net of related debt	\$ 6,005,182	\$ 5,543,009	\$ 5,658,694	\$ 5,991,173	\$ 6,086,534	\$ 6,246,160	\$ 6,633,078	\$ 7,118,384	\$ 7,364,509
Restricted	1,282,421	1,673,732	1,645,107	1,497,652	1,682,789	1,887,136	2,172,697	3,368,766	2,268,701
Unrestricted	2,191,416	1,279,298	1,380,071	1,955,354	2,371,787	3,156,226	3,348,465	2,284,063	2,970,902
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>	<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>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	116	114	121	220	161	608	1,028	771	527
Restricted	586,717	574,812	482,163	485,159	886,391	1,062,156	1,207,733	9,019	1,178,940
Unrestricted	193,175	208,628	220,885	224,997	-	202	6,961	1,283,673	10,972
Total business-type activities net assets	<u>780,008</u>	<u>783,554</u>	<u>703,169</u>	<u>710,376</u>	<u>886,552</u>	<u>1,062,966</u>	<u>1,215,722</u>	<u>1,293,463</u>	<u>1,190,439</u>
<b>Primary government</b>									
Invested in capital assets, net of related debt	6,005,298	5,543,123	5,658,815	5,991,393	6,086,695	6,246,768	6,634,106	7,119,155	7,365,036
Restricted	1,869,138	2,248,544	2,127,270	1,982,811	2,569,180	2,949,292	3,380,430	3,377,785	3,447,641
Unrestricted	2,384,591	1,487,926	1,600,956	2,180,351	2,371,787	3,156,428	3,355,426	3,567,736	2,981,874
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>	<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>

*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.*

# State of Oklahoma

## Changes in Net Assets

### Last Nine Fiscal Years

(expressed in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Expenses</b>									
<b>Governmental Activities:</b>									
Education-General	\$ 2,514,961	\$ 2,553,744	\$ 2,522,466	\$ 2,614,823	\$ 2,751,320	\$ 2,942,969	\$ 3,285,059	\$ 3,479,319	\$ 3,548,104
Education-Payment to Higher Education	835,371	831,855	800,490	802,985	786,862	823,489	936,404	910,385	1,074,409
General Government	521,153	405,243	1,003,118	1,254,177	1,518,198	1,529,506	1,712,841	1,680,106	1,718,794
Health Services	367,569	408,545	399,572	393,661	3,096,903	3,471,042	3,954,939	4,214,407	4,542,241
Legal and Judiciary	163,037	169,429	167,971	160,952	175,673	197,324	213,955	222,319	230,706
Museums	11,755	12,738	11,008	11,042	11,634	33,840	17,834	32,164	17,507
Natural Resources	192,980	195,205	190,289	181,033	201,039	242,466	271,734	249,235	265,197
Public Safety and Defense	702,059	776,385	603,306	645,820	674,507	728,331	829,663	926,959	951,387
Regulatory Services	170,691	169,529	175,512	71,733	83,421	116,516	110,218	95,653	130,033
Social Services	3,303,724	3,720,896	3,858,546	4,154,504	1,664,577	1,727,808	1,797,721	1,782,333	1,976,556
Transportation	599,698	579,246	545,193	559,628	580,027	654,147	482,831	791,993	902,151
Interest on Long-Term Debt	42,275	53,453	46,174	45,615	47,769	68,383	69,769	74,108	70,026
Governmental Activities	9,425,273	9,876,268	10,323,645	10,895,973	11,591,930	12,535,821	13,682,968	14,458,981	15,427,111
<b>Business-Type Activities:</b>									
Employment Security Commission	147,051	267,462	365,701	335,197	194,373	164,954	177,914	194,549	533,629
Water Resources Board	16,230	15,108	13,792	15,965	24,636	29,829	28,015	27,016	25,527
Lottery Commission	-	-	-	-	92	164,862	145,028	145,951	122,961
Business-Type Activities	163,281	282,570	379,493	351,162	219,101	359,645	350,957	367,516	682,117
Total Primary Government Expenses	\$ 9,588,554	\$ 10,158,838	\$ 10,703,138	\$ 11,247,135	\$ 11,811,031	\$ 12,895,466	\$ 14,033,925	\$ 14,826,497	\$ 16,109,228
<b>Program Revenues</b>									
<b>Governmental Activities:</b>									
Charges for Services:									
General Government	\$ 250,694	\$ 197,531	\$ 195,789	\$ 103,377	\$ 188,708	\$ 200,292	\$ 215,773	\$ 222,663	\$ 230,663
Health Services	57,119	62,243	52,032	48,308	205,753	219,040	166,816	140,691	126,087
Social Services	116,904	179,385	186,120	289,548	56,351	76,898	72,674	157,818	190,535
All Others	380,783	342,699	340,014	378,666	452,317	441,250	472,406	483,933	569,538
Total Charges for Services	805,500	781,858	773,955	819,899	903,129	937,480	927,669	1,005,105	1,116,823
Operating Grants and Contributions	3,219,285	3,620,888	4,012,431	4,533,045	4,641,036	4,928,318	5,370,772	5,528,650	6,141,165
Capital Grants and Contributions	3,076	14,003	16,396	9,056	1,304	-	-	-	-
Total Governmental Activities	4,027,861	4,416,749	4,802,782	5,362,000	5,545,469	5,865,798	6,298,441	6,533,755	7,257,988
<b>Business-Type Activities:</b>									
Charges for Services:									
Employment Security Commission	99,880	133,174	181,586	263,265	328,445	311,294	271,705	227,733	267,591
Water Resources Board	21,287	21,816	13,490	13,284	41,761	35,596	52,300	37,585	53,973
Lottery Commission	-	-	-	-	-	205,075	215,223	214,400	193,326
Total Charges for Services	121,167	154,990	195,076	276,549	370,206	551,965	539,228	479,718	514,890
Operating Grants and Contributions	29,802	131,801	104,568	82,199	25,434	24,432	34,457	33,862	134,029
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	150,969	286,791	299,644	358,748	395,640	576,397	573,685	513,580	648,919
Total Primary Government Revenue	\$ 4,178,830	\$ 4,703,540	\$ 5,102,426	\$ 5,720,748	\$ 5,941,109	\$ 6,442,195	\$ 6,872,126	\$ 7,047,335	\$ 7,906,907
Net (Expense) Revenue:									
Governmental Activities	\$ (5,397,412)	\$ (5,459,519)	\$ (5,520,863)	\$ (5,533,973)	\$ (6,046,461)	\$ (6,670,023)	\$ (7,384,527)	\$ (7,925,226)	\$ (8,169,123)
Business-Type Activities	(12,312)	4,221	(79,849)	7,586	176,539	216,752	222,728	146,064	(33,198)
<b>Total Primary Government</b>	<b>\$ (5,409,724)</b>	<b>\$ (5,455,298)</b>	<b>\$ (5,600,712)</b>	<b>\$ (5,526,387)</b>	<b>\$ (5,869,922)</b>	<b>\$ (6,453,271)</b>	<b>\$ (7,161,799)</b>	<b>\$ (7,779,162)</b>	<b>\$ (8,202,321)</b>
<b>General Revenues</b>									
<b>Governmental Activities:</b>									
Taxes	\$ 5,426,859	\$ 5,081,788	\$ 5,540,110	\$ 6,268,763	\$ 6,652,722	\$ 7,712,816	\$ 7,974,727	\$ 8,181,246	\$ 7,865,527
Investment Earnings	137,744	72,769	38,307	21,600	46,981	114,884	192,733	247,191	141,264
Contributions to Permanent Funds	-	37,906	41,814	39,039	43,504	43,684	48,839	68,018	73,548
Gain (Loss) on Sale of Assets	9,518	(1,491)	(790)	-	-	5,386	1,989	-	1,316
Special Item - Taxpayer Refund	-	-	-	-	-	(91,869)	-	-	-
Transfers	(1,043)	675	577	379	363	40,325	69,972	68,323	69,826
Total Governmental Activities	5,573,078	5,191,647	5,620,018	6,329,781	6,743,570	7,825,226	8,288,260	8,564,778	8,151,481
<b>Business-Type Activities:</b>									
Transfers	1,043	(675)	(577)	(379)	(363)	(40,325)	(69,972)	(68,323)	(69,826)
Total Business-Type Activities	1,043	(675)	(577)	(379)	(363)	(40,325)	(69,972)	(68,323)	(69,826)
Total General Revenues and Transfers	\$ 5,574,121	\$ 5,190,972	\$ 5,619,441	\$ 6,329,402	\$ 6,743,207	\$ 7,784,901	\$ 8,218,288	\$ 8,496,455	\$ 8,081,655
Change in Net Assets	164,397	(264,326)	18,729	803,015	873,285	1,331,630	1,056,489	717,293	(120,666)
Net Assets - Beginning of Year (as restated)	10,094,630	9,543,919	9,368,312	9,351,540	10,154,377	11,020,858	12,313,473	13,347,383	13,915,217
Net Assets - End of Year	\$ 10,259,027	\$ 9,279,593	\$ 9,387,041	\$ 10,154,555	\$ 11,027,662	\$ 12,352,488	\$ 13,369,962	\$ 14,064,676	\$ 13,794,551

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.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund									
Reserved	\$ 429,305	\$ 439,037	\$ 587,039	\$ 354,525	\$ 359,492	\$ 586,051	\$ 731,850	\$ 758,702	\$ 767,554
Unreserved	1,879,727	1,384,506	1,239,784	1,719,849	2,164,492	3,373,911	3,449,196	3,504,990	3,166,157
Total General Fund	<u>2,309,032</u>	<u>1,823,543</u>	<u>1,826,823</u>	<u>2,074,374</u>	<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>
All Other Governmental Funds									
Reserved	1,184,603	1,145,531	1,266,125	1,423,558	1,589,641	1,748,747	2,024,316	2,052,390	1,906,950
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>	<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>
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>	<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>

*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.*

# State of Oklahoma

## Changes in Fund Balances, Governmental Funds

### Last Nine Fiscal Years

(Modified accrual basis of accounting)  
(expressed in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>									
Taxes:									
Income Taxes-Individual	\$ 2,213,891	\$ 2,193,040	\$ 2,063,414	\$ 2,427,239	\$ 2,410,234	\$ 2,693,548	\$ 2,654,294	\$ 2,753,040	\$ 2,537,221
Income Taxes-Corporate	169,343	205,759	178,161	199,937	277,265	426,725	772,668	552,193	449,910
Sales Tax	1,475,338	1,478,325	1,437,630	1,623,423	1,682,636	1,843,803	1,968,931	2,107,116	2,190,082
Gross Production Taxes	561,713	226,094	468,064	656,035	737,204	1,036,888	822,888	1,114,950	1,136,279
Motor Vehicle Taxes	270,724	250,870	539,748	572,844	574,800	584,294	609,669	604,926	585,084
Fuel Taxes	263,128	274,476	378,021	383,871	407,276	414,677	401,992	419,617	397,852
Tobacco Taxes	-	-	-	-	124,347	216,512	220,556	237,166	254,006
Insurance Taxes	152,746	174,424	197,799	173,535	81,852	76,874	104,403	100,778	105,076
Beverage Taxes	128,591	55,637	66,291	68,617	71,300	75,517	79,996	86,648	90,071
Other Taxes	191,385	223,163	210,982	163,262	285,808	343,978	339,330	204,812	119,946
Licenses, Permits and Fees	220,235	243,821	244,143	257,683	285,323	296,521	289,717	323,903	357,226
Interest and Investment Revenue	202,290	72,649	191,728	234,560	294,796	382,545	637,729	399,006	89,296
Federal Grants	3,265,672	3,661,140	3,945,318	4,314,751	4,493,290	4,770,328	5,006,861	5,503,532	6,227,575
Sales and Services	149,868	149,237	163,384	158,314	169,374	183,369	185,278	173,117	201,307
Other	324,281	401,243	348,298	416,874	388,193	434,451	366,988	475,020	570,192
<b>Total Revenues</b>	<b>9,589,205</b>	<b>9,609,878</b>	<b>10,432,981</b>	<b>11,650,945</b>	<b>12,283,698</b>	<b>13,780,030</b>	<b>14,461,300</b>	<b>15,055,824</b>	<b>15,311,123</b>
<b>Expenditures</b>									
Education	3,345,934	3,387,027	3,319,533	3,413,856	3,534,042	3,762,683	4,218,333	4,387,428	4,619,951
General Government	503,015	385,320	981,408	1,242,562	1,478,107	1,607,212	1,604,462	1,694,758	1,631,219
Health Services	359,078	396,472	390,047	385,634	3,144,918	3,447,085	3,936,893	4,200,188	4,525,993
Legal and Judiciary	158,085	164,410	163,576	155,822	170,337	190,644	207,229	215,942	225,225
Museums	9,409	9,302	7,943	9,497	11,171	30,316	17,045	31,586	16,903
Natural Resources	187,661	182,524	186,898	170,469	191,514	231,616	238,075	263,551	271,487
Public Safety and Defense	675,513	737,410	607,896	596,905	628,901	674,494	773,813	876,660	915,880
Regulatory Services	168,128	167,360	174,004	70,559	81,333	114,871	108,231	93,438	127,803
Social Services	3,280,669	3,684,277	3,822,301	4,118,013	1,589,397	1,697,057	1,758,475	1,755,810	1,933,117
Transportation	180,821	233,439	222,475	205,421	146,013	224,885	173,532	286,540	199,517
Capital Outlay	678,942	721,007	669,574	635,411	673,562	768,003	918,055	1,010,262	1,438,064
Debt Service									
Principal Retirement	55,675	63,850	75,226	28,212	31,550	98,512	103,606	126,103	95,155
Interest and fiscal Charges	42,275	53,453	46,174	45,615	47,769	68,383	69,769	74,108	70,026
<b>Total Expenditures</b>	<b>9,645,205</b>	<b>10,185,851</b>	<b>10,667,055</b>	<b>11,077,976</b>	<b>11,728,614</b>	<b>12,915,761</b>	<b>14,127,518</b>	<b>15,016,374</b>	<b>16,070,340</b>
Revenues in Excess of (Less Than) Expenditures	(56,000)	(575,973)	(234,074)	572,969	555,084	864,269	333,782	39,450	(759,217)
<b>Other Financing Sources (Uses)</b>									
Transfers In	25,262	4,256	7,363	6,575	4,439	50,405	80,606	76,576	77,371
Transfers Out	(26,306)	(3,581)	(6,786)	(6,196)	(4,076)	(10,080)	(10,634)	(8,253)	(7,545)
Bonds Issued	157,340	41,810	12,930	34,180	47,940	614,400	6,430	23,000	105,400
Notes Issued	-	-	24,190	54,770	-	48,875	95,675	-	98,230
Refunding Bonds Issued	-	3,135	353,380	22,070	118,825	-	-	-	-
Bond Issue Premiums	2,203	148	35,784	2,670	8,497	14,562	4,573	-	2,478
Bond Issue Discounts	-	(39)	(103)	(182)	(421)	(975)	(82)	-	(730)
Payment to Refunded Bond Escrow Agent	-	(3,135)	(93,670)	(298,591)	(126,670)	-	-	-	-
Capital Leases and Certificates of Participation	2,343	879	2,935	1,886	311	248	2,501	2,873	3,655
Sale of Capital Assets	10,930	9,049	9,212	11,008	11,764	13,191	7,613	7,860	5,832
<b>Total Other Financing Sources (Uses)</b>	<b>171,772</b>	<b>52,522</b>	<b>345,235</b>	<b>(171,810)</b>	<b>60,609</b>	<b>730,626</b>	<b>186,682</b>	<b>102,056</b>	<b>284,691</b>
<b>Net Changes in Fund Balances</b>	<b>115,772</b>	<b>(523,451)</b>	<b>111,161</b>	<b>401,159</b>	<b>615,693</b>	<b>1,594,895</b>	<b>520,464</b>	<b>141,506</b>	<b>(474,526)</b>
Fund Balances - Beginning of Year (as restated)	3,377,863	3,496,917	2,985,307	3,096,773	3,497,932	4,113,814	5,684,898	6,174,576	6,315,187
Fund Balances - End of Year	\$ 3,493,635	\$ 2,973,466	\$ 3,096,468	\$ 3,497,932	\$ 4,113,625	\$ 5,708,709	\$ 6,205,362	\$ 6,316,082	\$ 5,840,661
Debt Service as a Percentage of Noncapital Expenditures	1.1%	1.2%	1.2%	0.7%	0.7%	1.4%	1.3%	1.4%	1.1%

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.

# State of Oklahoma

## Personal Income by Industry

### Last Eight Calendar Years

(expressed in millions)

	2001	2002	2003	2004	2005	2006	2007	2008
<b>Total Personal Income</b>	\$ 90,161	\$ 90,178	\$ 93,032	\$ 98,095	\$ 106,111	\$ 115,960	\$ 126,280	\$ 131,070
Farm Earnings	625	774	736	917	870	401	486	828
Nonfarm Earnings	65,716	65,337	68,022	72,218	78,528	85,495	91,723	93,894
<b>Private Earnings</b>	<b>52,287</b>	<b>51,078</b>	<b>53,238</b>	<b>56,529</b>	<b>61,924</b>	<b>67,680</b>	<b>72,902</b>	<b>73,787</b>
Agriculture Services, Forestry	168	148	161	177	189	186	203	203
Mining, Oil & Natural Gas Extraction	3,673	3,261	4,002	4,549	6,389	8,265	8,634	7,963
Utilities	1,043	1,178	1,386	1,444	1,274	1,385	1,721	1,309
Construction	3,350	3,216	3,363	3,533	3,806	4,112	4,154	4,722
<b>Manufacturing</b>	<b>11,111</b>	<b>9,826</b>	<b>10,186</b>	<b>10,457</b>	<b>12,178</b>	<b>12,943</b>	<b>14,552</b>	<b>12,000</b>
Durable Goods	5,165	4,996	5,116	5,164	5,270	5,759	6,020	6,266
Nondurable goods	5,946	4,831	5,070	5,293	6,908	7,184	8,532	5,734
Wholesale Trade	2,662	2,790	2,747	2,938	3,209	3,548	3,745	4,060
Retail Trade	4,728	4,871	4,932	5,096	5,311	5,578	5,746	6,255
Transportation and Warehousing	2,985	2,537	2,573	2,776	2,865	3,260	3,484	3,732
Services	22,567	23,251	23,888	25,559	26,704	28,403	30,663	33,543
<b>Government</b>	<b>13,429</b>	<b>14,259</b>	<b>14,784</b>	<b>15,689</b>	<b>16,604</b>	<b>17,814</b>	<b>18,820</b>	<b>20,107</b>
Federal, civilian	3,149	3,352	3,446	3,696	3,816	4,001	4,170	4,193
Military	1,624	1,851	2,128	2,265	2,392	2,621	2,691	2,825
State and Local	8,656	9,056	9,210	9,728	10,395	11,192	11,959	13,089
Highest Personal Income Tax Rate	6.75%	6.75%	7.00%	7.00%	6.65%	5.65%	5.65%	5.50%
Corporate Income Tax Rate	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 2007 and 1998**

Calendar Year 2007

<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	180,360	11%	\$1,462,715,929	52%
\$75,001 - \$100,000	113,170	7%	\$349,514,878	12%
\$50,001 - \$75,000	210,377	12%	\$444,518,177	16%
\$25,001 - \$50,000	403,829	24%	\$434,154,536	15%
\$10,001 - \$25,000	417,153	24%	\$125,525,152	4%
\$10,000 and lower	363,482	22%	\$5,390,790	1%
Total	1,688,371	100%	\$2,821,819,462	100%

Calendar Year 1998

<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	73,121	5%	\$673,044,793	34%
\$75,001 - \$100,000	62,448	4%	\$230,685,613	12%
\$50,001 - \$75,000	161,253	11%	\$408,235,603	21%
\$25,001 - \$50,000	359,945	25%	\$468,933,230	24%
\$10,001 - \$25,000	430,455	30%	\$155,974,937	8%
\$10,000 and lower	359,549	25%	\$12,441,453	1%
Total	1,446,771	100%	\$1,949,315,629	100%

Source: Oklahoma Tax Commission

# State of Oklahoma Tax Collections For Last Seven Fiscal Years

Taxes	2003	2004	2005	2006	2007	2008	2009
Aircraft Excise Tax	\$ 3,561,783	\$ 2,130,160	\$ 3,839,124	\$ 2,781,702	\$ 4,894,881	\$ 4,756,533	\$ 4,172,388
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
Beverage Tax	23,866,102	24,003,209	23,735,552	24,253,880	24,876,901	25,337,878	26,359,749
Bingo Tax	6,184,991	4,978,884	4,051,661	1,640,473	1,088,643	491,681	222,436
Charity Games Tax	486,646	376,960	308,613	136,253	107,404	71,363	51,222
Cigarette Tax	50,346,995	40,475,363	95,450,565	176,915,506	197,416,262	202,745,622	204,236,542
City Use Tax - Collect/Deposit	454,259	567,686	660,926	790,748	897,305	1,069,561	958,607
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
Controlled Dangerous Substance Tax	-	-	6,653	23,564	19,295	17,766	33,260
County Tax (Use & Lodging)	-	-	125,697	150,697	192,820	213,985	219,223
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
Documentary Stamp Tax	10,304,768	12,047,669	14,000,568	16,768,900	17,153,783	16,584,410	13,307,236
Farm Implement Tax Stamps	-	-	7,010	5,870	6,305	8,324	8,287
Franchise Tax	41,854,891	41,660,448	40,671,476	41,476,258	43,068,528	46,103,569	46,908,656
Freight Car Tax	764,012	741,459	765,646	755,298	782,258	676,250	707,694
Gaming Exclusivity Fees	-	-	1,653,098	14,191,695	43,618,582	79,779,165	104,803,681
Gasoline Excise Tax	295,106,890	302,366,783	301,720,983	219,279,433	207,928,969	207,968,692	206,287,240
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
Horse Track Gaming	-	-	-	3,145,867	10,019,698	10,429,536	13,727,728
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
Income Tax (Corporate)	104,447,596	133,308,896	168,889,848	304,381,318	554,759,229	359,823,533	376,971,517
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
Insurance Premium Tax	156,636,886	275,709,270	139,575,679	129,587,854	159,816,876	161,504,757	165,916,913
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
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
Pari-Mutuel Taxes	2,687,696	2,799,509	1,827,015	1,638,435	1,834,816	1,811,980	1,647,939
Pari-Mutuel - Other Tax	21,350	22,390	13,836	14,948	18,645	33,155	18,178
Petroleum Excise Tax	8,012,472	9,286,470	11,310,702	15,540,837	13,214,922	15,861,718	16,010,447
Rural Electric Co-operative Tax	18,487,011	20,431,429	17,306,353	1,249,543	1,448,501	1,488,051	1,602,814
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
Sales Tax - City	10,941,969	9,853,256	10,327,761	12,798,204	13,735,769	12,425,284	13,720,926
Sales Tax - County	1,123,179	1,538,470	1,865,652	2,208,807	2,853,056	2,583,542	2,851,342
Special Fuel Decal	297,866	272,297	268,856	221,878	719,261	320,595	315,226
Special Fuel Use Tax	152,939	37,152	18,719	990,474	1,461,588	1,423,614	1,438,287
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
Telephone Surcharge	1,196,625	904,408	978,355	953,770	925,799	917,690	885,980
Tobacco Products Tax	12,282,099	12,423,543	17,199,744	23,970,831	23,700,748	24,311,479	26,073,091
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
Unclaimed Property Tax	27,678,270	39,408,944	52,245,461	10,829,856	11,849,607	11,756,295	11,444,647
Unclassified Tax Receipts	5,181	53,627	41,819	62,370	135,530	278,502	510,559
Use Tax	75,860,919	98,007,540	114,197,882	133,775,850	155,857,219	167,314,341	191,222,671
Vehicle Revenue Tax Stamps	44,847	45,275	43,908	45,452	46,074	46,769	39,793
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
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
Other Taxes	15,513,185	16,427,233	20,791,539	18,902,571	17,453,681	19,685,781	19,825,879
<b>Total</b>	<b>\$ 5,729,407,181</b>	<b>\$ 6,379,116,783</b>	<b>\$ 6,649,168,954</b>	<b>\$ 7,005,583,673</b>	<b>\$ 7,390,064,881</b>	<b>\$ 7,565,402,020</b>	<b>\$ 7,535,648,889</b>

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 Nine Fiscal Years  
(expressed in thousands)

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

*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.*

# State of Oklahoma

## Ratios of Outstanding Debt by Type –

### Primary Government

#### Last Nine Fiscal Years

(expressed in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Governmental Activities Debt:</b>									
General Obligation Bonds	\$ 290,500	\$ 280,470	\$ 531,185	\$ 261,210	\$ 261,210	\$ 247,500	\$ 233,510	\$ 218,955	\$ 203,755
General Obligation Bonds as a Percentage of General Revenue <sup>a</sup>	5.21%	5.40%	9.45%	4.13%	3.87%	3.16%	2.82%	2.56%	2.50%
Per Capita (actual-not in thousands) <sup>b</sup>	\$ 84	\$ 80	\$ 152	\$ 74	\$ 74	\$ 69	\$ 65	\$ 60	\$ 55
Revenue bonds	644,139	635,154	588,986	640,619	668,091	1,208,646	1,137,350	1,061,570	1,099,625
Notes Payable	35,946	35,673	59,579	107,842	97,869	136,966	221,898	211,570	299,266
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
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>
<b>Business-Type Activities Debt:</b>									
Revenue Bonds	\$ 253,279	\$ 359,019	\$ 346,853	\$ 534,727	\$ 701,364	\$ 653,070	\$ 580,049	\$ 544,900	\$ 502,901
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>
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>
Total Primary Government Debt as a Percentage of Personal Income <sup>c</sup>	1.38%	1.47%	1.66%	1.55%	1.62%	1.92%	1.72%	1.60%	1.60%
Per Capita (actual-not in thousands) <sup>b</sup>	\$ 359	\$ 380	\$ 438	\$ 440	\$ 488	\$ 629	\$ 602	\$ 559	\$ 575

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

<sup>b</sup> Population data can be found in the Demographic and Economic Statistics schedule. The amount for 2009 is estimated. 2009 population data was unavailable at printing.

<sup>c</sup> Debt by Type information can be found in the notes to the financial statements. The percentage for 2009 is estimated. 2009 income data was unavailable at printing.

*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.*

**State of Oklahoma**  
**Revenue Bond Coverage**  
**Enterprise Fund and Component Units**  
For Last Ten Fiscal Years  
(expressed in thousands)

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
<b>COMPONENT UNITS:</b>						
<b>Oklahoma Student Loan Authority</b> (June 30 year end)	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
	2000	24,101	5,011	19,090	11,272	1.69
<b>Oklahoma Housing Finance Agency</b> (December 31 year end)	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
	1999	67,168	5,786	61,382	110,584	0.56
<b>Oklahoma Turnpike Authority</b> (December 31 year end)	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
	1999	167,341	40,932	126,409	78,702	1.61
<b>Grand River Dam Authority</b> (December 31 year end)	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
	1999	195,738	90,114	105,624	94,356	1.12
<b>Oklahoma Municipal Power Authority</b> (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
	1999	96,014	70,975	25,039	28,020	0.89

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
<b>Higher Education</b>						
(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
<b>ENTERPRISE FUND:</b>						
<b>Oklahoma Water Resources Board</b>						
(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
	2000	14,620	3,699	10,921	25,301	0.43

(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 2000 and 2009

<u>Non-Governmental Major Employers 2000</u>	<u>Non-Governmental Major Employers 2009</u>	<u>Employment 2009</u>	<u>Percentage of Total State Employment 2009</u>
Wal-Mart Stores, Inc.	Wal-Mart Stores, Inc.	34,000	2.00%
Integrus Health	Integrus Health	9,000	0.53%
AMR, Corp.	AMR Corp	7,000	0.41%
Columbia HCA Healthcare	YUM! Brands	7,000	0.41%
Hillcrest Healthcare System	Chickasaw Nation	7,000	0.41%
Saint Francis Hospital	Saint Francis Hospital Inc.	6,000	0.35%
General Motors	St. Johns Medical Center Inc.	6,000	0.35%
The Hertz Corporation	Choctaw Nation of Oklahoma	5,000	0.29%
Phillips Petroleum Co.	ConocoPhillips	5,000	0.29%
W. H. Braum, Inc.	W. H. Braum, Inc.	4,000	0.24%

*Source: Oklahoma Department of Commerce*

# State of Oklahoma

## Demographic and Economic Statistics

### Last Ten Fiscal Years

Year	Population <sup>a</sup> (in thousands)				Personal Income <sup>a</sup>	Per Capita Personal Income <sup>a</sup>			Civilian Labor Force <sup>b</sup>		
	U. S.	Change from Prior Period	State of Oklahoma	Change from Prior Period	(in thousands) State of Oklahoma	U. S.	State of Oklahoma	Oklahoma as a Percentage of U.S.	Employed	Unemployed	Unemployment Rate
1999	279,040	1.15%	3,437	0.94%	78,220	28,333	22,757	80.77%	1,590,217	58,526	3.5%
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%

<sup>a</sup> source U.S. Bureau of Economic Analysis as adjusted

<sup>b</sup> source Oklahoma Employment Security Commission and U.S. Bureau of Labor Statistics as adjusted

*Note: 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

## School Enrollments

For the Years 2001 through 2008

<u>Public School Enrollments:</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Early childhood	21,111	22,787	24,476	26,297	29,685	33,418	34,378	35,270
Kindergarten	39,067	39,242	40,801	42,603	44,193	48,667	49,362	49,306
Elementary School	239,247	238,068	233,332	231,626	230,323	255,144	236,130	239,446
Junior High School	109,546	110,627	112,790	113,080	112,771	117,026	137,251	136,059
Senior High School	150,519	148,822	148,900	148,816	149,585	157,248	178,292	178,400
No-High School Districts (Grades 1-8)	16,707	16,594	16,757	16,669	16,421	19,435	20,743	22,603
Special Education (Ungraded)	2,934	2,904	3,062	3,161	2,499	3,802	3,978	3,584
Out-of-Home Placements	1,613	1,751	1,648	1,674	1,687	1,777	1,854	1,635
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>Higher Education:</u>								
Public Institutions	216,758	220,448	225,040	230,090	237,455	235,730	233,371	235,388
Private Institutions	30,185	30,264	29,007	27,125	24,661	24,060	24,070	25,278
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>Career-Technology Education:</u>								
Secondary *	133,054	138,042	145,788	151,833	151,703	154,857	160,310	156,755
Adult	316,789	327,829	330,095	357,619	375,790	404,260	407,597	378,772
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>

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

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

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**State of Oklahoma**  
**Government Employees by Function**  
 Fiscal Years 2001 through 2008  
 (excluding Higher Education)

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

Source: State Office of Personnel Management (OPM)

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

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 Nine Fiscal Years

(net of depreciation, expressed in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Governmental activities:</b>									
Education	\$ 15,008	\$ 20,719	\$ 19,984	\$ 19,423	\$ 19,213	\$ 19,079	\$ 18,592	\$ 18,130	\$ 23,888
General Government	106,599	118,072	142,828	150,593	150,583	161,620	161,339	173,422	173,235
Health Services	34,478	35,054	34,349	32,876	32,003	30,632	28,161	28,784	142,580
Legal and Judiciary	702	490	278	100	20	139	300	302	125
Museums	6,549	6,419	6,593	6,879	6,760	6,607	6,454	6,576	6,594
Natural Resources	114,356	113,547	95,123	94,712	98,016	99,250	103,066	122,618	140,616
Public Safety and Defense	211,201	220,982	260,661	266,182	278,764	297,093	306,970	320,743	372,077
Regulatory Services	1,217	1,146	888	624	552	637	697	682	1,597
Social Services	115,821	147,036	165,406	176,706	192,402	198,744	203,034	209,140	97,722
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
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>
<b>Business-type activities:</b>									
Enterprise Funds	\$ 116	\$ 114	\$ 121	\$ 220	\$ 175	\$ 608	\$ 1,028	\$ 771	\$ 527
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>

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.

# State of Oklahoma

## Operating Indicators for Governmental Functions

### Fiscal Years 2007-2009

	2007	2008	2009		2007	2008	2009
<b>General Government</b>				<b>Public Safety and Defense</b>			
Department of Central Services				Department of Public Safety			
Number of motor vehicles maintained	1,019	1,019	964	Driver's Licenses Issued	1,011,457	902,069	954,419
Number of buildings managed by DCS	17	17	17	Citations Processed	221,659	219,442	168,346
				Collision Reports Processed	14,175	14,033	76,947
<b>Health Services</b>				<b>Department of Corrections</b>			
Department of Health				Capacity (Number of Beds)	24,845	24,815	25,515
Protective services:				Prison Population	24,124	24,433	24,337
Retail food establishment inspections	24,704	33,648	33,648	As a percentage of capacity	97.1%	98.5%	95.0%
Food inspections	45,847	43,387	42,342	Cost to house an inmate:			
Nursing Homes:				Per diem cost/day - Maximum Security	\$60.07	\$60.07	\$70.04
Facility licensing, inspections and complaints	3,335	3,622	2,314	Per diem cost/day - Medium Security	\$51.94	\$51.94	\$56.10
Residents (approximate)	18,500	18,950	17,813				
				<b>Regulatory Services</b>			
Mental Health and Substance Abuse Department				Oklahoma Corporation Commission			
Number of patients:				Number of regulated utilities	586	548	494
Mental Health	44,623	47,422	52,226	Hearings and administrative proceedings	33,523	32,273	35,582
Substance Abuse	19,470	21,084	22,144	Motor carrier vehicles registered (semi tractors)	156,895	131,444	151,639
Hospitals - Inpatient Care	3	3	3	Oil and gas wells plugged (leaking, abandoned)	2,016	1,699	908
				Petroleum storage tanks inspected	3,816	3,388	4,174
				Retail gasoline pump inspections	70,465	82,470	85,118
<b>Legal and Judiciary</b>				<b>Social Services</b>			
Oklahoma Indigent Defense system				Department of Human Services			
Provides legal representation for indigent citizens charged with committing criminal acts.				Adoptive home placements	9,923	10,051	10,951
Represented - Total Court Appointments	38,556	39,334	39,385	Adult services (protective and day services)	29,098	27,428	27,653
Included above: Non-capital trial cases	32,000	30,000	30,000	Child care services provided (monthly average)	45,246	40,250	39,079
Capital trial cases	65	71	92	Licensed facilities	5,533	4,762	4,696
General appeals cases	696	596	529	Licensed capacity	140,507	137,743	137,973
Average cost: Non-capital case (Staff Attorney)	\$463	\$410	\$373	Child protective services-Investigations and assessments	13,827	11,714	8,605
Capital case (Staff Attorney)	\$38,708	\$34,824	\$28,756	Child support enforcement (monthly average cases)	169,394	182,228	188,327
				Developmental Disabilities Persons Served	12,692	13,724	14,063
				Elderly support services (meals)	4,117,680	4,005,247	3,902,997
				Food stamps (monthly average persons)	433,372	415,397	445,364
				Foster care children (monthly average)	7,898	12,108	10,933
				Medicaid (monthly average persons)	566,809	609,699	620,285
				Oklahoma Employment Security Commission			
				Initial unemployment claims	112,153	107,308	183,159
				Unemployment insurance paid	\$153,706,474	\$158,694,794	\$350,260,138
				<b>Transportation</b>			
				Oklahoma Department of Transportation			
				State Highway System	12,266 miles	12,266 miles	12,266 miles
				Bridges on the State Highway System	6,728	6,728	6,728
				System usage growth next 20 years (est.)			
				Automobiles	33%	33%	33%
				Trucks	70%	70%	70%
				Average annual growth from 2001 to 2003	3.6%	3.6%	3.6%
				Freight railroads operating in Oklahoma	20	20	20
				Passenger railroad	1	1	1
				Rail passengers (average per year)	54,000	54,000	54,000
				Railroad track	3,234 miles	3,234 miles	3,234 miles
				Public Waterway Ports	2	2	2
				Annual tonnage through the ports (average)	2,725,000 tons	2,725,000 tons	2,725,000 tons

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 2009

#### **Additional Information:**

The population of Oklahoma has steadily increased since 2003, averaging .77% per year.

The state unemployment rate is at 4.1% which is the lowest rate since 2002 and below the national rate. Oklahoma's unemployment rate has been below the national average since 1996.

Oklahoma's total personal income rate has steadily increased at an average of 7.21% annually since 2003. During the same period, personal income per capita increased by 6.36% averaged annually compared to 5.00% nationally.

As a result, annual total tax collections since 2003 have increased by \$1,806,241,708 or 32%.

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

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Special Thanks To

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# OKLAHOMA

## General Information

Admitted to Union (46 <sup>th</sup> State)	1907
Capital	Oklahoma City
2008 Population	3,642,361
Population per square mile	52
Counties	77

## State Symbols

Nickname	Sooner State
Motto	<i>Labor Omnia Vincit</i> (Labor Conquers All Things)
Colors	Green and White
Flower	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

## Area

Total Area	69,919 square miles
Land Area	68,679 square miles
Water Area	1,240 square miles

## Recreation

Number of State Parks	.....
Number of State Trails	.....
Number of Lakes (100 acres or larger)	.....



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