



The Great State of
Oklahoma

2012
Comprehensive
Annual Financial Report
Fiscal Year Ended June 30, 2012

Oklahoma State Parks

The perfect outdoor experience is available in the state of Oklahoma. Among the many activities adventurers can find at the thirty-five state parks are trails to hike, rivers to canoe, or sand dunes for *ATV* driving. For those preferring to relax, the parks offer lakes, golf courses, and beautiful scenery. Showcased on the cover and divider pages are examples of the amazing views one can experience.

Photographs provided by the employees of the Oklahoma Tourism and Recreation Department.

OKLAHOMA

2012

**Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2012**

Mary Fallin
Governor

Prepared by
Office of Management and Enterprise Services

Preston L. Doerflinger, Director
Lynne Bajema, State Comptroller

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

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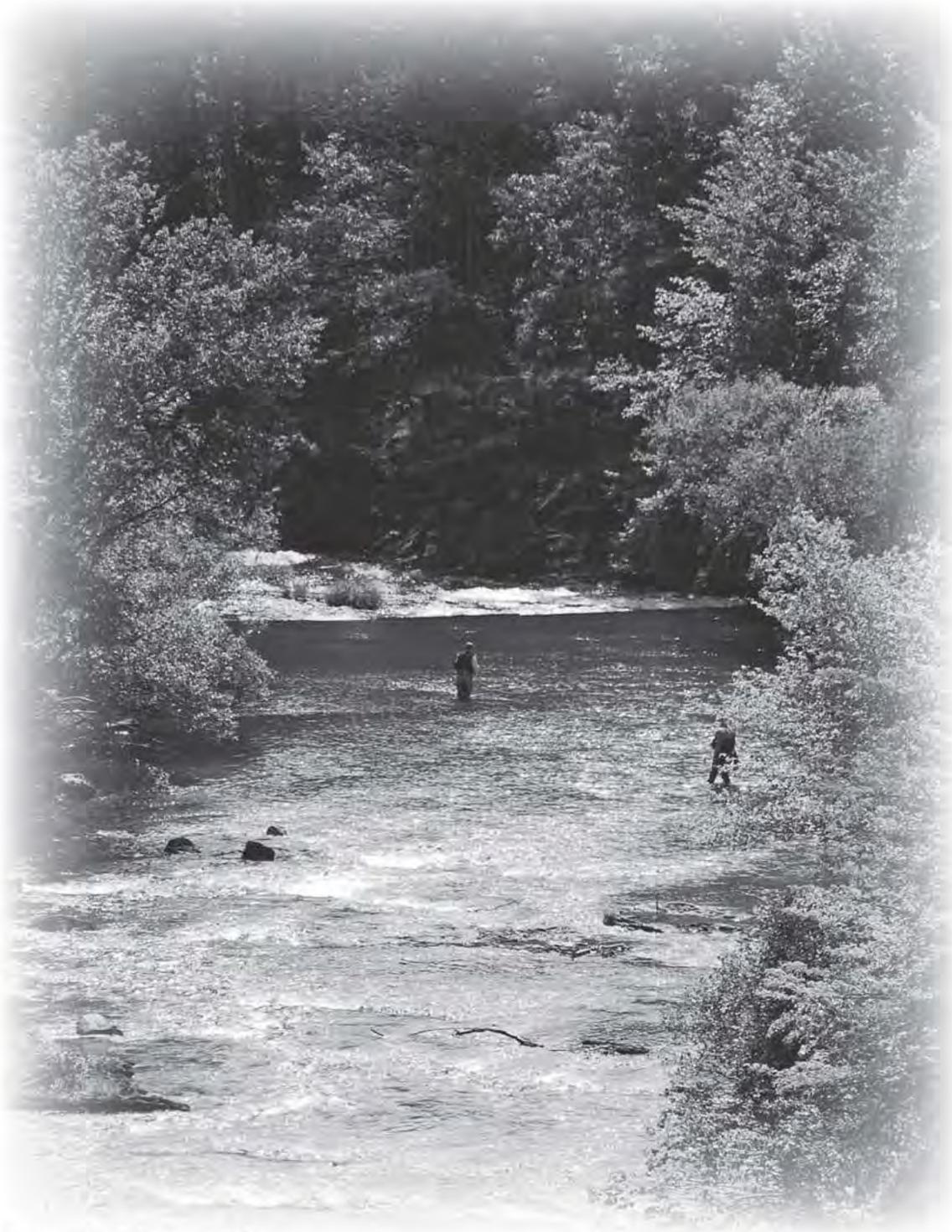
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Beavers Bend State Park

Introductory Section



Beavers Bend State Park

Introductory Section



State of Oklahoma
Office of Management and Enterprise Services

January 30, 2013

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

The Office of Management and Enterprise Services is pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the fiscal year ended June 30, 2012. This report, presented in three sections - Introductory, Financial, and Statistical, is the primary means of reporting the State government's financial activities. Its objectives are to provide a clear picture of the government as a single, unified entity and to provide traditional fund based financial statements. The CAFR has been prepared in conformity with relevant Governmental Accounting Standards Board (GASB) statements.

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

PROFILE OF THE GOVERNMENT

Management of the State, through the Office of Management and Enterprise Services (OMES), 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-two component units. There are eight major component units, eight 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 Units' Financial Statements, along with the other fiduciary activities of the state. The fiduciary activities are not included in the Government-Wide Financial Statements because the resources of these funds are not available to support the State's own programs.

State finances are governed by rules designed to ensure sound, conservative management. The legislature cannot appropriate more than 95% of the general revenue expected to be collected in the coming year. The State Board of Equalization, an independent board not subject to legislative control, establishes the legislative appropriation authority. Unlike many states that use seasonal borrowing to meet cash demands, Oklahoma maintains a cash flow reserve sufficient

to meet fluctuating cash needs. General obligation indebtedness is prohibited without a vote of the people. When revenue receipts are less than estimated, the Director of Finance is mandated by the Oklahoma Constitution to declare a revenue shortfall and reduce appropriations as required to allow appropriations to be covered by current year tax collections.

The State's financial statements have been audited by the Office of the State Auditor and Inspector. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2012 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, 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, 2012 are fairly presented in conformity with GAAP. 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 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 OMES. Copies are also provided to the legislative fiscal staffs. These requests are reviewed and analyzed for the Governor by the OMES. The Governor then makes formal recommendations in the "Executive Budget" which is presented to the Legislature on the first day of the legislative session. During the legislative session, legislative committees review agency needs and recommend appropriation levels. Then the Legislature must approve all appropriation bills to fund agency operations for the next fiscal year. Appropriation bills provide for State appropriated funds and establish spending limits for State agencies. The Governor can accept, reject or line-item veto particular legislative appropriations. Prior to encumbering or spending money in the fiscal year, each agency must submit a Budget Work Program to the OMES. 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 OMES must approve an agency's budget work program before agencies can encumber or spend available funds.

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

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

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

Proprietary Operations

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

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 "Aa2" by Moody's Investors Service, "AA+" by Fitch Investors Service, and "AA+" by Standard and Poor's Corporation. Prior to a 1993 general obligation bond program, except for refunding bonds, the State last issued general obligation bonds in 1968. Certain maturities of those bonds were advance refunded in 1977, 2003, and again in 2011. As of June 30, 2012, the outstanding general obligation net debt of the State of Oklahoma was \$176 million. This figure excludes the self-supporting taxable bonds of the Oklahoma Industrial Finance Authority, which are secured by the repayment of loans made to private businesses. State revenues have never been required to support debt service payments on these obligations.

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

ECONOMIC CONDITIONS AND OUTLOOK

Oklahoma is a state on the move, emerging as one of the economic bright spots in the nation over the past two years. The State's ever-diversifying economy thrived in many areas, featuring a manufacturing growth rate that was several times the national rate.

Manufacturing jobs grew by 8.4 percent in 2011, when the industry accounted for 10 percent of the State's GDP with sales totaling \$44 billion. During 2012, monthly reports indicate Oklahoma's ranking is from first to third in manufacturing job growth among the states.

In addition, new technology spurred an oil patch revival that propelled Oklahoma's dramatic recovery from the Great Recession in 2011 and 2012. All of this economic activity, driven largely by the energy sector, produced an increase in personal income and state revenues, enabling Oklahoma to rebound from the recession much quicker than most states.

Oklahoma has long been a good place to live and work because of its friendly people, low cost of living, and ample recreational opportunities. Now it is firmly in the top tier of states whose economies are expanding and the outlook for future prosperity is better than ever, barring another sharp national downturn. Oklahoma is well-positioned to attract varied industries because it is strategically located for expanding markets. It has a highly skilled work force, a high quality of life and a low cost of doing business.

The State's political leadership has taken steps to make sure Oklahoma strengthens its reputation as one of the nation's most business-friendly states. Since Governor Mary Fallin took office in January, 2011, Oklahoma has gained 63,600 jobs through October of 2012, according to the Oklahoma Department of Commerce. That total included more than 13,000 manufacturing jobs. Oklahoma's unemployment rate ranged from 4.7 percent to 5.3 percent for much of 2012, much lower than the national jobless rate, which hovered around 8 percent during the same time period.

Manufacturers and other businesses in Oklahoma enjoy low energy costs and benefit from the State's crossroads location in the south central region of the country, with access to all forms of transportation. Two major interstates, I-40 and I-35, intersect in Oklahoma City, the state capital.

Oil and natural gas have been vital to the Oklahoma economy since statehood. So has agriculture. The State ranks among the top ten producers of wheat, cattle and hogs, peanuts, grain sorghum, pecans and rye. The State's horse industry is among the largest in the country.

Other important industries include aerospace-aviation, finance, health care, warehousing and distribution and food processing and packaging. And the State's industry portfolio is quickly expanding in such areas as biosciences, renewable energy, corporate services and meteorological services.

Oklahoma has vibrant metropolitan areas and its two largest cities, Oklahoma City and Tulsa, have been singled out in national surveys for their economic strength and other qualities.

In modern Oklahoma, optimism for the future among the State's citizens is as high as the gleaming, 50-story Devon Tower, which opened for business in 2012 in downtown Oklahoma City.

Devon Energy and Chesapeake Energy, both Fortune 500 companies, are headquartered in Oklahoma and have long been among the leading national players in energy exploration. Chesapeake is the second largest producer of natural gas in the country. Continental Resources and SandRidge Energy are other Oklahoma-based energy companies that have major exploration operations in other states.

AT&T and Cox Enterprises, also Fortune 500 companies, have regional headquarters in the State. Two other Oklahoma-based companies, Love's Travel Stops (18th) and Hobby Lobby (198th), are on *Forbes'* list of largest private employers.

Many expanding businesses or new employers in Oklahoma take advantage of the Oklahoma Training for Industry program, developed by the State's CareerTech agency, which is rated as one of the most sophisticated in the nation for delivering high quality customized training.

Tinker Air Force Base in Oklahoma City is the State's largest employer. Other Air Force bases are located at Altus and near Enid, while Lawton benefits from the nearby Fort Sill Army Base. Other major federal installations in Oklahoma include the Federal Aviation Administration's (FAA) training center in Oklahoma City and the National Weather Service's storm tracking and research facilities in Norman. The Federal Enterprise Services Center, located in Oklahoma City, handles the back-office business type needs of a host of federal agencies by providing accounting and information technology services.

Oklahoma's residents have many outdoor recreational opportunities and major entertainment districts are located in Oklahoma City and Tulsa, which have both undergone a renaissance in their downtown areas in recent years.

The State has the most diverse terrain in the country—everything from pine-topped mountains and cypress swamps in eastern Oklahoma to unique rock formations and sand dunes in the western areas. With over 200 lakes and rivers, Oklahoma is a haven for boating, fishing and other outdoor activities.

There is something to do for everyone in Oklahoma, where museums tell of the State's colorful history and pioneer spirit. Settlers in the 46th state were a diverse group, and the state is home to nearly 40 federally-recognized Native American tribes, who contribute significantly to the State's commerce.

In Tulsa, Native American art and artifacts are on display at the Gilcrease Museum, or visitors can stop by the renowned Philbrook Museum of Art or travel north to see the Will Rogers Museum in Claremore.

In Oklahoma City, top attractions include the Oklahoma City National Memorial, the National Cowboy and Western Heritage Museum, Bricktown and the State Capitol. The Sam Noble Museum of Natural History is located in nearby Norman on the University of Oklahoma campus.

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

- Oklahoma's unemployment rate was among the lowest in the nation in 2012 and was lower than any of its six bordering states as the year neared an end.
- Oklahoma's economic progress produced surplus State revenues in 2011 and 2012, replenishing the depleted Rainy Day Fund. The fund began fiscal year 2013 with a balance of \$577.5 million after record deposits of \$328.3 million from the General Revenue Fund.
- Oklahoma was ranked as the third best state in the nation in the *Index of State Economic Momentum by Federal Funds Information for States and State Policy Reports*. The index rated states on their most recent measures of economic vitality - growth in personal income, employment, and population.
- On Oct. 11, 2012, Devon Energy announced plans to consolidate its U.S. personnel and relocate employees from Houston to its Oklahoma City headquarters. The company said the restructuring will bring 200 to 300 jobs to Oklahoma and improve its operations, while saving \$80 million annually.
- Governor Fallin teamed with Colorado Governor John Hickenlooper to head up a 22-state effort to grow demand for compressed natural gas (CNG) vehicles by converting State-owned vehicles to run the alternate fuel, which is now abundantly available in the United States. CNG cuts carbon emissions and costs less to burn.
- Voters in the November 6th general election approved a plan to fund vital water resource and sewage treatment programs. Voters also adopted a constitutional amendment abolishing taxation of intangible personal property.
- The State in the last two years has acted to shore up its pension systems through legislation doing away with automatic cost-of-living increases for retirees and increasing the retirement age. It is estimated those changes and other reforms will reduce the unfunded liability of the systems by \$6 billion.
- U.S. Census data released in September, 2012, showed Oklahoma had a 12.4 percent increase in median household income between 2010 and 2011. That was by far the largest increase of any state.
- In September 2011, the Brookings Institute said Oklahoma City was one of only 15 large metropolitan areas having positive job growth for four straight quarters ending in June of that year.
- In December, 2011, Oklahoma City was ranked first and Tulsa fourth for economic performance among 100 cities in the Urban Institute's *MetroTrends* survey. Oklahoma City also was ranked sixth among 102 cities by www.marketwatch.com for having the best business conditions.
- *The Business Journals* reported in 2012 that Oklahoma was one of only six states to recover all of their retail jobs lost during the recession, even adding 2,000 retail jobs. Also in 2012, *Thumbtack* surveyed 6,000 small businesses and proclaimed Oklahoma City as "the most business-friendly city" in the country.
- *CNNMoney* singled out Broken Arrow, Norman, Edmond and Moore as among the best small cities to live in 2012, covering such areas as job opportunities, good schools, low crime and quality of health care.
- In 2012, KPMG rated Oklahoma City as the least-costly medium-sized city in which to do business, while the capital city was ranked first for the lowest cost of living by CNBC.

- *The Fiscal Times* in 2012 ranked Tulsa as the second best city for young adults to find a job. It cited statistics that 4,000 people, ages 25 to 34, were hired in 2011 at annual salaries exceeding \$50,000 in such areas as energy, aerospace and health care.
- As of November, 2012 Oklahoma City has been ranked first in the nation for four consecutive months by the *On Numbers Economic Index* for overall economic business strength for cities with populations over 500,000.
- In November, 2012, *CareerBuilder.com* ranked Oklahoma City sixth in job growth over the past three years.

Highlights of the fiscal year 2012 and fiscal year 2013 executive branch budgets include (expressed in millions):

	Amount Appropriated		Percentage of Total Appropriations		Increase (Decrease) from Prior Year		Percentage Increase (Decrease)	
	2012	2013	2012	2013	2012	2013	2012	2013
Department of Education	\$ 2,278	\$ 2,334	36%	33%	\$ 42	\$ 56	2%	2%
Regents for Higher Education	945	955	15%	14%	1	10	0%	1%
Career & Technical Education	134	135	2%	2%	(8)	1	(6%)	1%
Other Education	27	38	0%	1%	-	11	0%	41%
Total Education	3,384	3,462	53%	50%	35	78	1%	2%
Department of Health	59	62	1%	1%	(3)	3	(5%)	5%
Health Care Authority	912	922	14%	14%	212	10	30%	1%
Department of Mental Health	183	311	3%	5%	(1)	128	(1%)	70%
Other Health	38	42	1%	1%	24	4	171%	11%
Total Health	1,192	1,337	19%	21%	232	145	24%	12%
Department of Human Services	515	587	8%	9%	15	72	3%	14%
Office of Juvenile Affairs	96	96	1%	1%	(2)	0	(2%)	0%
Other Human Services	78	75	1%	1%	23	(3)	42%	(4%)
Total Human Services	689	758	10%	11%	36	69	6%	10%
Department of Corrections	460	464	7%	7%	(2)	4	(0%)	1%
Department of Transportation	107	206	2%	3%	(8)	99	(7%)	93%
Department of Public Safety	85	90	1%	1%	(3)	5	(3%)	6%
Other	493	511	8%	7%	(33)	18	(6%)	4%
Total	\$ 6,410	\$ 6,828	100%	100%	\$ 257	\$ 418	4%	7%

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 GAAP for the fiscal year ended June 30, 2012, while previous tables have presented budgetary data for this and later periods. Transfers are primarily from the General Fund to support public institutions of higher education.

General Governmental Functions

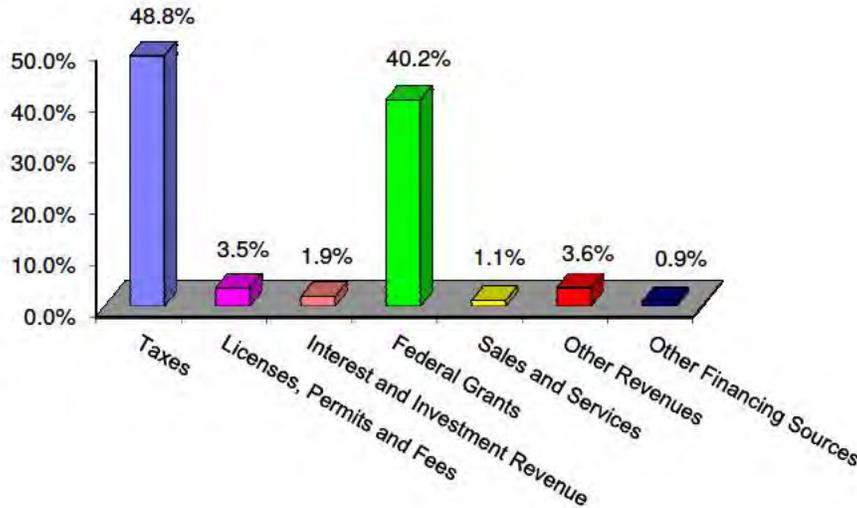
Governmental Funds: Revenues and Other Financing Sources - GAAP Basis
(expressed in millions)

	2012 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	\$ 8,416	48.8%	\$ 883	11.7%
Licenses, permits and fees	597	3.5%	194	48.1%
Interest and investment revenue	336	1.9%	(363)	(51.9%)
Federal grants	6,935	40.2%	(564)	(7.5%)
Sales and services	191	1.1%	24	14.4%
Other revenues	614	3.6%	92	17.6%
Other financing sources:				
Operating transfers	73	0.4%	1	1.4%
Bond and note proceeds	75	0.4%	(238)	(76.0%)
Other	25	0.1%	(23)	(47.9%)
Total revenues and other financing sources	<u>\$ 17,262</u>	<u>100.00%</u>	<u>\$ 6</u>	<u>0.0%</u>

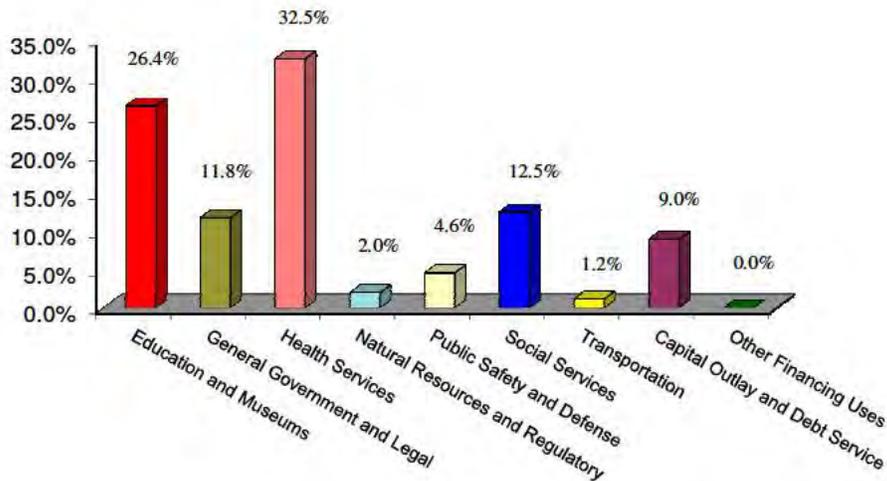
Governmental Funds: Expenditures and Other Financing Uses - GAAP Basis
(expressed in millions)

	2012 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	\$ 4,395	26.3%	\$ (177)	(3.9%)
General government	1,741	10.4%	107	6.5%
Health services	5,436	32.5%	584	12.0%
Legal and judiciary	231	1.4%	(1)	(0.4%)
Museums	14	0.1%	0	0.0%
Natural resources	212	1.3%	(38)	(15.2%)
Public safety and defense	765	4.6%	(34)	(4.3%)
Regulatory services	112	0.7%	(3)	(2.6%)
Social services	2,092	12.5%	(160)	(7.1%)
Transportation	208	1.2%	25	13.7%
Capital outlay	1,302	7.8%	(249)	(16.1%)
Debt service	194	1.2%	4	2.1%
Other Financing Uses:				
Operating transfers	7	0.0%	5	250.0%
Total expenditures and other financing uses	<u>\$ 16,709</u>	<u>100.0%</u>	<u>\$ 63</u>	<u>0.4%</u>
Governmental Funds - Net increase in fund balance	<u>\$ 553</u>			

Governmental Fund Revenues and Other Financing Sources (GAAP Basis) – Fiscal Year 2012



Governmental Funds Expenditures and Other Financing Uses (GAAP Basis) – Fiscal Year 2012



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 GAAP. 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 three of the four major taxes (income tax, sales tax and motor vehicle tax) were more than revenues of the prior year. The taxes combined for \$4.8 billion, or 106% of total GRF receipts for the prior year. The total of major taxes collected increased \$400 million or 9.1% from that of last year. As compared to fiscal year 2011, collections from income taxes increased by \$274 million, or 13.4%; sales taxes increased by \$161 million, or 9.7%; motor vehicle taxes increased \$23 million, or 11.6%; and gross production taxes on gas and oil decreased by \$58 million, or 11.9%.

Oklahoma has established an enviable record in recent years for its revenue forecasting results. Since enactment of a constitutional amendment in 1985 establishing new revenue estimating procedures, collections have exceeded the estimate in sixteen years and dipped below the estimate eleven years. The comparison of estimated revenues to actual collections for fiscal year 2012 is as follows:

Revenue Collections Compared to Itemized Estimate for Fiscal 2012
(expressed in millions)

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
Individual and Corporate				
Income tax	\$ 2,032.3	\$ 2,324.0	\$ 291.7	114.4%
Sales tax	1,747.4	1,829.6	82.2	104.7%
Motor vehicle tax	221.3	221.6	0.3	100.1%
Gross production tax	518.8	430.5	(88.3)	83.0%
Subtotal Major Taxes	4,519.8	4,805.7	285.9	106.3%
Other sources	716.5	758.8	42.3	105.9%
Total	\$ 5,236.3	\$ 5,564.5	\$ 328.2	106.3%

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

Budgetary General Revenue Fund Comparisons (expressed in millions)					
Fiscal Year	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected	
1998	\$ 3,866	\$ 4,009	\$ 143	103.7%	
1999	4,186	4,148	(38)	99.1%	
2000	4,271	4,354	83	101.9%	
2001	4,456	4,693	237	105.3%	
2002	4,829	4,413	(416)	91.4%	
2003	4,725	4,186	(539)	88.6%	
2004	4,396	4,613	217	104.9%	
2005	4,545	4,957	412	109.1%	
2006	5,149	5,715	566	111.0%	
2007	5,708	5,966	258	104.5%	
2008	5,845	5,981	136	102.3%	
2009	5,981	5,544	(437)	92.7%	
2010	5,415	4,622	(793)	85.4%	
2011	4,889	5,138	249	105.1%	
2012	5,236	5,564	328	106.3%	
Fifteen-Year Average	\$ 4,900	\$ 4,927	\$ 27	100.6%	

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

Cash-Flow Committed Fund – Each year, 10% of the General Revenue Fund's certified appropriation level is set aside to meet anticipated monthly cash flow needs for the new fiscal year. At the close of fiscal year 2012, the amount the State set aside was \$532.1 million.

General Revenue Fund – In fiscal year 2012, there were amendments to the budget that added \$80 million. \$66.2 million was added to the budget for prior year carryover compared to a \$63.5 million carryover in fiscal year 2011. Carryover funds reflect the difference between the 95% appropriation limit and actual receipts up to 100% of the estimate. Funds required to replenish or increase the cash-flow committed fund also come from this source. Additionally, \$13.8 million was added in supplemental funding.

Constitutional "Rainy Day" Fund - At the start of each fiscal year, collections that exceed the estimate for the preceding year are automatically deposited in the Rainy Day Fund until the total balance equals 15% of the prior year's certified collections for the General Revenue Fund. As a result of different triggers for making the funds available for use, any amounts deposited to the fund are split between unassigned and restricted fund balance. For the fiscal year beginning July 1, 2012, the restricted portion had a balance of \$433.1 million and the unassigned portion had a balance of \$144.4 million, giving the total Constitutional Fund a balance of \$577.5 million.

FOR THE FUTURE

State government continues to focus on critical issues to ensure that the State capitalizes on its inherent potential for growth. Sustained efforts in creating a business friendly environment through changes in tax structure and economic reforms are essential for creating a bright, strong future. In addition, the State will continue to improve the efficiency of government through consolidations of information technology and financial services.

Oklahoma's executive management will continue to lead in promoting improvement in these 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, encourage the improved health of Oklahoma's citizens and 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, 2011. 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 CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

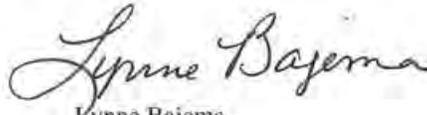
A Certificate of Achievement is valid for a period of one year only. Since 1996, the State of Oklahoma has received the Certificate of Achievement. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

ACKNOWLEDGMENTS

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

Respectfully submitted,


Preston L. Doerflinger
Director of State Finance and Revenue


Lynne Bajema
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, 2011

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.



Christopher P. Moynell

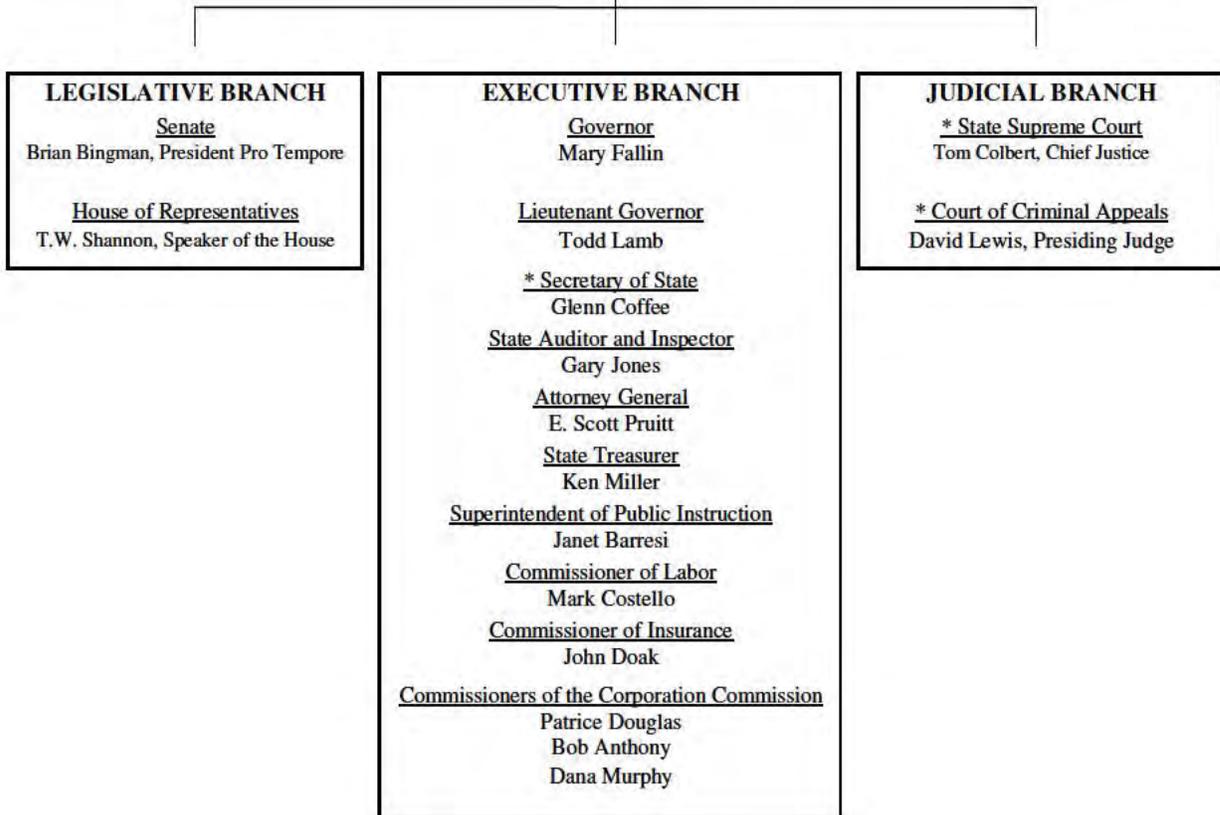
President

Jeffrey R. Emer

Executive Director

SELECTED OKLAHOMA STATE OFFICIALS

June 30, 2012



* Appointed position

CABINET DEPARTMENT SECRETARIES

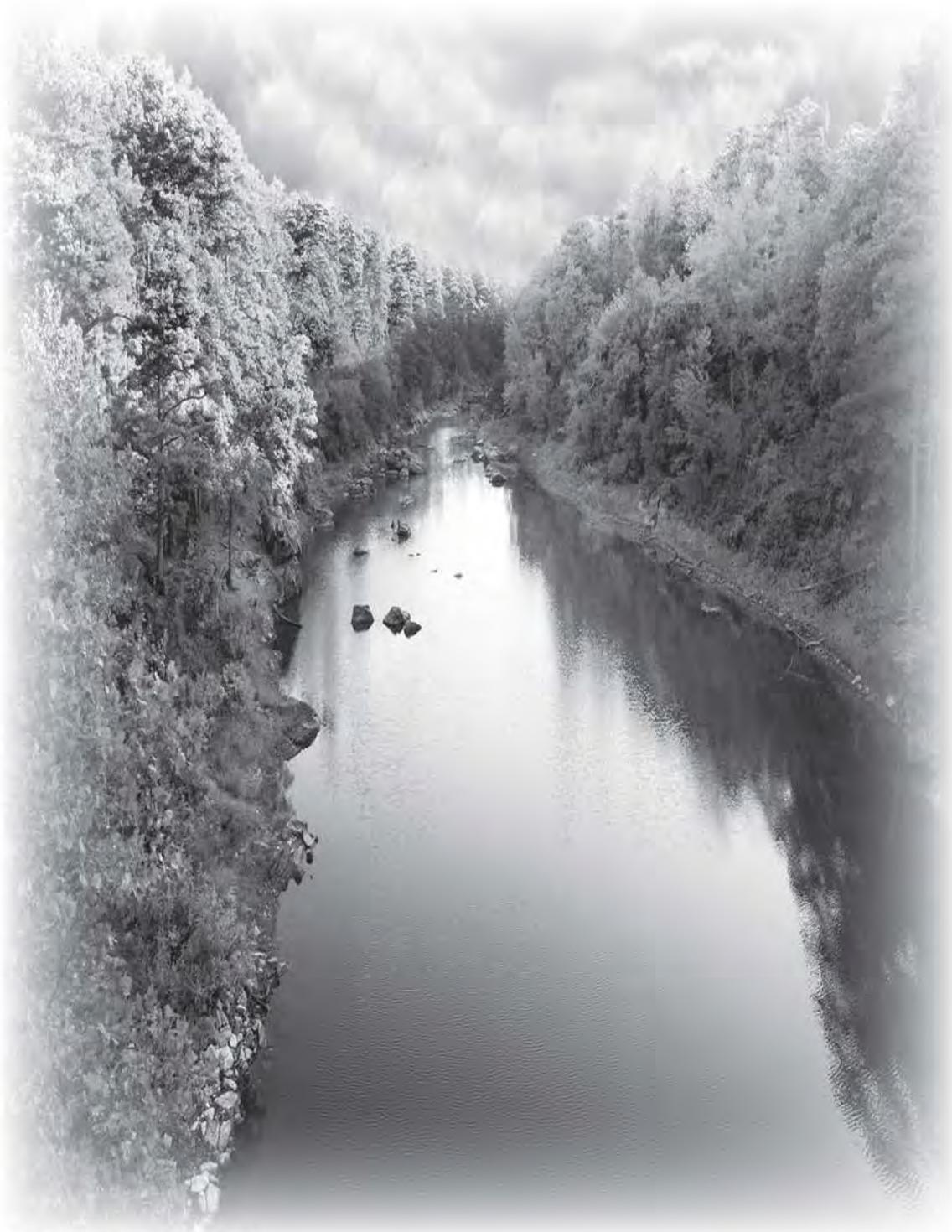
Agriculture	Finance & Revenue	Safety & Security
Commerce & Tourism	Health	Secretary of State
Education	Human Resources & Administration	Science & Tech. Development
Energy	Human Services	Transportation
Environment	Military Affairs	Veterans Affairs

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.

STATE AGENCIES BY CABINET

305	Office of the Governor	665	Southwestern Oklahoma State Univ.	560	Pharmacy Board
440	Office of the Lieutenant Governor	618	Student Loan Authority	140	Podiatric Medical Examiners, Bd. of
	<u>Agriculture</u>	750	Tulsa Community College	570	Prof. Engin. & Land Surveyors Bd.
40	Agriculture, Department of	120	University of Central Oklahoma	575	Psychologists, Bd. of Examiners
39	Boll Weevil Eradication Org.	760	University of Oklahoma	588	Real Estate Commission
645	Conservation Commission	150	Univ. of Science and Arts of Okla.	622	Social Workers Board, Bd. of Lic.
615	Foresters, Board of Registered	41	Western Oklahoma State College	632	Speech-Lang. Pathology & Aud. Bd.
535	Peanut Commission			755	Used Motor Vehicle & Parts
875	Wheat Commission			790	Veterinary Medical Examiners Board
	<u>Commerce and Tourism</u>				<u>Human Services</u>
981	Capital Investment Board	185	Corporation Commission *	127	Children & Youth, Commission
007	Centennial Commission	359	Energy Resources Board	326	Handicapped Concerns, Office of
160	Commerce, Department of	980	Grand River Dam Authority	830	Human Services, Department of
900	Development Finance Authority	307	Interstate Oil Comp. Com.	360	Indian Affairs Commission
290	Employment Security Commission	445	LPG Board	670	J.D. McCarty Center
350	Historical Society	444	LPG Research, Marketing and Safety	400	Juvenile Affairs, Office of
922	Housing Finance Authority	446	Marg. Prod. O&G Wells, Comm. on	619	Physicians Manpower Trng. Comm.
370	Industrial Finance Authority	125	Mines, Department of	805	Rehabilitative Services
204	J.M. Davis Memorial Commission			825	University Hospitals Authority
405	Labor, Department of *	292	<u>Environment</u>		
981	Municipal Power Authority	920	Dept. of Environmental Quality		
361	Native American Cultural/Ed. Auth	920	Environmental Finance Authority		
568	Scenic Rivers Comm.	835	Water Resources Board		
566	Tourism & Recreation, Dept. of	320	Wildlife Conservation, Dept. of	25	<u>Military Affairs</u>
880	Will Rogers Memorial Commission				Military Department
	<u>Education</u>				<u>Safety and Security</u>
44	Anatomical Board	300	<u>Finance and Revenue</u>	30	ABLE Commission
55	Arts Council	65	Auditor & Inspector *	49	Attorney General *
800	Career & Technology Education	582	Banking Department	772	Chem. Tests for Alc/Drug Infl., Bd. of
266	Educational TV Authority	91	Bond Advisor	309	Civil Emergency Mgmt, Dept. of
265	Education, Department of *	390	Building Bonds Commission	131	Corrections Department
430	Library Department	635	CompSource Oklahoma	220	District Attorney's Council
563	Private Vocational School, Board of	315	Consumer Credit, Comm. for	310	Fire Marshal, State
629	School of Science & Mathematics	385	Firefighters Pension & Retirement	47	Indigent Defense System
269	Teacher Preparation, Comm. for	410	Insurance Department *	308	Investigation, Bureau of
	<u>Colleges and Universities:</u>	416	Land Office, Commissioners of the	415	Law Enf. Educ. & Trng., Council on
100	Cameron University	435	Law Enforcement Retirement	342	Law Enf. Educ. & Trng., Council on
108	Carl Albert State College	90	Lottery Commission	477	Medicolegal Investigations, Bd. of
165	Connors State College	557	Office of Mgmt & Enterprise Services	306	Narcotics & Dang. Drugs, Bureau of
230	East Central University	515	Police Pension & Retirement System	585	Pardon and Parole Board
240	Eastern Oklahoma State College	630	Public Employees' Retirement System		Public Safety, Department of
420	Langston University	695	Securities Commission		<u>Science and Technology Dev.</u>
470	Murray State College	715	Tax Commission	628	Center f/t Adv. of Sci. & Technology
480	Northeastern Okla. A & M College	740	Teachers' Retirement System		
485	Northeastern State University		Treasurer *		<u>Secretary of State</u>
490	Northern Oklahoma College			270	Election Board
505	Northwestern Oklahoma State Univ.	022	<u>Health</u>	296	Ethics Commission
530	Oklahoma Panhandle State Univ.	448	Abstractor's Board	678	Judicial Complaints, Council on
10	Oklahoma State University	783	Alcohol and Drug Coun., Bd. of Lic.	625	Secretary of State
761	Oklahoma University Law Center	170	Community Hospitals Authority		
633	Oklahoma City Community College	807	Construction Industries Bd.		
770	Okla. University Health Science Ctr.	340	Health Care Authority		
773	OSU -College of Osteopathic Medicine	452	Health, Department of	978	<u>Transportation</u>
14	OSU -College of Veterinary Medicine	509	Mental Health and Sub. Abuse Svc.	346	Okla. Transportation Authority
11	OSU -Experiment Station	092	Nursing Homes, Board of Exam. for	345	Space Industry Development Auth.
12	OSU -Extension Division	753	Tobacco Settle. End. Trust Bd. of Dir.	060	Transportation, Department of
13	OSU -School of Tech. Training		Uniform Building Code Commission		Aeronautics Commission
15	OSU -Technical Institute of OKC				<u>Veterans Affairs</u>
16	OSU -Tulsa			650	Veterans Affairs, Department of
771	OU Health Sci. Ctr. Prof. Prac. Plan				
620	Qtz Mtn. Arts/Conf. Cntr/Nat. Pk.	20	<u>Human Resources and Admin.</u>		
241	Redlands Community College	45	Accountancy Board		
600	Regents for A&M Colleges	145	Architects, Board of Gov. of Licensed		
605	Regents for Higher Education	117	Chiropractic Examiners Board		
610	Regents for Oklahoma Colleges	190	Commercial Pet Breeders Board		
461	Rogers State University	215	Cosmetology Board		
531	Rose State College	285	Dentistry, Board of		
623	Seminole State College	353	Funeral Board		
660	Southeastern Oklahoma State Univ.	355	Horse Racing Commission		
		450	Human Rights Commission		
		298	Medical Licensure & Supv., Bd. of		
		475	Merit Protection Commission		
		510	Motor Vehicle Commission		
		520	Nursing Board		
		525	Optometry Board		
		343	Osteopathic Examiners Board		
			Perfusionists, State Bd. of Examiners		

* 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.



Robbers Cave State Park

Financial Section



Roman Nose State Park

Financial Section



Oklahoma State Auditor & Inspector

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of and for the year ended June 30, 2012, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

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

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

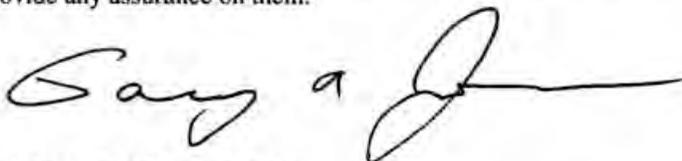
As discussed in Note 14, the TRS's unfunded liability increased from \$7,600,000,000 to \$8,398,000,000. This increase was primarily due to a loss on assets with lower than assumed returns. Based on the current contribution schedule, assuming no actuarial gains or losses in the future, the unfunded liability is expected to increase from the current level until fiscal year 2013 and decrease through June 30, 2033 and beyond. The current contribution schedule results in contributions sufficient to cover the interest on the current unfunded liability plus the normal cost resulting in negative amortization.

Also, as discussed in Note 1, the Multiple Injury Trust Fund (MITF) had a net deficit of approximately \$236,069,000 at December 31, 2011 primarily due to court awards exceeding the apportionment of special tax revenue collected.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's financial statements as a whole. The introductory section, statistical section and combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is 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 subjected to the auditing procedures in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



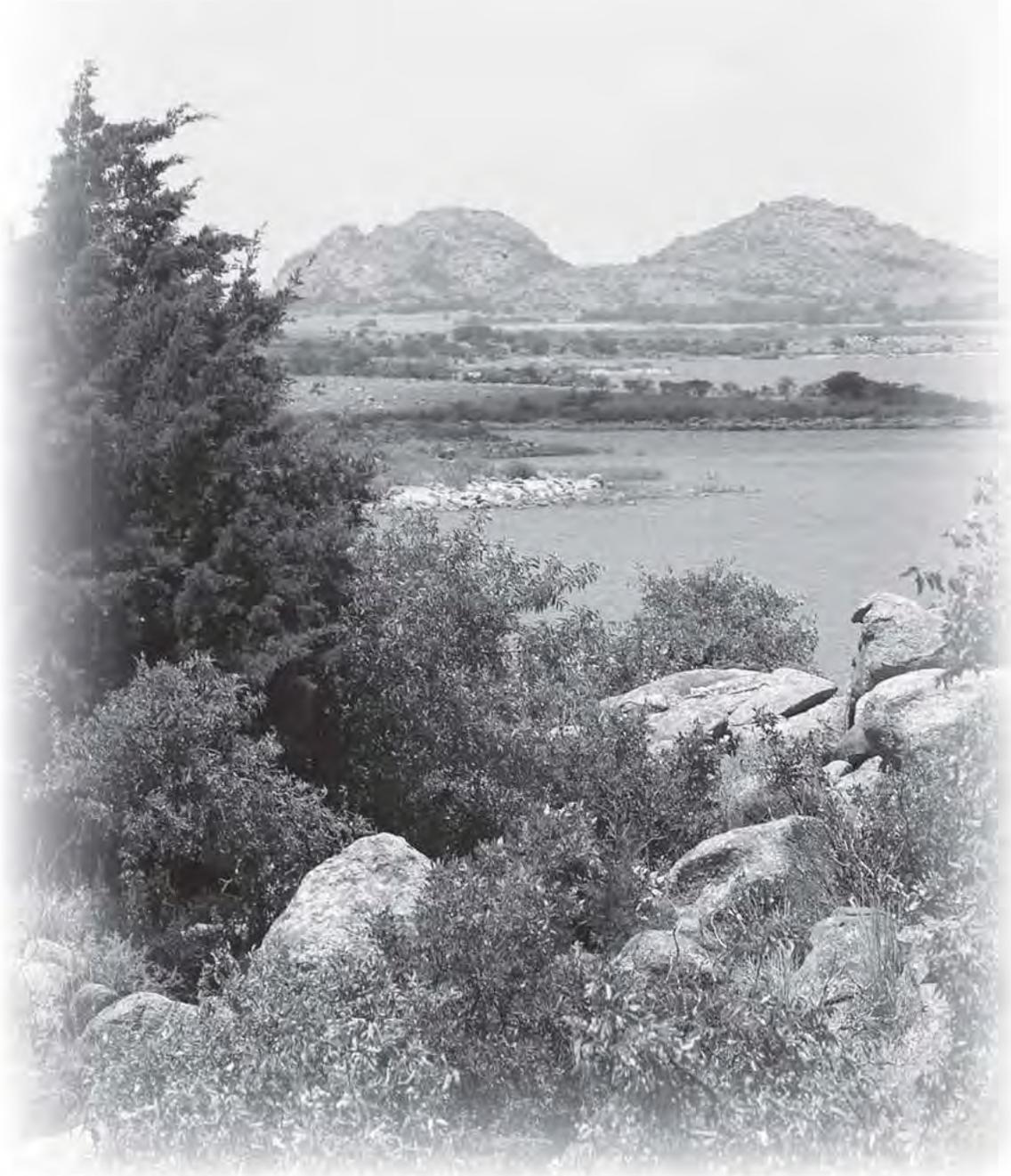
GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

January 30, 2013



Sequoyah Bay State Park

Management Discussion and Analysis



Great Plains State Park

Management 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, 2012. 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, 2012 by \$16.2 billion (presented as "net assets"). Of this amount, \$1.9 billion was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the State's ongoing obligations to citizens and creditors.

Changes in Net Assets - The State's total net assets increased by \$1.5 billion (a 10% increase) in fiscal year 2012 after a 7.6% increase during the previous fiscal year. Net assets of governmental activities increased by \$1.1 billion (an 8% increase), while net assets of the business-type activities showed an increase of \$384 million (a 38.6% increase).

Fund Highlights:

Governmental Funds - Fund Balances - As of the close of fiscal year 2012, the State's governmental funds reported a combined ending fund balance of \$6.4 billion, an increase of \$553 million in comparison with the prior year. Of this total amount, \$2.6 billion represents nonspendable fund balance, with \$74 million being in the General Fund. Amounts that can be spent include \$1.3 billion of restricted fund balance, \$2.3 billion of committed fund balance, \$66 million of assigned fund balance, and \$170 million of unassigned fund balance. The portion of fund balance which is available is roughly 23% of the total governmental expenditures for the year.

Long-term Debt:

The State's total long-term debt obligations showed a net decrease of \$3.5 million (<1%) in the governmental type activities and a net increase of \$73 million (9.7%) in the business type activities during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the State of Oklahoma's Basic Financial Statements. The State's Basic Financial Statements include three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains additional Required Supplementary Information (budgetary schedules) and Other Supplementary Information (Combining Financial Statements) in addition to the Basic Financial Statements themselves. These components are described below:

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

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

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

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

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

The State's eight 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

"The State Government Administrative Process Consolidation and Reorganization Reform Act of 2011 (HB 2140)" consolidates OSEEGIB, a major component unit, into the Office of Management and Enterprise Services, a governmental fund agency. By statute, the administrative functions of OSEEGIB were consolidated as of December 31, 2011. As an agency that reports using a calendar year end, OSEEGIB was determined to be a component unit for their financial reporting in fiscal year 2012. Beginning in fiscal year 2013, OSEEGIB will be considered part of the general government.

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 Financial Statements. All of the funds of the State can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds are:

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

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each Governmental Fund Financial Statement.

The State has four governmental funds. All four governmental funds are considered major funds for financial reporting purposes. These four major funds are – the General Fund, the Commissioners of the Land Office Permanent Fund, the Department of Wildlife Conservation Permanent Fund, and the Tobacco Settlement Endowment Permanent Fund. Each major fund is presented in a separate column in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances.

The basic Governmental Funds Financial Statements can be found immediately following the Government-Wide Financial 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 to the Financial Statements 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 the Budgetary Comparison Schedule – Budget to Actual (Non-GAAP Budgetary Basis), which includes a schedule of reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the Governmental Fund Financial Statements.

Other Supplementary Information

Combining Financial Statements

The Combining Financial Statements referred to earlier in connection with fiduciary funds and nonmajor component units are presented following the Required Supplementary Information. The total of the columns of these Combining Financial Statements carry to the applicable fund financial statement.

Budgetary Detail

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (government and business-type activities) totaled \$16.2 billion at the end of 2012, compared to \$14.7 billion at the end of the previous year.

The largest portion of the State's net assets (57.2%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. 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.

State of Oklahoma's Net Assets-Primary Government

(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current Assets	\$ 4,754,759	\$ 4,390,785	\$ 981,687	\$ 657,652	\$ 5,736,446	\$ 5,048,437
Capital Assets	10,488,881	9,971,666	126	202	10,489,007	9,971,868
Other Assets	3,313,995	3,253,012	1,249,506	1,114,579	4,563,501	4,367,591
Total Assets	18,557,635	17,615,463	2,231,319	1,772,433	20,788,954	19,387,896
Noncurrent Liabilities	1,960,639	1,987,433	776,523	723,127	2,737,162	2,710,560
Other Liabilities	1,744,444	1,881,356	77,692	55,782	1,822,136	1,937,138
Total Liabilities	3,705,083	3,868,789	854,215	778,909	4,559,298	4,647,698
Invested in Capital Assets, Net of Related Debt	9,276,689	8,710,430	126	202	9,276,815	8,710,632
Restricted	3,957,319	3,647,627	1,102,997	987,976	5,060,316	4,635,603
Unrestricted	1,618,544	1,388,617	273,981	5,346	1,892,525	1,393,963
Total Net Assets	\$ 14,852,552	\$ 13,746,674	\$ 1,377,104	\$ 993,524	\$ 16,229,656	\$ 14,740,198

A portion of the State's net assets (31%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the State's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets.

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

Changes in Net Assets

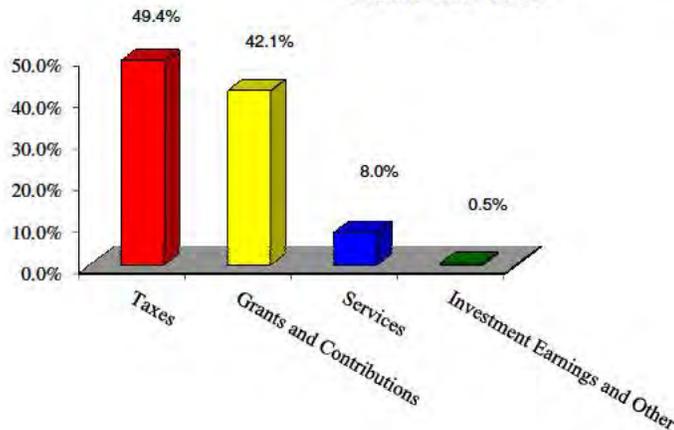
The State's governmental net assets increased by \$1.1 billion, or 8%. Approximately 49 percent of the State's total revenue came from taxes, while 42 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided 8 percent of the total revenues. The State's expenses cover a range of services. The largest expenses were for general education, social services, and health services. In 2012, governmental activity expenses exceeded program revenues, resulting in the use of \$7.1 billion in general revenues (mostly taxes). The business-type activities' program revenues exceeded their expenses for 2012 by \$449 million.

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

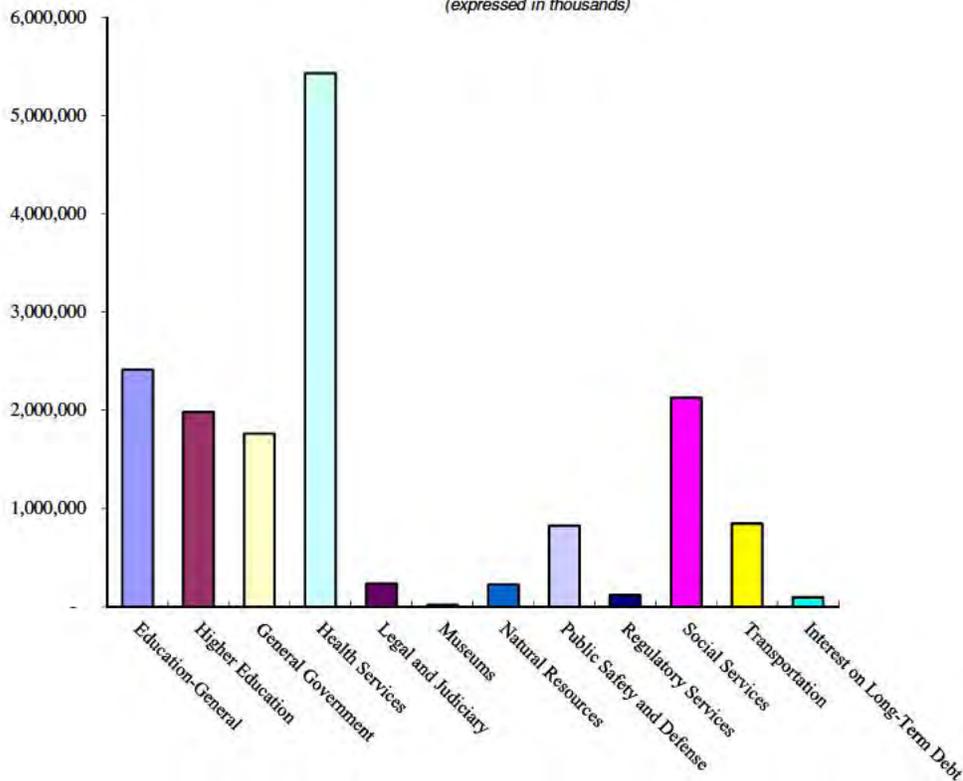
(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,366,805	\$ 1,141,233	\$ 893,807	\$ 705,798	\$ 2,260,612	\$ 1,847,031
Operating Grants and Contributions	7,181,699	7,982,737	260,936	421,483	7,442,635	8,404,220
General Revenues:						
Income Taxes-Individual	2,739,864	2,393,660	-	-	2,739,864	2,393,660
Income Taxes-Corporate	413,113	328,007	-	-	413,113	328,007
Sales Taxes	2,400,354	2,191,643	-	-	2,400,354	2,191,643
Gross Production Taxes	885,038	786,827	-	-	885,038	786,827
Motor Vehicle Taxes	693,524	633,107	-	-	693,524	633,107
Fuel Taxes	416,940	399,011	-	-	416,940	399,011
Other Taxes	867,632	801,175	-	-	867,632	801,175
Investment Earnings	80,488	117,128	-	-	80,488	117,128
Capital Lease and COPs	7,384	-	-	-	7,384	-
Total Revenues	17,052,841	16,774,528	1,154,743	1,127,281	18,207,584	17,901,809
Expenses:						
Education-General	2,413,027	3,506,316	-	-	2,413,027	3,506,316
Education-Payments to Higher Education	1,982,235	1,065,225	-	-	1,982,235	1,065,225
General Government	1,763,437	1,652,839	-	-	1,763,437	1,652,839
Health Services	5,432,791	4,866,858	-	-	5,432,791	4,866,858
Legal and Judiciary	236,979	241,360	-	-	236,979	241,360
Museums	15,455	13,539	-	-	15,455	13,539
Natural Resources	223,444	257,998	-	-	223,444	257,998
Public Safety and Defense	825,787	850,190	-	-	825,787	850,190
Regulatory Services	116,789	127,211	-	-	116,789	127,211
Social Services	2,126,879	2,269,749	-	-	2,126,879	2,269,749
Transportation	845,784	934,272	-	-	845,784	934,272
Interest on Long-Term Debt	95,097	100,363	-	-	95,097	100,363
Unemployment Insurance Trust Fund	-	-	537,575	776,001	537,575	776,001
State Loan Program to Local Governments	-	-	39,979	40,769	39,979	40,769
Lottery Commission	-	-	127,729	132,812	127,729	132,812
Total Expenses	16,077,704	15,885,920	705,283	949,582	16,782,987	16,835,502
Increase (Decrease) in Net Assets Before Transfers and Contribution to Permanent Funds	975,137	888,608	449,460	177,699	1,424,597	1,066,307
Contribution to Permanent Funds	64,861	61,738	-	-	64,861	61,738
Transfers	65,880	69,574	(65,880)	(69,574)	-	-
Change in Net Assets	1,105,878	1,019,920	383,580	108,125	1,489,458	1,128,045
Net Assets, Beginning of Year	13,746,674	12,743,456	993,524	844,041	14,740,198	13,587,497
Adjustments to Beginning Net Assets	-	(16,702)	-	41,358	-	24,656
Net Assets, End of Year	\$ 14,852,552	\$ 13,746,674	\$ 1,377,104	\$ 993,524	\$ 16,229,656	\$ 14,740,198

**Revenues - Governmental Activities
Fiscal Year 2012**



Expenses - Governmental Activities
Fiscal Year 2012
(expressed in thousands)

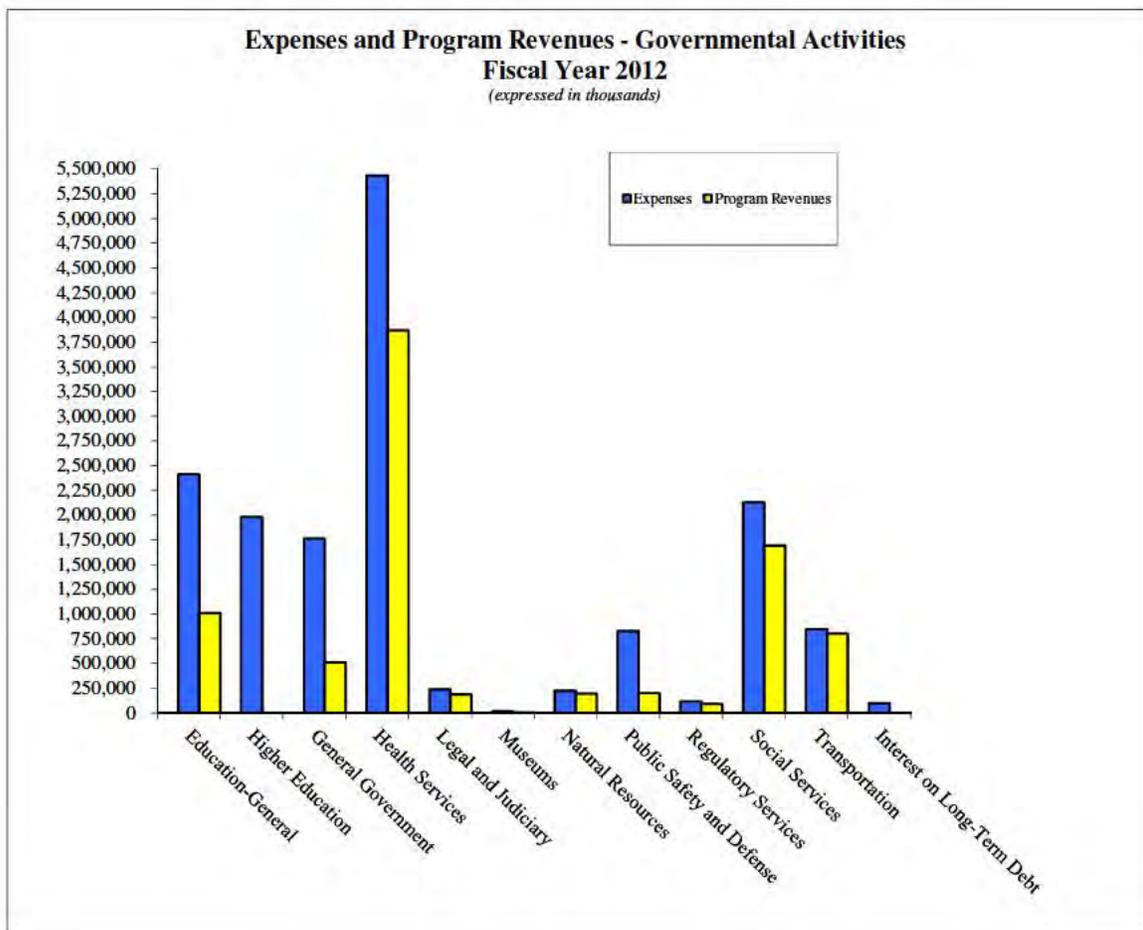


Governmental Activities

Governmental activities increased the State's net assets by \$975 million. Tax revenues were up in all major types. General revenues were up by \$854 million, or 5.1%, in 2012. Most of this increase came from improved tax receipts. The State showed a \$346 million increase in individual income taxes, a \$209 million increase in sales taxes, and a \$98 million increase in gross production income taxes during 2012.

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

	<u>Governmental Activities</u>
Expenses Net of Program Revenues:	
Education-General	\$ (1,405,458)
Education-Payment to Higher Education	(1,982,235)
General Government	(1,255,051)
Health Services	(1,565,828)
Legal and Judiciary	(51,671)
Museums	(11,065)
Natural Resources	(30,291)
Public Safety and Defense	(625,370)
Regulatory Services	(27,780)
Social Services	(436,106)
Transportation	(43,248)
Interest on Long-Term Debt	(95,097)
Total Governmental Activities Expenses	(7,529,200)
General Revenues:	
Taxes	8,416,465
Investment Earnings	80,488
Contributions to Permanent Funds	64,861
Capital Leases & COPs	7,384
Transfers	65,880
Increase in Governmental Activities Net Assets	\$ 1,105,878



Business-Type Activities

The business-type activities increased the State's net assets by \$384 million, a 38.6% increase, to \$1.4 billion. This increase comes after an increase of 3.5% in the prior year. The increase primarily resulted from both a reduction in payments by the Oklahoma Unemployment Insurance Trust Fund (OUIF) and a reevaluation of the process used to determine taxes receivable. Unemployment benefit payments decreased over last year by \$238 million or 30.7%. The OUIF's net assets increased \$350 million, the Oklahoma Water Resources Board's (OWRB) net assets increased by \$31 million, and the Oklahoma Lottery Commission had an increase in net assets of \$3 million.

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$6.4 billion, an increase of \$553 million from the prior year. The largest portion (\$2.6 billion or 40.9%) of this total amount constitutes nonspendable fund balance, which includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. In addition \$1.3 billion (19.7%) of fund balance is classified as restricted meaning that the funds can only be used for specific purposes defined by enabling legislation or externally imposed limitations. Amounts that can only be used for specific purposes pursuant to constraints of the government's highest level of decision-making authority are reported as committed fund balance. Committed fund balance represents \$2.3 billion (35.7%) of total fund balance. Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed are reported as assigned fund balance. Assigned fund balance represents \$66.1 million (1%) of total fund balance. The remaining funds that are not classified in any of the other four categories represent unassigned fund balance. For the fiscal year ended June 30, 2012 the State has \$170 million (2.7%) classified as unassigned fund balance.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the total fund balance increased \$487 million to \$3.7 billion. As a measure of the General Fund's liquidity, it may be useful to compare the portion of fund balance not classified as nonspendable (spendable) and total fund balance to total fund expenditures. Spendable fund balance represents 22.3% of total General Fund expenditures, while total fund balance represents 22.7% of that same amount.

Overall the fund balance of the State's General Fund increased by \$487 million during the current fiscal year. This 15% increase from the prior year is primarily due to improved tax collections.

The Commissioners of the Land Office manages 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 \$205 million compared to \$408 million for the prior year. Distributions to beneficiaries totaled \$163 million for fiscal year 2012 with \$51 million disbursed to universities and colleges and \$106 million disbursed to public schools, and \$6 million disbursed for public buildings. This was an increase of \$7 million from the apportionments of fiscal year 2011.

The Department of Wildlife's Lifetime Licenses fund balance increased by 3.7% to \$73.2 million. This increase occurred due to collections for licenses.

The Tobacco Settlement Endowment Permanent Fund holds certain moneys that are received in settlement of claims by the State against tobacco manufacturers. Earnings from these moneys are to be utilized for research, education, prevention

and treatment of tobacco related diseases and certain other health programs. This fund reported a \$44 million net increase in fund balance with \$65 million coming in from the settlement payment by tobacco manufacturers for 2012. The prior year's payment was about \$62 million. The State now has \$705.7 million in the permanent fund.

Proprietary Funds

The State's Proprietary Fund Financial Statements provide the same type of information found in the Government-Wide Financial Statements for business-type activities. This information is presented on the same basis of accounting, but provides more detail.

As discussed in the business-type activities section above, the State's net assets increased by \$384 million as a result of operations in the proprietary funds. This resulted from a \$350 million increase in net assets by the Oklahoma Unemployment Insurance Trust Fund (OUIF), an increase in net assets of \$31.2 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 \$2.5 million by the Oklahoma Lottery Commission.

The OUIF increased in net assets due to a reevaluation of the process used to determine taxes receivable, as well as a reduction in operating expenses of \$238.4 million. Additionally, operating revenues increased approximately \$25.6 million compared to prior year.

The OWRB increased net assets by \$31.2 million which was \$11.6 million less than the \$42.8 million in the prior year. This was primarily due to an increase in bond issuances during fiscal year 2012. Conversely, federal grant revenues decreased by \$22.3 million from the previous year.

The Oklahoma Lottery Commission had an increase in net assets of \$2.5 million. During fiscal year 2012, the Multi-State Lottery had two unclaimed jackpots which contributed to this increase. In addition, operating revenues were \$200 million, while operating expenses were \$128 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the original budget and the final amended budget amounted to \$80 million with \$66 million (82.5%) coming from budget carryovers from fiscal year 2011 and the remaining \$14 million attributable to supplemental appropriations.

The differences between the final budget and actual collections amounted to \$171 million less than budget. Based on a review by the budget department, this was determined to be a normal variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$19.6 billion, net of accumulated depreciation of \$9.1 billion, leaving a net book value of \$10.5 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 5.4% in terms of net book value. Actual expenditures to purchase or construct assets that are capitalized were \$1.1 billion for the year, a \$253 million (19%) decrease from the prior year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$469 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 Council of Bond Oversight 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 decreased by \$3.5 million, or <1%, during the current fiscal year. The decrease in long-term obligations of governmental activities was primarily due to advanced refunding of Department of Human Services and Oklahoma Development Finance Agency revenue bonds and the retirement of the Oklahoma Capital Improvement Authority and Department of Tourism revenue bonds. Business-type activities' debt increased by \$73 million as Oklahoma Water Resources Board issued \$119.5 million in revenue bonds to provide resources to implement statewide financial assistance programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Oklahoma unemployment rate was consistently lower than that for the nation between 1997 and 2012. The national unemployment rate is currently 7.9% while Oklahoma's still remains less at 5.3% for the same time period.

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

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

Budget and Revenue Collections

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

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

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

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

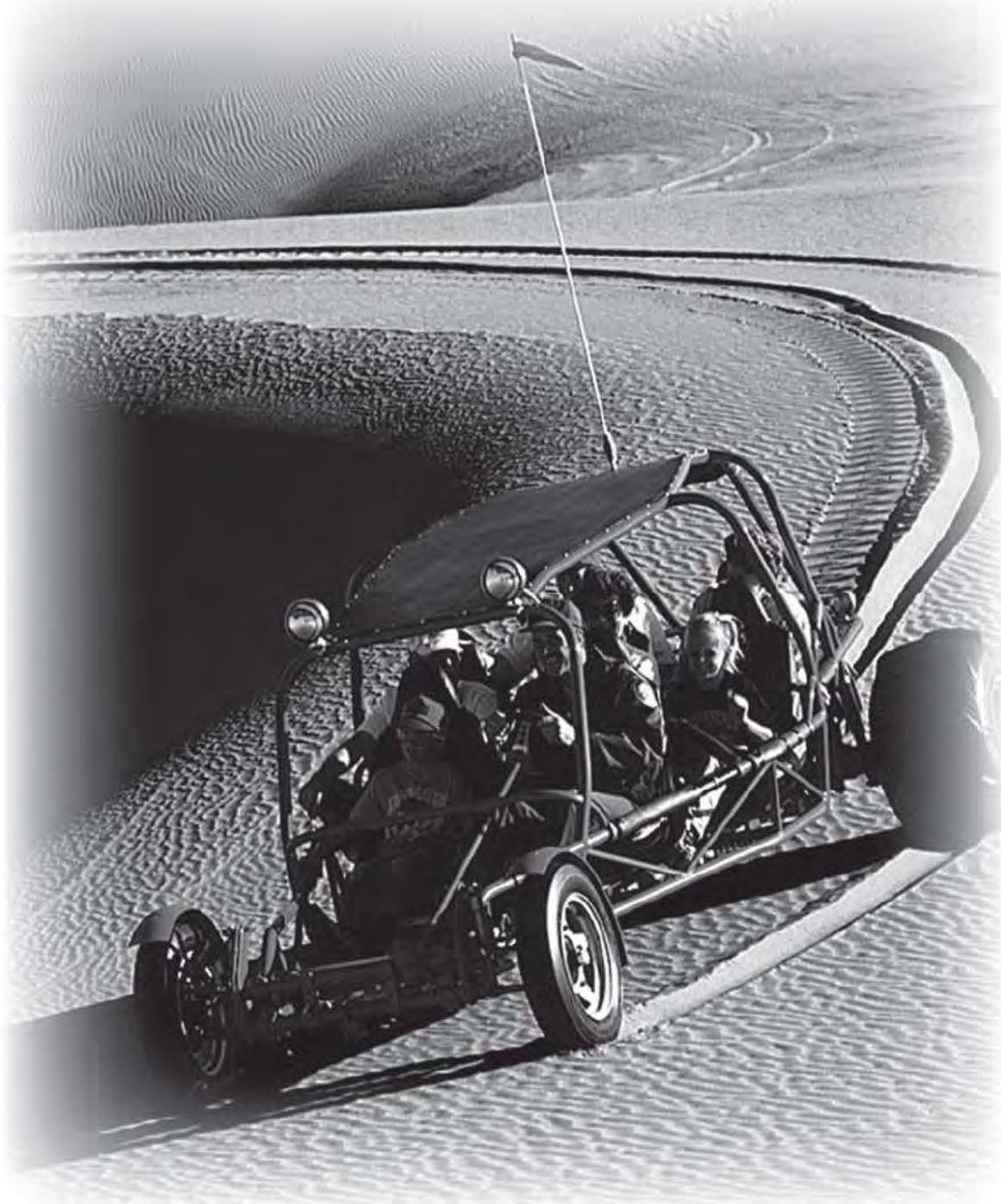
Fiscal Year 2013

Although the pace of recovery has slowed, Oklahoma's economy continues to grow. State leaders project that the recovery will continue during fiscal year 2013. As of December 2012, year-to-date revenue collections for fiscal year 2013 are 4.6% higher than official estimates.

REQUESTS FOR INFORMATION

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

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Little Sahara State Park

Basic Financial Statements



Lake Eucha State Park

Basic Financial Statements



Great Salt Plains State Park

Government-Wide Financial Statements



Sequoyah State Park

Government-Wide Financial Statements

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State of Oklahoma
Government Wide
Statement of Net Assets
June 30, 2012
(expressed in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current Assets				
Cash/Cash Equivalents	\$ 3,357,120	\$ 684,122	\$ 4,041,242	\$ 1,517,548
Investments	209,123	17,312	226,435	2,670,738
Securities Lending Investments	287,647	0	287,647	37,585
Accounts Receivable	50,894	7,068	57,962	386,551
Interest and Investment Revenue Receivable	24,223	13,719	37,942	19,478
Federal Grants Receivable	414,878	746	415,624	5,076
Taxes Receivable	303,378	205,981	509,359	0
Leases Receivable	4,461	0	4,461	0
Leases Receivable - Component Units	2,225	0	2,225	0
Other Receivables	26	0	26	64,359
Notes Receivable	0	71,470	71,470	58,903
Internal Balances	18,998	(18,998)	0	0
Receivable from External Parties	11	0	11	10,201
Due from Component Units	1,526	0	1,526	4,562
Due from Primary Government	0	0	0	34,533
Inventory	73,745	0	73,745	109,868
Prepaid Items	828	0	828	19,162
Other Current Assets	5,676	267	5,943	11,315
Total Current Assets	4,754,759	981,687	5,736,446	4,949,879
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	80,415	72,370	152,785	834,617
Short-Term Investments - Restricted	0	0	0	1,853,651
Long-Term Investments	0	0	0	1,239,279
Long-Term Investments - Restricted	2,528,728	122,047	2,650,775	0
Leases Receivable	13,246	0	13,246	0
Leases Receivable - Component Units	589,424	0	589,424	0
Long-Term Notes Receivable, Net	0	1,045,121	1,045,121	89,060
Long-Term Notes Receivable, Net - Restricted	0	0	0	730,670
Long-Term Due from Component Units	52,304	0	52,304	0
Capital Assets - Depreciable, Net	8,711,464	126	8,711,590	6,323,935
Capital Assets - Land	1,606,243	0	1,606,243	372,145
Capital Assets - Construction in Progress	171,174	0	171,174	461,283
Other Noncurrent Assets	11,651	9,968	21,619	473,183
Other Noncurrent Assets - Restricted	38,227	0	38,227	87,645
Total Noncurrent Assets	13,802,876	1,249,632	15,052,508	12,465,468
Total Assets	18,557,635	2,231,319	20,788,954	17,415,347

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

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Current Liabilities				
Accounts Payable and Accrued Liabilities	900,305	9,999	910,304	300,597
Payable Under Securities Lending Agreements	287,647	0	287,647	41,516
Claims and Judgments	7,958	0	7,958	329,179
Interest Payable	31,466	8,522	39,988	50,118
Tax Refunds Payable	1,970	0	1,970	0
Payable to External Parties	32,855	0	32,855	1,332
Due to Component Units	49,102	0	49,102	4,562
Due to Primary Government	0	0	0	2,003
Due to Others	185,327	0	185,327	0
Unearned Revenue	31,607	254	31,861	235,658
Capital Leases	2,313	0	2,313	44,184
Capital Leases - Primary Government	0	0	0	2,225
Compensated Absences	95,251	154	95,405	84,609
Notes Payable	18,032	0	18,032	109,539
General Obligation Bonds	18,160	0	18,160	625
Revenue Bonds (Net)	72,200	56,626	128,826	261,332
Other Postemployment Benefits	251	0	251	0
Other Current Liabilities	10,000	2,137	12,137	265,561
Total Current Liabilities	1,744,444	77,692	1,822,136	1,733,040
Noncurrent Liabilities				
Claims and Judgments	16,262	0	16,262	1,001,998
Due to Primary Government	0	0	0	52,304
Pension Obligation	102,450	0	102,450	0
Capital Leases	6,397	0	6,397	377,099
Capital Leases - Primary Government	0	0	0	589,425
Compensated Absences	53,961	192	54,153	32,171
Notes Payable	194,560	0	194,560	449,561
General Obligation Bonds	157,485	0	157,485	46,142
Revenue Bonds (including Premiums)	1,429,524	776,331	2,205,855	4,855,913
Other Noncurrent Liabilities	0	0	0	508,474
Total Noncurrent Liabilities	1,960,639	776,523	2,737,162	7,913,087
Total Liabilities	3,705,083	854,215	4,559,298	9,646,127
Net Assets				
Invested in Capital Assets, Net of Related Debt	9,276,689	126	9,276,815	2,934,591
Restricted for:				
Debt Service	721,373	271,412	992,785	363,768
Preservation of Wildlife	73,223	0	73,223	0
Educational Systems	1,933,777	0	1,933,777	0
Unemployment Benefits	0	831,585	831,585	0
Stabilization	433,095	0	433,095	0
Federal Grant Programs	90,124	0	90,124	0
Tobacco Cessation and Public Health				
Expendable	91,859	0	91,859	2,556,781
Nonexpendable	613,868	0	613,868	0
Unrestricted	1,618,544	273,981	1,892,525	1,914,080
Total Net Assets	\$ 14,852,552	\$ 1,377,104	\$ 16,229,656	\$ 7,769,220

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, 2012
(expressed in thousands)

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Education-General	\$ 2,413,027	\$ 48,123	\$ 959,446	\$ 0	\$ (1,405,458)		\$ (1,405,458)	
Education-Payment to Higher Education	1,982,235	0	0	0	(1,982,235)		(1,982,235)	
General Government	1,763,437	262,488	245,898	0	(1,255,051)		(1,255,051)	
Health Services	5,432,791	476,950	3,390,013	0	(1,565,828)		(1,565,828)	
Legal and Judiciary	236,979	156,960	28,348	0	(51,671)		(51,671)	
Museums	15,455	3,216	1,174	0	(11,065)		(11,065)	
Natural Resources	223,444	119,111	74,042	0	(30,291)		(30,291)	
Public Safety and Defense	825,787	68,976	131,441	0	(625,370)		(625,370)	
Regulatory Services	116,789	80,329	8,680	0	(27,780)		(27,780)	
Social Services	2,126,879	62,997	1,627,776	0	(436,106)		(436,106)	
Transportation	845,784	87,655	714,881	0	(43,248)		(43,248)	
Interest on Long-Term Debt	95,097	0	0	0	(95,097)		(95,097)	
Total Governmental Activities	16,077,704	1,366,805	7,181,699	0	(7,529,200)		(7,529,200)	
Business-Type Activities:								
Employment Security Commission	537,575	634,373	253,027	0		\$ 349,825	349,825	
Water Resources Board	39,975	59,457	7,627	0		27,109	27,109	
Lottery Commission	127,729	199,973	282	0		72,526	72,526	
Total Business-Type Activities	705,279	893,803	260,936	0		449,460	449,460	
Total Primary Government	\$ 16,782,983	\$ 2,260,608	\$ 7,442,635	\$ 0	(7,529,200)	449,460	(7,079,740)	
Component Units:								
CompSource Oklahoma	\$ 313,395	\$ 319,570	\$ 0	\$ 0				\$ 6,175
State and Education Employees								
Group Insurance Board	832,635	876,818	0	0				44,183
Oklahoma Student Loan Authority	18,309	16,201	0	0				(2,108)
Oklahoma Housing Finance Agency	251,766	63,923	210,346	0				22,503
Oklahoma Turnpike Authority	212,416	235,369	0	0				22,953
Grand River Dam Authority	360,960	418,551	0	0				57,591
Oklahoma Municipal Power Authority	174,313	175,983	0	0				1,670
Higher Education	5,197,674	2,079,783	1,327,929	0				(1,789,962)
Nonmajor Component Units	352,085	251,286	1,632	0				(99,167)
Total Component Units	\$ 7,713,553	\$ 4,437,484	\$ 1,539,907	\$ 0				(1,736,162)
General Revenues								
Taxes:								
Income Taxes-Individual					2,739,864	0	2,739,864	0
Income Taxes-Corporate					413,113	0	413,113	0
Sales Tax					2,400,354	0	2,400,354	0
Gross Production Taxes					885,038	0	885,038	0
Motor Vehicle Taxes					693,524	0	693,524	0
Fuel Taxes					416,940	0	416,940	0
Tobacco Taxes					281,754	0	281,754	0
Other Business Taxes					216,219	0	216,219	0
Other Personal Taxes					1,815	0	1,815	0
Insurance Taxes					124,651	0	124,651	0
Beverage Taxes					99,567	0	99,567	0
Other Taxes					143,626	0	143,626	0
Payments from Primary Government					0	0	0	2,045,584
Investment Earnings					80,488	0	80,488	0
Contributions to Permanent Funds					64,861	0	64,861	0
Capital Lease and COPs					7,384	0	7,384	0
Transfers					65,880	(65,880)	0	0
Total General Revenues and Transfers					8,635,078	(65,880)	8,569,198	2,045,584
Change in Net Assets					1,105,878	383,580	1,489,458	309,422
Net Assets - Beginning of Year (as restated)					13,746,674	993,524	14,740,198	7,459,798
Net Assets - End of Year					\$ 14,852,552	\$ 1,377,104	\$ 16,229,656	\$ 7,769,220

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



Lake Eufala State Park

Fund Financial Statements



Lake Murray State Park

Fund Financial Statements

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State of Oklahoma
Balance Sheet
Governmental Funds
June 30, 2012
(expressed in thousands)

	Permanent Funds				Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
Assets					
Assets					
Cash/Cash Equivalents	\$ 3,279,783	\$ 106,244	\$ 10,199	\$ 41,309	\$ 3,437,535
Investments	209,123	1,793,492	62,921	672,315	2,737,851
Securities Lending Investments	253,490	0	0	34,157	287,647
Accounts Receivable	50,894	0	0	0	50,894
Interest and Investment Revenue Receivable	24,223	13,241	0	4,119	41,583
Federal Grants Receivable	414,878	0	0	0	414,878
Taxes Receivable	303,378	0	0	0	303,378
Leases Receivable	17,707	0	0	0	17,707
Leases Receivable-Component Units	591,650	0	0	0	591,650
Other Receivables	26	20,800	0	67	20,893
Due from Other Funds	19,043	0	96	0	19,139
Due from Fiduciary Funds	11	0	0	0	11
Due from Component Units	1,526	0	0	0	1,526
Due from Component Units-Noncurrent	52,304	0	0	0	52,304
Inventory	73,745	0	0	0	73,745
Prepaid Items	828	0	0	0	828
Other Assets	5,669	0	7	0	5,676
Total Assets	\$ 5,298,278	\$ 1,933,777	\$ 73,223	\$ 751,967	\$ 8,057,245
Liabilities and Fund Balance					
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 840,244	\$ 49,228	\$ 0	\$ 10,833	\$ 900,305
Payable Under Securities					
Lending Agreements	253,490	0	0	34,157	287,647
Tax Refunds Payable	1,970	0	0	0	1,970
Due to Other Funds	95	0	0	45	140
Due to Fiduciary Funds	32,855	0	0	0	32,855
Due to Component Units	47,897	0	0	1,205	49,102
Due to Others	185,327	0	0	0	185,327
Deferred Revenue	181,729	5,827	0	0	187,556
Other Liabilities	10,000	0	0	0	10,000
Total Liabilities	1,553,607	55,055	0	46,240	1,654,902
Fund Balances					
Nonspendable	73,539	1,862,742	73,223	613,868	2,623,372
Restricted	1,244,592	15,980	0	0	1,260,572
Committed	2,282,175	0	0	0	2,282,175
Assigned	0	0	0	66,135	66,135
Unassigned	144,365	0	0	25,724	170,089
Total Fund Balances	3,744,671	1,878,722	73,223	705,727	6,402,343
Total Liabilities and Fund Balances	\$ 5,298,278	\$ 1,933,777	\$ 73,223	\$ 751,967	

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 \$ 6,402,343

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	\$ 1,606,243	
Buildings and Improvements	1,574,795	
Equipment	470,703	
Infrastructure	15,737,141	
Construction in Progress	171,174	
Accumulated Depreciation	(9,071,175)	
		10,488,881

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. 155,949

The Uniform Retirement System for Judges and Justices, the Oklahoma Law Enforcement Retirement System and Wildlife Department have under funded their Annual Required Contributions, creating a net pension obligation. This liability is not payable from current available financial resources and is not reported in the funds. (102,452)

Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets. 6,107

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. 5,544

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	(212,592)	
General Obligation and Revenue Bonds	(1,600,200)	
Capital Leases and Certificates of Participation	(8,710)	
Bond Issue Premiums	(77,169)	
Accrued Interest on Bonds	(31,466)	
Compensated Absences	(149,212)	
Other postemployment benefits	(251)	
Claims and Judgements	(24,220)	
		(2,103,820)

Net Assets of Governmental Activities \$ 14,852,552

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, 2012
(expressed in thousands)

	Permanent Funds				Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
Revenues					
Taxes					
Income Taxes-Individual	\$ 2,739,864	\$ 0	\$ 0	\$ 0	\$ 2,739,864
Sales Tax	2,400,354	0	0	0	2,400,354
Gross Production Taxes	885,038	0	0	0	885,038
Income Taxes-Corporate	413,113	0	0	0	413,113
Motor Vehicle Taxes	693,524	0	0	0	693,524
Fuel Taxes	416,940	0	0	0	416,940
Tobacco Taxes	281,754	0	0	0	281,754
Other Business Taxes	216,219	0	0	0	216,219
Other Personal Taxes	1,815	0	0	0	1,815
Insurance Taxes	124,651	0	0	0	124,651
Beverage Taxes	99,567	0	0	0	99,567
Other Taxes	143,626	0	0	0	143,626
Licenses, Permits and Fees	594,889	0	2,582	0	597,471
Interest and Investment Revenue	135,336	189,587	0	11,372	336,295
Federal Grants	6,934,571	0	0	0	6,934,571
Sales and Services	178,416	12,366	0	0	190,782
Other Grants and Reimbursements	484,570	0	0	0	484,570
Fines and Penalties	48,046	0	0	0	48,046
Other	13,872	2,995	0	64,861	81,728
Total Revenues	16,806,165	204,948	2,582	76,233	17,089,928
Expenditures					
Education	4,209,660	185,444	0	0	4,395,104
General Government	1,708,680	0	0	32,607	1,741,287
Health Services	5,436,158	0	0	0	5,436,158
Legal and Judiciary	231,292	0	0	0	231,292
Museums	14,281	0	0	0	14,281
Natural Resources	211,946	0	0	0	211,946
Public Safety and Defense	764,714	0	0	0	764,714
Regulatory Services	111,911	0	0	0	111,911
Social Services	2,091,972	0	0	0	2,091,972
Transportation	208,009	0	0	0	208,009
Capital Outlay	1,302,427	0	0	20	1,302,447
Debt Service					
Principal Retirement	98,831	0	0	0	98,831
Interest and Fiscal Charges	95,097	0	0	0	95,097
Total Expenditures	16,484,978	185,444	0	32,627	16,703,049
Revenues in Excess of (Less Than) Expenditures	321,187	19,504	2,582	43,606	386,879
Other Financing Sources (Uses)					
Transfers In	73,168	0	0	0	73,168
Transfers Out	(7,287)	0	0	0	(7,287)
Bonds Issued	68,805	0	0	0	68,805
Refunding Bonds	6,140	0	0	0	6,140
Bond Issue Premiums	11,282	0	0	0	11,282
Bond and Note Issue Discounts	(35)	0	0	0	(35)
Capital Leases	5,659	0	0	0	5,659
Sale of Capital Assets	8,139	0	0	0	8,139
Total Other Financing Sources (Uses)	165,871	0	0	0	165,871
Net Change in Fund Balances	487,058	19,504	2,582	43,606	552,750
Fund Balances - Beginning of Year (as restated)	3,257,613	1,859,218	70,641	662,121	5,849,593
Fund Balances - End of Year	\$ 3,744,671	\$ 1,878,722	\$ 73,223	\$ 705,727	\$ 6,402,343

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 \$ 552,750

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

Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,000,686) exceeded depreciation (\$468,453) in the current period. 532,233

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. (15,020)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 27,963

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 payments (\$96,547) exceeded proceeds (\$74,945). 21,602

Bond issuance premiums and discounts are other financing sources or uses to governmental funds, but are deferred liabilities in the statement of net assets. This is the amount of bond issue premiums. (11,247)

Contributions to certain pension plans use current financial resources from governmental funds, while an increase in the net pension obligation (\$21,749) is an expense in the statement of activities. (21,749)

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 payment of principal (\$2,283) and cancellation of existing capital leases (\$7,385) exceeds the addition of new capital leases (\$5,659). 4,009

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

Accretion of bond premiums	8,895	
Decrease in entity-wide interest payable	6,044	
Decrease in compensated absences	1,040	
Amortization of losses on refunded bonds	(861)	
Amortization of bond issuance costs	(801)	
Deferral of bond issuance costs	77	
Increase in Other Postemployment Benefit liability	(53)	
Decrease in claims and judgments payable	996	
	15,337	

Change in Net Assets of Governmental Activities \$ 1,105,878

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

State of Oklahoma
Statement of Net Assets
Proprietary Funds
June 30, 2012
(expressed in thousands)

	Business-Type Activities - Enterprise Funds			Total
	Employment Security Commission	Water Resources Board	Lottery Commission	
Assets				
Current Assets				
Cash/Cash Equivalents	\$ 621,321	\$ 38,886	\$ 23,915	\$ 684,122
Investments	0	17,312	0	17,312
Accounts Receivable	110	0	6,958	7,068
Interest and Investment Revenue Receivable	4,025	9,694	0	13,719
Federal Grants Receivable	148	598	0	746
Taxes Receivable	205,981	0	0	205,981
Notes Receivable	0	71,470	0	71,470
Other Current Assets	0	267	0	267
Total Current Assets	831,585	138,227	30,873	1,000,685
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	0	72,370	0	72,370
Long-Term Investments - Restricted	0	122,047	0	122,047
Long-Term Notes Receivable	0	1,045,121	0	1,045,121
Capital Assets, Net	0	20	106	126
Other Noncurrent Assets	0	4,182	5,786	9,968
Total Noncurrent Assets	0	1,243,740	5,892	1,249,632
Total Assets	831,585	1,381,967	36,765	2,250,317
Liabilities				
Current Liabilities				
Accounts Payable and Accrued Liabilities	0	417	9,582	9,999
Interest Payable	0	8,522	0	8,522
Compensated Absences	0	31	123	154
Deferred Revenue	0	0	254	254
Revenue Bonds	0	56,626	0	56,626
Due to Other Funds	0	282	18,716	18,998
Other Current Liabilities	0	2,137	0	2,137
Total Current Liabilities	0	68,015	28,675	96,690
Noncurrent Liabilities				
Revenue Bonds	0	776,331	0	776,331
Compensated Absences	0	130	62	192
Total Noncurrent Liabilities	0	776,461	62	776,523
Total Liabilities	0	844,476	28,737	873,213
Net Assets				
Invested in Capital Assets	0	20	106	126
Restricted for:				
Debt Service	0	271,412	0	271,412
Unemployment Benefits	831,585	0	0	831,585
Unrestricted	0	266,059	7,922	273,981
Total Net Assets	\$ 831,585	\$ 537,491	\$ 8,028	\$ 1,377,104

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, 2012
(expressed in thousands)

	Business-Type Activities - Enterprise Funds			Total
	Employment Security Commission	Water Resources Board	Lottery Commission	
Operating Revenues				
Sales and Services	\$ 617,523	\$ 0	\$ 199,854	\$ 817,377
Federal Grants	253,027	4,242	0	257,269
Interest and Investment Revenue	0	30,646	0	30,646
Other	0	0	119	119
Total Operating Revenues	<u>870,550</u>	<u>34,888</u>	<u>199,973</u>	<u>1,105,411</u>
Operating Expenses				
Facilities Operations and Maintenance	0	0	195	195
Administrative and General	0	9,655	4,613	14,268
Prizes, Commissions and Other	0	0	122,368	122,368
Interest	0	30,286	0	30,286
Depreciation	0	34	53	87
Benefit Payments and Refunds	537,575	0	0	537,575
Total Operating Expenses	<u>537,575</u>	<u>39,975</u>	<u>127,229</u>	<u>704,779</u>
Operating Income (Loss)	<u>332,975</u>	<u>(5,087)</u>	<u>72,744</u>	<u>400,632</u>
Nonoperating Revenues (Expenses)				
Interest and Investment Revenue	13,538	6,585	282	20,405
Other Nonoperating Revenues	3,312	1,042	0	4,354
Nonoperating Federal Grants	0	24,565	0	24,565
Other Nonoperating Expenses	0	4	(500)	(496)
Total Nonoperating Revenues (Expenses)	<u>16,850</u>	<u>32,196</u>	<u>(218)</u>	<u>48,828</u>
Income (Loss) Before Transfers	<u>349,825</u>	<u>27,109</u>	<u>72,526</u>	<u>449,460</u>
Transfers In	0	7,287	0	7,287
Transfers Out	0	(3,177)	(69,990)	(73,167)
Change in Net Assets	<u>349,825</u>	<u>31,219</u>	<u>2,536</u>	<u>383,580</u>
Total Net Assets - Beginning of Year	<u>481,760</u>	<u>506,272</u>	<u>5,492</u>	<u>993,524</u>
Total Net Assets - Ending	<u>\$ 831,585</u>	<u>\$ 537,491</u>	<u>\$ 8,028</u>	<u>\$ 1,377,104</u>

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

State of Oklahoma
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

	Business-Type Activities - Enterprise Funds			Total
	Employment Security Commission	Water Resources Board	Lottery Commission	
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 548,122	\$ 0	\$ 188,037	\$ 736,159
Receipts from Federal Grants	244,878	4,272	0	249,150
Payments of Benefits	(529,426)	(305)	0	(529,731)
Payments to Suppliers	0	(2,894)	(8,470)	(11,364)
Payments to Employees	0	(2,216)	(2,644)	(4,860)
Payments to Prize Winners	0	0	(101,418)	(101,418)
Payments to fund deposit with Multi-State Lottery	0	0	(1,864)	(1,864)
Collections of Interest on Loans to Governmental Units	0	28,505	0	28,505
Payments of Operating Interest Expense	0	(31,203)	0	(31,203)
Net Cash Provided (Used) by Operating Activities	263,574	(3,841)	73,641	333,374
Cash Flows from Noncapital Financing Activities				
Federal Grants and Other Contributions	3,142	149,978	0	153,120
Transfers In	0	7,287	0	7,287
Transfers Out	0	(3,177)	(65,440)	(68,617)
Principal Paid on Bonds and Notes Payable	0	(45,275)	0	(45,275)
Net Cash Provided (Used) by Noncapital Financing Activities	3,142	108,813	(65,440)	46,515
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	0	0	(10)	(10)
Net Cash Used by Capital and Related Financing Activities	0	0	(10)	(10)
Cash Flows from Investing Activities				
Interest and Investment Revenue	9,495	7,655	269	17,419
Proceeds from Sale and Maturity of Investments	0	50,525	0	50,525
Payments to Purchase Investments	0	(75,932)	0	(75,932)
Collections of Principal on Loans to Governmental Units	0	75,820	0	75,820
Payments to Issue Notes Receivable	0	(158,427)	0	(158,427)
Net Cash Provided by Investing Activities	9,495	(100,359)	269	(90,595)
Net Increase in Cash/Cash Equivalents	276,211	4,613	8,460	289,284
Cash/Cash Equivalents - Beginning of Year	345,110	106,643	15,455	467,208
Cash/Cash Equivalents - End of Year	\$ 621,321	\$ 111,256	\$ 23,915	\$ 756,492
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities				
Operating Income (Loss)	\$ 332,975	\$ (5,087)	\$ 72,744	\$ 400,632
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	0	34	53	87
Amortization (Accretion) and Other Noncash Expenses	0	2,308	20	2,328
Decrease (Increase) in Assets				
Accounts Receivable	(68,993)	30	1,544	(67,419)
Interest and Investment Receivable	0	(1,616)	0	(1,616)
Deposit with Multi-State Lottery	0	0	(1,864)	(1,864)
Other Receivables	0	1	0	1
Increase (Decrease) in Liabilities				
Accounts Payable and Accrued Liabilities	(284)	(170)	(324)	(778)
Interest Payable	0	1,066	0	1,066
Prizes Payable	0	0	1,421	1,421
Compensated Absences	0	(28)	0	(28)
Due to other funds	0	0	214	214
Deferred Revenue	(124)	0	(167)	(291)
Other Current Liabilities	0	(379)	0	(379)
Net Cash Provided (Used) by Operating Activities	\$ 263,574	\$ (3,841)	\$ 73,641	\$ 333,374

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, 2012
(expressed in thousands)

	Pension Trust Funds	Agency Fund
Assets		
Cash/Cash Equivalents	\$ 576,485	\$ 354,272
Investments, at fair value		
Equity Securities	9,896,186	0
Governmental Securities	3,285,136	0
Debt Securities	3,179,973	0
Mutual Funds	2,899,451	0
Other Investments	1,873,436	85
Securities Lending Investments	2,481,071	0
Taxes Receivable	0	1
Accounts Receivable	0	23
Interest and Investment Revenue Receivable	66,913	0
Employer Contributions Receivable	51,399	0
Employee Contributions Receivable	29,511	0
Other Contributions Receivable	29,333	0
Other Receivables	535	0
Due from Brokers	452,966	0
Due from Other Funds	33,528	0
Due from Component Units	0	659
Inventory	0	9,726
Capital Assets, Net	3,241	0
Other Assets	296	0
Total Assets	<u>24,859,460</u>	<u>\$ 364,766</u>
Liabilities		
Accounts Payable	3,798	\$ 393
Tax Refunds Payable	0	15,517
Securities Lending Payable	2,481,071	0
Due to Brokers	825,804	0
Due to Other Funds	11	0
Due to Others	0	348,856
Benefits in the Process of Payment	14,779	0
Other Liabilities	9,088	0
Total Liabilities	<u>3,334,551</u>	<u>\$ 364,766</u>
Net Assets		
Held in Trust for Pension Benefits and Pool Participants	<u>\$ 21,524,909</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, 2012
(expressed in thousands)

	Pension Trust Funds
Additions	
Contributions	
Employer Contributions	\$ 720,191
Employee Contributions	405,900
Other Contributions	420,170
Total Contributions	<u>1,546,261</u>
Investment Earnings	
Net Increase (Decrease) in Fair Value of Investments	(104,606)
Interest and Investment Revenue	495,408
Total Investment Earnings	<u>390,802</u>
Less Investment Expenses	<u>69,449</u>
Net Investment Earnings	<u>321,353</u>
Total Additions	<u>1,867,614</u>
Deductions	
Administrative and General Expenses	13,906
Benefit Payments and Refunds	1,903,098
Total Deductions	<u>1,917,004</u>
Change in Net Assets	(49,390)
Net Assets - Beginning of Year (as restated)	<u>21,574,299</u>
Net Assets - End of Year	<u><u>\$ 21,524,909</u></u>

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

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MAJOR COMPONENT UNITS

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

COMPSOURCE OKLAHOMA

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

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

STATE AND EDUCATION EMPLOYEES GROUP INSURANCE BOARD

3545 N.W. 58th Street, Suite 110, 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 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.

University Center of Southern Oklahoma 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, 2012
(expressed in thousands)

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
Assets										
Current Assets										
Cash/Cash Equivalents										
Unrestricted	\$ 25,029	\$ 99,331	\$ 5	\$ 25,209	\$ 15,484	\$ 19,400	\$ 726	\$ 1,209,774	\$ 122,590	\$ 1,517,548
Investments	1,267,538	272,061	17,685	2,584	54,643	184,982	13,302	831,421	26,522	2,670,738
Securities Lending Investments	37,585	0	0	0	0	0	0	0	0	37,585
Accounts Receivable	0	32,986	0	920	1,390	35,264	16,306	299,369	316	386,551
Interest and Investment										
Revenue Receivable	9,886	1,336	217	147	616	2,843	311	3,832	290	19,478
Federal Grants Receivable	0	0	0	0	0	0	0	5,076	0	5,076
Other Receivables	2,539	4,130	0	0	0	0	0	57,554	136	64,359
Notes Receivable	50,071	0	0	0	0	0	0	6,845	1,987	58,903
Due from Fiduciary Funds	0	10,201	0	0	0	0	0	0	0	10,201
Due from Other Component Units	180	0	0	0	0	1,990	0	1,943	449	4,562
Due from Primary Government	1,056	775	0	0	885	0	0	27,591	4,226	34,533
Inventory	0	0	0	0	6,453	73,514	3,783	26,118	0	109,868
Prepaid Items	0	0	0	271	177	2,773	3,717	12,026	198	19,162
Other Current Assets	3,631	0	0	0	0	0	2,426	5,036	222	11,315
Total Current Assets	1,397,515	420,820	17,907	29,131	79,648	320,766	40,571	2,486,585	156,936	4,949,879
Noncurrent Assets										
Cash/Cash Equivalents -										
Restricted	0	0	2,501	112,109	261,099	0	0	458,153	755	834,617
Investments - Restricted	0	0	58,925	610,716	177,367	398,963	127,335	464,096	16,249	1,853,651
Long-Term Investments										
Unrestricted	0	0	0	30,766	0	0	29,165	1,151,840	27,508	1,239,279
Long-Term Notes Receivable, Net										
Unrestricted	20,140	0	9,183	0	0	0	0	45,571	14,166	89,060
Restricted	0	0	729,828	842	0	0	0	0	0	730,670
Capital Assets										
Depreciable, Net	14,067	738	1,477	2,700	891,773	691,421	298,352	4,176,290	247,117	6,323,935
Land	1,179	0	0	550	162,943	34,287	0	169,051	4,135	372,145
Construction in Progress	0	0	0	0	40,263	56,933	108,524	243,348	12,215	461,283
Other Noncurrent Assets										
Unrestricted	6,349	0	1,486	0	85,277	24,188	126,603	209,155	20,125	473,183
Restricted	0	0	8,660	8,368	0	0	646	69,935	36	87,645
Total Noncurrent Assets	41,735	738	812,060	766,051	1,618,722	1,205,792	690,625	6,987,439	342,306	12,465,468
Total Assets	1,439,250	421,558	829,967	795,182	1,698,370	1,526,558	731,196	9,474,024	499,242	17,415,347

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

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
Liabilities										
Current Liabilities										
Accounts Payable and Accrued Liabilities	0	9,474	2,989	1,983	19,430	29,793	17,273	203,180	16,475	300,597
Payable Under Securities Lending Agreements	41,516	0	0	0	0	0	0	0	0	41,516
Claims and Judgments	211,267	91,462	0	0	0	0	0	4,616	21,834	329,179
Interest Payable	0	0	799	2,380	9,917	4,101	14,315	17,948	658	50,118
Due to Fiduciary Funds	0	0	0	63	0	530	739	0	0	1,332
Due to Other Component Units	0	12	0	0	36	94	1,987	498	1,935	4,562
Due to Primary Government	5	4	0	0	18	668	0	1,308	0	2,003
Deferred Revenue	73,289	0	0	309	22,309	0	0	139,442	309	235,658
Capital Leases	0	0	0	0	0	0	0	44,184	0	44,184
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	2,225	0	2,225
Compensated Absences	1,806	937	260	978	1,823	3,814	0	74,637	354	84,609
Notes Payable	0	0	14,000	0	27,490	0	1,677	64,923	1,449	109,539
General Obligation Bonds	0	0	0	0	0	0	0	0	625	625
Revenue Bonds	0	0	0	63,281	50,955	86,765	17,795	41,441	1,095	261,332
Other Current Liabilities	12,878	33,510	0	0	0	0	3,717	215,280	176	265,561
Total Current Liabilities	340,761	135,399	18,048	68,994	131,978	125,765	57,503	809,682	44,910	1,733,040
Noncurrent Liabilities										
Claims and Judgments	779,934	11,742	0	0	0	0	0	3,608	206,714	1,001,998
Due to Primary Government	0	0	0	0	52,304	0	0	0	0	52,304
Capital Leases	0	0	0	0	0	0	0	377,099	0	377,099
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	589,425	0	589,425
Compensated Absences	0	0	0	0	0	0	0	32,027	144	32,171
Notes Payable	0	0	275,989	0	0	0	45,646	107,761	20,165	449,561
General Obligation Bonds	0	0	0	0	0	0	0	0	46,142	46,142
Revenue Bonds	0	0	475,262	555,709	1,077,631	911,841	590,195	1,199,180	58,826	4,868,644
Unamortized Premium (Discount)	0	0	0	0	0	0	4,862	0	0	4,862
Unamortized net deferred debt on refunding	0	0	0	0	0	0	(17,593)	0	0	(17,593)
Other Noncurrent Liabilities	0	4,233	0	728	80,475	14,603	26,997	361,450	19,988	508,474
Total Noncurrent Liabilities	779,934	15,975	751,251	556,437	1,210,410	926,444	650,107	2,670,550	351,979	7,913,087
Total Liabilities	1,120,695	151,374	769,299	625,431	1,342,388	1,052,209	707,610	3,480,232	396,889	9,646,127
Net Assets										
Invested in Capital Assets, Net of Related Debt	15,246	738	1,477	3,250	121,115	197,482	(21,014)	2,402,892	213,405	2,934,591
Restricted for:										
Debt Service	0	0	0	115,536	121,358	61,324	13,276	52,274	0	363,768
Other Special Purpose										
Expendable	5,000	0	31,085	7,041	48,188	637	9,415	2,451,496	3,919	2,556,781
Nonexpendable	0	0	0	0	0	0	0	0	0	0
Unrestricted	298,309	269,446	28,106	43,924	65,321	214,906	21,909	1,087,130	(114,971)	1,914,080
Total Net Assets	\$ 318,555	\$ 270,184	\$ 60,668	\$ 169,751	\$ 355,982	\$ 474,349	\$ 23,586	\$ 5,993,792	\$ 102,353	\$ 7,769,220

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, 2012
(expressed in thousands)

	Expenses	Program Revenues		Net (Expense) Revenue	General Revenue		Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
		Charges for Services	Operating Grants and Contributions		Payments from Primary Government				
Component Units:									
CompSource Oklahoma	\$ 313,395	\$ 319,570	\$ 0	\$ 6,175	\$ 0	\$ 6,175	\$ 312,380	\$ 318,555	
State Education and Employees Group Insurance Board	832,635	876,818	0	44,183	0	44,183	226,001	270,184	
Oklahoma Student Loan Authority	18,309	16,201	0	(2,108)	0	(2,108)	62,776	60,668	
Oklahoma Housing Finance Agency	251,766	63,923	210,346	22,503	0	22,503	147,248	169,751	
Oklahoma Turnpike Authority	212,416	235,369	0	22,953	0	22,953	333,029	355,982	
Grand River Dam Authority	360,960	418,551	0	57,591	0	57,591	416,758	474,349	
Oklahoma Municipal Power Authority	174,313	175,983	0	1,670	0	1,670	21,916	23,586	
Higher Education Component Unit	5,197,674	2,079,783	1,327,929	(1,789,962)	1,982,235	192,273	5,801,519	5,993,792	
Nonmajor Component Units Total	352,085	251,286	1,632	(99,167)	63,349	(35,818)	138,171	102,353	
Total Component Units	\$ 7,713,553	\$ 4,437,484	\$ 1,539,907	\$ (1,736,162)	\$ 2,045,584	\$ 309,422	\$ 7,459,798	\$ 7,769,220	

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



Beavers Bend State Park

Notes to the Financial Statements



Beavers Bend State Park

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 December 2009 the GASB issued Statement 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employment benefit (OPEB) plans.

The State was required to implement this standard for the fiscal year ended June 30, 2012.

In June 2011 the GASB issued Statement 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

The State was required to implement this standard for the fiscal year ended June 30, 2012.

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, 2012, and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts, authorities and other organizational units governed by the Oklahoma State Legislature and/or Constitutional Officers of the State of Oklahoma.

A. Reporting Entity

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

As required by GAAP, 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 Management and Enterprise Services, 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, and the State Auditor (or their designees), the Director of Central Services, and 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, 2011, and their report, dated March 28, 2012, 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, and 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, 2011, and their report, dated April 26, 2012, has been previously issued under separate cover. Beginning in fiscal year 2013, OSEEGIB will be considered part of the general government. "The State Government Administrative Process Consolidation and Reorganization Reform Act of 2011 (HB 2140)" consolidates OSEEGIB into the Office of Management and Enterprise Services, a governmental fund agency. By statute, the administrative functions of OSEEGIB were consolidated as of December 31, 2011. As an agency that reports using a calendar year end, OSEEGIB was determined to be a component unit for their financial reporting in fiscal year 2012.

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, 2012, and their report, dated November 30, 2012 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, 2011, and their report, dated January 26, 2012, 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, 2011, and their report, dated March 26, 2012, 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 seven member Board of Directors consists of the General Manager of the Oklahoma Association of Electric Cooperatives, the Executive Director of the Municipal Electric Systems of Oklahoma, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore 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, 2011, and their report, dated March 1, 2012, 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, 2011, and their report, dated April 1, 2012, has been previously issued under separate cover.

Higher Education Component Unit - This component unit is primarily comprised of the 25 colleges and universities that are members of the Oklahoma State System of Higher Education (the System). All of the colleges and universities have foundations that receive and hold economic resources for the benefit of their associated entity. These foundations are component units of their respective college or university and are included as part of the Higher Education Component Unit. Separately issued independent audit reports for each college, university, foundation, or other included entity may be obtained from the Office of Management and Enterprise Services, 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 the State Superintendent of Public Instruction and eight 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.
- **University Center of Southern Oklahoma (formerly known as 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 Center earn credit applicable toward academic degrees and certificates at participating institutions in the System. The Center 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 Center 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, 2012, and their report, dated October 25, 2012, 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, 2012, and their report, dated October 8, 2012, 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, 2012, and their report, dated October 26, 2012, has been previously issued under separate cover.

Multiple Injury Trust Fund provides additional compensation to a worker with a pre-existing injury who suffers a second injury. The State can impose its will on the Fund by its ability to remove management (appointees) at will. The Fund was audited by other independent auditors for the period ended December 31, 2011, and their report, dated June 28, 2012, 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, 2012, and their report, dated October 30, 2012, 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, appointed by the Governor, with the advice and consent of the Senate, is comprised of seven members: one person selected from each of the six Congressional Districts of the State as they existed in 1960 and the Director of the Department of Commerce. 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, 2012, and their report, dated October 19, 2012, has been previously issued under separate cover.

Oklahoma Capital Investment Board assists the State with industrial development by mobilizing equity and near-equity capital making investments for the potential creation of jobs and growth that will diversify and stabilize the economy. The Board of Directors is comprised of five members appointed by the

Governor, with the advice and consent of the Senate. The State can impose its will on the Board by its ability to veto or modify the Board's decisions. The Board, in order to mobilize investments, owns the Oklahoma Capital Formation Company LLC (OCFC), a formerly independent corporation. During fiscal year 2006, the Board purchased 100% of the ownership of the OCFC. In fiscal year 2007 OCFC changed its corporate structure and name from a corporation to an Oklahoma limited liability company (LLC). Operations of the OCFC are included in the financial results of the Board. The Board was audited by other independent auditors for the year ended June 30, 2012, and their report, dated September 10, 2012, 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, 2012, and their report, dated October 26, 2012, has been issued under separate cover.

Oklahoma Centennial Commemoration Fund was affiliated with the Capitol Complex and Centennial Commemorative Commission and existed to support the former Commission with the planning and financing of the 2007 State Centennial Commemoration and the State's capitol dome. The Fund was previously administered by a Board of Directors; however, in Fiscal Year 2012 the Fund was consolidated into the Oklahoma Department of Commerce.

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 Management and Enterprise Services, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105, or the respective fiduciary component units at the addresses presented on the description page of the Combining Financial Statement section of this report.

Oklahoma Firefighters Pension and Retirement System provides retirement benefits for municipal firefighters. The System is administered by a board comprised of thirteen members: The President of the Professional Fire Fighters of Oklahoma, the President of the Oklahoma State Retired Fire Fighters Association, the State Insurance Commissioner, and the Director of State Finance (or their designees), the five members of the Board of Trustees of the Oklahoma Firefighters Association; and appointees by the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2012, and their report, dated October 10, 2012, 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, 2012, and their report, dated October 8, 2012, 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 twelve members: the State Insurance Commissioner and the Director of State Finance (or their designees), a member of the Corporation Commission selected by the Corporation Commission, 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, 2012, and their report, dated October 18, 2012, 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, 2012, and their report, dated October 18, 2012, 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 and the President of the Oklahoma Municipal League (or their designees), and appointees by the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2012, and their report, dated September 17, 2012, 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, 2012, and their report, dated December 11, 2012, 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 GAAP since they have been earned and are expected to be collected within sixty days of the end of the period. Other revenues are considered to be measurable and available only when cash is received by the State.

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

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

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

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

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

D. Fund Accounting

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

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

1. Governmental Funds

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

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

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

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

2. Proprietary Funds

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

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

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

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

3. Fiduciary Funds and Similar Component Units

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

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

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

4. Component Units

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

5. Financial Statement Reporting Periods

The accompanying financial statements of the State are presented as of June 30, 2012, and for the year then ended, except for the following funds and entities which were audited by other independent auditors.

CompSource Oklahoma	12-31-11
Multiple Injury Trust Fund	12-31-11
State and Education Employees Group Insurance Board	12-31-11
Oklahoma Turnpike Authority	12-31-11
Grand River Dam Authority	12-31-11
Oklahoma Municipal Power Authority	12-31-11
Oklahoma Housing Finance Agency	09-30-11

E. Budgeting and Budgetary Control

The State's annual budget is prepared on the cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the accompanying financial statements, encumbrances are recorded as expenditures for budgetary purposes if expected to be presented for payment by November 15 following the end of the fiscal year and as a component of either restricted or committed fund balance for GAAP purposes. Since the budgetary basis differs from GAAP, budget and actual amounts in the accompanying Required Supplementary Information – Budgetary Schedules are presented on the budgetary basis. A reconciliation of revenues in excess of (less than) expenditures and other financing sources (uses) on a budgetary basis at June 30, 2012 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 cannot 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 2012 appropriated line items were within their authorized spending level.

F. Cash and Cash Equivalents

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

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

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

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

G. Investments

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

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

H. Receivables

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

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

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

I. Inter/Intrafund Transactions

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

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

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

J. Inventories and Prepaid Expenses

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Generally, inventories are valued at cost and predominantly on either the first-in first-out or weighted average basis. Inventories of federal surplus properties are valued at a percentage of federal acquisition cost. General Fund inventories are recorded as expenditures when consumed rather than when purchased by recording adjustments to the inventory account on the balance sheet. The General Fund inventories on hand at year-end are reflected as a component of nonspendable fund balance on the balance sheet, except for \$1,043,000 in food commodities which is recorded as inventory and deferred revenue. Upon distribution, the food commodities are recognized as revenues and expenditures of the General Fund.

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

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

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

K. Capital Assets

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

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

Capital assets utilized in the governmental funds are recorded as expenditures in the Governmental Fund Financial Statements. Depreciation expense is recorded in the Government-Wide Financial Statements, as well as the proprietary funds and component units financial statements.

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

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

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

L. Other Assets

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

M. Deferred Revenue

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

N. Compensated Absences

Employees earn annual vacation leave at the average rate of 10 hours per month for the first 5 years of service, 12 hours per month for service of 5 to 10 years, 13.33 hours per month for service of 10 to 20 years, and 16.67 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 240 hours for employees with less than 5 years of continuous service or 480 hours for employees with 5 years or more of continuous service. 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 were 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

The Governmental Fund Financial Statements present fund balance at the aggregate level of detail within the categories defined by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Refer to Note 12 - Fund Balance for further discussion.

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 \$236,069,000 at December 31, 2011. 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, 2012, the OCIB had negative net assets of \$4,107,000. 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, 2012, it was determined that several agencies incurred expenses of \$1,645,000 for pollution obligations related to hazardous material on highways and asbestos removal, where clean-up is generally required to comply with federal regulations. This type of remediation is generally a control obligation performed as part of current operations during road construction or building renovation. There was also a liability incurred of \$2,169,000 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 moneys that are under the control of the Treasurer where earnings accrue to the General Fund of the State. The State Agency Portfolio is used for the investment of a limited number of State agencies specifically authorized by statute to direct the activities of certain funds and accounts where the earnings accrue to those funds and accounts. Ancillary to the Treasurer's Portfolio is an internal investment pool, OK INVEST, for all State funds and agencies that are considered part of the State of Oklahoma. All cash balances held through the State Treasurer for the Primary Government, Component Units and Fiduciary Funds earn a return through the OK INVEST pool program.

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

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

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

Investment Type	Percentage of Total Invested	Percentage of Total by Issuer	Maturity Limit	Rating
U.S Government Agency Securities	50%	35%	10 Years	AAA
U.S. Government Agency Mortgage Backed Securities	45%	No Limit	7 Years	AAA
Collateralized or Insured Certificates of Deposit	Limit of \$35 Million per financial institution		365 Days	N/A
Negotiable Certificates of Deposit	7.5%	2.5%	180 Days	A-1 & P-1
Bankers Acceptance	7.5%	2.5%	270 Days	A-1 & P-1
Commercial Paper	7.5%	2.5%	180 Days	A-1 & P-1
State and Local Government Obligations	10%	5.0%	30 Years	AAA
Repurchase and Tri-party Repurchase Agreements	30%	10%	14 Days	A-1
Money Market Mutual Funds	30%	10%	1 Day	AAA
Foreign Bonds	2.5%	2.5%	5 Years	A-/A3 or better

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

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

Due to the nature of the internal investment pool, ownership of investments cannot be assigned to individual funds, including the Pension Trust Funds and Component Units. The investment pool also holds securities purchased with cash collateral from securities lending, which are not assigned to individual funds. For these reasons, total investments will not tie to the financial statements for the Primary Government. The following table details the investments held by the Primary Government at June 30, 2012 (expressed in thousands):

Investments - Primary Government				
Investment Type	General Government	Permanent Funds	Business-Type Activities	Total Primary Government
POOLED INVESTMENTS				
US Agency & Treasury	\$ 5,006,394	\$ -	\$ -	\$ 5,006,394
Money Market Mutual Funds	820,039	-	-	820,039
Securities Lending Collateral Pool	253,490	34,157	-	287,647
Mutual Funds	1,638	-	-	1,638
Certificates of Deposit	192,556	-	-	192,556
State & Muni Bond Issues	196,798	-	-	196,798
NON-POOLED INVESTMENTS				
US Agency & Treasury	37,675	509,147	30,772	577,594
Domestic Corporate Bonds	11,250	759,406	-	770,656
Foreign Corporate Bonds	29,823	88,899	-	118,722
Domestic Equities	109,874	1,024,978	-	1,134,852
Foreign Equities	-	111,727	-	111,727
Other	2,054	34,570	-	36,624
Money Market Mutual Funds	1,182	-	-	1,182
Guaranteed Investment Contracts	-	-	108,588	108,588
Totals	\$ 6,662,773	\$ 2,562,884	\$ 139,360	\$ 9,365,017

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, 2012 (expressed in thousands):

Investments - Component Units	
Investment Type	Total Component Units
US Agency & Treasury	1,400,775
Domestic Debt Instruments	1,100,163
Foreign Corporate Bonds	49,946
State, Muni and Local Gov't Debt Instrumen	18,111
Domestic Equities and Equity Funds	1,206,708
Foreign Equities	122,129
Other	1,548,572
Money Market Mutual Funds	313,558
Guaranteed Investment Contracts	3,706
	<u>\$ 5,763,668</u>

A. Custodial Credit Risk

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

Primary Government

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

As of June 30, 2012, 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 \$624,167,000 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, 2012, the Pension Trust Funds had deposits and cash equivalents of \$576,485,000 of which \$295,876,000 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, 2012, CompSource had \$139,810,000 of custodial credit risk through U.S. Government debt as collateral for securities lent.

B. Credit Risk

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

Primary Government

As outlined in an earlier table, the State Treasurer seeks to hold investments with a rating of A or higher as rated by Moody's. Generally, the Permanent Funds and the business-type activities seek to maintain the same or higher rating. The Water Resources Board, which has a high concentration of investments with one issuer, requires that issuer to maintain an average credit rating of AA or higher. Should this issuer's rating fall below AA, it is required to collateralize the guaranteed investments sufficient to maintain an AA rating on the contracts. At June 30, 2012, 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 Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 5,646,373	\$ -	\$ 861,029	\$ 8,688	\$ 6,516,090
Aa/AA/AA	101,984	670	29,564	1,105	133,323
A/A/A	20,138	17,876	64,113	5,122	107,249
Baa/BBB/BBB	-	14,069	219,751	8,648	242,468
Ba/BB/BB	-	10,576	113,382	4,537	128,495
B/B/B	-	2,911	159,262	7,649	169,822
Caa/CCC/CCC	-	670	45,598	1,254	47,522
Ca/CC/CC	-	-	3,402	117	3,519
C/C/C	-	-	111	-	111
Not Rated/Not Applicable	16,305	5,483	198,975	30,611	251,374
Total	\$ 5,784,800	\$ 52,255	\$ 1,695,187	\$ 67,731	\$ 7,599,973

Fiduciary Funds and Similar Component Units

The Pension Trust Funds typically hold a significant portion of assets in the form of debt instruments. Each Pension Trust Fund has an investment policy governing their credit risk exposure. Generally, at the time of purchase, investments in domestic fixed-income investments must carry the highest rating either Aaa, (Moody's) or AAA, (S&P, Fitch) as determined by the national rating organizations. International debt instruments must be Baa or BBB at the time of purchase. Overall, each investment policy generally requires that an average credit quality rating of A or higher be maintained for total debt instrument holdings. At June 30, 2012, 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 Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 1,577,936	\$ 31,792	\$ 434,432	\$ -	\$ 2,044,160
Aa/AA/AA	154,507	12,056	183,754	2,842	353,159
A/A/A	35,233	44,683	496,895	2,419	579,230
Baa/BBB/BBB	1,973	48,847	767,175	1,624	819,619
Ba/BB/BB	-	6,874	450,063	2,496	459,433
B/B/B	-	2,880	311,166	333	314,379
Caa/CCC/CCC	-	-	82,972	901	83,873
Ca/CC/CC	-	-	2,065	-	2,065
D/D/D	-	-	10,180	-	10,180
Not Rated/Not Applicable	1,349,663	7,294	337,310	104,745	1,799,012
Total	\$ 3,119,312	\$ 154,426	\$ 3,076,012	\$ 115,360	\$ 6,465,110

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, 2012 the Component Units had the following credit risk exposure (expressed in thousands):

Credit Risk - Component Units

Investment Rating Moody's/S&P/Fitch	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 1,138,985	\$ -	\$ 300,732	\$ -	\$ 1,439,717
Aa/AA/AA	38,566	-	209,807	23,833	272,206
A/A/A	-	-	335,218	-	335,218
Baa/BBB/BBB	-	-	146,374	-	146,374
Ba/BB/BB	-	-	4,055	-	4,055
Not Rated/Not Applicable	241,572	-	421,004	26,113	688,689
Total	\$ 1,419,123	\$ -	\$ 1,417,190	\$ 49,946	\$ 2,886,259

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, 2012, the Board held Guaranteed Investment Contracts issued by Transamerica Occidental Life Insurance Co. / Transamerica Life Insurance and Annuity Co. in the amount of \$105,097,000 or 42% of its portfolio.

D. Interest Rate Risk

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

Primary Government

As outlined in a previous table, the State Treasurer follows an investment policy seeking to keep the average maturity for its entire portfolio to less than four years. The Permanent Funds and the business-type activities of the Primary Government do not have the same liquidity demands as the Treasurer, and as a matter of policy are not as restrictive regarding maturities. At June 30, 2012, the Primary Government had the following investments with maturities (expressed in thousands):

Interest Rate Risk - Primary Government

Weighted Average Years to Maturity	US Treasury, Agency and Municipal Securities		US Corporate Debt Instruments		International Debt Instruments		Total
Less than 1 year Weighted Average to Maturity	\$	180,721	\$	817,207	\$	-	\$ 997,928
1 - 5 years		5,353,578		769,199		63,209	6,185,986
6 - 10 years		184,561		193		56,777	241,531
10 or more years		65,940		-		-	65,940
No Maturity or Not Applicable		-		108,588		-	108,588
Total	\$	5,784,800	\$	1,695,187	\$	119,986	\$ 7,599,973

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, 2012, the Pension Trust Funds had the following exposure to interest rate risk (expressed in thousands):

Duration or Weighted Average Years	US Treasury, Agency and Municipal Securities		International Government Securities		US Corporate Debt Instruments		International Debt Instruments		Total
Less than 1 year duration	\$	47,446	\$	23,809	\$	169,680	\$	3,495	\$ 244,430
1 - 5 years		969,828		37,506		1,464,627		3,319	2,475,280
6 - 10 years		1,069,709		39,583		856,278		3,751	1,969,321
10 or more years		854,978		53,528		373,105		315	1,281,926
No Duration		177,351		-		212,322		104,480	494,153
Total	\$	3,119,312	\$	154,426	\$	3,076,012	\$	115,360	\$ 6,465,110

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, 2012, the Component Units had the following interest rate risk exposure (expressed in thousands):

Weighted Average Years to Maturity	US Treasury, Agency and Municipal Securities		International Government Securities		US Corporate Debt Instruments		International Debt Instruments		Total
Less than 1 year Weighted Average to Maturity	\$	329,858	\$	-	\$	65,321	\$	-	\$ 395,179
1 - 5 years		463,237		-		836,174		-	1,299,411
6 - 10 years		365,109		-		209,715		23,833	598,657
10 or more years		83,563		-		-		-	83,563
No Maturity or Not Applicable		177,356		-		305,980		26,113	509,449
Total	\$	1,419,123	\$	-	\$	1,417,190	\$	49,946	\$ 2,886,259

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, 2012, 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	\$ 5,449	\$ -	\$ -	\$ 5,449
Argentine peso	-	343	-	343
Brazilian real	4,557	1,736	-	6,293
British pound sterling	33,123	4,237	142	37,502
Bermuda dollar	1,828	939	-	2,767
Canadian dollar	6,920	2,633	-	9,553
Cayman dollar	78	129	-	207
Chinese renminbi	3,844	-	-	3,844
Columbian peso	-	477	-	477
Czech koruna	79	-	-	79
Danish krone	446	-	-	446
Euro	25,694	20,176	309	46,179
Hong Kong dollar	7,022	-	-	7,022
Indian rupee	203	-	-	203
Israeli shekel	159	-	-	159
Japanese yen	17,251	-	-	17,251
Malaysian ringgit	-	1,340	1	1,341
Mexican peso	-	1,242	85	1,327
Netherlands Antillean guilder	1,129	-	-	1,129
New Israeli shekel	3,321	-	-	3,321
Norwegian krone	3,081	-	-	3,081
Panamanian balboa	1,938	320	-	2,258
Peruvian nuevo sol	5	1,036	-	1,041
Russian ruble	1,217	786	-	2,003
Singapore dollar	277	-	-	277
South African rand	10	-	-	10
South Korean won	5,497	-	-	5,497
Swedish krona	297	-	-	297
Swiss franc	8,574	433	-	9,007
Thai baht	2,504	-	-	2,504
Turkish lira	-	474	-	474
Venezuelan bolivar	-	1,077	-	1,077
Totals	\$ 134,503	\$ 37,378	\$ 537	\$ 172,418

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, 2012 (expressed in thousands):

Foreign Currency Risk - Pension Trust Funds

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	\$ 21,080	\$ 20,177	\$ 281	\$ 41,538
Brazilian real	37,756	6,908	163	44,827
British pound sterling	358,602	11,747	1,062	371,411
Bulgarian lev	185	-	42	227
Canadian dollar	38,663	1,761	259	40,683
Chilean Peso	378	-	-	378
Czech koruna	289	-	11	300
Danish krone	19,334	-	129	19,463
Euro	542,442	20,608	2,988	566,038
Hong Kong dollar	117,544	-	1,521	119,065
Hungarian forint	-	6,414	-	6,414
Indonesian rupiah	11,978	-	60	12,038
Japanese yen	345,155	-	2,446	347,601
Malaysian ringgit	4,393	6,837	77	11,307
Mexican peso	12,426	40,836	78	53,340
New Taiwan dollar	9,911	-	-	9,911
New Turkish lira	7,485	-	3,223	10,708
New Zealand dollar	-	5,846	-	5,846
Norwegian krone	8,467	-	134	8,601
Philippines peso	5,554	4,994	11	10,559
Polish zloty	1,358	9,374	-	10,732
Singapore dollar	24,944	-	43	24,987
South African rand	18,086	6,059	16	24,161
South Korean won	40,238	7,141	33	47,412
Swedish krona	27,747	-	94	27,841
Swiss franc	123,437	143	257	123,837
Thai baht	10,921	-	-	10,921
Turkish lira	4,664	-	-	4,664
Yuan Renminbi	-	-	(1)	(1)
Totals	\$ 1,793,037	\$ 148,845	\$ 12,927	\$ 1,954,809

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 J.P. Morgan, 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, 2012, 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, 2012, the fair value of the securities on loan was approximately \$246,000,000. The underlying collateral for these securities had a fair value of approximately \$253,000,000. Because these securities cannot be sold or pledged unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in U.S. Government securities and is included as an asset on the balance sheet with an offsetting liability for the return of collateral.

At June 30, 2012, 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, that resulted 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, 2012, the fair value of securities on loan was \$34,160,000. The collateral for securities lent had a market value of \$34,157,000. 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, 2012, 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, 2012, the carrying amount and fair value of securities on loan was approximately \$2,525,557,000. The underlying collateral for these securities had a fair value of approximately \$2,562,867,000. Collateral of securities and letters of credit represented approximately \$81,796,000 of total collateral. Because these securities and letters of credit cannot be sold or pledged unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investments pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

At June 30, 2012, 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 fair value of securities on loan was approximately \$180,364,000. The underlying collateral for these securities had a fair value of approximately \$184,390,000. Collateral of securities and letters of credit represented approximately \$142,874,000 of total collateral. Because collateral securities and letters of credit cannot be pledged or sold unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investment pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

During the fiscal year, certain losses occurred from securities lending transactions. An unrealized loss of \$53,000 was recognized in fiscal 2011. This loss represents CompSource's proportionate share of the decline in fair value of the cash collateral pool. Recorded unrealized losses are included as a net decrease in the fair value of investments and as a reduction to the asset value of the securities lending collateral on the Statement of Net Assets for Major Component Units.

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 that resulted from the default of a borrower or the lending agent. Because these transactions are terminable at will, their duration generally does not match the duration of the investments made with the cash collateral.

Derivative Investments Definition

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

Derivative Investments –Primary Government

Certain State agencies utilize derivative investments as tools to efficiently and effectively manage domestic, international and fixed income investments within their respective portfolios. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2012 and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Permanent Fund	Derivative Instrument	Notional Amount	Fair Value		Change in Fair Value	
			Classification	Amount	Classification	Amount
Tobacco Settlement Trust	Foreign Currency Forward Contracts	\$ 9,562	Net Receivable	\$ 485	Investment Income	\$ 706

Derivative Investments – Fiduciary Funds and Similar Component Units

Several of the State's Public Employees Retirement Systems (PERS) utilize derivative investments as tools to efficiently and effectively manage domestic, international and fixed income investments within their respective portfolios. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2012 and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Pension System	Derivative Instrument	Notional Amount	Fair Value		Change in Fair Value	
			Classification	Amount	Classification	Amount
Firefighters Pension and Retirement System (OFPRS)	Foreign Currency Forward Contracts	\$ 60,816	Net Payable	\$ (34)	Investment Income	\$ 1,552
Teachers' Retirement System (TRS)	Foreign Currency Forward Contracts	235,763	Investment	1,334	Investment Income	1,799

The OFPRS system uses foreign currency forward contracts primarily to hedge foreign currency exposure. The receivable is net of gross receivables of \$417,068 and liabilities of \$451,169. The gross receivables are supported by collateral in investments valued at \$417,068 with a credit risk ratings of AA, AA-, and AA+ by S&P and Aa2, Aa3, and A2 by Moody's. The foreign currency forward contracts for the TRS subject the System to foreign currency risk because the investments are denominated in foreign currencies. The fair value of foreign currency forward contracts was determined by market rates for exchanging dollars against the contracted currencies.

Derivative Investments- Component Units

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

Note 3. Accounts Receivable

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts as of June 30, 2012, including the applicable allowances for uncollectible accounts, are presented below (expressed in thousands):

	General Fund	Proprietary Fund	Component Units	
	Accounts Receivable	Taxes Receivable	Accounts Receivable	Notes Receivable
Gross Receivables	\$ 110,806	\$ 265,336	\$ 551,135	\$ 886,000
Less: Allowance for Uncollectibles	(59,912)	(59,355)	(164,584)	(7,367)
Net Receivables	\$ 50,894	\$ 205,981	\$ 386,551	\$ 878,633

The General Fund Due From Other Funds includes \$52,304,000 from Oklahoma Turnpike Authority (OTA) (\$52,066,000 at December 31, 2011 on OTA) for a portion of motor fuel excise taxes collected on fuels consumed on turnpikes. The balance accumulates and is payable when certain OTA revenue bonds payable have been paid in full. The Wildlife Lifetime Licenses Permanent Fund is due \$95,000 from the General Fund for legislative mandated transfer of earnings on certain funds.

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

B. Notes Payable and Capital Leases

The Multiple Injury Trust Fund (MITF) component unit reports a note payable to CompSource Oklahoma component unit of \$21,614,000, as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit not to exceed \$11,300,000. The remaining \$5,300,000 has not been advanced. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

The Higher Education (HE) component unit has entered into capital lease agreements with the General Fund's Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. The capital lease outstanding balances are \$591,650,000.

C. Interfund Transfers

A summary of interfund transfers for the fiscal year ended June 30, 2012, follows (expressed in thousands):

<u>Transfers From (Out)</u>	<u>Transfers To (In)</u>	<u>For (Purpose)</u>	<u>Amount</u>
Governmental Funds:			
General Fund	Oklahoma Water Resources Board	Payment for administrative costs	\$ 7,287
		Total transfers out of the General Fund	<u>7,287</u>
Proprietary Funds:			
Oklahoma Water Resources Board	General Fund	Restricted investment revenue	(3,177)
Lottery Commission	General Fund	Transfer of expendable earnings	<u>(69,990)</u>
		Total transfers in to the General Fund	<u>(73,167)</u>
		Net Transfers In/Out - General Fund	<u>\$ (65,880)</u>

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows (expressed in thousands):

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,569,519	\$ 37,637	\$ (913)	\$ 1,606,243
Construction in progress	191,288	54,370	(74,484)	171,174
Total capital assets, not being depreciated	<u>1,760,807</u>	<u>92,007</u>	<u>(75,397)</u>	<u>1,777,417</u>
Capital assets, being depreciated:				
Buildings and improvements	1,451,643	125,389	(2,237)	1,574,795
Equipment	449,094	50,617	(29,008)	470,703
Infrastructure	14,961,914	807,157	(31,930)	15,737,141
Total capital assets, being depreciated	<u>16,862,651</u>	<u>983,163</u>	<u>(63,175)</u>	<u>17,782,639</u>
Less accumulated depreciation for:				
Buildings and improvements	(613,574)	(30,960)	1,676	(642,858)
Equipment	(283,074)	(31,449)	24,427	(290,096)
Infrastructure	(7,755,142)	(406,044)	22,965	(8,138,221)
Total accumulated depreciation	<u>(8,651,790)</u>	<u>(468,453)</u>	<u>49,068</u>	<u>(9,071,175)</u>
Total capital assets, being depreciated, net	<u>8,210,861</u>	<u>514,710</u>	<u>(14,107)</u>	<u>8,711,464</u>
Governmental activities capital assets, net	<u>\$ 9,971,668</u>	<u>\$ 606,717</u>	<u>\$ (89,504)</u>	<u>\$ 10,488,881</u>
Business-type activities:				
Capital assets, being depreciated:				
Equipment	\$ 1,915	\$ 10	\$ -	\$ 1,925
Total capital assets, being depreciated	1,915	10	-	1,925
Less accumulated depreciation for:				
Equipment	(1,713)	(86)	-	(1,799)
Total accumulated depreciation	<u>(1,713)</u>	<u>(86)</u>	<u>-</u>	<u>(1,799)</u>
Business-type activities capital assets, net	<u>\$ 202</u>	<u>\$ (76)</u>	<u>\$ -</u>	<u>\$ 126</u>

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

Governmental activities:	
Education	\$ 958
General government	11,924
Health services	5,401
Legal and judiciary	87
Museums	157
Natural resources	7,514
Public safety and defense	17,872
Regulatory services	420
Social services	6,825
Transportation	417,295
Total depreciation expense - governmental activities	<u>\$ 468,453</u>
Business-type activities:	
General government	\$ 52
Natural resources	34
Total depreciation expense - business-type activities	<u>\$ 86</u>

Component Units

Capital asset activity for the year ended June 30, 2012, (December 31, 2011, or September 30, 2011, 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	\$ 363,050	\$ 9,517	\$ (422)	\$ 372,145
Construction in progress	597,769	319,813	(456,299)	461,283
Total capital assets, not being depreciated	960,819	329,330	(456,721)	833,428
Capital assets, being depreciated:				
Buildings and improvements	7,077,358	493,676	(34,994)	7,536,040
Equipment	1,719,264	135,287	(61,267)	1,793,284
Infrastructure	2,157,801	101,036	(359)	2,258,478
Total capital assets, being depreciated	10,954,423	729,999	(96,620)	11,587,802
Less accumulated depreciation for:				
Buildings and improvements	(2,540,159)	(194,951)	18,229	(2,716,881)
Equipment	(1,172,186)	(116,351)	48,865	(1,239,672)
Infrastructure	(1,233,791)	(73,881)	358	(1,307,314)
Total accumulated depreciation	(4,946,136)	(385,183)	67,452	(5,263,867)
Total capital assets, being depreciated, net	6,008,287	344,816	(29,168)	6,323,935
Capital assets, net	\$ 6,969,106	\$ 674,146	\$ (485,889)	\$ 7,157,363

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, and second injury workers' compensation. The State is also self-insured against tort and auto liability and property losses, with commercial insurance policies for losses that fall outside of coverage limits or are in excess of the self-insured retention.

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

CSO administers claim payments and provides excess-of-loss coverage to certain governmental entities. The premiums and fees received in connection with these transactions are included in sales revenue and were approximately \$11,321,000 in 2011. The liability for claims in excess of the self-insured entities' respective retention limits included in unpaid losses and loss adjustment expenses was approximately \$74,130,000 at December 31, 2011.

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 \$2,108,000 in 2011. No losses have been ceded under these agreements. Reinsurance receivables with a single reinsurer of \$906,000 at December 31, 2011, 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, 2011, have been charged to operations for the year ended December 31, 2011. 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.

Coverage for liability and property losses is provided by the Risk Management Division of the Department of Central Services. The Risk Management Division administers a self-insurance program to protect the State, its agencies, colleges, and universities against tort and auto liability claims. Coverage and limits under this program correspond directly with the Oklahoma Governmental Tort Claims Act (GTCA). The Risk Management Division purchases commercial liability insurance for losses that fall outside of the GTCA. The Risk Management Division also provides a Property Insurance program for all agencies, colleges, and universities through a combination of a high self-insured retention and commercial insurance policies in excess of the self-insured retention. Coverage limits are \$1 billion each occurrence subject to coverage terms and conditions. Commercial insurance is purchased to protect the State's fine arts and physical damage to its automobiles. Additionally, the Risk Management Department purchases a Government Crime Policy, i.e., Employee Dishonesty policy.

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, 2012, (December 31, 2011, for CSO, OSEEGIB, and MITF) and the prior fiscal year, (expressed in thousands):

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
Current Fiscal Year						
General Fund -						
Risk Management Division	\$ 25,216	\$ 6,962	\$ (7,958)	\$ 24,220	\$ 16,262	\$ 7,958
Component Units:						
CompSource Oklahoma State and Education Employees Group Insurance Board	\$ 957,344	\$ 268,252	\$ (234,395)	\$ 991,201	\$ 779,934	\$ 211,267
Multiple Injury Trust Fund	109,609	784,564	(790,969)	103,204	11,742	91,462
Total Component Units*	158,800	91,177	(21,429)	228,548	206,714	21,834
	<u>\$ 1,225,753</u>	<u>\$ 1,143,993</u>	<u>\$ (1,046,793)</u>	<u>\$ 1,322,953</u>	<u>\$ 998,390</u>	<u>\$ 324,563</u>

* The Higher Education Component Unit's claims and judgments (\$3,608 – noncurrent) are for accrued liabilities not related to risk management.

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

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 218,000 primary participants and dependents, approximately 31,000 primary participants and 24,000 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 (295 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	20,000	8,000	47,000	----- 38,000 -----			
Dependents	-----			----- 50,000 -----			

B. Unpaid Claims Liabilities

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

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

C. Reconciliation of Claims Liabilities

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

	Health and Dental	Life	Disability	Total
	Fiscal Year 12/31/2011	Fiscal Year 12/31/2011	Fiscal Year 12/31/2011	Fiscal Year 12/31/2011
Reserves at beginning of period	\$ 90,880	\$ 4,740	\$ 13,989	\$ 109,609
Incurring claims:				
Provision for insured events of current period	772,930	22,544	5,011	800,485
Changes in provisions for insured events of prior periods	(14,749)	(610)	(562)	(15,921)
	<u>758,181</u>	<u>21,934</u>	<u>4,449</u>	<u>784,564</u>
Payments:				
Claims attributable to insured events of current period	693,458	17,624	632	711,714
Claims attributable to insured events of prior periods	73,110	3,163	2,982	79,255
	<u>766,568</u>	<u>20,787</u>	<u>3,614</u>	<u>790,969</u>
Reserves at end of period	<u>\$ 82,493</u>	<u>\$ 5,887</u>	<u>\$ 14,824</u>	<u>\$ 103,204</u>

D. Revenue and Claims Development Information

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

Note 7. Operating Lease Commitments

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for equipment operating leases as of June 30, 2012, are as follows (expressed in thousands):

	<u>General Fund</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
2013	\$ 198	\$ 176	\$ 4,713
2014	182	-	4,559
2015	155	-	4,308
2016	101	-	3,826
2017	21	-	912
2018-2022	-	-	2,978
Total Future Minimum Lease Payments	<u>\$ 657</u>	<u>\$ 176</u>	<u>\$ 21,296</u>
Operating lease commitments for building rental for year ended June 30, 2013	\$ 21,096	\$ 405	\$ 4,209
Rent expenditures/expenses for operating leases for year ended June 30, 2012	\$ 20,029	\$ 472	\$ 18,074

Note 8. Lessor Agreements

Primary Government

Direct Financing Leases

The Department of Transportation maintains leases classified as direct financing leases. The State leases heavy equipment and machinery to counties within the State. The lease terms are determined by the depreciation schedules published by the American Association of State Highway Transportation Officials. All new county equipment leases were charged an interest amount equivalent to 3% of the equipment cost. Title to this equipment passes to the counties at the end of the lease term. The Department of Transportation also leases railroad lines within the state to the AT&L Railroad Company with the lease term ending in 2016. 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 \$16,902,000, which is also the net investment in direct financing leases at June 30, 2012. The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands):

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Department of Transportation	\$ 4,293	\$ 3,722	\$ 3,138	\$ 2,414	\$ 1,618
Oklahoma Capital Improvement Authority	2,225	17,718	35,965	31,729	19,972
Total	<u>\$ 6,518</u>	<u>\$ 21,440</u>	<u>\$ 39,103</u>	<u>\$ 34,143</u>	<u>\$ 21,590</u>

The Oklahoma Capital Improvement Authority (OCIA) has capital lease agreements with the higher education component unit for the lease of various facilities, equipment and improvements. At June 30, 2012, the total minimum lease payments to be received by OCIA from the higher education component unit are \$591,650,000. These lease agreements end in fiscal year 2035.

Operating Leases

The State has operating leases maintained by various State agencies consisting primarily of State owned building space leased to non-state entities. The Primary Government's total operating leases receivable recognized in the current fiscal

year is approximately \$19,000. Minimum future rentals receivable from these operating leases is presented in the following schedule (expressed in thousands):

2013	2014	2015	2016	2017
\$ 555	\$ 460	\$ 406	\$ 393	\$ 376

In addition, the leasing operations of the Commissioners of the Land Office consist of leasing approximately 743,000 acres of land principally for agricultural purposes. The lease terms are generally 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):

2013	2014	2015	2016	2017
\$ 8,911	\$ 7,683	\$ 5,557	\$ 3,505	\$ -

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, 2011 (expressed in thousands):

Total minimum lease payments to be received	\$ 76,784
Less: Amounts representing interest included in total minimum lease payments	(29,461)
Net investment in direct financing leases	<u>\$ 47,323</u>

Operating Leases

The Oklahoma Turnpike Authority has various noncancelable contracts with concessionaires to provide patron services on the State's turnpike system. The contracts are generally for five year terms, with two five-year renewal options. The Authority receives concession revenue that includes minimum rentals plus contingent rentals based on sales volume. The Authority also leases antenna space under noncancelable contracts with a 20 year term. The University Hospital Authority has leased substantially all capital assets, except construction-in-progress, to the joint operations of OUMC and OU Health Sciences Center. The University Hospital Authority carries receipts through 2049. The following schedule presents minimum future rentals receivable from these contracts (expressed in thousands):

	2013	2014	2015	2016	2017	Thereafter
University Hospitals Authority	\$ 1,065	\$ 676	\$ 676	\$ 676	\$ 676	\$ 21,284
Oklahoma Turnpike Authority	527	537	539	564	563	7,818
Total	<u>\$ 1,592</u>	<u>\$ 1,213</u>	<u>\$ 1,215</u>	<u>\$ 1,240</u>	<u>\$ 1,239</u>	<u>\$ 29,102</u>

The cost and carrying amount of the University Hospitals Authority leased property for the year ended June 30, 2012 (expressed in thousands):

Land	\$4,009
Buildings	313,652
Equipment	129,104
Infrastructure	7,580
Cost	<u>454,345</u>
Less Accumulated Depreciation	<u>(246,323)</u>
Net Leased Property	<u>\$208,022</u>

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

Long-term obligations at June 30, 2012, and changes for the fiscal year then ended (expressed in thousands):

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds Payable from Tax Revenue:								
Oklahoma Bldg 2003A, Refunding	2003	2.00%-5.00%	2019	\$ 68,680	\$ -	\$ -	\$ 68,680	\$ 18,160
Oklahoma Bldg 2010A, Refunding	2011	2.00%-5.00%	2019	102,670	-	-	102,670	-
Oklahoma Bldg 2010B, Capitalized Interest	2011	1.59%	2014	4,295	-	-	4,295	-
Total				<u>175,645</u>	<u>-</u>	<u>-</u>	<u>175,645</u>	<u>18,160</u>
Revenue Bonds Payable from Lease Rentals:								
OCIA Series 1999B	2000	6.20%-7.63%	2020	330	-	25	305	30
OCIA Series 2000, Highway	2000	4.30%-5.00%	2012	18,445	-	18,445	-	-
OCIA Series 2002A	2003	2.00%-4.65%	2023	8,780	-	585	8,195	605
OCIA 2003A, Highway	2003	2.00%-5.00%	2015	29,745	-	6,910	22,835	7,260
OCIA 2003B, Highway	2003	2.00%-5.00%	2015	11,895	-	2,790	9,105	2,905
OCIA 2003C, State Facilities	2004	2.00%-4.75%	2025	13,855	-	760	13,095	785
OCIA 2003D, State Facilities	2004	2.00%-4.75%	2024	2,535	-	155	2,380	160
OCIA 2003E, State Facilities	2004	2.00%-4.00%	2016	6,835	-	1,265	5,570	1,310
OCIA 2004A, Refunding	2005	2.50%-5.00%	2025	98,400	-	9,085	89,315	9,540
OCIA 2005, Revenue	2006	3.50%-4.30%	2021	3,820	-	320	3,500	330
OCIA 2005A, Revenue	2005	3.00%-4.35%	2021	4,430	-	375	4,055	385
OCIA 2005B, Revenue	2005	3.00%-4.05%	2026	3,250	-	165	3,085	170
OCIA 2005C, Revenue	2005	3.00%-5.00%	2028	29,445	-	1,260	28,185	1,300
OCIA Series 2005D	2006	3.00%-4.38%	2031	19,205	-	655	18,550	680
OCIA Series 2005E	2006	3.70%-5.00%	2026	2,475	-	120	2,355	130
OCIA Series 2005F	2006	3.38%-5.00%	2031	219,205	-	-	219,205	-
OCIA Series 2006A	2006	3.55%-4.38%	2027	20,880	-	965	19,915	1,000
OCIA Series 2006B	2006	3.50%-4.25%	2027	16,180	-	750	15,430	775
OCIA Series 2006C	2006	4.00%-4.50%	2027	18,970	-	855	18,115	890
OCIA Series 2006D	2006	1.00%-5.00%	2036	107,825	-	6,000	101,825	-
OCIA Series 2006E	2006	4.00%-4.50%	2027	5,520	-	250	5,270	260
OCIA Series 2008A	2008	2.90%-5.30%	2026	24,225	-	1,195	23,030	1,240
OCIA Series 2008B	2009	2.70%-5.48%	2030	11,220	-	395	10,825	405
OCIA Series 2009A	2009	1.00%-4.20%	2025	23,720	-	1,360	22,360	1,385
OCIA Series 2009AA	2010	2.00%-4.00%	2025	72,830	-	8,240	64,590	8,455
OCIA Series 2009B	2010	5.04%-5.34%	2025	68,830	-	-	68,830	-
OCIA Series 2010, Refunding/Revenue	2011	1.77%-5.61%	2031	132,075	-	-	132,075	-
OCIA Series 2010A, Refunding	2011	2.00%-5.00%	2019	87,260	-	-	87,260	-
OCIA Series 2010B, Capitalized Interest	2011	2.03%-2.48%	2016	30,105	-	-	30,105	-
OCIA Series 2010A DOT	2011	2.00%-5.00%	2021	110,565	-	-	110,565	10,620
OCIA Series 2010B DOT	2011	4.24%-4.79%	2026	92,075	-	-	92,075	-
OCIA Series 2012 DOT	2012	2.00%-2.54%	2026	-	60,510	-	60,510	3,360
Corrections 2003A, Central OK (ODFA)	2003	2.25%-4.65%	2023	24,770	-	1,655	23,115	1,715
Corrections 2004, Central OK (ODFA)	2004	3.00%-4.45%	2024	2,860	-	195	2,665	200
Corrections 2006, Central OK (ODFA)	2006	3.75%-4.50%	2026	3,590	-	180	3,410	185
Tourism 2002	2002	2.10%-4.25%	2012	405	-	405	-	-
DHS-Pittsburg Co. 1998 (ODFA)	1998	4.25%-5.30%	2013	395	-	120	275	275
DHS-Canad/Linc Co. 2000 (ODFA)	2000	4.30%-5.60%	2015	1,275	-	1,275	-	-
DHS-8 County (ODFA)	2001	2.00%-5.25%	2017	7,270	-	7,270	-	-
DHS-Logan/Okla Co. 2004A (ODFA)	2004	1.00%-3.85%	2019	5,025	-	560	4,465	575
DHS-2004B (ODFA)	2005	1.60%-5.13%	2020	3,190	-	300	2,890	310
DHS-2008 (ODFA)	2008	3.25%-4.15%	2023	19,240	-	1,315	17,925	1,360
DHS-2012 (ODFA)	2012	0.40%-5.00%	2022	-	14,435	180	14,255	1,440
Veterans Series 2005 (ODFA)	2005	2.65%-3.65%	2015	3,465	-	825	2,640	850
Law Enforcement Education/Train (ODFA)	2002	3.65%-5.50%	2027	19,980	-	855	19,125	895
Finance 2009 (ODFA)	2009	2.50%-5.00%	2035	42,425	-	1,150	41,275	1,185
Total				<u>1,428,820</u>	<u>74,945</u>	<u>79,210</u>	<u>1,424,555</u>	<u>62,970</u>
Notes Payable from Tax Revenue (Tourism) and Grant Revenue (ODOT):								
Tourism 2004, Clean Water	2004	2.13%	2024	2,304	-	157	2,147	162
ODOT 2004A, Grant Anticipation	2004	1.00%-5.00%	2019	28,315	-	2,995	25,320	3,140
ODOT 2005A, Grant Anticipation	2006	3.00%-5.00%	2020	35,610	-	2,930	32,680	3,030
ODOT 2007A, Grant Anticipation	2007	3.25%-5.00%	2023	77,385	-	5,000	72,385	5,200
ODOT 2008A, Grant Anticipation	2009	3.00%-5.00%	2021	86,315	-	6,255	80,060	6,500
Total				<u>229,929</u>	<u>-</u>	<u>17,337</u>	<u>212,592</u>	<u>18,032</u>
Capital Leases				12,719	5,659	9,668	8,710	2,313
Compensated Absences				150,252	94,211	95,251	149,212	95,251
Pension Obligation				80,702	21,748	-	102,450	-
Bond Issue Premiums				74,817	11,282	8,895	77,204	9,230
Claims and Judgements Payable				25,216	6,962	7,958	24,220	7,958
Other Postemployment Benefits				198	212	159	251	251
Total Long-Term Obligations				<u>\$ 2,178,298</u>	<u>\$ 215,019</u>	<u>\$ 218,478</u>	<u>\$2,174,839</u>	<u>\$ 214,165</u>

Reductions of debt includes an advance refunding of \$7,175 for the DHS Series 2000 and 2002A ODFA Revenue bonds, the retirement of the OCIA Series 2000A bonds and the 2002 Department of Tourism Revenue bonds. Increases in debt include the issuance of the ODFA Series 2012A Refunding bonds for DHS and the OCIA 2012 bonds for the Department of Transportation.

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2012, which have scheduled debt service amounts (expressed in thousands):

	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	2033-2037	2038-2042	Total
General Obligation Bonds:											
Oklahoma Bldg 2003A, Refunding	\$ 20,803	\$ 20,874	\$ 21,729	\$ 1,689	\$ 2,011	\$ 8,045	\$ -	\$ -	\$ -	\$ -	\$ 75,151
Oklahoma Bldg 2010A, Refunding	4,264	4,595	7,956	28,093	15,776	63,105	-	-	-	-	123,789
Oklahoma Bldg 2010B, Capitalized Interest	69	4,329	-	-	-	-	-	-	-	-	4,398
Less: Interest	6,976	6,093	5,085	4,062	1,095	4,382	-	-	-	-	27,693
Total Principal	18,160	23,705	24,600	25,720	16,692	66,768	-	-	-	-	175,645
Revenue Bonds:											
OCIA Series 1999B	52	50	52	50	52	151	-	-	-	-	407
OCIA Series 2002A	946	949	944	948	945	4,704	936	-	-	-	10,372
OCIA 2003A, Highway	8,260	8,259	8,259	-	-	-	-	-	-	-	24,778
OCIA 2003B, Highway	3,267	3,269	3,269	-	-	-	-	-	-	-	9,805
OCIA 2003C, State Facilities	1,330	1,331	1,330	1,326	1,326	6,625	3,963	-	-	-	17,231
OCIA 2003D, State Facilities	258	257	256	254	257	1,273	508	-	-	-	3,063
OCIA 2003E, State Facilities	1,496	1,503	1,506	1,505	-	-	-	-	-	-	6,010
OCIA 2004A, Refunding	13,727	13,713	13,710	13,686	13,666	38,803	786	-	-	-	108,091
OCIA 2005 Revenue	464	467	464	464	464	1,864	-	-	-	-	4,187
OCIA 2005A, Revenue	542	543	543	542	539	2,155	-	-	-	-	4,864
OCIA 2005B, Revenue	301	300	298	301	298	1,480	1,172	-	-	-	4,150
OCIA 2005C, Revenue	2,508	2,508	2,509	2,507	2,498	12,277	12,133	2,420	-	-	39,360
OCIA 2005D Revenue	1,431	1,427	1,427	1,425	1,426	7,111	7,086	5,645	-	-	26,978
OCIA 2005E Revenue	226	226	226	225	224	1,117	884	-	-	-	3,128
OCIA 2005F Revenue	5,397	20,831	20,825	20,823	20,786	44,776	119,928	95,527	-	-	348,893
OCIA 2006A Revenue	1,791	1,788	1,789	1,787	1,788	8,923	8,881	-	-	-	26,747
OCIA 2006B Revenue	1,384	1,385	1,384	1,382	1,382	6,897	6,866	-	-	-	20,680
OCIA 2006C Revenue	1,658	1,656	1,658	1,659	1,656	8,257	8,218	-	-	-	24,762
OCIA 2006D Revenue	5,083	5,091	5,091	5,099	5,083	25,456	25,456	83,962	44,506	-	204,827
OCIA 2006E Revenue	480	480	479	482	480	2,392	2,383	-	-	-	7,176
OCIA 2008A Revenue	2,285	2,277	2,276	2,277	2,275	11,326	9,017	-	-	-	31,733
OCIA 2008B Revenue	924	924	923	925	921	4,597	4,573	2,729	-	-	16,516
OCIA 2009A Revenue	2,193	2,187	2,186	2,189	2,180	10,904	6,520	-	-	-	28,359
OCIA 2009AA Revenue	10,436	10,434	10,427	10,409	10,376	20,722	-	-	-	-	72,804
OCIA 2009B Revenue	3,588	3,588	3,588	3,588	3,588	48,181	39,045	-	-	-	105,166
OCIA Series 2010, Refunding Revenue	6,386	11,441	11,419	11,403	11,386	56,702	56,397	44,822	-	-	209,956
OCIA Series 2010A, Refunding	3,841	3,841	3,841	9,138	21,669	66,581	-	-	-	-	108,911
OCIA Series 2010B, Capitalized Interest	666	666	18,039	12,711	-	-	-	-	-	-	32,082
OCIA 2010A DOT	14,779	14,784	14,764	14,746	14,708	58,680	-	-	-	-	132,461
OCIA 2010B DOT	4,229	4,229	4,229	4,229	4,229	35,787	85,454	-	-	-	142,386
OCIA 2012 DOT	5,812	5,807	5,808	5,812	5,807	29,052	23,237	-	-	-	81,335
Corrections 2003A, Central OK (ODFA)	2,694	2,690	2,693	2,691	2,689	13,470	2,690	-	-	-	29,617
Corrections 2004, Central OK (ODFA)	308	306	309	306	307	1,538	308	-	-	-	3,382
Corrections 2006, Central OK (ODFA)	331	329	332	329	330	1,657	1,322	-	-	-	4,630
DHS-Pittsburg Co. 1988 (ODFA)	282	-	-	-	-	-	-	-	-	-	282
DHS-Logan/Okla Co. 2004A (ODFA)	732	725	735	734	737	1,465	-	-	-	-	5,128
DHS-2004B	430	433	434	430	431	1,285	-	-	-	-	3,443
DHS-2008	2,030	2,032	2,033	2,031	2,030	10,156	2,031	-	-	-	22,343
DHS-2012	1,793	1,798	1,797	1,794	1,797	8,524	-	-	-	-	17,503
Veterans Series 2005 (ODFA)	943	945	943	-	-	-	-	-	-	-	2,831
Law Enforcement Education/Train (ODFA)	1,858	1,854	1,853	1,853	1,856	9,271	9,276	-	-	-	27,821
Finance 2009 (ODFA)	2,919	2,918	2,916	2,918	2,922	14,565	14,494	14,415	8,614	-	66,681
Total	120,060	140,241	157,564	144,978	143,108	578,724	453,564	249,520	53,120	-	2,040,879
Less: Interest	57,090	60,037	56,756	53,171	49,536	189,971	104,828	41,642	3,293	-	616,324
Total Principal	62,970	80,204	100,808	91,807	93,572	388,753	348,736	207,878	49,827	-	1,424,555
Notes Payable:											
Tourism 2004, Clean Water	207	208	209	210	211	1,068	326	-	-	-	2,439
ODOT 2004A, Grant Anticipation	4,259	4,252	4,255	4,248	4,245	8,468	-	-	-	-	29,727
ODOT 2005A, Grant Anticipation	4,441	4,417	4,417	4,412	4,406	17,611	-	-	-	-	39,704
ODOT 2007A, Grant Anticipation	8,535	8,518	8,472	8,468	8,482	42,281	8,434	-	-	-	93,190
ODOT 2008A, Grant Anticipation	10,137	10,136	10,123	10,112	10,095	50,298	-	-	-	-	100,901
Total	27,579	27,531	27,476	27,450	27,439	119,726	8,760	-	-	-	265,961
Less: Interest	9,547	8,775	7,905	6,951	5,950	14,041	200	-	-	-	53,369
Total Principal	18,032	18,756	19,571	20,499	21,489	105,685	8,560	-	-	-	212,592
Capital Leases											
Capital Leases	3,106	2,446	1,204	932	917	2,092	-	-	-	-	10,697
Less: Interest	391	267	205	170	135	184	-	-	-	-	1,352
Less: Executory Cost	402	231	2	-	-	-	-	-	-	-	635
Total Principal	2,313	1,948	997	762	782	1,908	-	-	-	-	8,710
Total	\$ 101,475	\$ 124,613	\$ 145,976	\$ 138,788	\$ 132,535	\$ 563,114	\$ 357,296	\$ 207,878	\$ 49,827	\$ -	\$ 1,821,502
Long-Term Debt without scheduled debt service:											
Compensated Absences	-	-	-	-	-	-	-	-	-	-	149,212
Pension Obligation	-	-	-	-	-	-	-	-	-	-	102,450
Bond Issue Premiums	-	-	-	-	-	-	-	-	-	-	77,204
Claims and Adjustments Payable	-	-	-	-	-	-	-	-	-	-	24,220
Other Postemployment Benefits	-	-	-	-	-	-	-	-	-	-	251
Total Long-Term Obligations	-	-	-	-	-	-	-	-	-	-	\$ 2,174,839

A. General Obligation Bonds

General obligation bonds, administered by the State Treasurer, are authorized and issued primarily to provide resources for State-owned capital improvements, including office buildings for State agencies. The State has pledged 100% of

cigarette taxes collected under these bond issues. General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the bonds.

B. Revenue Bonds

The **Oklahoma Capitol Improvement Authority** (OCIA) has thirty-one 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 2012 was \$675,080,000 with a portion of that amount, \$263,522,000, reserved as security for the notes. Current year note obligations for principal and interest totaled \$27,371,000.

D. Capital Leases

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

Leased equipment under capital leases in capital assets at June 30, 2012, includes the following (expressed in thousands):

	Buildings	Equipment	Total
Cost	\$ 1,869	\$ 13,707	\$ 15,576
Less: Accumulated depreciation	(205)	(5,213)	(5,418)
Total	<u>\$ 1,664</u>	<u>\$ 8,494</u>	<u>\$ 10,158</u>

E. Other Liabilities

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

F. Authorized Unissued Bonds

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

has been authorized to issue general obligation bonds in the amount of \$300,000,000 to be used as credit for other OWRB loan programs.

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 nineteen 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, 2012, 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:								
1989-2012 Issues	1989-2012	0.35-6.30%	2042	\$ 732,142	\$ 113,435	\$ 45,277	\$ 800,300	\$ 56,626
Adjusted for: Bond Premiums and Discounts				27,351	6,088	782	32,657	-
Revenue Bonds Payable Net of Bond Premiums and Discounts				<u>759,493</u>	<u>119,523</u>	<u>46,059</u>	<u>832,957</u>	<u>56,626</u>
Other Noncurrent Liabilities				3	-	3	-	-
Compensated Absences				363	285	302	346	154
Total Long-Term Obligations				<u>\$ 759,859</u>	<u>\$ 119,808</u>	<u>\$ 46,364</u>	<u>\$ 833,303</u>	<u>\$ 56,780</u>

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2012, which have scheduled debt service amounts (expressed in thousands):

	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	2033-2037	2038-2042	Total
Revenue Bonds:											
1989-2012 Issues	\$ 90,354	\$ 72,351	\$ 72,712	\$ 72,428	\$ 71,991	\$ 330,575	\$ 249,309	\$ 120,608	\$ 46,727	\$ 29,940	\$ 1,156,995
Less: Interest	33,728	32,211	30,646	29,006	27,236	106,866	58,974	24,964	10,263	2,801	356,695
Principal	<u>56,626</u>	<u>40,140</u>	<u>42,066</u>	<u>43,422</u>	<u>44,755</u>	<u>223,709</u>	<u>190,335</u>	<u>95,644</u>	<u>36,464</u>	<u>27,139</u>	<u>800,300</u>
Total	<u>\$ 56,626</u>	<u>\$ 40,140</u>	<u>\$ 42,066</u>	<u>\$ 43,422</u>	<u>\$ 44,755</u>	<u>\$ 223,709</u>	<u>\$ 190,335</u>	<u>\$ 95,644</u>	<u>\$ 36,464</u>	<u>\$ 27,139</u>	<u>\$ 800,300</u>
Adjusted for: Bond and Note Premium and Discounts											32,657
Long-Term Obligations without scheduled debt service:											
Compensated Absences											346
Total Long-Term Obligations											<u>\$ 833,303</u>

Several of the bonds bear interest at variable rates, initially set at 0.87% to 3.80% and are periodically adjusted, pursuant to the provisions of the bond indentures, to a maximum rate of 12% to 14% per year. Variable rates are reset semiannually by the remarketing agent. The interest rate on the bonds was 0.35% to 0.65% at June 30, 2012. 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 1.90% to 5.88%.

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

Long-term obligations at June 30, 2012 (September 30, 2011, for Oklahoma Housing Finance Agency and December 31, 2011, 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	2001-2005	2.50 - 5.25%	2022	\$ 47,450	\$ -	\$ 595	\$ 46,855	\$ 625
Total Before Adjustments				47,450	-	595	46,855	
Adjusted for: Bond Premiums				44	-	5	39	
Net Deferred Debits on Refundings				(144)	-	(17)	(127)	
Total General Obligation Bonds Payable								
Net of Bond Premiums and Deferrals				47,350	-	583	46,767	625
Revenue Bonds Payable from User Fees:								
Student Loan Authority	1995-2011	0.51 - 6.35%	2041	580,443	-	104,505	475,938	-
Development Finance Auth.	1996	2.50%	2031	9,999	-	-	9,999	-
Housing Finance Agency	1987-2011	0.73 - 8.00%	2042	673,518	183,981	238,509	618,990	63,281
Turnpike Authority	2002-2012	2.00 - 5.50%	2031	1,034,526	683,660	581,973	1,136,213	50,955
Grand River Dam Authority	1995-2010	3.00 - 7.155%	2040	1,073,911	-	81,665	992,246	86,765
Municipal Power Authority	1992-2010	2.00 - 6.44%	2047	626,075	-	18,085	607,990	17,795
University Hospitals Authority	2005	0.09 - 0.35%	2036	51,100	-	1,040	50,060	1,095
Higher Education	1993-2007	1.20 - 10.00%	2034	1,227,039	106,499	93,522	1,240,016	41,441
Total Before Discounts/Deferrals				5,276,611	974,140	1,119,299	5,131,452	
Adjusted for: Bond (Discount) Premiums				22,714	69,744	1,315	91,143	
Net Deferred Debits on Refundings				(57,831)	(51,599)	(4,080)	(105,350)	
Total Revenue Bonds Payable								
Net of Bond (Discounts) Premiums and Deferrals				5,241,494	992,285	1,116,534	5,117,245	261,332
Notes Payable:								
Multiple Injury Trust Fund	2000-2001	7.00%	2031	22,966	-	1,352	21,614	1,449
Oklahoma Turnpike Authority	2009-2010	1.01%	2012	33,490	-	6,000	27,490	27,490
Student Loan Authority	1995-2004	0.20 - 1.24%	2035	386,694	-	96,705	289,989	14,000
Municipal Power Authority	2003	6.00%	2028	48,905	-	1,582	47,323	1,677
Higher Education	2001-2007	1.88 - 8.00%	2046	173,469	14,443	15,228	172,684	64,923
Total				665,524	14,443	120,867	559,100	109,539
Capital Leases:								
Higher Education				948,583	113,685	49,335	1,012,933	46,409
Total				948,583	113,685	49,335	1,012,933	46,409
Claims and Judgments				1,232,524	1,150,935	1,052,282	1,331,177	329,179
Due to Primary Government				54,382	-	75	54,307	2,003
Compensated Absences				111,930	92,902	88,052	116,780	84,609
Other Noncurrent Liabilities				744,797	625,613	596,375	774,035	265,561
Total Long-Term Obligations				\$ 9,046,584	\$ 2,989,863	\$ 3,024,103	\$ 9,012,344	\$ 1,099,257

A. General Obligation Bonds

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

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2012 (September 30, 2011, for Oklahoma Housing Finance Agency and December 31, 2011, for Oklahoma Transportation Authority, Grand River Dam Authority and Municipal Power Authority), which have scheduled debt service amounts (expressed in thousands):

	2013	2014	2015	2016	2017	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	2042-2046	2045-2049	Total
General Obligation Bonds:													
Industrial Finance Authority	\$ 1,948	\$ 1,946	\$ 1,948	\$ 1,944	\$ 1,943	\$ 46,388	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,117
	1,948	1,946	1,948	1,944	1,943	46,388	-	-	-	-	-	-	56,117
Less: Interest	1,323	1,291	1,258	1,224	1,188	2,978	-	-	-	-	-	-	9,262
Total Principal	625	655	690	720	755	43,410	-	-	-	-	-	-	46,855
Revenue Bonds:													
Student Loan Authority	6,266	6,266	6,266	6,266	6,266	25,066	120,217	78,107	76,844	290,369	-	-	621,933
Development Finance Auth	250	250	250	250	250	1,250	1,250	10,936	-	-	-	-	14,686
Housing Finance Agency	89,421	81,052	38,544	37,299	36,952	184,039	180,462	175,937	203,653	-	-	-	1,027,359
Turnpike Authority	88,632	96,621	95,343	95,338	95,336	455,779	439,844	282,396	-	-	-	-	1,649,289
Grand River Dam Authority	133,807	133,476	91,344	61,817	61,742	308,050	306,822	305,539	174,409	69,842	-	-	1,646,848
Municipal Power Authority	47,638	47,674	47,674	47,066	46,800	229,205	184,693	116,465	113,340	112,598	100,510	10,696	1,104,359
University Hospitals Authority	1,999	2,046	2,082	2,131	2,174	11,371	12,729	14,077	13,540	-	-	-	62,149
Higher Education	96,868	94,772	95,595	95,219	93,574	439,206	413,858	346,881	251,873	106,472	-	-	2,034,318
	464,881	462,157	377,098	345,386	343,094	1,653,966	1,659,875	1,330,338	833,659	579,281	100,510	10,696	8,160,941
Less: Interest	203,549	205,024	212,794	191,509	184,798	814,603	598,458	366,273	182,333	56,590	13,095	463	3,029,489
Total Principal	261,332	257,133	164,304	153,877	158,296	839,363	1,061,417	964,065	651,326	522,691	87,415	10,233	5,131,452
Notes Payable:													
Multiple Injury Trust Fund	2,925	2,925	2,925	2,925	2,925	14,624	1,450	-	-	-	-	-	30,699
Oklahoma Turnpike Authority	27,825	-	-	-	-	-	-	-	-	-	-	-	27,825
Student Loan Authority	15,618	194,386	14,374	14,200	7,014	35,053	12,942	-	-	-	-	-	293,587
Municipal Power Authority	4,517	4,517	4,517	4,517	4,517	22,584	22,584	9,032	-	-	-	-	76,784
Higher Education	73,410	19,920	19,417	18,034	7,804	34,413	18,063	15,361	5,614	1,087	870	-	213,993
	124,295	221,748	41,233	39,676	22,260	106,674	55,038	24,393	5,614	1,087	870	-	642,888
Less: Interest	14,756	9,721	8,130	6,818	5,928	22,332	11,283	3,732	719	280	89	-	83,788
Total Principal	109,539	212,027	33,103	32,858	16,332	84,342	43,755	20,661	4,895	807	781	-	559,100
Capital Leases:													
Higher Education	83,929	101,934	104,474	101,373	99,912	342,056	324,387	266,736	98,017	13,766	-	-	1,536,584
	83,929	101,934	104,474	101,373	99,912	342,056	324,387	266,736	98,017	13,766	-	-	1,536,584
Less: Interest	37,520	43,748	41,273	39,072	36,755	146,022	109,345	56,494	12,331	1,091	-	-	523,651
Total Principal	46,409	58,186	63,201	62,301	63,157	196,034	215,042	210,242	85,686	12,675	-	-	1,012,933
Total	\$ 417,905	\$ 528,001	\$ 261,298	\$ 249,756	\$ 238,540	\$ 1,163,149	\$ 1,320,214	\$ 1,194,968	\$ 741,907	\$ 536,173	\$ 88,196	\$ 10,233	\$ 6,750,340
Adjusted for: Net Discounts and Deferred Debits on Refundings													(14,295)
Long-Term Obligations without scheduled debt service:													
Claims and Judgments													1,331,177
Due to Primary Government													54,307
Compensated Absences													116,780
Other Noncurrent Liabilities													774,035
Total Long-Term Obligations													\$ 9,012,344

B. Revenue Bonds

The **Oklahoma Student Loan Authority (OSLA)** has issued eleven series of revenue bonds with outstanding balances. The bonds are issued for the purpose of funding student loans. All bonds payable are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective bond resolution. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in bond indentures. At June 30, 2012, the variable interest rates ranged from 0.51% to 6.35%.

The **Oklahoma Development Finance Authority (ODFA)** has issued a revenue bond to fund loans to various investment enterprises in connection with the Quality Jobs Investment Program. The bond is payable solely from and secured by the revenues and funds in the Quality Jobs Investment Program and a Credit Enhancement Reserve Fund guarantee insurance policy. The interest rate is variable and is equal to the Oklahoma Industrial Finance Authority's cost of funds on its outstanding variable rate bond issues. The interest rate at June 30, 2012 was 2.5%.

The **Oklahoma Housing Finance Agency (OHFA)** has issued 34 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 \$1,934,570,000. The bonds are issued for the purpose of financing capital improvements and new projects relating to the State's turnpike system and are financed primarily by tolls assessed on users of the turnpikes.

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

The **Oklahoma Municipal Power Authority (OMPA)** has issued ten series of revenue bonds. The bonds are issued to finance portions of OMPA's acquisition and construction activities. The bonds are payable from and collateralized by a

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

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

Twenty-one of the State's colleges and universities within the **Higher Education** component unit have authorized and issued 75 series of revenue bonds with an original issue amount of \$1,394,942,000. 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 assets of the trusts and the liabilities for the defeased bonds are not included in the accompanying financial statements. The following defeased bonds were outstanding at June 30, 2012 (December 31, 2011 for GRDA and OMPA) (expressed in thousands):

Revenue Bonds		
GRDA	OMPA	Higher Education
\$ 28,970	\$ 39,540	\$ 13,105

D. Notes Payable

The **Multiple Injury Trust Fund** (MITF) component unit reports a note payable to **CompSource Oklahoma** component unit of \$21,614,000 as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

Notes of the **Oklahoma Student Loan Authority** (OSLA) are issued to fund student loans and are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective financing agreements. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in lending agreements. At year end the variable interest rates ranged from 0.20% to 1.24%.

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

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

E. Capital Leases

The **Higher Education** component unit has entered into agreements with unrelated parties as well as agreements with the Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. In fiscal year 1999, the Higher Education component unit signed capital lease agreements with OCIA totaling \$49,178,000 and additional agreements totaling \$515,350,000 during fiscal year 2006. In fiscal year 2011, additional agreements with OCIA totaling \$249,440,000 were added. The outstanding principal balance for the OCIA leases at June 30, 2012, is

\$591,650,000. 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, 2012, included the following (expressed in thousands):

	Land	Construction In Progress	Buildings	Equipment	Total
Cost	\$ -	\$ 2,405	\$ 372,707	\$ 92,864	\$ 467,976
Less: Accumulated depreciation	-	-	(38,178)	(39,716)	(77,894)
Total	\$ -	\$ 2,405	\$ 334,529	\$ 53,148	\$ 390,082

F. Other Liabilities

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.

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 \$46,855,000 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 \$42,000,000 for various construction, renovation and acquisition of property.

Note 12. Fund Balance

Beginning Fund Balance/Net Assets Adjustments and Other Restatements

Primary Government

Beginning net assets related to Governmental Activities on the Statement of Activities have been restated due to adjustments to capital assets (\$13,895,000), reclassification of funds (\$2,655,000) and accounting errors (\$196,000) at July 1, 2011. This restatement increased beginning net assets by \$11,044,000.

The Statement of Revenues, Expenditures and Changes in Fund Balance for Governmental Funds has been restated due to reclassification of funds. The beginning fund balance for the Permanent Fund of the Native American Cultural and Educational Authority decreased by \$2,655,000 at July 1, 2011. Total beginning fund balance for Governmental Funds decreased \$2,655,000.

Component Units

Beginning net assets for the Higher Education Component Unit have been restated due to accounting errors (\$786,000) and reclassification of funds (\$552,000). The net effect of the restatements decreased beginning net assets by \$1,338,000 as of July 1, 2011.

Proprietary Funds

Beginning net assets for the Employment Security Commission have been restated by \$120,199,000. The change was due to a reevaluation of the process to determine taxes receivable. The net effect of the restatement increased net assets by \$120,199,000 as of July 1, 2011.

Governmental Fund Balance

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

	General	Permanent Funds			Total Governmental Funds
		Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
Nonspendable					
Inventories	\$ 72,478	\$ -	\$ -	\$ -	\$ 72,478
Prepays	1,061	-	-	-	1,061
Permanent Fund Principal	-	1,862,742	73,223	613,868	2,549,833
Restricted					
Education	16,738	15,980	-	-	32,718
General Government	725,461	-	-	-	725,461
Health Services	24,931	-	-	-	24,931
Legal and Judiciary	10,991	-	-	-	10,991
Museums	3,577	-	-	-	3,577
Natural Resources	16,112	-	-	-	16,112
Safety and Defense	6,258	-	-	-	6,258
Regulatory Services	2,330	-	-	-	2,330
Social Services	5,081	-	-	-	5,081
Transportation	18	-	-	-	18
Stabilization Fund (Rainy Day)	433,095	-	-	-	433,095
Committed					
Education	136,347	-	-	-	136,347
General Government	1,085,263	-	-	-	1,085,263
Health Services	(13,737)	-	-	-	(13,737)
Legal and Judiciary	108,615	-	-	-	108,615
Museums	107	-	-	-	107
Natural Resources	171,816	-	-	-	171,816
Safety and Defense	165,039	-	-	-	165,039
Regulatory Services	130,621	-	-	-	130,621
Social Services	145,815	-	-	-	145,815
Transportation	352,289	-	-	-	352,289
Assigned	-	-	-	66,135	66,135
Unassigned					
Permanent Fund	-	-	-	25,724	25,724
Stabilization Fund (Rainy Day)	144,365	-	-	-	144,365
Total Fund Balances	\$ 3,744,671	\$ 1,878,722	\$ 73,223	\$ 705,727	\$ 6,402,343

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

Restricted fund balance represents amounts that have constraints upon their use through either outside creditors, grantors, contributors or other governments as well as those amounts restricted through constitutional provisions or enabling legislation that can be legally enforced by parties outside the government. The State's General Fund restricted fund balance is primarily comprised of amounts yet to be expended under federal grant awards, imminent payments on outstanding bond issues, long-term receivables that must be used for debt repayment, and 75% of any available balance in the stabilization or "Rainy Day" fund. The Commissioners of the Land Office Permanent Fund is restricted for educational systems. Fund balance as restricted by the various constraints in the General Fund for the fiscal year ended June 30, 2012 were as follows (expressed in thousands):

	General Fund - Restricted			Restricted Fund Balance
	For Debt Service Only	Federal Cash	By Enabling Legislation	
Restricted				
Education	\$ -	\$ 16,738	\$ -	\$ 16,738
General Government	711,445	14,016	-	725,461
Health Services	1,201	23,730	-	24,931
Legal and Judiciary	-	10,991	-	10,991
Museums	1,284	2,293	-	3,577
Natural Resources	-	16,112	-	16,112
Safety and Defense	2,363	3,895	-	6,258
Regulatory Services	2,248	82	-	2,330
Social Services	2,814	2,267	-	5,081
Transportation	18	-	-	18
Stabilization Fund (Rainy Day)	-	-	433,095	433,095
Total Fund Balances	\$ 721,373	\$ 90,124	\$ 433,095	\$ 1,244,592

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

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

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

government's ability to access these funds with the proper fund balance classification. The total Constitutional Reserve Fund balance at June 30, 2012 was \$577,460,000, with \$433,095,000 presented as restricted fund balance and \$144,365,000 as unassigned fund balance.

The Tobacco Trust Fund's assigned fund balance classification reflects amounts that are constrained by the Fund's intent to be used for specific purposes. For purposes of assigned fund balance, the Fund's Board of Directors has authority to assign funds for specific purposes. Prior to 2012, the Board of Directors had determined that 10% of the unassigned fund balance would be designated as a reserve for future periods, should annual earnings prove insufficient to cover expenses. In November 2011, the Board of Directors chose to limit yearly expenditures of certified earnings to no more than 5% of the corpus of the Fund, with any unexpended certified earnings added to the reserve. For the fiscal year ended June 30, 2012, the assigned fund balance was \$66,135,000.

As explained in Note 1, *Summary of Significant Accounting Policies* section J, the General Fund inventory includes \$1,043,000 in food commodities which is also included in deferred revenue. Therefore, nonspendable fund balance for inventory/prepaid on the balance sheet is \$1,043,000 less than the total of inventory and prepaid items.

Prior to the implementation of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, Governmental Fund Balance was presented 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 reflected tentative plans for future use of financial resources. Presented in the table below is a crosswalk representing how current fund balance would have been presented prior to Statement 54:

	Governmental Fund Balance - GASB 54			Governmental Fund Balance Pre-GASB 54			
	General Fund	Permanent Fund	Total Governmental Funds	Reserved	Unreserved, Designated	Unreserved, Undesignated	Total Governmental Funds
Non Spendable	\$ 73,539	\$ 2,549,833	\$ 2,623,372				
				Inventories	\$ 72,702		\$ 72,702
				Prepays	828		828
				By Corpus	9		9
				Permanent Fund	2,549,833		2,549,833
	<u>\$ 73,539</u>	<u>\$ 2,549,833</u>	<u>\$ 2,623,372</u>		<u>\$ 2,623,372</u>	<u>\$ -</u>	<u>\$ 2,623,372</u>
Restricted	\$ 1,244,592	\$ 15,980	\$ 1,260,572				
				Federal Cash	\$ 90,124		\$ 90,124
				Rainy Day		433,095	433,095
				Debt Service	721,373		721,373
				Permanent Fund	15,980		15,980
	<u>\$ 1,244,592</u>	<u>\$ 15,980</u>	<u>\$ 1,260,572</u>		<u>827,477</u>	<u>433,095</u>	<u>-</u>
Committed	\$ 2,282,175		\$ 2,282,175				
				Encumbrances	\$ 282,424		\$ 282,424
				Cash Flow Reserve		532,128	532,128
				Undesignated		1,467,623	1,467,623
	<u>\$ 2,282,175</u>	<u>\$ -</u>	<u>\$ 2,282,175</u>		<u>\$ 282,424</u>	<u>\$ 532,128</u>	<u>\$ 1,467,623</u>
Assigned	\$ -	\$ 66,135	\$ 66,135				
				Permanent Fund	\$ 66,135		\$ 66,135
	<u>\$ -</u>	<u>\$ 66,135</u>	<u>\$ 66,135</u>		<u>\$ 66,135</u>	<u>\$ -</u>	<u>\$ -</u>
Unassigned	\$ 144,365	\$ 25,724	\$ 170,089				
				Rainy Day		\$ 144,365	\$ 144,365
				Permanent Fund	25,724		25,724
	<u>\$ 144,365</u>	<u>\$ 25,724</u>	<u>\$ 170,089</u>		<u>\$ 25,724</u>	<u>\$ 144,365</u>	<u>\$ -</u>
Total	<u>\$ 3,744,671</u>	<u>\$ 2,657,672</u>	<u>\$ 6,402,343</u>	Total	<u>\$ 3,825,132</u>	<u>\$ 1,109,588</u>	<u>\$ 1,467,623</u>
							<u>\$ 6,402,343</u>

Note 13. Nonrecourse Debt and Debt Guarantees

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

Financing agreements of Oklahoma Development Finance Authority (ODFA) and Oklahoma Housing Finance Agency (OHFA) are structured such that the debt is to be repaid solely from the revenues derived from the related facilities leased or acquired, or from the disposition of collateral. ODFA and OHFA do not hold notes receivable and trust investments in amounts equal to the long-term financings. As of September 30, 2011 OHFA had two series of multifamily bonds outstanding with an aggregate principal amount payable of approximately \$8,344,000. 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, 2012, 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 \$762,000 to cover potential losses from outstanding financial obligations insured by the Fund. Through June 30, 2012, there have been no Oklahoma Credit Enhancement Reserve Fund General Obligation Bonds issued since it is the intention of ODFA to utilize existing assets to meet obligations arising from losses reserved and accrued payments in lieu of interest by the Fund.

Note 14. Retirement and Pension Systems

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

A. Primary Government

1. General Description of the Retirement System

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

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

2. Funding Policy

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

The WCRP receives contributions from each member based on their annual covered salary. The contribution requirements are established and amended by the Wildlife Conservation Commission. For fiscal year 2012, the employee contribution rate was 5%. The Department of Wildlife Conservation is required to contribute at an actuarially determined rate. The required contribution for the year ended June 30, 2012 was \$3,802,000.

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	\$ 3,802
Interest on net pension obligation	103
Adjustment to annual required contribution	(179)
Annual pension cost	3,726
Contributions made	(4,100)
Increase (decrease) in net pension obligation	(374)
Net pension obligation-beginning of year	1,476
Net pension obligation-end of year	\$ 1,102
Actuarial Assumptions:	
Investment rate of return	7.0%
Annual salary increase	4.5 - 7.0%
COLA increase	0.0%
Inflation Rate	3.5%
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, 2012 actuarial valuation. Actual contributions equaled 100% of required contributions and 110% of annual pension costs for fiscal year 2012. 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
6/30/2012	\$ 3,726	110%	\$ 1,102
6/30/2011	3,102	102%	1,476
6/30/2010	4,308	102%	1,554

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
7/1/2012	\$ 76,865	\$ 101,054	\$ 24,189	76.1%	\$ 14,662	165.0%
7/1/2011	74,450	95,341	20,891	78.1%	14,633	142.8%
7/1/2010	71,468	87,648	16,180	81.5%	14,839	109.0%

B. Component Units

1. General Description of the Retirement Systems

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

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

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

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

OFPRS	OPERS	OPPRS	TRS
614	287	133	614

During fiscal year 2012, the TRS's unfunded liability increased from \$7,600,000,000 to \$8,398,000,000. This increase was primarily due to a loss on assets with lower than assumed returns. Based on the current contribution schedule, assuming no actuarial gains or losses in the future, the unfunded liability is expected to increase from the current level until fiscal year 2013 and decrease through June 30, 2033 and beyond. The current contribution schedule results in contributions sufficient to cover the interest on the current unfunded liability plus the normal cost resulting in negative amortization.

2. Funding Policy

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

OPPRS 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. The State of Oklahoma's total allocation to the Plan during 2012 was \$68,246,000, which represented the 34% insurance premium tax allocation. Insurance premium contributions to the plan for the years ended June 30, 2012, 2011, and 2010 totaled \$68,246,000, \$60,000,000, and \$54,000,000, respectively.

OLERS receives contributions from State agencies and members of 10% and 8%, respectively, of the actual paid base salary of each member. OLERS also receives other State contributions of 1.2% of all fees, taxes, and penalties collected by motor license agents after approximately the first 5%, and 5% of the insurance premium taxes collected by the Insurance Commissioner as required by statute. The other State contributions to the plan for years ended June 30, 2012, 2011, and 2010 totaled \$18,836,000, \$16,965,000, and \$15,456,000, 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 2012:

State employees and agencies – State employees contribute 3.5% on all salary. State agency employers contribute 16.5% of total salary.

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

Elected Officials - Elected officials' employee contributions are based on the maximum compensation levels set for all members and the participating employers are required to contribute on the elected officials' covered salary using the same percentage and limits as applicable for State agencies. Members elected prior to November 1, 2010 must select an employee contribution rate of 4.5%, 6.0%, 7.5%, 8.5%, 9.0%, or 10.0%. Members elected between November 1, 2010 and October 31, 2011 may only select an employee contribution rate of either 4.5% or 10%. Members elected on or after November 1, 2011 have a contribution rate of 3.5%.

Hazardous Duty Members – Hazardous Duty Members contribute 8% of total salary. Employers contribute 16.5% of total salary.

State agency employer contributions to OPERS for the years ended June 30, 2012, 2011, and 2010 were \$212,647,000, \$204,212,000, and \$214,002,000, respectively.

URSJJ member contributions for fiscal year 2012 are 8% of members' monthly salary. State statutes require participating court employers to contribute monthly a percentage of the gross salaries of active members. Effective for the fiscal year ended June 30, 2009, the employer contribution rate increased to 7.0% of payroll and will increase 1.5% annually up to 22% for the fiscal years ending June 30, 2019, and thereafter. For fiscal year ended June 30, 2012, the effective employer contribution rate was 11.5%. State employer contributions to URSJJ for the year ended June 30, 2012, 2011, and 2010 were \$3,620,000, \$3,193,000, and \$8,704,000, respectively. During fiscal year 2010, the State Legislature designated an additional \$6,000,000 to pay employer contributions.

Oklahoma Police Pension and Retirement System (OPPRS) receives contributions from each participating municipality and each participant. Until July 1, 1991, each municipality contributed 10% of the actual base salary of each participant employed by the municipality. As of 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, 2012, 2011, and 2010 totaled \$28,092,000, \$24,645,000, \$22,292,000, 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 is 9.5% for all remitting entities other than comprehensive and four year universities. The employer contribution rate for comprehensive and four year universities is 8.55%. 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 \$282,000,000 from this source for fiscal year 2012. State contributions on behalf of employees totaled approximately \$35,839,000 for fiscal year 2012. State employer contributions to TRS for the years ended June 30, 2012, 2011, and 2010 were \$5,805,000, \$6,583,000, and \$6,881,000, respectively.

3. Annual Pension Cost and Net Pension Obligation

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

	OLERS	URSJJ
Annual required contribution	\$ 48,634	\$ 7,413
Interest on net pension obligation	4,615	1,326
Adjustment to annual required contribution	(8,647)	(1,452)
Annual pension cost	44,602	7,287
Contributions made	(26,146)	(3,620)
Increase (decrease) in net pension obligation	18,456	3,667
Net pension obligation-beginning of year	61,539	17,686
Net pension obligation-end of year	<u>\$ 79,995</u>	<u>\$ 21,353</u>
Actuarial Assumptions:		
Investment rate of return	7.5%	7.5%
Annual salary increase	3.75% to 7.8%	5.25%
COLA increase	3.0%	0%
Inflation rate	3.0%	3.0%
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level % of payroll, closed
Remaining amortization period	9 years	15 years

The annual required contribution for URSJJ for the current year was determined as part of the July 1, 2011 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 49% 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, 2011 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 54% 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 years' unrecognized gains and losses are added to this amount to develop expected actuarial value. The expected actuarial value is then compared to the market value of the assets at the valuation date, and 20% of any gain (loss) for the last five years is added to the expected actuarial value. The gain (loss) is amortized over five years with the actuarial value of the assets being constrained to a range of 80% to 120% of the market value at the valuation date.

Three-Year Trend Information

(expressed in thousands)

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
Oklahoma Law Enforcement Retirement System	6/30/2012	\$ 44,602	59%	\$ 79,995
	6/30/2011	47,925	51%	61,539
	6/30/2010	47,412	49%	38,170
Uniform Retirement System for Justices and Judges	6/30/2012	7,287	50%	21,353
	6/30/2011	12,501	26%	17,686
	6/30/2010	10,786	81%	8,378

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

Schedules of Funding Progress

Oklahoma Law Enforcement Retirement System

(unaudited)

(expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2012	\$ 688,411	\$ 878,537	\$ 190,125	78.4%	\$ 71,598	265.5%
7/1/2011	684,063	900,879	216,816	75.9%	70,967	305.5%
7/1/2010	664,794	903,567	238,773	73.6%	73,400	325.3%

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
7/1/2012	\$ 238,554	\$ 249,379	\$ 10,825	95.7%	\$ 33,337	32.5%
7/1/2011	237,627	246,792	9,165	96.3%	34,701	26.4%
7/1/2010	230,010	282,765	52,755	81.3%	35,023	150.6%

4. Other Retirement Systems

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

The Oklahoma Housing Finance Agency (OHFA), a Component Unit of the State, contributes to the Oklahoma Housing Finance Agency Retirement Plan, which is a defined contribution plan. Under its provisions, all new employees are required to participate in the Oklahoma Public Employees Retirement System (OPERS), and are not eligible to join the OHFA plan after June 30, 1997. OHFA's contribution amount is at the discretion of the Board of Trustees and does not

have any limitations. The current contribution rate is 16.5% of eligible employees' compensation. 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 \$903,225,000. The institution contributions were \$78,533,000 or 8.7% of covered payroll. Employees are not required to contribute to the plans.

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

Note 15. Other Postemployment Benefits (OPEB)

1. General Description of the Other Postemployment Benefits

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

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

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

2. Funding Policy

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

The State has one department of the Primary Government that makes payments to OSEEGIB on behalf of retirees, the Department of Wildlife Conservation. The Department provides \$100 per month as established by its board toward health insurance coverage should retirees so elect at retirement. These contributions are made on a pay-as-you go basis, and no separate account has been established to pre-fund these costs. For the fiscal years 2012, 2011, and 2010 the department paid into OSEEGIB as follows, representing 100% of the Department's board mandated contributions to OSEEGIB:

	<u>FY 2012 Contributions</u>	<u>FY 2011 Contributions</u>	<u>FY 2010 Contributions</u>
Primary Government			
Dept. of Wildlife Conservation	<u>\$ 159,000</u>	<u>\$ 131,000</u>	<u>\$ 126,000</u>

The State has two cost-sharing multi-employer retirement systems that make payments to OSEEGIB on behalf of retirees should a retiree so elect. These plans are the Oklahoma Public Employees Retirement System (OPERS) and the Teachers' Retirement System of Oklahoma (TRS). The State also has two single employer retirement systems that make payments to OSEEGIB on behalf of retirees, the Uniform Retirement System for Judges and Justices (URSJJ) and the Oklahoma Law Enforcement Retirement System (OLERS). As mandated by statute, these plans pay between \$100 and \$105 per month to OSEEGIB on behalf of retirees if so elected. For fiscal years 2012, 2011, and 2010 the retirement systems paid into OSEEGIB as follows, representing 100% of the State's legislatively required contributions to OSEEGIB:

	<u>FY 2012 Contributions</u>	<u>FY 2011 Contributions</u>	<u>FY 2010 Contributions</u>
Fiduciary Component Units			
OPERS (a)	\$ 18,707,000	\$ 18,551,000	\$ 17,856,000
TRS (a)	29,607,000	29,405,000	29,916,000
URSJJ (b)	170,000	161,000	146,000
OLERS (b)	810,000	818,000	796,000
	<u>\$ 49,294,000</u>	<u>\$ 48,935,000</u>	<u>\$ 48,714,000</u>

(a) - Cost Sharing Multi-Employer Retirement Plan

(b) - Single Employer Retirement Plan

Component Units

Twenty-two of the institutions included in the Higher Education Component Unit sponsor single-employer OPEB plans as designated by each institution's governing Board of Regents. These independent trust plans primarily provide supplemental health, dental, and life insurance benefits to participating retirees. Eligibility requirements and benefits differ significantly between the participating higher education institutions. Current year benefit expenditures, funded primarily on a pay-as-you-go basis, totaled approximately \$11,130,000 in fiscal year 2012 for the twenty-two participating institutions. Complete disclosure for each higher education institution can be obtained from the Oklahoma State Regents for Higher Education, 655 Research Parkway, Suite 200, Oklahoma City, OK 73104.

3. Annual Pension Cost and Net OPEB Obligation

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

	<u>Wildlife OPEB</u>
Normal cost	\$ 48
Amortization of actuarial accrued liability (AAL)	167
Annual required contribution (ARC)	<u>215</u>
Interest on net OPEB obligation	8
ARC adjustment	<u>(11)</u>
Annual OPEB cost	212
Actual amount of net employer disbursements	<u>(159)</u>
Increase in net OPEB obligation	53
Net OPEB obligation, beginning of year	198
Net OPEB obligation, end of year	<u>\$ 251</u>
Actuarial Assumptions:	
Investment rate of return	4.0%
Inflation rate	0.0%
Annual healthcare cost (beginning at 9% and declining to 5% in FY2013)	6.0%
Actuarial cost method	Entry age normal
Amortization method	30 years, level dollar, open period

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

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 213	75%	\$ 251
6/30/2011	212	62%	198
6/30/2010	160	79%	117

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

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c</u>
7/1/2012	\$ -	\$ 4,457	\$ 4,457	0.0%	\$ 15,272	29.2%
7/1/2011	-	2,953	2,953	0.0%	14,873	19.9%
7/1/2010	-	2,918	2,918	0.0%	14,839	19.7%

The Department's OPEB is not funded and there are no OPEB plan assets as it is a substantive plan. As of July 1, 2012, the most recent actuarial valuation date, the AAL for benefits was approximately \$4.5 million and the actuarial value of assets was zero, resulting in an UAAL of \$4.5 million.

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

Note 16. On-Behalf Payments

The Teacher's Retirement System (TRS) of Oklahoma receives 5% of the State's sales, use, corporate and individual income taxes collected as dedicated tax. Senate Bill 1376, which became law in July 2002, provides that the percentage of the State's collected dedicated taxes allocated to the TRS increased from 4.5% to 5.0% on July 1, 2007 and thereafter. The System receives 1% of the cigarette taxes collected by the State and receives 5% of the net lottery proceeds collected by the State. The System received approximately \$282,000,000 from the State for the year ended June 30, 2012 .

The Firefighters Pension and Retirement System (OFPRS) of Oklahoma received 34% of the State's insurance premium tax revenue. OFPRS received approximately \$68,000,000 from the State for the year ended June 30, 2012. Of the same insurance premium tax revenue, the Police Pension and Retirement System (OPPRS) of Oklahoma and Law Enforcement Retirement System (OLERS) received 14% and 5% respectively. OPPRS and OLERS received approximately \$28,000,000 and \$10,000,000 from the State for the year ended June 30, 2012 respectively.

Note 17. Commitments

Primary Government

For the year ended June 30, 2012, the General Fund had encumbrances of \$282,424,000 within the restricted and committed fund balances of the governmental funds.

The **Department of Transportation** had contractual commitments at June 30, 2012, of approximately \$876,601,000 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 \$53,715,000 for the General Fund.

Component Units

The **University of Oklahoma** had outstanding commitments under construction contracts totaling \$47,586,000 at June 30, 2012.

Oklahoma State University (University) had outstanding commitments under construction contracts of approximately \$11,899,000 at June 30, 2012.

The **Oklahoma Turnpike Authority** (OTA) had commitments outstanding at December 31, 2011, relating to equipment orders and supplies of approximately \$15,382,000. At December 31, 2011, OTA had commitments outstanding relating to construction and maintenance contracts of approximately \$51,215,000.

The **Oklahoma Municipal Power Authority** (OMPA) purchased approximately \$19,981,000 of power pursuant to several long-term purchase agreements during 2011. OMPA is obligated to purchase, at a minimum, approximately \$23,248,000 of power in 2012.

The **Grand River Dam Authority** (Authority) makes and receives commitments for purchases of coal and other materials. The Authority had contractual commitments at December 31, 2011 for long-term coal and freight purchases under contracts through 2020 with estimated minimum obligations for the next fiscal year ending December 31, 2012 of \$144,900,000, and total obligations of \$1,477,820,000 through 2020.

Note 18. Litigation and Contingencies

The State and its component units are parties to numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the State for property damage and personal injury, alleged breaches of contract, condemnation proceedings, and other alleged violations of state and federal laws. Certain claims have been adjudicated against the State, but remained unpaid as of June 30, 2012.

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, 2012, the State is unable to estimate what liabilities may result from such audits.

Primary Government

Through the normal course of operations there are many legal cases which involve the State as a party. Most of these cases are currently deemed to have a remote chance of loss or will result in a gain to the State. The assessment of several cases indicates there is the reasonably possible or probable chance of a loss occurring to the State. Current estimates for these losses range from \$6,000,000 to \$25,600,000. A liability of \$17,800,000 has been accrued for the known or probable portion of the losses range.

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, 2012, DOT had project expenditures totaling \$10,886,000 that will be reimbursed pending approval of the Federal Government.

Component Units

The **Oklahoma Capital Investment Board** (OCIB), as a public trust of the State of Oklahoma, has authority to transfer tax credits to public entities. Tax credits can be transferred by OCIB in conjunction with a legitimate call on an OCIB guarantee. As of June 30, 2012, OCIB had a maximum commitment line of credit of \$30,000,000. As of June 30, 2012, the line of credit had an outstanding balance of \$19,644,000. All of the outstanding balance is classified as long-term debt. In addition to the debt, OCIB reported June 30, 2012 net asset deficit of \$4,107,000.

The credits and OCIB's right to transfer the credits expire if not utilized by June 30, 2020. As of June 30, 2012, \$30,915,000 of tax credits had been transferred. Four entities currently have signed agreements to purchase up to an aggregate of \$8,000,000 of tax credits per year at the sole discretion of OCIB. OCIB has the authority to issue up to \$20,000,000 of tax credits per year with an overall maximum of \$100,000,000. The remaining \$69,085,000 of tax credits were not considered impaired at June 30, 2012, as there was sufficient time remaining for the tax credits to be utilized before they expire.

Note 19. Subsequent Events

Component Units

Board of Regents has authorized but not issued general revenue bonds totaling \$91,725,000 to refund outstanding tax-exempt issue. Currently the Board of Regents has authorized but not issued general revenue bonds totaling \$18,000,000.

Oklahoma Development Finance Authority (ODFA) has issued bonds totaling \$8,000,000 for the International Paper Project. Currently ODFA has authorized but not issued bonds totaling \$54,250,000 for the various projects.

Oklahoma Housing Finance Authority has authorized but not issued bonds totaling \$565,500,000 for capital projects.

Oklahoma Municipal Power Authority has authorized but not issued bonds totaling \$150,000,000 for capital projects.

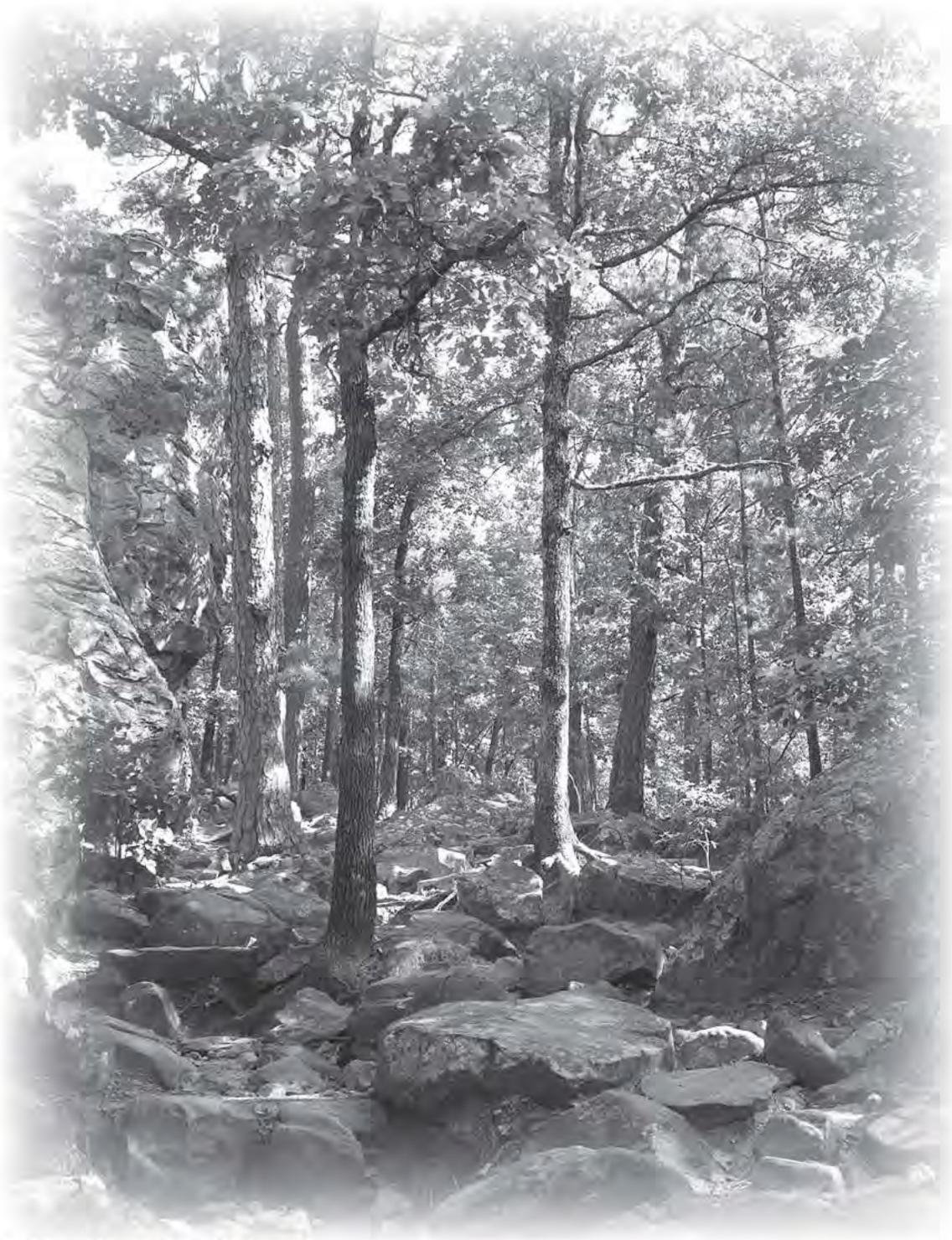
Water Resources Board has issued bonds totaling \$104,880,000 for capital projects.

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Natural Falls State Park

Required Supplementary Information and Budget Schedule



Robbers Cave State Park

Required Supplementary Information and Budget Schedule

State of Oklahoma
 Budgetary Comparison Schedule
 Budget to Actual (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2012
 (expressed in thousands)

	Budgetary General Fund			Actual Amounts	Variance with Final Budget
	Original	Budget	Final		
	Budget	Amendments	Budget		
Revenues					
Taxes	\$ 5,011,966	\$ 0	\$ 5,011,966	\$ 5,359,325	\$ 347,359
Licenses, Permits and Fees	65,821	0	65,821	69,981	4,160
Interest and Investment Revenue	111,813	0	111,813	96,232	(15,581)
Local Receipts and Reimbursements	4,567	0	4,567	3,452	(1,115)
Other	479,828	0	479,828	816,553	336,725
Total Revenues	5,673,995	0	5,673,995	6,345,543	671,548
Expenditures					
Education	229,949	26,731	256,680	224,445	32,235
General Government	133,484	13,110	146,594	129,074	17,520
Health Services	242,591	3,598	246,189	220,835	25,354
Legal and Judiciary	91,083	6,811	97,894	88,332	9,562
Museums	13,549	735	14,284	13,340	944
Natural Resources	70,033	3,167	73,200	62,158	11,042
Public Safety and Defense	588,513	11,015	599,528	546,314	53,214
Regulatory Services	19,461	282	19,743	19,085	658
Social Services	137,013	14,428	151,441	131,052	20,389
Transportation	0	52	52	52	0
Total Expenditures	1,525,676	79,929	1,605,605	1,434,687	170,918
Revenues in Excess of Expenditures	4,148,319	(79,929)	4,068,390	4,910,856	842,466
Other Financing Sources (Uses)					
Transfers In	0	517,480	517,480	517,480	0
Transfers Out	(1,215,365)	0	(1,215,365)	(1,215,365)	0
Intra Agency Transfers to Continuing Funds	(2,945,848)	(6,045)	(2,951,893)	(2,951,893)	0
Total Other Financing Sources (Uses)	(4,161,213)	511,435	(3,649,778)	(3,649,778)	0
Revenue and Other Sources in Excess of Expenditures and Other Uses	(12,894)	431,506	418,612	1,261,078	842,466
Budgetary Fund Balance - Beginning of Year	734,034	0	734,034	734,034	0
Budgetary Fund Balance - End of Year	\$ 721,140	\$ 431,506	\$ 1,152,646	\$ 1,995,112	\$ 842,466

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

Notes to Required Supplementary Information - Budgetary Reporting

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Reconciliation of Budgetary Fund Balance to GAAP Fund Balance

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resulting basis, perspective, and entity differences in the revenues in excess of (less than) expenditures and other financing sources (uses) between budgetary and GAAP presentations for the year ended June 30, 2012, is presented below (expressed in thousands) for the General Fund:

Budgetary Basis Fund Balance, June 30, 2011	\$ 734,034
Excess of total sources over total uses of financial resources (Budgetary Basis)	1,261,078
Budgetary Basis Fund Balance, June 30, 2012	<u>1,995,112</u>
Entity and Perspective Differences:	
Non-budgeted Funds and Capital Funds	1,660,325
Encumbrances	86,959
Basis Differences:	
Add: Net accrued revenues, related receivables, and deferred revenues	1,299,580
Less: Net accrued expenditures and related liabilities	<u>(1,297,305)</u>
GAAP Basis Fund Balance, June 30, 2012	<u><u>\$ 3,744,671</u></u>

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

	GENERAL FUND				
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	<i>Amendments</i>	FINAL		
EDUCATION					
State Arts Council					
01 Duties	4,010	-	4,010	2,131	1,879
11 FY-11 Carryover	-	307	307	307	-
Agency Total	<u>4,010</u>	<u>307</u>	<u>4,317</u>	<u>2,438</u>	<u>1,879</u>

GENERAL FUND

	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
Department of Career and Technology Education					
08 Duties	130,214	-	130,214	117,142	13,072
18 FY-11 Carryover	-	13,087	13,087	12,598	489
Agency Total	130,214	13,087	143,301	129,740	13,561
Department of Education					
03 Instructional Expenses	33,000	-	33,000	33,000	-
08 Financial support of Public Schools	1,463	-	1,463	1,463	-
01 Financial support of Public Schools (Min Lea)	2,850	-	2,850	2,850	-
01 Financial support of Public Schools	1,100,641	-	1,100,641	1,100,641	-
02 Public School Activities	401,225	-	401,225	395,793	5,432
03 Admin & Support Functions - DOE	21,427	-	21,427	18,394	3,033
12 FY-11 Carryover	-	625	625	141	484
13 FY-11 Carryover	-	9,525	9,525	6,957	2,568
Agency Total	1,560,606	10,150	1,570,756	1,559,239	11,517
Commission of the Land Office					
01 Duties	7,109	-	7,109	4,077	3,032
11 FY-11 Carryover	-	2,089	2,089	1,554	535
Agency Total	7,109	2,089	9,198	5,631	3,567
Department of Libraries					
01 Duties	5,899	-	5,899	5,510	389
11 FY-11 Carryover	-	304	304	218	86
Agency Total	5,899	304	6,203	5,728	475
Center for Advancement of Science and Technology					
01 Duties	17,811	-	17,811	17,644	167
Agency Total	17,811	-	17,811	17,644	167
Physical Manpower Training Commission					
01 Duties	3,979	-	3,979	3,910	69
11 FY-11 Carryover	-	73	73	73	-
02 Duties	400	-	400	400	-
Agency Total	4,379	73	4,452	4,383	69
Oklahoma School of Science and Math					
01 Duties	4,605	-	4,605	4,469	136
02 Duties	1,477	-	1,477	1,431	46
11 FY-11 Carryover	-	414	414	413	1
Agency Total	6,082	414	6,496	6,313	183
Oklahoma Commission for Teacher Preparation					
01 Duties	1,526	-	1,526	743	783
11 FY-11 Carryover	-	307	307	273	34
Agency Total	1,526	307	1,833	1,016	817
Education Total	1,737,636	26,731	1,764,367	1,732,132	32,235

GENERAL FUND

	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
GENERAL GOVERNMENT					
State Auditor and Inspector					
01 Duties	4,400	-	4,400	4,264	136
02 County Govt Personnel Educ & Trng	307	-	307	282	25
Agency Total	4,707	-	4,707	4,546	161
State Bond Advisor					
01 Duties	143	-	143	143	-
Agency Total	143	-	143	143	-
Department of Central Services					
01 Duties	14,889	-	14,889	12,575	2,314
11 FY-11 Carryover	-	4,191	4,191	1,985	2,206
01 For transfer to Bldg & Fac Revolv (Fund 245)	1,384	-	1,384	1,384	-
01 For transfer to Bldg & Fac Revolv (Fund 245)	1,040	-	1,040	1,040	-
Agency Total	17,313	4,191	21,504	16,984	4,520
Department of Commerce					
01 Duties	22,289	-	22,289	17,800	4,489
02 Duties - NACEA	6,784	-	6,784	5,964	820
12 FY-11 Carryover	-	362	362	308	54
11 FY-11 Carryover	-	1,497	1,497	920	577
Agency Total	29,073	1,859	30,932	24,992	5,940
State Election Board					
18 FY-11 Carryover	-	148	148	148	-
01 Duties	6,306	-	6,306	5,430	876
11 FY-11 Carryover	-	498	498	486	12
02 Duties	1,500	-	1,500	1,440	60
12 FY-11 Carryover	-	145	145	145	-
Agency Total	7,806	791	8,597	7,649	948
Ethics Commissions					
02 Duties	-	60	60	-	60
01 Duties	523	-	523	516	7
Agency Total	523	60	583	516	67
Office of State Finance					
12 FY-11 Carryover	-	1,282	1,282	1,282	-
01 Duties	9,179	-	9,179	8,635	544
11 FY-11 Carryover	-	2,729	2,729	2,729	-
02 Duties	10,000	-	10,000	9,767	233
Agency Total	19,179	4,011	23,190	22,413	777
Governor					
01 Duties	1,981	-	1,981	1,808	173
11 FY-11 Carryover	-	11	11	9	2
20 FY-11 Carryover	-	40	40	40	-
Agency Total	1,981	51	2,032	1,857	175

GENERAL FUND					
BUDGET					
	ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE
Lieutenant Governor					
01 Duties	507	-	507	442	65
11 FY-11 Carryover	-	51	51	51	-
Agency Total	507	51	558	493	65
Merit Protection Commission					
01 Duties	491	-	491	457	34
11 FY-11 Carryover	-	13	13	13	-
Agency Total	491	13	504	470	34
Office of Personnel Management					
01 Duties	3,640	-	3,640	2,569	1,071
11 FY-11 Carryover	-	613	613	613	-
Agency Total	3,640	613	4,253	3,182	1,071
Tax Commission					
30 Duties	46,916	-	46,916	44,477	2,439
Agency Total	46,916	-	46,916	44,477	2,439
State Treasurer					
11 Duties	3,537	-	3,537	2,481	1,056
12 State Land Reimbursements	93	-	93	93	-
11 FY-11 Carryover	-	1,468	1,468	1,200	268
Agency Total	3,630	1,468	5,098	3,774	1,324
General Government Total					
	135,909	13,108	149,017	131,496	17,521
HEALTH SERVICES					
Department of Health					
01 Duties	59,478	-	59,478	48,222	11,256
92 FY-11 Carryover	-	606	606	351	255
05 FY-11 Carryover	-	2,365	2,365	2,202	163
Agency Total	59,478	2,971	62,449	50,775	11,674
Mental Health and Substance Abuse					
01 Duties	183,113	-	183,113	169,433	13,680
91 FY-11 Carryover	-	627	627	627	-
Agency Total	183,113	627	183,740	170,060	13,680
Health Services Total					
	242,591	3,598	246,189	220,835	25,354
LEGAL AND JUDICIARY					
Attorney General					
02 Duties	-	5,000	5,000	-	5,000
01 Duties	11,997	-	11,997	11,186	811
02 For transfer to the Legal Services Rev Fund	905	-	905	905	-
11 FY-11 Carryover	-	140	140	138	2
02 For transfer to the CASA Rev Fund	326	-	326	326	-
Agency Total	13,228	5,140	18,368	12,555	5,813

GENERAL FUND

	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
Court of Criminal Appeals					
11 FY-11 Carryover	-	25	25	25	-
01 Duties	3,335	-	3,335	3,335	-
11 FY-11 Carryover	-	81	81	81	-
Agency Total	3,335	106	3,441	3,441	-
District Attorney's Council					
01 Duties	32,887	-	32,887	32,499	388
11 FY-11 Carryover	-	422	422	422	-
Agency Total	32,887	422	33,309	32,921	388
District Courts					
01 Duties - District Courts	7,600	-	7,600	6,596	1,004
11 FY-11 Carryover	-	170	170	162	8
Agency Total	7,600	170	7,770	6,758	1,012
Indigent Defense System					
01 Duties	14,699	-	14,699	13,649	1,050
11 FY-11 Carryover	-	896	896	895	1
Agency Total	14,699	896	15,595	14,544	1,051
Council on Judicial Complaints					
11 FY-11 Carryover	-	77	77	76	1
02 Duties	75	-	75	72	3
Agency Total	75	77	152	148	4
Supreme Court					
01 Duties	17,300	-	17,300	16,007	1,293
Agency Total	17,300	-	17,300	16,007	1,293
Workers' Compensation Court					
01 Duties	4,197	-	4,197	4,197	-
Agency Total	4,197	-	4,197	4,197	-
Legal and Judiciary Total					
	93,321	6,811	100,132	90,571	9,561
MUSEUMS					
Historical Society					
01 Duties	12,503	-	12,503	11,660	843
11 FY-11 Carryover	-	657	657	650	7
Agency Total	12,503	657	13,160	12,310	850
J.M. Davis Memorial Commission					
01 Duties	306	-	306	287	19
11 FY-11 Carryover	-	3	3	3	-
Agency Total	306	3	309	290	19
Will Rogers Memorial Commission					
01 Duties	740	-	740	665	75
11 FY-11 Carryover	-	75	75	75	-
Agency Total	740	75	815	740	75
Museums Total					
	13,549	735	14,284	13,340	944

GENERAL FUND

	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
NATURAL RESOURCES					
Department of Agriculture					
05 Duties	3,870	-	3,870	3,350	520
01 Duties	21,740	-	21,740	19,897	1,843
Agency Total	25,610	-	25,610	23,247	2,363
Conservation Commission					
01 Duties	9,562	-	9,562	8,701	861
Agency Total	9,562	-	9,562	8,701	861
Department of Environmental Quality					
01 Duties	-	200	200	-	200
01 Duties	7,558	-	7,558	7,507	51
11 FY-11 Carryover	-	717	717	711	6
Agency Total	7,558	917	8,475	8,218	257
Scenic Rivers Commission					
01 Duties	271	-	271	271	-
Agency Total	271	-	271	271	-
Department of Tourism and Recreation					
01 Duties	21,803	-	21,803	17,008	4,795
11 FY-11 Carryover	-	1,881	1,881	677	1,204
Agency Total	21,803	1,881	23,684	17,685	5,999
Water Resources Board					
01 Duties	5,500	-	5,500	3,943	1,557
11 FY-11 Carryover	-	370	370	364	6
Agency Total	5,500	370	5,870	4,307	1,563
Natural Resources Total	70,304	3,168	73,472	62,429	11,043
PUBLIC SAFETY AND DEFENSE					
Alcohol Beverage Laws Enforcement					
01 Duties	3,140	-	3,140	3,044	96
Agency Total	3,140	-	3,140	3,044	96
State Bureau of Investigation					
01 Duties	13,848	-	13,848	13,840	8
11 FY-11 Carryover	-	1	1	1	-
Agency Total	13,848	1	13,849	13,841	8
Department of Corrections					
06 Duties	50,000	-	50,000	48,095	1,905
30 Duties	409,831	-	409,831	368,919	40,912
31 FY-11 Carryover	-	8,932	8,932	8,682	250
Agency Total	459,831	8,932	468,763	425,696	43,067

GENERAL FUND

	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
Council on Law Enforcement, Education, and Training					
01 Duties	3,227	-	3,227	2,867	360
11 FY-11 Carryover	-	311	311	311	-
01 Duties	256	-	256	201	55
11 FY-11 Carryover	-	75	75	74	1
02 Duties	200	-	200	200	-
Agency Total	3,683	386	4,069	3,653	416
Department of Emergency Management					
01 Duties	651	-	651	616	35
Agency Total	651	-	651	616	35
State Fire Marshal					
01 Duties	1,797	-	1,797	1,776	21
Agency Total	1,797	-	1,797	1,776	21
Board of Medicolegal Investigations					
01 Duties	4,698	-	4,698	4,583	115
11 FY-11 Carryover	-	104	104	103	1
Agency Total	4,698	104	4,802	4,686	116
Oklahoma Military Department					
11 FY-11 Carryover	-	3	3	-	3
01 Duties	10,248	-	10,248	8,248	2,000
11 FY-11 Carryover	-	1,538	1,538	163	1,375
Agency Total	10,248	1,541	11,789	8,411	3,378
Bureau of Narcotics and Dangerous Drugs					
01 Duties	3,616	-	3,616	3,616	-
Agency Total	3,616	-	3,616	3,616	-
Pardon and Parole Board					
01 Duties	2,217	-	2,217	2,086	131
11 FY-11 Carryover	-	52	52	52	-
Agency Total	2,217	52	2,269	2,138	131
Department of Public Safety					
01 Duties	84,895	-	84,895	78,948	5,947
Agency Total	84,895	-	84,895	78,948	5,947
Public Safety and Defense Total	588,624	11,016	599,640	546,425	53,215
REGULATORY SERVICES					
Commission on Consumer Credit					
01 Duties	332	-	332	249	83
11 FY-11 Carryover	-	3	3	3	-
Agency Total	332	3	335	252	83
Corporation Commission					
01 Duties	11,324	-	11,324	11,066	258
11 FY-11 Carryover	-	165	165	165	-
Agency Total	11,324	165	11,489	11,231	258

GENERAL FUND

	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
Oklahoma Horse Racing Commission					
01 Duties	2,072	-	2,072	1,955	117
11 FY-11 Carryover	-	114	114	72	42
Agency Total	2,072	114	2,186	2,027	159
Insurance Department					
01 Duties	1,872	-	1,872	1,872	-
Agency Total	1,872	-	1,872	1,872	-
Department of Labor					
01 Duties	1,471	-	1,471	1,452	19
02 Duties	1,236	-	1,236	1,192	44
02 Duties	374	-	374	365	9
Agency Total	3,081	-	3,081	3,009	72
Department of Mines					
01 Duties	779	-	779	694	85
Agency Total	779	-	779	694	85
Regulatory Services Total					
	19,460	282	19,742	19,085	657
SOCIAL SERVICES					
Commission on Children and Youth					
10 Duties	2,027	-	2,027	1,712	315
40 FY-11 Carryover	-	168	168	168	-
Agency Total	2,027	168	2,195	1,880	315
Office of Disability Concerns					
01 Duties	318	-	318	311	7
Agency Total	318	-	318	311	7
Health Care Authority					
03 Duties (to Disbursing Funds 200 and 340)	115,335	-	115,335	115,335	-
02 Duties (to Disbursing Funds 200 and 340)	-	8,500	8,500	-	8,500
01 Duties (to Disbursing Funds 200 and 340)	748,061	-	748,061	748,061	-
03 Duties (to Disbursing Funds 200 and 340)	30,673	-	30,673	30,673	-
Agency Total	894,069	8,500	902,569	894,069	8,500
Oklahoma Human Rights Commission					
10 Duties	531	-	531	520	11
20 FY-11 Carryover	-	19	19	13	6
Agency Total	531	19	550	533	17
Department of Human Services					
04 Duties (to Disbursing Funds)	80,000	-	80,000	80,000	-
01 Duties (to Disbursing Funds)	434,518	-	434,518	434,518	-
Agency Total	514,518	-	514,518	514,518	-

GENERAL FUND					
BUDGET					
	ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE
Oklahoma Indian Affairs Commission					
10 Duties	192	-	192	32	160
Agency Total	192	-	192	32	160
J.D. McCarty Center					
10 Duties	3,359	-	3,359	3,033	326
11 FY-11 Carryover	-	41	41	41	-
92 FY-11 Carryover	-	503	503	503	-
Agency Total	3,359	544	3,903	3,577	326
Office of Juvenile Affairs					
01 Duties	95,916	-	95,916	85,607	10,309
91 FY-11 Carryover	-	272	272	272	-
11 FY-11 Carryover	-	4,926	4,926	4,689	237
Agency Total	95,916	5,198	101,114	90,568	10,546
Department of Rehabilitation Services					
01 Duties (to disbursing funds)	30,149	-	30,149	30,149	-
Agency Total	30,149	-	30,149	30,149	-
Department of Veterans Affairs					
01 Duties	34,699	-	34,699	34,182	517
Agency Total	34,699	-	34,699	34,182	517
Social Services Total					
	1,575,778	14,429	1,590,207	1,569,819	20,388
TRANSPORTATION					
Oklahoma Space Industry Development Auth.					
01 Duties to Space Industries Dev.	395	-	395	395	-
11 FY-11 Carryover	-	52	52	52	-
Agency Total	395	52	447	447	-
Transportation Total					
	395	52	447	447	-
General Fund Total					
	\$ 4,477,567	\$ 79,930	\$ 4,557,497	\$ 4,386,579	\$ 170,918



Lake Murray State Park

Combining Financial Statements



Arrowhead State Park

Combining Financial Statements

FIDUCIARY FUNDS AND SIMILAR COMPONENT UNITS

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

PENSION TRUST FUNDS

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

WILDLIFE CONSERVATION RETIREMENT PLAN

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

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

OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

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

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

OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

421 NW 13th St., Suite 100, Oklahoma City, Oklahoma 73103

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

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

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

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

OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

1001 N.W. 63rd Street, Suite 305, Oklahoma City, Oklahoma 73116

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

TEACHER'S RETIREMENT SYSTEM OF OKLAHOMA

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

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

AGENCY FUNDS

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

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

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

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

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

State of Oklahoma
Combining Statement of Fiduciary Net Assets
Pension Trust Funds (Including Similar Component Units)
June 30, 2012
(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	
Assets								
Cash/Cash Equivalents	\$ 2,029	\$ 42,074	\$ 48,411	\$ 132,498	\$ 3,934	\$ 47,146	\$ 300,393	\$ 576,485
Investments, at fair value								
Equity Securities	21,055	966,897	375,393	1,589,001	0	647,606	6,296,234	9,896,186
Governmental Securities	24,652	295,016	55,290	1,667,487	61,608	18,418	1,162,665	3,285,136
Debt Securities	9,639	29,875	168,476	882,920	30,033	344,515	1,714,515	3,179,973
Mutual Funds	19,007	0	0	2,725,482	154,962	0	0	2,899,451
Other Investments	0	358,710	42,977	0	0	715,669	756,080	1,873,436
Securities Lending Investments	0	178,693	67,588	437,964	6,008	26,729	1,764,089	2,481,071
Interest and Investment Revenue Receivable	0	3,275	906	15,491	425	3,157	43,659	66,913
Contributions Receivable:								
Employer	0	960	1,391	13,239	289	1,529	33,991	51,399
Employee	0	576	465	3,560	201	954	23,755	29,511
Other Contributions Receivable	0	0	0	0	0	0	29,333	29,333
Other Receivables	0	484	51	0	0	0	0	535
Due from Brokers	0	33	10,765	282,431	9,256	4,349	146,132	452,966
Due from Other Funds	0	13,407	1,972	12,138	491	5,520	0	33,528
Capital Assets, Net	0	42	4	942	0	710	1,543	3,241
Other Assets	0	0	0	296	0	0	0	296
Total Assets	76,382	1,890,042	773,689	7,763,449	267,207	1,816,302	12,272,389	24,859,460
Liabilities								
Accounts Payable	0	2,032	552	0	0	1,214	0	3,798
Securities Lending Payable	0	178,693	67,588	437,964	6,008	26,729	1,764,089	2,481,071
Due to Brokers	0	0	0	504,178	17,381	3,597	300,648	825,804
Due to Other Funds	0	0	1	4	0	2	4	11
Benefits in the Process of Payment	0	0	4,093	0	0	6,780	3,906	14,779
Other Liabilities	0	82	0	0	0	0	9,006	9,088
Total Liabilities	0	180,807	72,234	942,146	23,389	38,322	2,077,653	3,334,551
Fund Balance Reserved for Employees' Pension Benefits	\$ 76,382	\$ 1,709,235	\$ 701,455	\$ 6,821,303	\$ 243,818	\$ 1,777,980	\$ 10,194,736	\$ 21,524,909

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, 2012
(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	
Additions								
Contributions								
Employer Contributions	\$ 4,100	\$ 32,816	\$ 7,414	\$ 262,710	\$ 3,620	\$ 32,896	\$ 376,635	\$ 720,191
Employee Contributions	704	19,427	5,408	66,300	2,562	20,113	291,386	405,900
Other Contributions	0	68,246	18,836	0	0	28,092	304,996	420,170
Total Contributions	4,804	120,489	31,658	329,010	6,182	81,101	973,017	1,546,261
Investment Income								
Net Appreciation in Fair Value of Investments	0	(10,103)	(87)	46,557	2,068	1,676	(144,717)	(104,606)
Interest and Investment Revenue	2,226	26,890	11,637	114,667	2,474	18,533	318,981	495,408
Less Investment Expenses	2,226	16,787	11,550	161,224	4,542	20,209	174,264	390,802
Net Investment Income	0	11,638	2,895	6,532	130	11,835	36,419	69,449
Total Additions	7,030	125,638	40,313	483,702	10,594	89,475	1,110,862	1,867,614
Deductions								
Administrative and General Expenses	190	1,723	852	4,759	156	1,952	4,274	13,906
Benefit Payments and Refunds	4,298	158,778	48,077	498,642	14,809	110,285	1,068,209	1,903,098
Total Deductions	4,488	160,501	48,929	503,401	14,965	112,237	1,072,483	1,917,004
Net Increase	2,542	(34,863)	(8,616)	(19,699)	(4,371)	(22,762)	38,379	(49,390)
Fund Balance Reserved for Employees' Pension Benefits								
Beginning of Year (as restated)	73,840	1,744,098	710,071	6,841,002	248,189	1,800,742	10,156,357	21,574,299
End of Year	\$ 76,382	\$ 1,709,235	\$ 701,455	\$ 6,821,303	\$ 243,818	\$ 1,777,980	\$ 10,194,736	\$ 21,524,909

State of Oklahoma
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2012
(expressed in thousands)

	Taxes Held For Outside Entities	Funds Held In Escrow	Assets Held For Beneficiaries	Other	Total
Assets					
Cash/Cash Equivalents	\$ 183,299	\$ 54,087	\$ 66,279	\$ 50,607	\$ 354,272
Investments	0	0	85	0	85
Accounts Receivable	0	0	21	2	23
Taxes Receivable	1	0	0	0	1
Due from Component Units	0	0	0	659	659
Inventory	0	0	0	9,726	9,726
Total Assets	\$ 183,300	\$ 54,087	\$ 66,385	\$ 60,994	\$ 364,766
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 0	\$ 0	\$ 393	\$ 0	\$ 393
Tax Refunds Payable	15,517	0	0	0	15,517
Due to Others	167,783	54,087	65,992	60,994	348,856
Total Liabilities	\$ 183,300	\$ 54,087	\$ 66,385	\$ 60,994	\$ 364,766

State of Oklahoma
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Taxes Held for Outside Entities				
Assets				
Cash/Cash Equivalents	\$ 398,661	\$ 5,320,830	\$ 5,536,192	\$ 183,299
Taxes Receivable	1	0	0	1
Total Assets	\$ 398,662	\$ 5,320,830	\$ 5,536,192	\$ 183,300
Liabilities				
Tax Refunds Payable	\$ 3,651	\$ 15,517	\$ 3,651	\$ 15,517
Due to Others	395,011	5,305,313	5,532,541	167,783
Total Liabilities	\$ 398,662	\$ 5,320,830	\$ 5,536,192	\$ 183,300
Funds Held in Escrow				
Assets				
Cash/Cash Equivalents	\$ 46,697	\$ 15,193	\$ 7,803	\$ 54,087
Total Assets	\$ 46,697	\$ 15,193	\$ 7,803	\$ 54,087
Liabilities				
Due to Others	46,697	15,193	7,803	54,087
Total Liabilities	\$ 46,697	\$ 15,193	\$ 7,803	\$ 54,087
Assets Held for Beneficiaries				
Assets				
Cash/Cash Equivalents	\$ 58,570	\$ 448,640	\$ 440,931	\$ 66,279
Investments	85	85	85	85
Accounts Receivable	23	21	23	21
Total Assets	\$ 58,678	\$ 448,746	\$ 441,039	\$ 66,385
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 470	\$ 393	\$ 470	\$ 393
Due to Others	58,208	448,353	440,569	65,992
Total Liabilities	\$ 58,678	\$ 448,746	\$ 441,039	\$ 66,385
Other				
Assets				
Cash/Cash Equivalents	\$ 54,942	\$ 50,607	\$ 54,942	\$ 50,607
Accounts Receivable	0	2	0	2
Due from Component Units	619	659	619	659
Inventory	7,044	9,726	7,044	9,726
Total Assets	\$ 62,605	\$ 60,994	\$ 62,605	\$ 60,994
Liabilities				
Due to Others	\$ 62,605	\$ 60,994	\$ 62,605	\$ 60,994
Total Liabilities	\$ 62,605	\$ 60,994	\$ 62,605	\$ 60,994
Total - All Agency Funds				
Assets				
Cash/Cash Equivalents	\$ 558,870	\$ 5,835,270	\$ 6,039,868	\$ 354,272
Investments	85	85	85	85
Accounts Receivable	23	23	23	23
Taxes Receivable	1	0	0	1
Due from Component Units	619	659	619	659
Inventory	7,044	9,726	7,044	9,726
Total Assets	\$ 566,642	\$ 5,845,763	\$ 6,047,639	\$ 364,766
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 470	\$ 393	\$ 470	\$ 393
Tax Refunds Payable	3,651	15,517	3,651	15,517
Due to Others (as restated)	562,521	5,829,853	6,043,518	348,856
Total Liabilities	\$ 566,642	\$ 5,845,763	\$ 6,047,639	\$ 364,766

NONMAJOR COMPONENT UNITS

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

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

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

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

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

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

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

MULTIPLE INJURY TRUST FUND 421 NW 13th Street, Oklahoma City, Oklahoma 73103

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

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

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

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

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

OKLAHOMA CAPITAL INVESTMENT BOARD 13905 Quail Pointe Drive, Suite A, Oklahoma City, Oklahoma 73134

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

OKLAHOMA STATE UNIVERSITY MEDICAL AUTHORITY 1111 W. 17th Street, Tulsa, Oklahoma 74107

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

OKLAHOMA CENTENNIAL COMMEMORATION FUND 900 N. Stiles Ave., Oklahoma City, Oklahoma 73104

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, 2012
(expressed in thousands)

	Oklahoma Educational Television Authority	Oklahoma Industrial Finance Authority	Health Insurance High Risk Pool	Multiple Injury Trust Fund	University Hospitals Authority	Oklahoma Development Finance Authority	Oklahoma Capital Investment Board	Oklahoma Centennial Commemoration Fund	Oklahoma State Univ. Medical Authority	Nonmajor Component Units Total
Assets										
Current Assets										
Cash/Cash Equivalents										
Unrestricted	\$ 6,663	\$ 9,394	\$ 3,841	\$ 10,505	\$ 76,052	\$ 12,446	\$ 202	\$ 0	\$ 3,487	\$ 122,590
Investments	25,413	0	0	0	68	1,041	0	0	0	26,522
Accounts Receivable	182	0	0	0	120	0	0	0	14	316
Interest and Investment										
Revenue Receivable	57	193	0	25	10	5	0	0	0	290
Other Receivables	136	0	0	0	0	0	0	0	0	136
Notes Receivable	0	1,987	0	0	0	0	0	0	0	1,987
Due from Other Component Units	0	0	0	0	243	206	0	0	0	449
Due from Primary Government	0	0	0	4,070	120	36	0	0	0	4,226
Prepaid Items	194	0	0	0	4	0	0	0	0	198
Other Current Assets	0	0	0	0	0	222	0	0	0	222
Total Current Assets	32,645	11,574	3,841	14,600	76,617	13,956	202	0	3,501	156,936
Noncurrent Assets										
Cash/Cash Equivalents -										
Restricted	0	11	0	0	744	0	0	0	0	755
Investments - Restricted	0	0	0	0	885	0	15,364	0	0	16,249
Long-Term Investments	0	27,508	0	0	0	0	0	0	0	27,508
Long-Term Notes Receivable, Net	0	11,208	0	0	0	2,958	0	0	0	14,166
Capital Assets										
Depreciable, Net	18,009	128	0	12	228,502	466	0	0	0	247,117
Land	26	0	0	0	4,009	100	0	0	0	4,135
Construction in Progress	0	0	0	0	12,215	0	0	0	0	12,215
Other Noncurrent Assets										
Unrestricted	0	23	0	0	20,102	0	0	0	0	20,125
Restricted	0	0	0	0	36	0	0	0	0	36
Total Noncurrent Assets	18,035	38,878	0	12	266,493	3,524	15,364	0	0	342,306
Total Assets	50,680	50,452	3,841	14,612	343,110	17,480	15,566	-	3,501	499,242
Liabilities										
Liabilities										
Current Liabilities										
Accounts Payable and										
Accrued Liabilities	284	1	1	66	16,091	4	28	0	0	16,475
Claims and Judgments	0	0	0	21,834	0	0	0	0	0	21,834
Interest Payable	0	279	0	379	0	0	0	0	0	658
Due to Other Component Units	0	0	0	0	147	1,788	0	0	0	1,935
Deferred Revenue	0	0	0	0	88	221	0	0	0	309
Compensated Absences	239	41	0	74	0	0	0	0	0	354
Notes Payable	0	0	0	1,449	0	0	0	0	0	1,449
General Obligation Bonds	0	625	0	0	0	0	0	0	0	625
Revenue Bonds	0	0	0	0	1,095	0	0	0	0	1,095
Other Current Liabilities	7	0	0	0	169	0	0	0	0	176
Total Current Liabilities	530	946	1	23,802	17,590	2,013	28	0	0	44,910
Noncurrent Liabilities										
Claims and Judgments										
Compensated Absences	144	0	0	206,714	0	0	0	0	0	206,714
Notes Payable	0	0	0	20,165	0	0	0	0	0	20,165
General Obligation Bonds	0	46,142	0	0	0	0	0	0	0	46,142
Revenue Bonds	0	0	0	0	48,827	9,999	0	0	0	58,826
Other Noncurrent Liabilities	0	0	0	0	343	0	19,645	0	0	19,988
Total Noncurrent Liabilities	144	46,142	0	226,879	49,170	9,999	19,645	0	0	351,979
Total Liabilities	674	47,088	1	250,681	66,760	12,012	19,673	0	0	396,889
Net Assets										
Invested in Capital Assets, Net of Related Debt										
	18,035	0	0	0	194,804	566	0	0	0	213,405
Restricted for:										
Other Special Purpose										
Expendable	2,229	11	0	0	1,665	0	0	0	14	3,919
Unrestricted	29,742	3,353	3,840	(236,069)	79,881	4,902	(4,107)	0	3,487	(114,971)
Total Net Assets	\$ 50,006	\$ 3,364	\$ 3,840	\$ (236,069)	\$ 276,350	\$ 5,468	\$ (4,107)	\$ 0	\$ 3,501	\$ 102,353

State of Oklahoma
Combining Statement of Activities
NonMajor Component Units
For the Fiscal Year Ended June 30, 2012
(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		Payments from Primary Government				
Nonmajor Component Units:									
Oklahoma Educational Television Authority	\$ 15,446	\$ 6,319	\$ 1,632	\$ (7,495)	\$ 3,822	\$ (3,673)	\$ 53,679	\$ 50,006	
Oklahoma Industrial Finance Authority	1,725	2,297	0	572	0	572	2,792	3,364	
Health Insurance High Risk Pool	30,872	28,296	0	(2,576)	0	(2,576)	6,416	3,840	
Multiple Injury Trust Fund	92,577	581	0	(91,996)	21,080	(70,916)	(165,153)	(236,069)	
University Hospitals Authority	204,719	202,125	0	(2,594)	38,447	35,853	240,497	276,350	
Oklahoma Development Finance Authority	1,361	2,088	0	727	0	727	4,741	5,468	
Oklahoma Capital Investment Board	991	4,580	0	3,589	0	3,589	(7,696)	(4,107)	
Oklahoma Centennial Commemoration Fund*	733	0	0	(733)	0	(733)	733	0	
Oklahoma State Univ. Medical Authority	3,661	5,000	0	1,339	0	1,339	2,162	3,501	
Total Nonmajor Component Units	\$ 352,085	\$ 251,286	\$ 1,632	\$ (99,167)	\$ 63,349	\$ (35,818)	\$ 138,171	\$ 102,353	

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

*The Oklahoma Centennial Commemoration Fund was transferred into the Oklahoma Department of Commerce in FY 12.



Sequoyah State Park

Other Supplementary Information



Robbers Cave State Park

Other Supplementary Information



Oklahoma State Auditor & Inspector

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Oklahoma as of and for the year ended June 30, 2012, which collectively comprise the State's basic financial statements and have issued our report thereon dated January 30, 2013, which included an emphasis paragraph on the unfunded actuarial accrued liability of the Teachers Retirement System and an emphasis paragraph on the Multiple Injury Trust fund for a net deficit related primarily to court awards that exceeded the apportionment of special tax revenue collected. Our report includes 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. As described in our report on the State of Oklahoma's financial statements, 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 thirteen percent and four percent, respectively, of the assets and revenues of the governmental activities, and six percent of the assets and three percent of the revenues of the general fund;
- the financial statements of the Water Resources Board and the Oklahoma Lottery Commission which in the aggregate represent sixty-three percent of the assets and twenty-three percent of the revenues of the business-type activities and the enterprise funds;
- the financial statements of the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, the Oklahoma Department of Wildlife Conservation Lifetime Licenses permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent one hundred percent of the permanent funds; and
- the financial statements of the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, the Oklahoma Police Pension and Retirement System, the Oklahoma Public Employees Retirement System, the Oklahoma Teachers Retirement System, the Uniform Retirement System for Judges and Justices, and the Oklahoma Department of Wildlife Conservation Retirement Plan, which in the aggregate represent ninety-eight percent of the assets and one hundred percent of the revenues of the aggregate remaining fund information.

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

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [12-265-001IT, 12-807-006, and 12-290-021].

Compliance and Other Matters

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

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

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



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

January 30, 2013

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

REF NO: 12-265-001IT (11-265-001IT) (10-265-001IT)
STATE AGENCY: Oklahoma State Department of Education (OSDE)
CONTROL CATEGORY: Information Security

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

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

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

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

Agency Management Response: The Office of State Finance is in the process of establishing an application administrator function separate from developers, and identifying critical responsibilities that need to be segregated. Three positions have been posted and filled with job descriptions that segregate duties appropriately.

REF NO: 12-807-006
STATE AGENCY: Oklahoma Health Care Authority
FUND TYPE: General Fund and Government-Wide (Governmental Activities)
CONTROL CATEGORY: Accounts Payables/Accrued Liabilities, Federal Receivables, Federal Revenue and Deferred Revenue

Criteria: A basic objective of Generally Accepted Accounting Principles (GAAP) is to provide accurate and reliable information.

The State of Oklahoma Administrative Plan states: "A component objective of an adequate internal control system is to provide accurate and reliable information".

The OSF GAAP Conversion Manual states that each agency's executive director and finance director are responsible for submitting OSF conversion package forms that are accurate, complete and timely.

Condition: During our testing of Accounts Payable and Federal Grants Receivable, we noted the amounts reported on the OSF Form Q-1 GAAP Conversion – Medicaid Summary-Medicaid Payable and Receivable package and I-1GAAP Conversion Accounts Payable and Encumbrance Summary package were not accurate. In addition, the agency did not properly account for federal funds receivable for administrative costs and used a prior year number in the non-federal receivables calculation on Q-1 GAAP Package.

Cause: The inaccuracies on Q-1 GAAP Package were largely due to misclassifying July 2012, August 2012 and September 2012 expenditures that had a last date of service after year-end as state fiscal year 2012 accounts payable. In addition, OHCA did not review the detailed data used in estimating their Medicaid payables for Q-1 GAAP Package to determine that all expenditures used in calculating the estimate were state fiscal year 2012 payables. The misstatement on the I-1 GAAP Package was attributable to a failure to recognize all state fiscal year 2012 expenditures that occurred in July and August of 2012.

Effect: As a result of the errors noted, Medicaid Accounts Payable on Package Q was overstated by \$120,256,168; Accounts Payable on Package I was understated by \$1,465,692, Federal Receivables for Package Q was overstated by \$69,190,616; Federal Revenue for Package Q was understated by \$7,504,183; and Deferred Revenue for Package Q was overstated by \$76,694,799. An adjustment was made by OMES to correct each error noted.

Recommendation: We recommend OHCA perform necessary procedures to ensure all amounts presented on the OSF Form Q-1 GAAP Conversion – Medicaid Summary-Medicaid Payable and Receivable package are properly presented. Management should also implement additional review procedures of GAAP Package Q-1 to ensure changes are properly implemented and reported amounts are accurate and reliable.

We recommend that OHCA develop written procedures that document the steps required in completing each GAAP package and that these steps be followed during both preparation and review of the packages.

Agency Management Response: OHCA concurs with the finding. Review procedures were performed; however, we relied on a summary data report as in previous years and did not review the underlying data. In the future, OHCA will implement additional review procedures to ensure all amounts presented on form Q-1 are accurate and reliable.

In addition, OHCA will develop more detailed instructions regarding the preparation and review of the packages.

REF NO: 12-290-021

STATE AGENCY: Oklahoma Employment Security Commission (OESC)

FUND TYPE: Proprietary Fund

CONTROL CATEGORY: Accounts Receivable

Criteria: GASB 34 Paragraph 92 states, "Proprietary fund statements of net assets and revenues, expenses, and changes in fund net assets should be presented using the economic resources measurement focus and the accrual basis of accounting."

In addition, GAAFR Chapter 2, Basis of Accounting states, "Funds that focus on total economic resources (i.e., proprietary funds) employ the accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs. Thus, under accrual accounting, revenues are recognized as soon as they are earned and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows."

Also, a basic objective of Generally Accepted Accounting Principles (GAAP) is to provide accurate and reliable information.

Condition: We noted the amount reported by OESC as Accounts Receivable on the GAAP Form E-1 was derived from an Aged Receivable Report which lists all State Unemployment Tax Act (SUTA) accounts with a balance due as of 7/10/12. Since the SFY 2012 4th quarter returns were not due until 7/31/12, the majority of returns for the 4th quarter were filed after this date and were therefore not reflected in the Accounts Receivable amount reported by OESC. Although the 4th quarter filing due date is not until 7/31/12, it appears that as of 6/30/12, the OESC earnings process related to those tax revenues for all quarters ending on or before 6/30/12 had been completed and based on the definition of accrual accounting, these amounts should have been included in the accounts receivable balance reported for SFY 2012.

The Office of Management and Enterprise Services (OMES) recalculated the SFY2012 Accounts Receivable balance based on actual collections received for the SFY 2012 time period or earlier received by OESC through

12/14/12 and noted the net accounts receivable balance should have been \$205,980,818 while OESC had reported \$27,606,601. OMES made an adjustment to correct the balance reported on the financial statements for this misstatement.

Cause: The method currently being used by OESC to calculate Accounts Receivable does not comply with GAAP accrual basis accounting. The method used does not consider unemployment tax revenues earned prior to year-end but collected after year-end.

Effect: The Accounts Receivable amount reported by OESC on GAAP Package E-1 was understated by \$178,374,217 and had to be adjusted by OMES.

Recommendation: We recommend OESC develop a method to report Accounts Receivables in compliance with the accrual basis of accounting. This method should include unemployment taxes earned as of year-end that will be collected after year end. In addition, we also recommend that OESC develop a process to report both the gross accounts receivable amount, inclusive of terminated employer's taxes due, and the net accounts receivable amount to OMES in order to properly present proprietary fund accounts receivables on the financial statements.

Agency Management Response: We agree with the recommendation and will change our current practice to conform to the accrual basis of accounting as required.

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Black Mesa State Park

Statistical Section



Grand Lake State Park

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 Financial Report for the relevant year.

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

	2003	2004	2005	2006
Governmental Activities				
Invested in capital assets, net of related debt	\$ 5,658,694	\$ 5,991,173	\$ 6,086,534	\$ 6,246,160
Restricted	1,645,107	1,497,652	1,682,789	1,887,136
Unrestricted	1,380,071	1,955,354	2,371,787	3,156,226
Total governmental activities net assets	8,683,872	9,444,179	10,141,110	11,289,522
Business-type activities				
Invested in capital assets, net of related debt	121	220	161	608
Restricted	482,163	485,159	886,391	1,062,156
Unrestricted	220,885	224,997	-	202
Total business-type activities net assets	703,169	710,376	886,552	1,062,966
Primary government				
Invested in capital assets, net of related debt	5,658,815	5,991,393	6,086,695	6,246,768
Restricted	2,127,270	1,982,811	2,569,180	2,949,292
Unrestricted	1,600,956	2,180,351	2,371,787	3,156,428
Total primary government net assets	\$ 9,387,041	\$ 10,154,555	\$ 11,027,662	\$ 12,352,488

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

	2003	2004	2005	2006
General Fund				
Reserved	\$ 587,039	\$ 354,525	\$ 359,492	\$ 586,051
Unreserved	1,239,784	1,719,849	2,164,492	3,373,911
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	1,826,823	2,074,374	2,523,984	3,959,962
All Other Governmental Funds				
Reserved	1,266,125	1,423,558	1,589,641	1,748,747
Unreserved	3,520	-	-	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	1,269,645	1,423,558	1,589,641	1,748,747
Total All Governmental Fund Balances	\$ 3,096,468	\$ 3,497,932	\$ 4,113,625	\$ 5,708,709

2007	2008	2009	2010	2011	2012
\$ 6,633,078	\$ 7,118,384	\$ 7,364,509	\$ 8,148,821	\$ 8,710,430	\$ 9,276,689
2,172,697	3,368,766	2,268,701	2,492,399	3,647,627	3,957,319
3,348,465	2,284,063	2,970,902	2,102,236	1,377,573	1,618,544
<u>12,154,240</u>	<u>12,771,213</u>	<u>12,604,112</u>	<u>12,743,456</u>	<u>13,735,630</u>	<u>14,852,552</u>
1,028	771	527	330	202	126
1,207,733	9,019	1,178,940	834,824	867,777	1,102,997
6,961	1,283,673	10,972	8,887	5,346	273,981
<u>1,215,722</u>	<u>1,293,463</u>	<u>1,190,439</u>	<u>844,041</u>	<u>873,325</u>	<u>1,377,104</u>
6,634,106	7,119,155	7,365,036	8,149,151	8,710,632	9,276,815
3,380,430	3,377,785	3,447,641	3,327,223	4,515,404	5,060,316
3,355,426	3,567,736	2,981,874	2,111,123	1,382,919	1,892,525
<u>\$ 13,369,962</u>	<u>\$ 14,064,676</u>	<u>\$ 13,794,551</u>	<u>\$ 13,587,497</u>	<u>\$ 14,608,955</u>	<u>\$ 16,229,656</u>

2007	2008	2009	2010	2011	2012
\$ 731,850	\$ 758,702	\$ 767,554	\$ 679,812	\$ -	\$ -
3,449,196	3,504,990	3,166,157	2,331,047	-	-
-	-	-	-	64,817	73,539
-	-	-	-	1,020,229	1,244,592
-	-	-	-	2,112,921	2,282,175
-	-	-	-	62,301	144,365
<u>4,181,046</u>	<u>4,263,692</u>	<u>3,933,711</u>	<u>3,010,859</u>	<u>3,260,268</u>	<u>3,744,671</u>
2,024,316	2,052,390	1,906,950	2,232,060	-	-
-	-	-	-	-	-
-	-	-	-	2,539,403	2,549,833
-	-	-	-	23,294	15,980
-	-	-	-	2,928	66,135
-	-	-	-	26,355	25,724
<u>2,024,316</u>	<u>2,052,390</u>	<u>1,906,950</u>	<u>2,232,060</u>	<u>2,591,980</u>	<u>2,657,672</u>
<u>\$ 6,205,362</u>	<u>\$ 6,316,082</u>	<u>\$ 5,840,661</u>	<u>\$ 5,242,919</u>	<u>\$ 5,852,248</u>	<u>\$ 6,402,343</u>

State of Oklahoma

Changes in Net Assets by Component

Last Ten Fiscal Years

(expressed in thousands)

	2003	2004	2005	2006
Expenses				
Governmental Activities:				
Education-General	\$ 2,522,466	\$ 2,614,823	\$ 2,751,320	\$ 2,942,969
Education-Payment to Higher Education	800,490	802,985	786,862	823,489
General Government	1,003,118	1,254,177	1,518,198	1,529,506
Health Services	399,572	393,661	3,096,903	3,471,042
Legal and Judiciary	167,971	160,952	175,673	197,324
Museums	11,008	11,042	11,634	33,840
Natural Resources	190,289	181,033	201,039	242,466
Public Safety and Defense	603,306	645,820	674,507	728,331
Regulatory Services	175,512	71,733	83,421	116,516
Social Services	3,858,546	4,154,504	1,664,577	1,727,808
Transportation	545,193	559,628	580,027	654,147
Interest on Long-Term Debt	46,174	45,615	47,769	68,383
Governmental Activities	<u>10,323,645</u>	<u>10,895,973</u>	<u>11,591,930</u>	<u>12,535,821</u>
Business-Type Activities:				
Employment Security Commission	365,701	335,197	194,373	164,954
Water Resources Board	13,792	15,965	24,636	29,829
Lottery Commission	-	-	92	164,862
Business-Type Activities	<u>379,493</u>	<u>351,162</u>	<u>219,101</u>	<u>359,645</u>
Total Primary Government Expenses	<u>\$ 10,703,138</u>	<u>\$ 11,247,135</u>	<u>\$ 11,811,031</u>	<u>\$ 12,895,466</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ 195,789	\$ 103,377	\$ 188,708	\$ 200,292
Health Services	52,032	48,308	205,753	219,040
Social Services	186,120	289,548	56,351	76,898
All Others	340,014	378,666	452,317	441,250
Total Charges for Services	<u>773,955</u>	<u>819,899</u>	<u>903,129</u>	<u>937,480</u>
Operating Grants and Contributions	4,012,431	4,533,045	4,641,036	4,928,318
Capital Grants and Contributions	16,396	9,056	1,304	-
Total Governmental Activities	<u>4,802,782</u>	<u>5,362,000</u>	<u>5,545,469</u>	<u>5,865,798</u>
Business-Type Activities:				
Charges for Services:				
Employment Security Commission	181,586	263,265	328,445	311,294
Water Resources Board	13,490	13,284	41,761	35,596
Lottery Commission	-	-	-	205,075
Total Charges for Services	<u>195,076</u>	<u>276,549</u>	<u>370,206</u>	<u>551,965</u>
Operating Grants and Contributions	104,568	82,199	25,434	24,432
Total Business-Type Activities	<u>299,644</u>	<u>358,748</u>	<u>395,640</u>	<u>576,397</u>
Total Primary Government Revenue	<u>\$ 5,102,426</u>	<u>\$ 5,720,748</u>	<u>\$ 5,941,109</u>	<u>\$ 6,442,195</u>
Net (Expense) Revenue:				
Governmental Activities	\$ (5,520,863)	\$ (5,533,973)	\$ (6,046,461)	\$ (6,670,023)
Business-Type Activities	(79,849)	7,586	176,539	216,752
Total Primary Government	<u>\$ (5,600,712)</u>	<u>\$ (5,526,387)</u>	<u>\$ (5,869,922)</u>	<u>\$ (6,453,271)</u>
General Revenues				
Governmental Activities:				
Taxes	\$ 5,540,110	\$ 6,268,763	\$ 6,652,722	\$ 7,712,816
Investment Earnings	38,307	21,600	46,981	114,884
Contributions to Permanent Funds	41,814	39,039	43,504	43,684
Gain (Loss) on Sale of Assets	(790)	-	-	5,386
Special Item	-	-	-	(91,869)
Transfers	577	379	363	40,325
Total Governmental Activities	<u>5,620,018</u>	<u>6,329,781</u>	<u>6,743,570</u>	<u>7,825,226</u>
Business-Type Activities:				
Transfers	(577)	(379)	(363)	(40,325)
Total Business-Type Activities	<u>(577)</u>	<u>(379)</u>	<u>(363)</u>	<u>(40,325)</u>
Total General Revenues and Transfers	<u>\$ 5,619,441</u>	<u>\$ 6,329,402</u>	<u>\$ 6,743,207</u>	<u>\$ 7,784,901</u>
Change in Net Assets	18,729	803,015	873,285	1,331,630
Net Assets - Beginning of Year (as restated)	9,368,312	9,351,540	10,154,377	11,020,858
Net Assets - End of Year	<u>\$ 9,387,041</u>	<u>\$ 10,154,555</u>	<u>\$ 11,027,662</u>	<u>\$ 12,352,488</u>

	2007	2008	2009	2010	2011	2012
\$	3,285,059	\$ 3,479,319	\$ 3,548,104	\$ 3,573,881	\$ 3,506,316	\$ 2,413,027
	936,404	910,385	1,074,409	1,076,248	1,065,225	1,982,235
	1,712,841	1,680,106	1,718,794	1,611,256	1,663,883	1,763,437
	3,954,939	4,214,407	4,542,241	4,750,304	4,866,858	5,432,791
	213,955	222,319	230,706	256,867	241,360	236,979
	17,834	32,164	17,507	14,572	13,539	15,455
	271,734	249,235	265,197	249,020	257,998	223,444
	829,663	926,959	951,387	811,999	850,190	825,787
	110,218	95,653	130,033	119,044	127,211	116,789
	1,797,721	1,782,333	1,976,556	2,287,486	2,269,749	2,126,879
	482,831	791,993	902,151	842,394	934,272	845,784
	69,769	74,108	70,026	70,549	100,363	95,097
	<u>13,682,968</u>	<u>14,458,981</u>	<u>15,427,111</u>	<u>15,663,620</u>	<u>15,896,964</u>	<u>16,077,704</u>
	177,914	194,549	533,629	1,146,720	776,001	537,575
	28,015	27,016	25,527	26,739	40,769	39,979
	145,028	145,951	122,961	132,642	132,812	127,729
	<u>350,957</u>	<u>367,516</u>	<u>682,117</u>	<u>1,306,101</u>	<u>949,582</u>	<u>705,283</u>
\$	<u>14,033,925</u>	<u>\$ 14,826,497</u>	<u>\$ 16,109,228</u>	<u>\$ 16,969,721</u>	<u>\$ 16,846,546</u>	<u>\$ 16,782,987</u>
\$	215,773	\$ 222,663	\$ 230,663	\$ 219,412	\$ 224,414	\$ 262,488
	166,816	140,691	126,087	167,567	174,185	476,950
	72,674	157,818	190,535	198,086	171,890	62,997
	<u>472,406</u>	<u>483,933</u>	<u>569,538</u>	<u>707,820</u>	<u>570,744</u>	<u>564,370</u>
	927,669	1,005,105	1,116,823	1,292,885	1,141,233	1,366,805
	5,370,772	5,528,650	6,141,165	7,804,862	7,982,737	7,181,699
	-	-	-	-	-	-
	<u>6,298,441</u>	<u>6,533,755</u>	<u>7,257,988</u>	<u>9,097,747</u>	<u>9,123,970</u>	<u>8,548,504</u>
	271,705	227,733	267,591	206,763	352,458	634,373
	52,300	37,585	53,973	26,979	76,225	59,461
	<u>215,223</u>	<u>214,400</u>	<u>193,326</u>	<u>199,926</u>	<u>198,274</u>	<u>199,973</u>
	539,228	479,718	514,890	433,668	626,957	893,807
	34,457	33,862	134,029	596,350	421,483	260,936
	<u>573,685</u>	<u>513,580</u>	<u>648,919</u>	<u>1,030,018</u>	<u>1,048,440</u>	<u>1,154,743</u>
\$	<u>6,872,126</u>	<u>\$ 7,047,335</u>	<u>\$ 7,906,907</u>	<u>\$ 10,127,765</u>	<u>\$ 10,172,410</u>	<u>\$ 9,703,247</u>
\$	(7,384,527)	\$ (7,925,226)	\$ (8,169,123)	\$ (6,565,873)	\$ (6,772,994)	\$ (7,529,200)
	222,728	146,064	(33,198)	(276,083)	98,858	449,460
\$	<u>(7,161,799)</u>	<u>(7,779,162)</u>	<u>(8,202,321)</u>	<u>(6,841,956)</u>	<u>(6,674,136)</u>	<u>(7,079,740)</u>
\$	7,974,727	\$ 8,181,246	\$ 7,865,527	\$ 6,517,387	\$ 7,533,430	\$ 8,416,465
	192,733	247,191	141,264	45,116	117,128	80,488
	48,839	68,018	73,548	62,325	61,738	64,861
	1,989	-	1,316	3,816	-	-
	-	-	-	-	-	7,384
	69,972	68,323	69,826	70,315	69,574	65,880
	<u>8,288,260</u>	<u>8,564,778</u>	<u>8,151,481</u>	<u>6,698,959</u>	<u>7,781,870</u>	<u>8,635,078</u>
	(69,972)	(68,323)	(69,826)	(70,315)	(69,574)	(65,880)
	<u>(69,972)</u>	<u>(68,323)</u>	<u>(69,826)</u>	<u>(70,315)</u>	<u>(69,574)</u>	<u>(65,880)</u>
\$	<u>8,218,288</u>	<u>\$ 8,496,455</u>	<u>\$ 8,081,655</u>	<u>\$ 6,628,644</u>	<u>\$ 7,712,296</u>	<u>\$ 8,569,198</u>
	1,056,489	717,293	(120,666)	(213,312)	1,038,160	1,489,458
	12,313,473	13,347,383	13,915,217	13,800,809	13,570,795	14,740,198
\$	<u>13,369,962</u>	<u>\$ 14,064,676</u>	<u>\$ 13,794,551</u>	<u>\$ 13,587,497</u>	<u>\$ 14,608,955</u>	<u>\$ 16,229,656</u>

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

	2003	2004	2005	2006
Revenues				
Taxes:				
Income Taxes-Individual	\$ 2,063,414	\$ 2,427,239	\$ 2,410,234	\$ 2,693,548
Income Taxes-Corporate	178,161	199,937	277,265	426,725
Sales Tax	1,437,630	1,623,423	1,682,636	1,843,803
Gross Production Taxes	468,064	656,035	737,204	1,036,888
Motor Vehicle Taxes	539,748	572,844	574,800	584,294
Fuel Taxes	378,021	383,871	407,276	414,677
Tobacco Taxes	-	-	124,347	216,512
Insurance Taxes	197,799	173,535	81,852	76,874
Beverage Taxes	66,291	68,617	71,300	75,517
Other Taxes	210,982	163,262	285,808	343,978
Licenses, Permits and Fees	244,143	257,683	285,323	296,521
Interest and Investment Revenue	191,728	234,560	294,796	382,545
Federal Grants	3,945,318	4,314,751	4,493,290	4,770,328
Sales and Services	163,384	158,314	169,374	183,369
Other	348,298	416,874	388,193	434,451
Total Revenues	10,432,981	11,650,945	12,283,698	13,780,030
Expenditures				
Education	3,319,533	3,413,856	3,534,042	3,762,683
General Government	981,408	1,242,562	1,478,107	1,607,212
Health Services	390,047	385,634	3,144,918	3,447,085
Legal and Judiciary	163,576	155,822	170,337	190,644
Museums	7,943	9,497	11,171	30,316
Natural Resources	186,898	170,469	191,514	231,616
Public Safety and Defense	607,896	596,905	628,901	674,494
Regulatory Services	174,004	70,559	81,333	114,871
Social Services	3,822,301	4,118,013	1,589,397	1,697,057
Transportation	222,475	205,421	146,013	224,885
Capital Outlay	669,574	635,411	673,562	768,003
Debt Service				
Principal Retirement	75,226	28,212	31,550	98,512
Interest and fiscal Charges	46,174	45,615	47,769	68,383
Total Expenditures	10,667,055	11,077,976	11,728,614	12,915,761
Revenues in Excess of (Less Than) Expenditures	(234,074)	572,969	555,084	864,269
Other Financing Sources (Uses)				
Transfers In	7,363	6,575	4,439	50,405
Transfers Out	(6,786)	(6,196)	(4,076)	(10,080)
Bonds Issued	12,930	34,180	47,940	614,400
Notes Issued	24,190	54,770	-	48,875
Refunding Bonds Issued	353,380	22,070	118,825	-
Bond Issue Premiums	35,784	2,670	8,497	14,562
Bond Issue Discounts	(103)	(182)	(421)	(975)
Payment to Refunded Bond Escrow Agent	(93,670)	(298,591)	(126,670)	-
Capital Leases and Certificates of Participation	2,935	1,886	311	248
Sale of Capital Assets	9,212	11,008	11,764	13,191
Total Other Financing Sources (Uses)	345,235	(171,810)	60,609	730,626
Net Changes in Fund Balances	111,161	401,159	615,693	1,594,895
Fund Balances - Beginning of Year (as restated)	2,985,307	3,096,773	3,497,932	4,113,814
Fund Balances - End of Year	\$ 3,096,468	\$ 3,497,932	\$ 4,113,625	\$ 5,708,709
Debt Service as a Percentage of Noncapital Expenditures	1.2%	0.7%	0.7%	1.4%

2007	2008	2009	2010	2011	2012
\$ 2,654,294	\$ 2,753,040	\$ 2,537,221	\$ 1,969,264	\$ 2,393,660	\$ 2,739,864
772,668	552,193	449,910	171,555	328,007	413,113
1,968,931	2,107,116	2,190,082	1,981,220	2,191,643	2,400,354
822,888	1,114,950	1,136,279	702,949	786,827	885,038
609,669	604,926	585,084	551,029	633,107	693,524
401,992	419,617	397,852	384,383	399,011	416,940
220,556	237,166	254,006	234,540	267,948	281,754
104,403	100,778	105,076	87,805	113,948	124,651
79,996	86,648	90,071	83,673	94,352	99,567
339,330	204,812	119,946	350,969	324,927	361,660
289,717	323,903	357,226	356,321	403,355	597,471
637,729	399,006	89,296	476,597	699,254	336,295
5,006,861	5,503,532	6,227,575	7,456,421	7,499,163	6,934,571
185,278	173,117	201,307	184,977	166,595	190,782
366,988	475,020	570,192	780,630	521,796	614,344
<u>14,461,300</u>	<u>15,055,824</u>	<u>15,311,123</u>	<u>15,772,333</u>	<u>16,823,593</u>	<u>17,089,928</u>
4,218,333	4,387,428	4,619,951	4,648,786	4,572,304	4,395,104
1,604,462	1,694,758	1,631,219	1,560,521	1,634,351	1,741,287
3,936,893	4,200,188	4,525,993	4,737,363	4,851,630	5,436,158
207,229	215,942	225,225	248,996	232,245	231,292
17,045	31,586	16,903	14,993	13,801	14,281
238,075	263,551	271,487	279,830	250,174	211,946
773,813	876,660	915,880	755,376	798,995	764,714
108,231	93,438	127,803	117,821	115,076	111,911
1,758,475	1,755,810	1,933,117	2,259,473	2,252,188	2,091,972
173,532	286,540	199,517	177,683	182,708	208,009
918,055	1,010,262	1,438,064	1,626,181	1,551,017	1,302,447
103,606	126,103	95,155	111,816	118,163	98,831
69,769	74,108	70,026	70,549	72,074	95,097
<u>14,127,518</u>	<u>15,016,374</u>	<u>16,070,340</u>	<u>16,609,388</u>	<u>16,644,726</u>	<u>16,703,049</u>
333,782	39,450	(759,217)	(837,055)	178,867	386,879
80,606	76,576	77,371	84,362	71,919	73,168
(10,634)	(8,253)	(7,545)	(14,047)	(2,345)	(7,287)
6,430	23,000	105,400	148,080	559,045	68,805
95,675	-	98,230	-	-	-
-	-	-	-	-	6,140
4,573	-	2,478	2,671	38,627	11,282
(82)	-	(730)	-	-	(35)
-	-	-	-	(246,044)	-
2,501	2,873	3,655	8,116	2,640	5,659
7,613	7,860	5,832	10,142	7,601	8,139
<u>186,682</u>	<u>102,056</u>	<u>284,691</u>	<u>239,324</u>	<u>431,443</u>	<u>165,871</u>
520,464	141,506	(474,526)	(597,731)	610,310	552,750
5,684,898	6,174,576	6,315,187	5,840,650	5,241,938	5,849,593
<u>\$ 6,205,362</u>	<u>\$ 6,316,082</u>	<u>\$ 5,840,661</u>	<u>\$ 5,242,919</u>	<u>\$ 5,852,248</u>	<u>\$ 6,402,343</u>
1.3%	1.4%	1.1%	1.2%	1.3%	1.3%

State of Oklahoma

Personal Income by Industry

Last Ten Calendar Years

(expressed in millions)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Personal Income	\$ 90,178	\$ 93,032	\$ 98,095	\$ 106,111	\$ 115,960	\$ 126,280	\$ 131,070	\$ 132,144	\$ 133,149	\$ 142,862
Farm Earnings	774	736	917	870	401	486	828	110	955	881
Nonfarm Earnings	65,337	68,022	72,218	78,528	85,495	91,723	93,894	93,158	92,177	101,345
Private Earnings	51,078	53,238	56,529	61,924	67,681	72,903	73,787	71,887	70,174	79,024
Agriculture Services, Forestry	148	161	177	189	186	203	203	199	193	273
Mining, Oil & Natural Gas Extraction	3,261	4,002	4,549	6,389	8,265	8,634	7,963	8,528	5,813	9,467
Utilities	1,178	1,386	1,444	1,274	1,385	1,721	1,309	1,473	1,407	1,468
Construction	3,216	3,363	3,533	3,806	4,112	4,154	4,722	4,383	4,861	5,390
Manufacturing - Durable	4,996	5,116	5,164	5,270	5,759	6,020	6,266	5,389	5,717	5,907
Manufacturing - Nondurable	4,830	5,070	5,293	6,907	7,185	8,533	5,734	5,476	3,240	3,675
Wholesale Trade	2,790	2,747	2,938	3,209	3,548	3,745	4,060	3,727	3,667	4,026
Retail Trade	4,871	4,932	5,096	5,311	5,578	5,746	6,255	5,810	6,414	6,749
Transportation and Warehousing	2,537	2,573	2,776	2,865	3,260	3,484	3,732	3,698	3,931	5,063
Services	23,251	23,888	25,559	26,704	28,403	30,663	33,543	33,204	34,931	37,006
Government	14,259	14,784	15,689	16,604	17,814	18,820	20,107	21,271	22,003	22,321
Federal, civilian	3,352	3,446	3,696	3,816	4,001	4,170	4,193	4,467	4,797	4,884
Military	1,851	2,128	2,265	2,393	2,621	2,691	2,825	3,024	3,261	3,240
State and Local	9,056	9,210	9,728	10,395	11,192	11,959	13,089	13,780	13,945	14,197
Highest Personal Income Tax Rate	6.75%	7.00%	7.00%	6.65%	5.65%	5.65%	5.50%	5.50%	5.50%	5.50%
Corporate Income Tax Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

State of Oklahoma
Personal Income Tax Filers and Liability by Adjusted Gross Income
Calendar (Tax) Years 2010 and 2001

Calendar Year 2010

<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	184,904	11%	\$1,295,268,987	52%
\$75,001 - \$100,000	118,593	8%	\$347,583,514	14%
\$50,001 - \$75,000	206,713	12%	\$398,897,097	16%
\$25,001 - \$50,000	407,172	24%	\$359,238,283	14%
\$10,001 - \$25,000	426,428	26%	\$75,923,304	3%
\$10,000 and lower	<u>323,815</u>	<u>19%</u>	<u>\$892,396</u>	<u>1%</u>
Total	<u>1,667,625</u>	100%	<u>\$2,477,803,581</u>	100%

Calendar Year 2001

<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	85,219	6%	\$697,685,240	34%
\$75,001 - \$100,000	78,094	6%	\$279,819,267	14%
\$50,001 - \$75,000	174,075	12%	\$428,642,305	21%
\$25,001 - \$50,000	358,426	25%	\$456,871,403	23%
\$10,001 - \$25,000	400,565	28%	\$146,537,993	7%
\$10,000 and lower	<u>329,987</u>	<u>23%</u>	<u>\$11,016,497</u>	<u>1%</u>
Total	<u>1,426,366</u>	100%	<u>\$2,020,572,705</u>	100%

Source: Oklahoma Tax Commission

State of Oklahoma

Tax Collections

For Last Ten Fiscal Years

Taxes	2003	2004	2005	2006
Aircraft Excise Tax	\$ 3,561,783	\$ 2,130,160	\$ 3,839,124	\$ 2,781,702
Alcoholic Beverage Excise Tax	24,025,186	25,032,825	26,311,626	18,368,824
Beverage Tax	23,866,102	24,003,209	23,735,552	24,253,880
Bingo Tax	6,184,991	4,978,884	4,051,661	1,640,473
Business Activity Tax	-	-	-	-
Charity Games Tax	486,646	376,960	308,613	136,253
Cigarette Tax	50,346,995	40,475,363	95,450,565	176,915,506
City Use Tax - Collect/Deposit	454,259	567,686	660,926	790,748
Coin Operated Device Decal	3,830,917	3,925,921	4,159,453	2,811,672
Controlled Dangerous Substance Tax	-	-	6,653	23,564
County Tax (Use & Lodging)	-	-	125,697	150,697
Diesel Fuel Excise Tax	81,089,139	83,245,595	102,260,840	72,494,201
Documentary Stamp Tax	10,304,768	12,047,669	14,000,568	16,768,900
Farm Implement Tax Stamps	-	-	7,010	5,870
Franchise Tax	41,854,891	41,660,448	40,671,476	41,476,258
Freight Car Tax	764,012	741,459	765,646	755,298
Fuels Excise Tax	-	-	-	-
Gaming Exclusivity Fees	-	-	1,653,098	14,191,695
Gasoline Excise Tax	295,106,890	302,366,783	301,720,983	219,279,433
Gross Production Tax - Oil and Gas	539,938,656	645,764,813	751,196,057	880,226,067
Horse Track Gaming	-	-	-	3,145,867
Income Tax (Individual)	2,113,947,134	2,319,213,479	2,469,593,556	2,761,624,929
Income Tax (Corporate)	104,447,596	133,308,896	168,889,848	304,381,318
Inheritance and Estate Tax	74,927,778	111,145,361	75,708,394	81,923,012
Insurance Premium Tax	156,636,886	275,709,270	139,575,679	129,587,854
Mixed Beverage Gross Receipts Tax	18,434,327	19,384,468	20,950,603	23,378,598
Occupational Health and Safety Tax	1,563,901	1,796,126	1,791,197	1,919,509
Pari-Mutuel Taxes	2,687,696	2,799,509	1,827,015	1,638,435
Pari-Mutuel - Other Tax	21,350	22,390	13,836	14,948
Petroleum Excise Tax	8,012,472	9,286,470	11,310,702	15,540,837
Rural Electric Co-operative Tax	18,487,011	20,431,429	17,306,353	1,249,543
Sales Tax	1,404,275,613	1,496,365,797	1,546,643,407	1,677,854,488
Sales Tax - City	10,941,969	9,853,256	10,327,761	12,798,204
Sales Tax - County	1,123,179	1,538,470	1,865,652	2,208,807
Special Fuel Decal	297,866	272,297	268,856	221,878
Special Fuel Use Tax	152,939	37,152	18,719	990,474
Tag Agent Remittance Tax	540,300,580	572,966,808	553,892,770	261,355,513
Telephone Surcharge	1,196,625	904,408	978,355	953,770
Tobacco Products Tax	12,282,099	12,423,543	17,199,744	23,970,831
Tourism Gross Receipt Tax	4,289,009	4,742,439	4,801,137	5,175,280
Tribal Compact in Lieu of Tax Payments	9,468,712	10,579,504	15,099,194	20,383,536
Unclaimed Property Assessment	27,678,270	39,408,944	52,245,461	10,829,856
Unclassified Tax Receipts	5,181	53,627	41,819	62,370
Use Tax	75,860,919	98,007,540	114,197,882	133,775,850
Vehicle Revenue Tax Stamps	44,847	45,275	43,908	45,452
Workers' Compensation Awards - Assessments	39,422,004	28,749,473	26,242,427	31,319,198
Workers' Compensation Insurance Premium Tax	5,572,798	6,325,844	6,617,592	7,259,704
Other Taxes	15,513,185	16,427,233	20,791,539	18,902,571
Total	\$ 5,729,407,181	\$ 6,379,116,783	\$ 6,649,168,954	\$ 7,005,583,673

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

	2007	2008	2009	2010	2011	2012
\$	4,894,881	\$ 4,756,533	\$ 4,172,388	\$ 4,234,993	\$ 4,358,022	\$ 5,884,147
	19,298,490	20,898,973	21,886,066	21,905,099	22,777,383	23,614,156
	24,876,901	25,337,878	26,359,749	25,303,290	24,934,826	24,979,667
	1,088,643	491,681	222,436	140,859	136,038	132,086
	-	-	-	-	4,869,667	50,733,207
	107,404	71,363	51,222	54,607	20,623	28,177
	197,416,262	202,745,622	204,236,542	196,519,460	215,941,799	227,840,813
	897,305	1,069,561	958,607	1,002,399	1,000,347	1,259,015
	3,560,571	3,512,188	3,956,591	3,111,604	2,197,531	4,044,697
	19,295	17,766	33,260	20,674	30,586	34,874
	192,820	213,985	219,223	194,713	237,749	280,394
	60,427,734	69,806,535	72,681,342	71,963,557	69,230,643	77,027,777
	17,153,783	16,584,410	13,307,236	11,090,994	10,981,645	11,991,469
	6,305	8,324	8,287	6,397	8,033	8,328
	43,068,528	46,103,569	46,908,656	46,714,746	32,647,715	758,202
	782,258	676,250	707,694	530,685	619,364	665,287
	-	-	-	-	49,665	-
	43,618,582	79,779,165	104,803,681	118,624,111	123,560,707	124,300,610
	207,928,969	207,968,692	206,287,240	208,545,441	197,712,177	206,179,731
	787,621,631	950,392,198	976,062,637	579,700,531	631,755,429	724,903,048
	10,019,698	10,429,536	13,727,728	13,710,940	16,915,904	18,612,058
	2,774,850,747	2,778,617,535	2,605,269,216	2,230,787,128	2,385,413,131	2,723,887,073
	554,759,229	359,823,533	376,971,517	212,866,850	330,905,421	412,808,773
	69,312,845	52,416,680	43,803,931	23,433,845	5,661,243	1,814,854
	159,816,876	161,504,757	165,916,913	141,255,690	170,627,316	199,620,667
	25,754,035	29,749,193	31,554,602	32,494,306	35,344,321	39,241,847
	2,263,308	2,311,554	2,521,511	2,757,188	2,672,792	3,027,902
	1,834,816	1,811,980	1,647,939	1,265,853	1,117,663	1,272,843
	18,645	33,155	18,178	28,721	11,155	7,633
	13,214,922	15,861,718	16,010,447	11,045,779	13,077,225	14,309,381
	1,448,501	1,488,051	1,602,814	1,521,744	1,642,867	1,770,676
	1,790,192,096	1,913,387,580	1,989,494,833	1,806,049,515	1,982,182,368	2,165,311,137
	13,735,769	12,425,284	13,720,926	13,113,139	12,948,170	14,906,819
	2,853,056	2,583,542	2,851,342	2,715,907	2,853,587	3,304,647
	719,261	320,595	315,226	355,578	503,848	396,838
	1,461,588	1,423,614	1,438,287	1,498,427	1,522,816	1,539,054
	277,606,225	307,223,643	261,581,867	247,546,872	307,579,624	348,562,103
	925,799	917,690	885,980	837,385	796,832	722,113
	23,700,748	24,311,479	26,073,091	27,045,416	30,947,514	34,415,644
	5,532,552	1,163,187	2,946	-	-	-
	22,734,204	28,031,272	43,708,777	47,165,891	40,180,597	41,910,495
	11,849,607	11,756,295	11,444,647	11,418,562	9,424,634	12,083,796
	135,530	278,502	510,559	274,693	188,102	366,977
	155,857,219	167,314,341	191,222,671	152,323,434	176,061,390	206,228,223
	46,074	46,769	39,793	37,247	40,797	43,650
	31,355,388	22,427,205	23,056,945	23,440,505	25,534,690	22,723,364
	7,652,100	7,622,856	7,567,468	7,452,455	8,802,817	8,693,887
	17,453,681	19,685,781	19,825,879	19,113,157	21,172,515	23,170,322
\$	<u>7,390,064,881</u>	<u>\$ 7,565,402,020</u>	<u>\$ 7,535,648,889</u>	<u>\$ 6,321,220,387</u>	<u>\$ 6,927,199,288</u>	<u>\$ 7,785,418,461</u>

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Service										
Principal Retirement	\$ 75,226	\$ 28,212	\$ 31,550	\$ 98,512	\$ 103,606	\$ 126,103	\$ 95,155	\$ 111,816	\$ 118,163	\$ 98,831
Interest and Fiscal Charges	46,174	45,615	47,769	68,383	69,769	74,108	70,026	70,549	72,074	95,097
Total Debt Service	121,400	73,827	79,319	166,895	173,375	200,211	165,181	182,365	190,237	193,928
Total Expenditures	\$ 10,667,055	\$ 11,077,976	\$ 11,728,614	\$ 12,915,761	\$ 14,127,518	\$ 15,016,374	\$ 16,070,340	\$ 16,609,388	\$ 16,644,726	\$ 16,703,049
Ratio	1.138%	0.666%	0.676%	1.292%	1.227%	1.333%	1.028%	1.098%	1.143%	1.161%

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities Debt:										
General Obligation Bonds	\$ 531,185	\$ 261,210	\$ 261,210	\$ 247,500	\$ 233,510	\$ 218,955	\$ 203,755	\$ 188,030	\$ 175,645	\$ 175,645
General Obligation Bonds as a Percentage of General Revenue ^a	9.45%	4.13%	3.87%	3.16%	2.82%	2.56%	2.50%	2.81%	2.26%	2.03%
Per Capita (actual-not in thousands) ^b	\$ 152	\$ 74	\$ 74	\$ 69	\$ 65	\$ 60	\$ 55	\$ 50	\$ 46	\$ 46
Revenue bonds	588,986	640,619	668,091	1,208,646	1,137,350	1,061,570	1,099,625	1,173,025	1,428,820	1,424,555
Notes Payable	59,579	107,842	97,869	136,966	221,898	211,570	299,266	246,623	229,929	212,592
Certificates of Participation	1,430	559	57	-	-	-	-	-	-	-
Capital Leases	5,894	5,336	4,161	3,287	4,641	5,082	6,650	12,553	12,719	8,710
Total Governmental Activities	1,187,074	1,015,566	1,031,388	1,596,399	1,597,399	1,497,177	1,609,296	1,620,231	1,847,113	1,821,502
Business-Type Activities Debt:										
Revenue Bonds	\$ 346,853	\$ 534,727	\$ 701,364	\$ 653,070	\$ 580,049	\$ 544,900	\$ 502,901	\$ 599,984	\$ 759,493	\$ 832,597
Notes Payable	2,485	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	349,338	534,727	701,364	653,070	580,049	544,900	502,901	599,984	759,493	832,597
Total Primary Government	1,536,412	1,550,293	1,732,752	2,249,469	2,177,448	2,042,077	2,112,197	2,220,215	2,606,606	2,654,099
Total Primary Government Debt as a Percentage of Personal Income ^c	1.66%	1.55%	1.62%	1.92%	1.72%	1.60%	1.60%	1.66%	1.92%	1.84%
Per Capita (actual-not in thousands) ^b	\$ 438	\$ 440	\$ 488	\$ 629	\$ 602	\$ 559	\$ 575	\$ 595	\$ 679	\$ 694

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

^b Population data can be found in the Demographic and Economic Statistics schedule. The amount for the current year is estimated. Population data for the current year was unavailable at printing.

^c Debt by Type information can be found in the notes to the financial statements. The percentage for the current year is estimated. Current year personal income data was unavailable at printing.

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

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
COMPONENT UNITS:						
Oklahoma Student Loan Authority (June 30 year end)	2012	\$ 16,201	\$ 2,134	\$ 14,067	\$ 6,823	2.06
	2011	19,831	(296)	20,127	7,734	2.60
	2010	19,858	(1,993)	21,851	42,601	0.51
	2009	39,625	867	38,758	94,891	0.41
	2008	60,391	958	59,433	95,588	0.62
	2007	65,329	887	64,442	41,813	1.54
	2006	50,446	1,431	49,015	56,296	0.87
	2005	33,029	3,979	29,050	30,846	0.94
	2004	21,306	3,367	17,939	10,452	1.72
	2003	22,266	3,106	19,160	19,617	0.98
Oklahoma Housing Finance Agency (September 30 year end)	2011	\$ 63,923	\$ 14,131	\$ 49,792	\$ 69,559	0.72
	2010	64,490	15,346	49,144	44,125	1.11
	2009	83,223	14,233	68,990	104,808	0.66
	2008	67,511	13,402	54,109	72,439	0.75
	2007	54,416	12,831	41,585	54,104	0.77
	2006	36,019	12,278	23,741	50,091	0.47
	2005	33,503	11,525	21,978	76,490	0.29
	2004	39,740	11,870	27,870	117,072	0.24
	2003	43,239	11,110	32,129	87,628	0.37
	2002	61,492	10,722	50,770	102,995	0.49
Oklahoma Turnpike Authority (December 31 year end)	2011	\$ 235,369	\$ 87,918	\$ 147,451	\$ 99,141	1.49
	2010	237,047	72,396	164,651	100,389	1.64
	2009	217,158	70,915	146,243	99,555	1.47
	2008	273,732	75,320	198,412	94,143	2.11
	2007	212,380	70,197	142,183	89,604	1.59
	2006	208,835	64,819	144,016	82,546	1.74
	2005	203,372	59,883	143,489	91,624	1.57
	2004	195,710	53,340	142,370	91,799	1.55
	2003	188,999	52,441	136,558	79,430	1.72
	2002	194,531	48,797	145,734	102,773	1.42
Grand River Dam Authority (December 31 year end)	2011	\$ 418,551	\$ 254,480	\$ 164,071	\$ 136,623	1.20
	2010	398,415	196,671	201,744	142,448	1.42
	2009	340,341	214,758	125,583	124,702	1.01
	2008	346,067	156,179	189,888	68,780	2.76
	2007	314,287	127,530	186,757	99,214	1.88
	2006	300,888	181,698	119,190	100,131	1.19
	2005	289,868	164,443	125,425	100,986	1.24
	2004	235,641	121,399	114,242	101,869	1.12
	2003	213,124	109,850	103,274	102,609	1.01
	2002	203,020	104,945	98,075	103,065	0.95
Oklahoma Municipal Power Authority (December 31 year end)	2011	\$ 175,983	\$ 126,187	\$ 49,796	\$ 44,848	1.11
	2010	163,991	117,610	46,381	40,299	1.15
	2009	153,534	113,568	39,966	35,494	1.13
	2008	158,006	122,828	35,178	36,346	0.97
	2007	153,391	119,268	34,123	32,730	1.04
	2006	167,944	132,472	35,472	30,265	1.17
	2005	170,128	133,730	36,398	32,779	1.11
	2004	139,703	102,548	37,155	31,813	1.17
	2003	134,334	98,703	35,631	31,973	1.11
	2002	115,514	80,521	34,993	30,290	1.16

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
Higher Education	2012	\$ 5,389,947	\$ 3,932,409	\$ 1,457,538	\$ 148,780	9.80
(June 30 year end)	2011	4,722,834	3,562,033	1,160,801	207,268	5.60
	2010	4,177,035	3,670,063	506,972	303,612	1.67
	2009	3,831,790	3,636,123	195,667	95,303	2.05
	2008	4,109,380	3,365,616	743,764	69,859	10.65
	2007	3,950,840	3,201,403	749,437	194,053	3.86
	2006	3,726,961	3,004,968	721,993	117,155	6.16
	2005	3,193,703	2,697,338	496,365	60,609	8.19
	2004	3,055,770	2,586,517	469,253	86,143	5.45
	2003	2,638,386	2,441,841	196,545	55,145	3.56
ENTERPRISE FUND:						
Oklahoma Water Resources Board	2012	\$ 17,580	\$ 1,036	\$ 16,544	\$ 40,532	0.41
(June 30 year end)	2011	14,705	1,529	13,176	34,638	0.38
	2010	12,885	1,126	11,759	34,162	0.34
	2009	12,069	807	11,262	40,149	0.28
	2008	13,523	823	12,700	36,575	0.35
	2007	14,992	781	14,211	140,922	0.10
	2006	14,815	1,813	13,002	59,607	0.22
	2005	11,955	2,092	9,863	49,697	0.20
	2004	-	1,519	(1,519)	57,564	-0.03
	2003	21,702	1,706	19,996	21,134	0.95

(1) Gross revenues including interest and investment income, but excluding revenues restricted to other debt.

(2) Operating expenses, exclusive of depreciation and operating interest (where applicable)

- Revenue bond coverage is not intended to portray compliance with bond indenture agreements.
- Debt service requirements do not include one time debt service payments from refunding bonds.

State of Oklahoma
Major Employers by Size
 Non-Government
 For Years 2002 and 2011

Non-Governmental Major Employers 2002	Non-Governmental Major Employers 2011	Employment 2011	Percentage of Total State Employment 2011
Wal-Mart Stores, Inc.	Wal-Mart Stores, Inc.	31,000	1.87%
Integrus Health	Integrus Health	8,500	0.51%
AMR Corp.	American Airlines	7,000	0.42%
Hillcrest Healthcare System	Saint Francis Hospital	5,000	0.30%
Conoco Phillips	Saint John Medical Center	5,000	0.30%
Saint Francis Hospital	Chesapeake Energy Corporation	4,500	0.27%
General Motors	W. H. Braum, Inc.	4,000	0.24%
Saint John Medical Center	Conoco Phillips	4,000	0.24%
HCA Healthcare	Express Employment Professionals	4,000	0.24%
Hertz Corporation	Hobby Lobby Stores	4,000	0.24%

Source: Oklahoma Department of Commerce

Note: The information above is compiled every two years by the Department of Commerce and is the latest available at the date of publication.

State of Oklahoma

Demographic and Economic Statistics

Last Ten Fiscal Years

Year	Population ^a (in thousands)				Personal Income ^a	Per Capita Personal Income ^a			Civilian Labor Force ^b		
	U. S.	Change from Prior Period	State of Oklahoma	Change from Prior Period	(in millions) State of Oklahoma	U. S.	State of Oklahoma	Oklahoma as a Percentage of U.S.	Employed	Unemployed	Unemployment Rate
2002	287,727	0.94%	3,483	0.58%	91,364	31,470	26,232	83.36%	1,602,356	78,010	4.6%
2003	290,211	0.86%	3,496	0.37%	94,148	32,284	26,929	83.41%	1,597,617	100,957	5.9%
2004	292,892	0.92%	3,512	0.46%	101,179	33,899	28,810	84.99%	1,608,525	87,991	5.2%
2005	295,561	0.91%	3,530	0.51%	107,641	35,447	30,492	86.02%	1,626,191	78,410	4.6%
2006	298,363	0.95%	3,568	1.08%	118,747	37,728	33,280	88.21%	1,647,755	69,844	4.1%
2007	301,290	0.98%	3,608	1.12%	123,889	39,430	34,336	87.08%	1,657,767	76,688	4.4%
2008	304,060	0.92%	3,642	0.94%	131,070	40,208	35,985	89.50%	1,682,000	71,000	4.1%
2009	307,007	0.97%	3,687	1.24%	132,144	39,626	35,840	90.45%	1,660,000	114,000	6.4%
2010	309,350	0.76%	3,762	2.03%	133,149	39,945	35,396	88.61%	1,631,000	124,000	7.1%
2011	311,592	0.72%	3,792	0.80%	142,862	41,560	37,679	90.66%	1,662,000	109,000	6.2%

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

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

Note: The information above is the latest available at the date of publication.

State of Oklahoma

School Enrollments

For the Years 2002 through 2011

<u>Public School Enrollments:</u>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Early childhood	22,787	24,476	26,297	29,685	33,418	34,378	35,270	37,726	39,784	40,688
Kindergarten	39,242	40,801	42,603	44,193	48,667	49,362	49,306	50,497	51,037	52,114
Elementary School	238,068	233,332	231,626	230,323	255,144	236,130	239,446	242,668	246,305	248,398
Junior High School	110,627	112,790	113,080	112,771	117,026	137,251	136,059	135,889	138,626	140,964
Senior High School	148,822	148,900	148,816	149,585	157,248	178,292	178,400	176,679	177,366	175,949
No-High School Districts (Grades 1-8)	16,594	16,757	16,669	16,421	19,435	20,743	22,603	24,090	23,938	23,596
Special Education (Ungraded)	2,904	3,062	3,161	2,499	3,802	3,978	3,584	1,649	1,684	1,798
Out-of-Home Placements	1,751	1,648	1,674	1,687	1,777	1,854	1,635	1,806	1,720	1,915
Total	580,795	581,766	583,926	587,164	636,516	661,988	666,303	671,004	680,460	685,422
<u>Higher Education:</u>										
Public Institutions	220,448	225,040	230,090	237,455	235,730	233,371	235,388	250,673	255,503	256,213
Private Institutions	30,264	29,007	27,125	24,661	24,060	24,070	25,278	21,945	25,856	26,830
Total	250,712	254,047	257,215	262,116	259,790	257,441	260,666	272,618	281,359	283,043
<u>Career-Technology Education:</u>										
Secondary *	138,042	145,788	151,833	151,703	154,857	160,310	156,755	154,492	148,831	151,720
Adult	327,829	330,095	357,619	375,790	404,260	407,597	378,772	345,016	354,949	376,783
Total	465,871	475,883	509,452	527,493	559,117	567,907	535,527	499,508	503,780	528,503

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

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

State of Oklahoma
Government Employees by Function
 Fiscal Years 2002 through 2011
 (excluding Higher Education)

Function:	2002	2003	2004	2005^a	2006^a	2007^a	2008^a	2009^a	2010^a	2011^a
Education	1,176	1,203	1,079	1,026	1,002	993	1,052	1,043	963	864
General Government	1,477	2,573	2,443	1,993	2,105	2,023	2,312	2,297	2,324	2,036
Health Services	4,358	4,158	4,195	3,998	4,709	4,719	4,977	4,920	4,550	4,403
Legal and Judiciary	647	586	582	341	444	745	2,345	2,335	2,316	2,216
Museums	219	186	187	158	164	164	176	168	158	151
Natural Resources	3,346	3,318	3,382	2,704	2,010	1,973	2,570	2,547	2,418	2,356
Public Safety and Defense	7,539	7,245	7,212	6,911	8,835	8,524	7,287	7,224	6,857	6,428
Regulatory Services	1,411	1,448	1,417	1,244	1,839	1,625	1,376	1,368	1,328	1,291
Social Services	13,037	12,692	13,043	12,197	11,810	11,303	12,191	12,635	12,027	11,674
Transportation	2,940	2,941	3,001	2,945	3,027	2,984	2,971	3,109	3,019	2,960
Total	36,150	36,350	36,541	33,517	35,945	35,053	37,257	37,646	35,960	34,379

Source: State Office of Personnel Management (OPM)

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Education	\$ 19,984	\$ 19,423	\$ 19,213	\$ 19,079	\$ 18,592	\$ 18,130	\$ 23,888	\$ 24,064	\$ 28,402	\$ 29,906
General Government	142,828	150,593	150,583	161,620	161,339	173,422	173,235	220,891	235,887	289,578
Health Services	34,349	32,876	32,003	30,632	28,161	28,784	142,580	149,604	146,835	162,355
Legal and Judiciary	278	100	20	139	300	302	125	387	310	349
Museums	6,593	6,879	6,760	6,607	6,454	6,576	6,594	11,156	12,662	12,505
Natural Resources	95,123	94,712	98,016	99,250	103,066	122,618	140,616	160,253	180,892	193,947
Public Safety and Defense	260,661	266,182	278,764	297,093	306,970	320,743	372,077	460,894	502,434	524,859
Regulatory Services	888	624	552	637	697	682	1,597	1,532	1,173	904
Social Services	165,406	176,706	192,402	198,744	203,034	209,140	97,722	122,358	118,942	115,417
Transportation	6,042,589	6,184,651	6,268,343	6,444,886	6,828,923	7,179,503	7,513,128	8,139,553	8,730,234	9,159,061
Governmental activities, net	<u>\$ 6,768,699</u>	<u>\$ 6,932,746</u>	<u>\$ 7,046,656</u>	<u>\$ 7,258,687</u>	<u>\$ 7,657,536</u>	<u>\$ 8,059,900</u>	<u>\$ 8,471,562</u>	<u>\$ 9,290,692</u>	<u>\$ 9,957,771</u>	<u>\$ 10,488,881</u>
Business-type activities, net	<u>\$ 121</u>	<u>\$ 220</u>	<u>\$ 175</u>	<u>\$ 608</u>	<u>\$ 1,028</u>	<u>\$ 771</u>	<u>\$ 527</u>	<u>\$ 330</u>	<u>\$ 202</u>	<u>\$ 126</u>

State of Oklahoma

Operating Indicators for Governmental Functions

Fiscal Years 2007-2012

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government						
Department of Central Services						
Number of motor vehicles maintained	1,019	1,019	964	1,267	1,203	1,217
Number of buildings managed by DCS	17	17	17	18	18	19
Health Services						
Department of Health						
Protective services:						
Retail food establishment inspections	24,704	33,648	33,648	24,369	23,368	45,874
Food inspections	45,847	43,387	42,342	48,036	44,878	46,662
Nursing Homes:						
Facility licensing, inspections and complaints	3,335	3,622	2,314	2,120	1,912	4,078
Residents (approximate)	18,500	18,950	17,813	19,623	21,202	18,512
Mental Health and Substance Abuse Department						
Number of patients:						
Mental Health	44,623	47,422	52,226	54,804	56,478	65,356
Substance Abuse	19,470	21,084	22,144	20,981	18,881	19,351
Hospitals - Inpatient Care	3	3	3	3	3	3
Legal and Judiciary						
Oklahoma Indigent Defense system						
Provides legal representation for indigent citizens charged with committing criminal acts.						
Represented - Total Court Appointments	38,556	39,334	39,385	43,883	41,965	43,712
Included above: Non-capital trial cases	32,000	30,000	30,000	32,000	33,000	35,000
Capital trial cases	65	71	92	105	112	98
General appeals cases	696	596	529	558	609	540
Average cost: Non-capital case (Staff Attorney)	\$463	\$410	\$373	\$279	\$380	\$368
Capital case (Staff Attorney)	\$38,708	\$34,824	\$28,756	\$28,423	\$21,196	\$21,551
Museums						
J. M. Davis Memorial						
Museum - 40,000 sq. ft.						
Number of artifacts	45,000	48,012	48,012	48,012	48,012	50,000
Visitors per year (average)	22,000	22,000	22,000	22,000	22,000	35,000
Oklahoma Historical Society						
Center - 18 acres 215,000 sq. ft.						
Number of artifacts (on exhibit)	>2,000	>2,000	>2,000	>2,000	>2,000	>2000
Visitors and researchers per year (average)	200,000	225,000	244,000	244,000	185,491	254,634
Will Rogers Memorial						
Museum - 8 Galleries - 16,652 sq. ft.						
Library - 2,400 sq. ft.						
Archives - number of documents, photographs	18,000	18,000	18,000	18,000	18,000	18,000
Visitors and researchers per year (average)	116,000	115,000	120,000	117,000	120,000	133,000
Natural Resources						
Wildlife Conservation						
Number of Anglers in State (last census)	774,000	697,000	697,000	697,000	697,000	729,000
Number of Hunters (last census)	261,000	445,000	445,000	445,000	445,000	244,000
Number of Wildlife Watchers (last census)	1,131,000	1,110,000	1,110,000	1,110,000	1,110,000	1,263,000

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.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety and Defense						
Department of Public Safety						
Driver's Licenses Issued	1,011,457	902,069	954,419	744,878	690,131	694,557
Citations Processed	221,659	219,442	168,346	227,426	162,748	158,914
Collision Reports Processed	14,175	14,033	76,947	79,354	74,714	73,462
Department of Corrections						
Capacity (Number of Beds)	24,845	24,815	25,515	25,455	25,364	25,469
Prison Population	24,124	24,433	24,337	24,870	24,384	24,526
As a percentage of capacity	97.1%	98.5%	95.4%	97.7%	96.1%	96.3%
Cost to house an inmate:						
Per diem cost/day - Maximum Security	\$60.07	\$70.04	\$64.35	\$75.97	\$75.85	\$78.50
Per diem cost/day - Medium Security	\$51.94	\$56.10	\$44.93	\$42.41	\$38.98	\$38.94
Regulatory Services						
Oklahoma Corporation Commission						
Number of regulated utilities	586	548	494	511	484	421
Hearings and administrative proceedings	33,523	32,273	35,582	29,981	30,504	31,805
Motor carrier vehicles registered (power units)	156,895	131,444	151,639	121,874	132,927	135,230
Oil and gas wells plugged (leaking, abandoned)	2,016	1,699	1,629	1,582	2,926	1,948
Petroleum storage tanks inspected	3,816	3,388	4,174	5,490	4,341	4,326
Retail gasoline pump inspections	70,465	82,470	85,118	97,326	77,444	70,649
Social Services						
Department of Human Services						
Adoption subsidies (end of fiscal year)	9,923	10,051	10,951	11,924	12,384	13,114
Adult protective svcs (state fiscal year)	29,098	27,428	27,653	28,334	26,464	24,857
Child care services provided (monthly average)	45,246	40,250	39,079	39,060	39,017	36,444
Licensed facilities (monthly average)	5,533	4,762	4,696	4,561	4,376	4,213
Licensed capacity (monthly average)	140,507	137,743	137,973	136,534	136,816	135,585
Child protective services-Substantiated (state fiscal year)	13,827	11,714	8,605	7,248	8,110	9,842
Child support enforcement (cases-quarterly average)	169,394	182,228	188,327	193,000	198,390	202,743
Developmental Disabilities Persons Served (end of fiscal year)	12,692	13,724	14,063	14,352	14,602	9,894
Elderly support services (meals/state fiscal year)	4,117,680	4,005,247	3,902,997	6,176,989	6,098,275	6,265,779
Food stamps (unduplicated count/state fiscal year)	433,372	415,397	445,364	559,626	609,723	891,555
Foster care children (end of fiscal year)	7,898	12,108	9,489	7,973	8,502	9,132
Oklahoma Employment Security Commission						
Initial unemployment claims	112,153	107,308	183,159	218,918	183,849	155,885
Unemployment insurance paid	\$153,706,474	\$158,694,794	\$350,260,138	\$499,636,015	\$340,695,628	\$271,279,698
Transportation						
Oklahoma Department of Transportation						
State Highway System	12,266 miles	12,266 miles	12,266 miles	12,266 miles	12,882 miles	12,882 miles
Bridges on the State Highway System	6,728	6,728	6,728	6,728	6,800	6,800
System usage growth next 20 years (est.)						
Automobiles	33%	33%	33%	33%	65%	65%
Trucks	70%	70%	70%	70%	65%	65%
Freight railroads operating in Oklahoma	20	20	20	20	22	22
Passenger railroad	1	1	1	1	1	1
Rail passengers (average per year)	54,000	54,000	54,000	54,000	81,000	81,000
Railroad track	3,234 miles	3,234 miles	3,234 miles	3,234 miles	3,746 miles	3,746 miles
Public Waterway Ports	2	2	2	2	2	2

State of Oklahoma

Additional Information and Sources of Statistical Data

Fiscal Year 2012

Additional Information:

The population of Oklahoma has steadily increased since 2003, averaging .99% per year.

At the end of December 2011, the Bureau of Labor Statistics reported the State's unemployment rate was 6.2% compared to the national rate of 8.9%. Oklahoma's unemployment rate has been below the national average since 1996.

Oklahoma's total personal income rate has increased at an average of 5.62% annually since 2003. During the same period personal income per capita increased by 4.58% averaged annually compared to 3.55% nationally.

As a result, annual total tax collections since 2003 have increased by \$2,056,011,280 or 35.89%.

Please refer to the preceding Statistical Section tables, Management's Discussion and Analysis, the Financial Statements and Notes for more details and analysis.

Sources of Statistical Data:

Data provided in the statistical section of the CAFR is the latest available at the time of publication.

Primary sources of statistical data provided in the Statistical Section of the CAFR include:

- Oklahoma Department of Commerce
- Oklahoma Department of Labor
- Oklahoma Employment Security Commission
- Oklahoma Tax Commission
- Oklahoma Department of Education
- Oklahoma Regents for Higher Education
- Oklahoma Department of Vocational and Technical Education
- Oklahoma Office of Personnel Management
- U. S. Bureau of Labor Statistics
- U. S. Census Bureau
- U. S. Department of Commerce
- U. S. Bureau of Economic Analysis

Report Prepared by
the Office of Management and Enterprise Services

- Administration - Preston L. Doerflinger, Director
- Susan Perry, Administrative Assistant
- Division of Central Accounting and Reporting - Lynne Bajema, CPA, State Comptroller
- Steve L. Funck, CPA, Deputy State Comptroller
- Ray Hankins, CPA, Deputy State Comptroller
- Financial Reporting Unit - Matt Clarkson, CPA, Financial Reporting Supervisor
- Grover Roberts, CPA, Financial Reporting Analyst
- Angela Pierce, CPA, Financial Reporting Analyst
- Cathy Menefee, CPA, Financial Reporting Analyst
- Accounting and Reporting Unit - Jennie Pratt, CPA, Director of Statewide Accounting
- Lisa Raihl, CPA, Accounting and Reporting Analyst
- Dan Thomason, CPA, Accounting and Reporting Analyst
- Jean Hayes, Payroll Compliance Officer
- Vivian Day, Accountant
- Beth Brox, Administrative Assistant
- Norcetta Whitfield, Administrative Technician

With Assistance From

- Office of Management Enterprise Services
- Finance Division - Riley Shaull, CPA, CGFM, COO
- Budget Division - Brandy Manek, Director of Budget and Policy
- Jill Geiger, Budget Director
- Shelly Paulk, Budget Analyst
- Information Services Division - Alex Pettit, CIO
- Capital Asset Management Division - Dan Melton, CFO
- Nykkia Harris, CPA, Financial Analyst
- Central Printing - Mark Dame, Jon Paulk, and Team
- Communications - Hilary Johnston, Communications Specialist

- Office of the State Auditor and Inspector
- State Auditor and Inspector - Gary Jones, CPA
- State Agency Audit Division - Lisa Hodges, CFE, CGFM, Director
- Billy Swindell, Deputy Director
- Shelley Fleming, CPA, Audit Manager, and Teams

- Office of State Bond Advisor
- State Bond Advisor - Jim Joseph
- Administrative Assistant - Rachael Blanchard

State Agency Finance Officers and Team

Special Thanks To

Photo courtesy of the Oklahoma Tourism & Recreation Department

2012 OKLAHOMA

General Information

Admitted to Union (46th State)	1907
Capital	Oklahoma City
2011 Population	3,791,508
Population per square mile	54.2
Counties	77

State Symbols

Nickname	Sooner State
Motto	Labor Omnia Vincit (Labor conquers all things)
Colors	Green and White
Flower	Oklahoma Rose
Floral Emblem	Mistletoe
Tree	Redbud
Bird	Scissor-tailed Flycatcher
Animal	American Buffalo
Fish	White Bass (Sand Bass)
Butterfly	Black Swallowtail
Reptile	Mountain Boomer (Collared Lizard)
Rock	Rose Rock
Wildflower	Indian Blanket

Area

Total Area	69,903 square miles
Land Area	68,679 square miles
Water Area	1,224 square miles

Recreation

Number of State Parks	35
Number of State Trails	91
Number of Lakes	135



OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES

2300 North Lincoln Boulevard, Room 122

Oklahoma City, OK 73105-4801

(405) 521-2141

<http://www.ok.gov/OSF>