

# OKLAHOMA

2006

**Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2006**





"Outside View"

Photos Courtesy of the Oklahoma History Center

**THE OKLAHOMA HISTORY CENTER**  
**2401 N. Laird Avenue, Oklahoma City, OK 73105; (405) 522-5248**  
[www.okhistorycenter.org](http://www.okhistorycenter.org)

The Oklahoma History Center is a division of the Oklahoma Historical Society. The museum fulfills its mission through the application of the highest standards of collections care, the presentation of diverse in-house and traveling exhibits, and multi-disciplinary educational programs. The Oklahoma History Center is also an affiliate of the Smithsonian Institute. An architectural masterpiece and a decade in the making, the Oklahoma History Center is located on 18 acres across from the Capital building.

# **OKLAHOMA**

# **2006**

**Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2006**

Brad Henry  
Governor

Prepared by

Office of State Finance

Tony Hutchison, Interim Director  
Brenda Bolander, State Comptroller

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

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

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"Unconquered" Bronze (1994)

## UNCONQUERED

Allan Houser envisioned a monument to symbolize the history, pride and survival of American Indians. The monumental artwork reflects the history of Houser's own family. His father was the nephew of the Apache leader, Geronimo. He called the bronze sculpture "Unconquered".

In the final year of his life, Houser completed his vision for the work of "Unconquered". He utilized a powerful image, often seen in historic photographs, of two armed Chiricahua warriors proud and fearless as they faced their enemies.

## Introductory Section

# **INTRODUCTORY SECTION**





STATE OF OKLAHOMA  
OFFICE OF STATE FINANCE

December 28, 2006

To the Honorable Brad Henry, Governor  
Members of the Legislature, and  
Citizens of the State of Oklahoma

The Office of State Finance is pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the fiscal year ended June 30, 2006. This report, presented in three sections - Introductory, Financial, and Statistical - is the primary means of reporting the State government's financial activities. Its objective is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements. The CAFR has been prepared in conformance with relevant Governmental Accounting Standards Board (GASB) statements.

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

## PROFILE OF THE GOVERNMENT

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

State finances are governed by rules designed to ensure sound, conservative management. The legislature cannot appropriate more than 95% of the general revenue expected to be collected in the coming year. The State Board of Equalization, an independent board not subject to legislative control, establishes the legislative appropriation authority. Unlike many states that use seasonal borrowing to meet cash demands, Oklahoma maintains a cash flow reserve sufficient to meet fluctuating cash needs. General obligation indebtedness is prohibited without a vote of the people. When revenue receipts are less than estimated, the Director of Finance is mandated by the Oklahoma Constitution to declare a revenue shortfall and reduce appropriations as required to allow appropriations 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, 2006, are free of material misstatement. The audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State of Oklahoma's financial statements for the fiscal year ended June 30, 2006 are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

### **Internal Controls**

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

### **Budget and Fiscal Policy**

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

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

The Constitution requires that collections in excess of the Board of Equalization's itemized estimate of General Revenue Fund revenues be deposited to the "Rainy Day Fund" each year until the balance of the Rainy Day Fund equals 10% of the prior fiscal year's General Revenue Fund certified appropriations authority. In November of 2004, the voters of Oklahoma enacted new restrictions on the use of the Rainy Day Fund. Up to one-fourth of the July 1 balance each year may be appropriated upon an emergency declaration by the Governor with concurrence of two-thirds of the House and Senate, or by a declaration of an emergency by the Speaker of the House and President-Pro Tempore of the Senate with concurrence of three-fourths of the members of each house. Up to three-eighths of the fund may be accessed if the Board of Equalization is forecasting a decline in state revenues for the coming fiscal year and up to three-eighths may be utilized in the event of a current year revenue shortfall.

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

### **Proprietary Operations**

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

### **Cash Management**

State law requires full collateralization of all State Treasurer bank balances. Generally, the Treasurer promulgates rules that establish the amount of collateral that must be pledged against deposits. However, component units of the State reporting entity may have collateralization policies that differ from those of the State Treasurer. The State Treasurer is required to keep at least 80% of available cash invested. At June 30, 2006, the State Treasurer's average investable base was \$3.053 billion.

### **Capital Assets**

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

### **Debt Administration**

General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens. The general obligation bonds of the State are rated "Aa3" by Moody's Investors Service and "AA" by both Standard & Poor's Corporation and Fitch Investors Service. Prior to a 1993 general obligation bond program, except for refunding bonds, the State last issued general obligation bonds in 1968. Certain maturities of those bonds were advance refunded in 1977 and again in 2003. As of June 30, 2006, the outstanding general obligation net debt of the State of Oklahoma was \$247.5 million. This figure excludes the self-supporting taxable bonds of the Oklahoma Industrial Finance Authority, which are secured by the repayment of loans made to private businesses. State revenues have never been required to support debt service payments on these obligations.

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

### **Risk Management and Insurance**

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

## **ECONOMIC CONDITIONS AND OUTLOOK**

Oklahoma is an attractive place in which to live and conduct business. The state enjoys a very low cost of doing business, has a highly skilled and productive work force, enjoys low energy costs and is geographically well positioned for interstate commercial activity. For example, Oklahoma lies at the crossroads of U.S. Interstates 35, 40 and 44, three of the nation's most important transportation and shipping corridors, allowing state businesses to take advantage of opportunities anywhere in the United States. Oklahoma boasts high quality education systems with award-winning schools, which are considered models for career-technology, common, and higher education. Oklahoma's School of Science and Math in Oklahoma City consistently ranks among the top schools in the country.

Oklahoma is also known for its abundant resources. The state remains a leading producer of oil and natural gas, allowing Oklahoma manufacturers to take advantage of some of the lowest energy prices in the nation. Oklahoma is a leading producer of agricultural products, ranking in the top ten in production of wheat, peanuts, grain sorghum, pecans, rye, hogs and cattle. Oklahomans also enjoy many opportunities for outdoor recreation and, due to its many man-made reservoirs, Oklahoma has more miles of shoreline than any other state.

Oklahoma's economy has made great gains since the economic recession of 2001-2002. Oklahoma was rated one of the "Top 10 Pro-Business States for 2005" by Pollina Corporate Real Estate. The national study recognized Oklahoma for its business incentives and economic development efforts.

Here are just a few highlights of Oklahoma's economy:

- From Oklahoma's lowest employment after the 2001-2002 Recession, Oklahoma's economy has created 95,400 new jobs.
- From the state's low point, employment growth has totaled 6.6%, which is much higher than the national 4.6% growth rate in the same time period.
- Over the past year, Oklahoma's employment growth (1.5%) has continued to outpace national employment growth (1.4%).
- Oklahoma's unemployment rate also has remained lower than the national unemployment rate for ninety-six consecutive months (since October 1998).

Some of the most notable employment announcements taking place in Oklahoma include: 653 jobs being added in Oklahoma City by Dell, 250 in Bartlesville by ConocoPhillips, 525 in Tulsa by Vidoop, LLC, 250 in Muskogee by Southwinds Manufacturing Homes and 320 new jobs in Ardmore by MG Motors. In 2006, over 11,000 jobs have been announced statewide by manufacturing and service companies. These companies have also announced almost \$1 billion in new investment in the state.

Oklahoma emerged from the revenue shortfall years of FY-2002 and FY-2003 with solid revenue growth in FY-2004 through FY-2006. Actual revenue collected again exceeded 100% of the estimate and a deposit of \$34.4 million was made into the Rainy Day Fund. This is the second year in a row and only the second time since the creation of the Rainy Day Fund that the fund balance reached the maximum allowed by law. The legal maximum is equal to 10% of the prior fiscal year's general revenue fund appropriations, or \$495.7 million for fiscal year 2006.

Oklahoma is also experiencing record investment revenues as the State Treasurer's monthly average investable base has risen from \$1.801 billion at the end of FY-2003 to \$3.053 billion at the end of FY-2006. Already for FY-2007, this amount has increased another \$250 million to an all time high of \$3.353 billion.

## **CURRENT DEVELOPMENTS AND MAJOR INITIATIVES**

Revenue projections for FY-2007 reflect Oklahoma's continued economic strength. Growth in individual income tax and oil and gas tax revenues is expected to grow at a steady rate and yield another positive year. Revenue from the increased tobacco tax, gaming and the lottery will enhance Oklahoma's diverse revenue base and provide additional funds to health care and education. The State Board of Equalization approved an increase in certification of over \$437.6 million from FY-2006. Changes in law and transfers to the special cash fund made during the legislative session increased overall appropriations and expenditure authority to over \$6.64 billion for FY-2007. An FY-2007 decrease in Transportation appropriations is due to the one time FY-2006 supplemental appropriation of \$100 million for the repair of state bridges. Additional funds are expected to become available after the start of the fiscal year 2007. An additional \$50 to \$200 million is anticipated to spill over from the Rainy Day Fund when it reaches a Constitutional cap of \$495.7 million. A total of \$457.3 million in "spillover" funds were already allocated including \$150 million to EDGE, \$25 million for county bridges, \$85.5 million for Regents for Higher Education and \$15 million for the state emergency purposes.

The Governor and Legislature focused on a number of significant issues during the 2006 legislative session designed to encourage economic development, improve education and increase access to quality health care services.

## Economic Development and Tax Reform

The Economic Development Generating Excellence (EDGE) fund was created during the past session. Eligible projects and programs include matching funds for applied research in areas such as aerospace technology, biotechnology, sensor technology, weather science, energy, advanced materials and telecommunications as well as seed money including capital for the OCAST Seed Capital Revolving fund.

Also, the Oklahoma Opportunity Fund was created for the purposes of economic development and related infrastructure development. Expenditures must be expected to result in substantial economic benefit to the state. The Legislature directed \$45 million for the fund for FY-2007. Of that amount \$20 million has been obligated for infrastructure support and loans to the new MG Motors plant in Ardmore, Oklahoma.

Tax reform was enacted lowering the top marginal rate for income taxes for tax year 2007 to 5.65% with a further reduction to 5.55% in tax year 2008. The standard deduction will gradually increase to the federal level. Estate taxes will be phased out over a three-year period by equaling the exemption and rates for lineal and collateral heirs in 2007 and further increasing the exemptions in 2008 and 2009.

## Quality Education Initiatives

The FY-2007 budget includes \$136 million for a \$3,000 across-the-board salary increase for teachers. While Oklahoma still lags the regional average for teacher's salaries, it has increased to 92% of the average from a low of 87% in fiscal year 2000.

Recommendations of the Achieving Classroom Excellence (ACE) Task Force created in the 2005 Session are continuing to be implemented. Major provisions include advising the State Board of Education on curriculum alignment, assessment development, alternate tests, intervention, and remediation strategies.

Highlights of the fiscal year 2006 and fiscal year 2007 budgets include (expressed in millions):

	Amount		Percentage		Increase		Percentage	
	Appropriated		Total		(Decrease) from		Increase	
	2006	2007	2006	2007	Prior Year		(Decrease)	
	2006	2007	2006	2007	2006	2007	2006	2007
Department of Education	\$ 2,153	2348	35%	35%	\$ 202	\$ 340	10%	17%
Regents for Higher Education	889	1019	14%	15%	121	217	16%	27%
Career & Technical Education	130	147	2%	2%	12	23	10%	19%
Other Education	37	59	1%	1%	16	36	76%	157%
<b>Total Education</b>	<b>3,209</b>	<b>3,573</b>	<b>51%</b>	<b>54%</b>	<b>351</b>	<b>616</b>	<b>12%</b>	<b>21%</b>
Department of Health	63	71	1%	1%	9	13	17%	22%
Health Care Authority	635	702	10%	11%	196	220	45%	46%
Department of Mental Health	172	195	3%	3%	27	40	19%	26%
Other Health	40	85	1%	1%	6	46	18%	118%
<b>Total Health</b>	<b>910</b>	<b>1,053</b>	<b>15%</b>	<b>16%</b>	<b>238</b>	<b>319</b>	<b>35%</b>	<b>43%</b>
Department of Human Services	482	536	7%	7%	95	128	25%	31%
Office of Juvenile Affairs	98	104	2%	2%	8	11	9%	12%
Other Human Services	39	33	1%	0%	4	(3)	11%	(8%)
<b>Total Human Services</b>	<b>619</b>	<b>673</b>	<b>10%</b>	<b>10%</b>	<b>107</b>	<b>136</b>	<b>21%</b>	<b>25%</b>
Department of Corrections	409	456	7%	7%	35	72	9%	19%
Department of Transportation	275	285	4%	4%	83	84	43%	42%
Department of Public Safety	79	90	1%	1%	17	25	27%	38%
Other	687	510	11%	8%	198	(8)	40%	(2%)
<b>Total</b>	<b>\$ 6,188</b>	<b>\$ 6,640</b>	<b>100%</b>	<b>100%</b>	<b>\$ 1,029</b>	<b>\$ 1,244</b>	<b>20%</b>	<b>23%</b>

## FINANCIAL INFORMATION

### Governmental Functions

Most financial operations of the State are reported in governmental fund types, which are the General Fund and the Permanent Funds. Following are schedules of revenues and expenditures for these governmental funds. Note that the following tables present data according to generally accepted accounting principles for the fiscal year ended June 30, 2006, 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

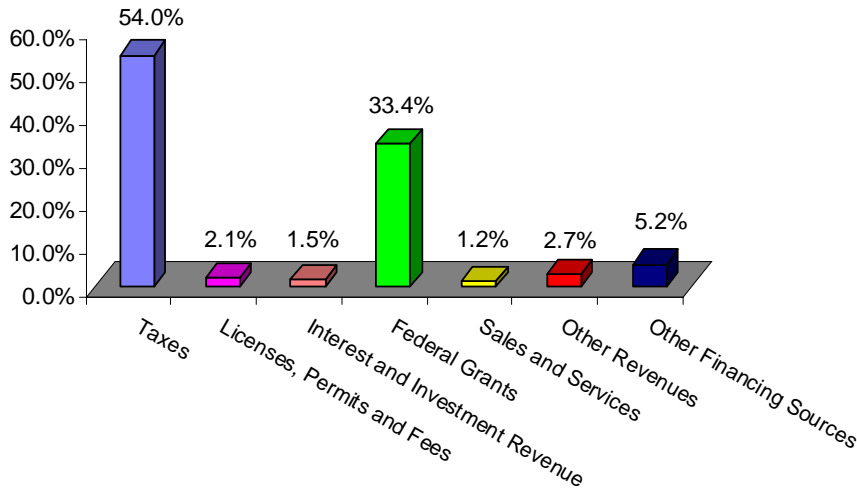
Governmental Funds: Revenues and Other Financing Sources - GAAP Basis  
(expressed in millions)

	2006 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	\$ 7,713	54.0%	\$ 1,060	15.9%
Licenses, permits and fees	294	2.1%	9	3.2%
Interest and investment revenue	209	1.5%	(86)	(29.2%)
Federal grants	4,770	33.4%	277	6.2%
Sales and services	171	1.2%	2	1.2%
Other revenues	386	2.7%	(2)	(0.5%)
Other financing sources:				
Operating transfers	50	0.4%	45	900.0%
Bond and note proceeds	677	4.7%	502	286.9%
Other	13	0.1%	1	8.3%
Total revenues and other financing sources	<u>\$ 14,283</u>	<u>100.00%</u>	<u>\$ 1,808</u>	

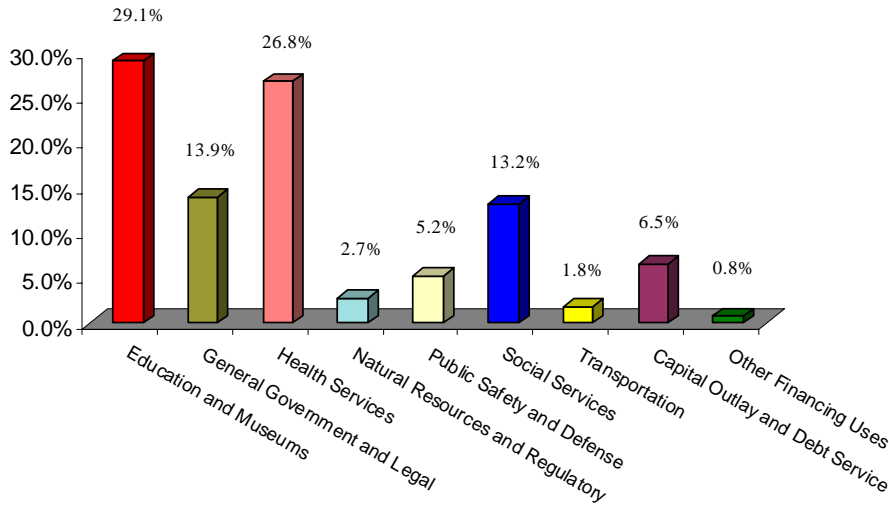
Governmental Funds: Expenditures and Other Financing Uses - GAAP Basis  
(expressed in millions)

	2006 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	\$ 3,703	28.8%	\$ 169	4.8%
General government	1,599	12.4%	121	8.2%
Health services	3,447	26.8%	302	9.6%
Legal and judiciary	191	1.5%	21	12.4%
Museums	30	0.2%	19	172.7%
Natural resources	232	1.8%	40	20.8%
Public safety and defense	674	5.2%	45	7.2%
Regulatory services	115	0.9%	34	42.0%
Social services	1,697	13.2%	107	6.7%
Transportation	225	1.8%	79	54.1%
Capital outlay	768	6.0%	94	13.9%
Debt service	68	0.5%	(11)	(13.9%)
Other Financing Uses:				
Operating transfers	0	0.0%	(4)	(100.0%)
Bond refunding	98	0.8%	(28)	(22.2%)
Total expenditures and other financing uses	<u>\$ 12,847</u>	<u>100.0%</u>	<u>\$ 988</u>	8.3%
Governmental Funds - Net increase in fund balance	<u>\$ 1,436</u>			

**Governmental Fund Revenues and Other Financing Sources (GAAP Basis) – Fiscal Year 2006**



**Governmental Funds Expenditures and Other Financing Uses (GAAP Basis) – Fiscal Year 2006**



**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 74% of the total tax revenues of the governmental funds, as defined by generally accepted accounting principles. However, the budgetary GRF should not be confused with the General Fund as presented in the accompanying GAAP-basis financial statements, as the two terms are not interchangeable. For example, the GAAP-basis General Fund includes revenues deposited to the State Transportation



Fund, federal grant proceeds, revolving fund revenues, fees and charges as well as other money used in the general operations of government which are not considered in the Board of Equalization's estimates of tax revenues.

Receipts from all of the four major taxes (income tax, sales tax, gross production tax and motor vehicle tax) exceeded revenues of the prior year, producing a combined total of \$5.1 billion, or 89% of total GRF receipts. The total of major taxes collected increased \$706 million or 16% from that of the prior year, an indication of increased business activity. As compared to fiscal year 2005, collections from income taxes increased by \$338 million, or 14.0%; sales taxes increased by \$119.8 million, or 8%; motor vehicle taxes increased by \$13.8 million, or 1.0% and gross production taxes on gas increased by \$234.5 million, or 47%.

Oklahoma has established an enviable record in recent years in its revenue forecasting results. Since enactment of a constitutional amendment in 1985 establishing new revenue estimating procedures, collections have exceeded the estimate in eight years and dipped below the estimate seven years. The comparison of estimated revenues to actual collections for fiscal year 2006 is as follows:

Revenue Collections Compared to Itemized Estimate for Fiscal 2006  
(expressed in millions)

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
Individual and Corporate				
Income tax	\$ 2,280.2	\$ 2,650.0	\$ 369.8	116.2%
Sales tax	1,388.4	1,460.0	71.6	105.2%
Motor vehicle tax	229.8	233.6	3.8	101.7%
Gross production tax	642.3	729.7	87.4	113.6%
Subtotal Major Taxes	4,540.7	5,073.3	532.6	111.7%
Other sources	608.1	641.9	33.8	105.6%
Total	\$ 5,148.8	\$ 5,715.2	\$ 566.4	111.0%

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
1992	3,214	3,161	(53)	98.4%
1993	3,365	3,259	(106)	96.8%
1994	3,399	3,342	(57)	98.3%
1995	3,515	3,513	(3)	99.9%
1996	3,614	3,705	91	102.5%
1997	3,531	3,778	247	107.0%
1998	3,866	4,009	143	103.7%
1999	4,186	4,148	(38)	99.1%
2000	4,271	4,354	83	101.9%
2001	4,456	4,693	237	105.3%
2002	4,829	4,413	(415)	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%
Fifteen-Year Average	\$ 3,727.4	\$ 3,742.1	\$ 14.6	100.4%

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

**Cash-Flow Reserve Fund** – Each year, 10% of the General Revenue Fund's certified appropriation level is set aside to meet anticipated monthly cash flow needs for the new fiscal year. At the close of fiscal year 2006 the amount the State set aside was \$542.2 million.

**General Revenue Funds** - The fiscal year 2006 cash carryover available to the next Legislature was \$17.1 million, compared to \$0.9 million in fiscal year 2005. The carryover funds reflect the difference between the 95% appropriation limit and actual receipts up to 100% of the estimate. Funds required to replenish or increase the cash-flow reserve fund also come from this source.

**Constitutional Reserve "Rainy Day Fund"** - At the start of each fiscal year, collections that exceed the estimate for the preceding year are automatically deposited in the Rainy Day Fund until the total balance equals 10% of the prior year's certified appropriation authority for the General Revenue Fund. For the fiscal year beginning July 1, 2006, this fund had a balance of \$495.7 million.

## FOR THE FUTURE

The State of Oklahoma has entered a new period of economic growth. In an effort to fully realize this potential growth and make the State a better place for all Oklahomans, state government has focused on certain key issues. Three areas have been identified as critical for a bright strong future: education, health care, and economic development.

The Governor will continue to promote policies in these three key areas to improve the lives of all Oklahomans. These efforts will remain focused in the three areas that are critical for moving the state forward. We will continue to make investments in a high quality educational system where all students can succeed, making first-rate health care available and affordable for all Oklahomans and encouraging investors to put their money to work 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, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

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

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

## ACKNOWLEDGMENTS

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

Respectfully submitted,



Tony Hutchison  
Interim Director of State Finance



Brenda Bolander  
State Comptroller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Oklahoma

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

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



A handwritten signature in black ink, appearing to read "Thomas J. Flannery".

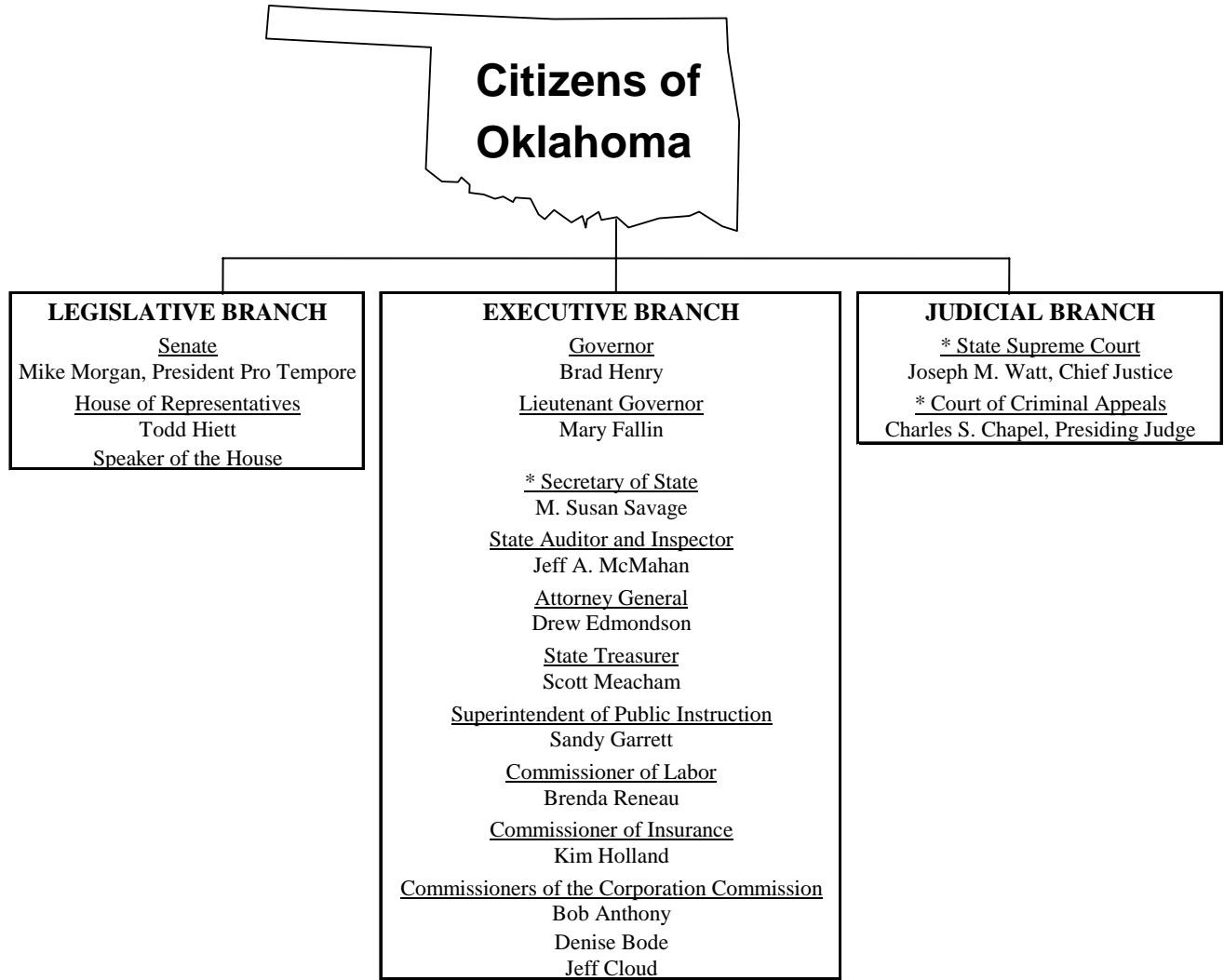
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

# SELECTED OKLAHOMA STATE OFFICIALS

June 30, 2006



\*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.

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





Replica of the world famous Winnie Mae Airplane

## **DEVON GREAT HALL**

The Oklahoma History Center has several areas in the museum containing exhibits not in actual galleries. These areas include the Devon Energy Great Hall, C.A. Vose Sr. Wing, and the West Family Wing. The Devon Great Hall displays a replica of the world famous Winnie Mae Airplane.

The West Family Wing displays The Oklahoma Family Tree exhibit and the Pioneers in Oklahoma Journalism exhibit.

## **Financial Section**

# **FINANCIAL SECTION**





STATE OF OKLAHOMA  
OFFICE OF STATE FINANCE

**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, 2006, 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, or the Oklahoma Department of Wildlife Conservation, which in the aggregate represent ten percent and three percent, respectively, of the assets and revenues of the governmental activities, and one percent of both the assets and revenues of the general fund.
- the financial statements of the Water Resources Board or the Oklahoma Lottery Commission which in the aggregate represent sixty percent of the assets and forty-four 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, or the Tobacco Settlement Endowment permanent fund, which in the aggregate represent one hundred percent of the permanent funds;
- the financial statements of the Oklahoma Firefighter's Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, the Oklahoma Police Pension and Retirement System, the Oklahoma Public Employee's Retirement System, the Oklahoma Teachers' Retirement System, the Uniform Retirement System for Judges and Justices, or the Oklahoma Department of Wildlife Conservation Retirement Plan, which in the aggregate represent ninety-nine percent of the assets and one hundred percent of the revenues of the aggregate remaining fund information.

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows

thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the financial statements, the Teachers' Retirement System faces possible difficulty in meeting its future obligations. The auditor for the Teachers' Retirement System reported, "the System's actuary has determined that the System's unfunded actuarial accrued liability ("UAAL") is approximately \$7,673,000,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes. Under the present funding schedule, the UAAL will be fully amortized in 37.4 years." The ultimate outcome of the ability of the System to meet its future obligations is dependent on funding established by Oklahoma Statutes, and cannot presently be determined.

In accordance with *Government Auditing Standards*, we will issue our report dated December 28, 2006, 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. That report is issued under separate cover in the State of Oklahoma Single Audit Report.

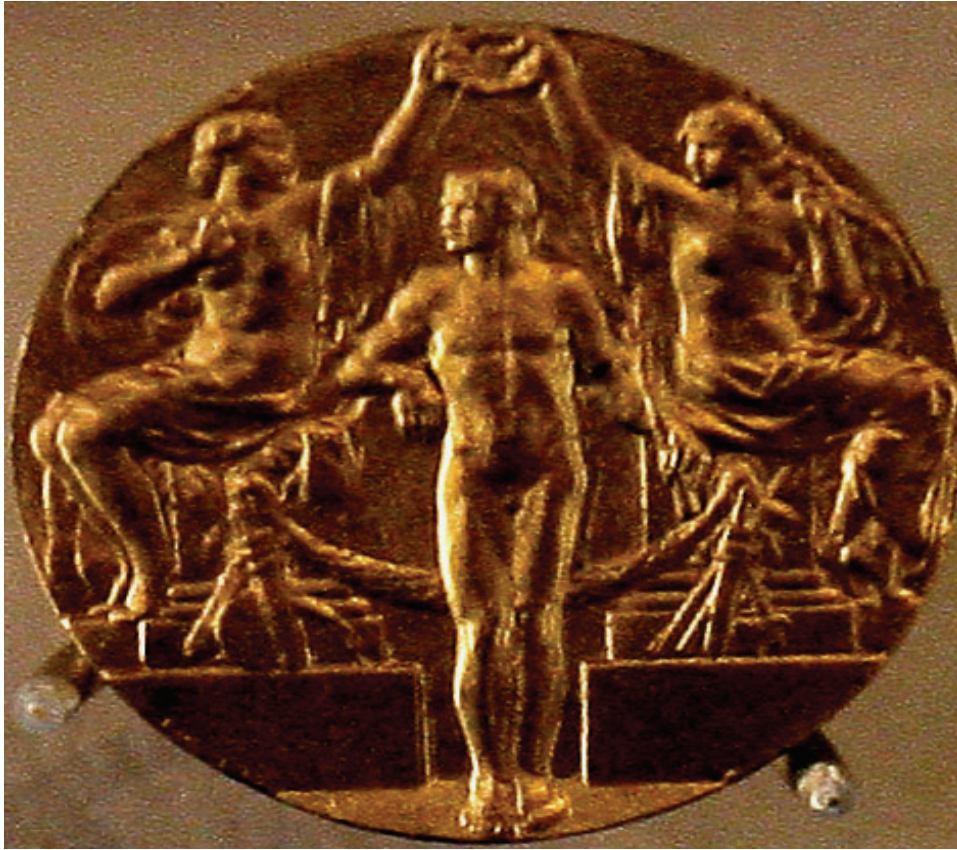
The Management's Discussion and Analysis, Budgetary Comparison Schedule-Budget to Actual (Non-GAAP Budgetary Basis) General Fund, and the Notes to Required Supplementary Information-Budgetary Reporting, as listed in the table of contents, and the Schedules of Funding Progress for the Wildlife Conservation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

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

  
JEFF A. McMAHAN  
State Auditor and Inspector

December 28, 2006





Jim Thorpe Gold Medal

## ONEOK GALLERY

"We Are Who We Were" - Indian Lives, Origins, Spirituality, Languages, Dwellings, Living Ways, Sovereignty and Tribes. Representing all 39 American Indian tribes currently associated with Oklahoma, this gallery explores the traditional historic past of native peoples of Oklahoma as well as experiences of contemporary Indian cultures. Using the American Indian experience as a bridge between the past and the present, the exhibit offers artifacts, tribal music, photographic images, Indian art, and oral histories from the Indian tribes of Oklahoma.

This Olympic gold medal was won by Jim Thorpe in the pentathlon at the 11th Olympiad held in Stockholm, Sweden in 1912. Born in 1884 near Prague, Oklahoma, Jim Thorpe was an Olympic gold medalist, an all-American pro football player and a professional baseball player.

## Management's Discussion and Analysis

# **Management's Discussion and Analysis**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Oklahoma provides this *Management's Discussion and Analysis* of the State of Oklahoma's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Oklahoma is for the fiscal year ended June 30, 2006. 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, 2006 by \$12.4 billion (presented as "net assets"). Of this amount, \$3.2 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 \$1.3 billion (a 12% increase) in fiscal year 2006, exceeding the 8.6% increase from the previous fiscal year. Net assets of governmental activities increased by \$1.2 billion (an 11.4% increase), while net assets of the business-type activities showed an increase of \$176 million (a 19.9% increase).

#### **Fund Highlights:**

*Governmental Funds - Fund Balances* - As of the close of fiscal year 2006, the State's governmental funds reported a combined ending fund balance of \$5.7 billion, an increase of \$1.6 billion in comparison with the prior year. Of this total amount, \$3.37 billion represents the "unreserved fund balances", all being in the general fund. Of this \$3.37 billion, \$542 million (increased \$53 million) is in the Cash Flow Reserve Fund and \$496 million (increased \$35 million) is in the Rainy Day Fund leaving \$2.3 billion (increased \$1.1 billion) as undesignated for the general fund. This \$2.3 billion is roughly 18% of the total governmental funds expenditures for the year. This ratio improved from 10.4% a year ago.

#### **Long-term Debt:**

The State's total long-term debt obligations showed a net increase of \$571.8 million (48.8%) in the governmental type activities and a net decrease of \$48 million (6.8%) the business type activities during the current fiscal year. The key

factor causing the governmental type increase was the issuance of \$610 million in new OCIA revenue bonds. The decrease in the business type activities was primarily due to the annual debt service requirements by the Oklahoma Water Resources Board.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### Basic Financial Statements

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

#### *Government-Wide Financial Statements*

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

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

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

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

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

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

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

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

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

The State’s seven 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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

### Notes to the Financial Statements

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

### Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes a 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.

#### Budgetary Detail

The notes to required supplementary information – budgetary reporting contain a separate detail table. 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.

### Supplementary Information

#### Combining Financial Statements

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

## 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 \$12.4 billion at the end of 2006, compared to \$11 billion at the end of the previous year.

The largest portion of the State's net assets (51%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current Assets	\$ 6,404,165	\$ 4,849,425	\$ 932,841	\$ 634,096	\$ 7,337,006	\$ 5,483,521
Capital Assets	7,258,687	7,046,656	608	175	7,259,295	7,046,831
Other Assets	2,385,790	1,748,060	854,703	964,048	3,240,493	2,712,108
Total Assets	16,048,642	13,644,141	1,788,152	1,598,319	17,836,794	15,242,460
Noncurrent Liabilities	1,613,888	1,044,773	525,967	656,575	2,139,855	1,701,348
Other Liabilities	3,145,232	2,458,258	199,219	55,192	3,344,451	2,513,450
Total Liabilities	4,759,120	3,503,031	725,186	711,767	5,484,306	4,214,798
Invested in Capital Assets, Net of Related Debt	6,246,160	6,086,534	608	161	6,246,768	6,086,695
Restricted	1,887,136	1,682,789	1,062,156	886,391	2,949,292	2,569,180
Unrestricted	3,156,226	2,371,787	202	-	3,156,428	2,371,787
Total Net Assets	\$11,289,522	\$10,141,110	\$1,062,966	\$ 886,552	\$12,352,488	\$11,027,662

A portion of the State's net assets (24%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the State's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets.

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

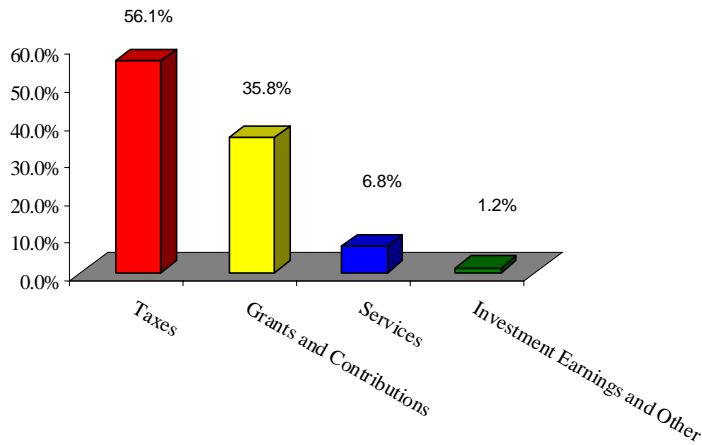
### Changes in Net Assets

The State's net assets increased by \$1.3 billion or 12%. Approximately 56 percent of the State's total revenue came from taxes, while 36 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided 7 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 2006, governmental activity expenses exceeded program revenues, resulting in the use of \$6.8 billion in general revenues (mostly taxes). The business-type activities' program revenues exceeded their expenses for 2006 by \$217 million.

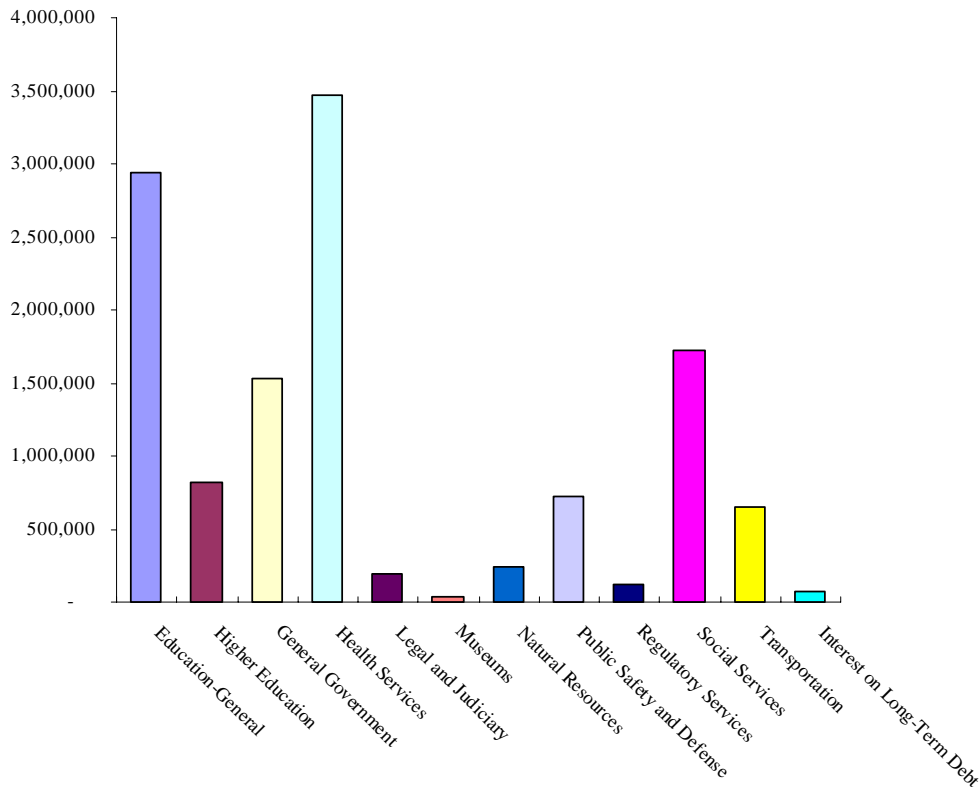
**State of Oklahoma's Changes in Net Assets-Primary Government**  
(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 937,480	\$ 903,129	\$ 551,965	\$ 370,206	\$ 1,489,445	\$ 1,273,335
Operating Grants and Contributions	4,928,318	4,641,036	24,432	25,434	4,952,750	4,666,470
Capital Grants and Contributions	-	1,304	-	-	-	1,304
General Revenues:						
Income Taxes-Individual	2,693,548	2,580,797			2,693,548	2,580,797
Income Taxes-Corporate	426,725	277,266			426,725	277,266
Sales Taxes	1,843,803	1,682,636			1,843,803	1,682,636
Gross Production Taxes	1,036,888	737,204			1,036,888	737,204
Motor Vehicle Taxes	584,294	574,800			584,294	574,800
Fuel Taxes	414,677	407,276			414,677	407,276
Other Taxes	712,881	392,743			712,881	392,743
Investment Earnings	114,884	46,981			114,884	46,981
Other	49,070	43,504			49,070	43,504
<b>Total Revenues</b>	<b>13,742,568</b>	<b>12,288,676</b>	<b>576,397</b>	<b>395,640</b>	<b>14,318,965</b>	<b>12,684,316</b>
<b>Expenses:</b>						
Education-General	2,942,969	2,751,320			2,942,969	2,751,320
Education-Payments to Higher Education	823,489	786,862			823,489	786,862
General Government	1,529,506	1,518,198			1,529,506	1,518,198
Health Services	3,471,042	3,096,903			3,471,042	3,096,903
Legal and Judiciary	197,324	175,673			197,324	175,673
Museums	33,840	11,634			33,840	11,634
Natural Resources	242,466	201,039			242,466	201,039
Public Safety and Defense	728,331	674,507			728,331	674,507
Regulatory Services	116,516	83,421			116,516	83,421
Social Services	1,727,808	1,664,577			1,727,808	1,664,577
Transportation	654,147	580,027			654,147	580,027
Interest on Long-Term Debt	68,383	47,769			68,383	47,769
Unemployment Insurance Trust Fund	-	-	164,954	194,373	164,954	194,373
State Loan Program to Local Governments	-	-	29,829	24,636	29,829	24,636
Lottery Commission	-	-	164,862	92	164,862	92
<b>Total Expenses</b>	<b>12,535,821</b>	<b>11,591,930</b>	<b>359,645</b>	<b>219,101</b>	<b>12,895,466</b>	<b>11,811,031</b>
Increase (Decrease) in Net Assets Before Transfers	1,206,747	696,746	216,752	176,539	1,423,499	873,285
Special Item - Taxpayer Refund	(91,869)	-	-	-	(91,869)	-
Transfers	40,325	363	(40,325)	(363)	-	-
<b>Change in Net Assets</b>	<b>1,155,203</b>	<b>697,109</b>	<b>176,427</b>	<b>176,176</b>	<b>1,331,630</b>	<b>873,285</b>
Net Assets, Beginning of Year (as restated)	10,134,319	9,444,001	886,539	710,376	11,020,858	10,154,377
<b>Net Assets, End of Year</b>	<b>\$ 11,289,522</b>	<b>\$ 10,141,110</b>	<b>\$ 1,062,966</b>	<b>\$ 886,552</b>	<b>\$ 12,352,488</b>	<b>\$ 11,027,662</b>

### Revenues - Governmental Activities Fiscal Year 2006



### Expenses - Governmental Activities Fiscal Year 2006

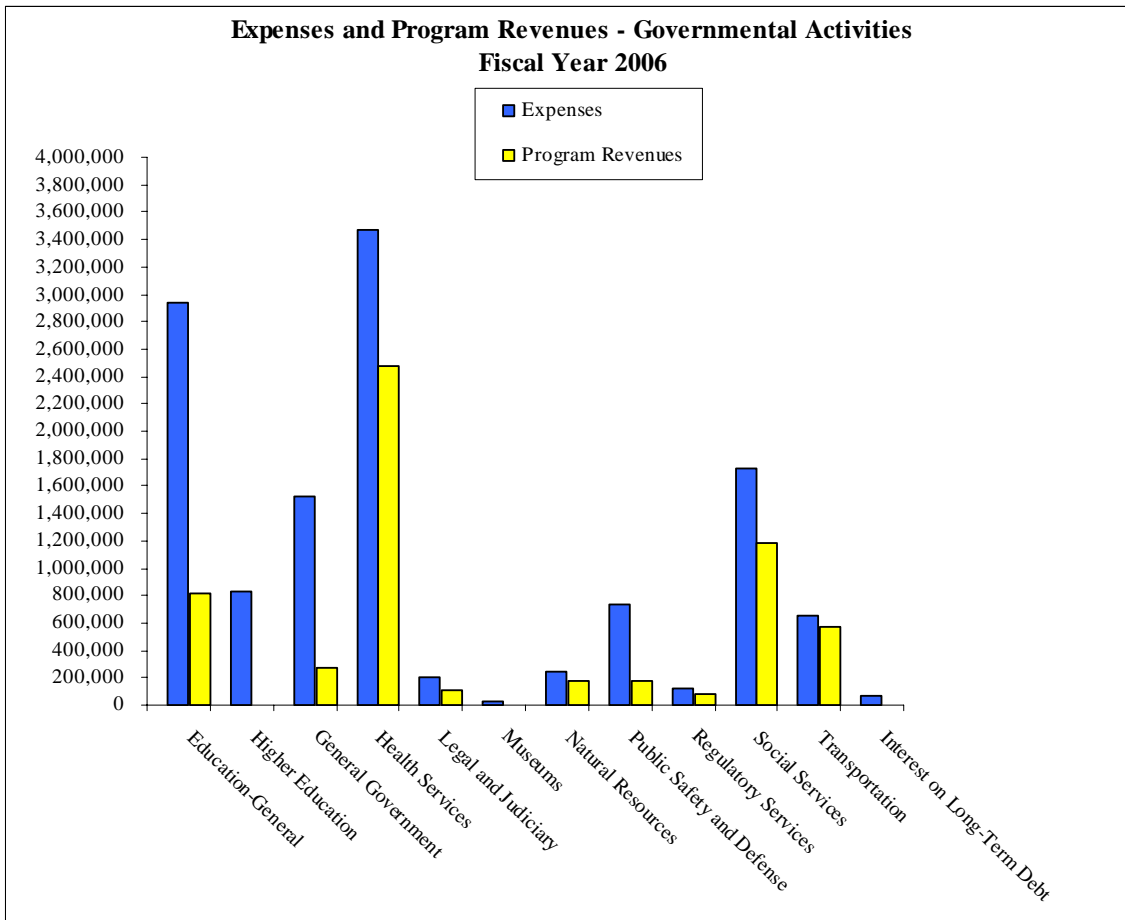


#### Governmental Activities

Governmental activities increased the State's net assets by \$1.115 billion. Tax revenues were up in most major types. Total revenues were up by \$1.5 billion, or 11.8% in 2006. Most of this increase came from personal income taxes, corporate income taxes, and sales taxes. The State showed a \$300 million increase in gross production taxes as natural gas production in the state continued to improve in 2006.

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

	<u>Governmental Activities</u>
<b>Expenses Net of Program Revenues:</b>	
Education-General	\$ (2,131,100)
Education-Payment to Higher Education	(823,489)
General Government	(1,251,509)
Health Services	(996,119)
Legal and Judiciary	(93,246)
Museums	(27,831)
Natural Resources	(70,023)
Public Safety and Defense	(552,797)
Regulatory Services	(28,882)
Social Services	(548,622)
Transportation	(78,022)
Interest on Long-Term Debt	(68,383)
Total Governmental Activities Expenses	<u>(6,670,023)</u>
<b>General Revenues:</b>	
Taxes	7,712,816
Investment Earnings	114,884
Contributions to Permanent Funds	43,684
Gain on Sale of Assets	5,386
Special Item - Taxpayer Refund	(91,869)
Other	40,325
Increase in Governmental Activities Net Assets	<u>\$ 1,155,203</u>



### **Business-Type Activities**

The business-type activities increased the State's net assets in business-type activities by \$176 million, a 19.9% increase, to \$1.06 billion. This increase is less than last year's 24.8% increase from its preceding year. The increase primarily resulted from a \$155.5 million increase in net assets by the Oklahoma Unemployment Insurance Trust Fund (OUITF) and a \$20.3 million net asset increase by the Oklahoma Water Resources Board's (OWRB) program for making loans to local government units. As further discussed in the proprietary funds section below, the OUITF net asset increase is due to payments for unemployment benefits decreasing by \$29.4 million, or 15%, over a year ago. Better unemployment rates in the state contributed to this smaller payout. In addition, the Oklahoma Lottery Commission had an increase in net assets of \$687,000 during its first full year of operations.

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

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

### **Governmental Funds**

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

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$5.7 billion, an increase of \$1.6 billion from the prior year. More than one half (\$3.4 billion or 59%) of this total amount constitutes unreserved fund balance, which is available for spending in the coming year. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior fiscal year (\$357 million), 2) to pay debt service (\$135 million), 3) to be held in permanent trust funds for education, wildlife and prevention of tobacco related health issues (\$1.7 billion) or 4) for a variety of other restricted purposes (\$94 million).

The general fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3.4 billion, while the total fund balance increased \$1.4 billion to \$3.96 billion. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 26% of total general fund expenditures (up from 19% a year ago), while total fund balance represents 31% of that same amount (up from 22%).

Overall the fund balance of the State's general fund increased by \$1.4 billion during the current fiscal year. This is a 57% increase from the prior year.

The Commissioners of the Land Office Permanent Fund, which 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, continues to recover from a two year period in 2002 and 2001 of poor investment earnings which caused noticeable decreases in fund balance. This fund reported a \$155 million in net investment revenues for 2006. Overall, the current year activity resulted in an increase in the fund balance of \$103 million for the year. This is an increase of about 8% from the previous year fund balance. Expenditures and transfers from the fund to benefit educational systems in Oklahoma increased by \$5 million to about \$68 million.

The Department of Wildlife's Lifetime Licenses fund balance increased by 6.2% to \$70.5 million. This increase occurred due to increases in both license revenue and other sales and services over the previous year.

The Tobacco Settlement Endowment Permanent Fund holds certain moneys that are received in settlement of claims by the state against tobacco manufacturers. Earnings from these moneys are to be utilized for research, education, prevention and treatment of tobacco related diseases and certain other health programs. This fund reported a \$52 million increase in fund balance with most of the increase, \$43.7 million, coming from the settlement payment by tobacco



manufacturers for 2006. The prior year's payment was about \$43.5 million. The state now has \$297.4 million in the permanent fund.

### **Proprietary Funds**

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

As discussed in the business-type activities section above, the State's net assets increased by \$176 million as a result of operations in the proprietary funds. This resulted from a \$155.5 million increase in net assets by the Oklahoma Unemployment Insurance Trust Fund (OUITF), an increase in net assets of \$20.3 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 \$687,000 by the Oklahoma Lottery Commission.

The OUITF increase in net assets primarily resulted from payments for unemployment benefits decreasing by \$29.4 million, or 15%, over a year ago. Lower unemployment rates in the state contributed to this decreased payout. Revenues decreased \$20.9 million overall, mostly from an increase in collections (sales and services). Federal grant revenues decreased by \$4.4 million from the previous year.

The OWRB increased net assets by \$20.3 million which was \$8.4 million less than the \$28.7 million in the prior year. Interest earnings on loans and investments were up by \$6.5 million primarily due to improving interest rates on loans that contain variable rates. Federal grant revenues decreased by \$10.2 million from the previous year.

The Oklahoma Lottery Commission had an increase in net assets of \$687,000, and operating income of \$69 million. Operating revenues were \$205 million, while operating expenses were \$136 million, both significant increases due to the first full year of operation..

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The differences between the original budget and the final amended budget were relatively minor (\$86.1 million increase in appropriations). Significant differences are summarized as follows:

The Department of Corrections received \$24 million in supplemental appropriations to help offset increased costs and to secure the necessary prison beds to protect public safety.

The Oklahoma Capitol Complex and Centennial Commemoration Commission received \$16 million in supplemental appropriations to assist with funding projects for the State's centennial celebration.

The Department of Agriculture received \$12.5 million in supplemental appropriations to assist with rural wildfire suppression.

The Oklahoma State Department of Education received \$11.7 million in supplemental appropriations to the Ad Valorem Reimbursement Fund. This fund was created to reimburse local school districts for lost tax revenue due to tax incentives given to entice new business and economic growth.

## **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, 2006, amounts to \$13.9 billion, net of accumulated depreciation of \$6.6 billion, leaving a net book value of \$7.3 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the State's investment in capital assets for the current fiscal year was about 3% in terms of net book value. Actual expenditures to purchase or construct capital assets were \$768 million for the year, a \$94.5 million (14%) increase from the prior year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$335.2 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 commissions meet jointly to review all proposed debt issuances. Both commissions must approve each financing plan before obligations are issued. The legislation that created the bond oversight commissions also created the position of State Bond Advisor, who advises the commissions, and must approve the pricing and fees associated with any debt issuance.

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

The State of Oklahoma's total debt increased by \$524 million, or 27.9%, during the current fiscal year. This increase is primarily due to the State issuing \$610 million in new OCIA revenue bonds. The Oklahoma Capitol Improvement Authority (OCIA) has twenty-nine outstanding series of building bonds to construct and equip state office buildings and prisons. Ten of these series were issued during the current fiscal year. 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 monies from the \$610 million in new bond issues will provide \$515,350,000 for Oklahoma colleges and universities and \$94,705,000 for primary government improvements.

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**

Oklahoma's unemployment rate has outpaced the nation unemployment rate for ninety-six consecutive months (since October 1998).

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

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

During fiscal year 2006, unreserved fund balance in the general fund increased \$1.2 billion to \$3.4 billion, with \$542 million of this in the Cash Flow Reserve Fund and \$496 million in the State's Rainy Day Fund leaving \$2.3 billion as undesignated. This \$2.3 billion is roughly 18% of the total governmental fund expenditures for the year.

### **Budget and Revenue Collections**

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

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

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

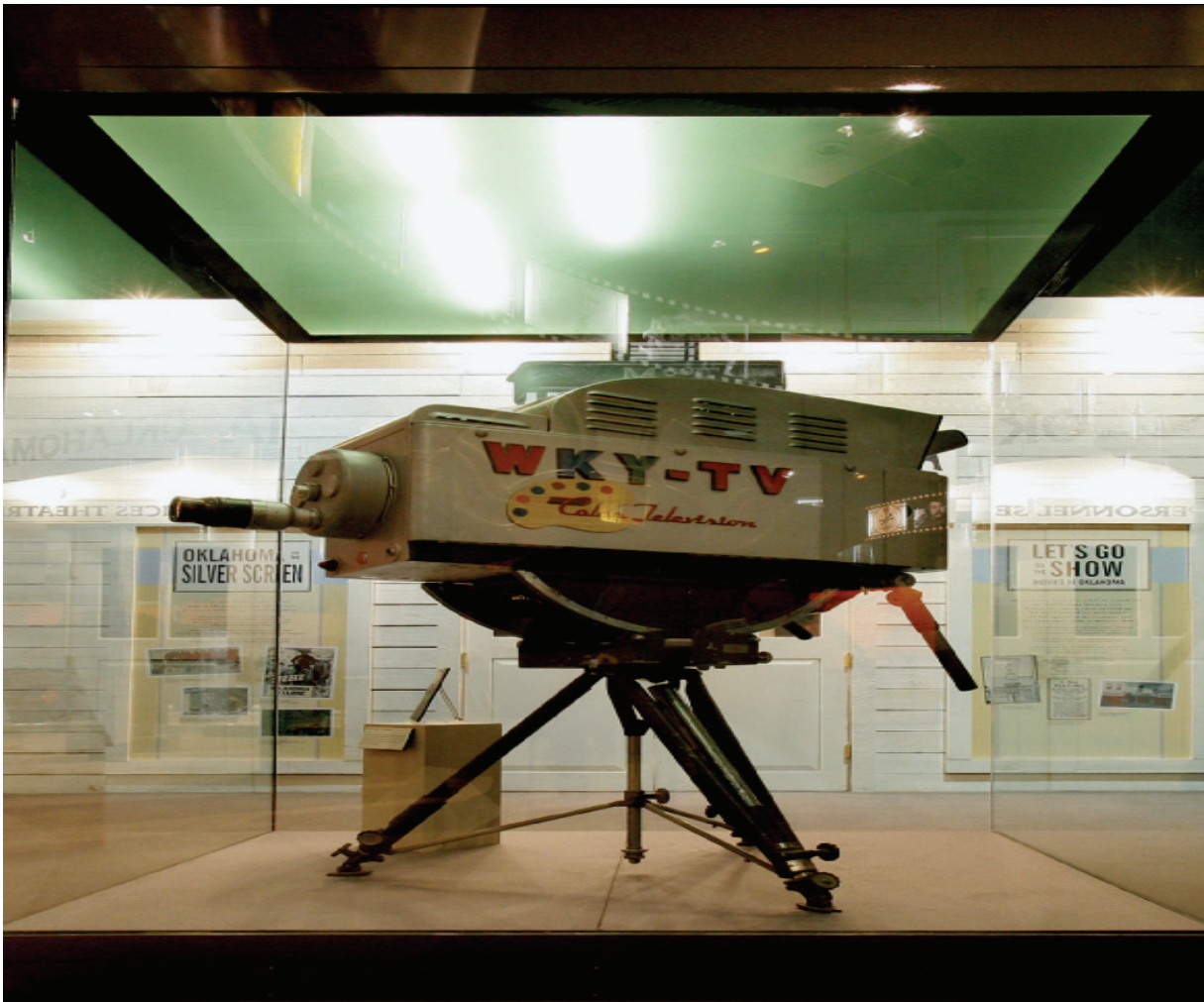
The Legislature may, in regular or special session, make selective reductions in spending or consider revenue increases. Oklahoma experienced a significant increase in revenue over the past year. The same factors that improved revenue collections during 2005 continued throughout fiscal year 2006. This substantial improvement in revenue collections exceeded the budgetary estimates by 10.6%. As a result, the balances in the Rainy Day Fund increased from \$461 to \$496 million, providing a sizeable reserve in the event of an economic slowdown.

#### **Fiscal Year 2007**

Revenue collections continue to improve in the current fiscal year. In the first five months, General Revenue Fund collections are \$86.5 million (or 3.84%) above estimated collections and \$189.9 million (or 8.8%) above prior year collections. Individual and corporate income taxes and sales taxes are primarily responsible for the revenue increases. Gross production tax on natural gas has increased over the prior year, but is below estimated collections. The growth of income and sales tax collections is a good indicator that the underlying state economy continues to gain strength. The likelihood of budget cuts during the current fiscal year is remote unless the current trends reverse.

#### **REQUESTS FOR INFORMATION**

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



WKY Color TV Camera (1954)

## INASMUCH GALLERY

This gallery is an exploration of the breadth of Oklahoma's artistic achievements as well as the impact of an extremely diverse immigrant population. The broad range of subjects includes the entertainment value as a land of Cowboys and Indians, pioneering innovations in broadcasting, and the dramatic and unifying impact of sports and sporting events on Oklahoma.

WKY Color TV Camera (1954) - WKY TV utilized color cameras first in the state and in the nation as an affiliate. This was the first color TV camera outside of network studios. WKY had placed an order with RCA for color cameras when it placed its original equipment order five years earlier. Thus, when the new color cameras became available, WKY was the first on the waiting list.

## Basic Financial Statements

# Basic Financial Statements





Sod House

## **NOBLE FOUNDATION GALLERY**

Land runs and lotteries have played an enormous role in Oklahoma's development and settlement as a state. Through artifacts, images, and first-hand accounts of participants, the gallery relives the lives of those brave souls who settled the great plains and turned homesteads into farms and cities. It was their survival of, and adaptation to, the extremes of weather, economics and politics that enabled them to create this magnificent state.

Following the 1889 Land Run, homesteaders acquired temporary housing by attaching canvas to the wagon, forming a tent. Many settlers dug a hole in the bank of a hill to form a dugout. Sod houses could be constructed using a horse drawn sod cutter plow, a shovel, or an axe to cut strips of prairie sod. With walls 3 feet thick, the sod house was well insulated. A well built sod house could be used up to 7 years, longer if the outside was covered in a stucco.

## **Government Wide Financial Statements**



# Government-Wide Financial Statements

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State of Oklahoma  
Statement of Net Assets  
June 30, 2006  
(expressed in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Current Assets				
Cash/Cash Equivalents	\$ 3,429,297	\$ 734,705	\$ 4,164,002	\$ 747,700
Investments	560,577	40,243	600,820	2,025,400
Securities Lending Investments	1,557,348	0	1,557,348	45,498
Accounts Receivable	34,370	67,291	101,661	320,017
Interest and Investment Revenue Receivable	35,343	6,821	42,164	22,686
Federal Grants Receivable	407,020	771	407,791	2,629
Taxes Receivable	282,064	0	282,064	0
Leases Receivable	7,178	0	7,178	0
Leases Receivable - Component Units	10,604	0	10,604	0
Other Receivables	345	219	564	17,517
Notes Receivable	0	108,205	108,205	8,059
Internal Balances	25,414	(25,414)	0	0
Receivable from External Parties	172	0	172	11,228
Due from Component Units	6,689	0	6,689	1,484
Due from Primary Government	0	0	0	481,346
Inventory	43,503	0	43,503	56,154
Prepaid Items	766	0	766	7,893
Other Current Assets	3,475	0	3,475	13,663
<b>Total Current Assets</b>	<b>6,404,165</b>	<b>932,841</b>	<b>7,337,006</b>	<b>3,761,274</b>
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	58,532	31,298	89,830	299,249
Short-Term Investments - Restricted	0	0	0	1,344,440
Long-Term Investments	0	324,577	324,577	1,198,269
Long-Term Investments - Restricted	1,644,662	0	1,644,662	0
Leases Receivable	23,729	0	23,729	0
Leases Receivable - Component Units	538,788	0	538,788	0
Long-Term Notes Receivable, Net	0	495,089	495,089	141,634
Long-Term Notes Receivable, Net - Restricted	0	0	0	922,926
Long-Term Due from Component Units	46,343	0	46,343	0
Capital Assets - Depreciable, Net	6,073,975	608	6,074,583	3,782,358
Capital Assets - Land	1,112,838	0	1,112,838	305,660
Capital Assets - Construction in Progress	71,874	0	71,874	467,352
Net Pension Asset	24,770	0	24,770	0
Other Noncurrent Assets	19,713	3,739	23,452	317,870
Other Noncurrent Assets - Restricted	29,253	0	29,253	40,938
<b>Total Noncurrent Assets</b>	<b>9,644,477</b>	<b>855,311</b>	<b>10,499,788</b>	<b>8,820,696</b>
<b>Total Assets</b>	<b>16,048,642</b>	<b>1,788,152</b>	<b>17,836,794</b>	<b>12,581,970</b>

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

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable and Accrued Liabilities	629,239	58,263	687,502	208,210
Payable Under Securities Lending Agreements	1,557,348	0	1,557,348	45,498
Claims and Judgments	23,555	0	23,555	283,284
Interest Payable	36,287	6,599	42,886	88,006
Tax Refunds Payable	4,203	0	4,203	0
Payable to External Parties	18,432	0	18,432	0
Due to Component Units	476,131	1	476,132	1,484
Due to Primary Government	0	0	0	6,689
Due to Others	138,777	0	138,777	427
Unearned Revenue	74,961	2,568	77,529	185,860
Capital Leases	1,011	0	1,011	16,559
Capital Leases - Primary Government	0	0	0	10,604
Compensated Absences	79,936	221	80,157	63,144
Notes Payable	10,718	0	10,718	5,042
General Obligation Bonds	13,990	0	13,990	1,865
Revenue Bonds	77,653	128,970	206,623	144,898
Other Current Liabilities	2,991	2,597	5,588	142,955
<b>Total Current Liabilities</b>	<b>3,145,232</b>	<b>199,219</b>	<b>3,344,451</b>	<b>1,204,525</b>
Noncurrent Liabilities				
Claims and Judgments	0	0	0	749,618
Due to Primary Government	0	0	0	45,593
Pension Obligation	1,908	0	1,908	0
Capital Leases	2,276	0	2,276	124,609
Capital Leases - Primary Government	0	0	0	538,788
Compensated Absences	66,280	0	66,280	21,345
Notes Payable	126,248	0	126,248	241,065
General Obligation Bonds	233,510	0	233,510	64,642
Revenue Bonds	1,130,993	524,100	1,655,093	4,334,192
Other Noncurrent Liabilities	52,673	1,867	54,540	225,325
<b>Total Noncurrent Liabilities</b>	<b>1,613,888</b>	<b>525,967</b>	<b>2,139,855</b>	<b>6,345,177</b>
<b>Total Liabilities</b>	<b>4,759,120</b>	<b>725,186</b>	<b>5,484,306</b>	<b>7,549,702</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	6,246,160	608	6,246,768	1,483,504
Restricted for:				
Capital Projects	3,096	0	3,096	0
Debt Service	135,293	159,161	294,454	253,266
Preservation of Wildlife	70,452	0	70,452	0
Educational Systems	1,380,878	0	1,380,878	0
Unemployment Benefits	0	712,012	712,012	0
Other Purposes				
Expendable	9,716	190,983	200,699	1,281,321
Nonexpendable	287,701	0	287,701	0
Unrestricted	3,156,226	202	3,156,428	2,014,177
<b>Total Net Assets</b>	<b>\$ 11,289,522</b>	<b>\$ 1,062,966</b>	<b>\$ 12,352,488</b>	<b>\$ 5,032,268</b>

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

State of Oklahoma  
Statement of Activities  
For the Fiscal Year Ended June 30, 2006  
(expressed in thousands)

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-Type Activities		
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
Education-General	\$ 2,942,969	\$ 28,497	\$ 783,372	\$ (2,131,100)		\$ (2,131,100)	
Education-Payment to Higher Education	823,489	0	0	(823,489)		(823,489)	
General Government	1,529,506	200,292	77,705	(1,251,509)		(1,251,509)	
Health Services	3,471,042	219,040	2,255,883	(996,119)		(996,119)	
Legal and Judiciary	197,324	87,663	16,415	(93,246)		(93,246)	
Museums	33,840	3,526	2,483	(27,831)		(27,831)	
Natural Resources	242,466	112,969	59,474	(70,023)		(70,023)	
Public Safety and Defense	728,331	85,326	90,208	(552,797)		(552,797)	
Regulatory Services	116,516	82,536	5,098	(28,882)		(28,882)	
Social Services	1,727,808	76,898	1,102,288	(548,622)		(548,622)	
Transportation	654,147	40,733	535,392	(78,022)		(78,022)	
Interest on Long-Term Debt	68,383	0	0	(68,383)		(68,383)	
Total Governmental Activities	12,535,821	937,480	4,928,318	(6,670,023)		(6,670,023)	
<b>Business-Type Activities:</b>							
Employment Security Commission	164,954	311,294	9,123		\$ 155,463	155,463	
Water Resources Board	29,829	35,596	14,958		20,725	20,725	
Lottery Commission	164,862	205,075	351		40,564	40,564	
Total Business-Type Activities	359,645	551,965	24,432		216,752	216,752	
Total Primary Government	\$ 12,895,466	\$ 1,489,445	\$ 4,952,750	(6,670,023)	216,752	(6,453,271)	
<b>Component Units:</b>							
CompSource Oklahoma	\$ 305,058	\$ 315,954	\$ 0				\$ 10,896
State and Education Employees Group Insurance Board	721,038	724,838	0				3,800
Oklahoma Student Loan Authority	42,491	50,446	0				7,955
Oklahoma Housing Finance Agency	152,094	33,504	114,341				(4,249)
Oklahoma Transportation Authority	204,899	203,373	0				(1,526)
Grand River Dam Authority	253,291	289,867	0				36,576
Oklahoma Municipal Power Authority	171,482	170,810	0				(672)
Higher Education	3,137,172	2,860,233	43,239				(233,700)
Nonmajor Component Units	158,898	110,259	2,245				(46,394)
Total Component Units	\$ 5,146,423	\$ 4,759,284	\$ 159,825				(227,314)
<b>General Revenues</b>							
<b>Taxes:</b>							
Income Taxes-Individual				2,693,548	0	2,693,548	0
Income Taxes-Corporate				426,725	0	426,725	0
Sales Tax				1,843,803	0	1,843,803	0
Gross Production Taxes				1,036,888	0	1,036,888	0
Motor Vehicle Taxes				584,294	0	584,294	0
Fuel Taxes				414,677	0	414,677	0
Tobacco Taxes				216,512	0	216,512	0
Insurance Taxes				76,874	0	76,874	0
Beverage Taxes				75,517	0	75,517	0
Other Taxes				343,978	0	343,978	0
Payments from Primary Government				0	0	0	896,935
<b>Investment Earnings</b>				114,884	0	114,884	0
<b>Contributions to Permanent Funds</b>				43,684	0	43,684	0
<b>Gain on Sale of Assets</b>				5,386	0	5,386	0
<b>Special Item - Taxpayer Refund</b>				(91,869)	0	(91,869)	0
<b>Transfers</b>				40,325	(40,325)	0	0
Total General Revenues and Transfers				7,825,226	(40,325)	7,784,901	896,935
Change in Net Assets				1,155,203	176,427	1,331,630	669,621
<b>Net Assets - Beginning of Year (as restated)</b>				10,134,319	886,539	11,020,858	4,362,647
<b>Net Assets - End of Year</b>				\$ 11,289,522	\$ 1,062,966	\$ 12,352,488	\$ 5,032,268

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



First Parking Meter in the World (1935)

## **KERR-McGEE GALLERY**

The gallery is a rich history of Oklahoma from its military contributions since the first expeditions by the Spanish in the 16th century to current day oil and gas exploration. Included are numerous artifacts recovered from an 1830's riverboat excavated from the Red River, examples of Oklahoma's entrepreneurial history, and a 3-D reconstruction of an oil derrick.

This is the first parking meter installed in any city in the world. It was installed in Oklahoma City on July 14, 1935.

## **Fund Financial Statements**



# Fund Financial Statements

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State of Oklahoma  
Balance Sheet  
Governmental Funds  
June 30, 2006  
(expressed in thousands)

	Permanent Funds				Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
<b>Assets</b>					
Assets					
Cash/Cash Equivalents	\$ 3,405,517	\$ 45,390	\$ 6,465	\$ 30,457	\$ 3,487,829
Investments	560,577	1,314,176	63,868	266,618	2,205,239
Securities Lending Investments	1,526,980	0	0	30,368	1,557,348
Accounts Receivable	34,370	0	0	0	34,370
Interest and Investment Revenue Receivable	35,343	9,767	0	1,401	46,511
Federal Grants Receivable	407,020	0	0	0	407,020
Taxes Receivable	282,064	0	0	0	282,064
Leases Receivable	30,907	0	0	0	30,907
Leases Receivable-Component Units	549,392	0	0	0	549,392
Other Receivables	345	5,207	0	4	5,556
Due from Other Funds	25,771	0	112	0	25,883
Due from Fiduciary Funds	172	0	0	0	172
Due from Component Units	6,689	0	0	0	6,689
Due from Component Units-Noncurrent	46,343	0	0	0	46,343
Due from Brokers	0	0	0	1,831	1,831
Inventory	43,503	0	0	0	43,503
Prepaid Items	766	0	0	0	766
Other Assets	3,468	11,043	7	0	14,518
<b>Total Assets</b>	<b>\$ 6,959,227</b>	<b>\$ 1,385,583</b>	<b>\$ 70,452</b>	<b>\$ 330,679</b>	<b>\$ 8,745,941</b>
<b>Liabilities and Fund Balance</b>					
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 626,369	\$ 0	\$ 0	\$ 2,870	\$ 629,239
Payable Under Securities					
Lending Agreements	1,526,980	0	0	30,368	1,557,348
Claims and Judgments	23,555	0	0	0	23,555
Interest Payable	12,374	0	0	0	12,374
Tax Refunds Payable	4,203	0	0	0	4,203
Due to Other Funds	468	0	0	1	469
Due to Fiduciary Funds	18,432	0	0	0	18,432
Due to Component Units	476,108	0	0	23	476,131
Due to Others	138,777	0	0	0	138,777
Deferred Revenue	169,008	4,705	0	0	173,713
Other Liabilities	2,991	0	0	0	2,991
<b>Total Liabilities</b>	<b>2,999,265</b>	<b>4,705</b>	<b>0</b>	<b>33,262</b>	<b>3,037,232</b>
Fund Balances					
Reserved					
Encumbrances	356,603	0	0	0	356,603
Inventory/Prepaid Items	43,593	0	0	0	43,593
Debt Service	135,293	0	0	0	135,293
Capital Construction	50,012	0	0	0	50,012
Preservation of Wildlife	0	0	57,193	0	57,193
Permanent Trust	0	1,380,878	0	287,701	1,668,579
Undistributed Revenue	0	0	13,259	9,716	22,975
Other Special Purposes	550	0	0	0	550
Unreserved, reported in					
General Fund					
Designated for Cash Flow Reserve Fund	542,205	0	0	0	542,205
Designated for Rainy Day Fund	495,690	0	0	0	495,690
Undesignated	2,336,016	0	0	0	2,336,016
<b>Total Fund Balances</b>	<b>3,959,962</b>	<b>1,380,878</b>	<b>70,452</b>	<b>297,417</b>	<b>5,708,709</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,959,227</b>	<b>\$ 1,385,583</b>	<b>\$ 70,452</b>	<b>\$ 330,679</b>	

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

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

**Total Fund Balance - Governmental Funds** \$ 5,708,709

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	\$	1,112,838	
Buildings and Improvements		928,068	
Equipment		317,493	
Infrastructure		11,456,939	
Construction in Progress		71,874	
Accumulated Depreciation		<u>(6,628,525)</u>	
			7,258,687

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. 98,752

The Uniform Retirement System for Judges and Justices and the Oklahoma Law Enforcement Retirement System have been funded in excess of Annual Required Contributions, creating a negative net pension obligation. This asset is not a current available financial resource and is not reported in the funds. 24,770

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. 7,170

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. 12,543

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		(136,966)	
General Obligation and Revenue Bonds		(1,456,146)	
Capital Leases and Certificates of Participation		(3,287)	
Net Pension Obligation (Wildlife)		(1,908)	
Bond Issue Premium		(52,673)	
Accrued Interest on Bonds		(23,913)	
Compensated Absences		<u>(146,216)</u>	
			(1,821,109)

**Net Assets of Governmental Activities** \$ 11,289,522

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, 2006  
(expressed in thousands)

	General	Commissioners of the Land Office	Permanent Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	Total Governmental Funds
<b>Revenues</b>					
Taxes					
Income Taxes-Individual	\$ 2,693,548	\$ 0	\$ 0	\$ 0	\$ 2,693,548
Income Taxes-Corporate	426,725	0	0	0	426,725
Sales Tax	1,843,803	0	0	0	1,843,803
Gross Production Taxes	1,036,888	0	0	0	1,036,888
Motor Vehicle Taxes	584,294	0	0	0	584,294
Fuel Taxes	414,677	0	0	0	414,677
Tobacco Taxes	216,512	0	0	0	216,512
Insurance Taxes	76,874	0	0	0	76,874
Beverage Taxes	75,517	0	0	0	75,517
Other Taxes	343,978	0	0	0	343,978
Licenses, Permits and Fees	293,950	0	2,571	0	296,521
Interest and Investment Revenue	208,638	155,031	2,669	16,207	382,545
Federal Grants	4,770,328	0	0	0	4,770,328
Sales and Services	170,788	11,087	1,494	0	183,369
Other	386,203	4,564	0	43,684	434,451
<b>Total Revenues</b>	<b>13,542,723</b>	<b>170,682</b>	<b>6,734</b>	<b>59,891</b>	<b>13,780,030</b>
<b>Expenditures</b>					
Current					
Education	3,702,398	60,285	0	0	3,762,683
General Government	1,599,341	0	0	7,871	1,607,212
Health Services	3,447,085	0	0	0	3,447,085
Legal and Judiciary	190,644	0	0	0	190,644
Museums	30,316	0	0	0	30,316
Natural Resources	231,616	0	0	0	231,616
Public Safety and Defense	674,494	0	0	0	674,494
Regulatory Services	114,871	0	0	0	114,871
Social Services	1,697,057	0	0	0	1,697,057
Transportation	224,885	0	0	0	224,885
Capital Outlay	768,003	0	0	0	768,003
Debt Service					
Principal Retirement	98,512	0	0	0	98,512
Interest and Fiscal Charges	68,383	0	0	0	68,383
<b>Total Expenditures</b>	<b>12,847,605</b>	<b>60,285</b>	<b>0</b>	<b>7,871</b>	<b>12,915,761</b>
Revenues in Excess of (Less Than) Expenditures	695,118	110,397	6,734	52,020	864,269
<b>Other Financing Sources (Uses)</b>					
Transfers In	50,405	0	0	0	50,405
Transfers Out	(35)	(7,403)	(2,642)	0	(10,080)
Bonds Issued	614,400	0	0	0	614,400
Notes Issued	48,875	0	0	0	48,875
Bond Issue Premiums	14,562	0	0	0	14,562
Bond Issue Discounts	(975)	0	0	0	(975)
Capital Leases and Certificates of Participation	248	0	0	0	248
Sale of Capital Assets	13,191	0	0	0	13,191
<b>Total Other Financing Sources (Uses)</b>	<b>740,671</b>	<b>(7,403)</b>	<b>(2,642)</b>	<b>0</b>	<b>730,626</b>
<b>Net Change in Fund Balances</b>	<b>1,435,789</b>	<b>102,994</b>	<b>4,092</b>	<b>52,020</b>	<b>1,594,895</b>
<b>Fund Balances - Beginning of Year (as restated)</b>	<b>2,524,173</b>	<b>1,277,884</b>	<b>66,360</b>	<b>245,397</b>	<b>4,113,814</b>
<b>Fund Balances - End of Year</b>	<b>\$ 3,959,962</b>	<b>\$ 1,380,878</b>	<b>\$ 70,452</b>	<b>\$ 297,417</b>	<b>\$ 5,708,709</b>

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

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

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

Amounts reported for governmental activities in the statement of activities are different because:		\$ 1,594,895
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 (\$562,576) exceeded depreciation (\$335,230) in the current period.		227,346
In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.		(8,335)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(42,318)
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 repayments (\$98,512) exceeded proceeds (\$660,925).		(562,413)
Bond issuance premiums are other financing sources to governmental funds, but are deferred liabilities in the statement of net assets.		(14,445)
Contribution to certain pension plans use current financial resources from governmental funds, but increase the net pension obligation (\$51) or decrease the net pension asset (\$21,159) in the statement of activities.		(21,210)
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.		(248)
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. This is the amount by which the accretion of bond premiums (\$3,910) is exceeded by the increase in interest payable (\$12,838) and the increase in compensated absences (\$6,744) combined with the amortization of bond issuance costs (\$612) and the amortization of loss on refunded bonds (\$1,785).		(18,069)
<b>Change in Net Assets of Governmental Activities</b>		<u><u>\$ 1,155,203</u></u>

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



State of Oklahoma  
Statement of Net Assets  
Proprietary Funds  
June 30, 2006  
(expressed in thousands)

	Business Type Activities - Enterprise Funds			Total
	Employment Security Commission	Water Resources Board	Lottery Commission	
<b>Assets</b>				
Current Assets				
Cash/Cash Equivalents	\$ 703,679	\$ 5,180	\$ 25,846	\$ 734,705
Investments	0	40,243	0	40,243
Accounts Receivable	9,970	0	57,321	67,291
Interest and Investment Revenue Receivable	0	6,821	0	6,821
Federal Grants Receivable	0	771	0	771
Other Receivables	218	1	0	219
Notes Receivable	0	108,205	0	108,205
Due from Other Funds	0	356	0	356
<b>Total Current Assets</b>	<b>713,867</b>	<b>161,577</b>	<b>83,167</b>	<b>958,611</b>
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	0	31,096	202	31,298
Long-Term Investments	0	324,577	0	324,577
Long-Term Notes Receivable	0	495,089	0	495,089
Capital Assets, Net	0	227	381	608
Other Noncurrent Assets	0	3,178	561	3,739
<b>Total Noncurrent Assets</b>	<b>0</b>	<b>854,167</b>	<b>1,144</b>	<b>855,311</b>
<b>Total Assets</b>	<b>713,867</b>	<b>1,015,744</b>	<b>84,311</b>	<b>1,813,922</b>
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable and Accrued Liabilities	44	169	58,050	58,263
Interest Payable	0	6,599	0	6,599
Compensated Absences	0	118	103	221
Deferred Revenue	1,811	0	757	2,568
Revenue Bonds	0	128,970	0	128,970
Due to Other Funds	0	953	24,818	25,771
Other Current Liabilities	0	2,597	0	2,597
<b>Total Current Liabilities</b>	<b>1,855</b>	<b>139,406</b>	<b>83,728</b>	<b>224,989</b>
Noncurrent Liabilities				
Revenue Bonds	0	524,100	0	524,100
Other Noncurrent Liabilities	0	1,867	0	1,867
<b>Total Noncurrent Liabilities</b>	<b>0</b>	<b>525,967</b>	<b>0</b>	<b>525,967</b>
<b>Total Liabilities</b>	<b>1,855</b>	<b>665,373</b>	<b>83,728</b>	<b>750,956</b>
<b>Net Assets</b>				
Invested in Capital Assets, net of related debt	0	227	381	608
Restricted for:				
Debt Service	0	159,161	0	159,161
Unemployment Benefits	712,012	0	0	712,012
Other Purposes	0	190,983	0	190,983
Unrestricted	0	0	202	202
<b>Total Net Assets</b>	<b>\$ 712,012</b>	<b>\$ 350,371</b>	<b>\$ 583</b>	<b>\$ 1,062,966</b>

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

State of Oklahoma  
Statement of Revenues, Expenses  
and Changes in Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2006  
(expressed in thousands)

	Business Type Activities - Enterprise Funds			
	Employment Security	Water Resources	Lottery	Total
	Commission	Board	Commission	
<b>Operating Revenues</b>				
Sales and Services	\$ 280,875	\$ 0	\$ 205,071	\$ 485,946
Federal Grants	0	2,604	0	2,604
Interest and Investment Revenue	0	17,642	0	17,642
Other	1,283	0	4	1,287
<b>Total Operating Revenues</b>	<b>282,158</b>	<b>20,246</b>	<b>205,075</b>	<b>507,479</b>
<b>Operating Expenses</b>				
Facilities Operations and Maintenance	0	0	125	125
Administrative and General	0	4,817	7,414	12,231
Prizes, Commissions and Other	0	0	128,207	128,207
Interest	0	24,834	0	24,834
Depreciation	0	49	43	92
Benefit Payments and Refunds	164,954	0	0	164,954
<b>Total Operating Expenses</b>	<b>164,954</b>	<b>29,700</b>	<b>135,789</b>	<b>330,443</b>
<b>Operating Income (Loss)</b>	<b>117,204</b>	<b>(9,454)</b>	<b>69,286</b>	<b>177,036</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest and Investment Revenue	29,136	14,353	351	43,840
Other Nonoperating Revenues	0	605	0	605
Nonoperating Federal Grants	9,123	15,350	0	24,473
Interest Expense	0	0	(1)	(1)
Other Nonoperating Expenses	0	(129)	(29,072)	(29,201)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>38,259</b>	<b>30,179</b>	<b>(28,722)</b>	<b>39,716</b>
<b>Income (Loss) Before Transfers</b>	<b>155,463</b>	<b>20,725</b>	<b>40,564</b>	<b>216,752</b>
Transfers In	0	35	0	35
Transfers Out	0	(483)	(39,877)	(40,360)
<b>Change in Net Assets</b>	<b>155,463</b>	<b>20,277</b>	<b>687</b>	<b>176,427</b>
<b>Total Net Assets - Beginning of Year (As Restated)</b>	<b>556,549</b>	<b>330,094</b>	<b>(104)</b>	<b>886,539</b>
<b>Total Net Assets - Ending</b>	<b>\$ 712,012</b>	<b>\$ 350,371</b>	<b>\$ 583</b>	<b>\$ 1,062,966</b>

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

State of Oklahoma  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2006  
(expressed in thousands)

	Business-Type Activities - Enterprise Funds		Nonmajor Business-Type Activities - Enterprise Fund	Total
	Employment Security Commission	Water Resources Board	Lottery Commission	
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 286,545	\$ 0	\$ 182,426	\$ 468,971
Receipts from Federal Grants	0	2,200	0	2,200
Payments of Benefits	(165,019)	0	0	(165,019)
Payments to Suppliers	0	(2,166)	(9,510)	(11,676)
Payments to Employees	0	(1,419)	(1,783)	(3,202)
Payments to Prize Winners	0	0	(100,211)	(100,211)
Collections of Interest on Loans to Governmental Units	0	16,753	0	16,753
Payments of Operating Interest Expense	0	(25,419)	0	(25,419)
Net Cash Provided (Used) by Operating Activities	121,526	(10,051)	70,922	182,397
<b>Cash Flows from Noncapital Financing Activities</b>				
Federal Grants and Other Contributions	9,193	15,350	0	24,543
Transfers In	0	3,083	0	3,083
Transfers Out	0	(3,096)	(45,196)	(48,292)
Principal Paid on Bonds and Notes Payable	0	(47,325)	0	(47,325)
Net Cash Provided by Noncapital Financing Activities	9,193	(31,988)	(45,196)	(67,991)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Interest Paid	0	0	(1)	(1)
Advances on Line of Credit	0	0	(200)	(200)
Repayment of Advances on Line of Credit	0	0	200	200
Payments for Acquisition of Capital Assets	0	(115)	(424)	(539)
Net Cash Used by Capital and Related Financing Activities	0	(115)	(425)	(540)
<b>Cash Flows from Investing Activities</b>				
Interest and Investment Revenue	29,136	14,441	351	43,928
Proceeds from Sale and Maturity of Investments	0	(9,703)	0	(9,703)
Payments to Purchase Investments	0	64,366	0	64,366
Collections of Principal on Loans to Governmental Units	0	84,455	0	84,455
Payments to Issue Notes Receivable	0	(110,690)	0	(110,690)
Net Cash Provided (Used) by Investing Activities	29,136	42,869	351	72,356
Net Increase (Decrease) in Cash/Cash Equivalents	159,855	715	25,652	186,222
<b>Cash/Cash Equivalents - Beginning of Year</b>	543,824	35,560	396	579,780
<b>Cash/Cash Equivalents - End of Year</b>	\$ 703,679	\$ 36,275	\$ 26,048	\$ 766,002
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ 117,204	\$ (9,454)	\$ 69,286	\$ 177,036
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	0	49	43	92
Amortization (Accretion) and Other Noncash Expenses	0	(728)	0	(728)
Decrease (Increase) in Assets				
Accounts Receivable	2,576	0	(57,321)	(54,745)
Federal Receivable	0	(404)	0	(404)
Interest and Investment Receivable	0	(887)	0	(887)
Other Receivables	0	(1)	0	(1)
Increase (Decrease) in Liabilities				
Accounts Payable and Accrued Liabilities	(65)	393	55,821	56,149
Interest Payable	0	384	0	384
Compensated Absences	0	6	0	6
Arbitrage Rebate Payable	0	613	0	613
Due to other funds	0	0	2,336	2,336
Deferred Revenue	0	0	757	757
Other Current Liabilities	1,811	(22)	0	1,789
Net Cash Used by Operating Activities	\$ 121,526	\$ (10,051)	\$ 70,922	\$ 182,397

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, 2006  
(expressed in thousands)

	Pension Trust Funds	Agency Fund
<b>Assets</b>		
Cash/Cash Equivalents	\$ 593,998	\$ 232,855
Investments, at fair value		
Equity Securities	9,235,968	0
Governmental Securities	3,304,174	0
Debt Securities	2,267,865	0
Mutual Funds	2,664,568	0
Other Investments	346,171	1,885
Securities Lending Investments	923,646	0
Accounts Receivable	0	105
Interest and Investment Revenue Receivable	53,272	0
Employer Contributions Receivable	24,636	0
Employee Contributions Receivable	20,905	0
Other Contributions Receivable	24,449	0
Other Receivables	179	8
Due from Brokers	713,170	0
Due from Other Funds	18,291	141
Due from Component Units	0	427
Inventory	0	4,739
Capital Assets, Net	953	0
Other Assets	122	0
Total Assets	<u>20,192,367</u>	<u>\$ 240,160</u>
<b>Liabilities</b>		
Accounts Payable	5,031	\$ 1,148
Tax Refunds Payable	0	2,999
Securities Lending Payable	923,646	0
Due to Brokers	1,167,726	0
Due to Other Funds	35	137
Due to Component Units	8,830	3,122
Due to Others	0	232,754
Benefits in the Process of Payment	47,300	0
Other Liabilities	8,393	0
Total Liabilities	<u>2,160,961</u>	<u>\$ 240,160</u>
<b>Net Assets</b>		
Held in Trust for Pension Benefits and Pool Participants	<u>\$ 18,031,406</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, 2006  
(expressed in thousands)

	<u>Pension Trust Funds</u>
<b>Additions</b>	
Contributions	
Employer Contributions	\$ 474,815
Employee Contributions	349,670
Other Contributions	315,881
Total Contributions	<u>1,140,366</u>
Investment Earnings	
Net Increase in Fair Value of Investments	1,174,783
Interest and Investment Revenue	498,810
Total Investment Earnings	<u>1,673,593</u>
Less Investment Expenses	<u>165,505</u>
Net Investment Earnings	<u>1,508,088</u>
Total Additions	<u>2,648,454</u>
<b>Deductions</b>	
Administrative and General Expenses	12,787
Benefit Payments and Refunds	<u>1,371,974</u>
Total Deductions	<u>1,384,761</u>
Change in Net Assets	1,263,693
<b>Net Assets - Beginning of Year</b>	<u>16,767,713</u>
<b>Net Assets - End of Year</b>	<u>\$ 18,031,406</u>

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



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## MAJOR COMPONENT UNITS

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

### COMPSOURCE OKLAHOMA

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

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

### STATE AND EDUCATION EMPLOYEES GROUP INSURANCE BOARD

3545 N.W. 58th Street, Suite 1000, Oklahoma City, Oklahoma 73112

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

### OKLAHOMA STUDENT LOAN AUTHORITY

4545 N. Lincoln Blvd., Suite 66, Oklahoma City, Oklahoma 73105

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

P.O. Box 11357, Oklahoma City, Oklahoma 73136

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

### GRAND RIVER DAM AUTHORITY

P.O. Box 409, Vinita, Oklahoma 74301

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

### OKLAHOMA MUNICIPAL POWER AUTHORITY

P.O. Box 1960, Edmond, Oklahoma 73083

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

### HIGHER EDUCATION

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

### COMPREHENSIVE UNIVERSITIES

University of Oklahoma  
Oklahoma State University

### OTHER FOUR YEAR UNIVERSITIES

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

### TWO YEAR COLLEGES

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

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

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

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

**Ardmore Higher Education Program** and **McCurtain County Higher Education Program** were 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 Programs 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, 2006  
(expressed in thousands)

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
<b>Assets</b>										
<b>Current Assets</b>										
<b>Cash/Cash Equivalents</b>										
Unrestricted	\$ 10,206	\$ 37,517	\$ 21	\$ 3,390	\$ 9,567	\$ 18,189	\$ 0	\$ 565,767	\$ 103,043	\$ 747,700
Investments	917,723	205,766	19,126	759	140,872	131,850	12,480	558,533	38,291	2,025,400
Securities Lending Investments	45,498	0	0	0	0	0	0	0	0	45,498
Accounts Receivable	41,903	19,281	0	766	1,026	28,455	12,198	215,580	808	320,017
<b>Interest and Investment</b>										
Revenue Receivable	7,154	527	216	189	1,015	1,933	0	10,579	1,073	22,686
Federal Grants Receivable	0	0	0	0	0	0	0	2,629	0	2,629
Other Receivables	118	2,120	0	0	0	0	0	11,266	4,013	17,517
Notes Receivable	927	0	0	0	0	0	0	5,961	1,171	8,059
Due from Fiduciary Funds	1	11,226	0	0	0	0	0	1	0	11,228
Due from Other Component Units	181	0	0	0	0	1,036	0	195	72	1,484
Due from Primary Government	8,501	61	0	0	450	2	0	465,722	6,610	481,346
Inventory	0	0	0	0	1,262	27,058	2,951	24,883	0	56,154
Prepaid Items	0	0	0	193	39	363	0	7,132	166	7,893
Other Current Assets	1,362	0	0	0	0	10,752	357	974	218	13,663
<b>Total Current Assets</b>	<b>1,033,574</b>	<b>276,498</b>	<b>19,363</b>	<b>5,297</b>	<b>154,231</b>	<b>219,638</b>	<b>27,986</b>	<b>1,869,222</b>	<b>155,465</b>	<b>3,761,274</b>
<b>Noncurrent Assets</b>										
<b>Cash/Cash Equivalents -</b>										
Restricted	0	0	4,952	22,054	73,198	0	551	159,576	38,918	299,249
Investments - Restricted	0	0	29,161	521,903	171,583	120,152	78,132	404,976	18,533	1,344,440
<b>Long-Term Investments</b>										
Unrestricted	0	0	0	12,281	0	0	11,306	1,133,070	41,612	1,198,269
Leases Receivable	0	0	0	0	0	0	0	0	0	0
<b>Long-Term Notes Receivable, Net</b>										
Unrestricted	46,729	0	25,328	0	0	0	0	48,146	21,431	141,634
Restricted	0	0	912,939	9,987	0	0	0	0	0	922,926
<b>Capital Assets</b>										
Depreciable, Net	17,511	1,839	936	3,413	905,838	367,575	239,638	2,130,239	115,369	3,782,358
Land	1,179	0	0	550	162,662	26,882	0	110,252	4,135	305,660
Construction in Progress	0	0	0	0	75,266	4,948	1,429	369,003	16,706	467,352
<b>Other Noncurrent Assets</b>										
Unrestricted	7,037	0	319	0	7,758	8,471	115,875	157,836	20,574	317,870
Restricted	0	0	23,167	6,410	686	0	0	10,639	36	40,938
<b>Total Noncurrent Assets</b>	<b>72,456</b>	<b>1,839</b>	<b>996,802</b>	<b>576,598</b>	<b>1,396,991</b>	<b>528,028</b>	<b>446,931</b>	<b>4,523,737</b>	<b>277,314</b>	<b>8,820,696</b>
<b>Total Assets</b>	<b>1,106,030</b>	<b>278,337</b>	<b>1,016,165</b>	<b>581,895</b>	<b>1,551,222</b>	<b>747,666</b>	<b>474,917</b>	<b>6,392,959</b>	<b>432,779</b>	<b>12,581,970</b>

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

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
<b>Liabilities</b>										
Current Liabilities										
Accounts Payable and Accrued Liabilities	12,166	11,618	140	4,942	7,589	21,205	18,607	121,857	10,086	208,210
Payable Under Securities										
Lending Agreements	45,498	0	0	0	0	0	0	0	0	45,498
Claims and Judgments	173,095	92,114	0	0	0	0	0	2,686	15,389	283,284
Interest Payable	0	0	0	3,020	30,597	2,831	7,563	10,961	33,034	88,006
Due to Fiduciary Funds	0	1	0	0	7	417	0	0	2	427
Due to Other Component Units	120	4	1	0	38	76	1,035	73	137	1,484
Due to Primary Government	20	6	0	16	983	18	0	5,615	31	6,689
Deferred Revenue	71,424	0	0	1,747	23,923	0	0	88,748	18	185,860
Capital Leases	0	0	0	0	0	0	0	16,559	0	16,559
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	10,362	242	10,604
Compensated Absences	1,358	778	118	700	1,494	3,329	209	54,855	303	63,144
Notes Payable	0	0	0	0	0	0	1,182	2,933	927	5,042
General Obligation Bonds	0	0	0	0	0	0	0	0	1,865	1,865
Revenue Bonds	0	0	0	20,781	27,845	61,510	11,015	22,982	765	144,898
Other Current Liabilities	165	1,008	6,560	0	0	0	0	135,073	149	142,955
<b>Total Current Liabilities</b>	<b>303,846</b>	<b>105,529</b>	<b>6,819</b>	<b>31,206</b>	<b>92,476</b>	<b>89,386</b>	<b>39,611</b>	<b>472,704</b>	<b>62,948</b>	<b>1,204,525</b>
Noncurrent Liabilities										
Claims and Judgments	619,244	6,855	0	0	0	0	0	1,537	121,982	749,618
Due to Primary Government	0	0	0	0	45,593	0	0	0	0	45,593
Capital Leases	0	0	0	0	0	0	0	124,609	0	124,609
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	538,207	581	538,788
Compensated Absences	0	0	0	0	0	0	0	21,222	123	21,345
Notes Payable	0	0	100,600	0	0	0	54,389	39,346	46,730	241,065
General Obligation Bonds	0	0	0	0	0	0	0	0	64,642	64,642
Revenue Bonds	0	0	827,550	475,160	1,165,939	538,372	352,572	910,099	64,500	4,334,192
Other Noncurrent Liabilities	0	0	71	2,674	0	15,278	8,800	160,751	37,751	225,325
<b>Total Noncurrent Liabilities</b>	<b>619,244</b>	<b>6,855</b>	<b>928,221</b>	<b>477,834</b>	<b>1,211,532</b>	<b>553,650</b>	<b>415,761</b>	<b>1,795,771</b>	<b>336,309</b>	<b>6,345,177</b>
<b>Total Liabilities</b>	<b>923,090</b>	<b>112,384</b>	<b>935,040</b>	<b>509,040</b>	<b>1,304,008</b>	<b>643,036</b>	<b>455,372</b>	<b>2,268,475</b>	<b>399,257</b>	<b>7,549,702</b>
<b>Net Assets</b>										
Invested in Capital Assets, Net of Related Debt	18,690	1,838	936	3,963	(51,172)	(80,525)	(29,304)	1,499,607	119,471	1,483,504
Restricted for:										
Debt Service	0	0	35,437	47,578	81,309	38,712	18,905	31,183	142	253,266
Other Special Purpose										
Expendable	5,000	0	0	0	68,317	27,849	26,867	1,115,793	37,495	1,281,321
Nonexpendable	0	0	0	0	0	0	0	0	0	0
Unrestricted	159,250	164,115	44,752	21,314	148,760	118,594	3,077	1,477,901	(123,586)	2,014,177
<b>Total Net Assets</b>	<b>\$ 182,940</b>	<b>\$ 165,953</b>	<b>\$ 81,125</b>	<b>\$ 72,855</b>	<b>\$ 247,214</b>	<b>\$ 104,630</b>	<b>\$ 19,545</b>	<b>\$ 4,124,484</b>	<b>\$ 33,522</b>	<b>\$ 5,032,268</b>

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

State of Oklahoma  
Combining Statement of Activities  
Major Component Units  
For the Fiscal Year Ended June 30, 2006  
(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				
<b>Component Units:</b>									
CompSource Oklahoma	\$ 305,058	\$ 315,954	\$ 0	\$ 10,896	\$ 0	\$ 10,896	\$ 172,044	\$ 182,940	
State and Education Employees									
Group Insurance Board	721,038	724,838	0	3,800	0	3,800	162,153	165,953	
Oklahoma Student Loan Authority	42,491	50,446	0	7,955	0	7,955	73,170	81,125	
Oklahoma Housing Finance Agency	152,094	33,504	114,341	(4,249)	0	(4,249)	77,104	72,855	
Oklahoma Turnpike Authority	204,899	203,373	0	(1,526)	0	(1,526)	248,740	247,214	
Grand River Dam Authority	253,291	289,867	0	36,576	0	36,576	68,054	104,630	
Oklahoma Municipal Power Authority	171,482	170,810	0	(672)	0	(672)	20,217	19,545	
Higher Education Component Unit	3,137,172	2,860,233	43,239	(233,700)	823,489	589,789	3,534,695	4,124,484	
Nonmajor Component Units Total	158,898	110,259	2,245	(46,394)	73,446	27,052	6,470	33,522	
<b>Total Component Units</b>	<b>\$ 5,146,423</b>	<b>\$ 4,759,284</b>	<b>\$ 159,825</b>	<b>\$ (227,314)</b>	<b>\$ 896,935</b>	<b>\$ 669,621</b>	<b>\$ 4,362,647</b>	<b>\$ 5,032,268</b>	

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



Gemini 6A Space Capsule (December 15-16, 1965)

## **C.A. VOSS FAMILY WING and E.L. & THELMA GAYLORD SPECIAL EXHIBIT GALLERY**

These areas host revolving exhibits heralding Oklahoma's citizens and rich heritage.

This spacecraft, on loan from the Smithsonian Air and Space Museum, rocketed into orbit on top of a Titan booster in 1965. The mission was to perform the first rendezvous in space with the Gemini 7. The Pilot, Thomas P. Stafford, was born and raised in Weatherford, Oklahoma. This was his first mission and was the pioneering mission for rendezvous in space.

## **Notes to the Financial Statements**

# Notes to the Financial Statements

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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FISCAL YEAR ENDED JUNE 30, 2006

### **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 as prescribed by the Governmental Accounting Standards Board (GASB). In November 2003 the GASB issued Statement 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for the impairment of capital assets and for the proper accounting treatment of insurance recoveries.

In May 2004 the GASB issued Statement 44 *Economic Condition Reporting: The Statistical Section*. This statement amends NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, by expanding understandability and improving the relevance of the statistic section. This new statement also seeks to improve comparability problems across governmental entities and add information from the new reporting model established by GASB Statement 34.

In December 2004 the GASB issued Statement 46 *Net Assets Restricted by Enabling Legislation*. This statement requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. This statement also seeks to improve the uniformity of reporting net asset restrictions across governments.

In June 2005 the GASB issued Statement 47 *Accounting for Termination Benefits*. This statement establishes recognition, measurement and reporting standards for employee termination benefits.

The State was required to implement all of the above GASB financial reporting standards for the fiscal year ended June 30, 2006.

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, 2006, and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts and authorities and any other organizational units governed by the Oklahoma State Legislature and/or Constitutional Officers of the State of Oklahoma.

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

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

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

## Discrete Component Units

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

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

### MAJOR COMPONENT UNITS

**CompSource Oklahoma** provides a source for workers' compensation insurance for all public and private employers within the state and operates similarly to an insurance company. CompSource is financed through employer premiums. The Board of Managers is comprised of nine members: The Director of State Finance, the Lieutenant Governor, the State Auditor (or their designees), the Director of Central Services, appointees by the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The State can impose its will on the Fund by its ability to remove board members at will. The Fund was audited by other independent auditors for the year ended December 31, 2005, and their report, dated March 3, 2006, has been previously issued under separate cover.

**State and Education Employees Group Insurance Board** provides group health, life, dental, disability and other benefits to active employees and retirees of the State and certain other eligible participants. The Board is financed through employer and employee premiums. The Board consists of eight members: the State Insurance Commissioner, the Director of State Finance, appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. A financial benefit/burden relationship exists between the State and the Board. The Board was audited by other independent auditors for the year ended December 31, 2005, and their report, dated May 31, 2006, has been previously issued under separate cover.

**Oklahoma Student Loan Authority** provides loan funds to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations. The Authority is composed of five members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2006, and their report, dated September 27, 2006, 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, 2005, and their report, dated January 13, 2006, 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, 2005, and their report, dated March 17, 2006, has been previously issued under separate cover.

**Grand River Dam Authority** controls the waters of the Grand River system to develop and generate water power and electric energy, and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma. The customers consist of rural electric cooperatives, municipalities, industries and off-system sales. The Board of Directors consists of seven members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2005, and their report, dated March 31, 2006, 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, 2005, and their report, dated February 9, 2006, has been previously issued under separate cover.

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

- **Oklahoma State Regents for Higher Education** serves as the coordinating board of control for the System. The Board of Regents for Higher Education consists of nine members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the State Regents for Higher Education by its ability to modify and approve their budget.
- **Board of Regents of Oklahoma Colleges** has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University. The Board consists of nine members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Board of Regents by its ability to modify and approve their budget. Each of the six regional state universities have one or more foundations that are component units of their respective university and are included in the Higher Education Component Unit.
- **Ardmore Higher Education Program** and **McCurtain County Higher Education Program** were 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 Programs earn credit applicable toward academic degrees and certificates at participating institutions in the System. Each Program is administered by a Board of Trustees who are appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Programs 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 the Authority. 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. The Authority was audited by other independent auditors for the year ended June 30, 2006, and their report, dated October 11, 2006, 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, 2006, and their report, dated September 14, 2006, 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 the Pool by its ability to modify the decisions of the Board. The Pool was audited by other independent auditors for the year ended June 30, 2006, and their report, dated September 27, 2006, has been previously issued under separate cover.

**Multiple Injury Trust Fund** provides additional compensation to a worker with a pre-existing injury who suffers a second injury. The State can impose its will on the Fund by its ability to remove management at will. The Fund was audited by other independent auditors for the period ended December 31, 2005, and their report, dated May 10, 2006, 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, 2006, and their report, dated August 25, 2006, has been previously issued under separate cover.

**Oklahoma Development Finance Authority** provides financing for both public and private entities in the state. The Authority obtains funds through the issuance of bonds and notes. Private entities qualifying for financing are generally agricultural, civic, educational, health care, industrial, or manufacturing enterprises. Financing is also provided to governmental agencies and instrumentalities of the State. The Governing Board is comprised of seven members, of which five are appointed by the Governor, with the advice and consent of the Senate, plus the Director of the Department of Commerce and the State Treasurer. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2006, and their report, dated September 22, 2006, has been previously issued under separate cover.

**Oklahoma Capital Investment Board** assists the State with industrial development by mobilizing equity and near-equity capital for investment to potential creation of jobs and growth that will diversify and stabilize the economy. The Board of Directors is comprised of five members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Board by its ability to veto or modify the Board's decisions. The Board, in order to mobilize investments, had a financially integrated

relationship with the Oklahoma Capital Formation Corporation (OCFC), a third-party, formerly independent corporation. During fiscal year 2006, the Board purchased 100% of the ownership of the OCFC. Operations of the OCFC are now included in the financial results of the Board. The Board was audited by other independent auditors for the year ended June 30, 2006, and their report, dated September 1, 2006, has been previously issued under separate cover.

**Oklahoma Environmental Finance Authority** provides public and private entities financing for facilities necessary or useful to abate, control, and reduce air and water pollution. The Authority obtains funds through the issuance of bonds and notes. The three Trustees of the Authority are appointed by the Governor. The State can impose its will on the Authority by its ability to remove trustees at will. On June 14, 2006, the Authority was dissolved and is no longer a functioning component of the State. The Authority had no operations for the year ended June 30, 2006.

### **Fiduciary Component Units**

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

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

**Oklahoma Firefighters Pension and Retirement System** provides retirement benefits for municipal firefighters. The System is administered by a board comprised of thirteen members: The President of the Professional Fire Fighters of Oklahoma, the President of the Oklahoma State Retired Fire Fighters Association, the State Insurance Commissioner, the Director of State Finance (or their designees), the five members of the Board of Trustees of the Oklahoma Firefighters Association, and appointees by the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2006, and their report, dated September 25, 2006, 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, the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2006, and their report, dated September 21, 2006, has been previously issued under separate cover.

**Oklahoma Public Employees Retirement System** administers the Oklahoma Public Employee Retirement Plan which provides retirement benefits for state, county and local employees. The board is comprised of thirteen members: The Chairman of the Corporation Commission, the Administrator of the Office of Personnel Management, the State Insurance Commissioner, the Director of State Finance (or their designees), a member of the State Tax Commission, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2006, and their report, dated October 5, 2006, 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, 2006, and their report, dated October 5, 2006, has been previously issued under separate cover.

**Oklahoma Police Pension and Retirement System** provides retirement benefits for police officers employed by participating municipalities. The System is administered by a board comprised of thirteen members: Seven members elected from the seven Districts, the Director of State Finance, the State Insurance Commissioner (or their designees) and appointees by the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2006, and their report, dated August 31, 2006, 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, 2006, and their report, dated October 26, 2006, 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 nonfiduciary 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 60 days of the end of the current fiscal year end. Principal revenue sources considered susceptible to accrual include federal grants, interest on investments, sales and income taxes, and lease payments receivable. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the State's present appropriation system. These revenues have been accrued in accordance with generally accepted accounting principles (GAAP) since they have been earned and are expected to be collected within sixty days of the end of the period. Other revenues are considered to be measurable and available only when cash is received by the state.

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

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

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

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

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

#### **D. Fund Accounting**

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

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



## 1. Governmental Funds

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

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

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

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

## 2. Proprietary Funds

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

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

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

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

## 3. Fiduciary Funds and Similar Component Units

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

**Pension Trust Funds** - These Funds account for the transactions, assets, liabilities, and net assets of the Wildlife Conservation Retirement Plan in the primary government and the 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, 2006, and for the year then ended, except for the following funds and entities which were audited by other independent auditors.

CompSource Oklahoma	12-31-05
Multiple Injury Trust Fund	12-31-05
State and Education Employees Group Insurance Board	12-31-05
Oklahoma Turnpike Authority	12-31-05
Grand River Dam Authority	12-31-05
Oklahoma Municipal Power Authority	12-31-05
Oklahoma Housing Finance Agency	09-30-05

## E. Budgeting and Budgetary Control

The State's annual budget is prepared on the cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the accompanying financial statements, encumbrances are recorded as expenditures for budgetary purposes if expected to be presented for payment by November 15 following the end of the fiscal year and as reservations of fund balance for GAAP purposes. Since the budgetary basis differs from generally accepted accounting principles, 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, 2006 to revenues in excess of (less than) expenditures and other financing sources (uses) presented in conformity with generally accepted accounting principles is set forth in the Notes to Required Supplementary Information.

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

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

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

If funding sources are not sufficient to cover appropriations, the Director of State Finance is required to reduce the budget by the amount of such deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental appropriation. All fiscal year 2006 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 of capital lease payments due for equipment and railroad lines owned by the Department of Transportation. Collectibility of these lease payments is reasonably assured and no allowance for uncollectible amounts has been established.

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

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

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

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

Intrafund Transactions - Intrafund transfers, as a result of contracts among departments and/or agencies within the same fund, are considered expenditures by the contractor and revenues by the contractee for budgetary purposes. The Required Supplementary Information – Budgetary Schedules includes these transactions. However, as a general rule recorded intrafund revenues and expenditures have been eliminated in the GAAP-basis government wide financial statements. A portion of motor fuel excise taxes collected on fuels consumed on the State's turnpikes is made available to

the Oklahoma Turnpike Authority (OTA) from the Oklahoma Tax Commission. These taxes are apportioned to OTA monthly to fund debt service, but only to the extent amounts are not otherwise available to OTA. If the motor fuel excise taxes apportioned to OTA are not needed in the month of apportionment, the taxes are transferred to the Department of Transportation (DOT). Before these monthly transfers were mandated, a balance owed to DOT had accumulated and at year end this balance is presented as a noncurrent Due to Other Funds on the financial statements of OTA.

## **J. Inventories**

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Generally, inventories are valued at cost and predominantly on either the first-in first-out or weighted average basis. Inventories of federal surplus properties are valued at a percentage of federal acquisition cost. General fund inventories are recorded as expenditures when consumed rather than when purchased by recording adjustments to the inventory account on the balance sheet. The general fund inventories on hand at year-end are reflected as a reservation of fund balance on the balance sheet, except for \$676,000 in food commodities which is recorded as inventory and deferred revenue. Upon distribution, the food commodities are recognized as revenues and expenditures of the general fund.

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

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

## **K. Capital Assets**

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

The estimates of historical costs of buildings and other improvements were based on appraised value, as of August 4, 1994, indexed to the date of acquisition. Infrastructure constructed prior to July 1, 2000 has been recorded at estimated historical cost. The estimated historical cost for years 1916-2000 was based on capital outlay expenditures reported by the Oklahoma Department of Transportation 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 as 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 60 days thereafter to pay obligations due at June 30. Deferred revenues also arise when resources are received by the State before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the State has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet, and revenue is recognized. Deferred revenues at the government-wide level arise only when the State receives resources before it has a legal claim to them. Also included in deferred revenue at both levels are the undistributed food commodity inventories.

#### **N. Compensated Absences**

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

#### **O. Risk Management**

The Risk Management Division of the Department of Central Services is responsible for the acquisition and administration of all insurance purchased by the State, or administration of any self-insurance plans and programs adopted for use by the State or for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

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

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

## **P. Federal Grants**

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

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

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

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

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

## **R. Governmental Activities**

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

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

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

As further explained in item J above, the general fund inventory includes \$676,000 in food commodities which is also included in deferred revenue. Therefore, the reservation of fund balance for inventory/prepaid on the balance sheet is \$676,000 less than the total of inventory and prepaid items.

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

The Multiple Injury Trust Fund (MITF), a component unit, continues to operate in a deficit situation. MITF had total net liabilities (negative net assets) of \$182,647,000 at December 31, 2005. 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. MITF currently pays all awards for permanent partial and permanent total claims immediately when they come due. Fiscal year 2005 legislation shifted the liability for permanent total disability awards back to MITF. Additionally, benefits were increased from a five-year to a fifteen-year minimum, and survivor benefits were created.

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 Corporation (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, 2006, the OCIB had negative net assets of \$19,417,000. 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. Special Item – Taxpayer Refund**

In July, 2006, the Governor proposed a tax rebate program for the citizens of Oklahoma. This proposal was approved as one time legislation for the return of excess revenue collections to taxpayers. Joint filers of an Oklahoma tax return received \$90.00, and single filers received \$45.00. Through this legislation, \$91,869,000 was returned to taxpayers as a one time rebate. This amount is presented as a special item on the Statement of Activities.

**Note 2. Deposits and Investments**

The State Treasurer maintains two investment portfolios. The Treasurer’s Portfolio, which is used to manage the investments of all State monies that are under the control of the Treasurer where earnings accrue to the general fund of the State, and the State Agency Portfolio, 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 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

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 5% 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:

**State Treasurer Investment Policy Diversification Limits**

Investment Type	Percentage of Total Invested	Percentage of Total by Issuer	Maturity Limit	Rating
U.S Government Agency Securites	10%	2.5%	3 years	AAA
Collateralized or Insured Certificates of Deposit	Limit of \$20 Million per financial institution		90 Days	Collateralized per Statute
Collateralized or Insured Certificates of Deposit	Not to exceed \$100 million, not more than \$5 million per financial institution		180 Days	Collateralized per Statute
Negotiable Certificates of Deposit	7.5%	2.5%	180 Days	A or higher
Bankers Acceptance	7.5%	2.5%	270 Days	A or higher
Commercial Paper	7.5%	2.5%	180 Days	A or higher
State and Local Government Obligations	5%	2.5%	10 Years	AAA
Repurchase and Tri-party Repurchase Agreements	30%	15%	1 Day	Counterparty must be rated A or higher
Money Market Mutual Funds	30%	15%	1 Day	AAA

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, 2006 (expressed in thousands).

Investment Type	Investments - Primary Government			
	General Government	Permanent Funds	Business-Type Activities	Total Primary Government
<b>POOLED INVESTMENTS</b>				
US Treasury	\$ 1,357,664	\$ -	\$ 821	\$ 1,358,485
US Agency	1,927,268	-	-	1,927,268
Repurchase Agreements	738,000	-	22,605	760,605
Money Market Mutual Funds	594,222	30,888	-	625,110
Securities Lending Collateral Pool	1,526,980	-	-	1,526,980
Mutual Funds	1,850	-	-	1,850
Certificates of Deposit	382,530	-	-	382,530
State Bond Issues	96,690	-	-	96,690
	-	-	-	-
<b>NON-POOLED INVESTMENTS</b>				
US Treasury	6,337	85,494	16,817	108,648
US Agency	-	162,369	-	162,369
Domestic Corporate Bonds	-	577,623	-	577,623
Foreign Corporate Bonds	14,222	3,972	-	18,194
Domestic Equities	104	745,817	-	745,921
Foreign Equities	-	30,583	-	30,583
Other	-	4,895	-	4,895
Money Market Mutual Funds	75,612	3,021	-	78,633
Guaranteed Investment Contracts	-	-	324,577	324,577
Totals	\$ 6,721,479	\$ 1,644,662	\$ 364,820	\$ 8,730,961

### 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 longer 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 generally 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, 2006 (expressed in thousands).

<b>Investments - Component Units</b>	
Investment Type	Total Component Units
US Treasury	\$ 789,827
US Agency	270,401
Domestic Debt Instruments	1,174,231
Foreign Corporate Bonds	78
State and Local Gov't Debt Instruments	16,929
Domestic Equities and Equity Funds	713,837
Foreign Equities	30,163
Other	1,145,566
Money Market Mutual Funds	325,427
Guaranteed Investment Contracts	147,149
	\$ 4,613,608

#### **A. Custodial Credit Risk**

Custodial Credit Risk is the risk that in the event of the failure of a counterparty, the State will 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 counterparty or the counterparty's 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 amount of 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, 2006, 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 \$705,469,000 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, 2006, the Pension Trust Funds had deposits and cash equivalents of \$593,998,000 of which \$502,247,000 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, 2006, the Component Units had \$4,697,000 of custodial credit risk through letters of credit 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 either Moody's, Standard and Poor's, or Fitch in determining the risk associated with its fixed-income investments. Obligations of the U.S. Government or explicitly guaranteed by the U.S. Government are not considered to have credit risk. Certain debt instruments are commingled investments that do not have an applicable credit risk rating. These investments are presented as not rated in the accompanying tables.

### Primary Government

As outlined in an earlier table, the State Treasurer seeks to hold investments with a rating of A or higher as rated by Moody's. Generally, the permanent funds and the business-type activities seek to maintain the same or higher rating. The Water Resources Board, which has a high concentration of investments with one issuer, requires that issuer to maintain an average credit rating of AA or higher. Should this issuer's rating fall below AA, it is required to collateralize the guaranteed investments sufficient to maintain an AA rating on the contracts. At June 30, 2006, the Primary Government had the following investments subject to credit risk (expressed in thousands):

Credit Risk - Primary Government

Investment Rating Moody's/S&P/Fitch	US Government Securities	Treasury, Agency and Municipal Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ -	\$ 2,204,380	\$ 703,687	\$ 54,069	\$ 2,962,136
Aa/AA/AA	-	821	1,912	270	3,003
A/A/A	-	-	743,111	521	743,632
Baa/BBB/BBB	-	-	3,941	120	4,061
Ba/BB/BB	-	-	456,764	1,168	457,932
B/B/B	-	-	12,661	1,048	13,709
Caa/CCC/CCC	-	-	398	-	398
Not Rated	-	-	386,897	14,222	401,119
Credit Risk Not Applicable	1,452,212	-	-	-	1,452,212
Total	\$ 1,452,212	\$ 2,205,201	\$ 2,309,371	\$ 71,418	\$ 6,038,202

### Fiduciary Funds and Similar Component Units

The Pension Trust Funds typically hold a significant portion of assets in the form of debt instruments. Each Pension Trust Fund has an investment policy governing their credit risk exposure. Generally, at the time of purchase, investments in domestic fixed-income investments must carry the highest rating (either Aaa, AAA or AAA) as determined by the national rating organizations. International debt instruments must be Baa or BBB at the time of purchase. Overall, each investment policy generally requires that an average credit quality rating of A or higher be maintained for total debt instrument holdings. At June 30, 2006, the Pension Trust Funds had the following credit risk exposure (expressed in thousands):

Credit Risk - Pension Trust Funds

Investment Rating Moody's/S&P/Fitch	US Government Securities	Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ -	\$ 931,735	\$ 48,380	\$ 1,021,592	\$ 6,751	\$ 2,008,458
Aa/AA/AA	-	28,464	7,718	141,496	2,433	180,111
A/A/A	-	260	9,406	157,224	7,994	174,884
Baa/BBB/BBB	-	12,084	5,691	223,297	19,857	260,929
Ba/BB/BB	-	-	6,366	73,525	8,885	88,776
B/B/B	-	-	539	30,736	403	31,678
Caa/CCC/CCC	-	-	-	1,452	77	1,529
Ca./CC/CC	-	-	-	-	-	-
C/C/C	-	-	-	78	-	78
Not Rated	-	519,778	2,359	567,022	5,043	1,094,202
Credit Risk Not Applicable	1,731,394	-	-	-	-	1,731,394
Total	\$ 1,731,394	\$ 1,492,321	\$ 80,459	\$ 2,216,422	\$ 51,443	\$ 5,572,039

## 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, 2006 the Component Units had the following credit risk exposure (expressed in thousands).

### Credit Risk - Component Units

Investment Rating Moody's/S&P/Fitch	US Government Securities	Treasury, Agency and Municipal Securities	US Corporate Debt Instruments	Total
Aaa/AAA/AAA	\$ -	\$ 153,568	\$ 968,699	\$ 1,122,267
Aa/AA/AA	-	425	104,070	104,495
A/A/A	-	-	64,349	64,349
Baa/BBB/BBB	-	-	137,514	137,514
Ba/BB/BB	-	-	-	-
B/B/B	-	-	-	-
Caa/CCC/CCC	-	-	-	-
Not Rated	-	26,147	372,253	398,400
Credit Risk Not Applicable	897,017	-	-	897,017
<b>Total</b>	<b>\$ 897,017</b>	<b>\$ 180,140</b>	<b>\$ 1,646,885</b>	<b>\$ 2,724,042</b>

## 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. As a result, no single investment held at the State Treasurer at June 30, 2006 exceeded 5% of the portfolio. 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, 2006, the Board held Guaranteed Investment Contracts issued by Transamerica Occidental Life Insurance Co. /Transamerica Life Insurance and Annuity Co. in the amount of \$307,715,000, or 84% of its portfolio. Additionally, \$22,605,000, or 6% of the portfolio was invested in Guaranteed Investment Contracts issued by Trinity Plus Funding, LLC.

## 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 4 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, 2006, the Primary Government had the following investments with maturities (expressed in thousands):

**Interest Rate Risk - Primary Government**

Weighted Average Years to Maturity	US Government	Treasury, Agency	US Corporate	International	Total
	Securities	and Municipal	Debt	Debt	
		Securities	Instruments	Instruments	
Less than 1 year Weighted Average to Maturity	\$ 997,485	\$ 7,723	\$ 1,405,735	\$ -	\$ 2,410,943
1 - 5 years	377,622	1,972,073	229,309	-	2,579,004
5 - 10 years	18,670	65,016	239,651	3,972	327,309
10 or more years	130,925	45,442	177,920	-	354,287
No Maturity or Not Applicable	23,905	310	342,444	-	366,659
Total	\$ 1,548,607	\$ 2,090,564	\$ 2,395,059	\$ 3,972	\$ 6,038,202

**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, 2006, the Pension Trust Funds had the following exposure to interest rate risk (expressed in thousands):

**Interest Rate Risk - Pension Trust Funds**

Duration or Weighted Average Years	US Government	Treasury, Agency	International	US Corporate	International	Total
	Securities	and Municipal	Government	Debt	Debt	
		Securities	Securities	Instruments	Instruments	
Less than 1 year duration	\$ 1,884	\$ 3,991	\$ -	\$ 338	\$ -	\$ 6,213
1 - 5 years	283,643	78,533	38,736	208,670	15,709	625,291
5 - 10 years	791,401	13,248	24,298	903,228	25,017	1,757,192
10 or more years	1,080,104	731,219	17,425	685,821	10,717	2,525,286
No Duration	239,692	-	-	418,365	-	658,057
Total	\$ 2,396,724	\$ 826,991	\$ 80,459	\$ 2,216,422	\$ 51,443	\$ 5,572,039

**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, and consequently have been presented below as not having an applicable maturity. On June 30, 2006, the Component Units had the following interest rate risk exposure (expressed in thousands).

**Interest Rate Risk - Component Units**

Weighted Average Years to Maturity	US Government	Treasury, Agency	US Corporate	International	Total
	Securities	and Municipal	Debt	Debt	
		Securities	Instruments	Instruments	
Less than 1 year Weighted Average to Maturity	\$ 346,236	\$ 2,750	\$ 128,035	\$ -	\$ 477,021
1 - 5 years	430,978	129,249	559,023	-	1,119,250
5 - 10 years	51,835	19,392	123,491	71	194,789
10 or more years	2,309	24,373	56,126	-	82,808
No Maturity or Not Applicable	19,238	50,786	780,143	7	850,174
Total	\$ 850,596	\$ 226,550	\$ 1,646,818	\$ 78	\$ 2,724,042

**D. 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 up to 10% of the total portfolio to be invested in international securities in an effort to improve diversification and total returns. The business-type activities investing policies do not specifically address foreign investments, and they will typically not hold any international securities. At June 30, 2006, the Primary Government had the following foreign currency risk (expressed in thousands):

Currency	Debt		Total
	Equities	Instruments	
Australian dollar	\$ 533	\$ -	\$ 533
Brazilian real	-	-	-
British pound sterling	5,128	127	5,255
Bulgarian lev	-	-	-
Bermuda dollar	-	200	200
Canadian dollar	503	1,299	1,802
Cayman dollar	-	287	287
Czech koruna	-	-	-
Danish krone	716	-	716
Egyptian pound	-	227	227
Euro	12,495	893	13,388
Hong Kong dollar	877	-	877
Hungarian forint	-	-	-
Iceland krona	-	-	-
Indian rupee	-	-	-
Indonesian rupiah	-	-	-
Israeli shekel	1,990	303	2,293
Japanese yen	5,376	-	5,376
Korean won	314	-	314
Malaysian ringgit	-	82	82
Mexican peso	-	-	-
New Israeli shekel	-	-	-
New Taiwan dollar	277	-	277
New Turkish lira	-	-	-
New Zealand dollar	299	-	299
Norwegian krone	432	-	432
Philippines peso	-	-	-
Polish zloty	-	-	-
Romanian leu	-	-	-
Russian rubel	-	-	-
Singapore dollar	413	554	967
South African rand	-	-	-
South Korean won	130	-	130
Swedish krona	263	-	263
Swiss franc	837	-	837
Totals	\$ 30,583	\$ 3,972	\$ 34,555

## Fiduciary Funds and Similar Component Units

The Pension Trust Funds generally have investment policies regarding limits on the amount of foreign securities that can be held within their respective portfolios. The Pension 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 Pension Trust Funds had the following foreign currency risk at June 30, 2006(expressed in thousands):

### Foreign Currency Risk - Pension Trust Funds

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	\$ 53,680	\$ -	\$ 726	\$ 54,406
Brazilian real	3,504	-	103	3,607
British pound sterling	372,327	8,361	240	380,928
Bulgarian lev	20	-	-	20
Canadian dollar	44,867	2,519	26	47,412
Czech koruna	1,789	-	110	1,899
Danish krone	5,758	602	97	6,457
Eqyptian pound	261	-	-	261
Euro	824,496	29,382	16,450	870,328
Hong Kong dollar	52,369	-	473	52,842
Hungarian forint	2,607	-	-	2,607
Iceland krona	-	-	-	-
Indonesian rupiah	560	-	52	612
Japanese yen	397,944	28,216	4,755	430,915
Malaysian ringgit	3,266	-	6	3,272
Mexican peso	(876)	-	7	(869)
Moroccan dirham	282	-	-	282
New Israeli shekel	1,191	-	-	1,191
New Taiwan dollar	6,090	-	-	6,090
New Turkish lira	998	-	-	998
New Zealand dollar	9,859	709	21	10,589
Norwegian krone	15,967	-	546	16,513
Philippines peso	-	-	-	-
Polish zloty	9,991	-	2	9,993
Romanian leu	559	-	2	561
Russian rubel	160	-	-	160
Singapore dollar	26,839	-	-	26,839
South African rand	9,206	-	-	9,206
South Korean won	45,564	-	-	45,564
Swedish krona	25,552	3,391	505	29,448
Swiss franc	131,119	-	216	131,335
Thai baht	2,876	-	-	2,876
Turkish lira	362	-	-	362
Totals	\$ 2,049,187	\$ 73,180	\$ 24,337	\$ 2,146,704

## **Securities Lending Transactions – Primary Government**

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

During the fiscal year ended June 30, 2006, 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, 2006, the fair value of the securities on loan was approximately \$1,846,356,000. The underlying collateral for these securities had a market value of approximately \$1,892,035,000. Collateral of U.S. Government securities represented approximately \$365,055,000 of the total collateral. 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, 2006, there was no credit risk exposure to borrowers because the amounts the Primary Government owes the borrowers exceed the amounts the borrowers owe the Primary Government. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, resulting from the default of a borrower or the lending agent. Because these transactions are terminable at will, their duration generally did not match the duration of the investments made with cash collateral.

The Tobacco Trust Fund, a permanent fund of the state, participates in securities lending as defined by its investment policy. During the year the Tobacco Trust lent U.S. Government securities, corporate debt and domestic and foreign equities. Collateral was provided as cash for securities lent. Collateral must equal at least 102% of the market value of securities lent unless the principal market for the collateral is outside the United States, in which case a margin of 105% must be maintained. At June 30, 2006, the fair value of securities on loan was \$29,648,000. The collateral for securities lent had a market value of \$30,308,000. 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 Transactions – 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. 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. There are no restrictions regarding the amount of securities that may be lent.

During the fiscal year ended June 30, 2006, 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, 2006, the carrying amount and fair value of securities on loan was approximately \$1,086,505,000. The underlying collateral for these securities had a market value of approximately \$1,114,691,000. Collateral of securities and letters of credit represented approximately \$194,589,000 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, 2006, 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 Transactions – Component Units

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

During the fiscal year, securities lending agents lent primarily U.S. Government securities, equity securities and debt securities. Cash, U.S. Government securities and letters of credit were provided as collateral for the securities lent. Collateral must be provided in the amount of 102% of the fair value of the securities loaned. At fiscal year end, the carrying amount and market value of securities on loan was approximately \$47,758,000. The underlying collateral for these securities had a market value of approximately \$50,195,000. Collateral of securities and letters of credit represented approximately \$4,697,000 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 investments pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

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

### Note 3. Accounts Receivable

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts as of June 30, 2006, including the applicable allowances for uncollectible accounts, are presented below (expressed in thousands).

	<u>General Fund</u>	<u>Component Units</u>	
	Accounts Receivable	Accounts Receivable	Notes Receivable
Gross Receivables	\$ 66,942	\$ 404,684	\$ 1,076,490
Less: Allowance for Uncollectibles	<u>(32,572)</u>	<u>(84,667)</u>	<u>(3,871)</u>
Net Receivables	<u>\$ 34,370</u>	<u>\$ 320,017</u>	<u>\$ 1,072,619</u>





The general fund Due From Other Funds includes \$46,343,000 from Oklahoma Turnpike Authority (OTA) (\$45,593,000 at December 31, 2005 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. Also, the general fund is due \$137,000 from the Funds Held in Escrow agency fund for legislative mandated transfer of earnings on certain funds. The Wildlife Lifetime Licenses permanent fund is due \$112,000 from the general fund for legislative mandated transfer of earnings on certain funds.

The component units Due From Primary Government includes \$215,000 for University Hospitals Authority. This amount is due from the general fund for draw downs of principal from Oklahoma Capital Improvement Authority capital lease agreements.

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

**B. Notes Payable and Capital Leases**

The Multiple Injury Trust Fund (MITF) component unit reports a note payable to CompSource Oklahoma component unit of \$47,657,000, as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit not to exceed \$11,300,000. The remaining \$5,300,000 has not been advanced. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

The Higher Education (HE) and University Hospitals Authority (UHA) component units have entered into capital lease agreements with the general fund's Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. The capital lease outstanding balances are \$548,569,000 for HE and \$823,000 for UHA.

**C. Interfund Transfers**

A summary of interfund transfers for the fiscal year ended June 30, 2006, follows (expressed in thousands).

<u>Transfers From (Out)</u>	<u>Transfers To (In)</u>	<u>For (Purpose)</u>	<u>Amount</u>
<b>Governmental Funds:</b>			
General Fund	Oklahoma Water Resources Board	Payment for administrative costs	\$ 35
		Total transfers out of the General Fund	35
Permanent Funds:			
Commissioners of Land Office	General Fund	Transfer of expendable earnings	(7,403)
Department of Wildlife Conservation	General Fund	Transfer of expendable earnings	(2,642)
<b>Proprietary Funds:</b>			
Oklahoma Water Resources Board	General Fund	Restricted investment revenue	(483)
Lottery Commission	General Fund	Transfer of expendable earnings	(39,877)
		Total transfers in to the General Fund	(50,405)
		Net Transfers In/Out	<u>\$ (50,370)</u>

## Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows (expressed in thousands).

### Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,045,242	\$ 70,357	\$ (2,761)	\$ 1,112,838
Construction in progress	41,703	35,583	(5,412)	71,874
Total capital assets, not being depreciated	<u>1,086,945</u>	<u>105,940</u>	<u>(8,173)</u>	<u>1,184,712</u>
Capital assets, being depreciated:				
Buildings and improvements	912,047	17,594	(1,573)	928,068
Equipment	306,482	17,451	(6,440)	317,493
Infrastructure	11,039,631	427,003	(9,695)	11,456,939
Total capital assets, being depreciated	<u>12,258,160</u>	<u>462,048</u>	<u>(17,708)</u>	<u>12,702,500</u>
Less accumulated depreciation for:				
Buildings and improvements	(346,573)	(18,232)	1,359	(363,446)
Equipment	(184,845)	(16,247)	5,296	(195,796)
Infrastructure	(5,774,011)	(300,751)	5,479	(6,069,283)
Total accumulated depreciation	<u>(6,305,429)</u>	<u>(335,230)</u>	<u>12,134</u>	<u>(6,628,525)</u>
Total capital assets, being depreciated, net	<u>5,952,731</u>	<u>126,818</u>	<u>(5,574)</u>	<u>6,073,975</u>
Governmental activities capital assets, net	<u>\$ 7,039,676</u>	<u>\$ 232,758</u>	<u>\$ (13,747)</u>	<u>\$ 7,258,687</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Equipment	\$ 571	\$ 525	\$ -	\$ 1,096
Total capital assets, being depreciated	571	525	-	1,096
Less accumulated depreciation for:				
Equipment	(396)	(92)	-	(488)
Total accumulated depreciation	<u>(396)</u>	<u>(92)</u>	<u>-</u>	<u>(488)</u>
Business-type activities capital assets, net	<u>\$ 175</u>	<u>\$ 433</u>	<u>\$ -</u>	<u>\$ 608</u>

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

Governmental activities:	
Education	\$ 738
General government	5,142
Health services	6,506
Legal and judiciary	19
Museums	153
Natural resources	3,772
Public safety and defense	11,100
Regulatory services	231
Social services	3,817
Transportation	303,752
Total depreciation expense - governmental activities	<u>\$ 335,230</u>
Business-type activities:	
General government	\$ 43
Natural resources	49
Total depreciation expense - business-type activities	<u>\$ 92</u>

## Component Units

Capital asset activity for the year ended June 30, 2006, (December 31, 2005, or September 30, 2005, 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	\$ 271,690	\$ 34,984	\$ (1,014)	\$ 305,660
Construction in progress	254,072	364,463	(151,183)	467,352
Total capital assets, not being depreciated	<u>525,762</u>	<u>399,447</u>	<u>(152,197)</u>	<u>773,012</u>
Capital assets, being depreciated:				
Buildings and improvements	4,211,763	199,810	(41,359)	4,370,214
Equipment	1,132,415	114,451	(48,108)	1,198,758
Infrastructure	1,777,659	32,513	(508)	1,809,664
Total capital assets, being depreciated	<u>7,121,837</u>	<u>346,774</u>	<u>(89,975)</u>	<u>7,378,636</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,762,359)	(112,868)	14,887	(1,860,340)
Equipment	(773,236)	(89,974)	36,564	(826,646)
Infrastructure	(850,745)	(58,986)	439	(909,292)
Total accumulated depreciation	<u>(3,386,340)</u>	<u>(261,828)</u>	<u>51,890</u>	<u>(3,596,278)</u>
Total capital assets, being depreciated, net	<u>3,735,497</u>	<u>84,946</u>	<u>(38,085)</u>	<u>3,782,358</u>
Capital assets, net	<u>\$ 4,261,259</u>	<u>\$ 484,393</u>	<u>\$ (190,282)</u>	<u>\$ 4,555,370</u>

## Note 6. Risk Management and Insurance

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

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

CSO administers claim payments and provides excess-of-loss reinsurance to certain governmental entities that are self-insured. The premiums and fees received in connection with these transactions are included in sales revenue and were approximately \$6,963,000 in 2005. The liability for claims in excess of the self-insured entities' respective retention limits included in unpaid losses and loss adjustment expenses was approximately \$45,799,000 at December 31, 2005.

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 \$1,901,000 in 2005. No losses have been ceded under these agreements. Reinsurance receivables with a single reinsurer of \$300,000 at December 31, 2005, 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, 2005, have been charged to operations for the year ended December 31, 2005. 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 prime rate plus 2% to be updated annually.

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

Except for MITF, estimates relating to incurred but not reported claims, as well as other probable and estimable losses have been included in accrued liabilities for each fund. 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 currently expendable available financial resources.

The following table presents the changes in claims liability balances (both current and noncurrent) during the current fiscal year ended June 30, 2006, (December 31, 2005, for CompSource Oklahoma, State and Education Employees Group Insurance Board, and Multiple Injury Trust Fund) and the prior fiscal year, (expressed in thousands).

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
<b>Current Fiscal Year</b>						
General Fund* - Risk Management Division	\$ 24,838	\$ (639)	\$ (2,449)	\$ 21,750	\$ -	\$ 21,750
Component Units:						
CompSource Oklahoma	\$ 726,949	\$ 270,494	\$ (205,104)	\$ 792,339	\$ 619,244	\$ 173,095
State and Education Employees Group Insurance Board	85,558	695,401	(691,055)	89,904	6,855	83,049
Multiple Injury Trust Fund	153,582	3,152	(19,363)	137,371	121,982	15,389
Total Component Units**	\$ 966,089	\$ 969,047	\$ (915,522)	\$ 1,019,614	\$ 748,081	\$ 271,533

\* As discussed in the Litigation and Contingencies note, general fund claims and judgments includes \$1,805 accrued for the payment of litigation losses.

\*\* The Higher Education Component Unit's claims and judgments (\$2,686 – current and \$1,537 – noncurrent) are for accrued liabilities not related to risk management.

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
<b>Prior Fiscal Year</b>						
General Fund - Risk Management Division	\$ 24,801	\$ 2,915	\$ (2,878)	\$ 24,838	\$ -	\$ 24,838
Component Units:						
CompSource Oklahoma State and Education Employees Group Insurance Board	\$ 643,300	\$ 269,516	\$ (185,867)	\$ 726,949	\$ 576,313	\$ 150,636
Multiple Injury Trust Fund	85,076	610,941	(610,459)	85,558	7,214	78,344
	168,311	5,412	(20,141)	153,582	137,852	15,730
Total Proprietary Units	\$ 896,687	\$ 885,869	\$ (816,467)	\$ 966,089	\$ 721,379	\$ 244,710

## 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 234,000 primary participants and dependents, approximately 26,000 primary participants and 19,000 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 (292 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	27,000	8,000	55,000	----- 40,000 -----			
Dependents	-----			59,000	-----		

## 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 past two reporting periods for the three types of coverages: health and dental, life, and disability (expressed in thousands).

	Health and Dental		Life		Disability	
	Twelve-month Period Ending 12/31/2005	Twelve-month Period Ending 12/31/2004	Twelve-month Period Ending 12/31/2005	Twelve-month Period Ending 12/31/2004	Twelve-month Period Ending 12/31/2005	Twelve-month Period Ending 12/31/2004
Reserves at beginning of period	\$ 74,195	\$ 74,559	\$ 2,649	\$ 3,028	\$ 8,714	\$ 7,489
Incurred claims:						
Provision for insured events of current period	675,777	594,848	16,477	14,616	4,766	4,352
Changes in provisions for insured events of prior periods	(802)	(3,304)	(15)	203	(802)	226
	<u>674,975</u>	<u>591,544</u>	<u>16,462</u>	<u>14,819</u>	<u>3,964</u>	<u>4,578</u>
Payments:						
Claims attributable to insured events of current period	599,131	523,308	13,395	12,524	632	699
Claims attributable to insured events of prior periods	72,838	68,600	2,168	2,674	2,891	2,654
	<u>671,969</u>	<u>591,908</u>	<u>15,563</u>	<u>15,198</u>	<u>3,523</u>	<u>3,353</u>
Reserves at end of period	<u>\$ 77,201</u>	<u>\$ 74,195</u>	<u>\$ 3,548</u>	<u>\$ 2,649</u>	<u>\$ 9,155</u>	<u>\$ 8,714</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, 2006 are as follows (expressed in thousands).

	General Fund	Fiduciary Funds	Component Units
2007	\$ 1,176	\$ 134	\$ 4,172
2008	917	-	4,069
2009	154	-	3,964
2010	144	-	3,574
2011	83	-	258
2012-2016	-	-	3,013
2017-2021	-	-	39
2022-2026	-	-	39
Total Future Minimum Lease Payments	<u>\$ 2,474</u>	<u>\$ 134</u>	<u>\$ 19,128</u>
Operating lease commitments for building rental for year ended June 30, 2007	\$ 20,878	\$ 388	\$ 2,353
Rent expenditures/expenses for operating leases for year ended June 30, 2006	\$ 21,308	\$ 477	\$ 17,569

## Note 8. Lessor Agreements

### Primary Government

#### Direct Financing Leases

The **Department of Transportation** maintains leases classified as direct financing leases. The State leases heavy equipment and machinery to counties within the state. The lease terms are determined by the depreciation schedules published by the American Association of State Highway Transportation Officials. All new county equipment leases were charged an interest amount equivalent to 3% of the equipment cost. Title to this equipment passes to the counties at the end of the lease term. The Department of Transportation also leases railroad lines within the state to the AT&L Railroad Company and the Oklahoma, Kansas, and Texas Railroad Company with lease terms ending in 2014 and 2011, respectively. No interest or executory costs are charged, and the leases include bargain purchase options. The unguaranteed residual values of the machinery, equipment, and railroad lines are not estimated by the State. Contingent rentals are not a part of any lease and uncollectible amounts are not expected. The total minimum lease payments to be received by the Department of Transportation in future years is approximately \$30,880,000, which is also the net investment in direct financing leases at June 30, 2006. The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands).

	2007	2008	2009	2010	2011
Department of Transportation	\$ 6,889	\$ 6,327	\$ 5,444	\$ 4,506	\$ 3,605
Oklahoma Capital Improvement Authority	10,604	16,028	16,713	16,680	17,275
Total	<u>\$ 17,493</u>	<u>\$ 22,355</u>	<u>\$ 22,157</u>	<u>\$ 21,186</u>	<u>\$ 20,880</u>

The Oklahoma Capital Improvement Authority (OCIA) has capital lease agreements with component units for the lease of various facilities, equipment and improvements. At June 30, 2006, the total minimum lease payments to be received by OCIA from component units is \$549,392,000.

#### Operating Leases

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



year is approximately \$27,000. Minimum future rentals receivable from these operating leases is presented in the following schedule (expressed in thousands).

2007	2008	2009	2010	2011
\$ 247	\$ 45	\$ 28	\$ 20	\$ 18

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

2007	2008	2009	2010	2011
\$ 9,085	\$ 8,434	\$ 6,603	\$ 4,822	\$ 2,931

## 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, 2005 (expressed in thousands).

Total minimum lease payments to be received	\$ 103,885
Less: Amounts representing interest included in total minimum lease payments	<u>(48,314)</u>
Net investment in direct financing leases	<u><u>\$ 55,571</u></u>

## Operating Leases

The University Hospitals Authority entered into a lease effective November 1, 2001, whereby the Authority will receive rental income for leased office space for a term of five years. The schedule below presents the minimum future rentals receivable.

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 following schedule presents minimum future rentals receivable from these contracts (expressed in thousands).

	2007	2008	2009	2010	2011
Oklahoma Turnpike Authority	\$ 177	\$ 109	\$ 67	\$ 67	\$ 66
University Hospitals Authority	161	-	-	-	-
Total	<u>\$ 338</u>	<u>\$ 109</u>	<u>\$ 67</u>	<u>\$ 67</u>	<u>\$ 66</u>

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

Long-term obligations at June 30, 2006, and changes for the fiscal year then ended are as follows (expressed in thousands).

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds Payable from Tax Revenue:								
Oklahoma Bldg Refunding 2003A	2003	2.00%-5.00%	2019	\$ 254,135	\$ -	\$ 6,635	\$ 247,500	\$ 13,990
Oklahoma Bldg Refunding 2003B	2003	1.65%	2006	7,075	-	7,075	-	-
Total				<u>261,210</u>	<u>-</u>	<u>13,710</u>	<u>247,500</u>	<u>13,990</u>
Revenue Bonds Payable from Lease Rentals:								
OCIA Series A of 1986	1987	6.50%	2007	751	-	441	310	310
OCIA Series B of 1994	1995	4.85%-7.15%	2010	7,730	-	1,350	6,380	1,440
OCIA Series 1998, Corrections	1998	3.90%-5.00%	2018	1,745	-	855	890	890
OCIA Series 1998, Highway	1998	3.90%-5.00%	2008	108,830	-	34,565	74,265	36,250
OCIA Series 1999A	2000	4.10%-5.50%	2020	31,550	-	5,750	25,800	6,015
OCIA Series 1999B	2000	6.20%-7.63%	2020	1,680	-	230	1,450	245
OCIA Series 1999C	2000	4.10%-5.50%	2020	1,015	-	185	830	195
OCIA Series 1999D	2000	3.85%-5.70%	2025	2,715	-	495	2,220	520
OCIA Series 2000, Highway	2000	4.30%-5.00%	2012	110,645	-	13,540	97,105	14,250
OCIA Series 2002A	2003	2.00%-4.65%	2023	11,960	-	500	11,460	510
OCIA 2003A, Highway	2003	2.00%-5.00%	2015	65,565	-	5,430	60,135	5,640
OCIA 2003B, Highway	2003	2.00%-5.00%	2015	26,605	-	2,245	24,360	2,320
OCIA 2003C, State Facilities	2004	2.00%-4.75%	2025	18,000	-	655	17,345	665
OCIA 2003D, State Facilities	2004	2.00%-4.75%	2024	3,370	-	130	3,240	135
OCIA 2003E, State Facilities	2004	2.00%-4.00%	2016	20,040	-	2,055	17,985	2,105
OCIA 2004A, Refunding	2005	2.50%-5.00%	2024	110,845	-	160	110,685	170
OCIA 2005, Revenue	2006	3.50%-4.30%	2020	-	5,000	-	5,000	-
OCIA 2005A, Revenue	2005	3.00%-4.35%	2020	6,130	-	-	6,130	320
OCIA 2005B, Revenue	2005	3.00%-4.05%	2015	4,000	-	-	4,000	140
OCIA 2005C, Revenue	2005	3.00%-5.00%	2022	33,000	-	-	33,000	-
OCIA Series 2005D	2006	3.00%-4.38%	2030	-	21,355	-	21,355	-
OCIA Series 2005E	2006	3.70%-5.00%	2025	-	3,000	-	3,000	95
OCIA Series 2005F	2006	3.38%-5.00%	2030	-	333,610	-	333,610	-
OCIA Series 2005G	2006	4.79%-4.79%	2007	-	6,040	-	6,040	-
OCIA Series 2006	2006	5.00%-5.23%	2015	-	50,000	-	50,000	-
OCIA Series 2006A	2006	3.55%-4.38%	2026	-	24,410	-	24,410	-
OCIA Series 2006B	2006	3.50%-4.25%	2026	-	18,900	-	18,900	-
OCIA Series 2006C	2006	4.00%-4.50%	2026	-	22,040	-	22,040	-
OCIA Series 2006D	2006	VARIABLE	2035	-	125,700	-	125,700	-
Corrections 2003A, Central OK (ODFA)	2003	2.25%-4.65%	2023	33,385	-	1,405	31,980	1,435
Corrections 2004, Central OK (ODFA)	2004	3.00%-4.45%	2024	3,925	-	165	3,760	170
Corrections 2006, Central OK (ODFA)	2006	4.00%-5.45%	2026	-	4,345	14	4,331	110
Tourism 2002	2002	2.10%-4.25%	2012	2,525	-	325	2,200	335
DHS-Pittsburg Co. 1998 (ODFA)	1998	4.25%-5.30%	2012	980	-	85	895	90
DHS-Canad/Linc Co. 2000 (ODFA)	2000	4.30%-5.60%	2015	2,765	-	220	2,545	230
DHS-8 County (ODFA)	2002	2.00%-5.25%	2017	12,925	-	860	12,065	890
DHS-Logan/Okla Co. 2004A (ODFA)	2004	1.00%-3.85%	2019	8,130	-	490	7,640	503
DHS-2004B (ODFA)	2005	1.60%-5.13%	2019	4,810	-	255	4,555	255
Veterans Series 2005 (ODFA)	2005	2.65%-3.65%	2015	7,980	-	750	7,230	710
Law Enforcement Education/Train (ODFA)	2002	3.00%-5.50%	2027	24,490	-	690	23,800	710
Total				<u>668,091</u>	<u>614,400</u>	<u>73,845</u>	<u>1,208,646</u>	<u>77,653</u>
Notes Payable from Tax Revenue:								
Koch Financial	2003	3.79%	2007	7,919	-	4,461	3,458	3,458
Koch Financial	2003	3.90%	2007	2,785	-	1,568	1,217	1,217
Hitachi Credit America	2003	3.67%	2007	1,023	-	577	446	446
Tourism 2004, Clean Water	2004	2.13%	2024	6,805	-	290	6,515	300
ODOT 2004A, Grant Anticipation	2004	1.00%-4.89%	2018	44,550	-	2,575	41,975	2,610
ODOT 2005A, Grant Anticipation	2005	3.00%-5.00%	2020	-	48,875	-	48,875	2,380
Total				<u>63,082</u>	<u>48,875</u>	<u>9,471</u>	<u>102,486</u>	<u>10,411</u>
Notes Payable - Sardis Reservoir				34,787	-	307	34,480	307
Certificates of Participation				57	-	57	-	-
Capital Leases				4,161	248	1,122	3,287	1,011
Compensated Absences				139,472	86,680	79,936	146,216	79,936
Pension Obligation				1,857	51	-	1,908	-
Other Noncurrent Liabilities				52,673	-	-	52,673	-
Total Long-Term Obligations				<u>\$ 1,225,390</u>	<u>\$ 750,254</u>	<u>\$ 178,448</u>	<u>\$ 1,797,196</u>	<u>\$ 183,308</u>

The increase in debt is primarily due to the issuance of ten new bond series by OCIA totalling \$610,055, Corrections issued \$4,345, and ODOT issued a grant anticipation note for \$48,875.

### A. General Obligation Bonds

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

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

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2006, which have scheduled debt service amounts (expressed in thousands).

	2007	2008	2009	2010	2011	2012-2016	2017-2021	2022-2026	2027-2031	2032-2036	Total
<b>General Obligation Bonds:</b>											
Oklahoma Bldg Refunding 2003A	\$ 25,007	\$ 25,007	\$ 25,108	\$ 25,034	\$ 25,043	\$ 127,468	\$ 79,577	\$ -	\$ -	\$ -	\$ 332,244
Less: Interest	11,017	10,452	9,908	9,309	8,568	30,063	5,427	-	-	-	84,744
<b>Total Principal</b>	<b>13,990</b>	<b>14,555</b>	<b>15,200</b>	<b>15,725</b>	<b>16,475</b>	<b>97,405</b>	<b>74,150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>247,500</b>
<b>Revenue Bonds:</b>											
OCIA Series A of 1986	318	-	-	-	-	-	-	-	-	-	318
OCIA Series B of 1994	1,838	1,830	1,829	1,822	-	-	-	-	-	-	7,319
OCIA Series 1998, Corrections	930	-	-	-	-	-	-	-	-	-	930
OCIA Series 1998, Highway	39,408	39,412	-	-	-	-	-	-	-	-	78,820
OCIA Series 1999A	7,123	7,116	7,090	7,082	-	-	-	-	-	-	28,411
OCIA Series 1999B	343	345	340	343	51	253	203	-	-	-	1,878
OCIA Series 1999C	231	226	226	231	-	-	-	-	-	-	914
OCIA Series 1999D	615	610	608	609	-	-	-	-	-	-	2,442
OCIA Series 2000, Highway	18,904	18,905	18,905	18,903	18,903	18,906	-	-	-	-	113,426
OCIA Series 2002A	955	952	952	951	947	4,735	4,711	1,874	-	-	16,077
OCIA 2003A, Highway	8,259	8,260	8,259	8,261	8,262	33,039	-	-	-	-	74,340
OCIA 2003B, Highway	3,271	3,271	3,270	3,270	3,267	13,073	-	-	-	-	29,422
OCIA 2003C, State Facilities	1,327	1,329	1,329	1,331	1,330	6,648	6,628	5,285	-	-	25,207
OCIA 2003D, State Facilities	259	256	257	258	258	1,283	1,277	761	-	-	4,609
OCIA 2003E, State Facilities	2,661	2,663	2,661	2,666	2,672	7,505	-	-	-	-	20,828
OCIA 2004A, Refunding	5,589	6,520	6,515	6,515	13,756	68,573	51,999	1,257	-	-	160,724
OCIA 2005, Revenue	196	470	469	469	467	2,324	2,329	-	-	-	6,724
OCIA 2005A, Revenue	543	544	544	543	542	2,715	2,694	-	-	-	8,125
OCIA 2005B, Revenue	302	302	303	303	303	1,503	1,483	1,467	-	-	5,966
OCIA 2005C, Revenue	1,381	1,381	2,514	2,514	2,511	12,543	12,343	12,145	4,841	-	52,173
OCIA 2005D Revenue	850	1,145	1,432	1,428	1,429	7,137	7,119	7,092	7,057	-	34,689
OCIA 2005E Revenue	227	224	224	223	223	1,126	1,116	1,108	-	-	4,471
OCIA 2005F Revenue	17,476	18,062	24,268	24,238	24,235	120,943	120,487	120,032	119,469	-	589,210
OCIA 2005G Revenue	314	6,185	-	-	-	-	-	-	-	-	6,499
OCIA 2006 R	2,189	7,376	7,367	7,360	7,352	32,067	-	-	-	-	63,711
OCIA 2006A Revenue	794	1,795	1,793	1,795	1,791	8,946	8,928	8,891	1,773	-	36,506
OCIA 2006B Revenue	573	1,385	1,384	1,387	1,384	6,920	6,900	6,878	1,369	-	28,180
OCIA 2006C Revenue	516	1,619	1,659	1,664	1,661	8,288	8,263	8,227	1,641	-	33,538
OCIA 2006D Revenue	6,286	6,294	6,275	6,286	6,285	31,435	31,415	31,425	61,425	105,842	292,968
Corrections 2003A, Central OK (ODFA)	2,692	2,689	2,692	2,693	2,693	13,463	12,244	5,914	-	-	45,080
Corrections 2004, Central OK (ODFA)	309	309	309	309	308	1,541	1,415	738	-	-	5,238
Corrections 2006, Central OK (ODFA)	304	329	333	331	331	1,654	1,653	1,325	317	-	6,577
Tourism 2002	415	413	415	411	410	413	-	-	-	-	2,477
DHS-Pittsburg Co. 1998 (ODFA)	134	134	134	134	134	420	-	-	-	-	1,090
DHS-Canad/Linc Co. 2000 (ODFA)	366	364	367	364	365	1,457	-	-	-	-	3,283
DHS-8 County (ODFA)	1,431	1,430	1,430	1,432	1,432	7,159	1,430	-	-	-	15,744
DHS-Logan/Okla Co. 2004A (ODFA)	735	734	736	735	733	3,669	2,202	-	-	-	9,544
DHS-2004B (ODFA)	435	434	431	433	434	2,160	1,717	-	-	-	6,044
Veterans Series 2005 (ODFA)	913	945	942	944	946	3,777	-	-	-	-	8,467
Law Enforcement Education/Train (ODFA)	1,854	1,855	1,853	1,854	1,857	9,271	9,275	9,274	1,855	-	38,948
<b>Total</b>	<b>133,266</b>	<b>148,113</b>	<b>110,115</b>	<b>110,092</b>	<b>107,272</b>	<b>434,946</b>	<b>297,831</b>	<b>223,693</b>	<b>199,747</b>	<b>105,842</b>	<b>1,870,917</b>
Less: Interest	55,613	51,523	47,516	44,753	41,752	168,286	117,300	79,174	46,212	10,142	662,271
<b>Total Principal</b>	<b>77,653</b>	<b>96,590</b>	<b>62,599</b>	<b>65,339</b>	<b>65,520</b>	<b>266,660</b>	<b>180,531</b>	<b>144,519</b>	<b>153,535</b>	<b>95,700</b>	<b>1,208,646</b>
<b>Notes Payable:</b>											
Koch Financial	3,524	-	-	-	-	-	-	-	-	-	3,524
Koch Financial	1,240	-	-	-	-	-	-	-	-	-	1,240
Hitachi Credit America	454	-	-	-	-	-	-	-	-	-	454
Tourism 2004, Clean Water	439	438	441	439	442	2,239	2,280	1,157	-	-	7,875
ODOT 2004A, Grant Anticipation	4,296	4,302	4,297	4,297	4,267	21,272	12,713	-	-	-	55,444
ODOT 2005A, Grant Anticipation	4,307	4,452	4,453	4,451	4,450	22,129	22,017	-	-	-	66,259
<b>Total</b>	<b>14,260</b>	<b>9,192</b>	<b>9,191</b>	<b>9,187</b>	<b>9,159</b>	<b>45,640</b>	<b>37,010</b>	<b>1,157</b>	<b>-</b>	<b>-</b>	<b>134,796</b>
Less: Interest	3,849	3,645	3,486	3,318	3,115	11,530	3,330	37	-	-	32,310
<b>Total Principal</b>	<b>10,411</b>	<b>5,547</b>	<b>5,705</b>	<b>5,869</b>	<b>6,044</b>	<b>34,110</b>	<b>33,680</b>	<b>1,120</b>	<b>-</b>	<b>-</b>	<b>102,486</b>
<b>Capital Leases:</b>											
Less: Interest	1,634	1,489	1,237	354	44	56	-	-	-	-	4,814
Less: Executory Cost	180	114	49	11	4	2	-	-	-	-	360
<b>Total Principal</b>	<b>443</b>	<b>387</b>	<b>308</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,167</b>
<b>Total</b>	<b>1,011</b>	<b>988</b>	<b>880</b>	<b>314</b>	<b>40</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,287</b>
<b>Total</b>	<b>\$ 103,065</b>	<b>\$ 117,680</b>	<b>\$ 84,384</b>	<b>\$ 87,247</b>	<b>\$ 88,079</b>	<b>\$ 398,229</b>	<b>\$ 288,361</b>	<b>\$ 145,639</b>	<b>\$ 153,535</b>	<b>\$ 95,700</b>	<b>\$ 1,561,919</b>
<b>Long-Term Debt without scheduled debt service:</b>											
Note Payable-Sardis Reservoir											34,480
Compensated Absences											146,216
Pension Obligation											1,908
Other Noncurrent Liabilities											52,673
<b>Total Long-Term Obligations</b>											<b>\$ 1,797,196</b>

## B. Revenue Bonds

The Oklahoma Capitol Improvement Authority (OCIA) has twenty-nine outstanding series of building bonds to construct and equip state office buildings and prisons. Ten of these series were issued during the current fiscal year. 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.

During fiscal year 2006, OCIA issued ten new series of revenue bonds totaling \$610,055,000. The monies will provide \$515,350,000 for Oklahoma colleges and universities and \$94,705,000 for primary government improvements.

The **Oklahoma Development Finance Authority** (ODFA) has issued lease revenue bonds to provide lease financing for the Department of Human Services. ODFA has also issued revenue refunding bonds for the Department of Veterans Affairs. 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** issued Grant Anticipation Notes, Series 2004A for the purpose of financing certain qualified federal aid transportation projects in the State of Oklahoma and the balance remaining is \$41,975,000. In 2006, ODOT issued Grant Anticipation Notes, Series 2005A in the amount of \$48,875,000.

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

**D. Capital Leases**

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

Leased equipment under capital leases in capital assets at June 30, 2006, includes the following (expressed in thousands).

	<u>Equipment</u>
Cost	\$ 6,755
Less: Accumulated depreciation	<u>(3,145)</u>
Total	<u><u>\$ 3,610</u></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 plan is a single-employer plan that provides retirement, disability, and death benefits to the plan members and their beneficiaries. The pension obligation does not have scheduled future debt service requirements. This will be liquidated by the general fund.

**F. Authorized Unissued Bonds**

The Oklahoma Department of Corrections has been authorized to issue bonds in the amount of \$10,500,000 to construct, acquire and/or renovate property. During fiscal year 2006, DOC issued bonds totaling \$4,345,000.

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

The **Oklahoma Water Resources Board** (Board) along with the **Department of Environmental Quality** has issued thirteen 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, 2006, 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:								
1989-2005 Issues	1989-2005	1.45-6.50%	2035	\$ 687,115	\$ -	\$ 47,325	\$ 639,790	\$ 128,970
Adjusted for: Bond Discounts				14,249	(1,007)	(38)	13,280	-
Revenue Bonds Payable Net of Bond Discounts				701,364	(1,007)	47,287	653,070	128,970
Other Noncurrent Liabilities				1,296	741	170	1,867	-
Total Long-Term Obligations				\$ 702,660	\$ (266)	\$ 47,457	\$ 654,937	\$ 128,970

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2006, which have scheduled debt service amounts (expressed in thousands).

	2007	2008	2009	2010	2011	2012-2016	2017-2021	2022-2026	2027-2031	2032-2036	Total
Revenue Bonds:											
1989-2005 Issues	\$ 153,539	\$ 51,848	\$ 52,799	\$ 52,782	\$ 52,372	\$ 220,469	\$ 165,697	\$ 112,346	\$ 14,159	\$ 2,333	\$ 878,344
Less: Interest	24,569	21,922	20,900	19,747	18,567	73,319	42,347	15,621	1,374	188	238,554
Principal	128,970	29,926	31,899	33,035	33,805	147,150	123,350	96,725	12,785	2,145	639,790
Total	\$ 128,970	\$ 29,926	\$ 31,899	\$ 33,035	\$ 33,805	\$ 147,150	\$ 123,350	\$ 96,725	\$ 12,785	\$ 2,145	\$ 639,790
Adjusted for: Bond and Note Discounts											13,280
Long-Term Obligations without scheduled debt service:											
Other Noncurrent Liabilities											1,867
Total Long-Term Obligations											\$ 654,937

Certain of the bonds bear interest at variable rates, initially set at 0.87% to 3.80% and periodically adjusted pursuant to the provisions of the bond indentures, to a maximum rate of 12% to 14% per year. Variable rates are reset semiannually by the remarketing agent. The interest rate on the bonds ranged from 3.35% to 3.50% at June 30, 2006. 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 1.45% to 6.50%.

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liability on issuers of tax-exempt debt. The arbitrage rebate liability is recorded as other liabilities (\$1,867,000 noncurrent). This amount will be liquidated by the reporting enterprise fund. There are no scheduled future debt service requirements beyond one year.

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

Long-term obligations at June 30, 2006 (September 30, 2005, for Oklahoma Housing Finance Agency and December 31, 2005, for Oklahoma Turnpike Authority, Grand River Dam Authority and Municipal Power Authority), and changes for the fiscal year then ended are as follows (expressed in thousands).

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General Obligation Bonds Payable from User Fees:								
Industrial Finance Authority	1987-2006	3.00 - 7.65%	2022	\$ 58,070	\$ 8,600	\$ -	\$ 66,670	\$ 1,865
Higher Education	1996-2006	3.00 - 6.70%	2015	430	-	430	-	-
Total Before Adjustments				58,500	8,600	430	66,670	
Adjusted for: Bond Premiums				(3)	-	(68)	65	
Net Deferred Debits on Refundings				(245)	-	(17)	(228)	
Total General Obligation Bonds Payable								
Net of Bond Premiums and Deferrals				58,252	8,600	345	66,507	1,865
Revenue Bonds Payable from User Fees:								
Student Loan Authority	1994-2006	3.62 - 6.35%	2036	700,205	152,545	25,200	827,550	-
Development Finance Auth.	1996	5.15%	3031	9,999	-	-	9,999	-
Environmental Finance Auth.	1977	5.90%	2007	1,000	-	1,000	-	-
Housing Finance Agency	1987-2005	1.11 - 8.92%	2036	491,020	288,624	283,703	495,941	20,781
Turnpike Authority	1992-2002	3.15 - 6.30%	2028	1,228,466	236	27,125	1,201,577	27,845
Grand River Dam Authority	1993-2002	5.00 - 6.25%	2014	680,856	-	58,214	622,642	61,510
Municipal Power Authority	1990-2005	2.00 - 6.75%	2028	410,415	62,400	74,730	398,085	11,015
University Hospitals Authority	2005	4.00 - 5.36%	2036	-	55,460	-	55,460	765
Higher Education	1993-2005	1.27 - 12.00%	2034	950,954	48,238	67,573	931,619	22,982
Total Before Discounts/Deferrals				4,472,915	607,503	537,545	4,542,873	
Adjusted for: Bond (Discount) Premiums				3,914	1,334	(1,740)	6,988	
Net Deferred Debits on Refundings				(80,691)	(4,973)	(14,893)	(70,771)	
Total Revenue Bonds Payable								
Net of Bond (Discounts) Premiums and Deferrals				4,396,138	603,864	520,912	4,479,090	144,898
Notes Payable:								
Multiple Injury Trust Fund	2000-2001	7.00%	2031	48,342	-	685	47,657	927
Student Loan Authority	1993-2005	3.80 - 5.85%	2038	106,375	90,892	96,667	100,600	-
Municipal Power Authority	2003	6.00%	2028	56,687	-	1,116	55,571	1,182
Higher Education	2001-2006	1.88 - 8.00%	2036	111,625	12,192	81,538	42,279	2,933
Total				323,029	103,084	180,006	246,107	5,042
Capital Leases:								
University Hospitals Authority				1,043	-	220	823	242
Higher Education				133,031	579,074	22,368	689,737	26,921
Total				134,074	579,074	22,588	690,560	27,163
Claims and Judgments								
Due to Primary Government				970,316	986,218	923,632	1,032,902	283,284
Compensated Absences				-	-	-	-	-
Other Noncurrent Liabilities				79,056	47,925	42,492	84,489	63,144
Total Long-Term Obligations				200,879	201,365	33,964	368,280	142,955
Total Long-Term Obligations				\$ 6,161,744	\$ 2,530,130	\$ 1,723,939	\$ 6,967,935	\$ 668,351

## A. General Obligation Bonds

**Oklahoma Industrial Finance Authority (OIFA)** has issued eleven series of general obligation bonds. 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, 2006 (September 30, 2005, for Oklahoma Housing Finance Agency and December 31, 2005, for Oklahoma Turnpike Authority, Grand River Dam Authority and Municipal Power Authority), which have scheduled debt service amounts (expressed in thousands).

	2007	2008	2009	2010	2011	2012-2016	2017-2021	2022-2026	2027-2031	2032-2036	Total
<b>General Obligation Bonds:</b>											
Industrial Finance Authority	\$ 5,348	\$ 5,986	\$ 5,851	\$ 5,927	\$ 5,801	\$ 20,310	\$ 44,332	\$ 10,172	\$ -	\$ -	\$ 103,727
Higher Education	-	-	-	-	-	-	-	-	-	-	-
	5,348	5,986	5,851	5,927	5,801	20,310	44,332	10,172	-	-	103,727
Less: Interest	3,483	3,381	3,241	3,087	2,936	12,990	7,767	172	-	-	37,057
Total Principal	1,865	2,605	2,610	2,840	2,865	7,320	36,565	10,000	-	-	66,670
<b>Revenue Bonds:</b>											
Student Loan Authority	37,140	37,140	44,985	36,707	36,707	183,534	183,534	219,782	385,886	623,273	1,788,688
Development Finance Auth.	515	515	515	515	515	2,575	2,575	2,575	12,445	-	22,745
Environmental Finance Auth.	-	-	-	-	-	-	-	-	-	-	-
Housing Finance Agency	46,200	34,612	33,802	32,130	30,754	138,734	138,472	145,079	470,812	-	1,070,595
Turnpike Authority	89,040	98,324	98,317	98,321	98,320	492,598	494,093	345,772	151,909	-	1,966,694
Grand River Dam Authority	93,713	93,569	93,416	93,253	93,101	315,242	-	-	-	-	782,294
Municipal Power Authority	28,140	32,928	32,902	32,889	32,849	160,995	146,684	134,501	20,422	-	622,310
University Hospitals Authority	3,171	3,188	3,188	3,211	3,198	16,118	16,317	16,535	16,485	16,410	97,821
Higher Education	65,291	69,414	68,980	69,184	69,454	321,760	286,389	249,312	179,598	96,412	1,475,794
	363,210	369,690	376,105	366,210	364,898	1,631,556	1,268,064	1,113,556	1,237,557	736,095	7,826,941
Less: Interest	218,311	215,821	206,828	198,654	190,728	784,888	606,322	447,960	337,952	76,604	3,284,068
Total Principal	144,899	153,869	169,277	167,556	174,170	846,668	661,742	665,596	899,605	659,491	4,542,873
<b>Notes Payable:</b>											
Multiple Injury Trust Fund	4,231	4,052	4,052	4,052	4,052	20,260	20,330	20,260	18,620	478	100,387
Student Loan Authority	4,984	26,768	3,697	3,697	3,697	56,534	5,434	33,134	-	-	137,945
Municipal Power Authority	4,517	4,516	4,517	4,516	4,517	22,583	22,584	22,584	13,550	-	103,884
Higher Education	5,152	4,938	3,828	3,858	4,488	15,317	10,624	4,265	3,147	4,841	60,458
	18,884	40,274	16,094	16,123	16,754	114,694	58,972	80,243	35,317	5,319	402,674
Less: Interest	13,841	13,407	12,054	11,808	11,547	37,740	29,789	20,185	5,195	1,001	156,567
Total Principal	5,043	26,867	4,040	4,315	5,207	76,954	29,183	60,058	30,122	4,318	246,107
<b>Capital Leases:</b>											
University Hospitals Authority	302	300	301	50	-	-	-	-	-	-	953
Higher Education	56,043	61,059	58,100	56,306	54,348	250,103	195,541	169,403	157,752	97,124	1,155,779
	56,345	61,359	58,401	56,356	54,348	250,103	195,541	169,403	157,752	97,124	1,156,732
Less: Interest	29,182	29,794	28,651	27,481	26,162	118,769	91,541	65,813	39,596	9,183	466,172
Total Principal	27,163	31,565	29,750	28,875	28,186	131,334	104,000	103,590	118,156	87,941	690,560
Total	\$ 178,970	\$ 214,906	\$ 205,677	\$ 203,586	\$ 210,428	\$ 1,062,276	\$ 831,490	\$ 839,244	\$ 1,047,883	\$ 751,750	\$ 5,546,210
Adjusted for: Net Discounts and Deferred Debits on Refundings											(63,946)
Long-Term Obligations without scheduled debt service:											
Claims and Judgments											1,032,902
Due to Primary Government											-
Compensated Absences											84,489
Other Noncurrent Liabilities											368,280
Total Long-Term Obligations											\$ 6,967,935

## B. Revenue Bonds

The **Oklahoma Student Loan Authority (OSLA)** has issued eighteen series of revenue bonds. 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, 2006, the variable interest rates ranged from 3.62% 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, 2006 was 5.15%.

The **Oklahoma Housing Finance Agency (OHFA)** has issued 33 series of revenue bonds. The net proceeds of these bonds are used to provide financing for qualifying residences, provide interim and permanent financing for multi family construction projects, and establish debt service reserves as required by the various trust indentures.

The **Oklahoma Turnpike Authority (OTA)** has issued four series of revenue bonds with an original issue amount of \$1,265,115,000. 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 \$1,042,956,000. Oklahoma statutes have authorized GRDA to issue revenue bonds not to exceed \$1,410,000,000.

The **Oklahoma Municipal Power Authority (OMPA)** has issued eight 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 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 one bond series with an original issue amount of \$55,460,000. The proceeds will be used to partially finance construction of pediatric and research facilities.

Twenty-six of the State's colleges and universities within the **Higher Education** component unit have authorized and issued 63 series of revenue bonds with an original issue amount of \$950,954,000. These bonds were issued for the construction of student housing and other facilities. Student fees, revenues produced by the constructed facilities, and other revenues collateralize the revenue bonds.

### C. Defeased Bonds

In prior years, component units have defeased bonds by placing assets in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trusts' assets and the liability for the defeased bonds are not included in the accompanying financial statements. The following defeased bonds were outstanding at June 30, 2006 (December 31, 2005 for OTA, GRDA, and OMPA) (expressed in thousands).

Revenue Bonds			
OTA	GRDA	OMPA	Higher Education
\$ 29,000	\$ 54,140	\$ 46,875	\$ 15,375

### D. Notes Payable

The **Multiple Injury Trust Fund** (MITF) component unit reports a note payable to **CompSource Oklahoma** component unit of \$47,657,000, as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit not to exceed \$11,300,000. The remaining \$5,300,000 has not been advanced. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

Notes of the **Oklahoma Student Loan Authority** (OSLA) are issued to fund student loans and are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective financing agreements. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in lending agreements. At year end the variable interest rates ranged from 3.80% to 5.85%.

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, with a year end outstanding principal balance of \$34,437,000. During fiscal year 2006 the Higher Education component unit entered into additional capital lease agreements with OCIA totaling \$515,350,000. The Higher Education component unit had an outstanding capital lease principal balance of \$549,392,000 with OCIA. Only the principal balance is recognized since it is equivalent to the value of the items leased. These agreements are included with capital lease obligations.



Leased assets under capital leases in capital assets at June 30, 2006, included the following (expressed in thousands).

	Construction				Total
	Land	In Progress	Buildings	Equipment	
Cost	\$ 470	\$ 68,122	\$ 72,620	\$ 58,553	\$ 199,765
Less: Accumulated depreciation	-	-	(10,240)	(32,615)	(42,855)
Total	\$ 470	\$ 68,122	\$ 62,380	\$ 25,938	\$ 156,910

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

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

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liability on issuers of tax-exempt debt. At June 30, 2006 (December 31, 2005 for OTA and GRDA) the cumulative arbitrage rebate liability is as follows (expressed in thousands).

Reported as:	OSLA	GRDA
Accounts payable	\$ -	\$ 244
Other liabilities	71	-

#### 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 any balance in its bond redemption account. This results in \$23,493,000 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 \$240,710,000 for various construction, renovation and acquisition of property.

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

Beginning net assets related to Governmental Activities on the Statement of Net Assets have been restated due to an accounting error and certain transactions being crossed between fund types. This restatement increased net assets by \$189,000 at July 1, 2005.

Beginning net assets for the Oklahoma Lottery Commission, a Proprietary Fund of the State, has been restated due to an accounting error. The effect of the restatement reduced net assets by \$13,000 as of July 1, 2005.

Beginning net assets for the Oklahoma Capital Investment Board were restated due to the acquisition of the Oklahoma Capital Formation Corporation. The effect of the restatement reduced net assets by \$9,322,000 as of July 1, 2005.

Beginning net assets for Colleges and Universities have been restated due to accounting errors, recognition of deferred revenues and expenses, and to reclassify funds. The net effect of the restatements reduced net assets by \$5,307,000 as of July 1, 2004. Included in the \$5,307,000 total is \$79,000 of deferred revenues and expenses.

### Note 13. Nonrecourse Debt and Debt Guarantees

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

Financing agreements of Oklahoma Development Finance Authority (ODFA) and Oklahoma Housing Finance Agency (OHFA) are structured such that the debt is to be repaid solely from the revenues derived from the related facilities leased or acquired, or from the disposition of collateral. ODFA and OHFA do not hold notes receivable and trust investments in amounts equal to the long-term financings. As of June 30, 2006 ODFA had 216 series of debt outstanding for non-state

entities with an aggregate principal amount payable of approximately \$1,000,000,000 and original issuance amount of approximately \$1,200,000,000. As of September 30, 2005 OHFA had 7 series of multi family bonds outstanding with an aggregate principal amount payable of approximately \$28,147,000. These financings are not the 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, 2006, there were approximately \$42,000,000 of outstanding financial obligations insured by ODFA. At year end, the Fund has accrued a reserve for losses of approximately \$51,000, to cover potential losses from outstanding financial obligations insured by the Fund. Through June 30, 2006, there have been no Oklahoma Credit Enhancement Reserve Fund General Obligation Bonds issued since it is the intention of ODFA to utilize existing assets to meet obligations arising from losses reserved and accrued payments in lieu of interest by the Fund.

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

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

### **A. Primary Government**

#### **1. General Description of the Retirement System**

The Wildlife Conservation Retirement Plan (WCRP) is a single-employer defined benefit retirement system administered by the Wildlife Conservation Commission for employees of the Department of Wildlife Conservation. The WCRP provides retirement, disability and death benefits to plan members and their beneficiaries. The WCRP was established by statute, however, benefit provisions are established and amended by the Wildlife Conservation Commission. Cost-of-living adjustments are provided to members at the discretion of the Wildlife Conservation Commission.

The Wildlife Conservation Retirement Plan is included in the 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 Wildlife Conservation Retirement Plan required contribution is determined by the Wildlife Conservation Commission and is based on actuarial calculations.

The Wildlife Conservation Retirement Plan 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 2006, the employee contribution rate was 3%. The Department of Wildlife Conservation is required to contribute at an actuarially determined rate. The required contribution for the year ended June 30, 2006 was \$2,637,000.

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

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

	WCRP
Annual required contribution	\$ 2,637
Interest on net pension obligation	148
Adjustment to annual required contribution	(226)
Annual pension cost	<u>2,559</u>
Contributions made	<u>2,508</u>
Increase (decrease) in net pension obligation	51
Net pension obligation-beginning of year	<u>1,857</u>
Net pension obligation-end of year	<u><u>\$ 1,908</u></u>
Actuarial Assumptions:	
Investment rate of return	8.0%
Annual salary increase	5.0%
COLA increase	2.0%
Inflation rate	3.0%
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	13 years

The annual required contribution for the WCRP for the current year was determined as part of the July 1, 2006 actuarial valuation. Actual contributions equaled 95% of required contributions and 98% of annual pension costs for fiscal year 2006. 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
6/30/2006	\$ 2,559	98%	\$ 1,908
6/30/2005	2,034	123%	1,857
6/30/2004	1,811	66%	2,331

The following Required Supplementary Information for the Wildlife Conservation Retirement Plan 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
7/1/2006	\$ 61,761	\$ 76,823	\$ 15,062	80.4%	\$ 13,311	113.2%
7/1/2005	59,111	72,602	13,491	81.4%	13,237	101.9%
7/1/2004	58,072	67,563	9,491	85.9%	12,933	73.4%

## 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 Blvd., Suite 265 Oklahoma City, OK 73105-3414	Law Enforcement Retirement 4545 N. Lincoln Blvd., Suite 257 Oklahoma City, OK 73105-3414	Police Pension and Retirement 1001 N.W. 63rd St., Suite 305 Oklahoma City, OK 73116-7339
Public Employees Retirement 5801 N. Broadway Ext., Suite 400 Oklahoma City, OK 73118	Uniform Retirement System for Justices and Judges 5801 N. Broadway Ext., Suite 400 Oklahoma City, OK 73118	Teachers' Retirement System 2500 N. Lincoln Blvd., 5 <sup>TH</sup> Floor Oklahoma City, OK 73105-4209

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

OFPRS	OPERS	OPPRS	TRS
562	149	124	628

During fiscal year 2006, the Teachers' Retirement System's unfunded liability increased from \$7,099,000,000 to \$7,673,000,000. This increase was primarily due to the enactment of HB 1179. This bill created the new Education Employees Service Incentive Plan ("EESIP") and provided a 2% ad-hoc cost-of-living adjustment ("COLA"). Based on current statutes for determining the state, federal, and employer contribution rates, the funded period which is the number of years that would be required to amortize the unfunded actuarial liability (the "UAAL") is 37.4 years.

### 2. Funding Policy

The contribution requirements for the six PERS are an established rate determined by the State Legislature each year and are not based on actuarial calculations. The Uniform Retirement System for Judges and Justices Board has the ability to adjust contribution rates to prevent a funded ratio of less than 100%.

Oklahoma Firefighters Pension and Retirement System (OFPRS) receives contributions from participating full-time firefighters equal to 8% of applicable earnings, while member cities contribute 13% of the member's applicable earnings. In addition, the member cities contribute \$60 for each volunteer firefighter unless their income in the general fund is less than \$25,000, in which case they are exempt. In fiscal year 2003 the State allocated to OFPRS 34% of the insurance premium tax collected from insurance companies on various types of insurance policies as required by statute. Senate Bill 206 directed that these taxes be credited to the Education Reform Revolving Fund for fiscal year 2004 instead of OFPRS. The tax allocation to OFPRS resumed in fiscal year 2005. The State of Oklahoma allocated 41.7% of the insurance premium tax collected from various types of insurance policies to the Plan during 2005 and 2006. Insurance premium contributions to the plan for the years ended June 30, 2006, 2005, and 2004 totaled \$58,000,000, \$58,000,000, and \$0, respectively.

Oklahoma Law Enforcement Retirement System (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. In fiscal year 2004, Senate Bill 206 required that insurance premium tax be directed to the Education Reform Revolving Fund instead of OLERS. This

tax allocation reverted back to OLEERS in fiscal year 2005. The other state contributions to the plan for years ended June 30, 2006, 2005, and 2004 totaled \$16,152,000, \$16,045,000, and \$8,100,000, respectively.

Oklahoma Public Employees Retirement System (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 2006:

State employees and agencies – State employees contribute 3.0% on the first \$25,000 of salary and 3.5% on salary above \$25,000. State agency employers contribute 11.5% 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 6.5% up to a maximum of 11.5%. Combined employee and employer contributions equal 15% of total salary.

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

Hazardous Duty Members – Hazardous Duty Members contribute 8% of total salary. Employers contribute 11.5% of total salary.

State agency employer contributions to OPERS for the years ended June 30, 2006, 2005, and 2004 were \$143,823,000, \$117,416,000, and \$111,891,000, respectively. These contributions represent 100% of the contribution required.

Uniform Retirement System for Justices and Judges (URSJJ) member contribution for fiscal year 2006 are 8% of members' monthly salary. State statutes require participating court employers to contribute monthly a percentage of the gross salaries of active members. The percentage established for the years ended June 30, 2006 and 2005 were 3% and 2%, respectively, of member payroll. Effective for the fiscal year ended June 30, 2007, the employer contribution rate will increase to 4.0% of payroll and will increase 1% annually up to 22% for the fiscal years ending June 30, 2019, and thereafter.

Oklahoma Police Pension and Retirement System (OPPRS) receives contributions from each participating municipality and each participant. Until July 1, 1991, each municipality contributed 10% of the actual base salary of each participant employed by the municipality. Beginning July 1, 1991, municipality contributions increased by 0.5% per year and continued until July 1, 1996, when the contribution level reached 13%, where it remains. Each participant of OPPRS contributes 8% of actual paid base salary. In addition, the State allocates a portion of the insurance premium taxes collected from insurance companies on various types of insurance policies as required by statute. Senate Bill 206 directed that this allocation be credited to the Education Reform Revolving Fund instead of OPPRS for fiscal year 2004. The allocation to OPPRS resumed in fiscal year 2005. Insurance premium contributions to the plan for the years ended June 30, 2006, 2005, and 2004 totaled \$23,584,000, \$23,730,000, and \$0, respectively.

Teachers' Retirement System (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. For those members employed by a comprehensive university, the following table summarizes the maximum compensation level.

<u>Fiscal Year</u>	<u>For Members Who Elected the \$25,000 Limit Prior to June, 30 1995</u>	<u>For All Other Members</u>
2004	62,500	79,000
2005	67,500	84,000
2006	72,500	89,000

Maximum compensation levels will increase by \$5,000 each year through June 30, 2007, after which the full amount of regular annual compensation will be considered.

Employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 7.05% for fiscal year 2006 is applied to annual compensation up to defined caps depending upon the member's elections as previously described. Oklahoma statutes require the state to contribute 4% of the State's sales, income and use tax. Amended statutes increase this contribution rate to 5% by 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 \$202,000,000 from this source for fiscal year 2006. State contributions on behalf of employees totaled approximately \$36,366,000 for fiscal year 2006. State employer contributions to TRS for the year ended June 30, 2006, 2005, and 2004 were \$4,774,000, \$4,423,000, and \$4,155,000, respectively. These contributions represent 100% of the contribution required.

### 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	\$ 30,006	\$ 4,441
Interest on net pension obligation	(2,355)	(1,053)
Adjustment to annual required contribution	11,639	1,295
Annual pension cost	39,290	4,683
Contributions made	22,023	791
Increase (decrease) in net pension obligation	17,267	3,892
Net pension obligation-beginning of year	(31,402)	(14,527)
Net pension obligation-end of year	\$ (14,135)	\$ (10,635)
Actuarial Assumptions:		
Investment rate of return	7.5%	7.25%
Annual salary increase	2.8 - 5.8%	5.5%
COLA increase	3.0%	2.0%
Inflation rate	3.0%	2.5%
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	15 years	22 years

The annual required contribution for URSJJ for the current year was determined as part of the July 1, 2004 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 18% 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, 2004 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 73% 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 7.25% rate of return for URSJJ and 7.5% rate of return for OLERS. Prior year's unrecognized gains and losses are added to this amount to develop expected actuarial value. The expected actuarial value is then compared to the market value of the assets at the valuation date, and 20% of any gain (loss) for the last five years is added to the expected actuarial value. The gain (loss) is amortized over five years with the actuarial value of the assets being constrained to a range of 80% to 120% of the market value at the valuation date.

**Three-Year Trend Information**

(expressed in thousands)

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
Oklahoma Law Enforcement Retirement System	6/30/2006	\$ 39,290	56%	\$ (14,135)
	6/30/2005	34,822	61%	(31,402)
	6/30/2004	36,419	37%	(44,823)
Uniform Retirement System for Justices and Judges	6/30/2006	4,683	17%	(10,635)
	6/30/2005	2,471	19%	(14,527)
	6/30/2004	209	233%	(16,523)

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

**Schedules of Funding Progress**

**Oklahoma Law Enforcement Retirement System**

(unaudited)

(expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2006	\$ 651,671	\$ 772,269	\$ 120,598	84.4%	\$ 57,116	211.1%
7/1/2005	630,245	751,772	121,527	83.8%	50,901	238.7%
7/1/2004	604,131	689,801	85,670	87.6%	48,872	175.3%

**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
7/1/2006	\$ 210,376	\$ 205,305	\$ (5,071)	102.5%	\$ 27,488	(18.4%)
7/1/2005	203,951	187,557	(16,394)	108.7%	24,814	(66.1%)
7/1/2004	201,142	166,276	(34,866)	121.0%	25,715	(135.6%)

**4. Other Retirement Systems**

The Oklahoma Housing Finance Agency (OHFA), a component unit of the State, contributes to the Oklahoma Housing Finance Agency Retirement Plan, which is a defined contribution plan. Under its provisions, all new employees are required to participate in the Oklahoma Public Employees Retirement System (OPERS), and are not eligible to join the OHFA plan after June 30, 1997. OHFA's contribution amount is at the discretion of the Board of Trustees and does not have any limitations. The current contribution rate is 10% of eligible employees' compensation. Employees begin vesting after two years of service and become fully vested after six years of service. Plan provisions were established and may be amended by the Board of Trustees.

In addition to the TRS, various institutions in the Higher Education Component Unit participate in other pension plans, primarily the Teachers Insurance and Annuity Association. These plans are defined contribution plans. Contributions made by participating institutions are based on a percentage of payrolls for qualified employees as determined by each institution's contract. For those institutions providing these plans, the total covered payroll was \$512,415,000. The institution contributions were \$46,160,000 or 9.0% of covered payroll. Employees are not required to contribute to the plans.

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

## Note 15. Other Postemployment Benefits

### Primary Government

In addition to the pension benefits described in the Retirement and Pension Systems note, the State provides post-retirement health care benefits (OPEB). The Department of Wildlife Conservation pays the Medicare supplement insurance premium or \$100 per month, whichever is less, for all retirees of the Wildlife Conservation Retirement Plan who elect coverage at the time of retirement through the Oklahoma State and Education Employees Group Insurance Board.

	<u>Current Year Expenditures</u>	<u>Eligible Participants</u>	<u>Enabling Legislation</u>
Department of Wildlife Conservation	\$ 115,000	96	Title 29, 3-306

The Department of Wildlife Conservation funds postemployment health care benefits on a pay-as-you-go basis as part of the overall retirement benefit. No separation of pension obligation and health insurance obligation is made and assets are not allocated between obligations.

### Component Units

Oklahoma Law Enforcement Retirement System (OLERS), Oklahoma Public Employees Retirement System (OPERS), and Uniform Retirement System for Judges and Justices (URSJJ) pay the Medicare supplement insurance premium or \$105 per month, whichever is less, for all retirees who elect coverage at time of retirement through the Oklahoma State and Education Employees Group Insurance Board. Teachers' Retirement System of Oklahoma (TRS) pays between \$100 and \$105 per month for each retiree, depending on the member's years of service.

	<u>Current Year Expenditures</u>	<u>Eligible Participants</u>	<u>Enabling Legislation</u>
OLERS	\$ 651,000	545	Title 74, 1316.2
OPERS	17,000,000	13,365	Title 74, 1316.2
URSJJ	127,000	101	Title 74, 1316.2
TRS	30,422,000	26,484	Title 74, 1316.2

OLERS, OPERS, URSJJ, and TRS calculate and fund postemployment health care benefits on an actuarial basis for OPEB as part of the overall retirement benefit. No separation of pension obligation and health insurance obligation is made and assets are not allocated between obligations. The Retirement and Pension Systems note includes additional basic disclosures related to OPEB.

House Bill 2442, which took effect July 1, 2004, allows members who are retired from Oklahoma Law Enforcement Retirement System (OLERS) by means of a personal and traumatic injury of a catastrophic nature and in the line duty and any surviving spouse of a member who was killed in the line of duty to have 100% of the retired member's or surviving spouse's healthcare premium cost paid by the System. The amount remitted for the year ended June 30, 2006, for such premiums was approximately \$78,000.



Oklahoma Firefighters Pension and Retirement System and Oklahoma Police Pension and Retirement System do not provide other postemployment benefits.

Beginning in 2003, revisions to Title 82 of the Oklahoma Statutes, Section 864.1 authorized the Grand River Dam Authority to pay up to \$60 per month of eligible employee only health insurance premiums for each GRDA retiree. Expenses for postretirement health care benefits are recognized as premiums are due. At December 31, 2005, there were 140 retirees eligible for such benefits. Under this program, the Authority paid approximately \$99,000 for retiree's health insurance premiums in 2005.

Eighteen of the institutions included in the Higher Education Component Unit offer postemployment benefits upon the authorization of the institution's Board of Regents. These benefits primarily provide health, dental and life insurance benefits. The eligibility requirements differ depending on the higher education institution. Current year benefit expenditures, funded on a pay-as-you-go basis, totaled approximately \$6,390,000 for the estimated 2,382 eligible participants.

## **Note 16. On-Behalf Payments**

The Teacher's Retirement System (TRS) of Oklahoma receives 4% 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 will increase to 4.5% on July 1, 2006; and 5% 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 \$202,000,000 from the State for the year ended June 30, 2006.

## **Note 17. Commitments**

### **Primary Government**

The **Department of Transportation** had contractual commitments at June 30, 2006, of approximately \$416,333,000 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 \$51,943,000 for the General Fund.

### **Component Units**

The **University of Oklahoma** had outstanding commitments under construction contracts totaling \$55,916,000 at June 30, 2006.

**Oklahoma State University** had outstanding commitments under construction contracts of approximately \$10,617,000 at June 30, 2006.

The **Oklahoma Student Loan Authority** (OSLA) has entered into various forward purchase and sale commitment agreements with certain Oklahoma financial institutions for which it performs interim status loan servicing. Under these forward purchase and sale commitments, OSLA is required to purchase Federal Family Education Loans (FFEL) under certain terms and conditions. As of June 30, 2006, OSLA was committed to purchase approximately \$182,792,000 of FFEL.

The **Oklahoma Turnpike Authority** (OTA) had commitments outstanding at December 31, 2005, relating to equipment orders and supplies of approximately \$1,459,000. At December 31, 2005, OTA had commitments outstanding relating to construction and maintenance contracts of approximately \$97,000,000.

The **Oklahoma Municipal Power Authority** (OMPA) purchased approximately \$10,700,000 of power pursuant to several long-term purchase agreements during 2005. OMPA is obligated to purchase, at a minimum, approximately \$10,700,000 of power in 2006.

The **University Hospitals Authority and University Hospitals Trust** (TUH) approved a construction and equipment project. Under the agreement, TUH is obligated to pay approximately \$19,670,000 in planned capital expenditure allocation. At June 30, 2006 approximately \$14,803,000 has been paid by TUH.

## **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, 2006. The State has accrued a liability of \$380,000 for the payment of such claims. This amount is reported in the General Fund.

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, 2006, the State is unable to estimate what liabilities may result from such audits.

### **Primary Government**

The **Department of Transportation** (DOT) has incurred significant expenditures on construction projects that have exceeded the amounts approved by the federal grantor. These project expenditures are held in suspense until approved by the federal grantor and subsequently reimbursed. Based on prior years' experience, the reimbursement of expenditures is highly probable. At June 30, 2006, the Department of Transportation had project expenditures totaling \$1,884,000 that will be reimbursed pending approval of the Federal Government.

The **Oklahoma Water Resources Board** (Board), pursuant to statute, assumed the obligations of the Oklahoma Water Conservation Storage Commission including a 1974 contractual obligation to repay the United States (through the Army Corps of Engineers) for the costs of constructing water supply storage at Sardis Reservoir in southeastern Oklahoma. Under the 1974 contract, annual payments are to be made for the reservoir construction, operation, and maintenance allocated to the present use water supply storage. Total unaudited construction costs of the Sardis Reservoir allocated to water supply storage are approximately \$38,400,000. Payments on the reservoir began in 1983 and are to continue for 50 years. As of June 30, 2006, the State has made payments of approximately \$4,416,000; however, the Board did not receive legislative authorization to pay the annual payments due in the fiscal years 1989 through 1996. No payments have been made since 1997. The amount in arrears, including interest and penalty is approximately \$14,287,000. In June 2006, the 10<sup>th</sup> U.S. Circuit Court of Appeals ruled that the State of Oklahoma is legally required to perform its obligations under the 1974 contract. The Office of Attorney General for the State indicated that the State would file a petition asking the U.S. Supreme Court to review the ruling.

### **Component Units**

The State Legislature enacted legislation that transferred \$31,500,000 of state employee insurance premiums during fiscal year 1997 to the **Oklahoma State Regents for Higher Education** to help fund higher education in the state. These premiums were originally designated to be paid to the **Oklahoma State and Education Employees Group Insurance Board** to provide health insurance coverage for participating employees. In August 1998 the Federal Department of Health and Human Services Departmental Appeals Board sided with the federal government and ordered the State to pay \$7,100,000 which represents the amount included in grant costs charged to the federal government. This balance accrues simple interest at a rate of 13.75%, and \$5,600,000 in interest has accrued through June 30, 2004. A liability for principal and interest is recorded in the General Fund. The State has reached an agreement with the Federal Government to repay the total of \$12,700,000 in annual installments of \$4,000,000 beginning in fiscal year 2004 and continuing until the debt is repaid. As of June 30, 2006, the balance of this debt is \$380,000 principal and \$320,000 interest.

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. The OCIB, in order to mobilize investments, had a financially integrated relationship with the Oklahoma Capital Formation Corporation (OCFC), a third-party, formerly independent corporation. During fiscal year 2006, the OCIB purchased 100% of the ownership of the OCFC. Operations of the OCFC are now included in the financial results of the Board. OCIB has a \$30,000,000 line of credit and a \$25,000,000 term loan. As of June 30, 2006, the outstanding debt in connection with the line of credit and term note was approximately \$36,815,000. In addition to the long-term debt, OCIB reported a June 30, 2006 net assets deficit of \$19,417,000.

The credits and OCIB's right to transfer the credits expire if not utilized by July 1, 2015. As of June 30, 2006, no credits had been transferred. However, four entities have signed agreements to purchase up to an aggregate of \$8,000,000 per year, at the sole discretion of OCIB. OCIB has authority to issue up to \$20,000,000 of tax credits per year with an overall maximum of \$100,000,000.

At December 31, 2005, the **Grand River Dam Authority** (GRDA) was a defendant in approximately 100 claims related to alleged flooding of property upstream from Grand Lake in the early 1900s. In January 2006, the Authority paid approximately \$680,000 in settlement of all but six of these cases. The remaining six claims are seeking damages in the approximate amount of \$10,000,000 and the amount of any damages to be awarded will be determined individually subsequent to trial of each claim.

The Authority is also the defendant in another case which involves approximately 50 landowners claiming a constitutional taking due to flooding. Based on the facts and information presently available, management of the Authority believes that it is reasonably probable that GRDA will incur a material future financial loss in the settlement or other resolution of these flood related cases. As a result, a liability of \$4,000,000 has been recorded relating to this contingency.

In late 2005, the **Oklahoma Turnpike Authority** (OTA) reached a settlement in a class action litigation related to the OTA's Pikepass electronic collection system. The settlement received final approval by the Court on December 9, 2005, and included the period from when the Pikepass electronic collection system was placed in service. The terms of the settlement include (1) Pikepass travel credits of \$6,000,000; (2) cash payment by OTA of \$3,300,000; and (3) other non-monetary benefits including improvements made to the Pikepass electronic collection system.

## **Note 19. Subsequent Events**

### **Component Units**

The **Oklahoma Capital Investment Board** has decided to issue approximately \$12,700,000 of tax credits to fund prior investment losses and prior payment made for the OCAP program.

The **Oklahoma Development Finance Authority** (ODFA) has issued \$17,815,000 in master lease revenue bonds and \$9,500,000 in Campus Housing Revenue Bonds for Seminole State College.

**University of Oklahoma** in September 2006 issued General Revenue Refunding Bonds for \$114,965,000 to refund five of the University outstanding revenue bonds. In September 2006, the Board of Regents authorized the issuance of the General, Limited and Special Obligation Bonds, Series 2006 in an approximate amount of \$37,000,000. The bonds will be used to fund construction and improvement projects.

**Rogers State University** entered into a 20 year lease agreement with the Oklahoma Development Finance Authority and the State Regents as a beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Master Lease Revenue Bonds, Series 2006B, in August 2006.

**Oklahoma Student Loan Authority** (OSLA) implemented a new borrower incentive program whereby the Authority will pay the new 1% Federal Default Fees when the loans' guarantors are charging this fee. This new incentive program applies to loan disbursement for OSLA and members of the OSLA Lending Network for Stafford and PLUS loans

guaranteed on or after July 1, 2006. OSLA is committed to this incentive program at least through June 30, 2007. In September, 2006 OSLA received a Private Activity State Ceiling Allocation of \$43,993,762 for tax-exempt debt issuance. The Authority plans to issue a new promissory note in the amount of the allocation pursuant to the 2005B line of credit financing.

**Oklahoma Industrial Finance Authority** exercised their early redemption option and redeemed general obligation bonds Series S in the total amount of \$5,375,000, in August 2006.

**Oklahoma Housing Finance Agency** issued single-family mortgage revenue bonds totaling \$42,500,000 in September 2006.

**Oklahoma Turnpike Authority** issued Refunding Second Senior Revenue Bonds Series 2006A-F. Series A is \$104,790,000 and Series B-F is for \$530,800,000.

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Wooden Derrick

## **DEVON ENERGY OIL & GAS PARK**

The story of oil and gas exploration is a tale of risk, innovation, fortunes won and lost, spectacular successes, and dramatic challenges.

This park interprets some of the technology that is part of the fascinating history of Oklahoma's oil industry.

**Required Supplementary Information  
Budgetary Schedules**

# Required Supplementary Information

State of Oklahoma  
 Budgetary Comparison Schedule  
 Budget to Actual (Non-GAAP Budgetary Basis)  
 General Fund  
 For the Fiscal Year Ended June 30, 2006  
 (expressed in thousands)

Budgetary General Fund					
	Original Budget	Budget Amendments	Final Budget	Actual Amounts	Variance with Final Budget
<b>Revenues</b>					
Taxes	\$ 5,225,094	\$ 0	\$ 5,225,094	\$ 5,731,637	\$ 506,543
Licenses, Permits and Fees	37,461	0	37,461	49,912	12,451
Interest and Investment Revenue	69,171	0	69,171	117,449	48,278
Local Receipts and Reimbursements	4,672	0	4,672	0	(4,672)
Other	105,112	0	105,112	117,117	12,005
<b>Total Revenues</b>	<b>5,441,510</b>	<b>0</b>	<b>5,441,510</b>	<b>6,016,115</b>	<b>574,605</b>
<b>Expenditures</b>					
Education	136,416	10,833	147,249	131,212	16,037
General Government	127,125	10,447	137,572	119,482	18,090
Health Services	270,634	4,578	275,212	248,110	27,102
Legal and Judiciary	79,163	6,758	85,921	80,306	5,615
Museums	17,984	17,291	35,275	31,683	3,592
Natural Resources	71,941	1,739	73,680	66,588	7,092
Public Safety and Defense	533,179	33,001	566,180	525,740	40,440
Regulatory Services	21,659	331	21,990	20,899	1,091
Social Services	101,368	1,137	102,505	94,964	7,541
<b>Total Expenditures</b>	<b>1,359,469</b>	<b>86,115</b>	<b>1,445,584</b>	<b>1,318,984</b>	<b>126,600</b>
Revenues in Excess of Expenditures	4,082,041	(86,115)	3,995,926	4,697,131	701,205
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	823,985	823,985	823,985	0
Transfers Out	(2,008,326)	0	(2,008,326)	(2,008,326)	0
Intra Agency Transfers to Continuing Funds	(3,071,739)	(130,610)	(3,202,349)	(3,202,349)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(5,080,065)</b>	<b>693,375</b>	<b>(4,386,690)</b>	<b>(4,386,690)</b>	<b>0</b>
Revenue and Other Sources in Excess of Expenditures and Other Uses	(998,024)	607,260	(390,764)	310,441	701,205
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>1,105,682</b>	<b>0</b>	<b>1,105,682</b>	<b>1,105,682</b>	<b>0</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 107,658</b>	<b>\$ 607,260</b>	<b>\$ 714,918</b>	<b>\$ 1,416,123</b>	<b>\$ 701,205</b>

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



## Notes to Required Supplementary Information - Budgetary Reporting FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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.

Certain appropriations are transferred to continuing funds for expenditure. Unexpended amounts so transferred 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), but are reported as a separate item under Other Financing Uses. Presented below are transfers to continuing funds by function of government within the General Fund (expressed in thousands):

Education	\$	1,665,544
General Government		9,567
Health Services		3,801
Legal and Judiciary		2,783
Museums		-
Natural Resources		13,078
Public Safety and Defense		20
Regulatory Services		-
Social Services		1,131,884
Transportation		375,672
Total Transfers to Continuing Funds		3,202,349
Total Expenditures per Budgetary Comparison Schedule		
- Budget to Actual (Non-GAAP Budgetary Basis)		1,318,984
Total per table representing budgetary comparisons at the legal level of budgetary control (Non-GAAP Budgetary Basis)	\$	4,521,333

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, 2006, is presented below (expressed in thousands) for the General Fund.

Budgetary Basis Fund Balance, June 30, 2005	\$	1,105,682
Excess of total sources over total uses of financial resources (Budgetary Basis)		310,441
Budgetary Basis Fund Balance, June 30, 2006		1,416,123
Entity and Perspective Differences:		
Non-budgeted Funds and Capital Funds		3,996,754
Encumbrances		83,665
Basis Differences:		
Add: Net accrued revenues, related receivables, and deferred revenues		1,249,408
Less: Net accrued expenditures and related liabilities		(2,785,988)
GAAP Basis Fund Balance, June 30, 2006	\$	3,959,962

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

EDUCATION	GENERAL FUND				
	BUDGET		FINAL	ACTUAL	VARIANCE
	ORIGINAL	AMENDMENTS			
State Arts Council					
01 Duties	\$ 4,243	\$ -	\$ 4,243	\$ 3,402	\$ 841
11 C/O from FY2005	0	229	229	219	10
Agency Total	4,243	229	4,472	3,621	851

## GENERAL FUND

	BUDGET				
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
<b>Department of Career and Technology Education</b>					
08 Duties (2)	130,287	0	130,287	119,529	10,758
18 C/O from FY2005	0	6,079	6,079	6,065	14
21 C/O from FY2005	0	44	44	44	0
17 C/O from FY2005	0	1,011	1,011	246	765
Agency Total	130,287	7,134	137,421	125,884	11,537
<b>Department of Education</b>					
01 Financial suppt of Public Schools (1)	1,177,286	0	1,177,286	1,177,286	0
00 Financial suppt of Public Schools (1)	28,022	0	28,022	28,022	0
01 Financial suppt of Public Schools (2)	2,944	0	2,944	2,236	708
02 Financial suppt of Public Schools (1)	2,223	0	2,223	2,223	0
02 Public School Activities (2)	351,923	0	351,923	351,923	0
01 Textbooks - Jobs & Growth Fund (2)	33,000	0	33,000	32,985	15
03 Admin & suppt Functions - DOE (2)	17,729	0	17,729	17,729	0
00 Financial suppt of Public Schools (1)	3,114	0	3,114	3,114	0
00 Financial suppt of Public Schools (1)	3,114	0	3,114	3,114	0
02 C/O from FY2005	0	69	69	27	42
03 C/O from FY2005	0	9	9	9	0
04 C/O from FY2005	0	111	111	0	111
05 C/O from FY2005	0	3	3	3	0
06 C/O from FY2005	0	40	40	40	0
08 C/O from FY2005	0	11	11	11	0
09 C/O from FY2005	0	5	5	5	0
67 C/O from FY2005	0	206	206	49	157
71 C/O from FY2005	0	2,010	2,010	1,256	754
72 C/O from FY2005	0	173	173	130	43
77 C/O from FY2005	0	0	0	0	0
79 C/O from FY2005	0	7	7	5	2
19 Ad Valorem Reimbursement Fd (1)	0	11,719	11,719	11,719	0
Agency Total	1,619,355	14,363	1,633,718	1,631,886	1,832
<b>Commission of the Land Office</b>					
01 Duties	4,719	0	4,719	4,336	383
11 C/O from FY2005	0	17	17	0	17
Agency Total	4,719	17	4,736	4,336	400
<b>Department of Libraries</b>					
01 Duties	6,681	0	6,681	6,300	381
11 C/O from FY2005	0	86	86	75	11
Agency Total	6,681	86	6,767	6,375	392
<b>Center for Advancement of Science and Technology</b>					
01 Duties	501	0	501	465	36
02 Transfer to Res suppt Revol (1)	11,900	0	11,900	11,900	0
11 C/O from FY2005	0	36	36	36	0
Agency Total	12,401	36	12,437	12,401	36
<b>Physical Manpower Training Commission</b>					
01 Duties	4,961	0	4,961	4,944	17
1 Duties	400	0	400	400	0
Agency Total	5,361	0	5,361	5,344	17
<b>Board of Private Vocational Schools</b>					
01 Duties	172	0	172	130	42
11 C/O from FY2005	0	20	20	20	0
Agency Total	172	20	192	150	42
<b>Oklahoma School of Science and Math</b>					
01 Duties	5,483	0	5,483	4,716	767
02 Pilot Outreach Programs	1,537	0	1,537	1,374	163
11 C/O from FY2005	0	529	529	529	0
12 C/O from FY2005	0	139	139	139	0
Agency Total	7,020	668	7,688	6,758	930
<b>Education Total</b>	<b>1,790,239</b>	<b>22,553</b>	<b>1,812,792</b>	<b>1,796,755</b>	<b>16,037</b>

GENERAL FUND

	BUDGET				
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
<b>GENERAL GOVERNMENT</b>					
<b>State Auditor and Inspector</b>					
01 Duties	5,533	0	5,533	5,419	114
02 County Govt Personnel Educ & Trng	456	0	456	418	38
Agency Total	<u>5,989</u>	<u>0</u>	<u>5,989</u>	<u>5,837</u>	<u>152</u>
<b>State Bond Advisor</b>					
01 Duties	181	0	181	181	0
11 C/O from FY2005	0	14	14	0	14
Agency Total	<u>181</u>	<u>14</u>	<u>195</u>	<u>181</u>	<u>14</u>
<b>Department of Central Services</b>					
01 Duties	9,670	0	9,670	8,906	764
02 For transfer to Bldg & Fac Revolv (1)	557	0	557	557	0
03 Veterans Memorial	4	0	4	4	0
04 Maintenance of the Hissom Center	152	0	152	12	140
01 For transfer to Bldg & Fac Revolv (1)	1,310	0	1,310	1,310	0
02 Duties	570	0	570	528	42
11 C/O from FY2005	0	41	41	5	36
13 C/O from FY2005	0	144	144	144	0
11 C/O from FY2005	0	3,532	3,532	1,788	1,744
13 C/O from FY2005	0	1	1	1	0
14 C/O from FY2005	0	84	84	82	2
Agency Total	<u>12,263</u>	<u>3,802</u>	<u>16,065</u>	<u>13,337</u>	<u>2,728</u>
<b>Department of Commerce</b>					
01 Commun Expan.of Nutrition... (CENA)	3,000	0	3,000	2,358	642
02 Prescription Drug Program for Okla.	1,000	0	1,000	482	518
03 To OK Military Strategic Planning (1)	1,000	0	1,000	1,000	0
04 Duties (2)	16,411	0	16,411	14,641	1,770
36 Duties	4,924	0	4,924	1,610	3,314
38 To Commerce Rev. Fund (1)	0	1,000	1,000	1,000	0
11 C/O from FY2005	0	206	206	78	128
12 C/O from FY2005	0	76	76	22	54
13 C/O from FY2005	0	302	302	165	137
15 C/O from FY2005	0	2	2	0	2
55 C/O from FY2005	0	529	529	303	226
12 C/O from FY2005	0	112	112	94	18
Agency Total	<u>26,335</u>	<u>2,227</u>	<u>28,562</u>	<u>21,753</u>	<u>6,809</u>
<b>State Election Board</b>					
01 Duties	4,992	0	4,992	4,755	237
02 Expenses of Holding Elections	1,630	0	1,630	1,186	444
05 Duties	0	1,500	1,500	0	1,500
11 C/O from FY2005	0	720	720	645	75
11 C/O from FY2005	0	152	152	152	0
Agency Total	<u>6,622</u>	<u>2,372</u>	<u>8,994</u>	<u>6,738</u>	<u>2,256</u>
<b>Ethics Commission</b>					
01 Duties	492	0	492	482	10
11 C/O from FY2005	0	17	17	7	10
Agency Total	<u>492</u>	<u>17</u>	<u>509</u>	<u>489</u>	<u>20</u>
<b>Office of State Finance</b>					
01 Duties	11,757	0	11,757	9,202	2,555
06 Duties (2)	11,000	0	11,000	11,000	0
11 C/O from FY2005	0	1,650	1,650	1,650	0
Agency Total	<u>22,757</u>	<u>1,650</u>	<u>24,407</u>	<u>21,852</u>	<u>2,555</u>
<b>Governor</b>					
01 Duties	2,579	0	2,579	2,158	421
11 C/O from FY2005	0	503	503	502	1
Agency Total	<u>2,579</u>	<u>503</u>	<u>3,082</u>	<u>2,660</u>	<u>422</u>

## GENERAL FUND

	BUDGET				
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
<b>Lieutenant Governor</b>					
01 Duties	592	0	592	536	56
11 C/O from FY2005	0	7	7	7	0
12 C/O from FY2005	0	16	16	16	0
Agency Total	592	23	615	559	56
<b>Merit Protection Commission</b>					
01 Duties	566	0	566	487	79
11 C/O from FY2005	0	50	50	50	0
Agency Total	566	50	616	537	79
<b>Office of Personnel Management</b>					
01 Duties	4,633	0	4,633	4,121	512
11 C/O from FY2005	0	289	289	288	1
Agency Total	4,633	289	4,922	4,409	513
<b>Secretary of State</b>					
01 Duties	510	0	510	494	16
11 C/O from FY2005	0	113	113	113	0
Agency Total	510	113	623	607	16
<b>Oklahoma Tax Commission</b>					
30 Duties	45,626	0	45,626	43,933	1,693
40 C/O from FY2005	0	31	31	31	0
Agency Total	45,626	31	45,657	43,964	1,693
<b>Oklahoma Commission for Teacher Preparation</b>					
01 Duties	2,023	(150)	1,873	1,632	241
11 C/O from FY2005	0	151	151	146	5
Agency Total	2,023	1	2,024	1,778	246
<b>State Treasurer</b>					
01 Duties	4,424	0	4,424	3,913	511
04 To State Land Reimbursement (1)	100	0	100	100	0
11 C/O from FY2005	0	354	354	335	19
Agency Total	4,524	354	4,878	4,348	530
<b>General Government Total</b>					
	135,692	11,446	147,138	129,049	18,089
<b>HEALTH SERVICES</b>					
<b>Department of Health</b>					
01 Duties	53,281	0	53,281	49,978	3,303
12 To Child Abuse Prevention (1)	2,686	0	2,686	2,686	0
23 To Kidney Health Revolving (1)	114	0	114	114	0
04 Margaret Hudson Program	34	0	34	32	2
35 Oklahoma Health Care Project	40	0	40	33	7
37 Oklahoma Institute for Child Advocacy	75	0	75	35	40
42 Greenwood Educ. & Cultural Center	119	0	119	97	22
15 Dental Services for Disabled/Elderly	137	0	137	126	11
29 Hearts for Hearing Foundation	200	0	200	117	83
43 College of Osteo Med Hlth Ed Ctrs	365	0	365	204	161
08 Sickle Cell Research Foundation	183	0	183	166	17
09 Emerson Teen Parent Program	107	0	107	91	16
10 Alzheimer's Res Advisory Council	44	0	44	37	7
11 Tolliver Alternative Care Center, Inc.	37	0	37	34	3
47 OUHSC Pediatric Endocrinology Dept	93	0	93	78	15
26 Emergency Medical Services Authority	400	0	400	305	95
45 North Tulsa Heritage Foundation, Inc.	36	0	36	29	7
44 Metropolitan Tulsa Urban League, Inc.	39	0	39	29	10
48 Alzheimer's Association, OK Chapter	8	0	8	7	1
30 OEDA for Advantage services	19	0	19	0	19
19 High-risk perinatal direct services	2,254	0	2,254	1,847	407

GENERAL FUND

		BUDGET				
		ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
20	Perinatal continuing education	209	0	209	170	39
24	Community Health Centers	1,041	0	1,041	761	280
38	Primary Care and Rural Health Devel.	200	0	200	51	149
16	Eastern OK Donated Dental Services	70	0	70	62	8
07	Duties to Primary Health Care Dvpt (1)	1,000	0	1,000	1,000	0
54	C/O from FY2005	0	3	3	3	0
Agency Total		62,791	3	62,794	58,092	4,702
<b>Health Care Authority</b>						
01	Duties - to Disbursing Funds (1)	540,482	0	540,482	540,482	0
01	Duties - to Disbursing Funds (1)	18,000	0	18,000	18,000	0
03	Increase Provider Rates Pedia (1)	9,900	0	9,900	9,900	0
04	Increase Provider Rates Oth Phys (1)	15,100	0	15,100	15,100	0
05	Increase Provider Rates Hospital (1)	38,000	0	38,000	38,000	0
Agency Total		621,482	0	621,482	621,482	0
<b>J.D. McCarty Center</b>						
10	Duties	3,792	0	3,792	3,792	0
Agency Total		3,792	0	3,792	3,792	0
<b>Mental Health and Substance Abuse</b>						
01	Duties	171,736	0	171,736	149,939	21,797
02	Duties	75	0	75	0	75
11	C/O from FY2005	0	4,576	4,576	4,047	529
Agency Total		171,811	4,576	176,387	153,986	22,401
<b>Department of Veteran Affairs</b>						
01	Duties	33,942	0	33,942	33,942	0
02	New Patient Care Assts/Direct Care	2,098	0	2,098	2,098	0
Agency Total		36,040	0	36,040	36,040	0
<b>Health Services Total</b>		895,916	4,579	900,495	873,392	27,103
<b>LEGAL AND JUDICIARY</b>						
<b>Attorney General</b>						
01	Duties	11,286	0	11,286	10,909	377
01	Duties	0	500	500	399	101
11	C/O from FY2005	0	6	6	6	0
Agency Total		11,286	506	11,792	11,314	478
<b>Council on Judicial Complaints</b>						
01	Duties	279	0	279	215	64
11	C/O from FY2005	0	45	45	43	2
Agency Total		279	45	324	258	66
<b>Court of Criminal Appeals</b>						
01	Duties	2,828	0	2,828	2,759	69
11	C/O from FY2005	0	125	125	125	0
Agency Total		2,828	125	2,953	2,884	69
<b>District Attorneys Council</b>						
01	Duties (2)	30,593	0	30,593	30,036	557
11	C/O from FY2005	0	394	394	394	0
Agency Total		30,593	394	30,987	30,430	557
<b>District Courts</b>						
01	Duties - District Courts	962	0	962	459	503
02	Duties - District Courts	0	3,872	3,872	3,832	40
11	C/O from FY2005	0	451	451	451	0
Agency Total		962	4,323	5,285	4,742	543

GENERAL FUND

	BUDGET				
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
<b>Indigent Defense System</b>					
01 Duties (2)	15,633	0	15,633	14,028	1,605
11 C/O from FY2005	0	431	431	431	0
11 C/O from FY2005	0	934	934	462	472
Agency Total	15,633	1,365	16,998	14,921	2,077
<b>Supreme Court</b>					
01 Duties	14,185	(940)	13,245	11,541	1,704
02 To Legal Svcs Revolving (1)	915	0	915	915	0
03 To Supreme Court Revolving (1)	900	0	900	900	0
11 C/O from FY2005	0	826	826	826	0
14 C/O from FY2005	0	110	110	0	110
11 C/O from FY2005	0	5	5	0	5
Agency Total	16,000	1	16,001	14,182	1,819
<b>Workers Compensation Court</b>					
01 Duties	4,366	0	4,366	4,360	6
Agency Total	4,366	0	4,366	4,360	6
<b>Legal and Judiciary Total</b>					
	81,947	6,759	88,706	83,091	5,615
<b>MUSEUMS</b>					
<b>Oklahoma Capitol Complex &amp; Centennial Commission</b>					
01 Duties	1,550	0	1,550	1,439	111
02 Capitol Dome Debt Service	500	0	500	287	213
03 Capitol Dome Construction Costs	850	0	850	837	13
04 Oklahoma Land Run Monument	1,000	0	1,000	1,000	0
01 Duties	0	16,000	16,000	14,165	1,835
11 C/O from FY2005	0	22	22	11	11
Agency Total	3,900	16,022	19,922	17,739	2,183
<b>Historical Society</b>					
01 Duties	10,906	0	10,906	9,806	1,100
01 Duties	2,000	0	2,000	2,000	0
15 C/O from FY2005	0	31	31	29	2
11 C/O from FY2005	0	1,197	1,197	934	263
Agency Total	12,906	1,228	14,134	12,769	1,365
<b>J.M. Davis Memorial Commission</b>					
01 Duties	322	0	322	291	31
02 Duties	25	0	25	25	0
11 C/O from FY2005	0	0	0	0	0
Agency Total	347	0	347	316	31
<b>Will Rogers Memorial Commission</b>					
01 Duties	831	0	831	819	12
11 C/O from FY2005	0	40	40	40	0
Agency Total	831	40	871	859	12
<b>Museums Total</b>					
	17,984	17,290	35,274	31,683	3,591
<b>NATURAL RESOURCES</b>					
<b>Department of Agriculture</b>					
01 Duties	24,952	0	24,952	23,485	1,467
06 Duties	920	0	920	900	20
02 To Ag Enhancement and Divers (1)	250	0	250	250	0
03 To Rural Fire Defense...Revolving (1)	5	0	5	5	0
04 Volunteer Firefighter Group Ins	169	0	169	155	14
01 To Rural Fire Rev-Wildfire Suppr. (1)	0	3,600	3,600	3,600	0
02 To Rural Fire Rev-Reimb Rural Fire (1)	0	1,000	1,000	1,000	0
03 To Rural Fire Rev-Wildfire Suppr. (1)	0	1,400	1,400	1,400	0
04 To Rural Fire Rev-Rural Fire Grants (1)	0	2,000	2,000	2,000	0
05 To Rural Fire Rev-Operat. Grants (1)	0	4,500	4,500	4,500	0
Agency Total	26,296	12,500	38,796	37,295	1,501

GENERAL FUND					
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
<b>Conservation Commission</b>					
01 Duties	7,404	0	7,404	6,797	607
Agency Total	7,404	0	7,404	6,797	607
<b>Department of Environmental Quality</b>					
01 Duties	8,167	0	8,167	7,866	301
11 C/O from FY2005	0	49	49	49	0
Agency Total	8,167	49	8,216	7,915	301
<b>Scenic Rivers Commission</b>					
01 Duties (1)	323	0	323	323	0
Agency Total	323	0	323	323	0
<b>Department of Tourism and Recreation</b>					
01 Duties	25,956	0	25,956	22,853	3,103
11 C/O from FY2005	0	1,666	1,666	793	873
Agency Total	25,956	1,666	27,622	23,646	3,976
<b>Water Resources Board</b>					
01 Duties & Rural Water Assoc.	4,086	0	4,086	3,492	594
03 Okla. Rural Water Assoc. Contract	288	0	288	175	113
11 C/O from FY2005	0	0	0	0	0
14 C/O from FY2005	0	24	24	24	0
Agency Total	4,374	24	4,398	3,691	707
<b>Natural Resources Total</b>					
	72,520	14,239	86,759	79,667	7,092
<b>PUBLIC SAFETY AND DEFENSE</b>					
<b>Alcoholic Beverage Laws Enforcement</b>					
01 Duties	3,739	0	3,739	3,542	197
Agency Total	3,739	0	3,739	3,542	197
<b>State Bureau of Investigation</b>					
01 Duties (2)	11,155	0	11,155	11,058	97
02 Duties	0	456	456	43	413
11 C/O from FY2005	0	32	32	26	6
Agency Total	11,155	488	11,643	11,127	516
<b>Department of Corrections</b>					
30 Duties	409,443	0	409,443	378,504	30,939
45 C/O from FY2005	0	153	153	153	0
35 C/O from FY2005	0	4,139	4,139	4,019	120
12 Employee Pay Raises	0	3,000	3,000	3,000	0
13 Contract Bed Costs	0	21,000	21,000	20,743	257
Agency Total	409,443	28,292	437,735	406,419	31,316
<b>Council on Law Enforcement, Education and Training</b>					
01 Duties	2,090	0	2,090	2,014	76
02 Duties	319	0	319	319	0
01 Duties	350	0	350	338	12
11 C/O from FY2005	0	5	5	5	0
11 C/O from FY2005	0	6	6	6	0
Agency Total	2,759	11	2,770	2,682	88
<b>Department of Emergency Management</b>					
01 Duties	702	0	702	626	76
01 Emer'gcy Ops Ctr Renovation	654	0	654	36	618
Agency Total	1,356	0	1,356	662	694
<b>State Fire Marshal</b>					
01 Duties	1,685	0	1,685	1,683	2
11 C/O from FY2005	0	23	23	0	23
Agency Total	1,685	23	1,708	1,683	25

GENERAL FUND

		BUDGET				
		ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
<b>Board of Medicolegal Investigation</b>						
01	Duties	3,923	0	3,923	3,861	62
11	C/O from FY2005	0	25	25	0	25
Agency Total		<u>3,923</u>	<u>25</u>	<u>3,948</u>	<u>3,861</u>	<u>87</u>
<b>Oklahoma Military Department</b>						
01	Duties	10,411	0	10,411	7,679	2,732
02	To operate a juvenile tracking program	1,785	0	1,785	1,726	59
01	Duties	350	0	350	0	350
11	C/O From FY2005	0	179	179	117	62
12	C/O From FY2005	0	184	184	184	0
13	C/O From FY2005	0	0	0	0	0
14	C/O From FY2005	0	5	5	5	0
Agency Total		<u>12,546</u>	<u>368</u>	<u>12,914</u>	<u>9,711</u>	<u>3,203</u>
<b>Bureau of Narcotics and Dangerous Drugs</b>						
01	Duties	5,369	0	5,369	5,161	208
02	Purchase of Bullet-proof Vests	21	0	21	0	21
11	C/O From FY2005	0	91	91	91	0
Agency Total		<u>5,390</u>	<u>91</u>	<u>5,481</u>	<u>5,252</u>	<u>229</u>
<b>Pardon and Parole Board</b>						
01	Duties	2,316	0	2,316	2,274	42
11	C/O From FY2005	0	51	51	43	8
Agency Total		<u>2,316</u>	<u>51</u>	<u>2,367</u>	<u>2,317</u>	<u>50</u>
<b>Department of Public Safety</b>						
01	Duties	77,720	0	77,720	74,175	3,545
01	Duties	1,142	0	1,142	1,116	26
02	Cap. Patrol Officer-Workers Comp Ct	26	0	26	26	0
01	Duties	0	3,652	3,652	3,188	464
Agency Total		<u>78,888</u>	<u>3,652</u>	<u>82,540</u>	<u>78,505</u>	<u>4,035</u>
<b>Public Safety and Defense Total</b>		<u>533,200</u>	<u>33,001</u>	<u>566,201</u>	<u>525,761</u>	<u>40,440</u>
<b>REGULATORY SERVICES</b>						
<b>Commission on Consumer Credit</b>						
01	Duties	638	0	638	618	20
11	C/O from FY2005	0	38	38	38	0
Agency Total		<u>638</u>	<u>38</u>	<u>676</u>	<u>656</u>	<u>20</u>
<b>Corporation Commission</b>						
01	Duties	12,354	0	12,354	12,012	342
Agency Total		<u>12,354</u>	<u>0</u>	<u>12,354</u>	<u>12,012</u>	<u>342</u>
<b>Oklahoma Horse Racing Commission</b>						
01	Duties	2,361	0	2,361	2,176	185
11	C/O from FY2005	0	26	26	26	0
Agency Total		<u>2,361</u>	<u>26</u>	<u>2,387</u>	<u>2,202</u>	<u>185</u>
<b>Insurance Department</b>						
01	Duties	2,232	0	2,232	2,059	173
11	C/O from FY2005	0	88	88	32	56
Agency Total		<u>2,232</u>	<u>88</u>	<u>2,320</u>	<u>2,091</u>	<u>229</u>
<b>Department of Labor</b>						
01	Duties	1,293	0	1,293	1,095	198
02	Duties	293	0	293	232	61
01	Duties	1,639	0	1,639	1,589	50
11	C/O from FY2005	0	104	104	104	0
12	C/O from FY2005	0	7	7	7	0
11	C/O from FY2005	0	70	70	69	1
Agency Total		<u>3,225</u>	<u>181</u>	<u>3,406</u>	<u>3,096</u>	<u>310</u>



GENERAL FUND					
BUDGET					
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
<b>Department of Mines</b>					
01 Duties	849	0	849	842	7
Agency Total	849	0	849	842	7
<b>Regulatory Services Total</b>					
	21,659	333	21,992	20,899	1,093
<b>SOCIAL SERVICES</b>					
<b>Commission on Children and Youth</b>					
10 Duties	1,725	0	1,725	1,325	400
40 C/O from FY2005	0	186	186	170	16
Agency Total	1,725	186	1,911	1,495	416
<b>Office of Handicapped Concerns</b>					
01 Duties	377	0	377	354	23
11 C/O from FY2005	0	4	4	3	1
Agency Total	377	4	381	357	24
<b>Oklahoma Human Rights Commission</b>					
10 Duties	687	0	687	660	27
20 C/O from FY2005	0	46	46	42	4
Agency Total	687	46	733	702	31
<b>Department of Human Services</b>					
01 Duties - to Disbursing Funds (1)	437,645	0	437,645	437,645	0
04 Duties - to Disbursing Funds (1)	40,000	0	40,000	40,000	0
05 Duties - to Disbursing Funds (1)	0	5,391	5,391	5,391	0
Agency Total	477,645	5,391	483,036	483,036	0
<b>Oklahoma Indian Affairs Commission</b>					
10 Duties	256	0	256	187	69
20 C/O from FY2005	0	30	30	29	1
Agency Total	256	30	286	216	70
<b>Office of Juvenile Affairs</b>					
01 Duties	94,519	0	94,519	88,864	5,655
02 Contract monitoring-Juv.services OJA	488	0	488	407	81
03 Juvenile Detention Ctrs Rate Formula	1,450	0	1,450	1,218	232
04 Purch. 12 beds each Levels E & F	778	0	778	539	239
05 Purch. 12 beds-temp resid sanct det.	485	0	485	0	485
06 Capital Improve.-LE Rader & Cent OK	425	0	425	283	142
07 Mental Health Screenings	178	0	178	13	165
11 C/O from FY2005	0	807	807	807	0
12 C/O from FY2005	0	61	61	61	0
13 C/O from FY2005	0	3	3	3	0
Agency Total	98,323	871	99,194	92,195	6,999
<b>Department of Rehabilitation Services</b>					
01 Duties - to disbursing funds (1)	26,704	0	26,704	26,704	0
02 Braille Textbooks, Materials (1)	491	0	491	491	0
03 Public School Sal Increases (1)	171	0	171	171	0
Agency Total	27,366	0	27,366	27,366	0
<b>Social Services Total</b>					
	606,379	6,528	612,907	605,367	7,540
<b>TRANSPORTATION</b>					
<b>Oklahoma Space Industry Development Auth.</b>					
01 Duties (1)	523	0	523	523	0
Agency Total	523	0	523	523	0

GENERAL FUND

		BUDGET				
		ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
<b>Department of Transportation</b>						
01	To Highway Const and Maint Fund (1)	199,614	0	199,614	199,614	0
01	To Highway Const and Maint Fund (1)	69,349	0	69,349	69,349	0
01	To Highway Const and Maint Fund (1)	1,150	0	1,150	1,150	0
02	To Highway Const and Maint Fund (1)	222	0	222	222	0
04	To Public Transit Revolving (1)	1,900	0	1,900	1,900	0
04	Size and Weights Maintenance Costs	0	0	0	0	0
05	Size and Weights Maint. Costs (1)	2,912	0	2,912	2,912	0
01	To Highway Const and Maint Fund (1)	0	92,869	92,869	92,869	0
02	To Highway Const and Maint Fund (1)	0	7,131	7,131	7,131	0
Agency Total		<u>275,147</u>	<u>100,000</u>	<u>375,147</u>	<u>375,147</u>	<u>0</u>
<b>Transportation Total</b>		<u>275,670</u>	<u>100,000</u>	<u>375,670</u>	<u>375,670</u>	<u>0</u>
<b>General Fund Total</b>		<u>\$ 4,431,206</u>	<u>\$ 216,728</u>	<u>\$ 4,647,934</u>	<u>\$ 4,521,334</u>	<u>\$ 126,600</u>

- (1) Appropriation was transferred to a continuing fund for expenditure.  
(2) Part of the appropriation was transferred to a continuing fund for expenditure.

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Flags at the OHC

## **OGE ENERGY CORPORATION**

### **14 FLAGS**

Empires, explorers, nations and people are known and defined by their symbols.

One measure of the last few hundred years of Oklahoma's history is the flags of the different nations and their peoples who have lived here, claimed the area and fought for control of Oklahoma's land, people, and resources.

The 14 Flags Over Oklahoma exhibit identifies and interprets some of the most important flags and nations that tell the tale of Oklahoma.

## **Combining Financial Statements**

# Combining Financial Statements

## FIDUCIARY FUNDS AND SIMILAR COMPONENT UNITS

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

### PENSION TRUST FUNDS

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

#### WILDLIFE CONSERVATION RETIREMENT PLAN

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

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

#### OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

4545 N. Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105  
The System provides retirement benefits for municipal firefighters in the State of Oklahoma.

#### OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

4545 N. Lincoln Blvd., Suite 257, Oklahoma City, Oklahoma 73105  
The System provides retirement benefits for qualified law enforcement officers in the State of Oklahoma.

#### OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

6601 N. Broadway Ext., Suite 129, 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

6601 N. Broadway Ext., Suite 129, Oklahoma City, Oklahoma 73152  
The System provides retirement benefits for justices and judges in the State of Oklahoma.

#### OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

1001 N.W. 63<sup>rd</sup> Street, Suite 305, Oklahoma City, Oklahoma 73116  
The System provides retirement benefits for police officers employed by participating municipalities in the State of Oklahoma.

#### TEACHER'S RETIREMENT SYSTEM OF OKLAHOMA

P.O. Box 53524, 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 other governmental units, organizations, or individuals.

**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 as an escrow account for royalties due unlocated owners, (3) Workers' Compensation Claims Under Appeal contains money being held in trust for an injured worker whose claim is on appeal. This fund is maintained by the Workers' Compensation Court, (4) Unsettled Premium Tax Suits is an escrow account being maintained by the Oklahoma Insurance Department for the purpose of depositing 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) Money held in escrow by the Attorney General's Office for funds received as a result of litigation.

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

**Other** is moneys accounted for (1) by the Employees' Benefit Council for payment of employee claims against SoonerFlex flexible spending accounts, (2) property distribution maintained by the Department of Central Services to account for federal surplus property transferred to the State's custody to be sold or donated to other governmental entities and/or specified nonprofit organizations and property seized by state organizations pending the outcome of legal proceedings, (3) deposits held by the Department of Central Services for bid process documents, (4) donations held by the District Attorney's Council for the Murrah Crime Victims Compensation Fund, and (5) funds held by the Department of Transportation which had accrued to its former health insurance rate stabilization account and being returned to the accounts contributors.

State of Oklahoma  
Combining Statement of Fiduciary Net Assets  
Pension Trust Funds (Including Similar Component Units)  
June 30, 2006  
(expressed in thousands)

	Primary Government	Fiduciary Component Units						Total
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	
<b>Assets</b>								
Cash/Cash Equivalents	\$ 0	\$ 34,067	\$ 15,139	\$ 42,071	\$ 543	\$ 35,386	\$ 466,792	\$ 593,998
Investments, at fair value								
Equity Securities	20,569	963,661	416,945	1,433,722	0	898,845	5,502,226	9,235,968
Governmental Securities	21,433	143,433	49,021	1,305,813	60,999	42,504	1,680,971	3,304,174
Debt Securities	5,824	210,020	131,959	1,017,069	46,514	222,758	633,721	2,267,865
Mutual Funds	10,333	225,537	53,904	2,256,856	117,938	0	0	2,664,568
Other Investments	1,745	0	0	0	0	344,426	0	346,171
Securities Lending Investments	0	126,305	103,051	621,927	18,706	53,657	0	923,646
Interest and Investment Revenue Receivable	0	1,002	1,484	19,254	869	3,823	26,840	53,272
Contributions Receivable:								
Employer	0	284	0	4,137	64	1,152	18,999	24,636
Employee	0	166	0	1,377	164	666	18,532	20,905
Other Contributions Receivable	0	0	1,660	0	0	0	22,789	24,449
Other Receivables	0	168	10	0	1	0	0	179
Due from Brokers	0	8,014	0	272,026	7,651	0	425,479	713,170
Due from Other Funds	0	12,994	0	0	0	5,297	0	18,291
Capital Assets, Net	0	52	47	561	0	0	293	953
Other Assets	0	0	0	122	0	0	0	122
<b>Total Assets</b>	<b>59,904</b>	<b>1,725,703</b>	<b>773,220</b>	<b>6,974,935</b>	<b>253,449</b>	<b>1,608,514</b>	<b>8,796,642</b>	<b>20,192,367</b>
<b>Liabilities</b>								
Accounts Payable	0	3,310	816	0	0	905	0	5,031
Securities Lending Payable	0	126,305	103,051	621,927	18,706	53,657	0	923,646
Due to Brokers	0	10,159	367	535,830	21,026	4,223	596,121	1,167,726
Due to Other Funds	0	13	0	11	0	6	5	35
Due to Component Units	0	0	1	1	0	0	8,828	8,830
Benefits in the Process of Payment	0	0	14,599	0	0	24,680	8,021	47,300
Other Liabilities	0	72	0	0	0	0	8,321	8,393
<b>Total Liabilities</b>	<b>0</b>	<b>139,859</b>	<b>118,834</b>	<b>1,157,769</b>	<b>39,732</b>	<b>83,471</b>	<b>621,296</b>	<b>2,160,961</b>
<b>Fund Balance Reserved for Employees' Pension Benefits</b>	<b>\$ 59,904</b>	<b>\$ 1,585,844</b>	<b>\$ 654,386</b>	<b>\$ 5,817,166</b>	<b>\$ 213,717</b>	<b>\$ 1,525,043</b>	<b>\$ 8,175,346</b>	<b>\$ 18,031,406</b>

State of Oklahoma  
Combining Statement of Changes in Fiduciary Net Assets  
Pension Trust Funds (Including Similar Component Units)  
For the Fiscal Year Ended June 30, 2006  
(expressed in thousands)

	Primary Government	Fiduciary Component Units						Total
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	
<b>Additions</b>								
Contributions								
Employer Contributions	\$ 2,508	\$ 26,271	\$ 6,307	\$ 171,273	\$ 791	\$ 26,490	\$ 241,175	\$ 474,815
Employee Contributions	395	15,054	4,261	55,989	2,058	15,326	256,587	349,670
Other Contributions	0	57,850	16,152	0	0	23,584	218,295	315,881
<b>Total Contributions</b>	<b>2,903</b>	<b>99,175</b>	<b>26,720</b>	<b>227,262</b>	<b>2,849</b>	<b>65,400</b>	<b>716,057</b>	<b>1,140,366</b>
Investment Income								
Net Appreciation in Fair Value of Investments	4,478	138,649	42,624	312,736	9,094	141,920	525,282	1,174,783
Interest and Investment Revenue	0	23,869	13,624	160,333	5,499	23,337	272,148	498,810
<b>Total Investment Income</b>	<b>4,478</b>	<b>162,518</b>	<b>56,248</b>	<b>473,069</b>	<b>14,593</b>	<b>165,257</b>	<b>797,430</b>	<b>1,673,593</b>
Less Investment Expenses	0	14,469	6,588	38,115	1,268	10,666	94,399	165,505
<b>Net Investment Income</b>	<b>4,478</b>	<b>148,049</b>	<b>49,660</b>	<b>434,954</b>	<b>13,325</b>	<b>154,591</b>	<b>703,031</b>	<b>1,508,088</b>
<b>Total Additions</b>	<b>7,381</b>	<b>247,224</b>	<b>76,380</b>	<b>662,216</b>	<b>16,174</b>	<b>219,991</b>	<b>1,419,088</b>	<b>2,648,454</b>
<b>Deductions</b>								
Administrative and General Expenses	196	1,088	705	4,040	98	2,235	4,425	12,787
Benefit Payments and Refunds	2,227	116,696	40,380	345,499	8,065	78,826	780,281	1,371,974
<b>Total Deductions</b>	<b>2,423</b>	<b>117,784</b>	<b>41,085</b>	<b>349,539</b>	<b>8,163</b>	<b>81,061</b>	<b>784,706</b>	<b>1,384,761</b>
<b>Net Increase</b>	<b>4,958</b>	<b>129,440</b>	<b>35,295</b>	<b>312,677</b>	<b>8,011</b>	<b>138,930</b>	<b>634,382</b>	<b>1,263,693</b>
<b>Fund Balance Reserved for Employees' Pension Benefits</b>								
<b>Beginning of Year</b>	<b>54,946</b>	<b>1,456,404</b>	<b>619,091</b>	<b>5,504,489</b>	<b>205,706</b>	<b>1,386,113</b>	<b>7,540,964</b>	<b>16,767,713</b>
<b>End of Year</b>	<b>\$ 59,904</b>	<b>\$ 1,585,844</b>	<b>\$ 654,386</b>	<b>\$ 5,817,166</b>	<b>\$ 213,717</b>	<b>\$ 1,525,043</b>	<b>\$ 8,175,346</b>	<b>\$ 18,031,406</b>



State of Oklahoma  
Combining Statement of Assets and Liabilities  
Agency Funds  
June 30, 2006  
(expressed in thousands)

	Taxes Held For Outside Entities	Funds Held In Escrow	Assets Held For Beneficiaries	Other	Total
<b>Assets</b>					
Cash/Cash Equivalents	\$ 153,736	\$ 13,167	\$ 56,574	\$ 9,378	\$ 232,855
Investments	0	0	1,885	0	1,885
Accounts Receivable	0	0	26	79	105
Taxes Receivable	8	0	0	0	8
Due from Other Funds	0	0	0	141	141
Due from Component Units	0	0	0	427	427
Inventory	0	0	0	4,739	4,739
<b>Total Assets</b>	<b>\$ 153,744</b>	<b>\$ 13,167</b>	<b>\$ 58,485</b>	<b>\$ 14,764</b>	<b>\$ 240,160</b>
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	\$ 0	\$ 14	\$ 1,134	\$ 0	\$ 1,148
Tax Refunds Payable	2,999	0	0	0	2,999
Due to Other Funds	0	137	0	0	137
Due to Component Units	0	0	0	3,122	3,122
Due to Others	150,745	13,016	57,351	11,642	232,754
<b>Total Liabilities</b>	<b>\$ 153,744</b>	<b>\$ 13,167</b>	<b>\$ 58,485</b>	<b>\$ 14,764</b>	<b>\$ 240,160</b>

State of Oklahoma  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Fiscal Year Ended June 30, 2006  
(expressed in thousands)

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
<b>Taxes Held for Outside Entities</b>				
Assets				
Cash/Cash Equivalents	\$ 133,403	\$ 4,154,817	\$ 4,134,484	\$ 153,736
Accounts Receivable	13	0	13	0
Taxes Receivable	13	8	13	8
<b>Total Assets</b>	<b>\$ 133,429</b>	<b>\$ 4,154,825</b>	<b>\$ 4,134,510</b>	<b>\$ 153,744</b>
Liabilities				
Tax Refunds Payable	\$ 2,398	\$ 2,999	\$ 2,398	\$ 2,999
Due to Others	131,031	4,151,826	4,132,112	150,745
<b>Total Liabilities</b>	<b>\$ 133,429</b>	<b>\$ 4,154,825</b>	<b>\$ 4,134,510</b>	<b>\$ 153,744</b>
<b>Funds Held in Escrow</b>				
Assets				
Cash/Cash Equivalents	\$ 7,912	\$ 9,996	\$ 4,741	\$ 13,167
<b>Total Assets</b>	<b>\$ 7,912</b>	<b>\$ 9,996</b>	<b>\$ 4,741</b>	<b>\$ 13,167</b>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 17	\$ 14	\$ 17	\$ 14
Due to Other Funds	61	137	61	137
Due to Others	7,834	9,845	4,663	13,016
<b>Total Liabilities</b>	<b>\$ 7,912</b>	<b>\$ 9,996</b>	<b>\$ 4,741</b>	<b>\$ 13,167</b>
<b>Assets Held for Beneficiaries</b>				
Assets				
Cash/Cash Equivalents	\$ 18,057	\$ 294,906	\$ 256,389	\$ 56,574
Investments	2,130	0	245	1,885
Accounts Receivable	22	26	22	26
Interest Receivable	3	0	3	0
<b>Total Assets</b>	<b>\$ 20,212</b>	<b>\$ 294,932</b>	<b>\$ 256,659</b>	<b>\$ 58,485</b>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 884	\$ 1,134	\$ 884	\$ 1,134
Due to Other Funds	1	0	1	0
Due to Component Units	9,082	0	9,082	0
Due to Others	10,245	293,798	246,692	57,351
<b>Total Liabilities</b>	<b>\$ 20,212</b>	<b>\$ 294,932</b>	<b>\$ 256,659</b>	<b>\$ 58,485</b>
<b>Other</b>				
Assets				
Cash/Cash Equivalents	\$ 2,552	\$ 270,028	\$ 263,202	\$ 9,378
Accounts Receivable	69	79	69	79
Due from Other Funds	1,165	141	1,165	141
Due from Component Units	0	427	0	427
Inventory	2,876	5,012	3,149	4,739
<b>Total Assets</b>	<b>\$ 6,662</b>	<b>\$ 275,687</b>	<b>\$ 267,585</b>	<b>\$ 14,764</b>
Liabilities				
Due to Component Units	\$ 0	\$ 3,122	\$ 0	\$ 3,122
Due to Others	6,662	272,565	267,585	11,642
<b>Total Liabilities</b>	<b>\$ 6,662</b>	<b>\$ 275,687</b>	<b>\$ 267,585</b>	<b>\$ 14,764</b>
<b>Total - All Agency Funds</b>				
Assets				
Cash/Cash Equivalents	\$ 161,924	\$ 4,729,747	\$ 4,658,816	\$ 232,855
Investments	2,130	0	245	1,885
Accounts Receivable	104	105	104	105
Interest Receivable	3	0	3	0
Taxes Receivable	13	8	13	8
Due from Other Funds	1,165	141	1,165	141
Due from Component Units	0	427	0	427
Inventory	2,876	5,012	3,149	4,739
<b>Total Assets</b>	<b>\$ 168,215</b>	<b>\$ 4,735,440</b>	<b>\$ 4,663,495</b>	<b>\$ 240,160</b>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 901	\$ 1,148	\$ 901	\$ 1,148
Tax Refunds Payable	2,398	2,999	2,398	2,999
Due to Other Funds	62	137	62	137
Due to Component Units	9,082	3,122	9,082	3,122
Due to Others	155,772	4,728,034	4,651,052	232,754
<b>Total Liabilities</b>	<b>\$ 168,215</b>	<b>\$ 4,735,440</b>	<b>\$ 4,663,495</b>	<b>\$ 240,160</b>

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## NONMAJOR COMPONENT UNITS

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

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

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

**OKLAHOMA INDUSTRIAL FINANCE AUTHORITY**  
301 N.W. 63<sup>rd</sup> Street, Suite 225, Oklahoma City, Oklahoma 73116

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

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

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

**MULTIPLE INJURY TRUST FUND**  
P.O. Box 528801, Oklahoma City, Oklahoma 73152

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

**UNIVERSITY HOSPITALS AUTHORITY**  
940 N.E. 13<sup>th</sup> Street, Oklahoma City, Oklahoma 73104

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

**OKLAHOMA DEVELOPMENT FINANCE AUTHORITY**  
301 N.W. 63<sup>rd</sup> Street, Suite 225, Oklahoma City, Oklahoma 73116

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

**OKLAHOMA CAPITAL INVESTMENT BOARD**  
301 N.W. 63<sup>rd</sup> Street, Suite 520, Oklahoma City, Oklahoma 73116

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

State of Oklahoma  
Combining Statement of Net Assets  
NonMajor Component Units  
June 30, 2006  
(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	Nonmajor Component Units Total
<b>Assets</b>								
Current Assets								
Cash/Cash Equivalents								
Unrestricted	\$ 8,546	\$ 7,188	\$ 7,099	\$ 28,001	\$ 50,583	\$ 1,553	\$ 73	\$ 103,043
Investments	28,539	0	0	0	38	9,714	0	38,291
Accounts Receivable	471	0	0	0	337	0	0	808
Interest and Investment								
Revenue Receivable	170	416	0	89	265	133	0	1,073
Other Receivables	1,013	0	0	0	3,000	0	0	4,013
Notes Receivable	0	894	0	0	0	277	0	1,171
Due from Other Component Units	0	0	0	0	0	72	0	72
Due from Primary Government	0	0	0	6,235	315	60	0	6,610
Prepaid Items	162	0	0	0	4	0	0	166
Other Current Assets	0	0	0	0	0	218	0	218
<b>Total Current Assets</b>	<b>38,901</b>	<b>8,498</b>	<b>7,099</b>	<b>34,325</b>	<b>54,542</b>	<b>12,027</b>	<b>73</b>	<b>155,465</b>
Noncurrent Assets								
Cash/Cash Equivalents -								
Restricted	0	142	0	0	38,776	0	0	38,918
Investments - Restricted	0	0	0	0	805	0	17,728	18,533
Long-Term Investments	0	41,612	0	0	0	0	0	41,612
Long-Term Notes Receivable, Net	0	19,197	0	0	0	2,234	0	21,431
Capital Assets								
Depreciable, Net	15,399	0	0	0	99,437	533	0	115,369
Land	26	0	0	0	4,009	100	0	4,135
Construction in Progress	316	0	0	0	16,390	0	0	16,706
Other Noncurrent Assets								
Unrestricted	0	261	0	0	20,163	150	0	20,574
Restricted	0	0	0	0	36	0	0	36
<b>Total Noncurrent Assets</b>	<b>15,741</b>	<b>61,212</b>	<b>0</b>	<b>0</b>	<b>179,616</b>	<b>3,017</b>	<b>17,728</b>	<b>277,314</b>
<b>Total Assets</b>	<b>54,642</b>	<b>69,710</b>	<b>7,099</b>	<b>34,325</b>	<b>234,158</b>	<b>15,044</b>	<b>17,801</b>	<b>432,779</b>
<b>Liabilities</b>								
Liabilities								
Current Liabilities								
Accounts Payable and								
Accrued Liabilities	1,567	4	0	75	8,434	6	0	10,086
Claims and Judgments	0	0	0	15,389	0	0	0	15,389
Interest Payable	0	825	0	31,806	0	0	403	33,034
Due to Fiduciary Funds	2	0	0	0	0	0	0	2
Due to Other Component Units	0	0	0	63	74	0	0	137
Due to Primary Government	6	0	0	0	25	0	0	31
Deferred Revenue	10	0	0	0	8	0	0	18
Capital Leases-Primary Govt.	0	0	0	0	242	0	0	242
Compensated Absences	166	72	0	0	65	0	0	303
Notes Payable	0	0	0	927	0	0	0	927
General Obligation Bonds	0	1,865	0	0	0	0	0	1,865
Revenue Bonds	0	0	0	0	765	0	0	765
Other Current Liabilities	95	0	0	0	0	54	0	149
<b>Total Current Liabilities</b>	<b>1,846</b>	<b>2,766</b>	<b>0</b>	<b>48,260</b>	<b>9,613</b>	<b>60</b>	<b>403</b>	<b>62,948</b>
Noncurrent Liabilities								
Claims and Judgments	0	0	0	121,982	0	0	0	121,982
Capital Leases-Primary Govt.	0	0	0	0	581	0	0	581
Compensated Absences	123	0	0	0	0	0	0	123
Notes Payable	0	0	0	46,730	0	0	0	46,730
General Obligation Bonds	0	64,642	0	0	0	0	0	64,642
Revenue Bonds	0	0	0	0	54,501	9,999	0	64,500
Other Noncurrent Liabilities	309	0	0	0	296	331	36,815	37,751
<b>Total Noncurrent Liabilities</b>	<b>432</b>	<b>64,642</b>	<b>0</b>	<b>168,712</b>	<b>55,378</b>	<b>10,330</b>	<b>36,815</b>	<b>336,309</b>
<b>Total Liabilities</b>	<b>2,278</b>	<b>67,408</b>	<b>0</b>	<b>216,972</b>	<b>64,991</b>	<b>10,390</b>	<b>37,218</b>	<b>399,257</b>
<b>Net Assets</b>								
Invested in Capital Assets,								
Net of Related Debt	15,740	0	0	0	103,098	633	0	119,471
Restricted for:								
Debt Service	0	142	0	0	0	0	0	142
Other Special Purpose								
Expendable	36,406	0	0	0	1,089	0	0	37,495
Unrestricted	218	2,160	7,099	(182,647)	64,980	4,021	(19,417)	(123,586)
<b>Total Net Assets</b>	<b>\$ 52,364</b>	<b>\$ 2,302</b>	<b>\$ 7,099</b>	<b>\$ (182,647)</b>	<b>\$ 169,167</b>	<b>\$ 4,654</b>	<b>\$ (19,417)</b>	<b>\$ 33,522</b>

State of Oklahoma  
Combining Statement of Activities  
NonMajor Component Units  
For the Fiscal Year Ended June 30, 2006  
(expressed in thousands)

	Program Revenues			General Revenue		Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue	Payments from Primary Government			
Nonmajor Component Units:								
Oklahoma Educational Television Authority	\$ 14,522	\$ 8,980	\$ 2,245	\$ (3,297)	\$ 4,624	\$ 1,327	\$ 51,037	\$ 52,364
Oklahoma Industrial Finance Authority	3,536	3,544	0	8	0	8	2,294	2,302
Health Insurance High Risk Pool	29,067	31,499	0	2,432	0	2,432	4,667	7,099
Multiple Injury Trust Fund	9,246	720	0	(8,526)	28,273	19,747	(202,394)	(182,647)
University Hospitals Authority	98,791	63,128	0	(35,663)	40,549	4,886	164,281	169,167
Oklahoma Development Finance Authority	1,056	1,381	0	325	0	325	4,329	4,654
Oklahoma Capital Investment Board	2,680	1,007	0	(1,673)	0	(1,673)	(17,744)	(19,417)
<b>Total Nonmajor Component Units</b>	<b>\$ 158,898</b>	<b>\$ 110,259</b>	<b>\$ 2,245</b>	<b>\$ (46,394)</b>	<b>\$ 73,446</b>	<b>\$ 27,052</b>	<b>\$ 6,470</b>	<b>\$ 33,522</b>

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CCC Sculpture

## **MEINDERS FOUNDATION RED RIVER JOURNEY & OKLAHOMA CIVILIAN CONSERVATION CORPS SCUPLTURE**

The Oklahoma Civilian Conservation Corps sculpture is a tribute to the more than 100,000 Oklahoma men who served in the CCC safeguarding the natural resources of our nation.

An original work of art created by John Gooden, the sculpture is modeled after Reverend Melvin Grant, CCC worker at Camp Wilkerson in Oklahoma from 1940 to 1941. Rev. Grant was chosen to serve as the subject of the sculpture by a membership vote of the Central Oklahoma CCC Alumni, and is depicted as he was at age 17.

## **Statistical Section**



# STATISTICAL SECTION

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

	2001	2002	2003	2004	2005	2006
<b>Governmental Activities</b>						
Invested in capital assets, net of related debt	\$ 6,005,182	\$ 5,543,009	\$ 5,658,694	\$ 5,991,173	\$ 6,086,534	\$ 6,246,160
Restricted	1,282,421	1,673,732	1,645,107	1,497,652	1,682,789	1,887,136
Unrestricted	2,191,416	1,279,298	1,380,071	1,955,354	2,371,787	3,156,226
Total governmental activities net assets	<u>9,479,019</u>	<u>8,496,039</u>	<u>8,683,872</u>	<u>9,444,179</u>	<u>10,141,110</u>	<u>11,289,522</u>
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	116	114	121	220	161	608
Restricted	586,717	574,812	482,163	485,159	886,391	1,062,156
Unrestricted	193,175	208,628	220,885	224,997	-	202
Total business-type activities net assets	<u>780,008</u>	<u>783,554</u>	<u>703,169</u>	<u>710,376</u>	<u>886,552</u>	<u>1,062,966</u>
<b>Primary government</b>						
Invested in capital assets, net of related debt	6,005,298	5,543,123	5,658,815	5,991,393	6,086,695	6,246,768
Restricted	1,869,138	2,248,544	2,127,270	1,982,811	2,569,180	2,949,292
Unrestricted	2,384,591	1,487,926	1,600,956	2,180,351	2,371,787	3,156,428
Total primary government net assets	<u>\$ 10,259,027</u>	<u>\$ 9,279,593</u>	<u>\$ 9,387,041</u>	<u>\$ 10,154,555</u>	<u>\$ 11,027,662</u>	<u>\$ 12,352,488</u>

# State of Oklahoma

## Changes in Net Assets

### Last Six Fiscal Years

(expressed in thousands)

	2001	2002	2003	2004	2005	2006
<b>Expenses</b>						
<b>Governmental Activities:</b>						
Education-General	\$ 2,514,961	\$ 2,553,744	\$ 2,522,466	\$ 2,614,823	\$ 2,751,320	\$ 2,942,969
Education-Payment to Higher Education	835,371	831,855	800,490	802,985	786,862	823,489
General Government	521,153	405,243	1,003,118	1,254,177	1,518,198	1,621,375
Health Services	367,569	408,545	399,572	393,661	3,096,903	3,471,042
Legal and Judiciary	163,037	169,429	167,971	160,952	175,673	197,324
Museums	11,755	12,738	11,008	11,042	11,634	33,840
Natural Resources	192,980	195,205	190,289	181,033	201,039	242,466
Public Safety and Defense	702,059	776,385	603,306	645,820	674,507	728,331
Regulatory Services	170,691	169,529	175,512	71,733	83,421	116,516
Social Services	3,303,724	3,720,896	3,858,546	4,154,504	1,664,577	1,727,808
Transportation	599,698	579,246	545,193	559,628	580,027	654,147
Interest on Long-Term Debt	42,275	53,453	46,174	45,615	47,769	68,383
Total Governmental Activities	9,425,273	9,876,268	10,323,645	10,895,973	11,591,930	12,627,690
<b>Business-Type Activities:</b>						
Employment Security Commission	147,051	267,462	365,701	335,197	194,373	164,954
Water Resources Board	16,230	15,108	13,792	15,965	24,636	29,829
Lottery Commission	-	-	-	-	92	164,862
Total Business-Type Activities	163,281	282,570	379,493	351,162	219,101	359,645
Total Primary Government Expenses	9,588,554	10,158,838	10,703,138	11,247,135	11,811,031	12,987,335
<b>Program Revenues</b>						
<b>Governmental Activities:</b>						
Education-General	\$ 353,960	\$ 420,339	\$ 624,148	\$ 717,474	\$ 770,144	\$ 811,869
Education-Payment to Higher Education	-	-	-	-	-	-
General Government	291,400	232,740	244,013	271,519	296,902	277,997
Health Services	168,920	185,686	190,389	172,331	2,345,676	2,474,923
Legal and Judiciary	51,511	48,887	50,686	56,373	109,485	104,078
Museums	1,062	3,271	2,600	3,553	5,148	6,009
Natural Resources	113,317	124,266	125,990	140,961	152,070	172,443
Public Safety and Defense	213,652	252,764	134,391	140,227	145,618	175,534
Regulatory Services	69,436	73,647	63,628	70,678	80,840	87,634
Social Services	2,336,066	2,686,906	2,936,146	3,234,913	1,123,128	1,179,186
Transportation	428,537	388,243	430,791	553,971	516,458	576,125
Interest on Long-Term Debt	-	-	-	-	-	-
Total Governmental Activities	4,027,861	4,416,749	4,802,782	5,362,000	5,545,469	5,865,798
<b>Business-Type Activities:</b>						
Employment Security Commission	106,964	246,353	258,993	328,872	341,980	320,417
Water Resources Board	44,005	40,438	40,651	29,876	53,659	50,554
Lottery Commission	-	-	-	-	1	205,426
Total Business-Type Activities	150,969	286,791	299,644	358,748	395,640	576,397
Total Primary Government Revenue	4,178,830	4,703,540	5,102,426	5,720,748	5,941,109	6,442,195
Net (Expense)Revenue:						
Governmental activities	(5,397,412)	(5,459,519)	(5,520,863)	(5,533,973)	(6,046,461)	(6,761,892)
Business-Type Activities	(12,312)	4,221	(79,849)	7,586	176,539	216,752
<b>Total Primary Government</b>	<b>(5,409,724)</b>	<b>(5,455,298)</b>	<b>(5,600,712)</b>	<b>(5,526,387)</b>	<b>(5,869,922)</b>	<b>(6,545,140)</b>

**State of Oklahoma**  
**Fund Balances, Governmental Funds**  
**Last Six Fiscal Years**

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund						
Reserved	\$ 429,305	\$ 439,037	\$ 587,039	\$ 354,525	\$ 359,492	\$ 586,051
Unreserved	<u>1,879,727</u>	<u>1,384,506</u>	<u>1,239,784</u>	<u>1,719,849</u>	<u>2,164,492</u>	<u>3,373,911</u>
Total General Fund	<u><u>2,309,032</u></u>	<u><u>1,823,543</u></u>	<u><u>1,826,823</u></u>	<u><u>2,074,374</u></u>	<u><u>2,523,984</u></u>	<u><u>3,959,962</u></u>
All Other Governmental Funds						
Reserved	1,184,603	1,145,531	1,266,125	1,423,558	1,589,641	1,748,747
Unreserved	<u>-</u>	<u>4,392</u>	<u>3,520</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Other Governmental Funds	<u><u>1,184,603</u></u>	<u><u>1,149,923</u></u>	<u><u>1,269,645</u></u>	<u><u>1,423,558</u></u>	<u><u>1,589,641</u></u>	<u><u>1,748,747</u></u>
Total All Governmental Fund Balances	<u><u>\$ 3,493,635</u></u>	<u><u>\$ 2,973,466</u></u>	<u><u>\$ 3,096,468</u></u>	<u><u>\$ 3,497,932</u></u>	<u><u>\$ 4,113,625</u></u>	<u><u>\$ 5,708,709</u></u>

# State of Oklahoma

## Changes in Fund Balances, Governmental Funds

### Last Six Fiscal Years

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

	2001	2002	2003	2004	2005	2006
<b>Revenues</b>						
Taxes:						
Income Taxes-Individual	\$ 2,213,891	\$ 2,193,040	\$ 2,063,414	\$ 2,427,239	\$ 2,410,234	\$ 2,693,548
Income Taxes-Corporate	169,343	205,759	178,161	199,937	277,265	426,725
Sales Tax	1,475,338	1,478,325	1,437,630	1,623,423	1,682,636	1,843,803
Gross Production Taxes	561,713	226,094	468,064	656,035	737,204	1,036,888
Motor Vehicle Taxes	270,724	250,870	539,748	572,844	574,800	584,294
Fuel Taxes	263,128	274,476	378,021	383,871	407,276	414,677
Tobacco Taxes	-	-	-	-	124,347	216,512
Insurance Taxes	152,746	174,424	197,799	173,535	81,852	76,874
Beverage Taxes	128,591	55,637	66,291	68,617	71,300	75,517
Other Taxes	191,385	223,163	210,982	163,262	285,808	343,978
Licenses, Permits and Fees	220,235	243,821	244,143	257,683	285,323	296,521
Interest and Investment Revenue	202,290	72,649	191,728	234,560	294,796	382,545
Federal Grants	3,265,672	3,661,140	3,945,318	4,314,751	4,493,290	4,770,328
Sales and Services	149,868	149,237	163,384	158,314	169,374	183,369
Other	324,281	401,243	348,298	416,874	388,193	434,451
<b>Total Revenues</b>	<b>9,589,205</b>	<b>9,609,878</b>	<b>10,432,981</b>	<b>11,650,945</b>	<b>12,283,698</b>	<b>13,780,030</b>
<b>Expenditures</b>						
Education	\$ 3,345,934	\$ 3,387,027	\$ 3,319,533	\$ 3,413,856	\$ 3,534,042	\$ 3,762,683
General Government	503,015	385,320	981,408	1,242,562	1,478,107	1,607,212
Health Services	359,078	396,472	390,047	385,634	3,144,918	3,447,085
Legal and Judiciary	158,085	164,410	163,576	155,822	170,337	190,644
Museums	9,409	9,302	7,943	9,497	11,171	30,316
Natural Resources	187,661	182,524	186,898	170,469	191,514	231,616
Public Safety and Defense	675,513	737,410	607,896	596,905	628,901	674,494
Regulatory Services	168,128	167,360	174,004	70,559	81,333	114,871
Social Services	3,280,669	3,684,277	3,822,301	4,118,013	1,589,397	1,697,057
Transportation	180,821	233,439	222,475	205,421	146,013	224,885
Capital Outlay	678,942	721,007	669,574	635,411	673,562	768,003
Debt Service						
Principal Retirement	55,675	63,850	75,226	28,212	31,550	98,512
Interest and fiscal Charges	42,275	53,453	46,174	45,615	47,769	68,383
<b>Total Expenditures</b>	<b>9,645,205</b>	<b>10,185,851</b>	<b>10,667,055</b>	<b>11,077,976</b>	<b>11,728,614</b>	<b>12,915,761</b>
Revenues in Excess of (Less Than) Expenditures	(56,000)	(575,973)	(234,074)	572,969	555,084	864,269
<b>Other Financing Sources (Uses)</b>						
Transfers In	\$ 25,262	\$ 4,256	\$ 7,363	\$ 6,575	\$ 4,439	\$ 50,405
Transfers Out	(26,306)	(3,581)	(6,786)	(6,196)	(4,076)	(10,080)
Bonds Issued	157,340	41,810	12,930	34,180	47,940	614,400
Notes Issued	-	-	24,190	54,770	-	48,875
Refunding Bonds Issued	-	3,135	353,380	22,070	118,825	-
Bond Issue Premiums	2,203	148	35,784	2,670	8,497	14,562
Bond Issue Discounts	-	(39)	(103)	(182)	(421)	(975)
Payment to Refunded Bond Escrow Agent	-	(3,135)	(93,670)	(298,591)	(126,670)	-
Capital Leases and Certificates of Participation	2,343	879	2,935	1,886	311	248
Sale of Capital Assets	10,930	9,049	9,212	11,008	11,764	13,191
<b>Total Other Financing Sources (Uses)</b>	<b>171,772</b>	<b>52,522</b>	<b>345,235</b>	<b>(171,810)</b>	<b>60,609</b>	<b>730,626</b>
Net Changes in Fund Balances	115,772	(523,451)	111,161	401,159	615,693	1,594,895
<b>Fund Balances - Beginning of Year (as restated)</b>	<b>3,377,863</b>	<b>3,496,917</b>	<b>2,985,307</b>	<b>3,096,773</b>	<b>3,497,932</b>	<b>4,113,814</b>
<b>Fund Balances - End of Year</b>	<b>\$ 3,493,635</b>	<b>\$ 2,973,466</b>	<b>\$ 3,096,468</b>	<b>\$ 3,497,932</b>	<b>\$ 4,113,625</b>	<b>\$ 5,708,709</b>
Debt Service as a Percentage of Noncapital Expenditures	1.1%	1.2%	1.2%	0.7%	0.7%	1.4%

**State of Oklahoma**  
**Personal Income by Industry**  
**Last Five Calendar Years**  
(expressed in millions)

	2001	2002	2003	2004	2005
<b>Total Personal Income</b>	\$ 90,161	\$ 90,178	\$ 93,032	\$ 98,095	\$ 106,111
Farm Earnings	625	774	736	917	870
Nonfarm Earnings	65,716	65,337	68,022	72,218	78,528
<b>Private Earnings</b>	<b>52,287</b>	<b>51,078</b>	<b>53,238</b>	<b>56,529</b>	<b>61,924</b>
Agriculture Services, Forestry	168	148	161	177	189
Mining, Oil & Natural Gas Extraction	3,673	3,261	4,002	4,549	6,389
Utilities	1,043	1,178	1,386	1,444	1,274
Construction	3,350	3,216	3,363	3,533	3,806
<b>Manufacturing</b>	<b>11,111</b>	<b>9,826</b>	<b>10,186</b>	<b>10,457</b>	<b>12,178</b>
Durable Goods	5,165	4,996	5,116	5,164	5,270
Nondurable goods	5,946	4,831	5,070	5,293	6,908
Wholesale Trade	2,662	2,790	2,747	2,938	3,209
Retail Trade	4,728	4,871	4,932	5,096	5,311
Transportation and Warehousing	2,985	2,537	2,573	2,776	2,865
Services	22,567	23,251	23,888	25,559	26,704
<b>Government</b>	<b>13,429</b>	<b>14,259</b>	<b>14,784</b>	<b>15,689</b>	<b>16,604</b>
Federal, civilian	3,149	3,352	3,446	3,696	3,816
Military	1,624	1,851	2,128	2,265	2,392
State and Local	8,656	9,056	9,210	9,728	10,395
Highest Personal Income Tax Rate	6.75%	6.75%	7.00%	7.00%	6.65%
Corporate Income Tax Rate	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  
Note: Totals may not add due to rounding.

**State of Oklahoma**  
**Personal Income Tax Filers and Liability by Adjusted Gross Income**  
**Calendar (Tax) Years 2004 and 1995**

Calendar Year 2004

<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	113,388	8%	\$3,283,267,086	69%
\$75,001 - \$100,000	90,681	6%	\$356,398,936	7%
\$50,001 - \$75,000	185,254	12%	\$488,100,119	10%
\$25,001 - \$50,000	374,143	25%	\$496,372,456	10%
\$10,001 - \$25,000	413,177	27%	\$157,223,443	3%
\$10,000 and lower	<u>329,604</u>	<u>22%</u>	<u>\$10,678,479</u>	<u>1%</u>
Total	1,506,247	100%	\$4,792,040,519	100%

Calendar Year 1995

<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	48,103	4%	\$1,030,872,168	48%
\$75,001 - \$100,000	42,885	3%	\$175,702,834	8%
\$50,001 - \$75,000	131,608	10%	\$353,075,038	16%
\$25,001 - \$50,000	332,737	25%	\$446,126,435	20%
\$10,001 - \$25,000	423,917	31%	\$150,284,550	7%
\$10,000 and lower	<u>360,353</u>	<u>27%</u>	<u>\$12,234,834</u>	<u>1%</u>
Total	1,339,603	100%	\$2,168,295,859	100%

Source: Oklahoma Tax Commission



# State of Oklahoma

## Tax Collections

### For Last Five Fiscal Years

Taxes	2002	2003	2004	2005	2006
Aircraft Excise Tax	\$ 1,776,562	\$ 3,561,783	\$ 2,130,160	\$ 3,839,124	\$ 2,781,702
Alcoholic Beverage Excise Tax	22,954,801	24,025,186	25,032,825	26,311,626	18,368,824
Alternative Fuel Surcharge	-	-	-	-	-
Beverage Tax	24,003,394	23,866,102	24,003,209	23,735,552	24,253,880
Bingo Tax	6,406,385	6,184,991	4,978,884	4,051,661	1,640,473
Charity Games Tax	595,768	486,646	376,960	308,613	136,253
Cigarette Tax	50,089,760	50,346,995	40,475,363	95,450,565	148,216,418
City Use Tax - Collect/Deposit	470,287	454,259	567,686	660,926	790,748
Coin Operated Device Decal	5,247,168	3,830,917	3,925,921	4,159,453	2,811,672
Conservation Excise Tax	398,199	-	-	-	-
Controlled Dangerous Substance Tax	-	-	-	6,653	23,564
County Tax (Use & Lodging)	-	-	-	125,697	150,697
Diesel Fuel Excise Tax	82,333,046	81,089,139	83,245,595	102,260,840	68,909,095
Documentary Stamp Tax	9,510,796	10,304,768	12,047,669	14,000,568	16,768,900
Farm Implement Tax Stamps	-	-	-	7,010	5,870
Franchise Tax	42,568,053	41,854,891	41,660,448	40,671,476	41,476,258
Freight Car Tax	897,606	764,012	741,459	765,646	755,298
Fuels Excise Tax	-	-	-	-	-
Gaming Exclusivity Fees	-	-	-	1,653,098	14,191,695
Gasoline Excise Tax	299,103,325	295,106,890	302,366,783	301,720,983	163,956,279
Gross Production Tax - Oil and Gas	358,977,581	539,938,656	645,764,813	751,196,057	880,226,067
Horse Track Gaming	-	-	-	-	3,145,867
Income Tax (Individual)	2,286,110,395	2,113,947,134	2,319,213,479	2,469,593,556	2,757,464,205
Income Tax (Corporate)	173,701,077	104,447,596	133,308,896	168,889,848	304,381,318
Inheritance and Estate Tax	85,975,591	74,927,778	111,145,361	75,708,394	81,923,012
Insurance Premium Tax	143,353,134	156,636,886	275,709,270	139,575,679	39,691,591
Mixed Beverage Gross Receipts Tax	17,771,371	18,434,327	19,384,468	20,950,603	23,378,598
Occupational Health and Safety Tax	1,446,943	1,563,901	1,796,126	1,791,197	1,919,509
OESC Computer Fund Assessment	-	-	-	-	-
Pari-Mutuel Taxes	3,043,649	2,687,696	2,799,509	1,827,015	1,638,435
Pari-Mutuel - Other Tax	33,594	21,350	22,390	13,836	14,948
Petroleum Excise Tax	5,481,024	8,012,472	9,286,470	11,310,702	15,540,837
Rural Electric Co-operative Tax	18,873,408	18,487,011	20,431,429	17,306,353	1,249,543
Sales Tax	1,443,513,940	1,404,275,613	1,496,365,797	1,546,643,407	1,677,875,157
Sales Tax - City	10,057,719	10,941,969	9,853,256	10,327,761	12,798,204
Sales Tax - County	1,157,739	1,123,179	1,538,470	1,865,652	2,208,807
Special Fuel Decal	331,592	297,866	272,297	268,856	221,878
Special Fuel Use Tax	34,089	152,939	37,152	18,719	17,501
Tag Agent Remittance Tax	574,041,603	540,300,580	572,966,808	553,892,770	253,433,328
Telephone Surcharge	1,043,594	1,196,625	904,408	978,355	953,770
Tobacco Products Tax	11,488,487	12,282,099	12,423,543	17,199,744	23,970,831
Tourism Gross Receipt Tax	4,762,814	4,289,009	4,742,439	4,801,137	5,175,280
Tribal Compact in Lieu of Tax Payments	9,922,702	9,468,712	10,579,504	15,099,194	20,383,536
Unclaimed Property Tax	34,260,561	27,678,270	39,408,944	52,245,461	49,004,605
Unclassified Tax Receipts	48,258	5,181	53,627	41,819	62,371
Use Tax	85,950,995	75,860,919	98,007,540	114,197,882	133,775,850
Vehicle Revenue Tax Stamps	47,167	44,847	45,275	43,908	45,452
Workers' Compensation Awards - Assessments	25,061,128	39,422,004	28,749,473	26,242,427	2,713,991
Workers' Compensation Insurance Premium Tax	5,666,869	5,572,798	6,325,844	6,617,592	7,259,704
Other Taxes	11,272,241	15,513,185	16,427,233	20,791,539	18,902,570
<b>Total</b>	<b>\$ 5,859,784,415</b>	<b>\$ 5,729,407,181</b>	<b>\$ 6,379,116,783</b>	<b>\$ 6,649,168,954</b>	<b>\$ 6,824,614,391</b>

Prepared on cash basis to aid in budgetary analysis.  
Source: Oklahoma Tax Commission

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

	<b>Fiscal Year</b>					
	2001	2002	2003	2004	2005	2006
Debt Service						
Principal Retirement	\$55,675	\$63,850	\$75,226	\$28,212	\$31,550	\$98,512
Interest and Fiscal Charges	42,275	53,453	46,174	45,615	47,769	68,383
<b>Total Debt Service</b>	<u>97,950</u>	<u>117,303</u>	<u>121,400</u>	<u>73,827</u>	<u>79,319</u>	<u>166,895</u>
<b>Total Expenditures</b>	9,645,205	10,185,851	10,667,055	11,077,976	11,728,614	12,915,761
<b>Ratio</b>	1.016%	1.152%	1.138%	0.666%	0.676%	1.292%

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

	Fiscal Year Ended June 30	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
<b>COMPONENT UNITS:</b>	2006	\$ 50,446	\$ 1,431	\$ 49,015	\$ 56,296	0.87
<b>Oklahoma Student Loan Authority</b>	2005	33,029	3,979	29,050	30,846	0.94
	2004	21,306	3,367	17,939	10,452	1.72
	2003	22,266	3,106	19,160	19,617	0.98
	2002	26,790	3,639	23,151	15,113	1.53
	2001	31,505	3,679	27,826	18,474	1.51
	2000	24,101	5,011	19,090	11,272	1.69
	1999	19,138	3,418	15,720	12,399	1.27
	1998	16,806	2,806	14,000	12,753	1.10
	1997	14,373	2,401	11,972	12,332	0.97
<b>Oklahoma Housing Finance Agency</b>	2005	\$ 33,503	\$ 11,525	\$ 21,978	\$ 76,490	0.29
	2004	39,740	11,870	27,870	117,072	0.24
	2003	43,239	11,110	32,129	87,628	0.37
	2002	61,492	10,722	50,770	102,995	0.49
	2001	79,650	10,955	68,695	77,381	0.89
	2000	67,974	6,782	61,192	96,456	0.63
	1999	67,168	5,786	61,382	110,584	0.56
	1998	41,326	5,268	36,058	52,906	0.68
	1997	49,053	8,463	40,590	43,536	0.93
	1996	50,599	8,330	42,269	60,771	0.70
<b>Oklahoma Turnpike Authority</b>	2005	\$ 203,372	\$ 59,883	\$ 143,489	\$ 91,624	1.57
	2004	195,710	53,340	142,370	91,799	1.55
	2003	188,999	52,441	136,558	79,430	1.72
	2002	194,531	48,797	145,734	102,773	1.42
	2001	191,988	45,868	146,120	72,031	2.03
	2000	170,135	40,865	129,270	67,611	1.91
	1999	167,341	40,932	126,409	78,702	1.61
	1998	161,660	36,545	125,115	70,376	1.78
	1997	131,279	32,713	98,566	53,450	1.84
	1996	122,501	33,160	89,341	50,830	1.76
<b>Grand River Dam Authority</b>	2005	\$ 289,868	\$ 164,443	125,425	\$ 100,986	1.24
	2004	235,641	121,399	114,242	101,869	1.12
	2003	213,124	109,850	103,274	102,609	1.01
	2002	203,020	104,945	98,075	103,065	0.95
	2001	203,860	101,018	102,842	103,108	1.00
	2000	216,046	114,725	101,321	94,243	1.08
	1999	195,738	90,114	105,624	94,356	1.12
	1998	215,879	109,795	106,084	95,830	1.11
	1997	192,904	89,046	103,858	111,560	0.93
	1996	188,672	93,054	95,618	92,828	1.03
<b>Oklahoma Municipal Power Authority</b>	2005	\$ 170,128	\$ 133,730	36,398	\$ 94,655	0.38
	2004	139,703	102,548	37,155	31,813	1.17
	2003	134,334	98,703	35,631	31,973	1.11
	2002	115,514	80,521	34,993	30,290	1.16
	2001	118,382	84,156	34,226	29,156	1.17
	2000	121,023	88,192	32,831	28,108	1.17
	1999	96,014	70,975	25,039	28,020	0.89
	1998	99,538	70,953	28,585	28,148	1.02
	1997	88,127	61,304	26,823	24,622	1.09
	1996	82,840	45,948	36,892	22,932	1.61
<b>Higher Education</b>	2006	\$ 3,726,961	\$ 3,004,968	\$ 721,993	\$ 117,155	6.16
	2005	3,193,703	2,697,338	496,365	60,609	8.19
	2004	3,055,770	2,586,517	469,253	86,143	5.45
	2003	2,638,386	2,441,841	196,545	55,145	3.56
	2002	2,489,644	2,327,184	162,460	30,565	5.32
	2001	2,300,325	2,125,609	174,716	27,178	6.43

	Fiscal Year Ended June 30	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
<b>ENTERPRISE FUND:</b>	2006	\$ 14,815	\$ 1,813	\$ 13,002	\$ 59,607	0.22
<b>Oklahoma Water Resources Board</b>	2005	11,955	2,092	9,863	49,697	0.20
	2004	-	1,519	(1,519)	57,564	-0.03
	2003	21,702	1,706	19,996	21,134	0.95
	2002	26,227	1,687	24,540	43,670	0.56
	2001	10,702	1,175	9,527	19,654	0.48
	2000	14,620	3,699	10,921	25,301	0.43
	1999	11,932	1,000	10,932	28,188	0.39
	1998	12,411	816	11,595	15,226	0.76
	1997	10,061	777	9,284	15,508	0.60

(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.

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

# State of Oklahoma

## Major Employers by Size

### Non-Government (Listed Alphabetically)

#### 2006

#### 5,001 OR MORE EMPLOYEES

AMR, Corp.	Sonic Industries, Inc.
Hillcrest Healthcare System	Wal-Mart Stores, Inc.
Integrus Health	

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#### 3,001 TO 5,000 EMPLOYEES

ConocoPhillips	Saint Francis Hospital
Goodyear Tire & Rubber Company	Seaboard Farms
HCA Healthcare	St. John Medical Center, Inc.
The Hertz Corporation	W. H. Braum, Inc.
SSM Healthcare of Oklahoma	YUM! Brands

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#### 1,001 TO 3,000 EMPLOYEES

Adecco North America	Love's Travel Stops and Country Stores
Albertson's	Lowe's Home Centers
America On-Line	Mathis Brothers Furniture Company
Arby's Roast Beef	Mazzio's Corporation
Arrow Trucking Co.	McDonald's Restaurants of Okla., Inc.
Arvest Bank Operations	MCI
Bama Companies	Mercy Health System of OK
BancFirst	Metris Companies
Bar-S Foods	Michelin North America
BlueCross/BlueShield of OK	MidFirst Bank
BOK Financial Group	Midwest Regional Medical Center
Bridgestone/Firestone Corp.	Muskogee Regional Medical Center
Brinker International	Nordam
Charles Machine Works	Norman Regional Hospital
Chesapeake Energy	OGE Energy Corp
Cherokee Nation of Oklahoma - Tahlequah	OK Foods
Chickasaw Enterprises - Ada	Oklahoma Nursing Homes Ltd.
Choctaw Nation of Oklahoma - Durant	The Oklahoma Publishing Company
Cingular	OneOK, Inc.
Comanche County Memorial Hospital	Quick Trip Corporation
Convergys	Reasors Discount Foods
Corrections Corp. of America	Red Lobster Inns
Cox Communications	AT&T (formerly SBC)
Deaconess Hospital	Sears & K-Mart
Dell	Sodexho Operations
Dillard Department Stores	Spirit Aero systems
Direct TV	Sprint PCS
Dollar General Corporation	State Farm Insurance
Dollar Thrifty Auto Group	Target Stores
EDS	Tulsa Regional Medical Center
Family Dollar	Tyson Foods, Inc.
Farmers Insurance Group	United Parcel Service of America, Inc.
General Motors Corporation	United Super Markets of Oklahoma, Inc.
Georgia-Pacific Corp.	University of Tulsa
Grace Living Centers	Walgreen Company
Great Plains Coca-Cola	Warehouse Market
Hillcrest Health Center, Inc.	West Corp.
Hobby Lobby	Weyerhaeuser Company
Home Depot	Whirlpool Corporation
Homeland Stores	York International Central Environmental Systems
J. C. Penney Co., Inc.	

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**500 TO 1000 EMPLOYEES**

(Oklahoma-based Employers Only)

AAON, Inc.

Advance Food Company

American Fidelity Group

Autocraft Industries, Inc.

Charles Machine Works (Ditch Witch International)

Chesapeake Energy Corp.

Crest Discount Foods, Inc.

EZ Mart Stores

Jane Phillips Memorial Medical Center

Kerr-McGee Corporation

M-D Building Products

Metris Companies

MidFirst Bank

Oral Roberts University

Pioneer Telephone Corporation

Prepaid Legal

QuikTrip Corporation

Southwest Airlines

St. Mary's Regional Medical Center

Stillwater Medical Center

Sundowner Trailer Inc.

TCI Services

Unit Parts Co.

Valley View Regional Hospital

Webco Industries

Williams Companies

World Publishing Company

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Source: Oklahoma Department of Commerce

# State of Oklahoma

## Demographic and Economic Statistics

### Last Five Fiscal Years

Year	Population <sup>a</sup> (in thousands)				Personal Income <sup>b</sup>	Per Capita Personal Income <sup>b</sup>			Civilian Labor Force <sup>c</sup>		
	U. S.	Change from Prior Period	State of Oklahoma	Change from Prior Period	(in thousands) State of Oklahoma	U. S.	State of Oklahoma	Oklahoma as a Percentage of U.S.	Employed	Unemployed	Unemployment Rate
2001	285,108	1.31%	3,466	0.43%	\$90,160,848	\$30,574	\$26,015	85.09%	1,615,654	59,807	3.6%
2002	287,985	1.01%	3,487	0.61%	90,177,804	30,810	25,861	83.94%	1,607,411	78,131	4.6%
2003	290,850	0.99%	3,505	0.52%	93,091,822	31,484	26,560	84.36%	1,608,166	101,187	5.9%
2004	293,657	0.97%	3,524	0.54%	98,095,384	33,050	27,840	84.24%	1,628,232	88,335	5.1%
2005	296,410	0.94%	3,548	0.68%	104,060,000	34,586	29,330	84.80%	1,664,656	78,074	4.5%

<sup>a</sup> Source: Oklahoma Department of Commerce and U.S. Census Bureau as adjusted.

<sup>b</sup> Source: U.S. Bureau of Economic Analysis as adjusted.

<sup>c</sup> Source: Oklahoma Employment Security Commission and U.S. Bureau of Labor Statistics as adjusted.

**State of Oklahoma**  
**School Enrollments**  
 Last Five Academic Years

<b><u>Public School Enrollments:</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>
Early childhood	21,111	22,787	24,476	26,297	29,685
Kindergarten	39,067	39,242	40,801	42,603	44,193
Elementary School	239,247	238,068	233,332	231,626	230,323
Junior High School	109,546	110,627	112,790	113,080	112,771
Senior High School	150,519	148,822	148,900	148,816	149,585
No-High School Districts (Grades 1-8)	16,707	16,594	16,757	16,669	16,421
Special Education (Ungraded)	2,934	2,904	3,062	3,161	2,499
Out-of-Home Placements	1,613	1,751	1,648	1,674	1,687
Total	<u>580,744</u>	<u>580,795</u>	<u>581,766</u>	<u>583,926</u>	<u>587,164</u>
<b><u>Higher Education:</u></b>					
Public Institutions	216,758	220,448	225,040	230,090	237,455
Private Institutions	<u>30,185</u>	<u>30,264</u>	<u>29,007</u>	<u>27,125</u>	<u>24,661</u>
Total	<u>246,943</u>	<u>250,712</u>	<u>254,047</u>	<u>257,215</u>	<u>262,116</u>
<b><u>Career-Technology Education:</u></b>					
Secondary *	133,054	138,042	145,788	151,833	151,703
Adult	<u>316,789</u>	<u>327,829</u>	<u>330,095</u>	<u>357,619</u>	<u>375,790</u>
Total	<u>449,843</u>	<u>465,871</u>	<u>475,883</u>	<u>509,452</u>	<u>527,493</u>



**State of Oklahoma**  
**Government Employees by Function**  
 Last Five Fiscal Years  
 (excluding Higher Education)

<b>Function:</b>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005<sup>a</sup></u>
Education	1,355	1,176	1,203	1,079	1,026
General Government	2,807	1,477	2,573	2,443	1,993
Health Services	4,370	4,358	4,158	4,195	3,998
Legal and Judiciary	628	647	586	582	341
Museums	207	219	186	187	158
Natural Resources	3,608	3,346	3,318	3,382	2,704
Public Safety and Defense	7,563	7,539	7,245	7,212	6,911
Regulatory Services	1,458	1,411	1,448	1,417	1,244
Social Services	13,024	13,037	12,692	13,043	12,197
Transportation	2,958	2,940	2,941	3,001	2,945
<b>Total</b>	<u>37,978</u>	<u>36,150</u>	<u>36,350</u>	<u>36,541</u>	<u>33,517</u>

Source: State Office of Personnel Management (OPM)

<sup>a</sup> OPM changed to the PeopleSoft HRMS system in FY2005. Information as of June 30, 2005 includes only full-time, regular employees.

**State of Oklahoma**  
**Capital Asset Utilization by Function-**  
**Primary Government**

Last Five Fiscal Years

(net of depreciation, expressed in thousands)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Governmental activities:</b>					
Education	\$ 15,008	\$ 20,719	\$ 19,984	\$ 19,423	\$ 19,213
General Government	106,599	118,072	142,828	150,593	150,583
Health Services	34,478	35,054	34,349	32,876	32,003
Legal and Judiciary	702	490	278	100	20
Museums	6,549	6,419	6,593	6,879	6,760
Natural Resources	114,356	113,547	95,123	94,712	98,016
Public Safety and Defense	211,201	220,982	260,661	266,182	278,764
Regulatory Services	1,217	1,146	888	624	552
Social Services	115,821	147,036	165,406	176,706	192,402
Transportation	6,300,187	5,761,173	6,042,589	6,184,651	6,268,343
Governmental activities, net	<u>6,906,118</u>	<u>6,424,638</u>	<u>6,768,699</u>	<u>6,932,746</u>	<u>7,046,656</u>
<b>Business-type activities:</b>					
Enterprise Funds	\$ 116	\$ 114	\$ 121	\$ 220	\$ 175
Business-type activities, net	<u>116</u>	<u>114</u>	<u>121</u>	<u>220</u>	<u>175</u>

# **State of Oklahoma**

## **Additional Information and Sources of Statistical Data**

### **Fiscal Year 2006**

#### **Additional Information:**

The population of Oklahoma has steadily increased since 2001, averaging .56% per year.

The state unemployment rate is at 4.5% which is the lowest rate since 2002 and below the national rate. Oklahoma's unemployment rate has been below the national average since 1996.

Oklahoma's total personal income rate has steadily increased at an average of 15.4% since 2001. During the same period, personal income per capita increased by 12.7% compared to 13.12% nationally.

As a result, annual total tax collections since 2002 have increased by \$964,829,976 or 16.4%.

Please refer to the preceding statistical 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

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