



Oklahoma
2005

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2005



"The End of the Trail"

Photo Courtesy of the National Cowboy and Western Heritage Museum

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OKLAHOMA

2005

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

Brad Henry
Governor

Prepared by

Office of State Finance

Claudia San Pedro, Director
Brenda Bolander, State Comptroller

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

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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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Photo Courtesy of Timothy Hursley

Oklahoma Museum of Natural History
1335 Asp Avenue, Norman, OK 73019; Phone: (405) 325-4712;
www.snomnh.ou.edu

The Sam Noble Oklahoma Museum of Natural History is the state's official museum of natural history. Founded in 1899 by an act of the Oklahoma Territorial Legislature, the museum now houses more than 6 million objects and artifacts in its collections and is one of the finest university-based museums in the nation, with active research and collection programs in the life, earth and social sciences. Galleries focus primarily on the natural history of Oklahoma and include record-setting dinosaurs, realistic walk-through dioramas and fascinating archaeological and Native American exhibits.

Introductory Section

Introductory Section



STATE OF OKLAHOMA
OFFICE OF STATE FINANCE

February 27, 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, 2005. 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, Required Supplementary Information and Other Supplementary Information. The Statistical Section contains selected financial and demographic information.

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-two component units. There are eight major component units, eight nonmajor component units, and six fiduciary component units. The major and nonmajor component units are discretely presented in the financial statements. The fiduciary component units are presented 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, 2005, 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, 2005 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.

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, 2005, the outstanding general obligation net debt of the State of Oklahoma was \$261.2 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. The State Insurance Fund 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:

- Oklahoma's economy has added 26,700 new jobs over the past year.
- In 2005, state job growth outpaced the nation with growth of 1.8% compared to 1.4% for the U.S.
- Oklahoma's unemployment rate also outpaced the nation with a 9% decline in unemployment from 4.7% in October of 2004 to 4.3% in October of 2005. For the same periods in time, the U.S. unemployment rate decreased by 9% from 5.5% to 5.0%.

Some of the most notable employment announcements taking place in Oklahoma include: 363 jobs being added in Oklahoma City by Walgreens, 500 in Bartlesville by ConocoPhillips, 400 in Tulsa by Lenders Services Direct, and Cherokee ConneX LLC announced plans to add 840 jobs in Muskogee.

Oklahoma emerged from the revenue shortfall years of FY-2002 and FY-2003 with solid revenue growth in FY-2004 and FY-2005. Actual revenue collected again exceeded 100% of the estimate and, for the first time since the creation of the Rainy Day Fund, a deposit of \$243.8 million into the fund raised the balance to the maximum allowed by law. The legal maximum is equal to 10% of the prior fiscal year's general revenue fund appropriations, or \$461.3 million for fiscal year 2005.

In addition, the Governor proposed and the Legislature passed legislation which provided for the surplus revenue collected above the Rainy Day maximum to be used for two purposes. HB 1193 directed 50% of any surplus revenue collected in FY-2005 to be deposited in the Oklahoma Taxpayer Relief Fund. This fund provided a one-time tax rebate payment to all taxpayers in the State of Oklahoma. Rebates were \$45 for single taxpayers and \$90 for joint taxpayers. The other 50% of excess surplus funds were directed to the Oklahoma Dynamic Economy and Budget Security Fund. This fund is subject to legislative appropriation and is to be used for promoting research and development of critical sectors of the state's economy, commercialization of technology, health care, promotion of endowments to nonprofit entities, unmet infrastructure needs and to provide a source of funds for any needed stabilization of the budget for the fiscal year ending June 30, 2006. These funds provide an additional cash source in case of a shortfall but more importantly provide revenues for strategic research and development investments to grow Oklahoma's economy. A \$92 million deposit was made to each of these funds.

The Teachers' Retirement System (TRS) has accrued liabilities in excess of its assets and projected asset growth. The annual valuation performed at June 30, 2005 reflects an increase in the funded position from the funding level at June 30, 2004. It also reflects that 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 accrued liability, is 42.6 years. This compares to an infinite amortization period at June 30, 2004. The actuarial accrued liability decreased \$28 million and the actuarial value of assets increased \$291 million. As a result, the System's unfunded actuarial accrued liabilities decreased \$319 million to \$7.1 billion at June 30, 2005. The decrease in the funded period and the increase in the funded ratio are due to the adoption of actuarial assumption changes determined from an experience study performed during the year ended June 30, 2005. A task force to study the retirement benefits offered Oklahoma teachers, the optimal retirement benefits offering and solutions to the funding shortfall in the system was appointed.

Oklahoma has weathered the revenue decline experienced by most states. In spite of these past challenges, the State's financial condition is healthy. The State's general obligation debt load remains modest and its revenue picture is improving.

CURRENT DEVELOPMENTS AND MAJOR INITIATIVES

Revenue projections for FY-2006 reflect Oklahoma's continued economic strength. Growth in individual income, oil and gas tax revenues is expected to grow at a steady rate and yield another positive year. Revenue from new sources such as 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 \$436 million from FY-2005. Changes in law and transfers to the special cash fund made during the legislative session increased overall appropriations and expenditure authority to over \$6.13 billion for FY-2006. This is an increase of over \$734 million or 13.6% from the prior year's expenditure authority. Of this total, \$155 million was appropriated for FY-2005 supplemental appropriations. Major expenditure items for FY-2006 included \$155 million for health care and health related programs, \$145 million for education and returned \$151 million in tax cuts and rebates to Oklahoma taxpayers. The total value of all tax cuts passed will be over \$247 million once all are fully implemented in FY-2007 and FY-2008.

The Governor and Legislature focused on a number of significant issues during the 2005 legislative session designed to encourage economic development, improve education and increase access to quality health care services.

Economic Development and Tax Reform

The Governor proposed and the Legislature passed legislation expanding the retirement income tax exemption by increasing the retirement income qualifications and increasing the income exemption amount from \$7,500 to \$10,000.

The Legislature passed and the Governor signed legislation eliminating method II of the income tax rate with a maximum individual income tax rate of 10% and reduced the top individual income tax rate from 6.65% to 6.25%. In addition, legislation was enacted that exempts 50% of all military retirement income effective for the 2006 calendar year.

To spur strategic economic development, HB 1547 exempts Oklahoma source capital gains from the corporate income tax rate. Property located in this state must be owned for 5 years before claiming the exemption while stocks and interest from an Oklahoma company must be held for 3 years before claiming the exemption. This component encourages all people to invest in Oklahoma.

Quality Education Initiatives

SB 982 created the Achieving Classroom Excellence (ACE) Act of 2005, Governor Henry's education initiative. Some highlights of this education reform package are outlined below.

The ACE Act created the Achieving Classroom Excellence (ACE) Task Force whose charge is to study state testing requirements for 8th grade and high school students, hold public hearings, make recommendations and present a report to the Legislature and Governor by 12-31-05. ACE requires students to demonstrate mastery of state academic content standards in reading and math by the 8th grade, beginning in the 2009-2010 school year. ACE provided \$2 million each for teacher training and bonuses to improve middle school math and for math labs in ten middle schools with records of low performance. ACE requires students entering the 9th grade in the 2008 - 2009 school year to demonstrate mastery in four out of six subject areas to receive a high school diploma and to complete three units of math in grades 9 through 12. Students entering 9th grade in the 2006 - 2007 school year will be enrolled in a college preparatory curriculum unless their parents opt out. ACE also provided \$1.4 million for tuition waivers for up to six credit hours per semester for high school seniors.

ACE also addressed early childhood education. School districts will be required to offer full day kindergarten by the 2011-2012 school year. More than 70 percent of school districts already offer this, and the FY-2006 budget provides school districts an increased rate for full day kindergarten at a cost of \$21.6 million as an incentive to implement the program. Districts with bonded indebtedness exceeding 85 percent of the maximum allowable at any time within previous five years are exempted from the requirement.

The FY-2006 budget includes \$57.8 million for the second year of the multi-year teacher's salary increase plan to reach the regional average. While the average teacher salary for this fiscal year is not yet known, the average salary increase was estimated to be \$1,300. Further aiming to fairly compensate Oklahoma's teachers and support personnel, the budget also includes \$42.8 million to fully annualize and pay for 100 percent of teachers' and support personnel health insurance.

Health Care Initiative/Tax Reform

For FY-2006, the Governor proposed in Senate Bill 547, the Oklahoma Prescription Drug Discount Program Act of 2005, a new program which will assist Oklahomans with no prescription drug coverage to access all prescription drug manufacturers' free and discount drug programs through a single point of entry. This program will utilize a pharmacy benefit manager software product that can automatically assess for the consumer which drugs through which manufacturers they qualify for assistance. This process will make access to these programs much easier and more understandable for those who use it in addition to increasing access to free and discount drugs.

In Medicaid, funds were appropriated to bring the payment rates for doctors and hospitals to the benchmark standard of 100% of the Medicare rate of payment for services. The state share of this funding was \$63 million and it will yield a total of \$196.3 million for payment to providers when state and federal matching funds are combined. Also in Medicaid, funding was provided for a full 12 months of eligibility for Medicaid services. This change makes it possible for the first time in the state's Medicaid history for an enrollee to be eligible for services and keep the same primary care provider for a full year.

Highlights of the fiscal year 2005 and fiscal year 2006 budgets include (expressed in millions):

	Amount Appropriated		Percentage of Total Appropriations		Increase (Decrease) from Prior Year		Percentage Increase (Decrease)	
	2005	2006	2005	2006	2005	2006	2005	2006
Department of Education	\$ 2,008	\$ 2,153	37%	35%	\$ 57	\$ 145	3%	7%
Regents for Higher Education	802	889	15%	14%	34	87	4%	11%
Career & Technical Education	124	130	2%	2%	6	6	5%	5%
Other Education	23	37	0%	1%	2	14	10%	61%
Total Education	2,957	3,209	54%	52%	99	252	3%	9%
Department of Health	58	63	1%	1%	4	5	7%	9%
Health Care Authority	482	635	9%	10%	43	153	10%	32%
Department of Mental Health	155	172	3%	3%	10	17	7%	11%
Other Health	39	40	1%	1%	5	1	15%	3%
Total Health	734	910	14%	15%	62	176	9%	24%
Department of Human Services	408	482	7%	7%	21	74	5%	18%
Office of Juvenile Affairs	93	98	2%	2%	3	5	3%	5%
Other Human Services	36	39	1%	1%	1	3	3%	8%
Total Human Services	537	619	10%	10%	25	82	5%	15%
Department of Corrections	384	409	7%	7%	10	25	3%	7%
Department of Transportation	201	275	4%	4%	9	74	5%	37%
Department of Public Safety	65	79	1%	1%	3	14	5%	22%
Other	518	687	10%	11%	29	169	6%	33%
Total	\$ 5,396	\$ 6,188	100%	100%	\$ 237	\$ 792	5%	15%

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, 2005, 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. A significant increase in health services expenditures and decrease in social services expenditures resulted from reclassifying certain agencies to more accurately reflect their spending by function of government.

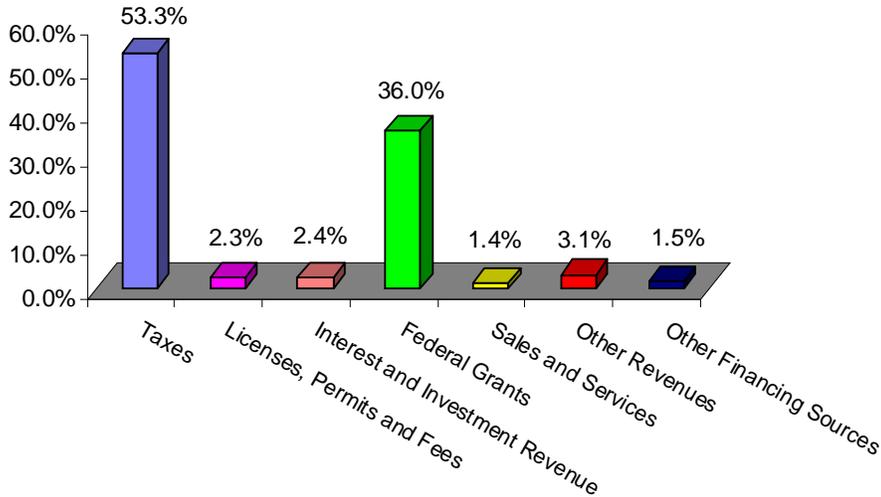
Governmental Funds: Revenues and Other Financing Sources - GAAP Basis
(expressed in millions)

	2005 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	\$ 6,653	53.3%	\$ 384	6.1%
Licenses, permits and fees	285	2.3%	27	10.5%
Interest and investment revenue	295	2.4%	61	26.1%
Federal grants	4,493	36.0%	178	4.1%
Sales and services	169	1.4%	11	7.0%
Other revenues	388	3.1%	(29)	(7.0%)
Other financing sources:				
Operating transfers	5	0.0%	(2)	(28.6%)
Bond and note proceeds	175	1.4%	62	54.9%
Other	12	0.1%	(1)	(7.7%)
Total revenues and other financing sources	<u>\$ 12,475</u>	<u>100.00%</u>	<u>\$ 691</u>	

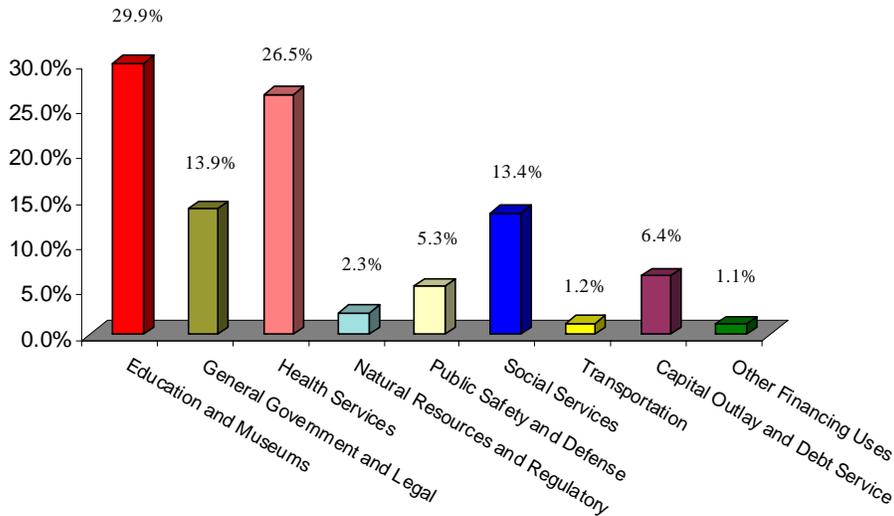
Governmental Funds: Expenditures and Other Financing Uses - GAAP Basis
(expressed in millions)

	2005 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	\$ 3,534	29.8%	\$ 120	3.5%
General government	1,478	12.5%	235	18.9%
Health services	3,145	26.5%	2,759	714.8%
Legal and judiciary	170	1.4%	14	9.0%
Museums	11	0.1%	2	22.2%
Natural resources	192	1.6%	22	12.9%
Public safety and defense	629	5.3%	32	5.4%
Regulatory services	81	0.7%	10	14.1%
Social services	1,590	13.4%	(2,528)	(61.4%)
Transportation	146	1.2%	(59)	(28.8%)
Capital outlay	674	5.7%	39	6.1%
Debt service	79	0.7%	5	6.8%
Other Financing Uses:				
Operating transfers	4	0.0%	(2)	(33.3%)
Bond refunding	126	1.1%	(173)	(57.9%)
Total expenditures and other financing uses	<u>\$ 11,859</u>	<u>100.00%</u>	<u>\$ 476</u>	4.2%
Governmental Funds - Net increase in fund balance	<u>\$ 616</u>			

Governmental Fund Revenues and Other Financing Sources (GAAP Basis) – Fiscal Year 2005



Governmental Funds Expenditures and Other Financing Uses (GAAP Basis) – Fiscal Year 2005



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 87% 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 \$4.4 billion, or 88% of total GRF receipts. The total of major taxes collected increased \$292.3 million or 7.2% from that of the prior year, an indication of increased business activity. As compared to fiscal year 2004, collections from income taxes increased by \$190.2 million, or 9.0%; sales taxes increased by \$52.8 million, or 4.1%; motor vehicle taxes decreased by \$2.2 million, or (1.0%); and gross production taxes on gas increased by \$51.5 million, or 11.6%.

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 2005 is as follows:

Revenue Collections Compared to Itemized Estimate for Fiscal 2005
(expressed in millions)

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
Individual and Corporate				
Income tax	\$ 2,096.3	\$ 2,312.0	\$ 215.7	110.3%
Sales tax	1,339.6	1,340.2	0.6	100.0%
Motor vehicle tax	219.9	219.8	(0.1)	100.0%
Gross production tax	353.8	495.2	141.4	140.0%
Subtotal Major Taxes	4,009.6	4,367.2	357.6	108.9%
Other sources	535.4	589.7	54.3	110.1%
Total	\$ 4,545.0	\$ 4,956.9	\$ 411.9	109.1%

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
1991	3,034	3,110	75	102.5%
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%
Fifteen-Year Average	\$ 3,929.7	\$ 3,949.4	\$ 19.6	100.5%

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

General Revenue Funds - The fiscal year 2005 cash carryover available to the next Legislature was \$0.9 million, compared to \$1.1 million in fiscal year 2004. 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, 2005, this fund had a balance of \$461,317,000.

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, 2004. 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,



Claudia San Pedro
Director of State Finance



Brenda Bolander
State Comptroller

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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, 2004

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.



Carla E. Perry

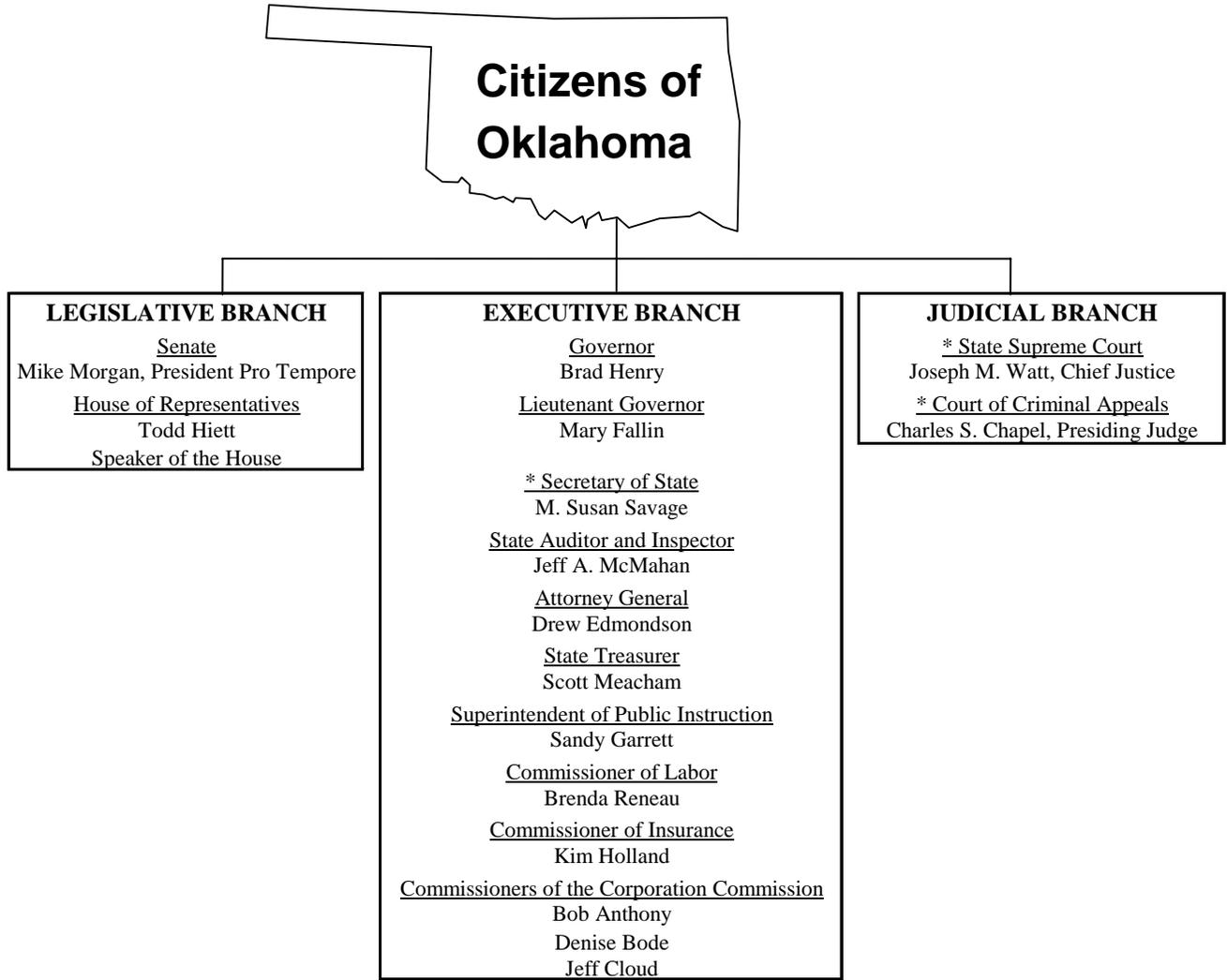
President

Jeffrey R. Emer

Executive Director

SELECTED OKLAHOMA STATE OFFICIALS

June 30, 2005



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

* 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.



Photos Courtesy of Jasmine Moran Children's Museum

Jasmine Moran
Children's Museum
PO Box 1828, Seminole, OK 74868
Phone: 1-800-259-KIDS
www.jasminemoran.com

The Jasmine Moran Children's Museum is based on the theme of a child-sized town. 28,000 square feet of indoor exhibit space contain interactive learning while engaging visitors in the world of careers. Young visitors can immerse themselves in the world of paleontology, aviation, education, bubble fun, water play, maze climbing, and much more. Other exhibit interests include a hospital, dental office, construction site, art room, courtroom, shadow room, handi-capable area, fire station, grocery store, and TV studio. In the museum, there is a 13,500-gallon aquarium that contains Oklahoma aquatic life with kiosks nearby to assist in the identification of the various fish inside the aquarium. There is also a recently added expansion which includes "Safety-Town", a newly landscaped area complete with bronze statuary of children and waterfalls. Summer programs provide educational programming for children to practice their bicycle and pedestrian safety. The SuperSONIC Express train takes visitors on a one-half mile ride viewing the newly landscaped area. Black swans, African geese, wood ducks, and turtles make the ride even more exciting. An eclectic, colorful collection of birdhouses enhances a visitor's ride through our nature park.

Financial Section

Financial Section



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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, 2005, 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 eleven percent and four percent, respectively, of the assets and revenues of the governmental activities, and one percent of the assets and two percent of the revenues of the general fund.
- the financial statements of the Water Resources Board which in the aggregate represent sixty-five percent and thirteen percent, respectively, of the assets and 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, 2005, 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 \$7,099,000,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes. The present funding schedule is not sufficient to amortize the UAAL." Note B to the System's financial statements discloses: "The System will experience difficulty in meeting long-term obligations at a point in time if not funded at a more appropriate level. Based on calculations using Government Accounting Standards Board ("GASB") Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, the System's funded ratio is only 49.5% at June 30, 2005..." The ultimate outcome of the ability of the System to meet its future obligations is dependent on funding established by Oklahoma Statutes, and cannot presently be determined.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 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 with the State of Oklahoma's Single Audit Reports.

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress 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, combining financial statements, and the Schedule of Expenditures and Intra-Agency Transfers-Detail Budget to Actual Comparison (Non-GAAP Budgetary Basis)-General Fund, 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 Schedule of Expenditures and Intra-Agency Transfers-Detail Budget to Actual Comparison (Non-GAAP Budgetary Basis)-General Fund has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it. 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

February 24, 2006



Photo Courtesy of Jim Bowen

Oklahoma Museum of Higher Education
Oklahoma State University, Stillwater, OK 74078
Phone: (405) 624-3220

Historic “Old Central”, the Oklahoma Agriculture and Mechanical College in 1894, represents the beginning of the unique land-grant college effort in Oklahoma. Old Central restored to its original 1894 condition, the building itself, exhibits the history of higher education in the state. It typifies the first collegiate structures in Oklahoma. The institution and its mission basically developed from laws of the United States Congress. In 1862, President Abraham Lincoln signed the Land-Grant College Act for the creation in each territory and state “at least one college where the leading subjects shall be, without excluding other scientific and classical studies and including military tactics, to teach such branches of learning as are related to agriculture and the mechanic arts...in order to promote the liberal and practical education of the industrial classes in the several pursuits and professions in life.” Although it is the oldest restored higher education building in the state of Oklahoma, “Old Central” represents the struggles and sacrifices of the pioneers who believed in higher education when there was little more than hope.

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, 2005. 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, 2005 by \$11 billion (presented as "net assets"). Of this amount, \$2.4 billion was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the State's ongoing obligations to citizens and creditors.

Changes in Net Assets - The State's total net assets increased by \$873 million (an 8.6% increase) in fiscal year 2005, equal to the 8.6% increase from the previous fiscal year. Net assets of governmental activities increased by \$697 million (a 5.1% increase), while net assets of the business-type activities showed an increase of \$176 million (a 24.8% increase).

Fund Highlights:

Governmental Funds - Fund Balances - As of the close of fiscal year 2005, the State's governmental funds reported a combined ending fund balance of \$4.1 billion, an increase of \$615.7 million in comparison with the prior year. Of this total amount, \$2.16 billion represents the "unreserved fund balances", all being in the general fund. Of this \$2.16 billion, \$489 million (increased \$57 million) is in the Cash Flow Reserve Fund and \$461 million (increased \$244 million) is in the Rainy Day Fund leaving \$1.2 billion (increased \$143 million) as undesignated for the general fund. This \$1.2 billion is roughly 10.4% of the total governmental funds expenditures for the year. This ratio improved from 9.7% a year ago.

Long-term Debt:

The State's total long-term debt obligations showed a net increase of \$24 million (20.8%) in the governmental type activities and a net increase of \$167 million (31.2%) the business type activities during the current fiscal year. The key factor causing the governmental type increase was the issuance of \$154 million in new OCIA revenue bonds. The large debt increase in the business type activities was from the issuance of \$204 million in new revenue bonds 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 eight other (or nonmajor) component units are combined into a single column for reporting in the fund financial statements. These nonmajor component units are:

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

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 two 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) and 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). The Oklahoma Lottery Commission was formed during fiscal year 2005 and is presented as a non-major proprietary fund.

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.

Other Supplementary Information

Combining Financial Statements

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

Budgetary Detail

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (government and business-type activities) totaled \$11 billion at the end of 2005, compared to \$10.2 billion at the end of the previous year.

The largest portion of the State's net assets (55%) 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	
	2005	2004	2005	2004	2005	2004
Current Assets	\$ 4,849,425	\$ 3,791,593	\$ 634,096	\$ 485,713	\$ 5,483,521	\$ 4,277,306
Capital Assets	7,046,656	6,932,746	175	220	7,046,831	6,932,966
Other Assets	1,748,060	1,585,005	964,048	766,374	2,712,108	2,351,379
Total Assets	13,644,141	12,309,344	1,598,319	1,252,307	15,242,460	13,561,651
Noncurrent Liabilities	1,044,773	1,073,914	656,575	509,416	1,701,348	1,583,330
Other Liabilities	2,458,258	1,791,251	55,192	32,515	2,513,450	1,823,766
Total Liabilities	3,503,031	2,865,165	711,767	541,931	4,214,798	3,407,096
Invested in Capital Assets, Net of Related Debt	6,086,534	5,991,173	161	220	6,086,695	5,991,393
Restricted	1,682,789	1,497,652	697,621	485,159	2,380,410	1,982,811
Unrestricted	2,371,787	1,955,354	188,770	224,997	2,560,557	2,180,351
Total Net Assets	\$10,141,110	\$ 9,444,179	\$ 886,552	\$ 710,376	\$11,027,662	\$10,154,555

A portion of the State's net assets (22%) 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

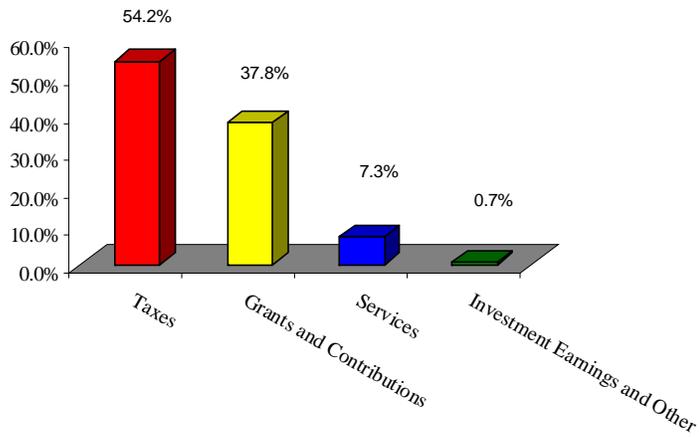
The State's net assets increased by \$873 million or 8.6%. Approximately 54 percent of the State's total revenue came from taxes, while 38 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided 7 percent of the total revenues. The State's expenses cover a range of services. The largest expenses were for general education, social services, and health services. In 2005, governmental activity expenses exceeded program revenues, resulting in the use of \$6 billion in general revenues (mostly taxes). The business-type activities' program revenues exceeded their expenses for 2005 by \$177 million.

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

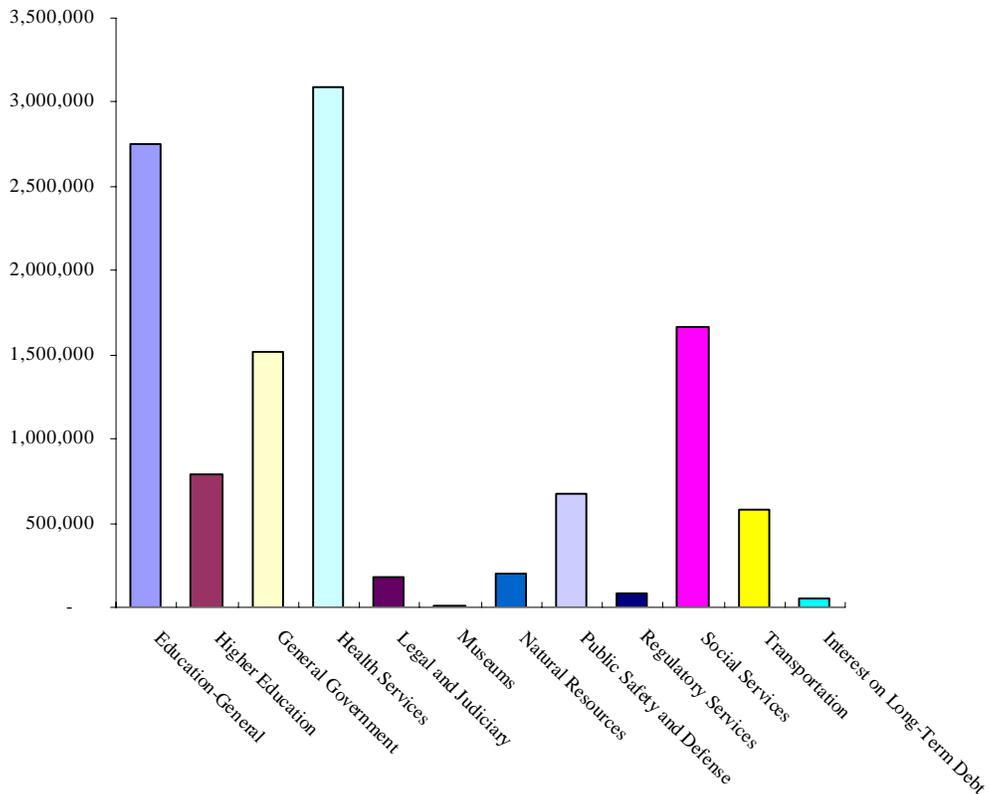
(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$ 903,129	\$ 819,899	\$ 370,206	\$ 276,549	\$ 1,273,335	\$ 1,096,448
Operating Grants and Contributions	4,641,036	4,533,045	25,434	82,199	4,666,470	4,615,244
Capital Grants and Contributions	1,304	9,056	-	-	1,304	9,056
General Revenues:						
Income Taxes-Individual	2,580,797	2,427,239	-	-	2,580,797	2,427,239
Income Taxes-Corporate	277,266	199,937	-	-	277,266	199,937
Sales Taxes	1,682,636	1,623,423	-	-	1,682,636	1,623,423
Gross Production Taxes	737,204	656,035	-	-	737,204	656,035
Motor Vehicle Taxes	574,800	572,844	-	-	574,800	572,844
Fuel Taxes	407,276	383,871	-	-	407,276	383,871
Other Taxes	392,743	405,414	-	-	392,743	405,414
Investment Earnings	46,981	21,600	-	-	46,981	21,600
Other	43,504	39,039	-	-	43,504	39,039
Total Revenues	12,288,676	11,691,402	395,640	358,748	12,684,316	12,050,150
Expenses:						
Education-General	2,751,320	2,614,823	-	-	2,751,320	2,614,823
Education-Payments to Higher Education	786,862	802,985	-	-	786,862	802,985
General Government	1,518,198	1,254,177	-	-	1,518,198	1,254,177
Health Services	3,096,903	393,661	-	-	3,096,903	393,661
Legal and Judiciary	175,673	160,952	-	-	175,673	160,952
Museums	11,634	11,042	-	-	11,634	11,042
Natural Resources	201,039	181,033	-	-	201,039	181,033
Public Safety and Defense	674,507	645,820	-	-	674,507	645,820
Regulatory Services	83,421	71,733	-	-	83,421	71,733
Social Services	1,664,577	4,154,504	-	-	1,664,577	4,154,504
Transportation	580,027	559,628	-	-	580,027	559,628
Interest on Long-Term Debt	47,769	45,615	-	-	47,769	45,615
Unemployment Insurance Trust Fund	-	-	194,373	335,197	194,373	335,197
State Loan Program to Local Governments	-	-	24,636	15,965	24,636	15,965
Lottery Commission	-	-	92	-	92	-
Total Expenses	11,591,930	10,895,973	219,101	351,162	11,811,031	11,247,135
Increase (Decrease) in Net Assets Before Transfers	696,746	795,429	176,539	7,586	873,285	803,015
Transfers	363	379	(363)	(379)	-	-
Change in Net Assets	697,109	795,808	176,176	7,207	873,285	803,015
Net Assets, Beginning of Year (as restated)	9,444,001	8,648,371	710,376	703,169	10,154,377	9,351,540
Net Assets, End of Year	\$ 10,141,110	\$ 9,444,179	\$ 886,552	\$ 710,376	\$ 11,027,662	\$ 10,154,555

Revenues - Governmental Activities Fiscal Year 2005



Expenses - Governmental Activities Fiscal Year 2005

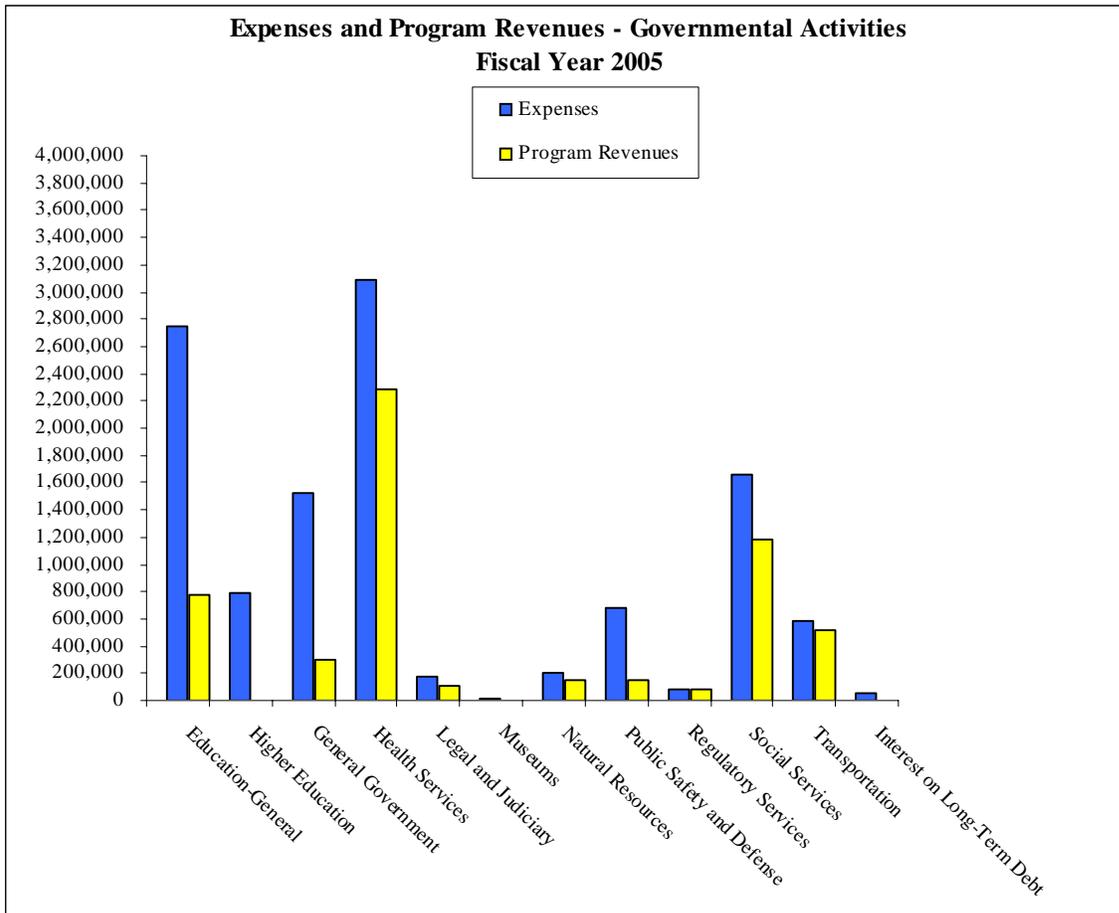


Governmental Activities

Governmental activities increased the State's net assets by \$697 million. Tax revenues were up in most major types. Total revenues were up by \$597 million, or 5.1% in 2005. Most of this increase came from personal income taxes, corporate income taxes, and sales taxes. The State showed an \$81 million increase in gross production taxes as natural gas production in the state continued to improve in 2005.

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

	<u>Governmental Activities</u>
Expenses Net of Program Revenues:	
Education-General	\$ (1,981,176)
Education-Payment to Higher Education	(786,862)
General Government	(1,221,296)
Health Services	(751,227)
Legal and Judiciary	(66,188)
Museums	(6,486)
Natural Resources	(48,969)
Public Safety and Defense	(528,889)
Regulatory Services	(2,581)
Social Services	(541,449)
Transportation	(63,569)
Interest on Long-Term Debt	(47,769)
Total Governmental Activities Expenses	<u>(6,046,461)</u>
General Revenues:	
Taxes	6,652,722
Investment Earnings	46,981
Contributions to Permanent Funds	43,504
Other	363
Increase in Governmental Activities Net Assets	<u>\$ 697,109</u>



Business-Type Activities

The business-type activities increased the State's net assets in business-type activities by \$176 million, a 24.8% increase, to \$886.6 million. This increase is an improvement over last year's 1% increase from its preceding year. The increase primarily resulted from a \$147.6 million increase in net assets by the Oklahoma Unemployment Insurance Trust Fund (OUIF) and a \$28.6 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 OUIF net asset increase is due to payments for unemployment benefits decreasing by \$140.8 million, or 42%, over a year ago. Better unemployment rates in the state contributed to this smaller payout.

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 \$4.1 billion, an increase of \$615.7 million from the prior year. More than one half (\$2.2 billion or 53%) 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 (\$228 million), 2) to pay debt service (\$89 million), 3) to be held in permanent trust funds for education, wildlife and prevention of tobacco related health issues (\$1.6 billion) or 4) for a variety of other restricted purposes (\$41.6 million).

The general fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2.16 billion, while the total fund balance increased \$450 million to \$2.52 billion. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 19% of total general fund expenditures (up from 16% a year ago), while total fund balance represents 22% of that same amount (up from 19%).

Overall the fund balance of the State's general fund increased by \$450 million during the current fiscal year. This is a 21.7% 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. Because of better market conditions, this fund reported a \$155 million gain in net investment revenues. Overall, the current year activity resulted in an increase in the fund balance of \$103.7 million for the year. This is an increase of about 8.8% from the previous year fund balance. Expenditures and transfers from the fund to benefit educational systems in Oklahoma decreased by \$13 million to about \$63 million.

The Department of Wildlife's Lifetime Licenses fund balance increased by 9.3% to \$66.4 million. This increase occurred due to increases in both license revenue and investment revenue over the previous year.

The Tobacco Settlement Endowment Permanent Fund holds certain moneys that are received in settlement of claims by the state against tobacco manufacturers. Earnings from these moneys are to be utilized for research, education, prevention and treatment of tobacco related diseases and certain other health programs. This fund reported a \$56.8 million increase in fund balance with most of the increase, \$43.5 million, coming from the settlement payment by tobacco manufacturers for 2005. The prior year's payment was about \$39 million. The state now has \$245.4 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 \$147.6 million increase in net assets by the Oklahoma Unemployment Insurance Trust Fund (OUIF) and an increase in net assets of \$28.7 million by the Oklahoma Water Resources Board's (OWRB) program for making loans to local government units for drinking and waste water facilities.

The OUIF increase in net assets primarily resulted from payments for unemployment benefits decreasing by \$140.8 million, or 42%, over a year ago. Lower unemployment rates in the state contributed to this decreased payout. Revenues increased \$65 million overall, mostly from an increase in collections (sales and services). Reductions in federal grant revenues offset the collections increase by declining \$52 million (an 79% decrease) down to only \$13.5 million in grant receipts.

The OWRB increased net assets by \$28.7 million which was \$15.2 million more than the \$13.5 million in the prior year. Interest earnings on loans were up by close to \$9 million due to improving interest rates on loans that contain variable rates. Federal grant revenues increased by \$14.8 million from the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the original budget and the final amended budget were relatively minor (\$62.7 million increase in appropriations). Significant differences are summarized as follows:

The Oklahoma State Department of Education received \$39.8 million in supplemental appropriations, of which \$14.8 million was used to offset the increased cost of employee health care benefits. The remaining \$25 million was appropriated 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.

The Department of Corrections received \$17.9 million in supplemental appropriations to help offset increased costs and to secure the necessary prison beds to protect public safety.

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, 2005, amounts to \$13.3 billion, net of accumulated depreciation of \$6.3 billion, leaving a net book value of \$7 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 1.6% in terms of net book value. Actual expenditures to purchase or construct capital assets were \$673.6 million for the year, a \$38 million (6%) increase from the prior year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$328.4 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 \$190.8 million, or 11.3%, during the current fiscal year. This increase is primarily due to the State issuing \$154 million in new OCIA revenue bonds and \$204 million in new WRB revenue bonds. The OCIA has nineteen outstanding series of building bonds to construct and equip state office buildings and prisons. Three of these series (totaling \$43 million) 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. In addition, on September 1, 2004, OCIA issued \$110,845,000 of Series 2004A State Facility Refunding revenue bonds for an advanced refunding of the Series 1996A State Office Building, Series 1998C Department of Corrections, Series 1999A State Facilities, Series 1999C State Facilities, and Series 1999D State Facilities revenue bonds. During October of 2004, the WRB issued \$204 million in revenue bonds to provide resources to implement statewide financial assistance programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Oklahoma's unemployment rate outpaced the nation with a 9% decline in unemployment from 4.7% in October 2004 to 4.3% in October of 2005. From the same periods in time, the U.S. unemployment rate decreased by 9% from 5.5% to 5.0%.

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 2005, unreserved fund balance in the general fund increased \$451 million to \$2.16 billion, with \$489 million of this in the Cash Flow Reserve Fund and \$461 million in the State's Rainy Day Fund leaving \$1.2 billion as undesignated. This \$1.2 billion is roughly 10.4% of the total governmental fund expenditures for the year.

Budget and Revenue Collections

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

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

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

The Legislature may, in regular or special session, make selective reductions in spending or consider revenue increases. Like some other states, Oklahoma experienced a dramatic increase in revenue over the past year. The same factors that improved revenue collections during 2004 continued throughout fiscal year 2005. This substantial improvement in revenue collections exceeded the budgetary estimates by 10.9%. As a result, the balances in the Rainy Day Fund increased from \$218 to \$461 million, providing a significant reserve in the event of an economic slowdown.

Fiscal Year 2006

Revenue collections continue to improve in the current fiscal year. In the first five months, General Revenue Fund collections are \$65.3 million (or 3.1%) above estimated collections and \$180.8 million (or 9.8%) 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.



Photo Courtesy of Jim Meeks

Tower by Dale Chihuly
Oklahoma City Museum of Art

Basic Financial Statements

Basic Financial Statements



Photo Courtesy of Joseph Mills Photography

Oklahoma City Museum of Art
415 Couch Drive, Oklahoma City, OK 73102; Phone: (405) 236-3100
www.okcmoa.com

The Oklahoma City Museum of Art is located in the heart of Downtown Oklahoma City's Arts Quarter. Accredited by the American Association of Museums, the Museum serves over 100,000 visitors annually from all fifty states and over forty foreign countries and hosts special exhibitions drawn from throughout the world, including *Temples and Tombs: Treasures of Egyptian Art from The British Museum*, coming in 2006, and *Roman Art from the Louvre*, coming in 2008. The Museum is home to an extensive permanent collection of European and American art, including the most comprehensive collection of Dale Chihuly glass in the world, and the Midwest's premiere repertoire cinema, which presents the finest international, independent, and classic films. Amenities include the Museum's Library Resource Center, Museum Store, and Museum School, which offers classes for students of all ages as well as fall, winter, and summer camps for youths.

Government Wide Financial Statements

Government Wide Financial Statements

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Statement of Net Assets
June 30, 2005
(expressed in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current Assets				
Cash/Cash Equivalents	\$ 2,501,001	\$ 550,941	\$ 3,051,942	\$ 721,833
Investments	124,312	6	124,318	1,868,464
Securities Lending Investments	1,489,318	0	1,489,318	273,393
Accounts Receivable	33,442	12,546	45,988	266,436
Interest and Investment Revenue Receivable	16,534	6,022	22,556	17,181
Federal Grants Receivable	386,746	366	387,112	4,165
Taxes Receivable	240,703	0	240,703	0
Leases Receivable	6,651	0	6,651	0
Leases Receivable - Component Units	2,437	0	2,437	0
Other Receivables	408	289	697	9,976
Notes Receivable	0	64,748	64,748	9,394
Internal Balances	822	(822)	0	0
Receivable from External Parties	91	0	91	18,381
Due from Component Units	2,137	0	2,137	1,332
Due from Primary Government	0	0	0	18,401
Inventory	40,505	0	40,505	55,521
Prepaid Items	927	0	927	8,127
Other Current Assets	3,391	0	3,391	7,464
Total Current Assets	4,849,425	634,096	5,483,521	3,280,068
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	116,983	28,838	145,821	343,551
Short-Term Investments - Restricted	0	0	0	1,302,216
Long-Term Investments	0	419,478	419,478	930,568
Long-Term Investments - Restricted	1,438,228	0	1,438,228	0
Leases Receivable	23,884	0	23,884	6
Leases Receivable - Component Units	34,042	0	34,042	0
Long-Term Notes Receivable, Net	0	512,393	512,393	134,447
Long-Term Notes Receivable, Net - Restricted	0	0	0	813,546
Long-Term Due from Component Units	45,262	0	45,262	0
Capital Assets - Depreciable, Net	5,964,159	175	5,964,334	3,735,497
Capital Assets - Land	1,046,155	0	1,046,155	271,690
Capital Assets - Construction in Progress	36,342	0	36,342	254,072
Net Pension Asset	45,929	0	45,929	0
Other Noncurrent Assets	19,760	3,339	23,099	331,559
Other Noncurrent Assets - Restricted	23,972	0	23,972	37,774
Total Noncurrent Assets	8,794,716	964,223	9,758,939	8,154,926
Total Assets	13,644,141	1,598,319	15,242,460	11,434,994

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

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Current Liabilities				
Accounts Payable and Accrued Liabilities	552,042	162	552,204	181,824
Payable Under Securities Lending Agreements	1,489,318	0	1,489,318	276,496
Claims and Judgments	27,458	0	27,458	247,317
Interest Payable	22,011	6,656	28,667	83,856
Tax Refunds Payable	9,681	0	9,681	0
Payable to External Parties	0	0	0	395
Due to Component Units	15,513	0	15,513	1,332
Due to Primary Government	0	0	0	2,137
Due to Others	116,009	0	116,009	0
Unearned Revenue	53,460	0	53,460	166,359
Capital Leases	1,082	0	1,082	14,493
Capital Leases - Primary Government	0	0	0	2,437
Compensated Absences	71,726	112	71,838	59,030
Notes Payable	9,786	0	9,786	7,160
General Obligation Bonds	13,710	0	13,710	1,830
Revenue Bonds	73,721	46,085	119,806	169,061
Certificates of Participation	57	0	57	0
Other Current Liabilities	2,684	2,177	4,861	149,612
Total Current Liabilities	2,458,258	55,192	2,513,450	1,363,339
Noncurrent Liabilities				
Claims and Judgments	0	0	0	722,999
Due to Primary Government	0	0	0	44,550
Pension Obligation	1,857	0	1,857	0
Capital Leases	3,079	0	3,079	83,102
Capital Leases - Primary Government	0	0	0	34,042
Compensated Absences	67,746	0	67,746	20,026
Notes Payable	88,083	0	88,083	315,870
General Obligation Bonds	247,500	0	247,500	56,422
Revenue Bonds	594,370	655,279	1,249,649	4,226,077
Other Noncurrent Liabilities	42,138	1,296	43,434	191,292
Total Noncurrent Liabilities	1,044,773	656,575	1,701,348	5,694,380
Total Liabilities	3,503,031	711,767	4,214,798	7,057,719
Net Assets				
Invested in Capital Assets, Net of Related Debt	6,086,534	161	6,086,695	1,344,194
Restricted for:				
Capital Projects	3,719	0	3,719	0
Debt Service	89,429	141,072	230,501	274,349
Preservation of Wildlife	66,360	0	66,360	0
Educational Systems	1,277,884	0	1,277,884	0
Unemployment Benefits	0	556,549	556,549	0
Other Purposes				
Expendable	7,876	188,770	196,646	163,723
Nonexpendable	237,521	0	237,521	937,908
Unrestricted	2,371,787	0	2,371,787	1,657,101
Total Net Assets	\$ 10,141,110	\$ 886,552	\$ 11,027,662	\$ 4,377,275

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

Statement of Activities
For the Fiscal Year Ended June 30, 2005
 (expressed in thousands)

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Education-General	\$ 2,751,320	\$ 26,989	\$ 743,155	\$ 0	\$ (1,981,176)		\$ (1,981,176)	
Education-Payment to Higher Education	786,862	0	0	0	(786,862)		(786,862)	
General Government	1,518,198	188,708	108,194	0	(1,221,296)		(1,221,296)	
Health Services	3,096,903	205,753	2,139,923	0	(751,227)		(751,227)	
Legal and Judiciary	175,673	92,367	17,118	0	(66,188)		(66,188)	
Museums	11,634	3,954	1,194	0	(6,486)		(6,486)	
Natural Resources	201,039	99,762	52,308	0	(48,969)		(48,969)	
Public Safety and Defense	674,507	71,625	73,993	0	(528,889)		(528,889)	
Regulatory Services	83,421	75,859	4,981	0	(2,581)		(2,581)	
Social Services	1,664,577	56,351	1,065,473	1,304	(541,449)		(541,449)	
Transportation	580,027	81,761	434,697	0	(63,569)		(63,569)	
Interest on Long-Term Debt	47,769	0	0	0	(47,769)		(47,769)	
Total Governmental Activities	11,591,930	903,129	4,641,036	1,304	(6,046,461)		(6,046,461)	
Business-Type Activities:								
Employment Security Commission	194,373	328,445	13,535	0		\$ 147,607	147,607	
Water Resources Board	24,636	41,761	11,898	0		29,023	29,023	
Lottery Commission	92	0	1	0		(91)	(91)	
Total Business-Type Activities	219,101	370,206	25,434	0		176,539	176,539	
Total Primary Government	\$ 11,811,031	\$ 1,273,335	\$ 4,666,470	\$ 1,304	(6,046,461)	176,539	(5,869,922)	
Component Units:								
CompSource Oklahoma State and Education Employees	\$ 299,159	\$ 297,031	\$ 0					\$ (2,128)
Group Insurance Board	625,355	661,338	0					35,983
Oklahoma Student Loan Authority	30,032	33,028	0					2,996
Oklahoma Housing Finance Agency	148,548	149,467	0					919
Oklahoma Transportation Authority	191,166	195,710	0					4,544
Grand River Dam Authority	219,372	235,641	0					16,269
Oklahoma Municipal Power Authority	140,111	139,703	0					(408)
Higher Education	2,828,748	2,407,682	0					(421,066)
Nonmajor Component Units	152,869	105,956	1,820					(45,093)
Total Component Units	\$ 4,635,360	\$ 4,225,556	\$ 1,820					(407,984)
General Revenues								
Taxes:								
Income Taxes-Individual					2,580,797	0	2,580,797	0
Income Taxes-Corporate					277,266	0	277,266	0
Sales Tax					1,682,636	0	1,682,636	0
Gross Production Taxes					737,204	0	737,204	0
Motor Vehicle Taxes					574,800	0	574,800	0
Fuel Taxes					407,276	0	407,276	0
Insurance Taxes					81,852	0	81,852	0
Beverage Taxes					71,300	0	71,300	0
Other Taxes					239,591	0	239,591	0
Payments from Primary Government					0	0	0	852,695
Investment Earnings					46,981	0	46,981	0
Contributions to Permanent Funds					43,504	0	43,504	0
Transfers					363	(363)	0	0
Total General Revenues and Transfers					6,743,570	(363)	6,743,207	852,695
Change in Net Assets					697,109	176,176	873,285	444,711
Net Assets - Beginning of Year (as restated)					9,444,001	710,376	10,154,377	3,932,564
Net Assets - End of Year					\$ 10,141,110	\$ 886,552	\$ 11,027,662	\$ 4,377,275

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



Photo Courtesy of JM Davis Arms & Historical Museum

J.M. Davis Arms & Historical Museum
333 N Lynn Riggs Blvd, Claremore, OK 74018; Phone: (918) 341-5707
www.thegunmuseum.com

The J.M. Davis Arms & Historical Museum is located in Claremore, Oklahoma. This museum is the largest private firearms display in the world and represents a lifetime of collecting firearms and artifacts by John Monroe Davis. The museum and its fabulous collection is a magnificent asset for the State of Oklahoma and is visited by people from all over the world. The collection spans more than six centuries and represents all periods of firearms development. Also, the collection includes Native American artifacts, western memorabilia, early American antiques, statuary, steins and a great gallery of outlaw guns.

Fund Financial Statements

Fund Financial Statements

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Balance Sheet
Governmental Funds
June 30, 2005
(expressed in thousands)

	Permanent Funds				Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
Assets					
Assets					
Cash/Cash Equivalents	\$ 2,484,511	\$ 103,066	\$ 2,451	\$ 27,956	\$ 2,617,984
Investments	124,312	1,159,133	63,778	215,317	1,562,540
Securities Lending Investments	1,489,318	0	0	0	1,489,318
Accounts Receivable	33,442	0	0	0	33,442
Interest and Investment Revenue Receivable	16,534	8,855	0	1,116	26,505
Federal Grants Receivable	386,746	0	0	0	386,746
Taxes Receivable	240,703	0	0	0	240,703
Leases Receivable	30,535	0	0	0	30,535
Leases Receivable-Component Units	36,479	0	0	0	36,479
Other Receivables	408	5,136	0	359	5,903
Due from Other Funds	822	0	124	0	946
Due from Fiduciary Funds	91	0	0	0	91
Due from Component Units	2,137	0	0	0	2,137
Due from Component Units-Noncurrent	45,262	0	0	0	45,262
Due from Brokers	0	0	0	2,349	2,349
Inventory	40,505	0	0	0	40,505
Prepaid Items	927	0	0	0	927
Other Assets	3,384	6,157	7	0	9,548
Total Assets	\$ 4,936,116	\$ 1,282,347	\$ 66,360	\$ 247,097	\$ 6,531,920
Liabilities and Fund Balance					
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 550,502	\$ 0	\$ 0	\$ 1,540	\$ 552,042
Payable Under Securities					
Lending Agreements	1,489,318	0	0	0	1,489,318
Claims and Judgments	27,458	0	0	0	27,458
Interest Payable	10,936	0	0	0	10,936
Tax Refunds Payable	9,681	0	0	0	9,681
Due to Other Funds	124	0	0	0	124
Due to Fiduciary Funds	794	0	0	0	794
Due to Component Units	14,677	0	0	42	14,719
Due to Others	116,009	0	0	0	116,009
Deferred Revenue	189,949	4,463	0	118	194,530
Other Liabilities	2,684	0	0	0	2,684
Total Liabilities	2,412,132	4,463	0	1,700	2,418,295
Fund Balances					
Reserved					
Encumbrances	228,387	0	0	0	228,387
Inventory/Prepaid Items	41,126	0	0	0	41,126
Debt Service	89,429	0	0	0	89,429
Preservation of Wildlife	0	0	54,622	0	54,622
Permanent Trust	0	1,279,137	0	237,521	1,516,658
Undistributed Revenue	0	(1,253)	11,738	7,876	18,361
Other Special Purposes	550	0	0	0	550
Unreserved, reported in					
General Fund					
Designated for Cash Flow Reserve Fund	489,221	0	0	0	489,221
Designated for Rainy Day Fund	461,317	0	0	0	461,317
Undesignated	1,213,954	0	0	0	1,213,954
Total Fund Balances	2,523,984	1,277,884	66,360	245,397	4,113,625
Total Liabilities and Fund Balances	\$ 4,936,116	\$ 1,282,347	\$ 66,360	\$ 247,097	

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 \$ 4,113,625

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	\$	1,046,155	
Buildings and Improvements		913,122	
Equipment		307,544	
Infrastructure		11,039,635	
Construction in Progress		36,342	
Accumulated Depreciation		(6,296,142)	
			7,046,656

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. 141,070

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. 45,929

Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets. 5,432

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. 14,328

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		(97,869)	
General Obligation and Revenue Bonds		(929,301)	
Capital Leases and Certificates of Participation		(4,218)	
Net Pension Obligation (Wildlife)		(1,857)	
Bond Issue Premium		(42,138)	
Accrued Interest on Bonds		(11,075)	
Compensated Absences		(139,472)	
			(1,225,930)

Net Assets of Governmental Activities \$ 10,141,110

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

**Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds**
For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Permanent				Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
Revenues					
Taxes					
Income Taxes-Individual	\$ 2,410,234	\$ 0	\$ 0	\$ 0	\$ 2,410,234
Income Taxes-Corporate	277,265	0	0	0	277,265
Sales Tax	1,682,636	0	0	0	1,682,636
Gross Production Taxes	737,204	0	0	0	737,204
Motor Vehicle Taxes	574,800	0	0	0	574,800
Fuel Taxes	407,276	0	0	0	407,276
Tobacco Taxes	124,347	0	0	0	124,347
Insurance Taxes	81,852	0	0	0	81,852
Beverage Taxes	71,300	0	0	0	71,300
Other Taxes	285,808	0	0	0	285,808
Licenses, Permits and Fees	282,976	0	2,347	0	285,323
Interest and Investment Revenue	117,927	154,853	3,433	18,583	294,796
Federal Grants	4,493,290	0	0	0	4,493,290
Sales and Services	157,501	10,737	1,136	0	169,374
Other	343,982	707	0	43,504	388,193
Total Revenues	12,048,398	166,297	6,916	62,087	12,283,698
Expenditures					
Current					
Education	3,534,042	0	0	0	3,534,042
General Government	1,412,973	59,881	0	5,253	1,478,107
Health Services	3,144,918	0	0	0	3,144,918
Legal and Judiciary	170,337	0	0	0	170,337
Museums	11,171	0	0	0	11,171
Natural Resources	191,514	0	0	0	191,514
Public Safety and Defense	628,901	0	0	0	628,901
Regulatory Services	81,333	0	0	0	81,333
Social Services	1,589,397	0	0	0	1,589,397
Transportation	146,013	0	0	0	146,013
Capital Outlay	673,529	0	0	33	673,562
Debt Service					
Principal Retirement	31,550	0	0	0	31,550
Interest and Fiscal Charges	47,769	0	0	0	47,769
Total Expenditures	11,663,447	59,881	0	5,286	11,728,614
Revenues in Excess of (Less Than) Expenditures	384,951	106,416	6,916	56,801	555,084
Other Financing Sources (Uses)					
Transfers In	4,439	0	0	0	4,439
Transfers Out	(26)	(2,763)	(1,287)	0	(4,076)
Bonds Issued	47,940	0	0	0	47,940
Refunding Bonds Issued	118,825	0	0	0	118,825
Bond Issue Premiums	8,497	0	0	0	8,497
Bond Issue Discounts	(421)	0	0	0	(421)
Payment to Refunded Bond Escrow Agent	(126,670)	0	0	0	(126,670)
Capital Leases and Certificates of Participation	311	0	0	0	311
Sale of Capital Assets	11,764	0	0	0	11,764
Total Other Financing Sources (Uses)	64,659	(2,763)	(1,287)	0	60,609
Net Change in Fund Balances	449,610	103,653	5,629	56,801	615,693
Fund Balances - Beginning of Year (as restated)	2,074,374	1,174,231	60,731	188,596	3,497,932
Fund Balances - End of Year	\$ 2,523,984	\$ 1,277,884	\$ 66,360	\$ 245,397	\$ 4,113,625

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:	\$ 615,693
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 (\$470,604) exceeded depreciation (\$328,366) in the current period.	142,238
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.	(28,150)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	6,229
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 (\$158,220) exceeded proceeds (\$165,859).	(7,639)
Bond issuance premiums are other financing sources to governmental funds, but are deferred liabilities in the statement of net assets.	(8,497)
Contribution to certain pension plans use current financial resources from governmental funds, but increase the net pension obligation (\$474) or decrease the net pension asset (\$14,469) in the statement of activities.	(14,943)
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.	(311)
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 decrease in interest payable (\$3) and the accretion of bond premiums (\$3,291) exceeded the increase in compensated absences (\$8,512) combined with the amortization of bond issuance costs (\$502) and the amortization of loss on refunded bonds (\$1,785).	(7,511)
Change in Net Assets of Governmental Activities	\$ 697,109

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

Statement of Net Assets
Proprietary Funds
June 30, 2005
(expressed in thousands)

	Business-Type Activities - Enterprise Funds		Nonmajor Business-Type Activities - Enterprise Fund	Total
	Employment Security Commission	Water Resources Board	Lottery Commission	
Assets				
Current Assets				
Cash/Cash Equivalents	\$ 543,824	\$ 6,721	\$ 396	\$ 550,941
Investments	0	6	0	6
Accounts Receivable	12,546	0	0	12,546
Interest and Investment Revenue Receivable	0	6,022	0	6,022
Federal Grants Receivable	0	366	0	366
Other Receivables	289	0	0	289
Notes Receivable	0	64,748	0	64,748
Total Current Assets	556,659	77,863	396	634,918
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	0	28,838	0	28,838
Long-Term Investments	0	419,478	0	419,478
Long-Term Notes Receivable	0	512,393	0	512,393
Capital Assets, Net	0	161	14	175
Other Noncurrent Assets	0	3,339	0	3,339
Total Noncurrent Assets	0	964,209	14	964,223
Total Assets	556,659	1,042,072	410	1,599,141
Liabilities				
Current Liabilities				
Accounts Payable and Accrued Liabilities	110	51	1	162
Interest Payable	0	6,656	0	6,656
Compensated Absences	0	112	0	112
Revenue Bonds	0	46,085	0	46,085
Due to Other Funds	0	322	500	822
Other Current Liabilities	0	2,177	0	2,177
Total Current Liabilities	110	55,403	501	56,014
Noncurrent Liabilities				
Revenue Bonds	0	655,279	0	655,279
Other Noncurrent Liabilities	0	1,296	0	1,296
Total Noncurrent Liabilities	0	656,575	0	656,575
Total Liabilities	110	711,978	501	712,589
Net Assets				
Invested in Capital Assets, net of related debt	0	161	0	161
Restricted for:				
Debt Service	0	141,072	0	141,072
Unemployment Benefits	556,549	0	0	556,549
Other Purposes	0	188,861	(91)	188,770
Total Net Assets	\$ 556,549	\$ 330,094	\$ (91)	\$ 886,552

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

Statement of Revenues, Expenses
and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Business-Type Activities - Enterprise Funds		Nonmajor Business-Type Activities - Enterprise Fund	Total
	Employment Security Commission	Water Resources Board	Lottery Commission	
Operating Revenues				
Sales and Services	\$ 303,080	\$ 0	\$ 0	\$ 303,080
Federal Grants	0	2,160	0	2,160
Interest and Investment Revenue	0	13,641	0	13,641
Total Operating Revenues	303,080	15,801	0	318,881
Operating Expenses				
Administrative and General	0	4,459	91	4,550
Interest	0	19,846	0	19,846
Depreciation	0	59	0	59
Benefit Payments and Refunds	194,373	0	0	194,373
Total Operating Expenses	194,373	24,364	91	218,828
Operating Income (Loss)	108,707	(8,563)	(91)	100,053
Nonoperating Revenues (Expenses)				
Interest and Investment Revenue	25,365	11,874	1	37,240
Other Nonoperating Revenues	0	24	0	24
Nonoperating Federal Grants	13,535	25,960	0	39,495
Other Nonoperating Expenses	0	(272)	(1)	(273)
Total Nonoperating Revenues (Expenses)	38,900	37,586	0	76,486
Income (Loss) Before Transfers	147,607	29,023	(91)	176,539
Transfers In	0	26	0	26
Transfers Out	0	(389)	0	(389)
Change in Net Assets	147,607	28,660	(91)	176,176
Total Net Assets - Beginning	408,942	301,434	0	710,376
Total Net Assets - Ending	\$ 556,549	\$ 330,094	\$ (91)	\$ 886,552

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

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Business-Type Activities - Enterprise Funds		Nonmajor Business-Type Activities - Enterprise Fund	Total
	Employment Security Commission	Water Resources Board	Lottery Commission	
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 305,712	\$ 0	\$ 0	\$ 305,712
Receipts from Federal Grants	0	2,255	0	2,255
Payments of Benefits	(194,457)	0	0	(194,457)
Payments to Suppliers	0	(2,536)	(10)	(2,546)
Payments to Employees	0	(1,352)	(81)	(1,433)
Collections of Interest on Loans to Governmental Units	0	12,549	0	12,549
Payments of Operating Interest Expense	0	(17,319)	0	(17,319)
Net Cash Provided (Used) by Operating Activities	111,255	(6,403)	(91)	104,761
Cash Flows from Noncapital Financing Activities				
Federal Grants and Other Contributions	13,710	25,961	0	39,671
Proceeds from Bonds and Notes Payable	0	215,960	500	216,460
Transfers In	0	12,025	0	12,025
Transfers Out	0	(12,388)	0	(12,388)
Principal Paid on Bonds and Notes Payable	0	(48,550)	0	(48,550)
Payments for Note Issuance Costs	0	(1,181)	0	(1,181)
Net Cash Provided by Noncapital Financing Activities	13,710	191,827	500	206,037
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	0	0	(14)	(14)
Net Cash Used by Capital and Related Financing Activities	0	0	(14)	(14)
Cash Flows from Investing Activities				
Interest and Investment Revenue	25,365	11,103	1	36,469
Proceeds from Sale and Maturity of Investments	0	12,408	0	12,408
Payments to Purchase Investments	0	(191,135)	0	(191,135)
Collections of Principal on Loans to Governmental Units	0	52,698	0	52,698
Payments to Issue Notes Receivable	0	(104,242)	0	(104,242)
Net Cash Provided (Used) by Investing Activities	25,365	(219,168)	1	(193,802)
Net Increase (Decrease) in Cash/Cash Equivalents	150,330	(33,744)	396	116,982
Cash/Cash Equivalents - Beginning of Year	393,494	69,303	0	462,797
Cash/Cash Equivalents - End of Year	\$ 543,824	\$ 35,559	\$ 396	\$ 579,779
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities				
Operating Income (Loss)	\$ 108,707	\$ (8,563)	\$ (91)	\$ 100,053
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	0	59	0	59
Amortization (Accretion) and Other Noncash Expenses	0	(276)	0	(276)
Decrease (Increase) in Assets				
Accounts Receivable	2,632	0	0	2,632
Federal Receivable	0	95	0	95
Interest and Investment Receivable	0	(1,148)	0	(1,148)
Other Receivables	0	22	0	22
Increase (Decrease) in Liabilities				
Accounts Payable and Accrued Liabilities	(73)	(96)	0	(169)
Interest Payable	0	3,332	0	3,332
Compensated Absences	0	24	0	24
Due to other funds	(11)	0	0	(11)
Other Current Liabilities	0	148	0	148
Net Cash Used by Operating Activities	\$ 111,255	\$ (6,403)	\$ (91)	\$ 104,761

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

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Statement of Fiduciary Net Assets
 Fiduciary Funds and Similar Component Units
 June 30, 2005
 (expressed in thousands)

	Pension Trust Funds	Agency Fund
Assets		
Cash/Cash Equivalents	\$ 494,793	\$ 161,924
Investments, at fair value		
Equity Securities	10,663,643	0
Governmental Securities	3,195,022	0
Debt Securities	2,035,560	0
Other Investments	507,462	2,130
Mutual Funds	82,137	0
Securities Lending Investments	2,915,082	0
Accounts Receivable	0	104
Interest and Investment Revenue Receivable	49,387	3
Employer Contributions Receivable	22,579	0
Employee Contributions Receivable	19,752	0
Other Contributions Receivable	19,619	0
Other Receivables	326	0
Due from Brokers	654,778	0
Due from Other Funds	24	770
Due from Component Units	0	395
Inventory	0	2,876
Capital Assets, Net	863	0
Other Assets	211	13
Total Assets	<u>20,661,238</u>	<u>\$ 168,215</u>
Liabilities		
Accounts Payable	3,041	\$ 901
Tax Refunds Payable	0	2,398
Securities Lending Payable	2,915,082	0
Due to Brokers	861,151	0
Due to Other Funds	29	62
Due to Component Units	9,753	9,082
Due to Others	0	155,772
Benefits in the Process of Payment	97,449	0
Other Liabilities	7,020	0
Total Liabilities	<u>3,893,525</u>	<u>\$ 168,215</u>
Net Assets		
Held in Trust for Pension Benefits and Pool Participants	<u>\$ 16,767,713</u>	

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

Statement of Changes in
Fiduciary Net Assets
Fiduciary Funds and Similar Component Units
For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Pension Trust Funds
Additions	
Contributions	
Employer Contributions	\$ 426,173
Employee Contributions	327,586
Other Contributions	275,951
Total Contributions	<u>1,029,710</u>
Investment Earnings	
Net Increase in Fair Value of Investments	1,223,177
Interest and Investment Revenue	404,439
Total Investment Earnings	<u>1,627,616</u>
Less Investment Expenses	<u>98,066</u>
Net Investment Earnings	<u>1,529,550</u>
Total Additions	<u>2,559,260</u>
Deductions	
Administrative and General Expenses	11,880
Benefit Payments and Refunds	1,312,950
Total Deductions	<u>1,324,830</u>
Change in Net Assets	1,234,430
Net Assets - Beginning of Year	<u>15,533,283</u>
Net Assets - End of Year	<u>\$ 16,767,713</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 TRANSPORTATION 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 **McCurain 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.

Combining Statement of Net Assets
Major Component Units
June 30, 2005
(expressed in thousands)

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Transportation Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
Assets										
Current Assets										
Cash/Cash Equivalents										
Unrestricted	\$ 7,041	\$ 52,285	\$ 0	\$ 5,484	\$ 20,761	\$ 15,713	\$ 0	\$ 526,493	\$ 94,056	\$ 721,833
Investments	874,185	169,058	14,867	1,282	136,779	82,919	2,647	551,123	35,604	1,868,464
Securities Lending Investments	273,393	0	0	0	0	0	0	0	0	273,393
Accounts Receivable	38,510	19,316	0	470	1,078	25,297	8,866	172,249	650	266,436
Interest and Investment										
Revenue Receivable	6,320	522	3	87	984	1,440	0	7,179	646	17,181
Federal Grants Receivable	0	0	0	0	0	0	0	4,165	0	4,165
Other Receivables	798	1,115	0	0	0	0	0	5,907	2,176	9,996
Notes Receivable	865	0	0	0	0	0	0	6,662	1,867	9,394
Due from Fiduciary Funds	0	18,361	0	0	0	0	0	0	0	18,361
Due from Other Component Units	182	0	0	0	0	0	0	1,057	93	1,332
Due from Primary Government	7,099	33	0	0	292	78	0	4,912	5,987	18,401
Inventory	0	0	0	0	1,300	27,882	2,887	23,452	0	55,521
Prepaid Items	0	0	0	189	126	816	0	6,860	136	8,127
Other Current Assets	1,137	0	0	0	0	0	370	5,652	305	7,464
Total Current Assets	1,209,530	260,690	14,870	7,512	161,320	154,145	14,770	1,315,711	141,520	3,280,068
Noncurrent Assets										
Cash/Cash Equivalents -										
Restricted	0	0	454	26,689	74,344	0	2,498	239,066	500	343,551
Investments - Restricted	0	0	33,141	516,739	157,067	150,478	80,608	350,130	14,053	1,302,216
Long-Term Investments										
Unrestricted	0	0	0	6,500	0	0	20,985	870,042	33,041	930,568
Leases Receivable	0	0	0	0	0	0	6	0	0	6
Long-Term Notes Receivable, Net										
Unrestricted	47,477	0	15,878	914	0	0	0	47,680	22,498	134,447
Restricted	0	0	801,543	12,003	0	0	0	0	0	813,546
Capital Assets										
Depreciable, Net	17,635	2,343	983	3,246	946,002	387,991	250,509	2,014,984	111,804	3,735,497
Land	1,425	0	0	550	162,260	26,557	0	76,763	4,135	271,690
Construction in Progress	0	0	0	0	54,771	5,426	941	190,205	2,729	254,072
Other Noncurrent Assets										
Unrestricted	0	0	357	0	8,183	29,027	115,439	148,794	29,759	331,559
Restricted	0	0	17,469	6,533	2,066	0	0	11,670	36	37,774
Total Noncurrent Assets	66,537	2,343	869,825	573,174	1,404,693	599,479	470,986	3,949,334	218,555	8,154,926
Total Assets	1,276,067	263,033	884,695	580,686	1,566,013	753,624	485,756	5,265,045	360,075	11,434,994

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 Transportation Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
Liabilities										
Current Liabilities										
Accounts Payable and Accrued Liabilities	10,615	13,822	306	3,810	6,400	11,360	16,906	109,712	8,893	181,824
Payable Under Securities										
Lending Agreements	273,393	0	0	3,103	0	0	0	0	0	276,496
Claims and Judgments	150,636	78,344	0	0	0	0	0	2,607	15,730	247,317
Interest Payable	0	0	0	0	31,195	3,107	9,846	9,103	30,605	83,856
Due to Fiduciary Funds	1	0	0	0	0	394	0	0	0	395
Due to Other Component Units	187	4	1	0	29	69	2	93	947	1,332
Due to Primary Government	56	18	0	8	44	17	0	1,964	30	2,137
Deferred Revenue	66,092	0	0	2,288	16,070	0	0	81,685	224	166,359
Capital Leases	0	0	0	0	0	0	0	14,493	0	14,493
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	2,214	223	2,437
Compensated Absences	1,236	762	98	636	1,381	3,058	216	51,350	293	59,030
Notes Payable	0	0	0	0	0	0	1,116	5,179	865	7,160
General Obligation Bonds	0	0	0	0	0	0	0	430	1,400	1,830
Revenue Bonds	0	0	0	50,748	27,125	58,215	12,330	20,643	0	169,061
Other Current Liabilities	25,494	716	4,395	0	0	1,002	0	118,005	0	149,612
Total Current Liabilities	527,710	93,666	4,800	60,593	82,244	77,222	40,416	417,478	59,210	1,363,339
Noncurrent Liabilities										
Claims and Judgments	576,313	7,214	0	0	0	0	0	1,620	137,852	722,999
Due to Primary Government	0	0	0	0	44,550	0	0	0	0	44,550
Capital Leases	0	0	0	0	0	0	0	83,102	0	83,102
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	33,222	820	34,042
Compensated Absences	0	0	0	0	0	0	0	19,920	106	20,026
Notes Payable	0	0	106,375	0	0	0	55,571	106,446	47,478	315,870
General Obligation Bonds	0	0	0	0	0	0	0	0	56,422	56,422
Revenue Bonds	0	0	700,205	440,272	1,190,479	592,916	361,852	930,354	9,999	4,226,077
Other Noncurrent Liabilities	0	0	145	2,717	0	15,432	7,700	132,901	32,397	191,292
Total Noncurrent Liabilities	576,313	7,214	806,725	442,989	1,235,029	608,348	425,123	1,307,565	285,074	5,694,380
Total Liabilities	1,104,023	100,880	811,525	503,582	1,317,273	685,570	465,539	1,725,043	344,284	7,057,719
Net Assets										
Invested in Capital Assets, Net of Related Debt	19,060	2,343	983	3,796	(54,994)	(90,856)	(29,714)	1,374,907	118,669	1,344,194
Restricted for:										
Debt Service	0	0	41,486	54,542	83,183	37,066	22,507	35,344	221	274,349
Other Special Purpose										
Expendable	5,000	0	0	0	66,023	27,778	26,334	0	38,588	163,723
Nonexpendable	0	0	0	0	0	0	0	937,908	0	937,908
Unrestricted	147,984	159,810	30,701	18,766	154,528	94,066	1,090	1,191,843	(141,687)	1,657,101
Total Net Assets	\$ 172,044	\$ 162,153	\$ 73,170	\$ 77,104	\$ 248,740	\$ 68,054	\$ 20,217	\$ 3,540,002	\$ 15,791	\$ 4,377,275

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

Combining Statement of Activities
Major Component Units
For the Fiscal Year Ended June 30, 2005
(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			
Component Units:								
CompSource Oklahoma State and Education Employees	\$ 299,159	\$ 297,031	\$ 0	\$ (2,128)	\$ 0	\$ (2,128)	\$ 174,172	\$ 172,044
Group Insurance Board	625,355	661,338	0	35,983	0	35,983	126,170	162,153
Oklahoma Student Loan Authority	30,032	33,028	0	2,996	0	2,996	70,174	73,170
Oklahoma Housing Finance Agency	148,548	149,467	0	919	0	919	76,185	77,104
Oklahoma Transportation Authority	191,166	195,710	0	4,544	0	4,544	244,196	248,740
Grand River Dam Authority	219,372	235,641	0	16,269	0	16,269	51,785	68,054
Oklahoma Municipal Power Authority	140,111	139,703	0	(408)	0	(408)	20,625	20,217
Higher Education Component Unit	2,828,748	2,407,682	0	(421,066)	786,862	365,796	3,174,206	3,540,002
Nonmajor Component Units Total	152,869	105,956	1,820	(45,093)	65,833	20,740	(4,949)	15,791
Total Component Units	\$ 4,635,360	\$ 4,225,556	\$ 1,820	\$ (407,984)	\$ 852,695	\$ 444,711	\$ 3,932,564	\$ 4,377,275

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



Photo Courtesy of Gilcrease Museum

Gilcrease Museum

1400 Gilcrease Museum Rd, Tulsa, OK 74127; Phone: (918) 596-2700

www.gilcrease.org

Tulsa's Gilcrease Museum is one of the country's best facilities for the preservation and study of American art and history. The museum's charm, beauty, and art collections draw thousands of visitors from around the world to the hills just northwest of downtown Tulsa for a glimpse into the past. Gilcrease Museum has something for everyone - ancient Mayan pottery, Frederic Remington's stunning tributes to the American west, and letters penned by historic luminaries such as Diego Columbus and Thomas Jefferson. Those are just a few examples of the great exhibits at the museum.

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, 2005

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 March 2003 the GASB issued Statement 40 *Deposit and Investment Risk Disclosures*. This Statement amends Statement 3 *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, by providing additional guidance in determining common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. This Statement generally requires certain disclosures and policies for investments where fair values are highly sensitive to changes in interest rates. The State was required to implement this standard for the fiscal year ending June 30, 2005.

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, 2005, 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, 2004, and their report, dated March 9, 2005, 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, 2004, and their report, dated May 16, 2005, 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, 2005, and their report, dated September 21, 2005, 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, 2004, and their report, dated November 29, 2004, has been previously issued under separate cover.

Oklahoma Transportation 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, 2004, and their report, dated March 16, 2005, 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, 2004, and their report, dated March 31, 2005, 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, 2004, and their report, dated February 10, 2005, 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).

Twenty-two 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 and its ability to approve fee changes. 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.
- **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, 2005, and their report, dated September 8, 2005, 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, 2005, and their report, dated September 15, 2005, 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, 2005, and their report, dated October 18, 2005, 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, 2004, and their report, dated September 16, 2005, 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, 2005, and their report, dated September 2, 2005, 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, 2005, and their report, dated September 30, 2005, 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, has a financially integrated relationship with the Oklahoma Capital Formation Corporation (OCFC), a third-party, independent corporation. As a result of this financial integration, OCFC has been blended with the Oklahoma Capital Investment Board for financial presentation. The Board was audited by other independent auditors for the year ended June 30, 2005, and their report, dated August 12, 2005, 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.

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, 2005, and their report, dated August 31, 2005, 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, 2005, and their report, dated October 4, 2005, 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, 2005, and their report, dated September 16, 2005, 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, 2005, and their report, dated September 16, 2005, 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, 2005, and their report, dated August 24, 2005, 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, 2005, and their report, dated September 14, 2005, 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 of 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. Two of the proprietary component units have individually made this election as disclosed in their separate audit reports. The Lottery Commission, a new proprietary fund of the State, will generate its principal operating revenue from the sale of lottery tickets and related games.

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 and interest revenue charges for loans made to local entities by the Oklahoma Water Resources Board (OWRB). 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, 2005, and for the year then ended, except for the following funds and entities which were audited by other independent auditors.

CompSource Oklahoma	12-31-04
Multiple Injury Trust Fund	12-31-04
State and Education Employees Group Insurance Board	12-31-04
Oklahoma Transportation Authority	12-31-04
Grand River Dam Authority	12-31-04
Oklahoma Municipal Power Authority	12-31-04
Oklahoma Housing Finance Agency	09-30-04

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, 2005 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 2005 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 an 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 amount of collateral securities to be pledged for the security of public deposits shall be established by rules and regulations promulgated by the State Treasurer.

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, that 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 Transportation Authority (OTA) from the Oklahoma Tax Commission. These taxes are apportioned to OTA monthly to fund debt service, 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 \$305,000 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, 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. Therefore, beginning with fiscal year ending June 30, 2005, these agencies are reported as a function of Health Services. This could affect the comparability of activities with prior years.

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 \$305,000 in food commodities which is also included in deferred revenue. Therefore, the reservation of fund balance for inventory/prepaid on the balance sheet is \$305,000 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 \$202,394,000 at December 31, 2004. Legislation was passed in May 2000 providing new funding for MITF through an assessment on gross premiums on workers compensation policies written by insurance carriers and an assessment on disability awards paid by self-insured employers, and further limits future awards against MITF to claimants that timely filed injury claims that occurred before June 1, 2000, against their employer. These claimants have no time limitation for filing against MITF. No new claims related to injuries subsequent to June 1, 2000, can be filed. Funding is to continue until the Board of Managers of the CompSource Oklahoma, pursuant to an independent actuarial audit, has certified that there are sufficient funds to satisfy all outstanding obligations of MITF.

The Oklahoma Capital Investment Board (OCIB), a component unit, operated at a deficit for the fiscal year. Due to the financial integration between the OCIB and the Oklahoma Capital Formation Corporation (OCFC), these entities are now blended for financial statement presentation. This blending brought on certain long-term liabilities of the OCFC, and as a result, created a negative net asset position. For the fiscal year ended June 30, 2005, the OCIB had negative net assets of \$8,422,000. 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.

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 Securities	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, 2005 (expressed in thousands).

Investments - Primary Government

Investment Type	General Government	Permanent Funds	Business-Type Activities	Total Primary Government
POOLED INVESTMENTS				
US Treasury	\$ 1,670,322	\$ -	\$ -	\$ 1,670,322
US Agency	114,779	-	-	114,779
Repurchase Agreements	879,156	-	-	879,156
Money Market Mutual Funds	463,078	-	-	463,078
Securities Lending Collateral Pool	1,489,318	-	-	1,489,318
Mutual Funds	1,482	-	-	1,482
Certificates of Deposit	515,516	-	-	515,516
State Bond Issues	98,481	-	-	98,481
NON-POOLED INVESTMENTS				
US Treasury	9,411	72,679	-	82,090
US Agency	-	291,478	-	291,478
Domestic Corporate Bonds	-	400,166	-	400,166
Foreign Corporate Bonds	-	2,694	-	2,694
Domestic Equities	16,233	642,673	-	658,906
Foreign Equities	-	23,396	-	23,396
Other	3,316	5,141	-	8,457
Money Market Mutual Funds	73,894	-	2,468	76,362
Guaranteed Investment Contracts	-	-	417,016	417,016
Totals	\$ 5,334,986	\$ 1,438,227	\$ 419,484	\$ 7,192,697

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, 2005 (expressed in thousands).

Investment Type	Total Component Units
US Treasury	\$ 891,975
US Agency	221,755
Domestic Debt Instruments	1,192,467
State and Local Gov't Debt Instruments	16,750
Domestic Equities and Equity Funds	1,001,177
Foreign Equities	23,681
Other	672,498
Money Market Mutual Funds	207,172
Guaranteed Investment Contracts	147,166
	<u>\$ 4,374,641</u>

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, 2005, 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 \$547,397,000 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, 2005, the Pension Trust Funds had deposits and cash equivalents of \$494,793,000 of which \$405,974,000 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, 2005, the Component Units had \$26,516,000 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, 2005, 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	\$ -	\$ 389,709	\$ 550,227	\$ 370	\$ 940,306
Aa/AA/AA	-	-	4,677	-	4,677
A/A/A	-	-	885,772	217	885,989
Baa/BBB/BBB	-	-	5,273	538	5,811
Ba/BB/BB	-	-	361,410	767	362,177
B/B/B	-	-	9,783	802	10,585
Caa/CCC/CCC	-	-	430	-	430
Not Rated	-	115,029	418,206	-	533,235
Credit Risk Not Applicable	1,752,412	-	-	-	1,752,412
Total	\$ 1,752,412	\$ 504,738	\$ 2,235,778	\$ 2,694	\$ 4,495,622

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, 2005, 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	\$ -	\$ 348,322	\$ 73,023	\$ 646,502	\$ 10,991	\$ 1,078,838
Aa/AA/AA	-	-	6,058	144,614	3,061	153,733
A/A/A	-	-	3,229	241,685	6,907	251,821
Baa/BBB/BBB	-	10,193	14,325	290,033	16,786	331,337
Ba/BB/BB	-	-	1,752	92,132	10,414	104,298
B/B/B	-	-	5,303	13,608	1,373	20,284
Caa/CCC/CCC	-	-	-	2,471	51	2,522
Ca./CC/CC	-	-	-	46	-	46
Not Rated	-	427,584	1,296	555,092	483	984,455
Credit Risk Not Applicable	2,303,248	-	-	-	-	2,303,248
Total	\$ 2,303,248	\$ 786,099	\$ 104,986	\$ 1,986,183	\$ 50,066	\$ 5,230,582

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 the 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, 2005 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	\$ -	\$ 219,426	\$ 287,754	\$ 507,180
Aa/AA/AA	-	-	93,958	93,958
A/A/A	-	-	116,211	116,211
Baa/BBB/BBB	-	-	96,162	96,162
Not Rated	-	23,011	952,720	975,731
Credit Risk Not Applicable	888,043	-	-	888,043
Total	\$ 888,043	\$ 242,437	\$ 1,546,805	\$ 2,677,285

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, 2005 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, 2005, the Board held Guaranteed Investment Contracts issued by Transamerica Occidental Life Insurance Co. /Transamerica Life Insurance and Annuity Co. in the amount of \$363,778,000, or 87% of its portfolio. Additionally, \$36,810,000, or 9% 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, 2005, the Primary Government had the following investments with maturities (expressed in thousands):

Weighted Average Years to Maturity	US Government	Treasury, Agency	US Corporate	International	Total
	Securities	and Municipal	Debt	Debt	
		Securities	Instruments	Instruments	
Less than 1 year Weighted Average to Maturity	\$ 984,646	\$ 21,969	\$ 1,378,600	\$ -	\$ 2,385,215
1 - 5 years	754,420	171,900	102,939	2,694	1,031,953
5 - 10 years	9,231	71,199	598,496	-	678,926
10 or more years	4,115	238,919	155,743	-	398,777
No Maturity or Not Applicable	-	751	-	-	751
Total	\$ 1,752,412	\$ 504,738	\$ 2,235,778	\$ 2,694	\$ 4,495,622

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, 2005, the Pension Trust Funds had the following exposure to interest rate risk (expressed in thousands):

Duration or Weighted Average Years	US Government	Treasury, Agency	International	US Corporate	International	Total
	Securities	and Municipal	Government	Debt	Debt	
		Securities	Securities	Instruments	Instruments	
Less than 1 year duration	\$ 5,023	\$ -	\$ -	\$ 26,829	\$ -	\$ 31,852
1 - 5 years	365,559	131,055	55,009	233,631	18,203	803,457
5 - 10 years	806,823	14,889	15,343	818,926	24,019	1,680,000
10 or more years	873,386	640,155	34,634	523,899	7,844	2,079,918
No Duration	252,457	-	-	382,898	-	635,355
Total	\$ 2,303,248	\$ 786,099	\$ 104,986	\$ 1,986,183	\$ 50,066	\$ 5,230,582

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, 2005, the Component Units had the following interest rate risk exposure (expressed in thousands).

Weighted Average Years to Maturity	US Government Securities	Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year Weighted Average to Maturity	\$ 240,607	\$ 41,081	\$ -	\$ 105,680	\$ -	\$ 387,368
1 - 5 years	462,613	126,447	-	512,363	-	1,101,423
5 - 10 years	4,911	13,074	-	48,062	-	66,047
10 or more years	1,222	5,226	-	150,332	-	156,780
No Maturity or Not Applicable	178,690	56,609	-	730,368	-	965,667
Total	\$ 888,043	\$ 242,437	\$ -	\$ 1,546,805	\$ -	\$ 2,677,285

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, 2005, the Primary Government had the following foreign currency risk (expressed in thousands):

Currency	Debt		Total
	Equities	Instruments	
Australian dollar	\$ 551	\$ -	\$ 551
British pound sterling	4,983	133	5,116
Bermuda dollar	-	358	358
Canadian dollar	371	762	1,133
Cayman dollar	-	219	219
Danish krone	301	-	301
Euro	9,672	732	10,404
Hong Kong dollar	484	-	484
Indian rupee	208	-	208
Indonesian rupiah	170	-	170
Japanese yen	4,855	-	4,855
Mexican peso	-	84	84
New Israeli shekel	219	151	370
New Taiwan dollar	40	-	40
Norwegian krone	394	-	394
Singapore dollar	-	255	255
Swiss franc	1,148	-	1,148
Totals	\$ 23,396	\$ 2,694	\$ 26,090

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, 2005 (expressed in thousands):

Foreign Currency Risk - Pension Trust Funds

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	\$ 50,694	\$ -	\$ 43	\$ 50,737
Brazilian real	4,748	-	3	4,751
British pound sterling	357,415	385	783	358,583
Bulgarian lev	18	-	-	18
Canadian dollar	29,465	5,287	33	34,785
Czech koruna	1,413	-	22	1,435
Danish krone	4,920	620	69	5,609
Egyptian pound	929	-	24	953
Euro	624,713	58,630	5,377	688,720
Hong Kong dollar	34,236	-	283	34,519
Hungarian forint	4,770	-	86	4,856
Iceland krona	-	1,816	22	1,838
Indonesian rupiah	1,142	-	2	1,144
Japanese yen	320,050	11,325	5,585	336,960
Malaysian ringgit	4,475	-	14	4,489
Mexican peso	5,456	-	12	5,468
New Israeli shekel	969	-	-	969
New Taiwan dollar	2,505	-	-	2,505
New Turkish lira	2,772	-	46	2,818
New Zealand dollar	20,699	3,320	4	24,023
Norwegian krone	15,583	-	4	15,587
Philippines peso	187	-	4	191
Polish zloty	4,549	-	39	4,588
Romanian leu	85	-	-	85
Russian rubel	237	-	-	237
Singapore dollar	25,824	3,563	5	29,392
South African rand	8,536	-	38	8,574
South Korean won	29,688	-	-	29,688
Swedish krona	21,459	1,613	40	23,112
Swiss franc	108,192	-	19	108,211
Thai baht	3,752	-	-	3,752
Totals	\$ 1,689,481	\$ 86,559	\$ 12,557	\$ 1,788,597

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, 2005, 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, 2005, the fair value of the securities on loan was approximately \$1,611,126,000. The underlying collateral for these securities had a market value of approximately \$1,667,057,000. Collateral of U.S. Government securities represented approximately \$177,739,000 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, 2005, 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.

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, 2005, 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. However, 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, 2005, the carrying amount and fair value of securities on loan was approximately \$3,191,266,000. The underlying collateral for these securities had a market value of approximately \$3,278,787,000. Collateral of securities and letters of credit represented approximately \$363,705,000 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, 2005, 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 \$291,471,000. The underlying collateral for these securities had a market value of approximately \$299,910,000. Collateral of securities and letters of credit represented approximately \$26,516,000 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.

A reconciliation of interfund receivables and interfund payables at June 30, 2005 follows. Timing differences occur between agencies with a June 30 year end and the component units with September 30 or December 31 year ends.

Due From Other Funds		Due To Other Funds	
Wildlife Permanent Fund	\$ 124	General Fund to Enterprise Funds	\$ 822
Fiduciary Funds	794	General Fund to Fiduciary Funds	91
Enterprise Funds	822	Wildlife Permanent Fund	124
Due From Fiduciary Funds	91	Fiduciary Funds	794
Due From Component Units		Due To Component Units	
General Fund	47,399	General Fund	14,719
Fiduciary Funds	395	Fiduciary Funds	18,835
Due From Primary Government		Due To Primary Government - General Fund	46,687
General Fund	18,359	Due To Fiduciary Funds	395
Permanent Fund	42	Due To Other Component Units	1,332
Due From Fiduciary Funds	18,361	Total Interfund Payables per Financial Statements	<u>83,799</u>
Due From Other Component Units	1,332	Timing Differences, Fiscal Year Ending	
Total Interfund Receivables per Financial Statements	<u>\$ 87,719</u>	December 31, 2004: Component Units	3,920
		Total Interfund Payables	<u>\$ 87,719</u>

The general fund Due From Other Funds includes \$45,262,000 from Oklahoma Transportation Authority (OTA) (\$44,550,000 at December 31, 2004 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 \$61,000 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 \$124,000 from the general fund for legislative mandated transfer of earnings on certain funds.

The component units Due From Primary Government includes \$355,000 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 \$48,343,000, 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 \$35,436,000 for HE and \$1,043,000 for UHA.

C. Interfund Transfers

A summary of interfund transfers for the fiscal year ended June 30, 2005, follows (expressed in thousands).

<u>Transfers From (Out)</u>	<u>Transfers To (In)</u>	<u>For (Purpose)</u>	<u>Amount</u>
Governmental Funds:			
General Fund	Oklahoma Water Resources Board	Payment for administrative costs	\$ 26
Permanent Funds:			
Commissioners of Land Office	General Fund	Transfer of expendable earnings	(2,763)
Department of Wildlife Conservation	General Fund	Transfer of expendable earnings	(1,287)
Proprietary Funds:			
Oklahoma Water Resources Board	General Fund	Restricted investment revenue	(389)
Total Transfers			<u>\$ (4,413)</u>

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows (expressed in thousands).

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,004,722	\$ 62,416	\$ (20,983)	\$ 1,046,155
Construction in progress	109,474	25,340	(98,472)	36,342
Total capital assets, not being depreciated	<u>1,114,196</u>	<u>87,756</u>	<u>(119,455)</u>	<u>1,082,497</u>
Capital assets, being depreciated:				
Buildings and improvements	829,444	86,391	(2,713)	913,122
Equipment	264,704	53,660	(10,820)	307,544
Infrastructure	10,711,362	341,269	(12,996)	11,039,635
Total capital assets, being depreciated	<u>11,805,510</u>	<u>481,320</u>	<u>(26,529)</u>	<u>12,260,301</u>
Less accumulated depreciation for:				
Buildings and improvements	(331,433)	(17,247)	1,823	(346,857)
Equipment	(167,469)	(19,540)	10,824	(176,185)
Infrastructure	(5,488,236)	(291,579)	6,715	(5,773,100)
Total accumulated depreciation	<u>(5,987,138)</u>	<u>(328,366)</u>	<u>19,362</u>	<u>(6,296,142)</u>
Total capital assets, being depreciated, net	<u>5,818,372</u>	<u>152,954</u>	<u>(7,167)</u>	<u>5,964,159</u>
Governmental activities capital assets, net	<u>\$ 6,932,568</u>	<u>\$ 240,710</u>	<u>\$ (126,622)</u>	<u>\$ 7,046,656</u>
Business-type activities:				
Capital assets, being depreciated:				
Equipment	\$ 557	\$ 14	\$ -	\$ 571
Total capital assets, being depreciated	<u>557</u>	<u>14</u>	<u>-</u>	<u>571</u>
Less accumulated depreciation for:				
Equipment	(337)	(59)	-	(396)
Total accumulated depreciation	<u>(337)</u>	<u>(59)</u>	<u>-</u>	<u>(396)</u>
Business-type activities capital assets, net	<u>\$ 220</u>	<u>\$ (45)</u>	<u>\$ -</u>	<u>\$ 175</u>

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

Governmental activities:	
Education	\$ 791
General government	8,146
Health services	6,738
Legal and judiciary	80
Museums	153
Natural resources	3,585
Public safety and defense	10,282
Regulatory services	219
Social services	3,778
Transportation	294,594
Total depreciation expense - governmental activities	<u>\$ 328,366</u>
Business-type activities:	
Natural resources	\$ 59
Total depreciation expense - business-type activities	<u>\$ 59</u>

Component Units

Capital asset activity for the year ended June 30, 2005, (December 31, 2004, or September 30, 2004, 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	\$ 270,158	\$ 2,732	\$ (1,200)	\$ 271,690
Construction in progress	442,823	264,109	(452,860)	254,072
Total capital assets, not being depreciated	<u>712,981</u>	<u>266,841</u>	<u>(454,060)</u>	<u>525,762</u>
Capital assets, being depreciated:				
Buildings and improvements	3,790,961	456,320	(35,518)	4,211,763
Equipment	1,095,861	103,511	(66,957)	1,132,415
Infrastructure	1,729,594	48,068	(3)	1,777,659
Total capital assets, being depreciated	<u>6,616,416</u>	<u>607,899</u>	<u>(102,478)</u>	<u>7,121,837</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,673,315)	(107,628)	18,584	(1,762,359)
Equipment	(738,423)	(88,403)	53,590	(773,236)
Infrastructure	(791,284)	(60,704)	1,243	(850,745)
Total accumulated depreciation	<u>(3,203,022)</u>	<u>(256,735)</u>	<u>73,417</u>	<u>(3,386,340)</u>
Total capital assets, being depreciated, net	<u>3,413,394</u>	<u>351,164</u>	<u>(29,061)</u>	<u>3,735,497</u>
Capital assets, net	<u>\$ 4,126,375</u>	<u>\$ 618,005</u>	<u>\$ (483,121)</u>	<u>\$ 4,261,259</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 \$6,663,000 in 2004. The liability for claims in excess of the self-insured entities' respective retention limits included in unpaid losses and loss adjustment expenses was approximately \$41,477,000 at December 31, 2004.

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 \$1,496,000 in 2004. No losses have been ceded under these agreements. Reinsurance receivables with a single reinsurer of \$356,000 at December 31, 2004, 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 both permanent partial and 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, 2004, have been charged to operations for the year ended December 31, 2004. At year end, the MITF loss liability exceeded net assets. MITF was indebted to claimants for court

awarded judgments. Only those judgments currently payable in arrears bear interest. The rate, set by statute, is the treasury bill rate plus 4% to be updated annually. Legislation was enacted to terminate future awards against MITF for actions and to increase its funding sources.

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, 2005, (December 31, 2004, for CompSource Oklahoma, State and Education Employees Group Insurance Board, and Multiple Injury Trust Fund) and the prior fiscal year, (expressed in thousands).

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

* As discussed in the Litigation and Contingencies note, general fund claims and judgments includes \$2,620 accrued for the payment of litigation losses.

** The Higher Education Component Unit's claims and judgments (\$2,607 – current and \$1,620 – noncurrent) are for accrued liabilities not related to risk management.

	<u>Beginning Balance</u>	<u>Plus: Current Year Claims and Changes in Estimates</u>	<u>Less: Claim Payments</u>	<u>Ending Balance</u>	<u>Noncurrent Liability</u>	<u>Current Liability</u>
Prior Fiscal Year						
General Fund -						
Risk Management Division	\$ 16,719	\$ 12,190	\$ (4,108)	\$ 24,801	\$ -	\$ 24,801
Component Units:						
CompSource Oklahoma	\$ 558,600	\$ 244,341	\$ (159,641)	\$ 643,300	\$ 526,981	\$ 116,319
State and Education Employees						
Group Insurance Board	73,155	538,511	(526,590)	85,076	5,035	80,041
Multiple Injury Trust Fund	180,190	9,155	(21,034)	168,311	151,920	16,391
Total Proprietary Units	\$ 811,945	\$ 792,007	\$ (707,265)	\$ 896,687	\$ 683,936	\$ 212,751

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 222,000 primary participants and dependents, approximately 21,000 primary participants and 13,000 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 (321 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	25,000	8,000	56,000	----- 39,000 -----			
Dependents	-----			60,000 -----			

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 12/31/2004	Twelve-month Period Ending 12/31/2003	Twelve-month Period Ending 12/31/2004	Twelve-month Period Ending 12/31/2003	Twelve-month Period Ending 12/31/2004	Twelve-month Period Ending 12/31/2003
	\$	\$	\$	\$	\$	\$
Reserves at beginning of period	74,559	63,500	3,028	2,524	7,489	7,131
Incurring claims:						
Provision for insured events of current period	594,848	527,572	14,616	14,366	4,352	3,303
Changes in provisions for insured events of prior periods	(3,304)	(5,658)	203	(324)	226	(748)
	<u>591,544</u>	<u>521,914</u>	<u>14,819</u>	<u>14,042</u>	<u>4,578</u>	<u>2,555</u>
Payments:						
Claims attributable to insured events of current period	523,308	453,581	12,524	11,383	699	467
Claims attributable to insured events of prior periods	68,600	57,274	2,674	2,155	2,654	1,730
	<u>591,908</u>	<u>510,855</u>	<u>15,198</u>	<u>13,538</u>	<u>3,353</u>	<u>2,197</u>
Reserves at end of period	<u>\$ 74,195</u>	<u>\$ 74,559</u>	<u>\$ 2,649</u>	<u>\$ 3,028</u>	<u>\$ 8,714</u>	<u>\$ 7,489</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, 2005 are as follows (expressed in thousands).

	General Fund	Fiduciary Funds	Component Units
	\$	\$	\$
2006	1,265	222	4,772
2007	882	189	4,720
2008	779	189	4,580
2009	16	-	4,401
2010	7	-	4,002
2011-2015	-	-	7,789
2016-2020	-	-	1,107
2021-2025	-	-	150
Total Future Minimum Lease Payments	<u>\$ 2,949</u>	<u>\$ 600</u>	<u>\$ 31,521</u>
Operating lease commitments for building rental for year ended June 30, 2006	\$ 18,908	\$ 355	\$ 2,289
Rent expenditures/expenses for operating leases for year ended June 30, 2005	\$ 20,188	\$ 456	\$ 17,399

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 \$30,513,000, which is also the net investment in direct financing leases at June 30, 2005. The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands).

	2006	2007	2008	2009	2010
Primary Government	\$ 6,470	\$ 5,834	\$ 5,213	\$ 4,316	\$ 3,453

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, 2005, the total minimum lease payments to be received by OCIA from component units is \$36,479,000.

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 \$22,000. Minimum future rentals receivable from these operating leases is presented in the following schedule (expressed in thousands).

2006	2007	2008	2009	2010
\$ 278	\$ 68	\$ 34	\$ 24	\$ 16

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).

2006	2007	2008	2009	2010
\$ 8,600	\$ 8,141	\$ 6,546	\$ 4,715	\$ 2,933

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, 2004 (expressed in thousands).

Total minimum lease payments to be received	\$ 108,402
Less: Amounts representing interest included in total minimum lease payments	(51,715)
Net investment in direct financing leases	<u>\$ 56,687</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 Transportation 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).

	2006	2007	2008	2009	2010
Oklahoma Turnpike Authority	\$ 177	\$ 150	\$ 105	\$ 67	\$ 67
University Hospitals Authority	327	111	-	-	-
Total	\$ 504	\$ 261	\$ 105	\$ 67	\$ 67

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

Long-term obligations at June 30, 2005, 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	\$ -	\$ -	\$ 254,135	\$ 6,635
Oklahoma Bldg Refunding 2003B	2003	1.65%	2006	7,075	-	-	7,075	7,075
Total				261,210	-	-	261,210	13,710
Revenue Bonds Payable from Lease Rentals:								
OCIA Series A of 1986	1987	6.50%	2007	1,164	-	413	751	441
OCIA Series B of 1994	1995	4.85%-7.15%	2010	8,995	-	1,265	7,730	1,350
OCIA Series B of 1996	1997	3.75%-5.50%	2022	2,770	-	2,770	-	-
OCIA Series 1998, Corrections	1998	3.90%-5.00%	2018	15,685	-	13,940	1,745	855
OCIA Series 1998, Highway	1998	3.90%-5.00%	2008	108,830	-	-	108,830	34,565
OCIA Series 1999A	2000	4.10%-5.50%	2020	123,065	-	91,515	31,550	5,750
OCIA Series 1999B	2000	6.20%-7.63%	2020	2,650	-	970	1,680	230
OCIA Series 1999C	2000	4.10%-5.50%	2020	4,290	-	3,275	1,015	185
OCIA Series 1999D	2000	3.85%-5.70%	2025	12,380	-	9,665	2,715	495
OCIA Series 2000, Highway	2000	4.30%-5.00%	2012	110,645	-	-	110,645	13,540
OCIA Series 2002A	2003	2.00%-4.65%	2023	12,450	-	490	11,960	500
OCIA 2003A, Highway	2003	2.00%-5.00%	2015	65,565	-	-	65,565	5,430
OCIA 2003B, Highway	2003	2.00%-5.00%	2015	26,605	-	-	26,605	2,245
OCIA 2003C, State Facilities	2004	2.00%-4.75%	2025	18,000	-	-	18,000	655
OCIA 2003D, State Facilities	2004	2.00%-4.75%	2024	3,500	-	130	3,370	130
OCIA 2003E, State Facilities	2004	2.00%-4.00%	2016	22,070	-	2,030	20,040	2,055
OCIA 2004A, Refunding	2005	2.50%-5.00%	2024	-	110,845	-	110,845	160
OCIA 2005A, Revenue	2005	3.00%-4.35%	2020	-	6,130	-	6,130	-
OCIA 2005B, Revenue	2005	3.00%-4.05%	2015	-	4,000	-	4,000	-
OCIA 2005C, Revenue	2005	3.00%-5.00%	2022	-	33,000	-	33,000	-
Corrections 2003A, Central OK (ODFA)	2003	2.25%-4.65%	2023	34,760	-	1,375	33,385	1,405
Corrections 2004, Central OK (ODFA)	2004	3.00%-4.45%	2024	4,065	-	140	3,925	165
Tourism 2002	2002	2.10%-4.25%	2012	2,840	-	315	2,525	325
DHS-Pittsburg Co. 1998 (ODFA)	1998	4.25%-5.30%	2012	1,065	-	85	980	85
DHS-Canad/Linc Co. 2000 (ODFA)	2000	4.30%-5.60%	2015	2,970	-	205	2,765	220
DHS-8 County (ODFA)	2002	2.00%-5.25%	2017	13,760	-	835	12,925	860
DHS-Logan/Okla Co. 2004A (ODFA)	2004	1.00%-3.85%	2019	8,615	-	485	8,130	490
DHS-2004B (ODFA)	2005	1.60%-5.13%	2019	-	4,810	-	4,810	255
Veterans Series 2000 (ODFA)	2000	4.20%-5.63%	2015	8,720	-	8,720	-	-
Veterans Series 2005 (ODFA)	2005	2.65%-3.65%	2015	-	7,980	-	7,980	640
Law Enforcement Education/Train (ODFA)	2002	3.00%-5.50%	2027	25,160	-	670	24,490	690
Total				640,619	166,765	139,293	668,091	73,721
Notes Payable from Tax Revenue:								
Koch Financial	2003	3.79%	2007	12,215	-	4,296	7,919	4,461
Koch Financial	2003	3.90%	2007	4,293	-	1,508	2,785	1,568
Hitachi Credit America	2003	3.67%	2007	1,580	-	557	1,023	577
Tourism 2004, Clean Water	2004	2.13%	2024	7,085	-	280	6,805	290
ODOT 2004A, Grant Anticipation	2004	1.00%-4.89%	2018	47,575	-	3,025	44,550	2,575
Total				72,748	-	9,666	63,082	9,471
Notes Payable - Sardis Reservoir								
Certificates of Participation				35,094	-	307	34,787	315
Capital Leases				559	-	502	57	57
Compenstated Absences				5,336	311	1,486	4,161	1,082
Pension Obligation				130,960	80,238	71,726	139,472	71,726
Total Long-Term Obligations				\$ 1,148,857	\$ 247,314	\$ 223,454	\$ 1,172,717	\$ 170,082

Reduction of debt includes decreases in Compensated Absences which are not included as expenditures in the operating statement. Reduction of debt also includes an advanced refunding of \$8,110 to defease Veterans Affairs Series 2000A revenue bonds and \$111,595 to defease OCIA bonds Series 1996A, Series 1998C, Series 1999A, Series 1999C and Series 1999D.

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.

An April 30, 2003 resolution of the Oklahoma Building Bonds Commission authorized the issuance of \$254,135,000 of 2003 Series A Oklahoma Building Refunding Bonds and \$7,075,000 of 2003 Taxable Series B Oklahoma Building Refunding Bonds. These bonds were issued on June 4, 2003. The Series A bonds were issued with a \$28,356,000 premium while the Series B bonds were issued at par. The 2003A bonds were issued to currently refund the outstanding Oklahoma Building Bonds of 1992 Series A and Series B. The refunded bonds were redeemed on July 15, 2003.

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2005, which have scheduled debt service amounts (expressed in thousands).

	2006	2007	2008	2009	2010	2011-2015	2016-2020	2021-2025	2026-2030	Total
General Obligation bonds:										
Oklahoma Bldg Refunding 2003A	\$ 17,985	\$ 25,007	\$ 25,007	\$ 25,107	\$ 25,034	\$ 126,352	\$ 105,737	\$ -	\$ -	\$ 350,229
Oklahoma Bldg Refunding 2003B	7,133	-	-	-	-	-	-	-	-	7,133
	25,118	25,007	25,007	25,107	25,034	126,352	105,737	-	-	357,362
Less: Interest	11,408	11,017	10,452	9,908	9,309	34,507	9,551	-	-	96,152
Total Principal	13,710	13,990	14,555	15,199	15,725	91,845	96,186	-	-	261,210
Revenue Bonds:										
OCIA Series A of 1986	476	318	-	-	-	-	-	-	-	794
OCIA Series B of 1994	1,843	1,838	1,830	1,829	1,822	-	-	-	-	9,162
OCIA Series B of 1996	-	-	-	-	-	-	-	-	-	-
OCIA Series 1998, Corrections	933	930	-	-	-	-	-	-	-	1,863
OCIA Series 1998, Highway	39,412	39,408	39,412	-	-	-	-	-	-	118,232
OCIA Series 1999A	7,130	7,123	7,116	7,090	7,082	-	-	-	-	35,541
OCIA Series 1999B	346	343	345	340	343	254	253	-	-	2,224
OCIA Series 1999C	230	231	226	226	231	-	-	-	-	1,144
OCIA Series 1999D	613	615	610	608	609	-	-	-	-	3,055
OCIA Series 2000, Highway	18,907	18,904	18,905	18,905	18,905	37,810	-	-	-	132,334
OCIA Series 2002A	956	955	952	952	951	4,733	4,721	2,814	-	17,034
OCIA 2003A, Highway	8,261	8,259	8,260	8,259	8,261	41,301	-	-	-	82,601
OCIA 2003B, Highway	2,764	3,271	3,271	3,270	3,270	15,645	-	-	-	31,491
OCIA 2003C, State Facilities	1,330	1,327	1,329	1,329	1,331	6,652	6,631	6,608	-	26,537
OCIA 2003D, State Facilities	257	259	256	257	258	1,287	1,278	1,014	-	4,866
OCIA 2003E, State Facilities	2,653	2,661	2,663	2,661	2,666	8,672	1,506	-	-	23,482
OCIA 2004A, Refunding	5,583	5,589	6,520	6,515	6,515	68,644	65,208	1,734	-	166,308
OCIA 2005A, Revenue	155	543	544	544	543	2,715	2,700	537	-	8,281
OCIA 2005B, Revenue	108	302	302	303	303	1,505	1,488	1,472	291	6,074
OCIA 2005C, Revenue	879	1,381	1,381	2,514	2,514	12,547	12,407	12,165	7,263	53,051
Corrections 2003A, Central OK (ODFA)	2,693	2,692	2,689	2,692	2,693	13,464	13,287	7,563	-	47,773
Corrections 2004, Central OK (ODFA)	309	309	309	309	309	1,541	1,477	984	-	5,547
Tourism 2002	415	415	413	415	411	823	-	-	-	2,892
DHS-Pittsburg Co. 1998 (ODFA)	133	134	134	135	134	550	-	-	-	1,220
DHS-Canad/Linc Co. 2000 (ODFA)	367	366	364	367	364	1,822	-	-	-	3,650
DHS-8 County (ODFA)	1,429	1,431	1,430	1,431	1,432	7,158	2,863	-	-	17,174
DHS-Logan/Okla Co. 2004A (ODFA)	735	734	734	736	735	3,668	2,936	-	-	10,278
DHS-2004B (ODFA)	434	435	434	431	433	2,167	2,147	-	-	6,481
Veterans Series 2000 (ODFA)	-	-	-	-	-	-	-	-	-	-
Veterans Series 2005 (ODFA)	942	946	945	942	944	4,723	-	-	-	9,442
Law Enforcement Education/Train (ODFA)	1,855	1,854	1,855	1,853	1,856	9,275	9,271	9,272	3,712	40,803
	102,148	103,573	103,229	64,913	64,913	246,956	128,173	44,163	11,266	869,334
Less: Interest	28,427	26,125	22,654	19,367	17,136	56,057	23,896	6,688	893	201,243
Total Principal	73,721	77,448	80,575	45,546	47,777	190,899	104,277	37,475	10,373	668,091
Notes Payable:										
Koch Financial	4,698	3,524	-	-	-	-	-	-	-	8,222
Koch Financial	1,654	1,240	-	-	-	-	-	-	-	2,894
Hitachi Credit America	606	454	-	-	-	-	-	-	-	1,060
Tourism 2004, Clean Water	436	439	438	441	439	2,225	2,273	1,618	-	8,309
ODOT 2004A, Grant Anticipation	4,296	4,296	4,302	4,297	4,297	21,290	16,962	-	-	59,740
	11,690	9,953	4,740	4,738	4,736	23,515	19,235	1,618	-	80,225
Less: Interest	2,219	1,921	1,770	1,698	1,621	6,046	1,800	68	-	17,143
Total Principal	9,471	8,032	2,970	3,040	3,115	17,469	17,435	1,550	-	63,082
Certificates of Participation:										
	59	-	-	-	-	-	-	-	-	59
Less: Interest	2	-	-	-	-	-	-	-	-	2
Total Principal	57	-	-	-	-	-	-	-	-	57
Capital Leases:										
	1,785	1,532	1,386	1,134	273	100	-	-	-	6,210
Less: Interest	217	152	93	36	8	6	-	-	-	512
Less: Executory Cost	486	414	358	279	-	-	-	-	-	1,537
Total Principal	1,082	966	935	819	265	94	-	-	-	4,161
Total	\$ 98,041	\$ 100,436	\$ 99,035	\$ 64,604	\$ 66,882	\$ 300,307	\$ 217,898	\$ 39,025	\$ 10,373	\$ 996,601
Long-Term Debt without scheduled debt service:										
Note Payable-Sardis Reservoir										34,787
Compensated Absences										139,472
Pension Obligation										1,857
Total Long-Term Obligations										\$ 1,172,717

B. Revenue Bonds

The **Oklahoma Capitol Improvement Authority** (OCIA) has nineteen outstanding series of building bonds to construct and equip state office buildings and prisons. Three 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.

On September 1, 2004, OCIA issued \$110,845,000 of Series 2004A State Facility Refunding revenue bonds for an advanced refunding of the Series 1996A State Office Building, Series 1998C Department of Corrections, Series 1999A State Facilities, Series 1999C State Facilities, and Series 1999D State Facilities revenue bonds. The bond proceeds, net of related issuance costs, were placed in escrow accounts. These escrow monies along with future earnings on those monies will be used for future debt service payments to bond holders. As a result, the refunded bonds are considered to be defeased. Accordingly, the defeased bond liability and the escrow assets are not presented in the governmental activities column of the statement of net assets. The net carrying amount of the new Facility Refunding revenue bonds is less than the refunded debt by \$845,000. This advanced refunding decreased future debt service payments by \$7,281,000 and resulted in an estimated economic gain of \$4,793,000. At fiscal year end, \$117,030,000 in defeased bonds were outstanding.

The **Oklahoma Development Finance Authority** (ODFA) has issued a series of 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** has issued Grant Anticipation Notes, Series 2004A for the purpose of financing certain qualified federal aid transportation projects in the State of Oklahoma. The balance remaining is \$44,550,000. ODOT has been authorized to issue Grant Anticipation Notes, Series 2005A in the amount of \$50,000,000, but they were not issued as of June 30, 2005.

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. Certificates of Participation

The State has lease purchase agreements funded through certificates of participation. These leases are for the purchase of equipment and facilities. Third-party leasing companies assigned their interest in the lease to underwriters, which issued certificates for the funding of these obligations. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. While the State is liable for lease payments to the underwriters, the State is not liable for payments to holders of the certificates.

Leased equipment financed by certificates of participation in capital assets at June 30, 2005, includes the following (expressed in thousands).

	<u>Equipment</u>
Cost	\$ 7,200
Less: Accumulated depreciation	(2,631)
Total	<u>\$ 4,569</u>

E. 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, 2005, includes the following (expressed in thousands).

	Land	Equipment	Total
Cost	\$ 59	\$ 7,070	\$ 7,129
Less: Accumulated depreciation	-	(5,282)	(5,282)
Total	\$ 59	\$ 1,788	\$ 1,847

F. 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.

G. 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.

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, 2005, 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	1.15-6.50%	2035	\$ 531,185	\$ 204,480	\$ 48,550	\$ 687,115	\$ 46,085
Adjusted for: Bond Discounts				3,542	3,696	(7,011)	14,249	-
Revenue Bonds Payable Net of Bond Discounts				534,727	208,176	41,539	701,364	46,085
Other Noncurrent Liabilities				1,024	272	-	1,296	-
Total Long-Term Obligations				\$ 535,751	\$ 208,448	\$ 41,539	\$ 702,660	\$ 46,085

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2005, which have scheduled debt service amounts (expressed in thousands).

	2006	2007	2008	2009	2010	2011-2015	2016-2020	2021-2025	2026-2030	2031-2035	Total
Revenue Bonds:											
1989-2005 Issues	\$ 71,080	\$ 54,813	\$ 53,971	\$ 55,083	\$ 55,206	\$ 254,552	\$ 206,888	\$ 149,883	\$ 53,022	\$ 24,600	\$ 979,098
Less: Interest	24,995	24,098	23,236	22,313	21,262	87,985	55,499	25,693	5,647	1,255	291,983
Principal	46,085	30,715	30,735	32,770	33,944	166,567	151,389	124,190	47,375	23,345	687,115
Total	\$ 46,085	\$ 30,715	\$ 30,735	\$ 32,770	\$ 33,944	\$ 166,567	\$ 151,389	\$ 124,190	\$ 47,375	\$ 23,345	\$ 687,115
Adjusted for: Bond and Note Discounts											14,249
Long-Term Obligations without scheduled debt service:											
Other Noncurrent Liabilities											1,296
Total Long-Term Obligations											\$ 702,660

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 2.15% to 2.47% at June 30, 2005. 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 1.15% 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 (\$1,296,000 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, 2005 (September 30, 2004, for Oklahoma Housing Finance Agency and December 31, 2004, for Oklahoma Transportation 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	1987-2001	3.00-10.00%	2022	\$ 59,395	\$ -	\$ 1,325	\$ 58,070	\$ 1,400
Higher Education	1996-1999	4.00-6.70%	2006	860	-	430	430	430
Total Before Adjustments				60,255	-	1,755	58,500	
Adjusted for: Bond Premiums				4	-	7	(3)	
Net Deferred Debits on Refundings				(262)	-	(17)	(245)	
Total General Obligation Bonds Payable								
Net of Bond Premiums and Deferrals				59,997	-	1,745	58,252	1,830
Revenue Bonds Payable from User Fees:								
Student Loan Authority	1994-2005	2.27-3.50%	2034	507,510	205,670	12,975	700,205	-
Development Finance Auth.	1996	3.21%	2006	9,999	-	-	9,999	-
Environmental Finance Auth.	1977	5.90%	2007	1,000	-	1,000	-	-
Housing Finance Agency	1987-2004	1.11-8.92%	2035	537,172	140,038	186,190	491,020	50,748
Transportation Authority	1992-2002	4.00-6.00%	2028	1,254,147	329	26,010	1,228,466	27,125
Grand River Dam Authority	1993-2002	5.00-8.00%	2014	736,421	-	55,565	680,856	58,215
Municipal Power Authority	1990-2003	1.99-6.75%	2028	421,980	-	11,565	410,415	12,330
Higher Education	1993-2005	1.85-12.00%	2034	734,340	247,155	30,541	950,954	20,643
Total Before Discounts/Deferrals				4,202,569	593,192	323,846	4,471,915	
Adjusted for: Bond (Discount) Premiums				3,287	37	(590)	3,914	
Net Deferred Debits on Refundings				(64,047)	(30,080)	(13,436)	(80,691)	
Total Revenue Bonds Payable								
Net of Bond (Discounts) Premiums and Deferrals				4,141,809	563,149	309,820	4,395,138	169,061
Notes Payable:								
Multiple Injury Trust Fund	2000-2001	7.00%	2031	48,982	-	639	48,343	865
Student Loan Authority	1993-2005	3.00-3.77%	2025	150,900	15,475	60,000	106,375	-
Municipal Power Authority	2003	6.00%	2028	57,739	-	1,052	56,687	1,116
Higher Education	2001-2005	1.88-8.00%	2035	81,108	44,018	13,501	111,625	5,179
Total				338,729	59,493	75,192	323,030	7,160
Capital Leases:								
University Hospitals Authority				1,251	-	208	1,043	223
Higher Education				136,616	20,392	23,977	133,031	16,707
Total				137,867	20,392	24,185	134,074	16,930
Claims and Judgments								
Due to Primary Government				901,907	898,721	830,312	970,316	247,317
Compensated Absences				43,244	1,306	-	44,550	-
Other Noncurrent Liabilities				72,609	45,571	39,124	79,056	59,030
Total Long-Term Obligations				175,282	69,367	43,770	200,879	9,587
Total Long-Term Obligations				\$ 5,871,444	\$ 1,657,999	\$ 1,324,148	\$ 6,205,295	\$ 510,915

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2005 (September 30, 2004, for Oklahoma Housing Finance Agency and December 31, 2004, for Oklahoma Transportation Authority, Grand River Dam Authority and Municipal Power Authority), which have scheduled debt service amounts (expressed in thousands).

	2006	2007	2008	2009	2010	2011-2015	2016-2020	2021-2025	2026-2030	2031-2035	Total
General Obligation Bonds:											
Industrial Finance Authority	\$ 3,714	\$ 3,651	\$ 4,261	\$ 4,125	\$ 4,212	\$ 14,310	\$ 38,155	\$ 10,428	\$ -	\$ -	\$ 82,856
Higher Education	449	-	-	-	-	-	-	-	-	-	449
	4,163	3,651	4,261	4,125	4,212	14,310	38,155	10,428	-	-	83,305
Less: Interest	2,333	2,226	2,146	2,030	1,912	7,975	5,755	428	-	-	24,805
Total Principal	1,830	1,425	2,115	2,095	2,300	6,335	32,400	10,000	-	-	58,500
Revenue Bonds:											
Student Loan Authority	21,227	21,227	21,227	29,072	20,794	79,412	79,412	100,903	289,775	482,802	1,145,851
Development Finance Auth.	10,240	-	-	-	-	-	-	-	-	-	10,240
Environmental Finance Auth.	-	-	-	-	-	-	-	-	-	-	-
Housing Finance Agency	78,996	38,476	33,521	29,910	29,634	144,556	151,863	158,424	417,228	-	1,082,608
Transportation Authority	89,516	89,040	98,323	98,318	98,321	492,099	494,092	393,955	202,547	-	2,056,211
Grand River Dam Authority	93,846	93,713	93,569	93,416	93,253	408,343	-	-	-	-	876,140
Municipal Power Authority	33,451	33,456	33,457	33,461	33,454	167,260	149,142	143,470	42,860	-	670,011
Higher Education	63,490	65,160	67,290	67,233	67,457	349,447	320,711	278,620	203,919	138,305	1,621,632
	390,766	341,072	347,387	351,410	342,913	1,641,117	1,195,220	1,075,372	1,156,329	621,107	7,462,693
Less: Interest	211,525	203,356	195,935	187,793	179,727	750,309	570,121	377,059	259,501	55,452	2,990,778
Total Principal	179,241	137,716	151,452	163,617	163,186	890,808	625,099	698,313	896,828	565,655	4,471,915
Notes Payable:											
Multiple Injury Trust Fund	5,064	4,052	4,052	4,052	4,052	20,260	20,260	20,260	20,260	2,978	105,290
Student Loan Authority	2,663	30,751	2,487	2,487	2,487	56,655	4,360	4,360	28,750	-	135,000
Municipal Power Authority	4,517	4,516	4,517	4,516	4,517	22,583	22,584	22,584	18,067	-	108,401
Higher Education	9,812	8,910	8,121	8,137	8,192	40,515	29,249	24,121	19,299	9,099	165,455
	22,056	48,229	19,177	19,192	19,248	140,013	76,453	71,325	86,376	12,077	514,146
Less: Interest	14,858	14,037	13,308	13,076	12,823	48,198	37,008	26,880	9,697	1,231	191,116
Total Principal	7,198	34,192	5,869	6,116	6,425	91,815	39,445	44,445	76,679	10,846	323,030
Capital Leases:											
University Hospitals Authority	299	302	300	301	48	-	-	-	-	-	1,250
Higher Education	22,502	19,695	16,102	14,034	12,698	47,068	34,493	11,407	-	-	177,999
	22,801	19,997	16,402	14,335	12,746	47,068	34,493	11,407	-	-	179,249
Less: Interest	5,751	5,091	4,544	4,141	3,701	13,683	6,723	1,541	-	-	45,175
Total Principal	17,050	14,906	11,858	10,194	9,045	33,385	27,770	9,866	-	-	134,074
Total	\$ 205,319	\$ 188,239	\$ 171,294	\$ 182,022	\$ 180,956	\$ 1,022,343	\$ 724,714	\$ 762,624	\$ 973,507	\$ 576,501	\$ 4,987,519
Adjusted for: Net Discounts and Deferred Debits on Refundings											(77,025)
Long-Term Obligations without scheduled debt service:											
Claims and Judgments											970,316
Due to Primary Government											44,550
Compensated Absences											79,056
Other Noncurrent Liabilities											200,879
Total Long-Term Obligations											\$ 6,205,295

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.

Within the **Higher Education** component unit, Rose State College Technical Area Education District authorized and issued general obligation bonds with an original issue amount of \$3,875,000. These bonds were issued for the financing of buildings, equipment, and related capital improvements. Ad valorem taxes levied upon taxable property within the district have been pledged to retire these general obligation bonds.

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, 2005, the variable interest rates ranged from 2.27% to 3.50%.

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, 2005 was 3.21%.

The **Oklahoma Housing Finance Agency** (OHFA) has issued 34 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 Transportation Authority** (OTA) has issued five 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 10%.

Twenty five of the State's colleges and universities within the **Higher Education** component unit have authorized and issued 66 series of revenue bonds with an original issue amount of \$817,472,000. 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, 2005 (December 31, 2004 for OTA, GRDA, and OMPA) (expressed in thousands).

Revenue Bonds			
OTA	GRDA	OMPA	Higher Education
\$ 42,275	\$ 58,300	\$ 47,860	\$ 8,850

D. Notes Payable

The **Multiple Injury Trust Fund** (MITF) component unit reports a note payable to **CompSource Oklahoma** component unit of \$48,343,000, 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 3.0% to 3.77%.

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. Oklahoma State University entered into a note payable to fund the construction of facilities. Lease payments, a pledge of “Section Thirteen Fund State Educational Institutions” moneys, and the facilities constructed secure the notes. Langston University entered into a note payable for facilities. Oklahoma State University also entered into note payables for the purchase of equipment and facilities. The equipment and facilities purchased are pledged as collateral on the note.

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. During prior fiscal years, the capital lease agreements the Higher Education component unit entered into with OCIA totaled \$49,178,000, with year end outstanding principal balance of \$35,437,000. Such agreements are included with capital lease obligations.

Leased assets under capital leases in capital assets at June 30, 2005, included the following (expressed in thousands).

	Land	Construction In Progress	Buildings	Equipment	Total
Cost	\$ 470	\$ 23,486	\$ 66,930	\$ 53,120	\$ 144,006
Less: Accumulated depreciation	-	-	(9,459)	(25,191)	(34,650)
Total	\$ 470	\$ 23,486	\$ 57,471	\$ 27,929	\$ 109,356

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, 2005 (December 31, 2004 for OTA and GRDA) the cumulative arbitrage rebate liability is as follows (expressed in thousands).

Reported as:	OSLA	GRDA
Accounts payable	\$ -	\$ 505
Other liabilities	145	-

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 \$32,312,000 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 \$475,000,000 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 to correct net capital assets for disposals and related accumulated depreciation not previously removed from capital assets. This restatement reduced net assets by \$178,000 at July 1, 2004.

Beginning net assets for the Oklahoma Housing Finance Agency, a Component Unit of the State, has been restated due to a change in accounting method. The effect of the restatement reduced net assets by \$874,000 as of October 1, 2003.

Beginning net assets for the Oklahoma Environmental Finance Authority, a Component Unit of the State, has been restated due to an accounting error. The effect of the restatement reduced net assets by \$39,000 as of July 1, 2004.

Beginning net assets for the Oklahoma Capital Investment Board were restated due to it being blended with the Oklahoma Capital Formation Corporation. The effect of the restatement reduced net assets by \$16,216,000 as of July 1, 2004.

Beginning net assets for Colleges and Universities have been restated to correct errors relating to capital assets made in prior years, reflect changes in capitalization policy, recognition of deferred revenues and expenses, and to reclassify funds. The net effect of the restatements reduced net assets by \$31,302,000 as of July 1, 2004. Included in the \$31,302,000 total is \$3,722,000 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, 2005 ODFA had 211 series of debt outstanding for non-state entities with an aggregate principal amount payable of approximately \$1,045,000,000 and original issuance amount of approximately \$1,156,000,000. As of September 30, 2004 OHFA had 8 series of multi family bonds outstanding with an aggregate principal amount payable of approximately \$29,509,000. 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, 2005, there were approximately \$36,000,000 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, 2005, 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 2005, 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, 2005 was \$2,120,000.

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	\$ 2,120
Interest on net pension obligation	186
Adjustment to annual required contribution	(272)
Annual pension cost	<u>2,034</u>
Contributions made	<u>2,508</u>
Increase (decrease) in net pension obligation	(474)
Net pension obligation-beginning of year	<u>2,331</u>
Net pension obligation-end of year	<u>\$ 1,857</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	14 years

The annual required contribution for the WCRP for the current year was determined as part of the July 1, 2005 actuarial valuation. Actual contributions equaled 118% of required contributions and 123% of annual pension costs for fiscal year 2005. 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
6/30/2005	\$ 2,034	123%	\$ 1,857
6/30/2004	1,811	66%	2,331
6/30/2003	1,382	87%	1,720

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
7/1/2005	\$ 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%
7/1/2003	55,615	61,317	5,702	90.7%	12,028	47.4%

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. , 5TH Floor
Oklahoma City, OK 73105-4209

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

OFPRS	OPERS	OPPRS	TRS
556	146	123	629

During fiscal year 2005, the Teachers' Retirement System's unfunded liability decreased from \$7,419,000,000 to \$7,099,000,000. This decrease was primarily due to the adoption of actuarial assumption changes determined from an experience study performed during the year ended June 30, 2005. 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 42.6 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. Insurance premium contributions to the plan for the years ended June 30, 2005, 2004, and 2003 totaled \$58,000,000, \$0, and \$50,206,000, 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 OLERS in fiscal year 2005. The other state contributions to the plan for years ended June 30, 2005, 2004, and 2003 totaled \$16,045,000, \$8,100,000, and \$15,579,000, 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 2005:

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 10% 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 5% up to a maximum of 10%. Combined employee and employer contributions equal 13.5% 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 10% of total salary.

State agency employer contributions to OPERS for the years ended June 30, 2005, 2004, and 2003 were \$117,416,000, \$111,891,000, and \$116,551,000, respectively. These contributions represent 100% of the contribution required.

Uniform Retirement System for Justices and Judges (URSJJ) member contributions for fiscal year 2005 are 5% of members' monthly salary. Each married member in the plan must provide for spouse survivor benefits at the contributory rate of 8% unless the member's spouse waives this benefit. State statutes require participating court employers to contribute monthly a percentage of the gross salaries of active members. The percentage established for the year ended June 30, 2005, 2004, and 2003 was 2% of member payroll. Effective for the fiscal year ended June 30, 2006, the employer contribution rate will increase to 3.0% 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, 2005, 2004, and 2003 totaled \$24,000,000, \$0, and \$20,400,000, 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>
2003	57,500	74,000
2004	62,500	79,000
2005	67,500	84,000

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 2005 is applied to annual compensation up to defined caps depending upon the member's elections as previously described. In addition, Oklahoma statutes require the state to contribute 3.75% of the State's sales, income and use tax. Amended statutes increase this contribution rate to 5% by July 1, 2007. TRS received contributions of approximately \$164,000,000 from this source for fiscal year 2005. State contributions on behalf of employees totaled approximately \$36,366,000 for fiscal year 2005. State employer contributions to TRS for the year ended June 30, 2005, 2004, and 2003 were \$4,423,000, \$4,155,000, and \$4,219,000, 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	\$ 25,285	\$ 2,234
Interest on net pension obligation	(3,362)	(1,239)
Adjustment to annual required contribution	12,899	1,476
Annual pension cost	34,822	2,471
Contributions made	21,401	475
Increase (decrease) in net pension obligation	13,421	1,996
Net pension obligation-beginning of year	(44,823)	(16,523)
Net pension obligation-end of year	\$ (31,402)	\$ (14,527)
Actuarial Assumptions:		
Investment rate of return	7.5%	7.25%
Annual salary increase	5.8 - 8.8%	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	16 years	23 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 21% 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 85% of the annual required contributions for the current year.

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

Three-Year Trend Information
(expressed in thousands)

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
Oklahoma Law Enforcement Retirement System	6/30/2005	\$ 34,822	61%	\$ (31,402)
	6/30/2004	36,419	37%	(44,823)
	6/30/2003	33,382	63%	(67,858)
Uniform Retirement System for Justices and Judges	6/30/2005	2,471	19%	(14,527)
	6/30/2004	209	233%	(16,523)
	6/30/2003	185	264%	(16,246)

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
7/1/2005	\$ 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%
7/1/2003	585,823	667,699	81,876	87.7%	50,282	162.8%

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
7/1/2005	\$ 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%)
7/1/2003	196,990	140,856	(56,134)	139.9%	25,653	(218.8%)

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 \$682,341,000. The institution contributions were \$55,024,000 or 8.1% 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	\$ 108,000	90	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	\$ 622,000	489	Title 74, 1316.2
OPERS	17,106,000	13,383	Title 74, 1316.2
URSJJ	125,000	100	Title 74, 1316.2
TRS	30,934,000	26,414	Title 74, 1316.2

OLERS, OPERS, URSJJ, and TRS fund 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. 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, 2005, for such premiums was approximately \$37,000.

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, 2004, there were 130 retirees eligible for such benefits. Under this new program, the Authority paid approximately \$93,000 for retiree's health insurance premiums in 2004.

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 \$5,475,000 for the estimated 2,369 eligible participants.

Note 16. On-Behalf Payments

The Teacher's Retirement System (TRS) of Oklahoma receives 3.75% 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% on July 1, 2005; 4.5% on July 1, 2006; and 5% on July 1, 2007 and thereafter. The system received approximately \$164,000,000 from the State for the year ended June 30, 2005.

Note 17. Commitments

Primary Government

The **Department of Transportation** had contractual commitments at June 30, 2005, of approximately \$499,779,000 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 \$40,821,000 for the General Fund.

Component Units

The **University of Oklahoma** had outstanding commitments under construction contracts totaling \$53,918,000 at June 30, 2005.

The **Oklahoma Industrial Finance Authority** (OIFA) had outstanding loan commitments at June 30, 2005, approved by its Board of Directors totaling \$1,366,000. These loan agreements include a "pending clause" which states that money would be disbursed upon availability of funds.

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, 2005, OSLA was committed to purchase approximately \$143,700,000 of FFEL.

The **Oklahoma Transportation Authority** (OTA) had commitments outstanding at December 31, 2004, relating to equipment orders and supplies of approximately \$1,099,000. At December 31, 2004, OTA had commitments outstanding relating to construction and maintenance contracts of approximately \$7,000,000.

The **Oklahoma Municipal Power Authority** (OMPA) purchased approximately \$10,700,000 of power pursuant to several long-term purchase agreements during 2004. OMPA is obligated to purchase, at a minimum, approximately \$10,700,000 of power in 2005.

The **University Hospitals Authority and University Hospitals Trust** (TUH) approved a construction and equipment project. Under the agreement, TUH is obligated to pay approximately \$19,102,000 in planned capital expenditure allocation. At June 30, 2005 approximately \$10,499,000 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, 2005. The State has accrued a liability of \$2,620,000 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, 2005, 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, 2005, DOT had project expenditures totaling \$2,816,000 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, 2005, 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 1995. No payments have been made since 1997. The amount in arrears, including interest and penalty is approximately \$13,364,000. The Army Corps of Engineers has indicated that the obligation may be declared in default and remedies sought.

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, 2005, the balance of this debt is \$2,620,000 principal and \$2,080,000 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. OCIB has guaranteed a \$30,000,000 line of credit and a \$25,000,000 term loan for the Oklahoma Capital Formation Corporation (OCFC), a third-party corporation, in order to mobilize investment in business ventures by use of qualified risk capital pools. Due to the significant financial integration between OCIB and OCFC, they are presented as a blended component unit. In addition to these guarantees, OCFC reported a June 30, 2005 stockholder's deficit of \$22,362,000. As of June 30, 2005, the outstanding debt in connection with the line of credit and term note was approximately \$31,154,000.

The credits and OCIB's right to transfer the credits expire if not utilized by July 1, 2015. As of June 30, 2005, 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.

Note 19. Subsequent Events

Primary Government

In November 2005, the **Oklahoma Capital Improvement Authority (OCIA)** issued tax-exempt bonds series 2005F totaling \$333,610,000, and taxable bonds series 2005G totaling \$6,040,000 for Higher Education projects. Currently, OCIA has authorized but not issued state facilities revenue bonds totaling \$21,650,000 for a Supreme Court project, \$24,000,000 for Department of Agriculture projects, \$18,900,000 for the Department of Mental Health – Forensic Center project, \$3,000,000 for Attorney General facilities, and \$125,000,000 for Higher Education projects. In addition, February, 2006, OCIA issued \$50,000,000 Endowed Chairs Funding Program, Series 2006 bonds.

In August 2005, the **Department of Transportation** issued \$50,000,000 of grant anticipation notes.

Component Units

The **Oklahoma Development Finance Authority (ODFA)** has authorized but not issued \$4,065,000 in master lease revenue bonds.

In August 2005, the **University of Oklahoma** entered into a lease agreement with terms ranging from 3 to 10 years, with the Oklahoma Development Finance Authority (ODFA) and the Oklahoma State Regents for Higher Education as beneficiary of a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2005B. The University received net proceeds of \$3,622,000 to fund the purchase of various capital items, including a supercomputer for education and research, and furniture and equipment to furnish the newly completed University apartments.

In August 2005, the University of Oklahoma – Health Sciences Center entered into a 7 year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State as beneficiary of a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2005B. The Center financed \$2,282,000 to provide parking access and a revenue control system.

The Regents of **Oklahoma State University** have authorized but not issued \$34,000,000 of revenue bonds for student related facilities as of June 30, 2005

The Regents of **Oklahoma City Community College** have authorized but not issued \$7,500,000 of revenue bonds for student related facilities as of June 30, 2005.

The Regents of **Rogers State University** have authorized but not issued \$3,500,000 of revenue bonds for student related facilities as of June 30, 2005.

In August 2005, the **Oklahoma Student Loan Authority (OSLA)** entered into a non-revolving, multiple advance 2005B Financing Agreement with a commercial lender for a \$100,000,000 tax-exempt line of credit. Under the line of credit, variable rate notes for lump sum advances may be issued from time to time during a commitment period ending September 1, 2008. If any outstanding notes are prepaid, the lender has an option on September 1, 2010 and each year thereafter for redemption of any outstanding notes. Repayment of the notes is non-recourse, it is an obligation of the Authority limited to the collateral pledged to the lender. Withdrawals from the collateral may be made only if the asset coverage ratio will be at least 100% after the withdrawal.

In September 2005, the Authority received a supplemental tax-exempt “cap” allocation from the State of Oklahoma in the amount of \$43,692,057. The Authority expects to issue a note in the “cap” allocation amount under the line of credit described in the preceding paragraph. The proceeds from the note will be used by the Authority to provide funds to finance FFEL program loans and to acquire restricted investments.

In October 2005, the **University Hospitals Authority and Trust (TUH)** issued variable rate revenue bonds. Series 2005A in the amount of \$36,715,000 matures August 2035 and taxable Series 2005B in the amount of \$18,745,000 matures August 2021. Interest will be payable on the first day of each month, commencing November 1, 2005. The

proceeds of the bonds will be used to reimburse TUH for prior payments or to pay the costs of acquiring, constructing, remodeling, renovating and equipping certain facilities.

In September 2005, the **Oklahoma Industrial Finance Authority** issued general obligation bonds Series W-1 and W-2 in the total amount of \$10,000,000.

In October 2005, the **Municipal Power Authority** issued power revenue bonds totaling \$62,400,000.

In November 2005, the **Oklahoma Housing Finance Agency** issued single-family mortgage revenue bonds totaling \$20,000,000.

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Photo Courtesy of Bob Taylor

Fred Jones Museum of Art

410 W. Boyd, Norman, OK 73019; Phone: (405) 325-3272; www.ou.edu/fjjma

In January 2005 the dramatically expanded and renovated Fred Jones Jr. Museum of Art, located on the University of Oklahoma campus, welcomed the public back into a space that has not only doubled in size, but has broadened the museum's capacity to educate, enrich, and enthrall museum visitors. The construction project, designed by Washington, D.C. architect Hugh Newell Jacobson, has created generous gallery space for the museum's permanent collection, which now consists of over 8,000 works. Among the museum's showpieces is the Weitzenhoffer Collection of French Impressionism, the largest gift of French Impressionist art ever given to an American public university, which includes 33 works by such artists as Van Gogh, Monet, Degas, Renoir and others. The museum also has extensive holdings of American art, Asian sculpture, and Persian miniatures as well as strong collections of modern and contemporary art. The original museum building has also been freshly renovated and expanded and provides gallery space for the museum's outstanding assortment of American Indian and Southwestern art, 19th and 20th century photography and 16th through 19th century Greek and Russian icons.

Required Supplementary Information Budgetary Schedules

Required Supplementary Information
Budgetary Schedules

Budgetary Comparison Schedule
 Budget to Actual (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2005
 (expressed in thousands)

Budgetary General Fund					
	Original Budget	Budget Amendments	Final Budget	Actual Amounts	Variance with Final Budget
Revenues					
Taxes	\$ 4,637,370	\$ (17,621)	\$ 4,619,749	\$ 5,008,779	\$ 389,030
Licenses, Permits and Fees	36,629	0	36,629	52,628	15,999
Interest and Investment Revenue	43,067	0	43,067	63,436	20,369
Local Receipts and Reimbursements	4,562	0	4,562	4,773	211
Other	165,668	0	165,668	172,499	6,831
Total Revenues	4,887,296	(17,621)	4,869,675	5,302,115	432,440
Expenditures					
Education	133,076	8,257	141,333	126,643	14,690
General Government	127,571	13,783	141,354	125,624	15,730
Health Services	243,464	3,278	246,742	233,714	13,028
Legal and Judiciary	69,988	5,252	75,240	71,532	3,708
Museums	11,892	1,185	13,077	11,696	1,381
Natural Resources	64,607	6,847	71,454	62,675	8,779
Public Safety and Defense	486,169	21,585	507,754	485,038	22,716
Regulatory Services	17,255	270	17,525	16,719	806
Social Services	95,702	2,268	97,970	90,309	7,661
Total Expenditures	1,249,724	62,725	1,312,449	1,223,950	88,499
Revenues in Excess of Expenditures	3,637,572	(80,346)	3,557,226	4,078,165	520,939
Other Financing Sources (Uses)					
Transfers In	0	462,954	462,954	462,954	0
Transfers Out	(1,535,016)	0	(1,535,016)	(1,535,016)	0
Intra Agency Transfers to Continuing Funds	(2,705,011)	(110,218)	(2,815,229)	(2,815,229)	0
Total Other Financing Sources (Uses)	(4,240,027)	352,736	(3,887,291)	(3,887,291)	0
Revenue and Other Sources in Excess of Expenditures and Other Uses	(602,455)	272,390	(330,065)	190,874	520,939
Budgetary Fund Balance - Beginning of Year	914,808	0	914,808	914,808	0
Budgetary Fund Balance - End of Year	\$ 312,353	\$ 272,390	\$ 584,743	\$ 1,105,682	\$ 520,939

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

Note to Required Supplementary Information - Budgetary Reporting FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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 and a reconciliation to the Schedule of Expenditures and Intra-Agency Transfers as presented following the Notes in the Required Supplementary Information (expressed in thousands):

Education	\$	1,628,705
General Government		8,804
Health Services		518,649
Legal and Judiciary		3,279
Museums		-
Natural Resources		588
Public Safety and Defense		-
Regulatory Services		-
Social Services		453,810
Transportation		201,394
Total Transfers to Continuing Funds		2,815,229
Total Expenditures per Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis)		1,312,449
Total per Schedule of Expenditures and Intra-Agency Transfers as Presented in the Schedule of Expenditures and Intra-Agency Transfers-Detail Budget to Actual Comparison (Non-GAAP Budgetary Basis)	\$	4,127,678

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, 2005, is presented below (expressed in thousands) for the General Fund.

Budgetary Basis Fund Balance, June 30, 2004	\$	914,808
Excess of total sources over total uses of financial resources (Budgetary Basis)		190,874
Budgetary Basis Fund Balance, June 30, 2005		1,105,682
Entity and Perspective Differences:		
Non-budgeted Funds and Capital Funds		2,932,681
Encumbrances		63,162
Basis Differences:		
Add: Net accrued revenues, related receivables, and deferred revenues		598,608
Less: Net accrued expenditures and related liabilities		(2,175,228)
GAAP Basis Fund Balance, June 30, 2005	\$	2,524,905



Photo Courtesy of Philbrook Museum of Art

Philbrook Museum of Art
2727 S. Rockford Road, Tulsa, OK 74114; Phone: (918) 749-7941;
www.philbrook.org

The Philbrook has a spectacular collection of American and European art housed in a 1927 Italianate villa with a new wing surrounded by 23 acres of renovated gardens. The essence of the garden design continues to be Italianate in nature, complementing Villa Philbrook with outdoor spaces for viewing nature. The new south garden boasts a children's maze and sensory garden complete with meditative niches, created from plant materials and wrought iron featuring similar arch designs found in Villa Philbrook. Visitors can observe many native Oklahoma plants, a variety of pathways, bridges, a sculpture walk, and a refurbished creek.

Other Supplementary Information Budgetary Detail

Other Supplementary Information
Budgetary Detail

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2005
 (expressed in thousands)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
EDUCATION					
State Arts Council					
1 Duties	\$ 45	\$ 0	\$ 45	\$ 45	\$ 0
1 Duties	3,879	0	3,879	3,103	776
11 C/O from FY-04	0	218	218	215	3
Agency Total	3,924	218	4,142	3,363	779
Department of Education					
1 Financial suppt of Public Schools (1)	1,071,190	0	1,071,190	1,071,190	0
1 Financial suppt of Public Schools (1)	1,900	0	1,900	1,900	0
2 Financial suppt of Public Schools (1)	220	0	220	220	0
11 Pub Sch Act Stf Dev Great Exp (1)	4,103	0	4,103	4,103	0
12 Pub Sch Act Stf Dev ADA Basis	772	0	772	763	9
13 Pub Sch Act Stf Dev Read Suff (1)	2,327	0	2,327	2,327	0
13 Textbooks (2)	33,000	0	33,000	32,985	15
14 Pub Sch Act AP Admin Costs	48	0	48	47	1
14 Financial suppt of Public Schools (1)	1,676	0	1,676	1,676	0
15 Pub Sch Act Adv Place Incent (2)	1,763	0	1,763	1,458	305
15 FY-2005 Supplemental (1)	0	388	388	388	0
15 FY-2005 Supplemental (1)	0	25,000	25,000	25,000	0
16 Pub Sch Act Mentor Teach Stip (1)	500	0	500	500	0
16 FY-2005 Supplemental (1)	0	12,010	12,010	12,010	0
17 Pub Sch Act Teach Ret Credit	6,834	0	6,834	6,834	0
17 FY-2005 Supplemental (1)	0	2,821	2,821	2,821	0
18 Certified Emp Hlth Ben Allow (1)	125,526	0	125,526	125,526	0
19 Suppt Pers Hlth Benefit Allow (1)	75,186	0	75,186	75,186	0
20 Pub Sch Act Sch Lunch Match (1)	3,418	0	3,418	3,418	0
21 Pub Sch Act Sch Lunch Prog MOE	359	0	359	358	1
23 Pub Sch Act Alt Ed Prog Eval	823	0	823	823	0
24 Pub Sch Act Alt Ed Arts Comp (1)	175	0	175	175	0
25 Pub Sch Act Alt Ed Admin Costs	73	0	73	69	4
26 Pub Sch Act Alt Ed Comp Grants (1)	761	0	761	761	0
27 Pub Sch Act Alt & High Chall (1)	15,380	0	15,380	15,380	0
28 Pub Sch Act Adult Ed Matching (2)	2,131	0	2,131	2,131	0
29 Pub Sch Act Driver Education (1)	443	0	443	443	0
30 Pub Sch Act Early Intervention (1)	11,541	0	11,541	11,541	0
31 Pub Sch Act Early Intervention (1)	205	0	205	205	0
33 Pub Sch Act Comm Ed Consort	40	0	40	0	40
34 Pub Sch Act Parent Trng Program (1)	1,045	0	1,045	1,045	0
35 Pub Sch Act OPAT Prog Eval	16	0	16	0	16
36 Pub Sch Act OPAT Pub Housing	131	0	131	129	2

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2005
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
37 Pub Sch Act OPAT Tech Assist	38	0	38	6	32
38 Pub Sch Act OPAT Field Ops	65	0	65	48	17
40 Pub Sch Act Sch/Comm Net Arts (1)	113	0	113	113	0
41 Pub Sch Act Educ Leadership OK (1)	4,133	0	4,133	4,133	0
42 Pub Sch Act ICTE Small Sch (1)	246	0	246	246	0
43 Pub Sch Act ICTE Jane Brooks (1)	49	0	49	49	0
44 Pub Sch Act ICTE OK Sc & Eng (1)	47	0	47	47	0
46 Pub Sch Act ICTE Small School (1)	131	0	131	131	0
47 Pub Sch Act Summer Arts Institute	416	0	416	416	0
48 Pub Sch Act AG in the Classroom (1)	44	0	44	44	0
49 Pub Sch Act OK Ambass Teaching	33	0	33	31	2
50 Pub Sch Act Teach Pay Increase (1)	15,602	0	15,602	15,602	0
51 Pub Sch Act Teach Pay Increase (1)	123,729	0	123,729	123,729	0
52 Pub Sch Act Staff Dev Neuro	978	0	978	978	0
54 Pub Sch Act Staff Dev Chld Svc	310	0	310	310	0
55 C/O from FY-04 Great Exp	0	4	4	4	0
55 Pub Sch Act Adv Place Incent (1)	1,000	0	1,000	1,000	0
56 C/O from FY-04 AP Adm Ct	0	15	15	9	6
56 Pub Sch Act OK A+ Sch Art Prog	64	0	64	58	6
57 C/O from FY-04 AP Incent	0	223	223	223	0
57 Pub Sch Act Teach Ret Credit	28,477	0	28,477	28,477	0
58 C/O from FY-04 Alt Ed Ad	0	4	4	4	0
58 Pub Sch Act Chart Sch Incent (1)	50	0	50	50	0
59 Pub Sch Act ICTE Arts	35	0	35	35	0
60 C/O from FY-04 Ad Ed Match	0	2	2	2	0
60 Pub Sch Act Ed Leader OK (1)	389	0	389	389	0
61 C/O from FY-04 OPAT P Ev	0	2	2	0	2
61 Pub Sch Act Parent Trng Program (1)	250	0	250	250	0
62 C/O from FY-04 OPAT P Hs	0	2	2	2	0
62 Pub Sch Act Adult Ed Matching (1)	184	0	184	184	0
63 C/O from FY-04 OPAT Tech	0	37	37	9	28
63 Pub Sch Act Alt & High Chall (1)	64	0	64	64	0
64 C/O from FY-04 OPAT Fld	0	12	12	12	0
64 Pub Sch Act Sch Lunch Match (1)	568	0	568	568	0
65 C/O from FY-04 Arts in Ed	0	36	36	21	15
66 Pub Sch Act VISION Project	622	0	622	298	324
67 C/O from FY-04 Amb Teach	0	2	2	1	1
68 C/O from FY-04 Neurodev	0	11	11	11	0
69 C/O from FY-04 Textbooks	0	10	10	0	10
70 Admin & Suppt Funct DOE	13,509	0	13,509	11,681	1,828
71 C/O from FY-04 DOE Admin	0	1,282	1,282	1,172	110
72 C/O from FY-04 Fin Acctg	0	14	14	14	0
73 Admin & Suppt Financial Acctg	178	0	178	177	1
74 Admin & Suppt Adult Lit Svy	25	0	25	25	0

GENERAL FUND

	BUDGET				
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
75 Admin & Suppt NAEP	44	0	44	36	8
76 Admin & Suppt 8th Grd Testing (1)	307	0	307	307	0
77 C/O from FY-04 Lit Svy	0	1	1	1	0
78 Admin & Suppt OKAGE	226	0	226	226	0
79 C/O from FY-04 NAEP	0	2	2	2	0
80 Admin & Suppt Funct DOE	323	(150)	173	0	173
81 C/O from FY-04 Vision	0	281	281	281	0
81 Pub Sch Act Transf teach Prep	3,535	(3,535)	0	0	0
Agency Total	<u>1,557,370</u>	<u>38,474</u>	<u>1,595,844</u>	<u>1,592,888</u>	<u>2,956</u>

Oklahoma Commission for Teacher Preparation

1 Duties	1,998	0	1,998	1,334	664
11 C/O from FY-04	0	345	345	187	158
Agency Total	<u>1,998</u>	<u>345</u>	<u>2,343</u>	<u>1,521</u>	<u>822</u>

Commission of the Land Office

1 Duties	4,162	0	4,162	4,092	70
2 Duties	586	0	586	451	135
2 Duties	0	0	0	0	0
Agency Total	<u>4,748</u>	<u>0</u>	<u>4,748</u>	<u>4,543</u>	<u>205</u>

Department of Libraries

1 Duties	6,212	0	6,212	5,964	248
11 C/O from FY-04	0	132	132	129	3
Agency Total	<u>6,212</u>	<u>132</u>	<u>6,344</u>	<u>6,093</u>	<u>251</u>

Board of Private Vocational Schools

1 Duties	155	(10)	145	130	15
11 C/O from FY-04	0	19	19	19	0
Agency Total	<u>155</u>	<u>9</u>	<u>164</u>	<u>149</u>	<u>15</u>

Physical Manpower Training Commission

1 Duties	4,625	0	4,625	4,622	3
1 Duties	400	0	400	400	0
11 C/O from FY-04	0	83	83	83	0
Agency Total	<u>5,025</u>	<u>83</u>	<u>5,108</u>	<u>5,105</u>	<u>3</u>

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2005
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
Center for Advancement of Science and Technology					
1 Duties (1)	375	0	375	375	0
1 Duties	469	0	469	439	30
2 Duties (1)	10,825	0	10,825	10,825	0
11 C/O from FY-04	0	220	220	172	48
Agency Total	<u>11,669</u>	<u>220</u>	<u>11,889</u>	<u>11,811</u>	<u>78</u>
Oklahoma School of Science and Math					
1 Duties	5,035	0	5,035	4,417	618
2 Pilot Outreach Program	1,387	0	1,387	1,244	143
3 Duties	150	0	150	143	7
11 C/O from FY-04	0	706	706	658	48
12 C/O from FY-04	0	88	88	88	0
Agency Total	<u>6,572</u>	<u>794</u>	<u>7,366</u>	<u>6,550</u>	<u>816</u>
Department of Career and Technology Education					
6 Duties	100	0	100	100	0
7 FY-2005 Supplemental	0	1,500	1,500	360	1,140
8 Duties (2)	112,034	0	112,034	104,906	7,128
9 Certified Empl Hlth Ben Allow (1)	6,157	0	6,157	6,157	0
10 Support Pers Hlth Ben Allow (1)	5,552	0	5,552	5,552	0
11 Duties	44	0	44	0	44
18 C/O from FY-04	0	6,201	6,201	5,767	434
21 C/O from FY-04	0	500	500	481	19
Agency Total	<u>123,887</u>	<u>8,201</u>	<u>132,088</u>	<u>123,323</u>	<u>8,765</u>
Education Total	<u>1,721,560</u>	<u>48,476</u>	<u>1,770,036</u>	<u>1,755,346</u>	<u>14,690</u>
GENERAL GOVERNMENT					
Office of State Finance					
1 Duties	12,875	0	12,875	11,444	1,431
5 Duties (1)	46	0	46	46	0
5 Duties (1)	1	0	1	1	0
5 Duties (1)	24	0	24	24	0
5 Duties (2)	2,328	0	2,328	2,328	0
5 Duties (1)	15	0	15	15	0
5 Duties (1)	3,878	0	3,878	3,878	0
11 C/O from FY-2004	0	786	786	786	0
60 Duties	3,700	0	3,700	3,700	0
Agency Total	<u>22,867</u>	<u>786</u>	<u>23,653</u>	<u>22,222</u>	<u>1,431</u>

GENERAL FUND					
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	AMENDMENTS	FINAL		
Department of Commerce					
1 Duties	7,608	0	7,608	6,444	1,164
2 Comm Nut Assist	3,000	0	3,000	2,559	441
2 Duties	10,000	0	10,000	8,832	1,168
3 Duties	2,668	0	2,668	2,065	603
4 Community Action Agencies	663	0	663	628	35
5 Headstart	3,168	0	3,168	3,008	160
6 Minority Bus Develop (1)	182	0	182	182	0
7 Capital Improvement (1)	500	0	500	500	0
8 Comm Develop Centers (1)	115	0	115	115	0
9 Native American Cultural Center (1)	725	0	725	725	0
11 C/O from FY-2004	0	1,666	1,666	1,428	238
13 C/O from FY-2004	0	4	4	1	3
17 C/O from FY-2004	0	33	33	32	1
17 C/O from FY-2004	0	158	158	89	69
35 Duties	4,707	0	4,707	3,378	1,329
Agency Total	33,336	1,861	35,197	29,986	5,211
State Election Board					
1 Duties	5,622	0	5,622	4,517	1,105
1 Duties	1,450	0	1,450	1,263	187
11 C/O from FY-2004	0	538	538	538	0
12 C/O from FY-2004	0	169	169	169	0
Agency Total	7,072	707	7,779	6,487	1,292
Ethics Commission					
1 Duties	421	0	421	400	21
1 Duties	60	0	60	60	0
Agency Total	481	0	481	460	21
Merit Protection Commission					
1 Duties	512	0	512	456	56
11 C/O from FY-2004	0	18	18	18	0
Agency Total	512	18	530	474	56
State Auditor and Inspector					
1 Duties	4,908	0	4,908	4,886	22
1 Information Technology Improvements	150	0	150	150	0
2 County Govt Pers Educ and Trng	466	0	466	388	78
Agency Total	5,524	0	5,524	5,424	100

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2005
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
Governor					
1 Personal Svcs, Op Expenses, etc.	2,523	0	2,523	2,076	447
11 C/O from FY-2004	0	539	539	488	51
Agency Total	<u>2,523</u>	<u>539</u>	<u>3,062</u>	<u>2,564</u>	<u>498</u>
Lieutenant Governor					
1 Duties	476	0	476	468	8
2 Duties	47	0	47	31	16
11 C/O from FY-2004	0	88	88	88	0
Agency Total	<u>523</u>	<u>88</u>	<u>611</u>	<u>587</u>	<u>24</u>
Office of Personnel Management					
1 Duties	4,497	0	4,497	4,192	305
10 C/O from FY-2004	0	233	233	232	1
Agency Total	<u>4,497</u>	<u>233</u>	<u>4,730</u>	<u>4,424</u>	<u>306</u>
Department of Central Services					
1 Manville & Asbestos Abatement	309	0	309	119	190
1 Duties	8,566	0	8,566	5,532	3,034
1 Public Employees Relations Board	14	0	14	12	2
1 Duties	300	0	300	61	239
2 Bldg & Fac Revolving (1)	285	0	285	285	0
2 Bldg & Fac Revolving (1)	982	0	982	982	0
2 Bldg & Fac Revolving (1)	1,622	0	1,622	1,622	0
3 Veterans Memorial	4	0	4	2	2
4 Maintenance of Hissom Center	152	0	152	67	85
11 C/O from FY-2004	0	931	931	22	909
11 C/O from FY-2004	0	2,653	2,653	2,645	8
12 C/O from FY-2004	0	2	2	2	0
13 C/O from FY-2004	0	49	49	49	0
Agency Total	<u>12,234</u>	<u>3,635</u>	<u>15,869</u>	<u>11,400</u>	<u>4,469</u>
State Bond Advisor					
1 Duties	167	0	167	167	0
1 Duties	21	0	21	8	13
Agency Total	<u>188</u>	<u>0</u>	<u>188</u>	<u>175</u>	<u>13</u>
Secretary of State					
1 Duties	457	0	457	344	113
Agency Total	<u>457</u>	<u>0</u>	<u>457</u>	<u>344</u>	<u>113</u>

GENERAL FUND					
	BUDGET		FINAL	ACTUAL	VARIANCE
	ORIGINAL	AMENDMENTS			
Council on Judicial Complaints					
1 Duties	271	0	271	247	24
11 C/O from FY-2004	0	29	29	29	0
Agency Total	271	29	300	276	24
Oklahoma Tax Commission					
1 FY-2005 Supplemental	0	500	500	383	117
11 C/O from FY-2004	0	4,887	4,887	4,459	428
30 Duties	41,162	0	41,162	40,042	1,120
31 Cig Tob Tax Laws Compliance	300	0	300	300	0
34 C/O from FY-2004	0	500	500	500	0
Agency Total	41,462	5,887	47,349	45,684	1,665
State Treasurer					
1 State Land Reimbursement (1)	100	0	100	100	0
1 Duties	4,327	0	4,327	3,820	507
Agency Total	4,427	0	4,427	3,920	507
General Government Total	136,374	13,783	150,157	134,427	15,730
HEALTH SERVICES					
Department of Health					
1 Duties	48,970	0	48,970	47,167	1,803
4 Margaret Hudson Program	34	0	34	32	2
5 Duties	465	0	465	465	0
6 Eastern OK Donated Dental Svcs	35	0	35	35	0
8 Sickle Cell Res found, Inc	183	0	183	169	14
9 Emerson Teen Parent Program	107	0	107	90	17
10 Alzheimer's Res Advise council	44	0	44	37	7
11 Tolliver Alt care Center, Inc	37	0	37	31	6
12 Child Abuse (1)	2,686	0	2,686	2,686	0
15 Dental for Dis Eld (D-Dent)	137	0	137	128	9
19 Mat & Child Hlth High-Risk	2,254	0	2,254	2,002	252
20 Perinatal Cont Educ Prog OU	209	0	209	196	13
21 Demo Proj Perinatal High Teen	56	0	56	54	2
23 Kidney Health (1)	114	0	114	114	0
24 FQHC Commun Hlth Centers	959	0	959	808	151
25 Oklahoma Indian Clinic	59	0	59	45	14
26 Emer Medical Svcs Authority	400	0	400	317	83
30 OK Econ Devel Assoc Adv Svcs	19	0	19	0	19

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2005
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	BUDGET		FINAL	ACTUAL	VARIANCE
	ORIGINAL	AMENDMENTS			
35 OK Health Care Program	40	0	40	23	17
36 Metro Better Living Center	40	0	40	33	7
42 Greenwood Ed and Cul Center	119	0	119	102	17
43 OSU Coll Oseo Med Area Ed Ctr	365	0	365	262	103
44 Metro Tulsa Urban League	39	0	39	35	4
45 North Tulsa Hertage Found	36	0	36	33	3
47 OU HSC Ped Endo Department	93	0	93	93	0
48 Alzheimer's Assoc OK Chapter	8	0	8	6	2
49 Indian Hlth Care Res Ctr Tulsa	8	0	8	6	2
53 Ki Bois Commun Action Found	47	0	47	0	47
61 C/O from FY-2004	0	200	200	200	0
Agency Total	57,563	200	57,763	55,169	2,594
Mental Health and Substance Abuse					
1 Duties	153,847	0	153,847	143,703	10,144
2 Duties	1,100	0	1,100	1,100	0
7 Duties	500	0	500	500	0
11 C/O from FY-2004	0	2,984	2,984	2,760	224
Agency Total	155,447	2,984	158,431	148,063	10,368
Department of Veteran Affairs					
1 Duties	30,091	0	30,091	30,025	66
11 C/O from FY-2004	0	92	92	92	0
Agency Total	30,091	92	30,183	30,117	66
J.D. McCarty Center					
10 Duties	3,163	0	3,163	3,163	0
Agency Total	3,163	0	3,163	3,163	0
Health Care Authority					
1 Duties (1)	413,848	0	413,848	413,848	0
1 Breast Cervical Cancer Treat (1)	47,500	0	47,500	47,500	0
2 FY-2005 Supplemental (1)	0	50,000	50,000	50,000	0
2 Duties (1)	2,000	0	2,000	2,000	0
2 Duties (1)	2,500	0	2,500	2,500	0
Agency Total	465,848	50,000	515,848	515,848	0
Health Services Total	712,112	53,276	765,388	752,360	13,028

GENERAL FUND					
	BUDGET				
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
LEGAL AND JUDICIARY					
Indigent Defense System					
1 Duties (2)	14,229	(160)	14,069	13,384	685
1 FY-2005 Supplemental	0	1,000	1,000	392	608
1 Duties	200	0	200	200	0
11 C/O from FY-2004	0	736	736	736	0
Agency Total	<u>14,429</u>	<u>1,576</u>	<u>16,005</u>	<u>14,712</u>	<u>1,293</u>
Attorney General					
1 Duties	5,804	0	5,804	5,765	39
1 Duties	150	0	150	150	0
11 C/O from FY-2004	0	68	68	68	0
Agency Total	<u>5,954</u>	<u>68</u>	<u>6,022</u>	<u>5,983</u>	<u>39</u>
Court of Criminal Appeals					
1 Duties	2,676	0	2,676	2,328	348
1 Duties	75	0	75	75	0
11 C/O from FY-2004	0	98	98	98	0
Agency Total	<u>2,751</u>	<u>98</u>	<u>2,849</u>	<u>2,501</u>	<u>348</u>
District Courts					
1 Duties	6,099	0	6,099	5,607	492
11 C/O from FY-2004	0	424	424	424	0
Agency Total	<u>6,099</u>	<u>424</u>	<u>6,523</u>	<u>6,031</u>	<u>492</u>
District Attorneys Council					
1 Duties (2)	26,427	0	26,427	25,880	547
1 FY-2005 Supplemental	0	2,250	2,250	2,250	0
2 Duties	500	0	500	500	0
11 C/O from FY-2004	0	379	379	379	0
Agency Total	<u>26,927</u>	<u>2,629</u>	<u>29,556</u>	<u>29,009</u>	<u>547</u>
Workers Compensation Court					
1 Duties	3,770	0	3,770	3,755	15
Agency Total	<u>3,770</u>	<u>0</u>	<u>3,770</u>	<u>3,755</u>	<u>15</u>

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2005
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
Supreme Court					
1 Duties	10,173	0	10,173	9,313	860
1 Duties	500	0	500	495	5
2 Legal Services (1)	765	0	765	765	0
3 Supreme Court Revolving Fund (1)	900	0	900	900	0
4 Duties (2)	1,000	0	1,000	890	110
11 C/O from FY-2004	0	457	457	456	1
Agency Total	<u>13,338</u>	<u>457</u>	<u>13,795</u>	<u>12,819</u>	<u>976</u>
Legal and Judiciary Total	<u>73,268</u>	<u>5,252</u>	<u>78,520</u>	<u>74,810</u>	<u>3,710</u>
MUSEUMS					
Oklahoma Capitol Complex & Centennial Commission					
1 Duties	536	0	536	508	28
11 C/O from FY-2004	0	5	5	5	0
Agency Total	<u>536</u>	<u>5</u>	<u>541</u>	<u>513</u>	<u>28</u>
J.M. Davis Memorial Commission					
1 Duties	306	0	306	290	16
2 Duties	25	0	25	25	0
Agency Total	<u>331</u>	<u>0</u>	<u>331</u>	<u>315</u>	<u>16</u>
Historical Society					
1 Duties	9,304	0	9,304	8,234	1,070
1 FY-2005 Supplemental	0	655	655	655	0
2 Duties	697	0	697	697	0
2 FY-2005 Supplemental	0	249	249	0	249
5 Duties	142	0	142	139	3
11 C/O from FY-2004	0	316	316	316	0
Agency Total	<u>10,143</u>	<u>1,220</u>	<u>11,363</u>	<u>10,041</u>	<u>1,322</u>
Will Rogers Memorial Commission					
1 Duties	803	(40)	763	749	14
2 Duties	80	0	80	80	0
Agency Total	<u>883</u>	<u>(40)</u>	<u>843</u>	<u>829</u>	<u>14</u>
Museums Total	<u>11,893</u>	<u>1,185</u>	<u>13,078</u>	<u>11,698</u>	<u>1,380</u>

GENERAL FUND					
	BUDGET				
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
NATURAL RESOURCES					
Department of Agriculture					
1 Duties (2)	17,007	0	17,007	16,706	301
1 Duties	3,000	0	3,000	2,930	70
2 Duties	670	0	670	636	34
2 Duties	2,000	0	2,000	2,000	0
5 Volunteer FF Group Ins.	169	0	169	155	14
11 C/O from FY-2004	0	293	293	244	49
Agency Total	<u>22,846</u>	<u>293</u>	<u>23,139</u>	<u>22,671</u>	<u>468</u>
Department of Environmental Quality					
1 Duties	6,495	0	6,495	6,229	266
11 C/O from FY-2004	0	130	130	128	2
Agency Total	<u>6,495</u>	<u>130</u>	<u>6,625</u>	<u>6,357</u>	<u>268</u>
Department of Tourism and Recreation					
1 Duties	23,348	0	23,348	21,762	1,586
2 Duties	715	0	715	715	0
3 Sal Ben Inc Park Ranger	100	0	100	100	0
11 C/O from FY-2004	0	1,314	1,314	859	455
FY-2005 Supplemental	0	5,000	5,000	0	5,000
Agency Total	<u>24,163</u>	<u>6,314</u>	<u>30,477</u>	<u>23,436</u>	<u>7,041</u>
Scenic Rivers Commission					
1 Duties (1)	258	0	258	258	0
2 Duties (1)	75	0	75	75	0
Agency Total	<u>333</u>	<u>0</u>	<u>333</u>	<u>333</u>	<u>0</u>
Conservation Commission					
1 Duties	6,363	0	6,363	5,891	472
2 Duties	754	0	754	546	208
Agency Total	<u>7,117</u>	<u>0</u>	<u>7,117</u>	<u>6,437</u>	<u>680</u>
Water Resources Board					
1 Duties	3,953	0	3,953	3,672	281
4 Oklahoma Rural Water Assoc	288	0	288	247	41
11 C/O from FY-2004	0	103	103	103	0

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
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 For the Fiscal Year Ended June 30, 2005
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
13 C/O from FY-2004	0	7	7	7	0
Agency Total	4,241	110	4,351	4,029	322
Natural Resources Total	65,195	6,847	72,042	63,263	8,779
PUBLIC SAFETY AND DEFENSE					
Oklahoma Military Department					
1 Duties	7,091	0	7,091	6,646	445
2 Duties	225	0	225	41	184
3 Duties	675	0	675	675	0
4 Duties	71	0	71	67	4
11 C/O from FY-2004	0	318	318	300	18
Agency Total	8,062	318	8,380	7,729	651
Alcoholic Beverage Laws Enforcement					
1 Duties	3,484	0	3,484	3,388	96
1 Duties	143	0	143	143	0
11 C/O from FY-2004	0	28	28	28	0
Agency Total	3,627	28	3,655	3,559	96
Department of Corrections					
9 Duties	62	0	62	62	0
10 FY-2005 Supplemental	0	1,000	1,000	1,000	0
30 Duties	378,162	0	378,162	364,346	13,816
31 Community Sentencing	6,000	0	6,000	5,177	823
32 Teachers Salaries	63	0	63	63	0
35 C/O from FY-2004	0	2,124	2,124	1,868	256
40 FY-2005 Supplemental	0	16,924	16,924	10,835	6,089
Agency Total	384,287	20,048	404,335	383,351	20,984
Pardon and Parole Board					
1 Duties	2,150	(33)	2,117	2,086	31
11 C/O from FY-2004	0	108	108	106	2
Agency Total	2,150	75	2,225	2,192	33
State Bureau of Investigation					
1 Duties	9,682	0	9,682	9,636	46
11 C/O from FY-2004	0	3	3	3	0
11 C/O from FY-2004 Oil Investigations	0	14	14	9	5
Agency Total	9,682	17	9,699	9,648	51

	GENERAL FUND				
	BUDGET				
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
Department of Emergency Management					
1 Duties	681	0	681	654	27
11 C/O from FY-2004	0	29	29	29	0
Agency Total	681	29	710	683	27
State Fire Marshal					
1 Duties	1,537	0	1,537	1,509	28
11 C/O from FY-2004	0	4	4	4	0
Agency Total	1,537	4	1,541	1,513	28
Board of Medicolegal Investigation					
1 Duties	3,427	0	3,427	3,379	48
11 C/O from FY-2004	0	11	11	11	0
11 C/O from FY-2004 Supplemental	0	100	100	54	46
Agency Total	3,427	111	3,538	3,444	94
Council on Law Enforcement, Education and Training					
1 Duties	334	0	334	319	15
1 Duties	1,998	0	1,998	1,884	114
2 Duties	354	0	354	354	0
11 C/O from FY-2004	0	4	4	4	0
11 C/O from FY-2004	0	28	28	28	0
Agency Total	2,686	32	2,718	2,589	129
Bureau of Narcotics and Dangerous Drugs					
1 Duties	4,967	0	4,967	4,847	120
11 C/O from FY-2004	0	40	40	18	22
Agency Total	4,967	40	5,007	4,865	142
Department of Public Safety					
1 Duties	64,567	0	64,567	64,095	472
1 Duties	495	0	495	495	0
14 C/O from FY-2004	0	883	883	876	7
Agency Total	65,062	883	65,945	65,466	479
Public Safety and Defense Total	486,168	21,585	507,753	485,039	22,714
REGULATORY SERVICES					

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2005
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
Department of Mines					
1 Duties	496	0	496	494	2
1 Duties	250	0	250	249	1
2 Duties	70	0	70	70	0
Agency Total	<u>816</u>	<u>0</u>	<u>816</u>	<u>813</u>	<u>3</u>
Corporation Commission					
1 Duties	5,067	0	5,067	4,931	136
2 Duties	3,700	0	3,700	3,657	43
Agency Total	<u>8,767</u>	<u>0</u>	<u>8,767</u>	<u>8,588</u>	<u>179</u>
Oklahoma Horse Racing Commission					
1 Duties	1,800	0	1,800	1,686	114
2 Duties	58	0	58	49	9
11 C/O from FY-2004	0	125	125	124	1
Agency Total	<u>1,858</u>	<u>125</u>	<u>1,983</u>	<u>1,859</u>	<u>124</u>
Insurance Department					
1 Duties	2,136	0	2,136	1,924	212
Agency Total	<u>2,136</u>	<u>0</u>	<u>2,136</u>	<u>1,924</u>	<u>212</u>
Department of Labor					
1 Duties	1,206	0	1,206	1,093	113
1 Duties	1,587	0	1,587	1,471	116
2 Duties	268	0	268	257	11
11 C/O from FY-2004	0	37	37	37	0
11 C/O from FY-2005	0	108	108	108	0
Agency Total	<u>3,061</u>	<u>145</u>	<u>3,206</u>	<u>2,966</u>	<u>240</u>
Commission on Consumer Credit					
1 Duties	617	0	617	567	50
Agency Total	<u>617</u>	<u>0</u>	<u>617</u>	<u>567</u>	<u>50</u>
Regulatory Services Total	<u>17,255</u>	<u>270</u>	<u>17,525</u>	<u>16,717</u>	<u>808</u>
SOCIAL SERVICES					
Commission on Children and Youth					
10 Duties	1,570	(150)	1,420	1,349	71

GENERAL FUND

	BUDGET		FINAL	ACTUAL	VARIANCE
	ORIGINAL	AMENDMENTS			
40 C/O from FY-2004	0	191	191	175	16
Agency Total	<u>1,570</u>	<u>41</u>	<u>1,611</u>	<u>1,524</u>	<u>87</u>
Office of Handicapped Concerns					
1 Duties	362	0	362	357	5
11 C/O from FY-2004	0	6	6	6	0
Agency Total	<u>362</u>	<u>6</u>	<u>368</u>	<u>363</u>	<u>5</u>
Oklahoma Human Rights Commission					
10 Duties	663	0	663	605	58
20 C/O from FY-2004	0	27	27	25	2
Agency Total	<u>663</u>	<u>27</u>	<u>690</u>	<u>630</u>	<u>60</u>
Oklahoma Indian Affairs Commission					
10 Duties	249	0	249	219	30
20 C/O from FY-2004	0	32	32	16	16
Agency Total	<u>249</u>	<u>32</u>	<u>281</u>	<u>235</u>	<u>46</u>
Office of Juvenile Affairs					
1 Duties	90,458	0	90,458	83,855	6,603
1 Behavior Manage. Unit-Rader Center	300	0	300	240	60
1 Duties	300	0	300	273	27
2 Audit	50	0	50	50	0
2 Duties	1,000	0	1,000	894	106
3 Juvenile Detention Centers	500	0	500	500	0
3 Emergency Youth Shelters	250	0	250	243	7
11 C/O from FY-2004	0	1,518	1,518	1,503	15
FY-2005 Supplemental	0	645	645	0	645
Agency Total	<u>92,858</u>	<u>2,163</u>	<u>95,021</u>	<u>87,558</u>	<u>7,463</u>
Department of Rehabilitation Services					
1 Duties (1)	500	0	500	500	0
1 Duties (1)	861	0	861	861	0
1 Duties (1)	24,119	0	24,119	24,119	0
Agency Total	<u>25,480</u>	<u>0</u>	<u>25,480</u>	<u>25,480</u>	<u>0</u>
Department of Human Services					
1 Duties (1)	343,450	0	343,450	343,450	0
1 Duties (to Disbursing Funds) (1)	250	0	250	250	0

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2005
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
1 Duties (1)	33,368	0	33,368	33,368	0
2 Duties (1)	14,609	0	14,609	14,609	0
2 Foster Care Payments (1)	1,300	0	1,300	1,300	0
2 Level E Group Homes Chick (1)	104	0	104	104	0
3 Child Care Subsidy (1)	10,000	0	10,000	10,000	0
3 Duties (1)	1,000	0	1,000	1,000	0
4 Home Comm Waiver (1)	1,700	0	1,700	1,700	0
4 FY-2005 Supplemental (1)	0	20,000	20,000	20,000	0
5 Grp Homes Svc for Ment Retd (1)	300	0	300	300	0
6 Svcs Prader-Willi Syndrome (1)	250	0	250	250	0
7 Partnership for School Readiness (1)	2,000	0	2,000	2,000	0
Agency Total	<u>408,331</u>	<u>20,000</u>	<u>428,331</u>	<u>428,331</u>	<u>0</u>
Social Services Total	<u>529,513</u>	<u>22,269</u>	<u>551,782</u>	<u>544,121</u>	<u>7,661</u>
TRANSPORTATION					
Department of Transportation					
1 Highway Const and Maint (1)	184,758	0	184,758	184,758	0
1 Size and Weights Maintenance (1)	100	0	100	100	0
2 Hwy Const & Maint (1)	14,118	0	14,118	14,118	0
3 Public Transit (1)	1,900	0	1,900	1,900	0
Agency Total	<u>200,876</u>	<u>0</u>	<u>200,876</u>	<u>200,876</u>	<u>0</u>
Oklahoma Space Industry Development Auth.					
1 Duties (1)	516	0	516	516	0
2 Duties (1)	2	0	2	2	0
Agency Total	<u>518</u>	<u>0</u>	<u>518</u>	<u>518</u>	<u>0</u>
Transportation Total	<u>201,394</u>	<u>0</u>	<u>201,394</u>	<u>201,394</u>	<u>0</u>
General Fund Total	<u>\$ 3,954,732</u>	<u>\$ 172,943</u>	<u>\$ 4,127,675</u>	<u>\$ 4,039,175</u>	<u>\$ 88,500</u>

(1) Appropriation was transferred to a continuing fund for expenditure.

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



Photo Courtesy of Route 66 Museum

Oklahoma Route 66 Museum

2229 Gary Blvd, Clinton, OK 73601; Phone: (580) 323-7866; www.route66.org

The Oklahoma Historical Society opened the state's official showcase of Route 66, the Oklahoma Route 66 Museum, in 1995. The building itself stands as a low-slung, road-hugging, neon- and fluorescent-trimmed form evocative of Route 66 icons: motels, cafes, bars and drive-ins. Its jutting roof fins recall the audacious automobiles of the '50s. Guests don headphones to hear historian and acclaimed author Michael Wallis narrate a chronological journey through the rise and fall of Route 66, tracing the deep social and cultural changes of a nation along the way. Each exhibit room is flavored by the legendary music in keeping with its particular theme, like "Will Rogers Highway" by native son Woody Guthrie and the Eagles' "Hotel California." Throughout the museum, numerous historic photos, nostalgic television and movie clips, home movies of family vacations and vintage automobiles help tell the story of the old road. Before the museum journey ends, visitors can sit down to a drive-in style theater screening Route 66 videos and vintage television clips. A well-stocked gift shop offers books and videos, clothing, car floor mats, scale-model cars, glassware, dishware, pins, hats, and other collectibles and memorabilia.

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. 63rd Street, Suite 305, Oklahoma City, Oklahoma 73116
The System provides retirement benefits for police officers employed by participating municipalities in the State of Oklahoma.

TEACHER'S RETIREMENT SYSTEM OF OKLAHOMA

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.

Combining Statement of Fiduciary Net Assets
Pension Trust Funds (Including Similar Component Units)
June 30, 2005
(expressed in thousands)

	Primary Government		Fiduciary Component Units					Total
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	
Assets								
Cash/Cash Equivalents	\$ 0	\$ 39,044	\$ 11,069	\$ 33,323	\$ 639	\$ 34,800	\$ 375,918	\$ 494,793
Investments, at fair value								
Equity Securities	0	926,836	398,234	3,309,378	78,470	694,563	5,256,162	10,663,643
Governmental Securities	0	215,286	47,164	1,316,214	65,683	56,584	1,494,091	3,195,022
Debt Securities	0	218,508	135,419	850,686	35,667	220,940	574,340	2,035,560
Other Investments	0	56,056	44,844	0	0	406,562	0	507,462
Mutual Funds	54,946	0	0	0	27,191	0	0	82,137
Securities Lending Investments	0	127,585	99,141	835,681	31,544	62,984	1,758,147	2,915,082
Interest and Investment Revenue Receivable	0	1,396	776	18,709	802	3,033	24,671	49,387
Contributions Receivable:								
Employer	0	493	0	3,059	37	1,074	17,916	22,579
Employee	0	280	0	1,199	140	612	17,521	19,752
Other Contributions Receivable	0	0	1,652	0	0	0	17,967	19,619
Other Receivables	0	134	191	0	1	0	0	326
Due from Brokers	0	9,347	401	432,504	17,073	0	195,453	654,778
Due from Other Funds	0	17	0	0	0	7	0	24
Capital Assets, Net	0	61	54	427	0	0	321	863
Other Assets	0	0	0	211	0	0	0	211
Total Assets	54,946	1,595,043	738,945	6,801,391	257,247	1,481,159	9,732,507	20,661,238
Liabilities								
Accounts Payable	0	1,356	728	0	0	957	0	3,041
Securities Lending Payable	0	127,585	99,141	835,681	31,544	62,984	1,758,147	2,915,082
Due to Brokers	0	9,616	0	461,216	19,997	2,270	368,052	861,151
Due to Other Funds	0	14	0	5	0	3	7	29
Due to Component Units	0	0	0	0	0	0	9,753	9,753
Benefits in the Process of Payment	0	0	19,985	0	0	28,832	48,632	97,449
Other Liabilities	0	68	0	0	0	0	6,952	7,020
Total Liabilities	0	138,639	119,854	1,296,902	51,541	95,046	2,191,543	3,893,525
Fund Balance Reserved for Employees' Pension Benefits	\$ 54,946	\$ 1,456,404	\$ 619,091	\$ 5,504,489	\$ 205,706	\$ 1,386,113	\$ 7,540,964	\$ 16,767,713

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds (Including Similar Component Units)
For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Primary	Fiduciary Component Units						Total
	Government	Oklahoma Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	
Additions								
Contributions								
Employer Contributions	\$ 2,508	\$ 25,283	\$ 5,357	\$ 139,757	\$ 475	\$ 25,001	\$ 227,792	\$ 426,173
Employee Contributions	384	13,908	3,866	52,018	1,717	14,234	241,459	327,586
Other Contributions	0	58,209	16,045	0	0	23,730	177,967	275,951
Total Contributions	2,892	97,400	25,268	191,775	2,192	62,965	647,218	1,029,710
Investment Income								
Net Appreciation in Fair Value of Investments	3,770	113,409	44,287	407,024	15,385	110,903	528,399	1,223,177
Interest and Investment Revenue	0	19,562	13,835	137,247	4,741	13,490	215,564	404,439
	3,770	132,971	58,122	544,271	20,126	124,393	743,963	1,627,616
Less Investment Expenses	0	8,557	4,389	21,937	747	10,429	52,007	98,066
Net Investment Income	3,770	124,414	53,733	522,334	19,379	113,964	691,956	1,529,550
Total Additions	6,662	221,814	79,001	714,109	21,571	176,929	1,339,174	2,559,260
Deductions								
Administrative and General Expenses	311	1,020	571	3,607	87	2,072	4,212	11,880
Benefit Payments and Refunds	2,140	109,947	37,830	332,431	7,558	77,269	745,775	1,312,950
Total Deductions	2,451	110,967	38,401	336,038	7,645	79,341	749,987	1,324,830
Net Increase	4,211	110,847	40,600	378,071	13,926	97,588	589,187	1,234,430
Fund Balance Reserved for Employees' Pension Benefits								
Beginning of Year	50,735	1,345,557	578,491	5,126,418	191,780	1,288,525	6,951,777	15,533,283
End of Year	\$ 54,946	\$ 1,456,404	\$ 619,091	\$ 5,504,489	\$ 205,706	\$ 1,386,113	\$ 7,540,964	\$ 16,767,713

Combining Statement of Assets and Liabilities
 Agency Funds
 June 30, 2005
 (expressed in thousands)

	Taxes Held For Outside Entities	Funds Held In Escrow	Assets Held For Beneficiaries	Other	Total
Assets					
Cash/Cash Equivalents	\$ 133,403	\$ 7,912	\$ 18,057	\$ 2,552	\$ 161,924
Investments	0	0	2,130	0	2,130
Accounts Receivable	13	0	22	69	104
Interest Receivable	0	0	3	0	3
Taxes Receivable	13	0	0	0	13
Due from Other Funds	0	0	0	770	770
Due from Component Units	0	0	0	395	395
Inventory	0	0	0	2,876	2,876
Total Assets	<u>\$ 133,429</u>	<u>\$ 7,912</u>	<u>\$ 20,212</u>	<u>\$ 6,662</u>	<u>\$ 168,215</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 0	\$ 17	\$ 884	\$ 0	\$ 901
Tax Refunds Payable	2,398	0	0	0	2,398
Due to Other Funds	0	61	1	0	62
Due to Component Units	0	0	9,082	0	9,082
Due to Others	131,031	7,834	10,245	6,662	155,772
Total Liabilities	<u>\$ 133,429</u>	<u>\$ 7,912</u>	<u>\$ 20,212</u>	<u>\$ 6,662</u>	<u>\$ 168,215</u>

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Taxes Held for Outside Entities				
Assets				
Cash/Cash Equivalents	\$ 131,029	\$ 2,311,812	\$ 2,309,438	\$ 133,403
Accounts Receivable	0	13	0	13
Taxes Receivable	0	13	0	13
Total Assets	\$ 131,029	\$ 2,311,838	\$ 2,309,438	\$ 133,429
Liabilities				
Tax Refunds Payable	\$ 6,282	\$ 2,398	\$ 6,282	\$ 2,398
Due to Other Funds	5	0	5	0
Due to Others	124,742	2,309,440	2,303,151	131,031
Total Liabilities	\$ 131,029	\$ 2,311,838	\$ 2,309,438	\$ 133,429
Funds Held in Escrow				
Assets				
Cash/Cash Equivalents	\$ 8,603	\$ 2,755	\$ 3,446	\$ 7,912
Total Assets	\$ 8,603	\$ 2,755	\$ 3,446	\$ 7,912
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 15	\$ 12	\$ 10	\$ 17
Due to Other Funds	23	61	23	61
Due to Others	8,565	2,682	3,413	7,834
Total Liabilities	\$ 8,603	\$ 2,755	\$ 3,446	\$ 7,912
Assets Held for Beneficiaries				
Assets				
Cash/Cash Equivalents	\$ 22,841	\$ 54,976	\$ 59,760	\$ 18,057
Investments	0	2,130	0	2,130
Accounts Receivable	17	22	17	22
Interest Receivable	1	3	1	3
Total Assets	\$ 22,859	\$ 57,131	\$ 59,778	\$ 20,212
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 898	\$ 1,205	\$ 1,219	\$ 884
Due to Other Funds	1	1	1	1
Due to Component Units	0	9,082	0	9,082
Due to Others	21,960	46,843	58,558	10,245
Total Liabilities	\$ 22,859	\$ 57,131	\$ 59,778	\$ 20,212
Other				
Assets				
Cash/Cash Equivalents	\$ 15,921	\$ 2,460	\$ 15,829	\$ 2,552
Accounts Receivable	37	69	37	69
Due from Other Funds	1,173	770	1,173	770
Due from Component Units	0	395	0	395
Inventory	3,730	1,799	2,653	2,876
Total Assets	\$ 20,861	\$ 5,493	\$ 19,692	\$ 6,662
Liabilities				
Due to Component Units	\$ 8,703	\$ 0	\$ 8,703	\$ 0
Due to Others	12,158	5,493	10,989	6,662
Total Liabilities	\$ 20,861	\$ 5,493	\$ 19,692	\$ 6,662
Total - All Agency Funds				
Assets				
Cash/Cash Equivalents	\$ 178,394	\$ 2,372,003	\$ 2,388,473	\$ 161,924
Investments	0	2,130	0	2,130
Accounts Receivable	54	104	54	104
Interest Receivable	1	3	1	3
Taxes Receivable	0	13	0	13
Due from Other Funds	1,173	770	1,173	770
Due from Component Units	0	395	0	395
Inventory	3,730	1,799	2,653	2,876
Total Assets	\$ 183,352	\$ 2,377,217	\$ 2,392,354	\$ 168,215
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 913	\$ 1,217	\$ 1,229	\$ 901
Tax Refunds Payable	6,282	2,398	6,282	2,398
Due to Other Funds	29	62	29	62
Due to Component Units	8,703	9,082	8,703	9,082
Due to Others	167,425	2,364,458	2,376,111	155,772
Total Liabilities	\$ 183,352	\$ 2,377,217	\$ 2,392,354	\$ 168,215

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NONMAJOR COMPONENT UNITS

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

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

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

OKLAHOMA INDUSTRIAL FINANCE AUTHORITY 301 N.W. 63rd Street, Suite 225, Oklahoma City, Oklahoma 73116

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

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

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

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

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

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

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

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY 301 N.W. 63rd Street, Suite 225, Oklahoma City, Oklahoma 73116

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

OKLAHOMA CAPITAL INVESTMENT BOARD 301 N.W. 63rd Street, Suite 520, Oklahoma City, Oklahoma 73116

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

OKLAHOMA ENVIRONMENTAL FINANCE AUTHORITY 2809 N.W. Expressway, Suite 485, Oklahoma City, Oklahoma 73112

The Authority provides financing necessary or useful to abate, control, and reduce air and water pollution. The Authority obtains funds through the issuance of bonds and notes.

Combining Statement of Net Assets
NonMajor Component Units
June 30, 2005
(expressed in thousands)

	Oklahoma Educational Television Authority	Oklahoma Industrial Finance Authority	Health Insurance High Risk Pool	Multiple Injury Trust Fund	University Hospitals Authority	Oklahoma Development Finance Authority	Oklahoma Capital Investment Board	Oklahoma Environmental Finance Authority	Nonmajor Component Units Total
Assets									
Current Assets									
Cash/Cash Equivalents									
Unrestricted	\$ 9,241	\$ 5,874	\$ 4,667	\$ 23,934	\$ 46,113	\$ 4,210	\$ 17	\$ 0	\$ 94,056
Investments	29,525	0	0	0	38	6,036	5	0	35,604
Accounts Receivable	483	0	0	0	159	0	8	0	650
Interest and Investment									
Revenue Receivable	175	303	0	45	41	82	0	0	646
Other Receivables	176	0	0	0	2,000	0	0	0	2,176
Notes Receivable	0	1,706	0	0	0	161	0	0	1,867
Due from Other Component Units	0	0	0	0	0	93	0	0	93
Due from Primary Government	0	0	0	5,404	544	39	0	0	5,987
Prepaid Items	132	0	0	0	4	0	0	0	136
Other Current Assets	0	0	0	0	0	305	0	0	305
Total Current Assets	39,732	7,883	4,667	29,383	48,899	10,926	30	0	141,520
Noncurrent Assets									
Cash/Cash Equivalents -									
Restricted	33	221	0	0	246	0	0	0	500
Investments - Restricted	0	0	0	0	435	0	13,618	0	14,053
Long-Term Investments	0	33,041	0	0	0	0	0	0	33,041
Long-Term Notes Receivable, Net	0	19,443	0	0	0	3,055	0	0	22,498
Capital Assets									
Depreciable, Net	11,983	0	0	0	99,302	519	0	0	111,804
Land	26	0	0	0	4,009	100	0	0	4,135
Construction in Progress	385	0	0	0	2,344	0	0	0	2,729
Other Noncurrent Assets									
Unrestricted	0	248	0	0	20,040	150	9,321	0	29,759
Restricted	0	0	0	0	36	0	0	0	36
Total Noncurrent Assets	12,427	52,953	0	0	126,412	3,824	22,939	0	218,555
Total Assets	52,159	60,836	4,667	29,383	175,311	14,750	22,969	0	360,075
Liabilities									
Liabilities									
Current Liabilities									
Accounts Payable and									
Accrued Liabilities	384	3	0	50	8,422	27	7	0	8,893
Claims and Judgments	0	0	0	15,730	0	0	0	0	15,730
Interest Payable	0	651	0	29,724	0	0	230	0	30,605
Due to Other Component Units	0	0	0	78	869	0	0	0	947
Due to Primary Government	5	0	0	0	25	0	0	0	30
Deferred Revenue	165	0	0	0	8	51	0	0	224
Capital Leases-Primary Govt.	0	0	0	0	223	0	0	0	223
Compensated Absences	162	66	0	0	65	0	0	0	293
Notes Payable	0	0	0	865	0	0	0	0	865
General Obligation Bonds	0	1,400	0	0	0	0	0	0	1,400
Total Current Liabilities	716	2,120	0	46,447	9,612	78	237	0	59,210
Noncurrent Liabilities									
Claims and Judgments	0	0	0	137,852	0	0	0	0	137,852
Capital Leases-Primary Govt.	0	0	0	0	820	0	0	0	820
Compensated Absences	106	0	0	0	0	0	0	0	106
Notes Payable	0	0	0	47,478	0	0	0	0	47,478
General Obligation Bonds	0	56,422	0	0	0	0	0	0	56,422
Revenue Bonds	0	0	0	0	0	9,999	0	0	9,999
Other Noncurrent Liabilities	300	0	0	0	598	345	31,154	0	32,397
Total Noncurrent Liabilities	406	56,422	0	185,330	1,418	10,344	31,154	0	285,074
Total Liabilities	1,122	58,542	0	231,777	11,030	10,422	31,391	0	344,284
Net Assets									
Invested in Capital Assets, Net of Related Debt	12,394	0	0	0	105,655	619	1	0	118,669
Restricted for:									
Debt Service	0	221	0	0	0	0	0	0	221
Other Special Purpose									
Expendable	37,871	0	0	0	717	0	0	0	38,588
Unrestricted	772	2,073	4,667	(202,394)	57,909	3,709	(8,423)	0	(141,687)
Total Net Assets	\$ 51,037	\$ 2,294	\$ 4,667	\$ (202,394)	\$ 164,281	\$ 4,328	\$ (8,422)	\$ 0	\$ 15,791

Combining Statement of Activities
 NonMajor Component Units
 For the Fiscal Year Ended June 30, 2005
 (expressed in thousands)

	Expenses	Program Revenues			General Revenue		Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue	Payments from Primary Government				
Nonmajor Component Units:									
Oklahoma Educational Television Authority	\$ 10,487	\$ 5,766	\$ 1,820	\$ (2,901)	\$ 4,202	\$ 1,301	\$ 49,736	\$ 51,037	
Oklahoma Industrial Finance Authority	2,499	2,667	0	168	0	168	2,126	2,294	
Health Insurance High Risk Pool	27,472	29,010	0	1,538	0	1,538	3,129	4,667	
Multiple Injury Trust Fund	10,664	341	0	(10,323)	22,602	12,279	(214,673)	(202,394)	
University Hospitals Authority	93,725	65,090	0	(28,635)	39,029	10,394	153,887	164,281	
Oklahoma Development Finance Authority	807	1,273	0	466	0	466	3,862	4,328	
Oklahoma Capital Investment Board	7,151	1,749	0	(5,402)	0	(5,402)	(3,020)	(8,422)	
Oklahoma Environmental Finance Authority	64	60	0	(4)	0	(4)	4	0	
Total Nonmajor Component Units	\$ 152,869	\$ 105,956	\$ 1,820	\$ (45,093)	\$ 65,833	\$ 20,740	\$ (4,949)	\$ 15,791	

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Photo Courtesy of Ann E. Clark

Oklahoma City National Memorial Museum
620 N. Harvey, Oklahoma City, OK 73102; Phone: (405) 235-3313
www.oklahomacitynationalmemorial.org

The Memorial Museum is an interactive learning experience that occupies the west end of the former Journal Record Building. Built in 1923, this building withstood the April 19, 1995, bombing and is listed on the National Register of Historic Places. The second component mandated by the Memorial's mission statement, the Museum takes you on a chronological, self-guided tour through the story of April 19, 1995, and the days, weeks and years that followed the bombing of Oklahoma City's Alfred P. Murrah Federal Building. This is the story of one of the largest attacks on American soil. The story is told in chapters and takes you through this historical event beginning early morning April 19, 1995, and ending with a message of hope for today.

Statistical Section

Statistical Section

**STATISTICAL SECTION
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CASH RECEIPTS AND DISBURSEMENTS

(For all fund types combined)

by Category

For the Fiscal Years Ended June 30, 1996 through June 30, 2005

	2005	2004	2003	2002
Cash Receipts by Source:				
Taxes	\$ 6,569,560,473	\$ 6,379,116,783	\$ 5,729,407,203	\$ 5,859,784,415
Licenses, Permits, and Fees	274,460,792	295,708,224	267,883,902	252,981,801
Fines, Forfeits, and Penalties	35,573,221	41,700,668	34,504,625	24,635,815
Income from Money and Property	339,581,964	258,740,624	325,294,485	260,721,058
Grants, Refunds, and Reimbursements	5,844,643,058	5,681,919,030	5,138,229,130	4,755,862,461
Higher Education	391,514,027	330,974,931	291,474,483	248,439,099
Sales and Services	667,448,698	845,842,810	873,029,556	854,432,770
Non-Revenue Receipts	1,906,688,566	1,722,748,906	1,483,100,746	1,377,288,354
Total Collections	\$ 16,029,470,799	\$ 15,556,751,976	\$ 14,142,924,130	\$ 13,634,145,773
Disbursements by Function of Government:				
Education	\$ 5,402,014,664	\$ 5,531,990,488	\$ 5,180,868,964	\$ 5,184,275,451
General Government	387,141,276	386,123,856	368,428,594	458,713,887
Health Services	477,885,596	420,168,505	429,297,601	425,483,911
Legal and Judiciary	176,342,523	169,986,230	165,656,317	169,264,590
Museums	11,514,545	11,846,105	13,638,585	15,240,747
Natural Resources	291,520,145	260,610,295	279,176,375	254,295,348
Public Safety and Defense	749,900,997	622,112,082	722,061,490	878,882,790
Regulatory Services	127,573,139	124,440,291	134,735,990	114,539,564
Social Services	4,846,652,266	4,570,306,405	4,297,995,493	4,177,999,829
Transportation	1,003,577,799	1,015,807,954	1,086,692,070	1,104,715,966
Other Local Apportionments	96,193,042	70,562,955	53,462,107	63,298,435
Sinking Fund Payments on Bonded Debt	456,283,883	508,504,659	190,676,956	146,975,632
Total Disbursements	\$ 14,026,599,875	\$ 13,692,459,825	\$ 12,922,690,542	\$ 12,993,686,150

Prepared on a cash basis to aid in budgetary analysis.

For years prior to FY 97, cash basis numbers did not include amounts expended from Agency Special Accounts. These moneys were not subject to the State's regular budgeting and expenditure processes.

2001	2000	1999	1998	1997	1996
\$ 6,145,443,871	\$ 5,697,859,338	\$ 5,279,273,861	\$ 5,209,586,780	\$ 4,951,517,415	\$ 4,533,832,681
237,576,563	197,787,613	185,597,529	147,912,938	144,622,951	126,746,123
17,004,143	13,427,239	13,381,855	10,762,072	9,603,493	9,712,974
453,233,546	463,728,654	558,450,738	263,652,251	218,405,052	200,299,903
4,213,179,041	3,965,351,939	3,458,676,556	3,074,473,470	2,598,674,805	2,664,011,649
201,838,621	189,585,509	172,559,295	167,947,916	142,535,049	163,733,815
723,065,417	665,567,542	461,333,974	502,450,334	405,156,027	349,726,346
1,293,273,883	1,303,298,759	1,275,814,346	734,953,815	414,275,218	428,531,083
<u>\$ 13,284,615,085</u>	<u>\$ 12,496,606,593</u>	<u>\$ 11,405,088,154</u>	<u>\$ 10,111,739,576</u>	<u>\$ 8,884,790,010</u>	<u>\$ 8,476,594,574</u>
\$ 5,516,804,948	\$ 5,045,950,609	\$ 4,657,096,815	\$ 4,289,049,377	\$ 3,768,208,810	\$ 3,479,049,093
451,379,922	503,591,712	374,981,563	311,969,847	285,182,151	258,065,326
386,517,118	370,899,258	360,805,473	342,167,860	335,120,001	313,345,235
165,394,050	159,108,855	150,131,046	138,160,259	118,916,855	107,889,849
16,399,214	12,153,175	18,490,854	9,229,910	7,798,223	8,029,357
248,147,079	243,888,670	236,331,593	199,996,020	191,578,397	174,284,377
805,888,852	682,792,652	537,381,033	539,917,199	473,378,027	428,385,545
96,722,146	110,808,273	103,564,495	102,076,996	102,733,288	99,065,119
3,672,860,018	3,192,318,483	2,992,584,466	2,798,134,462	2,485,060,196	2,447,007,338
1,057,623,518	1,022,135,910	967,807,283	843,838,823	774,131,933	776,979,475
63,068,799	64,675,529	62,513,698	58,771,755	40,524,674	39,104,818
109,208,810	77,671,370	89,576,197	69,145,249	49,468,807	42,485,191
<u>\$ 12,590,014,474</u>	<u>\$ 11,485,994,496</u>	<u>\$ 10,551,264,516</u>	<u>\$ 9,702,457,757</u>	<u>\$ 8,632,101,362</u>	<u>\$ 8,173,690,723</u>

TAX COLLECTIONS

For the Fiscal Years Ended June 30, 1996 through June 30, 2005

Taxes	2005	2004	2003	2002
Aircraft Excise Tax	\$ 3,839,124	\$ 2,130,160	\$ 3,561,783	\$ 1,776,562
Alcoholic Beverage Excise Tax	26,311,626	25,032,825	24,025,186	22,954,801
Alternative Fuel Surcharge	-	-	-	-
Beverage Tax	23,735,552	24,003,209	23,866,102	24,003,394
Bingo Tax	4,051,661	4,978,884	6,184,991	6,406,385
Charity Games Tax	308,613	376,960	486,646	595,768
Cigarette Tax	95,450,565	40,475,363	50,346,995	50,089,760
City Use Tax - Collect/Deposit	660,926	567,686	454,259	470,287
Coin Operated Device Decal	4,159,453	3,925,921	3,830,917	5,247,168
Conservation Excise Tax	-	-	-	398,199
Controlled Dangerous Substance Tax	6,653	-	-	-
County Tax (Use & Lodging)	125,697	-	-	-
Diesel Fuel Excise Tax	102,260,840	83,245,595	81,089,139	82,333,046
Documentary Stamp Tax	14,000,568	12,047,669	10,304,768	9,510,796
Farm Implement Tax Stamps	7,010	-	-	-
Franchise Tax	40,671,476	41,660,448	41,854,891	42,568,053
Freight Car Tax	765,646	741,459	764,012	897,606
Fuels Excise Tax	-	-	-	-
Gaming Exclusivity Fees	1,653,098	-	-	-
Gasoline Excise Tax	301,720,983	302,366,783	295,106,890	299,103,325
Gross Production Tax - Oil and Gas	751,196,057	645,764,813	539,938,656	358,977,581
Income Tax (Corporate and Personal)	2,638,483,404	2,452,522,375	2,218,394,730	2,459,811,472
Inheritance and Estate Tax	75,708,394	111,145,361	74,927,778	85,975,591
Insurance Premium Tax	139,575,679	275,709,270	156,636,886	143,353,134
Mixed Beverage Gross Receipts Tax	20,950,603	19,384,468	18,434,327	17,771,371
Occupational Health and Safety Tax	1,791,197	1,796,126	1,563,901	1,446,943
OESC Computer Fund Assessment	-	-	-	-
Pari-Mutuel Taxes	1,827,015	2,799,509	2,687,696	3,043,649
Pari-Mutuel - Other Tax	13,836	22,390	21,350	33,594
Petroleum Excise Tax	11,310,702	9,286,470	8,012,472	5,481,024
Rural Electric Co-operative Tax	17,306,353	20,431,429	18,487,011	18,873,408
Sales Tax	1,546,643,407	1,496,365,797	1,404,275,613	1,443,513,940
Sales Tax - City	10,327,761	9,853,256	10,941,969	10,057,719
Sales Tax - County	1,865,652	1,538,470	1,123,179	1,157,739
Special Fuel Decal	268,856	272,297	297,866	331,592
Special Fuel Use Tax	18,719	37,152	152,939	34,089
Tag Agent Remittance Tax	553,892,770	572,966,808	540,300,580	574,041,603
Telephone Surcharge	978,355	904,408	1,196,625	1,043,594
Tobacco Products Tax	17,199,744	12,423,543	12,282,099	11,488,487
Tourism Gross Receipt Tax	4,801,137	4,742,439	4,289,009	4,762,814
Tribal Compact in Lieu of Tax Payments	15,099,194	10,579,504	9,468,712	9,922,702
Unclaimed Property Tax	52,245,461	39,408,944	27,678,270	34,260,561
Unclassified Tax Receipts	41,819	53,627	5,181	48,258
Use Tax	114,197,882	98,007,540	75,860,919	85,950,995
Vehicle Revenue Tax Stamps	43,908	45,275	44,847	47,167
Workers' Compensation Awards - Assessments	26,242,427	28,749,473	39,422,004	25,061,128
Workers' Compensation Insurance Premium Tax	6,617,592	6,325,844	5,572,798	5,666,869
Other Taxes	20,791,539	16,427,233	15,513,185	11,272,241
Total	\$ 6,649,168,954	\$ 6,379,116,783	\$ 5,729,407,181	\$ 5,859,784,415

Prepared on a cash basis to aid in budgetary analysis.

	2001	2000	1999	1998	1997	1996
\$	2,874,640	\$ -	\$ 289,157	\$ 1,756,312	\$ 2,453,179	\$ 1,681,776
	22,759,675	22,257,132	21,084,824	21,077,364	20,987,501	20,845,359
	19,980	41,335	60,811	148,311	166,328	182,018
	23,344,420	23,745,437	23,862,270	22,458,552	22,588,694	22,978,605
	6,426,011	7,140,436	7,619,106	9,807,638	12,289,463	12,359,983
	746,544	793,283	811,912	785,001	1,138,144	1,196,451
	53,278,812	56,893,148	57,585,123	59,029,445	59,748,356	60,527,991
	543,789	536,426	413,222	444,099	377,102	346,360
	2,590,670	4,525,674	5,990,538	3,775,631	2,436,631	3,814,318
	-	-	10,664,825	-	-	75,193
	82,257,020	87,393,807	77,379,390	69,061,184	66,156,283	76,058,267
	9,132,733	9,043,443	8,985,127	7,844,930	6,885,045	6,604,360
	41,048,957	41,383,006	36,929,956	42,131,950	37,983,444	36,264,543
	1,010,115	923,602	977,251	973,689	1,051,553	970,565
	-	-	-	36,000	539,333	1,494,378
	-	-	-	-	-	-
	289,717,498	297,503,359	281,505,198	283,082,667	280,344,427	263,258,712
	701,139,734	386,974,956	206,621,486	333,773,839	398,743,724	315,549,773
	2,446,585,980	2,328,650,691	2,257,760,243	2,107,857,522	1,918,772,165	1,700,792,804
	84,806,372	87,510,064	88,796,014	81,385,630	80,513,845	67,881,873
	139,078,186	127,982,702	118,589,471	121,582,595	113,819,384	108,625,507
	15,890,005	14,887,167	13,993,406	13,366,577	12,618,051	12,018,242
	1,361,660	1,472,712	1,462,275	1,783,346	1,797,088	1,895,164
	-	-	411,740	19,473,028	-	-
	3,656,244	4,091,260	4,328,186	4,743,674	3,744,615	3,312,299
	47,146	27,648	37,586	39,075	27,753	66,363
	9,931,903	5,630,909	3,583,533	4,722,738	5,306,110	4,279,030
	18,943,692	14,537,845	14,802,050	14,037,824	13,758,308	13,401,177
	1,441,969,864	1,351,844,381	1,292,153,052	1,245,355,208	1,193,727,537	1,135,594,213
	9,693,382	9,276,726	9,223,985	8,456,320	8,071,662	7,792,195
	1,085,283	932,079	845,115	892,807	771,848	615,674
	391,918	407,115	436,048	462,007	497,380	558,653
	35,792	59,639	58,782	63,764	94,774	92,598
	583,443,087	645,340,468	571,984,678	582,199,329	541,334,368	516,519,709
	1,094,612	1,080,869	1,054,221	1,058,214	1,006,694	997,902
	12,000,575	11,910,948	11,794,863	11,072,673	11,198,865	11,256,079
	4,247,288	3,997,956	3,901,958	3,744,091	3,466,923	3,077,388
	8,378,506	8,060,703	8,381,324	7,484,832	6,888,623	6,172,567
	9,316,354	9,873,481	17,495,526	6,120,039	4,465,704	10,116,730
	23,471	-	-	-	-	-
	93,860,447	89,828,413	83,727,678	82,939,748	78,877,952	66,388,592
	45,459	47,195	45,507	43,837	45,005	44,800
	10,432,326	28,355,873	20,151,923	21,415,556	22,677,854	23,386,339
	4,798,611	4,591,448	4,837,972	5,503,954	6,037,222	7,245,625
	7,435,086	8,305,981	8,636,529	7,595,780	8,108,478	7,492,506
\$	6,145,443,847	\$ 5,697,859,317	\$ 5,279,273,861	\$ 5,209,586,780	\$ 4,951,517,415	\$ 4,533,832,681

GROSS SALES TAX BY INDUSTRY

For the Fiscal Year Ended June 30, 2005

Industry	Gross Sales Tax
General Merchandise Stores	\$ 314,422,883
Eating and Drinking Establishments	170,203,193
Food Stores	155,359,210
Wholesale Trade-Durable Goods	128,271,857
Miscellaneous Retail Stores	120,167,230
Building Materials, Hardware, Garden Supply, and Mobile Home Dealers	117,803,484
Communications	94,890,343
Furniture, Home Furnishings, and Equipment Stores	85,408,165
Automotive Dealers and Gasoline Service Stations	56,577,602
Business Services	50,185,771
Electric, Gas, and Sanitary Services	47,811,774
Apparel and Accessory Stores	45,398,578
Wholesale Trade-Nondurable Goods	30,560,795
Hotels, Rooming Houses, Camps, and Other Lodging Places	22,460,812
Automotive Services	18,202,198
Stone, Clay, Glass, and Concrete Products	16,071,131
Non-Classifiable Establishments	12,642,041
Amusement and Recreation Services, except Motion Pictures	10,584,510
Machinery, except Electrical	9,622,065
Personal Services	9,545,495
Motion Pictures	8,624,222
Fabricated Metal Products, except Machinery and Transportation Equipment	6,299,813
Oil and Gas Extraction	4,854,386
Printing, Publishing, and Allied Industries	4,284,159
Measuring, Analyzing, and Controlling Instruments	3,243,164
Petroleum Refining and Related Industries	2,954,959
Lumber and Wood Products, except Furniture	2,883,901
Miscellaneous Repair Services	2,724,468
Educational Services	1,794,359
Agricultural Services	1,481,649
Construction-Special Trade Contractors	1,457,951
Electrical and Electronic Machinery, Equipment, and Supplies	1,429,165
Miscellaneous Manufacturing Industries	1,273,357
Chemicals and Allied Products	1,214,237
Health Services	1,138,494
Food and Kindred Products	1,120,105
Furniture and Fixtures	1,111,386
Apparel and Other Finished Products made from Fabrics	970,266
Motor Freight Transportation & Warehousing	948,090
Transportation Equipment	810,153
Building Construction- Gen Contractors and Operative Builders	804,555
Mining and Quarrying of Nonmetallic Minerals, Exc Fuels	758,819
Engineering, Architectural, and Surveying Services	744,704
Membership Organizations	660,370
Credit Agencies other than Banks	581,105
Security & Commodity Brokers, Dealers, Exchanges & Services	533,039
Museums, Art Galleries, Botanical & Zoological Gardens	498,546
Primary Metal Industries	491,756
Rubber & Miscellaneous Plastics Products	475,406
Paper and Allied Products	451,248
Agricultural Production Crops	421,786
Other Industries	1,661,818
Total	<u>\$ 1,574,890,573</u>

Source: Oklahoma Tax Commission

BANK DEPOSITS

for the Years 1995 through 2004

<u>Year</u>	<u># of Banks</u>	<u>\$ Amount of Deposits</u>
2004	269	34,528,581,000
2003	273	35,212,149,000
2002	274	35,539,118,000
2001	283	35,164,442,000
2000	286	33,377,309,000
1999	300	31,001,952,000
1998	309	28,626,804,000
1997	320	27,782,228,000
1996	331	29,817,534,000
1995	341	28,575,246,000

Source: Federal Reserve Bank of Kansas City

For statistics presented after June 1997, comparisons to the prior years should take into account the effects of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994.

ASSESSED VALUATIONS

For the Years 1996 through 2005

	2005	2004	2003	2002
Real Estate and Improvements	\$ 14,192,297,174	\$ 13,328,725,510	\$ 11,696,624,921	\$ 11,931,876,601
Personal Property Subject to Tax	3,510,763,661	3,385,439,522	3,163,106,699	3,090,322,203
Total Locally Assessed	17,703,060,835	16,714,165,032	14,859,731,620	15,022,198,804
Homestead Exemptions Allowed	776,017,324	773,083,291	733,316,182	773,872,255
Net Assessed Locally	16,927,043,511	15,941,081,741	14,126,415,438	14,248,326,549
Public Service Assessment	2,627,183,954	2,487,810,229	2,374,596,928	2,505,759,959
Net Assessed Valuation	\$ 19,554,227,465	\$ 18,428,891,970	\$ 16,501,012,366	\$ 16,754,086,508

Locally assessed property has been assessed at varying rates. This property is valued, assessed, and taxed locally. Public Service property is valued and assessed at a central state level, and taxed and collected at the local level. The rate of assessment varies by type of property.

Source: Oklahoma Tax Commission

NON-AGRICULTURAL WAGE AND SALARY EMPLOYMENT

Annual Average Number of Employees

For the Years 1995 through 2004

INDUSTRY GROUP	2004	2003	2002	2001
Natural Resources and Mining	30,900	28,900	28,000	28,900
Construction	62,200	62,900	64,500	66,100
Manufacturing	141,800	143,000	152,000	169,800
Wholesale Trade	54,200	54,600	56,700	56,700
Retail Trade	168,500	169,300	173,700	175,600
Transportation, Warehouse, Utilities	53,000	53,300	55,800	57,900
Information	31,100	32,000	35,700	37,000
Financial Activities	84,400	83,300	83,500	82,500
Professional and Business Services	161,400	156,000	160,900	166,200
Educational and Health Services	178,900	175,300	172,900	167,100
Leisure and Hospitality	128,800	126,100	127,300	127,200
Other Services	73,800	74,000	74,700	75,500
State Government	81,000	79,900	81,500	80,400
Local Government	174,400	167,400	167,800	166,700
Federal Government	46,100	44,700	46,200	46,200
Totals	1,470,500	1,450,700	1,481,200	1,503,800

Source: Oklahoma Employment Security Commission - Research and Planning Division

	2001	2000	1999	1998	1997	1996
\$	11,340,263,937	\$ 10,722,526,412	\$ 10,076,211,556	\$ 9,547,705,065	\$ 9,134,059,265	\$ 8,738,449,049
	2,886,537,179	2,720,503,512	2,555,384,708	2,448,630,626	2,301,719,971	2,086,267,080
	14,226,801,116	13,443,029,924	12,631,596,264	11,996,335,691	11,435,779,236	10,824,716,129
	763,469,848	761,529,031	756,613,438	752,780,195	742,096,539	717,109,228
	13,463,331,268	12,681,500,893	11,874,982,826	11,243,555,496	10,693,682,697	10,107,606,901
	2,444,318,708	2,144,840,285	2,122,948,816	2,009,118,864	2,066,005,099	2,063,227,985
\$	<u>15,907,649,976</u>	<u>\$ 14,826,341,178</u>	<u>\$ 13,997,931,642</u>	<u>\$ 13,252,674,360</u>	<u>\$ 12,759,687,796</u>	<u>\$ 12,170,834,886</u>

	2000	1999	1998	1997	1996	1995
	27,000	26,600	30,000	30,600	29,800	30,400
	61,800	59,300	55,700	52,300	51,800	50,300
	177,500	177,300	175,600	168,900	162,900	161,500
	57,100	56,900	56,100	54,000	52,800	52,000
	179,300	174,900	172,600	167,200	162,800	159,900
	57,700	57,400	59,600	57,700	56,700	54,300
	35,600	32,900	31,700	30,000	27,700	25,300
	81,700	81,500	80,700	78,100	77,800	73,600
	164,800	161,500	155,500	141,500	131,100	121,900
	163,000	160,800	163,700	156,800	151,100	143,800
	126,100	121,400	116,700	115,600	114,100	113,600
	70,100	68,800	65,100	63,500	62,800	59,500
	78,600	78,500	77,000	77,800	76,400	76,000
	161,200	158,700	156,200	153,600	151,200	150,000
	47,900	45,400	44,900	44,900	43,500	43,500
	<u>1,489,400</u>	<u>1,461,900</u>	<u>1,441,100</u>	<u>1,392,500</u>	<u>1,352,500</u>	<u>1,315,600</u>

STATE COLLEGES AND UNIVERSITIES - PUBLIC

<u>Four Year Universities (Location)</u>	<u>Student Enrollment 2005</u>
University of Oklahoma (Norman Campus, Health Sciences Center, Law Center, and Geological Survey)	36,535
Oklahoma State University (Stillwater Campus, Tulsa Campus, School of Technical Training at Okmulgee, the College of Veterinary Medicine, the Oklahoma City Technical Institute, the Agricultural Experiment Station, the Agricultural Extension Division, and Oklahoma College of Osteopathic Medicine and Surgery)	40,066
University of Central Oklahoma (Edmond)	18,841
East Central University (Ada)	6,110
Northeastern State University (Tahlequah and Muskogee)	11,361
Northwestern Oklahoma State University (Alva, Woodward and Enid)	2,703
Southeastern Oklahoma State University (Durant)	4,977
Southwestern Oklahoma State University (Weatherford and Sayre)	6,473
Cameron University (Lawton)	8,171
Langston University (Langston)	3,922
Oklahoma Panhandle State University (Goodwell)	1,508
Rogers State University (Claremore)	5,041
University of Science and Arts of Oklahoma (Chickasha)	1,671
Total - Four Year Universities	147,379
 <u>Two Year Junior Colleges (Location)</u>	
Carl Albert State College (Poteau and Sallisaw)	3,335
Connors State College (Warner and Muskogee)	3,264
Eastern Oklahoma State College (Wilburton and McAlester)	2,892
Redlands Community College (El Reno)	3,254
Murray State College (Tishomingo)	2,939
Northeastern Oklahoma A&M College (Miami)	2,949
Northern Oklahoma College (Tonkawa)	6,013
Oklahoma City Community College (Oklahoma City)	19,732
Rose State College (Midwest City)	12,519
Seminole State College (Seminole)	3,061
Tulsa Community College (Tulsa)	27,125
Western Oklahoma State College (Altus)	2,993
Total - Two Year Junior Colleges	90,076

Source: Oklahoma State Regents for Higher Education

STATE COLLEGES AND UNIVERSITIES - PRIVATE

<u>Higher Education Institutions (Location)</u>	<u>Student Enrollment 2005</u>
Bacone College (Muskogee)	1,462
Oklahoma Wesleyan University (Bartlesville)	1,291
Hillsdale Freewill Baptist College (Moore)	321
Mid-America Christian College (Oklahoma City)	973
Spartan College of Aeronautics and Technology (Tulsa)	1,554
Oklahoma Baptist University (Shawnee)	1,944
Oklahoma Christian University of Science and Arts (Oklahoma City)	1,997
Oklahoma City University (Oklahoma City)	4,533
Oral Roberts University (Tulsa)	4,799
St. Gregory's College (Shawnee)	1025
Southern Nazarene University (Bethany)	2,631
Southwestern Christian University (Bethany)	524
University of Tulsa (Tulsa)	1,607
Total	<u>24,661</u>

Source: Oklahoma State Regents for Higher Education

SCHOOL ENROLLMENTS

For the Years 1996 through 2005

<u>Public School Enrollments:</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Early Childhood	29,685	26,297	24,476	22,787
Kindergarten	44,193	42,603	40,801	39,242
Elementary School	230,323	231,626	233,332	238,068
Junior High School	112,771	113,080	112,790	110,627
Senior High School	149,585	148,816	148,900	148,822
Non-High School Districts (Grades 1-8)	16,421	16,669	16,757	16,594
Special Education (Ungraded)	2,499	3,161	3,062	2,904
Out-of-Home Placements	1,687	1,674	1,648	1,751
Total	<u>587,164</u>	<u>583,926</u>	<u>581,766</u>	<u>580,795</u>
<u>Higher Education:</u>				
Public Institutions	237,455	230,090	225,040	220,448
Private Institutions	24,661	27,125	29,007	30,264
Total	<u>262,116</u>	<u>257,215</u>	<u>254,047</u>	<u>250,712</u>
<u>Career-Technology Education:</u>				
Secondary *	151,703	151,833	145,788	138,042
Adult	375,790	357,619	330,095	327,829
Total	<u>527,493</u>	<u>509,452</u>	<u>475,883</u>	<u>465,871</u>

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

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

ECONOMIC AND DEMOGRAPHIC ESTIMATES

For the Years 1995 through 2004

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Population	3,523,553	3,396,794	3,493,714	3,460,097
Labor Force	1,710,412	1,696,060	1,693,150	1,665,427
Total Employment	1,627,828	1,600,026	1,616,774	1,601,921
Oklahoma Unemployment Rate	4.80%	5.70%	4.50%	3.80%
U.S. Unemployment Rate	5.50%	6.00%	5.80%	4.80%
Oklahoma Per Capita Income	\$ 28,089	\$ 26,656	\$ 25,136	\$ 24,787
Oklahoma Per Capita Income Expressed As a Percentage of the U.S. Average	85.28%	84.27%	81.53%	81.88%

Sources: Oklahoma Employment Security Commission - Research and Planning Division and Oklahoma Department of Commerce

2001	2000	1999	1998	1997	1996
21,111	19,490	14,987	1,652	2,266	3,196
39,067	39,746	41,274	50,258	47,948	45,685
239,247	241,035	242,990	243,832	245,914	249,128
109,546	112,948	115,144	116,763	117,488	115,033
150,519	152,269	150,820	149,117	147,508	142,261
16,707	16,727	16,549	16,637	16,735	16,449
2,934	2,549	2,675	2,721	2,717	2,629
1,613	1,492	1,439	971	0	0
<u>580,744</u>	<u>586,256</u>	<u>585,878</u>	<u>581,951</u>	<u>580,576</u>	<u>574,381</u>
216,758	209,849	211,882	209,111	210,824	216,400
<u>30,185</u>	<u>32,209</u>	<u>26,780</u>	<u>26,124</u>	<u>24,849</u>	<u>25,401</u>
<u>246,943</u>	<u>242,058</u>	<u>238,662</u>	<u>235,235</u>	<u>235,673</u>	<u>241,801</u>
133,054	135,575	134,692	132,753	130,856	120,481
<u>316,789</u>	<u>361,676</u>	<u>347,129</u>	<u>335,733</u>	<u>275,114</u>	<u>222,384</u>
<u>449,843</u>	<u>497,251</u>	<u>481,821</u>	<u>468,486</u>	<u>405,970</u>	<u>342,865</u>

2000	1999	1998	1997	1996	1995
3,453,250	3,437,147	3,405,194	3,314,300	3,295,300	3,271,400
1,648,017	1,654,805	1,624,039	1,595,372	1,576,630	1,546,270
1,597,969	1,597,865	1,550,571	1,529,590	1,512,610	1,473,610
3.00%	3.40%	4.50%	4.10%	4.10%	4.70%
4.00%	4.20%	4.50%	4.94%	5.40%	5.60%
\$ 23,650	\$ 22,505	\$ 21,930	\$ 21,106	\$ 19,363	\$ 18,560
80.25%	80.83%	81.55%	79.90%	80.12%	80.48%

MAJOR EMPLOYERS BY SIZE

Non-Government (Listed Alphabetically)
2005

5,001 OR MORE EMPLOYEES

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

3,001 TO 5,000 EMPLOYEES

ConocoPhillips	Saint Francis Hospital
HCA Healthcare	St. John Medical Center, Inc.
The Hertz Corporation	W. H. Braum, Inc.
SSM Healthcare of Oklahoma	YUM! Brands

1,001 TO 3,000 EMPLOYEES

Adecco North America	Lowe's Home Centers
Albertson's	Mathis Brothers Furniture Company
America On-Line	Mazzio's Corporation
Arby's Roast Beef	McDonald's Restaurants of Okla., Inc.
Arrow Trucking Co.	Mercy Health System of OK
Arvest Bank Operations	Metris Companies
Autocraft Industries, Inc.	Michelin North America
Bama Companies	MidFirst Bank
BancFirst	Midwest Regional Medical Center
Bar-S Foods	Muskogee Regional Medical Center
BlueCross/BlueShield of OK	Nordam
BOK Financial Group	Norman Regional Hospital
Boeing	OGE Energy Corp
Bridgestone/Firestone Corp.	OK Foods
Brinker International	Oklahoma Nursing Homes Ltd.
Chesapeake Energy	The Oklahoma Publishing Company
Cherokee Nation of Oklahoma - Tahlequah	OneOK, Inc.
Chickasaw Enterprises - Ada	Reasons Discount Foods
Choctaw Nation of Oklahoma - Durant	Red Lobster Inns
Cingular	SBC
Comanche County Memorial Hospital	Seaboard Farms
Convergys	Sears, Roebuck and Co.
Corrections Corp. of America	Sodexo Operations
Cox Communications	Southwest Airlines
Deaconess Hospital	Sprint PCS
Dillard Department Stores	State Farm Insurance
Dollar General Corporation	TCI Services
Dollar Thrifty Auto Group	Target Stores
EDS	Tulsa Regional Medical Center
Farmers Insurance Group	Tyson Foods, Inc.
General Motors Corporation	Unit Parts Co.
Georgia-Pacific Corp.	United Parcel Service of America, Inc.
Goodyear Tire and Rubber Company	United Super Markets of Oklahoma, Inc.
Grace Living Centers	University of Tulsa
Great Plains Coca-Cola	Walgreen Company
Hillcrest Health Center, Inc.	Warehouse Market
Hobby Lobby	West Corp.
Home Depot	Weyerhaeuser Company
Homeland Stores	Whirlpool Corporation
J. C. Penney Co., Inc.	Williams Companies
Love's Travel Stops and Country Stores	York International Central Environmental Systems

500 TO 1000 EMPLOYEES

(Oklahoma-based Employers Only)

AAON, Inc.

Advance Food Company

American Fidelity Group

Charles Machine Works (Ditch Witch International)

Cheasapeake Energy Corp.

Crest Discount Foods, Inc.

EZ Mart Stores

Jane Phillips Memorial Medical Center

Kerr-McGee Corporation

M-D Building Products

MidFirst Bank

Oral Roberts University

Pioneer Telephone Corporation

Prepaid Legal

QuikTrip Corporation

St. Mary's Regional Medical Center

Stillwater Medical Center

Sundowner Trailer Inc.

Valley View Regional Hospital

Webco Industries

World Publishing Company

Source: Oklahoma Department of Commerce

NET GENERAL OBLIGATION BONDS AND NOTES PER CAPITA

For the Years 1996 through 2005

(amounts expressed in thousands with the exception of General Bonded Debt Per Capita)

Fiscal Year Ended June 30	Population	Total General Bonded Debt (1)	Debt Payable From Component Units	Net General Bonded Debt	General Bonded Debt Per Capita
2005	3,524	\$ 319,462	\$ 58,252	\$ 261,210	\$ 74.12
2004	3,397	321,207	59,997	261,210	76.89
2003	3,494	338,473	68,498	269,975	77.27
2002	3,460	355,178	74,708	280,470	81.06
2001	3,451	371,608	81,108	290,500	84.18
2000	3,358	394,766	94,666	300,100	89.37
1999	3,346	404,167	94,877	309,290	92.44
1998	3,346	391,658	73,563	318,095	95.07
1997	3,317	395,038	68,498	326,540	98.44
1996	3,295	395,420	60,740	334,680	101.57

(1) General Bonded Debt is the bonded debt expected to be repaid through general governmental resources.

Notes:

Assessed value data is not presented in this table because the State of Oklahoma does not receive property tax revenue.

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES

For the Years 1996 through 2005

(amounts expressed in thousands)

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service	General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2005	\$ -	\$ -	\$ -	\$ 11,657,924	0.00%
2004	-	-	-	11,091,962	0.00%
2003	10,495	13,836	24,331	10,596,712	0.23%
2002	10,030	14,285	24,315	10,122,482	0.24%
2001	9,600	14,707	24,307	9,582,395	0.25%
2000	9,190	15,105	24,295	8,256,634	0.29%
1999	8,805	15,529	24,334	8,017,497	0.30%
1998	8,445	19,679	28,124	7,147,477	0.39%
1997	8,115	16,417	24,532	6,937,902	0.35%
1996	9,800	16,930	26,730	6,688,130	0.40%

General Governmental Expenditures include the General and Capital Projects Funds.

REVENUE BOND COVERAGE

ENTERPRISE FUND AND COMPONENT UNITS

(amounts 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
ENTERPRISE FUND:						
Oklahoma Water Resources Board						
	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
	1996	10,091	746	9,345	11,218	0.83
COMPONENT UNITS:						
Oklahoma Student Loan Authority						
	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
	1996	12,874	2,048	10,826	5,897	1.84
Oklahoma Environmental Finance Authority						
	2005	\$ 60	\$ 5	\$ 55	\$ 59	0.93
	2004	60	5	55	59	0.93
	2003	59	4	55	59	0.93
	2002	61	13	48	59	0.81
	2001	62	5	57	59	0.97
	2000	354	14	340	349	0.97
	1999	2,127	21	2,106	5,082	0.41
	1998	2,607	17	2,590	3,622	0.72
	1997	2,674	18	2,656	3,685	0.72
	1996	2,732	12	2,720	3,713	0.73
Oklahoma Housing Finance Agency						
	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
	1995	52,149	7,846	44,303	45,074	0.98
Oklahoma Transportation Authority						
	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
	1995	117,136	33,626	83,510	50,527	1.65
Grand River Dam Authority						
	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
	1995	181,018	83,616	97,402	92,223	1.06
Oklahoma Municipal Power Authority						
	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
	1995	72,988	39,617	33,371	22,983	1.45
Higher Education						
	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

(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.

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State Agency Finance Officers and Team

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OKLAHOMA

General Information

Admitted to Union (46th State).....	1907
Capital	Oklahoma City
2004 Population	3,396,794
Population per square mile	49
Counties	77

State Symbols

Nickname	Sooner State
Motto.....	<i>Labor Omnia Vincit</i> (Labor Conquers All Things)
Colors	Green and White
Flower	Mistletoe
Tree	Redbud
Bird	Scissor-tailed Flycatcher
Animal	American Buffalo
Fish	White Bass (Sand Bass)
Butterfly	Black Swallowtail
Reptile	Mountain Boomer (Collared Lizard)
Rock	Rose Rock

Area

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

Recreation

Number of State Parks	50
Number of State Trails	99
Number of Lakes (100 acres or larger)	135



OKLAHOMA OFFICE OF STATE FINANCE

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<http://www.state.ok.us/osfdocs/comptrol.html>