

SINGLE AUDIT REPORT

STATE OF OKLAHOMA 2014

For the fiscal year ended June 30, 2014



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

OKLAHOMA

2014

Single Audit Report

For The Fiscal Year Ended June 30, 2014

Prepared by
Office of the State Auditor and Inspector

Gary A. Jones, CPA, CFE
Oklahoma State Auditor and Inspector



Oklahoma State Auditor & Inspector

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

October 7, 2015

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

This report replaces the original 2014 State of Oklahoma Single Audit Report that was previously issued on March 31, 2015. We reevaluated findings included in our previous 2014 Single Audit Report and have reissued based on the outcome of this evaluation.

This audit was conducted in accordance with the requirements of the Single Audit Act Amendments of 1996 and the provisions of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office by various state officials and employees during the course of the audit.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR

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**Independent Auditor's Report on Compliance for Each Major
Federal Program; Report on Internal Control Over Compliance;
and Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

**Independent Auditor's Report on Compliance for Each Major
Federal Program; Report on Internal Control Over Compliance;
and Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**



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INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the State of Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State of Oklahoma's major federal programs for the year ended June 30, 2014. The State of Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. We did not audit compliance with those requirements that are applicable to the major federal programs administered by the Department of Commerce, the Department of Wildlife Conservation, Insurance Department, or the Department of Environmental Quality, all of which were audited in accordance with the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. All of the federal programs for the above referenced agencies represent 1.31% of total expenditures for federal programs reported on the Schedule of Expenditures of Federal Awards. These entities were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to compliance with the compliance requirements for the above-mentioned entities, is based solely upon the reports of the other auditors.

The State of Oklahoma's basic financial statements include the operations of component units, some of which received federal awards. Those component units are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2014. Our audit, described below, did not include the operations of those component units because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above and the reports of other auditors. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State of Oklahoma's compliance.

Basis for Qualified Opinion on Formula Grants for Rural Areas and Low-Income Home Energy Assistance

As described in the accompanying schedule of findings and questioned costs, the State of Oklahoma did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-002; 2014-007	20.509	Formula Grants for Rural Areas	Reporting
2014-005	93.568	Low-Income Home Energy Assistance	Subrecipient Monitoring
2014-022	93.568	Low-Income Home Energy Assistance	Activities Allowed or Unallowed; Allowable Costs/ Cost Principles; Eligibility

Compliance with such requirements is necessary, in our opinion, for the State of Oklahoma to comply with the requirements applicable to those programs.

Qualified Opinion on Formula Grants for Rural Areas and Low-Income Home Energy Assistance

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State of Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Formula Grants for Rural Areas and Low-Income Home Energy Assistance for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items:

2014-001	2014-003	2014-006	2014-012	2014-015
2014-016	2014-017	2014-019	2014-020	2014-021
2014-024	2014-025	2014-026	2014-027	2014-029
2014-030	2014-031	2014-038	2014-039	2014-042
2014-043	2014-045	2014-049	2014-054	

Our opinion on each major federal program is not modified with respect to these matters.

The State of Oklahoma’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Oklahoma’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

This report replaces the previously issued 2014 State of Oklahoma Single Audit Report. The 2014 OMB Circular A-133 included guidance indicating that auditors are not required to report audit findings when there is evidence that a recipient demonstrated a “good faith” effort to submit the information required by the Transparency Act. We have reviewed findings included in our 2014 Single Audit Report and believe the recipient did in fact

demonstrate a good faith effort in submitting their required FFATA reports. Based on our reevaluation, the changes from the previously issued report are as follows:

- Finding 2014-046 is no longer listed as an instance of noncompliance or a material weakness in internal control
- Finding 2014-047 is no longer listed as an instance of noncompliance or a significant deficiency in internal control
- Finding 2014-048 is no longer listed as an instance of noncompliance or a material weakness in internal control

Report on Internal Control Over Compliance

Management of the State of Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Oklahoma’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Oklahoma’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items (see list below) to be material weaknesses.

2014-002 2014-005 2014-007 2014-022 2014-049

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items (see list below) to be significant deficiencies.

2014-001 2014-003 2014-006 2014-009 2014-010
 2014-012 2014-015 2014-016 2014-017 2014-019
 2014-020 2014-021 2014-024 2014-027 2014-029
 2014-030 2014-031 2014-032 2014-038 2014-039
 2014-041 2014-042 2014-045 2014-054

The State of Oklahoma’s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State of Oklahoma’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of Oklahoma's basic financial statements. We issued our report thereon dated December 31, 2014, which contained unmodified opinions on those financial statements. Our report also included emphasis paragraphs on the net deficit of the Multiple Injury Trust Fund and the adopted provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



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

March 31, 2015 except for our report on the Schedule of Expenditures of Federal Awards, for which the date is December 31, 2014

**Schedule of Expenditures of Federal Awards
By Federal Grantor**

**Schedule of Expenditures of Federal Awards
By Federal Grantor**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Department of Agriculture				
Direct Programs:				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	Department of Agriculture	\$ 780,343	
	10.025	Department of Wildlife Conservation	<u>8,769</u>	\$ 789,112
Conservation Reserve Program	10.069	Department of Agriculture		6,224
Inspection Grading and Standardization	10.162	Department of Agriculture		573,819
Market Protection and Promotion	10.163	Department of Agriculture		28,721
Specialty Crop Block Grant Program - Farm Bill	10.170	Department of Agriculture		360,461
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	Department of Agriculture		1,364,233
Supplemental Nutrition Assistance Program	10.551	Department of Human Services	896,939,985	⊛
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Department of Human Services	<u>40,253,745</u>	⊛ 937,193,730
School Breakfast Program	10.553	Department of Education	54,622,825	⊛
National School Lunch Program	10.555	Department of Education	152,257,788	⊛
	⊛ 10.555	Department of Human Services	10,685,417	⊛
Special Milk Program for Children	10.556	Department of Education	9,769	⊛
Summer Food Service Program for Children	10.559	Department of Education	3,924,158	⊛
	⊛ 10.559	Department of Human Services	<u>19,907</u>	⊛ 221,519,864 ⊛
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	State Department of Health		83,823,636 ⊛
Child and Adult Care Food Program	10.558	Department of Education	55,922,288	
	⊛ 10.558	Department of Human Services	<u>169,958</u>	⊛ 56,092,246 ⊛
State Administrative Expenses for Child Nutrition	10.560	Department of Education	3,914,051	
	10.560	Department of Human Services	<u>570,742</u>	4,484,793
Commodity Supplemental Food Program	10.565	Department of Human Services	981,376	⊛
Emergency Food Assistance Program (Administrative Costs)	10.568	Department of Human Services	577,974	⊛
Emergency Food Assistance Program (Food Commodities)	⊛ 10.569	Department of Human Services	<u>5,584,060</u>	⊛ 7,143,410
Senior Farmers Market Nutrition Program	10.576	Department of Human Services		72,596
WIC Grants to States (WGS)	10.578	State Department of Health		34,269
Fresh Fruit and Vegetable Program	10.582	Department of Education		2,512,956
Forestry Research	10.652	Department of Agriculture		77,846
Cooperative Forestry Assistance	10.664	Department of Agriculture		1,337,044
Forest Legacy Program	10.676	Department of Agriculture		1,213
Soil and Water Conservation	10.902	Conservation Commission	4,164,867	
	10.902	Department of Wildlife Conservation	<u>28,000</u>	4,192,867
Environmental Quality Incentives Program	10.912	Department of Agriculture	10,481	
	10.912	Department of Wildlife Conservation	<u>35,875</u>	46,356
Wildlife Habitat Incentive Program	10.914	Department of Wildlife Conservation		7,324
ARRA - Watershed Rehabilitation Program	10.916	Conservation Commission		17,452
Conservation Security Program	10.921	Department of Agriculture		18,000
Subtotal				<u>1,321,698,172</u>
U.S. Department of Commerce				
Direct Programs:				
State and Local Implementation Grant Program	11.549	Office of Management and Enterprise Services		18,001
ARRA-Broadband Technology Opportunities Program (BTOP)	11.557	Department of Libraries	427,465	
	11.557	Office of Management and Enterprise Services	<u>10,028,871</u>	10,456,336
ARRA - State Broadband Data and Development Grant Program	11.558	Office of Management and Enterprise Services		757,659
Subtotal				<u>11,231,996</u>
U.S. Department of Defense				
Direct Programs:				
Procurement Technical Assistance For Business Firms	12.002	Department of Career & Technology Education		568,747
Cost Reimbursement Contract - State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	Department of Environmental Quality		21,518
Cost Reimbursement Contract - Military Construction, National Guard	12.400	Oklahoma Military Department		6,157,479
Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects	12.401	Oklahoma Military Department		30,699,800 ⊛
Cost Reimbursement Contract - National Guard ChalleNGe Program	12.404	Oklahoma Military Department		3,368,562
Troops to Teachers	-	Department of Education		102,371
Subtotal				<u>\$ 40,918,477</u>
U.S. Drug Enforcement Administration				
Direct Programs:				
Other Federal Assistance - Marijuana Eradication Suppression Program	-	Bureau of Narcotics & Dangerous Drugs Control		173,282
Subtotal				<u>\$ 173,282</u>

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Department of Commerce	15,230,185	⊕
ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.255	Department of Commerce	-	⊕
				15,230,185
Emergency Solutions Grant Program	14.231	Department of Commerce		2,060,259
Shelter Plus Care	14.238	Mental Health and Substance Abuse Services		228,855
ARRA - Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257	Department of Commerce		(4,843)
Subtotal				<u>\$ 17,514,456</u>
U.S. Department of the Interior				
Direct Programs:				
Forestry on Indian Lands	15.035	Department of Agriculture		79,275
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	Department of Mines		1,102,253
Abandoned Mine Land Reclamation (AMLR) Program	15.252	Conservation Commission		2,459,510
Cost Reimbursement Contract - Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427	State Auditor and Inspector		387,966
Recreation Resources Management	15.524	Department of Agriculture		1,483
Fish and Wildlife Management Assistance	15.608	Department of Wildlife Conservation		57,288
Sport Fish Restoration Program	15.605	Department of Wildlife Conservation	6,631,600	⊕
Wildlife Restoration and Basic Hunter Education	15.611	Department of Wildlife Conservation	12,366,312	⊕
				18,997,912
Cooperative Endangered Species Conservation Fund	15.615	Department of Wildlife Conservation		128,281
Clean Vessels Act Program	15.616	Department of Environmental Quality		108,268
Enhanced Hunter Education and Safety Program	15.626	Department of Wildlife Conservation		233,530
Partners for Fish and Wildlife	15.631	Conservation Commission	25,705	
			188,114	213,819
Landowner Incentive Program	15.633	Department of Wildlife Conservation		98,373
State Wildlife Grants	15.634	Department of Wildlife Conservation		555,289
Service Training and Technical Assistance (Generic Training)	15.649	Department of Wildlife Conservation		14,975
Research Grants (Generic)	15.650	Department of Wildlife Conservation		59,441
Cooperative Landscape Conservation	15.669	Department of Wildlife Conservation		196,765
U.S. Geological Survey Research and Data Collection	15.808	Conservation Commission		2,981
Historic Preservation Fund Grants-In-Aid	15.904	Historical Society		858,187
Outdoor Recreation - Acquisition, Development and Planning	15.916	Department of Tourism and Recreation		685,971
Cost Reimbursement Contract - McGee Creek Project	-	Department of Wildlife Conservation		112,815
Subtotal				<u>\$ 26,354,382</u>
U.S. Department of Justice				
Direct Programs:				
Sexual Assault Services Formula Program	16.017	District Attorneys Council		295,972
Juvenile Accountability Block Grants	16.523	Office of Juvenile Affairs		416,857
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Office of Juvenile Affairs		662,659
Missing Children's Assistance	16.543	State Bureau of Investigation		304,330
Title V - Delinquency Prevention Program	16.548	Office of Juvenile Affairs		123,581
State Justice Statistics Program for Statistical Analysis Centers	16.550	State Bureau of Investigation		61,228
National Criminal History Improvement Program (NCHIP)	16.554	District Attorneys Council		268,272
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	State Bureau of Investigation		81,140
Crime Victim Assistance	16.575	District Attorneys Council		5,145,942
Crime Victim Compensation	16.576	District Attorneys Council		1,663,640
Crime Victim Assistance/Discretionary Grants	16.582	District Attorneys Council		146,759
Drug Court Discretionary Grant Program	16.585	Mental Health and Substance Abuse Services		867,844
Violence Against Women Formula Grants	16.588	District Attorneys Council		1,439,657
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	District Attorneys Council		370,774
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	District Attorneys Council		506,998
Residential Substance Abuse Treatment for State Prisoners	16.593	District Attorneys Council		207,406
State Criminal Alien Assistance Program	16.606	Department of Corrections		696,642
Project Safe Neighborhoods	16.609	District Attorneys Council		400
Public Safety Partnership and Community Policing Grants	16.710	Department of Public Safety		408,775
Enforcing Underage Drinking Laws Program	16.727	Mental Health and Substance Abuse Services		27,384
Edward Byrne Memorial Justice Assistance Grant Program	16.738	District Attorneys Council	3,330,957	⊕
			117,065	⊕
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	District Attorneys Council	323,769	⊕
				3,771,791
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	Attorney General		718,022
DNA Backlog Reduction Program	16.741	State Bureau of Investigation		498,010
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	District Attorneys Council		200,247
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	Mental Health and Substance Abuse Services	(38,640)	
			8,128	(30,512)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Convicted Offender and/or Arrestee DNA Backlog Reduction Program	16.748	State Bureau of Investigation		33,707
Harold Rogers Prescription Drug Monitoring Program	16.754	Bureau of Narcotics & Dangerous Drugs Control		52,398
Second Chance Act Reentry Initiative	16.812	Department of Corrections	592,323	
	16.812	Office of Juvenile Affairs	<u>330,551</u>	922,874
John R. Justice Prosecutors and Defenders Incentive Act	16.816	District Attorneys Council		55,545
Cost Reimbursement Contract:				
High Intensity Drug Trafficking Area	-	Bureau of Narcotics & Dangerous Drugs Control		10,920
Subtotal				<u>\$ 19,929,262</u>
U.S. Department of Labor				
Direct Programs:				
Labor Force Statistics	17.002	Employment Security Commission		780,813
Compensation and Working Conditions	17.005	Department of Labor		35,878
Employment Service/Wagner-Peyser Funded Activities	17.207	Employment Security Commission	14,785,777	⊛
Disabled Veterans' Outreach Program (DVOP)	17.801	Employment Security Commission	1,048,573	⊛
Local Veterans' Employment Representative Program	17.804	Employment Security Commission	<u>1,162,586</u>	⊛ 16,996,936
Unemployment Insurance	17.225	Employment Security Commission	314,197,651	
ARRA-Unemployment Insurance	17.225	Employment Security Commission	<u>582,907</u>	314,780,558 ⊛
Senior Community Service Employment Program	17.235	Employment Security Commission		1,419,809
Trade Adjustment Assistance	17.245	Employment Security Commission		1,320,012
WIA Adult Program	17.258	Department of Commerce	5,743,126	⊛
WIA Youth Activities	17.259	Department of Commerce	6,945,944	⊛
WIA Dislocated Worker Formula Grants	17.278	Department of Commerce	<u>7,102,495</u>	⊛ 19,791,565 ◆
WIA Dislocated Workers	17.260	Department of Commerce		(21,112)
WIA Pilots, Demonstrations, and Research Projects	17.261	Department of Commerce		180,702
Workforce Investment Act (WIA) National Emergency Grants	17.277	Department of Commerce		4,795,325 ◆
H-1B Job Training Grants	17.268	Department of Commerce		972,280 ◆
Work Opportunity Tax Credit Program (WOTC)	17.271	Employment Security Commission		311,837
Temporary Labor Certification for Foreign Workers	17.273	Employment Security Commission		128,190
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	Department of Commerce		(4,718)
Workforce Investment Act (WIA) Dislocated Worker National Reserve Demonstration Grants	17.280	Employment Security Commission		44,151
Consultation Agreements	17.504	Department of Labor		921,967
Mine Health and Safety Grants	17.600	Department of Mines		38,198
Subtotal				<u>\$ 362,492,391</u>
U.S. Department of Transportation				
Direct Programs:				
Airport Improvement Program	20.106	Oklahoma Aeronautics Commission		439,257
Highway Research and Development Program	20.200	Department of Transportation		2,105,276
Highway Planning and Construction	20.205	Department of Transportation	669,793,777	⊛
Recreational Trails Program	20.219	Department of Tourism and Recreation	<u>1,110,365</u>	⊛ 670,904,142 ⊛
Highway Training and Education	20.215	Department of Transportation		202,828
National Motor Carrier Safety	20.218	Department of Public Safety		4,872,360
Commercial Driver's License Program Improvement Grant	20.232	Department of Public Safety		103,278
Commercial Vehicle Information Systems and Networks	20.237	Department of Transportation		28,346
High Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	20.319	Department of Transportation		224,589
Federal Transit - Capital Investment Grants	20.500	Department of Transportation		1,510,920
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	Department of Transportation		2,438,098
Formula Grants for Rural Areas	20.509	Department of Transportation		11,957,893 ⊛
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	Department of Human Services	1,241,134	⊛
Job Access and Reverse Commute Program	20.516	Department of Transportation	442,632	⊛
New Freedom Program	20.521	Department of Transportation	<u>104,464</u>	⊛ 1,788,230
State and Community Highway Safety	20.600	Department of Public Safety	3,076,409	⊛
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Department of Public Safety	886,751	⊛
State Traffic Safety Information System Improvement Grants	20.610	Department of Public Safety	381,884	⊛
Incentive Grant Program to Increase Motorcyclist Safety	20.612	Department of Public Safety	<u>26,991</u>	⊛ 4,372,035
Minimum Penalties for Repeat Offender for Driving While Intoxicated	20.608	Department of Public Safety		667,692
Cost Reimbursement Contract - National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	20.614	Department of Public Safety		125,524
National Priority Safety Programs	20.616	Department of Public Safety		2,899,678
Cost Reimbursement Contract - Pipeline Safety Program State Base Grant	20.700	Corporation Commission		1,748,314
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	Department of Emergency Management		281,614
National Infrastructure Investments	20.933	Department of Transportation		780,121
Subtotal				<u>\$ 707,450,195</u>

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Department of the Treasury				
Direct Programs:				
State Small Business Credit Initiative	-	Department of Commerce		2,080,208
				<u>\$ 2,080,208</u>
General Services Administration				
Direct Programs:				
Donation of Federal Surplus Personal Property	39.003	Office of Management and Enterprise Services-DCAM		4,027,145
Election Reform Payments	39.011	State Election Board		204,628
Subtotal				<u>\$ 4,231,773</u>
National Foundation on the Arts and the Humanities				
Direct Programs:				
Promotion of the Arts - Partnership Agreements	45.025	State Arts Council		655,700
Promotion of the Humanities - Division of Preservation and Access	45.149	Historical Society		66,852
Grants to States	45.310	Department of Libraries		2,160,990
National Leadership Grants	45.312	Department of Libraries		132,172
Laura Bush 21st Century Librarian Program	45.313	Department of Libraries		1,934
Subtotal				<u>\$ 3,017,648</u>
U.S. Small Business Administration				
Direct Program:				
State Trade and Export Promotion Pilot Grant Program	59.061	Department of Commerce		93,143
Subtotal				<u>\$ 93,143</u>
U.S. Department of Veterans Affairs				
Direct Programs:				
Grants to States for Construction of State Home Facilities	64.005	Department of Veterans Affairs		1,879,246
Veterans State Nursing Home Care	64.015	Department of Veterans Affairs		78,203,632
All-Volunteer Force Educational Assistance	64.124	Department of Veterans Affairs		370,381
Subtotal				<u>\$ 80,453,259</u>
U.S. Environmental Protection Agency				
Direct Programs:				
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	Department of Environmental Quality		640,738
State Clean Diesel Grant Program	66.040	Department of Environmental Quality		(7,345)
Congressionally Mandated Projects	66.202	Water Resources Board		4,969
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	Water Resources Board		2,119,680
State Underground Water Source Protection	66.433	Corporation Commission		322,981
Urban Waters Small Grants	66.440	Water Resources Board		34,761
Water Quality Management Planning	66.454	Water Resources Board		109,723
Capitalization Grants for Clean Water State Revolving Funds	66.458	Water Resources Board		10,818,661
Capitalization Grants for Drinking Water State Revolving Fund	66.468	Department of Environmental Quality		10,755,128
Performance Partnership Grants	66.605	Department of Environmental Quality		4,958,212
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	Department of Environmental Quality		(4,934)
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	Department of Agriculture		547,005
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	Department of Labor		141,885
Pollution Prevention Grants Program	66.708	Department of Agriculture	15,492	
		Department of Environmental Quality	<u>22,908</u>	38,400
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	Department of Environmental Quality		1,085,554
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	Corporation Commission		520,258
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	Corporation Commission		953,721
State and Tribal Response Program Grants	66.817	Department of Environmental Quality	430,742	
	66.817	Corporation Commission	<u>241,889</u>	672,631
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	Department of Environmental Quality	19,729	
ARRA - Brownfields Assessment and Cleanup Cooperative Agreements	66.818	Department of Environmental Quality	<u>1,177,129</u>	1,196,858
Subtotal				<u>\$ 34,908,886</u>
U.S. Department of Energy				
Direct Programs:				
State Energy Program	81.041	Department of Commerce	549,008	
ARRA - State Energy Program	81.041	Department of Commerce	<u>4,485,344</u>	5,034,352
Weatherization Assistance for Low-Income Persons	81.042	Department of Commerce	1,894,948	
ARRA - Weatherization Assistance for Low-Income Persons	81.042	Department of Commerce	<u>13,742</u>	1,908,690
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	Corporation Commission	220,887	
	81.122	Department of Commerce	<u>961</u>	221,848
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	Department of Commerce		292,851
Subtotal				<u>\$ 7,457,741</u>

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Department of Education				
Direct Programs:				
Adult Education - Basic Grants to States	84.002	Department of Education		5,032,169
Title I Grants to Local Educational Agencies	84.010	Department of Education		151,599,106 *
Migrant Education - Coordination Program	84.144	Department of Education		37,610
Migrant Education - State Grant Program	84.011	Department of Education		1,586,386
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	Department of Education		344,306
Special Education - Grants to States	84.027	Department of Education	143,651,489 ☺	
Special Education - Preschool Grants	84.173	Department of Education	<u>3,337,375</u> ☺	146,988,864 *
Career and Technical Education -- Basic Grants to States	84.048	Department of Career & Technology Education		14,152,444
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	Department of Rehabilitation Services		38,429,444 *
Rehabilitation Services - Client Assistance Program	84.161	Office of Disability Concerns		134,036
Independent Living - State Grants	84.169	Department of Rehabilitation Services		302,449
Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	84.177	Department of Rehabilitation Services		422,005
Special Education - Grants for Infants and Families	84.181	Department of Education		8,883,051
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	Department of Rehabilitation Services		300,000
Education for Homeless Children and Youth	84.196	Department of Education		598,993
Rehabilitation Training - State Vocational				
Rehabilitation Unit In-Service Training	84.265	Department of Rehabilitation Services		80,342
Twenty-First Century Community Learning Centers	84.287	Department of Education		10,082,842
Special Education - State Personnel Development	84.323	Department of Education		1,008,472
Rural Education	84.358	Department of Education		3,490,846
English Language Acquisition State Grants	84.365	Department of Education		4,383,766
Mathematics and Science Partnerships	84.366	Department of Education		2,428,680
Improving Teacher Quality State Grants	84.367	Department of Education		22,339,252 *
Grants for State Assessments and Related Activities	84.369	Department of Education		6,153,619
Statewide Longitudinal Data Systems	84.372	Department of Education		1,200,871
School Improvement Grants	84.377	Department of Education	6,363,716 ☺	
ARRA - School Improvement Grants, Recovery Act	84.388	Department of Education	<u>2,684,025</u> ☺	9,047,741
Subtotal				<u>\$ 429,027,294</u>
National Archives and Records Administration				
Direct Programs:				
National Historical Publications and Records Grants	89.003	Department of Libraries		15,018
Help America Vote Act Requirements Payments	90.401	State Election Board		1,908,450
Subtotal				<u>\$ 1,923,468</u>
U.S. Department of Health and Human Services				
Direct Programs:				
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	Department of Human Services		60,339
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	Department of Human Services		186,273
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	Department of Human Services		212,943
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Department of Human Services	4,323,235 ☺	
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	Department of Human Services	7,605,956 ☺	
Nutrition Services Incentive Program	93.053	Department of Human Services	<u>2,230,825</u> ☺	14,160,016
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048	Department of Human Services	311,825	
	93.048	Oklahoma Insurance Department	<u>225,388</u>	537,213
National Family Caregiver Support, Title III, Part E	93.052	Department of Human Services		1,519,513
Public Health Emergency Preparedness	93.069	State Department of Health		9,370,094
Environmental Public Health and Emergency Response	93.070	State Department of Health		478,813
Medicare Enrollment Assistance Program	93.071	Oklahoma Insurance Department		46,806
Lifespan Respite Care Program	93.072	Department of Human Services		28,599
Systems Interoperability - Health and Human Services	93.075	Department of Human Services		575,608
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	State Department of Health		38,132
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	Department of Human Services		742,645
Enhance Safety of Children Affected by Substance Abuse	93.087	Mental Health and Substance Abuse Services		581,874
Emergency System for Advance Registration of Volunteer Health Professionals	93.089	State Department of Health		25,674
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	State Department of Health		623,670
Food and Drug Administration - Research	93.103	Department of Agriculture		386,732
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	Mental Health and Substance Abuse Services		1,023,115
Maternal and Child Health Federal Consolidated Programs	93.110	State Department of Health		212,352

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	State Department of Health		628,387
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	State Department of Health		182,022
State Health Insurance Assistance Program	93.324	Oklahoma Insurance Department		91,149
Injury Prevention and Control Research and State and Community Based Programs	93.136	State Department of Health		1,067,537
Projects for Assistance in Transition from Homelessness (PATH)	93.150	Mental Health and Substance Abuse Services		378,228
Lab SCID Implement	93.169	State Department of Health		156,556
Family Planning - Services	93.217	State Department of Health		4,256,782
Affordable Care Act (ACA) Abstinence Education Program	93.235	State Department of Health		633,784
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	Mental Health and Substance Abuse Services		6,468,681
Universal Newborn Hearing Screening	93.251	State Department of Health		287,595
Immunization Cooperative Agreements	❖ 93.268	State Department of Health		60,123,571
Adult Viral Hepatitis Prevention and Control Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.270	State Department of Health		112,466
	93.283	State Department of Health		4,517,403
National Public Health Improvement Initiative	93.292	State Department of Health		206,210
State Partnership Grant Program to Improve Minority Health	93.296	State Department of Health		156,724
Affordable Care Act (ACA) - Maternal, Infant and Early Childhood Home Visiting Program	93.505	State Department of Health		4,643,939
ACA - Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	93.506	State Department of Health		302,617
PPHF National Public Health Improvement Initiative	93.507	State Department of Health		104,316
Affordable Care Act - Aging and Disability Resource Center	93.517	Department of Human Services		96,439
Affordable Care Act (ACA) - Consumer Assistance Program Grants	93.519	Oklahoma Insurance Department		93,795
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	93.521	State Department of Health		575,574
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	State Department of Health		105,668
The Patient Protection and Affordable Care Act of 2010 (ACA)	93.541	State Department of Health		19,008
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	93.544	State Department of Health		419,224
Transitional Living for Homeless Youth	93.550	Department of Human Services		187,646
Promoting Safe and Stable Families	93.556	Department of Human Services		3,908,652
Temporary Assistance for Needy Families	93.558	Department of Human Services		88,695,753
Child Support Enforcement	93.563	Department of Human Services		46,401,964
Child Support Enforcement Research	93.564	Department of Human Services		112,563
Refugee and Entrant Assistance - State Administered Programs	93.566	Department of Human Services		1,176,805
Low-Income Home Energy Assistance	93.568	Department of Human Services		37,327,441
Community Services Block Grant	93.569	Department of Commerce		8,892,436
Child Care and Development Block Grant	93.575	Department of Human Services	64,680,062	❖
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Department of Human Services	<u>46,768,137</u>	❖
State Court Improvement Program	93.586	Supreme Court		602,761
Community-Based Child Abuse Prevention Grants	93.590	State Department of Health		844,629
Grants to States for Access and Visitation Programs	93.597	Department of Human Services		80,365
Chafee Education and Training Vouchers Program (ETV)	93.599	Department of Human Services		651,643
Adoption Incentive Payments	93.603	Department of Human Services		1,244,000
Family Connection Grants	93.605	Department of Human Services		(12)
Head Start	93.600	Department of Commerce		170,918
The Affordable Care Act - Medicaid Adult Quality Grants	93.609	Health Care Authority		669,629
Strong Start for Mothers and Newborns	93.611	Health Care Authority		144,229
Voting Access for Individuals with Disabilities - Grants for States	93.617	State Election Board		11,814
Developmental Disabilities Basic Support and Advocacy Grants	93.630	Department of Human Services		596,114
Children's Justice Grants to States	93.643	Department of Human Services		186,016
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Department of Human Services		1,354,010
Adoption Opportunities	93.652	Department of Human Services		290,839
Foster Care - Title IV-E	93.658	Department of Human Services		44,866,539
Adoption Assistance	93.659	Department of Human Services		39,331,945
Social Services Block Grant	93.667	Department of Human Services		33,444,610
Child Abuse and Neglect State Grants	93.669	Department of Human Services		109,915
Child Abuse and Neglect Discretionary Activities	93.670	Department of Human Services		91,564
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	Attorney General		1,316,492
Chafee Foster Care Independence Program	93.674	Department of Human Services		2,717,711
ARRA - Immunization	93.712	State Department of Health		72,431
State Grants to Promote Health Information Technology	93.719	Health Care Authority		7,147,615
ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724	State Department of Health		20,435
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs - financed by Prevention and Public Health Funds (PPHF)	93.734	Department of Human Services		188,162

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745	State Department of Health		180,603
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	State Department of Health		674,670
Children's Health Insurance Program	93.767	Health Care Authority		129,677,485
Medicare - Hospital Insurance	93.773	State Department of Health		648,734
State Medicaid Fraud Control Units	93.775	Attorney General	1,723,308	
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	State Department of Health	6,861,372	
Medical Assistance Program	93.778	Health Care Authority	3,166,769,971	
ARRA-Medical Assistance Program	93.778	Health Care Authority	33,990,586	3,209,345,237
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	Oklahoma Insurance Department		520,424
Money Follows the Person Rebalancing Demonstration	93.791	Health Care Authority		10,048,195
State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	93.796	Health Care Authority		8,796,176
National Bioterrorism Hospital Preparedness Program	93.889	State Department of Health		4,169,543
HIV Care Formula Grants	93.917	State Department of Health		4,982,994
Cooperative Agreements to Support Comprehensive School Health Programs To Prevent the Spread of HIV and Other Important Health Problems	93.938	Department of Education		20,835
HIV Prevention Activities - Health Department Based	93.940	State Department of Health		1,604,313
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	State Department of Health		396,356
Assistance Programs for Chronic Disease Prevention and Control	93.945	State Department of Health		437,744
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	State Department of Health		141,187
Block Grants for Community Mental Health Services	93.958	Mental Health and Substance Abuse Services		4,521,824
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Mental Health and Substance Abuse Services		15,959,981
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	State Department of Health		1,053,344
Mental Health Disaster Assistance and Emergency Mental Health	93.982	Mental Health and Substance Abuse Services		668,940
Maternal and Child Health Services Block Grant to the States	93.994	State Department of Health		5,370,800
Cost Reimbursement Contracts:				
Implementation Alcohol/Drug Data Collection	-	Mental Health and Substance Abuse Services		1,566
State Outcome Measurement & Management System	-	Mental Health and Substance Abuse Services		472
Client Level Projects	-	Mental Health and Substance Abuse Services		27,120
Subtotal				\$ 3,949,992,462
Corporation for National and Community Service				
Direct Program:				
Foster Grandparent Program	94.011	Department of Human Services		389,405
Subtotal				\$ 389,405
Social Security Administration				
Direct Program:				
Social Security - Disability Insurance	96.001	Department of Rehabilitation Services		36,199,973
Subtotal				\$ 36,199,973
U.S. Department of Homeland Security				
Direct Programs:				
Non-Profit Security Program	97.008	Department of Public Safety		2,305,832
Boating Safety Financial Assistance	97.012	Department of Public Safety		1,055,663
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	Department of Emergency Management		595,069
Emergency Management Institute (EMI) - Independent Study Program	97.027	Department of Emergency Management		45,449
Crisis Counseling	97.032	Department of Emergency Management		251,031
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Department of Emergency Management		42,999,724
Hazard Mitigation Grant	97.039	Department of Emergency Management		16,069,145
Emergency Management Performance Grants	97.042	Department of Emergency Management		4,713,138
Cooperating Technical Partners	97.045	Department of Emergency Management		290,339
Fire Management Assistance Grant	97.046	Department of Emergency Management		2,026,315
Pre-Disaster Mitigation	97.047	Department of Emergency Management		607,381
Citizens - Community Resilience Innovation Challenge	97.053	Department of Public Safety		203,002
Interoperable Emergency Communications	97.055	Department of Public Safety		3,970
Metropolitan Medical Response System	97.071	Department of Public Safety		549,711
State Homeland Security Program (SHSP)	97.073	Department of Public Safety		5,640,676
Repetitive Flood Claims	97.092	Department of Emergency Management		79,168
Subtotal				\$ 77,435,613
Total Federal Assistance				\$ 7,134,973,486

- ⌘ Noncash Assistance
- ⚡ Partially Noncash Assistance
- ⚙ Tested as a major program as defined by OMB Circular A-133
- ♦ Program audited as a major program by independent auditor
- ⊞ Programs defined as a cluster by OMB Circular A-133

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**Notes to the Schedule of Expenditures
of Federal Awards**

**Notes to the Schedule of Expenditures
of Federal Awards**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared in conformity with the requirements set forth in the Single Audit Act of 1984, Public Law 98-502, the Single Audit Act Amendments of 1996, Public Law 104-156 and Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*.

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. The reporting entity includes the primary government of the State of Oklahoma as presented in the Comprehensive Annual Financial Report (CAFR). Component units included in the CAFR prepare individual financial statements that meet the requirements of OMB Circular A-133, and have not been included in the Schedule. OMB Circular A-133 allows non-Federal entities to meet the audit requirements of the Circular through a series of audits that cover the reporting entity.

B. Basis of Presentation

The Schedule presents expenditures and expenses for the fiscal year ended June 30, 2014. The Schedule reports total federal award expenditures and expenses for each federal program as identified in the *Catalog of Federal Domestic Assistance (CFDA)*. Federal awards without identified CFDA numbers have been identified as "Other Federal Assistance".

Federal financial awards include federal financial assistance and federal cost-reimbursement contracts. Federal financial assistance may be defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, food commodities, interest subsidies, insurance or direct appropriations, but does not include direct federal cash assistance to individuals. Non-monetary federal assistance including surplus property, food stamps and food commodities is reported in the Schedule. Solicited contracts between the State and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Food and commodity distributions on the accompanying Schedule are valued using a weighted average cost based on the U.S. Department of Agriculture commodity price list at the inventory receipt date. The food stamp issuance amount included in the accompanying Schedule is stated at the value of food stamps redeemed. Donated federal surplus property is included in the Schedule at a percentage of the federal government acquisition cost.

The scope of the Schedule includes expenditures and expenses of federal assistance directly received by State primary recipients. With reference to the primary government, the primary recipient expenditures are not adjusted for sub-recipient State agency expenditures.

Major programs are defined by levels of expenditures and expenses and risk assessments established in the OMB Circular A-133.

Notes to the Schedule of Expenditures of Federal Awards

C. Basis of Accounting

The accompanying Schedule, in general, reports expenditures of the primary government in accordance with Generally Accepted Accounting Principles (GAAP). GAAP requires that governmental funds report revenue and expenditures using the modified accrual basis of accounting as described in the Comprehensive Annual Financial Report. The modified accrual basis of accounting recognizes expenditures and expenses when liquidated with current resources. The Wildlife Conservation Commission, a governmental fund, uses the accrual basis of accounting that recognizes expenditures when incurred.

Note 2. State Unemployment Insurance Fund

Expenditures for unemployment insurance (CFDA 17.225) include State Unemployment Insurance (UI) funds as well as federal UI funds. The State portion of UI funds amounted to \$243,414,881. The federal portion of UI funds amounted to \$70,635,298 and additional funds of \$619,632 were provided by the ARRA.

Note 3. Federally Funded Loan Programs

The Water Resources Board (WRB) administers the Oklahoma Clean Water Facility Construction Revolving Loan Account Program. The program had loans outstanding of \$436,872,311 at June 30, 2014. A federal grant from the U.S. Environmental Protection Agency provides approximately 80% of the program's loan funding, with State funds matching the remaining 20%.

The Oklahoma Department of Environmental Quality (ODEQ) administers the Oklahoma Drinking Water State Revolving Fund Program. The program had loans outstanding of \$409,809,775 at June 30, 2014. The Oklahoma Drinking Water State Revolving Fund Program utilizes Federal Capitalization grants, from the U.S. Environmental Protection Agency under CFDA 66.468, required State matching funds equal to 20% of federal funds received, and interest income for drinking water loan assistance. Included in the schedule of federal expenditures are funds withdrawn for loans, State matching funds used for loans and program operating costs. During fiscal year 2014, the ODEQ withdrew federal funds in the amount of \$8,977,930. Of these funds, no funds were used for disbursements on loans originated.

Note 4. Cost Recovery of Federal Program Expenditures

During fiscal year 2014, the Oklahoma Department of Health received cash rebates from infant formula manufacturers in the amount of \$20,833,350 on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557). The rebate contracts are authorized by 7 CFR 46.26(m) as a cost containment measure. The cash rebates were treated as a credit against prior food expenditures.

The Oklahoma Department of Transportation has incurred significant expenditures on construction projects that have exceeded the contract amounts approved by the federal grantor. These project expenditures are held in suspense until modified contracts are approved by the federal grantor and the expenditures subsequently reimbursed. Project expenditures totaling \$454,000 were in suspense at June 30, 2014 and once the modified contracts are approved by the U.S. Department of Transportation an estimated 100% will be considered available.

Note 5. Audits Provided by Auditors Other Than Principal Auditor

Audits provided by auditors other than the principal auditor include:

Oklahoma Department of Commerce
Oklahoma Department of Wildlife

Notes to the Schedule of Expenditures of Federal Awards

Department of Environmental Quality
Insurance Department

Several programs were identified as major and audited as such in the separate single audits of these entities. The schedule separately identifies programs that were audited as major programs by independent auditors of entities.

Note 6. Department of Education Grant Transfers

The Department of Education made the following transferability payments between programs for the fiscal year 2014:

	Improving Teacher Quality State Grants <u>(CFDA 84.367)</u>
<u>Transferred To:</u>	
Title I Grants to Local Educational Agencies (CFDA 84.010)	\$ <u>3,076,569.73</u>
	\$ 3,076,569.73

Note 7. Department of Transportation Federal Soft Match Provision

Beginning in the year 1992, the Oklahoma Department of Transportation began using the “soft match” provision of the Inter-modal Surface Transportation Efficiency Act, which allows the maintenance and construction cost of toll facilities that serve interstate commerce to be used in lieu of State matching funds. Annually, dollars spent for major maintenance (reconstruction) of turnpikes or new construction may be added to the amount of soft match credit available for use as State match. The State’s share of expenditures is deducted from the available soft match amount. Federal money would then fund 100 percent of the project from the amount that had previously been apportioned for Oklahoma’s highway projects.

The Department utilized \$86,432,063 of the soft match provision for projects billed during fiscal year 2014. These soft match dollars are applied to the approved construction projects when expenditures are incurred, based on the soft match percentage. It should be noted that the amount of soft match credit utilized on the progressive estimate billings submitted to the Federal Highway Administration (FHWA) for each project is an estimate during the course of the project. The actual amount of soft match utilized for a particular project is not determinable until the project is final and the final reconciliation and billing has been submitted to FHWA.

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Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Schedule of Findings

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:unqualified

Internal control over financial reporting:

Material weakness(es) identified?no

Significant deficiencies identified that are not considered to be material weakness(es)? yes

Noncompliance material to financial statements noted?.....no

For fiscal year 2014, the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards*, and related finding, was issued with the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the year ended June 30, 2014, dated December 31, 2014.

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes

Significant deficiencies identified that are not considered to be material weakness(es)? yes

Type of auditor's report issued on compliance for major programs: Unqualified for all major programs except for 20.509 –Formula Audits for Rural Areas and 93.568 – Low-Income Home Energy Assistance which were qualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?..... yes

Dollar threshold used to distinguish between type A and type B programs: \$21,404,920

Auditee qualified as low-risk auditee?.....no

Schedule of Findings

Summary of Auditor's Results

Identification of Major Programs:

	CFDA Number and Program		State Agency Name	
Child Nutrition Cluster	10.553	School Breakfast Program	Department of Education	
	10.555	National School Lunch Program	Department of Education	
	10.555	National School Lunch Program	Department of Human Services	
	10.556	Special Milk Program for Children	Department of Education	
	10.559	Summer Food Service Program for Children	Department of Education	
	10.559	Summer Food Service Program for Children	Department of Human Services	
	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Department of Health	
	10.558	Child and Adult Care Food Program	Department of Education	
	10.558	Child and Adult Care Food Program	Department of Human Services	
	12.401	National Guard Military Operations and Maintenance (O&M) Projects	Military Department	
Fish and Wildlife Cluster	15.605	Sport Fish Restoration Program	Department of Wildlife	
	15.611	Wildlife Restoration and Basic Hunter Education		
	17.225	Unemployment Insurance (Regular and ARRA)	Employment Security Commission	
WIA Cluster	17.258	WIA Adult Program	Department of Commerce	
	17.259	WIA Youth Activities	Department of Commerce	
	17.278	WIA Dislocated Worker Formula Grants	Department of Commerce	
	17.268	H-1B Job Training Grants	Department of Commerce	
	17.277	Workforce Investment Act (WIA) National Emergency Grants	Department of Commerce	
Highway Planning and Construction Cluster	20.205	Highway Planning and Construction	Transportation Department	
	20.219	Recreational Trails Program	Tourism Department	
	20.509	Formula Grants for Rural Areas	Transportation Department	
	66.468	Capitalization Grants for Drinking Water State Revolving Fund	Dept. of Environmental Quality	
	81.041	State Energy Program (Regular and ARRA)	Department of Commerce	
	84.010	Title I Grants to Local Educational Agencies	Department of Education	
	Special Education Cluster (IDEA)	84.027	Special Education – Grants to States	Department of Education
		84.173	Special Education – Preschool Grants	Department of Education
84.126		Rehabilitation Services – Vocational Rehabilitation Grants to States	Dept. of Rehabilitation Services	
84.367		Improving Teacher Quality State Grants	Department of Education	
93.558		Temporary Assistance for Needy Families	Department of Human Services	

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Summary of Auditor's Results

	CFDA Number and Program	State Agency Name
	93.568 Low-Income Home Energy Assistance	Department of Human Services
CCDF Cluster	93.575 Child Care and Development Block Grant	Department of Human Services
	93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Block Grant	Department of Human Services
	93.658 Foster Care - Title IV-E	Department of Human Services
	93.659 Adoption Assistance	Department of Human Services
	93.569 Community Services Block Grant	Department of Commerce
	93.767 Children's Health Insurance Program	Health Care Authority
Medicaid Cluster	93.775 State Medicaid Fraud Control Units	Attorney General
	93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Department of Health
	93.778 Medical Assistance Program (Regular and ARRA)	Health Care Authority
	93.779 Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	Insurance Department
	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Emergency Management

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Schedule of Findings Federal Award Findings And Questioned Costs

Note: Findings are presented alphabetically by state agency.

Department of Education

FINDING NO: 2014-049

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: US Department of Agriculture

CFDA NO: 10.558, 10.553, 10.555, 10.556, and 10.559

FEDERAL PROGRAM NAME: Child and Adult Care Food Program, Child Nutrition Program Cluster

FEDERAL AWARD NUMBER: 14136Ok329N1099, 14146Ok329N1099

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Reporting - Federal Funding Accountability and Transparency Act (FFATA)

QUESTIONED COSTS: \$0

Criteria: A-133 Subpart C § .300 (b) – *Auditee responsibilities* states, “The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs”

2 CFR § 170.100 – *Purpose of this Part* states, “This part provides guidance to agencies to establish requirements for recipients' reporting of information on subawards and executive total compensation, as required by the Federal Funding Accountability and Transparency Act of 2006 (Pub. L. 109-282), as amended by section 6202 of Public Law 110-252, hereafter referred to as ‘the Transparency Act.’”

2 CFR § 170.200 – *Requirements for program announcements, regulations, and application instruction* states, “(a) Each agency that makes awards of Federal financial assistance subject to the Transparency Act must include the requirements described in paragraph (b) of this section in each program announcement, regulation, or other issuance containing instructions for applicants: (1) Under which awards may be made that are subject to Transparency Act reporting requirements; and (2) That either: (i) Is issued on or after the effective date of this part; or (ii) Has application or plan due dates after October 1, 2010. (b) The program announcement, regulation, or other issuance must require each entity that applies and does not have an exception under § 170.110(b) to ensure they have the necessary processes and systems in place to comply with the reporting requirements, should they receive funding.”

2 CFR § 170 Appendix A(I)(a)(1) – *Applicability* states, “Unless you are exempt as provided in paragraph d. of this award term, you must report each action that obligates \$25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111–5) for a subaward to an entity (see definitions in paragraph e. of this award term).”

2 CFR § 170 Appendix A(I)(a)(2) – *Where and When to Report* states, “(i.) You must report each obligating action described in paragraph a.1. of this award term to <http://www.fsrs.gov>. (ii.) For subaward information, report no later than the end of the month following the month in which the obligation was made.

2 CFR § 170 Appendix A(I)(a)(3) – *What to Report* states, “You must report the information about each obligating action that the submission instructions posted at <http://www.fsrs.gov> specify.”

Condition: Based on the Child and Adult Care Food Program (CACFP) and Child Nutrition Program (CNP) Cluster being a part of the same operating block grant, both programs were reported under the same CFDA number (10.555) for FFATA reporting purposes per fsrs.gov. As a result, we tested the two programs together which consisted of two Federal Assistance Identification Number (FAIN) or grant award numbers for the reporting period tested. Total federal funds received by OSDE in FFY 2014 were \$11,667,768 for FAIN #14136OK329N1099 and \$255,475,454 for FAIN #14146OK329N1099.

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The charts below show, by grant award for federal fiscal year 2014 based on claim/service date, the attempted submissions to ftrs.gov and the successful submissions at USAspending.gov.

<u>For subawards over \$25,000</u>	<i>Total Correct Obligation amounts by FAIN #</i>	<i>Attempted Submissions to ftrs.gov</i>	<i>Difference over/(under)</i>
<i>FAIN #14136OK329N1099 – CNP & CACFP TOTAL</i>	\$ 11,667,768	\$ 88,655,225	\$ 76,987,457
<i>FAIN #14146OK329N1099 – CNP & CACFP TOTAL</i>	151,737,114	74,749,657	(76,987,457)
TOTALS	\$163,404,882	\$163,404,882	\$ 0

<u>For subawards over \$25,000</u>	<i>Total Correct Obligation amounts by FAIN #</i>	<i>Successful Submissions at USAspending.gov</i>	<i>Difference over/(under)</i>
<i>FAIN #14136OK329N1099 – CNP & CACFP TOTAL</i>	\$ 11,667,768	\$53,869,577	\$ 42,201,809
<i>FAIN #14146OK329N1099 – CNP & CACFP TOTAL</i>	151,737,114	43,260,795	(108,476,319)
TOTALS	\$163,404,882	\$97,130,372	(\$ 66,274,510)

In addition, we noted 193 of the 523 transactions reported in USAspending.gov for FAIN #14136OK329N1099 were not submitted timely, and 129 of the 507 transactions reported in USAspending.gov for FAIN #14146OK329N1099 were not submitted timely.

Furthermore, the program area did not reconcile attempted submissions of FFATA data by grant award for the CACFP and the CNP Cluster against the amounts that were successfully uploaded to ftrs.gov.

Cause: The Department did not have a system of internal control in place to ensure that subawards subject to FFATA reporting requirements were properly reported and that reports were submitted timely by the end of the month following the month in which the obligation was made.

In addition, the program area stated they were unable to successfully submit all obligations because of edits that were in the ftrs.gov system that would not allow them to re-submit obligations that contained prior errors (with the exception of a DUNS award number change).

Effect: The Department of Education was not in compliance with the Federal Funding Accountability and Transparency Act of 2006. In addition, we are unable to rely on the obligations recorded on USAspending.gov for the two FAIN or grant award numbers since we know obligations were recorded to the wrong grants for FFATA reporting purposes.

Recommendation: We recommend the Department design and implement controls to ensure that all subaward obligations over \$25,000 are reconciled by grant award number against the obligations that are uploaded to USAspending.gov to ensure FFATA reporting is complete, accurate, and timely.

Views of Responsible Official(s)

Contact Person: Joanie Hildenbrand, Assistant State Superintendent, Child Nutrition Programs

Anticipated Completion Date: April 2015, June 2015, October 2015, respectively. Please see each action below with the specific date.

Corrective Action Planned: For Fiscal Year 2014, the Department has been more successful than in the past to submit subaward obligations to the FSRS reporting system. However, the Department continues to experience difficulties in data submission due to errors that cannot be fixed in-house. It has reached out to sub-awardees and the FSRS helpdesk multiple times to find a resolution to the issues but has been unable to get much assistance

Schedule of Findings Federal Award Findings And Questioned Costs

with fixing the errors and resubmission. In addition, the edits in the fsrs.gov system has sometimes prevented resubmission of obligations that contained prior errors. All the above factors have contributed to delay in submission and not meeting the reporting timeline.

The Department will take necessary steps to develop and implement a standardized procedure for FFATA reporting. This will include establishing controls for timely and complete reporting as well as reconciliation by program areas of obligations exceeding \$25,000 with the data uploaded to FSRS.gov. The program areas will also maintain adequate documentation on successful and unsuccessful submissions, steps taken to fix the errors and resubmission of obligations. The Department will also explore the option of manually entering the data that were rejected in the upload. This process will be time consuming and tedious and may need additional time and staff but will be considered as part of our efforts to comply with the FFATA reporting requirements.

Following are the specific actions that will be implemented by Child Nutrition Programs:

- In order to have complete and timely reporting submissions, the report will be generated using the date and amounts paid each month, rather than being based on claim submission dates—April 2015.
- Reasonable attempts will be made to resubmit failed uploads and documentation of those attempts will be maintained—April 2015.
- Reconciliation will be conducted by manual review of the USA Spending.GOV website to verify that records reported as successfully uploaded were complete and accurately uploaded—June 2015.
- The FAIN # will be audited and verified for correctness in amounts paid for each month that the initial award is made (example: 1413 vs 1414) prior to being uploaded. This will be a manual process that will be conducted by the Director of Finance—October 2015. **NOTE:** This happens at the beginning of each new federal fiscal year as that is the only time Child Nutrition Programs operate off of two different FAIN #s.

Employment Security Commission

FINDING NO: 2014-039 (Repeat Finding)

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: U.S. Department of Labor

CFDA NO: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI-22365-13-55-A-40 and UI-23912-14-55-A-40

FEDERAL AWARD YEAR: 2013 and 2014

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: Per OMB A-133 §.300(b), the auditee shall: “Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

Condition: We requested detailed supporting data for the 9/30/13 and 6/30/14 ETA 581 quarterly reports. The data provided for the 9/30/13 quarter did not agree to the report. The data provided for the 6/30/14 quarter agreed to the report except for line 101, line 201, item 22 and item 35.

Cause: The data provided did not support the ETA 581 report; however, it appears OESC has improved its data validation procedures over the prior year.

Schedule of Findings Federal Award Findings And Questioned Costs

Effect: The data on the OESC ETA 581 report may not be accurate.

Recommendation: We recommend OESC perform procedures to validate the information reported on the ETA 581 Report. We also recommend that in the future, OESC maintain and provide to the State Auditor's office comprehensive source data from the system used to prepare the ETA 581 report.

Views of Responsible Official(s)

Contact Person: Shalonda Sanders

Anticipated Completion Date: June 30, 2015

Corrective Action Planned: OESC has continued making updates to the source data files since the new programming was implemented for the 3rd Quarter of 2013 (July-Sept) submission of the ETA 581; OESC anticipates all revisions/updates to be completed by June 30, 2015. OESC has also implemented a procedure to aid in validating the information reported on the ETA 581 Report; every quarter prior to submission of the federal report staff will be reviewing sample data on employer account creation and time-lapse to ensure that the programming for the report is calculating the correct creation date specifically for line 301 of the report which may also aid in line 201. OESC is now and will continue to maintain source data for each quarter from the system used to prepare the ETA 581 report and will be available for future reviews.

Oklahoma Department of Emergency Management

FINDING NO: 2014-042

STATE AGENCY: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance

FEDERAL AWARD NUMBER: FEMA-1623, FEMA-1678, FEMA-1712, FEMA-1718, FEMA-1754, FEMA-1756, FEMA 1775, FEMA-1823, FEMA-1876, FEMA-1883, FEMA-1917, FEMA-1970, FEMA-1985, FEMA-1988, FEMA-4109, FEMA-4064, FEMA-4117, FEMA-4164

FEDERAL AWARD YEAR: 2013/2014

CONTROL CATEGORY: Reporting: Federal Funding Accountability and Transparency Act (FFATA)

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 170 Appendix A (1.) – *Applicability* states, “Unless you are exempt as provided in paragraph d. of this award term, you must report each action that obligates \$25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111–5) for a subaward to an entity (see definitions in paragraph e. of this award term).”

2 CFR § 170, Appendix A, I.a.2.ii. states, “For subaward information, report no later than the end of the month following the month in which the obligation was made.”

A-133 Subpart C § .300 (b) – *Auditee responsibilities* states, “The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs”

Condition: The Department did not ensure that subawards subject to the Federal Funding Accountability and Transparency Act (FFATA) were reported in a timely manner for 11 of 12 months in State Fiscal Year (SFY) 2014.

Of the 10 subrecipients subject to FFATA reporting in June 2014, we noted one (1) subrecipient for whom the Department did not properly report subawards issued in June 2014.

Schedule of Findings Federal Award Findings And Questioned Costs

Cause: The Department did not have a system of internal control in place to ensure that subawards subject to FFATA reporting requirements were properly reported and that reports were submitted timely by the end of the month following the month in which the obligation was made.

Effect: The Department is not in compliance with the Federal Funding Accountability and Transparency Act.

Recommendation: We recommend the Department develop, document, and execute internal controls to ensure the FFATA report is complete, accurate, properly supported, and timely submitted. These internal controls should provide for a detailed review and approval of the FFATA report prior to submission by an individual, other than the preparer, with adequate knowledge of the grant subawards.

Views of Responsible Official(s)

Contact Person: Sandra Jackson

Anticipated Completion Date: March 31, 2015

Corrective Action Planned: Oklahoma Emergency Management (OEM) acquired a listing from the FEMA Electronic Data Warehouse of all Public Assistance Grant awarded from October 1, 2010 to May 27, 2014 and entered all of this information during the month of June, 2014. Though this did not meet the requirement of reporting "no later than the end of the month following the month in which the obligation was made", OEM did make all entries and has maintained consistent monthly reporting since then.

The one subrecipient that was not properly reported in June 2014 has been corrected and the report of this filing is available at OEM. Internal controls have been included addressing actions to take when a subrecipient cannot be entered.

OEM has developed complete internal controls which will be executed beginning in March, 2015 to report the February, 2015 PA awards. This action will ensure that the FFATA reporting is complete, accurate, properly supported, and submitted in a timely manner. A second person who is knowledgeable of FFATA reporting and grant subawards will be designated to review and approve the report, request revisions or corrections as necessary, and sign and date the monthly listing of recorded PA grants awards. The monthly report will be filed for review when requested.

Department of Health

FINDING NO: 2014-010

STATE AGENCY: Oklahoma State Department of Health

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.557

FEDERAL PROGRAM NAME: Special Supplemental Nutrition Program for Women, Infants, and Children

FEDERAL AWARD NUMBER: 14146OK505W1003

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Reporting

Criteria: A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information. In addition, a key element of internal controls is the performance of a reconciliation of funds between the agency and external records. The reconciliation process is essential because it ensures that accounting records are accurate and errors are detected and corrected in a timely manner.

Condition: The Department is not reconciling with the Office of Management and Enterprise Services (OMES) in a timely manner. The fund reconciliation for the month of December 2013 and all subsequent months, were not completed during the fiscal year ended June 30, 2014. The December reconciliation was not completed until August 2014; the January 2014 through March 2014 reconciliations were not completed until December 2014; the April and May 2014 reconciliations were not completed until January 2015; and the June 2014 reconciliation

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was not completed until February 2015, which indicates the reconciliations have not been performed in a timely manner.

Cause: It appears staff turnover within the Reconciliations Unit and shifts of workloads caused the reconciliation to not be prepared in a timely manner.

Effect: Financial information becomes less reliable as more time lapses between the time period being reconciled and the date transactions are recorded.

Recommendation: We recommend the Department implement processes and procedures to ensure that monthly reconciliations are prepared no later than one month after the time period that is being reconciled.

Views of Responsible Official(s)

Contact Person: Mark Davis

Anticipated Completion Date: 07/31/2015

Corrective Action Planned: The OSDH will implement procedures that ensure it is reconciled with the OMES on a monthly basis and in a timely manner. Having begun FY15 behind schedule on monthly reconciliations, the Department has implemented an accelerated schedule for monthly reconciliations in FY15 to ensure its monthly reconciliations are completed by the end of the month following the month being reconciled. The last month of FY15 (June) will be reconciled by the end of July, 2015, and subsequent months will be reconciled as timely.

FINDING NO: 2014-024 (Repeat Finding)

STATE AGENCY: Oklahoma State Department of Health

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.557

FEDERAL PROGRAM NAME: Special Supplemental Nutrition Program for Women, Infants, and Children

FEDERAL AWARD NUMBER: 14146OK505W1003

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Federal Funding Accountability and Transparency Act (FFATA) Reporting

QUESTIONED COSTS: \$0

Criteria: 2 CFR § 170 Appendix A (1.) – *Applicability* states, “Unless you are exempt as provided in paragraph d. of this award term, you must report each action that obligates \$25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111–5) for a subaward to an entity (see definitions in paragraph e. of this award term).”

A-133 Subpart C § .300 (b) – *Auditee responsibilities* states, “The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

Condition: The Oklahoma State Department of Health failed to report a subrecipient that received over \$25,000 in awards on the Federal Fiscal Year 2014 FFATA.

Cause: Current procedures that identify which subrecipients are subject to FFATA are inadequate due to a lack of communication amongst various Department divisions responsible for gathering and reporting the information.

Effect: By not establishing adequate procedures that address the criteria stated above, the Department is vulnerable to noncompliance. Furthermore, by not being in compliance with the above stated criteria, the general public will not be able to view complete, accurate spending information as intended by the Federal Funding Accountability and Transparency Act of 2006.

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Recommendation: We recommend the Department establish processes and procedures that properly identify which subrecipients are subject to the Federal Funding Accountability and Transparency Act of 2006. We recommend the Department submit a corrected report to the FFATA Sub-award Reporting System (FSRS) to include the subrecipient that was initially excluded.

Views of Responsible Official(s)

Contact Person: Mark Davis

Anticipated Completion Date: 04/30/2015

Corrective Action Planned: The corrective action taken in the previous year involved the use of a log for tracking subrecipient FFATA information. However, there was no measure taken to ensure completeness of this log. We are currently reviewing options for ensuring completeness of the log and will implement a solution. A solution will be implemented to ensure compliance moving forward and a corrected report will be submitted to the FSRS to include the subrecipient that was initially excluded.

Health Care Authority

FINDING NO: 2014-009

STATE AGENCY: Oklahoma Health Care Authority (OHCA)

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 1305OK5MAP, 1405OK5MAP

FEDERAL AWARD YEAR: 2013, 2014

CONTROL CATEGORY: Allowable Costs/Cost Principles, Special Tests and Provisions: Utilization Control and Program Integrity

Criteria: A component objective of an effective internal control system is to ensure accurate and reliable information through a process of proper review and monitoring.

Condition: All Behavioral Health Inspections of Care (IOC) reviews are audited by a medical analyst in the Provider Services Unit. To ensure an independent review of the Inspections of Care, the Provider Services Unit is functionally independent of the Behavioral Health Operations Unit where the Inspections of Care are actually performed. Of the 87 IOC reviews performed by the Behavioral Health Operations Unit during SFY2014, we noted four instances where the completed IOC review was not audited by the Provider Services Unit.

Cause: OHCA did not ensure that all in-house Behavioral Health IOC reviews performed during SFY2014 were sufficiently reviewed and monitored.

Effect: Failure to perform established procedures could result in inaccurate and/or unreliable information related to the recoupment of provider overpayments.

Recommendation: We recommend that OHCA evaluate the current internal control structure over Behavioral Health Inspections of Care and determine why the deficiency in internal controls occurred. Once this has been determined, we recommend that OHCA design and implement the necessary internal controls to ensure that all Inspections of Care are appropriately reviewed and monitored.

Views of Responsible Official(s)

Contact Person: Kelly Shropshire

Anticipated Completion Date: Completed

Corrective Action Planned: The 4 cases were reviewed 10/07/2014 and pertinent info was sent to Finance that day. Provider Services will reconcile the number of reviews to the number of audits submitted by the BH Unit to ensure all are reviewed.

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FINDING NO: 2014-012

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 1305OK5MAP, 1405OK5MAP, 1105OKARRA

FEDERAL AWARD YEAR: 2013, 2014

CONTROL CATEGORY: Reporting, Special Tests and Provisions: R2 – Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form

QUESTIONED COSTS: \$0

Criteria: Per OMB A-133 §____.300, “The auditee shall... (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs [and] (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.”

A component objective of an effective internal control system is to ensure accurate and reliable information through a proper review and approval process.

Condition: Cash-basis Federal expenditures for the American Recovery and Reimbursement Act (ARRA) portion of the Medical Assistance Program (MAP) were overstated on the SFY 2014 Schedule of Expenditures of Federal Awards (SEFA) by \$2,624,118.

Cause: The calculation of Federal cash-basis expenditures for MAP-ARRA was not adequately reviewed for accuracy prior to being reported on the SEFA.

Effect: The total cash-basis ARRA expenditures for the MAP program were not accurately reported on the SEFA.

Recommendation: Since the Authority has previously revised the SEFA to correct the issue noted in this finding, we recommend management review the current procedures in place to determine where the breakdown in the internal control processes occurred and implement the necessary procedures to ensure accurate reporting of expenditures on the SEFA in the future.

Views of Responsible Official(s)

Contact Person: Susan Crooke

Anticipated Completion Date: Completed

Corrective Action Planned: The Federal cash-basis expenditures for MAP-ARRA were adequately reviewed by the supervisor and corrected in the workpapers. The reporting error on the SEFA occurred because an older electronic version of the SEFA was sent to the Office and Management and Enterprise Services (OMES) rather than the corrected version. In order to document the review process, all versions of the report are kept in the workpapers. To ensure accurate reporting on the SEFA in the future, once printed and reviewed, only the approved final report will be kept in the electronic file.

FINDING NO: 2014-025 (Repeat Finding)

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.767

FEDERAL PROGRAM NAME: Children’s Health Insurance Program

FEDERAL AWARD NUMBER: 1205OK5021 and 1305OK5021

FEDERAL AWARD YEAR: 2012 and 2013

CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

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QUESTIONED COSTS: \$108

Criteria: According to 2 CFR 225 (OMB Circular A-87), Appendix A, Costs must...

- (C.1.a), “Be necessary and reasonable for proper and efficient performance and administration of Federal awards”, and
- (C.1.d), “Conform to any limitations or exclusions set forth in these principles [Cost Principles for State, Local, and Indian Tribal Governments, 2 CFR 225], Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.”

Condition: Based on a medical professional’s review of 72 claims for Children’s Health Insurance Program recipients, four (4) claims had payment errors resulting in questioned costs. In addition, two (2) claims had documentation errors. Since the supporting documentation indicated the services provided did meet Medicaid policy/regulatory requirements and were adequately supported by medical records or other evidence indicating that the service was actually provided and/or necessary, we will not question the cost of these two claims.

Cause: Four (4) claims submitted by providers were not appropriately supported by medical records, and for the two (2) other claims, claim documentation submitted to the Authority indicated a different rendering provider than the provider documented in the supporting documentation.

Effect: The Authority may be paying for unallowable costs and for services that are not being performed.

Recommendation: We recommend the Authority investigate the items identified and, if considered necessary, recoup any funds paid to providers for services that were not supported by medical records.

Views of Responsible Official(s)

Contact Person: Kelly Shropshire

Anticipated Completion Date: April 1, 2015

Corrective Action Planned: OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. Regarding these specific findings, the federal share will be returned to CMS.

FINDING NO: 2014-026 (Repeat Finding)

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 1305OK5MAP, 1405OK5MAP

FEDERAL AWARD YEAR: 2013 and 2014

CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

QUESTIONED COSTS: \$84

Criteria: According to 2 CFR 225 (OMB Circular A-87), Appendix A, Costs must...

- (C.1.a), “Be necessary and reasonable for proper and efficient performance and administration of Federal awards”, and
- (C.1.d), “Conform to any limitations or exclusions set forth in these principles [Cost Principles for State, Local, and Indian Tribal Governments, 2 CFR 225], Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.”

Condition: Based on a medical professional’s review of 72 claims for the Medical Assistance Program recipients, three (3) claims had payment errors resulting in questioned costs.

Cause: The payment errors consisted of three claims paid that were not appropriately supported by medical records.

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Effect: The Authority may be paying for services that are not being performed or are not medically necessary.

Recommendation: We recommend the Authority investigate the items identified and, if considered necessary, recoup any funds paid to providers for services that were not supported by medical records.

Views of Responsible Official(s)

Contact Person: Kelly Shropshire

Anticipated Completion Date: April 1, 2015

Corrective Action Planned: OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. Regarding these specific findings, the federal share will be returned to CMS.

FINDING NO: 2014-043

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 1305OK5MAP, 1405OK5MAP

FEDERAL AWARD YEAR: 2013, 2014

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$703,300

Criteria: Instructions on the Medicaid.gov website at <http://medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Data-and-Systems/MBES/CMS-64-Quarterly-Expense-Report.html> state, "Form CMS-64 is a statement of expenditures for which states are entitled to Federal reimbursement under Title XIX.... Consequently, the amount claimed on the Form CMS-64 is a summary of expenditures derived from source documents such as invoices, cost reports and eligibility records."

42 CFR 433.10 (a), Sections 1903(a)(1), 1903(g), and 1905(b) provide for payments to States on the basis of a Federal medical assistance percentage for part of their expenditures for services under an approved State plan.

Condition: Line 18B1 – *Prepaid Ambulatory Health Plan* Federal expenditures were under reported by \$1,251,397 and Line 18B1a – *MCO PAHP - Evaluation and Management* Federal expenditures were over reported by \$1,954,697 on the quarter ending (QE) 3-31-14 Form CMS-64.9 Waiver (1115 – TANF Rural) Report.

Cause: It appears Prepaid Ambulatory Health Plan expenditures were erroneously reported under line 18B1a instead of line 18B1 due to a clerical error.

Effect: The CMS 64 reports are set up to automatically calculate the amount of Federal share for each line item. Because Federal expenditures for line 18B1a - *MCO PAHP - Evaluation and Management* are paid at 100% and Federal expenditures for Line 18B1 – *Prepaid Ambulatory Health Plan* are paid at the regular FMAP rate of 64.02%, Federal expenditures were overstated \$703,300.

Recommendation: We recommend OHCA correct the errors on the next quarter's Form CMS-64 Report as a prior period adjustment.

Views of Responsible Official(s)

Contact Person: Susan Crooke

Anticipated Completion Date: 4/30/2015

Corrective Action Planned: A prior period adjustment will be made on the quarter ending 3/31/15 CMS-64 Report.

Schedule of Findings Federal Award Findings And Questioned Costs

Department of Human Services

FINDING NO: 2014-001 (Repeat Finding)
STATE AGENCY: Oklahoma Department of Human Services
FEDERAL AGENCY: Department of Health and Human Services
CFDA NO: 93.568
FEDERAL PROGRAM NAME: Low Income Home Energy Assistance Program
FEDERAL AWARD NUMBER: 14B1OKLIEA
FEDERAL AWARD YEAR: 2014
CONTROL CATEGORY: Reporting
QUESTIONED COSTS: \$0

Criteria: The instructions for the *LIHEAP Household Report for FFY 2013–Long Form* (Uniform Counting and Reporting section) state, “Annual gross household incomes, adjusted by the number of household members (household size), are to be used in computing household poverty percentages, using the 2012 HHS Poverty Guidelines that were in effect at the beginning of FFY 2013 (October 1, 2012)”.

Additionally, a component objective of generally accepted accounting principles is to provide accurate and reliable information.

Condition: We were unable to recompute the household counts by poverty level reported by the Department on the FFY2013 LIHEAP Household Report. It appears that the Department used the 2010 HHS poverty guidelines when compiling the household counts for this report rather than the required 2012 HHS poverty guidelines.

Additionally, we were unable to recompute the count reflected in Section III – Number of Assisted Households by Vulnerable Population, Line 2. Cooling, Column D. – Elderly, Disabled, or Young Child. The count reflected in this section of the FFY2013 LIHEAP Household Report reflects 55,845 however when we recalculated this figure we noted 57,999 cases in the data file that met this description.

Cause: The poverty levels within the Department’s system were not updated properly to the 2012 HHS poverty guidelines. Additionally, it appears an error was made when compiling the count reflected in Section III – Number of Assisted Households by Vulnerable Population, Line 2. Cooling, Column D. – Elderly, Disabled, or Young Child. These errors were not detected during the review process prior to submission of this report.

Effect: The FFY2013 LIHEAP Household Report is not accurate.

Recommendation: We recommend that OKDHS implement procedures to ensure the proper HHS poverty guidelines are utilized in the preparation of the LIHEAP Household Report each year. Additionally, we recommend the Department revise the FFY2013 Household Report to reflect household counts according to the 2012 HHS Poverty Guidelines. Further, we recommend OKDHS review the current review process of this report to ensure all fields are checked against supporting documentation prior to submission.

Views of Responsible Official(s)

Contact Person: James Conway

Anticipated Completion Date: 8/1/15

Corrective Action Planned: Concur. AFS LIHEAP staff implemented an approval process to ensure the LIHEAP Household Report contains the proper HHS poverty guidelines. AFS will verify the approval process is adequate and request OMES ISD update the system to reflect appropriate federal poverty guideline for FFY prior to running reports necessary for completion of the household report, as necessary. The FFY13 revised version of HH report for FFY13 was submitted 12/16/13 and was accepted by HHS.

FINDING NO: 2014-003
STATE AGENCY: Oklahoma Department of Human Services

Schedule of Findings Federal Award Findings And Questioned Costs

FEDERAL AGENCY: Department of Health and Human Services
CFDA NO: 93.568
FEDERAL PROGRAM NAME: Low Income Home Energy Assistance Program
FEDERAL AWARD NUMBER: 13B1OKLIEA; 12B1OKLIEA
FEDERAL AWARD YEAR: 2013 and 2012
CONTROL CATEGORY: Reporting
QUESTIONED COSTS: \$0

Criteria: Per OMB A-133 §.300(b), OKDHS shall: “Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

Additionally, a component objective of generally accepted accounting principles is to provide accurate and reliable information.

Condition: We noted the same \$3,441,970 in LIHEAP expenditures was reported on both the FFY12 and FFY13 LIHEAP Federal Financial Reports.

Cause: Human error caused the reporting mistakes. Additionally, the report review process failed to detect the inaccuracies.

Effect: The FFY2013 and FFY2012 Federal Financial Reports are not accurate.

Recommendation: We recommend that OKDHS implement procedures to ensure financial reports are adequately reviewed prior to submission to avoid errors such as those noted above. Additionally, we recommend the FFY2012 and FFY2013 Federal Financial Reports be revised to report the correct expenditure amounts.

Views of Responsible Official(s)

Contact Person: Deena Brown

Anticipated Completion Date: August 8, 2014

Corrective Action Planned: Concur. A review was conducted with the accountant resulting in new worksheets to support expenditure reports. In addition, the importance of the review prior to submission has been stressed to the reviewer. Revised Federal Financial Reports for FFY2012 and FFY2013 were submitted on August 8, 2014.

FINDING NO: 2014-005

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.568

FEDERAL PROGRAM NAME: Low Income Home Energy Assistance Program

FEDERAL AWARD NUMBER: 13B1OKLIEA

FEDERAL AWARD YEAR: 2013

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: Per OMB A-133 Part 3 – Subrecipient Monitoring, OKDHS is responsible for:

- *Award Identification* – “At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.”
- *During Award Monitoring* – “Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

Schedule of Findings Federal Award Findings And Questioned Costs

- *Subrecipient Audits* – “(1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.”

Condition: Based on review of the FFY 2013 OKDHS weatherization contract and award letter with the Oklahoma Department of Commerce (ODOC), we noted they did not indicate the CFDA title and number, award name and number, if the award is research and development, the name of the Federal Awarding Agency, or applicable compliance requirements.

Through discussion with LIHEAP management, we noted there is no review performed by OKDHS of LIHEAP expenditures incurred by ODOC nor does OKDHS contact ODOC to ensure they are administering the award in accordance with the grant requirements. Further, OKDHS does not obtain and review ODOC’s annual A-133 audit.

Cause: Management does not appear to be aware of the subrecipient monitoring requirements.

Effect: OKDHS is not in compliance with the criteria above. Additionally, the subrecipient may not be spending federal funds in accordance with program requirements.

Recommendation: We recommend that OKDHS implement procedures to immediately inform the subrecipient of all necessary information as required by A-133 for the current awards, and ensure future subrecipient contracts or award letters contain all necessary information as required by A-133. Further, we recommend the agency require LIHEAP staff to review expenditures made by subrecipients as well as perform random on-site visits to ensure the subrecipient administers the Federal Award in compliance with laws, regulations, and the provisions of contracts or grant agreements. Lastly, we recommend the agency obtain and review the FFY 2013 A-133 audit for the subrecipient, as well as all future audits of subrecipients of the LIHEAP program.

Views of Responsible Official(s)

Contact Person: Cari Crittenden

Anticipated Completion Date: 7/1/15

Corrective Action Planned: Concur. AFS will implement procedures to ensure subrecipients are informed of all necessary information required by A-133. AFS will inform subrecipient of all necessary information required by A-133 by 7/1/15 and will also ensure that future contracts and/or award letters contain all necessary information as required by A-133 and that these award letters are provided to the CARE unit. In addition, the agreement with ODOC has been revised to include specific language naming a contract monitor as well as a review of the A-133 audit. The A-133 audit for FFY13 has also been received from the subrecipient and reviewed by appropriate DHS staff. The review of the A-133 audit concluded that all compliance aspects were met and that the independent audit firm provided a clean opinion.

FINDING NO: 2014-006

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.658, 93.778

FEDERAL PROGRAM NAME: Foster Care Title IV-E, Medical Assistance Program

FEDERAL AWARD NUMBER: Various

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Allowable Costs/Cost Principles - Random Moment Time Study

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And Questioned Costs

QUESTIONED COSTS: \$ 313,380

Criteria: 45CFR95.507(b)(8)(ii) states, “The cost allocation plan shall contain a certification by a duly authorized official of the State stating that the costs are accorded consistent treatment through the application of generally accepted accounting principles appropriate to the circumstances.”

OKDHS:2-11-60(1)(B) states, “The Finance Division oversees the collection of data necessary for allocations and distribution.”

OKDHS:2-11-60(1)(B) states, “The Finance Division uses generally accepted accounting procedures of costs as described in the cost allocation plan.

A basic objective of generally accepted accounting principles is to provide accurate and reliable information.

Condition: The Random Moment Responses by Code Report for Child Welfare Services is understated by 210 responses for the quarter ending 12/31/13.

Cause: A portion of the month of October 2013 was omitted when the Random Moment Responses by Code Report for Child Welfare Services was generated.

Effect: The cost pool 655 (Child Welfare Services) allocation percentages are inaccurate causing the amount allocated to the Foster Care and Medicaid programs to be overstated by a total of \$313,380. See program breakdown in the table below:

CFDA#	Program	Overstated/(Understated)
93.658	Foster Care	\$128,099
93.778	Medicaid	\$185,281
Total		\$313,380

Recommendation: We recommend the Department follow the established procedures to ensure response data is accurate before the data is applied to allocation schedules used to allocate costs amongst federal programs. Additionally, we recommend an adjustment be made as soon as possible to correct for this error.

Views of Responsible Official(s)

Contact Person: Deena Brown

Anticipated Completion Date: September 30, 2014

Corrective Action Planned: Concur. Although procedures exist to verify the accuracy of the RMTS schedules, the review of supporting documentation failed to detect the reports were processed from October 10th through October 31st; rather than starting on October 1st. A prior three-year trending analysis has been established, on both a monthly and quarterly basis, to verify RMTS responses to ensure accuracy of future RMTS schedules. Furthermore, a net adjustment of \$120,214.02 will be made to the Agency’s cost allocation for the quarter ending September 30, 2014, to reflect the correct allocation of costs for this time period. A copy of the adjustment has been provided to the State Auditor & Inspector’s office.

FINDING NO: 2014-015 (Repeat Finding)

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1401OKTANF

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Activities Allowed or Unallowed and Eligibility

QUESTIONED COSTS: \$ 435

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Criteria: OAC 340:65-3-1(a) states in part, “The process of determining eligibility includes the applicant filing an application, the worker certifying or denying benefits, and all subsequent activities required to receive continuous benefits...”

OAC 340:65-1-3 states in part, “...The case record is the means used by OKDHS to document the factual basis for decisions.”

OAC 340:65-1-3 Instructions to Staff states in part, “(a) Definition of Family Support Services (FSS) case records. The case record is an accumulation of material required to document a client's eligibility for and receipt of benefits. The case record includes information in physical working and history records, all imaged documents, and all electronically maintained data associated with the same case number. For legal requirements and audit purposes, the Oklahoma Department of Human Services (OKDHS) retains these records for at least three years after all benefits included in the case have expired...”

OAC 340:65-3-8(e)(1)(A) states in part, “Whether an interview is required for a benefit renewal varies depending on the program. A face-to-face interview is required for the TANF program.”

Condition: When testing 60 of 12,958 TANF cases, we noted the following:

- One case where the documentation for a TANF eligibility redetermination consisted of case notes documenting an interview conducted over the telephone. (Questioned Costs \$0)
- One case where no documentation of a TANF eligibility redetermination was found in the case file for benefits paid during SFY 2014. (Questioned Costs \$435)

Cause: In the case of the interview conducted by phone, this redetermination was not performed according to DHS policy. In the case of the redetermination that could not be located, this redetermination was either not performed or was not properly documented.

Effect: The Department is not in compliance with the above stated internal policies, which may result in ineligible individuals receiving TANF benefits.

Recommendation: We recommend the Department follow policy and complete eligibility redeterminations and document those redeterminations for TANF recipients as required. Also, we recommend the Department ensure that the redetermination documentation is maintained in the case records.

Views of Responsible Official(s)

Contact Person: Paulette Bushers, TANF Program Manager

Anticipated Completion Date: 03/10/15

Corrective Action Planned: Concur. The appropriate Deputy and County Director has been advised of the error on this case. A TANF “Back-to-Basics” training emphasizing existing policy for redetermination procedures was held within the respective county offices. The trainings were held on 3/9/15 in Hughes County and 3/10/15 in Oklahoma County, office 55C.

FINDING NO: 2014-016 (Repeat Finding)

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1401OKTANF

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$ 0

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Criteria: Form ACF-204 Instructions for Line 8 state: “Total number of families served under the program with MOE funds. Enter the number of eligible families that are receiving the benefit(s) or service(s) named in line 1 that are funded in whole or in part with State MOE funds. States may use reasonable estimates that have a sound basis where actual numbers are not available. This may include estimates based on samples. Also, put an “X” on the appropriate line to indicate whether the number being provided is a report on the average monthly number of families being served or on the total number served over the course of the fiscal year. States would report in this manner even if the State used MOE funds that were commingled with Federal TANF funds to pay for the service. Hence, the State would not allocate the total number of families according to the percentage of MOE funds that have been commingled with TANF funds. For example, suppose the State used commingled funds to pay for non-compulsory pre-k services. Two hundred (200) eligible families received this benefit over the course of the fiscal year. The commingled funds are comprised of 80% Federal TANF funds and 20% MOE funds. The State would report 200 eligible families in this item, not 40. The State must report all eligible families that were provided the benefit or service, even if just one or two members of the eligible family actually received the benefit.”

Condition: The TANF Child Care Assistance average monthly total number of families served under the program with MOE funds (line 8.b) as reported on the ACF-204 report does not agree with supporting documentation.

Cause: The figure reported on line 8.b of the ACF-204 was not adequately reviewed for accuracy prior to submission.

Effect: The Department may not be in compliance with the above instructions, which may result in applicable MOE penalties.

Recommendation: We recommend the Department establish and implement procedures to ensure the ACF-204 report is prepared in accordance with reporting instructions, amounts used to prepare the report are adequately supported, and the report is adequately reviewed for accuracy prior to submission.

Views of Responsible Official(s)

Contact Person: Paulette Bushers, TANF Program Manager

Anticipated Completion Date: 03/02/15

Corrective Action Planned: Concur. Supporting documentation had the correct number of children served in child care; however, there was a typographical error when transferring the information into the ACF 204 attachment form. The existing review procedures will be emphasized in the future. The correction has been made and re-submitted into OLDC on 03/02/15.

FINDING NO: 2014-017 (Repeat Finding)

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1401OKTANF

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Special Tests and Provisions – Child Support Non-Cooperation

QUESTIONED COSTS: \$ 0

Criteria: 45 CFR Sec. 264.30 states “(a)(1) The State agency must refer all appropriate individuals in the family of a child, for whom paternity has not been established or for whom a child support order needs to be established, modified or enforced, to the child support enforcement agency (i.e., the IV-D agency). (2) Referred individuals must cooperate in establishing paternity and in establishing, modifying, or enforcing a support order with respect to the child. (b) If the IV-D agency determines that an individual is not cooperating, and the individual does not qualify for a good cause or other exception established by the State agency responsible for making good cause

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determinations in accordance with section 454(29) of the Act or for a good cause domestic violence waiver granted in accordance with § 260.52 of this chapter, then the IV-D agency must notify the IV-A agency promptly. (c) The IV-A agency must then take appropriate action by: (1) Deducting from the assistance that would otherwise be provided to the family of the individual an amount equal to not less than 25 percent of the amount of such assistance; or (2) Denying the family any assistance under the program.”

OAC 340:65-1-3 states in part, “...The case record is the means used by the Agency to document the factual basis for decisions.”

OAC 340:65-1-3 Instructions to Staff states in part, “(a) Definition of Family Support Services (FSS) case records. The case record is an accumulation of material required to document a client's eligibility for and receipt of benefits. The case record includes information in physical working and history records, all imaged documents, and all electronically maintained data associated with the same case number. For legal requirements and audit purposes, the Oklahoma Department of Human Services (OKDHS) retains these records for at least three years after all benefits included in the case have expired...”

OAC 340:10-10-5(a) states in part, “As a condition of eligibility, when the reason for deprivation is absence, each applicant or recipient of Temporary Assistance for Needy Families (TANF) must assign to the Oklahoma Department of Human Services (OKDHS) any support rights, including cash medical, that is pending or continuing for any family member included in the assistance unit. Failure to assign support rights makes the assistance unit ineligible for TANF.”

OAC 340:10-10-5(b) states in part, “As a condition of eligibility for TANF, each applicant or recipient must cooperate with OKDHS in obtaining support for each child of the individual. Failure of the applicant or recipient to cooperate without good cause may be indicated either during the intake interview or at any time further action by the recipient is necessary.”

Condition: When testing 60 of 12,958 cases, we noted one case where no documentation could be found in the case file requiring the applicant to cooperate with the State in obtaining child support or requiring the applicant to assign the support rights to the State for benefits paid during SFY 2014.

Cause: The TANF applicant was either not required to cooperate with the State concerning child support or the applicant's cooperation was not properly documented.

Effect: The Department may not be in compliance with the above stated internal policies, which may result in ineligible individuals receiving TANF benefits.

Recommendation: We recommend the Department follow policy and document the applicant's cooperation with the State concerning child support. Also, we recommend the Department ensure that the documentation is maintained in the case records.

Views of Responsible Official(s)

Contact Person: Paulette Bushers, TANF Program Manager

Anticipated Completion Date: April, 2015

Corrective Action Planned: Concur. The Deputy Director and County Director have been notified of the error on the case in question. AFS staff will review policy and procedures regarding TANF reviews, proper forms to be imaged into the case file and emphasis placed on documenting the discussion of required cooperation with child support services.

FINDING NO: 2014-019 (Repeat Finding)

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

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FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families
FEDERAL AWARD NUMBER: G1401OKTANF
FEDERAL AWARD YEAR: 2014
CONTROL CATEGORY: Special Tests and Provisions – Income Eligibility and Verification System
QUESTIONED COSTS: \$ 0

Criteria: Each State is required to participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. The State is required to review and compare the information obtained from each data exchange against information contained in the case record to determine whether it affects the individual's eligibility or level of assistance, benefits or services under the TANF program.

DHS Policy 340:65-3-4 (4) (A) states in part, "The worker is responsible for reviewing data exchange information at the time of application and review of eligibility."

Condition: When testing 60 of 12,958 cases, we noted eight cases in which no income verification documentation was found for the time period tested.

Cause: The initial verification of income is a manual process performed by the social worker. This process was either omitted or not documented when determining eligibility.

Effect: The income used to determine a TANF applicant's eligibility may not be accurate which could allow for an ineligible recipient to receive benefits.

Recommendation: We recommend the Department emphasize to staff the importance of maintaining documentation to support income verification through data exchange to ensure the TANF applicant's eligibility is adequately documented.

Views of Responsible Official(s)

Contact Person: Paulette Bushers, TANF Program Manager

Anticipated Completion Date: April, 2015

Corrective Action Planned: Concur. The Deputy Directors for each Region as well as the County Directors for each county with cases in error are being advised of the error on the cases. AFS will perform a Back-to-Basics trainings for all TANF Supervisors and Workers to stress the importance of existing policy and procedures regarding reviewing the ACES screens (IEVS), information that should be imaged into the case file, and proper documentation of this action in case notes.

FINDING NO: 2014-020 (Repeat Finding)
STATE AGENCY: Department of Human Services
FEDERAL AGENCY: Department of Health and Human Services
CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families
FEDERAL AWARD NUMBER: G1401OKTANF
FEDERAL AWARD YEAR: 2014
CONTROL CATEGORY: Special Tests and Provisions – Income Eligibility and Verification System
QUESTIONED COSTS: \$0

Criteria: Each State is required to participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. The State is required to review and compare the information obtained from each data exchange against information contained in the case record to determine whether it affects the individual's eligibility or level of assistance, benefits or services under the TANF program.

DHS Policy OAC 340:65-3-4-4 (C) states, "Automated data exchange with other agencies provides benefit, wage, tax information, and verification of Social Security numbers. The information obtained is electronically

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compared with data stored within OKDHS electronic records to determine if there are discrepancies that need to be addressed. Automated data exchange information is also available within the OKDHS system to determine discrepancies. The worker is responsible for: (C) resolving data exchange discrepancy messages within 45 calendar days of the date the message is posted on the data exchange inquiry screen.”

Condition: We performed testwork on the SFY 2014 G1DX Exception and Clearance Reports. We noted the following:

ERROR TYPE	OPEN & RESOLVED G1DX EXCEPTIONS OVER 45 DAYS	TOTAL OPEN & RESOLVED G1DX EXCEPTIONS	% OF EXCEPTIONS OVER 45 DAYS
BEN	3,252	24,283	13.39%
IEV	0	0	0%
OWG	2,728	25,744	10.60%
SDX	8,312	97,683	8.51%
SNH	6,437	53,784	11.97%
UIB	949	9,687	9.80%
TOTAL	21,678	211,181	10.27%

Cause: The discrepancies were not cleared within the allowable 45 days per OKDHS policy due to an inadequate number of personnel assigned these duties.

Effect: The Department may not be in compliance with the above stated requirement, which may result in ineligible individuals receiving TANF benefits.

Recommendation: We recommend the Department utilize the monitoring reports created for the G1DX discrepancies that summarize these discrepancies by worker, supervisor, county and area. These reports allow management to monitor not only the type of discrepancy and length of days outstanding, but also to distinguish who is responsible for clearing the discrepancy within the 45 days allowed under current OKDHS policy.

Views of Responsible Official(s)

Contact Person: James Conway

Anticipated Completion Date: July 1, 2015

Corrective Action Planned: Concur. Data exchange is required to be utilized whenever action is taken on a case and when a discrepancy is identified through automated data comparison. DHS has been working with competing priorities to ensure benefit delivery to eligible citizens within federally mandated timeliness guidelines. Although the stated goal for discrepancy clearance is 45 days, federal policy does allow for leeway when secondary verification is required. With the focus on timely benefit actions DHS has achieved a success rate of over 89 percent. Of the discrepancies cleared in SFY14 only 20 percent impacted eligibility, and for the subset of untimely clearances only 12 percent impacted eligibility. Adult and Family Services has dedicated resources for 2015 to automate discrepancy data gathering on self-service cases and will continue to work on projects that may allow staff to focus more on discrepancy clearance. AFS will provide an electronic update prior to July 1, 2015, to management staff to remind them of the data discrepancy process.

FINDING NO: 2014-021

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

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FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families
FEDERAL AWARD NUMBER: G1401OKTANF
FEDERAL AWARD YEAR: 2014
CONTROL CATEGORY: Special Tests and Provisions – Income Eligibility and Verification System
QUESTIONED COSTS: \$0

Criteria: Each State is required to participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. The State is required to review and compare the information obtained from each data exchange against information contained in the case record to determine whether it affects the individual’s eligibility or level of assistance, benefits or services under the TANF program.

DHS Policy OAC 340:65-3-4-4 (C) states in part, “Automated data exchange with other agencies provides benefit, wage, tax information, and verification of Social Security numbers. The information obtained is electronically compared with data stored within OKDHS electronic records to determine if there are discrepancies that need to be addressed.”

Condition: During testing of 5 of the 17 IEVS data exchange jobs, we noted 3 of the jobs were not run as scheduled. See below:

DATA EXCHANGE JOB/TRANSMISSION JOB	OWNER	FREQUENCY	DEVIATION FROM SCHEDULED FREQUENCY
CSCRSDMR/CN754D	OTC	Daily	12/17/13 through 01/02/14
BNDXXMT/CB397MX	SSA	Monthly	November 2013
CB060M	IRS	Monthly	August 2013 through June 2014

Cause: Lack of oversight in maintaining the IEVS processes to support income verification through data exchange.

Effect: The Department may not be in compliance with the above stated requirement, which may result in ineligible individuals receiving TANF benefits.

Recommendation: We recommend the Department emphasize to staff the importance of maintaining the IEVS processes to support income verification through data exchange to ensure ineligible individuals do not receive TANF benefits.

Views of Responsible Official(s)

Contact Person: James Conway

Anticipated Completion Date: July 1, 2015

Corrective Action Planned: Concur. Due to communication and equipment failure by OMES-ISD staff the IRS process did not meet the frequency requirements. However, AFS has discussed the incidents with OMES-ISD Executive Staff and effective immediately OMES staff will notify AFS staff immediately of any IEVS data exchange job failure. In regards to the OTC and SSA jobs; a notice is issued to DHS, by the respective agency, notifying DHS staff of a moratorium action. The jobs in question were not run for the time frame in question. In response, AFS staff will emphasize to staff the importance of maintaining the IEVS process to support income verification through data exchange to ensure ineligible individuals do not receive TANF benefits.

FINDING NO: 2014-022 (Repeat Finding)

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.568

FEDERAL PROGRAM NAME: Low-Income Home Energy Assistance Program (LIHEAP)

Schedule of Findings

Federal Award Findings And Questioned Costs

FEDERAL AWARD NUMBER: 2013G992201 (Cooling); 2014G992201 (Heating/ECAP)

FEDERAL AWARD YEAR: 2013/2014

CONTROL CATEGORY: Activities Allowed/Unallowed, Allowable Costs/Cost Principles, Eligibility

QUESTIONED COSTS: \$2,232

Criteria: Per 45 CFR § 96.30(a), “Except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.”

Per OMB A-133 §.300, “The auditee shall... (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs [and] (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.”

Per OAC 340:20-1-17(e)(2), (3) and (4), an ECAP eligible household is one such that “(2) Household service was discontinued or terminated by the energy supplier, or the household received: (A) notice of scheduled cut-off within 72 hours; (B) notice of refusal to provide additional energy needs by the supplier when supply of fuel will be depleted within 72 hours or less; or (C) information regarding fee for a new connection. (3) The household must have experienced a precipitating factor that caused the household to choose between paying the energy bill and another vital household need. Acceptable factors preventing payment of the energy bill include but are not limited to, situations causing the household to make a choice between paying the energy bill and: (A) purchasing sufficient food for the household; (B) paying for emergency situations such as medical expenses and disaster recovery; or (C) providing clothing for children in the household. (4) The worker must verify the energy crisis need cannot be met by available income and liquid resources...”

Per OAC 340:65-1-3, “The case record is the means used by OKDHS to document the factual basis for decisions.”

Per OAC 340:20-1-11, “All gross earned and unearned income, except for those income sources shown in (b) of this Section, received by the household is considered in determining financial eligibility. Eligible households must meet the income standard less the earned income deduction as shown on Oklahoma Department of Human Services (OKDHS) Appendix C-7, Low Income Home Energy Assistance Program Income and Resource Level by Household Size.”

Per OAC 340:20-1-12 (6), “In order to ensure that payments are made to the correct energy supplier for gas and electricity, the household must provide the account name and number for the appropriate utility bill. For households using gas or electricity, it is necessary to see the household's most recent paid or unpaid bill or to obtain verification from the utility supplier.” Additionally, Instructions to Staff 340:20-1-12 (2) state, “A copy of the bill is filed or imaged in the case record, or verification from the energy supplier is recorded in the case record.”

According to the LIHEAP Training Packet, “A LIHEAP Checklist for Walk-In Applications must be completed for all households without issuing SNAP, TANF, or SSP benefits as income must be verified for these households.”

A basic objective of generally accepted accounting principles is to provide accurate and reliable information. Further, an effective internal control system provides for proper record retention to ensure that all information and transactions are accurately recorded and retained.

Condition: We observed the following during testing of 60 benefit payments:

Schedule of Findings Federal Award Findings And Questioned Costs

- Two instances where the ECAP case record did not contain the required crisis documentation. (Questioned Costs: \$327)
- Two instances where the case files could not be located for testing. (Questioned Costs: \$1,138)
- Three instances where verification of household income was not properly documented through the use of the LIHEAP Walk-In Checklist or any other method. (Questioned Costs: \$0)
- Two instances where an energy bill was not obtained to support the payment. (Questioned Costs: \$0)
- Five instances where the application documentation and support did not coincide with the benefit authorization details (household sizes did not match, income levels didn't match) therefore we could not establish that a proper determination had been made. (Questioned Costs: \$767)

Cause: Case records are not being adequately documented to support the determinations made.

Effect: The State may be paying ineligible recipients and/or incorrect benefit amounts to recipients. Additionally, benefit payments may be issued for unallowable costs and activities. These conditions may prevent the State from meeting LIHEAP program objectives.

Recommendation: We recommend OKDHS implement procedures to ensure that LIHEAP eligibility is adequately documented and properly maintained in the case record. Additionally, we recommend OKDHS provide training to LIHEAP employees stressing the importance of adequate documentation of determinations made.

Views of Responsible Official(s)

Contact Person: Cari Crittenden

Anticipated Completion Date: 7/1/15

Corrective Action Planned:

Bullet 1: Partially Concur. AFS LIHEAP reviewed both cases in question and concur that one instance is correct. However, AFS LIHEAP staff reviewed case H068611 and do not concur. The caseworker provided notes on the application that verify a crisis was established when the vendor was contacted and benefits were calculated. AFS LIHEAP staff updated the application as of July 2014 to include a statement to ensure the crisis is clearly documented. Instructions to staff regarding proper documentation of eligibility are provided with processing instructions prior to each program. In addition, AFS LIHEAP will emphasize the importance of adequate documentation and provide separate instructions to county directors prior to LIHEAP open application periods.

Concur. Bullets 2, 3, 4, 5. AFS LIHEAP will continue to emphasize existing procedures to staff regarding proper documentation of eligibility documentation prior to LIHEAP open application periods. In addition, AFS LIHEAP staff will provide separate instructions to county directors prior to LIHEAP open application periods.

Auditor Response:

Bullet 1: We reviewed the notes on the application made by the caseworker for case H068611. The notes consisted of a price quote from the vendor. We do not feel this is adequate documentation to establish that the household was experiencing a crisis situation making them eligible for ECAP benefits.

FINDING NO: 2014-027

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.575, 93.596

FEDERAL PROGRAM NAME: Child Care and Development Fund

FEDERAL AWARD NUMBER: 1301OKCCDF and 1401OKCCDF

FEDERAL AWARD YEAR: 2013 and 2014

CONTROL CATEGORY: Health and Safety Requirements

QUESTIONED COSTS: \$0

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Federal Award Findings

And Questioned Costs

Criteria: CFR 45 §98.41 Health and safety requirements states, in part, “(a) Although the Act specifically states it does not require the establishment of any new or additional requirements if existing requirements comply with the requirements of the statute, each Lead Agency shall certify that there are in effect, within the State (or other area served by the Lead Agency), under State, local or tribal law, requirements designed to protect the health and safety of children that are applicable to child care providers of services for which assistance is provided under this part. Such requirements shall include:

- (1) The prevention and control of infectious diseases (including immunizations).
- (2) Building and physical premises safety; and
- (3) Minimum health and safety training appropriate to the provider setting.”

OAC 340:110-1-9 (a) Periodic monitoring visits states, “The Oklahoma Child Care Services (OCCS) licensing staff makes a minimum of three unannounced monitoring visits to facilities that operate a full-year program and two unannounced monitoring visits annually to facilities that operate less than a full year.”

OAC 340:110-3-11(a)(8) states in part, “Ongoing approvals by fire and health are required every two years.”

OAC 340:110-1-9 (b) states, “Ongoing monitoring: During monitoring visits, the licensing staff observes the entire facility, including outdoor play space and vehicles used for transportation, if available. At or subsequent to each visit, licensing staff checks:

- (1) compliance with licensing regulations;
- (2) records for new staff including staff sheets and compliance with background investigations per OAC 340:110-1-8.1;
- (3) staff training records;
- (4) Oklahoma Department of Human Services (OKDHS) computer checks on applicable persons per OAC 340:110-1-8.1;
- (5) fire and health inspections within the last 24 months, if applicable;
- (6) Form 07LC092E, Insurance Verification, within the last 12 months, or posting of Form 07LC093E, Insurance Exception Notification; and
- (7) other documentation requiring renewal.”

Instructions to Staff OAC 340:110-1-9(3) states, “Licensing staff:(1) documents observations and discussions on the appropriate monitoring report, enters the information from the monitoring report onto the licensing database, provides copies of the monitoring report within five business days to the facility's owner/operator and files the original in the facility's file in the local Oklahoma Department of Human Services (OKDHS) office.”

In regard to centers, OAC 340:110-1-4.1 (2) states in part, "07LC003E, Monitoring Report - Child Care Center. Form 07LC003E is used by licensing staff to document compliance with requirements during a monitoring visit at a child care center and record any other information obtained.”

In regard to homes, OAC 340:110-1-4.1 (10) states in part, "(10) 07LC014E, Monitoring Report - Family Child Care Home. Form 07LC014E is used to document compliance with requirements during a monitoring visit to a family child care home and record other information obtained.”

A basic objective of generally accepted accounting principles is to provide accurate and reliable information. Further, an effective internal control system provides for proper record retention to ensure that all information and transactions are accurately recorded and retained.

Condition: We noted the following during testing of 60 of 2,109 daycare centers and homes:

- 3 centers where the health inspector visits were not up to date
- 33 centers/homes where we could not determine that monitoring checklists were adequately documented in relation to compliance with the health and safety requirements

In addition, we noted the monitoring visit tracking methods in place vary greatly amongst workers and/or locations. The system generated tracking mechanism is not being incorporated into the tracking process at times.

Schedule of Findings Federal Award Findings And Questioned Costs

Cause: Monitoring visits are not being adequately documented. Additionally, required health inspector visits were not performed in some instances.

Effect: The agency may not be in compliance with the above stated requirements. Additionally, if health and safety requirements are not met at each home/center, children in these facilities are at risk for illness and injury. Further, the lack of a required comparison back to the system tracking reports could potentially result in a facility not being monitored appropriately.

Recommendation: We recommend the agency implement procedures to ensure all monitoring visits are documented in a manner that clearly conveys the compliance determination of all requirements for the facility. In addition, we recommend training be provided to all monitoring staff to ensure all monitoring visits are performed in a consistent manner and are adequately documented. Further, we recommend the importance of the use of the system tracking report be emphasized to all staff.

Views of Responsible Official(s)

Contact Person: Lesli Blazer

Anticipated Completion Date: September 2014/December 2015

Corrective Action Planned:

Bullet 1: Concur. Child Care staff is responsible for requesting the review of the facility by the Health Inspector. An inconsistency was found in the reporting system for Health Inspection requests that made the system inoperable; however, the inconsistency has been corrected as of September 2014 and all Health Inspection visits are now being requested timely.

Bullet 2: Do not concur. Based on documentation provided to the State Auditor & Inspector it appears CCS staff followed existing DHS policy, 340:110-1-9, when completing the monitoring checklists. In addition CCS staff complete rigorous training to ensure the monitoring visits and checklists are completed according to DHS policy.

To help prevent future audit findings, the State Auditor & Inspector has recommended that a statement be added to the monitoring checklist stating all areas not indicated with a non-compliance checkmark were monitored and found to be compliant at the monitoring visit. CCS staff has agreed to modify the form, even though CCS staff feels the existing process complies with existing DHS policy.

FINDING NO: 2014-029

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.575, 93.596

FEDERAL PROGRAM NAME: Child Care and Development Fund

FEDERAL AWARD NUMBER: 1301OKCCDF and 1401OKCCDF

FEDERAL AWARD YEAR: 2013 and 2014

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility

QUESTIONED COSTS: \$467

Criteria: OAC 340:65-3-1(a) states in part, "The process of determining eligibility includes the applicant filing an application, the worker certifying or denying benefits, and all subsequent activities required to receive continuous benefits..."

OAC 340:65-1-3 states in part, "...The case record is the means used by OKDHS to document the factual basis for decisions."

Condition: During testing of 60 of 60,741 CCDF cases we noted one case where we were unable to determine if the parent was working and therefore we were unable to determine if the participant was truly eligible. (Questioned Costs \$467)

Schedule of Findings Federal Award Findings And Questioned Costs

Cause: The CCDF eligibility determination was not properly documented to ensure eligibility.

Effect: The Agency may not be in compliance with the above stated internal policies, which may result in ineligible individuals receiving CCDF benefits.

Recommendation: We recommend the Agency follow policy and complete eligibility determinations and document these determinations for CCDF recipients as required, along with receiving all documentation needed for determinations.

Views of Responsible Official(s)

Contact Person: Charles Pruett, AFS Child Care Subsidy

Anticipated Completion Date: March 1, 2015

Corrective Action Planned: Concur. County staff will be asked to review existing Child Care Subsidy eligibility policy and procedures regarding the application process and documentation needed to ensure proper eligibility determinations are made. AFS staff contacted the employer of the case in question, on February 24, 2015 and verified the client was employed there during the months of August and September 2013. Therefore, no overpayment was incurred as a result of this finding.

FINDING NO: 2014-030 (Repeat Finding)

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.568

FEDERAL PROGRAM NAME: Low-Income Home Energy Assistance Program

FEDERAL AWARD NUMBER: 2013G992201(Cooling), 2014G992201 (Heating)

FEDERAL AWARD YEAR: 2013 (Cooling), 2014 (Heating)

CONTROL CATEGORY: Activities Allowed or Unallowed; Eligibility

QUESTIONED COSTS: \$959

Criteria: Per OAC 340:20-1-10(c)(3), "There is one authorization for heating or cooling assistance per household."

Condition: 7 of the 60 duplicate addresses sampled appear to have received multiple payments of a given benefit type (heating or cooling) for the household.

Cause: There are no system edits in place to ensure the same address cannot receive multiple benefits.

Effect: Households may be receiving benefits in excess of allowable amounts.

Recommendation: We recommend that OKDHS implement system edits to ensure the same address cannot receive duplicate LIHEAP benefits.

Views of Responsible Official(s)

Contact Person: Cari Crittenden

Anticipated Completion Date: 7/1/2015

Corrective Action Planned: Concur. The edit message currently in place acts as a warning intended to prompt county staff to verify address and household composition prior to completing authorization. The reduction in duplicates from the prior year audit indicates the edit message has been effective. However, it is clear additional instructions for documenting and investigating the eligibility of households sharing one address need to be provided to staff prior to each program. These instructions will be provided to the county director's and emphasis will be made to the existing instructions to staff.

FINDING NO: 2013-031

STATE AGENCY: Oklahoma Department of Human Services

Schedule of Findings Federal Award Findings And Questioned Costs

FEDERAL AGENCY: Department of Health and Human Services
CFDA NO: 93.568
FEDERAL PROGRAM NAME: Low-Income Home Energy Assistance Program
FEDERAL AWARD NUMBER: 2013G992201(Cooling), 2014G992201 (ECAP & Heating)
FEDERAL AWARD YEAR: 2013 (Cooling), 2014 (ECAP & Heating)
CONTROL CATEGORY: Activities Allowed or Unallowed; Eligibility
QUESTIONED COSTS: \$1,333

Criteria: Per OAC 340:20-1-11, “(a) Income. All gross earned and unearned income, except for those income sources shown in (b) of this Section, received by the household is considered in determining financial eligibility. Eligible households must meet the income standard less the earned income deduction as shown on Oklahoma Department of Human Services Appendix C-7, Low Income Home Energy Assistance Program Income and Resource Level by Household Size.”

Condition: When testing LIHEAP benefit payments, we noted the following:

- 6 of 133 LIHEAP benefit payments made to OKDHS employees appear to be inappropriate because the employee’s income was greater than the allowable income level per Appendix C-7.
- 1 of 133 LIHEAP benefit payments made to an OKDHS employee appears to be inappropriate because the benefit was preauthorized based on an income level that was a year old (utilized July 2012 income for a July 2013 benefit payment). This worker had been an OKDHS employee since February 2013 and therefore, more recent income information should have been utilized.

Cause: The income reported at the time of authorization was less than the net income per OKDHS payroll records.

Effect: OKDHS employees may be receiving benefits that they are not eligible to receive.

Recommendation: We recommend that OKDHS implement procedures to ensure any LIHEAP benefit issued to an OKDHS employee has been reviewed by a supervisor to ensure the applicant is truly eligible.

Views of Responsible Official(s)

Contact Person: Cari Crittenden

Anticipated Completion Date: 3/24/2015

Corrective Action Planned: Concur. AFS LIHEAP staff will implement procedures to require all LIHEAP applications received from DHS employees include supervisory review prior to processing. In addition, instructions regarding documentation of eligibility determination will be provided to AFS LIHEAP staff prior to each application period.

FINDING NO: 2014-038
STATE AGENCY: Department of Human Services
FEDERAL AGENCY: Department of Health and Human Services
CFDA NO: 93.658
FEDERAL PROGRAM NAME: Foster Care – Title IV-E
FEDERAL AWARD NUMBER: 1301OK1401 and 1401OK1401
FEDERAL AWARD YEAR: 2013 and 2014
CONTROL CATEGORY: Allowable Costs/Cost Principles
QUESTIONED COSTS: \$249,309

Criteria: 2 CFR §225 Appendix A E.2.a. states in part, “a direct cost chargeable to Federal awards is compensation of employees for the time devoted and identified specifically to the performance of those awards.”

OKDHS:2-11-60(1) (C) states, “The Finance division uses generally accepted accounting procedures of costs as described in the cost allocation plan.”

Schedule of Findings Federal Award Findings And Questioned Costs

Public Assistance Cost Allocation Plan Section 7 A.1. states in part, “Although employees charged to a direct cost are not distributed to another cost, it is germane to this section to include employees dedicated to a single federal program and identified in finance locations allocated to direct cost pool 3XX.”

Condition: Employee compensation for employees not dedicated solely to the Foster Care program was incorrectly charged as a direct cost to direct cost pool 306 for a portion of SFY 2014.

Cause: The location description was not adequately reviewed to correctly assign employee compensation to the appropriate cost pool.

Effect: Indirect costs were charged as direct costs to the Foster Care program.

Recommendation: We recommend the Department follow policy and procedures in place to ensure costs are assigned to appropriate cost pools. We also recommend an adjustment be made to correct the above condition.

Views of Responsible Official(s)

Contact Person: Deena Brown

Anticipated Completion Date: 7/1/15

Corrective Action Planned: Partially concur. The CARE Unit has an existing approved cost pool and allocation methodology for allocating the costs of Child Welfare Services’ custody specialist staff between both the Title IV-E Foster Care and Medicaid programs. An adjustment has not been made for the quarters ending September 30, 2013, and December 31, 2013, which would have allocated custody specialist costs between these programs. However, based on review of the federal financial participation, the reimbursement rate was identical for both cost pools in question. Therefore, the CARE unit does not feel that the questioned costs should apply. The State Auditor & Inspector has been provided documentation of the March 31, 2015 adjustment.

Office of Management and Enterprise Services

FINDING NO: 2014-054 (Repeat Finding)

STATE AGENCY: Office of Management and Enterprise Services

FEDERAL AGENCY: Department of Commerce

CFDA NO: 11.557

FEDERAL PROGRAM NAME: Broadband Technology Opportunities Program (BTOP), Recovery Act

FEDERAL AWARD NUMBER: NT10BIX5570113

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Subrecipient Monitoring (M) and Special Tests and Provisions (R3) – Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 31USC7502(f)(2) states in part, “ Each pass-through entity shall -- (A) provide such subrecipient the program names (and any identifying numbers) from which such assistance is derived, and the Federal requirements which govern the use of such awards and the requirements of this chapter; (B) monitor the subrecipient's use of Federal awards through site visits, limited scope audits, or other means; (C) review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to Federal awards provided to the subrecipient by the pass-through entity.”

2 CFR § 176.210(c) states, “Recipients agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of Recovery Act funds. When a recipient awards Recovery Act funds for an existing program, the information furnished to subrecipients shall distinguish the subawards of incremental Recovery Act funds from regular subawards under the existing program.”

Schedule of Findings Federal Award Findings And Questioned Costs

The Oklahoma Community Anchor Network (OCAN) Project Subrecipient Monitoring Program, states that, “OMES monitors subrecipients to ensure they require contractors and vendors to conform with the Davis Bacon grant requirement.”

Condition: OMES did not separately identify to each subrecipient, and document at the time of disbursement of funds, the Federal award number, CFDA number, and the amount of Recovery Act or ARRA funds.

Additionally, OMES did not perform any subrecipient monitoring functions during the year to ensure subrecipients were complying with the Davis Bacon compliance requirement.

Cause: It appears that OMES has not instituted sufficient policies, procedures, and/or controls to ensure that the requirements of subrecipient monitoring are met.

Effect: OMES is not in compliance with the above noted subrecipient monitoring requirements.

Recommendation: We recommend that OMES implement policies, procedures and controls to ensure that all requirements for subrecipient monitoring are met.

Views of Responsible Official(s)

Contact Person: Cathy Menefee, Chief Financial Officer, Information Services Division

Anticipated Completion Date: 3/25/15

Corrective Action Planned: We concur with the finding as presented.

Auditor Response: We did not obtain a corrective action plan to be presented by OMES because the program has been completed; therefore, no corrective action is necessary for the finding presented.

Department of Rehabilitation Services

FINDING NO: 2014-041

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Rehabilitation Services – Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A130053 and H126A140053

FEDERAL AWARD YEAR: 2013 and 2014

CONTROL CATEGORY: Reporting – Schedule of Expenditures of Federal Awards (SEFA)

Criteria: A component objective of an effective internal control system is to ensure accurate and reliable information through a proper review and approval process.

Condition: On the original submission of the Fiscal Year 2014 SEFA, Federal cash basis expenditures included expenditures in the amount of \$12,330,551 that were funded by state matching funds. These expenditures were also reported as state matching funds on the SEFA.

Cause: It appears there is insufficient review and approval of the SEFA prior to submission.

Effect: The Federal cash basis expenditures on the SEFA were overstated.

Recommendation: We recommend the Department review current procedures to determine where the breakdown in internal controls occurred and develop and implement procedures to ensure accuracy and proper review of the SEFA prior to submission.

Schedule of Findings Federal Award Findings And Questioned Costs

Views of Responsible Official(s)

Contact Person: Cheri Warren

Anticipated Completion Date: 11/25/14

Corrective Action Planned: Procedures were reviewed and it was determined that the new reporting process directly linked to the financial report and draw records that was developed for recording expenditures, drawing funds, and reporting will provide a more clear delineation of state funds versus federal funds expended. Due to the new format, summary spreadsheets for reporting, and review by the CFO, we believe this internal control issue is resolved, and we are confident of the accuracy of future SEFA reporting.

FINDING NO: 2014-045

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Rehabilitation Services – Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A-130053, H126A-140053

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$0

Criteria: According to The Rehabilitation Act of 1973, the State VR Agency must determine whether an individual is eligible for Vocational Rehabilitation services within a reasonable period of time, not to exceed 60 days, unless the State and the individual agree to a specific extension of time, or the State is exploring the individual's abilities, capabilities, and capacity to perform in work situations.

Condition: In seven (7) of 72 cases tested (9.7%), eligibility was not determined within 60 days of the application date, and there was no evidence of an extension.

Cause: The Department has not implemented adequate internal controls to ensure eligibility is determined within 60 days of the application date.

Effect: Failure to ensure timely eligibility determinations could result in unnecessary delays in client services.

Recommendation: We recommend management review current internal controls in place to determine where improvements can be made to ensure that eligibility is determined within 60 days of the application date.

Views of Responsible Official(s)

Contact Person: Mark Kinnison

Anticipated Completion Date: April 3, 2015

Corrective Action Planned: VR has already increased the focus with staff on reducing the time to determine eligibility. There are adequate controls in place for the AWARE system to monitor case deadlines through automated case "to do" notification process. Better employment of case system reminders and proper case documentation is a constant topic with staff and supervisors. These findings will be a topic for discussion at the next program manager meeting in April to review the issues raised in this finding.

Department of Transportation

FINDING NO: 2014-002

STATE AGENCY: Oklahoma Department of Transportation (the Department)

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Rural Areas

FEDERAL AWARD NUMBER: OK-18-X085-00

Schedule of Findings Federal Award Findings And Questioned Costs

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Reporting: Federal Funding Accountability and Transparency Act (FFATA)

QUESTIONED COSTS: \$0

Criteria: Per OMB A-133 § __.300(b), the auditee shall: “Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

2 CFR § 170, Appendix A, I.a.1. states in part, “you must report each action that obligates \$25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111–5) for a subaward to an entity.”

2 CFR § 170, Appendix A, I.a.2.ii. states, “For subaward information, report no later than the end of the month following the month in which the obligation was made.”

Condition: Of eighteen subawards qualifying for reporting under grant number OK-18-X085-00, two subawards, in the amount of \$262,279.00, were reported seven months late and sixteen subawards, in the amount of \$13,121,679, were not reported.

Cause: The Department’s Transit Programs Division (TPD) has experienced significant employee turnover. The Department does not have a proper review and approval process in place to ensure completion and timely submission of the FFATA report.

Effect: The Department’s FFATA reports were not complete and timely submitted.

Recommendation: We recommend the Department develop, document, and execute internal controls to ensure the FFATA report is complete, accurate, properly supported, and timely submitted. These internal controls should provide for a detailed review and approval of the FFATA report prior to submission by an individual, other than the preparer, with adequate knowledge of the grant subawards.

Views of Responsible Official(s)

Contact Person: Ernestine Mbroh

Anticipated Completion Date: Completed

Corrective Action Planned: The Department concurs with this finding and corrective measures and internal controls have been implemented effective June 2014. A FFATA form containing required reporting information has been developed and incorporated into TPD’s contracting process. An assigned TPD Project Manager (PM) completes the forms for projects within reporting threshold during the final stages of the contracting process when Subrecipient funding is established. The completed form is attached to the corresponding contract agreement and submitted to TPD’s Administrative Programs Officer (APO) for review. Upon review, the APO forwards the documents to the assigned Comptroller Division representative for entry into the FAFATA reporting database. Incorporating FFATA reports with the agreement process eliminates the potential for late and inaccurate reporting.

FINDING NO: 2014-007 (Repeat Finding)

STATE AGENCY: Oklahoma Department of Transportation (the Department)

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Rural Areas

FEDERAL AWARD NUMBER: OK-18-X070-00

FEDERAL AWARD YEAR: 2013

CONTROL CATEGORY: Reporting: Special Report

QUESTIONED COSTS: \$0

Schedule of Findings Federal Award Findings And Questioned Costs

Criteria: Per OMB A-133 § ____.300(b), the auditee shall: “Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

2 CFR § 215.21 (b) states, in part, “recipients’ financial management systems shall provide for the following (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in § 215.52...”

2 CFR § 215.21 (b) (3) states, in part, “recipients’ financial management systems shall provide for the following: Effective control over and accountability for all funds, property, and other assets...”

2 CFR § 215.53 (b) states, in part, “Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report...”

Condition: The FFY (Federal fiscal year) 2013 National Transit Database (NTD) Report was not complete, properly supported, and/or may not be accurate. The Department lacked support for five of five (100 percent) RU-20 forms tested in the following amounts:

- Line 08a– Local Funds, Operating, \$1,100,985.00
- Line 08b – Local Funds, Capital, \$203,896.00

Cause: The Transit Programs Division (TPD) has experienced significant employee turnover. The Department has implemented internal controls over the NTD Report; however, the review did not adequately cover all items on the report.

Effect: The Line 08a and Line 08b amounts reported on the FFY 2013 NTD report were not complete, properly supported, and/or may not be accurate.

Recommendation: We recommend the Department obtain documentation from subrecipients, as necessary, to adequately support the amounts reported on the RU-20 Reports and ensure the reports are complete and accurate. We also recommend the Department review the current procedures in place to determine where the breakdown in the internal control system occurred and implement the necessary procedures to ensure accurate reporting of expenditures on the NTD Report in the future.

Views of Responsible Official(s)

Contact Person: Ernestine Mbroh

Anticipated Completion Date: Completed

Corrective Action Planned: The Department concurs with this finding and corrective measures and internal controls have been developed and implemented for the FFY 2014 reporting period. The responsible TPD Project Manager (PM) receives and reviews completed RU-20 forms from Subrecipients for accuracy. Upon review, PM#1 requests supporting documentations for Subrecipients to collaborate amounts reported on the RU-20 reporting form. PM#1 submits reviewed documents to PM#2 for final check prior to transmitting to PM#3 for submittal into FTA NTD reporting database.

FINDING NO: 2014-032 (Repeat Finding)

STATE AGENCY: Oklahoma Department of Transportation (the Department)

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2013 and 2014

CONTROL CATEGORY: Special Tests & Provisions – Quality Assurance Program

Schedule of Findings

Federal Award Findings And Questioned Costs

Criteria: Per OMB A-133 §___.300(b), the auditee shall: “Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

23 CFR § 637.207 (a) (2) states, “The IA (Independent Assurance) program shall evaluate the qualified sampling and testing personnel and the testing equipment. The program shall cover sampling procedures, testing procedures, and testing equipment.”

Appendix B of the Federal Highway Administration (FHWA) approved Quality Assurance Program dated January 30, 2013 states, “Labs will be selected for review based on a statistically representative sampling of qualified labs. The frequency will be a minimum of 10 percent of qualified labs.”

49 CFR § 18.42 (b) (1) states “Except as otherwise provided, records must be retained for three years from the starting date specified....”

Condition: Adequate documentation supporting one of the seven (14.29%) qualified lab evaluations performed during calendar year 2013 as part of the IA program could not be found.

Cause: The Department did not ensure proper retention of the qualified lab documents.

Effect: The 13 percent testing rate reported on the 2013 FHWA Annual Report of the IA Program may be inaccurate.

Recommendation: We recommend the Department’s management emphasize the importance of retaining proper documentation regarding their Quality Assurance program.

Views of Responsible Official(s)

Contact Person: Scott Seiter, Materials & Research Division / By John Thomas

Anticipated Completion Date: 03/18/2015

Corrective Action Planned: We concur with the item noted. Although we could not locate one of the actual laboratory audit checklists used by the IA inspector, a SiteManager database record was completed for the qualified lab in question. This ensured compliance with our approved Quality Assurance Program. New internal policy was created to address retention of handwritten checklists with SiteManager documentation. IA inspectors are instructed to attach a copy of the handwritten checklist to their SiteManager record which becomes a permanent part of the record. This will ensure retention of the document and that it is available for retrieval at any time. The report being audited was issued prior to implementation of the corrective action plan from the previous year finding.

Summary Schedule of Prior Findings

Summary Schedule of Prior Findings

Summary Schedule of Prior Findings

Note: Findings are presented alphabetically by state agency.

Department of Education

Finding No: 2013-041

CFDA No: 84.367

Federal Agency: U.S. Department of Education

Control Category: Reporting

Finding Summary: Expenditures were understated by \$4,987,671 on the Schedule of Expenditures of Federal Awards.

Status: Corrected.

Finding No: 12-265-006, 2013-046

CFDA No: 84.010, 84.367, 84.027, 84.173, 10.558, 10.553, 10.555, 10.556, & 10.559

Federal Agency: U.S. Department of Education and U.S. Department of Agriculture

Control Category: Reporting – Federal Funding Accountability and Transparency Act

Finding Summary: The Department has not submitted any subaward information to USAspending.gov for the federal award numbers listed above.

Status: Partially corrected, see current year finding #2014-49. OSDE concurs with the finding and has been working to get computer programming enhancements completed that will allow them to submit all necessary FFATA information. In addition, OSDE said they will work to reconcile the attempted and successful submissions to ensure they are meeting FFATA reporting requirements.

Finding No: 2013-047

CFDA No: 84.027, 87.173

Federal Agency: U.S. Department of Education

Control Category: Reporting

Finding Summary: While checking for duplicate students using our data extraction software, we found true duplicate students that were identified but not corrected in the Child Count Report.

Status: Corrected.

Finding No: 2013-048

CFDA No: 84.010

Federal Agency: U.S. Department of Education

Control Category: Reporting

Finding Summary: Expenditures were overstated on the Schedule of Expenditures of Federal Awards.

Status: Corrected.

Finding No: 2013-053

CFDA No: 84.367

Federal Agency: U.S. Department of Education

Control Category: Subrecipient Monitoring

Finding Summary: We reviewed Local Educational Agency monitoring files and noted the following:

- files had documentation that was missing, incomplete, and/or imprecise.
- files lacked an appropriate signature of the Supervisor.
- files contained discrepancies in dates amongst the various monitoring documents.

Status: Corrected.

Finding No: 12-265-001, 2013-058, 2013-059

CFDA No: 84.010; 84.367; 84.027; 84.173; 10.558; 10.553; 10.555; 10.556; 10.559

Federal Agency: U.S. Department of Education and U.S. Department of Agriculture

Control Category: Subrecipient Monitoring

Finding Summary: The Department was unable to provide documentation of sufficient action to ensure all subrecipients provided a valid DUNS number as part of its subaward application or, if not, prior to issuance of the subaward.

Summary Schedule of Prior Findings

Status: Corrected.

Finding No: 2013-060

CFDA No: 84.367

Federal Agency: U.S. Department of Education

Control Category: Special Tests and Provisions – Assessment of Need

Finding Summary: We noted Local Educational Agency workbooks that did not list the following:

- names of the consultation team.
- teachers as part of the consultation team.

In addition, the Department failed to provide a listing of the consultation team that the workbook indicated was emailed to a Grant Associate within the Federal Programs division from the Local Educational Agency.

Status: Corrected.

Finding No: 2013-062

CFDA No: 84.010, 84.367

Federal Agency: U.S. Department of Education

Control Category: Cash Management

Finding Summary: Cash basis draws (revenues) per the United States Department of Education (USDE) G5 federal draw system were misstated.

Status: Corrected.

Finding No: 12-265-003

CFDA No: 84.010

Federal Agency: U.S. Department of Education

Control Category: Reporting

Finding Summary: The Department did not submit the Annual Report Card, High School Graduation Rate - (*OMB No. 1810-0581*) to the United States Department of Education as required per 34 CFR section 200.19(b)(1)(i)-(iv).

Status: Corrected.

Finding No: 12-265-013

CFDA No: 84.010; 84.389

Federal Agency: U.S. Department of Education

Control Category: Special Tests and Provisions – Identifying Schools and LEAs Needing Improvement

Finding Summary: During documentation of internal controls to determine how the Department ensures the accuracy of test data is properly collected and compiled for the calculation of schools and LEAs adequate yearly progress (AYP), we noted there are no written policies or procedures describing how to perform the calculation of the adjustment based on a confidence interval to the school and LEA AYP scores. After calculation of the AYP scores, we compared the schools and LEAs that failed to meet their target objectives in math and reading. Out of the 1782 schools with reported data, the Department identified 227 as needing improvement. This is 12.75% of the reported schools. We found an additional 28 schools that did not meet AYP bringing the total up to 255 or 14.31% of schools with reported data.

Status: Corrected.

Employment Security Commission

Finding No: 09-290-001, 10-290-003, 11-290-002, 12-290-001, 2013-007

CFDA No: 17.225

Federal Agency: U.S. Department of Labor

Control Category: Reporting

Finding Summary: OESC was unable to provide detailed support for the ETA 581 reports submitted.

Status: Not corrected, see current year finding #2014-039. OESC has continued making updates to the source data files since the new programming was implemented for the 3rd Quarter of 2013 (July-Sept) submission of the ETA 581; OESC anticipates all revisions/updates to be completed by June 30, 2015. OESC has also implemented a procedure to aid in validating the information reported on the ETA 581 Report; every quarter prior to submission of the federal report staff will be reviewing sample data on employer account creation and time-lapse to ensure that the

Summary Schedule of Prior Findings

programming for the report is calculating the correct creation date specifically for line 301 of the report which may also aid in line 201. OESC is now and will continue to maintain source data for each quarter from the system used to prepare the ETA 581 report and will be available for future reviews.

Finding No: 2013-042

CFDA No: 17.225

Federal Agency: U.S. Department of Labor

Control Category: Activities Allowed/Unallowed, Allowable Costs/Cost Principles, and Eligibility

Questioned Costs: \$11,480

Finding Summary: We noted one payment where the UI claim was filed based on a fictitious employer.

Status: Corrected.

Office of the Governor

Finding No: 12-305-001, 2013-45

CFDA No: 84.410

Federal Agency: US Department of Education

Control Category: Cash Management/Reporting (1512)

Questioned Costs: SFY 2013 - \$548

Finding Summary: The amount requested by the Oklahoma State Department of Education (OSDE) to be drawn down exceeded the amount requested on the subrecipient school district claim. This overdraft was included in the total expenditures for the grant, causing the Total Federal Amount of ARRA Expenditures to be overstated.

Status: No longer valid - follow-up cannot be performed because 2012 was the final year of this grant.

Department of Health

Finding No: 12-340-003, 2013-039

CFDA NO: 10.557

Federal Agency: U.S. Department of Agriculture

Control Category: Reporting - FFATA

Finding Summary: The Oklahoma State Department of Health failed to report a subrecipient that received over \$25,000 in awards.

Status: Not corrected, see current year finding #2014-024. The corrective action taken in the previous year involved the use of a log for tracking subrecipient FFATA information. However, there was no measure taken to ensure completeness of this log. We are currently reviewing options for ensuring completeness of the log and will implement a solution. A solution will be implemented to ensure compliance moving forward and a corrected report will be submitted to the FSRS to include the subrecipient that was initially excluded.

Finding No: 11-340-006, 12-340-002, 2013-051

CFDA NO: 10.557

Federal Agency: U.S. Department of Agriculture

Control Category: Subrecipient Monitoring

Finding Summary: The Department failed to timely implement internal controls to ensure subrecipients required to have an A-133 audit are properly identified and that all required subrecipient A-133 audits are being collected and reviewed

Status: Corrected.

Health Care Authority

Finding No: 2013-003

CFDA No: 93.778

Federal Agency: U.S. Department of Health and Human Services

Control Category: Reporting

Finding Summary: The MAP expenditures on the Form CMS-64 Report were underreported.

Status: Corrected.

Summary Schedule of Prior Findings

Finding No: 2013-004

CFDA No: 93.778

Federal Agency: U.S. Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles and Reporting

Finding Summary: There is no review or reconciliation performed on the quarterly spreadsheets used to report the Non-behavioral Health and Behavioral Health audit recoupment amounts on the CMS-64 report.

Status: Corrected.

Finding No: 2013-008

CFDA No: 93.778

Federal Agency: U.S. Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles and Reporting

Finding Summary: Recoveries reported on Line 9C1 of the Form CMS-64 Summary appear to be underreported.

Status: Corrected.

Finding No: 2013-011

CFDA No: 93.778

Federal Agency: U.S. Department of Health and Human Services

Control Category: Cash Management

Finding Summary: MAP draw was not mathematically accurate or net of available program income, rebates, refunds, and other income or receipts. This error resulted in the agency overdrawing Federal funds. The error was not detected during the review process.

Status: Corrected.

Finding No: 2013-012

CFDA No: 93.767

Federal Agency: U.S. Department of Health and Human Services

Control Category: Cash Management

Finding Summary: CHIP draw was not mathematically accurate or net of available program income, rebates, refunds, and other income or receipts. The error was not detected during the review process.

Status: Corrected.

Finding No: 2013-013

CFDA No: 93.778

Federal Agency: U.S. Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles and Reporting

Finding Summary: Line 9B – Nursing Aid Training administrative expenditures were under reported and Line 29B – Other Financial Participation expenditures were simultaneously over reported by the same amount on the Form CMS-64 Report (64.10Base).

Status: Corrected.

Finding No: 2013-029

CFDA No: 93.778

Federal Agency: U.S. Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles; Special Tests and Provisions: Utilization Control and Program Integrity

Finding Summary: OHCA did not properly account for and process hospital inpatient and outpatient retrospective reviews performed by Telligen and identified by Telligen as having findings.

Status: Corrected.

Finding No: 12-807-008, 2013-043

CFDA No: 93.778

Federal Agency: U.S. Department of Health and Human Services

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Reporting

Questioned Costs: SFY 2012 - \$474; SFY 2013 - \$275.00 (Activities Allowed or Unallowed and Allowable Costs/Cost Principles) and \$29.00 (Reporting)

Summary Schedule of Prior Findings

Finding Summary: Based on medical professional's review of claims, claims had payment errors resulting in questioned costs.

Status: Not corrected, see current year finding #2014-026. OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. Regarding these specific findings, the federal share will be returned to CMS.

Finding No: 12-807-006, 2013-044

CFDA No: 93.767

Federal Agency: U.S. Department of Health and Human Services

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Reporting

Questioned Costs: SFY 2012 - \$240; SFY 2013 - \$498.00 (Activities Allowed or Unallowed and Allowable Costs/Cost Principles) \$197.00 (Reporting)

Finding Summary: Based on a medical professional's review of claims for CHIP recipients, claims had payment errors resulting in questioned costs.

Status: Not corrected, see current year finding #2014-025. OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. Regarding these specific findings, the federal share will be returned to CMS.

Finding No: 2013-049

CFDA No: 93.767

Federal Agency: U.S. Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: SFY 2013 - \$29

Finding Summary: CHIP recipients were ineligible for CHIP based on income requirements.

Status: Corrected.

Department of Human Services

Finding No: 12-830-002, 2013-017

CFDA No: 93.558

Federal Agency: U.S. Department of Health and Human Services

Control Category: Reporting

Finding Summary: During our testing of the ACF-204 Report we noted the following exceptions:

- Total State TANF Employment Services MOE expenditures under the program for the fiscal year as reported on the ACF-204 report does not agree with supporting documentation. (line 7.d)
- TANF Cash Assistance average monthly total number of families served under the program with MOE funds as reported on the ACF-204 report does not agree with supporting documentation. (line 8.a)
- TANF Child Care Assistance average monthly total number of families served under the program with MOE funds as reported on the ACF-204 report does not agree with supporting documentation. (line 8.b)
- TANF Supportive Services average monthly total number of families served under the program with MOE funds as reported on the ACF-204 report does not agree with supporting documentation. (line 8.c)
- TANF Employment Services average monthly total number of families served under the program with MOE funds as reported on the ACF-204 report does not agree with supporting documentation. (line 8.d)

Status: Partially corrected, see current year finding #2014-016. Concur. Supporting documentation had the correct number of children served in child care; however, there was a typographical error when transferring the information into the ACF 204 attachment form. The existing review procedures will be emphasized in the future. The correction has been made and re-submitted into OLDC on 03/02/15.

Finding No: 04-830-032, 05-830-012, 06-830-010, 08-830-012, 09-830-020, 09-830-031, 10-830-018, 11-830-007, 12-830-007, 12-830-008, 2013-020, 2013-022

CFDA No: 93.568

Federal Agency: U.S. Department of Health and Human Services

Control Category: Activities Allowed or Unallowed

Summary Schedule of Prior Findings

Questioned Costs: SFY 2004 - \$8,864, SFY 2005 - \$11,848, SFY 2006 - \$400, SFY 2008 - \$1,164, SFY 2009 - \$2,383 (\$480 for 09-830-020 and \$1,903 for 09-830-031), SFY 2010 - \$1,556, SFY 2011 - \$1190, SFY 2012 - \$306 (\$190 for 12-830-007 and \$116 for 12-830-008), SFY 2013 - \$1,776 (\$740 for 2013-020 and \$1,036 for 2013-022)

Finding Summary: During analytical procedure testing, we noted cases that appeared to have received duplicate payments.

Status: Not corrected, see current year finding #2014-030. Concur. The edit message currently in place acts as a warning intended to prompt county staff to verify address and household composition prior to completing authorization. The reduction in duplicates from the prior year audit indicates the edit message has been effective. However, it is clear additional instructions for documenting and investigating the eligibility of households sharing one address need to be provided to staff prior to each program. These instructions will be provided to the county director's and emphasis will be made to the existing instructions to staff.

Finding No: 2013-023

CFDA No: 93.778

Federal Agency: U.S. Department of Health and Human Services

Control Category: Cost Allocation – Random Moment Time Summary

Questioned Costs: \$49,595

Finding Summary: The Random Moment Responses by Code report for Adult Protective Services was understated for one quarter.

Status: Not corrected, see current year finding #2014-006. Concur. Although procedures exist to verify the accuracy of the RMTS schedules, the review of supporting documentation failed to detect the reports were processed from October 10th through October 31st; rather than starting on October 1st. A prior three-year trending analysis has been established, on both a monthly and quarterly basis, to verify RMTS responses to ensure accuracy of future RMTS schedules. Furthermore, a net adjustment of \$120,214.02 will be made to the Agency's cost allocation for the quarter ending September 30, 2014, to reflect the correct allocation of costs for this time period. A copy of the adjustment has been provided to the State Auditor & Inspector's office.

Finding No: 07-830-013, 08-830-007, 09-830-023, 10-830-021, 11-830-008, 12-830-003, 2013-030

CFDA No: 93.558

Federal Agency: U.S. Department of Health and Human Services

Control Category: Activities Allowed or Unallowed and Eligibility

Questioned Costs: SFY 2007 - \$9,155, SFY 2008 - \$348, SFY 2009 - \$8,994, SFY 2010 - \$1,645, SFY 2011 - \$2,052, SFY 2012 - \$553, and SFY 2013 - \$261

Finding Summary: We noted cases where TANF eligibility re-determination was not found in the case file for benefits paid.

Status: Not corrected, see current year finding #2014-015. Concur. The appropriate Deputy and County Director has been advised of the error on this case. A TANF "Back-to-Basics" training emphasizing existing policy for redetermination procedures was held within the respective county offices. The trainings were held on 3/9/15 in Hughes County and 3/10/15 in Oklahoma County, office 55C.

Finding No: 2013-031

CFDA No: 93.558

Federal Agency: U.S. Department of Health and Human Services

Control Category: Special Tests and Provisions – Child Support Non-Cooperation

Finding Summary: We noted a case where TANF eligibility re-determination was not found in the case file for benefits paid for various months. Therefore, a determination could not be made regarding the recipients cooperation with the State concerning child support.

Status: Not corrected, see current year finding #2014-017. Concur. The Deputy Director and County Director have been notified of the error on the case in question. AFS staff will review policy and procedures regarding TANF reviews, proper forms to be imaged into the case file and emphasis placed on documenting the discussion of required cooperation with child support services.

Finding No: 2013-032

CFDA No: 93.558

Federal Agency: U.S. Department of Health and Human Services

Summary Schedule of Prior Findings

Control Category: Special Tests and Provisions – Child Support Non-Cooperation

Questioned Costs: \$43

Finding Summary: We noted a child support non-cooperation occurrence where good cause or other exception was not established and TANF benefits were not reduced or denied for child support non-cooperation as required.

Status: Corrected.

Finding No: 11-830-010, 12-830-004, 2013-033

CFDA No: 93.558

Federal Agency: U.S. Department of Health and Human Services

Control Category: Special Tests and Provisions – Income Eligibility and Verification System

Finding Summary: We selected TANF cases to determine that income verification occurred and noted cases in which no application or income verification documentation was found for the time period tested.

Status: Not corrected, see current year finding #2014-019. Concur. The Deputy Directors for each Region as well as the County Directors for each county with cases in error are being advised of the error on the cases. AFS will perform a Back-to-Basics trainings for all TANF Supervisors and Workers to stress the importance of existing policy and procedures regarding reviewing the ACES screens (IEVS), information that should be imaged into the case file, and proper documentation of this action in case notes.

Finding No: 07-830-015, 08-830-015, 09-830-027, 10-830-031, 11-830-012, 12-830-001, 2013-034

CFDA No: 93.558

Federal Agency: U.S. Department of Health and Human Services

Control Category: Special Tests and Provisions – Income Eligibility and Verification Systems

Finding Summary: We noted deficiencies in the G1DX Exception and Clearance Reports that were not cleared within the allowable days per OKDHS policy.

Status: Not corrected, see current year finding #2014-020. Concur. Data exchange is required to be utilized whenever action is taken on a case and when a discrepancy is identified through automated data comparison. DHS has been working with competing priorities to ensure benefit delivery to eligible citizens within federally mandated timeliness guidelines. Although the stated goal for discrepancy clearance is 45 days, federal policy does allow for leeway when secondary verification is required. With the focus on timely benefit actions DHS has achieved a success rate of over 89 percent. Of the discrepancies cleared in SFY14 only 20 percent impacted eligibility, and for the subset of untimely clearances only 12 percent impacted eligibility. Adult and Family Services has dedicated resources for 2015 to automate discrepancy data gathering on self-service cases and will continue to work on projects that may allow staff to focus more on discrepancy clearance. AFS will provide an electronic update prior to July 1, 2015, to management staff to remind them of the data discrepancy process.

Finding No: 2013-036

CFDA No: 93.568

Federal Agency: U.S. Department of Health and Human Services

Control Category: Reporting – Carryover and Re-allotment Report

Finding Summary: The current year amount payable on the LIHEAP Carryover and Re-allotment Report did not trace to supporting documentation.

Status: Corrected.

Finding No: 04-830-019, 05-830-011, 06-830-011, 07-830-003, 08-830-012, 09-830-020, 10-830-024, 11-830-013, 12-830-010, 2013-040

CFDA No: 93.568

Federal Agency: U.S. Department of Health and Human Services

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility

Questioned Costs: SFY 2004 - \$1,640, SFY 2005 - \$142, SFY 2006 - \$545, SFY 2007 - \$2,409, SFY 2008 - \$1,164, SFY 2009 - \$480, SFY 2010 - \$760, SFY 2011 - \$950, SFY 2012 - \$450, and SFY 2013 - \$799

Finding Summary: We observed instances where the case record did not contain adequate ECAP crisis documentation, the case files could not be located for testing; the LIHEAP Walk-In checklist was not completed; the application documentation and support did not coincide with the benefit authorization details.

Status: Not corrected, see current year finding #2014-022. Bullet 1: Partially Concur. AFS LIHEAP reviewed both cases in question and concur that one instance is correct. However, AFS LIHEAP staff reviewed case H068611 and do not concur. The caseworker provided notes on the application that verify a crisis was established when the vendor

Summary Schedule of Prior Findings

was contacted and benefits were calculated. AFS LIHEAP staff updated the application as of July 2014 to include a statement to ensure the crisis is clearly documented. Instructions to staff regarding proper documentation of eligibility are provided with processing instructions prior to each program. In addition, AFS LIHEAP will emphasize the importance of adequate documentation and provide separate instructions to county directors prior to LIHEAP open application periods.

Concur. Bullets 2, 3, 4, 5. AFS LIHEAP will continue to emphasize existing procedures to staff regarding proper documentation of eligibility documentation prior to LIHEAP open application periods. In addition, AFS LIHEAP staff will provide separate instructions to county directors prior to LIHEAP open application periods.

Finding No: 2013-050

CFDA No: 93.568

Federal Agency: U.S. Department of Health and Human Services

Control Category: Reporting

Finding Summary: We were unable to recompute the household counts by poverty level reported by the Department on the FFY LIHEAP Household Report. It appears that the Department used the incorrect HHS poverty guidelines when compiling the household counts for this report.

Status: Not corrected, see current year finding #2014-001. Concur. AFS LIHEAP staff implemented an approval process to ensure the LIHEAP Household Report contains the proper HHS poverty guidelines. AFS will verify the approval process is adequate and request OMES ISD update the system to reflect appropriate federal poverty guideline for FFY prior to running reports necessary for completion of the household report, as necessary. The FFY13 Revised version of HH report for FFY13 was submitted 12/16/13 and was accepted by HHS.

Office of Management and Enterprise Services

Finding No: 12-090-003, 2013-063

CFDA No: 11.557

Federal Agency: United States Department of Commerce

Control Category: Subrecipient Monitoring and Special Tests (R3) – Subrecipient Monitoring

Finding Summary: During our evaluation of controls over compliance and testwork performed as part of the subrecipient monitoring process, the following deficiencies were noted:

- OMES did not perform any subrecipient monitoring functions during the year to ensure subrecipients were complying with the Davis Bacon compliance requirement.
- OMES was unable to provide documentation of sufficient action to ensure its ARRA subrecipients have a current registration in the CCR, including having a DUNS number, maintaining the currency of that information or assessing the subrecipient's compliance with the CCR registration requirement.
- OMES did not separately identify to each subrecipient, and document at the time of disbursement of funds, the Federal award number, CFDA number, and the amount of Recovery Act or ARRA funds.

Status: Partially corrected, see current year finding #2014-054. The agency was unable to document that they performed subrecipient monitoring regarding Davis-Bacon requirements and that they notified the subrecipient of the Federal Award Number, CFDA Number, or the amount of ARRA Funds.

Department Of Rehabilitation Services

Finding No: 07-805-003, 08-805-004, 09-805-004, 10-805-002, 11-805-002, 12-805-003, 2013-006

CFDA No: 84.126

Federal Agency: U.S. Department of Education

Control Category: Allowable Costs/Cost Principles

Finding Summary: We noted the required semi-annual payroll certifications were not completed in a timely manner.

Status: Corrected.

Finding No: 2013-026

CFDA No: 84.126

Federal Agency: U.S. Department of Education

Summary Schedule of Prior Findings

Control Category: Program Income, Cash Management

Finding Summary: Program income was not timely deducted from the draw request before requesting additional Federal funds.

Status: Corrected.

Finding No: 12-805-005, 2013-027

CFDA NO: 84.126

Federal Agency: U.S. Department of Education

Control Category: Eligibility

Finding Summary: We noted for cases tested the eligibility form and IPE's (Individualized Plan for Employment) were either missing or were not signed by the counselor to denote their review and approval.

Status: Corrected.

Finding No: 10-805-008, 11-805-008, 12-805-004, 2013-028

CFDA No: 84.126

Federal Agency: U.S. Department of Education

Control Category: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, & Eligibility

Questioned Costs: SFY 2010 - \$599, SFY 2011 - \$1,112, SFY 2012 - \$1,850, and SFY 2013 - \$3,047 (Activities Allowed or Unallowed; Allowable Costs/Cost Principles) and \$1,471 (Eligibility)

Finding Summary: We noted claims tested did not have proper documentation to support the payments.

Status: Corrected.

Finding No: 10-805-010, 11-805-005, 12-805-002, 2013-056

CFDA No: 84.126

Federal Agency: U.S. Department of Education

Control Category: Reporting

Finding Summary: While performing testwork on the Annual Vocational Rehabilitation Program/Cost Report (RSA-2) and the SF-425 we noted the RSA-2, Schedule II – Section 110 Funds Expended on Services was understated and Title VI-B Funds Expended on Services was overstated; the SF-425 report Cash Receipts and Cash Disbursements were understated, and Federal Share of Expenditures was understated.

Status: Corrected.

Department Of Transportation

Finding No: 11-345-001, 12-345-001, 2013-001

CFDA No: 20.205; 20.509

Federal Agency: United States Department of Transportation

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Eligibility; Matching and Earmarking; Procurement and Suspension and Debarment; Reporting; Subrecipient Monitoring; Special Tests & Provisions (regular and ARRA Federal Funds)

Finding Summary: Current formal risk assessments of the Department's State and Federal program objectives and related internal controls have not been adequately performed by the Transportation Commission, the Department's management, or the Department's Operations Review and Evaluation (OR&E) Division. Instead, changes to internal controls appear to be based on control deficiencies noted in audit findings by the State Auditor and Inspector's office.

Status: Corrected.

Finding No: 2013-005

CFDA No: 20.205

Federal Agency: United States Department of Transportation

Control Category: Special Tests & Provisions – Quality Assurance Program

Finding Summary: Supporting documentation for all of the active technician evaluations performed as part of the IA program could not be found.

Status: Partially corrected, see current year audit finding #2014-032. We concur with the item noted. Although we could not locate one of the actual laboratory audit checklists used by the IA inspector, a SiteManager database record was completed for the qualified lab in question. This ensured compliance with our approved Quality

Summary Schedule of Prior Findings

Assurance Program. New internal policy was created to address retention of handwritten checklists with SiteManager documentation. IA inspectors are instructed to attach a copy of the handwritten checklist to their SiteManager record which becomes a permanent part of the record. This will ensure retention of the document and that it is available for retrieval at any time. The report being audited was issued prior to implementation of the corrective action plan from the previous year finding.

Finding No: 10-345-022, 11-345-009, 12-345-004, 2013-009

CFDA No: 20.509

Federal Agency: United States Department of Transportation

Control Category: Reporting: SF-425 – Federal Financial Report

Finding Summary: The SF-425 report was not complete, accurate, or properly supported. The Department did not ensure reported amounts were properly calculated and supported. In addition, the SF-425 report was not timely submitted.

Status: Corrected.

Finding No: 10-345-023, 11-345-006, 12-345-005, 2013-010

CFDA No: 20.509

Federal Agency: United States Department of Transportation

Control Category: Reporting: Special Report (regular and ARRA Federal funds)

Finding Summary: The National Transit Database (NTD) report was not complete, accurate, or properly supported. The Department was unable to provide adequate supporting documentation for the cumulative key line items (line 5 – Total Annual Expenses, line 8 – Local Funds, or line 20 – Total Trips),

Status: Partially corrected, see current year audit finding #2014-007. The Department concurs with this finding and corrective measures and internal controls have been developed and implemented for the FFY 2014 reporting period. The responsible TPD Project Manager (PM) receives and reviews completed RU-20 forms from Subrecipients for accuracy. Upon review, PM#1 requests supporting documentations for Subrecipients to collaborate amounts reported on the RU-20 reporting form. PM#1 submits reviewed documents to PM#2 for final check prior to transmitting to PM#3 for submittal into FTA NTD reporting database.

Finding No: 10-345-020, 11-345-016, 12-345-011, 2013-014

CFDA No: 20.509

Federal Agency: United States Department of Transportation

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching; Subrecipient Monitoring; Reporting

Finding Summary: During our testing of subrecipient monitoring, we noted the Department failed to review adequate documentation to ensure subrecipients have met the audit requirements in 2 CFR § 215.26. The subrecipient's Project Assessment or Project management Review indicated the Department reviewed between zero and six invoices over a five year period, totaling less than \$105,000.

Status: Corrected.

Schedule of Federal Programs by State Agency

Schedule of Federal Programs by State Agency

Schedule of Federal Programs by State Agency

Attorney General

16.740	Statewide Automated Victim Information Notification (SAVIN) Program
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services
93.775	State Medicaid Fraud Control Units

Agriculture, Department of

10.025	Plant and Animal Disease, Pest Control, and Animal Care
10.069	Conservation Reserve Program
10.162	Inspection Grading and Standardization
10.163	Market Protection and Promotion
10.170	Specialty Crop Block Grant Program - Farm Bill
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection
10.652	Forestry Research
10.664	Cooperative Forestry Assistance
10.676	Forest Legacy Program
10.912	Environmental Quality Incentives Program
10.921	Conservation Security Program
15.035	Forestry on Indian Lands
15.524	Recreation Resources Management
66.700	Consolidated Pesticide Enforcement Cooperative Agreements
66.708	Pollution Prevention Grants Program
93.103	Food and Drug Administration - Research

Career and Technology Education, Department of

12.002	Procurement Technical Assistance for Business Firms
84.048	Career and Technical Education - Basic Grants to States

Commerce, Department of

14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
14.231	Emergency Solutions Grant Program
14.257	ARRA - Homelessness Prevention and Rapid Re-Housing Program
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers
17.261	WIA Pilots, Demonstrations, and Research Projects
17.268	H-1B Job Training Grants
17.275	ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors
17.277	Workforce Investment Act (WIA) National Emergency Grants
17.278	WIA Dislocated Worker Formula Grants
59.061	State Trade and Export Promotion Pilot Grant Program
81.041	ARRA - State Energy Program
81.041	State Energy Program
81.042	ARRA - Weatherization Assistance for Low-Income Persons
81.042	Weatherization Assistance for Low-Income Persons
81.122	ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)
93.569	Community Services Block Grant
93.600	Head Start
--	State Small Business Credit Initiative

Conservation Commission

10.902	Soil and Water Conservation
10.916	ARRA - Watershed Rehabilitation Program
15.252	Abandoned Mine Land Reclamation (AMLR) Program
15.631	Partners for Fish and Wildlife
15.808	U.S. Geological Survey Research and Data Collection

Schedule of Federal Programs by State Agency

Corporation Commission

20.700	Cost Reimbursement Contract - Pipeline Safety Program State Base Grant
66.433	State Underground Water Source Protection
66.804	Underground Storage Tank Prevention, Detection and Compliance Program
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program
66.817	State and Tribal Response Program Grants
81.122	ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis

Corrections, Department of

16.606	State Criminal Alien Assistance Program
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program
16.812	Second Chance Act Reentry Initiative

District Attorneys Council

16.017	Sexual Assault Services Formula Program
16.554	National Criminal History Improvement Program (NCHIP)
16.575	Crime Victim Assistance
16.576	Crime Victim Compensation
16.582	Crime Victim Assistance/Discretionary Grants
16.588	Violence Against Women Formula Grants
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program
16.593	Residential Substance Abuse Treatment for State Prisoners
16.609	Project Safe Neighborhoods
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program
16.803	ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories
16.816	John R. Justice Prosecutors and Defenders Incentive Act

Education, Department of

10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
10.560	State Administrative Expenses for Child Nutrition
10.582	Fresh Fruit and Vegetable Program
84.002	Adult Education - Basic Grants to States
84.010	Title I Grants to Local Educational Agencies
84.011	Migrant Education - State Grant Program
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth
84.027	Special Education-Grants to States
84.144	Migrant Education - Coordination Program
84.173	Special Education - Preschool Grants
84.181	Special Education-Grants for Infants and Families
84.196	Education for Homeless Children and Youth
84.287	Twenty-First Century Community Learning Centers
84.323	Special Education - State Personnel Development
84.358	Rural Education
84.365	English Language Acquisition State Grants
84.366	Mathematics and Science Partnerships
84.367	Improving Teacher Quality State Grants
84.369	Grants for State Assessments and Related Activities
84.372	Statewide Longitudinal Data Systems
84.377	School Improvement Grants
84.388	ARRA - School Improvement Grants, Recovery Act

Schedule of Federal Programs by State Agency

93.938 Cooperative Agreements to Support Comprehensive School Health Programs to Prevent
the Spread of HIV and Other Important Health Problems
-- Troops to Teachers

Election Board, State

39.011 Election Reform Payments
90.401 Help America Vote Act Requirements Payments
93.617 Voting Access for Individuals with Disabilities - Grants to States

Emergency Management, Department of

20.703 Interagency Hazardous Materials Public Sector Training and Planning Grants
97.023 Community Assistance Program State Support Service Element (CAP- SSSE)
97.027 Emergency Management Institute (EMI) - Independent Study Program
97.032 Crisis Counseling
97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.039 Hazard Mitigation Grant
97.042 Emergency Management Performance Grants
97.045 Cooperating Technical Partners
97.046 Fire Management Assistance Grant
97.047 Pre-Disaster Mitigation
97.092 Repetitive Flood Claims

Employment Security Commission

17.002 Labor Force Statistics
17.207 Employment Service/Wagner-Peyser Funded Activities
17.225 Unemployment Insurance
17.225 ARRA-Unemployment Insurance
17.235 Senior Community Service Employment Program
17.245 Trade Adjustment Assistance
17.271 Work Opportunity Tax Credit Program (WOTC)
17.273 Temporary Labor Certification for Foreign Workers
17.280 Workforce Investment Act (WIA) Dislocated Worker National Reserve Demonstration Grants
17.801 Disabled Veterans' Outreach Program (DVOP)
17.804 Local Veterans' Employment Representative Program

Environmental Quality, Department of

12.113 Cost Reimbursement Contract - State Memorandum of Agreement Program for the
Reimbursement of Technical Services
15.616 Clean Vessels Act Program
66.034 Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities
Relating to the Clean Air Act
66.040 State Clean Diesel Grant Program
66.468 Capitalization Grants for Drinking Water State Revolving Fund
66.605 Performance Partnership Grants
66.608 Environmental Information Exchange Network Grant Program and Related Assistance
66.708 Pollution Prevention Grants Program
66.802 Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements
66.817 State and Tribal Response Program Grants
66.818 ARRA - Brownfields Assessment and Cleanup Cooperative Agreements
66.818 Brownfields Assessment and Cleanup Cooperative Agreements

Health, Department of

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
10.578 WIC Grants to States (WGS)
93.069 Public Health Emergency Preparedness

Schedule of Federal Programs by State Agency

93.070	Environmental Public Health and Emergency Response
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance
93.089	Emergency System for Advance Registration of Volunteer Health Professionals
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program
93.110	Maternal and Child Health Federal Consolidated Programs
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices
93.136	Injury Prevention and Control Research and State and Community Based Programs
93.169	Lab SCID Implement
93.217	Family Planning - Services
93.235	Affordable Care Act (ACA) Abstinence Education Program
93.251	Universal Newborn Hearing Screening
93.268	Immunization Cooperative Agreements
93.270	Adult Viral Hepatitis Prevention and Control
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance
93.292	National Public Health Improvement Initiative
93.296	State Partnership Grant Program to Improve Minority Health
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers
93.507	PPHF National Public Health Improvement Initiative
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF
93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds
93.541	The Patient Protection and Affordable Care Act of 2010 (ACA)
93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease Prevention and Health Promotion Program
93.590	Community-Based Child Abuse Prevention Grants
93.712	ARRA - Immunization
93.724	ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)
93.745	PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)
93.773	Medicare-Hospital Insurance
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.889	National Bioterrorism Hospital Preparedness Program
93.917	HIV Care Formula Grants
93.940	HIV Prevention Activities - Health Department Based
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance
93.945	Assistance Programs for Chronic Disease Prevention and Control
93.946	Cooperative Agreements to Support State - Based Safe Motherhood and Infant Health Initiative Programs
93.977	Preventive Health Services-Sexually Transmitted Diseases Control Grants
93.994	Maternal and Child Health Services Block Grant to the States

Historical Society

15.904	Historic Preservation Fund Grants-In-Aid
45.149	Promotion of the Humanities-Division of Preservation and Access

Schedule of Federal Programs by State Agency

Human Services, Department of

10.551	Supplemental Nutrition Assistance Program
10.555	National School Lunch Program
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
10.560	State Administrative Expenses for Child Nutrition
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.565	Commodity Supplemental Food Program
10.568	Emergency Food Assistance Program (Administrative Costs)
10.569	Emergency Food Assistance Program (Food Commodities)
10.576	Senior Farmers Market Nutrition Program
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities
93.041	Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation
93.042	Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals
93.043	Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services
93.048	Special Programs for the Aging - Title IV and Title II Discretionary Projects
93.052	National Family Caregiver Support, Title III, Part E
93.053	Nutrition Services Incentive Program
93.072	Lifespan Respite Care Program
93.075	Systems Interoperability - Health and Human Services
93.086	Healthy Marriage Promotion and Responsible Fatherhood Grants
93.517	Affordable Care Act – Aging and Disability Resource Center
93.550	Transitional Living for Homeless Youth
93.556	Promoting Safe and Stable Families
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.564	Child Support Enforcement Research
93.566	Refugee and Entrant Assistance - State Administered Programs
93.568	Low-Income Home Energy Assistance
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.597	Grants to States for Access and Visitation Programs
93.599	Chafee Education and Training Vouchers Program (ETV)
93.603	Adoption Incentive Payments
93.605	Family Connection Grants
93.630	Developmental Disabilities Basic Support and Advocacy Grants
93.643	Children's Justice Grants to States
93.645	Stephanie Tubbs Jones Child Welfare Services Program
93.652	Adoption Opportunities
93.658	Foster Care-Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.669	Child Abuse and Neglect State Grants
93.670	Child Abuse and Neglect Discretionary Activities
93.674	Chafee Foster Care Independence Program
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds (PPHF)
94.011	Foster Grandparent Program

Insurance, Department of

93.048	Special Programs for the Aging - Title IV and Title II Discretionary Projects
93.071	Medicare Enrollment Assistance Program

Schedule of Federal Programs by State Agency

93.324	State Health Insurance Assistance Program
93.519	Affordable Care Act (ACA) - Consumer Assistance Program Grants
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations

Labor, Department of

17.005	Compensation and Working Conditions
17.504	Consultation Agreements
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements

Libraries, Department of

11.557	ARRA-Broadband Technology Opportunities Program (BTOP)
45.310	Grants to States
45.312	National Leadership Grants
45.313	Laura Bush 21st Century Librarian Program
89.003	National Historical Publications and Records Grants

Mental Health and Substance Abuse, Department of

14.238	Shelter Plus Care
16.585	Drug Court Discretionary Grant Program
16.727	Enforcing Underage Drinking Laws Program
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program
93.087	Enhance Safety of Children Affected by Substance Abuse
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
93.150	Projects for Assistance in Transition from Homelessness (PATH)
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.982	Mental Health Disaster Assistance and Emergency Mental Health
--	Cost Reimbursement Contract - State Outcome Measurement & Management System
--	Cost Reimbursement Contract - Implementation Alcohol/ Drug Data Collection
--	Cost Reimbursement Contract - Client Level Projects

Military Department

12.400	Cost Reimbursement Contract - Military Construction, National Guard
12.401	Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects
12.404	Cost Reimbursement Contract - National Guard ChalleNGe Program

Mines, Department of

15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining
17.600	Mine Health and Safety Grants

Narcotics/Dangerous Drugs Control

16.754	Harold Rogers Prescription Drug Monitoring Program
-	Cost Reimbursement Contract - High Intensity Drug Trafficking Area
-	Other Federal Assistance - Marijuana Eradication Suppression Program

Office of Management and Enterprise Services

11.549	State and Local Implementation Grant Program
11.557	ARRA - Broadband Technology Opportunities Program (BTOP)
11.558	ARRA - State Broadband Data and Development Grant Program

Schedule of Federal Programs by State Agency

39.003 Donation of Federal Surplus Personal Property

Office of Disability Concerns

84.161 Rehabilitation Services-Client Assistance Program

Office of Juvenile Affairs

16.523 Juvenile Accountability Block Grants
16.540 Juvenile Justice and Delinquency Prevention - Allocation to States
16.548 Title V - Delinquency Prevention Program
16.812 Second Chance Act Reentry Initiative

Oklahoma Aeronautics Commission

20.106 Airport Improvement Program

Oklahoma Health Care Authority

93.609 The Affordable Care Act – Medicaid Adult Quality Grants
93.611 Strong Start for Mothers and Newborns
93.719 State Grants to Promote Health Information Technology
93.767 Children's Health Insurance Program
93.778 Medical Assistance Program
93.778 ARRA - Medical Assistance Program
93.791 Money Follows the Person Rebalancing Demonstration
93.796 State Survey and Certification of Health Care Providers and Suppliers (Title XIX) Medicaid

Public Safety, Department of

16.710 Public Safety Partnership and Community Policing Grants
20.218 National Motor Carrier Safety
20.232 Commercial Driver's License Program Improvement Grant
20.600 State and Community Highway Safety
20.601 Alcohol Impaired Driving Countermeasures Incentive Grants I
20.608 Minimum Penalties for Repeat Offender for Driving While Intoxicated
20.610 State Traffic Safety Information System Improvement Grants
20.612 Incentive Grant to Increase Motorcyclist Safety
20.614 Cost Reimbursement Contract - National Highway Traffic Safety Administration (NHTSA)
Discretionary Safety Grants
20.616 National Priority Safety Programs
97.008 Non-Profit Security Program
97.012 Boating Safety Financial Assistance
97.053 Citizens-Community Resilience Innovation Challenge
97.055 Interoperable Emergency Communications
97.071 Metropolitan Medical Response System
97.073 State Homeland Security Program (SHSP)

Rehabilitation Services, Department of

84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
84.169 Independent Living - State Grants
84.177 Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind
84.187 Supported Employment Services for Individuals with the Most Significant Disabilities
84.265 Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training
96.001 Social Security - Disability Insurance

State Arts Council

45.025 Promotion of the Arts-Partnership Agreements

State Auditor and Inspector

15.427 Federal Oil and Gas Royalty Management State and Tribal Coordination

Schedule of Federal Programs by State Agency

State Bureau of Investigation

16.543	Missing Children's Assistance
16.550	State Justice Statistics Program for Statistical Analysis Centers
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants
16.741	DNA Backlog Reduction Program
16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program

Supreme Court

93.586	State Court Improvement Program
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Tourism & Recreation, Department of

15.916	Outdoor Recreation-Acquisition, Development and Planning
20.219	Recreational Trails Program

Transportation, Department of

20.200	Highway Research and Development Program
20.205	Highway Planning and Construction
20.215	Highway Training and Education
20.237	Commercial Vehicle Information Systems and Networks
20.319	High Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants
20.500	Federal Transit - Capital Investment Grants
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research
20.509	Formula Grants for Rural Areas
20.516	Job Access and Reverse Commute Program
20.521	New Freedom Program
20.933	National Infrastructure Investments

Veterans Affairs, Department of

64.005	Grants to States for Construction of State Home Facilities
64.015	Veterans State Nursing Home Care
64.124	All-Volunteer Force Educational Assistance

Water Resources Board

66.202	Congressionally Mandated Projects
66.419	Water Pollution Control State, Interstate, and Tribal Program Support
66.440	Urban Waters Small Grants
66.454	Water Quality Management Planning
66.458	Capitalization Grants for Clean Water State Revolving Funds

Wildlife Conservation, Department of

10.025	Plant and Animal Disease, Pest Control, and Animal Care
10.902	Soil and Water Conservation
10.912	Environmental Quality Incentives Program
10.914	Wildlife Habitat Incentive Program
15.605	Sport Fish Restoration Program
15.608	Fish and Wildlife Management Assistance
15.611	Wildlife Restoration and Basic Hunter Education
15.615	Cooperative Endangered Species Conservation Fund
15.626	Enhanced Hunter Education and Safety Program
15.631	Partners for Fish and Wildlife
15.633	Landowner Incentive Program
15.634	State Wildlife Grants
15.649	Service Training and Technical Assistance (Generic Training)
15.650	Research Grants (Generic)
15.669	Cooperative Landscape Conservation
--	McGee Creek Project

Selected Activities for Internal Service Type Funds

Selected Activities for Internal Service Type Funds

**Selected Activities for
Internal Service Type Funds**

UNAUDITED

Selected Activities for Internal Service Type Funds
For the Year Ended June 30, 2014

	Office of Management and Enterprise Services - ISD	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Division of Capital Assets Management	Total
Total Revenues	\$ 95,512,859	\$ 131,138,901	\$ 25,288,715	\$ 81,738,643	\$ 333,679,118
Total Expenditures	97,119,356	431,218,029	25,030,017	66,826,529	620,193,931
Revenues Over (Under) Expenditures	(1,606,497)	(300,079,128)	258,698	14,912,114	(286,514,813)
Other Financing Sources (Uses)					
Operating Transfers In	-	4,362,498	-	52,768,918	57,131,416
Operating Transfers Out	-	-	-	(21,631,159)	(21,631,159)
Bond Proceeds	-	231,095,000	-	-	231,095,000
Premium from Bond Issue	-	25,561,336	-	-	25,561,336
Bond Refunding	-	-	-	-	-
Total Other Financing Sources (Uses)	-	261,018,834	-	31,137,759	292,156,593
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,606,497)	(39,060,294)	258,698	46,049,873	5,641,780
Fund Balances - Beginning of Year	3,232,606	597,725,856	18,520,642	150,203,194	769,682,298
Fund Balances - End of Year	\$ 1,626,109	\$ 558,665,562	\$ 18,779,340	\$ 196,253,067	\$ 775,324,078

**Selected Activities for
Internal Service Type Funds**

UNAUDITED

Selected Activities for Internal Service Type Funds
For the Year Ended June 30, 2014

	Office of Management and Enterprise Services - ISD	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Division of Capital Assets Management	Total
June 30, 2013 Ending Fund Balance	3,232,606	597,725,856	18,520,642	150,203,194	769,682,298
July 1, 2013 Beginning Fund Balance	3,232,606	597,725,856	18,520,642	150,203,194	769,682,298
Cash Basis Data -					
FY 2014 Revenues	\$ 95,512,859	\$ 131,138,901	\$ 25,288,715	\$ 81,738,643	\$ 333,679,118
FY 2014 Expenditures	97,119,356	431,218,029	25,030,017	66,826,529	620,193,931
FY 2013 Revenues	\$ 80,482,831	\$ 124,025,962	\$ 22,860,910	\$ 64,422,496	\$ 291,792,199
FY 2013 Expenditures	82,224,526	280,575,183	25,338,235	56,146,085	444,284,029
FY 2012 Revenues	\$ 28,890,324	\$ 111,931,906	\$ 22,206,194	\$ 45,807,262	\$ 208,835,686
FY 2012 Expenditures	28,945,335	260,113,867	19,816,560	50,062,785	358,938,547
FY 2011 Revenues	\$ 10,599,134	\$ 91,008,414	\$ 21,927,122	\$ 52,584,771	\$ 176,119,441
FY 2011 Expenditures	9,626,513	299,665,293	23,119,503	48,718,423	381,129,732
FY 2010 Revenues	\$ 8,944,675	\$ 120,486,454	\$ 26,936,319	\$ 48,321,028	\$ 204,688,476
FY 2010 Expenditures	11,057,255	224,360,747	15,834,002	51,864,887	303,116,891
FY 2009 Revenues	\$ 8,894,799	\$ 108,061,528	\$ 29,480,394	\$ 55,255,882	\$ 201,692,603
FY 2009 Expenditures	11,627,053	212,531,116	30,446,485	48,649,719	303,254,373
FY 2008 Revenues	\$ 7,541,485	\$ 143,248,377	\$ 24,886,304	\$ 51,693,664	\$ 227,369,830
FY 2008 Expenditures	7,473,315	226,944,763	25,059,214	48,623,628	308,100,920
FY 2007 Revenues	\$ 7,110,338	\$ 169,458,810	\$ 26,719,523	\$ 40,221,164	\$ 243,509,835
FY 2007 Expenditures	7,623,130	223,020,868	26,436,002	18,162,879	275,242,879

**Selected Activities for
Internal Service Type Funds**

UNAUDITED

Selected Activities for Internal Service Type Funds
For the Year Ended June 30, 2014

TREND ANALYSIS

	Office of Management and Enterprise Services - ISD	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Division of Capital Assets Management
Comparison of FY 2014 Revenue to Prior Years				
FY13	118.67%	105.74%	110.62%	126.88%
FY12	330.61%	117.16%	113.88%	178.44%
FY11	901.14%	144.10%	115.33%	155.44%
FY10	1067.82%	108.84%	93.88%	169.16%
FY09	1073.81%	121.36%	85.78%	147.93%
Comparison of FY 2014 Expenditures to Prior Years				
FY13	118.11%	153.69%	98.78%	119.02%
FY12	335.53%	165.78%	126.31%	133.49%
FY11	1008.87%	143.90%	108.26%	137.17%
FY10	878.33%	192.20%	158.08%	128.85%
FY09	835.29%	202.90%	82.21%	137.36%
Revenues expressed as a percent of expenditures				
FY 14	98.35%	30.41%	101.03%	122.31%
FY 13	97.88%	44.20%	90.22%	114.74%
FY12	99.81%	43.03%	112.06%	91.50%
FY11	110.10%	30.37%	94.84%	107.94%
FY10	80.89%	53.70%	170.12%	93.17%
FY09	76.50%	50.85%	96.83%	113.58%
FY08	100.91%	63.12%	99.31%	106.31%
FY07	93.27%	75.98%	101.07%	221.45%

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THE GREAT STATE OF
ОКЛАХОМА



2014
**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FISCAL YEAR ENDED JUNE 30, 2014

In tribute to Will Rogers, "Oklahoma's Favorite Son." Photographs included in the Comprehensive Annual Financial Report were taken at various locations in or near Claremore, Oklahoma. The Will Rogers Memorial Museum and Birthplace Ranch feature many aspects of Will Rogers' life including his work in radio, movies, vaudeville and theater as well as his history as a syndicated newspaper columnist and author.

Photographs provided by Stefani L. Hovarter, CPA, CGFM, employee of the Oklahoma Office of Management and Enterprise Services.

OKLAHOMA 2014

**Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2014**

Mary Fallin
Governor

Prepared by
Office of Management and Enterprise Services

Preston L. Doerflinger, Director
Lynne Bajema, State Comptroller

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

This publication is issued under authority of the Office of Management and Enterprise Services. Pursuant to 74 O.S. 1992, Section 3105, 50 bound copies have been

prepared and distributed at a cost of \$1,700.00. The Office of Management and Enterprise Services would appreciate credit for any reprint.

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

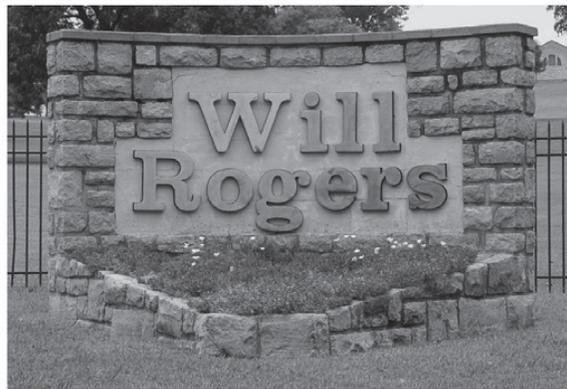
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WILL ROGERS MEMORIAL
BUILT BY THE PEOPLE OF
THE STATE OF OKLAHOMA
IN TRIBUTE TO WILL ROGERS
NATIVE SON AND WORLD CITIZEN
DEDICATED ON NOVEMBER 4, 1938 - THE
ANNIVERSARY OF HIS BIRTH



Introductory Section

Introductory Section



State of Oklahoma
Office of Management and Enterprise Services

December 31, 2014

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

The Office of Management and Enterprise Services is pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the fiscal year ended June 30, 2014. This report is presented in three sections — introductory, financial and statistical — as the primary means of reporting the state government's financial activities. Its objectives are to provide a clear picture of the government as a single, unified entity and to provide traditional fund based financial statements. The CAFR has been prepared in conformity with relevant Governmental Accounting Standards Board statements.

The Introductory Section contains an overview of the state's economic performance, a review of current initiatives and summary financial data. The Financial Section contains Management's Discussion and Analysis, Government-wide Financial Statements and Fund Financial Statements for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information and Other Supplementary Information. The Statistical Section contains selected financial and demographic information. Management's discussion and analysis contains complementary information, and readers are encouraged to review this section.

PROFILE OF THE GOVERNMENT

Management of the state, through the Office of Management and Enterprise Services (OMES), is responsible for the accuracy, fairness and completeness of the financial statements presented in this report. The statements have been prepared in accordance with generally accepted accounting principles. 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 21 component units. There are seven major component units, eight nonmajor component units, and six fiduciary component units. The major and nonmajor component units are discretely presented in the Financial Statements. The fiduciary component units are presented in the fiduciary fund and similar component units' financial statements, along with the other fiduciary activities of the state. The fiduciary activities are not included in the Government-wide Financial Statements because the resources of these funds are not available to support the state's own programs.

State finances are governed by rules designed to ensure sound, conservative management. The Legislature cannot appropriate more than 95 percent of the general revenue expected to be collected in the coming year. The state Board of Equalization, an independent board not subject to legislative control, establishes the legislative appropriation authority. Unlike many states that use seasonal borrowing to meet cash demands, Oklahoma maintains a cash flow reserve sufficient to meet fluctuating cash needs. General obligation indebtedness is prohibited without a vote of the people. When revenue receipts are less than estimated, the director of finance is mandated by the Oklahoma Constitution to declare a revenue shortfall and reduce appropriations as required to allow appropriations to be covered by current year tax collections.

The state's financial statements have been audited by the Office of the State Auditor and Inspector. The goal of the independent audit was to provide reasonable assurance that the financial statements of the state for the fiscal year ended June 30, 2014, 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 that, based upon the audit, there was a reasonable basis for rendering an unqualified opinion and that the State of Oklahoma's financial statements for the fiscal year ended June 30, 2014, 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 designed to ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. Such internal controls require estimates and judgments from management so that, in attaining reasonable assurance as to the adequacy of such controls, the cost does not exceed the benefit obtained.

Budget and Fiscal Policy

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

Oklahoma's Constitution restricts total appropriations to 95 percent of estimated general revenues. The Board of Equalization is responsible for approving the official itemized estimate of revenues based upon information provided by OMES and the Oklahoma Tax Commission and sets the amount of legislative appropriations authority. The board is comprised of six elected officials and the president of the state Board of Agriculture. The six elected officials are the governor, the state auditor and inspector, the state treasurer, the lieutenant governor, the attorney general, and the superintendent of public instruction.

The constitution requires that collections in excess of the Board of Equalization's itemized estimate of General Revenue Fund revenues be deposited to the Stabilization, or "Rainy Day" Fund each year until the balance of the Rainy Day Fund equals 15 percent of the prior fiscal year's General Revenue Fund certified appropriations authority. In November 2004, Oklahoma voters enacted 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 House speaker and Senate's president pro tempore with concurrence of three-fourths of the members of each legislative body. 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 or services to the public on a user charge basis. These activities are financed and operated in a manner similar to private business enterprises. They operate with the intent to recover the costs of operations from those directly benefiting from the goods or services. Some of the activities included in the state's proprietary operations are power generating plants, turnpikes, medical services, and insurance and financing services for both public and private entities.

Capital Assets

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

Debt Administration

General obligation bonds are backed by the full faith and credit of the state, including the state's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens. The general obligation bonds of the state are rated "Aa2" by Moody's Investors Service, "AA+" by Fitch Investors Service, and "AA+" by Standard & Poor's Corp. Before a 1993 general obligation bond program, except for refunding bonds, the state last issued general obligation bonds in 1968. Certain maturities of those bonds were advance refunded in 1977, 2003, 2011 and again in 2013. As of June 30, 2014, the outstanding general obligation net debt of the State of Oklahoma was \$132 million. This figure excludes the self-supporting taxable bonds of the Oklahoma Industrial Finance Authority, which are secured by the repayment of loans made to private businesses. State revenues have never been required to support debt service payments on these obligations.

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

ECONOMIC CONDITIONS AND OUTLOOK

With a few obstacles, Oklahoma's economy should remain growing and vibrant due to traditionally strong sectors such as oil and gas and continued growth in areas such as manufacturing.

Oklahoma will be one of four states in 2015 to lead the nation in economic output, according to an October report by Standard & Poor's, the credit ratings agency. The report predicts the economies of Oklahoma, Arkansas, Louisiana and Texas will grow by more than 3.5 percent in 2015.

Such growth will continue Oklahoma's strong performance. Through October 2014, monthly gross receipts to the Oklahoma Treasury — the state's share of personal and corporate income taxes, sales taxes, gross production taxes, motor vehicle taxes and other collections — were up nearly 5 percent during the last 12 months. That is a good sign "Oklahoma's economy continues its steady expansion," state Treasurer Ken Miller said in a news release.

Oklahoma has been one of the nation's fastest growing states in recent years, with its gross domestic product — the output of goods and services produced by labor and property used as the broadest measure of economic activity — rising 7.3 percent from 2011-2013, according to U.S. Bureau of Economic Analysis numbers. The 2013 growth rate, 4.2 percent, was more than double the national average, 1.9 percent, and the fourth-highest annual GDP growth rate among states.

The mining sector, which includes the oil and gas industry, accounted for nearly 13 percent of the state's GDP in 2013. Oklahoma accounts for more than 3 percent of the total U.S. oil production and almost one-tenth of the U.S. natural gas production. Cushing is one of the nation's largest oil hubs — much of the nation's oil is stored, priced and blended there.

Two of the 100 largest U.S. oilfields are found in Oklahoma; and more than a dozen of the 100 largest natural gas fields in the country are located in Oklahoma.

All three Oklahoma metropolitan areas outpaced or equaled U.S. metropolitan area real GDP growth in 2013, according to the U.S. Bureau of Economic Analysis statistics. The Oklahoma City area grew 3.9 percent and ranked 56th out of 381 metro areas. Tulsa grew 3.5 percent and ranked at 68th. Lawton grew 1.7 percent and ranked 175th.

While the prospects for continued economic growth in 2015 are positive, there are a few obstacles such as the effect of recent falling oil prices.

“Declining oil prices is the major headwind facing the Oklahoma economy,” said Dan Rickman, a regent’s professor in economics at Oklahoma State University, at an economic outlook conference in December 2014. “The current forecast is for a minor decline in energy related employment in 2015, but the decline will prove to be greater should oil prices fall further.”

Rickman said while declining oil prices could slow economic growth, it isn’t the entire picture as Oklahoma’s economy has diversified and is not as dependent on oil and gas as it was before the oil bust of the early 1980s.

Oklahoma’s score on the Mid-America Business Conditions Index, a leading economic indicator for a nine-state region stretching from North Dakota to Arkansas, has recently dipped in part due to falling oil prices. The index rates states from 0-100. A score below 50 indicates a slowdown in economic growth in the next three to six months.

Oklahoma scored 58 in September, but slumped to 48 in October. Sharp declines in grain and oil prices drove the index down in October, but while the growth will decline it is expected to remain positive, said Ernie Goss, director of Creighton University’s Economic Forecasting Group, which conducts the monthly survey. In November, Oklahoma’s index score rebounded to 54.5.

“During the national recession, December 2007 to June 2009, Oklahoma lost more than 21,000, or approximately one-fifth, of its manufacturing jobs,” Goss said. “Since the recovery began in July 2009 the state has regained more than 16,000, or approximately 76 percent, of the lost manufacturing jobs. Our surveys of businesses in Oklahoma indicate the state’s manufacturing employment will return to pre-recession levels in the second half of 2015.”

Another challenge is meeting the needs of a changing economy. A report released in June by the Information Technology and Innovation Foundation ranked Oklahoma 48th among states in meeting the needs of the “new economy” — defined as knowledge based, globalized, entrepreneurial, information technology driven and innovation based. The report’s State New Economy Index cited the workforce’s educational attainment, employment in high-wage traded services, the state’s economic globalization, digitizing the economy and government, and the number of high-tech jobs as areas Oklahoma could improve.

Oklahoma has taken several steps to confront such challenges. The Oklahoma Department of Career and Technology Education system is often used as a model for other programs. The system offers programs and services throughout nearly 400 public school districts, 29 technology centers with 59 campus sites, and 16 correctional facility skills centers. Annually, enrollment in CareerTech classes is about 500,000.

Oklahoma public colleges awarded a record level of degrees and certificates in the last academic year, with a growing number of them in science- and math-related fields. More than 35,500 degrees and certificates were granted in Oklahoma during the 2013-14 school year.

Degrees in science, technology, engineering and mathematics have increased by 28 percent during the last five years. In 2014, more than 6,100 degrees were granted in the disciplines, nearly a 4 percent increase from the previous year. In April 2014, Gov. Mary Fallin signed a law providing criteria to designate communities that specialize in the fields and increase the number of qualified job candidates.

During 2014, Fallin also signed several other pieces of business friendly legislation:

- A bill preventing municipalities from mandating a minimum wage higher than the national rate.
- A bill extending tax incentives to employers and employees in the aerospace industry until Jan. 1, 2018.
- A bill eliminating the county population requirement for a small business to qualify for the Small Employer Quality Jobs program.

- A measure allowing Oklahoma’s military installations to direct Oklahoma Quality Jobs Act funding to a “proxy establishment” for use in job creation, land acquisition and infrastructure development.

Oklahoma has also won praise for its pension system reform. Fallin signed legislation in May 2014 to transition new state government hires — exempting teachers and “hazardous duty” employees such as firefighters and law enforcement — into a 401(k)-style pension plan beginning in November 2015. Oklahoma became the third state to require a defined-contribution plan.

“This is likely to be the most significant state reform in 2014,” the Reason Foundation claimed in response.

The more staid Fitch Ratings noted in a November 2014 bond rating, “Several rounds of pension reform have improved the state’s long-term liability position, with the combined burden of debt and pensions slightly above the state median.” The largest reduction in the state’s unfunded pension liability came in 2011 through legislation requiring full funding of cost of living adjustments, reducing the unfunded liability from roughly \$16 billion to around \$10 billion.

Among the business community, Oklahoma is lauded for tax, right-to-work and workers’ compensation reform. In 2014, Oklahoma furthered this reputation by passing legislation to gradually reduce the state’s top personal income tax rate from 5.25 to 4.85 percent. That’s on top of a state and local tax burden that was already the ninth lowest in the nation, according to 2011 data from the Federation of Tax Administrators released in 2013. Oklahomans pay \$1,144 less per person than the national average.

In 2014, more than 110 companies announced plans to expand in Oklahoma and hire thousands and invest billions. The companies include businesses such as Macy’s Inc., Koch Industries Inc. and Enable Midstream Partners LP.

Oklahoma is one of only a handful of states to have an unemployment rate below the national average and a net gain in jobs since the Great Recession began in December 2007. The state’s total employment has grown by 110,200 jobs since January 2011.

Since January 2011, Oklahoma has had a lower unemployment rate than the nation as a whole. Oklahoma’s unemployment rate was 4.7 percent in September 2014, down 0.9 percentage points from a year earlier. The national unemployment rate was 5.9 percent in September. Oklahoma’s unemployment rate has consistently declined since a February 2010 peak of 7.2 percent.

The low unemployment rate combined with the proliferations of jobs has resulted in an 18.1 percent growth in wages and salary since 2011 — the best growth among states during that time.

A better salary, job opportunities and a cost of living that ranges from 88-90 percent of the national average have helped attract people from out of state. More than 24,000 people moved to the state in 2013, the most recent year that data are available.

Home prices in Oklahoma have increased by 2.7 percent from the second quarter of 2013 to the second quarter of 2014. They are up 6.9 percent since their recent low in the third quarter of 2011 and are 3.2 percent above their peak before the housing crash.

Oklahoma homebuilders stepped up building permit applications in September 2014. Reflecting a surge in apartment permitting, total residential building permitting for September was at an unadjusted level of 1,214 units, up by 29.4 percent compared to August, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development. Permits are considered a leading indicator for the residential construction industry and the overall economy.

Some other highlights of Oklahoma’s economy:

- U.S. Bureau of Economic Analysis figures show that Oklahoma was No. 1 in durable goods manufacturing from the first to second quarter of 2014. Oklahoma saw a 4.1 percent increase, while the U.S. grew 2 percent.
- 2014 Fortune 500 companies Chesapeake Energy Corp. (163), ONEOK Inc. (200), Devon Energy Corp. (270) and The Williams Cos. Inc. (380) are headquartered in Oklahoma.

- Nearly 300 companies in the Fortune 500 — such as General Electric (9), Hewlett-Packard (17), Boeing (30) and Halliburton Co. (103) — operate in Oklahoma, employing more than 180,000 in the state.
- Three other Oklahoma-based companies, Love’s Travel Stops (13), QuikTrip (27) and Hobby Lobby (138) are on Forbes magazine’s list of largest private companies in 2014.
- Small businesses in Oklahoma employ more than 675,000 people in the state’s private sector and have payrolls greater than \$23.1 billion, according to the Oklahoma Department of Commerce.
- Platts’ 2014 Top Global Energy Company rankings contained eight Oklahoma energy companies.
- Twenty Oklahoma companies made the 2014 Inc. top 5,000 list of the fastest-growing private sector companies in the nation.
- Oklahoma generates more gypsum rock than any other state. The mineral is used primarily in roads and construction materials, but can be found as well in a variety of foods, including beer and bread.
- The U.S. Chamber of Commerce Foundation ranked Oklahoma 13th for overall economic performance in its “Enterprising States 2014” report. Other top 10 rankings for the state in the report include fifth in per capita income growth, fifth in college affordability, sixth in cost of living and seventh in long-term job growth.
- CNBC ranked Oklahoma No. 1 for cost of doing business and No. 3 in cost of living in its 2014 America’s top states for business feature.
- 24/7 Wall St. ranked Oklahoma in the middle of the pack of the best run states in America. Oklahoma’s ranking of 25th was buoyed by the state’s strong economic growth rate, low unemployment rate and the 18th lowest debt per capita, \$2,592.
- Oklahoma was ranked No. 7 on Thumbtack’s 2014 survey of small business friendliness. The survey used data from more than 12,000 small-business owners. Oklahoma improved its rating 11 slots since the 2013 survey, earning a grade of A or above in the categories of ease of starting a business, regulations, tax code, licensing, zoning, and training and networking programs. Oklahoma earned an F grade for ease of hiring.
- For the third year in a row, the Fraser Institute ranked Oklahoma in 2014 the world’s most attractive location for oil and gas investment.
- Kiplinger ranked Oklahoma City No. 1 and Tulsa No. 4 on its 2014 best cities for starting a business list. A large number of small businesses, low cost of living and low business costs were among the factors.
- Forbes ranked Oklahoma City seventh and Tulsa 68th on its 2014 list of best places for business and careers. The list was based on business costs, job growth, education and population.

- Forbes ranked Oklahoma City fifth among big cities leading a manufacturing revival.
- 24/7 Wall St. ranked Stillwater No. 7 on its 2014 list of cities where wealth is soaring.
- The Tax Foundation's 2015 State Business Tax Climate Index ranked Oklahoma No. 1 in unemployment insurance taxes, No. 7 in corporate taxes and No. 11 in property taxes. Overall the index ranked Oklahoma 32 because of poor ranking in sales tax, No. 38, and individual income tax, No. 40.
- Website Find the Best ranked Oklahoma No. 2 for recent college graduates since the recession, based on median income, unemployment rates and tuition costs. North Dakota was No. 1.

Highlights of the fiscal year 2014 and fiscal year 2015 executive branch budgets include (expressed in millions):

	Amount Appropriated		Percentage of Total Appropriations		Increase (Decrease) from Prior Year		Percentage Increase (Decrease)	
	2014	2015	2014	2015	2014	2015	2014	2015
Department of Education	\$ 2,408	\$ 2,487	34%	34%	\$ 74	\$ 79	3%	3%
Regents for Higher Education	989	989	14%	14%	34	0	4%	0%
Career & Technical Education	138	139	2%	2%	3	1	2%	1%
Other Education	54	46	1%	1%	16	(8)	42%	(15%)
Total Education	3,589	3,661	51%	51%	127	72	4%	2%
Department of Health	63	61	1%	1%	1	(2)	2%	(3%)
Health Care Authority	954	906	13%	12%	32	(48)	3%	(5%)
Department of Mental Health	337	339	5%	5%	26	2	8%	1%
Other Health	57	55	1%	1%	15	(2)	36%	(4%)
Total Health	1,411	1,361	20%	19%	74	(50)	6%	(4%)
Department of Human Services	631	676	9%	10%	44	45	7%	7%
Office of Juvenile Affairs	98	97	1%	1%	2	(1)	2%	(1%)
Other Human Services	78	75	1%	1%	3	(3)	4%	(4%)
Total Human Services	807	848	11%	12%	49	41	6%	5%
Department of Corrections	464	471	7%	7%	-	7	0%	2%
Department of Transportation	209	197	3%	3%	3	(12)	1%	(6%)
Department of Public Safety	90	96	1%	1%	-	6	0%	7%
Other	513	473	7%	7%	2	(40)	0%	(8%)
Total	\$ 7,083	\$ 7,107	100%	100%	\$ 255	\$ 24	4%	0%

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 (GAAP) for the fiscal year ended June 30, 2014, while previous tables have presented budgetary data for this and later periods. Transfers are primarily from the General Fund to support public institutions of higher education.

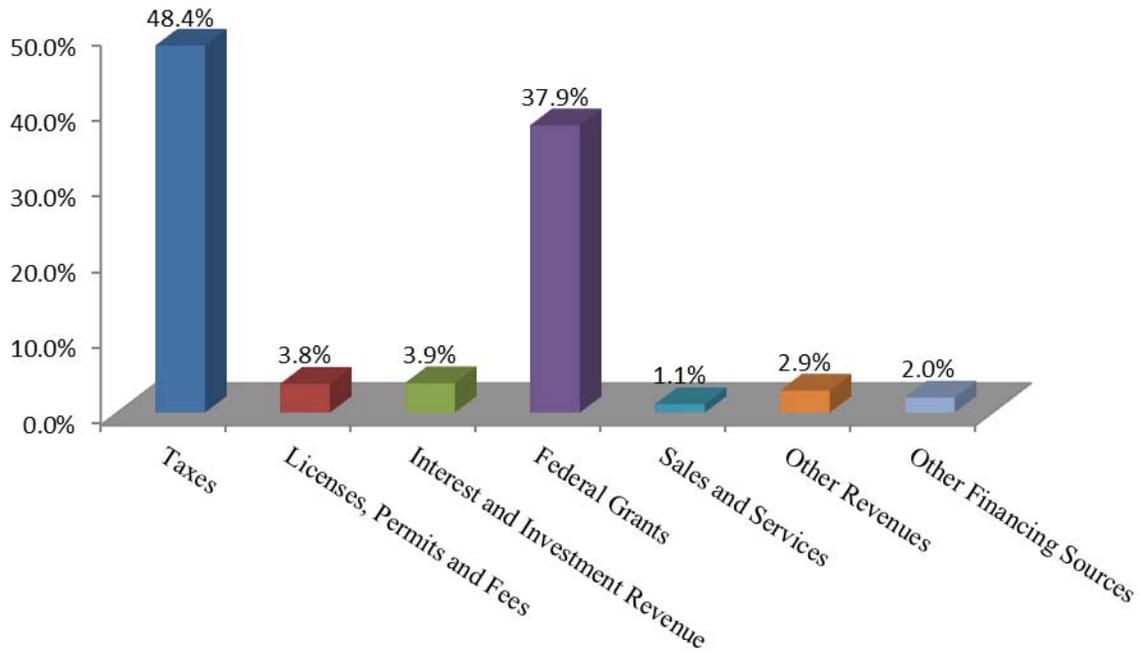
Governmental Funds: Revenues and Other Financing Sources – GAAP Basis
(expressed in millions)

	2014 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	\$ 8,646	48.4%	\$ 276	3.3%
Licenses, permits and fees	672	3.8%	45	7.2%
Interest and investment revenue	693	3.9%	184	36.1%
Federal grants	6,746	37.9%	99	1.5%
Sales and services	200	1.1%	25	14.3%
Other revenues	508	2.9%	(357)	(41.3%)
Other financing sources:				
Transfers	81	0.5%	13	19.1%
Bond and note proceeds	236	1.3%	146	162.2%
Other	37	0.2%	12	48.0%
Total revenues and other financing sources	<u>\$ 17,819</u>	<u>100.0%</u>	<u>\$ 443</u>	<u>2.5%</u>

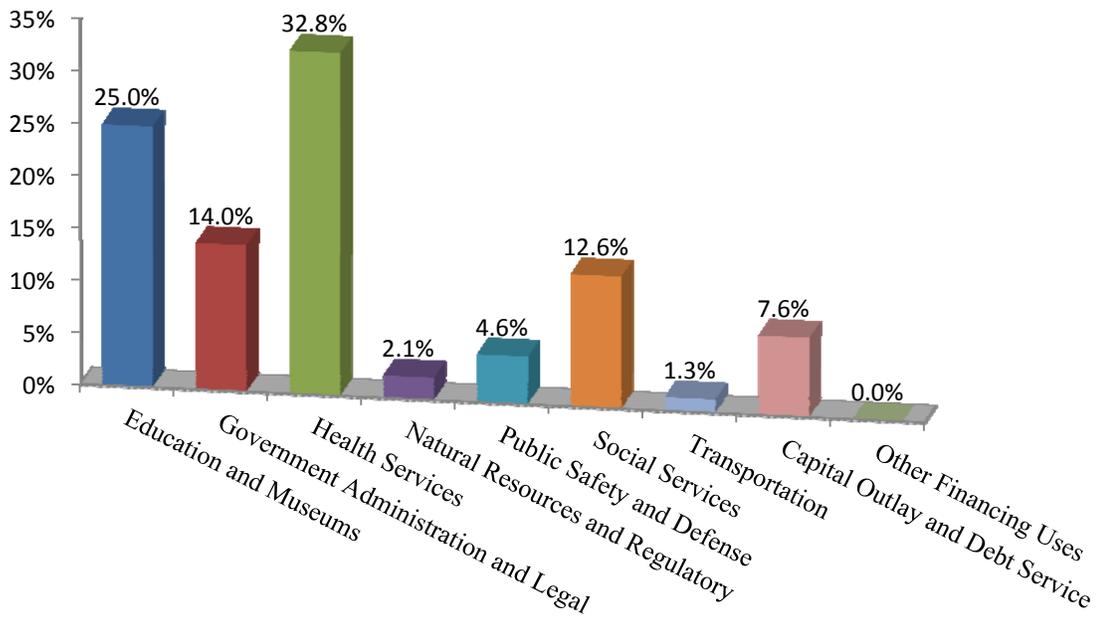
Governmental Funds: Expenditures and Other Financing Uses – GAAP Basis
(expressed in millions)

	2014 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	\$ 4,359	24.9%	\$ (48)	(1.1%)
Government Administration	2,204	12.6%	346	18.6%
Health services	5,746	32.8%	299	5.5%
Legal and judiciary	250	1.4%	11	4.6%
Museums	15	0.1%	0	0.0%
Natural resources	247	1.4%	(91)	(26.9%)
Public safety and defense	798	4.6%	30	3.9%
Regulatory services	128	0.7%	6	4.9%
Social services	2,215	12.6%	18	0.8%
Transportation	226	1.3%	14	6.6%
Capital outlay	895	5.1%	(209)	(18.9%)
Debt service	433	2.5%	100	30.0%
Other Financing Uses:				
Transfers	0	0.0%	0	0.0%
Total expenditures and other financing uses	<u>\$ 17,516</u>	<u>100.0%</u>	<u>\$ 476</u>	<u>2.8%</u>
Governmental Funds - Net increase in fund balance	<u>\$ 303</u>			

Governmental Fund Revenues and Other Financing Sources (GAAP Basis) – Fiscal Year 2014



Governmental Funds Expenditures and Other Financing Uses (GAAP Basis) – Fiscal Year 2014



Revenue Collections and Estimates

As noted in a preceding subsection, the budget is prepared using cash available plus 95 percent 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, as defined by Oklahoma law, are approximately 75 percent of the total tax revenues of the governmental funds, as defined by GAAP. However, the budgetary General Revenue Fund should not be confused with the General Fund as presented in the accompanying GAAP-basis financial statements, as the two terms are not interchangeable. For example, the GAAP-basis General Fund includes revenues deposited to the state Transportation Fund, federal grant proceeds, revolving fund revenues, fees and charges as well as other money used in the general operations of government which are not considered in the Board of Equalization's estimates of tax revenues.

Receipts from three of the four major taxes were more than revenues of the prior year. The taxes combined for \$4.8 billion, or 100.7 percent of total GRF receipts for the prior year. The total of major taxes collected increased \$32 million or 0.7 percent from that of last year. As compared to fiscal year 2013, collections from income taxes decreased by \$174 million, or 6.9 percent; sales taxes increased by \$59 million, or 3.1 percent; motor vehicle taxes increased \$35 million, or 18.4 percent; and gross production taxes on gas and oil increased by \$112 million, or 50 percent.

Oklahoma has established an enviable record in recent years for its revenue forecasting results. Since enactment of a constitutional amendment in 1985 establishing new revenue estimating procedures, collections have exceeded the estimate in 17 years and dipped below the estimate 12 years. The comparison of estimated revenues to actual collections for fiscal year 2014 is as follows:

Revenue Collections Compared to Itemized Estimate for Fiscal 2014
(expressed in millions)

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
Individual and Corporate				
Income tax	\$ 2,585.3	\$ 2,334.5	\$ (250.8)	90.3%
Sales tax	2,030.8	1,959.4	(71.4)	96.5%
Motor vehicle tax	214.9	228.0	13.1	106.1%
Gross production tax	271.5	333.2	61.7	122.7%
Subtotal Major Taxes	5,102.5	4,855.1	(247.4)	95.2%
Other sources	786.8	772.3	(14.5)	98.2%
Total	\$ 5,889.3	\$ 5,627.4	\$ (261.9)	95.6%

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	
2000	\$ 4,271	\$ 4,354	\$ 83	101.9%	
2001	4,456	4,693	237	105.3%	
2002	4,829	4,413	(416)	91.4%	
2003	4,725	4,186	(539)	88.6%	
2004	4,396	4,613	217	104.9%	
2005	4,545	4,957	412	109.1%	
2006	5,149	5,715	566	111.0%	
2007	5,708	5,966	258	104.5%	
2008	5,845	5,981	136	102.3%	
2009	5,981	5,544	(437)	92.7%	
2010	5,415	4,622	(793)	85.4%	
2011	4,889	5,138	249	105.1%	
2012	5,236	5,564	328	106.3%	
2013	5,601	5,604	3	100.1%	
2014	5,889	5,627	(262)	95.6%	
Fifteen-Year Average	\$ 5,129	\$ 5,132	\$ 3	100.1%	

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

Cash-Flow Committed Fund – Each year, 10 percent of the General Revenue Fund's certified appropriation level is set aside to meet anticipated monthly cash flow needs for the new fiscal year. At the close of fiscal year 2014, the amount the state set aside was \$522.8 million.

General Revenue Fund – In fiscal year 2014, there were amendments to the budget that added \$150 million. \$43.4 million was added to the budget for prior year carry-over compared to a \$54.9 million carry-over in fiscal year 2013. Carry-over funds reflect the difference between the 95 percent appropriation limit and actual receipts up to 100 percent of the estimate. Funds required to replenish or increase the cash-flow committed fund also come from this source. An additional \$25.5 million was added to fund a portion of the ad valorem reimbursement to schools. For the maintenance of the Medicaid program, the Oklahoma Health Care Authority was provided an additional \$47.7 million. The Office of Management and Enterprise services was awarded an additional \$15.0 million through the Long Range Capital Planning Commission to address capital needs across state agencies. Due to costs associated with increasing prison population, the Oklahoma Department of Corrections received \$13.0 million in additional funds. Another \$2.3 million of supplementary funding was added to provide funding for the Department of Agriculture.

Constitutional "Rainy Day" Fund - At the start of each fiscal year, collections that exceed the estimate for the preceding year are automatically deposited in the Rainy Day Fund until the total balance equals 15 percent of the prior year's certified collections for the General Revenue Fund. As a result of different triggers for making the funds available for use, any amounts deposited to the fund are split between unassigned and restricted fund balance. For the fiscal year beginning July 1, 2014, the restricted portion had a balance of \$401.4 million and the unassigned portion had a balance of \$133.8 million, giving the total Constitutional Fund a balance of \$535.2 million.

FOR THE FUTURE

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

Oklahoma's executive management will continue to lead in promoting improvement in these key areas to improve the lives of Oklahomans. With the governor's leadership, Oklahoma will continue to make investments in a high quality educational system where all students can succeed, encourage the improved health of Oklahoma's citizens and encourage investors to allow their money to work and grow in Oklahoma, creating more jobs and higher incomes.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Oklahoma for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

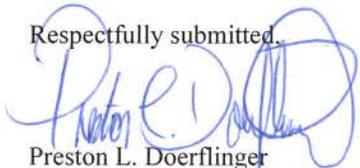
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

Respectfully submitted,



Preston L. Doerflinger
Director of State Finance and Revenue



Lynne Bajema
State Comptroller



Government Finance Officers Association

**Certificate of
Achievement
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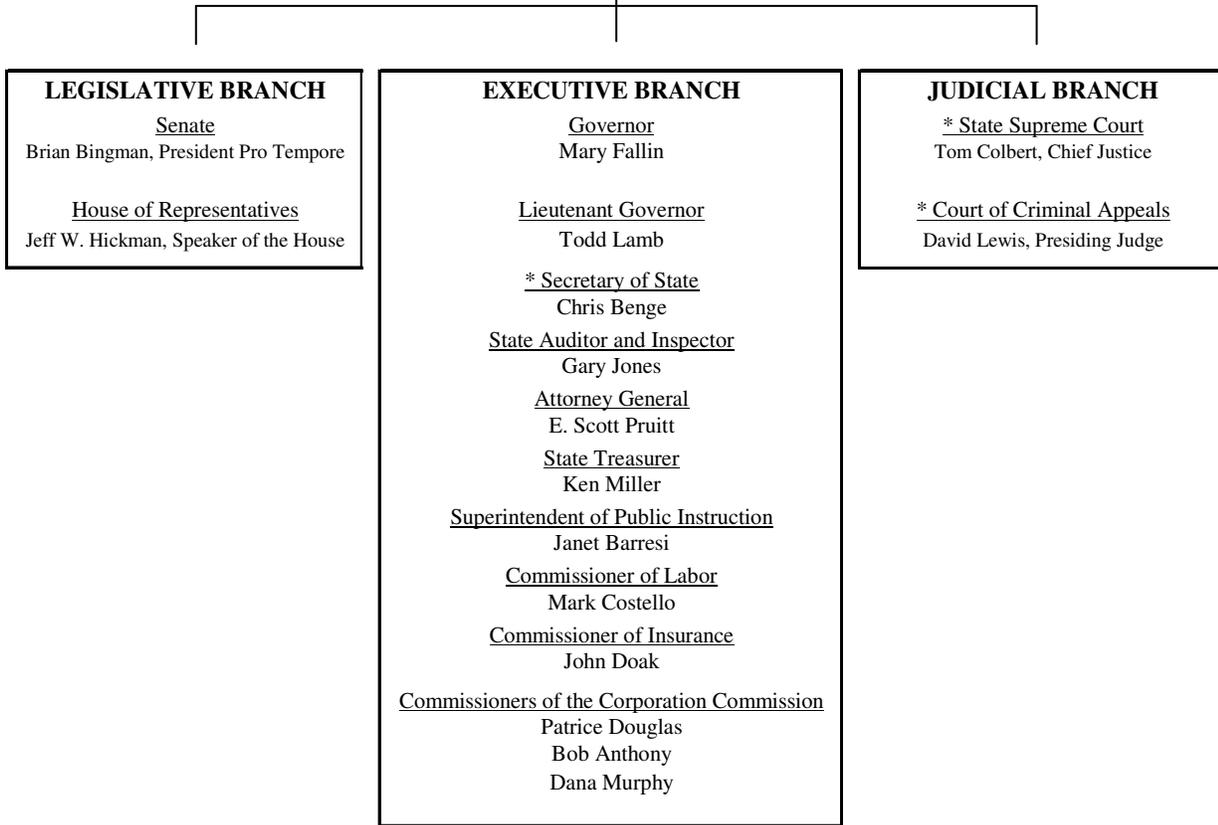
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Selected Oklahoma State Officials

June 30, 2014



* Appointed position

CABINET DEPARTMENT SECRETARIES

Agriculture	Finance, Administration, & Information Technology	Science & Technology
Commerce	Health & Human Services	Secretary of State
Education & Workforce Development	Military	Tourism
Energy & Environment	Safety & Security	Transportation
		Veterans Affairs

The Cabinet Secretaries are appointed by the Governor with the approval of the Senate. Many of the secretaries are also heads of the Executive Branch agencies. State agencies are assigned to a cabinet department by the Governor. The specific agency assignments to each cabinet are shown on the next page. Agency numbers are listed to the left of the agency name.

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Will Rogers Birthplace
Established 1870

The last of eight children born in the family of Mary and Clem Rogers, William Penn Adair Rogers was born November 4, 1879 in the southeast bedroom of this log-walled house located in Indian Territory's Cherokee Nation. Part-Indian Will Rogers was a humorist-philosopher, star of the Ziegfeld Follies and 71 motion pictures, syndicated newspaper columnist, author of seven books and America's original radio commentator.

His credo:

"I never met a man I didn't like."

Financial Section

Financial Section



Oklahoma State Auditor & Inspector

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

- the financial statements of the Water Resources Board which represent forty-four percent of the assets, twenty-six percent of the net position and three percent of the revenues of the enterprise funds;
- the financial statements of the Oklahoma Municipal Power Authority, University of Oklahoma, University of Oklahoma – Health Sciences Center, Oklahoma State University – Foundation, Grand River Dam Authority, Oklahoma State University, Oklahoma Turnpike Authority, University of Oklahoma – Foundation, Oklahoma Housing Finance Authority, CompSource, and the Regents for Higher Education, which in the aggregate represent eighty percent of the assets, eighty-two percent of the net position and seventy-one percent of the revenues for the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent ninety-eight percent of the assets, ninety-eight percent of the fund balance and ninety-nine percent of the revenues of the permanent funds; and
- the financial statements of the Oklahoma Public Employees Retirement System and the Oklahoma Teachers Retirement System, which in the aggregate represent eighty-two percent of the assets, eighty-one percent of the net position and eighty-three percent of the additions of the aggregate remaining fund information.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the Multiple Injury Trust Fund (MITF) had a net deficit or negative net position of approximately \$365,235,000 at December 31, 2013 primarily due to court awards exceeding the apportionment of special tax revenue collected.

As discussed in Note 1, the State of Oklahoma has adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, effective July 1, 2013.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule-Budget to Actual (Non-GAAP Budgetary Basis) General Fund, and the Notes to Required Supplementary Information-Budgetary Reporting, as listed in the table of contents, and the Schedules of Funding Progress for the Wildlife Conservation Plan, Oklahoma Law Enforcement Retirement System, and the Uniform Retirement System for Judges and Justices presented in Note 14 to the basic financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Oklahoma's basic financial statements. The introductory section, combining financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Oklahoma's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

December 31, 2014

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Management Discussion & Analysis

Management Discussion & 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, 2014. 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 Position - The assets plus deferred outflows of resources of the state exceeded its liabilities and deferred inflows of resources at fiscal year ending June 30, 2014 by \$18.4 billion (presented as "net position"). Of this amount, \$2.2 billion was reported as "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the state's ongoing obligations to citizens and creditors.

Changes in Net Position - The state's total net position increased by \$1.0 billion (a 5.8% increase) in fiscal year 2014 after a 5.8% increase during the previous fiscal year. Net position of governmental activities increased by \$760 million (a 4.9% increase), while net position of the business-type activities showed an increase of \$247 million (a 12.6% increase).

Fund Highlights:

Governmental Funds - Fund Balances - As of the close of fiscal year 2014, the state's governmental funds reported a combined ending fund balance of \$7.1 billion, an increase of \$303 million in comparison with the prior year. Of this total amount, \$3.3 billion represents nonspendable fund balance, with \$74 million being in the General Fund. Amounts that can be spent include \$1.3 billion of restricted fund balance, \$2.2 billion of committed fund balance, \$72 million of assigned fund balance, and \$134 million of unassigned fund balance. The portion of fund balance which is available is roughly 21% of the total governmental expenditures for the year.

Long-term Debt:

The state's total long-term debt obligations showed a net decrease of \$120.4 million (5.8%) in the governmental type activities and a net decrease of \$134.6 million (14.2%) in the business type activities during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

The *Statement of Net Position* presents all of the government's assets and liabilities in addition to deferred inflows and outflows, with the difference between the four reported as "net position". Over time, increases or decreases in the state's net position 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 position changed during the most recent fiscal year. All changes in net position 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), government administration, 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), administering the insurance benefits for state employees and education workers (by the Employees Group Insurance Division of the Office of Management and Enterprise Services), and the Oklahoma Lottery Commission. These four programs operate with minimal assistance from the governmental activities of the state.

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

The state's seven discretely presented major component units are:

CompSource Oklahoma
Oklahoma Student Loan Authority

Oklahoma Housing Finance Agency
Oklahoma Turnpike Authority
Grand River Dam Authority
Oklahoma Municipal Power Authority
Higher Education Component Unit

The state's eight other (or nonmajor) component units are combined into a single column for reporting in the Fund Financial Statements. These nonmajor component units are:

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

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the state's component units are presented in the Notes to the Financial Statements.

The Government-Wide Financial Statements can be found immediately following this discussion and analysis.

Fund Financial Statements and Major Component Unit Financial Statements

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

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

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

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

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

The basic Governmental Funds Financial Statements can be found immediately following the Government-Wide Financial Statements.

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

The state has four enterprise funds, with all four being considered major proprietary funds for presentation purposes. As previously mentioned, they are the operations of the Oklahoma Unemployment Insurance Trust Fund (by the Oklahoma Employment Security Commission), the state’s program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Oklahoma Water Resources Board), the administration of insurance benefits for state employees by the Employees Group Insurance Division (EGID) of the Office of Management and Enterprise Services, and the Oklahoma Lottery Commission.

The basic Proprietary Funds Financial Statements can be found immediately following the Governmental Fund Financial Statements.

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

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

The basic Fiduciary Funds and Similar Component Units’ Financial Statements can be found immediately following the Proprietary Fund Financial Statements.

Component Units Financial Statements – As mentioned above, these are operations for which the state has financial accountability but they have certain independent qualities as well, and they operate similar to private-sector businesses. The Government-Wide Financial Statements present information for the component units in a single column of the Statement of Net Position. Also, some information on the Statement of Activities is aggregated for component units. The Combining Statement of Net Position and Combining Statement of Activities provide detail for each major component unit and the nonmajor component units in aggregate. Individual nonmajor component unit detail can be found in the Combining Financial Statements described below.

The basic Combining Financial Statements for major component units can be found immediately following the Fiduciary Fund and Similar Component Unit’s Financial Statements.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to the Financial Statements can be found immediately following Component Units Financial Statements.

Required Supplementary Information and Budget Schedule

The Basic Financial Statements are followed by a section of Required Supplementary Information. This section includes the Budgetary Comparison Schedule – Budget to Actual (Non-GAAP Budgetary Basis), which includes a schedule of

reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the Governmental Fund Financial Statements.

Combining Financial Statements

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

Budgetary Detail

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government’s financial condition. The state’s combined net position (government and business-type activities) totaled \$18.4 billion at the end of 2014, compared to \$17.4 billion at the end of the previous year.

The largest portion of the state’s net position (54.2%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the state’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current Assets	\$ 4,606,848	\$ 4,855,850	\$ 1,967,083	\$ 1,803,715	\$ 6,573,931	\$ 6,659,565
Capital Assets	11,009,624	10,742,611	1,415	1,037	11,011,039	10,743,648
Other Assets	3,946,999	3,579,352	1,211,815	1,253,713	5,158,814	4,833,065
Total Assets	<u>19,563,471</u>	<u>19,177,813</u>	<u>3,180,313</u>	<u>3,058,465</u>	<u>22,743,784</u>	<u>22,236,278</u>
Deferred Outflows	<u>3,822</u>	<u>4,683</u>	<u>-</u>	<u>-</u>	<u>3,822</u>	<u>4,683</u>
Noncurrent Liabilities	1,705,114	1,872,237	766,109	813,477	2,471,223	2,685,714
Other Liabilities	1,537,415	1,730,611	196,649	267,691	1,734,064	1,998,302
Total Liabilities	<u>3,242,529</u>	<u>3,602,848</u>	<u>962,758</u>	<u>1,081,168</u>	<u>4,205,287</u>	<u>4,684,016</u>
Deferred Inflows	<u>93,925</u>	<u>108,364</u>	<u>6,349</u>	<u>13,442</u>	<u>100,274</u>	<u>121,806</u>
Invested in Capital Assets, Net of Related Debt	9,992,791	9,632,939	1,415	1,037	9,994,206	9,633,976
Restricted	4,698,509	4,224,862	1,573,491	1,353,998	6,272,000	5,578,860
Unrestricted	<u>1,539,539</u>	<u>1,613,483</u>	<u>636,300</u>	<u>608,820</u>	<u>2,175,839</u>	<u>2,222,303</u>
Total Net Position	<u>\$ 16,230,839</u>	<u>\$ 15,471,284</u>	<u>\$ 2,211,206</u>	<u>\$ 1,963,855</u>	<u>\$ 18,442,045</u>	<u>\$ 17,435,139</u>

A portion of the state's net position (34%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position 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 position.

At the end of the current fiscal year, the state is able to report positive balances in all three categories of net position, 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.

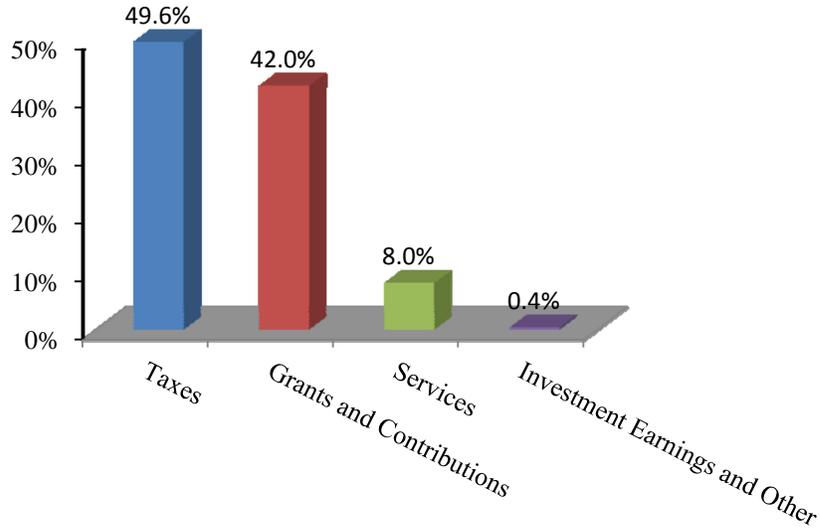
Changes in Net Position

The state's governmental net position increased by \$1.0 billion, or 5.8%. Approximately 49% of the state's total revenue came from taxes, while 42% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 8% of the total revenues. The state's expenses cover a range of services. The largest expenses were for health services, general education, and social services. In 2014, governmental activity expenses exceeded program revenues, resulting in the use of \$8.1 billion in general revenues (mostly taxes). The business-type activities' program revenues exceeded their expenses for 2014 by \$328 million.

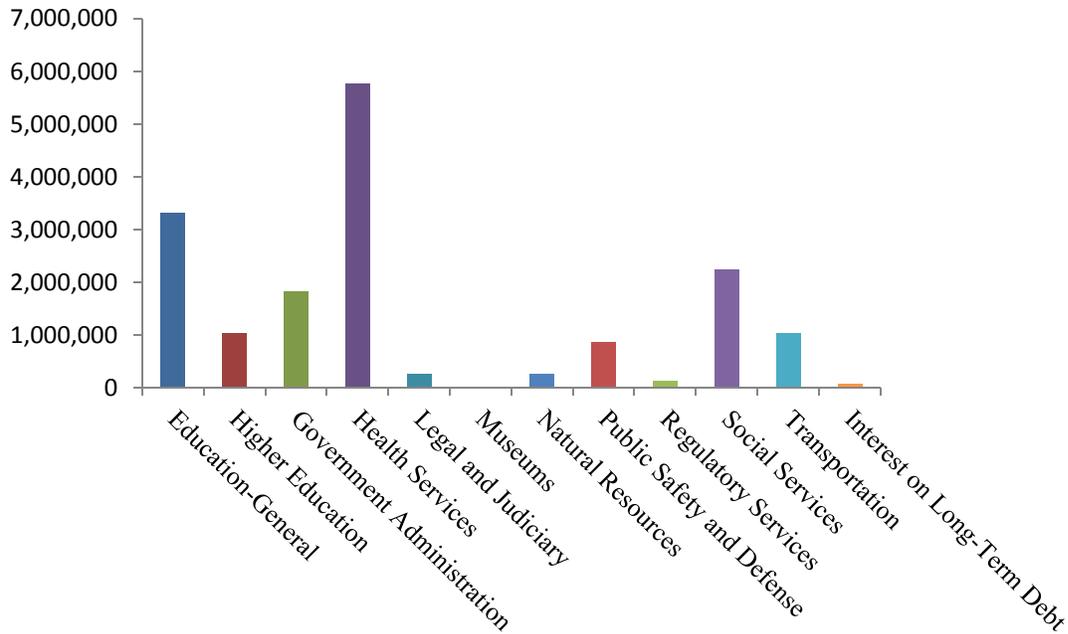
State of Oklahoma's Changes Net Position-Primary Government (expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,436,100	\$ 1,666,850	\$ 1,664,222	\$ 1,651,258	\$ 3,100,322	\$ 3,318,108
Operating Grants and Contributions	7,326,805	6,939,234	37,901	138,918	7,364,706	7,078,152
General Revenues:						
Income Taxes-Individual	2,855,601	2,855,509	-	-	2,855,601	2,855,509
Income Taxes-Corporate	408,665	595,250	-	-	408,665	595,250
Sales Taxes	2,598,873	2,523,098	-	-	2,598,873	2,523,098
Gross Production Taxes	657,476	513,350	-	-	657,476	513,350
Motor Vehicle Taxes	778,694	686,540	-	-	778,694	686,540
Fuel Taxes	419,084	408,507	-	-	419,084	408,507
Other Taxes	927,755	788,235	-	-	927,755	788,235
Investment Earnings	59,298	68,601	-	-	59,298	68,601
Capital Lease and COPs	-	615	-	-	-	615
Total Revenues	17,468,351	17,045,789	1,702,123	1,790,176	19,170,474	18,835,965
Expenses:						
Education-General	3,322,341	2,405,694	-	-	3,322,341	2,405,694
Education-Payments to Higher Education	1,037,785	2,003,101	-	-	1,037,785	2,003,101
Government Administration	1,830,570	1,890,458	-	-	1,830,570	1,890,458
Health Services	5,766,102	5,462,257	-	-	5,766,102	5,462,257
Legal and Judiciary	261,344	245,372	-	-	261,344	245,372
Museums	17,691	15,916	-	-	17,691	15,916
Natural Resources	264,233	353,243	-	-	264,233	353,243
Public Safety and Defense	863,080	820,506	-	-	863,080	820,506
Regulatory Services	131,756	129,206	-	-	131,756	129,206
Social Services	2,240,638	2,222,255	-	-	2,240,638	2,222,255
Transportation	1,043,522	941,132	-	-	1,043,522	941,132
Interest on Long-Term Debt	71,270	112,030	-	-	71,270	112,030
Unemployment Insurance Trust Fund	-	-	289,959	386,399	289,959	386,399
State Loan Program to Local Governments	-	-	35,286	39,398	35,286	39,398
Group Insurance Program	-	-	925,327	843,065	925,327	843,065
Lottery Commission	-	-	123,180	128,642	123,180	128,642
Total Expenses	16,850,332	16,601,170	1,373,752	1,397,504	18,224,084	17,998,674
Increase (Decrease) in Net Position Before Transfers and Contribution to Permanent Funds	618,019	444,619	328,371	392,672	946,390	837,291
Contribution to Permanent Funds	60,516	87,515	-	-	60,516	87,515
Transfers	81,020	77,745	(81,020)	(77,745)	-	-
Change in Net Position	759,555	609,879	247,351	314,927	1,006,906	924,806
Net Position, Beginning of Year	15,471,284	14,861,405	1,963,855	1,643,105	17,435,139	16,504,510
Adjustments to Beginning Net Position	-	-	-	5,823	-	5,823
Net Position, End of Year	\$ 16,230,839	\$ 15,471,284	\$ 2,211,206	\$ 1,963,855	\$ 18,442,045	\$ 17,435,139

**Revenues – Governmental Activities
Fiscal Year 2014**



**Expenses – Governmental Activities
Fiscal Year 2014
(expressed in thousands)**



Governmental Activities

Governmental activities increased the state's net position by \$760 million. Tax revenues were up in four of the five major types. Total revenues for governmental activities were up by \$423 million, or 2.5%, in 2014. The state showed a \$144 million increase in gross production taxes, a \$92 million increase in motor vehicle taxes, and a \$187 million decrease in corporate income taxes during 2014. Revenue derived from services decreased by \$231 million.

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):

Governmental Activities

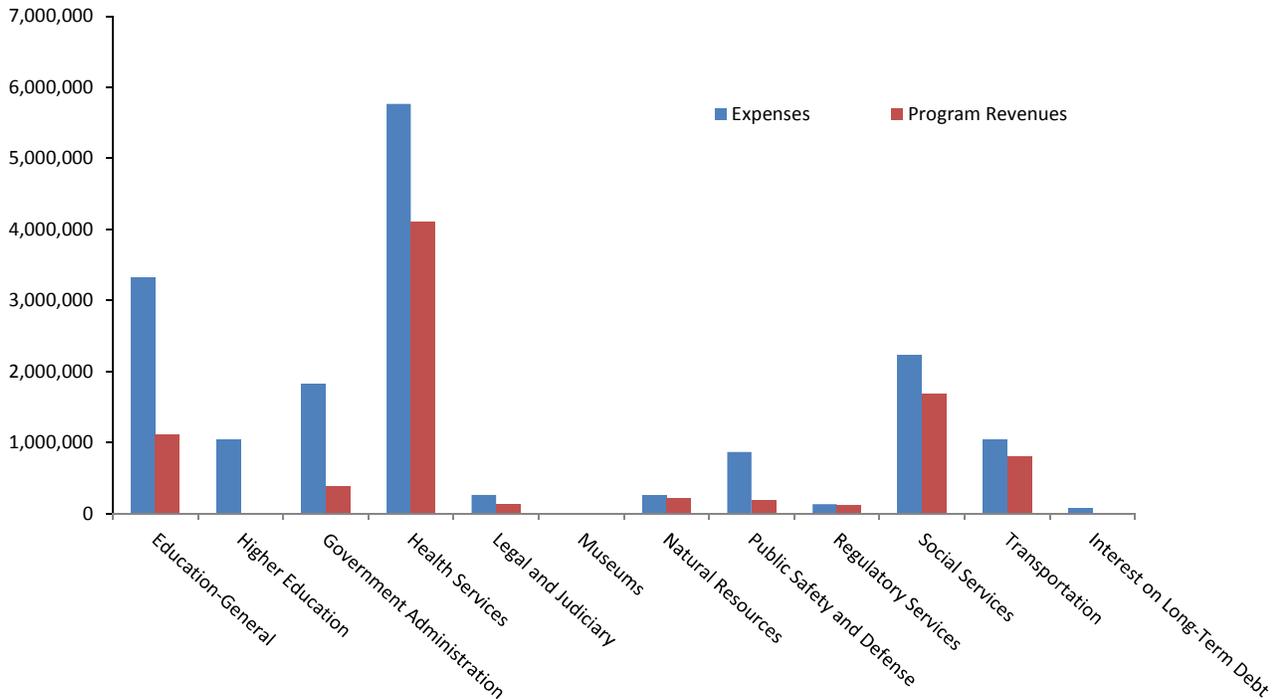
Expenses Net of Program Revenues:

Education-General	(2,208,221)
Education-Payment to Higher Education	(1,037,785)
Government Administration	(1,442,780)
Health Services	(1,659,619)
Legal and Judiciary	(133,988)
Museums	(13,795)
Natural Resources	(52,499)
Public Safety and Defense	(667,466)
Regulatory Services	(9,249)
Social Services	(550,361)
Transportation	(240,394)
Interest on Long-Term Debt	(71,270)
Total Governmental Activities Expenses	(8,087,427)

General Revenue

Taxes	8,646,148
Investment Earnings	59,298
Contributions to Permanent Funds	60,516
Transfers	81,020
Increase in Governmental Activities Net Position	\$ 759,555

Expenses and Program Revenues – Governmental Activities
Fiscal Year 2014
(expressed in thousands)



Business-Type Activities

The business-type activities increased the state's net position by \$247 million, a 12.6% increase, to \$2.2 billion. This increase comes after an increase of 19.2% in the prior year. The increase primarily resulted from a reduction in payments by the Oklahoma Unemployment Insurance Trust Fund (OUITF). Unemployment benefit payments decreased over last year by \$96 million or 25%. The OUITF's net position increased \$207 million, the Oklahoma Water Resources Board's (OWRB) net position increased by \$22 million, the Employees Group Insurance Division of the Office of Management and Enterprise Services increased \$17 million, and the Oklahoma Lottery Commission had an increase in net position of \$1 million.

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of \$7.1 billion, an increase of \$303 million from the prior year. The largest portion (\$3.3 billion or 46.8%) of this total amount constitutes nonspendable fund balance, which includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. In addition \$1.3 billion (19.1%) of fund balance is classified as restricted meaning that the funds can only be used for specific purposes defined by enabling legislation or externally imposed limitations. Amounts that can only be used for specific purposes pursuant to constraints of the government's highest level of decision-making authority are reported as committed fund balance. Committed fund balance represents \$2.2 billion (31.1%) of total fund balance. Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed are reported as assigned fund balance. Assigned fund balance represents \$71.8 million (1.0%) of total fund balance. The remaining funds that are not classified in any of the other four categories represent unassigned fund balance. For the fiscal year ended June 30, 2014 the state has \$134 million (1.9%) classified as unassigned fund balance.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, the total fund balance decreased \$112 million to \$3.7 billion. As a measure of the General Fund's liquidity, it may be useful to compare the portion of fund balance not classified as nonspendable (spendable) and total fund balance to total fund expenditures. Spendable fund balance represents 21.0% of total Governmental Fund expenditures, while total fund balance represents 40.3% of that same amount.

Overall the fund balance of the state's General Fund increased by \$303 million during the current fiscal year. This 4.5% increase from the prior year is primarily due to improved gross production and sales tax collections.

The Commissioners of the Land Office manages land and cash set aside by the Federal Government for the use and benefit of public education in Oklahoma to generate maximum earnings for Trust beneficiaries. The Trust beneficiaries are common education and thirteen Oklahoma colleges and universities. This year total program revenues were \$420 million compared to \$299 million for the prior year. Distributions to beneficiaries totaled \$124 million for fiscal year 2014 with \$30 million disbursed to universities and colleges and \$88 million disbursed to public schools, and \$6 million disbursed for public buildings. This was an increase of \$4 million from the apportionments of fiscal year 2013.

The Department of Wildlife's Lifetime Licenses' fund balance increased by 3.6% to \$78.5 million. This increase occurred due to collections for licenses.

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

prevention and treatment of tobacco related diseases and certain other health programs. This fund reported a \$139 million net increase in fund balance with \$61 million coming in from the settlement payment by tobacco manufacturers for 2014. The prior year's payment was about \$88 million. The state now has \$968.7 million in the permanent fund.

Proprietary Funds

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

As discussed in the business-type activities section above, the state's net position increased by \$247 million as a result of operations in the proprietary funds. This resulted from a \$207 million increase in net position by the Oklahoma Unemployment Insurance Trust Fund (OUITF), an increase in net position of \$22 million by the Oklahoma Water Resources Board's (OWRB) program for making loans to local government units for drinking and waste water facilities, an increase of \$17 million by the Employees Group Insurance Division of the Office of Management and Enterprise Services (EGID) for insurance benefit administration, and an increase in net position of \$1 million by the Oklahoma Lottery Commission.

The OUITF increased in net position due to a reduction in operating expenses of \$96.4 million.

The OWRB increased net position by \$22.4 million which was \$0.9 million less than the \$21.5 million in the prior year.

The EGID increased net position by \$16.6 million. This was primarily due to an increase in investment revenue.

The Oklahoma Lottery Commission had an increase in net position of \$1.5 million. Generally, an increase in net position is related to unclaimed winnings.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the original budget and the final amended budget amounted to \$150 million with \$43 million (28.9%) coming from budget carryovers from fiscal year 2013 and the remaining \$107 million (71.1%) was attributable to supplemental appropriations.

The differences between the final budget and actual collections amounted to \$252 million less than budget. Based on a review by the budget department, this was determined to be a normal variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The state's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$21.0 billion, net of accumulated depreciation of \$10.0 billion, leaving a net book value of \$11.0 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 2.5% in terms of net book value. Actual expenditures to purchase or construct assets that are capitalized were \$883 million for the year, a \$95 million (12%) increase from the prior year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$512 million. Additional information on the state's capital assets can be found in Note 5 of the Notes to the Financial Statements of this report.

Debt Administration

The authority of the state to incur debt is described in Article X, Section 25, of the Oklahoma Constitution. In 1987, the state created the Council of Bond Oversight. The Council meets to review all proposed debt issuances. The Council must approve each financing plan before obligations are issued. The legislation that created the Council of Bond Oversight also created the position of State Bond Advisor, who advises the Council and must approve the pricing and fees associated with any debt issuance.

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

The State of Oklahoma's total debt decreased by \$120.5 million, or 5.8%, during the current fiscal year. Business-type activities' debt decreased by \$134.6 million. The decrease in long-term obligations for both governmental activities and business-type activities came about as ordinary amortization of existing debt.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Oklahoma unemployment rate was consistently lower than that for the nation between 1997 and 2014. The national unemployment rate is currently 5.8% while Oklahoma's still remains less at 4.4% for the same time period.

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

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

Budget and Revenue Collections

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

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

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

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

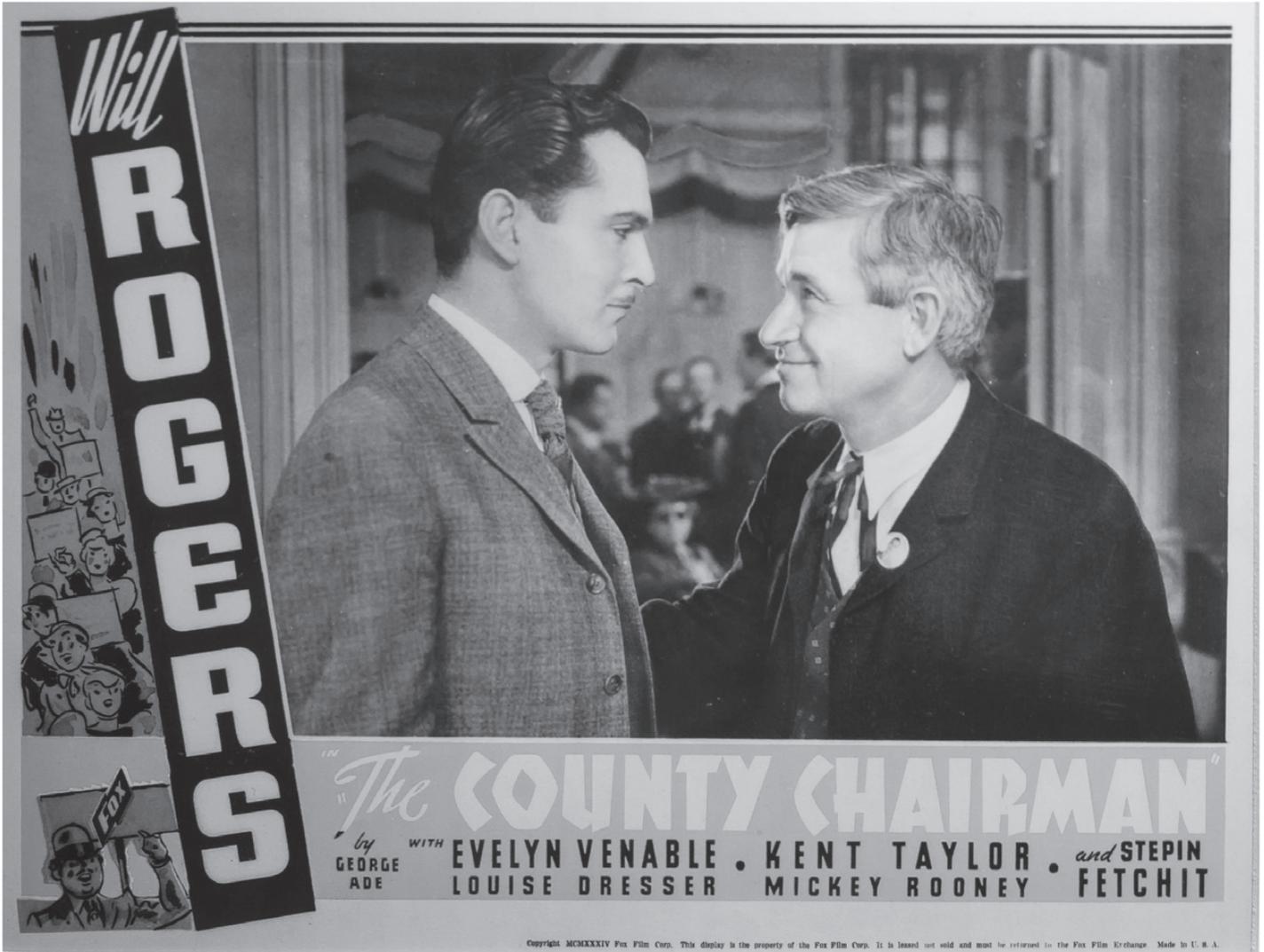
Fiscal Year 2015

General revenue fund collections for the first five months of fiscal year 2015 exceeded expectations by 3.7% and were 6.7% higher than collections during the same time period of the prior year. The most recent reports, however, showed a flattening of collections. There is uncertainty of whether this was caused by a decrease in oil prices, or if it was an ordinary slow down. This will be monitored going forward in determining appropriations for the upcoming year.

For fiscal year 2015, Statement 68 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Pensions*, will be implemented by the state. This statement will require a change in the presentation of net pension liability which is currently only presented as a footnote disclosure. Beginning in the fiscal year ending June 30, 2015, a portion of net pension liability will be recorded as a liability on the Entity-Wide statement of net position.

REQUESTS FOR INFORMATION

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



Basic Financial Statements

Basic Financial Statements



Government Wide Financial Statements

Government Wide Financial Statements

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State of Oklahoma
Government Wide
Statement of Net Position
June 30, 2014
(expressed in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current Assets				
Cash/Cash Equivalents	\$ 3,447,189	\$ 1,359,140	\$ 4,806,329	\$ 1,891,344
Investments	67,839	375,211	443,050	2,645,476
Securities Lending Investments	105,919	0	105,919	0
Accounts Receivable	48,742	48,319	97,061	521,412
Interest and Investment Revenue Receivable	27,724	20,694	48,418	18,295
Federal Grants Receivable	472,131	280	472,411	13,766
Taxes Receivable	307,033	107,238	414,271	0
Leases Receivable	4,132	0	4,132	0
Leases Receivable - Component Units	35,930	0	35,930	0
Other Receivables	54	0	54	28,155
Notes Receivable	0	65,628	65,628	73,180
Internal Balances	17,500	(17,500)	0	0
Receivable from External Parties	17	0	17	0
Due from Component Units	1,151	0	1,151	21,792
Due from Primary Government	0	51	51	46,182
Inventory	70,071	0	70,071	108,341
Prepaid Items	1,416	0	1,416	18,256
Other Current Assets	0	8,022	8,022	50,117
Total Current Assets	4,606,848	1,967,083	6,573,931	5,436,316
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	113,795	52,455	166,250	697,412
Short Term Investments, Restricted	0	0	0	2,304,943
Long Term Investments	0	6,634	6,634	1,309,552
Long Term Investments, Restricted	3,198,023	84,194	3,282,217	0
Leases Receivable	14,410	0	14,410	0
Leases Receivables Component Units	517,436	0	517,436	0
Long-Term Notes Receivable, Net	0	1,062,676	1,062,676	72,934
Long-Term Notes Receivable, Net - Restricted	0	0	0	518,486
Long-Term Due from Comp Units	52,631	0	52,631	0
Capital Assets-Depreciable, Net	9,152,368	1,415	9,153,783	6,753,740
Capital Assets-Land	1,669,814	0	1,669,814	390,067
Capital Assets-Construction in Progress	187,442	0	187,442	596,846
Other Noncurrent Assets	14,632	5,856	20,488	249,922
Other Noncurrent Assets-Restricted	36,072	0	36,072	17,920
Total Noncurrent Assets	14,956,623	1,213,230	16,169,853	12,911,822
Total Assets	19,563,471	3,180,313	22,743,784	18,348,138
Deferred Outflows				
Deferred Issuance Costs	0	0	0	0
Unamortized Loss on Bond Refundings	3,822	0	3,822	0
Lease Restructuring	0	0	0	12,716
Advance Refunding of Bonds	0	0	0	90,319
Defeasance of Bonds	0	0	0	6,918
Accumulated Decrease in Fair Value of Derivatives	0	0	0	58,581
Total Deferred Outflows	3,822	0	3,822	168,534

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	\$ 862,467	\$ 115,682	\$ 978,149	\$ 376,425
Payable Under Securities Lending Agreements	105,919	0	105,919	0
Claims and Judgements	26,064	0	26,064	235,737
Interest Payable	24,815	7,658	32,473	76,778
Tax Refunds Payable	3,558	0	3,558	0
Payable to External Parties	34,988	0	34,988	590
Due to Component Units	40,992	0	40,992	22,111
Due to Primary Government	89	0	89	1,151
Due to Others	199,845	0	199,845	0
Capital Leases	2,425	0	2,425	35,285
Capital Leases-Primary Government	0	0	0	35,930
Compensated Absences	85,105	165	85,270	82,620
Notes Payable	19,400	0	19,400	103,108
General Obligation Bonds	24,560	0	24,560	690
Revenue Bonds (Net)	107,188	47,670	154,858	188,401
Other Current Liabilities	0	25,474	25,474	271,928
Total Current Liabilities	1,537,415	196,649	1,734,064	1,430,754
Noncurrent Liabilities				
Claims and Judgements	370	0	370	1,268,126
Due to Primary Government	0	0	0	52,658
Pension Obligation	124,187	0	124,187	0
Capital Leases	0	0	0	470,607
Capital Leases-Primary Government	5,846	0	5,846	517,436
Compensated Absences	72,645	935	73,580	35,363
Notes Payable	154,585	0	154,585	140,858
General Obligation Bonds	107,395	0	107,395	44,885
Revenue Bonds (including Premiums)	1,239,569	753,489	1,993,058	4,939,594
Other Postemployment Benefits	517	0	517	0
Other Noncurrent Liabilities	0	11,685	11,685	447,933
Total Noncurrent Liabilities	1,705,114	766,109	2,471,223	7,917,460
Total Liabilities	3,242,529	962,758	4,205,287	9,348,214
Deferred Inflows				
Deferred Amount on Refunding	0	4,066	4,066	0
Derivative Instruments	0	0	0	418
Accumulated Increase in Fair Value	0	0	0	13,746
Unearned Revenue	93,925	2,283	96,208	254,305
Service Concession Arrangements	0	0	0	10,140
Total Deferred Inflows	93,925	6,349	100,274	278,609
Net Position				
Net Investment in Capital Assets	9,992,791	1,415	9,994,206	3,328,487
Restricted for:				
Debt Service	845,014	285,827	1,130,841	345,916
Preservation of Wildlife	78,545	0	78,545	0
Educational Systems	2,310,448	0	2,310,448	0
Unemployment Benefits	0	1,287,664	1,287,664	0
Stabilization	401,389	0	401,389	0
Federal Grant Programs	94,367	0	94,367	0
Tobacco Cessation and Public Health				
Nonexpendable	845,220	0	845,220	2,068,289
Expendable	123,526	0	123,526	1,276,961
Unrestricted	1,539,539	636,300	2,175,839	1,870,196
Total Net Position	\$ 16,230,839	\$ 2,211,206	\$ 18,442,045	\$ 8,889,849

State of Oklahoma
Government Wide
Statement of Activities
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-Type Activities		
Primary Government							
Governmental Activities:							
Education-General	\$ 3,322,341	45,529	1,068,591	(2,208,221)		(2,208,221)	
Education-Payment to Higher Education	1,037,785	0	0	(1,037,785)		(1,037,785)	
Government Administration	1,830,570	189,569	198,221	(1,442,780)		(1,442,780)	
Health Services	5,766,102	557,041	3,549,442	(1,659,619)		(1,659,619)	
Legal and Judiciary	261,344	105,965	21,391	(133,988)		(133,988)	
Museums	17,691	2,852	1,044	(13,795)		(13,795)	
Natural Resources	264,233	159,831	51,903	(52,499)		(52,499)	
Public Safety and Defense	863,080	84,826	110,788	(667,466)		(667,466)	
Regulatory Services	131,756	115,372	7,135	(9,249)		(9,249)	
Social Services	2,240,638	61,925	1,628,352	(550,361)		(550,361)	
Transportation	1,043,522	113,190	689,938	(240,394)		(240,394)	
Interest on Long-Term Debt	71,270	0	0	(71,270)		(71,270)	
Total Governmental Activities	<u>16,850,332</u>	<u>1,436,100</u>	<u>7,326,805</u>	<u>(8,087,427)</u>		<u>(8,087,427)</u>	
Business-Type Activities							
Employment Security Commission	289,959	475,453	35,494		220,987	220,987	
Water Resources Board	35,286	55,315	2,407		22,436	22,436	
Office of Management and Enterprise Services	925,327	941,890	0		16,563	16,563	
Lottery Commission	123,180	191,564	0		68,384	68,384	
Total Business-Type Activities	<u>1,373,752</u>	<u>1,664,222</u>	<u>37,901</u>		<u>328,370</u>	<u>328,370</u>	
Total Primary Government	<u>18,224,084</u>	<u>\$ 3,100,322</u>	<u>\$ 7,364,706</u>	<u>(8,087,427)</u>	<u>328,370</u>	<u>(7,759,057)</u>	
Component Units:							
CompSource Oklahoma	348,039	383,599	0				35,560
Oklahoma Student Loan Authority	16,103	26,553	0				10,450
Oklahoma Housing Finance Agency	171,154	18,003	126,791				(26,360)
Oklahoma Turnpike Authority	199,751	242,226	0				42,475
Grand River Dam Authority	393,050	432,799	0				39,749
Oklahoma Municipal Power Authority	184,311	182,059	0				(2,252)
Higher Education	4,439,759	2,712,738	1,265,426				(461,595)
Nonmajor Component Units	558,769	402,160	5,077				(151,532)
Total Component Units	<u>\$ 6,310,936</u>	<u>\$ 4,400,137</u>	<u>\$ 1,397,294</u>				<u>(513,505)</u>
General Revenues							
Taxes:							
Income Taxes-Individual				2,855,601	0	2,855,601	0
Income Taxes-Corporate				408,665	0	408,665	0
Sales Tax				2,598,873	0	2,598,873	0
Gross Production Taxes				657,476	0	657,476	0
Motor Vehicle Taxes				778,694	0	778,694	0
Fuel Taxes				419,084	0	419,084	0
Tobacco Taxes				250,228	0	250,228	0
Other Business Taxes				199,800	0	199,800	0
Other Personal Taxes				873	0	873	0
Insurance Taxes				167,444	0	167,444	0
Beverage Taxes				108,830	0	108,830	0
Other Taxes				200,580	0	200,580	0
Payments from Primary Government				0	0	0	1,147,365
Investment Earnings				59,298	0	59,298	0
Contributions to Permanent Funds				60,516	0	60,516	0
Capital Lease and COPs				0	0	0	0
Transfers				81,020	(81,020)	0	0
Total General Revenues and Transfers				<u>8,846,982</u>	<u>(81,020)</u>	<u>8,765,963</u>	<u>1,147,365</u>
Change in Net Position				759,555	247,351	1,006,906	633,860
Net Position - Beginning of Year (as restated)				<u>15,471,284</u>	<u>1,963,855</u>	<u>17,435,139</u>	<u>8,255,989</u>
Net Position - End of Year				<u>\$ 16,230,839</u>	<u>\$ 2,211,206</u>	<u>\$ 18,442,045</u>	<u>\$ 8,889,849</u>

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



Will Rogers, c. 1934

Fund Financial Statements

Fund Financial Statements

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State of Oklahoma
 Balance Sheet
 Governmental Funds
 June 30, 2014
 (expressed in thousands)

	Permanent Funds				Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
Assets					
Assets					
Cash/Cash Equivalents	\$ 3,394,253	\$ 106,805	\$ 9,726	\$ 50,201	\$ 3,560,985
Investments	67,839	2,206,199	68,696	923,128	3,265,862
Security Lending Investments	0	0	0	105,919	105,919
Accounts Receivable	48,742	0	0	0	48,742
Interest and Investment Revenue Receivable	27,724	11,939	0	3,908	43,571
Federal Grants Receivable	472,131	0	0	0	472,131
Taxes Receivable	307,033	0	0	0	307,033
Leases Receivable	18,542	0	0	0	18,542
Leases Receivable-Component Units	553,366	0	0	0	553,366
Other Receivables	54	19,330	0	895	20,279
Due from Other Funds	17,534	0	116	0	17,650
Due from Fiduciary Funds	17	0	0	0	17
Due from Component Units	1,151	0	0	0	1,151
Due From Component Units-Noncurrent	52,631	0	0	0	52,631
Inventory	70,071	0	0	0	70,071
Prepaid Items	1,416	0	0	0	1,416
Other Assets	14,625	0	7	0	14,632
Total Assets	5,047,129	2,344,273	78,545	1,084,051	8,553,998
Liabilities					
Accounts Payable and Accrued Liabilities	825,593	27,520	0	9,352	862,465
Payable Under Securities					
Lending Agreements	0	0	0	105,919	105,919
Tax Refunds Payable	3,558	0	0	0	3,558
Due to Other Funds	205	0	0	34	239
Due to Fiduciary Funds	34,988	0	0	0	34,988
Due to Component Units	40,992	0	0	0	40,992
Due to Others	199,845	0	0	0	199,845
Total Liabilities	1,105,181	27,520	0	115,305	1,248,006
Deferred Inflows of Resources					
Deferred Revenue	248,968	6,305	0	0	255,273
Total Deferred Inflows of Resources	248,968	6,305	0	0	255,273
Fund Balances					
Nonspendable	74,278	2,303,031	78,545	845,220	3,301,074
Restricted	1,340,771	7,417	0	0	1,348,188
Committed	2,142,358	0	0	53,430	2,195,788
Assigned	1,777	0	0	70,096	71,873
Unassigned	133,796	0	0	0	133,796
Total Fund Balances	\$ 3,692,980	\$ 2,310,448	\$ 78,545	\$ 968,746	\$ 7,050,719

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 Position

Total Fund Balance - Governmental Funds \$ 7,050,719

Amounts reported for governmental activities in the statement of net position 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	1,669,814	
Buildings and Improvements	1,590,772	
Equipment	527,563	
Infrastructure	17,045,738	
Construction in Progress	187,442	
Accumulated Depreciation	(10,011,705)	
		11,009,624

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. 161,345

The Uniform Retirement System for Judges and Justices, the Oklahoma Law Enforcement Retirement System and Wildlife Department have under funded their Annual Required Contributions, creating a net pension obligation. This liability is not payable from current available financial resources and is not reported in the funds. (124,187)

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 position. 3,822

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	(173,985)	
General Obligation and Revenue Bonds	(1,387,943)	
Capital Leases and Certificates of Participation	(8,271)	
Bond Issue Premiums	(90,769)	
Accrued Interest on Bonds	(24,815)	
Compensated Absences	(157,750)	
Other postemployment benefits	(517)	
Claims and Judgements	(26,434)	
		(1,870,484)

Net Position of Governmental Activities \$ 16,230,839

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

State of Oklahoma
Statement of Revenues, Expenditures
and Changes in Fund Balances-Governmental Funds
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

	Permanent Funds				Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
Revenues					
Taxes					
Income Taxes-Individual	\$ 2,855,601	\$ 0	\$ 0	\$ 0	\$ 2,855,601
Sales Tax	2,598,873	0	0	0	2,598,873
Gross Production Tax	657,476	0	0	0	657,476
Income Taxes-Corporate	408,665	0	0	0	408,665
Motor Vehicle Taxes	778,694	0	0	0	778,694
Fuel Taxes	419,084	0	0	0	419,084
Tobacco Taxes	250,228	0	0	0	250,228
Other Business Taxes	199,800	0	0	0	199,800
Other Personal Taxes	873	0	0	0	873
Insurance Taxes	167,444	0	0	0	167,444
Beverage Taxes	108,830	0	0	0	108,830
Other Taxes	200,580	0	0	0	200,580
Licenses, Permits and Fees	669,106	0	2,716	0	671,822
Interest and Investment Revenue	174,986	401,508	0	116,203	692,697
Federal Grants	6,746,151	0	0	0	6,746,151
Sales and Services	188,029	12,058	0	0	200,087
Other Grants and Reimbursements	487,655	0	0	0	487,655
Fines and Penalties	53,794	0	0	0	53,794
Other	(99,596)	6,442	0	60,516	(32,638)
Total Revenues	16,866,273	420,008	2,716	176,719	17,465,716
Expenditures					
Education	4,213,301	146,210	0	0	4,359,511
Government Administration	2,166,450	0	0	37,641	2,204,091
Health Services	5,745,842	0	0	0	5,745,842
Legal and Judiciary	250,376	0	0	0	250,376
Museums	14,532	0	0	0	14,532
Natural Resources	246,556	0	0	0	246,556
Public Safety and Defense	798,173	0	0	0	798,173
Regulatory Services	128,460	0	0	0	128,460
Social Services	2,214,898	0	0	0	2,214,898
Transportation	225,768	0	0	0	225,768
Capital Outlay	894,655	0	0	29	894,684
Debt Service					
Principal Retirement	361,488	0	0	0	361,488
Interest and Fiscal Charges	71,269	0	0	0	71,269
Total Expenditures	17,331,768	146,210	0	37,670	17,515,648
Revenues in Excess of (Less Than) Expenditures	(465,495)	273,798	2,716	139,049	(49,932)
Other Financing Sources (Uses)					
Transfers In	81,020	0	0	0	81,020
Bonds Issued	235,505	0	0	0	235,505
Refunding Bonds	0	0	0	0	0
Bond Issue Premiums	25,679	0	0	0	25,679
Bond and Note Issue Discounts	0	0	0	0	0
Capital Leases	322	0	0	0	322
Sale of Capital Assets	10,798	0	0	0	10,798
Total Other Financing Sources (Uses)	353,324	0	0	0	353,324
Net Change in Fund Balances	(112,171)	273,798	2,716	139,049	303,392
Fund Balances - Beginning of Year (as restated)	3,805,151	2,036,650	75,829	829,697	6,747,327
Fund Balances - End of Year	\$ 3,692,980	\$ 2,310,448	\$ 78,545	\$ 968,746	\$ 7,050,719

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 \$ 303,392

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

Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$866,452) exceeded depreciation (\$510,884) in the current period. 355,568

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 position differs from the change in fund balance by the cost of the asset sold. (88,556)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 65,093

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which bond payments (\$358,171) exceeded proceeds (\$235,505). 122,666

Bond issuance premiums and discounts are other financing sources or uses to governmental funds, but are deferred liabilities in the statement of net position. This is the amount of bond issue premiums. (25,678)

Contributions to certain pension plans use current financial resources from governmental funds, while an increase in the net pension obligation (\$13,661) is an expense in the statement of activities. (8,075)

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 position. This is the amount by which the payment of principal (\$3,317) is exceeded by the addition of new capital leases (\$322). 2,995

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

Accretion of bond premiums	10,575	
Decrease in entity-wide interest payable	4,451	
Increase in compensated absences	(4,808)	
Amortization of losses on refunded bonds	(861)	
Increase in Other Postemployment Benefit liability	(129)	
Decrease in claims and judgments payable	22,922	
	<hr/>	32,150

Change in Net Position of Governmental Activities \$ 759,555

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

State of Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2014
(expressed in thousands)

	Business-Type Activities - Enterprise Funds				
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	Total
Assets					
Current Assets					
Cash/Cash Equivalents	\$ 1,169,855	\$ 65,310	\$ 100,881	\$ 23,094	\$ 1,359,140
Investments	0	53,453	321,758	0	375,211
Accounts Receivable	1,417	0	40,757	6,145	48,319
Interest and Investment Revenue Receivable	11,058	8,758	879	0	20,695
Federal Grants Receivable	17	262	0	0	279
Taxes Receivable	107,238	0	0	0	107,238
Notes Receivable	0	65,628	0	0	65,628
Due from Other Funds	0	0	51	0	51
Other Current Assets	0	86	7,936	0	8,022
Total Current Assets	1,289,585	193,497	472,262	29,239	1,984,583
Noncurrent Assets					
Cash/Cash Equivalents - Restricted	0	52,455	0	0	52,455
Long-Term Investments	0	6,634	0	0	6,634
Long-Term Investments - Restricted	0	84,194	0	0	84,194
Long-Term Notes Receivable	0	1,062,676	0	0	1,062,676
Capital Assets, Net	0	0	1,354	61	1,415
Other Noncurrent Assets	0	0	0	5,856	5,856
Total Noncurrent Assets	0	1,205,959	1,354	5,917	1,213,230
Total Assets	1,289,585	1,399,456	473,616	35,156	3,197,813
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Liabilities	0	19	109,575	6,088	115,682
Interest Payable	0	7,658	0	0	7,658
Compensated Absences	0	48	0	117	165
Revenue Bonds (Net)	0	47,670	0	0	47,670
Due to Component Units	0	0	0	0	0
Due to Other Funds	0	364	0	17,136	17,500
Other Current Liabilities	0	3,039	22,435	0	25,474
Total Current Liabilities	0	58,798	132,010	23,341	214,149
Noncurrent Liabilities					
Revenue Bonds (including Premiums)	0	753,489	0	0	753,489
Compensated Absences	0	89	788	58	935
Other Noncurrent Liabilities	0	0	11,685	0	11,685
Total Noncurrent Liabilities	0	753,578	12,473	58	766,109
Total Liabilities	0	812,376	144,483	23,399	980,258
Deferred Inflows of Resources					
Deferred Amount on Refunding	0	4,066	0	0	4,066
Deferred Revenue	1,921	0	0	362	2,283
Total Deferred Inflows	1,921	4,066	0	362	6,349
Net Position					
Invested in Capital Assets	0	0	1,354	61	1,415
Restricted for:					
Debt Service	0	285,827	0	0	285,827
Unemployment Benefits	1,287,664	0	0	0	1,287,664
Unrestricted	0	297,187	327,779	11,334	636,300
Total Net Position	1,287,664	583,014	329,133	11,395	2,211,206

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

State of Oklahoma
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds

For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

	Business-Type Activities - Enterprise Funds				Total
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	
Operating Revenues					
Sales and Services	\$ 446,733	\$ 0	\$ 903,192	\$ 191,127	\$ 1,541,052
Federal Grants	35,494	2,407	0	0	37,901
Interest and Investment Revenue	0	33,013	0	0	33,013
Other	0	0	1,709	113	1,822
Total Operating Revenues	482,227	35,420	904,901	191,240	1,613,788
Operating Expenses					
Facilities Operations and Maintenance	0	0	0	194	194
Administration and General	8,366	4,510	40,738	4,255	57,869
Prizes, Commissions and Other	0	0	0	117,943	117,943
Interest	0	30,770	0	0	30,770
Depreciation	0	6	0	38	44
Benefit Payments and Refunds	281,593	0	884,589	0	1,166,182
Total Operating Expenses	289,959	35,286	925,327	122,430	1,373,002
Operating Income (Loss)	192,268	134	(20,426)	68,810	240,786
Nonoperating Revenues (Expense)					
Interest and Investment Revenue	25,984	4,628	36,989	324	67,925
Other Nonoperating Revenues	2,736	1,318	0	0	4,054
Nonoperating Federal Grants	0	16,356	0	0	16,356
Other Nonoperating Expenses	0	0	0	(750)	(750)
Total Nonoperating Revenues (Expenses)	28,720	22,302	36,989	(426)	87,585
Income (Loss) Before Transfers	220,988	22,436	16,563	68,384	328,371
Transfers In	0	50	0	0	50
Transfers Out	(14,065)	(71)	0	(66,934)	(81,070)
Change in Net Position	206,923	22,415	16,563	1,450	247,351
Total Net Position - Beginning of Year	1,080,741	560,599	312,570	9,945	1,963,855
Total Net Position - Ending	\$ 1,287,664	\$ 583,014	\$ 329,133	\$ 11,395	\$ 2,211,206

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

State of Oklahoma
Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

	Business-Type Activities - Enterprise Funds				Total
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	
Cash Flows from Operating Activities					
Receipts from Customers and Users	483,072	0	1,009,328	178,074	1,670,474
Receipts from Federal Grants	38,279	2,900	0	0	41,179
Payments of Benefits	(304,024)	112	(987,767)	0	(1,291,679)
Payments to Suppliers	0	(2,747)	(31,536)	(10,158)	(44,441)
Payments to Employees	0	(1,608)	(8,295)	(2,411)	(12,314)
Payments to Prize Winners	0	0	0	(98,217)	(98,217)
Payments to fund deposit with Multi-State Lottery	0	0	0	(257)	(257)
Payments of Operating Interest Expense	0	(37,402)	0	0	(37,402)
Collections of Interest on Loans to Governmental Units	0	34,074	0	0	34,074
Net Cash Provided (Used) by Operating Activities	217,327	(4,671)	(18,270)	67,031	261,417
Cash Flows from Noncapital Financing Activities					
Federal Grants and Other Contributions	2,665	169,090	0	0	171,755
Transfers In	0	50	0	0	50
Transfers Out	0	(71)	0	(69,447)	(69,518)
Principal Paid on Bonds and Notes Payable	0	(272,760)	0	0	(272,760)
Net Cash Provided (Used) by Noncapital Financing Activities	2,665	(103,691)	0	(69,447)	(170,473)
Cash Flows from Capital and Related Financing Activities					
Payments for Acquisition of Capital Assets	0	0	(650)	(14)	(664)
Net Cash Used by Capital and Related Financing Activities	0	0	(650)	(14)	(664)
Cash Flows from Investing Activities					
Interest and Investment Revenue	24,645	4,968	3,142	330	33,085
Proceeds from Sale and Maturity of Investments	0	52,734	242,211	0	294,945
Payments to Purchase Investments	0	(959)	(229,322)	0	(230,281)
Collections of Principal on Loans to Governmental Units	0	200,503	0	0	200,503
Payments to Issue Notes Receivable	0	(111,116)	0	0	(111,116)
Net Cash Provided by Investing Activities	24,645	146,130	16,031	330	187,136
Net Increase in Cash/Cash Equivalents	244,637	37,768	(2,889)	(2,100)	277,416
Cash/Cash Equivalents - Beginning of Year	925,218	79,997	103,770	25,194	1,134,179
Cash/Cash Equivalents - End of Year	\$ 1,169,855	\$ 117,765	\$ 100,881	\$ 23,094	\$ 1,411,595
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities					
Operating Income (Loss)	\$ 192,268	\$ 134	\$ (20,426)	\$ 68,810	\$ 240,786
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation Expense	0	6	190	38	234
Amortization (Accretion) and Other Noncash Expenses	0	(4,658)	52	90	(4,516)
Decrease (Increase) in Assets					
Accounts Receivable	35,330	0	(515)	(619)	34,196
Federal Receivable	952	0	0	0	952
Interest and Investment Receivable	0	1,373	0	0	1,373
Deposit with Multi-State Lottery	0	0	0	(257)	(257)
Other Receivables	0	26	(11,159)	0	(11,133)
Increase (Decrease) in Liabilities					
Accounts Payable and Accrued Liabilities	0	(196)	12,923	(374)	12,353
Interest Payable	0	(1,773)	0	0	(1,773)
Prizes Payable	0	0	0	71	71
Compensated Absences	0	44	0	0	44
Due to other funds	0	0	0	(791)	(791)
Deferred Revenue	(11,222)	0	0	63	(11,159)
Other Current Liabilities	0	373	665	0	1,038
Miscellaneous	(1)	0	0	0	(1)
Net Cash Provided (Used) by Operating Activities	\$ 217,327	\$ (4,671)	\$ (18,270)	\$ 67,031	\$ 261,417

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

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State of Oklahoma
Statement of Fiduciary Net Position
Fiduciary Funds and Similar Component Units
June 30, 2014
(expressed in thousands)

	Pension Trust Funds	Agency Fund
	<u> </u>	<u> </u>
Assets		
Cash/Cash Equivalents	\$ 620,103	\$ 694,974
Investments, at fair value		
Equity Securities	15,560,924	0
Governmental Securities	2,827,453	0
Debt Securities	3,590,323	0
Mutual Funds	3,646,420	0
Other Investments	2,400,138	85
Securities Lending Investments	3,310,021	0
Accounts Receivable	0	21
Interest and Investment Revenue Receivable	65,943	0
Employer Contributions Receivable	34,092	0
Employee Contributions Receivable	20,149	0
Other Receivables	98,504	0
Due from Broker	353,221	0
Due from Primary Government	35,578	0
Inventory	0	8,587
Capital Assets, Net	4,166	0
Other Assets	387	0
	<u>32,567,422</u>	<u>703,667</u>
Total Assets		
Liabilities		
Account Payable	3,133	323
Deferred Revenue	0	3
Tax Refunds Payable	0	63,418
Securities Lending Payable	3,310,021	0
Due to Brokers	649,583	0
Due to Other Funds	17	0
Due to Others	0	639,923
Benefits in the Process of Payment	78,133	0
Other Liabilities	13,541	0
	<u>4,054,428</u>	<u>703,667</u>
Total Liabilities		
Net Position		
Held in Trust for Pension Benefits and Pool Participants	<u>\$ 28,512,994</u>	

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

State of Oklahoma
Statement of Changes in
Fiduciary Net Position
Fiduciary Funds and Similar Component Units
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer Contributions	\$ 753,293
Employee Contributions	427,805
Other Contributions	<u>452,196</u>
Total Contributions	<u>1,633,294</u>
Investment Earnings	
Net Increase (Decrease) in Fair Value of Investments	4,238,617
Interest and Investment Revenue	<u>549,800</u>
Total Investment Earnings	4,788,417
Less Investment Expenses	<u>88,819</u>
Net Investment Earnings	<u>4,699,598</u>
Total Additions	<u>6,332,892</u>
Deductions	
Administrative and General Expenses	18,903
Benefit Payments and Refunds	<u>2,074,114</u>
Total Deductions	<u>2,093,017</u>
Change in Net Position	4,239,875
Net Position - Beginning of Year	<u>24,273,119</u>
Net Position - End of Year	<u>\$ 28,512,994</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 seven 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.

OKLAHOMA STUDENT LOAN AUTHORITY

525 Central Park Drive, Suite 600, Oklahoma City, Oklahoma 73105

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

OKLAHOMA HOUSING FINANCE AGENCY

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

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

OKLAHOMA TURNPIKE AUTHORITY

P.O. Box 11357, Oklahoma City, Oklahoma 73111

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

GRAND RIVER DAM AUTHORITY

P.O. Box 409, Vinita, Oklahoma 74301

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

OKLAHOMA MUNICIPAL POWER AUTHORITY

P.O. Box 1960, Edmond, Oklahoma 73083

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

HIGHER EDUCATION

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

COMPREHENSIVE UNIVERSITIES

University of Oklahoma
Oklahoma State University

OTHER FOUR YEAR UNIVERSITIES

University of Central Oklahoma

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

TWO YEAR COLLEGES

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

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

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

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

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

University Center at Ponca City was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning in northern Oklahoma. Students enrolled in the Program earn credit applicable toward academic degrees and certificates at participating institutions in the System.

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

State of Oklahoma
Combining Statement of Net Position
Major Component Units
June 30, 2014
(expressed in thousands)

	CompSource Oklahoma	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
Assets									
Current Assets									
Cash/Cash Equivalents -									
Unrestricted	\$ 174,886	\$ 0	\$ 9,680	\$ 36,343	\$ 27,200	\$ 4,007	\$ 1,453,520	\$ 185,708	\$ 1,891,344
Investments	1,345,334	16,716	5,351	43,216	68,777	11,020	1,125,528	29,534	2,645,476
Accounts Receivable	0	0	413	659	51,267	15,021	435,086	18,966	521,412
Interest and Investment									
Revenue Receivable	10,014	464	204	412	2,012	325	4,607	257	18,295
Federal Grants Receivable	0	0	319	0	0	0	13,447	0	13,766
Other Receivables	(25,601)	0	0	0	0	0	52,675	1,081	28,155
Notes Receivable	64,312	0	0	0	0	0	8,139	729	73,180
Due from Component Units	19,129	0	0	0	1,399	0	854	410	21,792
Due from Primary Government	16,085	0	0	5,472	30	0	11,681	12,914	46,182
Inventory	0	0	0	5,979	72,353	6,606	23,403	0	108,341
Prepaid Items	0	0	336	346	3,875	0	10,935	2,764	18,256
Other Current Assets	3,968	0	0	0	12,609	3,480	25,040	5,020	50,117
Total Current Assets	1,608,127	17,180	16,303	92,427	239,522	40,459	3,164,915	257,383	5,436,316
Noncurrent Assets									
Cash/Cash Equivalents -									
Restricted	0	452	39,690	110,430	0	0	544,212	2,628	697,412
Investments - Restricted	0	22,310	539,561	180,977	0	227,294	1,321,505	13,296	2,304,943
Long-Term Investments									
Unrestricted	0	0	45,642	0	397,792	21,929	826,719	17,470	1,309,552
Long-Term Notes Receivable, Net									
Unrestricted	16,917	4,204	0	0	0	0	44,394	7,419	72,934
Restricted	0	518,486	0	0	0	0	0	0	518,486
Capital Assets									
Depreciable, Net	22,322	1,140	2,387	826,980	731,533	410,801	4,477,795	280,782	6,753,740
Land	1,179	0	550	163,352	35,923	0	184,742	4,321	390,067
Construction in Progress	0	0	0	231,912	57,589	42,965	240,988	23,392	596,846
Other Noncurrent Assets									
Unrestricted	5,997	870	0	78	0	116,389	106,496	20,092	249,922
Restricted	0	6,393	2,667	0	7,463	1,361	0	36	17,920
Total Noncurrent Assets	46,415	553,855	630,497	1,513,729	1,230,300	820,739	7,746,851	369,436	12,911,822
Total Assets	1,654,542	571,035	646,800	1,606,156	1,469,822	861,198	10,911,766	626,819	18,348,138
Deferred Outflow of Resources									
Accumulated Decrease in Fair Value									
of Derivatives	0	0	281	49,666	0	8,634	0	0	58,581
Lease Restructuring	0	0	0	0	0	0	12,716	0	12,716
Advance Refunding of Bonds	0	0	0	73,578	0	12,633	4,015	93	90,319
Defeasance of Bonds	0	0	0	0	0	0	6,918	0	6,918
Total Deferred Outflows	0	0	281	123,244	0	21,267	23,649	93	168,534

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

	CompSource Oklahoma	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
Liabilities									
Current Liabilities									
Accounts Payable and Accrued Liabilities	21,277	1,128	1,343	23,992	62,391	23,203	207,917	35,174	376,425
Payable Under Securities Claims and Judgements	216,577	0	0	0	0	0	2,805	16,355	235,737
Interest Payable	0	3,111	1,704	17,915	18,097	16,346	18,553	1,052	76,778
Due to Fiduciary Funds	0	0	0	0	590	0	0	0	590
Due to Other Component Units	614	0	0	40	134	1,716	450	19,157	22,111
Due to Primary Government	1	0	0	42	78	0	1,026	4	1,151
Capital Leases	0	0	0	0	0	0	34,696	589	35,285
Capital Leases-Primary Govt.	0	0	0	0	0	0	35,930	0	35,930
Compensated Absences	1,918	260	953	1,976	0	0	77,204	309	82,620
Notes Payable	0	0	0	18,000	0	1,885	79,169	4,054	103,108
General Obligation Bonds	0	0	0	0	0	0	0	690	690
Revenue Bonds	0	0	22,963	49,775	36,306	19,600	46,577	13,180	188,401
Other Current Liabilities	1,296	0	0	0	0	1,265	261,659	7,708	271,928
Total Current Liabilities	241,683	4,499	26,963	111,740	117,596	64,015	765,986	98,272	1,430,754
Noncurrent Liabilities									
Claims and Judgements	929,403	0	0	0	0	0	5,129	333,594	1,268,126
Due to Primary Government	0	0	0	52,658	0	0	0	0	52,658
Capital Leases	0	0	0	0	0	0	470,341	266	470,607
Capital Leases-Primary Govt.	0	0	0	0	0	0	517,436	0	517,436
Compensated Absences	0	0	0	0	0	0	35,253	110	35,363
Notes Payable	0	31,400	0	0	0	41,983	35,205	32,270	140,858
General Obligation Bonds	0	0	0	0	0	0	0	44,885	44,885
Revenue Bonds	0	465,201	472,752	986,175	778,065	724,445	1,368,505	56,559	4,851,702
Unamortized Premium (Discount)	0	0	7,171	69,418	6,078	4,983	333	(91)	87,892
Other Noncurrent Liabilities	0	0	0	49,666	5,098	7,368	362,669	23,132	447,933
Total Noncurrent Liabilities	929,403	496,601	479,923	1,157,917	789,241	778,779	2,794,871	490,725	7,917,460
Total Liabilities	1,171,086	501,100	506,886	1,269,657	906,837	842,794	3,560,857	588,997	9,348,214
Deferred Inflow of Resources									
Deferred Revenue	89,691	0	361	24,851	0	0	139,131	271	254,305
Accumulated increase in Fair Value	0	0	0	0	0	13,746	0	0	13,746
Derivative Instruments	0	0	0	0	0	0	418	0	418
Service Concession Arrangements	0	0	0	0	0	0	10,140	0	10,140
Total Deferred Inflows	89,691	0	361	24,851	0	13,746	149,689	271	278,609
Net Position									
Invested in Capital Assets, Net of Related Debt	23,501	1,140	2,937	182,443	348,206	(34,071)	2,561,144	243,187	3,328,487
Restricted for:									
Debt Service	0	0	87,689	131,433	33,527	31,634	61,633	0	345,916
Other Special Purpose Expendable	5,000	47,695	2,856	43,562	1,942	11,235	1,161,008	3,663	1,276,961
Nonexpendable	0	0	0	0	0	0	2,068,289	0	2,068,289
Unrestricted	365,264	21,100	46,352	77,454	179,310	17,127	1,372,795	(209,206)	1,870,196
Total Net Position	\$ 393,765	\$ 69,935	\$ 139,834	\$ 434,892	\$ 562,985	\$ 25,925	\$ 7,224,869	\$ 37,644	\$ 8,889,849

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

State of Oklahoma
Combining Statement of Activities
Major Component Units
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

	Program Revenues				General Revenue		Net Position Beginning of Year	Net Position End of Year
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue	Payments from Primary Government	Change in Net Position		
Component Units:								
CompSource Oklahoma	\$ 348,039	\$ 383,599	\$ 0	\$ 35,560	\$ 0	\$ 35,560	\$ 358,205	\$ 393,765
Oklahoma Student Loan Authority	16,103	26,553	0	10,450	0	10,450	59,485	69,935
Oklahoma Housing Finance Agency	171,154	18,003	126,791	(26,360)	0	(26,360)	166,194	139,834
Oklahoma Turnpike Authority	199,751	242,226	0	42,475	0	42,475	392,417	434,892
Grand River Dam Authority	393,050	432,799	0	39,749	0	39,749	523,236	562,985
Oklahoma Municipal Power Authority	184,311	182,059	0	(2,252)	0	(2,252)	28,177	25,925
Higher Education Component Unit	4,439,759	2,712,738	1,265,426	(461,595)	1,037,785	576,190	6,648,679	7,224,869
Nonmajor Component Units Total	558,769	402,160	5,077	(151,532)	109,580	(41,952)	79,596	37,644
Total Component Units	\$ 6,310,936	\$ 4,400,137	\$ 1,397,294	\$ (513,505)	\$ 1,147,365	\$ 633,860	\$ 8,255,989	\$ 8,889,849

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



Notes to the Financial Statements

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the State of Oklahoma (the “state”) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

In March of 2012 the Governmental Accounting Standards Board (GASB) issued Statement 66 *Technical Corrections-2012: an amendment of GASB Statements No. 10 and No. 62*. The objective of this statement is to improve financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*.

The state was required to implement this standard for the fiscal year ended June 30, 2014.

In June 2012 GASB issued Statement 67 *Financial Reporting for Pension Plans: an amendment of GASB Statement No. 25*. The objective of this statement is to improve financial reporting by state and local governmental pension plans. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

The state was required to implement this standard for the fiscal year ended June 30, 2014.

In April 2013 GASB issued Statement 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. There were no nonexchange financial guarantees extended or received by the state during the fiscal year ended June 30, 2014.

The state was required to implement this standard for the fiscal year ended June 30, 2014.

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, 2014, and for the year then ended. The financial statements include

the various agencies, boards, commissions, public trusts, authorities and other organizational units governed by the Oklahoma State Legislature and/or Constitutional Officers of the State of Oklahoma.

A. Reporting Entity

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

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

Discrete Component Units

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

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

MAJOR COMPONENT UNITS

CompSource Oklahoma provides a source for workers' compensation insurance for all public and private employers within the state and operates similarly to an insurance company. CompSource is financed through employer premiums. The Board of Directors is comprised of ten members: the Lieutenant Governor, the State Auditor and Inspector or a designee, one member appointed by the Governor, one member appointed by the Speaker of the House of Representatives, one member appointed by the President Pro Tempore of the Senate, four members shall be elected by the Company's policy holders, and the CEO of CompSource Oklahoma. The state can impose its will on the Fund by its ability to remove state appointed Board members at will. The Fund was audited by other independent auditors for the year ended December 31, 2013, and their report, dated March 28, 2014, has been previously issued under separate cover.

The CompSource Mutual Insurance Company Act (HB 2201) was signed into law during 2013 and provides that CompSource, after a transition period, will become a domestic mutual insurance company effective January 1, 2015. As of this date it will cease to be a component unit of the state.

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, 2014, and their report, dated October 28, 2014 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, 2013, and their report, dated January 27, 2014, has been previously issued under separate cover.

Oklahoma Turnpike Authority constructs, maintains, repairs, and operates turnpike projects at locations authorized by the Legislature and approved by the State Department of Transportation. The Authority receives its revenues from turnpike tolls and a percentage of turnpike concession sales. The Authority issues revenue bonds to finance turnpike projects. The Authority consists of the Governor and six members appointed by the Governor, with the advice and consent of the Senate. The state can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2013, and their report, dated March 25, 2014, has been previously issued under separate cover.

Grand River Dam Authority controls the waters of the Grand River system to develop and generate water power and electric energy, and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma. The customers consist of rural electric cooperatives, municipalities, industries and off-system sales. The seven member Board of Directors consists of the General Manager of the Oklahoma Association of Electric Cooperatives, the Executive Director of the Municipal Electric Systems of Oklahoma, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The state can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2013, and their report, dated April 25, 2014, 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, 2013, and their report, dated March 31, 2014, has been previously issued under separate cover.

Higher Education Component Unit - This component unit is primarily comprised of the 25 colleges and universities that are members of the Oklahoma State System of Higher Education (the System). All of the colleges and universities have foundations that receive and hold economic resources for the benefit of their associated entity. These foundations are component units of their respective college or university and are included as part of the Higher Education Component Unit. Separately issued independent audit reports for each college, university, foundation, or other included entity may be obtained from the Office of Management and Enterprise Services, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105. Each institution in the System is governed by a Board of Regents. The Boards of Regents consist of five to ten members appointed by the Governor, with the advice and consent of the Senate. The state can impose its will on each institution by its ability to modify and approve their budget. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Higher Education Component Unit are the following entities:

- **Oklahoma State Regents for Higher Education** serves as the coordinating board of control for the System. The Board of Regents for Higher Education consists of nine members appointed by the Governor, with the advice and consent of the Senate. The state can impose its will on the State Regents for Higher Education by its ability to modify and approve their budget.
- **Regional University System of Oklahoma** has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University. The Board consists of the State Superintendent of Public Instruction and eight members appointed by the Governor, with the advice and consent of the Senate. The state can impose its will on the Board of Regents by its ability to modify and approve their budget. Each of the six regional state universities has one or more foundations that are component units of their respective university and are included in the Higher Education Component Unit.

- **University Center of Southern Oklahoma (formerly known as Ardmore Higher Education Program)** was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning. Students enrolled in the Center earn credit applicable toward academic degrees and certificates at participating institutions in the System. Participating Institutions are: East Central University, Murray State University, and Southeastern Oklahoma State University. The Center is administered by a Board of Trustees appointed by the Governor, with the advice and consent of the Senate. The state can impose its will on the Center by its ability to modify and approve their budget.
- **Rose State College Technical Area Education District, South Oklahoma City Area School District, and Tulsa Community College Area School District #18** were created to provide postsecondary vocational, technical, and adult education programs for persons within their defined geographical boundaries. The primary source of operating funds is ad valorem taxes assessed against real property located in their districts. The Districts are component units of Rose State College, Oklahoma City Community College, and Tulsa Community College, respectively.
- **University Center at Ponca City** was established to make educational program resources in the Oklahoma State System of Higher Education available to the citizens in Northern Oklahoma and the Ponca City community. The Center is administered by a Board of Trustees consisting of nine members appointed by the Governor with the advice and consent of the Senate. The state can impose its will on the Center by its ability to modify and approve their budget.

NONMAJOR COMPONENT UNITS

Oklahoma Educational Television Authority (OETA) was created to “make educational television services available to all Oklahoma citizens on a coordinated statewide basis.” The Board of Directors is comprised of thirteen members, seven of which are appointed by the Governor, with the advice and consent of the Senate. A financial benefit/burden relationship exists between the state and OETA. OETA also has a non-profit foundation that was established to receive private donations and contributions for the benefit of OETA. This foundation qualifies as a component unit of OETA, and is combined with OETA. OETA was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 20, 2014, 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, 2014, and their report, dated October 15, 2014, has been previously issued under separate cover.

Health Insurance High Risk Pool (HIHRP) provides health insurance to Oklahomans who are unable to obtain coverage from independent insurers. HIHRP is financed by assessments levied on independent insurers. The Board consists of nine members appointed by the Insurance Commissioner. The state can impose its will on HIHRP by its ability to modify the decisions of the Board. HIHRP was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 23, 2014, has been previously issued under separate cover.

Multiple Injury Trust Fund provides benefits to a worker with a pre-existing disability who suffers a second on-the-job injury. The state can impose its will on the Fund by its ability to remove management (appointees) at will. The Fund was audited by other independent auditors for the period ended December 31, 2013, and their report, dated June 9, 2014, 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, 2014, and their report, dated October 1, 2014, has been previously issued under separate cover.

Oklahoma Development Finance Authority provides financing for both public and private entities in the state. The Authority obtains funds through the issuance of bonds and notes. Private entities qualifying for financing are generally agricultural, civic, educational, health care, industrial, or manufacturing enterprises. Financing is also provided to governmental agencies and instrumentalities of the state. The Governing Board, appointed by the Governor, with the advice and consent of the Senate, is comprised of seven members: one person selected from each of the six Congressional Districts of the state as they existed in 1960 and the Director of the Department of Commerce. The state can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 21, 2014, has been previously issued under separate cover.

Oklahoma Capital Investment Board assists the state with industrial development by mobilizing equity and near-equity capital making investments for the potential creation of jobs and growth that will diversify and stabilize the economy. The Board of Directors is comprised of five members appointed by the Governor, with the advice and consent of the Senate. The state can impose its will on the Board by its ability to veto or modify the Board's decisions. The Board, in order to mobilize investments, owns the Oklahoma Capital Formation Company LLC (OCFC), a formerly independent corporation. During fiscal year 2006, the Board purchased 100% of the ownership of the OCFC. In fiscal year 2007 OCFC changed its corporate structure and name from a corporation to an Oklahoma limited liability company (LLC). Operations of the OCFC are included in the financial results of the Board. The Board was audited by other independent auditors for the year ended June 30, 2014, and their report, dated September 19, 2014, has been previously issued under separate cover.

Oklahoma State University Medical Authority is affiliated with the Oklahoma State University Center for Health Sciences to provide funding, teaching and training for graduate medical students. It also serves as a site for conducting medical research by faculty and providing patient care. The board is governed by seven members which consists of the following: a member appointed by the Governor, with the advice and consent of the Senate, a member appointed by the President Pro Tempore of the Senate, a member appointed by the Speaker of the House of Representatives, the CEO of the Oklahoma Health Care Authority, or his or her designee, the President of the OSU Center for Health Sciences, CEO of the Oklahoma State University Medical Authority and an appointee of the President of Oklahoma State University. A financial benefit/burden exists between the Authority and the state. The Authority was audited by other independent auditors for the year ended June 30, 2014, and their report, dated December 2, 2014, has been issued under separate cover. In October 2013, Oklahoma State University Medical Trust, Oklahoma State University Medical Center Trust, and the Authority entered into a Tripartite Agreement and Plan of Merger. Under the terms of the merger agreement the Oklahoma State University Medical Center Trust merged with the Oklahoma State University Medical Trust. Oklahoma State University Medical Trust the surviving entity is deemed to be a component unit of the Authority due to the common governance.

FIDUCIARY COMPONENT UNITS

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

Separately issued independent audit reports are available even though they are excluded from the Government-Wide Financial Statements. They may be obtained from the Office of Management and Enterprise Services, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105, or the respective fiduciary component units at the addresses presented on the description page of the Combining Financial Statement section of this report.

Oklahoma Firefighters Pension and Retirement System provides retirement benefits for municipal firefighters. The System is administered by a board comprised of thirteen members: The President of the Professional Fire Fighters of Oklahoma, the President of the Oklahoma State Retired Fire Fighters Association, the State Insurance Commissioner, and the Director of State Finance (or their designees), the five members of the Board of Trustees of the Oklahoma Firefighters Association, and appointees by the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 9, 2014, has been previously issued under separate cover.

Oklahoma Law Enforcement Retirement System provides retirement benefits for qualified law enforcement officers. The System is administered by a board comprised of thirteen members: The Assistant Commissioner of Public Safety, the Director of State Finance (or his designee), members of the Department of Public Safety, the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, and the Alcoholic Beverage Laws Enforcement Commission, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 14, 2014, 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 State Insurance Commissioner and the Director of the Office of Management and Enterprise Services (or their designees), a member of the Corporation Commission selected by the Corporation Commission, the Director of Human Capital Management of the Office of Management and Enterprise Services, a member of the Oklahoma Tax Commission selected by the Tax Commission, three appointees by the Governor, one member appointed by the Supreme Court, two members appointed by the Speaker of the House of Representatives, and two members appointed by the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 22, 2014, 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 Board of Trustees is comprised of thirteen members: a member of the Corporation Commission selected by the Commission, a member of the Tax Commission as selected by the Tax Commission, the Administrator of the Office of Personnel Management or designee, the State Insurance Commissioner or designee, and the Director of State Finance or designee. Of the remaining members, three are appointed by the Governor, one is appointed by the Supreme Court, two are appointed by the Speaker of the House of Representatives and two are appointed by the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2014, and their report, dated October 22, 2014, 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 State Insurance Commissioner and the Director of the Office of Management and Enterprise Services (or their designees), and appointees by the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2014, and their report, dated September 15, 2014, 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 13 members appointed 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, 2014, and their report, dated November 10, 2014, 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 position and the statement of activities) report information for all of the non-fiduciary activities of the Primary Government and its Component Units. For the most part, the effect of interfund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from the legally separate Component Units for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The state does not allocate government administration (indirect) expenses to other functions.

Net position is restricted when constraints placed on it is either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the state's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the state considers revenues to be available if they are collected within sixty days of the end of the current fiscal year end. Principal revenue sources considered susceptible to accrual include federal grants, interest on investments, sales and income taxes, and lease payments receivable. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the state's present appropriation system. These revenues have been accrued in accordance with GAAP since they have been earned and are expected to be collected within sixty days of the end of the period. Other revenues are considered to be measurable and available only when cash is received by the state.

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

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

Proprietary Funds, Fiduciary Funds and Similar Component Units, and Component Units Financial Statements –

The financial statements of the proprietary funds, fiduciary funds and similar component units, and component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

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

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

D. Fund Accounting

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

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

1. Governmental Funds

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

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

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

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

2. Proprietary Funds

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

Employees Group Insurance Division of the Office of Management and Enterprise Services provides group health, life, dental, disability and other 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. Coverages are funded by monthly premiums paid by employers and employees.

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

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 position of the Wildlife Conservation Retirement Plan in the Primary Government, and six Public Employee Retirement Systems (PERS) that meet the definition of a component unit of the state.

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

4. Component Units

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

5. Financial Statement Reporting Periods

The accompanying financial statements of the state are presented as of June 30, 2014, and for the year then ended, except for the following funds and entities which were audited by other independent auditors.

CompSource Oklahoma	12-31-13
Multiple Injury Trust Fund	12-31-13
Employees Group Insurance Division	12-31-13
Oklahoma Turnpike Authority	12-31-13
Grand River Dam Authority	12-31-13

E. Budgeting and Budgetary Control

The state's annual budget is prepared on the cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the accompanying financial statements, encumbrances are recorded as expenditures for budgetary purposes if expected to be presented for payment by November 15 following the end of the fiscal year and as a component of either restricted or committed fund balance for GAAP purposes. Since the budgetary basis differs from GAAP, budget and actual amounts in the accompanying Required Supplementary Information – Budgetary Schedules are presented on the budgetary basis. A reconciliation of revenues in excess of (less than) expenditures and other financing sources (uses) on a budgetary basis at June 30, 2014 to revenues in excess of (less than) expenditures and other financing sources (uses) presented in conformity with GAAP is set forth in the Notes to Required Supplementary Information.

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

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

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

If funding sources are not sufficient to cover appropriations, the Director of State Finance is required to reduce the budget by the amount of such deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental appropriation. All fiscal year 2014 appropriated line items were within their authorized spending level.

F. Cash and Cash Equivalents

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

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

The Oklahoma Employment Security Commission Trust Fund is maintained to account for the collection of unemployment contributions from employers and the payment of unemployment benefits to eligible claimants. As

required by Federal Law, all resources not necessary for current benefit payments are placed on deposit with the U.S. Treasury. Interest from these resources is retained in the Fund.

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

G. Investments

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

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

H. Receivables

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

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

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

I. Inter/Intrafund Transactions

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

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

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

J. Inventories and Prepaid Expenses

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Generally, inventories are valued at cost and predominantly on either the first-in first-out or weighted average basis. Inventories of federal surplus properties are valued at a percentage of federal acquisition cost. General Fund inventories are recorded as expenditures when consumed rather than when purchased by recording adjustments to the inventory account on the balance sheet. The General Fund inventories on hand at year-end are reflected as a component of nonspendable fund balance on the balance sheet, except for \$487,000 in food commodities which is recorded as inventory and deferred revenue. Upon distribution, the food commodities are recognized as revenues and expenditures of the General Fund.

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

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

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

K. Capital Assets

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

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

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component unit's 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 Position. 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 capital 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 delayed to future periods in which these amounts will be recovered through revenues.

M. Deferred Revenue

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

N. Compensated Absences

Employees earn annual vacation leave at the average rate of 10 hours per month for the first 5 years of service, 12 hours per month for service of 5 to 10 years, 13.33 hours per month for service of 10 to 20 years, and 16.67 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 240 hours for employees with less than 5 years of continuous service or 480 hours for employees with 5 years or more of continuous service. All accrued annual leave is payable upon termination, resignation, retirement, or death. The governmental fund financial statements record expenditures when employees are paid for leave. The government-wide financial statements present the cost of accumulated vacation leave as a liability. The liability is valued based on current rate of pay. There is no liability for unpaid accumulated sick leave since the state does not have a policy to pay this amount when employees separate from service.

O. Risk Management

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

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

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

P. Federal Grants

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

Q. Long-Term Obligations

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

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

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

R. Governmental Activities

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

S. Governmental Fund – Fund Balance

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

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

The Multiple Injury Trust Fund (MITF), a component unit, continues to operate in a deficit situation. MITF had total net liabilities (negative net position) of \$365,235,000 at December 31, 2013. Legislation was passed in May 2000 providing new funding for MITF through an assessment on gross premiums on workers compensation policies written by insurance carriers and an assessment on disability awards paid by self-insured employers, and further limits future awards against MITF to claimants that timely filed injury claims that occurred before June 1, 2000, against their employer. These claimants have no time limitation for filing against MITF. No new claims related to injuries subsequent to June 1, 2000, can be filed. Funding is to continue until the Board of Managers of the CompSource Oklahoma, pursuant to an independent actuarial audit, has certified that there are sufficient funds to satisfy all outstanding obligations of MITF.

The Oklahoma Capital Investment Board (OCIB), a component unit, operated at a deficit for the fiscal year. In fiscal year 2006 the OCIB purchased 100% of the ownership of the Oklahoma Capital Formation Company LLC (OCFC), a formerly blended entity. This purchase brought on the long-term liabilities of the OCFC, and as a result, puts the OCIB in a negative net asset position. For the fiscal year ended June 30, 2014, the OCIB had negative net position of \$2,583,000. The OCIB takes a long-term approach to economic stimulation, and it is anticipated that a negative net position balance could persist well into the future.

U. Pollution Remediation Obligations

During the fiscal year ended June 30, 2014, it was determined that several agencies incurred expenses of \$3,486,000 for pollution obligations related to hazardous material on highways and asbestos removal, where clean-up is generally required to comply with federal regulations. This type of remediation is generally a control obligation performed as part of current operations during road construction or building renovation. There was also a liability incurred of \$465,136,000 which is included in accounts payable on the government-wide financial statements.

Note 2. Deposits and Investments

The State Treasurer maintains two investment portfolios. The Treasurer's Portfolio is used to manage the investments of all state moneys that are under the control of the Treasurer where earnings accrue to the General Fund of the state. The State Agency Portfolio is used for the investment of a limited number of state agencies specifically authorized by statute to direct the activities of certain funds and accounts where the earnings accrue to those funds and accounts. Ancillary to the Treasurer's Portfolio is an internal investment pool, OK INVEST, for all State funds and agencies that are considered part of the State of Oklahoma. All cash balances held through the State Treasurer for the Primary Government, Component Units and Fiduciary Funds earn a return through the OK INVEST pool program.

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

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

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

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

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

The Employment Security Commission, Water Resources Board, Office of Management and Enterprise Services-Employees Group Insurance Division (EGID) and Lottery Commission are the four 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, EGID and Lottery Commission all 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, 2014 (expressed in thousands):

Investment Type	Investments - Primary Government			
	Government Administration	Permanent Funds	Business-Type Activities	Total Primary Government
POOLED INVESTMENTS				
US Agency & Treasury	\$ 5,677,032	\$ -	\$ -	\$ 5,677,032
Money Market Mutual Funds	308,496	-	-	308,496
Securities Lending Collateral Pool	-	105,919	-	105,919
Mutual Funds	2,278	-	-	2,278
Certificates of Deposit & Commercial Paper	299,153	-	-	299,153
State & Muni Bond Issues	169,340	-	-	169,340
NON-POOLED INVESTMENTS				
US Agency & Treasury	20,115	450,949	127,547	598,611
Domestic Corporate Bonds	-	784,021	174,590	958,611
Foreign Corporate Bonds	50,000	157,698	-	207,698
Domestic Equities	26,086	1,322,348	128,357	1,476,791
Foreign Equities	-	141,787	-	141,787
Other	-	214,769	35,545	250,314
Money Market Mutual Funds	194	126,451	-	126,645
Guaranteed Investment Contracts	-	-	-	-
Totals	\$ 6,552,694	\$ 3,303,942	\$ 466,039	\$ 10,322,675

Fiduciary Funds and Similar Component Units

The Fiduciary Funds of the state have investment goals that vary significantly from the Primary Government. Due to the long term nature of these funds, investment options are broader and maturities can be longer than that of the Primary Government. These funds generally have investment policies allowing for investments in stocks, bonds, fixed income securities and other investment securities including commingled, mutual and index funds. Generally policies allow for a portion of investments to be held in securities of foreign companies and countries. Policies also allow for portions of the total portfolio to be held in derivatives and derivative like investments such as U.S. Treasury Strips, collateralized mortgage obligations, convertible securities and variable rate instruments.

Component Units

The Component Units of the state have varied investment goals based on the demands of their specific enterprise, and commonly have investment policies that allow for broader asset classes and longer maturities than that of the Primary Government. Various finance authorities invest in an attempt to match targeted returns to the maturity of liabilities. The Higher Education Component Unit is comprised of numerous foundations that invest in order to maximize gains for the institutions that they support. These foundations may also hold assets of different classes as part of donor restrictions and covenants. The following table outlines the Component Units' investment holdings at June 30, 2014 (expressed in thousands):

Investments - Component Units

Investment Type	Total Component Units
US Agency & Treasury	\$ 1,194,599
Domestic Debt Instruments	1,116,670
Foreign Corporate Bonds	67,221
State, Muni and Local Gov't Debt Instruments	11,240
Domestic Equities and Equity Funds	1,369,897
Foreign Equities	241,070
Other	1,904,129
Money Market Mutual Funds	336,890
Guaranteed Investment Contracts	784
	<u>\$ 6,242,500</u>

A. Custodial Credit Risk

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

Primary Government

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

As of June 30, 2014, 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 \$1,174,085,000 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, 2014, the Pension Trust Funds had deposits and cash equivalents of \$620,103,000 of which \$35,985,000 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.

B. Credit Risk

Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the debt instrument issuer's ability to meet its obligation. The state, its Fiduciary Funds and Component Units utilize the credit quality ratings issued by Moody's, Standard and Poor's, or Fitch in determining the risk associated with its fixed-income investments. Obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government are not

considered to have credit risk. Certain debt instruments are commingled investments that do not have an applicable credit risk rating. These investments are presented as not rated in the accompanying tables.

Primary Government

As outlined in an earlier table, the State Treasurer seeks to hold investments with a rating of A or higher as rated by Moody's. Generally, the Permanent Funds and the business-type activities seek to maintain the same or higher rating. The Water Resources Board, which has a high concentration of investments with one issuer, requires that issuer to maintain an average credit rating of AA or higher. Should this issuer's rating fall below AA, it is required to collateralize the guaranteed investments sufficient to maintain an AA rating on the contracts. At June 30, 2014, the Primary Government had the following investments subject to credit risk (expressed in thousands):

Credit Risk - Primary Government

Investment Rating Moody's/S&P/Fitch	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 547,569	\$ -	\$ 374,102	\$ 10,701	\$ 932,372
Aa/AA/AA	5,758,145	-	23,593	9,987	5,791,725
A/A/A	26,726	2,691	67,547	21,265	118,229
Baa/BBB/BBB	-	3,298	252,312	43,888	299,498
Ba/BB/BB	-	-	135,109	30,766	165,875
B/B/B	440	-	196,635	18,063	215,138
Caa/CCC/CCC	-	1,335	45,873	2,426	49,634
Ca/CC/CC	-	-	1,263	430	1,693
C/C/C	-	-	338	-	338
D/D/D	-	-	18	-	18
Not Rated/Not Applicable	112,103	-	296,962	62,848	471,913
Total	\$ 6,444,983	\$ 7,324	\$ 1,393,752	\$ 200,374	\$ 8,046,433

Fiduciary Funds and Similar Component Units

The Pension Trust Funds typically hold a significant portion of assets in the form of debt instruments. Each Pension Trust Fund has an investment policy governing their credit risk exposure. Generally, at the time of purchase, investments in domestic fixed-income investments must carry the highest rating either Aaa, (Moody's) or AAA, (S&P, Fitch) as determined by the national rating organizations. International debt instruments must be Baa or BBB at the time of purchase. Overall, each investment policy generally requires that an average credit quality rating of A or higher be maintained for total debt instrument holdings. At June 30, 2014, the Pension Trust Funds had the following credit risk exposure (expressed in thousands):

Credit Risk - Pension Trust Funds

Investment Rating Moody's/S &P/Fitch	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 1,203,691	\$ 25,411	\$ 404,875	\$ -	\$ 1,633,977
Aa/AA/AA	819,505	34,899	229,485	3,307	1,087,196
A/A/A	20,395	63,146	463,670	3,200	550,411
Baa/BBB/BBB	1,218	54,907	805,641	11,540	873,306
Ba/BB/BB	-	16,455	504,316	1,057	521,828
B/B/B	-	5,280	335,711	6,468	347,459
Caa/CCC/CCC	-	126	102,235	3,228	105,589
Ca/CC/CC	-	-	1,169	-	1,169
D/D/D	-	-	4,612	-	4,612
Not Rated/Not Applicable	664,978	32,058	403,460	191,733	1,292,229
Total	\$ 2,709,787	\$ 232,282	\$ 3,255,174	\$ 220,533	\$ 6,417,776

Component Units

The Component Units usually hold a significant portion of their respective portfolios in debt instruments. Each Component Unit has an investment policy governing credit risk. As a general rule, the Component Units have more liberal investment policies than the Primary Government that allow for greater levels of credit risk regarding debt securities. Foundations within the Higher Education Component Unit also hold a significant portion of their total debt portfolio as either bond funds or money market mutual funds. These debt instruments are generally pooled or commingled investments and are not subject to credit risk disclosures. Investments in U.S. Government securities are not subject to credit risk. At June 30, 2014 the Component Units had the following credit risk exposure (expressed in thousands):

Credit Risk - Component Units

Investment Rating Moody's/S&P/Fitch	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 951,686	\$ -	\$ 283,307	\$ -	\$ 1,234,993
Aa/AA/AA	-	-	85,726	25,454	111,180
A/A/A	-	-	360,376	-	360,376
Baa/BBB/BBB	-	-	341,091	-	341,091
Ba/BB/BB	-	-	-	-	-
B/B/B	-	-	-	-	-
C/C/C	-	-	-	-	-
D/D/D	-	-	45	-	45
Not Rated/Not Applicable	254,153	-	383,799	41,767	679,719
Total	\$ 1,205,839	\$ -	\$ 1,454,344	\$ 67,221	\$ 2,727,404

C. Concentration of Credit Risk

Primary Government

The State Treasurer's investment policy seeks to mitigate concentration of credit risk through targeted diversification limits as outlined earlier in this note. With the exception of US Treasury securities, no more than 50% of the state's total funds available for investment will be invested in a single security type or with a single financial institution. The Water Resources Board, a business-type activity of the Primary Government, has no policy limiting amounts that may be invested in one issuer. At June 30, 2014, the Board held no Guaranteed Investment Contracts issued by Transamerica Occidental Life Insurance Co. / Transamerica Life Insurance and Annuity Co.

D. Interest Rate Risk

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

Primary Government

As outlined in a previous table, the State Treasurer follows an investment policy seeking to keep the average maturity for its entire portfolio to less than four years. The Permanent Funds and the business-type activities of the Primary Government do not have the same liquidity demands as the Treasurer, and as a matter of policy are not as restrictive regarding maturities. At June 30, 2014, the Primary Government had the following investments with maturities (expressed in thousands):

Interest Rate Risk - Primary Government					
Weighted Average Years to Maturity	US Treasury, Agency and Municipal Securities	International Government Instruments	US Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year Weighted Average to Maturity	\$ 182,584	\$ -	\$ 433,941	\$ -	\$ 616,525
1 - 5 years	3,412,558	-	741,625	64,481	4,218,664
6 - 10 years	2,813,153	7,324	218,186	135,893	3,174,556
10 or more years	36,688	-	-	-	36,688
No Maturity or Not Applicable	-	-	-	-	-
Total	\$ 6,444,983	\$ 7,324	\$ 1,393,752	\$ 200,374	\$ 8,046,433

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, 2014, the Pension Trust Funds had the following exposure to interest rate risk (expressed in thousands):

Interest Rate Risk - Pension Trust Funds					
Duration or Weighted Average Years	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year duration	\$ 58,425	\$ 42,510	\$ 227,963	\$ 8,532	\$ 337,430
1 - 5 years	896,617	31,054	1,446,908	10,677	2,385,256
6 - 10 years	1,036,912	77,648	1,028,405	8,892	2,151,857
10 or more years	717,833	81,070	357,225	3,275	1,159,403
No Duration	-	-	194,673	189,157	383,830
Total	\$ 2,709,787	\$ 232,282	\$ 3,255,174	\$ 220,533	\$ 6,417,776

Component Units

The state's Component Units typically have board approved investment policies designed to manage exposure to fair value losses that arise from interest rate risk. The policies of the various Component Units can differ significantly since each investment policy is designed to match the portfolio objectives for that Component Unit. A substantial portion of the Component Units' holdings in debt instruments is in money market mutual funds and bond mutual funds with demand

maturities which are presented below as not having an applicable maturity. On June 30, 2014, the Component Units had the following interest rate risk exposure (expressed in thousands):

Interest Rate Risk - Component Units					
Weighted Average Years to Maturity	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year Weighted Average to Maturity	\$ 314,189	\$ -	\$ 8,836	\$ -	\$ 323,025
1 - 5 years	568,787	-	958,360	-	1,527,147
6 - 10 years	104,942	-	96,852	25,454	227,248
10 or more years	80,010	-	-	-	80,010
No Maturity or Not Applicable	137,911	-	390,296	41,767	569,974
Total	<u>\$ 1,205,839</u>	<u>\$ -</u>	<u>\$ 1,454,344</u>	<u>\$ 67,221</u>	<u>\$ 2,727,404</u>

E. Foreign Currency Risk

Foreign Currency Risk is the risk that changes in currency exchange rates will adversely affect the fair value of a deposit or investment. The state, its Fiduciary Funds and Component Units typically make investments in foreign securities to achieve an additional level of diversification within the various portfolios under management. Foreign currencies held as cash and cash equivalents are usually held to limit losses in foreign investments due to fluctuations in currency values.

Primary Government

The Government Administration is not invested in securities that are exposed to foreign currency risk; however, the Permanent Funds have policies that will typically allow a portion of the total portfolio to be invested in international securities in an effort to improve diversification and total returns. The business-type activity's investing policies do not specifically address foreign investments, and they will typically not hold any international securities. At June 30, 2014, the Primary Government had the following foreign currency risk (expressed in thousands):

Foreign Currency Risk - Primary Government

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	\$ 1,859	\$ 594	\$ -	\$ 2,453
Argentine peso	-	110	-	110
Barbados dollar	-	862	-	862
Brazilian real	3,485	4,425	4	7,914
British pound sterling	23,489	5,974	299	29,762
Bermuda dollar	2,170	1,720	-	3,890
Canadian dollar	5,776	2,319	-	8,095
Cayman dollar	-	4,856	-	4,856
Chinese renminbi	1,431	-	-	1,431
Chilean peso	-	1,189	-	1,189
Columbian peso	-	2,022	-	2,022
Croatian kuna	-	208	-	208
Euro	41,031	38,027	511	79,569
Hong Kong dollar	4,575	-	-	4,575
Hungarian forint	-	1,671	-	1,671
Indonesian rupiah	1,478	1,788	-	3,266
Japanese yen	21,745	-	-	21,745
Malaysian ringgit	-	-	18	18
Manx pound	-	212	-	212
Mexican peso	2,683	5,490	182	8,355
Moroccan dirham	-	315	-	315
New Israeli shekel	2,190	-	-	2,190
New Taiwan dollar	2,364	-	-	2,364
New Turkish lira	-	-	25	25
Norwegian krone	5,154	214	-	5,368
Peruvian nuevo sol	-	273	-	273
Philippines peso	-	231	-	231
Polish zloty	-	3,369	-	3,369
Russian ruble	1,525	412	-	1,937
Singapore dollar	2,136	-	-	2,136
South African rand	-	2,007	153	2,160
Swedish krona	1,861	-	-	1,861
Swiss franc	14,452	-	-	14,452
Thai baht	2,450	-	-	2,450
Trinidad and Tobago dollar	-	150	-	150
Turkish lira	-	1,860	-	1,860
Venezuelan bolivar	-	1,335	-	1,335
Totals	<u>\$ 141,854</u>	<u>\$ 81,633</u>	<u>\$ 1,192</u>	<u>\$ 224,679</u>

Fiduciary Funds and Similar Component Units

The Pension and Other Employee Benefit Trust Funds generally have investment policies regarding limits on the amount of foreign securities that can be held within their respective portfolios. The Trust Funds have a significantly longer time frame for achieving their investment goals, and investments in foreign securities offer an additional level of diversification, as well as provide the opportunity for increased returns. Typically, holdings in foreign currencies are used to limit losses on foreign securities due to currency fluctuations. The Trust Funds had the following foreign currency risk at June 30, 2014 (expressed in thousands):

Foreign Currency Risk - Pension Trust Funds

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	\$ 93,694	\$ 12,621	\$ 86	\$ 106,401
Brazilian real	26,209	16,135	8	42,352
British pound sterling	576,641	16,738	618	593,997
Canadian dollar	46,536	289	145	46,970
Chilean peso	245	1,245	-	1,490
Columbia peso	3,250	266	-	3,516
Danish krone	62,141	-	16	62,157
Euro	840,405	55,313	5,899	901,617
Hong Kong dollar	149,954	(1)	371	150,324
Hungarian forint	-	6,527	-	6,527
Indian rupee	-	2,289	-	2,289
Indonesian rupiah	9,847	6,082	71	16,000
Israeli shekel	892	-	-	892
Japanese yen	579,098	(1,522)	573	578,149
Malaysian ringgit	8,483	3,537	-	12,020
Mexican peso	17,035	61,410	-	78,445
New Taiwan dollar	20,567	-	-	20,567
New Turkish lira	5,748	-	29	5,777
New Zealand dollar	5,426	5,820	-	11,246
Norwegian krone	27,266	1,164	-	28,430
Philippines peso	6,623	8,250	-	14,873
Polish zloty	3,489	7,861	-	11,350
Qatari rial	548	-	-	548
Singapore dollar	53,933	271	-	54,204
South African rand	29,492	5,810	-	35,302
South Korean won	52,244	7,609	19	59,872
Swedish krona	80,816	-	-	80,816
Swiss franc	285,670	(2)	-	285,668
Thai baht	7,137	-	-	7,137
Turkish lira	5,511	2,483	74	8,068
UAE dirham	1,555	-	-	1,555
Totals	\$ 3,000,455	\$ 220,195	\$ 7,909	\$ 3,228,559

Securities Lending Definition

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

Securities Lending Activity – Primary Government

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

During the fiscal year ended June 30, 2014, 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, 2014, the fair value of the securities on loan was approximately \$0. The underlying collateral for these securities had a fair value of approximately \$0. 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, 2014, there was no credit risk exposure to borrowers because the amounts the Primary Government owes the borrowers exceed the amounts the borrowers owe the Primary Government. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, that resulted from the default of a borrower or the lending agent. Because these transactions are terminable at will, their duration generally did not match the duration of the investments made with cash collateral.

The Tobacco Trust Fund, a Permanent Fund of the state, participates in securities lending as defined by its investment policy. During the year, the Tobacco Trust lent U.S. Government securities, corporate debt, and domestic and foreign equities. Collateral was provided as cash for securities lent. Collateral must equal at least 102% of the market value of securities lent unless the principal market for the collateral is outside the United States, in which case a margin of 105% must be maintained. At June 30, 2014, the fair value of securities on loan was \$103,383,000. The collateral for securities lent had a market value of \$105,919,000. The investment made with cash collateral had an average maturity of one day and did not match the duration of the security on loan since the loans are terminable at will. There was no credit risk to borrowers.

Securities Lending Activity – Fiduciary Funds and Similar Component Units

The six Public Employees Retirement Systems (PERS) participate in securities lending transactions as provided by their respective investment policies. During the fiscal year ended June 30, 2014, securities lending agents lent primarily U.S. Government securities, equity securities, and debt securities. Cash, U.S. Government securities, and letters of credit were provided as collateral for the securities lent. Generally, collateral must be provided in the amount of 102% of the fair value of the securities loaned. In certain instances collateral must be provided in the amount of 105% when the principal trading market for the loaned securities is outside the United States. At June 30, 2014, the carrying amount and fair value of securities on loan was approximately \$3,230,509,000. The underlying collateral for these securities had a fair value of approximately \$3,557,176,000. Collateral of securities and letters of credit represented approximately \$247,155,000 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 investment pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

At June 30, 2014, 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.

Derivative Investments Definition

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

Derivative Investments –Primary Government

Certain state agencies utilize derivative investments as tools to efficiently and effectively manage domestic, international and fixed income investments within their respective portfolios. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2014 and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Permanent Fund	Derivative Instrument	Notional Amount	Fair Value		Change in Fair Value	
			Classification	Amount	Classification	Amount
Tobacco Settlement Trust	Foreign Currency Forward Contracts	\$ (12,393)	Net Receivable	\$ 181	Investment Income	\$ (1,629)

Derivative Investments – Fiduciary Funds and Similar Component Units

Several of the state’s Public Employees Retirement Systems (PERS) utilize derivative investments as tools to efficiently and effectively manage domestic, international and fixed income investments within their respective portfolios. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2014 and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Pension System	Derivative Instrument	Notional Amount	Fair Value		Change in Fair Value	
			Classification	Amount	Classification	Amount
Firefighters Pension and Retirement System (OFPRS)	Foreign Currency Forward Contracts	\$ 65,438	Net Payable	\$ (217)	Investment Income	\$ (3,126)
Teachers' Retirement System (TRS)	Foreign Currency Forward Contracts	12,835,664	Investment	(1,207)	Investment Income	(1,074)

The OFPRS system uses foreign currency forward contracts primarily to hedge foreign currency exposure. The receivable is net of gross receivables of \$197,000 and liabilities of \$414,000. The gross receivables are supported by collateral in investments valued at \$143,000 with a credit risk ratings of A by S&P and A2 by Moody’s. The foreign currency forward contracts for the TRS subject the System to foreign currency risk because the investments are denominated in foreign currencies. The fair value of foreign currency forward contracts was determined by market rates for exchanging dollars against the contracted currencies.

Derivative Investments- Component Units

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

Note 3. Accounts Receivable

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts as of June 30, 2014, including the applicable allowances for uncollectible accounts, are presented below (expressed in thousands):

	General Fund	Proprietary Fund	Component Units	
	Accounts Receivable	Taxes Receivable	Accounts Receivable	Notes Receivable
Gross Receivables	\$ 113,042	\$ 168,632	\$ 756,419	\$ 676,470
Less: Allowance for Uncollectibles	(64,300)	(61,394)	(235,007)	(11,870)
Net Receivables	<u>\$ 48,742</u>	<u>\$ 107,238</u>	<u>\$ 521,412</u>	<u>\$ 664,600</u>

Note 4. Interfund Accounts and Transfers

A. Due from Other Funds/Due to Other Funds

A summary of interfund obligations at June 30, 2014, is shown below (expressed in thousands):

	Due From Other Funds				Due to Other Funds					
	General Fund	Permanent Funds	Enterprise Funds	Due From Fiduciary Funds	Due From Other Component Units	General Fund	Wildlife Permanent Funds	Enterprise Funds	Due To Fiduciary Funds	Due To Component Units
Governmental Funds										
General Fund	\$ -	\$ 34	\$ 17,500	\$ 17	\$ 53,782	\$ 0	\$ 116	\$ 89	\$ 34,988	\$ 40,992
Wildlife Permanent Fund	116	-	-	-	-	-	-	-	-	-
Tobacco Permanent Fund	-	-	-	-	-	34	-	-	-	-
Total Governmental Funds	\$ 116	\$ 34	\$ 17,500	\$ 17	\$ 53,782	\$ 34	\$ 116	\$ 89	\$ 34,988	\$ 40,992
Enterprise Funds										
Office of Management and Enterprise Services	\$ 51	-	-	-	-	-	-	-	-	-
Oklahoma Water Resources Board	-	-	-	-	-	364	-	-	-	-
Oklahoma Lottery Commission	-	-	-	-	-	17,136	-	-	-	-
Total Enterprise Funds	\$ 51	\$ -	\$ -	\$ -	\$ -	\$ 17,500	\$ -	\$ -	\$ -	\$ -
Fiduciary Funds										
Pension Trust Funds:										
Firefighters Pension and Retirement System	\$ 16,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Oklahoma Law Enforcement Retirement System	2,344	-	-	-	-	-	-	-	-	-
Oklahoma Public Employees Retirement System	9,233	-	-	-	-	2	-	-	-	-
Judges and Justices Retirement System	562	-	-	-	-	-	-	-	-	-
Oklahoma Police Pension and Retirement System	6,563	-	-	-	-	-	-	-	-	-
Teachers' Retirement System of Oklahoma	0	-	-	-	-	15	-	-	-	-
Agency Funds:										
Total Fiduciary Funds	\$ 35,578	\$ -	\$ -	\$ -	\$ -	\$ 17	\$ -	\$ -	\$ -	\$ -
	Due From Primary Government				Due To Primary Government					
	General Fund	Permanent Funds	Enterprise Funds	Due From Fiduciary Funds	Due From Other Component Units	General Fund	Permanent Funds	Enterprise Funds	Due To Fiduciary Funds	Due To Other Component Units
Major Component Units:										
CompSource Oklahoma	16,085	-	-	-	19,129	1	-	-	-	614
Oklahoma Turnpike Authority	5,472	-	-	-	-	52,700	-	-	-	40
Grand River Dam Authority	30	-	-	-	1,399	78	-	-	590	134
Oklahoma Municipal Power Authority	-	-	-	-	-	-	-	-	-	1,716
Higher Education	11,681	-	-	-	854	1,026	-	-	-	450
Nonmajor Component Units:										
Oklahoma Education Television Authority	-	-	-	-	-	4	-	-	-	-
Multiple Injury Trust Fund	12,862	-	-	-	-	-	-	-	-	18,938
University Hospitals Authority	23	-	-	-	245	-	-	-	-	219
Oklahoma Development Finance Authority	29	-	-	-	165	-	-	-	-	-
Total Component Units	\$ 46,182	\$ -	\$ -	\$ -	\$ 21,792	\$ 53,809	\$ -	\$ -	\$ 590	\$ 22,111

A reconciliation of interfund receivables and interfund payables at June 30, 2014 follows. Timing differences occur between agencies with a June 30 year end and the component units with September 30 or December 31 year ends.

Total Due From Other Funds:		Total Due To Other Funds:	
Wildlife Lifetime Licenses	116	General Fund	\$ 0
Enterprise Funds	51	Tobacco Settlement Endowment	34
Fiduciary Funds	35,578	Enterprise Funds	17,500
Component Unit Funds	46,182	Fiduciary Funds	17
General Fund Due From Permanent Funds	34	Component Unit Funds	53,809
		General Fund Due To Permanent Funds	116
Due From Enterprise Funds		Due To Enterprise Funds	
General Fund	17,500	General Fund	89
Due From Fiduciary Funds		Due To Fiduciary Funds	
General Fund	17	General Fund	34,988
Due From Component Units		Component Unit Funds	590
General Fund	53,782	Due From Component Units	
Other Component Unit Funds	21,792	General Fund	40,992
Total Interfund Receivables per Financial Statements	\$ 175,052	Permanent Funds	-
		Proprietary Funds	-
		Fiduciary	-
		Component Unit Funds	22,111
		Total Interfund Payables per Financial Statements	170,246
		Timing Differences, Fiscal Year Ending	
		December 31, 2013: Component Units	4,806
		Total Interfund Payables	\$ 175,052

The General Fund Due From Other Funds includes \$52,631,000 from Oklahoma Turnpike Authority (OTA) (\$52,658,000 at December 31, 2013) for a portion of motor fuel excise taxes collected on fuels consumed on turnpikes. The balance accumulates and is payable when certain OTA revenue bonds payable have been paid in full. The Wildlife Lifetime

Licenses Permanent Fund is due \$116,000 from the General Fund for legislative mandated transfer of earnings on certain funds.

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

B. Notes Payable and Capital Leases

The Multiple Injury Trust Fund (MITF) component unit reports a note payable to CompSource Oklahoma component unit of \$18,612,000, as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit not to exceed \$11,300,000. The remaining \$5,300,000 has not been advanced. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

The Higher Education (HE) component unit has entered into capital lease agreements with the General Fund’s Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. The capital lease outstanding balances are \$553,366,000.

C. Interfund Transfers

A summary of interfund transfers for the fiscal year ended June 30, 2014, follows (expressed in thousands):

Transfers From (Out)	Transfers To (In)	For (Purpose)	Amount
Governmental Funds:			
General Fund	Oklahoma Water Resources Board	Payment for administrative costs	50
		Total transfers out of the General Fund	50
Proprietary Funds:			
Oklahoma Employment Security Comm	General Fund	Payment for Administrative Costs	(14,065)
Oklahoma Water Resources Board	General Fund	Restricted investment revenue	(71)
Oklahoma Lottery Commission	General Fund	Transfer for expendible earnings	(66,934)
		Total Transfers in to the General Fund	(81,070)
		Net Transfers In/Out - General Fund	\$ 81,020

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows (expressed in thousands):

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,631,209	\$ 39,882	\$ (1,277)	\$ 1,669,814
Construction In Progress	174,029	28,841	(15,428)	187,442
Total capital assets, not being depreciated	<u>1,805,238</u>	<u>68,723</u>	<u>(16,705)</u>	<u>1,857,256</u>
Capital assets, being depreciated:				
Buildings and improvements	1,568,201	24,391	(1,820)	1,590,772
Equipment	512,365	43,670	(28,472)	527,563
Infrastructure	16,378,901	745,705	(78,868)	17,045,738
Total capital assets, being depreciated	<u>18,459,467</u>	<u>813,766</u>	<u>(109,160)</u>	<u>19,164,073</u>
Less accumulated depreciation for:				
Buildings and improvements	(649,617)	(33,202)	1,598	(681,221)
Equipment	(311,898)	(40,166)	19,294	(332,770)
Infrastructure	(8,560,579)	(437,972)	837	(8,997,714)
Total accumulated depreciation	<u>(9,522,094)</u>	<u>(511,340)</u>	<u>21,729</u>	<u>(10,011,705)</u>
Total capital assets, being depreciated, net	<u>8,937,373</u>	<u>302,426</u>	<u>(87,431)</u>	<u>9,152,368</u>
Governmental activities capital assets, net	<u>\$ 10,742,611</u>	<u>\$ 371,149</u>	<u>\$ (104,136)</u>	<u>\$ 11,009,624</u>
Business-type activities:				
Capital assets, being depreciated:				
Equipment	\$ 6,292	\$ 664	\$ (290)	\$ 6,666
Total capital assets, being depreciated	<u>6,292</u>	<u>664</u>	<u>(290)</u>	<u>6,666</u>
Less accumulated depreciation for:				
Equipment	(5,255)	(234)	238	(5,251)
Total accumulated depreciation	<u>(5,255)</u>	<u>(234)</u>	<u>238</u>	<u>(5,251)</u>
Business-type activities capital assets, net	<u>\$ 1,037</u>	<u>\$ 430</u>	<u>\$ (52)</u>	<u>\$ 1,415</u>

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

Governmental Activities:	
Education	\$ 1,081
Government Administration	14,924
Health Services	6,504
Legal and judiciary	242
Museums	167
Natural Resources	8,816
Public safety and defense	22,344
Regulatory services	286
Social services	7,783
Transportation	448,736
Total depreciation expense - governmental activities	<u>\$ 510,883</u>
Business-type activities:	
Government Administration	\$ 234
Total depreciation expense - business-type activities	<u>\$ 234</u>

Component Units

Capital asset activity for the year ended June 30, 2014, (December 31, 2013, or September 30, 2013, 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	\$ 377,585	\$ 13,576	\$ (1,094)	\$ 390,067
Construction in Progress	446,042	557,481	(406,677)	596,846
Total capital assets, not being depreciated	<u>823,627</u>	<u>571,057</u>	<u>(407,771)</u>	<u>986,913</u>
Capital assets, being depreciated:				
Buildings and improvements	7,970,330	482,580	(38,018)	8,414,892
Equipment	1,746,671	160,115	(75,876)	1,830,910
Infrastructure	2,303,990	79,744	(5,188)	2,378,546
Total capital assets, being depreciated	<u>12,020,991</u>	<u>722,439</u>	<u>(119,082)</u>	<u>12,624,348</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,908,458)	(237,704)	18,171	(3,127,991)
Equipment	(1,195,285)	(134,846)	51,490	(1,278,641)
Infrastructure	(1,387,909)	(80,627)	4,560	(1,463,976)
Total accumulated depreciation	<u>(5,491,652)</u>	<u>(453,177)</u>	<u>74,221</u>	<u>(5,870,608)</u>
Total capital assets, being depreciated, net	<u>6,529,339</u>	<u>269,262</u>	<u>(44,861)</u>	<u>6,753,740</u>
Capital assets, net	<u>\$ 7,352,966</u>	<u>\$ 840,319</u>	<u>\$ (452,632)</u>	<u>\$ 7,740,653</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, and second injury workers' compensation. The state is also self-insured against tort and auto liability and property losses, with commercial insurance policies for losses that fall outside of coverage limits or are in excess of the self-insured retention.

Coverage for health care claims and workers' compensation is provided by two entities of the state. The Employees Group Insurance Division (EGID), a division of the Office of Management and Enterprise Services (OMES) manages a legal trust which provides group health, life, dental, and disability benefits to the state's employees and certain other eligible participants. CompSource Oklahoma (CSO) is a component unit that provides workers' compensation coverage for the state's employees (and private and local government employees). The CompSource Mutual Insurance Company Act (HB 2201) was signed into law during 2013 and provides that CSO, after a transition period, will become a domestic mutual insurance company effective January 1, 2015. As of this date it will cease to be a component unit of the state.

CSO administers claim payments and provides excess-of-loss coverage to certain governmental entities. The premiums and fees received in connection with these transactions are included in sales revenue and were approximately \$13,327,000 in 2013. The liability for claims in excess of the self-insured entities' respective retention limits included in unpaid losses and loss adjustment expenses was approximately \$85,893,000 at December 31, 2013.

CSO limits the maximum net loss that can arise from risks by entering into reinsurance agreements to assign risk to other insurers on a catastrophe basis. Premiums paid for this reinsurance were approximately \$2,249,000 in 2013. No losses have been ceded under these agreements. Reinsurance receivables with a single reinsurer of \$1,003,000 at December 31, 2013, have been recorded in anticipation of estimated amounts to be recovered from reinsurers in future years for losses ceded pursuant to certain prior year reinsurance agreements. These agreements do not relieve CSO from its obligation to policyholders. Failure of reinsurers to honor their obligations could result in losses to CSO. Management believes that all reinsurers presently used are financially sound and will be able to meet their contractual obligations.

Coverage for second injury workers' compensation is provided by a discretely presented component unit. The Multiple Injury Trust Fund (MITF) was created to encourage the hiring of individuals with a pre-existing disability and to protect

those employers from liability for the pre-existing disability. MITF records a liability for outstanding court awards only as those amounts are awarded by the Workers' Compensation Court for permanent total disability awards. There is no provision for incurred but not reported claims or claims pending Court determination. Claims and Judgments which were due and owing at December 31, 2013, have been charged to operations for the year ended December 31, 2013. At year end, the MITF loss liability exceeded net position. MITF was indebted to claimants for court awarded judgments. Only those judgments currently payable in arrears bear interest. The rate, set by statute, is the Treasury bill rate plus 4% to be updated annually.

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

Except for MITF, estimates relating to incurred but not reported claims, as well as other probable and estimable losses have been included in accrued liabilities for each fund. None of the funds have included non-incremental claims adjustment expense as part of accrued liabilities. Because actual claims liabilities are impacted by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, and other economic and social factors.

The General Fund self-insurance loss liability for the Risk Management Department of OMES represents an estimate of amounts to be paid from economic financial resources.

The following table presents the changes in claims liability balances (both current and noncurrent) during the current fiscal year ended June 30, 2014, (December 31, 2013, for CSO, EGID (formerly OSEEGIB), and MITF) and the prior fiscal year, (expressed in thousands):

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
Current Fiscal Year						
General Fund -						
Office of Management and Enterprise Services	\$ 49,356	\$ 3,142	\$ (26,064)	\$ 26,434	\$ 370	\$ 26,064
Proprietary Fund -						
Office of Management and Enterprise Services	\$ 109,656	\$ 873,842	\$ (870,621)	\$ 112,877	\$ 11,685	\$ 101,192
Component Units:						
CompSource Oklahoma	\$1,053,060	\$ 297,530	\$ (203,995)	\$1,146,595	\$ 929,403	\$ 217,192
Multiple Injury Trust Fund	294,263	107,396	(32,772)	368,887	352,532	16,355
Total Component Units*	\$1,347,323	\$ 404,926	\$ (236,767)	\$1,515,482	\$1,281,935	\$ 233,547

* The Higher Education Component Unit's claims and judgments (\$5,129 – noncurrent) are for accrued liabilities not related to risk management.

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
Prior Fiscal Year						
General Fund -						
Office of Management and Enterprise Services	\$ 24,220	\$ 32,615	\$ (7,479)	\$ 49,356	\$ 41,877	\$ 7,479
Proprietary Fund -						
Office of Management and Enterprise Services	\$ 103,204	\$ 824,493	\$ (818,041)	\$ 109,656	\$ 11,788	\$ 97,868
Component Units:						
CompSource Oklahoma	\$ 991,201	\$ 284,506	\$ (222,647)	\$1,053,060	\$838,510	\$214,550
Multiple Injury Trust Fund	228,548	91,735	(26,020)	294,263	267,969	26,294
Total Component Units	\$1,219,749	\$ 376,241	\$ (248,667)	\$1,347,323	\$1,106,479	\$ 240,844

Public Entity Risk Pool – Employees Group Insurance Division

The state operates the Employees Group Insurance Division of the Office of Management and Enterprise Services (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 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 28,000 primary participants and 22,000 dependents were covered by HMOs. These counts relate to health coverage only.

All state agencies are required to participate in the Plan. Eligible local governments may elect to participate in the Plan (300 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	OPERS	COBRA
Health	X	X	X	X	X	X
Dental	X	X	X	X	X	X
Life	X	X	X	X	X	
Disability	X	X				
Medicare Supplement				X	X	X
Health Care Participants:						
Primary	22,000	8,000	50,000	-----	39,000	-----
Dependents	-----	-----	-----	53,000	-----	-----

B. Unpaid Claims Liabilities

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

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

C. Reconciliation of Claims Liabilities

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

	Health and Dental	Life	Disability	Total
	Fiscal Year 12/31/2013	Fiscal Year 12/31/2013	Fiscal Year 12/31/2013	Fiscal Year 12/31/2013
Reserves at beginning of period	\$ 88,683	\$ 5,988	\$ 14,985	\$ 109,656
Incurred claims:				
Provision for insured events of current period	844,412	26,052	4,660	875,124
Changes in provisions for insured events of prior periods	(786)	695	(1,191)	(1,282)
	<u>843,626</u>	<u>26,747</u>	<u>3,469</u>	<u>873,842</u>
Payments:				
Claims attributable to insured events of current period	756,474	21,282	467	778,223
Claims attributable to insured events of prior periods	84,832	4,383	3,183	92,398
	<u>841,306</u>	<u>25,665</u>	<u>3,650</u>	<u>870,621</u>
Reserves at end of period	<u>\$ 91,003</u>	<u>\$ 7,070</u>	<u>\$ 14,804</u>	<u>\$ 112,877</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, 2014, are as follows (expressed in thousands):

	General Fund	Fiduciary Funds	Component Units
2015	\$ 126	\$ 218	\$ 5,976
2016	27	-	5,015
2017	11	-	3,692
2018	-	-	3,217
2019	-	-	2,931
2020 - 2024	-	-	20,602
Total Future Minimum Lease Payments	<u>\$ 164</u>	<u>\$ 218</u>	<u>\$ 41,433</u>
Operating lease commitments for building rental for year ended June 30, 2015	\$ 24,334	\$ 408	\$ 28,485
Rent expenditures/expenses for operating leases for year ended June 30, 2014	\$ 23,654	\$ 570	\$ 65,794

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 various railroad companies with the longest lease term ending in 2025. 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 \$18,508,000, which is also the net investment in direct financing leases at June 30, 2014. The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands):

	2015	2016	2017	2018	2019
Department of Transportation	\$ 4,551	\$ 3,956	\$ 3,300	\$ 2,780	\$ 1,978
Oklahoma Capital Improvement Authority	35,930	37,040	38,342	39,938	41,368
Total	<u>\$ 40,481</u>	<u>\$ 40,996</u>	<u>\$ 41,642</u>	<u>\$ 42,718</u>	<u>\$ 43,346</u>

The Oklahoma Capital Improvement Authority (OCIA) has capital lease agreements with the higher education component unit for the lease of various facilities, equipment and improvements. At June 30, 2014, the total minimum lease payments to be received by OCIA from the higher education component unit are \$553,366,000. These lease agreements end in fiscal year 2035.

Operating Leases

The state has operating leases maintained by various state agencies consisting primarily of state land leased to non-state entities, as well as a small amount of state owned buildings which are also leased to non-state entities. Due to the passage of time, the state's historical cost of the leased land is not reasonably determinable. The leased buildings consist of sub-leased office space under an operating lease. Since the state does not have a cost basis in the building, no depreciation expense is recognized. The Primary Government's total operating leases receivable recognized in the current fiscal year is approximately \$29,000. Minimum future rentals receivable from these operating leases is presented in the following schedule (expressed in thousands):

2015	2016	2017	2018	2019
\$ 375	\$ 252	\$ 199	\$ 133	\$ 117

In addition, the leasing operations of the Commissioners of the Land Office consist of leasing approximately 744,000 acres of land principally for agricultural purposes. The lease terms are generally for five-year periods with one-fifth of the leases expiring each year. The lease year is on a calendar year basis with rents prepaid one year in advance. The rental amount is determined based on the maximum amount bid by the lessee. The following schedule presents minimum future rentals receivable from the noncancelable leasing of these lands (expressed in thousands):

2015	2016	2017	2018	2019	Total
\$ 10,389	\$ 8,027	\$ 5,237	\$ 0	\$ 0	\$ 23,653

Component Units

The Oklahoma Municipal Power Authority (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, 2013 (expressed in thousands):

Total minimum lease payments to be received	\$ 67,751
Less: Amounts representing interest included in total minimum lease payments	<u>(23,883)</u>
Net investment in direct financing leases	<u>\$ 43,868</u>

Operating Leases

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

	2015	2016	2017	2018	2019	Thereafter	Total
University Hospitals Authority	\$ 2,573	\$ 2,373	\$ 1,020	\$ 730	\$ 707	\$ 20,066	27,469
Oklahoma Turnpike Authority	744	986	1,010	1,015	1,012	14,645	19,412
Total	<u>\$ 3,317</u>	<u>\$ 3,359</u>	<u>\$ 2,030</u>	<u>\$ 1,745</u>	<u>\$ 1,719</u>	<u>\$ 34,711</u>	<u>46,881</u>

The cost, carrying amount and depreciation of the Oklahoma Turnpike Authority leased property for the year ended December 31, 2013 is \$24,400,000, \$15,917,000 and \$8,483,000, respectively. The cost, carrying amount and related depreciation of the University Hospitals Authority leased property for the year ended June 30, 2014 (expressed in thousands):

Land	\$ 4,009
Buildings	330,927
Equipment	127,909
Infrastructure	<u>7,701</u>
Cost	470,546
Less Accumulated Depreciation	<u>(262,658)</u>
Net Leased Property	<u>\$ 207,888</u>

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

Long-term obligations at June 30, 2014, and changes for the fiscal year then ended (expressed in thousands):

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds Payable from Tax Revenue:								
Oklahoma Bldg 2010A Refunding	2011	2.00%-5.00%	2019	\$ 102,670	\$ -	\$ 335	\$ 102,335	\$ 3,760
Oklahoma Bldg 2010B Capitalized Interest	2011	2.00%-5.00%	2014	4,295	-	4,295	-	-
Oklahoma Bldg 2013 Refunding	2013	2.00%-5.00%	2019	29,620	-	-	29,620	20,800
Total				136,585	-	4,630	131,955	24,560
Revenue Bonds Payable from Lease Rentals:								
OCIA 2003A Highway	2003	2.00%-5.00%	2015	15,575	-	15,575	-	-
OCIA 2003B Highway	2003	2.00%-5.00%	2015	6,200	-	6,200	-	-
OCIA 2003E State Facilities	2004	2.00%-4.00%	2016	4,260	-	1,365	2,895	1,420
OCIA 2004A Refunding	2005	2.50%-5.00%	2025	79,775	-	10,015	69,760	10,525
OCIA 2005 Revenue	2006	3.50%-4.30%	2021	3,170	-	3,170	-	-
OCIA 2005A Revenue	2005	3.00%-4.35%	2021	3,670	-	2,825	845	415
OCIA 2005B Revenue	2005	3.00%-4.05%	2026	2,915	-	2,545	370	180
OCIA 2005C Revenue	2005	3.00%-5.00%	2028	26,885	-	24,045	2,840	1,395
OCIA Series 2005D	2006	3.00%-4.38%	2031	17,870	-	16,395	1,475	725
OCIA Series 2005E	2006	3.70%-5.00%	2026	2,225	-	1,940	285	140
OCIA Series 2005F	2006	3.38%-5.00%	2031	219,205	-	197,160	22,045	10,770
OCIA Series 2006A	2006	3.55%-4.38%	2027	18,915	-	1,035	17,880	1,075
OCIA Series 2006B	2006	3.50%-4.25%	2027	14,655	-	805	13,850	835
OCIA Series 2006C	2006	4.00%-4.50%	2027	17,225	-	925	16,300	965
OCIA Series 2006D	2006	1.00%-5.00%	2036	98,125	-	4,600	93,525	-
OCIA Series 2006E	2006	4.00%-4.50%	2027	5,010	-	270	4,740	280
OCIA Series 2008A	2008	2.90%-5.30%	2026	21,790	-	1,280	20,510	1,330
OCIA Series 2008B	2009	2.70%-5.48%	2030	10,420	-	420	10,000	435
OCIA Series 2009A	2009	1.00%-4.20%	2025	20,975	-	1,425	19,550	1,475
OCIA Series 2009AA	2010	2.00%-4.00%	2025	56,135	-	8,680	47,455	8,910
OCIA Series 2009B	2010	5.04%-5.34%	2025	68,830	-	-	68,830	-
OCIA Series 2012 Refunding/Revenue	2011	1.77%-5.61%	2031	132,075	-	5,100	126,975	5,190
OCIA Series 2010A Refunding	2011	2.00%-5.00%	2019	87,260	-	-	87,260	-
OCIA Series 2010B Capitalized Interest	2011	2.03%-2.48%	2016	30,105	-	-	30,105	17,550
OCIA Series 2010A DOT	2011	2.00%-5.00%	2021	99,945	-	10,985	88,960	11,340
OCIA Series 2010B DOT	2011	4.24%-4.79%	2026	92,075	-	-	92,075	-
OCIA Series 2012 DOT	2012	2.00%-2.54%	2026	57,150	-	3,435	53,715	3,535
OCIA Series 2013A	2013	2.00%-4.00%	2025	22,635	-	585	22,050	2,040
OCIA Series 2013B	2013	0.50%	2015	160	-	-	160	160
OCIA 2013C Revenue	2014	0.75%-1.00%	2015	-	10,370	4,415	5,955	5,955
OCIA 2014A Revenue	2014	2.00%-5.00%	2031	-	220,725	-	220,725	-
Corrections 2006, Central OK (ODFA)	2006	3.75%-4.50%	2026	3,225	-	190	3,035	200
Corrections 2013, Central OK (ODFA)	2013	2.00%-5.00%	2023	20,886	-	920	19,966	1,915
DHS-Logan/Okla Co. 2004A (ODFA)	2004	1.00%-3.85%	2019	3,890	-	595	3,295	595
DHS-2004B (ODFA)	2005	1.60%-5.13%	2020	2,580	-	325	2,255	325
DHS-2008 (ODFA)	2008	3.25%-4.15%	2023	16,565	-	1,410	15,155	1,410
DHS-2012 (ODFA)	2012	0.40%-5.00%	2022	12,995	-	1,305	11,690	1,305
DHS-2014	2014	2.00%	2019	-	4,410	-	4,410	-
Veterans Series 2005 (ODFA)	2005	2.65%-3.65%	2015	1,790	-	880	910	910
Law Enforcement Education/Train (ODFA)	2013	2.00%-4.00%	2022	16,193	-	926	15,267	945
OMES 2009 (ODFA)	2009	2.50%-5.00%	2035	40,090	-	1,220	38,870	1,255
Total				1,353,449	235,505	332,966	1,255,988	95,505
Notes Payable from Tax Revenue (tourism) and Grant Revenue (ODOT)								
Tourism 2004 Clean Water	2004	2.13%	2024	1,985	-	1,985	-	-
ODOT 2004A Grant Anticipation	2004	1.00%-5.00%	2019	22,180	-	3,285	18,895	3,445
ODOT 2005A Grant Anticipation	2006	3.00%-5.00%	2020	29,650	-	3,135	26,515	3,285
ODOT 2007A Grant Anticipation	2007	3.25%-5.00%	2023	67,185	-	5,385	61,800	5,600
ODOT 2008A Grant Anticipation	2009	3.00%-5.00%	2021	73,560	-	6,785	66,775	7,070
Total				194,560	-	20,575	173,985	19,400
Capital Leases				11,266	322	3,317	8,271	2,425
Compensated Absences				152,942	89,913	85,105	157,750	85,105
Pension Obligation				116,111	8,076	-	124,187	-
Bond Issue Premiums				75,666	25,678	10,575	90,769	11,683
Claims and Judgements Payable				49,356	3,142	26,064	26,434	26,064
Other Postemployment Benefits				388	331	202	517	-
Total Long-Term Obligations				\$ 2,090,323	\$ 362,967	\$ 483,434	\$ 1,969,856	\$ 264,742

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2014, which have scheduled debt service amounts (expressed in thousands):

	2015	2016	2017	2018	2019	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	Total
General Obligation Bonds:											
Oklahoma Bldg 2010A Refunding	\$ 7,957	\$ 28,094	\$ 28,910	\$ 28,030	\$ 21,940	\$ -	\$ -	\$ -	\$ -	\$ -	114,931
Oklahoma Bldg 2013 Refunding	21,508	1,292	384	1,212	7,240	-	-	-	-	-	31,636
Less: Interest	4,905	4,091	3,069	1,897	650	-	-	-	-	-	14,612
Total Principal	24,560	25,295	26,225	27,345	28,530	-	-	-	-	-	131,955
Revenue Bonds:											
OCIA 2003E State Facilities	1,506	1,505	-	-	-	-	-	-	-	-	3,011
OCIA 2004A Refunding	13,710	13,685	13,666	13,648	12,115	13,566	261	-	-	-	80,651
OCIA 2005A Revenue	440	439	-	-	-	-	-	-	-	-	879
OCIA 2005B Revenue	191	194	-	-	-	-	-	-	-	-	385
OCIA 2005C Revenue	1,475	1,472	-	-	-	-	-	-	-	-	2,947
OCIA 2005D Revenue	766	764	-	-	-	-	-	-	-	-	1,530
OCIA 2005E Revenue	149	148	-	-	-	-	-	-	-	-	297
OCIA 2005F Revenue	11,530	11,528	-	-	-	-	-	-	-	-	23,058
OCIA 2006A Revenue	1,789	1,787	1,788	1,786	1,787	8,906	5,325	-	-	-	23,168
OCIA 2006B Revenue	1,384	1,381	1,382	1,382	1,379	6,888	4,115	-	-	-	17,911
OCIA 2006C Revenue	1,658	1,659	1,656	1,652	1,655	8,241	4,927	-	-	-	21,448
OCIA 2006D Revenue	5,091	5,099	5,083	5,091	5,091	25,464	25,448	110,030	-	-	186,397
OCIA 2006E Revenue	479	482	480	477	479	2,392	1,426	-	-	-	6,215
OCIA 2008A Revenue	2,276	2,277	2,276	2,269	2,266	11,305	4,502	-	-	-	27,171
OCIA 2008B Revenue	923	925	922	921	923	4,586	4,560	909	-	-	14,669
OCIA 2009A Revenue	2,186	2,189	2,180	2,189	2,180	10,883	2,173	-	-	-	23,980
OCIA 2009AA Revenue	10,427	10,409	10,376	10,366	10,357	-	-	-	-	-	51,935
OCIA 2009B Revenue	3,588	3,588	3,588	3,588	3,588	67,269	12,782	-	-	-	97,991
OCIA Series 2010 Refunding/Revenue	11,419	11,403	11,386	11,372	11,348	56,578	56,243	22,379	-	-	192,128
OCIA Series 2010A Refunding	3,841	9,138	21,669	33,687	32,894	-	-	-	-	-	101,229
OCIA Series 2010B Capitalized Interest	18,039	12,710	-	-	-	-	-	-	-	-	30,749
OCIA 2010A DOT	14,764	14,746	14,707	14,722	14,682	29,278	-	-	-	-	102,899
OCIA 2010B DOT	4,229	4,229	4,229	4,229	4,229	64,326	48,457	-	-	-	133,928
OCIA 2012 DOT	5,808	5,812	5,807	5,812	5,807	29,054	11,616	-	-	-	69,716
OCIA 2013A Revenue	2,663	2,667	2,669	2,665	2,666	11,206	1,178	-	-	-	25,714
OCIA 2013B Revenue	160	-	-	-	-	-	-	-	-	-	160
OCIA 2013C Revenue	6,000	-	-	-	-	-	-	-	-	-	6,000
OCIA 2014A Revenue	7,041	9,848	24,660	12,655	12,995	91,373	129,029	47,324	-	-	334,925
Corrections 2006, Central OK (ODFA)	331	328	330	331	332	1,657	660	-	-	-	3,969
Corrections 2013, Central OK (ODFA)	2,650	2,642	2,649	2,647	2,650	9,841	-	-	-	-	23,079
DHS-Logan/Okla Co. 2004A (ODFA)	735	734	737	733	732	-	-	-	-	-	3,671
DHS-2004B	434	430	431	428	428	430	-	-	-	-	2,581
DHS-2008	2,033	2,031	2,030	2,030	2,032	8,124	-	-	-	-	18,280
DHS-2012	1,797	1,794	1,798	1,797	1,795	4,931	-	-	-	-	13,912
DHS-2014	934	936	939	936	934	-	-	-	-	-	4,679
Veterans Series 2005 (ODFA)	943	-	-	-	-	-	-	-	-	-	943
Law Enforcement Education/Train (ODFA)	1,465	1,484	1,465	1,463	1,467	7,319	4,267	-	-	-	18,930
Finance 2009 (ODFA)	2,916	2,918	2,922	2,916	2,917	14,542	14,461	14,381	3,077	-	61,050
Total	147,770	143,381	141,825	141,792	139,728	488,159	331,430	195,023	3,077	-	1,732,185
Less: Interest	52,265	50,779	47,406	43,679	39,530	147,966	72,039	22,256	277	-	476,197
Total Principal	95,505	92,602	94,419	98,113	100,198	340,193	259,391	172,767	2,800	-	1,255,988
Notes Payable:											
ODOT 2004A Grant Anticipation	4,255	4,248	4,245	4,256	4,233	-	-	-	-	-	21,217
ODOT 2005A Grant Anticipation	4,417	4,412	4,406	4,401	4,393	8,817	-	-	-	-	30,846
ODOT 2007A Grant Anticipation	8,473	8,468	8,482	8,481	8,464	33,769	-	-	-	-	76,137
ODOT 2008A Grant Anticipation	10,122	10,113	10,095	10,076	10,075	30,147	-	-	-	-	80,628
Total	27,267	27,241	27,228	27,194	27,165	72,733	-	-	-	-	208,828
Less: Interest	7,867	6,915	5,919	4,874	3,770	5,498	-	-	-	-	34,843
Total Principal	19,400	20,326	21,309	22,320	23,395	67,235	-	-	-	-	173,985
Capital Leases											
Total	2,763	2,441	1,848	984	773	409	-	-	-	-	9,218
Less: Interest	323	241	160	102	63	22	-	-	-	-	911
Less: Executory Cost	15	12	8	1	-	-	-	-	-	-	36
Total Principal	2,425	2,188	1,680	881	710	387	-	-	-	-	8,271
Total	\$ 141,890	\$ 140,411	\$ 143,633	\$ 148,659	\$ 152,833	\$ 407,815	\$ 259,391	\$ 172,767	\$ 2,800	\$ -	\$ 1,570,199
Long-Term Debt without scheduled debt service:											
Compensated Absences	-	-	-	-	-	-	-	-	-	-	157,750
Pension Obligation	-	-	-	-	-	-	-	-	-	-	124,187
Bond Issue Premiums	-	-	-	-	-	-	-	-	-	-	90,769
Claims and Judgements Payable	-	-	-	-	-	-	-	-	-	-	26,434
Other Postemployment Benefits	-	-	-	-	-	-	-	-	-	-	517
Total Long-Term Obligations	-	-	-	-	-	-	-	-	-	-	\$ 1,969,856

A. General Obligation Bonds

General obligation bonds, administered by the State Treasurer, are authorized and issued primarily to provide resources for state-owned capital improvements, including office buildings for state agencies. The state has pledged 100% of cigarette taxes collected under these bond issues. General obligation bonds are backed by the full faith and credit of the state, including the state's power to levy additional taxes to ensure repayment of the bonds.

B. Revenue Bonds

The Oklahoma Capitol Improvement Authority (OCIA) has twenty-eight outstanding series of building bonds to construct and equip state office buildings and prisons. Principal and interest payments on these bond issues are paid from rents collected from the various state and federal agencies that occupy the buildings constructed with the bond proceeds. The 2006D series are multi-modal variable rate demand bonds and are the only variable rate bonds issued by OCIA. The interest rate resets on a daily, weekly, or monthly interest rate mode which is determined by public bond market conditions.

The Oklahoma Development Finance Authority (ODFA) has issued lease revenue bonds to provide lease financing for the Department of Corrections, the Department of Human Services, the Department of Veterans Affairs, the Council for Law Enforcement Education and Training, and the Office of Management and Enterprise Services. The actual lease payments are made to a trustee who is responsible for payments to individual investors.

C. Notes Payable

The Oklahoma Department of Transportation has issued several series of Grant Anticipation Notes for the purpose of financing certain qualified federal aid transportation projects in the state. The notes are secured by federal revenue received from the Federal Highway Administration (FHA) and have a final maturity in 2023. Total revenue received from the FHA in fiscal year 2014 was \$669,790,000 with a portion of that amount, \$208,828,000, reserved as security for the notes. Current year note obligations for principal and interest totaled \$27,267,000.

D. Capital Leases

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

Leased equipment under capital leases in capital assets at June 30, 2014, includes the following (expressed in thousands):

	Buildings	Equipment	Total
Cost	\$ 7,662	\$ 9,099	\$ 16,761
Less: Accumulated depreciation	(1,921)	(4,473)	(6,394)
Total	<u>\$ 5,741</u>	<u>\$ 4,626</u>	<u>\$ 10,367</u>

E. Other Liabilities

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

F. Authorized Unissued Bonds

The Oklahoma Capital Improvement Authority (OCIA) has been authorized to issue bonds in the amount of \$9,000,000 for the Department of Tourism and Recreation to acquire, construct and renovate offices. OCIA also has authorization to issue \$2,665,000 of bonds for the School of Science and Mathematics and \$6,000,000 of bonds for the Department of Mental Health/Substance Abuse Services pending matching funding. OCIA has been authorized to issue \$120,000,000 of 10-year term bonds to repair the state capitol building. The Oklahoma Water Resources Board (OWRB) has been authorized to issue general obligation bonds in the amount of \$300,000,000 to be used as credit for other OWRB loan programs.

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

The Oklahoma Water Resources Board (Board) along with the Department of Environmental Quality has issued 35 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, 2014, 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	Amounts Due Within One Year
Revenue Bonds Payable from User Fees:								
1989-2014 Issues	1998-2014	0.25-6.30%	2043	\$ 901,187	\$ 84,780	\$ 227,764	\$ 758,203	\$ 47,670
Adjusted for: Bond Premiums and Discounts				30,226	12,817	87	42,956	-
Revenue Bonds Payable Net of Bond Premiums and Discounts				931,413	97,597	227,851	801,159	47,670
Other Noncurrent Liabilities				16,021	-	4,336	11,685	-
Compensated Absences				1,144	157	201	1,100	165
Total Long-Term Obligations				\$ 948,578	\$ 97,754	\$ 232,388	\$ 813,944	\$ 47,835

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2014, which have scheduled debt service amounts (expressed in thousands):

	2015	2016	2017	2018	2019	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	Total
Revenue Bonds:											
1989-2014 Issues	\$ 77,793	\$ 70,794	\$ 69,382	\$ 68,038	\$ 68,318	\$ 309,131	\$ 226,203	\$ 135,441	\$ 45,975	\$ 18,969	\$ 1,090,044
Less: Interest	30,123	28,969	27,802	26,508	25,019	100,400	59,103	24,453	8,100	1,364	331,841
Principal	47,670	41,825	41,580	41,530	43,299	208,731	167,100	110,988	37,875	17,605	758,203
Total	\$ 47,670	\$ 41,825	\$ 41,580	\$ 41,530	\$ 43,299	\$ 208,731	\$ 167,100	\$ 110,988	\$ 37,875	\$ 17,605	\$ 758,203
Adjusted for: Bond and Note Premium and Discounts											42,956
Long-Term Obligations without scheduled debt service:											
Other Noncurrent Liabilities											11,685
Compensated Absences											1,100
Total Long-Term Obligations											\$ 813,944

Several of the bonds bear interest at variable rates, initially set at 0.25% to 5.125% and are periodically adjusted, pursuant to the provisions of the bond indentures, to a maximum rate of 14% per year. Variable rates are reset semiannually by the remarketing agent. The interest rate on the bonds was 0.25% at June 30, 2014. 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.

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

Long-term obligations at June 30, 2014 (September 30, 2013, for Oklahoma Housing Finance Agency and December 31, 2013, for Oklahoma Turnpike Authority, Grand River Dam Authority and Municipal Power Authority), and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds Payable from User Fees:								
Industrial Finance Authority	2001-2005	2.50 - 5.25%	2022	\$ 46,230	\$ -	\$ 655	\$ 45,575	\$ 690
Total Before Adjustments				46,230	-	655	45,575	
Adjusted for: Bond Premiums				34	-	4	30	
Net Deferred Debits on Refundings				(110)	-	(110)	-	
Total General Obligation Bonds Payable								
Net of Bond Premiums and Deferrals				46,154	-	549	45,605	690
Revenue Bonds Payable from User Fees:								
Student Loan Authority	1995-2013	0.15 - 6.35%	2041	583,316	-	118,115	465,201	-
Development Finance Authority	1996	2.50%	2031	9,999	-	-	9,999	-
Housing Finance Agency	1987-2011	0.73 - 8.00%	2042	565,351	197,623	267,259	495,715	22,963
Turnpike Authority	2002-2012	2.00 - 5.50%	2031	1,085,260	-	49,310	1,035,950	49,775
Grand River Dam Authority	1995-2010	3.00 - 7.16%	2040	905,481	-	91,110	814,371	36,306
Municipal Power Authority	1992-2010	1.20 - 6.44%	2047	590,195	172,485	18,635	744,045	19,600
Universal Hospitals Authority	2005	0.09 - 0.22%	2036	48,965	8	1,178	47,795	1,235
Higher Education	1993-2007	1.20 - 10.00%	2034	1,305,742	328,070	218,500	1,415,312	46,577
Total Before Discounts/Deferrals				5,094,309	698,186	764,107	5,028,388	
Adjusted for: Bond (Discounts) Premiums				84,486	894	(2,252)	87,632	
Net Deferred Debits on Refundings				(15,242)	-	(15,242)	-	
Total Revenue Bonds Payable								
Net of Bond (Discounts) Premiums and Deferrals				5,163,553	699,080	746,613	5,116,020	176,456
Notes Payable:								
Multiple Injury Trust Fund	2000-2001	7.00%	2031	20,165	-	1,553	18,612	1,665
Oklahoma Educational Television Foundation	2014	3.00%	2019	-	1,107	-	1,107	229
Oklahoma Turnpike Authority	2009-2010	1.01%	2012	19,490	-	1,490	18,000	18,000
Student Loan Authority	1995-2004	0.20 - 1.24%	2035	38,200	-	6,800	31,400	-
OSU Medical Authority	2014	4.12%	2021	-	18,683	2,078	16,605	2,160
Municipal Power Authority	2003	6.00%	2028	45,646	-	1,778	43,868	1,885
Higher Education	2001-2007	1.88 - 8.00%	2046	138,765	12,584	36,975	114,374	79,169
Total				262,266	32,374	50,674	243,966	103,108
Capital Leases:								
OSU Medical Authority				-	1,471	616	855	589
Higher Education				972,037	290,805	204,439	1,058,403	70,626
Total				972,037	292,276	205,055	1,059,258	71,215
Claims and Judgements				1,354,714	418,829	269,680	1,503,863	235,737
Due to Primary Government				53,693	-	1,035	52,658	-
Compensated Absences				118,450	59,243	55,457	122,236	85,562
Other Noncurrent Liabilities				798,965	433,569	354,989	877,545	429,612
Total Long-Term Obligations				\$ 8,769,832	\$ 1,935,371	\$ 1,684,052	\$ 9,021,151	\$ 1,102,380

A. General Obligation Bonds

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

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2014 (September 30, 2013, for Oklahoma Housing Finance Agency and December 31, 2013, for Oklahoma Transportation Authority, Grand River Dam Authority and Municipal Power Authority), which have scheduled debt service amounts (expressed in thousands):

	2014	2015	2016	2017	2018	2019-2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	Total
General Obligation Bonds:												
Industrial Finance Authority	\$ 1,948	\$ 1,944	\$ 1,943	\$ 1,946	\$ 11,753	\$ 32,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,223
	1,948	1,944	1,943	1,946	11,753	32,689	-	-	-	-	-	52,223
Less: Interest	1,258	1,224	1,188	1,151	923	904	-	-	-	-	-	6,648
Total Principal	690	720	755	795	10,830	31,785	-	-	-	-	-	45,575
Revenue Bonds:												
Student Loan Authority	4,432	4,432	4,432	4,432	4,432	22,160	55,127	198,871	149,072	113,479	-	560,869
Development Finance Authority	250	250	250	250	1,250	1,250	10,561	-	-	-	-	14,061
Housing Finance Agency	43,281	31,487	31,386	31,829	31,676	156,042	154,996	133,888	205,211	-	-	819,796
Turnpike Authority	95,343	95,338	95,336	95,339	90,824	445,554	439,844	106,459	-	-	-	1,464,037
Grand River Dam Authority	91,344	61,817	61,742	61,657	61,656	307,620	306,328	304,910	87,625	34,865	-	1,379,564
Municipal Power Authority	51,862	52,816	52,550	52,392	52,315	251,960	205,482	172,336	157,369	157,373	125,905	1,332,360
Universal Hospitals Authority	2,082	2,131	2,165	2,224	11,924	13,242	14,692	9,644	-	-	-	58,104
Higher Education	106,534	109,972	109,467	105,770	106,243	508,974	471,458	389,205	262,767	109,678	-	2,280,668
	395,128	358,243	357,328	353,893	360,320	1,706,802	1,658,488	1,315,313	862,044	415,395	125,905	7,968,859
Less: Interest	218,672	201,580	193,895	187,319	183,239	778,571	553,314	325,485	174,947	51,279	12,170	2,880,471
Total Principal	176,456	156,663	163,433	166,574	177,081	928,231	1,105,174	989,828	687,097	364,116	113,735	5,028,388
Notes Payable:												
Multiple Injury Trust Fund	2,925	2,925	2,925	2,925	2,925	10,225	-	-	-	-	-	24,850
Oklahoma Education Television Foundation	258	239	280	260	152	-	-	-	-	-	-	1,189
Oklahoma Turnpike Authority	18,187	-	-	-	-	-	-	-	-	-	-	18,187
Student Loan Authority	35	35	35	21,223	14	71	10,219	-	-	-	-	31,632
OSU Medical Authority	2,848	2,425	2,425	2,425	2,425	7,271	-	-	-	-	-	19,819
Municipal Power Authority	4,517	4,517	4,517	4,517	4,517	22,584	22,582	-	-	-	-	67,751
Higher Education	85,562	10,966	10,728	3,523	1,221	10,855	250	-	-	-	-	123,105
	114,332	21,107	20,910	34,873	11,254	51,006	33,051	-	-	-	-	286,533
Less: Interest	11,224	5,460	4,571	3,826	3,402	10,487	3,597	-	-	-	-	42,567
Total Principal	103,108	15,647	16,339	31,047	7,852	40,519	29,454	-	-	-	-	243,966
Capital Leases:												
OSU Medical Authority	619	155	117	-	-	-	-	-	-	-	-	891
Higher Education	112,895	115,434	113,891	110,690	89,355	391,533	351,170	243,523	44,535	11,136	-	1,584,162
	113,514	115,589	114,008	110,690	89,355	391,533	351,170	243,523	44,535	11,136	-	1,585,053
Less: Interest	42,299	44,158	41,400	38,688	35,702	178,547	98,361	38,023	7,578	1,039	-	525,795
Total Principal	71,215	71,431	72,608	72,002	53,653	212,986	252,809	205,500	36,957	10,097	-	1,059,258
Total	\$ 351,469	\$ 244,461	\$ 253,135	\$ 270,418	\$ 249,416	\$ 1,213,521	\$ 1,387,437	\$ 1,195,328	\$ 724,054	\$ 374,213	\$ 113,735	\$ 6,377,187
Adjusted for: Net Discounts and Deferred Debits on Refundings												87,662
Long-Term Obligations without scheduled debt service:												
Claims and Judgements												1,503,863
Due to Primary Government												52,658
Compensated Absences												122,236
Other Noncurrent Liabilities												877,545
Total Long-Term Obligations												\$ 9,021,151

B. Revenue Bonds

The Oklahoma Student Loan Authority (OSLA) has issued nine series of revenue bonds with outstanding balances. The bonds were 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, 2014, the variable interest rates ranged from 0.2% to 1.4%.

The Oklahoma Development Finance Authority (ODFA) has issued revenue bonds to fund loans to various investment enterprises in connection with the Quality Jobs Investment Program. The bonds are 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 rates are variable and equal to the Oklahoma Industrial Finance Authority's cost of funds on its outstanding variable rate bond issues. The interest rate at June 30, 2014 was 2.5%.

The Oklahoma Housing Finance Agency (OHFA) has issued 29 series of revenue bonds with outstanding balances at year end. The net proceeds of these bonds are used to provide financing for qualifying residences, provide interim and permanent financing for multi family construction projects, and establish debt service reserves as required by the various trust indentures.

The Oklahoma Turnpike Authority (OTA) has five series of revenue bonds outstanding with an original issue amount of \$1,364,930,000. 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 five series of revenue bonds outstanding with an original issue amount of \$919,656,000. Oklahoma statutes have authorized GRDA to issue revenue bonds with the aggregate outstanding indebtedness not to exceed \$1,410,000,000.

The Oklahoma Municipal Power Authority (OMPA) has eleven series of revenue bonds outstanding. The bonds were issued to finance portions of OMPA's acquisition and construction activities. The bonds are payable from and collateralized by a pledge of and security interest in the proceeds of the sale of the bonds, the revenues of OMPA, and assets in the funds established by the respective bond resolutions. Neither the State of Oklahoma nor any political subdivision thereof is obligated to pay principal or interest on the bonds. OMPA does not have any taxing authority.

Certain series of the bonds have a variable interest rate which is established either by auction or a weekly index. The maximum rate is 14%.

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

Sixteen of the state's colleges and universities within the Higher Education component unit have authorized and issued 78 series of revenue bonds with an original issue amount of \$1,414,969. These bonds were issued for the construction of student housing and other facilities. Student fees, revenues produced by the constructed facilities, and other revenues collateralize the revenue bonds.

C. Defeased Bonds

In prior years, component units have defeased bonds by placing assets in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the assets of the trusts and the liabilities for the defeased bonds are not included in the accompanying financial statements. OMPA had defeased bonds outstanding at June 30, 2014 (December 31, 2013 for OMPA) totaling \$38,035,000.

D. Notes Payable

The Multiple Injury Trust Fund (MITF) component unit reports a note payable to CompSource Oklahoma component unit of \$18,612,000 as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

Notes of the Oklahoma Student Loan Authority (OSLA) are issued to fund student loans and are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective financing agreements. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in lending agreements. At year end the variable interest rate was 0.1%.

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

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

E. Capital Leases

The Higher Education component unit has entered into agreements with unrelated parties as well as agreements with the Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. In fiscal year 1999, the Higher Education component unit signed capital lease agreements with OCIA totaling \$49,178,000 and additional agreements totaling \$515,350,000 during fiscal year 2006. In fiscal year 2011, additional agreements with OCIA totaling \$249,440,000 were added. In fiscal year 2014, lease agreements for \$177,055,000 were added. The outstanding principal balance for the OCIA leases at June 30, 2014, is \$553,366,000. Only the principal balance of the leases is recognized since it is equivalent to the value of the items leased. The OCIA agreements are aggregated with the other capital lease obligations on the statement of net position for year end.

Leased assets under capital leases in capital assets at June 30, 2014, included the following (expressed in thousands):

	Land	Construction In Progress	Buildings	Equipment	Total
Cost	\$ -	\$ 9,412	\$ 493,074	\$ 116,381	\$ 618,867
Less: Accumulated depreciation	-	-	(77,544)	(55,498)	(133,042)
Total	\$ -	\$ 9,412	\$ 415,530	\$ 60,883	\$ 485,825

F. Other Liabilities

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

G. Authorized Unissued Bonds

By statute, Oklahoma Industrial Finance Authority (OIFA) has authority to issue general obligation bonds not to exceed \$90,000,000 plus the balance in its bond redemption account. This results in \$44,425,000 of authorized but unissued general obligation bonds. Certain institutions within the Higher Education component unit have been authorized to issue revenue bonds in the amount of \$42,000,000 for various construction, renovation and acquisition of property.

Note 12. Net Position\Fund Balance

Beginning Net Position and Other Restatements

Primary Government

Beginning net position related to Governmental Activities on the Statement of Activities have been restated due to adjustments to capital assets (decrease of \$17,631,000), and accounting errors (decrease of \$6,325,000) at July 1, 2013. This restatement decreased beginning net position by \$23,956,000.

The Statement of Revenues, Expenditures and Changes in Fund Balance for Governmental Funds has been restated due to correction of accounting errors. Total beginning net position for Governmental funds decreased \$6,325,000.

Component Units

Beginning net position for the Higher Education Component Unit has been restated due to accounting errors (increase of \$2,543,000), cumulative change in accounting principle (increase of \$22,019,000). The net effect of the restatements increased beginning net position by \$24,562,000 as of July 1, 2013.

Proprietary Funds

Beginning net position for the Statement of Revenues, Expenses and Changes in Net Position for Proprietary Funds increased by \$5,824,000 as a result of the correction of accounting errors at the Water Resources Board. The net effect of the restatement increased net position by \$5,824,000 as of July 1, 2013.

Fiduciary Funds

Beginning net position for the Statement of Changes in Fiduciary Net Position Fiduciary Funds and Similar Component Units has increased as a result of the cumulative change in accounting principle of \$4,996,000 for the Oklahoma Law

Enforcement Retirement Plan and \$6,496,000 for the Oklahoma Police Pension and Retirement Plan. The net effect of the restatements increased beginning net position by \$11,492,000 as of July 1, 2013.

Governmental Fund Balance

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

	General	Permanent Funds			Total Governmental Funds
		Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
Nonspendable					
Inventories	\$ 72,876	\$ -	\$ -	\$ -	\$ 72,876
Prepays	1,402	-	-	-	1,402
Permanent Fund Principal	-	2,303,031	78,545	845,220	3,226,796
Restricted					
Education	17,410	7,417	-	-	24,827
Government Administration	833,403	-	-	-	833,403
Health Services	35,382	-	-	-	35,382
Legal and Judiciary	7,359	-	-	-	7,359
Museums	3,204	-	-	-	3,204
Natural Resources	18,356	-	-	-	18,356
Safety and Defense	4,191	-	-	-	4,191
Regulatory Services	6,118	-	-	-	6,118
Social Services	13,503	-	-	-	13,503
Transportation	455	-	-	-	455
Stabilization Fund (Rainy Day)	401,389	-	-	-	401,389
Committed					
Education	110,392	-	-	-	110,392
Government Administration	577,104	-	-	53,430	630,534
Health Services	28,987	-	-	-	28,987
Legal and Judiciary	107,062	-	-	-	107,062
Museums	(952)	-	-	-	(952)
Natural Resources	227,682	-	-	-	227,682
Safety and Defense	144,463	-	-	-	144,463
Social Services	147,818	-	-	-	147,818
Regulatory Services	127,072	-	-	-	127,072
Transportation	672,731	-	-	-	672,731
Assigned	1,777	-	-	70,096	71,873
Unassigned					
Permanent Fund	-	-	-	-	-
Stabilization Fund (Rainy Day)	133,796	-	-	-	133,796
Total Fund Balances	\$ 3,692,980	\$ 2,310,448	\$ 78,545	\$ 968,746	\$ 7,050,719

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

Restricted fund balance represents amounts that have constraints upon their use through either outside creditors, grantors, contributors or other governments as well as those amounts restricted through constitutional provisions or enabling legislation that can be legally enforced by parties outside the government. The state’s general fund restricted fund balance is primarily comprised of amounts yet to be expended under federal grant awards, imminent payments on outstanding bond issues, long-term receivables that must be used for debt repayment, and 75% of any available balance in the stabilization or “Rainy Day” fund. The Commissioners of the Land Office Permanent Fund is restricted for

educational systems. Fund balance as restricted by the various constraints in the general fund for the fiscal year ended June 30, 2014 were as follows (expressed in thousands):

	General Fund - Restricted			Restricted Fund Balance
	For Debt Service Only	Federal Cash	By Enabling Legislation	
Restricted				
Education	\$ -	\$ 17,410	\$ -	\$ 17,410
Government Administration	823,898	9,505	-	833,403
Health Services	1,345	34,037	-	35,382
Legal and Judiciary	-	7,359	-	7,359
Museums	912	2,292	-	3,204
Natural Resources	546	17,810	-	18,356
Safety and Defense	194	3,997	-	4,191
Regulatory Services	6,068	50	-	6,118
Social Services	12,051	1,452	-	13,503
Transportation	-	455	-	455
Stabilization Fund (Rainy Day)	-	-	401,389	401,389
Total Fund Balances	\$ 845,014	\$ 94,367	\$ 401,389	\$ 1,340,770

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

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

Article 10, Section 23 of the State Constitution establishes a stabilization arrangement (Constitutional Reserve or Rainy Day Fund) under certain conditions where revenues collected exceed estimates made by the State Board of Equalization. Each year the Board determines the amount available for allocation by the legislature not to exceed 95% of the Board’s estimate, or General Revenue Fund certification amount. In any year in which amounts collected exceed 100% of the Board’s estimated revenues, the excess is placed in the Constitutional Reserve Fund until the fund reaches 15% of the General Revenue Fund certification amount for the preceding fiscal year. Up to 37.5% of the balance in the fund at the beginning of the year may be appropriated for the forthcoming fiscal year when the Equalization Board’s estimate is lower than the current fiscal year certification. An additional 37.5% of the Constitutional Reserve Fund at the beginning of the year may be appropriated for the current year if the Equalization Board determines that a revenue failure has occurred with respect to the General Revenue Fund for the current year. The remaining 25% of the balance in the Constitutional Reserve Fund may be appropriated upon a declaration by the Governor that emergency conditions exist with concurrence by a 2/3rds vote within the Senate and House of Representatives. This same 25% may also be appropriated through a joint declaration of emergency by both the Senate and House of Representatives with a concurrent 3/4ths vote by each legislative body. Due to the different methods for accessing the Constitutional Reserve Fund, any balance with the fund at year end is presented as 75% restricted and 25% unassigned. This split in presentation most closely aligns the government’s ability to access these funds with the proper fund balance classification. The total Constitutional Reserve Fund balance at June 30, 2014 was \$535,185,000, with \$401,389,000 presented as restricted fund balance and \$133,796,000 as unassigned fund balance.

The Tobacco Trust Fund’s assigned fund balance classification reflects amounts that are constrained by the Fund’s intent to be used for specific purposes. For purposes of assigned fund balance, the Fund’s Board of Directors has authority to

assign funds for specific purposes. Prior to 2012, the Board of Directors had determined that 10% of the unassigned fund balance would be designated as a reserve for future periods, should annual earnings prove insufficient to cover expenses. In November 2011, the Board of Directors chose to limit yearly expenditures of certified earnings to no more than 5% of the corpus of the Fund, with any unexpended certified earnings added to the reserve. For the fiscal year ended June 30, 2014, the assigned fund balance was \$70,096,000.

As explained in Note 1, *Summary of Significant Accounting Policies* section J, the General Fund inventory includes \$487,000 in food commodities which is also included in deferred revenue. Therefore, nonspendable fund balance for inventory/prepaid on the balance sheet is \$487,000 less than the total of inventory and prepaid items.

Note 13. Nonrecourse Debt and Debt Guarantees

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

Financing agreements of Oklahoma Development Finance Authority (ODFA) and Oklahoma Housing Finance Agency (OHFA) are structured such that the debt is to be repaid solely from the revenues derived from the related facilities leased or acquired, or from the disposition of collateral. ODFA and OHFA do not hold notes receivable and trust investments in amounts equal to the long-term financings. As of September 30, 2013 OHFA had two series of multifamily bonds outstanding with an aggregate principal amount payable of approximately \$6,641,000. These financings are not general obligations of the state or state agencies, and it is the opinion of agency management and its legal counsel that, in the event of default by a borrower, the state has no responsibility for repayment of such financings. Accordingly, the nonrecourse debt and the related notes receivable and trust investments of ODFA and OHFA's multi family bond programs have been excluded from the financial statements. The debt and other obligations and the related notes receivable and other assets of OHFA's single family bonds are presented in the financial statements, since any assets remaining when the single family bond programs are liquidated are transferred to OHFA.

Credit Enhancement Reserve Fund

Under the Constitution of the State of Oklahoma, ODFA may issue bonds of the state, to be known as Credit Enhancement Reserve Fund General Obligation Bonds, in a total principal amount of \$100,000,000 for the sole purpose of generating resources if there are insufficient assets to meet insurance obligations. The Fund is managed, administered, and utilized by ODFA solely to secure the payment of interest insurance on the revenue bonds and other financial obligations issued by the Authority for the specific purpose of enhancing and supporting the credit of such obligations. As of June 30, 2014, there were approximately \$37,500,000 of outstanding financial obligations insured by ODFA. At year end, the Fund has accrued a reserve for losses of approximately \$633,000 to cover potential losses from outstanding financial obligations insured by the Fund. Through June 30, 2014, there have been no Oklahoma Credit Enhancement Reserve Fund General Obligation Bonds issued since it is the intention of ODFA to utilize existing assets to meet obligations arising from losses reserved and accrued payments in lieu of interest by the Fund.

Note 14. Retirement and Pension Systems

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

A. Primary Government

1. General Description of the Retirement System

The WCRP is a single-employer, defined benefit retirement system administered by the Wildlife Conservation Commission for employees of the Department of Wildlife Conservation with a hire date prior to July 1, 2010. The

WCRP provides retirement, disability and death benefits to plan members and their beneficiaries. The WCRP was established by statute; however, benefit provisions are established and amended by the Wildlife Conservation Commission. Cost-of-living adjustments are provided to members at the discretion of the Wildlife Conservation Commission.

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

2. Funding Policy

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

The WCRP receives contributions from each member based on their annual covered salary. The contribution requirements are established and amended by the Wildlife Conservation Commission. For fiscal year 2014, the employee contribution rate was 5%. The Department of Wildlife Conservation is required to contribute at an actuarially determined rate. The required contribution for the year ended June 30, 2014 was \$4,307,000.

3. Annual Pension Cost and Net Pension Obligation

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

	WCRP
Annual required contribution	\$ 4,307
Interest on net pension obligation	85
Adjustment to annual required contribution	(157)
Annual pension cost	4,235
Contributions made	(4,300)
Increase (decrease) in net pension obligation	(65)
Net pension obligation-beginning of year	1,212
Net pension obligation-end of year	<u>\$ 1,147</u>
Actuarial Assumptions:	
Investment rate of return	7.0 %
Annual salary increase	4.5 - 7.0%
COLA increase	0.0%
Inflation Rate	3.5%
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	10 years

The annual required contribution for the WCRP for the current year was determined as part of the July 1, 2014 actuarial valuation. Actual contributions equaled 100% of required contributions and 102% of annual pension costs for fiscal year 2014. 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
6/30/2014	\$ 4,235	102%	\$ 1,147
6/30/2013	4,210	97%	1,212
6/30/2012	3,726	110%	1,102

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

Schedule of Funding Process
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
7/1/2014	\$ 90,160	\$ 109,297	\$ 19,137	82.5%	\$ 13,599	140.7%
7/1/2013	81,345	104,810	23,465	77.6%	14,300	164.1%
7/1/2012	76,865	101,054	24,189	76.1%	14,662	165.0%

B. Component Units

1. General Description of the Retirement Systems

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

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

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

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

OFPRS	OPERS	OPPRS	TRS
615	287	137	607

2. Funding Policy

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

OFPRS receives contributions from participating full-time firefighters equal to 8% of applicable earnings, while member cities contribute 13% of the member's applicable earnings. In addition, the member cities contribute \$60 for each volunteer firefighter unless their income in the General Fund is less than \$25,000, in which case they are exempt. The State of Oklahoma's total allocation to the Plan during 2014 was \$79,545,000, which represented the 34% insurance

premium tax allocation. Insurance premium contributions to the plan for the years ended June 30, 2014, 2013, and 2012, totaled \$79,545,000, \$76,311,000, and \$68,246,000, respectively.

OLERS receives contributions from state agencies and members of 11% and 8%, respectively, of the actual paid base salary of each member. OLERS also receives other state contributions of 1.2% of all fees, taxes, and penalties collected by motor license agents after approximately the first 5%, and 5% of the insurance premium taxes collected by the Insurance Commissioner as required by statute. The other state contributions to the plan for years ended June 30, 2014, 2013, and 2012 totaled \$21,165,000, \$19,807,000, and \$18,836,000, respectively.

OPERS receives contributions from each member based on their gross salary earned, excluding overtime. There is no cap on qualifying gross salary earned, subject to Internal Revenue Service limitations on compensation.

State, County, and Local Agency Employees - The following contribution rates were in effect during fiscal year 2014:

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

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

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

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

State agency employer contributions to OPERS for the years ended June 30, 2014, 2013, and 2012 were \$224,965,000, \$217,570,000, and \$212,647,000, respectively.

URSJJ member contributions for fiscal year 2014 were 8% of members' monthly salary. State statutes require participating court employers to contribute monthly a percentage of the gross salaries of active members. Effective for the fiscal year ended June 30, 2015, the employer contribution rate will increase to 16.0% of payroll and will increase 1.5% annually up to 22% for the fiscal years ending June 30, 2019, and thereafter. For fiscal year ended June 30, 2014, the effective employer contribution rate was 14.5%. State employer contributions to URSJJ for the year ended June 30, 2014, 2013, and 2012 were \$4,611,000, \$4,129,000, and \$3,620,000, respectively.

Oklahoma Police Pension and Retirement System (OPPRS) receives contributions from each participating municipality and each participant. Until July 1, 1991, each municipality contributed 10% of the actual base salary of each participant employed by the municipality. As of July 1, 1991, municipality contributions increased by 0.5% per year and continued until July 1, 1996, when the contribution level reached 13%, where it remains. Each participant of OPPRS contributes 8% of actual paid base salary. In addition, the state allocates a portion of the insurance premium taxes collected from insurance companies on various types of insurance policies as required by statute. Insurance premium contributions to the plan for the years ended June 30, 2014, 2013, and 2012 totaled \$31,329,000, \$31,412,000, and \$28,092,000, respectively.

TRS receives contributions from participating members and employers. All active members contribute to the system; however, the employer may elect to make all or part of the contribution for its employees. All members must contribute 7% of regular annual compensation, not to exceed the members' maximum compensation. For members other than those employed by a comprehensive university on or before June 30, 1995, the maximum compensation level will be the member's regular annual compensation. Beginning July 1, 2008 members employed by a comprehensive university will have the full amount of regular compensation considered, subject to contribution limits established under the Internal Revenue code.

Employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate is 9.5% for all remitting entities other than comprehensive and four year universities. The employer contribution rate for comprehensive and four year universities is 8.55%. Oklahoma Statutes require the state to contribute 4.5% of the state's sales, income and use tax. Amended statutes increased this contribution rate to 5% at July 1, 2007. In addition, the system receives 1% of the cigarette taxes collected by the state and receives 5% of net lottery proceeds collected by the state. TRS received contributions of approximately \$295,805,000 from this source for fiscal year 2014. State contributions on behalf of employees totaled approximately \$36,763,000 for fiscal year 2014. State employer contributions to TRS for the years ended June 30, 2014, 2013, and 2012 were \$6,827,000, \$6,514,000, and \$5,805,000, respectively.

3. Annual Pension Cost and Net Pension Obligation

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

	OLERS	URSJJ
Annual required contribution	\$ 43,775	\$ 7,215
Interest on net pension obligation	6,790	1,828
Adjustment to annual required contribution	(14,908)	(2,218)
Annual pension cost	35,657	6,825
Contributions made	(29,731)	(4,611)
Increase (decrease) in net pension obligation	5,926	2,214
Net pension obligation-beginning of year	90,530	24,369
Net pension obligation-end of year	<u>\$ 96,456</u>	<u>\$ 26,583</u>
Actuarial Assumptions:		
Investment rate of return	7.5%	7.5%
Annual salary increase	3.75% - 7.8%	5.0%
COLA increase	3.0%	0.0%
Inflation rate	3.0%	3.0%
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level % of payroll, closed
Remaining amortization period	7 years	13 years

The annual required contribution for URSJJ for the current year was determined as part of the July 1, 2013 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 64% 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, 2013 actuarial valuation. Costs were prepared using the entry age normal method for all valuation dates except July 1, 1997, when the unfunded actuarial liability was negative and the actuarial cost method was changed to the aggregate cost method. The entry age normal method was used for all valuations subsequent to the 1997 valuation, including the current year. Contributions equaled 68% of the annual required contributions for the current year.

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

Three-Year Trend Information

(expressed in thousands)

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
Oklahoma Law Enforcement Retirement System	6/30/2014	\$ 35,657	83%	\$ 96,456
	6/30/2013	38,639	73%	90,530
	6/30/2012	44,602	59%	79,995
Uniform Retirement System for Justices and Judges	6/30/2014	6,825	68%	26,583
	6/30/2013	7,145	58%	24,369
	6/30/2012	7,287	50%	21,353

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
7/1/2014	\$ 811,351	\$ 916,260	\$ 104,909	88.6%	\$ 76,838	136.5%
7/1/2013	725,124	890,555	165,431	81.4%	73,423	225.3%
7/1/2012	688,411	878,537	190,126	78.4%	71,598	265.5%

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
7/1/2014	\$ 274,071	\$ 258,788	\$ (15,283)	105.9%	\$ 34,282	(44.6%)
7/1/2013	247,531	254,409	6,878	97.3%	34,325	20.0%
7/1/2012	238,554	249,379	10,825	95.7%	33,337	32.5%

4. Net Pension Liability

	WCRP	OLERS	OPERS	URSJJ	OPPRS	OFRPS	TRS
Total Pension Liability	109,297	916,260	8,753,669	258,788	2,204,797	3,225,452	19,646,619
Plan Fiduciary Net Position	96,461	879,906	8,570,105	301,469	2,238,466	2,197,105	14,229,481
Net Pension Liability	<u>12,836</u>	<u>36,354</u>	<u>183,564</u>	<u>(42,681)</u>	<u>(33,669)</u>	<u>1,028,347</u>	<u>5,417,138</u>
Plan fiduciary net position as a percentage of the total pension liability	88.3%	96.0%	97.9%	116.5%	101.5%	68.1%	72.4%

5. Other Retirement Systems

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

The Oklahoma Housing Finance Agency (OHFA), a Component Unit of the state, contributes to the Oklahoma Housing Finance Agency Retirement Plan, which is a defined contribution plan. Under its provisions, all new employees are required to participate in the Oklahoma Public Employees Retirement System (OPERS), and are not eligible to join the OHFA plan after June 30, 1997. OHFA's contribution amount is at the discretion of the Board of Trustees and does not have any limitations. The current contribution rate is 16.5% of eligible employees' compensation. Plan provisions were established and may be amended by the Board of Trustees.

In addition to the TRS, various institutions in the Higher Education Component Unit participate in other pension plans, primarily the Teachers Insurance and Annuity Association. These plans are defined contribution plans. Contributions made by participating institutions are based on a percentage of payrolls for qualified employees as determined by each institution's contract. For those institutions providing these plans, the total covered payroll was \$774,234,000. The institution contributions were \$71,507,000 or 9.2% of covered payroll. Employees are not required to contribute to the plans.

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

Note 15. Other Postemployment Benefits (OPEB)

1. General Description of the Other Postemployment Benefits

The Employees Group Insurance Division (EGID), a division of the Office of Management and Enterprise Services (OMES) manages a legal trust which provides group health, life, dental and disability benefits for active employees and retirees (should they so elect) of state agencies, school districts and other governmental units. EGID, as a multi-line insurance provider, receives OPEB payments on behalf of retiree's from several of the state's pension plans and the Department of Wildlife.

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

As mandated by statute, several of the state's pension plans provide an OPEB benefit to retirees should a retiree make such an election at retirement to continue health coverage through the state's provider, EGID. This contribution is for a fixed, limited amount that varies slightly from pension to pension. This benefit is included in the pension systems'

actuarial valuations to determine both funded and unfunded liabilities, but is not considered material to each respective pension as a whole.

2. Funding Policy

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

The state has one department of the Primary Government that makes payments to EGID on behalf of retirees, the Department of Wildlife Conservation. The Department provides \$150 per month as established by its board toward health insurance coverage should retirees so elect at retirement. These contributions are made on a pay-as-you go basis, and no separate account has been established to pre-fund these costs. For the fiscal years 2014, 2013, and 2012 the department paid into EGID as follows, representing 100% of the Department’s board mandated contributions to EGID:

	FY 2014 Contributions	FY 2013 Contributions	FY 2012 Contributions
Primary Government			
Dept. of Wildlife Conservation	\$ 203,000	\$ 187,000	\$ 159,000

The state has two cost-sharing multi-employer retirement systems that make payments to EGID on behalf of retirees should a retiree so elect. These plans are the Oklahoma Public Employees Retirement System (OPERS) and the Teachers’ Retirement System of Oklahoma (TRS). The state also has two single employer retirement systems that make payments to EGID on behalf of retirees, the Uniform Retirement System for Judges and Justices (URSJJ) and the Oklahoma Law Enforcement Retirement System (OLERS). As mandated by statute, these plans pay between \$100 and \$105 per month to EGID on behalf of retirees if so elected. For fiscal years 2014, 2013, and 2012 the retirement systems paid into EGID as follows, representing 100% of the state’s legislatively required contributions to EGID:

	FY 2014 Contributions	FY 2013 Contributions	FY 2012 Contributions
Fiduciary Component Units			
OPERS (a)	\$ 18,722,000	\$ 18,721,000	\$ 18,707,000
TRS (a)	30,136,000	27,314,000	29,607,000
URSJJ (b)	164,000	164,000	170,000
OLERS (b)	822,000	814,000	810,000
	<u>\$ 49,844,000</u>	<u>\$ 47,013,000</u>	<u>\$ 49,294,000</u>

(a) - Cost Sharing Multi-Employer Retirement Plan

(b) - Single Employer Retirement Plan

Component Units

Twenty-two of the institutions included in the Higher Education Component Unit sponsor single-employer OPEB plans as designated by each institution’s governing Board of Regents. These independent trust plans primarily provide supplemental health, dental, and life insurance benefits to participating retirees. Eligibility requirements and benefits differ significantly between the participating higher education institutions. Current year benefit expenditures, funded primarily on a pay-as-you-go basis, totaled approximately \$11,180,000 in fiscal year 2014 for the twenty-two participating institutions. Complete disclosure for each higher education institution can be obtained from the Oklahoma State Regents for Higher Education, 655 Research Parkway, Suite 200, Oklahoma City, OK 73104.

3. Annual Pension Cost and Net OPEB Obligation

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

	Wildlife OPEB
Normal cost	\$ 76
Amortization of actuarial accrued liability (AAL)	262
Annual required contribution (ARC)	338
Interest on net OPEB obligation	15
ARC adjustment	(22)
Annual OPEB cost	331
Actual amount of net employer disbursements	(203)
Increase in net OPEB obligation	128
Net OPEB obligation, beginning of year	389
Net OPEB obligation, end of year	<u>\$ 517</u>
Actuarial Assumptions:	
Investment rate of return	4.0%
Inflation Rate	0.0%
Annual healthcare cost	5.0%
Actuarial cost method	Entry age normal
Amortization method	30 years, level dollar, open period
Remaining amortization period	10 years

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

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

Fiscal Year Ending	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net Pension Obligation
6/30/2014	\$ 331	61%	\$ 517
6/30/2013	324	58%	389
6/30/2012	213	75%	252

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

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

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
7/1/2014	\$ -	\$ 4,760	\$ 4,760	-	\$ 15,778	30.2%
7/1/2013	-	4,621	4,621	-	15,580	29.7%
7/1/2012	-	4,457	4,457	-	15,272	29.2%

The Department's OPEB is not funded and there are no OPEB plan assets as it is a substantive plan. As of July 1, 2014, the most recent actuarial valuation date, the AAL for benefits was approximately \$4.8 million and the actuarial value of assets was zero, resulting in an UAAL of \$4.8 million.

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

Note 16. On-Behalf Payments

The Teacher's Retirement System (TRS) of Oklahoma receives 5% of the state's sales, use, corporate and individual income taxes collected as dedicated tax. Senate Bill 1376, which became law in July 2002, provides that the percentage of the state's collected dedicated taxes allocated to the TRS increased from 4.5% to 5.0% on July 1, 2007 and thereafter. The System receives 1% of the cigarette taxes collected by the state and receives 5% of the net lottery proceeds collected by the state. The System received approximately \$296,000,000 from the state for the year ended June 30, 2014.

The Firefighters Pension and Retirement System (OFPRS) of Oklahoma received 34% of the state's insurance premium tax revenue. OFPRS received approximately \$79,000,000 from the state for the year ended June 30, 2014. Of the same insurance premium tax revenue, the Police Pension and Retirement System (OPPRS) of Oklahoma and Law Enforcement Retirement System (OLERS) received 14% and 5% respectively. OPPRS and OLERS received approximately \$31,000,000 and \$11,000,000 from the state for the year ended June 30, 2014 respectively.

Note 17. Commitments

Primary Government

For the year ended June 30, 2014, the General Fund had encumbrances of \$194,221,000 within the restricted and committed fund balances of the governmental funds.

The Department of Transportation had contractual commitments at June 30, 2014, of approximately \$753,276,000 for the construction of various highway projects. Future appropriations will fund these commitments as work is performed.

The Department of Human Services (DHS) maintains a construction unit which engages in capital improvements of state buildings. At year end, DHS had long-term projects totaling \$45,145,000 for the General Fund.

Component Units

The University of Oklahoma had outstanding commitments under construction contracts totaling \$20,642,000 at June 30, 2014.

Oklahoma State University had outstanding commitments under construction contracts of approximately \$54,054,000 at June 30, 2014.

The Oklahoma Turnpike Authority (OTA) had commitments outstanding at December 31, 2013, relating to equipment orders and supplies of approximately \$4,748,000. At December 31, 2013, OTA had commitments outstanding relating to construction and maintenance contracts of approximately \$37,355,000.

The Oklahoma Municipal Power Authority (OMPA) purchased approximately \$20,730,000 of power pursuant to several long-term purchase agreements during 2013. OMPA is obligated to purchase, at a minimum, approximately \$19,084,000 of power in 2014.

The Grand River Dam Authority (Authority) makes and receives commitments for purchases of coal and other materials. The Authority had contractual commitments at December 31, 2013 for long-term coal and freight purchases under contracts through 2020 with estimated minimum obligations for the next fiscal year ending December 31, 2014 of \$129,195,000, and total obligations of \$1,040,316,000 through 2020.

Note 18. Litigation and Contingencies

The state and its component units are parties to numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the state for property damage and personal injury, alleged breaches of contract, condemnation proceedings, and other alleged violations of state and federal laws. Certain claims have been adjudicated against the state, but remained unpaid as of June 30, 2014.

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, 2014, the state is unable to estimate what liabilities may result from such audits.

Primary Government

Through the normal course of operations there are many legal cases which involve the state as a party. Most of these cases are currently deemed to have a remote chance of loss or will result in a gain to the state. The assessment of several cases indicates there is the reasonably possible or probable chance of a loss occurring to the state. Current estimates for these losses range from \$500,000 to \$1,351,000.

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, 2014, DOT had project expenditures totaling \$454,000 that will be reimbursed pending approval of the Federal Government.

American Airlines is seeking a refund of sales taxes paid for electricity and natural gas utility services used against the Oklahoma Tax Commission. The ruling in this case upheld the sales tax exemption on the purchase of utilities by American Airlines. The General Counsel has deemed that it is probable that American Airlines is entitled to a refund of sales tax. The claim for refund in this case was approximately \$1 million; however, an estimate of the refund cannot be made at this time. No contingent liability has been recorded at this time.

Component Units

The Oklahoma Capital Investment Board (OCIB), as a public trust of the State of Oklahoma, has authority to transfer tax credits to public entities. Tax credits can be transferred by OCIB in conjunction with a legitimate call on an OCIB guarantee. As of June 30, 2014, OCIB had a maximum commitment line of credit of \$30,000,000. As of June 30, 2014, the line of credit had an outstanding balance of \$14,926,000. All of the outstanding balance is classified as long-term debt. In addition to the debt, OCIB reported June 30, 2014 net position deficit of \$2,582,000.

The credits and OCIB's right to transfer the credits expire if not utilized by June 30, 2020. As of June 30, 2014, \$30,915,000 of tax credits had been transferred. Four entities currently have signed agreements to purchase up to an aggregate of \$8,000,000 of tax credits per year at the sole discretion of OCIB. OCIB has the authority to issue up to \$20,000,000 of tax credits per year with an overall maximum of \$100,000,000. The remaining \$69,085,000 of tax credits were not considered impaired at June 30, 2014, as there was sufficient time remaining for the tax credits to be utilized before they expire.

Note 19. Subsequent Events

Component Units

Oklahoma Capital Improvement Authority has authorized but not issued lease revenue bonds totaling \$139,250,000 to refund outstanding tax-exempt issues.

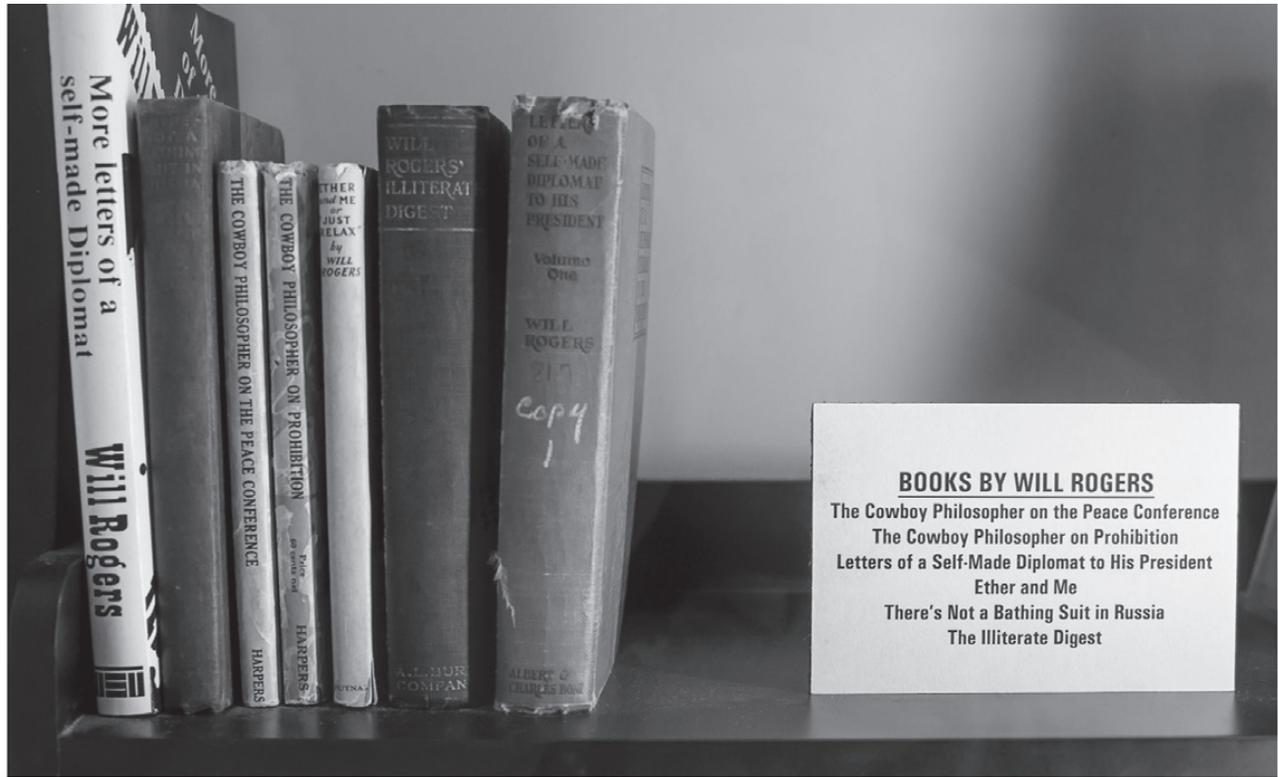
Oklahoma Water Resources Board has authorized but not issued bonds totaling \$29,595,000 for capital projects.

Oklahoma Municipal Power Authority has authorized but not issued bonds totaling \$123,180,000 for capital projects.

Grand River Dam Authority has authorized but not issued bonds totaling \$375,480,000 for capital projects.

Oklahoma Development Finance Authority (ODFA) has authorized but not issued bonds totaling \$77,170,000 for the Master Real Property Lease Program and has authorized but not issued bonds totaling \$19,270,000 for the Master Equipment Lease Program. ODFA has authorized but not issued bonds totaling \$4,500,000 for the Community Development Pooled Finance Act. ODFA also has authorized but not issued bonds totaling \$4,340,000 for capital projects.

A lawsuit naming CompSource as a defendant was filed on December 4, 2014 challenging CompSource's discretion regarding dividends related to the period 2001 through 2012. Plaintiffs seek damages, court costs and attorneys' fees. While it is not possible to predict when this matter will be completely resolved, it is possible that the disposition of the litigation could occur in the near term. In the opinion of CompSource's management, after considering the advice of counsel, the ultimate disposition of this proceeding could have a material adverse effect on CompSource's financial condition, changes in financial condition and cash flow. At this time there has been no contingent liability recorded by the State of Oklahoma.



Required Supplementary Information and Budget Schedule

**Required Supplementary Information
and Budget Schedule**

Budgetary Comparison Schedule
 Budget to Actual (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2014
 (expressed in thousands)

	GENERAL FUND				
	BUDGET			ACTUAL	VARIANCE
	ORIGINAL	Amendments	FINAL		
EDUCATION					
State Arts Council					
01 Duties	4,010	-	4,010	2,141	1,869
11 FY13 Carryover	-	260	260	260	-
Agency Total	4,010	260	4,270	2,401	1,869
Department of Career and Technology Education					
08 Duties	134,384	-	134,384	124,558	9,826
48 FY13 Carryover	-	8,106	8,106	7,544	562
Agency Total	134,384	8,106	142,490	132,132	10,388
Department of Education					
01 Financial support of Public Schools	986,673	-	986,673	986,673	-
01 Financial support of Public Schools (Min Lea)	3,325	-	3,325	3,325	-
02 Financial support of Public Schools (Min Lea)	1,756	-	1,756	1,756	-
02 Public School Activities	507,773	-	507,773	495,705	12,068
04 Textbooks	33,000	-	33,000	32,985	15
04 Administrative and Support Functions	22,427	-	22,427	18,757	3,670
07 For Ad Valorem Reimbursement	-	25,523	25,523	25,523	-
Agency Total	1,554,954	25,523	1,580,477	1,564,724	15,753
Office of Educational Quality and Accountability					
01 Duties	661	-	661	471	190
Agency Total	661	-	661	471	190
Commission of the Land Office					
01 Duties	15,062	-	15,062	2,622	12,440
11 FY13 Carryover	-	4,132	4,132	3,566	566
Agency Total	15,062	4,132	19,194	6,188	13,006
Department of Libraries					
01 Duties	5,899	-	5,899	5,499	400
11 FY13 Carryover	-	147	147	134	13
Agency Total	5,899	147	6,046	5,633	413
Center for Advancement of Science and Technology					
01 Duties	17,811	-	17,811	17,722	89
11 FY13 Carryover	-	69	69	69	-
Agency Total	17,811	69	17,880	17,791	89

GENERAL FUND					
BUDGET					
ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE	

Physician Manpower Training Commission

01	Duties	3,979	-	3,979	3,726	253
01	Duties	400	-	400	400	-
21	FY12 Carryover	-	7	7	7	-
11	FY13 Carryover	-	21	21	21	-
Agency Total		4,379	28	4,407	4,154	253

Oklahoma School of Science and Math

01	Duties	6,332	-	6,332	5,713	619
11	FY13 Carryover	-	304	304	275	29
Agency Total		6,332	304	6,636	5,988	648

Oklahoma Commission for Teacher Preparation

01	Duties	1,526	-	1,526	941	585
11	FY13 Carryover	-	1,309	1,309	1,022	287
Agency Total		1,526	1,309	2,835	1,963	872

Education Total

1,745,018	39,878	1,784,896	1,741,445	43,481
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GENERAL GOVERNMENT

State Auditor and Inspector

01	Duties	4,400	-	4,400	4,368	32
02	County Govt Personnel Educ & Trng	307	-	307	256	51
11	FY13 Carryover	-	62	62	11	51
Agency Total		4,707	62	4,769	4,635	134

State Bond Advisor

01	Duties	143	-	143	143	-
Agency Total		143	-	143	143	-

Department of Commerce

01	Duties	22,789	-	22,789	18,810	3,979
02	Duties - NACEA	6,784	-	6,784	6,010	774
03	To the Oklahoma Quick Action Closing Fund-duties	3,000	-	3,000	-	3,000
Agency Total		32,573	-	32,573	24,820	7,753

State Election Board

01	Duties	7,806	-	7,806	5,156	2,650
01	Aw ad v. Ziriaux lawsuit	-	303	303	-	303
13	FY13 Carryover	-	730	730	720	10
21	FY12 Carryover	-	22	22	22	-
11	FY13 Carryover	-	838	838	823	15
Agency Total		7,806	1,893	9,699	6,721	2,978

Ethics Commission

01	Duties	738	-	738	685	53
03	Duties	-	719	719	-	719
Agency Total		738	719	1,457	685	772

		GENERAL FUND				
		BUDGET				
		ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE
Governor						
01	Duties	2,173	-	2,173	1,968	205
11	FY13 Carryover	-	141	141	126	15
Agency Total		2,173	141	2,314	2,094	220
Lieutenant Governor						
01	Duties	507	-	507	301	206
11	FY13 Carryover	-	106	106	98	8
Agency Total		507	106	613	399	214
Office of Management and Enterprise Services						
01	Maintaining and Repairing state-owned properties	30,000	-	30,000	-	30,000
04	Maintaining and Repairing state-owned properties	-	15,000	15,000	15,000	-
01	Duties	26,179	-	26,179	22,610	3,569
02	Duties	11,200	-	11,200	9,529	1,671
01	For transfer to Bldg & Fac Revolv (Fund 245)	2,033	-	2,033	2,033	-
02	For transfer to Bldg & Fac Revolv (Fund 245)	5,720	-	5,720	5,720	-
11	FY13 Carryover	-	2,377	2,377	2,350	27
Agency Total		75,132	17,377	92,509	57,242	35,267
Merit Protection Commission						
01	Duties	491	-	491	289	202
11	FY13 Carryover	-	105	105	103	2
Agency Total		491	105	596	392	204
Tax Commission						
30	Duties	46,916	-	46,916	43,633	3,283
Agency Total		46,916	-	46,916	43,633	3,283
Treasurer						
01	Duties	3,454	-	3,454	1,953	1,501
01	State Land Reimbursements	100	-	100	100	-
11	FY13 Carryover	-	611	611	15	596
14	FY13 Carryover	-	250	250	250	-
Agency Total		3,554	861	4,415	2,318	2,097
General Government Total		174,740	21,264	196,004	143,082	52,922
HEALTH SERVICES						
Department of Health						
01	Duties	57,342	-	57,342	46,094	11,248
02	Infant Health Outcomes	1,700	-	1,700	681	1,019
03	Veterans	500	-	500	58	442
24	FQHC - Formula	3,122	-	3,122	3,122	-
38	FQHC - New	320	-	320	-	320
11	FY12 Carryover	-	12	12	-	12
Agency Total		62,984	12	62,996	49,955	13,041

		GENERAL FUND				
		BUDGET			ACTUAL	VARIANCE
		ORIGINAL	Amendments	FINAL		
Mental Health and Substance Abuse						
01	Duties	316,821	-	316,821	298,207	18,614
02	Duties	20,000	-	20,000	20,000	-
Agency Total		336,821	-	336,821	318,207	18,614
Health Services Total		399,805	12	399,817	368,162	31,655
LEGAL AND JUDICIARY						
Attorney General						
01	Duties	14,323	-	14,323	11,107	3,216
02	For transfer to the Legal Services Rev Fund	905	-	905	905	-
Agency Total		15,228	-	15,228	12,012	3,216
Court of Criminal Appeals						
01	Duties	3,635	-	3,635	3,434	201
11	FY13 Carryover	-	76	76	76	-
Agency Total		3,635	76	3,711	3,510	201
District Attorney's Council						
01	Duties (w / allowance to transfer \$419,014 to 22500)	39,687	-	39,687	39,032	655
11	FY13 Carryover	-	275	275	261	14
Agency Total		39,687	275	39,962	39,293	669
District Courts						
01	Duties - District Courts	16,600	-	16,600	16,562	38
11	FY13 Carryover	-	101	101	101	-
Agency Total		16,600	101	16,701	16,663	38
Indigent Defense System						
01	Duties	15,699	-	15,699	14,526	1,173
11	FY13 Carryover	-	394	394	391	3
Agency Total		15,699	394	16,093	14,917	1,176
Supreme Court						
01	Duties	17,300	-	17,300	14,765	2,535
11	FY13 Carryover	-	2,556	2,556	2,552	4
Agency Total		17,300	2,556	19,856	17,317	2,539
Workers' Compensation Court of Existing Claims						
01	Duties	5,747	-	5,747	2,477	3,270
Agency Total		5,747	-	5,747	2,477	3,270
Legal and Judiciary Total		113,896	3,402	117,298	106,189	11,109
MUSEUMS						
Historical Society						
01	Duties	12,503	-	12,503	12,095	408
Agency Total		12,503	-	12,503	12,095	408

		GENERAL FUND				
		BUDGET				
		ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE
J.M. Davis Memorial Commission						
01	Duties	306	-	306	290	16
Agency Total		306	-	306	290	16
Will Rogers Memorial Commission						
01	Duties	740	-	740	709	31
11	FY13 Carryover	-	11	11	11	-
Agency Total		740	11	751	720	31
Museums Total		13,549	11	13,560	13,105	455
NATURAL RESOURCES						
Department of Agriculture						
01	Duties	22,040	-	22,040	20,553	1,487
06	Duties	3,870	-	3,870	3,857	13
02	Agriculture Extension Division	-	2,000	2,000	-	2,000
03	FAPC of the Ag Extension Division	-	300	300	-	300
11	FY13 Carryover	-	644	644	458	186
Agency Total		25,910	2,944	28,854	24,868	3,986
Conservation Commission						
01	Duties	10,462	-	10,462	9,708	754
02	Watershed flood control programs	-	3,000	3,000	-	3,000
Agency Total		10,462	3,000	13,462	9,708	3,754
Department of Environmental Quality						
01	Duties	9,058	-	9,058	8,492	566
Agency Total		9,058	-	9,058	8,492	566
Scenic Rivers Commission						
01	Duties	271	-	271	271	-
02	Duties	-	94	94	-	94
Agency Total		271	94	365	271	94
Department of Tourism and Recreation						
01	Duties	21,803	-	21,803	16,323	5,480
11	FY13 Carryover	-	2,655	2,655	1,326	1,329
Agency Total		21,803	2,655	24,458	17,649	6,809
Water Resources Board						
01	Duties	7,000	-	7,000	3,958	3,042
01	Drought Relief	3,000	-	3,000	3,000	-
02	Drought Relief Programs	-	1,500	1,500	-	1,500
Agency Total		10,000	1,500	11,500	6,958	4,542
Natural Resources Total		77,504	10,193	87,697	67,946	19,751
PUBLIC SAFETY AND DEFENSE						
Alcohol Beverage Laws Enforcement						
01	Duties	3,140	-	3,140	3,107	33
Agency Total		3,140	-	3,140	3,107	33

		GENERAL FUND				
		BUDGET				
		ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE
State Bureau of Investigation						
01	Duties	14,283	-	14,283	14,283	-
Agency Total		14,283	-	14,283	14,283	-
Department of Corrections						
03	Duties	7,870	-	7,870	7,870	-
40	Duties	12,130	-	12,130	12,130	-
30	Duties	443,731	-	443,731	426,874	16,857
40	Duties	-	13,000	13,000	5,276	7,724
31	FY13 Carryover	-	7,713	7,713	7,713	-
Agency Total		463,731	20,713	484,444	459,863	24,581
Council on Law Enforcement, Education, and Training						
01	Duties	3,161	-	3,161	2,821	340
02	Duties	145	-	145	145	-
02	Duties	452	-	452	452	-
Agency Total		3,758	-	3,758	3,418	340
Department of Emergency Management						
01	Duties	651	-	651	636	15
11	FY13 Carryover	-	18	18	12	6
02	Mesonet	1,200	-	1,200	1,200	-
Agency Total		1,851	18	1,869	1,848	21
State Fire Marshal						
01	Duties	1,797	-	1,797	1,761	36
Agency Total		1,797	-	1,797	1,761	36
Board of Medicolegal Investigations						
01	Duties	8,698	-	8,698	6,922	1,776
11	FY13 Carryover	-	1,593	1,593	780	813
Agency Total		8,698	1,593	10,291	7,702	2,589
Oklahoma Military Department						
01	Duties	11,748	-	11,748	9,687	2,061
21	FY13 Carryover	-	61	61	61	-
11	FY13 Carryover	-	494	494	491	3
Agency Total		11,748	555	12,303	10,239	2,064
Bureau of Narcotics and Dangerous Drugs						
01	Duties	3,616	-	3,616	3,604	12
Agency Total		3,616	-	3,616	3,604	12
Pardon and Parole Board						
01	Duties	2,217	-	2,217	1,830	387
02	Duties	75	-	75	-	75
11	FY13 Carryover	-	55	55	55	-
Agency Total		2,292	55	2,347	1,885	462
Department of Public Safety						
01	Duties	90,417	-	90,417	85,373	5,044
Agency Total		90,417	-	90,417	85,373	5,044
Public Safety and Defense Total		605,331	22,934	628,265	593,083	35,182

		GENERAL FUND				
		BUDGET				
		ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE
REGULATORY SERVICES						
Commission on Consumer Credit						
01	Duties	32	-	32	26	6
11	FY13 Carryover	-	9	9	4	5
Agency Total		32	9	41	30	11
Corporation Commission						
01	Duties	11,324	-	11,324	10,761	563
Agency Total		11,324	-	11,324	10,761	563
Oklahoma Horse Racing Commission						
01	Duties	2,072	-	2,072	1,965	107
11	FY13 Carryover	-	24	24	24	-
Agency Total		2,072	24	2,096	1,989	107
Insurance Department						
01	Duties	1,872	-	1,872	1,872	-
Agency Total		1,872	-	1,872	1,872	-
Department of Labor						
01	Duties	1,768	-	1,768	1,454	314
02	Duties	1,543	-	1,543	1,451	92
Agency Total		3,311	-	3,311	2,905	406
Department of Mines						
01	Duties	879	-	879	823	56
11	FYFY12 Carryover	-	38	38	38	-
11	FY13 Carryover	-	21	21	13	8
Agency Total		879	59	938	874	64
Workers' Compensation Commission						
01	Feb. 1st Transfer from Workers' Compensation Court	-	1,354	1,354	1,354	-
Agency Total		-	1,354	1,354	1,354	-
Regulatory Services Total		19,490	1,446	20,936	19,785	1,151
SOCIAL SERVICES						
Commission on Children and Youth						
10	Duties	2,027	-	2,027	1,694	333
11	FY13 Carryover	-	223	223	221	2
Agency Total		2,027	223	2,250	1,915	335
Office of Disability Concerns						
01	Duties	318	-	318	310	8
Agency Total		318	-	318	310	8
Health Care Authority						
01	Duties (to Disbursing Funds 200 and 340)	904,196	-	904,196	904,196	-
04	Oklahoma Hospital Residency Training Program Act	12,130	-	12,130	12,130	-
03	Duties (to Disbursing Funds 200 and 340)	13,000	-	13,000	13,000	-
06	Duties	-	47,685	47,685	-	47,685
Agency Total		929,326	47,685	977,011	929,326	47,685

		GENERAL FUND				
		BUDGET				
		ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE
Department of Human Services						
01	Duties (to Disbursing Funds)	614,892	-	614,892	614,892	-
02	Duties (to Disbursing Funds)	3,067	-	3,067	3,067	-
02	Duties (to Disbursing Funds)	5,126	-	5,126	5,126	-
01	Duties (to Disbursing Funds)	7,874	-	7,874	7,874	-
Agency Total		630,959	-	630,959	630,959	-
J.D. McCarty Center						
10	Duties	4,140	-	4,140	3,876	264
11	FY13 Carryover	-	297	297	267	30
Agency Total		4,140	297	4,437	4,143	294
Office of Juvenile Affairs						
01	Duties	98,187	-	98,187	92,088	6,099
11	FY13 Carryover	-	2,761	2,761	2,641	120
Agency Total		98,187	2,761	100,948	94,729	6,219
Department of Rehabilitation Services						
01	Duties (to disbursing funds)	30,949	-	30,949	30,949	-
Agency Total		30,949	-	30,949	30,949	-
University Hospitals Authority						
01	Duties	44,530	-	44,530	44,368	162
Agency Total		44,530	-	44,530	44,368	162
Department of Veterans Affairs						
01	Duties	35,699	-	35,699	34,004	1,695
Agency Total		35,699	-	35,699	34,004	1,695
Social Services Total		1,776,135	50,966	1,827,101	1,770,703	56,398
TRANSPORTATION						
Oklahoma Space Industry Development Auth.						
01	Duties to Space Industries Dev.	395	-	395	395	-
Agency Total		395	-	395	395	-
Transportation Total		395	-	395	395	-
General Fund Total		4,925,863	150,106	5,075,969	4,823,865	252,074

Notes to Required Supplementary Information - Budgetary Reporting

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Reconciliation of Budgetary Fund Balance to GAAP Fund Balance

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resulting basis, perspective, and entity differences in the revenues in excess of (less than) expenditures and other financing sources (uses) between budgetary and GAAP presentations for the year ended June 30, 2014, is presented below (expressed in thousands) for the General Fund:

Budgetary Basis Fund Balance, June 30, 2013	\$	1,551,058
Excess of total sources over total uses of financial resources (Budgetary Basis)		<u>(1,637,674)</u>
Budgetary Basis Fund Balance, June 30, 2014		(86,616)
Entity and Perspective Differences:		
Non-budgeted Funds and Capital Funds		3,464,720
Encumbrances		83,988
Basis Differences:		
Add: Net accrued revenues, related receivables, and deferred revenues		1,264,582
Less: Net accrued expenditures and related liabilities		<u>(1,033,694)</u>
GAAP Basis Fund Balance, June 30, 2014	\$	<u><u>3,692,980</u></u>

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Combining Financial Statements

Combining Financial Statements

Description of 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 position 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 position available for payment of plan benefits to employees of the Department of Wildlife Conservation.

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

OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

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

OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

421 NW 13th St., Suite 100, Oklahoma City, Oklahoma 73103
The System provides retirement benefits for qualified law enforcement officers in the State of Oklahoma.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

P.O. Box 53007, Oklahoma City, Oklahoma 73152
The System administers the Oklahoma Public Employee Retirement Plan, which provides retirement benefits for state, county and local employees in the State of Oklahoma.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

P.O. Box 53007, Oklahoma City, Oklahoma 73152
The System provides retirement benefits for justices and judges in the State of Oklahoma.

OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

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

TEACHER'S RETIREMENT SYSTEM OF OKLAHOMA

P.O. Box 53524, Oklahoma City, Oklahoma 73152
The System provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions in the State of Oklahoma.

AGENCY FUNDS

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

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

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

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

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

State of Oklahoma
Combining Statement of Fiduciary Net Position
Pension Trust Funds
(Including Similar Component Units)
For the fiscal year ended June 30, 2014
(expressed in thousands)

	Fiduciary Component Units							Total
	Primary Government	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	
Assets								
Cash/Cash Equivalents	\$ 4,904	\$ 40,395	\$ 10,993	\$ 81,933	\$ 1,642	\$ 30,240	\$ 449,996	\$ 620,103
Investments, at fair value								
Equity Securities	29,548	1,593,380	545,614	2,562,990	0	972,590	9,856,802	15,560,924
Governmental Securities	28,309	142,554	56,843	1,698,696	64,277	33,398	803,376	2,827,453
Debt Securities	4,214	23,092	189,290	925,971	29,596	367,593	2,050,567	3,590,323
Mutual Funds	29,486	0	0	3,406,917	210,017	0	0	3,646,420
Other Investments	0	312,870	83,340	0	0	825,150	1,178,778	2,400,138
Securities Lending Investments	0	144,544	75,433	591,194	13,872	9,315	2,475,663	3,310,021
Interest and Investment Revenue Receivable	0	3,018	777	15,278	327	3,489	43,054	65,943
Contributions Receivable:								
Employer	0	612	1,687	3,962	0	1,116	26,715	34,092
Employee	0	392	477	1,255	0	683	17,342	20,149
Other Contributions Receivable	0	0	0	0	0	0	0	0
Other Receivables	0	68,242	0	0	0	0	30,262	98,504
Due from Broker	0	0	0	259,524	8,764	346	84,587	353,221
Due from Other Funds	0	16,876	2,344	9,233	562	6,563	0	35,578
Capital Assets, Net	0	29	0	986	0	304	2,847	4,166
Other Assets	0	0	1	386	0	0	0	387
Total Assets	96,461	2,346,004	966,799	9,558,325	329,057	2,250,787	17,019,989	32,567,422
Liabilities								
Accounts Payable and Accrued Liabilities	0	1,619	676	0	0	838	0	3,133
Securities Lending Payable	0	144,544	75,433	591,194	13,872	9,315	2,475,663	3,310,021
Due to Broker	0	2,622	8,859	397,024	13,716	922	226,440	649,583
Due to Other Funds	0	0	0	2	0	0	15	17
Benefits in the Process of Payment	0	0	1,875	0	0	1,122	75,136	78,133
Other Liabilities	0	114	49	0	0	124	13,254	13,541
Total Liabilities	0	148,899	86,892	988,220	27,588	12,321	2,790,508	4,054,428
Net Position Reserved for Employees' Pension Benefits	\$ 96,461	\$ 2,197,105	\$ 879,907	\$ 8,570,105	\$ 301,469	\$ 2,238,466	\$ 14,229,481	\$ 28,512,994

State of Oklahoma
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
(Including Similar Component Units)
June 30, 2014
(expressed in thousands)

	Primary	Fiduciary Component Units						Total
	Government	Oklahoma	Oklahoma	Oklahoma	Uniform	Oklahoma	Teachers'	
	Wildlife	Firefighters	Law	Public	Retirement	Police	Teachers'	
	Conservation	Pension and	Enforcement	Employees	System for	Pension and	Retirement	
	Retirement	Retirement	Retirement	Retirement	Justices and	Retirement	System of	
	Plan	System	System	System	Judges	System	Oklahoma	
Additions								
Contributions								
Employer Contributions	\$ 4,300	\$ 36,104	\$ 5,788	\$ 280,048	\$ 4,611	\$ 35,547	\$ 386,895	\$ 753,293
Employee Contributions	681	22,058	8,566	70,524	2,544	22,131	301,301	427,805
Other Contributions	0	79,545	21,165	0	0	31,329	320,157	452,196
Total Contributions	4,981	137,707	35,519	350,572	7,155	89,007	1,008,353	1,633,294
Investment Income								
Net Appreciation								
in Fair Value of Investments	10,641	320,907	110,787	1,210,474	44,118	286,638	2,255,052	4,238,617
Interest and Investment								
Revenue	1,904	28,318	14,188	115,529	2,232	20,541	367,088	549,800
	12,545	349,225	124,975	1,326,003	46,350	307,179	2,622,140	4,788,417
Less Investment Expenses	175	14,196	3,573	8,023	138	12,282	50,432	88,819
Net Investment Income	12,370	335,029	121,402	1,317,980	46,212	294,897	2,571,708	4,699,598
Total Additions	17,351	472,736	156,921	1,668,552	53,367	383,904	3,580,061	6,332,892
Deductions								
Administrative and General								
Expenses	5,032	1,958	927	4,709	132	1,862	4,283	18,903
Benefit Payments and Refunds	38	172,772	49,777	535,520	14,997	119,241	1,181,769	2,074,114
Total Deductions	5,070	174,730	50,704	540,229	15,129	121,103	1,186,052	2,093,017
Net Increase	12,281	298,006	106,217	1,128,323	38,238	262,801	2,394,009	4,239,875
Net Position Reserved for								
Employees' Pension Benefits								
Beginning of Year (as restated)	84,180	1,899,099	773,690	7,441,782	263,231	1,975,665	11,835,472	24,273,119
End of Year	\$ 96,461	\$ 2,197,105	\$ 879,907	\$ 8,570,105	\$ 301,469	\$ 2,238,466	\$ 14,229,481	\$28,512,994

State of Oklahoma
Combining Statement of Assets and
Liabilities

Agency Funds
June 30, 2014
(expressed in thousands)

	Taxes Held for Outside Entity	Assets Held in Escrow	Assets Held for Beneficiaries	Other	Total
Assets					
Cash/Cash Equivalents	\$ 519,626	\$ 70,608	\$ 61,026	\$ 43,714	\$ 694,974
Investments	0	0	85	0	85
Accounts Receivable	0	3	18	0	21
Inventory	0	0	0	8,587	8,587
Total Assets	<u>519,626</u>	<u>70,611</u>	<u>61,129</u>	<u>52,301</u>	<u>703,667</u>
Liabilities					
Account Payable	0	0	323	0	323
Tax Refunds Payable	63,418	0	0	0	63,418
Deferred Revenue	0	0	3	0	3
Due to Others	456,208	70,611	60,803	52,301	639,923
Total Liabilities	<u>\$ 519,626</u>	<u>\$ 70,611</u>	<u>\$ 61,129</u>	<u>\$ 52,301</u>	<u>\$ 703,667</u>

State of Oklahoma
Combining Statement of Changes in
Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Taxes Held for Outside Entities				
Assets				
Cash/Cash Equivalents	\$ 333,771	\$ 4,169,387	\$ 3,983,532	\$ 519,626
Total Assets	<u>333,771</u>	<u>4,169,387</u>	<u>3,983,532</u>	<u>519,626</u>
Liabilities				
Tax Refunds Payable	14,577	63,418	14,577	63,418
Due to Others	319,194	4,105,969	3,968,955	456,208
Total Liabilities	<u>333,771</u>	<u>4,169,387</u>	<u>3,983,532</u>	<u>519,626</u>
Funds Held in Escrow				
Assets				
Cash/Cash Equivalents	58,163	39,458	27,013	70,608
Investments	0	0	0	0
Accounts Receivable	3	3	3	3
Total Assets	<u>58,166</u>	<u>39,461</u>	<u>27,016</u>	<u>70,611</u>
Liabilities				
Account Payable	5	0	5	0
Deferred Revenue	3	0	3	0
Due to Others	58,158	39,461	27,008	70,611
Total Liabilities	<u>58,166</u>	<u>39,461</u>	<u>27,016</u>	<u>70,611</u>
Assets Held for Beneficiaries				
Assets				
Cash/Cash Equivalents	67,210	445,960	452,144	61,026
Investments	85	85	85	85
Accounts Receivable	18	18	18	18
Total Assets	<u>67,313</u>	<u>446,063</u>	<u>452,247</u>	<u>61,129</u>
Liabilities				
Account Payable	270	323	270	323
Deferred Revenue	3	3	3	3
Due to Others	67,040	445,737	451,974	60,803
Total Liabilities	<u>67,313</u>	<u>446,063</u>	<u>452,247</u>	<u>61,129</u>
Other				
Assets				
Cash/Cash Equivalents	51,557	150,789	158,632	43,714
Due from Component Units	683	0	683	0
Inventory	10,805	8,587	10,805	8,587
Total Assets	<u>63,045</u>	<u>159,376</u>	<u>170,120</u>	<u>52,301</u>
Liabilities				
Due to Others	63,045	159,376	170,120	52,301
Total Liabilities	<u>63,045</u>	<u>159,376</u>	<u>170,120</u>	<u>52,301</u>
Total - All Agency Funds				
Assets				
Cash/Cash Equivalents	510,701	4,805,594	4,621,321	694,974
Investments	85	85	85	85
Accounts Receivable	21	21	21	21
Due from Component Units	683	0	683	0
Inventory	10,805	8,587	10,805	8,587
Total Assets	<u>522,295</u>	<u>4,814,287</u>	<u>4,632,915</u>	<u>703,667</u>
Liabilities				
Account Payable	275	323	275	323
Tax Refunds Payable	14,577	63,418	14,577	63,418
Deferred Revenue	6	3	6	3
Due to Others	507,437	4,750,543	4,618,057	639,923
Total Liabilities	<u>\$ 522,295</u>	<u>\$ 4,814,287</u>	<u>\$ 4,632,915</u>	<u>\$ 703,667</u>

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

5900 N. Classen Ct., Oklahoma City, Oklahoma 73118

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

HEALTH INSURANCE HIGH RISK POOL

P.O. Box 50429, Midwest City, Oklahoma 73140

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

MULTIPLE INJURY TRUST FUND

421 NW 13th Street, Oklahoma City, Oklahoma 73103

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

UNIVERSITY HOSPITALS AUTHORITY

P.O. Box 26307, Oklahoma City, Oklahoma 73126

The Authority consists of The University Hospital and Children's Hospital of Oklahoma. The University Hospital is affiliated with

the University of Oklahoma Health Sciences Center. The University Hospital is financed primarily through patient service charges.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY

5900 N. Classen Ct., Oklahoma City, Oklahoma 73118

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

OKLAHOMA CAPITAL INVESTMENT BOARD

13905 Quail Pointe Drive, Suite A, Oklahoma City, Oklahoma
73134

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

OKLAHOMA STATE UNIVERSITY MEDICAL AUTHORITY

1111 W. 17th Street, Tulsa, Oklahoma 74107

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

State of Oklahoma
Combining Statement of Net Position
NonMajor Component Units
June 30, 2014
(expressed in thousands)

	Oklahoma Educational Television Authority	Oklahoma Industrial Finance Authority	Health Insurance High Risk Pool	Multiple Injury Trust Fund	University Hospitals Authority	Oklahoma Development Finance Authority	Oklahoma Capital Investment Board	Oklahoma State Univ. Medical Authority	Nonmajor Component Units Total
Assets									
Current Assets									
Cash/Cash Equivalents									
Unrestricted	\$ 6,821	\$ 36,241	\$ 7,279	\$ 9,735	\$ 94,808	\$ 14,432	\$ 8	\$ 16,384	\$ 185,708
Investments	27,615	0	0	0	1,681	238	0	0	29,534
Accounts Receivable	144	0	0	0	4,654	0	0	14,168	18,966
Interest and Investment									
Revenue Receivable	33	185	0	22	13	4	0	0	257
Other Receivables	212	0	0	0	0	0	0	869	1,081
Notes Receivable	0	729	0	0	0	0	0	0	729
Due from Other Component Units	0	0	0	0	245	165	0	0	410
Due from Primary Government	0	0	0	12,862	23	29	0	0	12,914
Prepaid Items	156	0	0	0	3	0	0	2,605	2,764
Other Current Assets	0	0	0	0	0	377	0	4,643	5,020
Total Current Assets	34,981	37,155	7,279	22,619	101,427	15,245	8	38,669	257,383
Noncurrent Assets									
Cash/Cash Equivalents -									
Restricted	2,077	13	0	0	538	0	0	0	2,628
Investments - Restricted	0	0	0	0	885	0	12,411	0	13,296
Long-Term Notes Receivable, Net	0	6,240	0	0	0	1,179	0	0	7,419
Long-Term Investments-Unrestricted	0	17,470	0	0	0	0	0	0	17,470
Capital Assets									
Depreciable, Net	13,939	122	0	52	229,577	1,422	0	35,670	280,782
Land	26	0	0	0	4,009	286	0	0	4,321
Construction in Progress	0	0	0	0	19,579	0	0	3,813	23,392
Other Noncurrent Assets									
Unrestricted	0	0	0	0	20,090	0	0	2	20,092
Restricted	0	0	0	0	36	0	0	0	36
Total Noncurrent Assets	16,042	23,845	0	52	274,714	2,887	12,411	39,485	369,436
Total Assets	51,023	61,000	7,279	22,671	376,141	18,132	12,419	78,154	626,819
Deferred Outflows									
Advanced Refunding of Bonds	0	93	0	0	0	0	0	0	93
Total Deferred Outflows	0	93	0	0	0	0	0	0	93
Liabilities									
Liabilities									
Current Liabilities									
Accounts Payable and									
Accrued Liabilities	808	0	0	15	23,934	176	0	10,241	35,174
Claims and Judgements	0	0	0	16,355	0	0	0	0	16,355
Interest Payable	0	258	0	326	0	0	76	392	1,052
Due to Other Component Units	0	0	0	18,938	219	0	0	0	19,157
Due to Primary Government	4	0	0	0	0	0	0	0	4
Capital Leases	0	0	0	0	0	0	0	589	589
Compensated Absences	198	45	0	66	0	0	0	0	309
Notes Payable	229	0	0	1,665	0	0	0	2,160	4,054
General Obligation Bonds	0	690	0	0	0	0	0	0	690
Revenue Bonds	0	11,945	0	0	1,235	0	0	0	13,180
Other Current Liabilities	12	0	0	0	162	120	0	7,414	7,708
Total Current Liabilities	1,251	12,938	0	37,365	25,550	296	76	20,796	98,272
Noncurrent Liabilities									
Claims and Judgements	0	0	0	333,594	0	0	0	0	333,594
Compensated Absences	110	0	0	0	0	0	0	0	110
Notes Payable	878	0	0	16,947	0	0	0	14,445	32,270
General Obligation Bonds	0	44,885	0	0	0	0	0	0	44,885
Capital Leases	0	0	0	0	0	0	0	266	266
Revenue Bonds	0	30	0	0	46,439	9,999	0	0	56,468
Other Noncurrent Liabilities	62	0	0	0	340	0	14,926	7,804	23,132
Total Noncurrent Liabilities	1,050	44,915	0	350,541	46,779	9,999	14,926	22,515	490,725
Total Liabilities	2,301	57,853	0	387,906	72,329	10,295	15,002	43,311	588,997
Deferred Inflows of Resources									
Deferred Revenue	0	0	0	0	88	183	0	0	271
Total Deferred Inflows	0	0	0	0	88	183	0	0	271
Net Position									
Invested in Capital Assets,									
Net of Related Debt	13,965	0	0	0	205,491	1,708	0	22,023	243,187
Restricted for:									
Other Special Purpose									
Expendable	2,077	13	0	0	1,459	0	0	114	3,663
Unrestricted	32,680	3,227	7,279	(365,235)	96,774	5,946	(2,583)	12,706	(209,206)
Total Net Position	\$ 48,722	\$ 3,240	\$ 7,279	\$ (365,235)	\$ 303,724	\$ 7,654	\$ (2,583)	\$ 34,843	\$ 37,644

State of Oklahoma
 Combining Statement of Activities
 NonMajor Component Units
 For the Fiscal Year Ended June 30, 2014
 (expressed in thousands)

	Program Revenues			General Revenue			Change in Net Asset	Net Position Beginning of Year	Net Position End of Year
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue	Payments from Primary Government				
Nonmajor Component Units:									
Oklahoma Educational Television Authority	\$ 15,319	\$ 10,627	\$ 1,607	\$ (3,085)	\$ 3,822	\$ 737	\$ 47,985	\$ 48,722	
Oklahoma Industrial Finance Authority	1,665	1,570	0	(95)	0	(95)	3,335	3,240	
Health Insurance High Risk Pool	29,494	30,506	0	1,012	0	1,012	6,267	7,279	
Multiple Injury Trust Fund	110,658	132	0	(110,526)	48,228	(62,298)	(302,937)	(365,235)	
University Hospitals Authority	238,819	223,763	0	(15,056)	44,530	29,474	274,250	303,724	
Oklahoma Development Finance Authority	1,098	1,128	0	30	0	30	7,624	7,654	
Oklahoma Capital Investment Board	842	1,342	0	500	0	500	(3,083)	(2,583)	
Oklahoma State Univ. Medical Authority	160,874	133,092	3,470	(24,312)	13,000	(11,312)	46,155	34,843	
Total Nonmajor Component Units	\$ 558,769	\$ 402,160	\$ 5,077	\$ (151,532)	\$ 109,580	\$ (41,952)	\$ 79,596	\$ 37,644	



Other Supplementary Information

Other Supplementary Information



Oklahoma State Auditor & Inspector

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 31, 2014, which included an emphasis paragraph on the Multiple Injury Trust Fund for a net deficit related primarily to court awards that exceeded the apportionment of special tax revenue collected. Our report includes a reference to other auditors who audited:

- the financial statements of the Water Resources Board which represent forty-four percent of the assets, twenty-six percent of the net position and three percent of the revenues of the enterprise funds;
- the financial statements of the Oklahoma Municipal Power Authority, University of Oklahoma, University of Oklahoma – Health Sciences Center, Oklahoma State University – Foundation, Grand River Dam Authority, Oklahoma State University, Oklahoma Turnpike Authority, University of Oklahoma – Foundation, Oklahoma Housing Finance Authority, CompSource, and the Regents for Higher Education, which in the aggregate represent eighty percent of the assets, eighty-two percent of the net position and seventy-one percent of the revenues for the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent ninety-eight percent of the assets, ninety-eight percent of the fund balance and ninety-nine percent of the revenues of the permanent funds; and
- the financial statements of the Oklahoma Public Employees Retirement System and the Oklahoma Teachers Retirement System, which in the aggregate represent eighty-two percent of the assets, eighty-one percent of the net position and eighty-three percent of the additions of the aggregate remaining fund information.

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Oklahoma's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will

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not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. [14-340-005 and 14-695-006]

Compliance and Other Matters

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

State of Oklahoma Response to Findings

The State of Oklahoma's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The State of Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

December 31, 2014

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

Reference Number: 14-340-005

State Agency: Oklahoma State Department of Health

Fund Type: General Fund

Other Information: Expenditures

Criteria/Condition: A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information. In addition, a key element of internal controls is the performance of a reconciliation of funds between the agency and external records. The reconciliation process is essential because it ensures that accounting records are accurate and errors are detected and corrected in a timely manner.

The Department is not reconciling with the Office of Management and Enterprise Services (OMES) in a timely manner. We noted the fund reconciliation for the month of December 2013, and all subsequent months, were not completed during the fiscal year ended June 30, 2014. The December reconciliation was not completed until August 2014, which indicates the reconciliations have not been performed in a timely manner.

Cause/Effect: It appears staff turnover within the Reconciliations Unit and shifts of workloads caused the reconciliation to not be prepared in a timely manner. Financial information becomes less reliable as more time lapses between the period being reconciled and the date transactions are recorded.

Recommendation: We recommend the Department implement processes and procedures to ensure that monthly reconciliations are prepared no later than one month after the period that is being reconciled.

Agency Management Response: We concur. We also agree that staffing issues had a big impact on our schedules. We have a plan in place to get our reconciliation caught up and get on a regular schedule of timely reconciliations.

Reference Number: 14-695-006

State Agency: Oklahoma Tax Commission (the Commission)

Fund Type: General Fund; Agency Fund

Other Information: General Fund: Revenue/Expenditures; Agency Fund: Cash/Due to Others

Criteria/Condition: The Office of Management and Enterprise Services (OMES) Procedures Manual Chapter 500 states, in part, "Each state agency and institution authorized to use an agency clearing account shall furnish the Director of State Finance monthly reports showing the balances and transactions within each account and a reconciliation of the balance shown on the Treasurer's statement to the account balance as shown in the agency records. . . . The monthly reports shall be submitted on OSF Form Number 11. . . . These reports are designed with three parts to: (A) summarize the receipts and disbursements of the accounts by receipt and expenditure codes; (B) confirm the ending cash and investment balances; and (C) reconcile the agency's records to the State Treasurer's records, explaining any discrepancies. The reports are to be submitted whether or not transactions occurred during the month, signed by the chief fiscal officer of the reporting agency and filed with the Division of Central Accounting and Reporting not later than the 10th day of the following month."

Section 60.10.02.I. Agency Special Account Class Funding (Form 11A) Section D: Reconciliation of Agency Records to the State Accounting System of the OMES Procedures Manual issued April 9, 2014 describes the process for reconciling the PeopleSoft cash balance from Summary of Receipts and Disbursements.

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.03 states, in part, "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

The following OMES Form 11/11A revenue reconciliations were not completed in a timely manner:

- Two of the four months tested for the Commission's account number 1695S;
- Three of the four months tested for the Commission's account number 1695 (PeopleSoft account number 79901);
- Four of the four months tested for the Commission's account number 1695C.

Completion of the reconciliations ranged from 45 days to one year.

At year-end, the cash basis amount for cash on the Agency fund (Fund 7100) combining trial balance (CTB) and the Summary of Receipts and Disbursements did not agree with the OMES Form 11A revenue reconciliations.

Cause/Effect: The Commission does not have adequate internal controls in place to ensure OMES Form 11 reconciliations are performed in a timely manner. Lack of communication between state agencies and untimely reconciliations could result in errors and/or misstatements in the financial statements.

The Agency Fund cash balance on the combining trial balance (CTB) used to prepare the state-wide financial statements was understated by \$495,057,974. In addition, the net effect of the understatement to cash was that the liability account Due to Others was also understated by the same amount.

Recommendation: We recommend the Commission implement procedures to ensure monthly reconciliations are performed timely. In addition, we also recommend the Tax Commission have OMES make an adjustment to the State-wide Agency fund.

Agency Management Response: The Commission does have proper internal controls and procedures in place for timely reconciliation of OMES Form 11/11A. During FY14, the Commission had many variables that impeded our timely reconciliation of the agency special and clearing accounts mentioned above. The variables within the control of the Commission have been addressed with the addition of reconciliation staff and continued evaluation of existing processes and procedures as they apply to a changing reporting environment. The variables outside the control of the Commission relate to OTC's reliance on data and reports generated by other state agencies. Beginning with the July 2014 reconciliations, all reconciliations have been reviewed and signed within the OMES 20-day submission guidelines.

Communication between state agencies is an essential component to ensuring timely and accurate reporting. The Commission continues to work closely with all agencies in an effort to aid in the preparation of timely financial reports. The Commission submitted GAAP closing packages, which reflected the adjusted cash balance prior to the preparation of the year-end financial statement. The Commission has taken steps to improve inter-agency communication in the future by adding procedures to the monthly and year-end reconciliation process.



Statistical Section

Statistical Section

**STATISTICAL SECTION
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Using the Statistical Section

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

Financial Trends – Net Position by Component, Changes in Net Position, Fund Balances, and Changes in Fund Balance

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

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

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

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

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

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

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

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

State of Oklahoma
Schedule of Net Position by Component
Last Ten Fiscal Years
(expressed in thousands)

	2005	2006	2007	2008
Governmental Activities				
Invested in capital assets, net of related debt	\$ 6,086,534	\$ 6,246,160	\$ 6,633,078	\$ 7,118,384
Restricted	1,682,789	1,887,136	2,172,697	3,368,766
Unrestricted	2,371,787	3,156,226	3,348,465	2,284,063
Total governmental activities net position	10,141,110	11,289,522	12,154,240	12,771,213
Business-type activities				
Invested in capital assets, net of related debt	161	608	1,028	771
Restricted	886,391	1,062,156	1,207,733	9,019
Unrestricted	-	202	6,961	1,283,673
Total business-type activities net position	886,552	1,062,966	1,215,722	1,293,463
Primary government				
Invested in capital assets, net of related debt	6,086,695	6,246,768	6,634,106	7,119,155
Restricted	2,569,180	2,949,292	3,380,430	3,377,785
Unrestricted	2,371,787	3,156,428	3,355,426	3,567,736
Total primary government net position	\$ 11,027,662	\$ 12,352,488	\$ 13,369,962	\$ 14,064,676

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

	2005	2006	2007	2008
General Fund				
Reserved	\$ 359,492	\$ 586,051	\$ 731,850	\$ 758,702
Unreserved	2,164,492	3,373,911	3,449,196	3,504,990
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	2,523,984	3,959,962	4,181,046	4,263,692
All Other Governmental Funds				
Reserved	1,589,641	1,748,747	2,024,316	2,052,390
Unreserved	-	-	-	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	1,589,641	1,748,747	2,024,316	2,052,390
Total All Governmental Fund Balances	\$ 4,113,625	\$ 5,708,709	\$ 6,205,362	\$ 6,316,082

2009	2010	2011	2012	2013	2014
\$ 7,364,509	\$ 8,148,821	\$ 8,710,430	\$ 9,276,689	\$ 9,650,570	\$ 9,992,791
2,268,701	2,492,399	3,647,627	3,957,319	4,182,822	4,698,509
2,970,902	2,102,236	1,377,573	1,618,544	1,661,849	1,539,539
<u>12,604,112</u>	<u>12,743,456</u>	<u>13,735,630</u>	<u>14,852,552</u>	<u>15,495,241</u>	<u>16,230,839</u>
527	330	202	126	1,037	1,415
1,178,940	834,824	867,777	1,102,997	1,353,998	1,573,491
10,972	8,887	5,346	273,981	602,997	636,300
<u>1,190,439</u>	<u>844,041</u>	<u>873,325</u>	<u>1,377,104</u>	<u>1,958,032</u>	<u>2,211,206</u>
7,365,036	8,149,151	8,710,632	9,276,815	9,651,607	9,994,206
3,447,641	3,327,223	4,515,404	5,060,316	5,536,820	6,272,000
2,981,874	2,111,123	1,382,919	1,892,525	2,264,846	2,175,839
<u>\$ 13,794,551</u>	<u>\$ 13,587,497</u>	<u>\$ 14,608,955</u>	<u>\$ 16,229,656</u>	<u>\$ 17,453,273</u>	<u>\$ 18,442,045</u>

2009	2010	2011	2012	2013	2014
\$ 767,554	\$ 679,812	\$ -	\$ -	\$ -	\$ -
3,166,157	2,331,047	-	-	-	-
-	-	64,817	73,539	84,743	74,278
-	-	1,020,229	1,244,592	1,240,573	1,340,771
-	-	2,112,921	2,282,175	2,344,077	2,142,358
-	-	-	-	1,960	1,777
-	-	62,301	144,365	133,796	133,796
<u>3,933,711</u>	<u>3,010,859</u>	<u>3,260,268</u>	<u>3,744,671</u>	<u>3,805,149</u>	<u>3,692,980</u>
1,906,950	2,232,060	-	-	-	-
-	-	-	-	-	-
-	-	2,539,403	2,549,833	2,829,731	3,226,796
-	-	23,294	15,980	12,438	7,417
-	-	-	-	-	53,430
-	-	2,928	66,135	60,952	70,096
-	-	26,355	25,724	39,056	-
<u>1,906,950</u>	<u>2,232,060</u>	<u>2,591,980</u>	<u>2,657,672</u>	<u>2,942,177</u>	<u>3,357,739</u>
<u>\$ 5,840,661</u>	<u>\$ 5,242,919</u>	<u>\$ 5,852,248</u>	<u>\$ 6,402,343</u>	<u>\$ 6,747,326</u>	<u>\$ 7,050,719</u>

State of Oklahoma
 Changes in Net Position by Component
 Last Ten Fiscal Years
 (expressed in thousands)

	2005	2006	2007	2008
Expenses				
Governmental Activities:				
Education-General	\$ 2,751,320	\$ 2,942,969	\$ 3,285,059	\$ 3,479,319
Education-Payment to Higher Education	786,862	823,489	936,404	910,385
Government Administration	1,518,198	1,529,506	1,712,841	1,680,106
Health Services	3,096,903	3,471,042	3,954,939	4,214,407
Legal and Judiciary	175,673	197,324	213,955	222,319
Museums	11,634	33,840	17,834	32,164
Natural Resources	201,039	242,466	271,734	249,235
Public Safety and Defense	674,507	728,331	829,663	926,959
Regulatory Services	83,421	116,516	110,218	95,653
Social Services	1,664,577	1,727,808	1,797,721	1,782,333
Transportation	580,027	654,147	482,831	791,993
Interest on Long-Term Debt	47,769	68,383	69,769	74,108
Governmental Activities	11,591,930	12,535,821	13,682,968	14,458,981
Business-Type Activities:				
Employment Security Commission	194,373	164,954	177,914	194,549
Water Resources Board	24,636	29,829	28,015	27,016
Office of Management and Enterprise Services	-	-	-	-
Lottery Commission	92	164,862	145,028	145,951
Business-Type Activities	219,101	359,645	350,957	367,516
Total Primary Government Expenses	11,811,031	12,895,466	14,033,925	14,826,497
Program Revenues				
Governmental Activities:				
Charges for Services:				
Government Administration	188,708	200,292	215,773	222,663
Health Services	205,753	219,040	166,816	140,691
Social Services	56,351	76,898	72,674	157,818
All Others	452,317	441,250	472,406	483,933
Total Charges for Services	903,129	937,480	927,669	1,005,105
Operating Grants and Contributions	4,641,036	4,928,318	5,370,772	5,528,650
Capital Grants and Contributions	1,304	-	-	-
Total Governmental Activities	5,545,469	5,865,798	6,298,441	6,533,755
Business-Type Activities:				
Charges for Services:				
Employment Security Commission	328,445	311,294	271,705	227,733
Water Resources Board	41,761	35,596	52,300	37,585
Office of Management and Enterprise Services	-	-	-	-
Lottery Commission	-	205,075	215,223	214,400
Total Charges for Services	370,206	551,965	539,228	479,718
Operating Grants and Contributions	25,434	24,432	34,457	33,862
Total Business-Type Activities	395,640	576,397	573,685	513,580
Total Primary Government Revenue	5,941,109	6,442,195	6,872,126	7,047,335
Net (Expense) Revenue:				
Governmental Activities	(6,046,461)	(6,670,023)	(7,384,527)	(7,925,226)
Business-Type Activities	176,539	216,752	222,728	146,064
Total Primary Government	(5,869,922)	(6,453,271)	(7,161,799)	(7,779,162)
General Revenues				
Governmental Activities:				
Taxes	6,652,722	7,712,816	7,974,727	8,181,246
Investment Earnings	46,981	114,884	192,733	247,191
Contributions to Permanent Funds	43,504	43,684	48,839	68,018
Gain (Loss) on Sale of Assets	-	5,386	1,989	-
Special Item	-	(91,869)	-	-
Transfers	363	40,325	69,972	68,323
Total Governmental Activities	6,743,570	7,825,226	8,288,260	8,564,778
Business-Type Activities:				
Transfers	(363)	(40,325)	(69,972)	(68,323)
Total Business-Type Activities	(363)	(40,325)	(69,972)	(68,323)
Total General Revenues and Transfers	6,743,207	7,784,901	8,218,288	8,496,455
Change in Net Position	873,285	1,331,630	1,056,489	717,293
Net Position - Beginning of Year (as restated)	10,154,377	11,020,858	12,313,473	13,347,383
Net Position - End of Year	\$ 11,027,662	\$ 12,352,488	\$ 13,369,962	\$ 14,064,676

	2009	2010	2011	2012	2013	2014
\$	3,548,104	\$ 3,573,881	\$ 3,506,316	\$ 2,413,027	\$ 2,405,694	\$ 3,322,341
	1,074,409	1,076,248	1,065,225	1,982,235	2,003,101	1,037,785
	1,718,794	1,611,256	1,663,883	1,763,437	1,866,501	1,830,570
	4,542,241	4,750,304	4,866,858	5,432,791	5,462,257	5,766,102
	230,706	256,867	241,360	236,979	245,372	261,344
	17,507	14,572	13,539	15,455	15,916	17,691
	265,197	249,020	257,998	223,444	353,243	264,233
	951,387	811,999	850,190	825,787	820,506	863,080
	130,033	119,044	127,211	116,789	129,206	131,756
	1,976,556	2,287,486	2,269,749	2,126,879	2,222,255	2,240,638
	902,151	842,394	934,272	845,784	941,132	1,043,522
	70,026	70,549	100,363	95,097	112,030	71,270
	<u>15,427,111</u>	<u>15,663,620</u>	<u>15,896,964</u>	<u>16,077,704</u>	<u>16,577,213</u>	<u>16,850,332</u>
	533,629	1,146,720	776,001	537,575	386,399	289,959
	25,527	26,739	40,769	39,979	39,398	35,286
	-	-	-	-	843,065	925,327
	<u>122,961</u>	<u>132,642</u>	<u>132,812</u>	<u>127,729</u>	<u>128,642</u>	<u>123,180</u>
	<u>682,117</u>	<u>1,306,101</u>	<u>949,582</u>	<u>705,283</u>	<u>1,397,504</u>	<u>1,373,752</u>
	<u>16,109,228</u>	<u>16,969,721</u>	<u>16,846,546</u>	<u>16,782,987</u>	<u>17,974,717</u>	<u>18,224,084</u>
	230,663	219,412	224,414	262,488	470,067	189,569
	126,087	167,567	174,185	476,950	472,502	557,041
	190,535	198,086	171,890	62,997	26,317	61,925
	569,538	707,820	570,744	564,370	697,964	627,565
	<u>1,116,823</u>	<u>1,292,885</u>	<u>1,141,233</u>	<u>1,366,805</u>	<u>1,666,850</u>	<u>1,436,100</u>
	6,141,165	7,804,862	7,982,737	7,181,699	6,939,234	7,326,805
	-	-	-	-	-	-
	<u>7,257,988</u>	<u>9,097,747</u>	<u>9,123,970</u>	<u>8,548,504</u>	<u>8,606,084</u>	<u>8,762,905</u>
	267,591	206,763	352,458	634,373	535,290	475,453
	53,973	26,979	76,225	59,461	54,877	55,315
	-	-	-	-	860,767	941,890
	<u>193,326</u>	<u>199,926</u>	<u>198,274</u>	<u>199,973</u>	<u>200,324</u>	<u>191,564</u>
	514,890	433,668	626,957	893,807	1,651,258	1,664,222
	134,029	596,350	421,483	260,936	138,918	37,901
	<u>648,919</u>	<u>1,030,018</u>	<u>1,048,440</u>	<u>1,154,743</u>	<u>1,790,176</u>	<u>1,702,123</u>
	<u>7,906,907</u>	<u>10,127,765</u>	<u>10,172,410</u>	<u>9,703,247</u>	<u>10,396,260</u>	<u>10,465,028</u>
	(8,169,123)	(6,565,873)	(6,772,994)	(7,529,200)	(7,971,129)	(8,087,427)
	<u>(33,198)</u>	<u>(276,083)</u>	<u>98,858</u>	<u>449,460</u>	<u>392,672</u>	<u>328,370</u>
	<u>(8,202,321)</u>	<u>(6,841,956)</u>	<u>(6,674,136)</u>	<u>(7,079,740)</u>	<u>(7,578,457)</u>	<u>(7,759,057)</u>
	7,865,257	6,517,387	7,533,430	8,416,465	8,370,489	8,646,148
	141,264	45,116	117,128	80,488	68,601	59,298
	73,548	62,325	61,738	64,861	87,515	60,516
	1,316	3,816	-	-	-	-
	-	-	-	7,384	615	-
	69,826	70,315	69,574	65,880	77,745	81,020
	<u>8,151,211</u>	<u>6,698,959</u>	<u>7,781,870</u>	<u>8,635,078</u>	<u>8,604,965</u>	<u>8,846,982</u>
	(69,826)	(70,315)	(69,574)	(65,880)	(77,745)	(81,020)
	<u>(69,826)</u>	<u>(70,315)</u>	<u>(69,574)</u>	<u>(65,880)</u>	<u>(77,745)</u>	<u>(81,020)</u>
	<u>8,081,385</u>	<u>6,628,644</u>	<u>7,712,296</u>	<u>8,569,198</u>	<u>8,527,220</u>	<u>8,765,963</u>
	(120,936)	(213,312)	1,038,160	1,489,458	948,763	1,006,906
	13,915,217	13,800,809	13,570,795	14,740,198	16,504,510	17,435,139
\$	<u>13,794,281</u>	<u>\$ 13,587,497</u>	<u>\$ 14,608,955</u>	<u>\$ 16,229,656</u>	<u>\$ 17,453,273</u>	<u>\$ 18,442,045</u>

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

	2005	2006	2007	2008
Revenues				
Taxes:				
Income Taxes-Individual	\$ 2,410,234	\$ 2,693,548	\$ 2,654,294	\$ 2,753,040
Income Taxes-Corporate	277,265	426,725	772,668	552,193
Sales Tax	1,682,636	1,843,803	1,968,931	2,107,116
Gross Production Taxes	737,204	1,036,888	822,888	1,114,950
Motor Vehicle Taxes	574,800	584,294	609,669	604,926
Fuel Taxes	407,276	414,677	401,992	419,617
Tobacco Taxes	124,347	216,512	220,556	237,166
Insurance Taxes	81,852	76,874	104,403	100,778
Beverage Taxes	71,300	75,517	79,996	86,648
Other Taxes	285,808	343,978	339,330	204,812
Licenses, Permits and Fees	285,323	296,521	289,717	323,903
Interest and Investment Revenue	294,796	382,545	637,729	399,006
Federal Grants	4,493,290	4,770,328	5,006,861	5,503,532
Sales and Services	169,374	183,369	185,278	173,117
Other	388,193	434,451	366,988	475,020
Total Revenues	12,283,698	13,780,030	14,461,300	15,055,824
Expenditures				
Education	3,534,042	3,762,683	4,218,333	4,387,428
Government Administration	1,478,107	1,607,212	1,604,462	1,694,758
Health Services	3,144,918	3,447,085	3,936,893	4,200,188
Legal and Judiciary	170,337	190,644	207,229	215,942
Museums	11,171	30,316	17,045	31,586
Natural Resources	191,514	231,616	238,075	263,551
Public Safety and Defense	628,901	674,494	773,813	876,660
Regulatory Services	81,333	114,871	108,231	93,438
Social Services	1,589,397	1,697,057	1,758,475	1,755,810
Transportation	146,013	224,885	173,532	286,540
Capital Outlay	673,562	768,003	918,055	1,010,262
Debt Service				
Principal Retirement	31,550	98,512	103,606	126,103
Interest and fiscal Charges	47,769	68,383	69,769	74,108
Total Expenditures	11,728,614	12,915,761	14,127,518	15,016,374
Revenues in Excess of (Less Than) Expenditures	555,084	864,269	333,782	39,450
Other Financing Sources (Uses)				
Transfers In	4,439	50,405	80,606	76,576
Transfers Out	(4,076)	(10,080)	(10,634)	(8,253)
Bonds Issued	47,940	614,400	6,430	23,000
Notes Issued	-	48,875	95,675	-
Refunding Bonds Issued	118,825	-	-	-
Bond Issue Premiums	8,497	14,562	4,573	-
Bond Issue Discounts	(421)	(975)	(82)	-
Payment to Refunded Bond Escrow Agent	(126,670)	-	-	-
Capital Leases and Certificates of Participation	311	248	2,501	2,873
Sale of Capital Assets	11,764	13,191	7,613	7,860
Total Other Financing Sources (Uses)	60,609	730,626	186,682	102,056
Net Changes in Fund Balances	615,693	1,594,895	520,464	141,506
Fund Balances - Beginning of Year (as restated)	3,497,932	4,113,814	5,684,898	6,174,576
Fund Balances - End of Year	\$ 4,113,625	\$ 5,708,709	\$ 6,205,362	\$ 6,316,082
Debt Service as a Percentage of Noncapital Expenditures	0.7%	1.4%	1.3%	1.4%

2009	2010	2011	2012	2013	2014
\$ 2,537,221	\$ 1,969,264	\$ 2,393,660	\$ 2,739,864	\$ 2,855,509	\$ 2,855,601
449,910	171,555	328,007	413,113	595,249	408,665
2,190,082	1,981,220	2,191,643	2,400,354	2,523,098	2,598,873
1,136,279	702,949	786,827	885,038	513,350	657,476
585,084	551,029	633,107	693,524	686,540	778,694
397,852	384,383	399,011	416,940	408,507	419,084
254,006	234,540	267,948	281,754	272,123	250,228
105,076	87,805	113,948	124,651	145,437	167,444
90,071	83,673	94,352	99,567	105,316	108,830
119,946	350,969	324,927	361,660	265,359	401,253
357,226	356,321	403,355	597,471	627,229	671,822
89,296	476,597	699,254	336,295	509,424	692,697
6,227,575	7,456,421	7,499,163	6,934,571	6,647,031	6,746,151
201,307	184,977	166,595	190,782	174,524	200,087
570,192	780,630	521,796	614,344	865,018	508,810
<u>15,311,123</u>	<u>15,772,333</u>	<u>16,823,593</u>	<u>17,089,928</u>	<u>17,193,714</u>	<u>17,465,715</u>
4,619,951	4,648,786	4,572,304	4,395,104	4,406,724	4,359,511
1,631,219	1,560,521	1,634,351	1,741,287	1,857,921	2,204,090
4,525,993	4,737,363	4,851,630	5,436,158	5,447,207	5,745,842
225,225	248,996	232,245	231,292	239,421	250,376
16,903	14,993	13,801	14,281	14,915	14,532
271,487	279,830	250,174	211,946	337,867	246,556
915,880	755,376	798,995	764,714	768,059	798,173
127,803	117,821	115,076	111,911	122,354	128,460
1,933,117	2,259,473	2,252,188	2,091,972	2,196,864	2,214,898
199,517	177,683	182,708	208,009	212,248	225,768
1,438,064	1,626,181	1,551,017	1,302,447	1,104,103	894,684
95,155	111,816	118,163	98,831	221,187	361,488
70,026	70,549	72,074	95,097	112,030	71,269
<u>16,070,340</u>	<u>16,609,388</u>	<u>16,644,726</u>	<u>16,703,049</u>	<u>17,040,900</u>	<u>17,515,647</u>
(759,217)	(837,055)	178,867	386,879	152,814	(49,932)
77,371	84,362	71,919	73,168	67,955	81,020
(7,545)	(14,047)	(2,345)	(7,287)	-	-
105,400	148,080	559,045	68,805	22,795	235,505
98,230	-	-	-	-	-
-	-	-	6,140	67,555	-
2,478	2,671	38,627	11,282	8,099	25,679
(730)	-	-	(35)	(121)	-
-	-	(246,044)	-	-	-
3,655	8,116	2,640	5,659	5,256	322
5,832	10,142	7,601	8,139	11,928	10,798
<u>284,691</u>	<u>239,324</u>	<u>431,443</u>	<u>165,871</u>	<u>183,467</u>	<u>353,324</u>
(474,526)	(597,731)	610,310	552,750	336,281	303,392
6,315,187	5,840,650	5,241,938	5,849,593	6,411,045	6,747,327
<u>\$ 5,840,661</u>	<u>\$ 5,242,919</u>	<u>\$ 5,852,248</u>	<u>\$ 6,402,343</u>	<u>\$ 6,747,326</u>	<u>\$ 7,050,719</u>
1.1%	1.2%	1.3%	1.3%	2.1%	2.6%

State of Oklahoma
 Personal Income by Industry
 Last Ten Years
 (expressed in millions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Personal Income	\$ 98,095	\$ 106,111	\$ 115,960	\$ 126,280	\$ 131,070	\$ 132,144	\$ 133,149	\$ 142,862	\$ 154,958	\$ 161,188
Farm Earnings	917	870	401	486	828	110	955	881	1,253	1,128
Nonfarm Earnings	72,218	78,528	85,495	91,723	93,894	93,158	92,177	101,345	108,094	113,571
Private Earnings	56,529	61,924	67,681	72,903	73,787	71,887	70,174	79,024	87,058	92,367
Agriculture Services, Forestry	177	189	186	203	203	199	193	273	244	268
Mining, Oil & Natural Gas Extraction	4,549	6,389	8,265	8,634	7,963	8,528	5,813	9,467	14,809	14,736
Utilities	1,444	1,274	1,385	1,721	1,309	1,473	1,407	1,468	1,537	1,573
Construction	3,533	3,806	4,112	4,154	4,722	4,383	4,861	5,390	6,381	7,296
Manufacturing - Durable	5,164	5,270	5,759	6,020	6,266	5,389	5,717	5,907	6,486	6,725
Manufacturing - Nondurable	5,293	6,907	7,185	8,533	5,734	5,476	3,240	3,675	3,500	3,839
Wholesale Trade	2,938	3,209	3,548	3,745	4,060	3,727	3,667	4,026	4,298	4,559
Retail Trade	5,096	5,311	5,578	5,746	6,255	5,810	6,414	6,749	7,080	7,329
Transportation and Warehousing	2,776	2,865	3,260	3,484	3,732	3,698	3,931	5,063	4,316	5,739
Services	25,559	26,704	28,403	30,663	33,543	33,204	34,931	37,006	38,407	40,303
Government	15,689	16,604	17,814	18,820	20,107	21,271	22,003	22,321	21,036	21,204
Federal, civilian	3,696	3,816	4,001	4,170	4,193	4,467	4,797	4,884	4,409	4,277
Military	2,265	2,393	2,621	2,691	2,825	3,024	3,261	3,240	2,438	2,355
State and Local	9,728	10,395	11,192	11,959	13,089	13,780	13,945	14,197	14,189	14,572
Highest Personal Income Tax Rate	7.00%	6.65%	5.65%	5.65%	5.50%	5.50%	5.50%	5.50%	5.25%	5.25%
Corporate Income Tax Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

State of Oklahoma
 Personal Income Tax Filers and Liability by Adjusted Gross Income
 Calendar (Tax) Years 2012 and 2003

Calendar Year 2012

<u>Adjusted Gross Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$100,001 and higher	217,231	13%	\$1,435,571,831	54%
\$75,001 - \$100,000	127,768	8%	\$356,431,568	14%
\$50,001 - \$75,000	215,166	13%	\$397,421,950	15%
\$25,001 - \$50,000	411,938	23%	\$353,781,496	13%
\$10,001 - \$25,000	407,085	24%	\$70,130,649	3%
\$10,000 and lower	<u>314,001</u>	<u>19%</u>	<u>\$735,402</u>	<u>1%</u>
Total	<u>1,693,189</u>	100%	<u>\$2,614,072,896</u>	100%

Calendar Year 2003

<u>Adjusted Gross Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$100,001 and higher	87,323	6%	\$707,422,261	35%
\$75,001 - \$100,000	79,448	6%	\$291,884,743	14%
\$50,001 - \$75,000	170,096	12%	\$429,967,864	21%
\$25,001 - \$50,000	345,644	25%	\$445,211,634	22%
\$10,001 - \$25,000	392,266	28%	\$144,278,549	7%
\$10,000 and lower	<u>320,965</u>	<u>23%</u>	<u>\$10,073,059</u>	<u>1%</u>
Total	<u>1,395,742</u>	100%	<u>\$2,028,838,110</u>	100%

Source: Oklahoma Tax Commission

State of Oklahoma Tax Collections For Last Ten Years

Taxes	2005	2006	2007	2008
Aircraft Excise Tax	\$ 3,839,124	\$ 2,781,702	\$ 4,894,881	\$ 4,756,533
Alcoholic Beverage Excise Tax	26,311,626	18,368,824	19,298,490	20,898,973
Beverage Tax	23,735,552	24,253,880	24,876,901	25,337,878
Bingo Tax	4,051,661	1,640,473	1,088,643	491,681
Business Activity Tax	-	-	-	-
Charity Games Tax	308,613	136,253	107,404	71,363
Cigarette Tax	95,450,565	176,915,506	197,416,262	202,745,622
City Use Tax - Collect/Deposit	660,926	790,748	897,305	1,069,561
Coin Operated Device Decal	4,159,453	2,811,672	3,560,571	3,512,188
Controlled Dangerous Substance Tax	6,653	23,564	19,295	17,766
County Tax (Use & Lodging)	125,697	150,697	192,820	213,985
Diesel Fuel Excise Tax	102,260,840	72,494,201	60,427,734	69,806,535
Documentary Stamp Tax	14,000,568	16,768,900	17,153,783	16,584,410
Farm Implement Tax Stamps	7,010	5,870	6,305	8,324
Franchise Tax	40,671,476	41,476,258	43,068,528	46,103,569
Freight Car Tax	765,646	755,298	782,258	676,250
Fuels Excise Tax	-	-	-	-
Gaming Exclusivity Fees	1,653,098	14,191,695	43,618,582	79,779,165
Gasoline Excise Tax	301,720,983	219,279,433	207,928,969	207,968,692
Gross Production Tax - Oil and Gas	751,196,057	880,226,067	787,621,631	950,392,198
Horse Track Gaming	-	3,145,867	10,019,698	10,429,536
Income Tax (Individual)	2,469,593,556	2,761,624,929	2,774,850,747	2,778,617,535
Income Tax (Corporate)	168,889,848	304,381,318	554,759,229	359,823,533
Inheritance and Estate Tax	75,708,394	81,923,012	69,312,845	52,416,680
Insurance Premium Tax	139,575,679	129,587,854	159,816,876	161,504,757
Mixed Beverage Gross Receipts Tax	20,950,603	23,378,598	25,754,035	29,749,193
Occupational Health and Safety Tax	1,791,197	1,919,509	2,263,308	2,311,554
Pari-Mutuel Taxes	1,827,015	1,638,435	1,834,816	1,811,980
Pari-Mutuel - Other Tax	13,836	14,948	18,645	33,155
Petroleum Excise Tax	11,310,702	15,540,837	13,214,922	15,861,718
Rural Electric Co-operative Tax	17,306,353	1,249,543	1,448,501	1,488,051
Sales Tax	1,546,643,407	1,677,854,488	1,790,192,096	1,913,387,580
Sales Tax - City	10,327,761	12,798,204	13,735,769	12,425,284
Sales Tax - County	1,865,652	2,208,807	2,853,056	2,583,542
Special Fuel Decal	268,856	221,878	719,261	320,595
Special Fuel Use Tax	18,719	990,474	1,461,588	1,423,614
Tag Agent Remittance Tax	553,892,770	261,355,513	277,606,225	307,223,643
Telephone Surcharge	978,355	953,770	925,799	917,690
Tobacco Products Tax	17,199,744	23,970,831	23,700,748	24,311,479
Tourism Gross Receipt Tax	4,801,137	5,175,280	5,532,552	1,163,187
Tribal Compact in Lieu of Tax Payments	15,099,194	20,383,536	22,734,204	28,031,272
Unclaimed Property Assessment	52,245,461	10,829,856	11,849,607	11,756,295
Unclassified Tax Receipts	41,819	62,370	135,530	278,502
Use Tax	114,197,882	133,775,850	155,857,219	167,314,341
Vehicle Revenue Tax Stamps	43,908	45,452	46,074	46,769
Workers' Compensation Awards - Assessments	26,242,427	31,319,198	31,355,388	22,427,205
Workers' Compensation Insurance Premium Tax	6,617,592	7,259,704	7,652,100	7,622,856
Other Taxes	20,791,539	18,902,571	17,453,681	19,685,781
Total	\$ 6,649,168,954	\$ 7,005,583,673	\$ 7,390,064,881	\$ 7,565,402,020

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

2009	2010	2011	2012	2013	2014
\$ 4,172,388	\$ 4,234,993	\$ 4,358,022	\$ 5,884,147	\$ 4,910,204	\$ 4,074,978
21,886,066	21,905,099	22,777,383	23,614,156	25,553,610	26,372,098
26,359,749	25,303,290	24,934,826	24,979,667	24,653,353	23,896,702
222,436	140,859	136,038	132,086	127,801	105,890
-	-	4,869,667	50,733,207	45,051,074	33,395,208
51,222	54,607	20,623	28,177	42,535	34,835
204,236,542	196,519,460	215,941,799	227,840,813	210,231,001	195,926,775
958,607	1,002,399	1,000,347	1,259,015	1,229,331	1,313,014
3,956,591	3,111,604	2,197,531	4,044,697	4,191,200	3,602,660
33,260	20,674	30,586	34,874	57,556	72,283
219,223	194,713	237,749	280,394	314,817	357,102
72,681,342	71,963,557	69,230,643	77,027,777	73,785,574	80,309,870
13,307,236	11,090,994	10,981,645	11,991,469	15,282,903	15,763,766
8,287	6,397	8,033	8,328	10,818	11,611
46,908,656	46,714,746	32,647,715	758,202	540,824	1,126,420
707,694	530,685	619,364	665,287	717,516	837,888
-	-	49,665	-	-	-
104,803,681	118,624,111	123,560,707	124,300,610	129,286,255	123,376,190
206,287,240	208,545,441	197,712,177	206,179,731	203,403,445	202,091,479
976,062,637	579,700,531	631,755,429	724,903,048	373,494,633	477,781,300
13,727,728	13,710,940	16,915,904	18,612,058	20,483,704	20,615,037
2,605,269,216	2,230,787,128	2,385,413,131	2,723,887,073	2,844,880,206	2,835,207,273
376,971,517	212,866,850	330,905,421	412,808,773	594,181,209	408,109,649
43,803,931	23,433,845	5,661,243	1,814,854	135,523	873,332
165,916,913	141,255,690	170,627,316	199,620,667	213,675,180	223,090,507
31,554,602	32,494,306	35,344,321	39,241,847	43,357,002	46,127,916
2,521,511	2,757,188	2,672,792	3,027,902	2,681,651	2,597,953
1,647,939	1,265,853	1,117,663	1,272,843	1,287,912	1,168,333
18,178	28,721	11,155	7,633	9,352	6,961
16,010,447	11,045,779	13,077,225	14,309,381	12,450,983	16,135,417
1,602,814	1,521,744	1,642,867	1,770,676	1,842,173	2,055,243
1,989,494,833	1,806,049,515	1,982,182,368	2,165,311,137	2,275,444,163	2,335,326,717
13,720,926	13,113,139	12,948,170	14,906,819	15,541,756	14,952,187
2,851,342	2,715,907	2,853,587	3,304,647	3,374,051	3,328,337
315,226	355,578	503,848	396,838	460,204	450,950
1,438,287	1,498,427	1,522,816	1,539,054	1,421,676	1,485,281
261,581,867	247,546,872	307,579,624	348,562,103	330,838,092	388,643,946
885,980	837,385	796,832	722,113	719,897	634,760
26,073,091	27,045,416	30,947,514	34,415,644	37,643,515	40,243,152
2,946	-	-	-	-	-
43,708,777	47,165,891	40,180,597	41,910,495	43,741,973	31,908,905
11,444,647	11,418,562	9,424,634	12,083,796	10,575,619	10,235,907
510,559	274,693	188,102	366,977	49,413	43
191,222,671	152,323,434	176,061,390	206,228,223	221,082,285	237,162,483
39,793	37,247	40,797	43,650	51,598	47,408
23,056,945	23,440,505	25,534,690	22,723,364	34,801,759	55,465,606
7,567,468	7,452,455	8,802,817	8,693,887	9,949,807	10,210,365
19,825,879	19,113,157	21,172,515	23,170,322	28,001,415	32,368,659
<u>\$ 7,535,648,889</u>	<u>\$ 6,321,220,387</u>	<u>\$ 6,927,199,288</u>	<u>\$ 7,785,418,461</u>	<u>\$ 7,861,566,568</u>	<u>\$ 7,908,902,396</u>

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Service										
Principal Retirement	\$ 31,550	\$ 98,512	\$ 103,606	\$ 126,103	\$ 95,155	\$ 111,816	\$ 118,163	\$ 98,831	\$ 221,187	\$ 361,488
Interest and Fiscal Charges	47,769	68,383	69,769	74,108	70,026	70,549	72,074	95,097	112,030	71,269
Total Debt Service	79,319	166,895	173,375	200,211	165,181	182,365	190,237	193,928	333,217	432,757
Total Expenditures	\$ 11,728,614	\$ 12,915,761	\$ 14,127,518	\$ 15,016,374	\$ 16,070,340	\$ 16,609,388	\$ 16,644,726	\$ 16,703,049	\$ 17,040,900	\$ 17,515,648
Ratio	0.676%	1.292%	1.227%	1.333%	1.028%	1.098%	1.143%	1.161%	1.955%	2.471%

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities Debt:										
General Obligation Bonds	\$ 261,210	\$ 247,500	\$ 233,510	\$ 218,955	\$ 203,755	\$ 188,030	\$ 175,645	\$ 175,645	\$ 136,585	\$ 131,955
General Obligation Bonds as a Percentage of General Revenue ^a	3.87%	3.16%	2.82%	2.56%	2.50%	2.81%	2.26%	2.03%	1.59%	1.49%
Per Capita (actual-not in thousands) ^b	\$ 74	\$ 69	\$ 65	\$ 60	\$ 55	\$ 50	\$ 46	\$ 46	\$ 36	\$ 34
Revenue bonds	668,091	1,208,646	1,137,350	1,061,570	1,099,625	1,173,025	1,428,820	1,424,555	1,353,449	1,255,988
Notes Payable	97,869	136,966	221,898	211,570	299,266	246,623	229,929	212,592	194,560	173,985
Certificates of Participation	57	-	-	-	-	-	-	-	-	-
Capital Leases	4,161	3,287	4,641	5,082	6,650	12,553	12,719	8,710	10,712	8,271
Total Governmental Activities	<u>1,031,388</u>	<u>1,596,399</u>	<u>1,597,399</u>	<u>1,497,177</u>	<u>1,609,296</u>	<u>1,620,231</u>	<u>1,847,113</u>	<u>1,821,502</u>	<u>1,695,306</u>	<u>1,570,199</u>
Business-Type Activities Debt:										
Revenue Bonds	\$ 701,364	\$ 653,070	\$ 580,049	\$ 544,900	\$ 502,901	\$ 599,984	\$ 759,493	\$ 832,597	\$ 931,413	\$ 801,159
Total Primary Government	<u>1,732,752</u>	<u>2,249,469</u>	<u>2,177,448</u>	<u>2,042,077</u>	<u>2,112,197</u>	<u>2,220,215</u>	<u>2,606,606</u>	<u>2,654,099</u>	<u>2,626,719</u>	<u>2,371,358</u>
Total Primary Government Debt as a Percentage of Personal Income ^c	1.62%	1.92%	1.72%	1.60%	1.60%	1.66%	1.92%	1.84%	1.68%	1.46%
Per Capita (actual-not in thousands) ^b	\$ 488	\$ 629	\$ 602	\$ 559	\$ 575	\$ 595	\$ 679	\$ 694	\$ 684	\$ 618

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

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

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

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

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
COMPONENT UNITS:						
Oklahoma Student Loan Authority (June 30 year end)	2014	\$ 14,229	\$ 9,720	\$ 4,509	\$ 5,251	0.86
	2013	19,195	9,319	9,876	7,002	1.41
	2012	16,201	2,134	14,067	6,823	2.06
	2011	19,831	(296)	20,127	7,734	2.60
	2010	19,858	(1,993)	21,851	42,601	0.51
	2009	39,625	867	38,758	94,891	0.41
	2008	60,391	958	59,433	95,588	0.62
	2007	65,329	887	64,442	41,813	1.54
	2006	50,446	1,431	49,015	56,296	0.87
	2005	33,029	3,979	29,050	30,846	0.94
Oklahoma Housing Finance Agency (September 30 year end)	2013	\$ 18,003	\$ 19,773	\$ (1,770)	\$ 115,088	-0.02
	2012	47,532	14,855	32,678	88,459	0.37
	2011	63,923	14,131	49,792	69,559	0.72
	2010	64,490	15,346	49,144	44,125	1.11
	2009	83,223	14,233	68,990	104,808	0.66
	2008	67,511	13,402	54,109	72,439	0.75
	2007	54,416	12,831	41,585	54,104	0.77
	2006	36,019	12,278	23,741	50,091	0.47
	2005	33,503	11,525	21,978	76,490	0.29
	2004	39,740	11,870	27,870	117,072	0.24
Oklahoma Turnpike Authority (December 31 year end)	2013	\$ 242,226	\$ 81,593	\$ 160,633	\$ 91,893	1.75
	2012	241,379	86,706	154,674	101,570	1.52
	2011	235,369	87,918	147,451	99,141	1.49
	2010	237,047	72,396	164,651	100,389	1.64
	2009	217,158	70,915	146,243	99,555	1.47
	2008	273,732	75,320	198,412	94,143	2.11
	2007	212,380	70,197	142,183	89,604	1.59
	2006	208,835	64,819	144,016	82,546	1.74
	2005	203,372	59,883	143,489	91,624	1.57
	2004	195,710	53,340	142,370	91,799	1.55
Grand River Dam Authority (December 31 year end)	2013	\$ 432,799	\$ 251,386	\$ 181,413	\$ 134,919	1.34
	2012	423,614	272,188	151,425	135,799	1.12
	2011	418,551	254,480	164,071	136,623	1.20
	2010	398,415	196,671	201,744	142,448	1.42
	2009	340,341	214,758	125,583	124,702	1.01
	2008	346,067	156,179	189,888	68,780	2.76
	2007	314,287	127,530	186,757	99,214	1.88
	2006	300,888	181,698	119,190	100,131	1.19
	2005	289,868	164,443	125,425	100,986	1.24
	2004	235,641	121,399	114,242	101,869	1.12
Oklahoma Municipal Power Authority (December 31 year end)	2013	\$ 179,321	\$ 135,198	\$ 44,123	\$ 39,685	1.11
	2012	175,506	124,308	51,198	43,857	1.17
	2011	175,983	126,187	49,796	44,848	1.11
	2010	163,991	117,610	46,381	40,299	1.15
	2009	153,534	113,568	39,966	35,494	1.13
	2008	158,006	122,828	35,178	36,346	0.97
	2007	153,391	119,268	34,123	32,730	1.04
	2006	167,944	132,472	35,472	30,265	1.17
	2005	170,128	133,730	36,398	32,779	1.11
	2004	139,703	102,548	37,155	31,813	1.17

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
Higher Education	2014	\$ 5,015,949	\$ 4,107,758	\$ 908,191	\$ 274,979	3.30
(June 30 year end)	2013	5,953,195	3,944,790	2,008,405	147,220	13.64
	2012	5,389,947	3,932,409	1,457,538	148,780	9.80
	2011	4,722,834	3,562,033	1,160,801	207,268	5.60
	2010	4,177,035	3,670,063	506,972	303,612	1.67
	2009	3,831,790	3,636,123	195,667	95,303	2.05
	2008	4,109,380	3,365,616	743,764	69,859	10.65
	2007	3,950,840	3,201,403	749,437	194,053	3.86
	2006	3,726,961	3,004,968	721,993	117,155	6.16
	2005	3,193,703	2,697,338	496,365	60,609	8.19
ENTERPRISE FUND:						
Oklahoma Water Resources Board	2014	\$ 20,600	\$ 1,287	\$ 19,313	\$ 50,395	0.38
(June 30 year end)	2013	20,128	1,427	18,701	56,376	0.33
	2012	17,580	1,036	16,544	40,532	0.41
	2011	14,705	1,529	13,176	34,638	0.38
	2010	12,885	1,126	11,759	34,162	0.34
	2009	12,069	807	11,262	40,149	0.28
	2008	13,523	823	12,700	36,575	0.35
	2007	14,992	781	14,211	140,922	0.10
	2006	14,815	1,813	13,002	59,607	0.22
	1999	11,932	1,000	10,932	28,188	0.39

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

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

- Revenue bond coverage is not intended to portray compliance with bond indenture agreements.

- Debt service requirements do not include one time debt service payments from refunding bonds.

State of Oklahoma
Major Employers by Size
Non-Government
For years 2004 and 2013

Non-Governmental Major Employers 2004	Non-Governmental Major Employers 2013	Employment 2013	Percentage of Total State Employment 2013
AMR Corp.	Wal-Mart Stores, Inc.	31,500	1.83%
Hillcrest Healthcare System	Integris Health, Inc.	8,500	0.49%
Integris Health	Saint Francis Hospital, Inc.	6,000	0.35%
Sonic Industries, Inc.	Saint John Medical Center, Inc.	6,000	0.35%
Wal-Mart Stores, Inc.	American Airlines, Inc.	5,500	0.32%
Conoco Phillips	W. H. Braum, Inc.	5,500	0.32%
General Motors Corporation	Hobby Lobby Stores	5,500	0.32%
HCA Healthcare	Chesapeake Energy Corporation	4,500	0.26%
Hertz Corporation	Express Employment Professionals	4,500	0.26%
Saint Francis Hospital	Lowe's Home Centers, Inc.	4,500	0.26%

Source: Oklahoma Department of Commerce

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

State of Oklahoma
 Demographic and Economic Statistics
 Last Ten Fiscal Years

Year	Population ^a (in thousands)				Personal Income ^a	Per Capita Personal Income ^a			Civilian Labor Force ^b		
	U. S.	Change from Prior Period	State of Oklahoma	Change from Prior Period	(in millions) State of Oklahoma	U. S.	State of Oklahoma	Oklahoma as a Percentage of U.S.	Employed	Unemployed	Unemployment Rate
2004	292,892	0.92%	3,512	0.46%	101,179	33,899	28,810	84.99%	1,608,525	87,991	5.2%
2005	295,561	0.91%	3,530	0.51%	107,641	35,447	30,492	86.02%	1,626,191	78,410	4.6%
2006	298,363	0.95%	3,568	1.08%	118,747	37,728	33,280	88.21%	1,647,755	69,844	4.1%
2007	301,290	0.98%	3,608	1.12%	123,889	39,430	34,336	87.08%	1,657,767	76,688	4.4%
2008	304,060	0.92%	3,642	0.94%	131,070	40,208	35,985	89.50%	1,682,000	71,000	4.1%
2009	307,007	0.97%	3,687	1.24%	132,144	39,626	35,840	90.45%	1,660,000	114,000	6.4%
2010	309,350	0.76%	3,762	2.03%	133,149	39,945	35,396	88.61%	1,631,000	124,000	7.1%
2011	311,592	0.72%	3,792	0.80%	142,862	41,560	37,679	90.66%	1,662,000	109,000	6.2%
2012	313,914	0.75%	3,815	0.61%	154,958	43,735	40,620	92.88%	1,709,000	94,000	5.2%
2013	316,129	0.71%	3,851	0.94%	161,188	44,765	41,861	93.51%	1,718,000	99,000	5.4%

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

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

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

State of Oklahoma

School Enrollments

For the Years 2004 through 2013

<u>Public School Enrollments:</u>	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Early childhood	26,297	29,685	33,418	34,378	35,270	37,726	39,784	40,688	37,929	40,121
Kindergarten	42,603	44,193	48,667	49,362	49,306	50,497	51,037	52,114	52,339	54,649
Elementary School	231,626	230,323	255,144	236,130	239,446	242,668	246,305	248,398	252,235	266,499
Junior High School	113,080	112,771	117,026	137,251	136,059	135,889	138,626	140,964	130,505	141,539
Senior High School	148,816	149,585	157,248	178,292	178,400	176,679	177,366	175,949	173,193	154,144
No-High School Districts (Grades 1-8)	16,669	16,421	19,435	20,743	22,603	24,090	23,938	23,596	23,549	17,215
Special Education (Ungraded)	3,161	2,499	3,802	3,978	3,584	1,649	1,684	1,798	1,535	1,542
Out-of-Home Placements	1,674	1,687	1,777	1,854	1,635	1,806	1,720	1,915	1,905	1,616
Total [^]	<u>583,926</u>	<u>587,164</u>	<u>636,516</u>	<u>661,988</u>	<u>666,303</u>	<u>671,004</u>	<u>680,460</u>	<u>685,422</u>	<u>673,190</u>	<u>677,325</u>
<u>Higher Education:</u>										
Public Institutions	230,090	237,455	235,730	233,371	235,388	250,673	255,503	256,213	251,096	236,865
Private Institutions	27,125	24,661	24,060	24,070	25,278	21,945	25,856	26,830	27,708	26,175
Total	<u>257,215</u>	<u>262,116</u>	<u>259,790</u>	<u>257,441</u>	<u>260,666</u>	<u>272,618</u>	<u>281,359</u>	<u>283,043</u>	<u>278,804</u>	<u>263,040</u>
<u>Career-Technology Education:</u>										
Secondary *	151,833	151,703	154,857	160,310	156,755	154,492	148,831	148,831	151,720	149,501
Adult	357,619	375,790	404,260	407,597	378,772	345,016	354,949	354,949	376,783	372,687
Total	<u>509,452</u>	<u>527,493</u>	<u>559,117</u>	<u>567,907</u>	<u>535,527</u>	<u>499,508</u>	<u>503,780</u>	<u>503,780</u>	<u>528,503</u>	<u>522,188</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.

State of Oklahoma
 Government Employees by Function
 Fiscal Years 2004 through 2013
 (excluding Higher Education)

	2004	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^a	2010 ^a	2011 ^a	2012 ^a	2013 ^a
Function:										
Education	1,079	1,026	1,002	993	1,052	1,043	963	864	832	836
Government Administration	2,443	1,993	2,105	2,023	2,312	2,297	2,324	2,036	2,275	2,828
Health Services	4,195	3,998	4,709	4,719	4,977	4,920	4,550	4,403	4,254	4,337
Legal and Judiciary	582	341	444	745	2,345	2,335	2,316	2,216	2,276	2,275
Museums	187	158	164	164	176	168	158	151	149	151
Natural Resources	3,382	2,704	2,010	1,973	2,570	2,547	2,418	2,356	2,292	2,266
Public Safety and Defense	7,212	6,911	8,835	8,524	7,287	7,224	6,857	6,428	6,311	6,320
Regulatory Services	1,417	1,244	1,839	1,625	1,376	1,368	1,328	1,291	1,280	1,289
Social Services	13,043	12,197	11,810	11,303	12,191	12,635	12,027	11,674	11,033	10,960
Transportation	3,001	2,945	3,027	2,984	2,971	3,109	3,019	2,960	2,893	2,865
Total	36,541	33,517	35,945	35,053	37,257	37,646	35,960	34,379	33,595	34,127

Source: The Human Capital Management (HCM) division of the Office of Management and Enterprise Services (OMES).

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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Education	\$ 19,213	\$ 19,079	\$ 18,592	\$ 18,130	\$ 23,888	\$ 24,064	\$ 28,402	\$ 29,906	\$ 29,628	\$ 33,274
General Government	150,583	161,620	161,339	173,422	173,235	220,891	235,887	289,578	291,033	289,411
Health Services	32,003	30,632	28,161	28,784	142,580	149,604	146,835	162,355	157,101	151,996
Legal and Judiciary	20	139	300	302	125	387	310	349	1,066	824
Museums	6,760	6,607	6,454	6,576	6,594	11,156	12,662	12,505	13,169	13,920
Natural Resources	98,016	99,250	103,066	122,618	140,616	160,253	180,892	193,947	200,208	218,155
Public Safety and Defense	278,764	297,093	306,970	320,743	372,077	460,894	502,434	524,859	529,224	522,170
Regulatory Services	552	637	697	682	1,597	1,532	1,173	904	859	726
Social Services	192,402	198,744	203,034	209,140	97,722	122,358	118,942	115,417	104,439	86,288
Transportation	6,268,343	6,444,886	6,828,923	7,179,503	7,513,128	8,139,553	8,730,234	9,159,061	9,433,515	9,692,860
Governmental activities, net	<u>\$ 7,046,656</u>	<u>\$ 7,258,687</u>	<u>\$ 7,657,536</u>	<u>\$ 8,059,900</u>	<u>\$ 8,471,562</u>	<u>\$ 9,290,692</u>	<u>\$ 9,957,771</u>	<u>\$ 10,488,881</u>	<u>\$ 10,760,242</u>	<u>\$ 11,009,624</u>
Business-type activities, net	<u>\$ 175</u>	<u>\$ 608</u>	<u>\$ 1,028</u>	<u>\$ 771</u>	<u>\$ 527</u>	<u>\$ 330</u>	<u>\$ 202</u>	<u>\$ 126</u>	<u>\$ 1,037</u>	<u>\$ 1,415</u>

State of Oklahoma

Operating Indicators for Governmental Functions

Fiscal Years 2007 – 2014

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Government Administration								
Department of Central Services								
Number of motor vehicles maintained	1,019	1,019	964	1,267	1,203	1,217	1,168	1,104
Number of buildings managed by DCS	17	17	17	18	18	19	20	20
Health Services								
Department of Health								
Protective services:								
Retail food establishment inspections	24,704	33,648	33,648	24,369	23,368	45,874	43,083	44,939
Food inspections	45,847	43,387	42,342	48,036	44,878	46,662	43,671	47,831
Nursing Homes:								
Facility licensing, inspections and complaints	3,335	3,622	2,314	2,120	1,912	4,078	2,223	2,492
Residents (approximate)	18,500	18,950	17,813	19,623	21,202	18,512	19,340	19,006
Mental Health and Substance Abuse Department								
Number of patients:								
Mental Health	44,623	47,422	52,226	54,804	56,478	65,356	65,314	* 166,181
Substance Abuse	19,470	21,084	22,144	20,981	18,881	19,351	18,208	37,292
Hospitals - Inpatient Care	3	3	3	3	3	3	3	3
Legal and Judiciary								
Oklahoma Indigent Defense system								
Provides legal representation for indigent citizens charged with committing criminal acts.								
Represented - Total Court Appointments	38,556	39,334	39,385	43,883	41,965	43,712	43,980	48,401
Included above: Non-capital trial cases	32,000	30,000	30,000	32,000	33,000	35,000	43,167	47,543
Capital trial cases	65	71	92	105	112	98	67	53
General appeals cases	696	596	529	558	609	540	595	648
Average cost: Non-capital case (Staff Attorney)	\$463	\$410	\$373	\$279	\$380	\$368	\$361	\$346
Capital case (Staff Attorney)	\$38,708	\$34,824	\$28,756	\$28,423	\$21,196	\$21,551	\$25,955	\$36,710
Museums								
J. M. Davis Memorial								
Museum - 40,000 sq. ft.								
Number of artifacts	45,000	48,012	48,012	48,012	48,012	50,000	50,000	50,000
Visitors per year (average)	22,000	22,000	22,000	22,000	22,000	35,000	30,000	30,000
Oklahoma Historical Society								
Center - 18 acres 215,000 sq. ft.								
Number of artifacts (on exhibit)	>2,000	>2,000	>2,000	>2,000	>2,000	>2000	>2000	>2000
Visitors and researchers per year (average)	200,000	225,000	244,000	244,000	185,491	254,634	214,723	183,251
Will Rogers Memorial								
Museum - 8 Galleries - 16,652 sq. ft.								
Library - 2,400 sq. ft.								
Archives - number of documents, photographs	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Visitors and researchers per year (average)	116,000	115,000	120,000	117,000	120,000	133,000	32,000	29,000
Natural Resources								
Wildlife Conservation								
Number of Anglers in State (last census)	774,000	697,000	697,000	697,000	697,000	729,000	729,000	729,000
Number of Hunters (last census)	261,000	445,000	445,000	445,000	445,000	244,000	244,000	244,000
Number of Wildlife Watchers (last census)	1,131,000	1,110,000	1,110,000	1,110,000	1,110,000	1,263,000	1,263,000	1,263,000

* Increase due to ODMHSAS becoming responsible for Medicaid outpatient behavioral health.

** Data for 2014 was not available at publication. The 2014 statistics have been estimated using the average annual totals from 2009 to 2013.

Source: Agency reports, Governor's annual budget report. Data above is the latest available at the date of publication.

Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. Fiscal year 2007 was the first year the operating indicators above were reported in the CAFR.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Public Safety and Defense								
Department of Public Safety								
Driver's Licenses Issued	1,011,457	902,069	954,419	744,878	690,131	694,557	741,938	835,807
Citations Processed	221,659	219,442	168,346	227,426	162,748	158,914	182,073	198,518
Collision Reports Processed	14,175	14,033	76,947	79,354	74,714	73,462	68,406	82,067
Department of Corrections								
Capacity (Number of Beds)	24,845	24,815	25,515	25,455	25,364	25,469	25,846	26,473
Prison Population	24,124	24,433	24,337	24,870	24,384	24,526	25,159	26,874
As a percentage of capacity	97.1%	98.5%	95.4%	97.7%	96.1%	96.3%	97.3%	101.5%
Cost to house an inmate:								
Per diem cost/day - Maximum Security	\$60.07	\$70.04	\$64.35	\$75.97	\$75.85	\$78.50	\$87.01	\$100.80
Per diem cost/day - Medium Security	\$51.94	\$56.10	\$44.93	\$42.41	\$38.98	\$38.94	\$40.17	\$47.47
Regulatory Services								
Oklahoma Corporation Commission **								
Number of regulated utilities	586	548	494	511	484	421	418	466
Hearings and administrative proceedings	33,523	32,273	35,582	29,981	30,504	31,805	40,052	33,585
Motor carrier vehicles registered (power units)	156,895	131,444	151,639	121,874	132,927	135,230	139,569	136,248
Oil and gas wells plugged (operator plugged)	2,016	1,699	1,629	1,582	2,926	1,948	1,319	1,881
Oil and gas wells plugged (abandoned, plugged by OCC)							167	167
Motor Fuel Facilities inspected	3,816	3,388	4,174	5,490	4,341	4,326	5,760	4,818
Retail fuel dispenser (pump) inspections	70,465	82,470	85,118	97,326	77,444	70,649	75,939	81,295
Social Services								
Department of Human Services								
Adoption subsidies (end of fiscal year)	9,923	10,051	10,951	11,924	12,384	13,114	13,706	14,123
Adult protective svcs (state fiscal year)	29,098	27,428	27,653	28,334	26,464	24,857	23,148	22,122
Child care services provided (monthly average)	45,246	40,250	39,079	39,060	39,017	36,444	34,722	33,322
Licensed facilities (monthly average)	5,533	4,762	4,696	4,561	4,376	4,213	3,960	3,825
Licensed capacity (monthly average)	140,507	137,743	137,973	136,534	136,816	135,585	132,625	131,150
Child protective services-Substantiated (state fiscal year)	13,827	11,714	8,605	7,248	8,110	9,842	11,418	14,172
Child support enforcement (cases-quarterly average)	169,394	182,228	188,327	193,000	198,390	202,743	203,209	206,746
Developmental Disabilities Persons Served (end of fiscal year)	12,692	13,724	14,063	14,352	14,602	9,894	9,772	9,777
Elderly support services (meals/state fiscal year)	4,117,680	4,005,247	3,902,997	6,176,989	6,098,275	6,265,779	6,105,823	6,056,081
Food stamps (unduplicated count/state fiscal year)	433,372	415,397	445,364	559,626	609,723	891,555	889,137	615,412
Foster care children (end of fiscal year)	7,898	12,108	9,489	7,973	8,502	9,132	10,233	11,483
Oklahoma Employment Security Commission								
Initial unemployment claims	112,153	107,308	183,159	218,918	183,849	155,885	124,170	108,758
Unemployment insurance paid	\$153,706,474	\$158,694,794	\$350,260,138	\$499,636,015	\$340,695,628	\$271,279,698	\$263,654,340	\$247,148,751
Transportation								
Oklahoma Department of Transportation								
State Highway System	12,266 miles	12,266 miles	12,266 miles	12,266 miles	12,882 miles	12,882 miles	12,882 miles	12,882 miles
Bridges on the State Highway System	6,728	6,728	6,728	6,728	6,800	6,800	6,800	6,800
System usage growth next 20 years (est.)								
Automobiles	33%	33%	33%	33%	65%	65%	65%	65%
Trucks	70%	70%	70%	70%	65%	65%	65%	65%
Freight railroads operating in Oklahoma	20	20	20	20	22	22	22	22
Passenger railroad	1	1	1	1	1	1	1	1
Rail passengers (average per year)	54,000	54,000	54,000	54,000	81,000	81,000	81,000	81,000
Railroad track	3,234 miles	3,234 miles	3,234 miles	3,234 miles	3,746 miles	3,746 miles	3,746 miles	3,746 miles
Public Waterway Ports	2	2	2	2	2	2	2	2

State of Oklahoma

Additional Information and Sources of Statistical Data

Fiscal Year 2014

Additional Information:

The population of Oklahoma has steadily increased since 2004, averaging .95% per year.

At the end of December 2013, the Bureau of Labor Statistics reported the state's unemployment rate was 5.4% compared to the national rate of 6.7%. Oklahoma's unemployment rate has been below the national average since 1996.

Oklahoma's total personal income rate has increased at an average of 5.74% annually since 2004. During the same period Oklahoma's personal income per capita increased by 4.75% averaged annually compared to 3.60% nationally.

As a result, annual total tax collections since 2005 have increased by \$1,259,733,000 or 18.95%.

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

Sources of Statistical Data:

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

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

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

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State Agency Finance Officers and Team

Special Thanks To

Photos courtesy of Stefani Hovarter of the Office of Management and Enterprise Services

2014 OKLAHOMA

General Information

Admitted to Union (46th State)	1907
Capital	Oklahoma City
2013 Population	3,850,568
Population per square mile	56.1
Counties	77

State Symbols

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

Area

Total Area	69,899 square miles
Land Area	68,595 square miles
Water Area	1,304 square miles

Recreation

Number of State Parks	53
Number of State Trails	91
Number of Lakes	200



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