

OKLAHOMA

2003

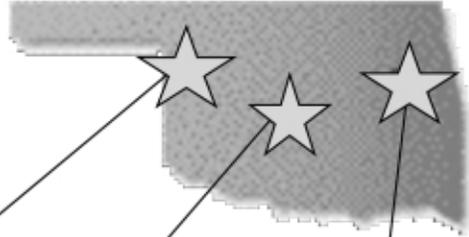
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2003



Windmill Museum

Shattuck, Oklahoma



Roman Nose State Park

Watonga, Oklahoma

OKLAHOMA NATIVE AMERICA

We are a GREAT state – great to live in – and great to visit. We have a rich heritage that includes Native American history, the real west, the land run and much more. And today we combine that pioneer heritage with big city sophistication, including world-class attractions, arts, theatre, fine dining – all the cultural amenities that make us a sought-after tourism destination. At the same time, we have not lost the charm and friendliness that defines us as Oklahoma. We continue to build an image that accurately represents both our rich lifestyle and our treasure heritage.

Oklahoma Department of Tourism & Recreation
<http://tourism.state.ok.us>

Featured on the front cover is Lake Murray State Park, located near Ardmore, Oklahoma. Lake Murray is one of Oklahoma's fifty state parks, each capturing scenic, cultural and historical highlights. Most parks offer sparkling lakes and a unique Native American experience. Photo courtesy of Oklahoma artist David Fitzgerald.



Will Rogers Memorial

Claremore, Oklahoma

OKLAHOMA

2003

**Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2003**

Brad Henry
Governor

Prepared by

Office of State Finance

Scott Meacham, Director
Brenda Bolander, State Comptroller

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

This publication is issued under authority of the Office of State Finance. Pursuant to 74 O.S. 1992, Section 3105, 500 bound copies and 600 compact discs have been prepared and

distributed at a cost of \$7,992.00. The Office of State Finance would appreciate credit for any reprint.

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

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal.....	7
Certificate of Achievement for Excellence in Financial Reporting.....	16
Selected Oklahoma State Officials.....	17
State Organizational Chart.....	18
 FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT.....	21
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	23
BASIC FINANCIAL STATEMENTS.....	37
GOVERNMENT-WIDE FINANCIAL STATEMENTS.....	39
Statement of Net Assets.....	42
Statement of Activities.....	44
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds.....	48
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	50
Statement of Net Assets - Proprietary Funds.....	52
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds.....	53
Statement of Cash Flows - Proprietary Funds.....	54
Statement of Fiduciary Net Assets (Fiduciary Funds and Similar Component Units).....	56
Statement of Changes in Fiduciary Net Assets (Fiduciary Funds and Similar Component Units).....	57
Description of Major Component Units.....	59
Combining Statement of Net Assets - Major Component Units.....	60
Combining Statement of Activities - Major Component Units.....	61
NOTES TO THE FINANCIAL STATEMENTS.....	63
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis) General Fund.....	115
Note to Required Supplementary Information - Budgetary Reporting.....	116

COMBINING FINANCIAL STATEMENTS

Combining Statement of Fiduciary Net Assets - Pension Trust Funds
(Including Similar Component Units) 120
Combining Statement of Changes in Fiduciary Net Assets - Pension Trust Funds
(Including Similar Component Units) 121
Combining Statement of Assets and Liabilities - Agency Funds 122
Combining Statement of Changes in Assets and Liabilities - Agency Funds 123
Description of Nonmajor Component Units 125
Combining Statement of Net Assets - NonMajor Component Units 126
Combining Statement of Activities - NonMajor Component Units 127

OTHER SUPPLEMENTARY INFORMATION-BUDGETARY DETAIL

Schedule of Expenditures and Intra-Agency Transfers-Detail
Budget to Actual Comparison (Non-GAAP Budgetary Basis) - General Fund 131

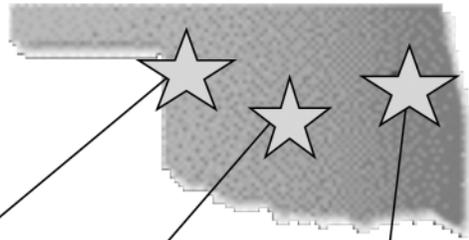
STATISTICAL SECTION

Cash Receipts and Disbursements 152
Tax Collections 154
Gross Sales Tax by Industry 156
Bank Deposits 157
Assessed Valuations 158
Non-Agricultural Wage and Salary Employment 158
State Colleges and Universities - Public 160
State Colleges and Universities - Private 161
School Enrollments 162
Economic and Demographic Estimates 162
Major Employers by Size 164
Net General Obligation Bonds and Notes Per Capita 166
Ratio of Annual Debt Service Expenditures for General
Obligation Debt to Total General Governmental Expenditures 166
Revenue Bond Coverage - Enterprise Fund and Component Units 167



Windmill Museum

Shattuck, Oklahoma



Roman Nose State Park

Watonga, Oklahoma



Will Rogers Memorial

Claremore, Oklahoma

Introductory Section

Introductory Section



STATE OF OKLAHOMA
OFFICE OF STATE FINANCE

February 25, 2004

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

The Office of State Finance is pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the fiscal year ended June 30, 2003. This report, presented in three sections - Introductory, Financial, and Statistical - is the primary means of reporting the State government's financial activities. The CAFR has been prepared in conformance with Governmental Accounting Standards Board (GASB) statements 34 and 35, and other relevant GASB statements. The State elected early implementation of these new standards in the CAFR for June 30, 2001 and this report reflects the third year of implementation. The objective of the new reporting model is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

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

PROFILE OF THE GOVERNMENT

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

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

During the last legislative session, the legislature voted to submit to the voters new restrictions on the State's Constitutional Rainy Day Fund. Also, the legislature adopted new zero or performance based budgeting measures to help increase efficiency and effectiveness.

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, 2003, are free of material misstatement. The audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State of Oklahoma's financial statements for the fiscal year ended June 30, 2003 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.

GAAP requires that management provide an introduction, overview and analysis of the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The State of Oklahoma's MD&A can be found immediately following the report of the independent auditors.

Internal Controls

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

Budget and Fiscal Policy

The budget process begins when each agency that expends money through the state treasury, except the legislature, submits an annual budget request to the OSF. Copies are also provided to the legislative fiscal staffs. These requests are reviewed and analyzed for the Governor by OSF. The Governor then makes formal recommendations in his "Executive Budget" which is presented to the legislature on the first day of the legislative session. During the legislative session, legislative committees review agency needs and appropriations made for state agency operations during the ensuing fiscal year. Prior to encumbering or spending money in the fiscal year, each agency submits a Budget Work Program to OSF. In this document the agency outlines, by object of expenditure, fund source and program category, how they plan to spend the various resources available to them.

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

The Constitution requires that collections in excess of the Board of Equalization's itemized estimate of General Revenue Fund revenues be deposited to the "Rainy Day Fund" each year until the balance of the Rainy Day Fund equals 10% of the prior fiscal year's General Revenue Fund certified appropriations authority. Up to one-half of the July 1 balance each

year may be appropriated upon an emergency declaration by the Governor with concurrence of two-thirds of the House and Senate, or by a declaration of an emergency by the Speaker of the House and President-Pro Tempore of the Senate with concurrence of three-fourths of the members of each house.

The State also has an oversight process for the issuance of debt. On September 24, 2002 the Oklahoma Supreme Court found the existing Commission to be unconstitutional. The legislation setting up this oversight commission included a provision for a new Council on Bond Oversight to be created in the event that the previous commission was found to be unconstitutional. The new Council of Bond Oversight assumed all of the duties and responsibilities of the oversight commission. This council now reviews and approves all debt issued by the State, its agencies and public trusts, and performs an assessment of all capital leases. Effective May 14, 2003, the Oklahoma Statutes regarding the "Oklahoma Bond Oversight and Reform Act" were properly amended, rendering the Council of Bond Oversight to be constitutional.

Proprietary Operations

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

Cash Management

State law requires full collateralization of all State Treasurer bank balances. Generally, the Treasurer promulgates rules that establish the amount of collateral that must be pledged against deposits. However, component units of the State reporting entity may have collateralization policies that differ from those of the State Treasurer. The State Treasurer is required to keep at least 80% of available cash invested.

Capital Assets

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

Debt Administration

General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens. The general obligation bonds of the State are rated "Aa3" by Moody's Investors Service and "AA" by both Standard & Poor's Corporation and Fitch Investors Service. Prior to a 1993 general obligation bond program, except for refunding bonds, the State last issued general obligation bonds in 1968. Certain maturities of those bonds were advance refunded in 1977 and again in 2003. As of June 30, 2003, the outstanding general obligation net debt of the State of Oklahoma was \$531.2 million. However, the 1992 general obligation bonds were refunded in July 2003 leaving a future general obligation net debt of \$270 million. This figure excludes the self-supporting taxable bonds of the Oklahoma Industrial Finance Authority, which are secured by the repayment of loans made to private businesses. State revenues have never been required to support debt service payments on these obligations.

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

Risk Management and Insurance

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

ECONOMIC CONDITIONS AND OUTLOOK

Oklahoma is an attractive place in which to live and conduct business. The state enjoys a very low cost of doing business, has a highly skilled and productive work force, enjoys low energy costs and is geographically well positioned for interstate

commercial activity. For example, Oklahoma lies at the crossroads of U.S. Interstates 35, 40 and 44, three of the nation's most important transportation and shipping corridors, allowing state businesses to take advantage of opportunities anywhere in the United States. Our pioneering Career and Technology Education system is a national leader in developing training programs for industry. Oklahoma remains committed to improving the quality of its education system.

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

Oklahoma has been experiencing some of the same weakness in revenue collections observed in most other states. The Oklahoma Constitution mandates that if collections of certified funds are insufficient to cover the appropriation from that fund, appropriations are to be reduced prorata. During fiscal year 2003, budget reductions totaled \$301.0 million, or 6.7%. While the average agency experienced a 6.7% cut, basic health care, human services and public safety programs experienced only minimal reductions. The legislature also appropriated \$72.4 million from the Constitutional Reserve Fund.

The current fiscal year, 2004, has shown consistent increases in revenue over fiscal year 2003 levels. Through the end of November, 2003, revenue collections were above the same period in the prior year. Income tax, sales tax, gross production tax and motor vehicle tax are all above the prior year levels.

The State Board of Equalization has made a finding that will invoke a trigger mechanism decreasing the maximum individual income tax rate from 7% to 6.65% and expanding the low income sales tax credit. At its December 2003 meeting, the Equalization Board estimated that General Revenue Fund collections for the year ending June 30, 2005 will exceed its revenue estimate for the year ending June 30, 2004. This finding requires that the maximum income tax rate be reduced to 6.65%.

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

CURRENT DEVELOPMENTS AND MAJOR INITIATIVES

Despite our many achievements, we are committed to doing even better. We enjoy many advantages that enable Oklahomans to enjoy a high standard of living. Our sights are set on implementing policies that will allow Oklahomans to realize their potential.

With the advantages provided by our labor force, location, and culture, our goal is to complement these advantages with a results-oriented, fiscally responsible government.

Legislators tackled a variety of issues during the 2003 legislative session, passing a number of key bills which were signed by the Governor. A key factor in the 2003 legislative session was dealing with continuing to provide services with decreased revenue. The legislature was able to accomplish this through bipartisan support of the budget framework set forth in the Governor's Executive Budget.

The State Portal established in 2001 continues to provide the citizens of Oklahoma an opportunity to do business with the State through an eGovernment internet portal. The initial launch of the State Portal on October 15, 2001 has been followed with a number of agencies offering licenses renewals and other services on line. NIC (National Information Consortium), as the State's partner, continues to build and manage a comprehensive eGovernment internet portal. On October 15, 2001, the official website for the state was launched. The website gives access to frequently requested

information and services offered by agencies. Interested persons may visit the state website *YourOklahoma* at www.youroklahoma.com.

Meanwhile, more than 70% of Oklahoma's public schools are now connected to the state's OneNet system. This state-of-the-art telecommunications network allows multi-dimensional instruction to occur throughout the state. This not only dramatically increases the instructional resources available to teachers, but allows schools, even those in rural areas, to offer a rich, varied curriculum. Through OneNet, a single teacher may interact with students at various distant locations. Each of these students may not only see and talk to the teacher, but see and talk with students at the other locations as well.

The Teachers' Retirement System (TRS) has accrued liabilities in excess of its asset growth. The valuation performed at June 30, 2003 reflects an increase in the funded position from the funding level at June 30, 2002. It also reflects a decrease in the actuarial accrued liabilities. The decrease in funding period and increase in the funded ratio are due to the impact of eliminating a 1% cost-of-living increase assumption which more than offset the impact of recognizing actuarial investment losses from the last three years in the actuarial value of assets. At June 30, 2003, the unfunded liabilities are \$5.5 billion.

In spite of these challenges, the State's financial condition is healthy. The state's general obligation debt load remains modest and the State has been up to the challenge of meeting its revenue shortfall without raising taxes.

Highlights of the fiscal year 2003 and fiscal year 2004 budgets include (expressed in millions):

	Amount Appropriated		Percentage of Total Appropriations		Increase (Decrease) from Prior Year		Percentage Increase (Decrease)	
	2003	2004	2003	2004	2003	2004	2003	2004
Department of Education	\$ 1,863	\$ 1,951	36%	38%	\$ (92)	\$ 88	(5%)	5%
Regents for Higher Education	800	768	15%	15%	(22)	(32)	(3%)	(4%)
Dept of Career & Technical Education	122	118	2%	2%	(5)	(4)	(4%)	(3%)
Other education	23	21	0%	0%	(7)	(2)	(23%)	(9%)
Total Education	<u>2,808</u>	<u>2,858</u>	<u>53%</u>	<u>55%</u>	<u>(126)</u>	<u>50</u>	<u>(4%)</u>	<u>2%</u>
Department of Health	60	54	1%	1%	(9)	(6)	(13%)	(10%)
Health Care Authority	418	439	8%	9%	13	21	3%	5%
Department of Mental Health	141	145	3%	3%	(3)	4	(2%)	3%
Other Health	38	34	1%	1%	(5)	(4)	(12%)	(11%)
Total Health	<u>657</u>	<u>672</u>	<u>13%</u>	<u>14%</u>	<u>(4)</u>	<u>15</u>	<u>(1%)</u>	<u>2%</u>
Department of Human Services	388	387	7%	7%	(13)	(1)	(3%)	(0%)
Office of Juvenile Affairs	96	90	2%	2%	(7)	(6)	(7%)	(6%)
Other Human Services	33	35	1%	1%	(4)	2	(11%)	6%
Total Human Services	<u>517</u>	<u>512</u>	<u>10%</u>	<u>10%</u>	<u>(24)</u>	<u>(5)</u>	<u>(4%)</u>	<u>(1%)</u>
Department of Corrections	367	374	7%	7%	(6)	7	(2%)	2%
Department of Transportation	245	192	5%	4%	(53)	(53)	(18%)	(22%)
Department of Public Safety	65	62	1%	1%	(7)	(3)	(10%)	(5%)
Other	565	489	11%	9%	(59)	(76)	(9%)	(13%)
Total	<u>\$ 5,224</u>	<u>\$ 5,159</u>	<u>100%</u>	<u>100%</u>	<u>\$ (279)</u>	<u>\$ (65)</u>	<u>(5%)</u>	<u>(1%)</u>

FY03 appropriated amounts have been changed to include budget reductions. Budget reductions are not anticipated for FY04.

Governor Henry's objectives in his first legislative session were fairly straightforward: balance the budget while protecting education and health care without raising taxes. His other main objective was to convince the legislature to submit his education lottery to a vote of the citizens of the State of Oklahoma. Governor Henry was able to accomplish all of these objectives in his first legislative session as Governor.

FINANCIAL INFORMATION

Governmental Functions

Most financial operations of the State are reported in governmental fund types, which are the General Fund, Capital Projects Fund, and the Permanent Funds. Following are schedules of revenues and expenditures for these governmental funds. Note that the following tables present data according to generally accepted accounting principles for the fiscal year ended June 30, 2003, 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.

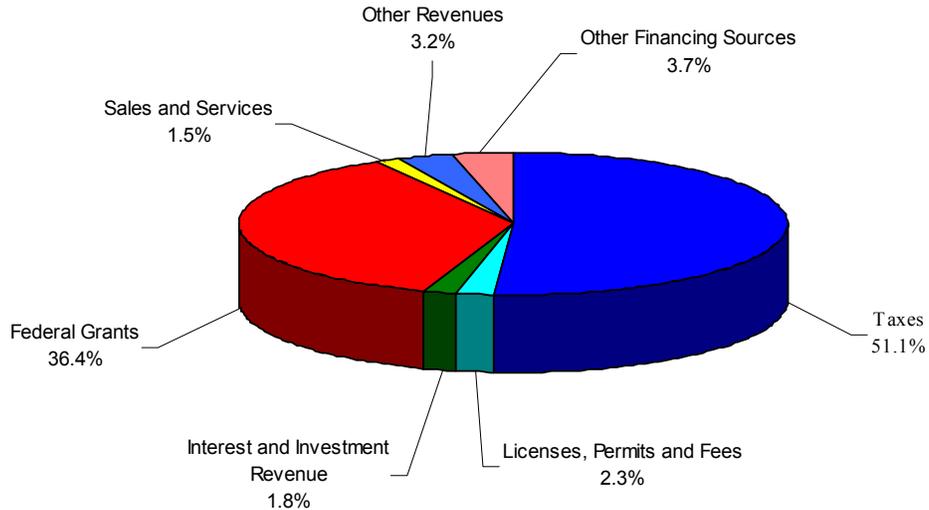
Governmental Funds: Revenues and Other Financing Sources - GAAP Basis
(expressed in millions)

	2003 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	\$ 5,540	51.1%	\$ (100)	(1.8%)
Licenses, permits and fees	244	2.3%	0	0.0%
Interest and investment revenue	192	1.8%	95	97.9%
Federal grants	3,945	36.4%	279	7.6%
Sales and services	164	1.5%	28	20.6%
Other revenues	348	3.2%	(10)	(2.8%)
Other financing sources:				
Operating transfers	7	0.0%	3	75.0%
Bond and note proceeds	427	3.6%	382	848.9%
Other	12	0.1%	2	20.0%
Total revenues and other financing sources	<u>\$ 10,879</u>	<u>100.00%</u>	<u>\$ 679</u>	

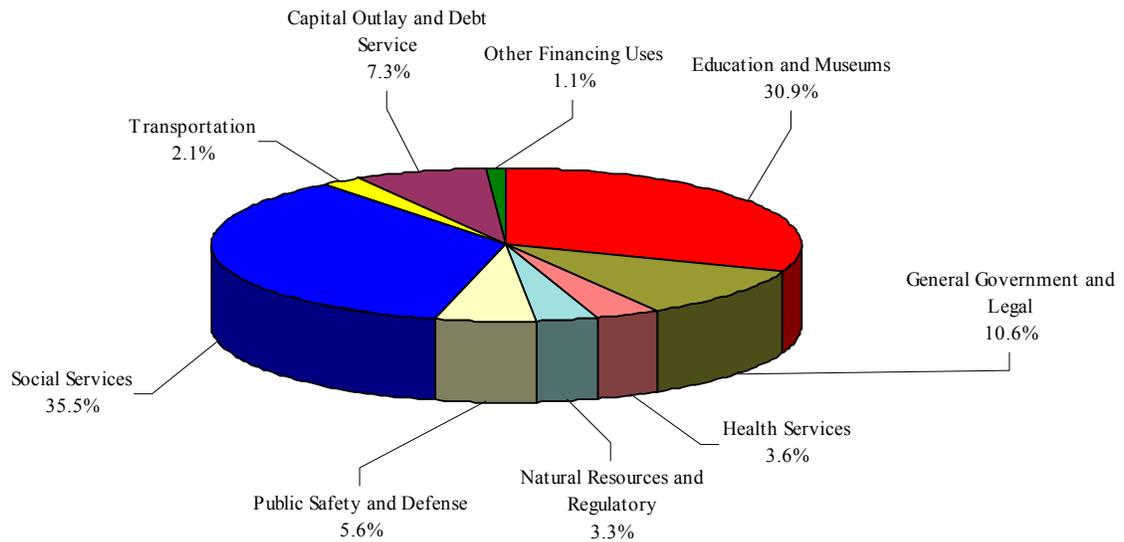
Governmental Funds: Expenditures and Other Financing Uses - GAAP Basis
(expressed in millions)

	2003 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	\$ 3,320	30.8%	\$ (4)	(0.1%)
General government	981	9.1%	38	4.0%
Health services	390	3.6%	(7)	(1.8%)
Legal and judiciary	164	1.5%	(1)	(0.6%)
Museums	8	0.1%	(1)	(11.1%)
Natural resources	187	1.7%	4	2.2%
Public safety and defense	608	5.6%	(129)	(17.5%)
Regulatory services	174	1.6%	7	4.2%
Social services	3,822	35.5%	138	3.7%
Transportation	222	2.1%	(11)	(4.7%)
Capital outlay	670	6.2%	(51)	(7.1%)
Debt service	121	1.1%	4	3.4%
Other Financing Uses:				
Operating transfers	7	0.1%	7	0.0%
Bond refunding	94	1.0%	91	3033.3%
Total expenditures and other financing uses	<u>\$ 10,768</u>	<u>100.00%</u>	<u>\$ 85</u>	0.8%
Governmental Funds - Net increase in fund balance	<u>\$ 111</u>			

**Governmental Fund Revenues and
Other Financing Sources (GAAP Basis) - Fiscal Year 2003**



**Governmental Funds Expenditures and
Other Financing Uses (GAAP Basis) - Fiscal Year 2003**



Revenue Collections and Estimates

As noted in a preceding subsection, the budget is prepared using cash available plus 95% of the itemized revenue estimate as approved by the State Board of Equalization. It should be noted that taxes deposited into the budgetary General Revenue Fund (GRF), as defined by Oklahoma law, are approximately 87% of the total tax revenues of the governmental funds, as defined by generally accepted accounting principles. However, the budgetary GRF should not be confused with the General Fund as presented in the accompanying GAAP-basis financial statements, as the two terms are not interchangeable. For example, the GAAP-basis General Fund includes revenues deposited to the State Transportation Fund, federal grant proceeds, revolving fund revenues, fees and charges as well as other money used in the general operations of government which are not considered in the Board of Equalization's estimates of tax revenues.

Receipts from gross production tax exceeded revenues of the prior year while the other three major taxes (income tax, motor vehicle tax and sales tax) decreased, producing a combined total of \$3.6 billion, or 86% of total GRF receipts. The

total of major taxes collected decreased \$89.8 million, or 2.4% from that of the prior year, an indication of decreased business activity. As compared to fiscal year 2002, collections from income taxes decreased by \$154.8 million, or 7.8%; sales taxes decreased by \$38.5 million, or 3.1%; motor vehicle taxes decreased by \$35.9 million, or 15.5%; and gross production taxes on gas increased by \$139.4 million, or 61.6%.

Oklahoma has established an enviable record in recent years in its revenue forecasting results. Since enactment of a constitutional amendment in 1985 establishing new revenue estimating procedures, collections have exceeded the estimate in eight years and dipped below the estimate seven years. The comparison of estimated revenues to actual collections for fiscal year 2003 is as follows:

Revenue Collections Compared to Itemized Estimate for Fiscal 2003
(expressed in millions)

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
Individual and Corporate				
Income tax	\$ 2,304.3	\$ 1,882.9	\$ (421.4)	81.7%
Sales tax	1,327.3	1,203.4	(123.9)	90.7%
Motor vehicle tax	252.9	196.4	(56.5)	77.7%
Gross production tax	277.2	365.7	88.5	131.9%
Subtotal Major Taxes	4,161.7	3,648.4	(513.3)	87.7%
Other sources	563.6	537.9	(25.7)	95.4%
Total	\$ 4,725.3	\$ 4,186.3	\$ (539.0)	88.6%

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
1989	2,500	2,601	101	104.0%
1990	2,661	2,735	74	102.8%
1991	3,034	3,110	75	102.5%
1992	3,214	3,161	(53)	98.4%
1993	3,365	3,259	(106)	96.8%
1994	3,399	3,342	(57)	98.3%
1995	3,515	3,513	(3)	99.9%
1996	3,614	3,705	91	102.5%
1997	3,531	3,778	247	107.0%
1998	3,866	4,009	143	103.7%
1999	4,186	4,148	(38)	99.1%
2000	4,271	4,354	83	101.9%
2001	4,456	4,693	237	105.3%
2002	4,829	4,413	(415)	91.4%
2003	4,725	4,186	(539)	88.6%
Fifteen-Year Average	\$ 3,677.8	\$ 3,667.1	\$ (10.7)	99.7%

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

Cash-Flow Reserve Fund – Each year, 10% of the General Revenue Fund’s certified appropriation level is set aside to meet anticipated monthly cash flow needs for the new fiscal year. At the close of fiscal year 2003, the amount the State set aside was \$417.6 million.

General Revenue Funds - The fiscal year 2003 cash allows for no carryover available to the next Legislature as did fiscal year 2002. The carryover funds reflect the difference between the 95% appropriation limit and actual receipts up to 100% of the estimate. Funds required to replenish or increase the cash-flow reserve fund also come from this source. Since the

General Revenue Fund collections were below the estimate and below the 95% appropriation level, automatic budget reductions were triggered during the fiscal year to ensure that no deficit spending occurred.

Constitutional Reserve "Rainy Day Fund" - At the start of each fiscal year, collections that exceed the estimate for the preceding year are automatically deposited in the Rainy Day Fund until the total balance equals 10% of the prior year's certified appropriation authority for the General Revenue Fund. On July 1, 2003, this fund had a balance of \$136,000.

FOR THE FUTURE

The State continues to aggressively research and pursue solutions to improve the State's competitive economic performance and the quality of life for its citizens. The Governor's EDGE process was designed to produce bold new ideas to move Oklahoma forward. The process is to culminate with a report to the Governor in late 2003 or early 2004.

In cooperation with the central purchasing division of the Department of Central Services, the Office of Personnel Management, and the Department of Commerce, OSF negotiated a contract to replace the State's core financial application system. The new system will be a fully-integrated, web-based system available for use by all agencies. Implementation began in early 2002, and the initial phase became operational in November 2003. Once fully operational, there will be significant opportunities to eliminate agency-level systems. When the new system is interfaced with the State's portal, additional efficiencies may be realized.

The State is seeking to encourage new business development, and its Quality Jobs program, providing tax credits for creating new jobs in basic industries, has helped Oklahoma win the location of several new branch plants within its borders. Several national business publications have ranked Oklahoma in the top five business friendly states.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Oklahoma for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

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

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

In addition, the State also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated October 8, 2002. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

ACKNOWLEDGMENTS

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

Respectfully submitted,



Scott Meacham
Director of State Finance



Brenda Bolander
State Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Oklahoma

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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



A handwritten signature in black ink, appearing to read "Edward Haney".

President

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

Executive Director

SELECTED OKLAHOMA STATE OFFICIALS

June 30, 2003

LEGISLATIVE BRANCH

Senate

Cal Hobson
President Pro Tempore

House of Representatives

Larry E. Adair
Speaker of the House

EXECUTIVE BRANCH

Governor

Brad Henry

Lieutenant Governor

Mary Fallin

* Secretary of State

M. Susan Savage

State Auditor and Inspector

Jeff A. McMahan

Attorney General

Drew Edmondson

State Treasurer

Robert Butkin

Superintendent of Public Instruction

Sandy Garrett

Commissioner of Labor

Brenda Reneau Wynn

Commissioner of Insurance

Carroll Fisher

Commissioners of the Corporation Commission

Bob Anthony
Denise Bode
Jeff Cloud

JUDICIAL BRANCH

* State Supreme Court

Joseph M. Watt
Chief Justice

* Court of Criminal Appeals

Charles A. Johnson
Presiding Judge

* Appointed Position

Citizens of Oklahoma

LEGISLATIVE

House of Representatives
Legislative Service Bureau
Senate

EXECUTIVE

Governor
Lieutenant Governor

JUDICIAL

Court of Appeals
Court of Criminal Appeals
District Courts
Supreme Court
Workers' Compensation Court

STATE AGENCIES (By Cabinet Secretary)

ADMINISTRATION

Accountancy Board
Architects and Landscape Board
Banking Department
Board of Nursing
Capitol Improvement Authority
Chiropractic Examiners Board
Consumer Credit Commission
Cosmetology Board
Dental Board
Department of Central Services
Embalmers and Funeral Directors Board
Engineers and Land Surveyors
Health Insurance High Risk Pool
Horse Racing Commission
Insurance Department
Medical Licensure
Motor Vehicle Commission
Optometry Board
Osteopathic Examiners Board
Perfusionists Board
Pharmacy Board
Podiatry Board
Psychologist Board of Examiners
Real Estate Commission
Securities Commission
Social Workers Board
Speech-Language Pathology and Audiology Board
Used Motor Vehicle Commission
Veterinary Medical Examiners Bd.

AGRICULTURE

Agriculture Department
Boll Weevil Eradication Organization
Conservation Commission
Foresters Board
Peanut Commission
Sheep and Wool Commission
Sorghum Commission
Wheat Commission

ECONOMIC DEVELOPMENT & SPECIAL AFFAIRS

Capital Investment Board
Commerce Department
Development Finance Authority
Housing Finance Authority
Human Rights Commission
Human Rights Commission
Industrial Finance Authority
Labor Department
Municipal Power Authority
Native Am. Cultural & Educ Auth.

EDUCATION

Anatomical Board
Arts Council
Commission for Teacher Preparation
Center for the Advancement of Science and Technology
Department of Education
Educational Television Authority
Library Department
Private Vocational Schools
Regents for Higher Education
School of Science and Mathematics
Student Loan Authority
Career & Technology Education

ENERGY

Commission on Marginally Producing Oil and Gas Wells
Corporation Commission
Department of Mines
Energy Resources Board
Grand River Dam Authority
Interstate Oil and Gas Compact Commission
Liquefied Petroleum Gas Board
L P Research, Marketing and Safety Commission

FINANCE & REVENUE

Auditor and Inspector
Building Bond Commission
Commissioners of the Land Office
CompSource Oklahoma
Office of State Finance
State Treasurer
Tax Commission
Pension Systems:
Firefighters' Retirement
Judges and Justices Retirement
Law Enforcement Retirement
Police Retirement
Public Employees' Retirement
Teachers' Retirement

HEALTH & HUMAN SERVICES

Children and Youth Commission
Handicapped Concerns
Health Care Authority
Health Department
Human Services Department
Indian Affairs Commission
Office of Juvenile Affairs
J.D. McCarty Center
Mental Health and Substance Abuse
Nursing Home Administrators Board
Physicians Manpower Training
Rehabilitation Services
Tobacco Settle. End. Trust
University Hospitals Authority

HUMAN RESOURCES

Employees Benefits Council
Employment Security Commission
Human Rights Commission
Merit Protection Commission
Office of Personnel Management
State and Education Employees Group Insurance Board

MILITARY

Military Department

SAFETY & SECURITY

Alcoholic Beverage Laws Enforcement Commission
Attorney General
Bureau of Narcotics and Dangerous Drugs
Civil Emergency Management
Corrections Department
Council on Law Enforcement Education and Training
District Attorney's Council
Indigent Defense System
Medicolegal Investigations Board
Pardon and Parole Board
Public Safety
State Bureau of Investigation
State Fire Marshal

ENVIRONMENT

Department of Environmental Quality
Environmental Finance Authority
Geological Survey
Water Resources Board

SECRETARY OF STATE

Council on Judicial Complaints
Election Board
Ethics Commission
Secretary of State

TOURISM & RECREATION

Capitol Complex & Centennial Commemoration Commission
Department of Wildlife Conservation
Historical Society
J.M. Davis Memorial Commission
Scenic Rivers Commission
Tourism and Recreation
Will Rogers Memorial Commission

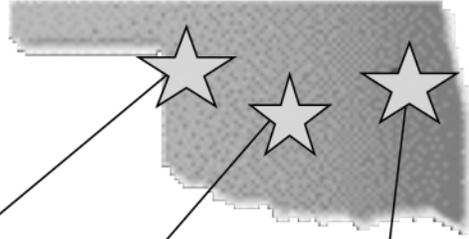
VETERANS' AFFAIRS

Department of Veterans Affairs



Windmill Museum

Shattuck, Oklahoma



Roman Nose State Park

Watonga, Oklahoma



Will Rogers Memorial

Claremore, Oklahoma

Financial Section

Financial Section



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Oklahoma as of and for the year ended June 30, 2003, which collectively comprise the State's basic financial statements listed in the table of contents. These financial statements are the responsibility of the State of Oklahoma's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit:

- the financial statements of the Commissioners of the Land Office, the Oklahoma Department of Commerce, the Oklahoma Insurance Department, the Oklahoma Department of Wildlife Conservation, or the Oklahoma Sorghum Commission, which in the aggregate represent eleven percent and four percent, respectively, of the assets and revenues of the governmental activities;
- the financial statements of the Water Resources Board which in the aggregate represent sixty-one percent and fourteen percent, respectively, of the assets and revenues of the business-type activities;
- the financial statements of the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office, the Oklahoma Department of Commerce, the Oklahoma Insurance Department, the Oklahoma Department of Wildlife Conservation, or the Oklahoma Sorghum Commission which in the aggregate represent two percent and three percent, respectively, of the assets and revenues of the general fund;
- the financial statements of the Commissioners of the Land Office permanent fund;
- the financial statements of the Oklahoma Department of Wildlife Conservation Lifetime Licenses permanent fund;
- the financial statements of the Tobacco Settlement Endowment permanent fund;
- the financial statements of the Water Resources Board enterprise fund;
- the financial statements of the Oklahoma Firefighter's Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, the Oklahoma Police Pension and Retirement System, the Oklahoma Public Employee's Retirement System, the Oklahoma Teachers' Retirement System, the Uniform Retirement System for Judges and Justices, or the Oklahoma Department of Wildlife Conservation Retirement Plan which in the aggregate represent ninety-nine percent of both the assets and revenues/additions of the aggregate remaining fund information.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting

principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the 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, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the financial statements, the Teachers' Retirement System faces possible difficulty in meeting its future obligations. The auditor for the Teachers' Retirement System reported, "the System's actuary has determined that the System's unfunded actuarial accrued liability is approximately \$5,488,000,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes and if any changes further reduce or delay the implementation of the funding schedule, the funding period will increase." Note 2 to the System's financial statements discloses: "The System will experience difficulty in meeting long-term obligations at a point in time if not funded at a more appropriate level. Based on calculations using Government Accounting Standards Board (GASB) Statement No. 25, the System's funded ratio is only 54.0% at June 30, 2003..." The ultimate outcome of the ability of the System to meet its future obligations is dependent on funding established by Oklahoma Statutes, and cannot presently be determined.

In accordance with *Government Auditing Standards*, we have also issued our report 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. This report is issued under separate cover in the State of Oklahoma's Single Audit Report.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, statistical section, combining financial statements, and the Schedule of Expenditures and Intra-Agency Transfers-Detail Budget to Actual Comparison (Non-GAAP Budgetary Basis)-General Fund, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Expenditures and Intra-Agency Transfers-Detail Budget to Actual Comparison (Non-GAAP Budgetary Basis)-General Fund has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it.

The introductory section and the statistical section listed in the aforementioned table of contents have not been audited by us, and accordingly, we do not express an opinion on them.

Sincerely,



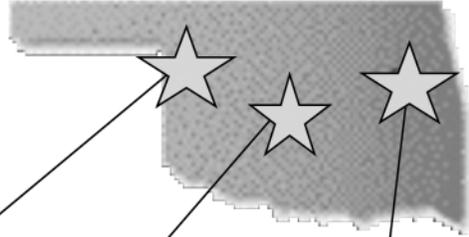
JEFF A. McMAHAN
State Auditor and Inspector

February 20, 2004



Windmill Museum

Shattuck, Oklahoma



Roman Nose State Park

Watonga, Oklahoma



Will Rogers Memorial

Claremore, Oklahoma

Management's Discussion and Analysis

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Oklahoma provides this *Management's Discussion and Analysis* of the State of Oklahoma's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Oklahoma is for the fiscal year ended June 30, 2003. 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.

The State of Oklahoma is in its third year of implementing new reporting standards with significant changes in content and structure from years prior to fiscal year end June 30, 2001.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights:

Net Assets - The assets of the State exceeded its liabilities at fiscal year ending June 30, 2003 by \$9.4 billion (presented as "net assets"). Of this amount, \$1.6 billion was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the State's ongoing obligations to citizens and creditors.

Changes in Net Assets - The State's total net assets increased by \$18.7 million (a 0.2% increase) in fiscal year 2003. Net assets of governmental activities increased by \$99.1 million (a 1.2 % increase), while net assets of the business-type activities showed a decrease of \$80.4 million (a 10.3 % decrease).

Fund Highlights:

Governmental Funds - Fund Balances - As of the close of fiscal year 2003, the State's governmental funds reported a combined ending fund balance of \$3.1 billion, an increase of \$111 million in comparison with the prior year. Of this total amount, \$1.243 billion represents the "unreserved fund balances" with substantially all being in the general fund. Of this \$1.243 billion, \$418 million (decreased \$31 million) is in the Cash Flow Reserve Fund, \$136,000 (decreased \$72 million) is in the Rainy Day Fund, and \$4 million is in the Capital Projects Fund leaving \$822 million (decreased \$28 million) as undesignated for the general fund. This \$822 million is roughly 8% of the total governmental funds expenditures for the year.

Long-term Debt:

The State's total long-term debt obligations showed a net increase of \$238 million (18.25%) during the current fiscal year. The key factor in this increase was the issuance of \$261.2 million of refunding general obligation bonds which were issued prior to year end; however, the refunded bonds in the amount of \$270 million were redeemed shortly after year end on July 15, 2003. Had the refunded bonds been redeemed prior to year end, the State's total long-term obligations would have shown a \$32 million decrease.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the State – the *Government-Wide Financial Statements* and the *Fund Financial Statements and Combining Major Component Unit*

Financial Statements. These financial statements also include the *Notes to the Financial Statements* that explain some of the information in the financial statements and provide more detail.

Government-Wide Financial Statements

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

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

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

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

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

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

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

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

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

The State's eight other (or nonmajor) component units are combined into a single column for reporting in the fund financial statements. These nonmajor component units are:

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

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

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

Fund Financial Statements and Major Component Unit Financial Statements

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

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

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

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

The State has five governmental funds. There are four governmental funds that 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. The 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 State's fifth governmental fund is the Capital Projects Fund. While this fund is not a major fund for financial reporting purposes, it also is presented in a separate column since it is the only remaining governmental fund.

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

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

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

The 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), the Investment Trust Fund (which accounts for the transactions, assets, liabilities and fund equity of the external investment pool), and the Agency Funds (which account for the assets held for distribution by the State as an agent for other governmental units, other organizations or individuals). Individual fund detail can be found in the combining financial statements described below.

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the governmental fund financial statements.

Other Supplementary Information

Combining Financial Statements

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

Budgetary Detail

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (government and business-type activities) totaled \$9.39 billion at the end of 2003, compared to \$9.37 billion at the end of the previous year.

The largest portion of the State's net assets (60%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

State of Oklahoma's Net Assets-Primary Government

(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002 (as restated)	2003	2002 (as restated)	2003	2002 (as restated)
Current Assets	\$ 4,034,616	\$ 3,883,218	\$ 526,475	\$ 604,453	\$ 4,561,091	\$ 4,487,671
Capital Assets	6,768,699	6,501,475	121	114	6,768,820	6,501,589
Other Assets	217,917	209,402	535,178	552,953	753,095	762,355
Total Assets	11,021,232	10,594,095	1,061,774	1,157,520	12,083,006	11,751,615
Noncurrent Liabilities	976,286	950,222	305,119	352,366	1,281,405	1,302,588
Other Liabilities	1,361,074	1,059,156	53,486	21,559	1,414,560	1,080,715
Total Liabilities	2,337,360	2,009,378	358,605	373,925	2,695,965	2,383,303
Invested in Capital Assets, Net of Related Debt	5,658,694	5,619,846	121	114	5,658,815	5,619,960
Restricted	1,645,107	1,151,757	482,163	574,812	2,127,270	1,726,569
Unrestricted	1,380,071	1,813,114	220,885	208,669	1,600,956	2,021,783
Total Net Assets	\$ 8,683,872	\$ 8,584,717	\$ 703,169	\$ 783,595	\$ 9,387,041	\$ 9,368,312

An additional portion of the State's net assets (23%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the State's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets.

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

Changes in Net Assets

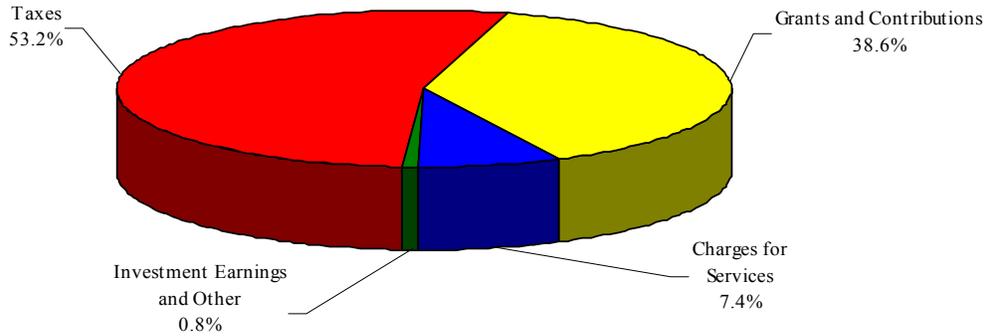
The State's net assets increased by \$18.7 million or 0.2%. Approximately 53 percent of the State's total revenue came from taxes, while 39 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided close to 8 percent of the total revenues. The State's expenses cover a range of services. The largest expenses were for general (common public schools) and higher education, social services, and general government. In 2003, governmental activity expenses exceeded program revenues, resulting in the use of \$5.5 billion in general revenues (mostly taxes). The business-type activities' program revenues fell short of their expenses for 2003, by \$79.8 million.

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

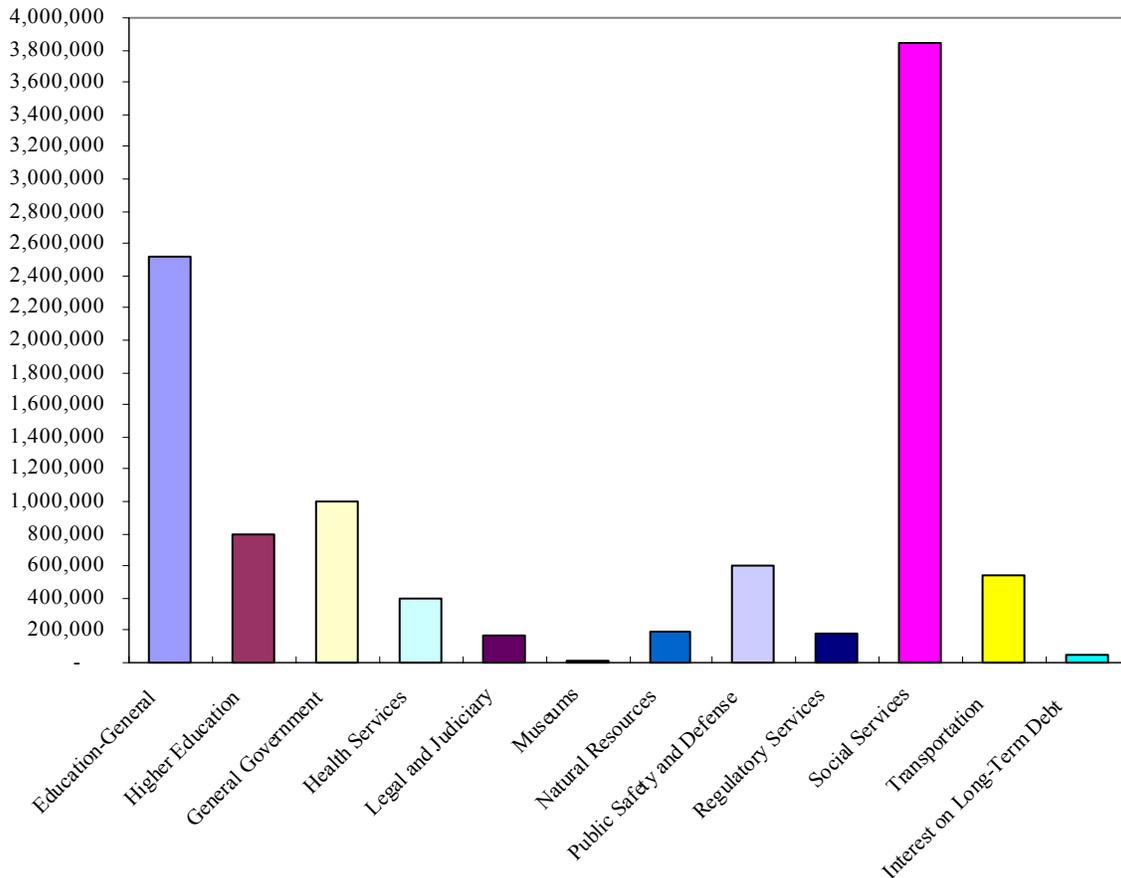
(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program Revenues:						
Charges for Services	\$ 773,955	\$ 781,858	\$ 195,076	\$ 154,990	\$ 969,031	\$ 936,848
Operating Grants and Contributions	4,012,431	3,620,888	104,568	131,801	4,116,999	3,752,689
Capital Grants and Contributions	16,396	14,003	-	-	16,396	14,003
General Revenues:						
Income Taxes-Individual	2,063,414	2,193,040	-	-	2,063,414	2,193,040
Income Taxes-Corporate	178,161	205,759	-	-	178,161	205,759
Sales Taxes	1,437,630	1,478,327	-	-	1,437,630	1,478,327
Gross Production Taxes	468,064	226,094	-	-	468,064	226,094
Motor Vehicle Taxes	539,748	573,603	-	-	539,748	573,603
Fuel Taxes	378,021	383,072	-	-	378,021	383,072
Other Taxes	475,072	579,666	-	-	475,072	579,666
Investment Earnings	38,307	72,769	-	-	38,307	72,769
Other	41,024	36,415	-	-	41,024	36,415
Total Revenues	<u>10,422,223</u>	<u>10,165,494</u>	<u>299,644</u>	<u>286,791</u>	<u>10,721,867</u>	<u>10,452,285</u>
Expenses:						
Education-General	2,522,466	2,553,744	-	-	2,522,466	2,553,744
Education-Payments to Higher Education	800,490	831,855	-	-	800,490	831,855
General Government	1,003,118	963,016	-	-	1,003,118	963,016
Health Services	399,572	408,545	-	-	399,572	408,545
Legal and Judiciary	167,971	169,429	-	-	167,971	169,429
Museums	11,008	12,738	-	-	11,008	12,738
Natural Resources	190,289	195,205	-	-	190,289	195,205
Public Safety and Defense	603,306	776,385	-	-	603,306	776,385
Regulatory Services	175,512	169,529	-	-	175,512	169,529
Social Services	3,858,546	3,720,896	-	-	3,858,546	3,720,896
Transportation	545,193	579,246	-	-	545,193	579,246
Interest on Long-Term Debt	46,174	53,453	-	-	46,174	53,453
Unemployment Insurance Trust Fund	-	-	365,701	267,462	365,701	267,462
State Loan Program to Local Governments	-	-	13,792	15,108	13,792	15,108
Total Expenses	<u>10,323,645</u>	<u>10,434,041</u>	<u>379,493</u>	<u>282,570</u>	<u>10,703,138</u>	<u>10,716,611</u>
Increase (Decrease) in Net Assets Before Transfers	98,578	(268,547)	(79,849)	4,221	18,729	(264,326)
Transfers	577	675	(577)	(675)	-	-
Change in Net Assets	99,155	(267,872)	(80,426)	3,546	18,729	(264,326)
Net Assets, Beginning of Year (as restated)	8,584,717	8,852,589	783,595	780,049	9,368,312	9,632,638
Net Assets, End of Year	<u>\$ 8,683,872</u>	<u>\$ 8,584,717</u>	<u>\$ 703,169</u>	<u>\$ 783,595</u>	<u>\$ 9,387,041</u>	<u>\$ 9,368,312</u>

Revenues - Governmental Activities Fiscal Year 2003



Expenses - Governmental Activities Fiscal Year 2003



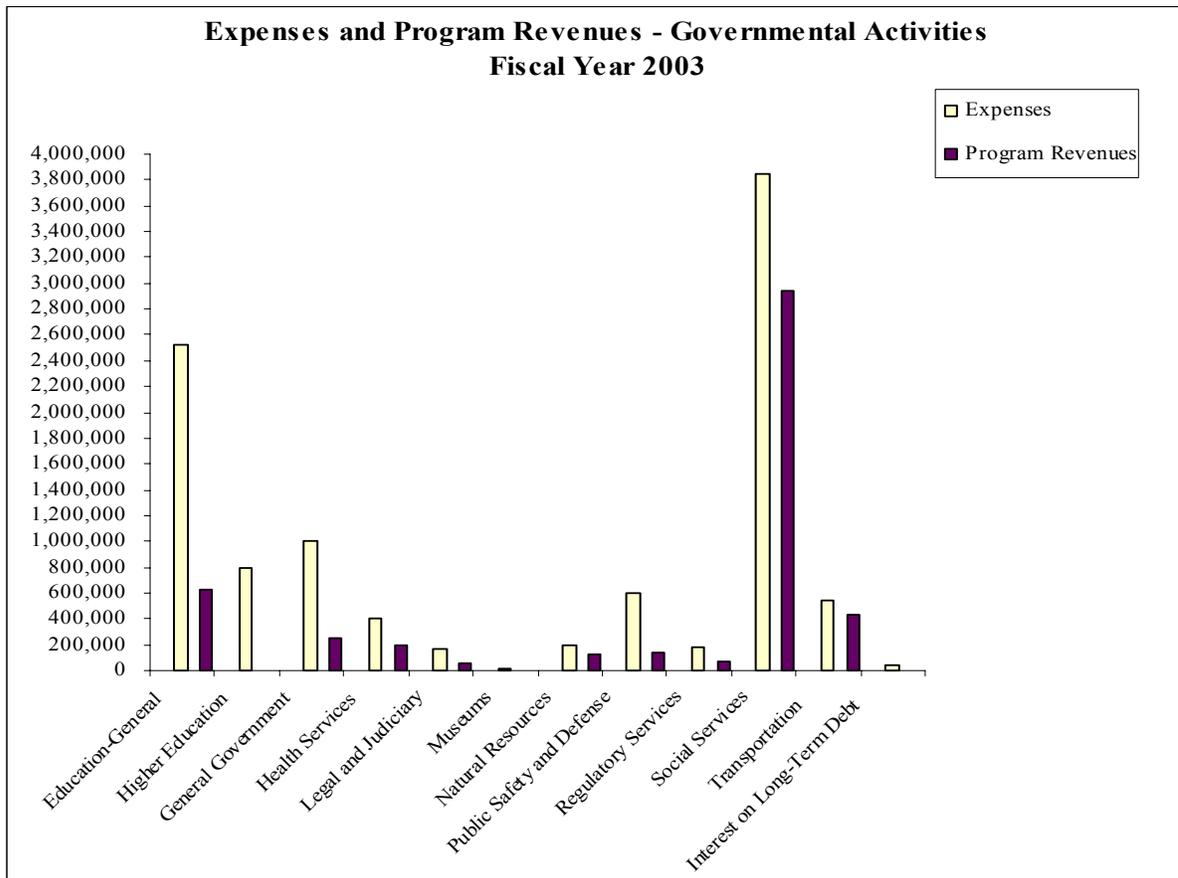
Governmental Activities

Governmental activities increased the State's net assets by \$99.1 million, thereby offsetting the decrease from the business-type activities and leaving the State's net increase in net assets at \$18.7 million. The decrease by the business-type activities is explained in the next section.

In the governmental activities, tax revenues were down in most major types. However, total revenues were up \$256.7 million, or 2.5%. Most of this increase comes from the only tax not showing a decrease. The State showed a \$242 million increase in gross production taxes as natural gas production in the state made an improvement in 2003. Also, overall expenses were cut by budget demands by \$123 million. The most significant cuts were in the areas of public safety and defense and in transportation. Fiscal year 2003's improvement in net assets of \$99.1 million recovered less than one-half (37%) of the decrease the state suffered in the previous fiscal year.

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

	<u>Governmental Activities</u>
Expenses Net of Program Revenues:	
Education-General	\$ (1,898,318)
Education-Payment to Higher Education	(800,490)
General Government	(759,105)
Health Services	(209,183)
Legal and Judiciary	(117,285)
Museums	(8,408)
Natural Resources	(64,299)
Public Safety and Defense	(468,915)
Regulatory Services	(111,884)
Social Services	(922,400)
Transportation	(114,402)
Interest on Long-Term Debt	(46,174)
	<hr/>
Total Governmental Activities Expenses	(5,520,863)
General Revenues:	
Taxes	5,540,110
Investment Earnings	38,307
Contributions to Permanent Funds	41,814
Other	(213)
	<hr/>
Increase in Governmental Activities Net Assets	<u>\$ 99,155</u>



Business-Type Activities

The business-type activities decreased the State's net assets in business-type activities by \$80.4 million, a 10.3% decrease, to \$703.2 million. This decrease is in sharp contrast to last year's modest 0.5% increase from its preceding year. The net decrease resulted from the offset of a \$106.7 million decrease in net assets by the Oklahoma Unemployment Insurance Trust Fund (OUIF) and an increase in net assets of \$26.3 million by the Oklahoma Water Resources Board's (OWRB) program for making loans to local government units. As further discussed in the proprietary funds section below, the OUIF reduction in net assets was even more severe than the prior year's reduction of \$21.1 million by over \$86 million. The decline in net assets continued as payments for unemployment benefits increased by \$98.2 million, or 37%, over a year ago. Higher unemployment rates in the state contributed to this larger payout. Also, federal grant revenues declined by \$35.8 million (a 31% decrease). Lower interest earnings on investments and loans receivable also weakened financial performance for the year.

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$3.1 billion, an increase of \$111 million from the prior year. Less than one half (\$1.243 billion or 40%) of this total amount constitutes unreserved fund balance, which is available for spending in the coming year. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate

contracts and purchase orders of the prior fiscal year (\$135 million), 2) to pay debt service (\$375 million), 3) to be held in permanent trust funds for education, wildlife and prevention of tobacco related health issues (\$1.265 billion) or 4) for a variety of other restricted purposes (\$77 million).

The general fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1.24 billion, while the total fund balance decreased \$8.6 million to \$1.83 billion. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12% of total general fund expenditures (down from 14% a year ago), while total fund balance represents 17% of that same amount (down from 18%).

Overall the fund balance of the State's general fund decreased by \$8.6 million during the current fiscal year. This is a 0.006% decrease from the prior year. That year actually produced a \$483 million decrease in total fund balance.

The Commissioners of the Land Office Permanent Fund, which accounts for the land and cash granted to the State by the United States Congress for the use and benefit of educational systems in Oklahoma, recovered nicely from a two year period of poor investment earnings which caused noticeable decreases in fund balance. Because of better market conditions, this fund reported a \$130 million gain in net investment revenues. Last year's loss of \$27.2 million and 2001's even larger loss \$45.8 million were more than recovered. This \$73 million loss in net investment revenue over that two year period is unusual as the fund normally reports positive net investment revenues. Overall, the current year activity resulted in an increase in the fund balance of \$65.8 million for the year. This is an increase of about 6.6% from the previous year fund balance. The prior year decrease was 7.6% from its previous fund balance. Expenditures and transfers from the fund to benefit educational systems in Oklahoma increased by \$9.7 million to about \$75 million, a near 15% increase.

The Department of Wildlife's Lifetime Licenses fund balance increased by 16.6% to nearly \$59 million. The increase is due mostly to the more than doubling of license revenue over the previous year.

The Tobacco Settlement Endowment Permanent Fund holds certain moneys that were 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 \$45.4 million increase in fund balance with most of the increase, \$41.8 million, coming from new moneys to the state. The prior year's new money was about \$37.9 million. The state now has just over \$135 million in the permanent fund.

Proprietary Funds

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

As discussed in the business-type activities section above, the State's net assets decreased by \$80.4 million as a result of operations in the proprietary funds. This resulted from a \$106.7 million decrease in net assets by the Oklahoma Unemployment Insurance Trust Fund (OUITF) and an increase in net assets of \$26.3 million by the Oklahoma Water Resources Board's (OWRB) program for making loans to local government units for drinking and waste water facilities.

The OUITF reduction in net assets was even more severe than the prior year's reduction of \$21.1 million by over \$86 million. The decline in net assets continued as payments for unemployment benefits increased by \$98.2 million, or 37%, over a year ago. Higher unemployment rates in the state contributed to this larger payout. Revenues increased only \$12.6 million overall, all from an increase in collections (sales and services) showing a \$53.5 million increase, or a 56% increase. Reductions in federal grant revenues offset the collections increase by declining \$35.8 million (over a 31% decrease) down to only \$77.4 million in grant receipts. Other revenues accounted for \$500 thousand of the decrease. Investment earnings were down as well by \$4.6 million, or 14%, because of lower amounts to invest. These reductions in revenues combined to offset most the gain from the additional collections.

The OWRB showed a larger increase (\$1.6 million more) in net assets this year than last years increase in net assets of \$24.6 million. Interest earnings on loans were down by close to \$2.5 million due to lower interest rates on loans that contain variable rates. Federal grant revenues for new loans to local governments were up by just over \$5 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the original budget and the final budget for the current fiscal year are mostly due to the \$352 million revenue shortfall. As a result of the revenue shortfall, most state agency budgets were reduced by an average 6.7%. Basic health care, human services and public safety programs experienced only minimal reductions. Because of the budgetary estimates and expenditures exceeding revenues, a total of \$72.4 million of the state's Rainy Day Fund has been utilized in 2003.

Other significant differences are:

The Oklahoma Department of Corrections received \$18.8 million in supplemental appropriations to offset budget reductions and to assist with the increased costs of contract prison facilities.

The Oklahoma State Department of Education received \$25.49 million in supplemental appropriations to cover increased costs and aid to the state's school districts.

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, 2003, amounts to \$12.5 billion, net of accumulated depreciation of \$5.7 billion, leaving a net book value of \$6.8 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 4.1% in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$637 million for the year, a \$22 million (3.6%) increase. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$307 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 Executive Bond Oversight Commission and the Legislative Bond Oversight Commission. The commissions meet jointly to review all proposed debt issuances. Both commissions must approve each financing plan before obligations are issued. The legislation that created the bond oversight commissions also created the position of State Bond Advisor, who advises the commissions, and must approve the pricing and fees associated with any debt issuance.

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

The State of Oklahoma's total debt increased by \$300 million, or 13%, during the current fiscal year. This increase is due largely to the issuance of \$261.2 million in Oklahoma Building Refunding general obligation bonds that were used to refund 1992 general obligation bonds. The issue date of the new bonds was before year end, while the old bonds were not redeemed until July 15, 2003 when \$270 million was removed. The State issued \$13 million in new revenue bonds for construction of facilities. Additionally, \$24 million in notes payable were entered into to finance the purchase and implementation of a new integrated enterprise resource planning software system. 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 retired \$15 million in revenue bonds and notes during the year.

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 seasonally adjusted unemployment rate for the State of Oklahoma was 5% in December 2003, an increase from a rate of 4.6% a year ago. This continues to compare favorably to the nation's unemployment rate of 5.4% in December 2003.

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

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

During fiscal year 2003, unreserved fund balance in the general fund decreased \$145 million to \$1.24 billion, with \$418 million of this in the Cash Flow Reserve Fund and only \$136,000 in the State's Rainy Day Fund leaving \$822 million as undesignated. This \$822 million is roughly 7% of the total governmental fund expenditures for the year.

Budget and Revenue Collections

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

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

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

The Legislature may, in regular or special session, make selective reductions in spending or consider revenue increases. Like most other states, Oklahoma has experienced dramatic declines in revenue over the past two years. The same factors that depressed revenue collections in the second half of fiscal year 2002 continued as fiscal year 2003 began. Revenue collections in the first month of fiscal year 2003 were 13% below the estimate. Budget cuts were implemented due to the poor performance of individual income tax, corporate income tax, sales tax and motor vehicle taxes. As the year progressed, performance of these revenues continued to deteriorate, and further budget cuts were required to prevent deficit spending. By the fiscal year's end, the budget reduction level had ratcheted up to 6.7% and cuts totaled \$301 million.

Fiscal Year 2004

Revenue collections are substantially improved in the current fiscal year. In the first six months General Revenue Fund collections are ahead of both the prior year and estimated collections. The individual income tax, sales tax, motor vehicle tax and gross production tax on natural gas are performing well. The growth of individual income and sales tax collections is a good indicator that the underlying state economy is regaining some strength. Additionally, the likelihood of budget cuts during the current fiscal year is remote unless the current trends reverse.

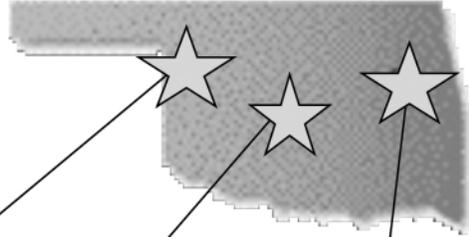
REQUESTS FOR INFORMATION

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



Windmill Museum

Shattuck, Oklahoma



Roman Nose State Park

Watonga, Oklahoma



Will Rogers Memorial

Claremore, Oklahoma

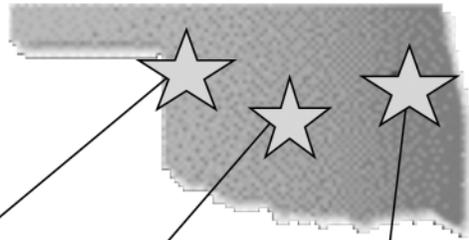
Basic Financial Statements

Basic Financial Statements



Windmill Museum

Shattuck, Oklahoma



Roman Nose State Park

Watonga, Oklahoma



Will Rogers Memorial

Claremore, Oklahoma

Government Wide Financial Statements

Government Wide Financial Statements

This Page Intentionally Left Blank

Statement of Net Assets
June 30, 2003
(expressed in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current Assets				
Cash/Cash Equivalents	\$ 1,573,427	\$ 445,882	\$ 2,019,309	\$ 528,119
Investments	1,514,132	12,277	1,526,409	1,247,302
Securities Lending Investments	219,969	0	219,969	137,652
Accounts Receivable	23,482	13,797	37,279	238,650
Interest and Investment Revenue Receivable	16,100	4,021	20,121	12,802
Federal Grants Receivable	361,566	250	361,816	5,918
Taxes Receivable	246,151	0	246,151	0
Leases Receivable	6,205	0	6,205	0
Leases Receivable - Component Units	2,777	0	2,777	0
Other Receivables	6,827	2,691	9,518	4,599
Notes Receivable	0	47,557	47,557	11,945
Receivable from External Parties	61	0	61	12,749
Due from Component Units	2,359	0	2,359	1,158
Due from Primary Government	0	0	0	37,053
Inventory	44,704	0	44,704	49,572
Prepaid Items	7,551	0	7,551	5,862
Other Current Assets	9,305	0	9,305	3,120
Total Current Assets	4,034,616	526,475	4,561,091	2,296,501
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	0	48,634	48,634	236,255
Short-Term Investments - Restricted	0	0	0	1,197,725
Long-Term Investments	0	23,291	23,291	176,497
Long-Term Investments - Restricted	0	26,980	26,980	0
Leases Receivable	43,370	0	43,370	1,091
Leases Receivable - Component Units	38,903	0	38,903	0
Long-Term Notes Receivable, Net	0	434,990	434,990	148,906
Long-Term Notes Receivable, Net - Restricted	0	0	0	560,758
Long-Term Due from Component Units	42,536	0	42,536	0
Capital Assets - Depreciable, Net	5,746,588	121	5,746,709	3,169,238
Capital Assets - Land	926,439	0	926,439	263,268
Capital Assets - Construction in Progress	95,672	0	95,672	302,065
Net Pension Asset	84,079	0	84,079	0
Other Noncurrent Assets	9,029	1,283	10,312	289,293
Other Noncurrent Assets - Restricted	0	0	0	27,967
Total Noncurrent Assets	6,986,616	535,299	7,521,915	6,373,063
Total Assets	11,021,232	1,061,774	12,083,006	8,669,564

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	474,377	2,631	477,008	169,991
Payable Under Securities Lending Agreements	219,969	0	219,969	137,652
Claims and Judgments	27,935	0	27,935	221,346
Interest Payable	24,570	2,468	27,038	86,867
Tax Refunds Payable	1,888	0	1,888	0
Payable to External Parties	6,589	0	6,589	324
Due to Component Units	28,562	0	28,562	1,158
Due to Primary Government	0	0	0	4,246
Due to Others	88,211	0	88,211	0
Deferred Revenue	101,783	0	101,783	140,365
Pension Obligation	1,720	0	1,720	0
Capital Leases	1,852	0	1,852	10,572
Capital Leases - Primary Government	0	0	0	2,777
Compensated Absences	80,436	64	80,500	51,591
Notes Payable	6,395	1,365	7,760	5,656
General Obligation Bonds	269,975	0	269,975	6,283
Revenue Bonds	16,762	43,815	60,577	159,397
Certificates of Participation	870	0	870	0
Other Current Liabilities	9,180	3,143	12,323	55,335
Total Current Liabilities	1,361,074	53,486	1,414,560	1,053,560
Noncurrent Liabilities				
Claims and Judgments	0	0	0	629,194
Due to Primary Government	0	0	0	41,734
Capital Leases	4,042	0	4,042	63,104
Capital Leases - Primary Government	0	0	0	38,903
Compensated Absences	50,502	0	50,502	17,735
Notes Payable	53,184	1,120	54,304	158,317
General Obligation Bonds	261,210	0	261,210	62,215
Revenue Bonds	572,224	303,038	875,262	3,774,896
Certificates of Participation	560	0	560	0
Other Noncurrent Liabilities	34,564	961	35,525	161,186
Total Noncurrent Liabilities	976,286	305,119	1,281,405	4,947,284
Total Liabilities	2,337,360	358,605	2,695,965	6,000,844
Net Assets				
Invested in Capital Assets, Net of Related Debt	5,658,694	121	5,658,815	1,213,116
Restricted for:				
Capital Projects	4,978	0	4,978	0
Debt Service	375,462	66,896	442,358	228,919
Preservation of Wildlife	58,922	0	58,922	0
Educational Systems	1,070,353	0	1,070,353	0
Unemployment Benefits	0	415,267	415,267	0
Other Purposes				
Expendable	130,808	0	130,808	251,621
Nonexpendable	4,584	0	4,584	175,527
Unrestricted	1,380,071	220,885	1,600,956	799,537
Total Net Assets	\$ 8,683,872	\$ 703,169	\$ 9,387,041	\$ 2,668,720

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

Statement of Activities
For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

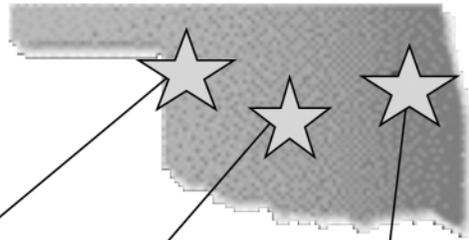
Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Education-General	\$ 2,522,466	\$ 22,978	\$ 601,170	\$ 0	\$ (1,898,318)		\$ (1,898,318)	
Education-Payment to Higher Education	800,490	0	0	0	(800,490)		(800,490)	
General Government	1,003,118	195,789	48,224	0	(759,105)		(759,105)	
Health Services	399,572	52,032	138,357	0	(209,183)		(209,183)	
Legal and Judiciary	167,971	33,376	17,310	0	(117,285)		(117,285)	
Museums	11,008	1,424	1,176	0	(8,408)		(8,408)	
Natural Resources	190,289	83,014	42,976	0	(64,299)		(64,299)	
Public Safety and Defense	603,306	62,660	71,731	0	(468,915)		(468,915)	
Regulatory Services	175,512	58,804	4,824	0	(111,884)		(111,884)	
Social Services	3,858,546	186,120	2,733,630	16,396	(922,400)		(922,400)	
Transportation	545,193	77,758	353,033	0	(114,402)		(114,402)	
Interest on Long-Term Debt	46,174	0	0	0	(46,174)		(46,174)	
Total Governmental Activities	10,323,645	773,955	4,012,431	16,396	(5,520,863)		(5,520,863)	
Business-Type Activities:								
Employment Security Commission	365,701	181,586	77,407	0		\$ (106,708)	(106,708)	
Water Resources Board	13,792	13,490	27,161	0		26,859	26,859	
Total Business-Type Activities	379,493	195,076	104,568	0		(79,849)	(79,849)	
Total Primary Government	\$ 10,703,138	\$ 969,031	\$ 4,116,999	\$ 16,396	(5,520,863)	(79,849)	(5,600,712)	
Component Units:								
CompSource Oklahoma	\$ 218,069	\$ 207,778	\$ 0					\$ (10,291)
State and Education Employees Group Insurance Board	486,684	474,423	0					(12,261)
Oklahoma Student Loan Authority	19,056	22,266	0					3,210
Oklahoma Housing Finance Agency	152,521	61,492	106,068					15,039
Oklahoma Transportation Authority	181,043	194,531	0					13,488
Grand River Dam Authority	204,164	203,020	0					(1,144)
Oklahoma Municipal Power Authority	114,751	115,514	0					763
Higher Education	2,595,515	1,828,133	32,080					(735,302)
Nonmajor Component Units	147,990	90,209	949					(56,832)
Total Component Units	\$ 4,119,793	\$ 3,197,366	\$ 139,097					(783,330)
General Revenues								
Taxes:								
Income Taxes-Individual					2,063,414	0	2,063,414	0
Income Taxes-Corporate					178,161	0	178,161	0
Sales Tax					1,437,630	0	1,437,630	0
Gross Production Taxes					468,064	0	468,064	0
Motor Vehicle Taxes					539,748	0	539,748	0
Fuel Taxes					378,021	0	378,021	0
Insurance Taxes					197,799	0	197,799	0
Beverage Taxes					66,291	0	66,291	0
Other Taxes					210,982	0	210,982	0
Payments from Primary Government					0	0	0	885,510
Contributions to Permanent Funds					41,814	0	41,814	0
Investment Earnings					38,307	0	38,307	0
Loss on Sale of Assets					(790)	0	(790)	0
Transfers					577	(577)	0	0
Total General Revenues and Transfers					5,620,018	(577)	5,619,441	885,510
Change in Net Assets					99,155	(80,426)	18,729	102,180
Net Assets - Beginning of Year (as restated)					8,584,717	783,595	9,368,312	2,566,540
Net Assets - End of Year					\$ 8,683,872	\$ 703,169	\$ 9,387,041	\$ 2,668,720

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



Windmill Museum

Shattuck, Oklahoma



Roman Nose State Park

Watonga, Oklahoma



Will Rogers Memorial

Claremore, Oklahoma

Fund Financial Statements

Fund Financial Statements

This Page Intentionally Left Blank

Balance Sheet
 Governmental Funds
 June 30, 2003
 (expressed in thousands)

	Permanent Funds					Nonmajor	Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	Capital Projects		
Assets							
Assets							
Cash/Cash Equivalents	\$ 1,462,675	\$ 60,030	\$ 5,760	\$ 39,827	\$ 5,135	\$ 1,573,427	
Investments	373,304	994,668	50,075	96,085	0	1,514,132	
Securities Lending Investments	219,969	0	0	0	0	219,969	
Accounts Receivable	23,482	0	0	0	0	23,482	
Interest and Investment Revenue Receivable	6,384	9,260	0	456	0	16,100	
Federal Grants Receivable	361,566	0	0	0	0	361,566	
Taxes Receivable	244,688	0	0	0	1,463	246,151	
Leases Receivable	49,575	0	0	0	0	49,575	
Leases Receivable-Component Units	41,680	0	0	0	0	41,680	
Other Receivables	150	4,820	1,857	0	0	6,827	
Due from Other Funds	0	0	1,223	0	0	1,223	
Due from Fiduciary Funds	61	0	0	0	0	61	
Due from Component Units	2,359	0	0	0	0	2,359	
Due from Component Units-Noncurrent	42,536	0	0	0	0	42,536	
Inventory	44,704	0	0	0	0	44,704	
Prepaid Items	7,551	0	0	0	0	7,551	
Other Assets	3,435	5,863	7	0	0	9,305	
Total Assets	\$ 2,884,119	\$ 1,074,641	\$ 58,922	\$ 136,368	\$ 6,598	\$ 4,160,648	
Liabilities and Fund Balance							
Liabilities							
Accounts Payable and Accrued Liabilities	\$ 472,571	\$ 0	\$ 0	\$ 186	\$ 1,620	\$ 474,377	
Payable Under Securities							
Lending Agreements	219,969	0	0	0	0	219,969	
Claims and Judgments	27,935	0	0	0	0	27,935	
Interest Payable	13,213	0	0	0	0	13,213	
Tax Refunds Payable	1,888	0	0	0	0	1,888	
Due to Other Funds	1,223	0	0	0	0	1,223	
Due to Fiduciary Funds	6,589	0	0	0	0	6,589	
Due to Component Units	28,562	0	0	0	0	28,562	
Due to Others	88,211	0	0	0	0	88,211	
Deferred Revenue	191,438	4,288	0	0	0	195,726	
Other Liabilities	5,697	0	0	790	0	6,487	
Total Liabilities	1,057,296	4,288	0	976	1,620	1,064,180	
Fund Balances							
Reserved							
Encumbrances	133,617	0	0	0	1,458	135,075	
Inventory/Prepaid Items	51,171	0	0	0	0	51,171	
Debt Service	375,462	0	0	0	0	375,462	
Preservation of Wildlife	0	0	50,738	0	0	50,738	
Permanent Trust	0	1,068,168	0	130,808	0	1,198,976	
Undistributed Revenue	0	2,185	8,184	4,584	0	14,953	
Other Special Purposes	26,789	0	0	0	0	26,789	
Unreserved, reported in General Fund							
Designated for Cash Flow Reserve Fund	417,601	0	0	0	0	417,601	
Designated for Rainy Day Fund	136	0	0	0	0	136	
Undesignated	822,047	0	0	0	3,520	825,567	
Total Fund Balances	1,826,823	1,070,353	58,922	135,392	4,978	3,096,468	
Total Liabilities and Fund Balances	\$ 2,884,119	\$ 1,074,641	\$ 58,922	\$ 136,368	\$ 6,598		

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

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

Total Fund Balance - Governmental Funds \$ 3,096,468

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of :

Land	\$	926,439	
Buildings and Improvements		805,524	
Equipment		262,556	
Infrastructure		10,373,618	
Construction in Progress		95,672	
Accumulated Depreciation		(5,695,110)	
			6,768,699

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. 93,943

The Uniform Retirement System for Judges and Justices and the Oklahoma Law Enforcement Retirement System have been funded in excess of Annual Required Contributions, creating a negative net pension obligation. This asset is not a current available financial resource and is not reported in the funds. 84,079

Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets. 5,024

Certain bonds issued by the State are for the purpose of refunding older bond issues. Some bonds that are refunded are done so at a loss to the State. These losses are costs in the funds, but are amortized over the life of the refunding bonds on the statement of net assets. 4,005

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		(59,579)	
General Obligation and Revenue Bonds		(1,120,171)	
Capital Leases and Certificates of Participation		(7,324)	
Net Pension Obligation (Wildlife)		(1,720)	
Bond Issue Premium		(37,257)	
Accrued Interest on Bonds		(11,357)	
Compensated Absences		(130,938)	
			(1,368,346)

Net Assets of Governmental Activities \$ 8,683,872

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	General	Permanent			Nonmajor	Total Governmental Funds
		Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	Capital Projects	
Revenues						
Taxes						
Income Taxes-Individual	\$ 2,063,414	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,063,414
Income Taxes-Corporate	178,161	0	0	0	0	178,161
Sales Tax	1,437,630	0	0	0	0	1,437,630
Gross Production Taxes	468,064	0	0	0	0	468,064
Motor Vehicle Taxes	539,748	0	0	0	0	539,748
Fuel Taxes	378,021	0	0	0	0	378,021
Insurance Taxes	197,799	0	0	0	0	197,799
Beverage Taxes	66,291	0	0	0	0	66,291
Other Taxes	210,982	0	0	0	0	210,982
Licenses, Permits and Fees	244,143	0	0	0	0	244,143
Interest and Investment Revenue	54,740	129,766	2,918	4,280	24	191,728
Federal Grants	3,928,922	0	0	0	16,396	3,945,318
Sales and Services	146,204	10,564	6,616	0	0	163,384
Other	305,739	745	0	41,814	0	348,298
Total Revenues	10,219,858	141,075	9,534	46,094	16,420	10,432,981
Expenditures						
Current						
Education	3,249,856	69,677	0	0	0	3,319,533
General Government	980,742	0	0	666	0	981,408
Health Services	390,047	0	0	0	0	390,047
Legal and Judiciary	163,576	0	0	0	0	163,576
Museums	7,943	0	0	0	0	7,943
Natural Resources	186,898	0	0	0	0	186,898
Public Safety and Defense	607,896	0	0	0	0	607,896
Regulatory Services	174,004	0	0	0	0	174,004
Social Services	3,822,301	0	0	0	0	3,822,301
Transportation	222,475	0	0	0	0	222,475
Capital Outlay	653,302	0	0	0	16,272	669,574
Debt Service						
Principal Retirement	75,226	0	0	0	0	75,226
Interest and Fiscal Charges	46,174	0	0	0	0	46,174
Total Expenditures	10,580,440	69,677	0	666	16,272	10,667,055
Revenues in Excess of (Less Than) Expenditures	(360,582)	71,398	9,534	45,428	148	(234,074)
Other Financing Sources (Uses)						
Transfers In	7,363	0	0	0	0	7,363
Transfers Out	0	(5,638)	(1,125)	0	(23)	(6,786)
Bonds Issued	12,930	0	0	0	0	12,930
Notes Issued	24,190	0	0	0	0	24,190
Refunding Bonds Issued	353,380	0	0	0	0	353,380
Bond Issue Premiums	35,784	0	0	0	0	35,784
Bond Issue Discounts	(103)	0	0	0	0	(103)
Payment to Refunded Bond Escrow Agent	(93,670)	0	0	0	0	(93,670)
Capital Leases and Certificates of Participation	2,935	0	0	0	0	2,935
Sale of Capital Assets	9,212	0	0	0	0	9,212
Total Other Financing Sources (Uses)	352,021	(5,638)	(1,125)	0	(23)	345,235
Net Change in Fund Balances	(8,561)	65,760	8,409	45,428	125	111,161
Fund Balances - Beginning of Year (as restated)	1,835,384	1,004,593	50,513	89,964	4,853	2,985,307
Fund Balances - End of Year	\$ 1,826,823	\$ 1,070,353	\$ 58,922	\$ 135,392	\$ 4,978	\$ 3,096,468

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 \$ 111,161

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 (\$584,961) exceeded depreciation (\$306,992) in the current period. 277,969

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (10,443)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (9,527)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$388,267) exceeded repayments (\$168,896). (219,371)

Bond issuance premiums are other financing sources to governmental funds, but are deferred liabilities in the statement of net assets. (35,784)

Contribution to certain pension plans use current financial resources from governmental funds, but increase the net pension obligation (\$182) or decrease the net pension asset (\$11,998) in the statement of activities. (12,180)

Some of the assets acquired this year were financed as capital leases. The amount financed is reported in the governmental funds as a source of financing. However, capital leases are long-term liabilities in the statement of net assets. (3,264)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount by which the decrease in compensated absences (\$150) combined with the decrease in interest payable (\$523) and the accretion of bond premiums (\$393) exceeded the amortization of bond issuance costs (\$412) and the amortization of loss on refunded bonds (\$60). 594

Change in Net Assets of Governmental Activities \$ 99,155

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

Statement of Net Assets
Proprietary Funds
June 30, 2003
(expressed in thousands)

	Business-Type Activities - Enterprise Funds		
	Employment Security Commission	Water Resources Board	Total
Assets			
Current Assets			
Cash/Cash Equivalents	\$ 399,375	\$ 46,507	\$ 445,882
Investments	0	12,277	12,277
Accounts Receivable	13,791	6	13,797
Interest and Investment Revenue Receivable	0	4,021	4,021
Federal Grants Receivable	0	250	250
Other Receivables	2,691	0	2,691
Notes Receivable	0	47,557	47,557
Total Current Assets	415,857	110,618	526,475
Noncurrent Assets			
Cash/Cash Equivalents - Restricted	0	48,634	48,634
Long-Term Investments	0	23,291	23,291
Long-Term Investments - Restricted	0	26,980	26,980
Long-Term Notes Receivable	0	434,990	434,990
Capital Assets, Net	0	121	121
Other Noncurrent Assets	0	1,283	1,283
Total Noncurrent Assets	0	535,299	535,299
Total Assets	415,857	645,917	1,061,774
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Liabilities	590	2,041	2,631
Interest Payable	0	2,468	2,468
Compensated Absences	0	64	64
Notes Payable	0	1,365	1,365
Revenue Bonds	0	43,815	43,815
Other Current Liabilities	0	3,143	3,143
Total Current Liabilities	590	52,896	53,486
Noncurrent Liabilities			
Notes Payable	0	1,120	1,120
Revenue Bonds	0	303,038	303,038
Other Noncurrent Liabilities	0	961	961
Total Noncurrent Liabilities	0	305,119	305,119
Total Liabilities	590	358,015	358,605
Net Assets			
Invested in Capital Assets, net of related debt	0	121	121
Restricted for:			
Debt Service	0	66,896	66,896
Unemployment Benefits	415,267	0	415,267
Unrestricted	0	220,885	220,885
Total Net Assets	\$ 415,267	\$ 287,902	\$ 703,169

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

Statement of Revenues, Expenses
and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Business-Type Activities - Enterprise Funds		
	Employment Security Commission	Water Resources Board	Total
Operating Revenues			
Sales and Services	\$ 149,603	\$ 0	\$ 149,603
Federal Grants	0	25,298	25,298
Other	4,068	0	4,068
Total Operating Revenues	<u>153,671</u>	<u>25,298</u>	<u>178,969</u>
Operating Expenses			
Administrative and General	0	3,339	3,339
Interest	0	8,919	8,919
Depreciation	0	52	52
Benefit Payments and Refunds	365,701	0	365,701
Total Operating Expenses	<u>365,701</u>	<u>12,310</u>	<u>378,011</u>
Operating Income (Loss)	<u>(212,030)</u>	<u>12,988</u>	<u>(199,042)</u>
Nonoperating Revenues (Expenses)			
Interest and Investment Revenue	27,915	13,490	41,405
Nonoperating Federal Grants	77,407	1,863	79,270
Other Nonoperating Expenses	0	(1,482)	(1,482)
Total Nonoperating Revenues (Expenses)	<u>105,322</u>	<u>13,871</u>	<u>119,193</u>
Income (Loss) Before Transfers	(106,708)	26,859	(79,849)
Transfers Out	<u>0</u>	<u>(577)</u>	<u>(577)</u>
Change in Net Assets	(106,708)	26,282	(80,426)
Total Net Assets - Beginning	<u>521,975</u>	<u>261,620</u>	<u>783,595</u>
Total Net Assets - Ending	<u>\$ 415,267</u>	<u>\$ 287,902</u>	<u>\$ 703,169</u>

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

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Business-Type Activities - Enterprise Funds		
	Employment Security Commission	Water Resources Board	Total
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 148,633	\$ 0	\$ 148,633
Receipts from Federal Grants	0	25,758	25,758
Payments of Benefits	(365,363)	0	(365,363)
Payments to Suppliers	0	(2,619)	(2,619)
Payments to Employees	0	(919)	(919)
Payments of Operating Interest Expense	0	(9,214)	(9,214)
Net Cash Provided (Used) by Operating Activities	<u>(216,730)</u>	<u>13,006</u>	<u>(203,724)</u>
Cash Flows from Noncapital Financing Activities			
Federal Grants and Other Contributions	76,744	133	76,877
Transfers Out	0	(577)	(577)
Principal Paid on Bonds and Notes Payable	0	(15,515)	(15,515)
Payments for Arbitrage Rebate	0	(915)	(915)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>76,744</u>	<u>(16,874)</u>	<u>59,870</u>
Cash Flows from Capital and Related Financing Activities			
Payments for Acquisition of Capital Assets	0	(17)	(17)
Net Cash Used by Investing Activities	<u>0</u>	<u>(17)</u>	<u>(17)</u>
Cash Flows from Investing Activities			
Interest and Investment Revenue	27,915	4,292	32,207
Proceeds from Sale and Maturity of Investments	0	53,739	53,739
Payments to Purchase Investments	0	(1,872)	(1,872)
Receipts of Principal on Notes Receivable	0	70,235	70,235
Receipts of Interest on Notes Receivable	0	11,449	11,449
Payments to Issue Notes Receivable	0	(136,985)	(136,985)
Net Cash Provided by Investing Activities	<u>27,915</u>	<u>858</u>	<u>28,773</u>
Net Decrease in Cash/Cash Equivalents	(112,071)	(3,027)	(115,098)
Cash/Cash Equivalents - Beginning of Year	511,446	98,168	609,614
Cash/Cash Equivalents - End of Year	<u>\$ 399,375</u>	<u>\$ 95,141</u>	<u>\$ 494,516</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities			
Operating Income (Loss)	\$ (212,030)	\$ 12,988	\$ (199,042)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	0	52	52
Amortization (Accretion) and Other Noncash Expenses	0	154	154
Decrease (Increase) in Assets			
Accounts Receivable	(5,038)	(6)	(5,044)
Federal Receivable	0	461	461
Increase (Decrease) in Liabilities			
Accounts Payable and Accrued Liabilities	338	(281)	57
Interest Payable	0	(349)	(349)
Compensated Absences	0	(13)	(13)
Net Cash Provided (Used) by Operating Activities	<u>\$ (216,730)</u>	<u>\$ 13,006</u>	<u>\$ (203,724)</u>

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

This Page Intentionally Left Blank

Statement of Fiduciary Net Assets
 Fiduciary Funds and Similar Component Units
 June 30, 2003
 (expressed in thousands)

	Pension Trust Funds	Investment Trust Fund	Agency Fund
Assets			
Cash/Cash Equivalents	\$ 614,616	\$ 4,724	\$ 186,952
Investments, at fair value			
Equity Securities	6,428,480	0	0
Governmental Securities	2,830,243	0	0
Mutual Funds	1,988,455	0	0
Debt Securities	1,788,404	0	0
Other Investments	376,687	0	0
Securities Lending Investments	1,583,021	0	0
Accounts Receivable	0	0	165
Interest and Investment Revenue Receivable	49,506	3	85
Employer Contributions Receivable	21,003	0	0
Employee Contributions Receivable	16,031	0	0
Other Contributions Receivable	15,767	0	0
Other Receivables	489	0	0
Due from Brokers	597,065	0	0
Due from Other Funds	6,054	0	859
Due from Component Units	0	0	0
Inventory	0	0	3,570
Capital Assets, Net	812	0	0
Other Assets	180	0	0
Total Assets	16,316,813	4,727	\$ 191,631
Liabilities			
Accounts Payable	3,188	0	\$ 1,207
Tax Refunds Payable	0	0	2,775
Securities Lending Payable	1,583,021	0	0
Due to Brokers	1,014,077	0	0
Due to Other Funds	31	0	30
Due to Component Units	8,026	0	6,270
Due to Others	0	0	181,349
Compensated Absences	125	0	0
Benefits in the Process of Payment	89,697	0	0
Total Liabilities	2,698,165	0	\$ 191,631
Net Assets			
Held in Trust for Pension Benefits and Pool Participants	\$ 13,618,648	\$ 4,727	

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

Statement of Changes in
Fiduciary Net Assets
Fiduciary Funds and Similar Component Units
For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Pension Trust Funds	Investment Trust Fund
	<u> </u>	<u> </u>
Additions		
Contributions		
Employer Contributions	\$ 411,596	\$ 0
Employee Contributions	306,303	0
Other Contributions	229,332	4,687
Total Contributions	<u>947,231</u>	<u>4,687</u>
Investment Earnings		
Net (Decrease) in Fair Value of Investments	314,900	0
Interest and Investment Revenue	360,011	62
Total Investment Earnings	<u>674,911</u>	<u>62</u>
Less Investment Expenses	57,345	0
Net Investment Earnings	<u>617,566</u>	<u>62</u>
Total Additions	<u>1,564,797</u>	<u>4,749</u>
Deductions		
Administrative and General Expenses	11,234	0
Benefit Payments and Refunds	1,183,249	7,479
Total Deductions	<u>1,194,483</u>	<u>7,479</u>
Change in Net Assets	370,314	(2,730)
Net Assets - Beginning of Year	<u>13,248,334</u>	<u>7,457</u>
Net Assets - End of Year	<u>\$ 13,618,648</u>	<u>\$ 4,727</u>

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

This Page Intentionally Left Blank

MAJOR COMPONENT UNITS

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

COMPSOURCE OKLAHOMA

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

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

STATE AND EDUCATION EMPLOYEES GROUP INSURANCE BOARD

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

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

OKLAHOMA STUDENT LOAN AUTHORITY

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

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

OKLAHOMA HOUSING FINANCE AGENCY

1140 N.W. 63rd Street, Suite 200, Oklahoma City, Oklahoma 73116

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

OKLAHOMA TRANSPORTATION AUTHORITY

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

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

GRAND RIVER DAM AUTHORITY

P.O. Box 409, Vinita, Oklahoma 74301

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

OKLAHOMA MUNICIPAL POWER AUTHORITY

P.O. Box 1960, Edmond, Oklahoma 73083

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

HIGHER EDUCATION

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

COMPREHENSIVE UNIVERSITIES

University of Oklahoma
Oklahoma State University

OTHER FOUR YEAR UNIVERSITIES

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

TWO YEAR COLLEGES

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

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

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

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

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

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

Combining Statement of Net Assets
Major Component Units
June 30, 2003
(expressed in thousands)

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Transportation Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
Assets										
Current Assets										
Cash/Cash Equivalents										
Unrestricted	\$ 1,935	\$ 6,420	\$ 9	\$ 6,096	\$ 15,856	\$ 10,455	\$ 0	\$ 408,355	\$ 78,993	\$ 528,119
Investments	689,577	156,234	14,994	2,537	148,091	69,967	2,418	156,984	6,500	1,247,302
Securities Lending Investments	137,652	0	0	0	0	0	0	0	0	137,652
Accounts Receivable	35,925	13,790	0	519	2,770	20,663	8,101	148,501	8,381	238,650
Interest and Investment										
Revenue Receivable	6,440	934	84	51	1,470	1,517	0	1,836	470	12,802
Federal Grants Receivable	0	0	0	0	0	0	0	5,578	0	5,578
Other Receivables	1	1,191	0	0	0	0	0	3,407	0	4,599
Notes Receivable	753	0	0	0	0	0	0	5,580	5,612	11,945
Due from Fiduciary Funds	0	12,749	0	0	0	0	0	0	0	12,749
Due from Other Component Units	143	0	0	0	0	454	0	0	561	1,158
Due from Primary Government	1,311	108	0	0	67	28	0	25,998	9,541	37,053
Inventory	0	0	0	0	1,346	25,969	1,511	20,746	0	49,572
Prepaid Items	0	0	0	136	186	1,167	0	4,369	4	5,862
Other Current Assets	1,509	0	0	0	0	266	256	1,089	340	3,460
Total Current Assets	875,246	191,426	15,087	9,339	169,786	130,486	12,286	782,443	110,402	2,296,501
Noncurrent Assets										
Cash/Cash Equivalents -										
Restricted	0	0	962	20,920	58,704	0	14,260	138,075	3,334	236,255
Investments - Restricted	0	0	33,034	584,335	144,066	165,020	47,212	223,803	255	1,197,725
Long-Term Investments										
Unrestricted	0	0	0	12,053	0	0	33,607	95,448	35,389	176,497
Leases Receivable	0	0	0	0	0	0	88	0	1,003	1,091
Long-Term Notes Receivable, Net										
Unrestricted	48,826	0	11,887	14,095	0	0	0	48,750	25,348	148,906
Restricted	0	0	542,012	18,746	0	0	0	0	0	560,758
Capital Assets										
Depreciable, Net	6,552	2,253	1,619	3,462	1,016,462	409,831	193,458	1,432,560	103,041	3,169,238
Land	1,425	0	0	550	161,529	26,053	0	69,576	4,135	263,268
Construction in Progress	0	0	0	0	40,111	20,835	10,847	219,628	10,644	302,065
Other Noncurrent Assets										
Unrestricted	0	0	127	4,309	9,034	74,093	146,251	35,010	20,469	289,293
Restricted	0	0	15,244	3,218	859	0	0	8,610	36	27,967
Total Noncurrent Assets	56,803	2,253	604,885	661,688	1,430,765	695,832	445,723	2,271,460	203,654	6,373,063
Total Assets	\$ 932,049	\$ 193,679	\$ 619,972	\$ 671,027	\$ 1,600,551	\$ 826,318	\$ 458,009	\$ 3,053,903	\$ 314,056	\$ 8,669,564

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

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Transportation Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
Liabilities										
Current Liabilities										
Accounts Payable and Accrued Liabilities	\$ 7,011	\$ 16,465	\$ 1,075	\$ 2,690	\$ 7,639	\$ 13,439	\$ 10,343	\$ 106,526	\$ 4,803	\$ 169,991
Payable Under Securities										
Lending Agreements	137,652	0	0	0	0	0	0	0	0	137,652
Claims and Judgments	99,893	68,224	0	0	0	0	0	36,512	16,717	221,346
Interest Payable	0	0	1,093	3,317	35,024	4,101	10,557	5,221	27,554	86,867
Due to Fiduciary Funds	0	0	0	0	1	323	0	0	0	324
Due to Other Component Units	0	3	0	0	26	46	454	564	65	1,158
Due to Primary Government	279	12	0	1	1,582	19	0	456	1,897	4,246
Deferred Revenue	52,304	0	0	3,008	14,189	0	0	70,714	150	140,365
Capital Leases	0	0	0	0	0	0	0	10,572	0	10,572
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	2,580	197	2,777
Compensated Absences	1,153	755	98	570	1,351	2,658	156	44,015	835	51,591
Notes Payable	0	0	0	0	0	0	0	4,903	753	5,656
General Obligation Bonds	0	0	0	0	0	0	0	5,005	1,278	6,283
Revenue Bonds	0	0	0	67,721	10,155	53,150	10,995	17,376	0	159,397
Other Current Liabilities	13,292	11,368	0	0	8,033	0	0	22,642	0	55,335
Total Current Liabilities	311,584	96,827	2,266	77,307	78,000	73,736	32,505	327,086	54,249	1,053,560
Noncurrent Liabilities										
Claims and Judgments	458,707	4,931	0	0	0	0	0	2,083	163,473	629,194
Due to Primary Government	0	0	0	0	41,734	0	0	0	0	41,734
Capital Leases	0	0	0	0	0	0	0	63,104	0	63,104
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	37,652	1,251	38,903
Compensated Absences	0	0	0	0	0	0	0	17,684	51	17,735
Notes Payable	0	0	83,200	0	0	0	0	26,291	48,826	158,317
General Obligation Bonds	0	0	0	0	0	0	0	860	61,355	62,215
Revenue Bonds	0	0	466,885	514,288	1,234,462	690,283	395,162	462,819	10,997	3,774,896
Other Noncurrent Liabilities	0	0	269	2,762	0	14,955	10,500	130,449	2,251	161,186
Total Noncurrent Liabilities	458,707	4,931	550,354	517,050	1,276,196	705,238	405,662	740,942	288,204	4,947,284
Total Liabilities	770,291	101,758	552,620	594,357	1,354,196	778,974	438,167	1,068,028	342,453	6,000,844
Net Assets										
Invested in Capital Assets, Net of Related Debt	7,977	2,253	1,619	4,012	(24,604)	(89,675)	5,870	1,188,565	117,099	1,213,116
Restricted for:										
Debt Service	0	0	38,873	42,475	66,464	34,540	13,209	33,144	214	228,919
Other Special Purpose										
Expendable	0	0	0	0	41,927	27,500	0	181,660	534	251,621
Nonexpendable	0	0	0	0	0	0	0	175,527	0	175,527
Unrestricted	153,781	89,668	26,860	30,183	162,568	74,979	763	406,979	(146,244)	799,537
Total Net Assets	\$ 161,758	\$ 91,921	\$ 67,352	\$ 76,670	\$ 246,355	\$ 47,344	\$ 19,842	\$ 1,985,875	\$ (28,397)	\$ 2,668,720

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

Combining Statement of Activities
Major Component Units
For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

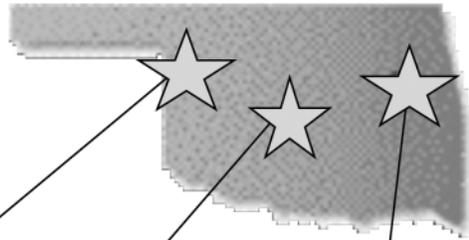
	Program Revenues			General Revenue		Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue	Payments from Primary Government			
Component Units:								
CompSource Oklahoma State and Education Employees	\$ 218,069	\$ 207,778	\$ -	\$ (10,291)	\$ -	\$ (10,291)	\$ 172,049	\$ 161,758
Group Insurance Board	486,684	474,423	-	(12,261)	-	(12,261)	104,182	91,921
Oklahoma Student Loan Authority	19,056	22,266	-	3,210	-	3,210	64,142	67,352
Oklahoma Housing Finance Agency	152,521	61,492	106,068	15,039	-	15,039	61,631	76,670
Oklahoma Transportation Authority	181,043	194,531	-	13,488	-	13,488	232,867	246,355
Grand River Dam Authority	204,164	203,020	-	(1,144)	-	(1,144)	48,488	47,344
Oklahoma Municipal Power Authority	114,751	115,514	-	763	-	763	19,079	19,842
Higher Education Component Unit	2,595,515	1,828,133	32,080	(735,302)	800,490	65,188	1,920,687	1,985,875
Nonmajor Component Units Total	147,990	90,209	949	(56,832)	85,020	28,188	(56,585)	(28,397)
Total Component Units	\$ 4,119,793	\$ 3,197,366	\$ 139,097	\$ (783,330)	\$ 885,510	\$ 102,180	\$ 2,566,540	\$ 2,668,720

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



Windmill Museum

Shattuck, Oklahoma



Roman Nose State Park

Watonga, Oklahoma



Will Rogers Memorial

Claremore, Oklahoma

Notes to the Financial Statements

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS INDEX

Note 1.	Summary of Significant Accounting Policies	67
	A. Reporting Entity	67
	B. Government-Wide and Fund Financial Statements.....	72
	C. Measurement Focus, Basis of Accounting and Financial Statement Presentation.....	73
	D. Fund Accounting.....	74
	1. Governmental Funds	74
	2. Proprietary Funds	74
	3. Fiduciary Funds and Similar Component Units	75
	4. Component Units.....	75
	5. Financial Statement Reporting Periods	75
	E. Budgeting and Budgetary Control.....	75
	F. Cash and Cash Equivalents	76
	G. Investments	76
	H. Receivables	77
	I. Inter/Intrafund Transactions.....	77
	J. Inventories.....	77
	K. Capital Assets.....	78
	L. Other Assets	78
	M. Deferred Revenue.....	78
	N. Compensated Absences.....	79
	O. Risk Management.....	79
	P. Federal Grants	79
	Q. Long-Term Obligations.....	79
	R. Governmental Fund – Fund Balance Reserves and Designations.....	80
	S. Deficit Fund Balance – Multiple Injury Trust Fund.....	80
Note 2.	Deposits and Investments	80
Note 3.	Accounts Receivable	84
Note 4.	Interfund Accounts and Transfers	85
	A. Due from Other Funds/Due to Other Funds	85
	B. Notes Payable and Capital Leases.....	86
	C. Interfund Transfers.....	86
Note 5.	Capital Assets.....	86
Note 6.	Risk Management and Insurance.....	88
	A. Description of Plan.....	90
	B. Unpaid Claims Liabilities.....	91
	C. Reconciliation of Claims Liabilities	91

	D.	Revenue and Claims Development Information	91
Note 7.		Operating Lease Commitments	91
Note 8.		Lessor Agreements	92
Note 9.		Long-Term Obligations As Related to Governmental Activities	94
	A.	General Obligation Bonds	94
	B.	Revenue Bonds	95
	C.	Notes Payable	96
	D.	Certificates of Participation	96
	E.	Capital Leases	96
	F.	Other Liabilities	97
	G.	Authorized Unissued Bonds	97
Note 10.		Long-Term Obligations As Related to Business-Type Activities	97
Note 11.		Long-Term Obligations As Related to Component Units	98
	A.	General Obligation Bonds	99
	B.	Revenue Bonds	99
	C.	Defeased Bonds	100
	D.	Notes Payable	101
	E.	Capital Leases	101
	F.	Other Liabilities	101
	G.	Authorized Unissued Bonds	101
Note 12.		Beginning Fund Balance/Net Assets Adjustments	102
Note 13.		Nonrecourse Debt and Debt Guarantees	102
Note 14.		Retirement and Pension Systems	103
	A.	Primary Government	103
		1. General Description of the Retirement System	103
		2. Funding Policy	103
		3. Annual Pension Cost and Net Pension Obligation	103
	B.	Component Units	104
		1. General Description of the Retirement System	104
		2. Funding Policy	105
		3. Annual Pension Cost and Net Pension Obligation	106
		4. Other Retirement Systems	108
Note 15.		Other Postemployment Benefits	108
Note 16.		On-Behalf Payments	109
Note 17.		Commitments	109
Note 18.		Litigation and Contingencies	110
Note 19.		Subsequent Events	111

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the State of Oklahoma (the "State") have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999 the GASB issued Statement 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and Statement 35 *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These Statements establish new financial reporting requirements for state and local governments and public colleges and universities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

The State was required to implement these standards for the fiscal year ending June 30, 2002. However, the State elected to follow GASB's recommendation and early implement these standards. The State adopted the provisions of GASB Statements 34 and 35 for its fiscal year ended June 30, 2001. With the implementation of GASB Statements 34 and 35, the state has prepared required supplementary information titled *Management's Discussion and Analysis* which precedes the basic financial statements.

Other GASB Statements were required to be implemented in conjunction with GASB Statements 34 and 35. Consequently, the State implemented the following GASB Statements for its fiscal year ended June 30, 2001: Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*, Statement 36 – *Recipient Reporting for Certain Shared Nonexchange Revenues*, Statement 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and Statement 38 – *Certain Financial Statement Note Disclosures*.

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, 2003, and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts and authorities and any other organizational units governed by the Oklahoma State Legislature and/or Constitutional Officers of the State of Oklahoma.

A. Reporting Entity

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

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

Discrete Component Units

Component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Separately issued independent audit reports may be obtained from the Office of State Finance, 2300 North

Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105. The audit reports may also be obtained from the respective component units at the addresses presented on the description page of the Fund Financial Statements section for the Major Component Units, and the description page in the Combining Financial Statement section of this report for the NonMajor Component Units.

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

MAJOR COMPONENT UNITS

CompSource Oklahoma provides a source for workers' compensation insurance for all public and private employers within the state and operates similarly to an insurance company. CompSource is financed through employer premiums. The Board of Managers is comprised of nine members: The Director of State Finance, the Lieutenant Governor, the State Auditor (or their designees), the Director of Central Services, appointees by the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The State can impose its will on the Fund by its ability to remove board members at will. The Fund was audited by other independent auditors for the year ended December 31, 2002, and their report, dated February 28, 2003, has been previously issued under separate cover.

State and Education Employees Group Insurance Board provides group health, life, dental, disability and other benefits to active employees and retirees of the State and certain other eligible participants. The Board is financed through employer and employee premiums. The Board consists of eight members: the State Insurance Commissioner, the Director of State Finance, appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. A financial benefit/burden relationship exists between the State and the Board. The Board was audited by other independent auditors for the year ended December 31, 2002, and their report, dated June 13, 2003, has been previously issued under separate cover.

Oklahoma Student Loan Authority provides loan funds to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations. The Authority is composed of five members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2003, and their report, dated September 17, 2003, 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, 2002, and their report, dated January 21, 2003, has been previously issued under separate cover.

Oklahoma Transportation Authority constructs, maintains, repairs, and operates turnpike projects at locations authorized by the Legislature and approved by the State Department of Transportation. The Authority receives its revenues from turnpike tolls and a percentage of turnpike concession sales. The Authority issues revenue bonds to finance turnpike projects. The Authority consists of the Governor and six members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2002, and their report, dated March 20, 2003, has been previously issued under separate cover.

Grand River Dam Authority controls the waters of the Grand River system to develop and generate water power and electric energy, and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma. The customers consist of rural electric cooperatives, municipalities, industries and off-system sales. The Board of Directors consists of seven members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2002, and their report, dated March 10, 2003, 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, 2002, and their report, dated February 19, 2003, has been previously issued under separate cover.

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

- **Oklahoma State Regents for Higher Education** serves as the coordinating board of control for the System. The Board of Regents for Higher Education consists of nine members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the State Regents for Higher Education by its ability to modify and approve their budget.
- **Board of Regents of Oklahoma Colleges** has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University. The Board consists of nine members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Board of Regents by its ability to modify and approve their budget.
- **Ardmore Higher Education Program** and **McCurtain County Higher Education Program** were established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning. Students enrolled in the Programs earn credit applicable toward academic degrees and certificates at participating institutions in the System. Each Program is administered by a Board of Trustees who are appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Programs by its ability to modify and approve their budget.
- **Rose State College Technical Area Education District, South Oklahoma City Area School District, and Tulsa Community College Area School District #18** were created to provide postsecondary vocational, technical, and adult education programs for persons within their defined geographical boundaries. The primary source of operating funds is ad valorem taxes assessed against real property located in their districts. The Districts are component units of Rose State College, Oklahoma City Community College, and Tulsa Community College, respectively.

NONMAJOR COMPONENT UNITS

Oklahoma Educational Television Authority was created to “make educational television services available to all Oklahoma citizens on a coordinated statewide basis.” The Board of Directors is comprised of thirteen members, seven of which are appointed by the Governor, with the advice and consent of the Senate. A financial benefit/burden relationship exists between the State and the Authority. The Authority was audited by other independent auditors for the year ended June 30, 2003, and their report, dated August 18, 2003, 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, 2003, and their report, dated August 14, 2003, has been previously issued under separate cover.

Health Insurance High Risk Pool (HIHRP) provides health insurance to individuals who are unable to obtain coverage from independent insurers. HIHRP is financed by assessments levied on independent insurers. The Board consists of nine members appointed by the Insurance Commissioner. The State can impose its will on the Pool by its ability to modify the decisions of the Board. The Pool was audited by other independent auditors for the year ended June 30, 2003, and their report, dated October 20, 2003, has been previously issued under separate cover.

Multiple Injury Trust Fund provides additional compensation to a worker with a pre-existing injury who suffers a second injury. The State can impose its will on the Fund by its ability to remove management at will. The Fund was audited by other independent auditors for the period ended December 31, 2002, and their report, dated August 7, 2003, 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, 2003, and their report, dated August 15, 2003, has been previously issued under separate cover.

Oklahoma Development Finance Authority provides financing for both public and private entities in the state. The Authority obtains funds through the issuance of bonds and notes. Private entities qualifying for financing are generally agricultural, civic, educational, health care, industrial, or manufacturing enterprises. Financing is also provided to governmental agencies and instrumentalities of the State. The Governing Board is comprised of seven members, of which five are appointed by the Governor, with the advice and consent of the Senate, plus the Director of the Department of Commerce and the State Treasurer. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2003, and their report, dated September 15, 2003, has been previously issued under separate cover.

Oklahoma Capital Investment Board assists the State with industrial development by mobilizing equity and near-equity capital for investment to potential creation of jobs and growth that will diversify and stabilize the economy. The Board of Directors is comprised of five members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the 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, 2003, and their report, dated August 15, 2003, has been previously issued under separate cover.

Oklahoma Environmental Finance Authority provides public and private entities financing for facilities necessary or useful to abate, control, and reduce air and water pollution. The Authority obtains funds through the issuance of bonds and notes. The three Trustees of the Authority are appointed by the Governor. The State can impose its will on the Authority by its ability to remove trustees at will. The Authority is currently being audited by other independent auditors for the year ended June 30, 2003, and their report, has an anticipated completion date of March 15, 2004.

Fiduciary Component Units

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

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

Oklahoma Firefighters Pension and Retirement System provides retirement benefits for municipal firefighters. The System is administered by a board comprised of thirteen members: The President of the Professional Fire Fighters of Oklahoma, the President of the Oklahoma State Retired Fire Fighters Association, the State Insurance Commissioner, the Director of State Finance (or their designees), the five members of the Board of Trustees of the Oklahoma Firefighters Association, and appointees by the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2003, and their report, dated August 29, 2003, has been previously issued under separate cover.

Oklahoma Law Enforcement Retirement System provides retirement benefits for qualified law enforcement officers. The System is administered by a board comprised of thirteen members: The Assistant Commissioner of Public Safety, the Director of State Finance (or his designee), members of the Department of Public Safety, the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, and the Alcoholic Beverage Laws Enforcement Commission, and appointees by the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2003, and their report, dated September 26, 2003, has been previously issued under separate cover.

Oklahoma Public Employees Retirement System administers the Oklahoma Public Employee Retirement Plan which provides retirement benefits for state, county and local employees. The board is comprised of thirteen members: The Chairman of the Corporation Commission, the Administrator of the Office of Personnel Management, the State Insurance Commissioner, the Director of State Finance (or their designees), a member of the State Tax Commission, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2003, and their report, dated October 3, 2003, has been previously issued under separate cover.

Uniform Retirement System for Justices and Judges is administered by the Oklahoma Public Employee Retirement System and provides retirement benefits for justices and judges. The System was audited by other independent auditors for the year ended June 30, 2003, and their report, dated October 3, 2003, has been previously issued under separate cover.

Oklahoma Police Pension and Retirement System provides retirement benefits for police officers employed by participating municipalities. The System is administered by a board comprised of thirteen members: Seven members elected from the seven Districts, the Director of State Finance, the State Insurance Commissioner (or their designees) and appointees by the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2003, and their report, dated August 29, 2003, has been previously issued under separate cover.

Teachers' Retirement System of Oklahoma provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions. The System is administered by a board consisting of the Superintendent of Public Instruction, the Director of the State Department of Vocational and Technical Education, the Director of State Finance (or their designees), and appointees by the Governor, with the advice and consent of the Senate, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives. The System was audited by other independent auditors for the year ended June 30, 2003, and their report, dated September 26, 2003, 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.

Oklahoma Education Television Authority Foundation, Inc. is a non-profit organization established to receive private donations and contributions that could be used for the benefit of the Oklahoma Education Television Authority (OETA), a part of the primary government. The Foundation does not meet the definition of a component unit but is considered a related party of OETA. During the fiscal year ended June 30, 2003, the foundation disbursed approximately \$4,021,000 for the benefit of OETA.

The colleges and universities included in the Higher Education Component Unit have various foundations organized for the purpose of receiving and administering gifts intended for the benefit of their respective college or university. These foundations do not meet the definition of a component unit but are considered a related party of the college or university. During the fiscal year ended June 30, 2003, these foundations expended, on-behalf of the State's colleges and universities, approximately \$94,664,000 for facilities and equipment, salary supplements, general educational assistance, faculty awards, and scholarships.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information of all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a give 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 functions, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the state's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the state considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Principal revenue sources considered susceptible to accrual include federal grants, interest on investments, sales and income taxes, and lease payments receivable. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the State's present appropriation system. These revenues have been accrued in accordance with generally accepted accounting principles (GAAP) since they have been earned and are expected to be collected within sixty days of the end of the period. Other revenues are considered to be measurable and available only when cash is received by the state.

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

- Employees' vested annual leave is recorded as an expenditure when utilized. The amount of accumulated annual leave unpaid at June 30, 2003, has been reported only in the government-wide financial statements.
- Interest on general long-term obligations is recognized when paid.
- Executory purchase orders and contracts are recorded as a reservation of fund balance.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

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

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

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

D. Fund Accounting

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

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

1. Governmental Funds

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

Capital Projects Fund - This fund accounts for financial resources used for the acquisition, construction, or improvement of major capital facilities other than those financed by proprietary funds. These resources are derived from proceeds of the general obligation bonds issued on March 9, 1993, and July 21, 1993.

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

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

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

2. Proprietary Funds

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

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

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

3. **Fiduciary Funds and Similar Component Units**

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

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

Investment Trust Fund – This Fund accounts for the transactions, assets, liabilities and fund equity of the external investment pool.

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, 2003, and for the year then ended, except for the following funds and entities which were audited by other independent auditors.

CompSource Oklahoma	12-31-02
Multiple Injury Trust Fund	12-31-02
State and Education Employees Group Insurance Board	12-31-02
Oklahoma Transportation Authority	12-31-02
Grand River Dam Authority	12-31-02
Oklahoma Municipal Power Authority	12-31-02
Oklahoma Housing Finance Agency	09-30-02

E. **Budgeting and Budgetary Control**

The State's annual budget is prepared on the cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the accompanying financial statements, encumbrances are recorded as expenditures for budgetary purposes if expected to be presented for payment by November 15 following the end of the fiscal year and as reservations of fund balance for GAAP purposes. Since the budgetary basis differs from generally accepted accounting principles, budget and actual amounts in the accompanying Required Supplementary Information – Budgetary Schedules are presented on the budgetary basis. A reconciliation of revenues in excess of (less than) expenditures and other financing sources (uses) on a budgetary basis at June 30, 2003 to revenues in excess of (less than) expenditures and other financing sources (uses) presented in conformity with generally accepted accounting principles is set forth in the Notes to Required Supplementary Information.

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

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

Current policy allows agencies to use unexpended moneys for one-time purchases or non-recurring expenditures in the next fiscal year. This policy provides an incentive for agency managers to distribute resources efficiently; however, it is subject to annual approval by the Legislature. Unexpended balances not carried forward to the new fiscal year by November 15 may: 1) lapse to unrestricted balances and be available for future appropriation, 2) lapse to restricted balances and be available for future appropriations restricted for specific purposes as defined by statute, or 3) be non-fiscal, and may be spent from one to 30 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. For fiscal year 2003, \$49,234,000 was approved by the Legislature for supplemental appropriation. All fiscal year 2003 appropriated line items were within their authorized spending level.

F. Cash and Cash Equivalents

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

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution. The amount of collateral securities to be pledged for the security of public deposits shall be established by rules and regulations promulgated by the State Treasurer.

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

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

G. Investments

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

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

H. Receivables

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

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

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

I. Inter/Intrafund Transactions

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

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

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

J. Inventories

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Generally, inventories are valued at cost and predominantly on either the first-in first-out or weighted average basis. Inventories of federal surplus properties are valued at a percentage of federal acquisition cost. General fund inventories are recorded as expenditures when consumed rather than when purchased by recording adjustments to the inventory account on the balance sheet. The general fund inventories on hand at year-end are reflected as a reservation of fund balance on the balance sheet, except for \$106,000 in food stamps and \$978,000 in food commodities which is recorded as inventory and deferred revenue. Upon distribution, the food stamps and food commodities are recognized as revenues and expenditures of the general fund.

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

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

K. Capital Assets

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

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

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units financial statements.

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

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

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

L. Other Assets

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

M. Deferred Revenue

Deferred revenues at the fund level arise when potential revenue does not meet the available criterion for recognition in the current period. Available is defined as due (or past due) at June 30, and collected within 60 days thereafter to pay

obligations due at June 30. Deferred revenues also arise when resources are received by the State before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the State has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet, and revenue is recognized. Deferred revenues at the government-wide level arise only when the State receives resources before it has a legal claim to them. Also included in deferred revenue at both levels is the undistributed food stamp and food commodity inventories.

N. Compensated Absences

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

O. Risk Management

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

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

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

P. Federal Grants

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

Q. Long-Term Obligations

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

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

Arbitrage Rebate Liability – The capital project fund, enterprise funds and component units account for any arbitrage rebate payable as a liability of the fund. The increase in the obligation has been recorded as a reduction of current year interest revenue.

R. Governmental Fund – Fund Balance Reserves and Designations

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

As further explained in item J above, the general fund inventory includes \$106,000 in food stamps and \$978,000 in food commodities which is also included in deferred revenue. Therefore, the reservation of fund balance for inventory/prepaid on the balance sheet is \$1,084,000 less than the total of inventory and prepaid items.

S. Deficit Fund Balance – Multiple Injury Trust Fund

The Multiple Injury Trust Fund (MITF), a component unit, continues to operate in a deficit situation. MITF had total net liabilities (negative net assets) of \$233,448,000 at December 31, 2002. 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.

Note 2. Deposits and Investments

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution. The amount of collateral securities to be pledged for the security of public deposits is established by rules promulgated by the State Treasurer. In accordance with the Office of State Treasurer's policies, the amount of collateral securities to be pledged by financial institutions through the State Treasurer's Office are pledged at market value and must be at 110% of value to collateralize the amount on deposit, less any federal insurance coverage. This percentage may vary for political subdivisions according to their respective policies.

In accordance with statutes, the State Treasurer may purchase and invest in the following:

Obligations of the United States Government, its agencies and instrumentalities	Collateralized or insured certificates of deposit
Prime banker's acceptances	Negotiable certificates of deposit
Investment grade obligations of state and local governments	Prime commercial paper
Money market funds	Repurchase agreements

Deposits

As of June 30, 2003, the State and its discretely presented component units' bank balances of deposits are fully insured or collateralized with securities held by an agent of the State or its discretely presented component units in their respective names. The Pension Trust Funds, fiduciary component units of the State, held deposits of \$614,616,000 of which \$477,828,000 were insured or collateralized with securities held by the fiduciary component unit or by its agent in each funds respective name. This is considered category 1 credit risk. The Pension Trust Funds held \$136,788,000 as category 3 credit risk deposits which are uncollateralized or collateralized and the related securities are held by the pledging institution or by its agent not in the funds name. In addition to these deposits, the State has approximately \$410,538,000 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.

Investments

The State's investments are categorized below per Governmental Accounting Standards Board Statement 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*, to give an indication of the level of custodial risk assumed at year end. Category 1 includes investments that are insured, registered, or are held by the State or its agent in the name of the State. Category 2 includes uninsured and unregistered investments, which are held by the counterparties' trust departments or agents in the name of the State. Category 3 includes uninsured and unregistered investments, held by counterparties, or their trust departments or agents, but not in the name of the State.

Investments at June 30, 2003, by investment type, are listed below (expressed in thousands).

Primary Government	Risk Categories			Fair
	1	2	3	Value
U.S. Government Securities	\$ 992,863	\$ 7,165	\$ -	\$ 1,000,028
Repurchase Agreements	780,530	-	-	780,530
State Bond Issues	101,731	-	-	101,731
Debt Securities	467,944	8,404	-	476,348
Equity Securities	414,398	-	7,078	421,476
Investments Held Under Securities Loans for Non-Cash Collateral:				
U.S. Government Securities	250,186	-	-	250,186
	<u>\$ 3,007,652</u>	<u>\$ 15,569</u>	<u>\$ 7,078</u>	<u>3,030,299</u>
Investments Not Subject to Categorization:				
Guaranteed Investment Contracts				50,271
Mutual Funds				82,509
Money Market Mutual Funds				230,129
Investments Held Under Securities Loans for Cash Collateral:				
U.S. Government Securities				214,013
Less: Component Units' Investment in State Treasurer's Cash Management Program*				(212,550)
Total Investments				<u>\$ 3,394,671</u>

* Includes presentation and timing differences of \$160,316 attributable to component units.

The State's Investment Trust Fund has investments of repurchase agreements. These investments are included in the primary government's schedule of investments above. All repurchase agreements held by the Investment Trust Fund are included in risk category 1.

Fiduciary	Risk Categories			Fair
	1	2	3	Value
U.S. Government Securities	\$ 2,100,514	\$ -	\$ -	\$ 2,100,514
Short Term Securities	65,955	-	198	66,153
Debt Securities	1,612,807	-	-	1,612,807
Equity Securities	5,590,243	-	-	5,590,243
Investments Held Under Securities Loans for Non-Cash Collateral:				
U.S. Government Securities	-	-	299,681	299,681
Debt Securities	-	-	13,632	13,632
Equity Securities	-	-	18,198	18,198
	<u>\$ 9,369,519</u>	<u>\$ -</u>	<u>\$ 331,709</u>	<u>9,701,228</u>
Investments Not Subject to Categorization:				
Real Estate				39,320
Mutual Funds				1,988,455
Limited Partnerships and Other Investments				271,214
Investments Held Under Securities Loans for Cash Collateral:				
U.S. Government Securities				430,048
Debt Securities				161,965
Equity Securities				820,039
Securities Lending Collateral-Short Term Investment Pools				1,583,021
Total Investments				<u>\$ 14,995,290</u>

Component Units	Risk Categories			Fair Value
	1	2	3	
U.S. Government Securities	\$ 620,490	\$ 723,082	\$ 1,074	\$ 1,344,646
Repurchase Agreements	56,392	-	-	56,392
State Bond Issues	13,894	-	-	13,894
Debt Securities	183,005	4,292	-	187,297
Equity Securities	134,481	27,683	-	162,164
	<u>\$ 1,008,262</u>	<u>\$ 755,057</u>	<u>\$ 1,074</u>	<u>1,764,393</u>
Investments Not Subject to Categorization:				
Guaranteed Investment Contracts				213,409
Non-Negotiable Certificates of Deposit				798
Mutual Funds				223,219
Money Market Mutual Funds				48,324
Other Pooled Funds				132,379
Real Estate				357
Investment in State Treasurer's Cash Management Program				52,234
Investments Held Under Securities Loans				
for Cash Collateral:				
U.S. Government Securities				107,249
Debt Securities				26,063
Equity Securities				826
Securities Lending Collateral-Short Term Investment Pools				137,652
Total Investments				<u>\$ 2,706,903</u>

The following table reconciles the details included within this footnote to the Combined Balance Sheet at June 30, 2003 (expressed in thousands).

	Primary Government	Fiduciary	Component Units
Investments per Statement of Net Assets:			
Investments	\$ 1,576,680	\$ 13,412,269	\$ 2,621,524
Securities Lending Investments	219,969	1,583,021	137,652
Total Investments	1,796,649	14,995,290	2,759,176
Non-negotiable CDs classified as investments	-	-	(52,273)
Pooled cash investments classified as cash equivalents	1,598,022	-	-
Total Investments	<u>\$ 3,394,671</u>	<u>\$ 14,995,290</u>	<u>\$ 2,706,903</u>

Securities Lending Transactions – Primary Government

State statute Title 62, Section 90 authorizes the State Treasurer's Office to participate in securities lending transactions. In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future. All securities held by Northern Trust Company, as trustee or custodian, may be lent in the securities lending program unless specifically excluded by the State Treasurer's Office.

During the fiscal year ended June 30, 2003, 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, 2003, the carrying amount and fair value of the securities on loan was approximately \$464,199,000. The underlying collateral for these securities had a market value of approximately \$470,155,000. Collateral of U.S. Government securities represented approximately \$250,186,000 of the total collateral.

Because these securities cannot be sold or pledged unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in U.S. Government securities and is included as an asset on the balance sheet with an offsetting liability for the return of collateral.

At June 30, 2003, there was no credit risk exposure to borrowers because the amounts the Primary Government owes the borrowers exceed the amounts the borrowers owe the Primary Government. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, resulting from the default of a borrower or the lending agent. Because these transactions are terminable at will, their duration generally did not match the duration of the investments made with cash collateral.

Securities Lending Transactions – Fiduciary Funds and Similar Component Units

The six Public Employees Retirement Systems (PERS) participate in securities lending transactions as provided by their respective investment policies. In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future. There are no restrictions regarding the amount of securities that may be lent.

During the fiscal year ended June 30, 2003, securities lending agents lent primarily U.S. Government securities, equity securities and debt securities. Cash, U.S. Government securities and letters of credit were provided as collateral for the securities lent. Generally, collateral must be provided in the amount of 102% of the fair value of the securities loaned. However, in certain instances collateral must be provided in the amount of 105% when the principal trading market for the loaned securities is outside the United States. At June 30, 2003, the carrying amount and fair value of securities on loan was approximately \$1,743,563,000. The underlying collateral for these securities had a market value of approximately \$1,931,735,000. Collateral of securities and letters of credit represented approximately \$348,714,000 of total collateral. Because these securities and letters of credit cannot be sold or pledged unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investments pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

At June 30, 2003, 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.

Securities Lending Transactions – Component Units

CompSource Oklahoma participates in securities lending transactions as provided by its investment policies. In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future. There are no restrictions regarding the amount of securities that may be lent.

During the fiscal year, securities lending agents lent primarily U.S. Government securities, equity securities and debt securities. Cash, U.S. Government securities and letters of credit were provided as collateral for the securities lent. Collateral must be provided in the amount of 102% of the fair value of the securities loaned. At fiscal year end, the carrying amount and market value of securities on loan was approximately \$135,198,000. The underlying collateral for these securities had a market value of approximately \$138,758,000. Collateral of securities represented approximately \$1,107,000 of total collateral. Because collateral securities and letters of credit cannot be pledged or sold unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investments pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

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

External Investment Pool – Primary Government

The State sponsors an investment pool that includes internal and external pool participants. The portion of the pool attributable to external pool participants is included in the primary government as an Investment Trust Fund and does not have separate financial reports. The pool is not registered with the SEC and is reviewed by an Executive Review Committee of the State’s Cash Management and Investment Oversight Commission. Assets of the pool are invested pursuant to an overnight repurchase agreement and are collateralized by U.S. Government obligations held by an independent third party custodian. Fair value of the investments is determined on a daily basis. Par value of participants’ investments is based on the amount invested and accrued interest. Due to the daily nature of the pool, the third party custodian guarantees the value of the participants’ investments. The pool does not include any involuntary participants.

Condensed financial statement information for the internal and external portions of the investment pool follows (expressed in thousands).

	Internal Investment Pool	External Investment Pool	Total Pool
Assets	\$ 611,699	\$ 4,727	\$ 616,426
Liabilities	-	-	-
Net Assets	<u>\$ 611,699</u>	<u>\$ 4,727</u>	<u>\$ 616,426</u>
Additions			
Contributions	\$ 3,399,800	\$ 4,687	\$ 3,404,487
Investment Revenue	6,167	62	6,229
Total Additions	<u>3,405,967</u>	<u>4,749</u>	<u>3,410,716</u>
Deductions			
Distributions to Pool Participants	<u>3,546,652</u>	<u>7,479</u>	<u>3,554,131</u>
Net Increase	(140,685)	(2,730)	(143,415)
Net Assets, Beginning of Year	752,384	7,457	759,841
Net Assets, End of Year	<u>\$ 611,699</u>	<u>\$ 4,727</u>	<u>\$ 616,426</u>

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, 2003, including the applicable allowances for uncollectible accounts, are presented below (expressed in thousands).

	General Fund	Component Units	
	Accounts Receivable	Accounts Receivable	Notes Receivable
Gross Receivables	\$ 53,924	\$ 308,053	\$ 729,858
Less: Allowance for Uncollectibles	<u>(30,442)</u>	<u>(69,403)</u>	<u>(8,249)</u>
Net Receivables	<u>\$ 23,482</u>	<u>\$ 238,650</u>	<u>\$ 721,609</u>

The general fund Due From Other Funds includes \$42,536,000 from Oklahoma Transportation Authority (OTA) (\$41,734,000 at December 31, 2002 on OTA) for a portion of motor fuel excise taxes collected on fuels consumed on turnpikes. The balance accumulates and is payable when certain OTA revenue bonds payable have been paid in full. Also, the general fund is due \$27,000 from the Funds Held in Escrow agency fund for legislative mandated transfer of earnings on certain funds. The Wildlife Lifetime Licenses permanent fund is due \$1,223,000 from the general fund for legislative mandated transfer of earnings on certain funds.

The fiduciary funds Due From Other Funds includes \$416,000 for Firefighters Pension and Retirement System, \$61,000 for Oklahoma Law Enforcement Retirement System, and \$5,577,000 for Oklahoma Police Pension and Retirement System. These amounts are due from the general fund for legislative mandated allocation of taxes on insurance premiums.

The component units Due From Primary Government includes \$4,056,000 for Higher Education and \$728,000 for University Hospitals Authority. These amounts are due from the general fund for draw downs of principal from Oklahoma Capital Improvement Authority capital lease agreements.

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

B. Notes Payable and Capital Leases

The Multiple Injury Trust Fund (MITF) component unit reports a note payable to CompSource Oklahoma component unit of \$49,579,000, as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit not to exceed \$11,300,000. The remaining \$5,300,000 has not been advanced. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

The Higher Education (HE) and University Hospitals Authority (UHA) component units have entered into capital lease agreements with the general fund's Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. The capital lease outstanding balances are \$40,232,000 for HE and \$1,448,000 for UHA.

C. Interfund Transfers

A summary of interfund transfers for the fiscal year ended June 30, 2003, follows (expressed in thousands).

<u>Transfers From (Out)</u>	<u>Transfers To (In)</u>	<u>For (Purpose)</u>	<u>Amount</u>
Governmental Funds:			
Permanent Funds:			
Commissioners of Land Office	General Fund	Transfer of expendable earnings	\$ 5,638
Department of Wildlife Conservation	General Fund	Transfer of expendable earnings	1,125
Capital Projects Fund	General Fund	Reimbursement for expenditures	23
Proprietary Funds:			
Oklahoma Water Resources Board	General Fund	Administrative expenditures	128
Oklahoma Water Resources Board	General Fund	Restricted investment revenue	449
Total Transfers			<u>\$ 7,363</u>

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2003, was as follows (expressed in thousands).

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 891,671	\$ 35,483	\$ (715)	\$ 926,439
Construction in progress	90,076	57,459	(51,863)	95,672
Total capital assets, not being depreciated	<u>981,747</u>	<u>92,942</u>	<u>(52,578)</u>	<u>1,022,111</u>
Capital assets, being depreciated:				
Buildings and improvements	711,757	94,025	(258)	805,524
Equipment	254,537	18,239	(10,220)	262,556
Infrastructure	9,954,888	431,618	(12,888)	10,373,618
Total capital assets, being depreciated	<u>10,921,182</u>	<u>543,882</u>	<u>(23,366)</u>	<u>11,441,698</u>
Less accumulated depreciation for:				
Buildings and improvements	(298,403)	(15,189)	222	(313,370)
Equipment	(151,925)	(18,103)	7,315	(162,713)
Infrastructure	(4,951,126)	(273,700)	5,799	(5,219,027)
Total accumulated depreciation	<u>(5,401,454)</u>	<u>(306,992)</u>	<u>13,336</u>	<u>(5,695,110)</u>
Total capital assets, being depreciated, net	<u>5,519,728</u>	<u>236,890</u>	<u>(10,030)</u>	<u>5,746,588</u>
Governmental activities capital assets, net	<u>\$ 6,501,475</u>	<u>\$ 329,832</u>	<u>\$ (62,608)</u>	<u>\$ 6,768,699</u>
Business-type activities:				
Capital assets, being depreciated:				
Equipment	\$ 386	\$ 17	\$ -	\$ 403
Total capital assets, being depreciated	<u>386</u>	<u>17</u>	<u>-</u>	<u>403</u>
Less accumulated depreciation for:				
Equipment	(231)	(51)	-	(282)
Total accumulated depreciation	<u>(231)</u>	<u>(51)</u>	<u>-</u>	<u>(282)</u>
Business-type activities capital assets, net	<u>\$ 155</u>	<u>\$ (34)</u>	<u>\$ -</u>	<u>\$ 121</u>

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

Governmental activities:	
Education	\$ 867
General government	8,691
Health services	2,478
Legal and judiciary	212
Museums	139
Natural resources	3,268
Public safety and defense	8,858
Regulatory services	362
Social services	4,508
Transportation	277,609
Total depreciation expense - governmental activities	<u>\$ 306,992</u>
Business-type activities:	
Natural resources	\$ 51
Total depreciation expense - business-type activities	<u>\$ 51</u>

Component Units

Capital asset activity for the year ended June 30, 2003, (December 31, 2002, or September 30, 2002, 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	\$ 244,011	\$ 19,406	\$ (149)	\$ 263,268
Construction in progress	468,013	270,155	(436,103)	302,065
Total capital assets, not being depreciated	712,024	289,561	(436,252)	565,333
Capital assets, being depreciated:				
Buildings and improvements	3,242,687	138,967	(9,502)	3,372,152
Equipment	1,188,326	134,323	(146,746)	1,175,903
Infrastructure	1,424,053	287,597	-	1,711,650
Total capital assets, being depreciated	5,855,066	560,887	(156,248)	6,259,705
Less accumulated depreciation for:				
Buildings and improvements	(1,488,459)	(89,285)	4,945	(1,572,799)
Equipment	(807,109)	(96,033)	117,401	(785,741)
Infrastructure	(677,858)	(54,069)	-	(731,927)
Total accumulated depreciation	(2,973,426)	(239,387)	122,346	(3,090,467)
Total capital assets, being depreciated, net	2,881,640	321,500	(33,902)	3,169,238
Capital assets, net	\$ 3,593,664	\$ 611,061	\$ (470,154)	\$ 3,734,571

Note 6. Risk Management and Insurance

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

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

CSO administers claim payments and provides excess-of-loss reinsurance to certain governmental entities that are self-insured. The premiums and fees received in connection with these transactions are included in sales revenue and were approximately \$5,498,000 in 2002. The liability for claims in excess of the self-insured entities' respective retention limits included in unpaid losses and loss adjustment expenses was approximately \$41,550,000 at December 31, 2002.

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 \$862,000 in 2002. No losses have been ceded under these agreements. Reinsurance receivables with a single reinsurer of \$500,000 at December 31, 2002, have been recorded in anticipation of estimated amounts to be recovered from reinsurers in future years for losses ceded pursuant to certain prior year reinsurance agreements. These agreements do not relieve CSO from its obligation to policyholders. Failure of reinsurers to honor their obligations could result in losses to CSO. Management believes that all reinsurers presently used are financially sound and will be able to meet their contractual obligations.

Coverage for second injury workers' compensation is provided by a discretely presented component unit. The Multiple Injury Trust Fund (MITF) was created to encourage the hiring of individuals with a pre-existing disability and to protect those employers from liability for the pre-existing disability. MITF records a liability for outstanding court awards only as

those amounts are awarded by the Workers' Compensation Court for both permanent partial and permanent total disability awards. There is no provision for incurred but not reported claims or claims pending Court determination. Claims and Judgments which were due and owing at December 31, 2002, have been charged to operations for the year ended December 31, 2002. At year end, the MITF loss liability exceeded net assets. MITF was indebted to claimants for court awarded judgments. Only those judgments currently payable in arrears bear interest. The rate, set by statute, is the treasury bill rate plus 4% to be updated annually. Legislation was enacted to terminate future awards against MITF for actions and to increase its funding sources.

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

Except for MITF, estimates relating to incurred but not reported claims, as well as other probable and estimable losses have been included in accrued liabilities for each fund. Because actual claims liabilities are impacted by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, and other economic and social factors.

The General Fund self-insurance loss liability for the Risk Management Division of the Department of Central Services represents an estimate of amounts to be paid from currently expendable available financial resources.

The following table presents the changes in claims liability balances (both current and noncurrent) during the current fiscal year ended June 30, 2003, (December 31, 2002, for CompSource Oklahoma, State and Education Employees Group Insurance Board, and Multiple Injury Trust Fund) and the prior fiscal year, (expressed in thousands).

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
Current Fiscal Year						
General Fund* - Risk Management Division	\$ 19,745	\$ 245	\$ (3,271)	\$ 16,719	\$ -	\$ 16,719
Component Units:						
CompSource Oklahoma State and Education Employees Group Insurance Board	\$ 502,285	\$ 195,437	\$ (139,122)	\$ 558,600	\$ 458,707	\$ 99,893
Multiple Injury Trust Fund	69,564	454,888	(451,297)	73,155	4,931	68,224
	184,620	13,828	(18,258)	180,190	163,473	16,717
Total Component Units**	\$ 756,469	\$ 664,153	\$ (608,677)	\$ 811,945	\$ 627,111	\$ 184,834

* As discussed in the Litigation and Contingencies note, general fund claims and judgments includes \$11,216 accrued for the payment of litigation losses.

** The Higher Education Component Unit's claims and judgments (\$36,512 – current and \$2,083 – noncurrent) are for accrued liabilities not related to risk management.

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
Prior Fiscal Year						
General Fund -						
Risk Management Division	\$ 18,041	\$ 4,466	\$ (2,762)	\$ 19,745	\$ -	\$ 19,745
Component Units:						
CompSource Oklahoma	\$ 472,371	\$ 141,964	\$ (112,050)	\$ 502,285	\$ 410,677	\$ 91,608
State and Education Employees						
Group Insurance Board	65,864	205,745	(202,045)	69,564	4,143	65,421
Multiple Injury Trust Fund	179,434	22,330	(17,144)	184,620	167,757	16,863
Total Proprietary Units	\$ 717,669	\$ 370,039	\$ (331,239)	\$ 756,469	\$ 582,577	\$ 173,892

Public Entity Risk Pool - State and Education Employees' Group Insurance Board

The State operates the Oklahoma State and Education Employees' Group Insurance Board (Plan), a Public Entity Risk Pool. Legislation was passed during the 2002 legislative session that changed the fiscal year end for financial reporting purposes of the Plan from June 30th to December 31st. Therefore, a six-month short period exists for financial reporting purposes for the period from July 1, 2001 through December 31, 2001.

A. Description of Plan

The Plan provides group health, dental, life, and disability benefits to active state employees and local government employees, as well as varying coverages for active education employees and certain participants of the state's retirement systems, survivors, and persons covered by COBRA. Disability coverage is available only to active state employees and local government employees. The Plan is self-insured and provides participants with the option of electing coverage from certain health maintenance organizations (HMOs). Premium rates for the various groups are separately established.

The coverages are funded by monthly premiums paid by individuals, the State, local governments, educational employers, and retirement systems. A participant may extend coverage to dependents for an additional monthly premium based on the coverage requested. Of the 197,000 primary participants and dependents, approximately 19,000 primary participants and 12,000 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 (273 local governments actually participate). Any education entity or local government which elects to withdraw from the Plan may do so with 30 days written notice, and must withdraw both its active and inactive participants.

A summary of available coverages and eligible groups, along with the number of health care participants follows.

	State Employee	Local Government Employee	Education Employee	Teachers' Retirement System	Other Retirement Systems	Survivors	COBRA
Health	X	X	X	X	X	X	X
Dental	X	X	X	X	X	X	X
Life	X	X	X	X	X		
Disability	X	X					
Medicare Supplement				X	X	X	X
Health Care Participants:							
Primary	23,000	8,000	44,000	----- 37,000 -----			
Dependents	-----			54,000 -----			

B. Unpaid Claims Liabilities

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

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

C. Reconciliation of Claims Liabilities

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

	Health and Dental		Life		Disability	
	Twelve-month Period Ending 12/31/2002	Six-month Period Ending 12/31/2001	Twelve-month Period Ending 12/31/2002	Six-month Period Ending 12/31/2001	Twelve-month Period Ending 12/31/2002	Six-month Period Ending 12/31/2001
Reserves at beginning of period	\$ 59,106	\$ 54,722	\$ 2,047	\$ 2,218	\$ 6,343	\$ 5,756
Incurred claims:						
Provision for insured events of current period	443,546	209,788	13,887	5,256	3,045	1,417
Changes in provisions for insured events of prior periods	(2,752)	(8,989)	(672)	(759)	(98)	132
	<u>440,794</u>	<u>200,799</u>	<u>13,215</u>	<u>4,497</u>	<u>2,947</u>	<u>1,549</u>
Payments:						
Claims attributable to insured events of current period	380,413	154,488	11,447	3,405	437	67
Claims attributable to insured events of prior periods	<u>55,987</u>	<u>41,927</u>	<u>1,291</u>	<u>1,263</u>	<u>1,722</u>	<u>895</u>
	<u>436,400</u>	<u>196,415</u>	<u>12,738</u>	<u>4,668</u>	<u>2,159</u>	<u>962</u>
Reserves at end of period	<u>\$ 63,500</u>	<u>\$ 59,106</u>	<u>\$ 2,524</u>	<u>\$ 2,047</u>	<u>\$ 7,131</u>	<u>\$ 6,343</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, 2003 are as follows (expressed in thousands).

	General Fund	Fiduciary Funds	Component Units
2004	\$ 317	\$ 201	\$ 4,399
2005	293	185	4,036
2006	234	182	1,400
2007	135	-	1,300
2008	90	-	1,131
2009-2013	-	-	5,139
2014-2018	-	-	1,182
2019-2023	-	-	178
Total Future Minimum Lease Payments	<u>\$ 1,069</u>	<u>\$ 568</u>	<u>\$ 18,765</u>
Operating lease commitments for building rental for year ended June 30, 2004	\$ 17,448	\$ 332	\$ 2,296
Rent expenditures/expenses for operating leases for year ended June 30, 2003	\$ 17,911	\$ 412	\$ 14,786

Note 8. Lessor Agreements

Primary Government

Direct Financing Leases

The **Department of Transportation** maintains leases classified as direct financing leases. The State leases heavy equipment and machinery to counties within the state. The lease terms are determined by the depreciation schedules published by the American Association of State Highway Transportation Officials. All new county equipment leases were charged an interest amount equivalent to 3% of the equipment cost. Title to this equipment passes to the counties at the end of the lease term. The Department of Transportation also leases railroad lines within the state to the AT&L Railroad Company and the Oklahoma, Kansas, and Texas Railroad Company with lease terms ending in 2014 and 2011, respectively. No interest or executory costs are charged, and the leases include bargain purchase options. The unguaranteed residual values of the machinery, equipment, and railroad lines are not estimated by the State. Contingent rentals are not a part of any lease and uncollectible amounts are not expected. The total minimum lease payments to be received by the Department of Transportation in future years is approximately \$48,539,000, which is also the net investment in direct financing leases at June 30, 2003. The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands).

	2004	2005	2006	2007	2008
Primary Government	\$ 5,901	\$ 5,142	\$ 4,429	\$ 3,795	\$ 3,239

The Oklahoma Capital Improvement Authority (OCIA) has capital lease agreements with component units for the lease of various facilities, equipment and improvements. At June 30, 2003, the total minimum lease payments to be received by OCIA from component units is \$41,776,000.

Operating Leases

The State has operating leases maintained by various state agencies consisting primarily of state owned building space leased to non-state entities. The primary government's total operating leases receivable recognized in the current fiscal year is approximately \$39,000. Minimum future rentals receivable from these operating leases is presented in the following schedule (expressed in thousands).

2004	2005	2006	2007	2008	Total
\$ 306	\$ 91	\$ 77	\$ 49	\$ 130	<u>\$ 653</u>

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

2004	2005	2006	2007	2008	Total
\$ 8,143	\$ 7,465	\$ 5,860	\$ 4,359	\$ 2,764	\$ 28,591

Component Units

Direct Financing Leases

The **Oklahoma Environmental Finance Authority** leases facilities necessary for the abatement, control and reduction of pollution to industrial and commercial entities and the **Oklahoma Municipal Power Authority (OMPA)** leases two electrical substations to two of its member municipalities. These leases are accounted for as direct financing leases. The following schedule lists the net investment in direct financing leases as of June 30, 2003 (December 31, 2002 for OMPA) (expressed in thousands).

Total minimum lease payments to be received	
- Gross investment in financing leases	\$ 1,357,799
Less: Cost of investments and unearned income	(266,531)
Net investment in direct financing leases	<u>\$ 1,091,268</u>

The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands).

Component Units:	2004	2005	2006	2007	2008
Oklahoma Municipal Power Authority	\$ 77	\$ 11	\$ 4	\$ -	\$ -
Environmental Finance Authority	59	59	59	59	59
Total	<u>\$ 136</u>	<u>\$ 70</u>	<u>\$ 63</u>	<u>\$ 59</u>	<u>\$ 59</u>

Operating Leases

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

The Oklahoma Transportation Authority has various noncancelable contracts with concessionaires to provide patron services on the State's turnpike system. The contracts are generally for five year terms, with two five-year renewal options. The Authority receives concession revenue that includes minimum rentals plus contingent rentals based on sales volume. The Authority also leases antenna space under noncancelable contracts with a 20 year term. The following schedule presents minimum future rentals receivable from these contracts (expressed in thousands).

	2004	2005	2006	2007	2008	Total
Oklahoma Turnpike Authority	\$ 243	\$ 173	\$ 165	\$ 161	\$ 117	\$ 859
University Hospitals Authority	261	360	392	131	-	1,144
Total	<u>\$ 504</u>	<u>\$ 533</u>	<u>\$ 557</u>	<u>\$ 292</u>	<u>\$ 117</u>	<u>\$ 2,003</u>

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

Long-term obligations at June 30, 2003, and changes for the fiscal year then ended are as follows (expressed in thousands).

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General Obligation Bonds Payable from Tax Revenue:								
Institutional Bldg 1992A	1993	4.25-5.20%	2019	\$ 211,200	\$ -	\$ 5,940	\$ 205,260	\$ 205,260
Institutional Bldg 1992B	1994	4.15-6.60%	2014	69,270	-	4,555	64,715	64,715
Oklahoma Bldg Refunding 2003A	2003	2.00-5.00%	2019	-	254,135	-	254,135	-
Oklahoma Bldg Refunding 2003B	2003	1.65%	2006	-	7,075	-	7,075	-
Total				280,470	261,210	10,495	531,185	269,975
Revenue Bonds Payable from Lease Rentals:								
OCIA Series A of 1986	1987	6.50%	2007	1,914	-	363	1,551	387
OCIA Series A of 1994	1994	3.00-4.65%	2003	1,065	-	1,065	-	-
OCIA Series B of 1994	1995	4.85-7.15%	2010	11,295	-	1,115	10,180	1,185
OCIA Series B of 1995	1996	3.60-5.50%	2016	23,735	-	1,540	22,195	1,615
OCIA Series B of 1996	1997	3.75-5.50%	2022	2,955	-	90	2,865	95
OCIA Series 1998, Corrections	1998	3.90-5.00%	2018	17,225	-	755	16,470	785
OCIA Series 1998, Highway	1998	3.90-5.00%	2008	203,195	-	94,365	108,830	-
OCIA Series 1999A	2000	4.10-5.50%	2020	137,790	-	7,190	130,600	7,535
OCIA Series 1999B	2000	6.20-7.625%	2020	4,405	-	850	3,555	905
OCIA Series 1999C	2000	4.10-5.50%	2020	4,845	-	270	4,575	285
OCIA Series 1999D	2000	3.85-5.70%	2025	13,270	-	435	12,835	455
OCIA Series 2000, Highway	2000	4.30-5.00%	2012	147,645	-	37,000	110,645	-
OCIA Series 2002A	2003	2.00-4.65%	2023	-	12,930	-	12,930	480
OCIA 2003A, Highway	2003	2.00-5.00%	2015	-	65,565	-	65,565	-
OCIA 2003B, Highway	2003	2.00-5.00%	2015	-	26,605	-	26,605	-
Tourism 2002	2002	2.10-4.25%	2012	3,135	-	-	3,135	295
Boll Weevil Series 1999	1999	5.15-6.25%	2008	3,600	-	3,600	-	-
Boll Weevil Series 2000A	2001	7.75-9.10%	2008	2,825	-	380	2,445	410
DHS-Pittsburg Co. 1998 (ODFA)	1998	4.25-5.30%	2012	1,225	-	80	1,145	80
DHS-Canad/Linc Co. 2000 (ODFA)	2000	4.30-5.60%	2015	3,360	-	190	3,170	200
DHS-8 County (ODFA)	2002	2.00-5.25%	2017	15,370	-	795	14,575	815
Veterans Series 2000 (ODFA)	2000	4.2-5.625%	2015	9,860	-	555	9,305	585
Law Enforcement Education/Training (ODFA)	2002	3.00-5.50%	2027	26,440	-	630	25,810	650
Total				635,154	105,100	151,268	588,986	16,762
Notes Payable from Tax Revenue:								
Koch Financial	2003	3.79%	2007	-	16,348	-	16,348	4,133
Koch Financial	2003	3.90%	2007	-	5,725	-	5,725	1,432
Hitachi Credit America	2003	3.67%	2007	-	2,117	-	2,117	537
Total				-	24,190	-	24,190	6,102
Note Payable - Sardis Reservoir				35,673	-	284	35,389	293
Certificates of Participation				2,262	-	832	1,430	870
Capital Leases				4,884	3,264	2,254	5,894	1,852
Compensated Absences				131,088	80,286	80,436	130,938	80,436
Pension Obligation				1,538	182	-	1,720	-
Total Long-Term Obligations				\$ 1,091,069	\$ 474,232	\$ 245,569	\$ 1,319,732	\$ 376,290

Reduction of debt includes deletions of Capital Leases (\$302) and decreases in Compensated Absences and Pension Obligation which are not included as expenditures in the operating statement. Reduction of debt also includes an advanced refunding of \$64,365 as an other financing use to partially defease the OCIA Series 1998A Highway Revenue Bonds, and an advance refunding of \$25,240 as an other financing use to partially defease the OCIA Series 2000 Highway bonds.

A. General Obligation Bonds

General obligation bonds, administered by the State Treasurer, are authorized and issued primarily to provide resources for State-owned capital improvements, including office buildings for state agencies. The State has pledged 100% of cigarette taxes collected under these bond issues. General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the bonds.

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

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2003, which have scheduled debt service amounts (expressed in thousands).

	2004	2005	2006	2007	2008	2009-2013	2014-2018	2019-2023	2024-2028	Total
General Obligation Bonds:										
Institutional Bldg 1992A	\$ 210,455	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,455
Institutional Bldg 1992B	66,322	-	-	-	-	-	-	-	-	66,322
Oklahoma Bldg Refunding 2003A	7,008	11,416	17,985	25,007	25,007	125,333	130,148	26,749	-	368,653
Oklahoma Bldg Refunding 2003B	72	117	7,133	-	-	-	-	-	-	7,322
	<u>283,857</u>	<u>11,533</u>	<u>25,118</u>	<u>25,007</u>	<u>25,007</u>	<u>125,333</u>	<u>130,148</u>	<u>26,749</u>	<u>-</u>	<u>652,752</u>
Less: Interest	13,882	11,533	11,408	11,017	10,452	42,478	20,193	604	-	121,567
Total Principal	<u>269,975</u>	<u>-</u>	<u>13,710</u>	<u>13,990</u>	<u>14,555</u>	<u>82,855</u>	<u>109,955</u>	<u>26,145</u>	<u>-</u>	<u>531,185</u>
Revenue Bonds:										
OCIA Series A of 1986	477	477	476	318	-	-	-	-	-	1,748
OCIA Series B of 1994	1,846	1,845	1,843	1,838	1,830	3,652	-	-	-	12,854
OCIA Series B of 1995	2,712	2,705	2,692	2,696	2,703	11,173	4,623	-	-	29,304
OCIA Series B of 1996	245	241	241	242	241	1,211	1,209	957	-	4,587
OCIA Series 1998, Corrections	1,578	1,578	1,578	1,575	1,575	7,885	7,887	-	-	23,656
OCIA Series 1998, Highway	5,252	5,252	39,412	39,408	39,412	-	-	-	-	128,736
OCIA Series 1999A	14,042	14,046	11,603	11,596	11,589	55,725	54,080	21,532	-	194,213
OCIA Series 1999B	1,128	1,128	346	343	345	836	252	102	-	4,480
OCIA Series 1999C	515	512	391	392	388	1,946	1,926	771	-	6,841
OCIA Series 1999D	1,115	1,114	1,113	1,114	1,109	5,528	5,501	3,069	587	20,250
OCIA Series 2000, Highway	5,475	5,475	18,907	18,904	18,905	75,618	-	-	-	143,284
OCIA Series 2002A	956	956	956	955	952	4,744	4,732	4,695	-	18,946
OCIA 2003A, Highway	2,986	2,897	8,261	8,259	8,260	41,304	16,517	-	-	88,484
OCIA 2003B, Highway	1,071	1,039	2,764	3,271	3,271	15,810	6,374	-	-	33,600
Tourism 2002	401	414	415	415	413	1,649	-	-	-	3,707
Boll Weevil Series 2000A	618	617	618	619	615	-	-	-	-	3,087
DHS-Pittsburg Co. 1998 (ODFA)	136	137	133	134	134	823	-	-	-	1,497
DHS-Canad/Linc Co. 2000 (ODFA)	367	362	367	366	364	1,826	727	-	-	4,379
DHS-8 County 2002 (ODFA)	1,434	1,429	1,429	1,431	1,430	7,158	5,725	-	-	20,036
Veterans Series 2000 (ODFA)	1,073	1,070	1,071	1,074	1,070	5,352	2,142	-	-	12,852
Law Enforcement Education/Training (ODFA)	1,855	1,856	1,855	1,854	1,855	9,275	9,269	9,272	7,423	44,514
	<u>45,282</u>	<u>45,150</u>	<u>96,471</u>	<u>96,804</u>	<u>96,461</u>	<u>251,515</u>	<u>120,964</u>	<u>40,398</u>	<u>8,010</u>	<u>801,055</u>
Less: Interest	28,519	27,580	25,706	22,789	19,304	59,547	22,826	4,908	890	212,069
Total Principal	<u>16,763</u>	<u>17,570</u>	<u>70,765</u>	<u>74,015</u>	<u>77,157</u>	<u>191,968</u>	<u>98,138</u>	<u>35,490</u>	<u>7,120</u>	<u>588,986</u>
Notes Payable:										
Koch Financial	4,698	4,698	4,698	3,524	-	-	-	-	-	17,618
Koch Financial	1,654	1,654	1,654	1,240	-	-	-	-	-	6,202
Hitachi Credit America	605	605	606	454	-	-	-	-	-	2,270
	<u>6,957</u>	<u>6,957</u>	<u>6,958</u>	<u>5,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,090</u>
Less: Interest	855	596	352	97	-	-	-	-	-	1,900
Total Principal	<u>6,102</u>	<u>6,361</u>	<u>6,606</u>	<u>5,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,190</u>
Certificates of Participation										
	940	521	58	-	-	-	-	-	-	1,519
Less: Interest	69	18	2	-	-	-	-	-	-	89
Total Principal	<u>871</u>	<u>503</u>	<u>56</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,430</u>
Capital Leases										
	2,613	1,953	963	651	506	876	-	-	-	7,562
Less: Interest	288	170	98	65	44	39	-	-	-	704
Less: Executory Cost	473	293	142	56	-	-	-	-	-	964
Total Principal	<u>1,852</u>	<u>1,490</u>	<u>723</u>	<u>530</u>	<u>462</u>	<u>837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,894</u>
Total	<u>\$ 295,563</u>	<u>\$ 25,924</u>	<u>\$ 91,860</u>	<u>\$ 93,656</u>	<u>\$ 92,174</u>	<u>\$ 275,660</u>	<u>\$ 208,093</u>	<u>\$ 61,635</u>	<u>\$ 7,120</u>	<u>\$ 1,151,685</u>
Long-Term Debt without scheduled debt service:										
Note Payable- Sardis Reservoir										35,389
Compensated Absences										130,938
Pension Obligation										1,720
Total Long-Term Obligations										<u>\$ 1,319,732</u>

B. Revenue Bonds

The **Oklahoma Capitol Improvement Authority (OCIA)** has eleven 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. OCIA also issued four series of revenue bonds to construct and improve the highway system. Principal and interest payments on these bonds are paid from rents collected from the Oklahoma Department of Transportation (DOT).

On May 1, 2003, OCIA issued \$65,565,000 of Series 2003A Highway and \$26,605,000 of Series 2003B Highway revenue bonds for an advanced refunding of a portion (\$64,365,000) of the Series 1998 Highway bonds and a portion (\$25,240,000) of the Series 2000A Highway bonds respectively. The bond proceeds, net of related issuance costs, were placed in escrow accounts. These escrow monies along with future earnings on those monies will be used for future debt service payments to bond holders. As a result, the refunded bonds are considered to be defeased. Accordingly, the bond liability and the escrow assets are not presented in the governmental activities column of the statement of net assets. The net carrying amount of the new Highway bonds exceeds the refunded debt by \$2,565,000. This advanced refunding increased future debt service payments by \$6,255,000 but resulted in an estimated economic gain of \$12,732,000 by extending maturity dates from 4 years to 12 years. At fiscal year end, \$89,605,000 in defeased bonds were outstanding.

The **Oklahoma Tourism and Recreation Department (OTRD)** issued revenue bonds for Parks. Revenue generated by fees from the Parks Division is used to meet the bond obligations. Additional security is provided by a special "Bond Reserve Account", which has a current balance of \$1,238,000. In a prior year, OTRD defeased bonds by placing assets in an irrevocable trust to provide for future debt service payments on the defeased bonds. Accordingly, the trust's assets and the liability for the defeased bonds are not included in the accompanying financial statements. The defeased revenue bonds outstanding at June 30, 2003 were \$3,800,000.

The **Boll Weevil Eradication Organization** issued revenue bonds for the purpose of eradicating boll weevils in the state. Principal and interest payments on this bond issue will be paid from assessments charged to cotton growers.

The **Oklahoma Development Finance Authority (ODFA)** has issued three series of lease revenue bonds to provide lease financing for the Department of Human Services. ODFA has also issued lease revenue bonds to provide lease financing for the Department of Veterans Affairs and the Council on Law Enforcement Education/Training. The actual lease payments are made to a trustee who is responsible for payments to individual investors.

C. Notes Payable

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

D. Certificates of Participation

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

Leased equipment financed by certificates of participation in capital assets at June 30, 2003, includes the following (expressed in thousands).

	<u>Equipment</u>
Cost	\$ 7,200
Less: Accumulated depreciation	(2,173)
Total	<u>\$ 5,027</u>

E. Capital Leases

The State has entered into agreements to lease various facilities and 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 land, buildings, and equipment under capital leases in capital assets at June 30, 2003, include the following (expressed in thousands).

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Cost	\$ 59	\$ 531	\$ 11,623	\$ 12,213
Less: Accumulated depreciation	-	(215)	(7,827)	(8,042)
Total	<u>\$ 59</u>	<u>\$ 316</u>	<u>\$ 3,796</u>	<u>\$ 4,171</u>

F. Other Liabilities

Compensated absences are liquidated by the general fund and do not have scheduled future debt service requirements beyond one year. The pension obligation is for the Oklahoma Department of Wildlife Conservation defined benefit pension plan. The plan is a single-employer plan that provides retirement, disability, and death benefits to the plan members and their beneficiaries. The pension obligation does not have scheduled future debt service requirements. This will be liquidated by the general fund.

G. Authorized Unissued Bonds

The Oklahoma Capital Improvement Authority has been authorized to issue bonds in the amounts of \$3,500,000, \$18,000,000, \$33,000,000 and \$22,000,000 for construction and acquisition of property. The Department of Transportation has been authorized to issue Grant Anticipation Revenue Bonds (GARVEE bonds) in the amount of \$100,000,000 for construction and improvement of the highway system. (See Note 19 – Subsequent Events for additional information regarding the GARVEE bonds). The Oklahoma Tourism and Recreation Department has been authorized to issue bonds in the amount of \$12,685,000 to remove/mitigate environmental issues.

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

The **Oklahoma Water Resources Board** (Board) along with the **Department of Environmental Quality** have issued nine series of revenue bonds and three series of notes payable. These bonds and notes payable 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, 2003, and changes for the fiscal year then ended are as follows (expressed in thousands).

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds Payable from User Fees:								
1989-2001 Issues	1989-2001	1.10-6.70%	2033	\$ 359,950	\$ -	\$ 12,215	\$ 347,735	\$ 43,815
Adjusted for: Bond Discounts				(931)	-	(49)	(882)	
Revenue Bonds Payable Net of Bond Discounts				<u>359,019</u>	<u>-</u>	<u>12,166</u>	<u>346,853</u>	<u>43,815</u>
Notes Payable:								
Loan Programs	2001	3.25-3.50%	2005	5,790	-	3,300	2,490	1,365
Adjusted for: Note Discounts				(8)	-	(3)	(5)	
Notes Payable Net of Note Discounts				<u>5,782</u>	<u>-</u>	<u>3,297</u>	<u>2,485</u>	<u>1,365</u>
Other Noncurrent Liabilities				3,654	1,364	914	4,104	3,143
Total Long-Term Obligations				<u>\$ 368,455</u>	<u>\$ 1,364</u>	<u>\$ 16,377</u>	<u>\$ 353,442</u>	<u>\$ 48,323</u>

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2003, which have scheduled debt service amounts (expressed in thousands).

	2004	2005	2006	2007	2008	2009-2013	2014-2018	2019-2023	2024-2028	2029-2033	Total
Revenue Bonds:											
1989-2001 Issues	\$ 39,584	\$ 20,511	\$ 21,121	\$ 36,443	\$ 30,729	\$ 96,752	\$ 61,858	\$ 41,302	\$ 41,986	\$ 29,223	\$ 419,509
Less: Interest	7,744	7,061	6,741	6,308	5,199	19,272	10,603	5,492	2,846	508	71,774
Principal	<u>31,840</u>	<u>13,450</u>	<u>14,380</u>	<u>30,135</u>	<u>25,530</u>	<u>77,480</u>	<u>51,255</u>	<u>35,810</u>	<u>39,140</u>	<u>28,715</u>	<u>347,735</u>
Notes Payable:											
Loan Programs	1,438	1,153	-	-	-	-	-	-	-	-	2,591
Less: Interest	73	28	-	-	-	-	-	-	-	-	101
Principal	<u>1,365</u>	<u>1,125</u>	<u>-</u>	<u>2,490</u>							
Total	<u>\$ 33,205</u>	<u>\$ 14,575</u>	<u>\$ 14,380</u>	<u>\$ 30,135</u>	<u>\$ 25,530</u>	<u>\$ 77,480</u>	<u>\$ 51,255</u>	<u>\$ 35,810</u>	<u>\$ 39,140</u>	<u>\$ 28,715</u>	<u>\$ 350,225</u>
Adjusted for: Bond and Note Discounts											(887)
Long-Term Obligations without scheduled debt service:											
Other Noncurrent Liabilities											4,104
Total Long-Term Obligations											<u>\$ 353,442</u>

Certain of the bonds bear interest at variable rates, initially set at 2.30% to 3.80% and periodically adjusted pursuant to the provisions of the bond indentures, to a maximum rate of 12% to 14% per year. Variable rates are reset semiannually by the remarketing agent. The interest rate on the bonds was 1.10% at June 30, 2003. At the option of the Board and subject to applicable provisions of the bond indenture, which require, among other things, that all bonds be successfully remarketed, the variable interest rate may be converted to a term rate that would stay fixed until maturity. These converted rate bonds bear interest at fixed rates ranging from 1.20% to 6.50%.

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liability on issuers of tax-exempt debt. The arbitrage rebate liability is recorded as other liabilities (\$3,143,000 current and \$961,000 noncurrent). This amount will be liquidated by the reporting enterprise fund. There are no scheduled future debt service requirements beyond one year.

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

Long-term obligations at June 30, 2003 (September 30, 2002, for Oklahoma Housing Finance Agency and December 31, 2002, for Oklahoma Transportation Authority, Grand River Dam Authority and Municipal Power Authority), and changes for the fiscal year then ended are as follows (expressed in thousands).

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General Obligation Bonds Payable from User Fees:								
Industrial Finance Authority	1987-2001	1.91-10.00%	2022	\$ 64,112	\$ -	\$ 1,215	\$ 62,897	\$ 1,278
Higher Education	1996-1999	4.00-6.70%	2006	10,870	-	5,005	5,865	5,005
Total Before Adjustments				74,982	-	6,220	68,762	
Adjusted for: Bond Premiums				22	-	7	15	
Net Deferred Debits on Refundings				(296)	-	(17)	(279)	
Total General Obligation Bonds Payable								
Net of Bond Premiums and Deferrals				74,708	-	6,210	68,498	6,283
Revenue Bonds Payable from User Fees:								
Student Loan Authority	1992-2002	1.30-6.70%	2031	435,930	40,625	9,670	466,885	-
Development Finance Auth.	1996	1.91%	2006	9,999	-	-	9,999	-
Environmental Finance Auth.	1977	5.90%	2007	1,000	-	-	1,000	-
Housing Finance Agency	1987-2001	4.30-8.92%	2031	576,003	177,807	171,801	582,009	67,721
Transportation Authority	1989-1998	3.15-7.88%	2028	1,287,282	570,033	593,430	1,263,885	10,155
Grand River Dam Authority	1987-1995	4.00-8.00%	2013	821,055	104,966	136,450	789,571	53,150
Municipal Power Authority	1990-2001	1.45-6.75%	2028	425,005	-	8,885	416,120	10,995
Higher Education	1964-2003	1.27-12.00%	2033	420,248	95,933	35,960	480,221	17,376
Total Before Discounts/Deferrals				3,976,522	989,364	956,196	4,009,690	
Adjusted for: Bond (Discount) Premiums				(36,385)	22,440	(16,528)	2,583	
Net Deferred Debits on Refundings				(58,136)	(27,853)	(8,009)	(77,980)	
Total Revenue Bonds Payable								
Net of Bond (Discounts) Premiums and Deferrals				3,882,001	983,951	931,659	3,934,293	159,397
Notes Payable:								
Multiple Injury Trust Fund	2000-2001	7.00%	2030	50,000	-	421	49,579	753
Student Loan Authority	1993-2001	1.15-1.83%	2025	80,000	6,130	2,930	83,200	-
Higher Education	1999-2003	2.73-6.00%	2022	34,634	2,591	6,031	31,194	4,903
Total				164,634	8,721	9,382	163,973	5,656
Capital Leases:								
University Hospitals Authority				1,632	-	184	1,448	197
Higher Education				85,734	41,244	13,070	113,908	13,152
Total				87,366	41,244	13,254	115,356	13,349
Claims and Judgments								
Due to Primary Government				791,937	700,237	641,634	850,540	221,346
Compensated Absences				40,130	1,604	-	41,734	-
Other Noncurrent Liabilities				67,743	54,293	52,710	69,326	51,591
Total Long-Term Obligations				172,549	11,181	15,064	168,666	7,480
Total Long-Term Obligations				\$ 5,281,068	\$ 1,801,231	\$ 1,669,913	\$ 5,412,386	\$ 465,102

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2003 (September 30, 2002, for Oklahoma Housing Finance Agency and December 31, 2002, for Oklahoma Transportation Authority, Grand River Dam Authority and Municipal Power Authority), which have scheduled debt service amounts (expressed in thousands).

	2004	2005	2006	2007	2008	2009-2013	2014-2018	2019-2023	2024-2028	2029-2033	Total
General Obligation Bonds:											
Industrial Finance Authority	\$ 3,147	\$ 3,163	\$ 3,162	\$ 3,102	\$ 4,077	\$ 17,111	\$ 6,465	\$ 40,765	\$ -	\$ -	\$ 80,992
Higher Education	5,246	469	449	-	-	-	-	-	-	-	6,164
	8,393	3,632	3,611	3,102	4,077	17,111	6,465	40,765	-	-	87,156
Less: Interest	2,110	1,830	1,720	1,605	1,514	5,355	3,495	765	-	-	18,394
Total Principal	6,283	1,802	1,891	1,497	2,563	11,756	2,970	40,000	-	-	68,762
Revenue Bonds:											
Student Loan Authority	7,068	12,781	6,781	6,782	6,781	40,016	38,517	55,743	130,630	331,808	636,907
Development Finance Auth.	131	131	10,097	-	-	-	-	-	-	-	10,359
Environmental Finance Auth.	59	59	59	59	1,030	-	-	-	-	-	1,266
Housing Finance Agency	100,544	52,214	45,727	39,927	34,507	167,240	164,251	166,731	231,374	191,206	1,193,721
Transportation Authority	62,657	89,531	89,516	89,040	98,323	491,604	493,592	490,315	253,186	50,634	2,208,398
Grand River Dam Authority	95,289	95,327	95,491	95,481	95,430	478,512	108,700	-	-	-	1,064,230
Municipal Power Authority	33,108	33,107	33,106	33,113	33,116	165,536	154,272	147,923	74,408	3,752	711,441
Higher Education	41,730	38,941	38,406	39,522	38,919	186,289	172,183	138,800	90,772	26,889	812,451
	340,586	322,091	319,183	303,924	308,106	1,529,197	1,131,515	999,512	780,370	604,289	6,638,773
Less: Interest	180,019	183,544	176,975	170,211	163,510	690,175	502,423	330,815	180,839	50,572	2,629,083
Total Principal	160,567	138,547	142,208	133,713	144,596	839,022	629,092	668,697	599,531	553,717	4,009,690
Notes Payable:											
Multiple Injury Trust Fund	5,064	4,052	4,052	4,052	4,052	20,260	20,260	20,260	20,260	11,082	113,394
Student Loan Authority	1,002	5,553	917	917	917	53,662	1,662	1,662	29,323	-	95,615
Higher Education	6,361	3,614	2,445	2,423	2,413	13,038	11,123	3,681	-	-	45,098
	12,427	13,219	7,414	7,392	7,382	86,960	33,045	25,603	49,583	11,082	254,107
Less: Interest	6,772	5,633	5,463	5,366	5,242	24,281	16,935	12,401	6,938	1,103	90,134
Total Principal	5,655	7,586	1,951	2,026	2,140	62,679	16,110	13,202	42,645	9,979	163,973
Capital Leases:											
University Hospitals Authority	303	300	299	302	300	348	-	-	-	-	1,852
Higher Education	18,507	16,853	14,370	12,648	10,224	39,122	31,622	11,566	-	-	154,912
	18,810	17,153	14,669	12,950	10,524	39,470	31,622	11,566	-	-	156,764
Less: Interest	5,441	4,636	4,191	3,742	3,376	12,441	6,453	1,128	-	-	41,408
Total Principal	13,369	12,517	10,478	9,208	7,148	27,029	25,169	10,438	-	-	115,356
Total	\$ 185,874	\$ 160,452	\$ 156,528	\$ 146,444	\$ 156,447	\$ 940,486	\$ 673,341	\$ 732,337	\$ 642,176	\$ 563,696	\$ 4,357,781
Adjusted for: Net Discounts and Deferred Debits on Refundings											(75,661)
Long-Term Obligations without scheduled debt service:											
Claims and Judgments											850,540
Due to Primary Government											41,734
Compensated Absences											69,326
Other Noncurrent Liabilities											168,666
Total Long-Term Obligations											\$ 5,412,386

A. General Obligation Bonds

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

Within the **Higher Education** component unit, Rose State College Technical Area Education District and Tulsa Community College Area School District #18 have authorized and issued two series of general obligation bonds with an original issue amount of \$22,175,000. These bonds were issued for the financing of buildings, equipment, and related capital improvements. Ad valorem taxes levied upon taxable property within their respective districts have been pledged to retire these general obligation bonds.

B. Revenue Bonds

The **Oklahoma Student Loan Authority (OSLA)** has issued sixteen series of revenue bonds. The bonds are issued for the purpose of funding student loans. All bonds payable are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective bond resolution. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in bond indentures. At June 30, 2003, the variable interest rates ranged from 1.00% to 1.30%.

The **Oklahoma Development Finance Authority** (ODFA) has issued a revenue bond to fund loans to various investment enterprises in connection with the Quality Jobs Investment Program. The bond is payable solely from and secured by the revenues and funds in the Quality Jobs Investment Program and a Credit Enhancement Reserve Fund guarantee insurance policy. The interest rate is variable and is equal to the Oklahoma Industrial Finance Authority's cost of funds on its outstanding variable rate bond issues. The interest rate at June 30, 2003 was 1.31%.

The **Oklahoma Housing Finance Agency** (OHFA) has issued 32 series of revenue bonds. The net proceeds of these bonds are used to provide financing for qualifying residences, provide interim and permanent financing for multi family construction projects, and establish debt service reserves as required by the various trust indentures.

The **Oklahoma Transportation Authority** (OTA) has issued five series of revenue bonds with an original issue amount of \$1,265,115,000. The bonds are issued for the purpose of financing capital improvements and new projects relating to the State's turnpike system and are financed primarily by tolls assessed on users of the turnpikes.

The **Grand River Dam Authority** (GRDA) has issued four series of revenue bonds with an original issue amount of \$1,042,923,000. Oklahoma statutes have authorized GRDA to issue revenue bonds not to exceed \$1,410,000,000. On May 30, 2002, GRDA issued \$104,966,000 of revenue bonds for the acquisition and construction of GRDA projects and to refund outstanding 1987 refunding bonds. GRDA issued \$86,330,000 in new refunding bonds to refund \$86,160,000 of the 1987 bonds taking advantage of interest rates. The 2002A refunding bonds bear a 5% rate, the same as the refunded 1987 term bonds, but were issued at a \$4,500,000 premium. The GRDA recorded an initial accounting loss of approximately \$371,000 in connection with this advance refunding, which was recorded as a deferred asset and is being amortized to expense over the life of the new bonds. The difference between the present values of the old and new debt service payments is \$2,000,000. GRDA realized all of the aggregate bond savings during the year by decreasing the June 1, 2002 debt service payment. GRDA also issued \$18,636,000 capital appreciation bonds for the acquisition and construction of GRDA projects. Prior year bonds were issued to advance refund earlier revenue bonds previously issued for acquisitions and construction.

The **Oklahoma Municipal Power Authority** (OMPA) has issued six series of revenue bonds. The bonds are issued to finance portions of OMPA's acquisition and construction activities. The bonds are payable from and collateralized by a pledge of and security interest in the proceeds of the sale of the bonds, the revenues of OMPA, and assets in the funds established by the respective bond resolutions. Neither the State of Oklahoma nor any political subdivision thereof is obligated to pay principal or interest on the bonds. OMPA does not have any taxing authority. Certain of the bonds have a variable interest rate which is established either by auction or a weekly index. The maximum rate is 10%.

Twenty of the State's colleges and universities within the **Higher Education** component unit have authorized and issued 59 series of revenue bonds with an original issue amount of \$464,297,000. These bonds were issued for the construction of student housing and other facilities. Student fees, revenues produced by the constructed facilities, and other revenues collateralize the revenue bonds. On May 1, 2003, the University of Oklahoma issued \$22,665,000 in new refunding bonds to refund 1995 series bonds. In accordance with the advance refunding, the university deposited \$23,384,000 into an escrow fund and purchased government securities bearing interest in amounts sufficient to pay the revenue bond at July 1, 2005.

C. Defeased Bonds

In prior years, component units have defeased bonds by placing assets in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trusts' assets and the liability for the defeased bonds are not included in the accompanying financial statements. The following defeased bonds were outstanding at June 30, 2003 (December 31, 2002 for OTA, GRDA, and OMPA) (expressed in thousands).

Revenue Bonds			
OTA	GRDA	OMPA	Higher Education
\$ 65,555	\$ 65,935	\$ 49,660	\$ 31,840

D. Notes Payable

The **Multiple Injury Trust Fund** (MITF) component unit reports a note payable to **CompSource Oklahoma** component unit of \$49,579,000, as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit not to exceed \$11,300,000. The remaining \$5,300,000 has not been advanced. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

Notes of the **Oklahoma Student Loan Authority** (OSLA) are issued to fund student loans and are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective financing agreements. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in lending agreements. At year end the variable interest rates ranged from 1.15% to 1.83%.

The **Higher Education** component unit has entered into various notes payable agreements. Oklahoma State University entered into a note payable to fund the construction of facilities. Lease payments, a pledge of "Section Thirteen Fund State Educational Institutions" moneys, and the facilities constructed secure the notes. Oklahoma State University also entered into note payables for the purchase of equipment and facilities. The equipment and facilities purchased are pledged as collateral on the note. The University of Central Oklahoma entered into notes payable for the purchase of an integrated information system and equipment.

E. Capital Leases

The **Higher Education** component unit has entered into agreements with unrelated parties as well as agreements with the Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. During prior fiscal years, the capital lease agreements the Higher Education component unit entered into with OCIA totaled \$49,178,000, with year end outstanding principal balance of \$40,232,000. Such agreements are included with capital lease obligations.

Leased equipment under capital leases in capital assets at June 30, 2003, included the following (expressed in thousands).

	Land	Construction In Progress	Buildings	Equipment	Total
Cost	\$ 470	\$ 21,360	\$ 33,370	\$ 33,150	\$ 88,350
Less: Accumulated depreciation	-	-	(2,803)	(9,351)	(12,154)
Total	<u>\$ 470</u>	<u>\$ 21,360</u>	<u>\$ 30,567</u>	<u>\$ 23,799</u>	<u>\$ 76,196</u>

F. Other Liabilities and Arbitrage Rebate Liability

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

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liability on issuers of tax-exempt debt. At June 30, 2003 (December 31, 2002 for OTA and GRDA) the cumulative arbitrage rebate liability is as follows (expressed in thousands).

Reported as:	OSLA	OTA	GRDA
Accounts payable	\$ -	\$ -	\$ 558
Other liabilities	269	8,033	-

G. Authorized Unissued Bonds

By statute, **Oklahoma Industrial Finance Authority** (OIFA) has authority to issue general obligation bonds not to exceed \$90,000,000 plus the any balance in its bond redemption account. This results in \$27,512,000 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 \$10,750,000 for various construction, renovation and acquisition of property.

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

Beginning net assets related to Governmental Activities on the Statement of Net Assets have been restated to correct net capital assets for capital assets not previously reported and for adjustments made to accumulated depreciation. The effect of the restatement increased net assets by \$76,837,000 as of July 1, 2002.

Beginning fund balance related to the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds has been restated to correct errors relating to capital assets and to reclassify funds. The effect of the restatement increased fund balance by \$11,841,000.

Beginning net assets for Component Units have been restated to correct errors relating to capital assets made in prior years and to reclassify funds. The effect of the restatement reduced net assets by \$6,653,000 as of July 1, 2002.

Fiscal year 2003 financial statements includes revenue and expense for direct apportionment tax collections for counties, cities and schools. These taxes were not included as revenue and/or expense for fiscal year 2002. To have comparable financial statements, the following tax revenue should be added to fiscal year 2002: Beverage tax - \$7,359,000; Business tax - \$101,086,000; Motor Vehicle tax – \$322,733,000; Fuel tax - \$108,596,000; Sales and Use tax - \$2,000; Other taxes - \$17,997,000. The offsetting expense should be included in the General Government function.

Note 13. Nonrecourse Debt and Debt Guarantees

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

Financing agreements of Oklahoma Development Finance Authority (ODFA) and Oklahoma Housing Finance Agency (OHFA) are structured such that the debt is to be repaid solely from the revenues derived from the related facilities leased or acquired, or from the disposition of collateral. ODFA and OHFA do not hold notes receivable and trust investments in amounts equal to the long-term financings. As of June 30, 2003 ODFA had 201 series of debt outstanding for non-state entities with an aggregate principal amount payable of approximately \$810,000,000 and original issuance amount of approximately \$886,000,000. As of September 30, 2002 OHFA had 8 series of multi family bonds outstanding with an aggregate principal amount payable of approximately \$22,870,000. These financings are not the general obligations of the State or state agencies, and it is the opinion of agency management and its legal counsel that, in the event of default by a borrower, the State has no responsibility for repayment of such financings. Accordingly, the nonrecourse debt and the related notes receivable and trust investments of ODFA and OHFA's multi family bond programs have been excluded from the financial statements. The debt and other obligations and the related notes receivable and other assets of OHFA's

single family bonds are presented in the financial statements, since any assets remaining when the single family bond programs are liquidated are transferred to OHFA.

Credit Enhancement Reserve Fund

Under the Constitution of the State of Oklahoma, ODFA may issue bonds of the State, to be known as Credit Enhancement Reserve Fund General Obligation Bonds, in a total principal amount of \$100,000,000 for the sole purpose of generating resources if there are insufficient assets to meet insurance obligations. The Fund is managed, administered, and utilized by ODFA solely to secure the payment of interest insurance on the revenue bonds and other financial obligations issued by the Authority for the specific purpose of enhancing and supporting the credit of such obligations. As of June 30, 2003, there were approximately \$32,000,000 of outstanding financial obligations insured by ODFA. At year end, the Fund has accrued a reserve for losses of approximately \$51,000, to cover potential losses from outstanding financial obligations insured by the Fund. Through June 30, 2003, there have been no Oklahoma Credit Enhancement Reserve Fund General Obligation Bonds issued since it is the intention of ODFA to utilize existing assets to meet obligations arising from losses reserved and accrued payments in lieu of interest by the Fund.

Note 14. Retirement and Pension Systems

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

A. Primary Government

1. General Description of the Retirement System

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

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

2. Funding Policy

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

The Wildlife Conservation Retirement Plan receives contributions from each member based on their annual covered salary. The contribution requirements are established and amended by the Wildlife Conservation Commission. For fiscal year 2003, the employee contribution rate was 3%. The Department of Wildlife Conservation is required to contribute at an actuarially determined rate. The required contribution for the year ended June 30, 2003 was \$1,543,000.

3. Annual Pension Cost and Net Pension Obligation

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

	WCRP
Annual required contribution	\$ 1,543
Interest on net pension obligation	123
Adjustment to annual required contribution	(284)
Annual pension cost	<u>1,382</u>
Contributions made	<u>1,200</u>
Increase (decrease) in net pension obligation	182
Net pension obligation-beginning of year	<u>1,538</u>
Net pension obligation-end of year	<u>\$ 1,720</u>
Actuarial Assumptions:	
Investment rate of return	8.0%
Annual salary increase	5.0%
COLA increase	2.0%
Inflation rate	3.0%
Acuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	7 years

The annual required contribution for the WCRP for the current year was determined as part of the July 1, 2002 actuarial valuation. Actual contributions equaled 87% of required contributions for fiscal year 2003. 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
6/30/2003	\$ 1,382	87%	\$ 1,720
6/30/2002	766	119%	1,538
6/30/2001	698	119%	1,686

The following Required Supplementary Information for the Wildlife Conservation Retirement Plan was determined as part of the actuarial valuations at the dates indicated.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2003	\$ 55,615	\$ 61,317	\$ 5,702	90.7%	\$ 12,028	47.4%
7/1/2002	55,368	58,676	3,308	94.4%	12,058	27.4%
7/1/2001	53,717	53,459	(258)	100.5%	11,721	(2.2%)

B. Component Units

1. General Description of the Retirement Systems

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

Firefighters Pension and Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414	Law Enforcement Retirement 4545 N. Lincoln Blvd., Suite 257 Oklahoma City, OK 73105-3414	Police Pension and Retirement 1001 N.W. 63rd St., Suite 305 Oklahoma City, OK 73116-7339
Public Employees Retirement 6601 N. Broadway Ext., Suite 129 Oklahoma City, OK 73152-3007	Uniform Retirement System for Justices and Judges 6601 N. Broadway Ext., Suite 129 Oklahoma City, OK 73152-3007	Teachers' Retirement System 2500 N. Lincoln Blvd., 5 TH Floor Oklahoma City, OK 73105-4209

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

OFPRS	OPERS	OPPRS	TRS
525	141	121	631

During fiscal year 2003, the Teachers' Retirement System's unfunded liability decreased from \$5,965,000,000 to \$5,488,000,000. This decrease was primarily due to the elimination of an automatic 1.0% cost-of-living increase assumption. Despite the systems results this year, it should be noted that unfunded liabilities are expected to increase until the year 2013, due to negative amortization created by the current funding schedule.

2. Funding Policy

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

Oklahoma Firefighters Pension and Retirement System (OFPRS) receives contributions from participating full-time firefighters equal to 8% of applicable earnings, while member cities contribute 13% of the member's applicable earnings. In addition, the member cities contribute \$60 for each volunteer firefighter unless their income in the general fund is less than \$25,000, in which case they are exempt. The State allocates to OFPRS 34% of the insurance premium tax 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, 2003, 2002, and 2001 totaled \$50,206,000, \$47,350,000, and \$45,364,000, respectively.

Oklahoma Law Enforcement Retirement System (OLERS) receives contributions from state agencies and members of 10% and 8%, respectively, of the actual paid base salary of each member. State employer contributions to the plan for the years ended June 30, 2003, 2002, and 2001 were \$5,907,000, \$6,455,000, and \$5,188,000, respectively. These contributions represent 100% of the contribution required. OLERS also receives 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 state contributions to the plan for years ended June 30, 2003, 2002, and 2001 totaled \$15,579,000, \$14,226,000, and \$14,368,000, respectively.

Oklahoma Public Employees Retirement System (OPERS) receives contributions from each member based on their gross salary earned, excluding overtime. There is no cap on qualifying gross salary earned, subject to Internal Revenue Service limitations on compensation.

State, County, and Local Agency Employees - The following contribution rates were in effect during fiscal year 2003:

State employees and agencies – State employees contribute 3.0% on the first \$25,000 of salary and 3.5% on salary above \$25,000. State agency employers contribute 10% of total salary.

Participating county and local agencies – Employees contribute a minimum of 3.5% up to a maximum of 8.5% of salary. Employers contribute a minimum of 5% up to a maximum of 10%. Combined employee and employer contributions equal 13.5% of total salary.

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

Eligible Officers - Eligible officers contribute 8% of total salary. Employers contribute 10% of total salary.

State agency employer contributions to OPERS for the years ended June 30, 2003, 2002, and 2001 were \$116,551,000, \$118,787,000, and \$112,629,000, respectively. These contributions represent 100% of the contribution required.

Uniform Retirement System for Justices and Judges (URSJJ) member contributions for fiscal year 2003 are 5% of members' monthly salary. Each married member in the plan must provide for spouse survivor benefits at the contributory rate of 8% unless the member's spouse waives this benefit. State statutes require participating court employers to contribute monthly a percentage of the gross salaries of active members. The percentage established for the year ended June 30, 2003 and June 30, 2002 was 2% of member payroll.

Oklahoma Police Pension and Retirement System (OPPRS) receives contributions from each participating municipality and each participant. Until July 1, 1991, each municipality contributed 10% of the actual base salary of each participant employed by the municipality. Beginning July 1, 1991, municipality contributions increased by 0.5% per year and continued until July 1, 1996, when the contribution level reached 13%, where it remains. Each participant of OPPRS contributes 8% of actual paid base salary. In addition, the State allocates a portion of the insurance premium taxes collected from insurance companies on various types of insurance policies as required by statute. Insurance premium contributions to the plan for the years ended June 30, 2003, 2002, and 2001 totaled \$20,400,000, \$19,811,000, and \$18,638,000, respectively.

Teachers' Retirement System (TRS) receives contributions from participating members and employers. All active members contribute to the system; however, the employer may elect to make all or part of the contribution for its employees. All members must contribute 7% of regular annual compensation, not to exceed the members maximum compensation. For members other than those employed by a comprehensive university on or before June 30, 1995, the maximum compensation level will be the member's regular annual compensation. For those members employed by a comprehensive university, the following table summarizes the maximum compensation level.

Fiscal Year	For Members Who Elected the \$25,000 Limit Prior to June, 30 1995	For All Other Members
2001	47,500	64,000
2002	52,500	69,000
2003	57,500	74,000

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

Employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 7.05% for fiscal year 2003 is applied to annual compensation up to defined caps depending upon the member's elections as previously described. In addition, Oklahoma statutes require the state to contribute 3.54% of the State's sales, income and use tax. Amended statutes increase this contribution rate to 5% by July 1, 2007. TRS received contributions of approximately \$128,880,000 from this source for fiscal year 2003. State contributions on behalf of employees totaled approximately \$32,477,000 for fiscal year 2003. Federal contributions to TRS for fiscal year 2003 totaled approximately \$14,267,000. State employer contributions to TRS for the year ended June 30, 2003, 2002, and 2001 were \$4,219,000, \$3,981,000, and \$3,607,000, respectively. These contributions represent 100% of the contributions required.

3. Annual Pension Cost and Net Pension Obligation

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

	OLERS	URSJJ
Annual required contribution	\$ 22,937	\$ -
Interest on net pension obligation	(6,010)	(1,218)
Adjustment to annual required contribution	16,455	1,427
Annual pension cost	<u>33,382</u>	<u>209</u>
Contributions made	<u>21,105</u>	<u>488</u>
Increase (decrease) in net pension obligation	12,277	(279)
Net pension obligation-beginning of year	<u>(80,135)</u>	<u>(15,942)</u>
Net pension obligation-end of year	<u>\$ (67,858)</u>	<u>\$ (16,221)</u>
Actuarial Assumptions:		
Investment rate of return	7.5%	7.5%
Annual salary increase	5.8 - 8.8%	5.5%
COLA increase	3.0%	2.0%
Inflation rate	3.0%	3.0%
Acuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	18 years	24 years

The annual required contribution for URSJJ for the current year was determined as part of the July 1, 2002 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 exceeded 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, 2002 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 92% of the annual required contributions for the current year.

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

Three-Year Trend Information

(expressed in thousands)

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
Oklahoma Law Enforcement Retirement System	6/30/2003	\$ 33,382	63%	\$ (67,858)
	6/30/2002	19,093	107%	(80,135)
	6/30/2001	10,570	184%	(78,836)
Uniform Retirement System for Justices and Judges	6/30/2003	209	233%	(16,221)
	6/30/2002	1,151	43%	(15,942)
	6/30/2001	1,259	150%	(16,601)

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
7/1/2003	\$ 585,823	\$ 667,699	\$ 81,876	87.7%	\$ 50,282	162.8%
7/1/2002	570,337	632,402	62,065	90.2%	49,264	126.0%
7/1/2001	538,328	508,443	(29,885)	105.9%	50,756	(58.9%)

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
7/1/2003	\$ 196,990	\$ 140,856	\$ (56,134)	139.9%	\$ 25,653	(218.8%)
7/1/2002	193,011	130,227	(62,784)	148.2%	25,744	(243.9%)
7/1/2001	184,909	139,157	(45,752)	132.9%	23,808	(192.2%)

4. Other Retirement Systems

The Oklahoma Housing Finance Agency (OHFA), a component unit of the State, contributes to the Oklahoma Housing Finance Agency Retirement Plan, which is a defined contribution plan. Under its provisions, no new employees are allowed to join the plan after June 30, 1997. OHFA's contribution amount is at the discretion of the Board of Trustees and does not have any limitations. The current contribution rate is 10% of eligible employees' compensation. Employees begin vesting after two years of service and become fully vested after six years of service. Plan provisions were established and may be amended by the Board of Trustees.

In addition to the TRS, various institutions in the Higher Education Component Unit participate in other pension plans, primarily the Teachers Insurance and Annuity Association. These plans are defined contribution plans. Contributions made by participating institutions are based on a percentage of payrolls for qualified employees as determined by each institution's contract. For those institutions providing these plans, the total covered payroll was \$678,150,000. The institution contributions were \$52,148,000 or 7.7% of covered payroll. Employees are not required to contribute to the plans.

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

Note 15. Other Postemployment Benefits

Primary Government

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

	<u>Current Year Expenditures</u>	<u>Eligible Participants</u>	<u>Enabling Legislation</u>
Department of Wildlife Conservation	\$ 100,800	84	Title 29, 3-306

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

Component Units

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

	<u>Current Year Expenditures</u>	<u>Eligible Participants</u>	<u>Enabling Legislation</u>
OLERS	\$ 624,000	496	Title 74, 1316.2
OPERS	16,749,000	13,309	Title 74, 1316.2
URSJJ	114,000	97	Title 74, 1316.2
TRS	29,625,000	25,590	Title 74, 1316.2

OLERS, OPERS, URSJJ, and TRS fund postemployment health care benefits on a pay-as-you-go basis as part of the overall retirement benefit. No separation of pension obligation and health insurance obligation is made and assets are not

allocated between obligations. The Retirement and Pension Systems note includes additional basic disclosures related to OPEB.

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

Eighteen of the institutions included in the Higher Education Component Unit offer postemployment benefits upon the authorization of the institution's Board of Regents. These benefits primarily provide health, dental and life insurance benefits. The eligibility requirements differ depending on the higher education institution. Current year benefit expenditures, funded on a pay-as-you-go basis, totaled approximately \$4,796,000 for the estimated 2,112 eligible participants.

Note 16. On-Behalf Payments

In 1999, legislation was passed to modify the funding source for on-behalf payments to the Teachers' Retirement System (TRS). Prior to July 1, 1999, the State's on-behalf contributions to TRS came from a portion of the dedicated natural and casinghead gas tax. Effective July 1, 1999, the State's on-behalf contributions to TRS are 3.54% of the revenue generated by the State's sales, use and income taxes. Total on-behalf contributions made to TRS were \$128,879,976 for the year ended June 30, 2003.

Note 17. Commitments

Primary Government

The **Department of Transportation** had contractual commitments at June 30, 2003, of approximately \$661,174,000 for 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 \$23,102,000 for the General Fund.

Component Units

The **University of Oklahoma** had outstanding commitments under construction contracts totaling \$88,847,000 at June 30, 2003.

The **Oklahoma Industrial Finance Authority (OIFA)** had outstanding loan commitments at June 30, 2003, approved by its Board of Directors totaling \$6,828,000. These loan agreements include a "pending clause" which states that money would be disbursed upon availability of funds.

The **Oklahoma Student Loan Authority (OSLA)** has entered into various forward purchase and sale commitment agreements with certain Oklahoma financial institutions for which it performs interim status loan servicing. Under these forward purchase and sale commitments, OSLA is required to purchase Federal Family Education Loans (FFEL) under certain terms and conditions. As of June 30, 2003, OSLA was committed to purchase approximately \$95,639,000 of FFEL.

In February, 2003, the **University Hospitals Authority**, under a joint operating agreement with an affiliated Board of Trustees, approved a \$120,000,000 construction and equipment project.

The **Oklahoma Transportation Authority (OTA)** had commitments outstanding at December 31, 2002, relating to equipment orders and supplies of approximately \$766,000. At December 31, 2002, OTA had commitments outstanding relating to construction and maintenance contracts of approximately \$33,000,000.

The **Oklahoma Municipal Power Authority (OMPA)** purchased approximately \$13,000,000 of power pursuant to several long-term purchase agreements during 2002. OMPA is obligated to purchase, at a minimum, approximately \$13,400,000 of power in 2003.

Currently, the OMPA is negotiating the purchase of a 50 megawatt wind generation system. The Authority's board has approved the issue of bonds to finance this purchase. The State of Oklahoma Council on Bond Oversight has granted approval for the issuance of debt. Should the debt be issued, it will be non-recourse debt secured by the parent company of the utility.

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, 2003. Including the \$7,100,000 claim incurred by the Component Units discussed below, the State has accrued a liability of \$11,216,000 for the payment of such claims. This amount is reported in the General Fund.

The State receives significant financial assistance from the Federal Government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the State. As of June 30, 2003, the State is unable to estimate what liabilities may result from such audits.

Primary Government

The **Department of Transportation (DOT)** has incurred significant expenditures on construction projects that have exceeded the amounts approved by the federal grantor. These project expenditures are held in suspense until approved by the federal grantor and subsequently reimbursed. Based on prior years' experience, 85% of the amount held in suspense will be reimbursed. At June 30, 2003, DOT had project expenditures totaling \$10,357,000 of which an estimated \$8,803,000 will be reimbursed pending approval of the Federal Government.

The **Oklahoma Water Resources Board (Board)**, pursuant to statute, assumed the obligations of the Oklahoma Water Conservation Storage Commission including a 1974 contractual obligation to repay the United States (through the Army Corps of Engineers) for the costs of constructing water supply storage at Sardis Reservoir in southeastern Oklahoma. Under the 1974 contract, annual payments are to be made for the reservoir construction, operation, and maintenance allocated to the present use water supply storage. Total unaudited construction costs of the Sardis Reservoir allocated to water supply storage are approximately \$38,400,000. Payments on the reservoir began in 1983 and are to continue for 50 years. As of June 30, 2003, the State has made payments of approximately \$4,416,000; however, the Board did not receive legislative authorization to pay the annual payments due in the fiscal years 1989 through 1995. No payments have been made since 1997. The amount in arrears, including interest and penalty is approximately \$11,517,000. The Army Corps of Engineers has indicated that the obligation may be declared in default and remedies sought.

Component Units

The State Legislature enacted legislation that transferred \$31,500,000 of state employee insurance premiums during fiscal year 1997 to the **Oklahoma State Regents for Higher Education** to help fund higher education in the state. These premiums were originally designated to be paid to the **Oklahoma State and Education Employees Group Insurance Board** to provide health insurance coverage for participating employees. In August 1998 the Federal Department of Health and Human Services Departmental Appeals Board sided with the federal government and ordered the State to pay \$7,100,000 which represents the amount included in grant costs charged to the federal government. This balance accrues simple interest at a rate of 13.75%, and \$5,600,000 in interest has accrued through June 30, 2003. A liability for principal and interest is recorded in the General Fund. The State has reached an agreement with the Federal Government to repay the total of \$12,700,000 in annual installments of \$4,000,000 beginning in fiscal year 2004 and continuing until the debt is repaid.

The **Oklahoma Capital Investment Board (OCIB)**, as a public trust of the State of Oklahoma, has authority to transfer tax credits to public entities. Tax credits can be transferred by OCIB in conjunction with a legitimate call on an OCIB guarantee. OCIB has guaranteed a \$30,000,000 line of credit for a third-party corporation in order to mobilize

investment in business ventures by use of qualified risk capital pools. As of June 30, 2003, the outstanding debt in connection with the line of credit was approximately \$23,234,000.

The credits and OCIB's right to transfer the credits expire if not utilized by July 1, 2015. As of June 30, 2003, no credits had been transferred. However, four entities have signed agreements to purchase up to an aggregate of \$8,000,000 per year, at the sole discretion of OCIB. OCIB has authority to issue up to \$20,000,000 of tax credits per year with an overall maximum of \$100,000,000.

Note 19. Subsequent Events

Primary Government

In November 2003, the **Oklahoma Capital Improvement Authority (OCIA)** closed the transactions for the issuance of lease revenue bonds in the amount of \$43,570,000 for construction and acquisition of property. Currently, OCIA also has \$55,000,000 authorized but not issued for construction of Native American Center and a lab for Oklahoma State Bureau of Investigation. In January 2004, OCIA received approval to enter into a swaption agreement in connection with the refunding of its outstanding state facilities revenue bonds, Series 1999 A/C issues.

In December 2003, the Oklahoma Supreme Court validated the **Oklahoma Department of Transportation's (ODOT)** proposed GARVEE bonds. ODOT is currently planning a sale of approximately \$50,000,000 in March 2004.

Component Units

In August 2003, the **Oklahoma Development Finance Authority (ODFA)** closed the transactions for the issuance of lease revenue bonds in the amount of \$21,825,000 for Regents Master Lease Program and an OSU Refunding Project. In December 2003, ODFA closed on an additional \$13,335,000 for the Regents Master Lease Program.

In September 2003, **University of Oklahoma** Board of Regents approved the issuance of \$36,000,000 Multiple Facility Revenue Bonds.

In September 2003, **Southwestern Oklahoma State University** Board of Regents closed the transactions for the issuance of revenue bonds in the amount of \$8,000,000 for the Student Center Project.

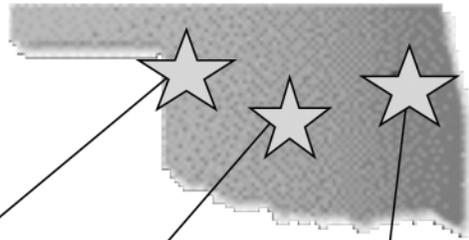
In September 2003, **Oklahoma State University** closed the transaction for the issuance of revenue bonds in the amount of \$19,385,000 for the renovation of Lewis Field.

This Page Intentionally Left Blank



Windmill Museum

Shattuck, Oklahoma



Roman Nose State Park

Watonga, Oklahoma



Will Rogers Memorial

Claremore, Oklahoma

Required Supplementary Information–Budgetary Schedules

Required Supplementary Information–Budgetary Schedules

Budgetary Comparison Schedule
 Budget to Actual (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2003
 (expressed in thousands)

Budgetary General Fund					
	Original Budget	Budget Amendments	Final Budget	Actual Amounts	Variance with Final Budget
Revenues					
Taxes	\$ 4,787,011	\$ 0	\$ 4,787,011	\$ 4,264,445	\$ (522,566)
Licenses, Permits and Fees	42,685	0	42,685	49,420	6,735
Interest and Investment Revenue	63,912	0	63,912	47,788	(16,124)
Local Receipts and Reimbursements	28,865	0	28,865	38,623	9,758
Other	39,754	0	39,754	22,958	(16,796)
Total Revenues	4,962,227	0	4,962,227	4,423,234	(538,993)
Expenditures					
Education	124,872	12,570	137,442	129,875	7,567
General Government	133,683	(8,924)	124,759	119,091	5,668
Health Services	192,422	(14,844)	177,578	175,218	2,360
Legal and Judiciary	115,456	(6,342)	109,114	106,523	2,591
Museums	11,902	(927)	10,975	10,922	53
Natural Resources	77,259	(5,445)	71,814	70,923	891
Public Safety and Defense	508,975	(20,467)	488,508	486,311	2,197
Regulatory Services	25,366	(1,782)	23,584	23,227	357
Social Services	136,905	(10,492)	126,413	125,371	1,042
Total Expenditures	1,326,840	(56,653)	1,270,187	1,247,461	22,726
Revenues in Excess of Expenditures	3,635,387	56,653	3,692,040	3,175,773	(516,267)
Other Financing Sources (Uses)					
Transfers In	202,412	459,568	661,980	661,980	0
Transfers Out	(1,252,888)	0	(1,252,888)	(1,252,888)	0
Intra Agency Transfers to Continuing Funds	(2,741,892)	183,249	(2,558,643)	(2,558,643)	0
Total Other Financing Sources (Uses)	(3,792,368)	642,817	(3,149,551)	(3,149,551)	0
Revenue and Other Sources in Excess of Expenditures and Other Uses	(156,981)	699,470	542,489	26,222	(516,267)
Budgetary Fund Balance - Beginning of Year	525,726	0	525,726	525,726	0
Budgetary Fund Balance - End of Year	\$ 368,745	\$ 699,470	\$ 1,068,215	\$ 551,948	\$ (516,267)

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

Note to Required Supplementary Information - Budgetary Reporting FOR THE FISCAL YEAR ENDED JUNE 30, 2003

The Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis) presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.

Certain appropriations are transferred to continuing funds for expenditure. Unexpended amounts so transferred may then be rebudgeted in subsequent fiscal years. These transfers are not included in the total expenditures on the Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis), but are reported as a separate item under Other Financing Uses. Presented below are transfers to continuing funds by function of government within the General Fund and a reconciliation to the Schedule of Expenditures and Intra-Agency Transfers as presented following the Notes in the Required Supplementary Information (expressed in thousands):

Education	\$	1,492,700
General Government		4,882
Health Services		21,174
Legal and Judiciary		2,779
Museums		622
Natural Resources		652
Public Safety and Defense		-
Regulatory Services		-
Social Services		791,220
Transportation		244,614
Total Transfers to Continuing Funds		2,558,643
Total Expenditures per Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis)		1,247,461
Total per Schedule of Expenditures and Intra-Agency Transfers as Presented in the Schedule of Expenditures and Intra-Agency Transfers-Detail Budget to Actual Comparison (Non-GAAP Budgetary Basis)	\$	3,806,104

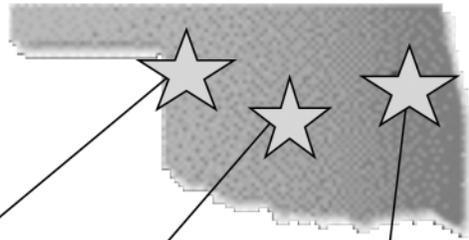
Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resulting basis, perspective, and entity differences in the revenues in excess of (less than) expenditures and other financing sources (uses) between budgetary and GAAP presentations for the year ended June 30, 2003, is presented below (expressed in thousands) for the General Fund.

Budgetary Basis Fund Balance, June 30, 2002	\$	525,726
Excess of total sources over total uses of financial resources (Budgetary Basis)		26,222
Budgetary Basis Fund Balance, June 30, 2003		551,948
Entity and Perspective Differences:		
Non-budgeted Funds and Capital Funds		1,459,249
Encumbrances		48,186
Basis Differences:		
Add: Net accrued revenues, related receivables, and deferred revenues		581,043
Less: Net accrued expenditures and related liabilities		(813,603)
GAAP Basis Fund Balance, June 30, 2003	\$	1,826,823



Windmill Museum

Shattuck, Oklahoma



Roman Nose State Park

Watonga, Oklahoma



Will Rogers Memorial

Claremore, Oklahoma

Combining Financial Statements

Combining Financial Statements

FIDUCIARY FUNDS AND SIMILAR COMPONENT UNITS

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

PENSION TRUST FUNDS

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

WILDLIFE CONSERVATION RETIREMENT PLAN

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

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

OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

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

OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

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

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

6601 N. Broadway Ext., Suite 129, Oklahoma City, Oklahoma 73152
The System administers the Oklahoma Public Employee Retirement Plan, which provides retirement benefits for state, county and local employees in the State of Oklahoma

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

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

OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

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

TEACHER'S RETIREMENT SYSTEM OF OKLAHOMA

P.O. Box 53524, Oklahoma City, Oklahoma 73105
The System provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions in the State of Oklahoma.

AGENCY FUNDS

Agency Funds account for the receipt and disbursement of various moneys and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units, organizations, or individuals.

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

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

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

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

Combining Statement of Fiduciary Net Assets
Pension Trust Funds (Including Similar Component Units)
June 30, 2003
(expressed in thousands)

	Primary Government		Fiduciary Component Units						Total
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma		
Assets									
Cash/Cash Equivalents	\$ 0	\$ 75,389	\$ 22,937	\$ 66,858	\$ 2,621	\$ 44,866	\$ 401,945	\$ 614,616	
Investments, at fair value									
Equity Securities	0	663,929	293,125	781,208	2	579,602	4,110,614	6,428,480	
Governmental Securities	0	258,058	95,500	1,325,421	64,510	45,190	1,041,564	2,830,243	
Mutual Funds	46,295	0	0	1,855,148	87,012	0	0	1,988,455	
Debt Securities	0	203,885	69,127	641,960	26,937	285,751	560,744	1,788,404	
Other Investments	22	46,676	38,642	64,784	1,369	225,194	0	376,687	
Securities Lending Investments	0	52,576	82,280	378,386	16,040	109,128	944,611	1,583,021	
Interest and Investment Revenue Receivable	0	1,125	2,805	17,502	757	3,841	23,476	49,506	
Contributions Receivable:									
Employer	0	437	0	1,836	0	1,271	17,459	21,003	
Employee	0	231	0	780	0	698	14,322	16,031	
Other Contributions Receivable	0	0	1,601	0	0	0	14,166	15,767	
Other Receivables	29	147	311	0	2	0	0	489	
Due from Brokers	0	4,374	0	417,204	17,897	0	157,590	597,065	
Due from Other Funds	0	416	61	0	0	5,577	0	6,054	
Capital Assets, Net	0	71	77	354	0	0	310	812	
Other Assets	0	0	0	180	0	0	0	180	
Total Assets	46,346	1,307,314	606,466	5,551,621	217,147	1,301,118	7,286,801	16,316,813	
Liabilities									
Accounts Payable	0	1,151	1,375	0	0	662	0	3,188	
Securities Lending Payable	0	52,576	82,280	378,386	16,040	109,128	944,611	1,583,021	
Due to Brokers	0	6,104	382	554,163	25,460	8,935	419,033	1,014,077	
Due to Other Funds	0	9	0	9	0	12	1	31	
Due to Component Units	0	0	0	0	0	0	8,026	8,026	
Compensated Absences	0	70	0	0	0	55	0	125	
Benefits in the Process of Payment	0	0	8,509	0	0	29,371	51,817	89,697	
Total Liabilities	0	59,910	92,546	932,558	41,500	148,163	1,423,488	2,698,165	
Fund Balance Reserved for Employees' Pension Benefits	\$ 46,346	\$ 1,247,404	\$ 513,920	\$ 4,619,063	\$ 175,647	\$ 1,152,955	\$ 5,863,313	\$ 13,618,648	

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds (Including Similar Component Units)
For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Primary	Fiduciary Component Units						Total
	Government	Oklahoma Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	
Additions								
Contributions								
Employer Contributions	\$ 1,200	\$ 23,872	\$ 5,907	\$ 137,549	\$ 488	\$ 23,738	\$ 218,842	\$ 411,596
Employee Contributions	347	12,373	3,859	50,101	1,792	12,879	224,952	306,303
Other Contributions	0	50,206	15,579	0	0	20,400	143,147	229,332
Total Contributions	1,547	86,451	25,345	187,650	2,280	57,017	586,941	947,231
Investment Income								
Net Appreciation in Fair Value of Investments	693	29,620	(704)	134,116	6,531	28,840	115,804	314,900
Interest and Investment Revenue	0	21,769	18,697	118,784	4,758	18,966	177,037	360,011
	693	51,389	17,993	252,900	11,289	47,806	292,841	674,911
Less Investment Expenses	0	6,351	3,372	12,538	471	7,808	26,805	57,345
Net Investment Income	693	45,038	14,621	240,362	10,818	39,998	266,036	617,566
Total Additions	2,240	131,489	39,966	428,012	13,098	97,015	852,977	1,564,797
Deductions								
Administrative and General Expenses	279	969	800	3,167	81	1,930	4,008	11,234
Benefit Payments and Refunds	1,755	97,424	33,729	291,328	6,052	70,422	682,539	1,183,249
Total Deductions	2,034	98,393	34,529	294,495	6,133	72,352	686,547	1,194,483
Net Increase	206	33,096	5,437	133,517	6,965	24,663	166,430	370,314
Fund Balance Reserved for Employees' Pension Benefits								
Beginning of Year	46,140	1,214,308	508,483	4,485,546	168,682	1,128,292	5,696,883	13,248,334
End of Year	\$ 46,346	\$ 1,247,404	\$ 513,920	\$ 4,619,063	\$ 175,647	\$ 1,152,955	\$ 5,863,313	\$ 13,618,648

Combining Statement of Assets and Liabilities
 Agency Funds
 June 30, 2003
 (expressed in thousands)

	Taxes Held For Outside Entities	Funds Held In Escrow	Assets Held For Beneficiaries	Other	Total
Assets					
Cash/Cash Equivalents	\$ 138,546	\$ 15,193	\$ 20,591	\$ 12,622	\$ 186,952
Accounts Receivable	0	76	18	71	165
Interest Receivable	73	3	9	0	85
Due from Other Funds	0	0	0	535	535
Due from Component Units	0	0	0	324	324
Inventory	0	0	0	3,570	3,570
Total Assets	\$ 138,619	\$ 15,272	\$ 20,618	\$ 17,122	\$ 191,631
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 0	\$ 20	\$ 1,059	\$ 128	\$ 1,207
Tax Refunds Payable	2,775	0	0	0	2,775
Due to Other Funds	1	27	2	0	30
Due to Component Units	0	0	0	6,270	6,270
Due to Others	135,843	15,225	19,557	10,724	181,349
Total Liabilities	\$ 138,619	\$ 15,272	\$ 20,618	\$ 17,122	\$ 191,631

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Balance June 30, 2002	Additions	Deletions	Balance June 30, 2003
Taxes Held for Outside Entities				
Assets				
Cash/Cash Equivalents	\$ 115,352	\$ 2,131,050	\$ 2,107,856	\$ 138,546
Interest Receivable	101	73	101	73
Total Assets	\$ 115,453	\$ 2,131,123	\$ 2,107,957	\$ 138,619
Liabilities				
Tax Refunds Payable	\$ 4,780	\$ 2,775	\$ 4,780	\$ 2,775
Due to Other Funds	0	1	0	1
Due to Others	110,673	2,128,347	2,103,177	135,843
Total Liabilities	\$ 115,453	\$ 2,131,123	\$ 2,107,957	\$ 138,619
Funds Held in Escrow				
Assets				
Cash/Cash Equivalents	\$ 8,462	\$ 9,565	\$ 2,834	\$ 15,193
Accounts Receivable	0	76	0	76
Interest Receivable	5	3	5	3
Total Assets	\$ 8,467	\$ 9,644	\$ 2,839	\$ 15,272
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 126	\$ 20	\$ 126	\$ 20
Due to Other Funds	45	27	45	27
Due to Others	8,296	9,597	2,668	15,225
Total Liabilities	\$ 8,467	\$ 9,644	\$ 2,839	\$ 15,272
Assets Held for Beneficiaries				
Assets				
Cash/Cash Equivalents	\$ 21,066	\$ 212,493	\$ 212,968	\$ 20,591
Accounts Receivable	13	18	13	18
Interest Receivable	5	9	5	9
Total Assets	\$ 21,084	\$ 212,520	\$ 212,986	\$ 20,618
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 1,055	\$ 1,059	\$ 1,055	\$ 1,059
Due to Other Funds	0	2	0	2
Due to Others	20,029	211,459	211,931	19,557
Total Liabilities	\$ 21,084	\$ 212,520	\$ 212,986	\$ 20,618
Other				
Assets				
Cash/Cash Equivalents	\$ 5,029	\$ 206,379	\$ 198,786	\$ 12,622
Accounts Receivable	218	71	218	71
Due from Other Funds	737	535	737	535
Due from Component Units	271	324	271	324
Inventory	3,283	2,131	1,844	3,570
Total Assets	\$ 9,538	\$ 209,440	\$ 201,856	\$ 17,122
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 201	\$ 0	\$ 73	\$ 128
Due to Component Units	929	6,270	929	6,270
Due to Others	8,408	203,170	200,854	10,724
Total Liabilities	\$ 9,538	\$ 209,440	\$ 201,856	\$ 17,122
Total - All Agency Funds				
Assets				
Cash/Cash Equivalents	\$ 149,909	\$ 2,559,487	\$ 2,522,444	\$ 186,952
Accounts Receivable	231	165	231	165
Interest Receivable	111	85	111	85
Due from Other Funds	737	535	737	535
Due from Component Units	271	324	271	324
Inventory	3,283	2,131	1,844	3,570
Total Assets	\$ 154,542	\$ 2,562,727	\$ 2,525,638	\$ 191,631
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 1,382	\$ 1,079	\$ 1,254	\$ 1,207
Tax Refunds Payable	4,780	2,775	4,780	2,775
Due to Other Funds	45	30	45	30
Due to Component Units	929	6,270	929	6,270
Due to Others	147,406	2,552,573	2,518,630	181,349
Total Liabilities	\$ 154,542	\$ 2,562,727	\$ 2,525,638	\$ 191,631

This Page Intentionally Left Blank

NONMAJOR COMPONENT UNITS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Combining Statement of Net Assets
NonMajor Component Units
June 30, 2003
(expressed in thousands)

	Oklahoma Educational Television Authority	Oklahoma Industrial Finance Authority	Health Insurance High Risk Pool	Multiple Injury Trust Fund	University Hospitals Authority	Oklahoma Development Finance Authority	Oklahoma Capital Investment Board	Oklahoma Environmental Finance Authority	Nonmajor Component Units Total
Assets									
Current Assets									
Cash/Cash Equivalents									
Unrestricted	\$ 390	\$ 4,785	\$ 5,798	\$ 17,022	\$ 47,768	\$ 3,213	\$ 17	\$ 0	\$ 78,993
Investments	0	0	0	0	38	6,416	0	46	6,500
Accounts Receivable	169	0	0	0	279	197	7,735	1	8,381
Interest and Investment									
Revenue Receivable	0	370	0	13	28	59	0	0	470
Notes Receivable	0	1,513	0	0	0	599	3,500	0	5,612
Due from Other Component Units	0	0	0	0	487	74	0	0	561
Due from Primary Government	0	0	0	8,186	1,323	32	0	0	9,541
Prepaid Items	0	0	0	0	4	0	0	0	4
Other Current Assets	340	0	0	0	0	0	0	0	340
Total Current Assets	899	6,668	5,798	25,221	49,927	10,590	11,252	47	110,402
Noncurrent Assets									
Cash/Cash Equivalents -									
Restricted	2,877	214	0	0	243	0	0	0	3,334
Investments - Restricted	0	0	0	0	255	0	0	0	255
Long-Term Investments	0	35,389	0	0	0	0	0	0	35,389
Leases Receivable	0	0	0	0	0	0	0	1,003	1,003
Long-Term Notes Receivable, Net	0	22,776	0	0	0	2,572	0	0	25,348
Capital Assets									
Depreciable, Net	3,174	0	0	0	99,304	563	0	0	103,041
Land	26	0	0	0	4,009	100	0	0	4,135
Construction in Progress	6,873	0	0	0	3,771	0	0	0	10,644
Other Noncurrent Assets									
Unrestricted	11	250	0	0	20,058	150	0	0	20,469
Restricted	0	0	0	0	36	0	0	0	36
Total Noncurrent Assets	12,961	58,629	0	0	127,676	3,385	0	1,003	203,654
Total Assets	\$ 13,860	\$ 65,297	\$ 5,798	\$ 25,221	\$ 177,603	\$ 13,975	\$ 11,252	\$ 1,050	\$ 314,056
Liabilities									
Liabilities									
Current Liabilities									
Accounts Payable and									
Accrued Liabilities	\$ 45	\$ 2	\$ 0	\$ 57	\$ 4,648	\$ 26	\$ 24	\$ 1	\$ 4,803
Claims and Judgments	0	0	0	16,717	0	0	0	0	16,717
Interest Payable	0	658	0	26,891	0	0	0	5	27,554
Due to Other Component Units	0	0	0	65	0	0	0	0	65
Due to Primary Government	0	0	0	1,887	10	0	0	0	1,897
Deferred Revenue	0	107	0	0	9	34	0	0	150
Capital Leases-Primary Govt.	0	0	0	0	197	0	0	0	197
Compensated Absences	160	59	0	0	616	0	0	0	835
Notes Payable	0	0	0	753	0	0	0	0	753
General Obligation Bonds	0	1,278	0	0	0	0	0	0	1,278
Total Current Liabilities	205	2,104	0	46,370	5,480	60	24	6	54,249
Noncurrent Liabilities									
Claims and Judgments	0	0	0	163,473	0	0	0	0	163,473
Capital Leases-Primary Govt.	0	0	0	0	1,251	0	0	0	1,251
Compensated Absences	51	0	0	0	0	0	0	0	51
Notes Payable	0	0	0	48,826	0	0	0	0	48,826
General Obligation Bonds	0	61,355	0	0	0	0	0	0	61,355
Revenue Bonds	0	0	0	0	0	9,999	0	998	10,997
Other Noncurrent Liabilities	1,287	0	0	0	649	315	0	0	2,251
Total Noncurrent Liabilities	1,338	61,355	0	212,299	1,900	10,314	0	998	288,204
Total Liabilities	1,543	63,459	0	258,669	7,380	10,374	24	1,004	342,453
Net Assets									
Invested in Capital Assets, Net of Related Debt	10,073	0	0	0	106,363	663	0	0	117,099
Restricted for:									
Debt Service	0	214	0	0	0	0	0	0	214
Other Special Purpose									
Expendable	0	0	0	0	534	0	0	0	534
Unrestricted	2,244	1,624	5,798	(233,448)	63,326	2,938	11,228	46	(146,244)
Total Net Assets	\$ 12,317	\$ 1,838	\$ 5,798	\$ (233,448)	\$ 170,223	\$ 3,601	\$ 11,228	\$ 46	\$ (28,397)

Combining Statement of Activities
 NonMajor Component Units
 For the Fiscal Year Ended June 30, 2003
 (expressed in thousands)

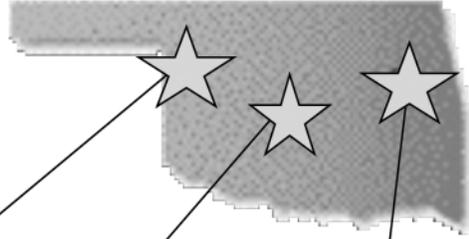
	Expenses	Program Revenues			General Revenue		Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue	Payments from Primary Government				
Nonmajor Component Units:									
Oklahoma Educational Television Authority	\$ 9,750	\$ 7,071	\$ 949	\$ (1,730)	\$ 3,453	\$ 1,723	\$ 10,594	\$ 12,317	
Oklahoma Industrial Finance Authority	2,697	2,754	0	57	0	57	1,781	1,838	
Health Insurance High Risk Pool	24,435	27,626	0	3,191	0	3,191	2,607	5,798	
Multiple Injury Trust Fund	19,634	118	0	(19,516)	42,554	23,038	(256,486)	(233,448)	
University Hospitals Authority	90,055	49,946	0	(40,109)	39,013	(1,096)	171,319	170,223	
Oklahoma Development Finance Authority	823	997	0	174	0	174	3,427	3,601	
Oklahoma Capital Investment Board	533	1,637	0	1,104	0	1,104	10,124	11,228	
Oklahoma Environmental Finance Authority	63	60	0	(3)	0	(3)	49	46	
Total Nonmajor Component Units	\$ 147,990	\$ 90,209	\$ 949	\$ (56,832)	\$ 85,020	\$ 28,188	\$ (56,585)	\$ (28,397)	

This Page Intentionally Left Blank



Windmill Museum

Shattuck, Oklahoma



Roman Nose State Park

Watonga, Oklahoma



Will Rogers Memorial

Claremore, Oklahoma

Other Supplementary Information–Budgetary Detail

Other Supplementary Information–Budgetary Detail

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2003
 (expressed in thousands)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
EDUCATION					
State Arts Council					
1 Duties	\$ 4,319	\$ (339)	\$ 3,980	\$ 3,821	\$ 159
11 Carryover from FY-02 Duties	201	0	201	20	181
Agency Total	<u>4,520</u>	<u>(339)</u>	<u>4,181</u>	<u>3,841</u>	<u>340</u>
Department of Education					
1 Financial Suppt of Pub Schools (1)	1,094,611	(85,927)	1,008,684	1,008,684	0
1 Financial Suppt of Pub Schools (1)	1,805	0	1,805	1,805	0
2 Pub Sch Act Psychometric Svcs (1)	843	(66)	777	777	0
3 Office of Accountability	271	(21)	250	250	0
3 Financial Suppt of Pub Schools (1)	1,197	0	1,197	1,197	0
4 Pub Sch Act Staff Cev Ardmore (1)	88	(7)	81	81	0
5 Pub Sch Act Staff Dev Bartlesv (1)	88	(7)	81	81	0
6 Pub Sch Act Staff Dev Lawton (1)	88	(7)	81	81	0
7 Textbooks (2)	33,000	0	33,000	33,000	0
7 Pub Sch Act Staff Dev McAles (1)	88	(7)	81	81	0
8 Pub Sch Act Staff Dev Norman (1)	88	(7)	81	81	0
8 Flex Benefits Cert Personnel (1)	640	0	640	640	0
9 Flex Benefits Suppt Personnel (1)	3,066	0	3,066	3,066	0
9 Pub Sch Act Staff Dev Stillwat (1)	88	(7)	81	81	0
10 Cert Pers with Nat't Bd Certif (1)	170	0	170	170	0
10 Pub Sch Act Staff Dev Woodward (1)	88	(7)	81	81	0
11 FY-03 Supple Fin Supt of Sch (1)	0	25,486	25,486	25,486	0
11 Pub Sch Act Staff Dev Read Suf (1)	5,088	(400)	4,688	4,688	0
12 Pub Sch Act Staff Dev Great Ex	838	(66)	772	772	0
13 Pub Sch Act Staff Dev ADA Bas (1)	5,050	(396)	4,654	4,654	0
14 Pub Sch Act AP Admin Cost	52	(4)	48	48	0
15 Pub Sch Act Adv Place Incent (2)	3,879	(305)	3,574	3,574	0
16 Pub Sch Act Teach Consult Stip (1)	986	(77)	909	909	0
17 Pub Sch Act Teach Retire Cred	33,493	(2,629)	30,864	30,864	0
18 Pub Sch Act Cert Emp Hlth Allw (1)	40,128	(3,150)	36,978	36,978	0
19 Pub Sch Act Supt Pers Hlth All (1)	58,393	(4,584)	53,809	53,809	0
20 Pub Sch Act School Lunch Match (1)	3,709	(291)	3,418	3,418	0
21 Pub Sch Act School Lunch Progs (2)	3,192	(251)	2,941	2,941	0
22 Pub Sch Act Homebound Children (1)	1,134	(89)	1,045	1,045	0
23 Pub Sch Act Alt Ed Prog Eval	893	(70)	823	823	0
24 Pub Sch Act Alt Ed Arts Comp (1)	190	(15)	175	175	0
25 Pub Sch Act Alt Ed Admin Costs	79	(6)	73	65	8
26 Pub Sch Act Alt Ed Compet Gnts (1)	16,690	(1,310)	15,380	15,380	0
27 Pub Sch Act Alt & Hi Chall Ed (1)	1,652	(130)	1,522	1,522	0
28 Pub Sch Act Adult Ed Matching (2)	2,313	(182)	2,131	2,130	1
29 Pub Sch Act Driver Education (1)	1,050	(82)	968	968	0

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2003
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
30 Pub Sch Act Early Intervention (1)	12,524	(983)	11,541	11,541	0
31 Flex Benefit Allow Cert Empl (1)	26,360	(2,069)	24,291	24,291	0
32 Pub Sch Act Common Ed Grants (1)	428	(34)	394	394	0
33 Pub Sch Act Common Ed Consort	48	(4)	44	44	0
34 Pub Sch Act Parent Trng Prog (1)	2,540	(199)	2,341	2,341	0
35 Pub Sch Act OPAT Program Eval	18	(1)	17	15	2
36 Pub Sch Act OPAT Pub Housing	142	(11)	131	129	2
37 Pub Sch Act Technical Assist	41	(3)	38	38	0
38 Pub Sch Act OPAT Field Opers	71	(6)	65	47	18
39 Pub Sch Act Spec Ed Assistance (1)	1,125	(88)	1,037	1,037	0
40 Pub Sch Act Sch/Comm Arts Ed (1)	123	(10)	113	113	0
41 Pub Sch Act Educ Leadership (1)	3,150	(247)	2,903	2,903	0
42 Pub Sch Act ICTE Sm Sch Coops(1)	535	(42)	493	493	0
43 Pub Sch Act Jane Brooks Sch (1)	53	(4)	49	49	0
44 Pub Sch Act ICTE Sci Eng Fair (1)	51	(4)	47	47	0
45 Pub Sch Act ICTE Telecomm Curr (1)	385	(30)	355	355	0
46 Pub Sch Act ICTE Sm Sch Incent (1)	285	(22)	263	263	0
47 Pub Sch Act Summer Arts Instit	451	(35)	416	416	0
48 Pub Sch Act AG in Classroom (1)	48	(4)	44	44	0
49 Pub Sch Act OK Ambass of Teach	36	(3)	33	33	0
50 Pub Sch Act Cert Inst Sal InC (2)	157,927	(12,398)	145,529	145,529	0
51 Flex Benefit Allow Supt Pers (1)	7,246	(569)	6,677	6,677	0
52 Pub Sch Act Staff Dev Neurodev	1,248	(98)	1,150	1,077	73
59 Pub Sch Act ICTE Arts	38	(2)	36	36	0
61 Carryover from FY-02 Off Acct	8	0	8	8	0
62 Carryover from FY-02 Great Exp	1	0	1	1	0
64 Carryover from FY-02 Ad Placmt	44	0	44	0	44
65 Carryover frm FY-02 Ret Credit	41	0	41	41	0
66 Pub Sch Act VISION Project	1,470	(115)	1,355	690	665
68 Carryover frm FY-02 Sch Lunch	4	0	4	4	0
69 Carryover frm FY-02 Alt Ed Pg	3	0	3	3	0
70 Admin & Support Functions DOE	20,428	(1,604)	18,824	18,595	229
73 Admin & Suppt Financial Acctg	193	(15)	178	178	0
74 Ad Suppt Adult Lit Survey	230	(18)	212	0	212
75 Admin & Suppt Funct NAEP	48	(4)	44	44	0
76 Admin & Suppt Func 8th Gr Test (1)	333	(26)	307	307	0
77 Carryover frm FY-02 Alt Ed Adm	6	0	6	6	0
78 Admin & Suppt Func OKAGE	246	(20)	226	226	0
80 Carryover frm FY02 Adult Ed	3	0	3	3	0
84 Carryover frm FY02 OPAT Tec As	9	0	9	9	0
85 Carryover frm FY02 OPAT Fld Op	7	0	7	7	0
86 Carryover frm FY-02 Summer Art	1	0	1	0	1
88 Carryover frm FY02 Stf Dev Wks	318	0	318	318	0
89 Carryover frm FY02 Off Account	483	0	483	101	382

GENERAL FUND

	BUDGET				
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
91 Carryover frm FY02 VISION	218	0	218	218	0
92 Carryover frm FY02 Adm Suppt	714	0	714	714	0
93 Carryover frm FY02 Acad Perf	3	0	3	3	0
94 Carryover frm FY02 Ad Spt Fin	4	0	4	4	0
95 Carryover frm FY02 Ad Sup NAEP	1	0	1	1	0
97 Carryover frm FY02 VISION	454	0	454	454	0
99 Pub Sch Activ - To Teach Prep (1)	3,473	(273)	3,200	3,200	0
Agency Total	<u>1,558,644</u>	<u>(93,555)</u>	<u>1,465,089</u>	<u>1,463,452</u>	<u>1,637</u>

Oklahoma Commission for Teacher Preparation

1 Duties	2,219	(174)	2,045	1,998	47
11 Carryover from FY-02 Duties	361	0	361	360	1
Agency Total	<u>2,580</u>	<u>(174)</u>	<u>2,406</u>	<u>2,358</u>	<u>48</u>

Commission of the Land Office

1 Duties	4,095	(176)	3,919	3,843	76
Agency Total	<u>4,095</u>	<u>(176)</u>	<u>3,919</u>	<u>3,843</u>	<u>76</u>

Department of Libraries

1 Duties	6,892	(541)	6,351	6,340	11
11 Carryover from FY-02 Duties	136	0	136	136	0
Agency Total	<u>7,028</u>	<u>(541)</u>	<u>6,487</u>	<u>6,476</u>	<u>11</u>

Board of Private Vocational School

1 Duties	166	(13)	153	150	3
11 Carryover from FY-2002 Duties	12	0	12	12	0
Agency Total	<u>178</u>	<u>(13)</u>	<u>165</u>	<u>162</u>	<u>3</u>

Physician Manpower Training Commission

1 Duties	5,207	(409)	4,798	4,798	0
3 Duties	400	0	400	400	0
11 Carryover from FY-02 Duties	36	0	36	36	0
12 Carryover from FY-02 Duties	1	0	1	1	0
Agency Total	<u>5,644</u>	<u>(409)</u>	<u>5,235</u>	<u>5,235</u>	<u>0</u>

Center for Advancement of Science and Technology

1 Administration	537	(41)	495	458	37
2 Transfer to Research Suppt Rev Fd (1)	12,061	(947)	11,114	11,114	0
11 Carryover from FY-02 Admin	88	0	88	87	1

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2003
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	BUDGET		FINAL	ACTUAL	VARIANCE
	ORIGINAL	AMENDMENTS			
14 Carryover from FY02 Ins of Tech	962	0	962	962	0
15 Carryover from FY-02 Biomed	1	0	1	1	0
Agency Total	13,649	(988)	12,660	12,622	38
Oklahoma School of Science and Mathematics					
1 Duties	5,092	(400)	4,692	4,355	337
2 Pilot Outreach Programs	1,430	(112)	1,318	1,182	136
11 Carryover from FY-02 Duties	586	0	586	586	0
12 Carryover from FY-02 Duties	20	0	20	20	0
Agency Total	7,128	(512)	6,616	6,143	473
Department of Career and Technology Education					
8 Duties (2)	124,829	(9,799)	115,030	110,089	4,941
9 Certified Emp Hlth Ben Allow (1)	1,709	(134)	1,575	1,575	0
10 Supt Personnel Hlth Ben Allow (1)	3,265	(256)	3,009	3,009	0
11	1,001	(79)	922	922	0
12 Inc in Flex Ben Allow Supt Per (1)	393	(31)	362	362	0
18 Carryover from FY-02 Duties	2,479	0	2,479	2,479	0
19 Carryover from FY-02 Duties	6	0	6	6	0
Agency Total	133,682	(10,299)	123,383	118,442	4,941
Education Total	1,737,148	(107,006)	1,630,141	1,622,574	7,567
GENERAL GOVERNMENT					
Office of State Finance					
1 Duties	8,444	(663)	7,781	7,388	393
2 Duties	469	0	469	232	237
11 Carryover from FY-02 Duties	295	0	295	295	0
12 Carryover from FY-02 Duties	3	0	3	3	0
Agency Total	9,211	(663)	8,548	7,918	630
Department of Commerce					
1 Duties	23,401	(1,837)	21,564	20,461	1,103
3 Transfer to Min Bus Devel Fund (1)	208	(16)	192	192	0
4 To ODFR/Rural Ent Bus Revolv	143	(12)	131	131	0
5 Transfer to Comm Dev Centers Fd (1)	131	(10)	121	121	0
11 Carryover from FY-02 Duties	1,037	0	1,037	1,037	0
30 Tinker Aerospace Tech Prog	300	0	300	300	0
30 Community Action Agencies	757	0	757	757	0
31 Africa Foreign Trade Office	150	0	150	150	0

GENERAL FUND

	BUDGET				
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
31 Headstart	3,561	0	3,561	3,505	56
32 Main Street Program	29	0	29	4	25
32 To Native Amer (206) Fund (1)	475	0	475	475	0
33 To Capital Improv (240) Fund (1)	405	0	405	405	0
34 Carryover from FY-02 Int'natl	8	0	8	0	8
34 Rural Enterprise Inc.	262	0	262	262	0
35 Rur Enter Inc VANSAT Prog	30	0	30	30	0
36 OSU Small Rural Mfg Program	300	0	300	275	25
37 Oklahoma Community Institute	90	0	90	90	0
Agency Total	<u>31,287</u>	<u>(1,875)</u>	<u>29,412</u>	<u>28,195</u>	<u>1,217</u>
State Election Board					
1 Duties	6,279	(493)	5,786	4,956	830
2 For Holding Elections	948	0	948	867	81
11 Carryover from FY-2002 Duties	1,752	0	1,752	1,752	0
Agency Total	<u>8,979</u>	<u>(493)</u>	<u>8,486</u>	<u>7,575</u>	<u>911</u>
Ethics Commission					
1 Duties	482	(38)	444	443	1
11 Carryover from FY-02 Duties	1	0	1	1	0
11 FY-02 Supplemental for Duties	27	0	27	27	0
Agency Total	<u>510</u>	<u>(38)</u>	<u>472</u>	<u>471</u>	<u>1</u>
Merit Protection Commission					
1 Duties	592	(46)	546	535	11
11 Carryover from FY-02 Duties	9	0	9	9	0
Agency Total	<u>601</u>	<u>(46)</u>	<u>555</u>	<u>544</u>	<u>11</u>
State Auditor and Inspector					
1 Duties	5,377	(422)	4,955	4,955	0
2 Count Govt Personnel Ed & Trng	519	(41)	478	478	0
3 County Govt Computer Systems	43	(3)	40	40	0
11 Carryover from FY-02 Duties	7	0	7	7	0
12 Carryover frm FY02 Cty Gov Per	1	0	1	0	1
Agency Total	<u>5,947</u>	<u>(466)</u>	<u>5,481</u>	<u>5,480</u>	<u>1</u>
Governor					
1 Pers Svcs Op Expenses etc.	2,574	(202)	2,372	1,978	394
2 Secretary of Educ and expenses	200	(16)	184	85	99

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2003
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
3 Secretary of Veterans Affairs	75	(6)	69	69	0
4 Mansion Expenses	58	(4)	54	54	0
11 Carryover from FY-02 Duties	220	0	220	220	0
12 Carryover from FY-02 Sec Educ	56	0	56	56	0
15 Carryover from FY-02 Duties	165	0	165	165	0
Agency Total	3,348	(228)	3,120	2,627	493
Native American Cultural Center					
1 Transfer to Commerce (1)	393	(31)	362	362	0
Agency Total	393	(31)	362	362	0
Lieutenant Governor					
1 Duties	548	(43)	505	403	102
11 Carryover from FY-02 Duties	114	0	114	114	0
Agency Total	662	(43)	619	517	102
Office of Personnel Management					
1 Duties	5,365	(421)	4,944	4,841	103
2 Commission on Status of Women	35	(3)	32	21	11
11 Carryover from FY-02 Duties	381	0	381	381	0
Agency Total	5,781	(424)	5,357	5,243	114
Department of Central Services					
1 Duties	10,291	(808)	9,483	8,496	987
1 Manville and Asbestos Abatemt	1,324	0	1,324	440	884
2 Transfer to Bldg & Fac Revolv Fd (1)	3,505	(275)	3,230	3,230	0
3 Veterans Memorial	4	0	4	4	0
4 Maintenance of Hissom Center	177	(14)	163	161	2
11 Carryover from FY-02 Duties	644	0	644	637	7
11 Carryover from FY-02 Manville	642	0	642	642	0
13 Carryover from FY-02 Vet Mem	1	0	1	1	0
14 Carryover from FY-02 Hissom	100	0	100	100	0
15 Carryover from FY-02 Cap Park	20	0	20	20	0
Agency Total	16,708	(1,097)	15,611	13,731	1,880
Secretary of State					
1 Duties	518	(41)	477	477	0
11 Carryover from FY-02 Duties	1	0	1	1	0
Agency Total	519	(41)	478	478	0

	GENERAL FUND				
	BUDGET				
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
Council on Judicial Complaints					
1 Duties	302	(24)	278	274	4
11 Carryover from FY-02 Duties	28	0	28	28	0
Agency Total	330	(24)	306	302	4
Oklahoma Tax Commission					
1 FY-2003 Supplemental Inc Tax	0	477	477	476	1
30 Duties	49,161	(3,859)	45,302	45,217	85
Agency Total	49,161	(3,382)	45,779	45,693	86
State Treasurer					
1 Duties	5,172	(406)	4,766	4,548	218
1 Transfer to State Land Reimburse (1)	98	0	98	98	0
11 Carryover from FY-02 Duties	191	0	191	191	0
Agency Total	5,461	(406)	5,055	4,837	218
General Government Total	138,898	(9,257)	129,641	123,973	5,668
HEALTH SERVICES					
Department of Health					
1 Duties	33,887	(2,660)	31,227	30,709	518
2 Transfer to Eldercare Revolving (1)	6,334	(497)	5,837	5,837	0
3 Transfer to Tob Prev & Cess Fund (1)	1,750	(137)	1,613	1,613	0
4 Margaret Hudson Program	42	(3)	39	36	3
5 Community Health Centers	196	(15)	181	181	0
6 Southeast Area Health Center	196	(15)	181	181	0
7 Morton Comp Health Services	457	(36)	421	421	0
8 Sickle Cell Research Found	194	(15)	179	179	0
9 Emerson Teen Parent Program	134	(11)	123	123	0
10 Alzheimers Research Adv Coun	55	(4)	51	51	0
11 Tolliver Alt Care Center Inc.	46	(4)	42	42	0
12 Transfer to Child Abuse Fund (1)	2,915	(229)	2,686	2,686	0
14 Central OK Family Med Center	223	(17)	206	206	0
15 Dental Svcs for Disab/Elderly	149	(12)	137	137	0
19 High-risk Perinatal Dir Svcs	2,446	(192)	2,254	2,218	36
20 Perinatal Continuing Educ	227	(18)	209	209	0
21 Perinatal Demo Project	60	(5)	55	55	0
23 Transfer to Kidney Health Fund (1)	124	(10)	114	114	0

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2003
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	BUDGET		FINAL	ACTUAL	VARIANCE
	ORIGINAL	AMENDMENTS			
25 Oklahoma City Indian Clinic	74	(6)	68	68	0
27 Transfer to Children First Fund (1)	11,855	(931)	10,924	10,924	0
42 Greenwood Educ and Cult Center	149	(12)	137	137	0
43 College Osteo Med Area...Ctrs	455	(36)	419	419	0
44 Metro Tulsa Urban League Inc.	44	(3)	41	39	2
45 North Tulsa Heritage Found	45	(3)	42	42	0
46 Dunjee All-School Association	99	(8)	91	91	0
47 OUHSC Ped Endochrin Dept	116	(9)	107	107	0
48 Alzheimers Assoc OK Chapter	10	(1)	9	9	0
49 Indian Health Care Res Ctr	10	(1)	9	9	0
Agency Total	<u>62,292</u>	<u>(4,890)</u>	<u>57,402</u>	<u>56,843</u>	<u>559</u>
Mental Health and Substance Abuse					
1 Duties	149,776	(11,757)	138,019	136,227	1,792
11 Carryover from FY-02 Duties	2,049	0	2,049	2,040	9
12 Carryover from FY-02 PACT	1,219	0	1,219	1,219	0
13 Carryover from FY-02 Duties	63	0	63	63	0
Agency Total	<u>153,107</u>	<u>(11,757)</u>	<u>141,350</u>	<u>139,549</u>	<u>1,801</u>
Health Services Total	<u>215,399</u>	<u>(16,647)</u>	<u>198,752</u>	<u>196,392</u>	<u>2,360</u>
LEGAL AND JUDICIARY					
Indigent Defense System					
1 FY-2003 Supp for Conflict Coun	0	600	600	505	95
1 Duties (2)	14,590	(1,145)	13,445	13,217	228
2 Forensic Testing of Evidence	650	(650)	0	0	0
4 Duties	200	0	200	139	61
11 Carryover from FY-02 Duties	579	0	579	579	0
12 Carryover from FY-02 Duties	1	0	1	1	0
22 Redesignated for Duties	0	599	599	30	569
23 Redesignated for Duties	217	0	217	217	0
Agency Total	<u>16,237</u>	<u>(596)</u>	<u>15,641</u>	<u>14,688</u>	<u>953</u>
Attorney General					
1 Duties	6,958	(546)	6,412	6,357	55
2 Transfer to AG's Evidence Fund (1)	150	0	150	150	0
11 Carryover from FY-02 Duties	8	0	8	8	0
Agency Total	<u>7,116</u>	<u>(546)</u>	<u>6,570</u>	<u>6,515</u>	<u>55</u>

	GENERAL FUND				
	BUDGET				
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
Court of Criminal Appeals					
1 Duties	2,818	(221)	2,597	2,572	25
11 Carryover from FY-02 Duties	49	0	49	49	0
Agency Total	<u>2,867</u>	<u>(221)</u>	<u>2,646</u>	<u>2,621</u>	<u>25</u>
District Courts					
1 Duties - District Courts	22,343	0	22,343	21,836	507
1 Duties - District Courts	18,054	(1,417)	16,637	16,442	195
4 Duties - District Courts	500	0	500	500	0
11 Carryover from FY-02 Duties	485	0	485	485	0
11 Carryover from FY-02 Duties	237	0	237	237	0
12 Carryover from FY-02 Duties	281	0	281	281	0
Agency Total	<u>41,900</u>	<u>(1,417)</u>	<u>40,483</u>	<u>39,781</u>	<u>702</u>
District Attorneys Council					
1 Duties	29,754	(2,336)	27,418	27,000	418
4 Transfer to DA's Evidence Fund (1)	555	0	555	555	0
11 Carryover from FY-02 Duties	984	0	984	984	0
12 Carryover from FY-02 Wit Fees	47	0	47	47	0
Agency Total	<u>31,340</u>	<u>(2,336)</u>	<u>29,004</u>	<u>28,586</u>	<u>418</u>
Workers Compensation Court					
1 Duties	4,206	(330)	3,876	3,876	0
3 Duties	100	0	100	100	0
11 Carryover from FY-02 Duties	5	0	5	5	0
Agency Total	<u>4,311</u>	<u>(330)</u>	<u>3,981</u>	<u>3,981</u>	<u>0</u>
Supreme Court					
1 Duties	11,514	(904)	10,610	10,172	438
2 Transfer to Sup Court Legal Svcs (1)	830	(65)	765	765	0
3 Transfer to Supreme Court Revolv (1)	900	(71)	829	829	0
5 Duties	300	0	300	300	0
11 Carryover from FY-02 Duties	1,064	0	1,064	1,064	0
Agency Total	<u>14,608</u>	<u>(1,040)</u>	<u>13,568</u>	<u>13,130</u>	<u>438</u>
Legal and Judiciary Total	<u>118,379</u>	<u>(6,486)</u>	<u>111,893</u>	<u>109,302</u>	<u>2,591</u>

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2003
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
MUSEUMS					
Oklahoma Capitol Complex & Centennial					
1 Duties	641	(50)	591	591	0
11 Carryover from FY-02 Duties	1	0	1	1	0
Agency Total	<u>642</u>	<u>(50)</u>	<u>592</u>	<u>592</u>	<u>0</u>
J.M. Davis Memorial Commission					
1 Duties	365	(29)	336	336	0
13 Carryover from FY-02 Duties	29	0	29	29	0
Agency Total	<u>394</u>	<u>(29)</u>	<u>365</u>	<u>365</u>	<u>0</u>
Historical Society					
1 Duties	9,801	(769)	9,032	9,031	1
2 Tulsa Race Riot Revolv (1)	675	(53)	622	622	0
3 DCS contract for Gov's Bust	17	(1)	16	16	0
4 Repair Cap Pub Museum Guthrie	22	(2)	20	20	0
11 Carryover from FY-02 Duties	31	0	31	31	0
Agency Total	<u>10,546</u>	<u>(825)</u>	<u>9,721</u>	<u>9,720</u>	<u>1</u>
Will Rogers Memorial Commission					
1 Duties	965	(76)	889	837	52
11 Carryover from FY-02 Duties	1	0	1	1	0
13 Carryover from FY-02 Duties	29	0	29	29	0
Agency Total	<u>995</u>	<u>(76)</u>	<u>919</u>	<u>867</u>	<u>52</u>
Museums Total	<u>12,577</u>	<u>(980)</u>	<u>11,597</u>	<u>11,544</u>	<u>53</u>
NATURAL RESOURCES					
Department of Agriculture					
1 Duties (2)	24,649	(1,935)	22,714	22,703	11
4 Duties	3,637	0	3,637	3,637	0
11 Carryover from FY-02 Duties	29	0	29	29	0
18 Duties	1,363	0	1,363	1,363	0
Agency Total	<u>29,678</u>	<u>(1,935)</u>	<u>27,743</u>	<u>27,732</u>	<u>11</u>

GENERAL FUND

	BUDGET		FINAL	ACTUAL	VARIANCE
	ORIGINAL	AMENDMENTS			
Department of Environmental Quality					
1 Duties	7,461	(586)	6,875	6,768	107
11 Carryover from FY-2002 Duties	69	0	69	69	0
12 Carryover from FY-02 Duties	1	0	1	1	0
Agency Total	<u>7,531</u>	<u>(586)</u>	<u>6,945</u>	<u>6,838</u>	<u>107</u>
Department of Tourism and Recreation					
1 Duties	26,477	(2,079)	24,398	24,016	382
11 Carryover from FY-02 Duties	1,030	0	1,030	1,030	0
13 Duties	1,700	0	1,700	1,391	309
Agency Total	<u>29,207</u>	<u>(2,079)</u>	<u>27,128</u>	<u>26,437</u>	<u>691</u>
Scenic Rivers Commission					
1 Duties (1)	358	(28)	330	330	0
Agency Total	<u>358</u>	<u>(28)</u>	<u>330</u>	<u>330</u>	<u>0</u>
Conservation Commission					
1 Duties	7,287	(572)	6,715	6,715	0
Agency Total	<u>7,287</u>	<u>(572)</u>	<u>6,715</u>	<u>6,715</u>	<u>0</u>
Water Resources Board					
1 Duties	3,619	(284)	3,335	3,253	82
3 Contract Svcs Rural Wat Assoc	220	(17)	203	203	0
11 Carryover from FY-02 Duties	67	0	67	67	0
Agency Total	<u>3,906</u>	<u>(301)</u>	<u>3,605</u>	<u>3,523</u>	<u>82</u>
Natural Resources Total	<u>77,967</u>	<u>(5,501)</u>	<u>72,466</u>	<u>71,575</u>	<u>891</u>
PUBLIC SAFETY AND DEFENSE					
Oklahoma Military Department					
1 Duties	7,896	(620)	7,276	7,058	218
11 Carryover from FY-02 Duties	353	0	353	353	0
Agency Total	<u>8,249</u>	<u>(620)</u>	<u>7,629</u>	<u>7,411</u>	<u>218</u>

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2003
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
Alcoholic Beverage Laws Enforcement					
1 Duties	4,011	(315)	3,696	3,683	13
11 Carryover from FY-02 Duties	5	0	5	5	0
Agency Total	<u>4,016</u>	<u>(315)</u>	<u>3,701</u>	<u>3,688</u>	<u>13</u>
Department of Corrections					
3 FY-2003 Supplemental Furloughs	0	9,000	9,000	8,576	424
30 Duties	392,829	(30,837)	361,992	361,006	986
35 Carryover from FY-02 Duties	4,307	0	4,307	4,307	0
36 Carryover from FY-02 Duties	26	0	26	26	0
37 Carryover from FY-02 Duties	20	0	20	20	0
40 Duties - To Delay Furloughs	0	9,800	9,800	9,800	0
Agency Total	<u>397,182</u>	<u>(12,037)</u>	<u>385,145</u>	<u>383,735</u>	<u>1,410</u>
Pardon and Parole Board					
1 Duties	2,356	(185)	2,171	2,157	14
11 Carryover from FY-02 Duties	114	0	114	114	0
Agency Total	<u>2,470</u>	<u>(185)</u>	<u>2,285</u>	<u>2,271</u>	<u>14</u>
State Bureau of Investigation					
1 Duties	10,742	(843)	9,899	9,897	2
Agency Total	<u>10,742</u>	<u>(843)</u>	<u>9,899</u>	<u>9,897</u>	<u>2</u>
Department of Civil Emergency					
1 Duties	749	(59)	690	677	13
11 Carryover from FY-02 Duties	11	0	11	11	0
Agency Total	<u>760</u>	<u>(59)</u>	<u>701</u>	<u>688</u>	<u>13</u>
State Fire Marshal					
1 Duties	1,875	(147)	1,728	1,724	4
11 Carryover from FY-02 Duties	14	0	14	14	0
12 Carryover from FY-02 Duties	7	0	7	7	0
Agency Total	<u>1,896</u>	<u>(147)</u>	<u>1,749</u>	<u>1,745</u>	<u>4</u>
Board of Medicolegal Investigation					
1 Duties	3,919	(308)	3,611	3,611	0
11 Carryover from FY-02 Duties	4	0	4	4	0
12 Carryover from FY-02 Duties	1	0	1	1	0
Agency Total	<u>3,924</u>	<u>(308)</u>	<u>3,616</u>	<u>3,616</u>	<u>0</u>

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
Council on Law Enforcement, Education and Training					
1 Duties	385	(30)	355	351	4
1 Duties	2,275	0	2,275	2,240	35
2 Duties	224	0	224	224	0
11 Carryover from FY-02 Duties	30	0	30	30	0
11 Carryover from FY-02 Duties	3	0	3	3	0
Agency Total	<u>2,917</u>	<u>(30)</u>	<u>2,887</u>	<u>2,848</u>	<u>39</u>
Bureau of Narcotics and Dangerous Drugs					
1 Duties	5,925	(465)	5,460	5,396	64
11 Carryover from FY-02 Duties	160	0	160	160	0
12 Carryover from FY-02 Duties	1	0	1	1	0
Agency Total	<u>6,086</u>	<u>(465)</u>	<u>5,621</u>	<u>5,557</u>	<u>64</u>
Department of Public Safety					
1 Duties	68	0	68	68	0
1 Duties	69,501	(5,456)	64,045	63,638	407
2 Capitol Patrol Officer Work Co	26	(2)	24	24	0
11 Carryover from FY-02 Duties	84	0	84	81	3
12 Carryover from FY-02 Duties	709	0	709	699	10
34 Carryover from FY-02 Duties	345	0	345	345	0
Agency Total	<u>70,733</u>	<u>(5,458)</u>	<u>65,275</u>	<u>64,855</u>	<u>420</u>
Public Safety and Defense Totals	<u>508,975</u>	<u>(20,467)</u>	<u>488,508</u>	<u>486,311</u>	<u>2,197</u>
REGULATORY SERVICES					
State Banking Department					
1 Duties	3,108	(244)	2,864	2,864	0
21 Carryover from FY-02 Duties	25	0	25	25	0
Agency Total	<u>3,133</u>	<u>(244)</u>	<u>2,889</u>	<u>2,889</u>	<u>0</u>
Department of Mines					
1 Duties	600	(47)	553	553	0
2 Duties	350	0	350	350	0
11 Carryover from FY-02 Duties	1	0	1	1	0
Agency Total	<u>951</u>	<u>(47)</u>	<u>904</u>	<u>904</u>	<u>0</u>

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2003
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
Corporation Commission					
1 Duties	9,735	(764)	8,971	8,971	0
11 Carryover from FY-02 Duties	12	0	12	12	0
12 Carryover from FY-02 Duties	1	0	1	1	0
Agency Total	<u>9,748</u>	<u>(764)</u>	<u>8,984</u>	<u>8,984</u>	<u>0</u>
Oklahoma Horse Racing Commission					
1 Duties	2,144	(168)	1,976	1,768	208
11 Carryover from FY-02 Duties	178	0	178	178	0
Agency Total	<u>2,322</u>	<u>(168)</u>	<u>2,154</u>	<u>1,946</u>	<u>208</u>
Insurance Department					
1 Duties	2,872	(225)	2,647	2,632	15
11 Carryover from FY-02 Duties	84	0	84	84	0
Agency Total	<u>2,956</u>	<u>(225)</u>	<u>2,731</u>	<u>2,716</u>	<u>15</u>
Department of Labor					
1 Duties	1,296	0	1,296	1,224	72
1 Duties	2,383	(187)	2,196	2,157	39
11 From FY-02 Supplemental Duties	300	0	300	300	0
11 Carryover from FY-02 Duties	150	0	150	150	0
11 Carryover from FY-02 Duties	215	0	215	214	1
Agency Total	<u>4,344</u>	<u>(187)</u>	<u>4,157</u>	<u>4,045</u>	<u>112</u>
Liquefied Petroleum Gas Board					
1 Duties	434	(34)	400	393	7
11 Carryover from FY-02 Duties	24	0	24	24	0
Agency Total	<u>458</u>	<u>(34)</u>	<u>424</u>	<u>417</u>	<u>7</u>
Oklahoma Securities Commission					
1 Duties	695	(55)	640	640	0
11 Carryover from FY-02 Duties	1	0	1	1	0
Agency Total	<u>696</u>	<u>(55)</u>	<u>641</u>	<u>641</u>	<u>0</u>
Commission on Consumer Credit					
1 Duties	734	(58)	676	661	15
11 Carryover from FY-02 Duties	24	0	24	24	0
Agency Total	<u>758</u>	<u>(58)</u>	<u>700</u>	<u>685</u>	<u>15</u>

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
Regulatory Services Total	25,366	(1,782)	23,584	23,227	357
SOCIAL SERVICES					
Commission on Children and Youth					
10 Duties	1,752	(138)	1,614	1,314	300
40 Carryover from FY-02 Duties	188	0	188	187	1
50 Carryover from FY-02 Duties	192	0	192	0	192
Agency Total	2,132	(138)	1,994	1,501	493
Office of Handicapped Concerns					
1 Duties	371	(29)	342	341	1
3 Duties	15	0	15	15	0
Agency Total	386	(29)	357	356	1
Oklahoma Human Rights Commission					
10 Duties	790	(62)	728	700	28
11 Carryover from FY-02 Duties	39	0	39	0	39
13 Carryover from FY-02 Duties	14	0	14	0	14
Agency Total	843	(62)	781	700	81
Oklahoma Indian Affairs Commission					
10 Duties	277	(22)	255	195	60
11 Carryover from FY-02 Duties	51	0	51	50	1
Agency Total	328	(22)	306	245	61
Office of Juvenile Affairs					
1 Duties	102,368	(8,036)	94,332	93,928	404
1 FY-2003 Supplemental Prev RIFs	0	100	100	100	0
11 Carryover from FY-02 Duties	1,152	0	1,152	1,152	0
12 Carryover from FY-02 Delin Yth	36	0	36	36	0
13 Carryover from FY-02 Title XIX	9	0	9	9	0
14 Carryover from FY-02 Duties	2	0	2	2	0
Agency Total	103,567	(7,936)	95,631	95,227	404

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2003
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	BUDGET		FINAL	ACTUAL	VARIANCE
	ORIGINAL	AMENDMENTS			
Department of Veteran Affairs					
1 Duties	26,688	(2,095)	24,593	24,593	0
11 Carryover from FY-02 Duties	30	0	30	29	1
12 Carryover from FY-02 Duties	2	0	2	1	1
Agency Total	<u>26,720</u>	<u>(2,095)</u>	<u>24,625</u>	<u>24,623</u>	<u>2</u>
Department of Human Services					
1 Duties (1)	49,121	0	49,121	49,121	0
1 Duties (1)	341,801	(26,831)	314,970	314,970	0
Agency Total	<u>390,922</u>	<u>(26,831)</u>	<u>364,091</u>	<u>364,091</u>	<u>0</u>
J.D. McCarty Center					
10 Duties	2,946	(231)	2,715	2,715	0
11 Carryover from FY-02 Duties	4	0	4	4	0
Agency Total	<u>2,950</u>	<u>(231)</u>	<u>2,719</u>	<u>2,719</u>	<u>0</u>
Department of Rehabilitative Services					
1 Duties (1)	25,577	(2,008)	23,569	23,569	0
Agency Total	<u>25,577</u>	<u>(2,008)</u>	<u>23,569</u>	<u>23,569</u>	<u>0</u>
Health Care Authority					
1 Duties (1)	370,005	(29,045)	340,960	340,960	0
2 Duties (1)	16,121	0	16,121	16,121	0
3 FY-02 Supplement'l FY-03 (1)	46,479	0	46,479	46,479	0
Agency Total	<u>432,605</u>	<u>(29,045)</u>	<u>403,560</u>	<u>403,560</u>	<u>0</u>
Social Services Total	<u>986,030</u>	<u>(68,397)</u>	<u>917,633</u>	<u>916,591</u>	<u>1,042</u>
TRANSPORTATION					
Department of Transportation					
1 Highway Construct Maint Fd (1)	180,897	(693)	180,204	180,204	0
1 Highway Construct Maint Fd (1)	33,228	(2,608)	30,620	30,620	0
2 Highway Construct Maint Fd (1)	9,663	0	9,663	9,663	0
3 Highway Construct Maint Fd (1)	4,169	0	4,169	4,169	0
3 Transfer to Public Transit Fund (1)	1,900	0	1,900	1,900	0
7 Hwy Const Maint Hwy/Bridge (1)	17,151	0	17,151	17,151	0
Agency Total	<u>247,008</u>	<u>(3,301)</u>	<u>243,707</u>	<u>243,707</u>	<u>0</u>

	GENERAL FUND				
	BUDGET				
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
Oklahoma Space Industry Development Auth.					
1 Duties (1)	985	(77)	908	908	0
Agency Total	<u>985</u>	<u>(77)</u>	<u>908</u>	<u>908</u>	<u>0</u>
Transportation Total	<u>247,993</u>	<u>(3,378)</u>	<u>244,615</u>	<u>244,615</u>	<u>0</u>
General Fund Total	<u>\$ 4,068,732</u>	<u>\$ (239,901)</u>	<u>\$ 3,828,830</u>	<u>\$ 3,806,104</u>	<u>\$ 22,726</u>

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

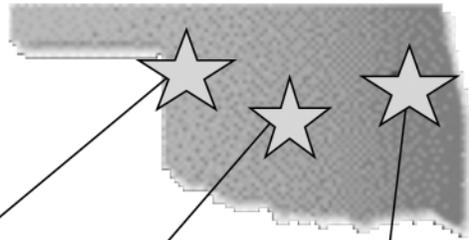
(2) Part of the appropriation was transferred to a continuing fund for expenditure.

This Page Intentionally Left Blank



Windmill Museum

Shattuck, Oklahoma



Roman Nose State Park

Watonga, Oklahoma



Will Rogers Memorial

Claremore, Oklahoma

Statistical Section

Statistical Section

**STATISTICAL SECTION
INDEX**

CASH RECEIPTS AND DISBURSEMENTS.....	152
TAX COLLECTIONS.....	154
GROSS SALES TAX BY INDUSTRY.....	156
BANK DEPOSITS	157
ASSESSED VALUATIONS.....	158
NON-AGRICULTURAL WAGE AND SALARY EMPLOYMENT	158
STATE COLLEGES AND UNIVERSITIES - PUBLIC.....	160
STATE COLLEGES AND UNIVERSITIES - PRIVATE.....	161
SCHOOL ENROLLMENTS	162
ECONOMIC AND DEMOGRAPHIC ESTIMATES	162
MAJOR EMPLOYERS BY SIZE.....	164
NET GENERAL OBLIGATION BONDS AND NOTES PER CAPITA	166
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES	166
REVENUE BOND COVERAGE ENTERPRISE FUND AND PROPRIETARY COMPONENT UNITS	167

CASH RECEIPTS AND DISBURSEMENTS

(For all fund types combined)

by Category

For the Fiscal Years Ended June 30, 1994 through June 30, 2003

	2003	2002	2001	2000
Cash Receipts by Source:				
Taxes	\$ 5,729,407,203	\$ 5,859,784,415	\$ 6,145,443,871	\$ 5,697,859,338
Licenses, Permits, and Fees	267,883,902	252,981,801	237,576,563	197,787,613
Fines, Forfeits, and Penalties	34,504,625	24,635,815	17,004,143	13,427,239
Income from Money and Property	325,294,485	260,721,058	453,233,546	463,728,654
Grants, Refunds, and Reimbursements	5,138,229,130	4,755,862,461	4,213,179,041	3,965,351,939
Higher Education	291,474,483	248,439,099	201,838,621	189,585,509
Sales and Services	873,029,556	854,432,770	723,065,417	665,567,542
Non-Revenue Receipts	1,483,100,746	1,377,288,354	1,293,273,883	1,303,298,759
Total Collections	\$ 14,142,924,130	\$ 13,634,145,773	\$ 13,284,615,085	\$ 12,496,606,593
Disbursements by Function of Government:				
Education	\$ 5,180,868,964	\$ 5,184,275,451	\$ 5,516,804,948	\$ 5,045,950,609
General Government	368,428,594	458,713,887	451,379,922	503,591,712
Health Services	429,297,601	425,483,911	386,517,118	370,899,258
Legal and Judiciary	165,656,317	169,264,590	165,394,050	159,108,855
Museums	13,638,585	15,240,747	16,399,214	12,153,175
Natural Resources	279,176,375	254,295,348	248,147,079	243,888,670
Public Safety and Defense	722,061,490	878,882,790	805,888,852	682,792,652
Regulatory Services	134,735,990	114,539,564	96,722,146	110,808,273
Social Services	4,297,995,493	4,177,999,829	3,672,860,018	3,192,318,483
Transportation	1,086,692,070	1,104,715,966	1,057,623,518	1,022,135,910
Other Local Apportionments	53,462,107	63,298,435	63,068,799	64,675,529
Sinking Fund Payments on Bonded Debt	190,676,956	146,975,632	109,208,810	77,671,370
Total Disbursements	\$ 12,922,690,542	\$ 12,993,686,150	\$ 12,590,014,474	\$ 11,485,994,496

Prepared on a cash basis to aid in budgetary analysis.

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

	1999	1998	1997	1996	1995	1994
\$	5,279,273,861	\$ 5,209,586,780	\$ 4,951,517,415	\$ 4,533,832,681	\$ 4,292,825,694	\$ 4,171,399,330
	185,597,529	147,912,938	144,622,951	126,746,123	125,546,800	114,190,748
	13,381,855	10,762,072	9,603,493	9,712,974	12,922,896	12,713,597
	558,450,738	263,652,251	218,405,052	200,299,903	189,470,710	160,427,452
	3,458,676,556	3,074,473,470	2,598,674,805	2,664,011,649	2,342,091,497	2,230,459,216
	172,559,295	167,947,916	142,535,049	163,733,815	150,907,027	155,495,049
	461,333,974	502,450,334	405,156,027	349,726,346	353,614,351	350,148,435
	1,275,814,346	734,953,815	414,275,218	428,531,083	600,562,290	664,277,305
	<u>\$ 11,405,088,154</u>	<u>\$ 10,111,739,576</u>	<u>\$ 8,884,790,010</u>	<u>\$ 8,476,594,574</u>	<u>\$ 8,067,941,265</u>	<u>\$ 7,859,111,132</u>
\$	4,657,096,815	\$ 4,289,049,377	\$ 3,768,208,810	\$ 3,479,049,093	\$ 3,363,972,223	\$ 3,243,011,505
	374,981,563	311,969,847	285,182,151	258,065,326	232,779,824	217,894,423
	360,805,473	342,167,860	335,120,001	313,345,235	295,676,766	285,088,005
	150,131,046	138,160,259	118,916,855	107,889,849	103,062,230	98,207,598
	18,490,854	9,229,910	7,798,223	8,029,357	7,103,208	7,787,539
	236,331,593	199,996,020	191,578,397	174,284,377	165,215,892	145,877,414
	537,381,033	539,917,199	473,378,027	428,385,545	394,732,689	376,683,833
	103,564,495	102,076,996	102,733,288	99,065,119	94,526,541	93,424,312
	2,992,584,466	2,798,134,462	2,485,060,196	2,447,007,338	2,316,200,744	2,219,811,291
	967,807,283	843,838,823	774,131,933	776,979,475	680,440,719	649,409,416
	62,513,698	58,771,755	40,524,674	39,104,818	38,215,192	38,434,483
	89,576,197	69,145,249	49,468,807	42,485,191	48,670,759	47,876,004
	<u>\$ 10,551,264,516</u>	<u>\$ 9,702,457,757</u>	<u>\$ 8,632,101,362</u>	<u>\$ 8,173,690,723</u>	<u>\$ 7,740,596,787</u>	<u>\$ 7,423,505,823</u>

TAX COLLECTIONS

For the Fiscal Years Ended June 30, 1994 through June 30, 2003

Taxes	2003	2002	2001	2000
Aircraft Excise Tax	\$ 3,561,783	\$ 1,776,562	\$ 2,874,640	\$ -
Alcoholic Beverage Excise Tax	24,025,186	22,954,801	22,759,675	22,257,132
Alternative Fuel Surcharge	-	-	19,980	41,335
Beverage Tax	23,866,102	24,003,394	23,344,420	23,745,437
Bingo Tax	6,184,991	6,406,385	6,426,011	7,140,436
Charity Games Tax	486,646	595,768	746,544	793,283
Cigarette Tax	50,346,995	50,089,760	53,278,812	56,893,148
City Use Tax - Collect/Deposit	454,259	470,287	543,789	536,426
Coin Operated Device Decal	3,830,917	5,247,168	2,590,670	4,525,674
Conservation Excise Tax	-	398,199	-	-
Diesel Fuel Excise Tax	81,089,139	82,333,046	82,257,020	87,393,807
Documentary Stamp Tax	10,304,768	9,510,796	9,132,733	9,043,443
Franchise Tax	41,854,891	42,568,053	41,048,957	41,383,006
Freight Car Tax	764,012	897,606	1,010,115	923,602
Fuels Excise Tax	-	-	-	-
Gasoline Excise Tax	295,106,890	299,103,325	289,717,498	297,503,359
Gross Production Tax - Oil and Gas	539,938,656	358,977,581	701,139,734	386,974,956
Income Tax (Corporate and Individual)	2,218,394,730	2,459,811,472	2,446,585,980	2,328,650,691
Inheritance and Estate Tax	74,927,778	85,975,591	84,806,372	87,510,064
Insurance Premium Tax	156,636,886	143,353,134	139,078,186	127,982,702
Mixed Beverage Gross Receipts Tax	18,434,327	17,771,371	15,890,005	14,887,167
Occupational Health and Safety Tax	1,563,901	1,446,943	1,361,660	1,472,712
OESC Computer Fund Assessment	-	-	-	-
Pari-Mutuel Taxes	2,687,696	3,043,649	3,656,244	4,091,260
Pari-Mutuel Exotic Wager	-	-	-	-
Pari-Mutuel - Other Tax	21,350	33,594	47,146	27,648
Petroleum Excise Tax	8,012,472	5,481,024	9,931,903	5,630,909
Rural Electric Co-operative Tax	18,487,011	18,873,408	18,943,692	14,537,845
Sales Tax	1,404,275,613	1,443,513,940	1,441,969,864	1,351,844,381
Sales Tax - City	10,941,969	10,057,719	9,693,382	9,276,726
Sales Tax - County	1,123,179	1,157,739	1,085,283	932,079
Self-Insurance Premium Tax	-	-	-	-
Special Fuel Decal	297,866	331,592	391,918	407,115
Special Fuel Use Tax	152,939	34,089	35,792	59,639
Tag Agent Remittance Tax	540,300,580	574,041,603	583,443,087	645,340,468
Telephone Surcharge	1,196,625	1,043,594	1,094,612	1,080,869
Tobacco Products Tax	12,282,099	11,488,487	12,000,575	11,910,948
Tourism Gross Receipt Tax	4,289,009	4,762,814	4,247,288	3,997,956
Tribal Compact in Lieu of Tax Payments	9,468,712	9,922,702	8,378,506	8,060,703
Unclaimed Property Tax	27,678,270	34,260,561	9,316,354	9,873,481
Unclassified Tax Receipts	5,181	48,258	23,471	-
Use Tax	75,860,919	85,950,995	93,860,447	89,828,413
Vehicle Revenue Tax Stamps	44,847	47,167	45,459	47,195
Workers' Compensation Awards - Assessments	39,422,004	25,061,128	10,432,326	28,355,873
Workers' Compensation Insurance Premium Tax	5,572,798	5,666,869	4,798,611	4,591,448
Other Taxes	15,513,185	11,272,241	7,435,086	8,305,981
Total	\$ 5,729,407,181	\$ 5,859,784,415	\$ 6,145,443,847	\$ 5,697,859,317

Prepared on a cash basis to aid in budgetary analysis.

1999	1998	1997	1996	1995	1994
\$ 289,157	\$ 1,756,312	\$ 2,453,179	\$ 1,681,776	\$ 1,853,999	\$ 1,402,816
21,084,824	21,077,364	20,987,501	20,845,359	20,211,389	21,133,027
60,811	148,311	166,328	182,018	133,284	198,749
23,862,270	22,458,552	22,588,694	22,978,605	22,461,075	22,827,056
7,619,106	9,807,638	12,289,463	12,359,983	11,816,705	10,883,377
811,912	785,001	1,138,144	1,196,451	1,039,031	1,515,757
57,585,123	59,029,445	59,748,356	60,527,991	58,332,155	58,251,171
413,222	444,099	377,102	346,360	295,570	251,529
5,990,538	3,775,631	2,436,631	3,814,318	3,404,098	3,972,441
10,664,825	-	-	75,193	873,542	501,863
77,379,390	69,061,184	66,156,283	76,058,267	62,902,742	56,987,746
8,985,127	7,844,930	6,885,045	6,604,360	5,961,293	6,281,264
36,929,956	42,131,950	37,983,444	36,264,543	36,721,223	32,817,309
977,251	973,689	1,051,553	970,565	1,515,736	1,135,505
-	36,000	539,333	1,494,378	1,460,982	1,456,769
281,505,198	283,082,667	280,344,427	263,258,712	267,138,186	268,605,663
206,621,486	333,773,839	398,743,724	315,549,773	301,524,689	367,736,133
2,257,760,243	2,107,857,522	1,918,772,165	1,700,792,804	1,592,915,946	1,490,180,078
88,796,014	81,385,630	80,513,845	67,881,873	68,789,242	58,052,250
118,589,471	121,582,595	113,819,384	108,625,507	103,957,280	105,344,076
13,993,406	13,366,577	12,618,051	12,018,242	11,395,625	11,338,883
1,462,275	1,783,346	1,797,088	1,895,164	1,819,752	1,811,543
411,740	19,473,028	-	-	-	-
4,328,186	4,743,674	3,744,615	3,312,299	3,151,651	3,600,525
-	-	-	-	-	3,535
37,586	39,075	27,753	66,363	129,878	161,939
3,583,533	4,722,738	5,306,110	4,279,030	4,072,789	5,086,869
14,802,050	14,037,824	13,758,308	13,401,177	13,154,486	13,404,328
1,292,153,052	1,245,355,208	1,193,727,537	1,135,594,213	1,076,970,533	1,033,687,832
9,223,985	8,456,320	8,071,662	7,792,195	7,360,330	6,848,307
845,115	892,807	771,848	615,674	632,306	297,025
-	-	-	-	88,739	148,189
436,048	462,007	497,380	558,653	594,524	650,516
58,782	63,764	94,774	92,598	136,419	222,505
571,984,678	582,199,329	541,334,368	516,519,709	490,213,416	472,071,427
1,054,221	1,058,214	1,006,694	997,902	951,735	930,015
11,794,863	11,072,673	11,198,865	11,256,079	11,303,560	10,622,404
3,901,958	3,744,091	3,466,923	3,077,388	2,978,677	2,638,751
8,381,324	7,484,832	6,888,623	6,172,567	4,829,309	3,790,436
17,495,526	6,120,039	4,465,704	10,116,730	5,760,279	6,901,353
-	-	-	-	98,332	75,339
83,727,678	82,939,748	78,877,952	66,388,592	59,630,927	51,880,903
45,507	43,837	45,005	44,800	41,592	41,555
20,151,923	21,415,556	22,677,854	23,386,339	20,129,038	21,160,528
4,837,972	5,503,954	6,037,222	7,245,625	7,042,702	6,880,624
8,636,529	7,595,780	8,108,478	7,492,506	7,030,928	7,609,420
<u>\$ 5,279,273,861</u>	<u>\$ 5,209,586,780</u>	<u>\$ 4,951,517,415</u>	<u>\$ 4,533,832,681</u>	<u>\$ 4,292,825,694</u>	<u>\$ 4,171,399,330</u>

GROSS SALES TAX BY INDUSTRY

For the Fiscal Year Ended June 30, 2003

Industry	Gross Sales Tax
General Merchandise Stores	\$ 280,903,951
Food Stores	172,413,522
Eating and Drinking Establishments	147,330,034
Miscellaneous Retail Stores	112,247,745
Wholesale Trade-Durable Goods	97,966,309
Building Materials, Hardware, Garden Supply, and Mobile Home Dealers	96,591,359
Communications	92,642,475
Furniture, Home Furnishings, and Equipment Stores	82,642,097
Automotive Dealers and Gasoline Service Stations	51,493,983
Business Services	46,344,258
Apparel and Accessory Stores	41,419,525
Electric, Gas, and Sanitary Services	40,645,634
Wholesale Trade-Nondurable Goods	21,589,049
Hotels, Rooming Houses, Camps, and Other Lodging Places	20,582,438
Automotive Services	17,571,419
Non-Classifiable Establishments	12,988,528
Stone, Clay, Glass, and Concrete Products	11,206,626
Amusement and Recreation Services, except Motion Pictures	10,268,708
Personal Services	9,203,390
Motion Pictures	8,557,599
Machinery, except Electrical	6,339,359
Fabricated Metal Products, except Machinery and Transportation Equipment	4,348,227
Printing, Publishing, and Allied Industries	4,155,753
Oil and Gas Extraction	3,351,365
Measuring, Analyzing, and Controlling Instruments	3,210,078
Construction-Special Trade Contractors	2,525,037
Petroleum Refining and Related Industries	2,467,991
Miscellaneous Repair Services	2,382,329
Lumber and Wood Products, except Furniture	1,937,560
Food and Kindred Products	1,611,767
Educational Services	1,384,883
Miscellaneous Manufacturing Industries	1,181,325
Chemicals and Allied Products	1,179,941
Agricultural Services	1,155,198
Transportation Equipment	1,008,399
Engineering, Architectural, and Surveying Services	942,501
Apparel and Other Finished Products made from Fabrics	936,180
Health Services	889,323
Furniture and Fixtures	865,717
Membership Organizations	688,082
Motor Freight Transportation & Warehousing	663,832
Credit Agencies other than Banks	610,353
Building Construction- Gen Contractors and Operative Builders	569,123
Electrical and Electronic Machinery, Equipment, and Supplies	516,986
Security & Commodity Brokers, Dealers, Exchanges & Services	407,442
Rubber & Miscellaneous Plastics Products	364,134
Agricultural Production Crops	362,553
Primary Metal Industries	322,604
Other Industries	1,916,237
Total	<u>\$ 1,422,902,928</u>

Source: Oklahoma Tax Commission

BANK DEPOSITS

for the Years 1993 through 2002

<u>Year</u>	<u># of Banks</u>	<u>\$ Amount of Deposits</u>
2002	275	35,539,133,000
2001	284	35,164,442,000
2000	288	33,377,309,000
1999	302	31,001,952,000
1998	311	28,626,804,000
1997	320	27,782,228,000
1996	332	29,934,094,000
1995	342	28,686,783,000
1994	350	27,406,069,000
1993	371	26,881,835,000

Source: Federal Reserve Bank of Kansas City

For statistics presented after June 1996, comparisons to the prior years should take into account the effects of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994.

ASSESSED VALUATIONS

For the Years 1994 through 2003

	2003	2002	2001	2000
Real Estate and Improvements	\$ 11,696,624,921	\$ 11,931,876,601	\$ 11,340,263,937	\$ 10,722,526,412
Personal Property Subject to Tax	3,163,106,699	3,090,322,203	2,886,537,179	2,720,503,512
Total Locally Assessed	14,859,731,620	15,022,198,804	14,226,801,116	13,443,029,924
Homestead Exemptions Allowed	733,316,182	773,872,255	763,469,848	761,529,031
Net Assessed Locally	14,126,415,438	14,248,326,549	13,463,331,268	12,681,500,893
Public Service Assessment	2,374,596,928	2,505,759,959	2,444,318,708	2,144,840,285
Net Assessed Valuation	\$ 16,501,012,366	\$ 16,754,086,508	\$ 15,907,649,976	\$ 14,826,341,178

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

Source: Oklahoma Tax Commission

NON-AGRICULTURAL WAGE AND SALARY EMPLOYMENT

Annual Average Number of Employees

For the Years 1993 through 2002

INDUSTRY GROUP	2002	2001	2000	1999
Natural Resources and Mining	28,000	28,900	27,000	26,600
Construction	64,500	66,100	61,800	59,300
Manufacturing	152,000	169,800	177,500	177,300
Wholesale Trade	56,700	56,700	57,100	56,900
Retail Trade	173,700	175,600	179,300	174,900
Transportation and Utilities	55,800	57,900	57,700	57,400
Information	35,700	37,000	35,600	32,900
Financial Activities	83,500	82,500	81,700	81,500
Professional and Business Services	160,900	166,200	164,800	161,500
Educational and Health Services	172,900	167,100	163,000	160,800
Leisure and Hospitality	127,300	127,200	126,100	121,400
Other Services	74,700	75,500	70,100	68,800
State Government	81,500	80,400	78,600	78,500
Local Government	167,800	166,700	161,200	158,700
Federal Government	46,200	46,200	47,900	45,400
Totals	1,481,200	1,503,800	1,489,400	1,461,900

Source: Oklahoma Employment Security Commission - Research and Planning Division

	1999	1998	1997	1996	1995	1994
\$	10,076,211,556	\$ 9,547,705,065	\$ 9,134,059,265	\$ 8,738,449,049	\$ 8,395,607,977	\$ 8,037,465,631
	2,555,384,708	2,448,630,626	2,301,719,971	2,086,267,080	2,057,628,937	2,028,445,909
	12,631,596,264	11,996,335,691	11,435,779,236	10,824,716,129	10,453,236,914	10,065,911,540
	756,613,438	752,780,195	742,096,539	717,109,228	715,229,658	712,925,382
	11,874,982,826	11,243,555,496	10,693,682,697	10,107,606,901	9,738,007,256	9,352,986,158
	2,122,948,816	2,009,118,864	2,066,005,099	2,063,227,985	2,023,137,118	1,980,070,550
\$	<u>13,997,931,642</u>	<u>\$ 13,252,674,360</u>	<u>\$ 12,759,687,796</u>	<u>\$ 12,170,834,886</u>	<u>\$ 11,761,144,374</u>	<u>\$ 11,333,056,708</u>

	1998	1997	1996	1995	1994	1993
	30,000	30,600	29,800	30,400	31,100	32,300
	55,700	52,300	51,800	50,300	48,400	44,800
	175,600	168,900	162,900	161,500	158,800	156,500
	56,100	54,000	52,800	52,000	50,300	50,500
	172,600	167,200	162,800	159,900	155,200	149,800
	59,600	57,700	56,700	54,300	54,300	53,800
	31,700	30,000	27,700	25,300	24,000	23,300
	80,700	78,100	77,800	73,600	70,600	68,300
	155,500	141,500	131,100	121,900	114,300	108,000
	163,700	156,800	151,100	143,800	135,100	130,200
	116,700	115,600	114,100	113,600	109,100	104,000
	65,100	63,500	62,800	59,500	57,400	55,800
	77,000	77,800	76,400	76,000	76,500	76,300
	156,200	153,600	151,200	150,000	148,500	146,000
	44,900	44,900	43,500	43,500	45,000	47,300
	<u>1,441,100</u>	<u>1,392,500</u>	<u>1,352,500</u>	<u>1,315,600</u>	<u>1,278,600</u>	<u>1,246,900</u>

STATE COLLEGES AND UNIVERSITIES - PUBLIC

<u>Four Year Universities (Location)</u>	<u>Student Enrollment 2003</u>
University of Oklahoma (Norman Campus, Health Sciences Center, Law Center, and Geological Survey)	33,668
Oklahoma State University (Stillwater Campus, Tulsa Campus, School of Technical Training at Okmulgee, the College of Veterinary Medicine, the Oklahoma City Technical Institute, the Agricultural Experiment Station, the Agricultural Extension Division, and Oklahoma College of Osteopathic Medicine and Surgery)	36,687
University of Central Oklahoma (Edmond)	19,543
East Central University (Ada)	5,618
Northeastern State University (Tahlequah and Muskogee)	10,879
Northwestern Oklahoma State University (Alva, Woodward and Enid)	2,633
Southeastern Oklahoma State University (Durant)	4,953
Southwestern Oklahoma State University (Weatherford and Sayre)	6,249
Cameron University (Lawton)	7,823
Langston University (Langston)	3,791
Oklahoma Panhandle State University (Goodwell)	1,469
Rogers State University (Claremore)	4,768
University of Science and Arts of Oklahoma (Chickasha)	1,833
Total - Four Year Universities	139,914
 <u>Two Year Junior Colleges (Location)</u>	
Carl Albert State College (Poteau and Sallisaw)	3,042
Connors State College (Warner and Muskogee)	3,084
Eastern Oklahoma State College (Wilburton and McAlester)	2,970
Redlands Community College (El Reno)	2,614
Murray State College (Tishomingo)	2,781
Northeastern Oklahoma A&M College (Miami)	2,318
Northern Oklahoma College (Tonkawa)	4,191
Oklahoma City Community College (Oklahoma City)	18,021
Rose State College (Midwest City)	12,612
Seminole State College (Seminole)	2,959
Tulsa Community College (Tulsa)	27,397
Western Oklahoma State College (Altus)	3,137
Total - Two Year Junior Colleges	85,126

Source: Oklahoma State Regents for Higher Education

STATE COLLEGES AND UNIVERSITIES - PRIVATE

<u>Higher Education Institutions (Location)</u>	<u>Student Enrollment 2003</u>
American Christian College and Seminary (Bethany)	2,039
Bacone College (Muskogee)	1,992
Bartlesville Wesleyan College (Bartlesville)	970
Hillsdale Freewill Baptist College (Moore)	356
Mid-America Bible College (Oklahoma City)	753
National Education Center: Spartan School of Aeronautics (Tulsa)	1,362
Oklahoma Baptist University (Shawnee)	1,772
Oklahoma Christian University of Science and Arts (Oklahoma City)	1,865
Oklahoma City University (Oklahoma City)	4,120
Oral Roberts University (Tulsa)	5,528
St. Gregory's College (Shawnee)	975
Southern Nazarene University (Bethany)	2,440
Southwestern College of Christian Ministries (Bethany)	215
University of Tulsa (Tulsa)	4,620
Total	<u><u>29,007</u></u>

Source: Oklahoma State Regents for Higher Education

SCHOOL ENROLLMENTS

For the Years 1994 through 2003

<u>Public School Enrollments:</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Early Childhood	29,196	26,948	25,379	23,204
Kindergarten	47,426	45,039	45,879	46,084
Elementary School	254,447	261,985	263,126	262,778
Junior High School	126,142	124,410	123,545	126,432
Senior High School	172,343	172,556	176,527	177,099
Non-High School Districts (Grades 1-8)	18,119	17,948	18,209	17,937
Special Education (Ungraded)	4,062	3,907	3,561	3,373
Out-of-Home Placements	2,450	2,132	1,874	1,496
Total	<u>654,185</u>	<u>654,925</u>	<u>658,100</u>	<u>658,403</u>
<u>Higher Education:</u>				
Public Institutions	225,040	220,448	216,758	209,849
Private Institutions	29,007	30,264	30,185	32,209
Total	<u>254,047</u>	<u>250,712</u>	<u>246,943</u>	<u>242,058</u>
<u>Career-Technology Education:</u>				
Secondary *	145,794	138,042	133,054	135,575
Adult	320,147	327,829	316,789	361,676
Total	<u>465,941</u>	<u>465,871</u>	<u>449,843</u>	<u>497,251</u>

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

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

ECONOMIC AND DEMOGRAPHIC ESTIMATES

For the Years 1993 through 2002

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Population	3,493,714	3,460,097	3,453,250	3,437,147
Labor Force	1,693,150	1,665,427	1,648,017	1,654,805
Total Employment	1,616,774	1,601,921	1,597,969	1,597,865
Oklahoma Unemployment Rate	4.50%	3.80%	3.00%	3.40%
U.S. Unemployment Rate	5.80%	4.80%	4.00%	4.20%
Oklahoma Per Capita Income	\$25,136	\$24,787	\$23,650	\$22,505
Oklahoma Per Capita Income Expressed As a Percentage of the U.S. Average	81.53%	81.88%	80.25%	80.83%

Sources: Oklahoma Employment Security Commission - Research and Planning Division and Office of State Finance - Economic and Fiscal Policy Research Division

1999	1998	1997	1996	1995	1994
18,934	4,289	3,644	5,069	4,911	5,304
47,487	55,669	55,037	52,150	49,839	47,698
266,733	268,215	269,928	273,429	274,994	278,076
129,226	131,547	132,568	130,208	127,750	124,610
175,782	173,160	172,962	167,359	161,933	157,291
18,484	18,236	18,035	17,883	17,473	17,538
3,695	3,359	3,367	3,279	3,224	2,808
1,446	1,053	0	0	0	0
<u>661,787</u>	<u>655,528</u>	<u>655,541</u>	<u>649,377</u>	<u>640,124</u>	<u>633,325</u>
211,882	209,111	210,824	216,400	223,279	224,829
26,780	26,124	24,849	25,401	24,627	25,839
<u>238,662</u>	<u>235,235</u>	<u>235,673</u>	<u>241,801</u>	<u>247,906</u>	<u>250,668</u>
134,692	132,753	130,856	120,481	107,894	102,852
347,129	335,733	275,114	222,384	191,261	191,137
<u>481,821</u>	<u>468,486</u>	<u>405,970</u>	<u>342,865</u>	<u>299,155</u>	<u>293,989</u>

1998	1997	1996	1995	1994	1993
3,405,194	3,314,300	3,295,300	3,271,400	3,248,300	3,232,900
1,624,039	1,595,372	1,576,630	1,546,270	1,544,260	1,529,460
1,550,571	1,529,590	1,512,610	1,473,610	1,454,360	1,435,790
4.50%	4.10%	4.10%	4.70%	5.80%	6.10%
4.50%	4.94%	5.40%	5.60%	6.10%	6.80%
\$21,930	\$21,106	\$19,363	\$18,560	\$17,984	\$17,360
81.55%	79.90%	80.12%	80.48%	81.54%	81.79%

MAJOR EMPLOYERS BY SIZE

Non-Government (Listed Alphabetically)

2003

5,001 OR MORE EMPLOYEES

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

3,001 TO 5,000 EMPLOYEES

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

1,001 TO 3,000 EMPLOYEES

Albertson's	Mazzio's Corporation
America On-Line	McDonald's Restaurants of Okla., Inc.
AmTrans of OK	Mercy Health System of OK
Arby's Roast Beef	Metris Companies
Arrow Trucking Co.	Michelin North America
Arvest Bank Operations	MidFirst Bank
AT&T Wireless	Midwest Regional Medical Center
BancFirst	Muskogee Regional Medical Center
Bar-S Foods	Nordam
BlueCross/BlueShield of OK	Norman Regional Hospital
BOK Financial Group	OGE Energy Corp
Boeing	Oklahoma Nursing Homes Ltd.
Bridgestone/Firestone Corp.	The Oklahoma Publishing Company
Brinker International	OneOK, Inc.
Cingular	Red Lobster Inns
CITGO Petroleum Corp.	Seaboard Farms
Comanche County Memorial Hospital	Seagate Technology
Convergys	Sears, Roebuck and Co.
Corrections Corp. of America	Sodexo Operations
Cox Communications	Sprint PCS
Deaconess Hospital	State Farm Mutual Automobile Insurance
Dillard Department Stores	TCI Services
Dollar General Corporation	Target Stores
Dollar Thrifty Auto Group	Tulsa Regional Medical Center
EDS	Tyson Foods, Inc.
Foley's	Unit Parts Co.
Georgia-Pacific Corp.	United Parcel Service of America, Inc.
Goodyear Tire and Rubber Company	United Super Markets of Oklahoma, Inc.
Grace Living Centers	Walgreen Company
Hillcrest Health Center, Inc.	Warehouse Market
Hobby Lobby	West TeleServices Corp.
Home Depot	Weyerhaeuser Company
Homeland Stores	Whirlpool Corporation
J. C. Penney Co., Inc.	Williams Companies
Kwikset Corporation	VF Jeanswear
Love's Travel Stops and Country Stores	York International Central Environmental Systems

500 TO 1000 EMPLOYEES

(Oklahoma-based Employers Only)

AAON, Inc.

Advance Food Company

American Fidelity Group

Bama Companies

Charles Machine Works (Ditch Witch International)

Crest Discount Foods, Inc.

Dolese Bros. Co.

Great Plains Coca-Cola

Jane Phillips Episcopal Hospital

John Christner Trucking

Kerr-McGee Corporation

L.S.B. Industries, Inc.

Mathis Brothers Furniture Co.

M-D Building Products

MidFirst Bank

Oklahoma Fixture Company

Oral Roberts University

Pioneer Telephone Corporation

Prepaid Legal

QuikTrip Corporation

St. Mary's Regional Medical Center

Sonic Industries, Inc.

Stillwater Medical Center

Sundowner Trailer Inc.

Valley View Regional Hospital

Webco Industries

World Publishing Company

Source: Oklahoma Department of Commerce

NET GENERAL OBLIGATION BONDS AND NOTES PER CAPITA

For the Years 1994 through 2003

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

Fiscal Year Ended June 30	Population	Total General Bonded Debt (1)	Debt Payable From Component Units	Net General Bonded Debt	General Bonded Debt Per Capita
2003	3,494	\$ 338,473	\$ 68,498	\$ 269,975	\$ 77.27
2002	3,460	355,178	74,708	280,470	81.06
2001	3,451	371,608	81,108	290,500	84.18
2000	3,358	394,766	94,666	300,100	89.37
1999	3,346	404,167	94,877	309,290	92.44
1998	3,346	391,658	73,563	318,095	95.07
1997	3,317	395,038	68,498	326,540	98.44
1996	3,295	395,420	60,740	334,680	101.57
1995	3,271	404,715	60,235	344,480	105.31
1994	3,248	428,925	73,795	355,130	109.34

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

Notes:

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

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

For the Years 1994 through 2003

(amounts expressed in thousands)

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service	General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2003	\$ 10,495	\$ 13,836	\$ 24,331	\$ 10,596,712	0.23%
2002	10,030	14,285	24,315	10,122,482	0.24%
2001	9,600	14,707	24,307	9,582,395	0.25%
2000	9,190	15,105	24,295	8,256,634	0.29%
1999	8,805	15,529	24,334	8,017,497	0.30%
1998	8,445	19,679	28,124	7,147,477	0.39%
1997	8,115	16,417	24,532	6,937,902	0.35%
1996	9,800	16,930	26,730	6,688,130	0.40%
1995	10,580	17,480	28,060	6,338,769	0.44%
1994	4,670	9,638	14,308	5,675,628	0.25%

General Governmental Expenditures include the General and Capital Projects Funds.

REVENUE BOND COVERAGE

ENTERPRISE FUND AND COMPONENT UNITS

(amounts expressed in thousands)

		Gross Revenues (1)	Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service Requirements	Debt Service Coverage
Enterprise Fund:						
Oklahoma Water Resources Board						
For the fiscal year ended June 30,	2003	\$ 21,702	\$ 1,706	\$ 19,996	\$ 21,134	0.95
	2002	26,227	1,687	24,540	43,670	0.56
	2001	10,702	1,175	9,527	19,654	0.48
	2000	14,620	3,699	10,921	25,301	0.43
	1999	11,932	1,000	10,932	28,188	0.39
	1998	12,411	816	11,595	15,226	0.76
	1997	10,061	777	9,284	15,508	0.60
	1996	10,091	746	9,345	11,218	0.83
	1995	12,577	835	11,742	60,160	0.20
	1994	11,471	1,423	10,048	12,075	0.83
Component Units:						
Oklahoma Student Loan Authority						
For the fiscal year ended June 30,	2003	\$ 22,266	\$ 3,106	\$ 19,160	\$ 19,617	0.98
	2002	26,790	3,639	23,151	15,113	1.53
	2001	31,505	3,679	27,826	18,474	1.51
	2000	24,101	5,011	19,090	11,272	1.69
	1999	19,138	3,418	15,720	12,399	1.27
	1998	16,806	2,806	14,000	12,753	1.10
	1997	14,373	2,401	11,972	12,332	0.97
	1996	12,874	2,048	10,826	5,897	1.84
	1995	10,324	2,134	8,190	6,324	1.30
	1994	8,532	2,358	6,174	3,727	1.66
Oklahoma Environmental Finance Authority						
For the fiscal year ended June 30,	2003	\$ 59	\$ 4	\$ 55	\$ 59	0.93
	2002	61	13	48	59	0.81
	2001	62	5	57	59	0.97
	2000	354	14	340	349	0.97
	1999	2,127	21	2,106	5,082	0.41
	1998	2,607	17	2,590	3,622	0.72
	1997	2,674	18	2,656	3,685	0.72
	1996	2,732	12	2,720	3,713	0.73
	1995	2,800	13	2,787	3,514	0.79
	1994	2,868	12	2,856	3,782	0.76
Oklahoma Housing Finance Agency						
For the fiscal year ended September 30,	2002	\$ 61,492	\$ 10,722	\$ 50,770	\$ 102,995	0.49
	2001	79,650	10,955	68,695	77,381	0.89
	2000	67,974	6,782	61,192	96,456	0.63
	1999	67,168	5,786	61,382	110,584	0.56
	1998	41,326	5,268	36,058	52,906	0.68
	1997	49,053	8,463	40,590	43,536	0.93
	1996	50,599	8,330	42,269	60,771	0.70
	1995	52,149	7,846	44,303	45,074	0.98
	1994	53,810	8,342	45,468	53,105	0.86
	1993	67,008	10,171	56,837	71,806	0.79
Oklahoma Transportation Authority						
For the fiscal year ended December 31,	2002	\$ 194,531	\$ 48,797	\$ 145,734	\$ 102,773	1.42
	2001	191,988	45,868	146,120	72,031	2.03
	2000	170,135	40,865	129,270	67,611	1.91
	1999	167,341	40,932	126,409	78,702	1.61
	1998	161,660	36,545	125,115	70,376	1.78
	1997	131,279	32,713	98,566	53,450	1.84
	1996	122,501	33,160	89,341	50,830	1.76
	1995	117,136	33,626	83,510	50,527	1.65
	1994	109,691	33,117	76,574	44,510	1.72
	1993	96,828	31,477	65,351	37,346	1.75
Grand River Dam Authority						
For the fiscal year ended December 31,	2002	\$ 203,020	\$ 104,945	\$ 98,075	\$ 103,065	0.95
	2001	203,860	101,018	102,842	103,108	1.00
	2000	216,046	114,725	101,321	94,243	1.08
	1999	195,738	90,114	105,624	94,356	1.12
	1998	215,879	109,795	106,084	95,830	1.11
	1997	192,904	89,046	103,858	111,560	0.93
	1996	188,672	93,054	95,618	92,828	1.03
	1995	181,018	83,616	97,402	92,223	1.06
	1994	180,751	84,315	96,436	90,266	1.07
	1993	175,242	76,799	98,443	101,726	0.97
Oklahoma Municipal Power Authority						
For the fiscal year ended December 31,	2002	\$ 115,514	\$ 80,521	\$ 34,993	\$ 30,290	1.16
	2001	118,382	84,156	34,226	29,156	1.17
	2000	121,023	88,192	32,831	28,108	1.17
	1999	96,014	70,975	25,039	28,020	0.89
	1998	99,538	70,953	28,585	28,148	1.02
	1997	88,127	61,304	26,823	24,622	1.09
	1996	82,840	45,948	36,892	22,932	1.61
	1995	72,988	39,617	33,371	22,983	1.45
	1994	74,931	43,872	31,059	22,203	1.40
	1993	70,922	44,392	26,530	18,397	1.44
Higher Education						
For the fiscal year ended June 30,	2003	\$ 2,638,386	\$ 2,441,841	\$ 196,545	\$ 55,145	3.56
	2002	2,489,644	2,327,184	162,460	30,565	5.32
	2001	2,300,325	2,125,609	174,716	27,178	6.43

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

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

- Revenue bond coverage is not intended to portray compliance with bond indenture agreements.

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

Report Prepared by
the Office of State Finance

- Administration - Scott Meacham, CPA, Director
- Rollo Redburn, Deputy Director
- Division of Central Accounting and Reporting - Brenda Bolander, CPA, State Comptroller
- Nancy McElyea, CPA, Deputy State Comptroller
- Susan Perry, Administrative Officer
- Becky Wilson, Administrative Assistant
- Financial Reporting Unit - Steve L. Funck, CPA, Financial Reporting Supervisor
- Deric Berousek, CPA, Financial Reporting Analyst
- Robin Downing, CPA, Financial Reporting Analyst
- Susan Jones, Administrative Assistant
- Accounting and Reporting Unit - Jennie Pratt, CPA, Accounting Supervisor
- Barbara Low, CPA, Accounting and Reporting Analyst
- Julie Haley, CPA, Accounting and Reporting Analyst
- Carol Sims, Accountant
- Lucy Usiukiewicz, Accountant
- Beth Brox, Administrative Assistant
- Norcetta Whitfield, Administrative Technician

With Assistance From

Office of State Finance

- Budget Division - Claudia San Pedro, Budget Division Director
- Information Services Division - Joe Fleckinger, Information Services Director
- Fiscal and Research Division - James Wilbanks, Ph.D., Fiscal and Research Director
- Shawn Ashley, Public Information Officer

Office of the State Auditor and Inspector

- State Auditor and Inspector - Jeff McMahan
- State Agency Audit Division - Pam Lindsey, CPA, Director
- Kevin Wright, CPA, Audit Manager , and Team

Department of Central Services

- Office of State Bond Advisor - James Joseph, State Bond Advisor, and Team

State Agency Finance Officers and Team

- digiPrint - Kari K. Mays, Managing Partner and Team

Special Thanks To

William Bogges of digiPrint

David G. Fitzgerald, Photographer of Cover Photo
Inside Photos courtesy of the Oklahoma Department of Tourism

OKLAHOMA

General Information

Admitted to Union (46th State)	1907
Capital	Oklahoma City
2002 Population	3,493,714
Population per square mile	50
Counties	77

State Symbols

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

Area

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

Recreation

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



OKLAHOMA OFFICE OF STATE FINANCE

2300 North Lincoln Boulevard, Room 122
Oklahoma City, OK 73105-4801
(405) 521-2141

www.osf.state.ok.us/comp-fr.html