Notes to Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 1994

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the State of Oklahoma (State) have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of the Higher Education Funds are based on the American Institute of Certified Public Accountants College Guide model.

The accompanying financial statements present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary and nonexpendable trust funds. The financial statements are presented as of June 30, 1994, 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 includes funds, organizations, account groups, agencies, boards, commissions, public trusts, and authorities for financial reporting purposes. The State has also 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.

As required by generally accepted accounting principles, these financial statements present the State of Oklahoma (the primary government) and its component units. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Blended Component Unit

The Special Indemnity Fund is an entity within the State Insurance Fund, a discretely presented component unit of the State. The Special Indemnity Fund's purpose is to provide services exclusively to the State and in substance is the same as the State, therefore, it is reported as part of the State and blended into the General Fund. The purpose of the Special Indemnity Fund is to provide additional compensation to a worker with a pre-existing injury who suffers a second injury. The Fund was audited by other independent auditors for the period ended December 31, 1993, and their report, dated February 23, 1994, has been previously issued under separate cover.

Discrete Component Units

These 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. All of the component units included in the financial statements are State agencies. The Component Units columns of the combined financial statements include the financial data of the entities listed below.

Proprietary Component Units

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. The Board of Directors is comprised of seven members appointed by the Governor with the advice and consent of the Senate. The Authority was audited by other independent auditors for the year ended June 30, 1994, and their report, dated August 24, 1994, has been previously issued under separate cover.

State Insurance Fund provides a source for workers' compensation insurance for all employers within the State, including State agencies and other governmental units. The Fund is financed through employer premiums. The Board of Managers is comprised of nine members: The Director of Finance, the Lieutenant Governor, the State Auditor (or their designees), the Director of Central Purchasing, and appointees by the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The Fund was audited by other independent auditors for the year ended December 31, 1993, and their report, dated February 11, 1994, has been previously issued under separate cover.

State and Education Employees Group Insurance Board provides group health, life, and dental 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 seven members: the State Insurance Commissioner and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The Board was audited by other independent auditors for the year ended June 30, 1994, and their report, dated October 14, 1994, 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 advise and consent of the Senate. The Authority was audited by other independent auditors for the year ended June 30, 1994, and their report, dated September 2, 1994, has been previously issued under separate cover.

University Hospitals Authority consists of the University Hospital, Children's Hospital of Oklahoma and O'Donoghue Rehabilitation Institute, and their related clinics and other services. The Authority is governed by a six-member board consisting of appointees by the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate, and officials from the Medicaid Program, the University of Oklahoma Health Sciences Center and the Authority. The Authority was audited by other independent auditors for the year ended June 30, 1994, and their report, dated September 16, 1994, 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. 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 Authority was audited by other independent auditors for the year ended June 30, 1994, and their report, dated August 24, 1994, 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 lessen air and water pollution. The three Trustees of the Authority are appointed by Governor. The Authority was audited by other independent auditors for the year ended June 30, 1994, and their report, dated August 29, 1994, 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 adequate residential housing and other economic development for the benefit of the State. The Board of Trustees consists of five members appointed by the Governor. The Fund was audited by other independent auditors for the year ended September 30, 1993, and their report, dated December 16, 1993, has been previously issued under separate cover.

Oklahoma Turnpike Authority constructs, maintains, repairs, and operates turnpike projects. 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, by and with the consent of the Senate. The Fund was audited by other independent auditors for the year ended December 31, 1993, and their report, dated March 11, 1994, 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 Board of Directors consists of seven members appointed by the Governor with the advice and consent of the Senate. The Authority was audited by other independent auditors for the year ended December 31, 1993, and their report, dated March 15, 1994, 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, 1993, and their report, dated February 18, 1994, has been previously issued under separate cover.

Higher Education Component Unit

This component unit is primarily comprised of colleges and universities which are members of the Oklahoma State System of Higher Education (the "System") as specified in Title 70 O.S., Section 3201. 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 colleges and universities are funded through State appropriations, tuition, F ederal grants, and private donations and grants. Also included in the Higher Education component unit are the following entities.

Oklahoma State Regents for Higher Education was created by Article XIII-A of the Oklahoma State Constitution and 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.

Ardmore Higher Education Program was established in accordance with Title 70 O.S., Section 3213. A Board of ten trustees, appointed by the Governor with the advice and consent of the Senate, serves as the administrative agency for the program. This program was established to make higher education available to those persons who cannot otherwise attend an institution of higher education. Institutions authorized to provide courses in the Ardmore Higher Education Program are: East Central University, Murray State College, and Southeastern Oklahoma State University.

Enid Higher Education Program was established in accordance with Title 70 O.S., Section 4430. A Board of ten trustees, appointed by the Governor with the advice and consent of the Senate, serves as the administrative agency for the program. This program was established to make higher education available to those persons who cannot otherwise attend an institution of higher education. Institutions authorized to provide courses in the Enid Higher Education Program are: Northern Oklahoma College, Northwestern Oklahoma State University, and Oklahoma State University.

McCurtain Higher Education Program was established in accordance with Title 70 O.S., Section 4424. A Board of nine trustees, appointed by the Governor with the advice and consent of the Senate, serves as the administrative agency for the program. This program was established to make higher education available to those persons who cannot otherwise attend an institution of higher education. Institutions authorized to provide courses in the McCurtain Higher Education Program are: Carl Albert State College, Eastern Oklahoma State College, and Southeastern Oklahoma State University.

Board of Regents of Oklahoma Colleges was created by Article XIII-B of the Oklahoma State Constitution. The Board consists of nine members appointed by the Governor with the advice and consent of the Senate. The Board 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.

Rose State College Technical Area Education District was formed in 1969 as a technical area school district to provide postsecondary technical education for persons within defined geographical boundaries. The District levies ad valorem taxes on real property within the District for vocational technical education and is empowered to issue general obligation bonds. The District's Board of Trustees is comprised of the same individuals who serve as Regents for Rose State College.

South Oklahoma City Area School District was formed in the early 1970's to provide postsecondary technical education to the people of the District. The primary source of operating funds is ad valorem taxes on real property within the District. The District is empowered to issue general obligation bonds. The District's Board of Trustees is comprised of the same individuals who serve as Regents of Oklahoma City Community College.

The entities included in the Higher Education Component Unit were audited by independent auditors, for the respective years ended June 30, 1994, and reports dated from August 9, 1994, to November 11, 1994, have been previously issued under separate cover. Because these entities are similar in nature and function, they have been combined and presented as a single component unit.

Other local school districts and local authorities of various kinds which may meet only one of the criteria for inclusion in this report, have not been included. The State's support of the public education system is reported in the General Fund.

Related Organization

Organizations for which a primary government is accountable because the State appoints a voting majority of the board, but is not financial accountable, are related organizations. The Oklahoma Ordinance Works Authority is a related organization to the primary government. The Authority's Trustees consist of the Director of the State Department of Commerce and four appointees by the Governor, President Pro Tempore, and Speaker of the House. The Authority is classified as an other stand-alone government, not a component unit of another primary government.

B. **Fund Accounting**

The financial activities are recorded in individual Funds classified by type, 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 its 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. An Account Group is a financial reporting device designed to provide accountability for assets and liabilities that are not recorded in funds because they do not directly affect net expendable available financial resources.

The financial activities of the State reported in the accompanying financial statements have been classified into the following fund types and account groups.

1. Governmental Fund Types

General Fund - Used to account 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, and social services. Debt service transactions and related cash balances are reported in the General Fund with reservation of fund balance for debt service.

Capital Projects Fund - Used to account for financial resources used for the acquisition, construction, or improvement of major capital facilities other than those financed by proprietary funds, similar trust funds, or higher education funds. These resources are derived from proceeds of the general obligation bond issues on March 9, and July 21, 1993.

2. Proprietary Fund Type

Enterprise Fund - Used to 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. This Fund is comprised of Oklahoma Water Resources Board bond issues.

3. Fiduciary Fund Types

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, other governmental units, and/or other Funds.

Nonexpendable Trust Fund - This Fund requires that the principal of the trust be preserved intact and the earnings of the Fund are expendable. The Fund is used to account for transactions, assets, liabilities, and fund equity of the Commissioners of the Land Office.

Expendable Trust Funds - These Funds allow the spending of both the principal and earnings of the Trust. They account for assets received and expended by the Oklahoma Employment Security Commission from the Federal Unemployment Insurance Trust Fund and by the Department of Wildlife from resources held in trust for the improvement and preservation of wildlife.

Pension Trust Funds - Used to account for the transactions, assets, liabilities, and fund equity of the six state retirement systems.

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

4. Account Groups

General Fixed Assets Account Group - Used to account for fixed assets acquired or constructed for general governmental purposes other than those of the proprietary, similar trusts, and higher education fund types.

General Long-Term Debt Account Group - Used to account for unmatured general obligation bonds, revenue bonds, certificates of participation, lease revenue bonds, capital lease obligations, employee leave obligations, Special Indemnity Fund's insurance loss liabilities, and other long-term obligations not recorded in proprietary, similar trust funds, or higher education fund types.

5. Component Units

These Funds are legally separate from the State but are considered part of the State reporting entity.

Proprietary Funds - These Funds meet the definition of both a component unit and that of an enterprise fund as previously described.

Higher Education Funds - These funds are listed below.

Current Funds - Account for unrestricted resources, over which the governing boards retain full control in achieving the institutions' purposes, and restricted funds, which may be utilized in accordance with externally restricted purposes.

Loan Funds - Account for Federal or institutional resources available for loans to students.

Endowment Funds - Administered according to terms of applicable agreements.

Plant Funds - Used to account for institutional property acquisition, renewal, replacement, and debt service.

Agency Funds - Account for assets held by institutions as agent for others.

Financial Statement Reporting Periods

The accompanying financial statements of the State are presented as of June 30, 1994, and for the year then ended, except for the following Funds which were audited by other independent auditors.

Special Indemnity Fund	12-31-93
State Insurance Fund	12-31-93
Oklahoma Turnpike Authority	12-31-93
Grand River Dam Authority	12-31-93
Oklahoma Municipal Power Authority	12-31-93
Oklahoma Housing Finance Agency	9-30-93

C. **Basis of Accounting**

The accounting and financial reporting treatment applied to a Fund is determined by its measurement focus.

All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these Funds present increases (e.g., revenues and othe financing sources) and decreases (e.g., expenditures and other financing uses) in net current assets.

All proprietary funds, nonexpendable trust funds, pension trust funds and proprietary component units are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these Funds are included on the balance sheet. Proprietary fund equity (i.e., net total assets) is segregated into retained earnings components. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

All governmental funds, expendable trust and agency funds are maintained and reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and related current assets are recognized when measurable and available to finance operations during the year or liquidate liabilities existing at the end of the year; expenditures and liabilities are recognized when obligations are incurred as a result of receipt of goods and services. Modifications to the accrual basis of accounting include:

- Certain self-assessed taxes, principally sales taxes and fuel taxes, are recognized as revenue when reported by the collecting agency.
- Employees' vested annual leave is recorded as an expenditure when utilized. The amount of accumulated annual leave unpaid at June 30, 1994, has been reported in the General Long-Term Debt Account Group (see Item L of this note).
- Interest on general long-term obligations is recognized when paid.
- Executory purchase orders and contracts are recorded as a reservation of fund balance.

The accounts of the enterprise, nonexpendable trust, pension trust funds, and proprietary component units are reported using the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The Higher Education Component Unit is accounted for on the accrual basis of accounting, with the following exceptions:

- Not all colleges and universities report depreciation expenses related to Plant Fund assets.
- Revenues and expenditures of an academic term encompassing more than one fiscal year are solely reported in the fiscal year in which the program is predominantly conducted.

The Higher Education Component Unit is an aggregate of financial statements from the 33 higher education entities described above.

D. **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 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual (Non-GAAP Budgetary Basis) 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, 1994, 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 Note 2.

The beginning fund balance for fiscal year 1994 differs from the actual ending fund balance at June 30, 1993. This change is explained by a change in methodology. When calculating the beginning fund balance for fiscal year 1993, the State used the amount certified, but not appropriated for the General Revenue Fund balance for the fiscal year just ending. The General Revenue's actual cash balance was determined to be a more appropriate figure for the beginning fund balance calculation for fiscal year 1994.

The Governor prepares and submits to the Legislature at the beginning of each annual session a balanced budget based on budget requests prepared by the various State agencies. The General Fund is the only Fund appropriated annually by the Legislature. 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, Personal Services, Duties) identified in the appropriation acts. Budgets may be modified subject to statutory limits on transfers. The Director of the Office of State Finance can approve transfers between line items up to 10%. Agencies can obtain approval from the Contingency Review Board to transfer an additional 15%. Beginning in FY-95, the Director of the Office of State Finance will be able to approve transfers up to 25% of a line item for agencies with program line item budgets; however, all transfers will be 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 monies for one-time purchases or non-recurring expenditures in the next fiscal year. This policy provides an incentive for management 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 the appropriation, the Director of the Office of State Finance is required to reduce the budget by the amount of such deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental appropriation. All 1994 appropriated line items of the State were within their authorized spending level.

E. **Cash and Deposits with Treasury**

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.

In accordance with Title 62 O.S., Section 72.4, 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.

F. **Investments**

Investments may be restricted by law or legal instruments. They may be under control of the State Treasurer or controlled by other administrative bodies as determined by law.

Governmental funds' investments are generally stated at cost, which approximates market.

For enterprise, nonexpendable trust funds, and proprietary component units, investments are generally recorded at cost adjusted for premiums and discounts. Adjusted cost approximates market. Investments are generally recorded at cost for pension trust funds.

Agency funds' investments are generally stated at cost, which approximates market value. However, investments in mutual funds are stated at their fair market value based on published prices.

Higher Education Component Unit investments are recorded at cost, adjusted for amortization of premiums and discounts, or fair market value at the date of the gift. Adjusted cost approximates market.

G. **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.

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

Taxes receivable in fiduciary funds represent 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.

H. **Inter/Intrafund Transactions**

Interfund Transactions - The State has three 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 operating transfers in the Funds involved.
- Equity and working capital contributions are accounted for as residual equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund equity).

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 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual includes these transactions. However, recorded intrafund revenues and expenditures have been eliminated in the GAAP-basis Combined Statement of Revenues, Expenditures, and Changes in Fund Balances.

Amounts reported as Due to Other Funds and Due from Other Funds, and amounts reported as Operating Transfers In and Operating Transfers Out are compiled partially from annual reports of entities audited by external auditors. The entities that have fiscal periods ending on other than June 30, create timing differences that have been reconciled.

I. **Inventories**

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Generally inventories are valued at cost and predominately on either the first-in, first-out or weighted average basis. Governmental fund inventories are recorded as expenditures when consumed rather than when purchased by recording adjustments to the inventory account on the balance sheet. In addition, the inventories on hand at year-end are reflected as a reservation of fund balance on the balance sheet.

The value of the inventory of food commodities in the Agency Fund is calculated by using the U.S. Department of Agriculture Food and Nutrition Services commodity price list as of June 30, 1994. The value of the inventory of food stamps in the Agency Fund is valued at coupon value. This food stamp inventory includes amounts at remote locations in the counties of the State. Title 56 O.S., Section 241 provides that counties must participate in the food stamp program, have adequate qualified personnel, suitable facilities for storing and issuing stamps, and such bonding of personnel and insurance that may be required by the State. State statute also provides for the State to distribute food stamps within a county through one or more issuing offices, through local banks, or through other means. Regardless of the distribution means, the food stamp inventory at remote locations remains under State jurisdiction until issued to eligible recipients.

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

J. **Fixed Assets**

General Fixed Assets - Fixed assets used in governmental-type operations (general fixed assets) are recorded as expenditures in the governmental funds and the related assets are reported in the General Fixed Assets Account Group (GFAAG). General fixed assets are valued in the GFAAG at historical cost, estimated historical cost, or fair market value at time 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. 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. Significant general fixed assets which have a cost in excess of $25,000 at the date of acquisition and have an expected useful life of five or more years are capitalized.

Interest incurred during construction of capital facilities is not capitalized. General fixed assets are not depreciated.

Infrastructure is normally immovable and of value only to the State. Infrastructure, which includes roads, bridges, dikes, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, is not reported in the General Fixed Assets Accounts Group.

Proprietary and Similar Trust Fund Fixed Assets - Fixed assets are valued within the Fund at historical cost, estimate historical cost or fair market value at time of donation. Fixed assets, excluding land, are depreciated on the straight-line method over the estimated useful life ranging from 3 to 45 years.

Higher Education Fixed Assets - Fixed assets are stated principally at cost at date of acquisition or fair market value at the date of donation in the case of gifts. Depreciation is provided for the cost of plant assets of certain colleges and universities which elect the option of reporting depreciation expense in Plant Funds. Depreciation, which is charged to expenditures, is computed on the straight-line method over the estimated useful lives of the assets.

K. **Deferred Revenue**

Deferred revenues arise when a 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 thereafter to pay obligations due at June 30. Deferred revenues also arise when resources are received by the government 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.

L. **Compensated Absences**

Employees earn annual vacation leave at the rate of 10 hours per month for up to five years of service, 12 hours per month for service of five to 20, and 13.3 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 General Fund records expenditures when employees are paid for leave, and the cost of accumulated vacation leave is recorded in the General Long-Term Debt Account Group.

M. **Risk Management**

The Risk Management Division of the Department of Central Services is empowered by the authority of Title 74 O.S. Supp. 1988, Section 85.34 et seq. The Division 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 oversees the dispensation and/or settlement of claims against a State political subdivision. In no event shall self-insurance coverage provided to the State, an agency or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act, as provided by Title 51 O.S. Supp. 1988, Section 154. 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.

N. **Grants**

Federal grants include non-monetary transactions for food stamps, and food and other commodities. Food stamps are valued at coupon value. Commodities are valued at their Federally reported value in Agency Funds.

O. **Fund Balance Reserves and Designations**

The State's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure or (2) legally segregated for a specific future use. In the accompanying combined balance sheet, 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 State's fund balance designation reflects tentative plans for future use of financial resources.

P. **Total (Memorandum Only)**

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of these data.

Note 2. Budgetary Reporting

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual (Budgetary Basis) presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Certain appropriations are transferred to non-lapsing funds for expenditure. Unexpended amounts so transferred may then be rebudgeted in subsequent fiscal years. Transfers by function of government within the General Fund are as follows (expressed in thousands):

Education	$ 17,665
General Government	9,466
Health Services	7,570
Legal & Judiciary	396
Natural Resources	276
Regulatory Services	110
Social Services	679,802
Transportation	179,787
	$ 895,072

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, 1994, is presented below (expressed in thousands).

	General
Fund Balance, Budgetary Basis	$ 479,372
Entity and Perspective Differences:	
Non-budgeted Funds and Capital Funds	669,862
Encumbrances	1,245
Basis Differences:	
Add: Net accrued revenues, related receivables, and deferred revenues	153,263
Less: Net accrued expenditures and related liabilities	(336,099)
Fund Balance, GAAP Basis	$ 967,643

Note 3. Cash and Investments

In accordance with Title 62 O.S., Section 72.4, the State Treasurer requires that financial institutions must 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 State Treasurer's Office Security for Public Deposits Rules and Regulations, 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 policies.

Deposits

As of June 30, 1994, the bank balances of deposits are fully insured or collateralized with securities held by the State's agent in the State's name. Deposits in the Federal Unemployment Trust Fund held in Washington, D.C., amounted to $457 million.

Investments

The State's investments are categorized below per *GASB Statement 3* 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, 1994, by investment type, are listed below (expressed in thousands).

Primary Government	Carrying Amount Risk Categories				Market
	1	2	3	Total	Value
U.S. Government Securities	$ 3, 270,963	$ -	$ -	$ 3,270,963	$ 3,153,536
Repurchase Agreements	629,884	-	49,856	679,740	679,740
Short Term Securities	621,225	-	-	621,225	621,495
State Bond Issues	5,642	-	-	5,642	5,642
Debt Securities	786,605	-	54,685	841,290	827,125
Equity Securities	3,206,083	8	-	3,206,091	3,402,888
	$ 8,520,402	$ 8	$ 104,541	8,624,951	8,690,426
Investments Not Subject to Categorization:					
Guaranteed Investment Contracts				28,641	28,641
Real Estate				101,852	105,302
Growth Equity Mortgage Pool				189	189
Mutual Funds				71,952	71,952
Money Market/Savings Accounts				52,605	52,605
Securities Lending Program:					
U.S. Government Securities				248,700	242,815
Debt Securities				47,259	45,773
Equity Securities				25,509	27,163
Total Investments				$ 9,201,658	$ 9,264,866

Component Units - Proprietary	Carrying Amount Risk Categories 1	2	3	Total	Market Value
U.S. Government Securities	$ 567,569	$ 273,349	$ 5,100	$ 846,018	$ 851,033
Repurchase Agreements	2,500	-	622	3,122	3,122
Short Term Securities	49,046	-	-	49,046	49,046
Debt Securities	179,079	5,557	-	184,636	184,270
Equity Securities	135,103	-	-	135,103	135,103
	$ 933,297	$ 278,906	$ 5,722	1,217,925	1,222,574
Investments Not Subject to Categorization:					
Guaranteed Investment Contracts				115,275	115,275
Real Estate				4,808	4,808
Mutual Funds				2,802	2,802
Money Market				28,598	28,598
Total Investments				$ 1,369,408	$ 1,374,057

Component Unit-Higher Education	Carrying Amount Risk Categories 1	2	3	Total	Market Value
U.S. Government Securities	$ 33,149	$ 22,069	$ -	$ 55,218	$ 55,512
Repurchase Agreements	59,059	-	-	59,059	59,059
Short Term Securities	120	-	-	120	120
State Bond Issues	4,010	-	-	4,010	4,010
Debt Securities	98	-	-	98	99
Equity Securities	7,699	-	-	7,699	8,966
	$ 104,135	$ 22,069	$ -	126,204	127,766
Investments Not Subject to Categorization:					
Real Estate				447	447
Mutual Funds				75,051	75,035
Total Investments				$ 201,702	$ 203,248

Title 70, Section 17-106.1 authorizes securities lending programs within the State investment policy. The securities subject to the agreement are commingled with the securities of other lenders. Under an agreement entered into by the Teachers Retirement System, the loaned securities are initially collateralized at a minimum of 102% of their market values. Collateral consists of U.S. government securities, certificates of deposit, commercial paper, bankers' acceptances, repurchase agreements, floating rate notes, participation notes, money market funds, and bank letters of credit. The collateral is marked-to-market daily such that at the close of trading on any business day the value of collateral shall not be less than 100% plus accrued interest on the loaned securities. The market value of the securities on loan was $315,750,507 at June 30, 1994, and the collateral under the agreement had a market value of $329,512,313 at June 30, 1994. The loan premium paid by the borrower of the securities and the proceeds received from the invested collateral is apportioned among the parties to the agreement in accordance with the agreement.

Note 4. Interfund Accounts/Operating Transfers

A. Due from Other Funds/Due to Other Funds

A summary of interfund short term obligations at June 30, 1994, is shown below (expressed in thousands).

	Due From		Due To	
	Other Funds	Component Units	Other Funds	Component Units
Primary Government				
General Fund	$ 230	$ 3,262	$ 22,703	$ 1,462
Trust and Agency Funds				
Oklahoma Firefighters Pension and Retirement System	712	-	-	-
Oklahoma Law Enforcement Retirement System	668	-	-	-
Oklahoma Public Employees Retirement System	8,541	483	-	-
Uniform Retirement System for Justices and Judges	947	-	-	-
Oklahoma Police Pension and Retirement System	293	-	-	-
Teachers' Retirement System of Oklahoma	11,542	-	-	-
Assets Held for Beneficiaries	-	-	215	-
Total Primary Government	$ 22,933	$ 3,745	$ 22,918	$ 1,462

	Due From			Due To		
	Primary Government	Other Funds	Other Component Units	Primary Government	Other Funds	Other Component Units
Component Units						
Proprietary Funds						
Oklahoma Industrial Finance Authority	$ -	$ -	$ 13	$ 5	$ -	$ -
State Insurance Fund	1,220		166	250		-
State and Education Employees Group Insurance Board	7,326	-	-	71	-	2
University Hospitals Authority	120	-	643	1,086	-	-
Oklahoma Development Finance Authority	-	-	-	-	-	13
Oklahoma Environmental Finance Authority	-	-	-	4	-	-
Oklahoma Turnpike Authority	7	-	-	2,018	-	36
Grand River Dam Authority	24	-	480	185	-	49
Oklahoma Municipal Power Authority	-	-	-	7	-	480
		-			-	
Higher Education Funds						
Current, Unrestricted	181		-	119		732
Current, Restricted	-	33,861	-	-	16,680	-
Loan	-	1,186	-	-	15,019	-
Endowment	-	2,853	-	-	32	-
Plant	-	762	-	-	10,857	-
Agency	-	1,169	-	-	2,631	-
		5,982			594	
Total Component Units	$ 8,878	$ 45,813	$ 1,302	$ 3,745	$ 45,813	$ 1,312

The amount of total interfund receivables of $82,671,000 does not agree with total interfund payables of $75,250,000 at June 30, 1994. The following presents a reconciliation of interfund accounts reported at June 30, 1994 (expressed in thousands).

Due From Other Funds	$ 68,746
Due From Primary Government	8,878
Due From Component Units	5,047
Total Interfund Receivables Per Financial Statements	82,671
Timing Differences, Fiscal Years Ending December 31, 1993 - Proprietary Component Units	(80)
Total Interfund Receivables	$ 82,591
Due To Other Funds	$ 68,731
Due To Primary Government	3,745
Due To Component Units	2,774
Total Interfund Payables Per Financial Statements	75,250
Financial Statement Account Presentation Differences Trust and Agency Funds	7,341
Total Interfund Payables	$ 82,591

B. **Operating Transfers**

A summary of interfund operating transfers for the fiscal year ended June 30, 1994 follows (expressed in thousands).

	Operating Transfers			
	In	From Component Units	Out	To Component Units
Primary Government				
General Fund	$ 5,464	$ 27,487	$ 212,830	$ 608,206
Capital Projects	-	5,172	5,000	46,989
Proprietary Funds:				
Oklahoma Water Resources Board - 1985 Bond Issue	-	-	694	-
Oklahoma Water Resources Board - 1986 Bond Issue	-	-	422	-
Oklahoma Water Resources Board - 1989 Bond Issue	-	-	36	-
Oklahoma Water Resources Board - 1992 Bond Issue	5,000	-	155	-
Oklahoma Water Resources Board - 1994 Bond Issue	798	-	-	-
Nonexpendable Trust:				
Commissioners of the Land Office	-	-	4,157	14,426
Pension Trust:				
Oklahoma Firefighters Pension and Retirement System	35,004	-	-	-
Oklahoma Law Enforcement Retirement System	10,667	-	-	-
Oklahoma Police Pension and Retirement System	14,413	-	-	-
Teachers' Retirement System of Oklahoma	149,724	-	-	-
Total Primary Government	$ 221,070	$ 32,659	$ 223,294	$ 669,621

	Operating Transfers			
	In	From Primary Government	Out	To Primary Government
Component Units				
Proprietary Funds:				
Oklahoma Turnpike Authority	$ -	$ 25,262	$ -	$ 25,262
University Hospitals Authority	-	26,077	-	-
Higher Education Fund				
Current, Unrestricted	-	519,155	-	-
Current, Restricted	-	24,216	-	-
Loan	-	44	-	-
Endowment	-	7,500	-	-
Plant	-	67,478	-	-
Total Component Units	$ -	$ 669,732	$ -	$ 25,262

The amount of total Operating Transfers In of $923,461,000 does not agree with total Operating Transfers Out of $918,177,000 for the fiscal year ended June 30, 1994. The following presents a reconciliation of operating transfers reported in the financial statements (expressed in thousands).

Operating Transfers In - All Funds	$ 221,070
Operating Transfers In - From primary government	669,732
Operating Transfers In - From component units	32,659
Subtotal - Operating Transfers In Per Financial Statements	923,461
Financial Statement Account Presentation Differences	
Higher Education Funds Component Unit	(5,172)
Total Operating Transfers In	$ 918,289
Operating Transfers Out - All Funds	$ 223,294
Operating Transfers Out - From primary government	25,262
Operating Transfers Out - From component units	669,621
Subtotal - Operating Transfers Out Per Financial Statements	918,177
Timing Differences	
Higher Education Funds Component Unit	112
Total Operating Transfers Out	$ 918,289

Note 5. Fixed Assets

Fixed Assets by category, as of June 30, 1994 (December 31, 1993, or September 30, 1993, for those entities/funds identified in Note 1, B, 5.) are summarized below (expressed in thousands).

	Primary Government		Component Units		
	Pension Trusts	General Fixed Assets	Proprietary	Higher Education	Total
Land	$ 188	$ 45,912	$ 900,101	$ 126,534	$ 1,072,735
Buildings and Other Improvements	-	544,310	1,212,964	1,000,087	2,757,361
Machinery and Equipment	1,866	180,837	161,893	537,794	882,390
Construction in Progress	-	4,618	28,282	36,600	69,500
Total	2,054	775,677	2,303,240	1,701,015	4,781,986
Less: Accumulated Depreciation	77	-	884,376	195,886	1,080,339
Total	$ 1,977	$ 775,677	$ 1,418,864	$ 1,505,129	$ 3,701,647

Changes in general fixed assets for the year ended June 30, 1994, were as follows (expressed in thousands).

	Balance July 1, 1993	Additions	Deletions/ Net Transfers	Balance June 30, 1994
Land	$ 45,456	$ 456	$ 0	$ 45,912
Buildings and Other Improvements	535,871	8,628	189	544,310
Machinery and Equipment	163,605	25,198	7,966	180,837
Construction in Progress	7,550	5,057	7,989	4,618
Total	$ 752,482	$ 39,339	$ 16,144	$ 775,677

Note 6. Risk Management and Insurance

It is the policy of the State of Oklahoma 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 participation in certain health maintenance organizations), workers' compensation, tort liability (except for excess coverage for certain losses in excess of $1 million), 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 billion.

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

The State Insurance Fund 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 and were approximately $5,779,000 in 1993. The incurred claims in excess of the self-insured entities' respective retention limits were approximately $8,548,000 in 1993. The liability for claims in excess of the self-insured entities' respective retention limits included in unpaid losses and loss adjustment expenses were approximately $23,136,000 at December 31, 1993.

The State Insurance Fund 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 $526,000 in 1993. No losses have been ceded under these treaties. Reinsurance receivables with a single reinsurer of $726,000 at December 31, 1993, 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 treaties. Reinsurance contracts do not relieve the Fund from its obligation to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Fund. Management believes that all reinsurers presently used are financially sound and will be able to meet their contractual obligations.

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).

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.

At June 30, 1994, the following amounts of self-insurance loss liabilities are included in accrued liabilities of each Fund (expressed in thousands).

General Fund	$	3,274
Proprietary Component Units		650,797

The General Fund self-insurance loss liability represents an estimate of payments to be made from currently expendable available financial resources for liabilities arising on or before June 30, 1994. It is anticipated that this portion of the estimated self-insurance loss liability will be liquidated with currently expendable available financial resources. This leaves $3,450,000 of the total estimated liability reported in the General Long-Term Debt Account Group.

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

The State operates the Oklahoma State and Education Employees' Group Insurance Board (the "Plan"), a Public Entity Risk Pool.

A. **Description of Fund**

The Plan provides group health, dental and life benefits to participants of the Oklahoma Public Employees Retirement System (OPERS) and Teachers' Retirement System of Oklahoma (TRS), active employees of the State and school districts, persons covered by COBRA, survivors, and certain local government employees. The Plan is self-insured and provides participants with the option of electing coverage from certain health maintenance organizations (HMOs). Disability coverage is not available to educational participants. Premium rates for active, nonactive, non-Medicare, and Medicare participants are separately established.

The health, dental, life, and disability coverages for governmental participants are funded by monthly premiums paid by the OPERS, the TRS, the State, school districts, local governmental units, and individuals. A participant may extend coverage to dependents for an additional monthly premium based on the coverage requested. Of the 160,000 primary participants and dependents, approximately 14,000 primary participants and 11,000 dependents were covered by HMOs. These counts relate to health coverage only.

All State agencies are required to participate in the Plan. Eligible local government entities may elect to participate in the Plan (431 local government entities actually participate). Education entities may participate if a minimum of 50% of their eligible employees elect to join the Plan. Any education entity or local government entity which elects to withdraw from the Plan may do so with 30 days written notice.

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

	State Employee	Education Employee	Local Government Employee	OPERS	TRS	Survivors	COBRA
Health	X	X	X	X	X	X	X
Dental	X	X	X	X	X	X	X
Life	X	X	X	X			
Disability	X		X				
Medicare supplement				X	X	X	
Health Care Participants:							
Primary	24,000	33,000	5,000	------------------- 36,000 -----------------------			
Dependents	-- 62,000 --						

B. Unpaid Claims Liabilities

The Plan establishes policy and contract claim reserves based on the ultimate estimated 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.

Liabilities include health and dental, and life reserves for future policy benefits of conversion coverages. Conversion coverages represent insurance coverage for participants of the Plan who are retired or inactive. Reserves for future policy benefits are required to be recorded as a liability for long-duration contracts. Because the Plan does not have the right to cancel conversion coverage as long as premiums are paid, conversion coverages have been determined to be long-duration contracts. All other coverages have been determined to be short-duration contracts (non-conversion coverages).

Liabilities include premium deficiency reserves for conversion health and dental coverages. Premium deficiency reserves are required to be recorded as a liability if a probable loss relating to the future gross premiums and benefits is estimable. A probable loss was estimable at June 30, 1994 . Anticipated investment income is not considered in determining whether a premium deficiency exists.

C. Reconcililation of Claims Liabilities

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

	Health and Dental		Life		Disability	
	1994	1993	1994	1993	1994	1993
Reserves at beginning of year	$ 42,009	$ 30,133	$ 648	$ 939	$ 11,453	$ 10,797
Incurred claims:						
Provision for insured events of current year	201,461	178,274	7,309	5,735	10,506	7,622
Changes in provisions for insured events of prior years	(16,819)	(9,024)	114	(529)	(5,088)	(4,869)
	184,642	169,250	7,423	5,206	5,418	2,753
Payments:						
Claims attributable to insured events of current year	171,036	136,808	5,755	5,093	1,425	1,200
Claims attributable to insured events of prior years	25,062	20,566	761	404	1,014	897
	196,098	157,374	6,516	5,497	2,439	2,097
Reserves at end of year	$ 30,553	$ 42,009	$ 1,555	$ 648	$ 14,432	$ 11,453

D. **Revenue and Claims Development Information**

The separately issued audited Component Unit Financial Statements for the Plan include Required Supplementary Information regarding revenue and claims development.

Note 7. Special Indemnity Fund - Court Awards

The Special Indemnity Fund records its 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 Judgements Payable include permanent partial awards which were due and owing at December 31, 1993. These amounts, which have been charged to operations for the year ended December 31, 1993, would have been paid during the year had resources been available. During the year 1993, the amount of awards in arrears has been reduced $1,391,000 from $10,383,000 to $8,992,000.

Note 8. Operating Lease Commitments

The State has commitments to lease certain buildings and equipment. Future minimum rental commitments for operating leases as of June 30, 1994, follows (expressed in thousands).

		Component Units	
	Primary Governmen t	Proprietary	Higher Education
1995	$ 1,069	$ 155	$ 1,081
1996	933	61	30
1997	494	5	30
1998	429	-	9
1999	412	-	2
Later Years	595	-	-
Total Future Minimum Lease Payments	$ 3,932	$ 221	$ 1,152
Operating lease committments for building rental for year ending June 30, 1995	$ 12,986	$ 2,818	$ 553
Rent expenditures/expenses for all operating leases for year ended June 30, 1994	$ 13,654	$ 3,058	$ 5,410

Note 9. Lessor Agreements

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. No interest or executory costs are charged, and lease terms are determined by the depreciation schedules published by the American Association of State Highway Transportation Officials. 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 and equipment, and railroad lines are not estimated by the State. Unearned income and allowances for uncollectibles are not computed, and contingent rentals are not a part of any lease. The total minimum lease payments to be received in future years is $42,989,802, which is also the net investment in direct financing leases at June 30, 1994.

The Oklahoma Environmental Finance Authority has non-current assets consisting of net investment in direct financing leases. The following schedule lists the components of the net investment in direct financing leases as of June 30, 1994 (expressed in thousands).

Total minimum lease payments to be received - Gross investment in financing leases	$	72,920
Less: Cost of investments and unearned income		29,501
Net investment in direct financing leases	$	43,419

At June 30, 1994, minimum lease payments receivable for the State as a whole for each of the five succeeding fiscal years follows (expressed in thousands).

	Primary Government	Proprietary Component Unit	Total
1995	$ 4,940	$ 3,833	$ 8,773
1996	4,413	3,786	8,199
1997	4,038	3,655	7,693
1998	3,308	3,613	6,921
1999	4,746	5,733	10,479

Operating Leases

Operating leases maintained by State agencies consist primarily of building space and land owned by the State. The following schedule presents minimum future rentals receivable from operating leases (expressed in thousands).

1995	$	254
1996		70
1997		3
1998		7
1999		6
Total Future Minimum Rentals	$	368

In addition, the leasing operations of the Commissioners of the Land Office consist of leasing approximately 796,000 acres of land principally for agricultural purposes. The lease terms are principally for five-year periods. The lease year is on a calendar year basis with rents prepaid one year in advance. The annual rental amount is determined based on the maximum amount bid by the lessee.

Note 10. Long Term Obligations - Primary Government, Governmental Funds

Long term obligations at June 30, 1994, and changes for the fiscal year then ended are as follows (expressed in thousands.

	Issue Dates	Maturity Interest Rates	Bonds Dates Through	Authorized But Unissued	Beginning Balance	Additions	Reductions	Ending Balance
General Long-Term Debt Account Group								
General Obligation Bonds Payable from Tax Revenue:								
Institutional Bldg 1965D	1968	3.75-5.00%	1993	$ -	$ 1,525	$ -	$ 1,525	$ -
Institutional Bldg 1968C	1973	3.90-4.45%	1994	-	225		225	-
Institutional Bldg 1968D	1973	4.80-5.00%	1995	-	2,170	-	1,055	1,115
Refunding Series R	1977	4.20-4.65%	1996	-	5,785	-	1,865	3,920
Institutional Bldg 1992A	1993	4.25-5.20%	2018	-	250,000	-	-	250,000
Institutional Bldg 1992B	1993	4.15-6.60%	2013	-	-	100,000	-	100,000
Total				-	259,705	100,000	4,670	355,035
Revenue Bonds Payable from Lease Rentals:								
OCIA Series A of 1972	1972	4.50-6.50%	1994	-	10,125	-	9,995	130
OCIA Series A of 1973	1973	4.00-6.00%	1994	-	8,365	-	8,060	305
OCIA Series A of 1986	1986	9.00%	2001	-	4,237	-	165	4,072
OCIA Series A of 1988	1988	7.00%	1998	-	1,697	-	265	1,432
OCIA Revenue Refunding	1994	3.00-4.65%	2003	-	-	8,175	-	8,175
Tourism 1990	1990	5.95%	1999	-	3,700	-	455	3,245
Tourism 1993	1994	5.30-7.20%	2011	-	-	5,250	-	5,250
Department of Corrections	-	-	-	1,500	-	-	-	-
Total				1,500	28,124	13,425	18,940	22,609
Certificates of Participation\Lease Revenue Bonds:								
Series 1986A (ODFA)	1986	4.50-7.75%	1996	-	2,185	-	285	1,900
DHS Series 1987A (ODFA)	1987	5.50-7.40%	1995	-	805	-	400	405
DHS 1988A (ODFA)	1990	6.30-7.30%	2000	-	1,315	-	150	1,165
Election Bd 1989A (ODFA)	1989	5.50-7.25%	1999	-	10,525	-	1,265	9,260
DHS-Tulsa Co 1990 (ODFA)	1990	6.15-7.00%	2000	-	1,620	-	160	1,460
State Finance 1988	1988	5.75-6.60%	1993	-	675	-	675	-
DPS-Series 1988A	1988	6.00-7.00%	1993	-	115	-	115	-
Corrections 1990	1990	6.10-6.40%	1994	-	525	-	245	280
Tax Commission	1990	6.00-6.50%	1994	-	855	-	855	-
Mental Health 1993 Refunding	1993	3.10-4.20%	1996	-	990	-	200	790
Mental Health 1993	1993	4.50-6.90%	2003	-	1,085	-	-	1,085
Mental Health 1993A	1993	3.60-5.10%	2004	-	-	2,725	-	2,725
State Finance 1994	1993	3.00-3.80%	1996	-	-	1,440	-	1,440
Total				-	20,695	4,165	4,350	20,510
Other General Long-Term Obligations:								
Capital Leases				-	13,879	1,368	3,055	12,192
Compensated Absences				-	86,117	562	-	86,679
Other Claims and Judgements				-	123,169	-	20,965	102,204
Total				-	223,165	1,930	15,820	201,075
Total General Long-Term Debt Account Group				$ 1,500	$ 531,689	$ 119,520	$ 51,980	$ 599,229

The following table presents annual debt service require ments for long-term debt outstanding at June 30, 1994 (expressed in thousands).

	1995	1996	1997	1998	1999	Maturity	Total
General Long-Term Debt Account Group							
General Obligation Bonds:							
Institutional Bldg 1965D	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Institutional Bldg 1968C	-	-	-	-	-	-	-
Institutional Bldg 1968D	1,171	-	-	-	-	-	1,171
Refunding Series R	2,111	2,082	-	-	-	-	4,193
Institutional Bldg 1992A	16,425	16,363	16,340	16,335	16,341	379,025	460,829
Institutional Bldg 1992B	8,353	8,285	8,193	8,092	7,993	115,672	156,588
	28,060	26,730	24,533	24,427	24,334	494,697	622,781
Interest	17,480	16,930	16,418	15,982	15,529	185,407	267,746
Total	10,580	9,800	8,115	8,445	8,805	309,290	355,035
Revenue Bonds:							
OCIA Series A of 1972	130	-	-	-	-	-	130
OCIA Series A of 1973	305	-	-	-	-	-	305
OCIA Series A of 1986	540	540	540	540	540	4,139	6,839
OCIA Series A of 1988	383	380	382	384	192	-	1,721
OCIA Revenue Refunding	1,117	1,119	1,117	1,117	1,117	4,459	10,046
Tourism 1990	696	696	692	692	1,194	-	3,970
Tourism 1993	-	-	435	585	582	7,006	8,608
Department of Corrections	-	-	-	-	-	-	-
	3,171	2,735	3,166	3,318	3,625	15,604	31,619
Interest	1,017	913	1,157	1,044	912	3,967	9,010
Total	2,154	1,822	2,009	2,274	2,713	11,637	22,609
Certificates of Participation\Lease Revenue Bonds:							
Series 1986A (ODFA)	402	1,711	-	-	-	-	2,113
DHS Series 1987A (ODFA)	427	-	-	-	-	-	427
DHS 1988A (ODFA)	237	240	238	239	240	238	1,432
Election Bd 1989A (ODFA)	2,084	2,062	2,086	2,030	2,000	994	11,256
DHS-Tulsa Co 1990 (ODFA)	269	273	270	267	269	537	1,885
State Finance 1988	-	-	-	-	-	-	-
DPS Series 1988A	-	-	-	-	-	-	-
Corrections 1990	298	-	-	-	-	-	298
Tax Commission	-	-	-	-	-	-	-
Mental Health 1993 Refunding	409	414	-	-	-	-	823
Mental Health 1993	148	149	144	144	144	735	1,464
Mental Health 1993A	123	329	346	351	346	2,050	3,545
State Finance 1994	473	509	540	-	-	-	1,522
	4,870	5,687	3,624	3,031	2,999	4,554	24,765
Interest	1,180	982	704	536	374	479	4,255
Total	3,690	4,705	2,920	2,495	2,625	4,075	20,510
Other General Long-Term Obligations:							
Capital Leases	2,336	1,848	1,772	1,416	1,259	3,561	12,192
Compensated Absences	6,100	6,100	6,100	6,100	6,100	56,179	86,679
Other Claims and Judgements	32,230	17,493	17,493	17,494	17,494	-	102,204
Total	40,666	25,441	25,365	25,010	24,853	59,740	201,075
Total General Long-Term Debt Account Group	$ 57,090	$ 41,768	$ 38,409	$ 38,224	$ 38,996	$ 384,742	$ 599,229

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.

A $350 million capital improvement bond issue was approved by a vote of the people at the November 1992 general election. These bonds were issued in two series. Series A, for $250 million, was issued through a competitive sale on March 9, 1993. Series B, for $100 million, was issued through negotiated sale on July 21, 1993.

B. **Revenue Bonds**

Oklahoma Capitol Improvement Authority

The Oklahoma Capitol Improvement Authority (the "Authority") has issued four series of Building Bonds to construct and equip State office buildings. Principal and interest payments on these bond issues are paid from rents collected from the various State and Federal agencies which use the office buildings constructed with the bond proceeds.

The Authority issued the State Office Building Revenue Bonds Series A of 1972, in the amount of $17,500,000, to finance the construction of the M.C. Connors, Oliver Hodge and Transportation buildings in the State Capitol Complex in Oklahoma City. State Office Building Revenue Bonds Series A, in the amount of $13,500,000, were issued in 1973 to finance the construction of the J. Howard Edmondson and Robert S. Kerr buildings in Tulsa. Interim Revenue Bonds, in the amount of $5,000,000, were issued in 1986 to finance the construction of the George Nigh Rehabilitation Center in Okmulgee. Lease Payment Revenue Bonds, in the amount of $2,500,000, were issued in 1988 to finance the construction of the Library for the Blind and Physically Handicapped in Oklahoma City.

On February 15, 1994, the Authority issued $8,175,000 State Office Building Revenue Refunding Bonds, Series 1994A (the "1994A Bonds"). Proceeds of the issue, together with certain reserves and excess sinking fund monies, were used to refund the Authority's outstanding Series 1972A and 1973A obligations. Monies had accumulated in the sinking fund due to language in the original bond resolution that prohibited the application of such monies to Authority debt service requirements. It was determined that a refunding was needed to access the monies and reduce the outstanding indebtedness of the Authority.

Net proceeds of the 1994A Bonds of $8,139,949, together with $9,400,000 of prior reserve funds and excess sinking fund monies were utilized to pay costs of issuance and the $17,463,226 redemption price of the Series 1972A and 1973A obligations. As a result of the transaction, the Authority's total debt service requirements over the remaining term of the issue were reduced from $21,912,023 to $10,046,084, a reduction of $11,865,938. As noted previously, $9.4 million of this savings was achieved by applying reserves and excess sinking fund monies to the prior obligations. These monies would not have been available for use unless a refunding was undertaken. Using a discount rate of 4.3854%, the present value of net debt service savings was $149,605, or 1.83% of the par value of the refunding bonds.

Oklahoma Tourism and Recreation Department

The Oklahoma Tourism and Recreation Department issued revenue bonds for the financing of capital projects of the Parks Division. The revenue generated by fees from the Parks Division are used to meet the bond obligation.

On June 23, 1994, the Oklahoma Tourism and Recreation Department issued $5,250,000 Oklahoma Tourism and Recreation Commission Subordinated Revenue Bonds, Series 1994. Proceeds of the issue were earmarked for capital improvements and expansions at various State lodges, resorts and parks. Project costs were estimated at $4,074,742.

The Bonds are limited and special obligations of the Tourism and Recreation Department. They are secured by a pledge of the gross revenues of the projects, subject to a prior lien of such revenues in favor of the holders of the senior lien bonds. Additional security is provided by a special "Bond Reserve Fund", which shall be maintained in the amount of $525,000.

C. Certificates of Participation\Lease Revenue Bonds

The Department of Human Services, Department of Corrections, Department of Mental Health, Oklahoma Tax Commission, Department of Public Safety, State Election Board, Oklahoma State Bureau of Investigation, and the Office of State Finance had lease purchase agreements during the 1994 fiscal year funded through certificates of participation and lease revenue bonds. 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.

The Oklahoma Development Finance Authority issued lease revenue bonds to benefit lease financing for the Department of Human Services and the Oklahoma Tax Commission. The actual lease payments are divided and remitted on a "pass through" basis to individual investors, usually by a trustee.

Leased buildings and equipment financed by certificates of participation and lease revenue bonds in the General Fixed Asset Account Group at June 30, 1994, include the following (expressed in thousands).

Certificates of Participation	
Equipment	$ 21,131
Buildings	1,670
	$ 22,801
Lease Revenue Bonds	
Buildings	$ 4,580

D. 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 whose annual payments equal $10,000 or more.

The following schedule presents, by fiscal year, future minimum lease payments in the General Long Term Debt Account Group, as of June 30, 1994 (expressed in thousands).

		Minimum Lease Payments
1995	$	3,366
1996		2,693
1997		2,462
1998		1,907
1999		1,618
Later Years		4,050
Total Minimum Lease Payments		16,096
Less: Executory costs included in minimum lease payments		567
Net Minimum Lease Payments		15,529
Less: Interest		3,337
Present value of Minimum Lease Payments	$	12,192

Leased buildings and equipment under capital leases in the General Fixed Asset Account Group at June 30, 1994 include the following (expressed in thousands).

Equipment	$	7,663
Buildings		21,691
Total	$	29,354

E. **Other Claims and Judgements**

Included in other claims and judgements are permanent total and permanent partial awards payable after December 31, 1993, from the Special Indemnity Fund; contingent liabilities from litigation incurred by the Oklahoma Tax Commission; and Risk Management liabilities that will not be paid with currently expendable available financial resources.

Note 11. Long Term Obligations - Primary Government, Proprietary Fund

A. **Revenue Bonds**

Oklahoma Water Resources Board

The Oklahoma Water Resources Board has issued revenue bonds to provide monies to implement its Statewide financial assistance program to make loans to local governmental units to be utilized to provide for the acquisition, development, and utilization of storage and control facilities for water an d sewage systems.

Bonds payable at June 30, 1994, and changes for the fiscal year then ended are as follows (expressed in thousands).

	Issue Dates	Maturity Interest Rates	Bonds Dates Through	Authorized But Unissued	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bonds Payable from User Fees:								
Water Resources Board								
WRB 1985	1985	7.75-8.70%	2010	$ -	$ 44,450	$ -	$ 1,180	$ 43,270
WRB 1986	1986	-	-	-	13,950	-	13,950	-
WRB 1989	1989	4.00-6.70%	2019	-	47,090	-	31,385	15,705
WRB 1992	1992	2.55-6.35%	2017	-	50,000	-	29,365	20,635
WRB 1994A	1994	2.30-14.0%	2023	-	-	109,845	650	109,195
WRB 1994B	1994	2.55-5.38%	2019	-	-	14,885	-	14,885
Total Before Discounts				-	155,490	124,730	76,530	203,690
Less: Bond Discounts				-	586	474	453	607
Total Bonds Payable Net of Discounts				$ -	$ 154,904	$ 124,256	$ 76,077	$ 203,083

The following table presents annual debt service requirements for bonds payable outstanding at June 30, 1994, (expressed in thousands).

	1995	1996	1997	1998	1999	Maturity	Total
Revenue Bonds Payable:							
Water Resources Board							
WRB 1985	$ 44,225	$ 1,578	$ 1,440	$ -	$ -	$ -	$ 47,243
WRB 1986	-	-	-	-	-	-	-
WRB 1989	1,432	1,428	1,427	1,419	1,423	20,801	27,930
WRB 1992	1,756	1,754	1,752	1,752	1,758	27,242	36,014
WRB 1994A	10,770	8,037	8,308	4,834	6,310	130,678	168,937
WRB 1994B	1,459	1,236	1,243	1,236	1,238	18,996	25,408
Total Principal and Interest	59,642	14,033	14,170	9,241	10,729	197,717	305,532
Less: Interest	9,702	5,953	5,620	5,351	5,179	70,037	101,842
Total Principal	$ 49,940	$ 8,080	$ 8,550	$ 3,890	$ 5,550	$ 127,680	$ 203,690

Series 1985:

All bonds due December 1, 1995, and thereafter are subject to optional redemption, at the option of the program, on 30 days' notice, from available monies on and after June 1, 1995, as specified in the bond indenture. Such optional redemptions will be in the amount of the bond principal to be redeemed, plus accrued interest to the date fixed for such redemptions.

Provisions of the bond indenture specify that, on June 1, 1995, any portion of the bond proceeds not used to originate loans to local entities shall be used to redeem outstanding bonds. Such redemption is to be made at face value plus accrued interest, and will be made in inverse order of maturity. The debt service schedule has been modified to reflect an estimated $39,240,000 in bonds subject to early redemption at June 1, 1995. Additionally, this amount is reflected in current maturities of long-term debt. The Program has purchased a municipal bond insurance policy guaranteeing the payment of principal and interest on the bonds in the event of default.

In October 1992, the Board issued its $50,000,000 Oklahoma Water Resources Board State Loan Program Revenue Bonds, Series 1992 ("1992 Bonds"), and $5,000,000 Oklahoma Water Resources Board State Loan Program Notes, Series 1992 ("1992 Notes"). The 1992 Notes were issued to fund a deposit to a debt service reserve fund established for the 1992 Bonds. The monies in the Series 1985 Debt Service Reserve Fund have been pledged to the 1992 Notes. In January 1994, the Board issued its $109,845,000 Oklahoma Water Resources Board State Loan Program Bonds, Series 1994A ("1994A Bonds"), $14,885,000 Oklahoma Water Resources Board State Loan Program Bonds, Series 1994B ("1994B Bonds"), and $1,935,000 Oklahoma Water Resources Board State Loan Program Notes, Series 1994 ("1994 Notes"). The 1994 Notes were primarily issued to fund costs of issuance for the 1994A and B Bonds. The monies in the Series 1985 Debt Service Reserve Fund were pledged to the 1994 Notes.

Series 1986A:

In January 1994, the Board issued its $109,845,000 Oklahoma Water Resources Board State Loan Program Revenue Bonds, Series 1994A, with an initial variable interest rate of 2.3% in part to refund $13,435,000 of outstanding 1986A Series bonds with an interest rate of 2.7%.

The refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of $341,601. This difference has been reflected in the Series 1994A Bond Program's separate financial statements as a deduction from bonds payable and is being charged to operations in the Series 1994A Bond Program through the year 2011 on a straight-line basis, in accordance with Statement No.

23 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*.

Series 1989:

In January 1994, the Board issued its $109,845,000 Oklahoma Water Resources Board State Loan Program Revenue Bonds, Series 1994A ("1994A Bonds"), with an initial variable interest rate of 2.3% in part to refund $16,770,000 of outstanding 1989 Series bonds with a variable interest rate of 2.7%. The refunding of variable rate bonds resulted in a difference between the reacquisition price and net carrying amount of the old debt of $135,840. This difference has been reflected in the Series 1994A Bond Program's separate financial statements as a deduction from bonds payable and is being charged to operations in the Series 1994A Bond Program through the year 2019 on a straight-line basis.

Also in January 1994, the Board issued its $14,885,000 Oklahoma Water Resources Board State Loan Program Revenue Bonds, Series B ("1994B Bonds"), with an average fixed rate of 5.02% to defease $13,140,000 of outstanding 1989 Series bonds with an average fixed interest rate of 6.43%. The defeasance of fixed note bonds resulted in a difference between the reacquisition price and net carrying amount of the old debt of $106,731. This difference has been reflected in the Series 1994B Bond Program's separate financial statements as a deduction from bonds payable and is being charged to operations in the Series 1994B Bond Program through the year 2019 on a straight-line basis, in accordance with Statement No. 23 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. The Board, through this defeasance, reduced its aggregate debt service payments relating to the Program by approximately $565,992 over the next 25 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $196,810.

In addition to their normal scheduled maturity dates, the bonds may also be redeemed at the option of the Board, in whole or in part, at such dates and for such prices, plus accrued interest as are set forth in the bond indenture.

Series 1992:

In January 1994, the Board issued its $109,845,000 Oklahoma Water Resources Board State Loan Program Revenue Bonds, Series 1994A ("1994A Bonds"), with an initial variable interest rate of 2.3% in part to refund $27,481,000 of outstanding 1992 Series bonds with a variable interest rate of 2.7%. The refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of $228,516. This difference has been reflected in the Series 1994A Bond Program's separate financial statements as a deduction from bonds payable and is being charged to operations in the Series 1994A Bond Program through the year 2022 on a straight-line basis, in accordance with Statement No. 23 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*.

Series 1994A:

Certain of the bonds bear interest at a variable rate, initially set a 2.3% and periodically adjusted pursuant to the provisions of the bond indenture, to a maximum rate of 14% per year. The interest rate on the bonds was 2.85% at June 30, 1994. 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 of the bonds. During the period from January 20, 1994 (date of inception), to June 30, 1994, $10,360,000 of the bonds were converted to a term rate. These bonds bear interest at fixed rates ranging from 2.65% to 6.50%. Interest rates are set periodically, as specified by the bond indenture, by the Program's remarketing agent.

Interest on the bonds is payable semiannually on March 1 and September 1 of each year. While the bonds bear interest at an adjustable, variable rate, the bonds are to be repurchased at each such interest payment date at a price equal to the unpaid principal amount, unless such repurchase is waived in writing by the bond holder. The bonds are also subject to mandatory tender upon conversion to a term interest rate.

In addition to their normal scheduled maturity dates, the bonds may be redeemed at the option of the Board, in whole or in part, on any interest payment date prior to conversion to a term interest rate, for their principal amount plus accrued interest to the date of redemption. Following any conversion to a term rate, the bonds may also be redeemed at the option of the Board, in whole or in part, at such dates and for such prices, plus accrued interest as are set forth in the bond indenture.

Series 1994B:

Interest on the bonds is payable semiannually on March 1 and September 1 of each year. These bonds bear interest at fixed rates ranging from 2.55% to 5.375%.

In addition to their normal scheduled maturity dates, the bonds may also be redeemed at the option of the Board, in whole or in part, at such dates and for such prices, plus accrued interest as are set forth in the bond indenture.

The transfers of unamortized bond issuance costs and bond discount from the Series 1989 Bond Program were made in accordance with Statement No. 23 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. These costs are being charged to operations of the Program through the year 2019 on a straight-line basis.

B. **Notes Payable**

In November 1992, voters of the State of Oklahoma approved the issuance of $350,000,000 State of Oklahoma General Obligation Bonds, of which $5,700,000 was allocated to the Oklahoma Water Resources Board. This amount was received by the Board and during the 1994 fiscal year $5,000,000 was used to redeem the 1992 notes payable as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Water Resources Board:				
Temporary Notes Payable	$ 5,000,000	$ -	$ 5,000,000	$ -

Note 12. Long Term Obligations - Component Units, Proprietary Funds

Bonds payable at June 30, 1994 (September 30, 1993, for Oklahoma Housing Finance Agency and December 31, 1993 for Oklahoma Turnpike Authority, Grand River Dam Authority, and Oklahoma Municipal Power Authority), and changes for the fiscal year then ended are as follows (expressed in thousands).

	Issue Dates	Maturity Interest Rates	Bonds Dates Through	Authorized But Unissued	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Bonds								
Payable from User Fees:								
Industrial Finance Authority	1961-1989	3.35-8.88%	2022	$ 35,031	$ 81,030	$ -	$ 13,710	$ 67,320
Revenue Bonds Payable from User Fees:								
Student Loan Authority	1980-1992	4.65-6.85%	2006	-	42,425	-	745	41,680
Environmental Finance Auth.	1973-1977	5.40-7.30%	2008	-	47,285	-	960	46,325
Housing Finance Agency	1980-1992	4.10-11.75%	2025	-	743,144	-	140,004	603,140
Turnpike Authority	1989, 1992	3.15-7.88%	2022	-	691,084	-	-	691,084
Grand River Dam Authority	1987, 1993	2.70-8.00%	2013	-	1,084,600	753,210	707,300	1,130,510
Municipal Power Authority	1985-1992	3.00-8.60%	2028	-	340,435	-	185	340,250
Total Before Discounts/Deferrals				35,031	3,030,003	753,210	862,904	2,920,309
Less: Bond Discounts				-	72,864	-	6,308	66,556
Net Deferred Debit on Refundings				-	-	26,393	2,110	24,283
Total Bonds Payable Net of Discounts/Deferrals				$ 35,031	$ 2,957,139	$ 726,817	$ 854,486	$ 2,829,470

The following table presents annual debt service requirements (principal payments only for the revenue bonds of Oklahoma Housing Finance Agency) for bonds payable outstanding at June 30, 1994, (September 30, 1993, for Oklahoma Housing Finance Agency and December 31, 1993, for Oklahoma Turnpike Authority, Grand River Dam Authority, and Oklahoma Municipal Power Authority) (expressed in thousands).

	1995	1996	1997	1998	1999	Maturity	Total
General Obligation Bonds:							
Industrial Finance Authority	$ 14,610	$ 4,221	$ 5,221	$ 2,120	$ 2,120	$ 92,610	$ 120,902
Revenue Bonds Payable:							
Student Loan Authority	4,420	4,300	8,320	7,500	6,340	25,010	55,890
Environmental Finance Authority	3,768	3,730	3,685	3,645	5,827	55,512	76,167
Turnpike Authority	45,270	51,651	51,653	51,652	51,648	1,230,805	1,482,679
Grand River Dam Authority	92,334	93,788	95,417	96,125	96,003	1,382,542	1,856,209
Municipal Power Authority	20,649	23,348	23,344	22,644	25,068	658,862	773,915
Total Principal and Interest	181,051	181,038	187,640	183,686	187,006	3,445,341	4,365,762
Less: Interest	132,481	129,858	128,030	123,351	120,011	1,414,862	2,048,593
Subtotal: Principal	48,570	51,180	59,610	60,335	66,995	2,030,479	2,317,169
Housing Finance Agency	8,317	5,406	35,272	6,488	8,502	539,155	603,140
Total Principal	$ 56,887	$ 56,586	$ 94,882	$ 66,823	$ 75,497	$ 2,569,634	$ 2,920,309

A. General Obligation Bonds

Oklahoma Industrial Finance Authority (OIFA) general obligation bonds are authorized and 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.

On March 17, 1994, OIFA permanently transferred $5,891,804 and $9,729,235 to special irrevocable trust fund accounts, thereby providing for an in-substance defeasance of the Series K and Series O Bond issues of which the amounts outstanding at June 30, 1994, were $5,000,000 and $8,625,000, respectively. The amounts set aside in trust, which are comprised of the proceeds from the sale of zero coupon bonds and excess cash reserves, are invested in direct obligations of the United States Government and are sufficient to meet future interest and principal payments through redemption. The special trust funds are held by and administered by a bank which is responsible for handling all future interest payments and the final bond redemption. Pursuant to the bond resolution, the Series K Bonds have been called for redemption on December 1, 2000. Their due date was December 1, 2015. Pursuant to the bond resolution, the Series O Bonds have been called for redemption on May 1, 1999. Their due date was May 1, 2004.

As a result of the in-substance defeasance, the OIFA reduced its interest payments by approximately $10,020,000 over the next 21 years. On July 1, 1994, the OIFA called Series D through J Bonds. As a result of the bonds being called, the OIFA reduced its interest payments by approximately $2,414,000 over the next 10 years.

B. Revenue Bonds

Oklahoma Student Loan Authority

The Student Loan Authority (SLA) has at various times issued bonds for the purpose of funding student loans. Under various circumstances, and at various times, e ach bond series is callable at the option of SLA, in whole or in part, on any business day. The SLA's obligation for the bonds is secured by specific Federal Family Education Loan Program loans financed. The SLA is in compliance with all significant bond covenants, which primarily consist of maintaining required amounts of collateral in each bond's trust estate.

In 1993, a portion of the Series 1992 Bonds was used to extinguish the SLA's obligations under the Series 1991 Notes and 1984 Note. The resulting loss from extinguishment consisted of prepayment penalties and expensing the remaining capitalized financing costs.

Oklahoma Housing Finance Agency

The net proceeds of the bonds and note issued by the Oklahoma Housing Finance Agency (OHFA) were used to provide financing for qualifying residences through the purchase of mortgage-backed certificates or eligible residential mortgage loans, or to provide interim and permanent financing for multifamily construction projects, and to establish debt-service reserves as required by the various trust indentures.

Such indentures generally provide that principal and interest are collateralized by pledges of all loans acquired, all revenues and collections with respect to such loans, all funds established by the indentures and by such other guarantees including bond insurance for a portion of the outstanding principal balance as may be required under each specific indenture.

These principal payments are to be made solely from funds available in each respective program.

<u>Multifamily Housing Finance Programs</u> **-** As of September 30, 1993, OHFA had $20,050,022 of program loans receivable related to Multifamily Revenue Bond and Note programs, of which $16,541,324 are not covered by mortgage insurance. The uninsured programs include Go Ye Village, a retirement center, and Park Terrace Apartments.

In 1990, the trustee for Go Ye Village issued a notice of default to the management of Go Ye Village for numerous events of default including failure to make monthly payments. The debt service reserve has been exhausted to make interest payments due on the bonds payable. In 1991, the two bondholders, the trustee and Go Ye Village, Inc., the project owner, entered into a restructing agreement which provided, among other things, for the trustee to cancel $1,265,000 in bonds payable, and to forebear exercising its default remedies. Program loan interest is being recorded when received and bond interest was accrued in the current year.

Because the bonds payable for the Multifamily Revenue Bond programs, including Go Ye Village and Park Terrace, are special, limited obligations of OHFA payable solely from revenues and assets pledged as collateral under the terms of the indentures and related documents, it is OHFA 's opinion that defaults on the program loans receivable will not have a material effect on the combined financial statements of OHFA taken as a whole. Accordingly, no allowance for loss has been established.

In prior years, the trustee bank of the Golden Oaks project had issued notices of default because the program developer had failed to make loan payments. The project was in receivership in fiscal year 1991 awaiting sale. During fiscal year 1992, as a result of the troubled debt restructuring, the program loan was sold. The proceeds from the sale of the loan were less than the carrying value of the loan. Because the program loan is the sole asset for payment of the bonds, the bondholders received less than the full amount of bonds outstanding plus accrued interest when the bonds were called in December 1992.

The Golden Oaks program loan and the bonds payable were written down on September 30, 1992, to reflect the amounts received prior to year end and the amount actually paid subsequent to year end. The following is an analysis of the net loss incurred as a result of the debt restructuring and repayment.

Loss on Transfer of Assets:		
Carrying amount of loan	$	8,775,000
Fair value of loan		(1,250,000)
Expenses associated with sale		327,083
Loss on transfer of assets	$	7,852,083

Gain on Restructuring of Debt:		
Carrying amount of bonds outstanding	$	8,775,000
Accrued interest on bonds		1,191,942
Assets available to pay debt		(2,156,092)
Gain on Restructuring of debt	$	7,810,850
Net loss on restructuring of debt	$	41,233

Oklahoma Turnpike Authority

The Oklahoma Turnpike Authority (OTA) issues revenue bonds for the purpose of financing capital improvements and new projects. On February 1, 1989, OTA issued $385,400,000 of 1989 Series First Senior Revenue Bonds and $173,000,000 of Series 1989 Subordinate Revenue Bonds. The purpose of the Series 1989 Revenue Bonds was to (1) finance the cost of constructing the John Kilpatrick, Creek, Cherokee and Chickasaw Turnpikes, (2) finance the cost of making certain improvements to the existing turnpikes, and (3) advance refund all of the outstanding OTA bonds from the 1966 and 1971 issues. The Series 1989 Bonds' interest rates ranged from 6.0% to 7.875%.

The 1989 Series Revenue Bonds defeased all OTA revenue bonds from the 1966 and 1971 issues through the escrow deposit of approximately $131,300,000 with Boatmen's First National Bank of Oklahoma and Liberty National Bank of Tulsa. Consequently, the liability for the 1966 Series A, 1966 Series B, and the 1971 Series C Revenue Bonds has been removed from the balance sheet. This advance refunding was undertaken primarily to restructure OTA's debt in order to enable financing of new projects in the most economically efficient manner. At December 31, 1993 , the defeased bonds outstanding were $122,410,000.

The Series 1989 Revenue Bonds were issued pursuant to provisions of a Trust Agreement dated February 1, 1989, with Liberty National Bank and Trust Company of Oklahoma City as Trustee. Interest is payable semiannually on January 1 and July 1 of each year, commencing July 1, 1989. The payment of interest and principal on the 1989 Series First Senior Revenue Bonds in the principal amount of $40,000,000 maturing on January 1, 2013, is guaranteed by an insurance policy issued by the AMBAC Indemnity Corporation. The payment of interest and principal on the 1989 Series Subordinate Revenue Bonds in the amount of $173,000,000 is guaranteed by an insurance policy issued by the Bond Investors Guaranty Insurance Company.

On October 1, 1991, OTA issued $22,000,000 of 6.60% 1991 Series First Senior Revenue Bonds and $28,000,000 of 1991 Series Second Senior Revenue Bonds, $13,000,000 of which is at rates ranging from 4.50% to 6.30% and $15,000,000 of which were variable rate bonds. The Series 1991 bonds were issued to provide funds sufficient, together with other available funds of the OTA, for the completion of the Portland Interchange on the Kilpatrick Turnpike and certain other improvements to the Oklahoma Turnpike System.

In May 1992, OTA issued $392,265,000 of Series 1992 First Senior Revenue Bonds, $20,655,000 of Series 1992 Second Senior Revenue Bonds and $195,400,000 of Series 1992 Subordinated Revenue Bonds, with interest rates ranging from 4.35% to 6.30%, 4.25% to 6.25% and 4.25% to 6.25%, respectively. These Series 1992A-E Bonds were issued for the purpose of (1) refunding approximately 94% of the OTA's Oklahoma Turnpike System Series 1989 Revenue Bonds, (2) funding capital costs of certain turnpike projects and (3) paying certain costs of issuance, including underwriters' discount of approximately $4.7 million, and capitalized interest. Although the advance refunding resulted in the recognition of an accounting loss of approximately $50,856,000 for the year ended December 31, 1992, OTA in effect decreased its aggregate debt service payments by approximately $36,803,000 over the next 30 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $29,380,000. During the year, OTA adopted GASB 23 which modifies the presentation of advance refunding transactions. The principal amount of the bonds advance refunded and considered defeased was $526,440,000, and the liability for these bonds was removed from the balance sheet. Approximately 94% of the Series 1989 bonds were defeased through an escrow deposit with Liberty National Bank and Trust Company. Defeased bonds outstanding at December 31, 1993, were $526,440,000. At December 31, 1993, the fair value of the Series 1992A-E and remaining Series 1989 bonds was $644,627,176 and $35,612,074, respectively.

The Series 1992A-E Bonds were issued pursuant to provisions of the Trust Agreement dated February 1, 1989, including supplements thereto, with Bank of Oklahoma, N.A., as Trustee. Interest is payable semiannually on January 1 and July 1 of each year, commencing on January 1, 1993.

On October 1, 1992, OTA issued $22,786,862.40 of 1992 Series First Senior Revenue Bonds (1992 F Bonds) and $28,017,387.55 of 1992 Series Second Senior Revenue Bonds (1992 G Bonds), both with interest rates ranging from 3.15% to 5.30%. The Bonds were issued to (1) provide funds, combined with other available funds of the OTA, to refund OTA's Oklahoma Turnpike System Series 1991 First and Second Senior Revenue Bonds, (2) pay costs of issuance, and (3) make a deposit to the Second Senior Bond Reserve Account established under the Trust Agreement. Although the advance refunding resulted in the recognition of an accounting loss of approximately $771,000 for the year ended December 31, 1992, OTA decreased its aggregate debt services payments by approximately $4,494,000 over the next 25 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $1,410,000. During the year, OTA adopted GASB 23 which modifies the presentation of advance refunding transactions. The principal amount of the bonds advance refunded and considered defeased was $49,350,000, and the liability was removed from the balance sheet. At December 31, 1993, the fair market value of the Series 1992 F and G Bonds was $52,137,597.

The Series 1992 F and G Bonds were issued pursuant to provisions of the Trust Agreement dated February 1, 1989, including supplements thereto, with Bank of Oklahoma, N.A., as Trustee. The bonds are dated October 1, 1992, with interest payable on January 1 and July 1 of each year, commencing on January 1, 1993.

In December 1993, the Governmental Accounting Standards Board issued Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities* ("Statement 23"). Statement 23 changes the presentation of any resulting accounting losses or gains from the defeasance of proprietary debt to recognize a deferred debit or credit which is amortized as a component of interest expense over the remaining life of the old debt or the new debt, whichever is shorter. The deferred debit or credit is reflected in the Balance Sheet as a component of long-term debt. Statement 23 is effective for financial statements issued for periods beginning after June 15, 1994, but retroactive application is permitted. When Statement 23 is applied retroactively, it is to be applied to all advance refundings for which deferred amounts would have remained unamortized in the period Statement 23 is adopted. The impact of restating the 1989 Revenue Bond refunding resulted in the recognition of a deferred credit as of January 1, 1992, of approximately $23,639,000.

The amortization of this deferred credit decreased interest expense by approximately $1,747,000 in both 1993 and 1992. The impact of restating the May 1992 Revenue Bond refunding resulted in the recognition of a deferred debit at the time of the issue of approximately $50,856,000. The impact of restating the October 1992 Revenue Bond refunding resulted in the recognition of a deferred debit at the time of the issue of approximately $771,000. The amortization of these deferred debits increased interest expense by approximately $3,856,000 and $3,342,000 in 1993 and 1992, respectively.

The financial statements reflect the retroactive application of Statement 23. Beginning retained earnings at January 1, 1992, was $77,128,121 before adoption and was $53,489,123 after the adoption of Statement 23, due to the gain on the defeasance of the 1989 revenue bonds being deferred and amortized. The effect on net income at January 1, 1992, was an increase of $23,338,998 after the adoption of Statement 23. Retained earnings at December 31, 1992, was $9,820,267 before adoption and was $36,213,206 after the adoption of Statement 23. The change in retained earnings for each year is due to the gain and loss on the defeasance of revenue bonds being deferred and amortized. As of December 31, 1993, the Balance Sheet reflects a net deferred debit of approximately $24,283,000 as a component of debt. The Statement of Revenues, Expenses and Changes in Retained Earnings reflects the amortization of this deferral in 1993 of approximately $2,110,000.

The Interest and Sinking, and Reserve Accounts required by the Trust Agreement have been established with the Trustee. The balances as of December 31, 1993, were (expressed in thousands).

First Senior Bond Reserve Account	$ 33,913
Subordinate Bond Reserve Account	15,273
Second Senior Bond Reserve Account	4,639

As required by section 501(d) of the Trust Agreement, net revenues, as defined below (which is greater than net income in accordance with GAAP), of $66,713,650 for 1993, (1) together with the motor fuel excise taxes apportioned to OTA in the amount of $25,262,223 for 1993 exceeded 120% of the amount of the debt service requirements on all senior indebtedness outstanding for the year, and (2) exceeded the sum of 105% of the debt service requirements on all bonds and parity indebtedness then outstanding and 100% of amounts required to be deposited into the Reserve Maintenance Fund and to make up deficiencies in the various bond reserve accounts. Net revenue is defined by the Trust Agreement as the excess of tolls and other revenues of the Oklahoma Turnpike System deposited to the credit of the Revenue Fund over the current expenses of the Revenue Fund for the year. Said revenues shall not include payments or transfers from the Reserve Maintenance Fund or General Fund nor any payments received pursuant to the issuance of any subsequent parity indebtedness. Depreciation is not considered in the current expense for purposes of calculating net revenue.

Grand River Dam Authority

On February 23, 1993, the Grand River Dam Authority (GRDA) issued $764,585,000 Revenue Bonds, Refunding Series 1993 (the "1993 Bonds") to advance refund $681,190,000 of the outstanding 1987 bonds. The 1993 Bonds were issued under the General Bond Resolution No. 4800, pursuant to the provisions of Third Supplemental Resolution No. 4851 and authorized by Resolution No. 4854 adopted by the Board of Directors in October 1992 and within the guidelines and approval of the Oklahoma Bond Commission granted August 1992. The 1993 Bonds have an average interest rate of 5.88% as compared to the defeased 1987 Bonds with stated rates ranging from 6.45% to 7% maturing 1998 through 2010 and were issued primarily to provide debt service savings.

Upon issuance of the 1993 Bonds, the net proceeds were applied to the purchase of obligations of the United States which were placed in an irrevocable trust and which, with the interest earned thereon, will be used to pay the principal, interest and any redemption premium on the defeased 1987 bonds.

Sources and applications of the proceeds were as follows (expressed in thousands).

Sources of funds:		
Principal amount of the 1993 Bonds	$	764,585
Application of funds:		
Purchase of defeasance obligations and cash deposits	$	739,309
Costs of issuance and bond insurance premium		1,175
Underwriting discount		6,002
Net original issuance discount		18,099
Total	$	764,585

GRDA recorded an accounting loss of approximately $113.7 million which was recorded as a deferred asset and will be amortized over the life of the new bonds. The difference between the present values of the old and new debt service payments is $18.2 million, including $6.1 million from an investment contract premium on the bond reserve funds, and GRDA will realize $20.1 million in decreased aggregate debt service payments.

In March 1987, Revenue Bonds, Refunding Series 1987 (the "1987 Bonds") of $1,153,040,000 were issued to provide a portion of the funds necessary to advance refund $1,009,616,500 of previously-issued Revenue Bonds and Refunding Revenue Bonds, Series 1978, 1982, 1983A, 1983B, 1983C, 1984 and 1985, which constitute all of the GRDA's outstanding indebtedness issued under General Resolution No. 4545. The 1987 Bonds were issued under the provisions of General Bond Resolution No. 4800 and pursuant to the provisions of Supplemental Resolution No. 4801 and No. 4828 adopted by the Board of Directors on March 6, 1987, and August 7, 1991, respectively. The 1987 Bonds have an average interest rate of 6.995% and were issued to provide for essentially level debt service payments over the life of the issue and to provide debt service savings.

The advance refunding resulted in an accounting loss of $110.9 million, which was recorded as a deferred asset and will be amortized over the life of the new bonds, and an increase in aggregate debt service payments of $207.2 million over a 26-year period. This transaction resulted in a net reduction between the present values of the old and new debt service payments of $32.2 million.

A portion of the proceeds of the 1987 Bonds, together with other monies available to GRDA for such purposes, was applied to the purchase of United States Government and United States Government Agency securities. The securities, which were placed in an irrevocable trust, and the interest earned thereon, will be used to pay, when due, the principal, interest and redemption premium, if any, on the defeased bonds.

Monies placed in escrow for the payment of principal and interest on all the bonds which have been defeased have been deposited in irrevocable trusts with recourse against the trustee if funds are not available to pay principal and interest on a timely basis. Since the revenue bonds which have been defeased are no longer direct liabilities of GRDA, they are not reflected on the accompanying balance sheets.

Defeased bonds of $1,106,122,000 were outstanding at December 31, 1993. At December 31, 1993, the defeased bonds were a portion of the 1987 Refunding Series, 1985 and 1984 Refunding Series, 1983B, 1982 and 1978 Series, the 1977 Refunding Series, and the 1976, 1969, 1966 and 1961 Series.

Oklahoma Municipal Power Authority

The Oklahoma Municipal Power Authority (OMPA) has issued Power Supply System Revenue Bonds to finance portions of its acquisition and construction activities.

On January 11, 1994, OMPA issued its Power Supply System Revenue Bonds, Series 1994A, totaling $104,420,000, advance refunding $91,985,000 principal amount of OMPA's Series 1992A and 1986C bonds. The 1994A Bonds bear interest at rates ranging from 2.75% to 5.00% and are payable from January 1, 1995 to January 1, 2028. The difference between the net carrying amount of the refunded bonds and the net proceeds to the OMPA from the Series 1994A bonds was approximately $12,400,000, which has been deferred and will be amortized over the life of the Series 1994A bonds. OMPA reduced its aggregate debt service payments by approximately $11,367,000 over the next 31 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $5,980,000.

The net proceeds of the Series 1994A bonds, along with $347,200 from debt service reserve funds of the bonds refunded, have been irrevocably deposited with an escrow agent and have been used to purchase direct obligations of the United States government. The principal and interest on these obligations will be sufficient to pay the refunded bonds at their maturity and to pay interest to such date. Upon establishment of the escrow account, the refunded bonds are no longer considered outstanding obligations of OMPA.

On January 27, 1994, OMPA issued its Power Supply System Revenue Bonds, Series 1994B, totaling $45,710,000, issued primarily for the purpose of preparing certain capacity and related transmission costs and is expected to reduce annual operating costs by approximately $800,000. The 1994B Bonds bear interest at rates ranging from 2.80% to 5.15% and are payable from January 1, 1995 to January 1, 2014.

The 1994B 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 the assets in the funds established by the respective bond resolution. Interest is payable semiannually on January 1 and July 1 each year. Neither the State nor any political subdivision thereof nor any participating municipality which has contracted with OMPA, is obligated to pay principal or interest on the bonds. OMPA does not have any taxing authority.

The Power Supply System Revenue Bonds, Series 1986A, were issued to refund OMPA's Power Supply System Revenue Bonds, Series 1985A, which matured in 1988 in the aggregate principal amount of $25,000,000. The difference of approximately $235,000 between the net carrying amount of the Series 1985A bonds and the net proceeds to OMPA from the Series 1986A bonds was deferred and is being amortized to expense over the life of the Series 1986A bonds. This transaction resulted in a net reduction of debt service cost over the life of the refunding bonds.

The Power Supply System Revenue Bonds, Series 1986C, were issued to refund OMPA's Power Supply System Revenue Bonds, Series 1985C maturing in 2005, 2015 and 2023 in the aggregate principal amount of $148,760,000. The difference between the net carrying amount of the Series 1985C bonds and the net proceeds to OMPA from the Series 1986C bonds is approximately $29,646,000 which has been deferred and is being amortized to expense over the life of the Series 1986C bonds. This transaction has resulted in a net reduction of debt service cost over the life of the refunding bonds.

The net proceeds of the Series 1986C bonds have been irrevocably deposited with an escrow agent and have been used to purchase direct obligations of the United States government. The principal and interest on these obligations will be sufficient to pay the refunded bonds at their maturity and to pay interest to such date. Upon establishment of the escrow account, the refunded bonds were no longer considered outstanding obligations of OMPA.

On October 31, 1990, excess construction funds were irrevocably deposited with an escrow agent and have been used to purchase direct obligations of the United States government in order to defease a portion of the outstanding Series 1985C, 1986A, 1986B and 1986C bonds. The principal and interest on the obligations purchased were sufficient to pay principal and interest on the defeased bonds, which were paid on January 1, 1994.

On January 3, 1991, OMPA issued its Power Supply System Revenue Bonds, Series 1990A, totaling $71,020,000, advance refunding $62,385,000 principal amount of Series 1986A and 1986B bonds. The difference between the net carrying amount of the refunded bonds and the net proceeds to OMPA from the Series 1990A bonds is approximately $5,716,000, which has been deferred and is being amortized to expense over the life of the Series 1990A bonds. This transaction resulted in a net reduction of debt service cost over the life of the refunding bonds.

The net proceeds of the Series 1990A bonds along with $282,360 from debt service reserve funds of the bonds refunded, have been irrevocably deposited with an escrow agent and have been used to purchase direct obligations of the United States government. The principal and interest on these obligations will be sufficient to pay the refunded bonds at their maturity and to pay interest to such date. Upon establishment of the escrow account the refunded bonds are no longer considered outstanding obligations of OMPA.

On May 20, 1992, OMPA issued its Power Supply System Revenue Bonds, Series 1992A, totaling $54,000,000 to pay part of the costs of acquisition and construction of the Ponca City Repowering Project and installation of certain facilities relating to demand-side management programs.

On July 24, 1992, OMPA issued its Power Supply System Revenue Bonds, Series 1992B, totaling $166,675,000, advance refunding the following principal amounts of OMPA bonds (expressed in thousands).

Series 1985C	$	6,685
Series 1986A		1,610
Series 1986B		2,220
Series 1986C		134,335

The difference between the net carrying amount of the refunded bonds and the net proceeds to OMPA from the Series 1992B bonds was approximately $17,427,000 which has been deferred and is being amortized over the life of the Series 1992B bonds. This transaction resulted in an economic gain (difference between the present values of old and new debt service payments) of approximately $4,080,000. Aggregate debt service payments increased by approximately $6,550,000 over the next 31 years.

The net proceeds of the Series 1992B bonds have been irrevocably deposited with an escrow agent and have been used to purchase direct obligations of the United States government. The principal and interest on these obligations will be sufficient to pay the refunded bonds at their maturity and to pay interest to such date. Upon establishment of the escrow account the refunded bonds are no longer considered outstanding obligations of OMPA.

The following defeased bonds are no longer considered outstanding obligations of OMPA (expressed in thousands).

Series 1985C	$	157,660
Series 1986A		28,565
Series 1986B		39,335
Series 1986C		135,725

C. **Notes Payable**

Notes payable at June 30, 1994 (September 30, 1993, for the Oklahoma Housing Finance Agency) and changes for the fiscal year then ended are as follows (expressed in thousands).

Description/Security	Issue Dates	Current Variable Interest Rate	Notes Date Through	Original Note Amount	Beginning Balance	Additions	Reductions	Ending Balance
Student Loan Authority:								
SLMA/Specific Stafford loans	1987	4.61%	1999	$ 15,000	$ 6,975	$ -	$ 1,000	$ 5,975
SLMA/Specific SLS & PLUS loans	1988	-	-	25,000	8,306	-	8,306	-
SLMA/Specific Stafford loans	1990	5.46%	2005	75,000	27,926	-	4,451	23,475
SLMA/Specific HEAL loans	1992	5.04%	2000	10,000	6,414	-	2,665	3,749
Liberty Bank/Specific FFEL loans	1993	5.31%	1996	30,000	885	13,365	-	14,250
Subtotal					50,506	13,365	16,422	47,449
Housing Finance Agency:								
1984 Terrace Project/program loans	1984	9.00%	2004		763	-	49	714
		Fixed Interest Rate						
Environmental Finance Authority:								
First Tulsa - A Bank of Mid-America		7.50%	1996		246	-	79	167
Total					$ 51,515	$ 13,365	$ 16,550	48,330
Less: Current Portion								22,533
Total Noncurrent Notes Payable								$ 25,797

The following table presents annual principal payments (excludes interest) for notes payable outstanding at June 30, 1994 (September 30, 1993 for Oklahoma Housing Finance Agency) (expressed in thousands):

	1995	1996	1997	1998	1999	Maturity	Total
Student Loan Authority	$ 22,449	$ 4,450	$ 4,450	$ 4,450	$ 10,425	$ 1,225	$ 47,449
Housing Finance Agency	71	72	71	72	71	357	714
Environmental Finance Authority	84	83	-	-	-	-	167
Total	$ 22,604	$ 4,605	$ 4,521	$ 4,522	$ 10,496	$ 1,582	$ 48,330

Pursuant to financing agreements and loan sale agreements, SLMA will purchase certain SLS, PLUS, and HEAL loans when they reach repayment status. The Student Loan Authority (SLA) has an obligation to repurchase the loans should SLMA's collection efforts determine any SLA representations or warranties with regards to the loans to be materially incorrect. The amount of loans repurchased by SLA was approximately $18,000 for the fiscal year ended June 30, 1994. The total amount of loans sold to SLMA was approximately $10,700,000 for the year ended June 30, 1994.

D. **Capital Leases**

The State's proprietary component units have entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The following schedule presents, by fiscal year, future minimum lease payments in the proprietary component units as of the funds' fiscal year ends (expressed in thousands).

	Minimum Lease Payments
1995	$ 1,029
1996	1,024
1997	938
1998	649
1999	649
Later Years	3,966
Total Minimum Lease Payments	8,255
Less: Interest	2,133
Present value of Minimum Lease Payments	$ 6,122

Capital lease obligations at the component units' year ends, and changes for the fiscal years then ended are as follows (expressed in thousands).

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Lease Obligations	$ 3,094	$ 3,486	$ 458	$ 6,122

The following is property under capital leases at the component unit s' year ends (expressed in thousands).

Facilities and Equipment	$ 15,230
Less: Accumulated Depreciation	10,383
Net	$ 4,847

Grand River Dam Authority

The Grand River Dam Authority (GRDA) is a party to an electric service agreement, dated December 4, 1950, with KAMO Electric Cooperative. Among other provisions, the agreement provides for the construction of transmission facilities by the cooperative which are leased to, and operated and maintained by GRDA. The lease was accounted for as an operating lease until 1978 when, in accordance with the guidelines established by Statement of Financial Accounting Standards No. 13, "*Accounting for Leases*," GRDA capitalized this lease.

GRDA has an option to purchase the facilities for the balance of the mortgage debt (principal and interest) incurred by the Cooperative to finance the facilities which the Board of Directors voted to exercise in December 1993. Thus, the principal balance of the lease is classified as current as of December 31, 1993.

Note 13. Long Term Obligations - Component Unit, Higher Education Funds

Long term obligations at June 30, 1994, 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
General Obligation Bonds:							
Rose State College Technical District	1969-1971	4.65-5.125%	1997	$ 275	$ -	$ 100	$ 175
Tulsa Junior College	1982-1989	.05-10.00%	1999	7,550	-	1,250	6,300
Total				$ 7,825	$ -	$ 1,350	$ 6,475
Revenue Bonds:							
East Central University	1993	4.90-10.00%	2013	$ -	$ 3,175	$ -	$ 3,175
Oklahoma State University	1964-1993	3.00-10.00%	2012	31,715	1,035	4,820	27,930
Seminole Junior College	1972	8.00%	1997	130	-	25	105
Southeastern Okla. State University	1969	3.00%	2009	1,085	-	55	1,030
Northwestern Okla. State University	1968	5.00%	1998	135	-	135	0
Northeastern State University	1966	4.90-5.00%	1997	715	-	125	590
University of Oklahoma	1964-1993	3.00-9.15%	2012	26,959	6,000	2,099	30,860
O.U. Health Sciences Center	1977-1979	5.50-6.30%	2008	8,295	-	455	7,840
Tulsa Junior College	1976-1994	3.60-10.00%	2014	4,020	4,735	2,585	6,170
Carl Albert Junior College	1974	8.00%	1994	22	-	22	0
Redlands Community College	1972-1993	5.00-9.50%	2014	268	1,325	24	1,569
Oklahoma City Community College	1993	4.65-12.00%	2013	4,130	4,235	4,130	4,235
University of Science & Arts	1966-1967	5.00%	1996	107	-	41	66
Murray State College	1964	4.00%	2004	452	-	40	412
Langston University	1963-1967	3.00-3.375%	2007	2,259	-	145	2,114
Eastern State College	1959-1966	3.00-4.00%	2006	776	-	77	699
Rose State College	1972-1993	5.40-8.00%	2008	2,180	-	85	2,095
Northern Oklahoma College	1965	3.00-4.00%	1996	230	-	60	170
University of Central Oklahoma	1993	4.20-7.00%	2023	32,000	4,910	405	36,505
Total				$ 115,478	$ 25,415	$ 15,328	$ 125,565
Certificates of Participation:							
Southeastern Okla. State University	1993	3.75-6.50%	2009	$ -	$ 1,300	$ -	$ 1,300
University of Central Oklahoma	1991	4.75-6.00%	2001	1,500	-	157	1,343
Total				$ 1,500	$ 1,300	$ 157	$ 2,643

The following table presents annual principal and interest payments (principal payments only for the general obligation bonds of Tulsa Junior College, and the revenue bonds of East Central University, Oklahoma State University, O.U. Health Sciences Center, and Langston University) applicable to long-term debt outstanding at June 30, 1994 (expressed in thousands):

	1995	1996	1997	1998	1999	Maturity	Total
General Obligation Bonds:							
Rose State College							
Technical District	$ 81	$ 78	$ 26	$ -	$ -	$ -	$ 185
Less: Interest	6	3	1	-	-	-	10
Subtotal: Principal	75	75	25	-	-	-	175
Tulsa Junior College	1,250	1,250	1,250	1,250	1,300	-	6,300
Total Principal	$ 1,325	$ 1,325	$ 1,275	$ 1,250	$ 1,300	$ -	$ 6,475
Revenue Bonds:							
Seminole Junior College	$ 33	$ 31	$ 60	$ -	$ 87	$ -	$ 124
Southeastern Okla. State University	84	87	86	84	-	832	1,260
Northeastern State University	155	164	321	-	3,598	-	640
University of Oklahoma	4,791	3,619	3,619	3,593	669	23,962	43,182
Tulsa Junior College	530	855	858	671	157	5,519	9,102
Redlands Community College	159	156	158	154	385	1,814	2,598
OKC Community College	279	384	393	394	-	4,909	6,744
University of Science & Arts	35	35	0	-	53	-	70
Murray State College	55	53	57	55	100	211	484
Eastern State College	99	98	102	102	234	310	811
Rose State College	231	228	230	236	-	1,815	2,974
Northern Oklahoma College	70	107	-	-	2,578	-	177
University of Central Oklahoma	2,567	2,577	2,579	2,583		60,325	73,209
Total Principal and Interest	9,088	8,394	8,463	7,872	7,861	99,697	141,375
Less: Interest	4,501	4,407	4,150	3,905	3,648	36,258	56,869
Subtotal: Principal	4,587	3,987	4,313	3,967	4,213	63,439	84,506
East Central University	85	95	105	110	120	2,660	3,175
Oklahoma State University	1,505	1,423	1,503	1,623	1,641	20,235	27,930
O.U. Health Sciences Center	200	210	225	565	600	6,040	7,840
Langston University	150	150	170	170	170	1,304	2,114
Total Principal	$ 6,527	$ 5,865	$ 6,316	$ 6,435	$ 6,744	$ 93,678	$ 125,565
Certificates of Participation:							
Southeastern Okla. State University	$ 136	$ 138	$ 135	$ 137	$ 134	$ 1,350	$ 2,030
University of Central Oklahoma	264	265	264	268	261	382	1,704
Total Principal and Interest	400	403	399	405	395	1,732	3,734
Less: Interest	165	148	134	120	105	419	1,091
Total Principal	$ 235	$ 255	$ 265	$ 285	$ 290	$ 1,313	$ 2,643

A. **General Obligation Bonds**

Rose State College Technical District and Tulsa Junior College have authorized and issued general obligation bonds for the financing of buildings, equipment, and related capital improvements. Ad valorem taxes levied upon taxable property within their respective specific areas have been pledged to retire these general obligation bonds.

B. **Revenue Bonds**

Certain State colleges and universities have authorized and issued revenue bonds for the acquisition of student housing and othe facilities. Student fees, revenues produced by the facilities constucted, and other revenues collateralize the revenue bonds.

Revenue bonds have been defeased at certain colleges and universities as follows.

Tulsa Junior College - On May 1, 1994, the College issued $2,235,000 in Student Center Revenue Refunding Bonds, Series 1994, to advance refund $2,215,000 of outstanding Student Center Revenue Bonds, Series 1984. The net proceeds plus additional Series 1984 Reserve fund monies and other non-bond proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1984 bonds upon early redemption, which occurred on July 1, 1994. The College completed the advance refunding to reduce its total debt service payments over the next 10 years by $378,704 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $214,822.

Oklahoma City Community College - In 1993, the College issued the Student Facility Revenue Bonds, Refunding Series 1993 in the amount of $4,235,000. The Bonds were issued to advance refund the College's Student Facility Revenue Bonds, Series 1987, the College's Student Facility Bonds, Refunding Series 1988, establish a Bond Fund Reserve, and pay the issuance costs of the 1993 Bonds. The entire issues of the Student Facility Revenue Bonds, Series 1987, and Student Facility Revenue Bonds, Series 1988 were defeased through the escrow deposit of approximately $4,130,000. The liability for the Series 1987 and Series 1988 issues is not reflected in the accompanying financial statements. At June 30, 1994, the defeased bonds outstanding were $4,130,000. The advance refunding decreased the College's aggregate debt service payments by approximately $1,100,000 over the next 20 years and resulted in an economic gain (difference between the present values of the old and new debt service payments) of approximately $319,000.

In prior years, colleges and universities defeased certain revenue bonds by placing the proceeds of new bonds 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. On June 30, 1994, $10,595,000 of bonds outstanding are considered defeased.

C. **Certificates of Participation**

Southeastern Oklahoma State University and University of Central Oklahoma were parties to lease purchase agreements during fiscal year 1994 funded through certificates of participation. These leases are for the purchase of energy saving equipment. Third-party leasing companies have assigned their interest in the lease to underwriters who have 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.

Investment in fixed assets at June 30, 1994, includes $3,046,000 of equipment funded through these certificates of participation.

D. **Capital Leases**

The Higher Education Component Unit has entered into agreements to lease various facilities and equipment. Such agreements are reported as capital lease obligations.

The following presents, by fiscal year, future minimum lease payments in the Higher Education Component Unit as of June 30, 1994 (expressed in thousands).

	Minimum Lease Payments
1995	$ 1,449
1996	878
1997	574
1998	519
1999	260
Later Years	625
Total Minimum Lease Payments	4,305
Less: Interest	676
Present value of Minimum Lease Payments	$ 3,629

Capital lease obligations at June 30, 1994, and changes for the fiscal year then ended are as follows (expressed in thousands).

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Lease Obligations	$ 6,414	$ 365	$ 3,150	$ 3,629

Leased equipment under capital leases in investment in fixed assets at June 30, 1994, included the following (expressed in thousands).

Facilities and Equipment	$ 19,867
Less: Accumulated Depreciation	7,784
Net	$ 12,083

Note 14. Advances From Motor Fuel Tax Trust Fund - Oklahoma Turnpike Authority

By virtue of the "Enabling Act" of 1971 and amendments thereto, a portion of the motor fuel excise taxes collected on fuels consumed on the turnpikes is made available to the Oklahoma Turnpike Authority (OTA) from the Oklahoma Tax Commission. Prior to July 1, 1992, this amount was not to exceed $3,000,000 during a fiscal year. In 1992, Title 69, §1730 was amended. Beginning July 1, 1992, the motor fuel tax monies due to OTA are apportioned to OTA on the first day of each calendar month. All motor fuel taxes apportioned to OTA are available to fund debt service, to the extent monies are not otherwise available to OTA for such purpose. If such motor fuel excise taxes apportioned to OTA are not necessary in such month, the motor fuel excise tax monies shall be paid over to the Oklahoma Department of Transportation (ODOT). During 1993, OTA received, and subsequently remitted to ODOT, $25,262,223 of motor fuel excise taxes.

The available funds ($20,217,349 at December 31, 1993) are invested in interest-bearing obligations and, with the interest earned thereon ($1,283,333 during the calendar year ended December 31, 1993) are used to eliminate deficiencies, if any, in available monies to meet revenue bond interest and principal requirements. No transfers were required in 1993.

Prior to the issuance of the Series 1989 Bonds, the OTA had not received apportionments from the Oklahoma Tax Commission since 1979 because the maximum amount that could be retained by OTA in accordance with the Enabling Act was deposited with the prior Trustee.

When all Senior and Subordinate Revenue Bonds, together with interest thereon, have been paid, OTA will be required to pay all amounts that have been received from the Tax Commission and any interest earned on amounts invested to ODOT. The accumulated liability to ODOT as of December 31, 1993, is $37,583,001. The following provides a cumulative breakdown of receipts, disbursements and cash balance, and reconciles the monies received from apportionments, monies received as interest on investments, monies remitted to ODOT, and accrued interest earnings with the accumulated liability (expressed in thousands).

	Reconciliation of Cash and Investments	Reconciliation of Cumulative Liability
Apportionments received from 1960 to date	$ 97,250	$ 97,250
Interest received on investment of monies	59,967	59,967
Accrued interest paid on purchase of U.S. T-notes	(13)	-
Monies remitted to ODOT from 1960 to date	(85,504)	(85,504)
Monies remitted to ODOT from other sources	-	(10,000)
Reduction in Payable to ODOT	-	(24,036)
Monies used to pay debt service and expenses	(51,483)	-
Cash and investment balances as of Dec. 31, 1993	$ 20,217	
Difference of interest earned and interest received		(94)
Cumulative liability as of December 31, 1993		$ 37,583

The Federal Intermodal Surface Transportation Efficiency Act of 199 1 ("ISTEA") was signed into law December 1991. ISTEA permits a state to use certain toll revenue expenditures as a credit toward the non-Federal matching share of all programs under Title 23 and ISTEA. According to the Federal Highway Administration, "this is in essence a 'soft match' provision that allows the state's Federal share to be increased up to 100% to the extent that credits are available."

OTA has an agreement with ODOT that any toll revenue expenditures which are utilized as a "soft match" credit by ODOT will result in a dollar-for-dollar reduction in the Payable to Department of Transportation. OTA received notification from ODOT that in 1993, ODOT utilized approximately $24,036,000 in "soft match" credits. ODOT's utilization of these credits is reflected as non-operating revenue in the Statement of Revenues, Expenses and Changes in Retained Earnings, with a corresponding reduction in the Payable to Department of Transportation in the Balance Sheet.

Note 15. Costs to be Recovered from Future Revenues

Grand River Dam Authority

Certain items included in operating costs of an unregulated enterprise are recovered by the Grand River Dam Authority (GRDA) through rates set by the Board of Directors. Recognition of these costs, primarily depreciation on debt funded plant, 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 by the GRDA in future years.

Oklahoma Municipal Power Authority

The Power Sales Contracts with the participating municipalities provide for billings to those municipalities for output and services of the projects, funds to the Oklahoma Municipal Power Authority (OMPA) for payment of its current operating and maintenance expenses (excluding depreciation and amortization), payment of scheduled debt principal and interest and deposits in certain funds, all in compliance with the bond resolutions. For financial reporting purposes, OMPA currently recognizes depreciation of assets financed by bond principal and amortization expense. The difference between current expenses and 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.

Note 16. Deferred Compensation Plan

The State offers its employees a deferred compensation plan as authorized by Section 457 of the Internal Revenue Code of 1954, and as amended by the Tax Reform Act of 1986, in accordance with the provisions of Sections 1701 through 1706 of Title 74 of the Ok lahoma Statutes.

The Plan is available to all full-time State employees, as well as any elected officials receiving a salary from the State. Participants may defer until future years up to the lesser of 25% of their gross taxable income as defined by Plan documents not to exceed $7,500 per year , with a minimum contribution of $25 per month. The participants invest such deferred salarie s in available investment options offered by the Plan. All interest, dividends and administrative fees are allocated to participants' accounts.

The Plan offers a catch-up program to participants, which allows them to defer up to $15,000 annually for the three years prior to their year of retirement. The additional contribution, in excess of the normal maximum to the Plan, is accounted for as catch-up contributions for the years in which the participant did not participate in the Plan or was not contributing at the maximum allowable level. To be eligible for the catch-up program, the participant must be within three years of retirement from Oklahoma Public Employees Retirement System with no reduced benefits.

Deferred compensation benefits are paid out to participants upon termination, retirement, death, or unforeseeable emergency. Such benefits are based on a participant's account balance and are disbursed in a lump sum or periodic payments, at the option of the participant in accordance with Plan provisions.
All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights (until paid or made available to the employee or other beneficiary) are solely the property and rights of the State (without being restricted to the provisions of benefits under the Plan), and are subject to the claims of the State's general creditors. Participants' rights under the Plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant. During 1994 and 1993 , Plan assets were used to pay participant deferred compensation benefits and certain administrative fees charged by the investment carriers. Such administrative fees are charged to individual participant balances.

The Plan offers participants several investment options. These include a savings account with Great Western Bank, a guaranteed interest contract with Metropolitan Life Insurance Company consisting of a fixed interest-bearing account and annuity contracts, and 33 mutual funds of T. Rowe Price.

It is the opinion of Plan management that the State has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor. Plan management believes that it is unlikely that the State will use the assets of the Plan to satisfy the claims of the State's general creditors in the future.

Note 17. Nonrecourse Debt, Notes Receivable, and Funds in Trust of the Oklahoma Development Finance Authority

The Oklahoma Development Finance Authority (ODFA) holds notes receivable and trust investments in amounts equal to the long-term financings. The financing agreements 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. As of June 30, 1994, the aggregate amount of these financings is approximately $161,000,000 for all Public and Private Programs.

The financings are not the general obligations of the ODFA, and it is the opinion of the ODFA's management and its legal counsel that, in the event of default by a borrower, ODFA has no responsibility for repayment of such financings. Accordingly, the nonrecourse debt and the related notes receivable and trust investments have been excluded from the financial statements.

Note 18. Beginning Fund Balance Adjustments

The following schedule reconciles June 30, 1993, fund equity, as previously reported, to beginning fund equity, as restated (expressed in thousands).

	General	Special Revenue	Capital Projects	Enterprise	Trust and Agency	Proprietary Component Units	Higher Education Component Unit	Total
June 30, 1993, fund equity, as previously reported	$ 830,314	$ 154,324	$ 241,319	$ 440,027	$ 7,372,218	$ -	$ 1,793,674	$ 10,831,876
To record consolidation/change of fund types	156,010	(154,324)	-	-	-	-	-	1,686
Prior period adjustments:								
Plant inventory and depreciation adjustments	-	-	-	-	-	-	(69,755)	(69,755)
Record supplemental retirement plan liability	-	-	-	-	-	-	2,898	2,898
Implementation of GASB 14	-	-	-	(418,680)	-	439,854	28,858	50,032
Implementation of GASB 23	-	-	-	-	-	26,394	-	26,394
Other	22	-	-	-	-	-	(267)	(245)
June 30, 1993, fund equity, as restated	$ 986,346	$ -	$ 241,319	$ 21,347	$ 7,372,218	$ 466,248	$ 1,755,408	$ 10,842,886

Note 19. Condensed Financial Statement Information for Discretely Presented Proprietary Component Units

The State has eleven proprietary component units which are described below.

A. **Oklahoma Industrial Finance Authority** (OIFA) **-** assists with the State's industrial development. The OIFA makes 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 OIFA's loans are financed by issuance of general obligation bonds.

B. **State Insurance Fund -** provides a source for workers' compensation insurance for all employers within the State including State agencies and other governmental units. The Fund operates similarly to other insurance companies and is financed through employer premiums.

C. **State and Education Employees Group Insurance Board** - provides group health, life, and dental benefits to active employees and retirees of the State and certain other eligible participants. The Board is financed through employer and employee premiums.

D. **Oklahoma Student Loan Authority** - provides loan funds to qualified persons (persons who are citizens of the State or are attending participating schools in the State) at participating educational institutions (post-secondary proprietary institutions and higher education institutions) through the issuance of tax-exempt revenue bonds or other debt obligations.

E. **University Hospitals Authority** - consists of the University Hospital, Children's Hospital of Oklahoma, O'Donoghue Rehabilitation Institute, and their related clinics and other services . The University Hospitals 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 University Hospitals Authority.

F. **Oklahoma Development Finance Authority** (ODFA) - provides financing for both public and private entities in the State. The ODFA obtains funds through the issuance of bonds and notes. Private entities qualifying for ODFA financing are generally agricultural, civic, educational, health care, industrial, or manufacturing enterprises. Financing is also provided to governmental agencies and instrumentalities of the State.

G. **Oklahoma Environmental Finance Authority** (OEFA) - provides financing for both public and private entities in the State. The OEFA obtains funds through the issuance of bonds and notes. Qualifying entities are provided a method of financing facilities necessary or useful to abate, control and lessen air and water pollution.

Condensed financial statement information for the discretely presented proprietary component units for the fiscal year ended June 30, 1994 (unless a different fiscal year is indicated), follows (expressed in thousands).

	Oklahoma Industrial Finance Authority	State Insurance Fund (12-31-93 Fiscal Year)	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	University Hospitals Authority
Operating Revenue	$ 5,301	$ 254,253	$ 218,139	$ 7,401	$ 190,243
Operating Expenses					
Depreciation	82	925	180	211	13,899
Other	4,412	360,137	223,080	7,050	209,279
Operating Income (Loss)	807	(106,809)	(5,121)	140	(32,935)
Operating Transfers In (Out)	-	-	-	-	26,077
Nonoperating Revenues (Expenses)	(1,284)	59,014	9,943	1,131	647
Deferred Costs	-	-	-	-	-
Net Income (Loss)	(477)	(47,795)	4,822	1,271	(6,211)
Current Assets	15,325	644,476	207,612	14,679	61,475
Current Liabilities	1,436	605,233	128,333	27,061	20,693
Net Working Capital	13,889	39,243	79,279	(12,382)	40,782
Total Assets	68,685	649,741	208,835	120,151	211,720
Total Liabilities	68,672	605,233	128,333	91,731	24,869
Fund Equity	13	44,508	80,502	28,420	186,851
Long-Term Liabilities	67,236	-	-	64,670	4,176
Fixed Assets - Beginning of Year	178	6,787	1,421	632	263,543
Additions	1	3,220	65	93	18,649
Deletions	-	(829)	-	-	(14,533)
Fixed Assets - End of Year	$ 179	$ 9,178	$ 1,486	$ 725	$ 267,659

H. **Oklahoma Housing Finance Agency** (OHFA) **-** is authorized, in the furtherance of public purposes, to issue its 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. In addition to its revenue bond and note programs, OHFA administers Section 8 Housing Assistance Payments Programs for the U.S. Department of Housing and Urban Development.

I. **Oklahoma Turnpike Authority** (OTA) **-** is authorized to construct, maintain, repair, and operate turnpike projects at locations authorized by the Legislature of the State and approved by the State Department of Transportation. The OTA receives its revenues from turnpike tolls and a percentage of the turnpike concessions sales. The OTA issues revenue bonds to finance the cost of turnpike projects.

J. **Grand River Dam Authority** (GRDA) **-** 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 GRDA produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma. The GRDA's customers consist of rural electric cooperatives, municipalities, industries and off-system sales. Sales to these customers are made on account.

K. **Oklahoma Municipal Power Authority** (OMPA) **-** 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. Also, the OMPA sells electric power to its member municipalities.

Oklahoma Development Finance Authority	Oklahoma Environmental Finance Authority	Oklahoma Housing Finance Agency (9-30-93 Fiscal Year)	Oklahoma Turnpike Authority (12-31-93 Fiscal Year)	Grand River Dam Authority (12-31-93 Fiscal Year)	Oklahoma Municipal Power Authority (12-31-93 Fiscal Year)	Total
$ 341	$ 2,866	$ 59,829	$ 84,632	$ 161,383	$ 66,846	$ 1,051,234
6	-	73	35,524	25,928	4,834	81,662
1,335	2,835	66,466	31,477	76,799	52,041	1,034,411
(1,000)	31	(6,710)	17,631	58,656	9,971	(65,339)
-	-	-	-	-	-	26,077
1,025	(32)	7,179	(5,411)	(63,902)	(17,050)	(8,740)
-	-	-	-	(1,800)	8,538	6,738
25	(1)	469	12,220	(7,046)	1,459	(41,264)
1,480	-	92,420	102,258	71,589	35,559	1,246,873
4,789	1,417	29,077	33,058	45,850	19,288	916,235
(3,309)	(1,417)	63,343	69,200	25,739	16,271	330,638
5,839	46,641	650,719	774,093	1,148,156	358,100	4,242,680
4,789	46,567	623,969	725,659	1,120,976	348,335	3,789,133
1,050	74	26,750	48,434	27,180	9,765	453,547
-	45,150	594,892	692,601	1,075,126	329,047	2,872,898
59	-	908	931,969	891,975	158,227	2,255,699
36	-	143	24,811	40,977	17,231	105,226
-	-	-	(640)	(41,657)	(26)	(57,685)
$ 95	$ -	$ 1,051	$ 956,140	$ 891,295	$ 175,432	$ 2,303,240

Oklahoma Housing Finance Agency's Federal Financial Assistance

The Oklahoma Housing Finance Agency (OHFA) received Federal financial assistance totaling $29,379,522 in housing assistance payments during the year ended September 30, 1993, under the Housing Assistance Payments Program. This Federal assistance was netted against applicable Federal expenditures on the financial statements. Therefore, no Federal revenue is presented for the OHFA operating statement.

Note 20. Retirement and Pension Systems

A. **General Description of the Retirement Systems**

The State administers six Public Employee Retirement Systems (PERS): 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). The Wildlife Conservation Commission and Oklahoma Housing Finance Agency have Retirement Systems that are privately administered. Information pertinent to each system is stated below.

OFPRS, OLERS, OPERS, OPPRS, and TRS are cost-sharing multiple-employer defined benefit PERS. URSJJ is a single-employer, cost-sharing defined benefit PERS. Pension benefit provisions for all PERS have been established by statute. Vesting information for each PERS is disclosed on an individual basis (Item C - System Details).

At June 30, 1994, the Plan's membership consisted of:

	OFPRS	OLERS	OPERS	URSJJ	OPPRS	TRS
Retirees and Beneficiaries Currently Receiving Benefits	6,282	686	16,582	135	1,538	28,012
Terminated Vested Participants	332	16	2,913	13	26	2,774
Deferred Option Plan Participants	-	162	-	-	328	-
Active Participants	9,756	983	44,853	246	3,405	76,280
Total	16,370	1,847	64,348	394	5,297	107,066*

* In addition, TRS had 7,993 of nonvested inactive participants at June 30, 1994, who are entitled to a refund of their accumulated contributions. Such amounts are included in the determination of the pension benefit obligation and are accounted for by TRS in the Suspense Fund which amounted to approximately $6,953,017 at June 30, 1994.

B. **Funding Status and Progress**

The total pension benefit obligation (PBO) is stated below on an individual basis. These totals are based on a standardized disclosure measure as required by GASB Statement 5. The standardized measure is the actuarial present value of credited projected benefits, adjusted for the effects of projected salary increases and any step-rate benefits estimated to be payable in the future as a result of employee service to date. Use of the standardized measure enables readers of the State financial statements to (1) assess on an ongoing basis the funding status of each system, (2) assess progress made in accumulating sufficient assets to pay benefits when due, and (3) make comparisons with other states or retirement systems. The standardized disclosure method is independent of the actuarial funding method used to determine contributions to the retirement systems. The assumptions used to determine the contribution rates are the same as/similar to those used in determining the pension benefit obligation.

Historical Trend Information for the six State administered PERS is found in the Other Required Supplementary Information of this report. This will provide information about the progress made by the State in accumulating sufficient assets to pay benefits when due.

Actuarial determinations are made for the six PERS by independent consulting actuaries for each respective PERS.

The following summary of selected actuarial data has been compiled in accordance with GASB Statement 5.

Pension Benefit Obligation (expressed in thousands):

	OFPRS	OLERS	OPERS	URSJJ	OPPRS	TRS
Actuarial Valuation Date	7-1-94	7-1-94	6-30-94	6-30-94	6-30-94	6-30-94
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 582,690	$ 142,041	$ 1,345,477	$ 25,611	$ 345,129	$ 3,290,081
Deferred Option Plan Participants: Member Employee-financed-vested	144,724	48,988	-	-	97,353	-
Current Employee:						
Accumulated employee contributions	56,184	*	172,724	8,309	53,777	1,467,903
Employer-financed vested	125,783	48,452	616,967	7,671	105,655	1,258,700
Employer-financed non-vested	159,838	38,949	371,111	29,543	137,903	59,546
Total pension benefit obligation	1,069,219	278,430+	2,506,279+	71,134	739,817	6,076,230+
Net Assets available for benefits:						
Cost	-	244,146	2,357,479	75,399	-	2,576,754
Market	623,115	**	**	**	609,679	**
Unfunded pension benefit obligation	$ 446,104***	$ 34,284	$ 148,800	$ (4,265)	$ 130,138	$ 3,499,476

* Accumulated employee contributions is reported in the amount listed as employer-financed vested.

** Market value of net assets available for benefits is:
OLERS - $242,990; OPERS - $2,396,968; URSJJ -$77,222; TRS - $2,658,124.

*** Presented net of monies currently held in the deferred option plan accounts, which amounts to $42,302,594.

\+ OLERS, OPERS, and TRS provide a contribution toward the cost of health insurance for electing members. Funding for such health insurance benefit is considered as part of the overall PERS requirement. No separation of pension obligation and health insurance obligation is made by the PERS and assets are not allocated between obligations. The pension benefit obligation disclosed above for OLERS includes $7,731,467 at July 1, 1994, relating to OLERS's health insurance obligation. The actuarial valuation for these obligations assumes that all active, deferred vested and deferred option plan members elect the health insurance benefit upon retirement

The pension benefit obligation for each of the six PERS was determined as part of an actuarial valuation at the dates noted in the table above.

Oklahoma Law Enforcement Retirement System

As a result of legislation enacted during fiscal 1994, beginning July 1, 1994, OLERS members who retired or were eligible to retire before July 1, 1980 (or their surviving spouses), will receive a monthly benefit equal to the greater of their current benefit or 2.5% of the gross salary currently paid to a highway patrol officer times the member's years of service. In addition, all retirees receiving benefits as of June 30, 1993, will receive a 2.5% increase in benefits on July 1, 1994. This legislation resulted in an increase to the pension benefit obligation at July 1, 1994, of approximately $6.5 million.

Oklahoma Public Employees Retirement System

The increase in the unfunded pension benefit obligation from June 30, 1994, to July 1, 1994, of approximately $37,700,000 is attributable to changes in OPERS provisions as mandated by House Bill 2228. Approximately $30.4 million of this increase is due to the impact of benefit cost of living increases provided by this bill. The remaining $7.3 million increase is due to the modification of the contribution rates and covered compensation limits, and changes in the benefit determination method as set forth in the bill. The provisions of House Bill 2228 affecting OPERS are more fully described in the Plan Amendments for OPERS.

The decrease in the unfunded pension benefit obligation from June 30, 1993, to July 1, 1993, is primarily attributable to changes in assumptions ($3,506,000) and changes in OPERS provisions ($275,000). Changes in assumptions related mainly to (1) salary increases on a graded scale ranging from 4.8% to 7.5% changed from a range of 5.2% to 8.0%, (2) adjustment of annual retirement rates, and (3) adjustment of the assumed rate of return on investments. The total benefit obligation and net assets available for benefits has also been adjusted to reflect the pro forma effect of the transfer of 74 members of the Capitol Patrol from OPERS to OLERS effective July 1, 1993, as mandated by Senate Bill 491. The actual transfer of $1,144,109 representing the Capitol Patrol members' pension benefit obligation was made in December 1993, and is included in refunds and withdrawals in the accompanying statement of revenue, expenses, and changes in fund balance.

Uniform Retirement System for Justices and Judges

The decrease in the surplus of net assets available for benefits over the total pension benefit obligation from June 30, 1994, to July 1, 1994, of approximately $350,000 is due primarily to the provisions of legislated plan amendments regarding eligibility for full retirement benefits and cost of living increases to retirement benefits as more fully described in the Plan Amendments for URSJJ.

C. **System Details**

Oklahoma Firefighters Pension and Retirement System

System Information

The Oklahoma Firefighters Pension and Retirement System (OFPRS) was established by legislative act and became effective on January 1, 1981.

In general, OFPRS provides defined retirement benefits based on members' final average salary, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. Retirement provisions are as follows.

- Full-time firefighters become 100% vested in retirement benefits earned to date after 10 years of credited service. Normal retirement is attained upon completing 20 years of service. The normal retirement benefit is equal to 2.5% of the member's final average compensation for each year of credited service, not to exceed 30 years. Final average compensation is defined as the average base salary over the highest 30 consecutive months of the last 60 months of participation. For volunteer firefighters, the monthly pension benefit is $5.33 for each year of credited service, not to exceed 30 years.

- A member is eligible for disability benefits after approval by the Board of Trustees based upon a medical examiner's report. Disability benefits are determined the same as retirement benefits.

- A $4,000 lump sum death benefit is payable to the beneficiary or estate of an active or retired participant upon the participant's death. For the years ended June 30, 1994 , total death benefits of $564,000 were paid from OFPRS.

- Upon withdrawal from OFPRS, members' contributions are refundable without interest if less than 10 years of service. If the withdrawal is after 10 years of service, the member may receive a refund without interest, or is entitled to receive a vested benefit based on 2.5% of final average salary for each year of service, payable at age 50 or the date the member would have completed 20 years of service, if later.

- Firefighters with 20 or more years of service may elect to participate in the Oklahoma Deferred Retirement Option Plan in lieu of normal or late retirement. Under the Defer red Retirement Option Plan, retirement benefits are calculated based on compensation and service at the time of election. The retirement benefits plus half of the municipal contributions on behalf of the participant are deposited into a deferred retirement account, which earns interest. The participant is no longer required to make contributions. Upon retirement, the firefighter receives his monthly retirement benefit as calculated at the time of election. In addition, the amount accumulated in the deferred retirement account is payable either as a lump sum or as monthly payments. As of June 30 , 1994, there were 589 members electing to participate in the Deferred Option Plan.

Contributions Required and Contributions Made

The contribution requirements of OFPRS are an established rate determined by the Oklahoma Legislature and are not based on actuarial calculations.

Participating full-time firefighters contribute 8% of applicable earnings, while participating municipalities contribute 11.5% of the member's applicable earnings. The contribution rate for paid firefighters is scheduled to increase on July 1, 1994 , to 12%, and increasing .5% each year through July 1996. In addition, the participating municipal ities contribute $60 for each volunteer firefighter. The State allocates 34% of the insurance premium tax collected from insurance companies on all types of insurance policies to OFPRS. The State may also allocate additional funds annually as needed to pay current costs and to amortize the unfunded actuarial present value of accumulated plan benefits.

Actuarially determined contribution requirements consist of an amount for normal cost that is the estimated amount necessary to finance benefits earned by the members during the current service year and an amount for amortization of the unfunded actuarially accrued liability over a period of the remainder of the 30-year amortization period. The actuarial determined amounts were calculated as of July 1, which did not significantly differ from June 30. The following actuarial information represents selected information relating to contribution requirements.

	July 1, 1994
Unfunded actuarial accrued liability	$ 468,230,426
Contribution requirement:	
Normal cost, mid-year	25,541,609
Amortization of unfunded actuarial accrued liability	41,091,486
Total required contribution	$ 66,633,095

Based on the actuarial valuation prepared July 1, 1993, the total contribution requirement for fiscal 1994 was $64,602,263. Of this amount, the contribution requirement for the State totalled $43,296,794, to cover normal cost and to amortize the unfunded obligation over a 30 year period for the year ending June 30, 1994. Actual contributions to OFPRS for the year ended June 30, 1994, consisted of employer contributions of $14,250,041, employee contributions of $8,007,252 and insurance premium taxes of $35,003,931. No State appropriations were received during the year .

Significant Actuarial Assumptions

An independent actuary has performed the actuarial valuation of the fund for the periods presented in the financial statements. The actuarial valuation, which was prepared using June 30, 1994, information, is based upon the "entry-age actuarial cost method" of funding. The more significant assumptions underlying the actuarial computations are as follows.

- Rate of return on investments: 7.5%
- Annual salary increase: Increases are assumed according to a sliding scale in five-year increments, starting at age 25 with a 7.4% increase and ending at 55 with a 5.7% increase. Benefit levels for voluntary firefighters are assumed to increase 5.5% per year.
- Cost of living adjustments: For employees not fully vested by May 1983: None.

  For employees fully vested by May 1983: Based on 2.75% increase in base salary.
- Retirement age: For volunteer firefighters, the later of current age or age when first eligible.

  Full-time firefighters are eligible for retirement after 20 years of service. Retirement ages vary by accumulated credited service as follows:

Service	Retirement Rate
20 years	50%
21-29 years	20%
30 years	100%

- Mortality basis: Active and retired employees:
  1975 Group Annuity Mortality Table

  Disabled employees:
  1965 Railroad Retirement Board Totally Disabled Annuitants
- Rate of turnover: A high scale at younger age levels becoming progressively lower as age advances, based upon a sample of 1,000 full-time and 1,000 volunteer firefighters.

The foregoing actuarial assumptions are based upon the presumption that OFPRS will continue. Were OFPRS to terminate, different assumptions and other factors might be applicable in determining the actuarial present value of accumulated Plan benefits.

Oklahoma Law Enforcement Retirement System

System Information

The Oklahoma Law Enforcement Retirement System (OLERS) was established July 1, 1947, for the purpose of providing retirement allowances and other benefits for qualified law enforcement officers as defined by Oklahoma statutes. Currently, agencies and/or departments who are members of OLERS are the Oklahoma Highway Patrol and Capitol Patrol of the Department of Public Safety, the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous

Drugs Control, the Alcoholic Beverage Law Enforcement Commission, members of the Department of Public Safety (DPS) Communications Division, DPS Waterways Lake Patrol Division, Park Rangers of the Oklahoma Tourism and Recreation Department, and inspectors of the Oklahoma State Board of Pharmacy.

The normal retirement date when the member is eligible to receive retirement benefits is when the member completes 20 years of service or age 62 with 10 years of service.

Members become vested upon completing 10 years of credited service as a contributing member of OLERS. No vesting occurs prior to completing 10 years of credited service. Members' contributions are refundable, without interest, upon termination prior to normal retirement. Members who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the member is entitled to a monthly retirement benefit commencing on the member's normal retirement date as if the member's employment continued uninterrupted.

Monthly retirement benefits are calculated at 2.5% of the highest 30 consecutive complete months of actual paid base salary multiplied by the years of credited service.

Members who became disabled prior to the member's normal retirement date, and by direct reason of the performance of the member's duties as an officer, receive a monthly benefit equal to the greater of 50% of the average of the highest 30 consecutive complete months of actual paid base salary or 2.5% of the average of the highest 30 consecutive complete months of actual paid base salary multiplied by the number of years of the member's credited service.

Members who became disabled prior to the member's normal retirement date but after completing 3 years of vesting service and not by reason of the performance of the member's duties as an officer or as a result of the member's willful negligence, receive a monthly benefit equal to 2.5% of the average of the highest 30 consecutive complete months of actual paid base salary multiplied by the number of years of the member's credited service.

Upon the death of a member, retirement benefits are paid, with certain limitations, to named beneficiaries. A $4,000 death benefit is also paid to the member's beneficiary.

OLERS will contribute $75 per month or the Medicare supplement premium, if less, toward the cost of health insurance for members receiving retirement benefits. These benefits commence upon retirement. As of June 30, 1994, 320 members have elected this benefit. The pension benefit obligation includes $7,731,467 at July 1, 1994, relating to OLERS's health insurance obligation. The actuarial valuation for these obligations assumes that all active, deferred vested and deferred option plan members elect the health insurance benefit upon retirement.

The Oklahoma State Legislature has the authority to grant percentage increases to persons receiving benefits from OLERS.

OLERS receives contributions from State agencies and members of 10% and 8%, respectively, of the actual paid base salary of each member. OLERS also receives 1.2% of all fees, taxes, and penalties collected by motor license agents, 50 cents per vehicle inspection sticker issued and 5% of the insurance premium taxes collected by the Insurance Commissioner. Additional funds are also provided to OLERS by the net investment income generated on assets held by OLERS.

Contributions Required and Contributions Made

Contributions to OLERS are generated from established agency and employee contribution rates, and certain revenues dedicated by the Oklahoma Legislature and are not based on an actuarially calculated contribution amount.

Actuarially determined contribution requirements consist of an amount for normal cost which is the estimated amount necessary to finance benefits earned by the members during the current service year and an amount for amortization of the unfunded actuarially accrued liability over a 20-year period beginning July 1, 1988. Such requirement is intended to guide the Legislature in funding OLERS in a reasonable manner over a 20-year period. The actuarially determined contribution requirement for the 1994 fiscal year was $10,726,300, and was determined using the entry age actuarial cost method and actuarial assumptions that are similar to those used to calculate the pension benefit obligation. Contributions actually received by OLERS during fiscal year 1994 were $2,275,000 from member contributions, $3,384,000 from employer contributions and $11,628,000 from dedicated revenues which represented 8%, 12% and 43% of annual covered payroll, respectively.

Significant Actuarial Assumptions

Significant actuarial assumptions used in the valuation were (1) the assumed rate of return on investment of present and future assets of 7.0% per year compounded annually, (2) life expectancy of post-retirement participants based upon published mortality tables, (3) retirement age and turnover assumptions consistent with the experience of OLERS, and (4) salary rate increases at 5.0% per year. Actuarial assumption changes caused the July 1, 1994, pension benefit obligation to increase by approximately $21.6 million from July 1, 1993.

Deferred Option Plan

Beginning September 1, 1991, active participants had the option to elect the Oklahoma Law Enforcement Retirement System Deferred Option Plan. The Deferred Option Plan allows members who have 20 or more years of service to defer terminating employment and drawing retirement benefits for a period not to exceed 5 years. Under the Deferred Option Plan, a separate account is set up for each member. During the participation period, the member's retirement benefit that would have been payable to the member is credited to the member's account along with a portion of the employer's contribution and interest as specified in the Deferred Option Plan provisions. Member contributions cease once participation in the Deferred Option Plan begins. At the conclusion of participation in the Deferred Option Plan, the member will receive the balance in the member's separate account under payment terms allowed by the Deferred Option Plan and will then begin receiving normal retirement benefit payments.

Oklahoma Public Employees Retirement System

System Information

The Oklahoma Public Employees Retirement System (OPERS) covers substantially all State employees, except employees covered by the five other PERS sponsored by the State of Oklahoma (the State), and employees of participating county and local agencies. Agencies and/or participants not included in OPERS are as follows: Teachers, Municipal Police, Municipal Firemen, Judicial, Wildlife, and State Law Enforcement.

For purposes of the discussion on benefits and contributions, the members are described in the following categories: eligible officers, which includes certain employees of the Department of Corrections who are classified as a correction officer or a probation and parole officer; elected officials, which includes all elected officials who serve the State and participating counties except those officials covered by the other five PERS sponsored by various agencies of the State as outlined above; and State, county, and local agency employees, which includes all other employees described above. If the member category is not specifically identified, the attributes of OPERS discussed apply to all members.

State, County, and Local Agency Employees

Benefits are determined at 2% of the average highest 3 years' annual covered compensation received during the last 10 years of participating service multiplied by the number of years of credited service. Normal retirement age under OPERS is 62. To qualify for "incentive credit" a member must be within two years of reaching their normal retirement date or eligible for or within two years of being eligible for early retirement. Members become eligible to vest fully upon completing 8 years of credited service. Members' contributions may be withdrawn upon termination of employment.

Elected Officials

Benefits are determined as the greater of the calculation described in the preceding paragraph or on a range from 1.9% to 4% of the highest annual covered compensation during the elected officials' participating service, but not to exceed $40,000, multiplied by the number of years of credited service. Normal retirement age under OPERS is 60. Members become eligible to vest fully upon completing 6 years of credited service. Members' contributions are may be withdrawn upon termination of employment.

Eligible Officers

Benefits are determined at (1) 2.5% of the final average compensation not to exceed $25,000 and 2% of the final average compensation in excess of $25,000 up to $40,000 multiplied by the number of years of service as an eligible officer accrued July 1, 1990, and after, (2) 2.25% of the final average compensation not to exceed $25,000 multiplied by the number of years of service accrued as an eligible officer prior to July 1, 1990, and (3) 2% of the final average compensation multiplied by the number of years of service in excess of 20 years and any other years of service creditable. Normal retirement age under OPERS is 50 with 20 years of creditable service as an eligible officer. However, members who contribute but do not qualify for normal retirement shall receive benefits computed at 2.5% of the final compensation for those full time years as an officer after July 1, 1990, 2.25% before July 1, 1990, and 2% for all other years of credited service. Members become eligible to vest fully after 20 years of full time service as an officer.

Members qualify for full retirement benefits at their specified normal retirement age or when the sum of the members' age and their years of credited service equals or exceeds 80. Credited service is the sum of participating and prior year service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employee and active wartime military service. A member with a minimum of 9 years, 6 months of participating service may elect early retirement with reduced benefits beginning at age 55.

As mandated by Senate Bill 568, all individuals who become members of OPERS subsequent to June 30, 1992, will qualify for full retirement benefits at the age of 62 or when the sum of the member's age and their years of credited service equals or exceeds 90.

Disability retirement benefits are available for members having 8 years of credited service whose disability benefit has been certified by the Social Security Administration and are determined in the same manner as retirant benefits, but payable immediately without an actuarial reduction.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest a retirement benefit at the time of death and the spouse is the named beneficiary, benefits can be paid in monthly payments over the remaining life of the spouse if the spouse so elects. Benefits are payable to the surviving spouse of a statutory elected official only if the elected official had at least 6 years of elected service and was married at least 3 years immediately preceding death. Survivor benefits are terminated upon death and, for elected officials, remarriage of the surviving spouse. Upon the death of a retired member, with no survivor benefits payable, the member's beneficiary(ies) are paid the excess, if any, of the member's accumulated contributions over the sum of all retirement benefit payments made.

Upon the death of a retired member, OPERS will pay $4,000 to the member's beneficiary or to the estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary. Death benefits paid for the year ended June 30, 1994, totaled approximately $2,406,000.

OPERS remits $75 per month per eligible retiree, excluding beneficiaries, for health benefits to the Oklahoma State and Education Employees Group Insurance Board. The amount remitted for the year ended June 30, 1994, was approximately $10,754,000.

Contributions Required and Contributions Made

The contribution requirements of OPERS are an established rate determined by the Oklahoma State Legislature and are not an actuarial calculation.

<u>State, County, and Local Agency Employees</u>

In fiscal year 1994, State employees contributed 2% and other participants contributed between 2% and 7% of the first $25,000 of earned compensation. The employee whose annual salary exceeded $25,000 could elect to contribute 10% of salary in excess of $25,000 to a maximum of $40,000.

State agencies contributed 11.5% in 1994 of active employees' earned compensation up to the first $25,000 of wages, and other employing agencies contributed between 6.5% and 11.5% of the first $25,000 of salary.

The State and the other employing agencies also contributed 11.5% in 1994 of participants' annual earned compensation in excess of $25,000, not to exceed $40,000, for participants who elected to pay contributions on their earned compensation in excess of $25,000.

<u>Elected Officials</u>

Elected officials for both State and other employing agencies contributed between 4.5% and 10% of the first $25,000 of earned compensation. Elected officials whose annual salary exceeded $25,000 could elect to contribute 10% of salary in excess of $25,000 to a maximum of $40,000. State and other employing agencies contributed 10% of the total salary amount that the elected official elected for contributions, up to a maximum of $40,000.

<u>Eligible Officers</u>

Eligible officers contributed 6.5% in 1994 of the first $25,000 of earned compensation. An eligible officer whose annual salary exceeded $25,000 could elect to contribute 10% of salary in excess of $25,000 to a maximum of $40,000. The employing agency contributed 11.5% of the total salary amount that the eligible officer elected for contributions, up to a maximum of $40,000 in 1994.

Actuarially determined contribution requirements consist of an amount for normal cost that is the estimated amount necessary to finance benefits earned by the members during the current service year and an amount for amortization of the unfunded actuarially accrued liability over a period of the remainder of the 25-year amortization period. The unfunded actuarially accrued liability and the actuarially determined contribution requirement at July 1, 1994, as determined by the Plan's consulting actuary, were $634,191,302 and $161,843,510, respectively. The actuarially determined contribution requirement for normal cost for the years ending June 30, 1995, and 1994, respectively is $85,614,712 and $78,806,146 and the amount for amortization of the unfunded actuarially accrued liability is $63,060,764 and $37,794,607. Included in the required contribution at July 1, 1994, is $13,168,034 for the year ending June 30, 1995, for estimated administrative expenses.

Significant Actuarial Assumptions

Significant actuarial assumptions used in the valuation as of June 30, 1994, were (1) the assumed rate of return on investments, 7.5% compounded annually, (2) life expectancy of participants based upon published mortality tables, (3) retirement age assumptions consistent with the normal retirement age assumptions under OPERS, (4) salary increases on a graded scale ranging fro m 4.8% to 7.5% per year, and (5) the percentage married assumption is 85% and males are assumed to be 4 years older that their spouses.

Plan Amendments

The following is a summary of significant pla n provision changes that have been enact ed during the fiscal year ended June 30, 1994, and their effective date .

As a result of Senate Bill 2228, effective July 1, 1994, the following changes to OPERS have been made:

- <u>Contributions</u>

  The option for each employee to elect whether or not contributions are made on annual salaries up to $40,000 in excess of $25,000 has been eliminated. Each member will participate based on their gross salary earned (excluding overtime) up to the maximum annual salary cap as set forth in the following table. The new contribution rates established in the bill for State employees and agencies are summarized in the table below.

	State Employees			State Agencies			
Year Ended June 30	First $25,000	Next $15,000	Above $40,000 To Cap	First $25,000	Next $15,000	Above $40,000 To Cap	Salary Cap
1995	2.0%	3.5%	10.0%	11.5%	11.5%	0.0%	$ 50,000
1996	2.0%	3.5%	3.5%	11.5%	11.5%	11.5%	60,000
1997	2.5%	3.5%	3.5%	12.0%	12.0%	12.0%	70,000
1998	3.0%	3.5%	3.5%	12.5%	12.5%	12.5%	80,000
Thereafter	3.5%	3.5%	3.5%	12.5%	12.5%	12.5%	No Cap

  County and local agencies and their employees may elect to divide their total contribution between the employer and employee on annual salaries up to $25,000 in varying ratios. However, the sum of the percentage contributions of the employer and employee must equal the required combined percentage of such contributions for State agencies and employees, and the employer and the employee share must fall within allowed maximums and mimimums, as determined by OPERS. Contributions for salaries over $25,000 for both employer and employee are to be determined on the same basis as for State employers and employees set forth above.

  Eligible officers will contribute 6.5% for the year ended June 30, 1995 and 1996, on the first $25,000 of eligible salaries. This amount will increase by 0.5% annually to a maximum of 8.0% for the fiscal year beginning July 1, 1998. Eligible officers' contributions for salaries over $25,000 up to the applicable salary cap will be made at 8.0% for all periods. Employer contributions for eligible officers will be made on the same basis as for State agencies, as set forth in the preceding table.

Effective July 1, 1994, elected officials' member contributions will be subject to the maximum compensation levels set forth for State employees, although their option to select a contribution factor ranging from 4.5% to 10.0% remained unchanged. The participating employers will contribute on the elected official's covered salary using the same percentages and limits as State agencies.

- Cost of Living Increase

  The bill provides for an increase in retirement payments, effective July 1, 1994, for persons receiving benefits from OPERS as of June 30, 1993. The annual increase will be conputed by multiplying $9.94 times the number of years of the retired members' credited service. The increase will be adjusted to reflect the impact of any survivor benefits selected by the member at the time of retirement. A minimum final average salary for all members receiving benefits as of June 30, 1994, is set at $13,800 effective July 1, 1994. The $13,800, adjusted as defined in the bill for years of credited service, may be used as the base for calculating the increase in retirement benefits.

- Limit on Increases in Retirement Benefits

  Effective July 1, 1995, increases in retirement benefits which would cause the funded ratio of OPERS after payment of the increases to be less than 70% are prohibited. The funded ratio is defined as the actuarial value of assets divided by the actuarial accrued liability of OPERS.

- Other

  The three-year period for electing the over $25,000 salary cap is eliminated and those members who failed to make the election prior to June 30, 1994, may make such an election at any time prior to retirement by paying the back employee contributions plus 7.5% compounded interest.

  For benefit determination purposes, credited service and final average salary will be bifurcated between those earned prior to and after July 1, 1994. Benefits will be determined for each period and combined for the purpose of determining the maximum benefit.

As a result of Senate Bill 786, effective July 1, 1994, the following change to OPERS has been made.

- Members who retire under one of the two survivor benefit options will be allowed to change their benefit selection from the chosen option back to the maximum benefit (no option, no reduction in benefits) upon the death of the member's selected joint annuitant (survivor).

As a result of Senate Bill 767, effective July 1, 1994, the following change to OPERS has been made.

- Members will be provided with an alternative to purchasing service credit for transfers of qualified service credit between OPERS and TRS. The transferring PERS will transfer funds to the receiving PERS for service credit on an unescalated salary basis. The receiving PERS will price the service credit on an escalated salary basis with the member paying the receiving PERS an amount equal to the difference.

As a result of House Bill 2331, effective July 1, 1994, the following change to OPERS has been made:

- OPERS will withhold dues for qualified organizations from retired members monthly benefit payment as authorized by the member.

Uniform Retirement System for Justices and Judges

System Information

The Uniform Retirement System for Justices and Judges (URSJJ) covers all justices and judges of the Oklahoma Supreme Court, Court of Criminal Appeals, Workers Compensation Court, Court of Appeals, and District Courts.

Benefits are determined at 4% of the retirant's average monthly compensation for covered active service over the last five years times the total years of service in URSJJ, not to exceed 70% of a retirant's average monthly compensation for the last five years. Normal retirement ages under URSJJ are as follows.

- When the sum of years served and age equals or exceeds 80
- Age 70 with 8 years of service
- Age 65 with 10 years of service
- Age 60 with 20 years of service

All members that enter URSJJ on or after July 1, 1992, will be eligible for full retirement benefits when the sum of years of credited service and age equals or exceeds 90. Legislation effective July 1, 1994, eliminated this provision (see Plan amendments).

Members are eligible to vest fully upon completing eight years of credited service. Members' contributions may be withdrawn at the time such member ceases to be a justice or judge of a court within URSJJ.

Any justice or judge who becomes a member of URSJJ when first eligible will receive credit for all years service in any court of record.

Disability retirement benefits are available for members who have at tained age 55 and have 15 years of credited service and are determined in the same manner as the normal retirement benefit. The Court on the Judiciary may override these requirements if it is determined that any judge or justice is no longer capable of performing regular duties.

Upon the death of an active member, URSJJ will pay to the designated beneficiary the sum of the active member's accumulated employee contributions. However, if the deceased member contributed to survivor benefits, the spouse of the member may choose to vest the member's service (8 years required) until the spouse is age 60 and monthly survivor benefits as defined by URSJJ are payable.

Upon the death of a retired member, URSJJ will pay a supplemental death benefit of $4,000 to the member's beneficiary or to the estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

Survivor benefits are paid to a member's spouse provided the member make s the contribution requirements and the spouse qualifies under URSJJ provisions. These payments are made in a monthly payment at the later of his or her current age or age 60 over the remaining life of the spouse. If the member has ten years of service and the death is determined by the Workers' Compensation Court to be employment related, the benefit is payable immediately to the spouse. Members must have eight years of credited service before their spouses are eligible for normal survivor benefits. The benefit payment is equal to 50% of the normal retirement benefit.

URSJJ remits $75 per month per eligible retiree, excluding beneficiaries, for health insurance benefits to the Oklahoma State and Education Employees Group Insurance Board. The amount remitted for the year ended June 30, 1994, was approximately $56,000.

Contributions Required and Contributions Made

The contribution requirements of URSJJ are an established rate determined by the Oklahoma Legislature and are not an actuarial calculation. Member contributions for fiscal 1994 are 5% of members' monthly salary. If a member elects to extend the provisions of URSJJ to a surviving spouse, contributions are 8% of a member's monthly salary. Contributions from the participating courts are 10% of all fines, forfeitures and penalties received by the courts. Such contributions are determined each quarter.

Actuarially determined contribution requirements consist of an amount for normal cost that is the estimated amount necessary to finance benefits earned by the members during the current service year and the amount required, if any, for amortization of the unfunded actuarially accrued liability over a period of the remainder of the original 20 year amortization period from July 1, 1988. The actuarially determined contributions requirement as of July 1, 1994, are computed as follows.

	July 1, 1994
Unfunded actuarial accrued liability	$ -
Contribution requirement for normal cost	3,479,178
Amortization of unfunded actuarially accrued liability	-
Estimated administrative expense for subsequent plan year	372,741
Actuarially determined contribution requirements	$ 3,851,919

Significant Actuarial Assumptions

Significant actuarial assumptions used in the valuation as of June 30, 1994, were (1) assumed rate of return on investments, 7.5% compounded annually, (2) life expectancy of participants based upon published mortality tables, (3) retirement age assumptions consistent with the normal retirement age assumptions under URSJJ, (4) salary increases at 5.5% per year, and (5) the percentage married assumption is 85% and males are assumed to be 4 years older than their spouses.

Plan Amendments

Effective July 1, 1994, Senate Bill 615 removes the provision from the statute which provided that all members who entered URSJJ on or July 1, 1992, would be eligible for full retirement benefits when the sum of their years of credited service and age equaled or exceeded 90. Subsequent to the effective date, in addition to the age and years of service method of determining normal retirement age, all members will be eligible for full retirement benefits when the sum of their years of credited service and age equal or exceed 80.

House Bill 2228 provides for an increase in retirement payments, effective July 1, 1994, for persons receiving benefits from URSJJ as of June 30, 1993. The annual increase will be computed by multiplying $31.20 times the number of years of the retirant's credited service. The increase will be adjusted, as applicable, to reflect the 50% reduction for retirees receiving survivor benefits. Effective July 1, 1995, this bill also prohibited increases in retirement benefits which would cause the funded ratio of URSJJ after payment of the increases to be less that 70%. The funded ratio is defined as the actuarial value of assets divided by the actuarial accrued liability of URSJJ.

Oklahoma Police Pension and Retirement System

System Information

The Oklahoma Police Pension and Retirement System (OPPRS) covers substantially all police officers employed by the 107 participating municipalities within the State. Police officers employed in participating municipalities are required to participate in OPPRS. Police officers are required to pass physical and medical examinations, and must be at least 21 years of age.

The normal retirement date under OPPRS is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing ten years of credited service as a contributing participant of OPPRS. No vesting occurs prior to completing ten years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed ten years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date he reaches 50 years of age or the date he would have had 20 years of credited service had his employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years or actual service if greater than 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service, not to exceed 30 years. This disability benefit is also reduced by stated percentages for partial disability based on the percentage impairment.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is also entitled to a pension benefit. A $4,000 death benefit is also paid, in addition to any survivor's pension benefits under OPPRS, to the participant's beneficiary or estate.

Beginning in fiscal year 1991, active participants had the option to elect the Oklahoma Police Deferred Option Plan (the "Plan"). The Plan allows participants otherwise eligible for a normal retirement benefit to defer terminating employment and drawing retirement benefits for a period not to exceed 5 years. Under the Plan, a separate account is established for each participant. During the participation period, the employee's retirement benefit that would have been payable to the participant is credited to his account along with a portion of the employer's contribution and interest as specified in the Plan provisions. Employee contributions cease once participation in the Plan is elected. At the conclusion of participation in the Plan, the participant will receive the balance in his separate account under payment terms allowed by the Plan and will then begin receiving retirement benefit payments currently.

Contributions Required and Contributions Made

Until July 1, 1991, each municipality contributed to OPPRS 10% of the actual base salary of each participant employed by the municipality. Beginning July 1, 1991, municipality contributions increased by .5% per year and will continue until July 1, 1996, when the contribution levels reach 13%. Each participant of OPPRS contributes 8% of actual paid base salary. Additional funds are provided to OPPRS by the State through an allocation of the tax on premiums collected by insurance companies operating within the State, and by the net investment income generated on assets held by OPPRS.

Significant Actuarial Assumptions

Significant actuarial assumptions used include (1) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (2) projected salary increases of 6% per year compounded annually, (3) life expectancy of post-retirement participants estimated by the 1983 Group Annuity Mortality Table and (4) retirement, termination and disability assumptions are based on graduated rates.

The Oklahoma State Legislature has the authority to grant percentage increases to persons receiving benefits to retirees receiving benefits from OPPRS. Additionally, certain retirees are entitled to receive cost of living allowance (COLA) when a COLA is granted to active police officers in the retiree's municipality. Participants eligible to receive both types of benefit increases are to receive the greater of the legislative increase or the benefit increase the participant would receive pursuant to the COLA provision. The Oklahoma State Legislature granted a 2.5% increase in benefits to retirees receiving benefits as of June 30, 1993, effective July 1, 1994. Retirees receiving automatic COLAs will have this amount offset by the cumulative increases received after July 1, 1990. This legislation increased the pension benefit obligation as of July 1, 1994, by $4.6 million.

Contingencies

Subsequent to June 30, 1994, OPPRS reached a settlement with a group of participants requesting increased benefits due to the application of prior COLAs. The settlement resulted in OPPRS paying increased prior benefits plus interest. This settlement, estimated at $3,250,000, was recorded as retirement benefits payable at June 30, 1994, in the accompanying statement of net assets available for plan benefits.

OPPRS also reached a settlement, during fiscal 1994, with all participants related to military service. OPPRS now considers military service prior to becoming a participant in OPPRS as credited service for benefits. The settlement was recorded as retirement benefits payable at June 30, 1994, in the amount of $3,154,000, in the accompanying statement of net assets available for plan benefits. This settlement increased the June 30, 1994, pension benefit obligation by approximately $13.8 million.

Teachers' Retirement System of Oklahoma

System Information

The Teachers' Retirement System of Oklahoma (TRS) was legislatively established as of July 1, 1943, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions.

TRS provides defined retirement benefits based on members' final compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Benefit and funding provisions include:

Members become 100% vested in retirement benefits earned to date after 10 years of credited State service. Members who joined TRS on June 30, 1992, or prior, are eligible to retire at maximum benefits when age and years of creditable service total eighty. Members joining TRS after June 30, 1992, are eligible for maximum benefits when their age and years of creditable service total ninety. Members whose age and service do not equal the eligible limit may, at age 62, receive full benefits or reduced benefits as early as age 55. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service. Final compensation for members who joined TRS on June 30, 1992, or prior, is defined as the average salary for the three highest years of compensation. Final compensation for members joining TRS after June 30, 1992, is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The maximum final average compensation is $25,000, unless the member elects to make contributions on amounts above $25,000 in which case the maximum final average compensation is $40,000.

A member is eligible for disability benefits after 10 years of credited State service. The disability benefit is equal to 2% of final compensation for each year of credited service.

Upon separation from TRS, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the Internal Revenue Code.

Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the Internal Revenue Code under Code Section 403(b).

The contribution requirements of TRS are an established rate determined by the Oklahoma Legislature and are not an actuarial calculation. Participating members are required to contribute 6.0% of their applicable earnings up to a maximum of $25,000 and may elect to contribute 9 % on the earnings in excess of $25,000 limited to $40,000. In 1994, employers are required to contribute 7.5% of a member's earnings up to the maximum compensation level. Contributions received by TRS from the State are used to offset required employer contributions. In 1994, employers contributed 2% of member earnings while the State contributed the remaining 5.5%. Current appropriations require the State to contribute 5/7ths of 78% of the natural and casinghead gas tax collected each year to a maximum of $152,000,000. TRS received approximately $150,000,000 from the State and approximately $8,000,000 from Federal sources in 1994. Member contributions were approximately $148,000,000 in 1994, while employer contributions were approximately $42,000,000 in 1994.

For retirees that elect to obtain health insurance coverage through the Oklahoma State and Education Employees Group Insurance Board (the "Board"), TRS pays between $70 and $75 per month to the Board for each retiree, depending on the members' years of service. Such amounts were approximately $19,000,000 and $18,500,000 in 1994 and 1993, respectively, and are included in retirement, death and survivor benefits.

Contributions Required and Contributions Made

As noted above, the Oklahoma Legislature determines contribution requirements. Actuarially determined employer contributions, which include contributions from the various school districts, Federal sources, and the State, are calculated in accordance with Section 17-106 of the Oklahoma Statutes; however, such amounts are not used for the purpose of determining actual contributions made.

Actuarially determined employer contribution requirements consist of an amount for normal cost which is the estimated amount necessary to finance benefits earned by the members during the current service year and an amount for amortization of the unfunded actuarial accrued liability over a period of the original 40-year amortization period, beginning July 1, 1987. Such amounts are determined using the entry-age-normal cost method adopted in 1990 which assumes similar actuarial assumptions that were used to calculate the pension benefit obligation. To the extent that TRS's actual experience does not match the actuarial assumptions, gains or losses occur. Such gains or losses reduce or increase the unfunded actuarial accrued liability.

The actuarially determined employer contribution requirements, as determined by TRS's consulting actuary in their actuarial valuations as of June 30, 1994, was $386,000,000. This amount represents the required employer contributions, determined in accordance with Section 17-106 of the Oklahoma Statutes, projected at the beginning of the year ending June 30, 1995. Actuarially determined employer contributions for the year ended June 30, 1994, were approximately 16.5% of covered payroll. Actual employer contributions made during 1994 of approximately $199,500,000 were approximately 9.1% of covered payroll.

In 1992, the Oklahoma Legislature passed Senate Bill 568 which resulted in changes in the amount and manner in which employer contributions are determined and made. For years beginning July 1, 1992, employer contributions are fixed at certain percentages of annual compensation. Contributions from the State, through the dedicated natural and casinghead gas tax, will be used to reimburse the employers for a portion of the contributions required under Senate Bill 568. The employer is now responsible for making up any difference in the dedicated tax from the State of Oklahoma and the required employer contribution. Because the employer contribution rates are fixed under Senate Bill 568, the period of amortization of the unfunded actuarial accrued liability is considered a more meaningful indicator of contribution requirements than the actuarilly determined contribution requirement in accordance with Section 17-106 of the Oklahoma Statutes.

The actuarial accrued liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs. The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of assets. An analysis of the unfunded actuarial accrued liability is as follows (expressed in thousands).

Unfunded actuarial accrued liability at the beginning of the year	$ 3,887,700
Expected increase based on required contribution from prior actuarial valuation	210,200
Gain on assets	37,500
Difference between actual and expected contributions	(50,600)
Experience loss	(113,400)
Impact of Legislative changes	67,400
Unfunded actuarial accrued liability at the end of year	$ 4,038,800

In their actuarial valuation as of June 30, 1994, TRS's consulting actuaries have determined that the funding period to amortize the unfunded actuarial accrued liability is approximately 19.5 years.

Significant Actuarial Assumptions

Significant actuarial assumptions used in the valuation were: (1) the assumed rate of return on investments, which was 8% per year, compounded annually, (2) retirement age and termination assumptions consistent with the experience of TRS, (3) life expectancy of participants based upon published mortality tables for retired participants and consistent with the experience of TRS for active participants, (4) salary rate increases based on a merit and promotional component consistent with the experience of TRS, plus a 5% inflation component, and (5) a payroll growth rate assumption of 5%.

Plan Amendments

In 1994, the Oklahoma Legislature passed Senate Bills 767 and 768 and House Bill 2228. These bills become effective July 1, 1994. Senate Bill 767 provides for the transfer of service credit between TRS and the OPERS. Senate Bill 768 changes the jount options to "pop-up" options. This change was made for both current and future retirees. Under a pop-up option, if the joint annuitant predeceases the member, the member's benefit is increased to the amount the benefit would have been if the member had elected a life only annuity. House Bill 2228 provided for an ad hoc COLA payable to members receiving benefits. The average increase is about 2.5%. The future effect of the legislation passed in 1994 on the unfunded actuarial accrued liability is shown above.

The Wildlife Conservation Commission Retirement System

The Wildlife Conservation Commission Retirement System, a privately administered defined-contribution retirement plan, provides lifetime benefits for each eligible member. Eligible members consist of all full-time employees of the Department of Wildlife Conservation who have completed one year of service and agreed in writing to make member contributions. Benefits to r etired employees are generally based on the final average earnings and continuous years of service. Contribution requirements are based on total annual compensation rather than total covered compensation. Total annual compensation included in the valuation was $9,230,214. The D epartment contributes an amount necessary to keep the p lan funded. The Commission contributed $687,743 for the year ended June 30, 1994. Employees contribute 2% of their base salary. Total employee contributions totaled $184,280 for the year ended June 30, 1994.

Oklahoma Housing Finance Agency Retirement Plan

The Oklahoma Housing Finance Agency (OHFA), a component unit, contributes to the Oklahoma Housing Finance Agency Retirement Plan, which is a defined contribution plan. Under its provisions, employees become eligible for the plan after one year of service, at which time OHFA may contribute up to 10% of the employees' compensation to the Plan. OHFA's contribution amount is at the discretion of the Board of Trustees and does not have any limitations. Employees begin vesting after two years of service and become fully vested after six years of service. OHFA's retirement plan expense for the year ended September 30, 1993, was $223,976. The total payroll was $2,367,984 and total covered payroll was $2,239,780 for the year ended September 30, 1993. Contributions made by OHFA represent 10% of covered payroll for 1993.

Other Retirement Systems

Higher Education Component Unit

The entities included in the Higher Education Component Unit are all participants in the Teachers Retirement System of Oklahoma. However, some employees, depending on job classification, are covered by other retirement plans. The specific disclosures regarding these retirement plans can be found in each entity's financial statements, which has been previously issued under separate cover.

Public Beneficiary Trusts

Some Public Beneficiary Trusts are not eligible for participation in OPERS. These trusts may have their own retirement plans.

D. **Investments**

The following is a summary of the investments of the six State PERS (amounts are rounded and expressed in thousands).

	OFPRS	OLERS	OPERS	URSJJ	OPPRS	TRS
Debt Securities:						
U.S. Government, cost	$ -	$ 76,841	$ -	$ -	$ -	$ 931,562
U.S. Government, FMV	138,004	-	-	-	165,414	-
Foreign Corporate, FMV	308	-	-	-	-	-
Corporate Bonds and Indentures, cost	-	19,925	-	-	-	376,550
Corporate Bonds, FMV	26,750	-	-	-	48,448	-
Short-Term Investments, cost	-	17,692	-	-	-	211,885
Short-Term Investments, FMV	159,590	-	-	-	71,440	-
Common and Preferred Stocks, cost	-	134,765	983,750	34,177	-	1,092,152
Common and Preferred Stocks, FMV	288,095	-	-	-	348,685	-
Temporary Investments, cost	-	-	154,434	6,184	-	-
Foreign Equity Securities, cost	-	-	226,964	7,500	-	58,091
Foreign Equity Securities, FMV	57,165	-	-	-	-	-
Fixed Income Securities, cost	-	-	876,660	26,962	-	-
Foreign Fixed Income Securities, cost	-	-	2,825	-	-	78,208
Growth Equity Mortgage Pool, FMV	-	-	-	-	189	
Guaranteed Investment Contracts, cost	-	-	-	-	-	28,641
Real Estate Funds	-	-	101,852	-	-	-
Total	$ 669,912	$ 249,223	$ 2,346,485	$ 74,823	$ 634,176	$ 2,777,089

Note 21. Other Postemployment Benefits

In addition to the pension benefits described in Note 19, the State provides post-retirement health care benefits (OPEB). OLERS, OPERS and URSJJ pay the Medicare supplement premium or $75 per month, whichever is less, for all retirees who elect coverage at time of retirement. TRS pays between $70 and $75 per month for each retiree, depending on the member's years of service.

	Current Year Expenditures	Eligible Participants	Enabling Legislation
OLERS	$ 7,731,467	320	Title 74, 1316.2
OPERS	$ 10,754,000	12,077	Title 74, 1316.2
URSJJ	$ 56,000	59	Title 74, 1316.2
TRS	$ 19,000,000	22,069	Senate Bill 535

OLERS, OPERS, and TRS advance fund postemployment health care benefits on an actuarially determined basis through the respective PERS. Disclosure information regarding OPEB is included in Note 20.

OFPRS and OPPRS provide no other postemployment benefits.

Note 22. Commitments

A. Primary Government

The **Department of Transportation** had contractual commitments at June 30, 1994, of approximately $310 million 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 totalling $20 million for the General Fund and $7.1 million for the Capital Projects Fund. The **Department of Rehabilitation Services** had long term projects totalling $1.1 million for the General Fund.

The **Oklahoma Center for the Advancement of Science and Technology** (OCAST) has contracts with various institutions and organizations for the purpose of funding the specific objectives authorized by its Board of Directors within the scope of the programs it administers. Fund Balance, Reserved for Other Special Purposes, includes commitments to grantees, in the amount of $409,678. Substantially all of this amount will be paid to grantees over the next year. For the year ended June 30, 1994, OCAST made payments to the grantees in the amount of $2,495,931.

B. Component Units

The **Oklahoma Industrial Finance Authority** had outstanding loan commitments at June 30, 1994, approved by its Board of Directors totaling $1,616,000. Subsequent to June 30, 1994, OIFA has issued additional commitments of $930,000. These loan agreements included a "pending clause" which stated that money would be disbursed upon availability of funds.

The **Oklahoma Turnpike Authority** (OTA) had commitments at December 31, 1993, outstanding relating to equipment orders and maintenance projects of approximately $1,159,000. At December 31, 1993, OTA had commitments outstanding relating to construction contracts of approximately $5,865,000.

The **Grand River Dam Authority** (GRDA) has entered into agreements to purchase and transport coal for future use in Unit No. 1 and Unit No 2. Under the agreements, GRDA is committed to purchase and transport a specified number of tons of coal each year over the remaining lives of the agreements. Under terms of the agreements, the price of the coal and transportation costs are subject to escalation and prices may be renegotiated at specified times. GRDA also entered into a lime purchase agreement in 1993. Under the agreement, GRDA is committed to purchase a specified number of tons of lime each year over the remaining life of the agreement. The price per ton increases yearly as specified by the contract.

The **Oklahoma Municipal Power Authority** (OMPA) has entered into an agreement with the City of Ponca City, a member municipality, under which OMPA will complete repowering of the existing Ponca City Power Plant. As of December 31, 1993, OMPA's commitments for the construction of the repowering project and other projects total approximately $11 million.

Under the bond resolutions, OMPA has covenanted that it will establish and collect rents, rates and charges under the power sales contracts and will otherwise charge and collect rents, rates and charges for the use or sale of the output, capacity or service of its System which, together with other available revenues, are reasonably expected to yield net revenues for the 12-month period commencing with the effective date of such rents, rates and charges equal to at least 1.10 times the aggregate debt service for such period and, in any event, as are required, together with other available funds, to pay or discharge all other indebtedness, charges and liens payable out of revenues under the resolutions.

Note 23. Litigation and Contingencies

The State and its component units are parties to numerous legal proceedings, many of which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the State's financial position, based on information provided by the Attorney General, with respect to litigation being handled by that office.

The State receives significant financial assistance from the U.S. 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 the Federal agencies. Any disallowances as a result of these audits could become a liability of the State. As of June 30, 1994, the State is unable to estimate what liabilities may result from such audits.

A. Primary Government

The **Department of Transportation** has contingent arbitration and inverse condemnation cases that may result in a loss to the State.

At year end, the Department of Transportation considers the $37.5 million cumulative liability of the Oklahoma Turnpike Authority, as discussed in Note 14, to be in question. An analysis of the liability and the method of payment is forthcoming.

The Department of Transportation has incurred significant expenditures on construction projects that have exceeded the amounts approved by the Federal grantor. These project expenditures are held in suspense until approved by the Federal grantor and subsequently reimbursed. Based on prior years' experience, the reimbursement of expenditures held in suspense is highly probable. At June 30, 1994, the Department of Transportation had project expenditures totalling $32.4 million that will be reimbursed pending approval of the Federal government.

The **Oklahoma Tax Commission** has a contingent litigation loss of approximately $9 million in a case involving claims for refund on disputed assessment percentage from workers' compensation awards for the State's Special Indemnity Fund.

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 with the United States, annual payments are to be made for the reservoir construction, operation, and maintenance allocated to the present use water supply storage. The Board has not received legislative authorization to pay the annual payments due in years 1989 through 1995. The Army Corps of Engineers has indicated that the obligation may be declared in default and remedies sought. No further action has been taken by the Army Corps of Engineers pending pursuit of the possible sale of water from Sardis Reservoir to an out of state water district. The proceeds from the sale of water would be used to make annual payments to the United States. Total unaudited construction costs of the Sardis Reservoir allocated to water supply storage, as last estimated by the Corps, are approximately $37.5 million, repayment of which is governed by the 1974 contract. It is unknown at this time what the final outcome and/or annual payment schedule, if any, will be.

B. **Component Units**

Title 70, Section 17-108.1 required the transfer of $39,600,000 to the **State and Education Employees Group Insurance Board** (the "Plan") from the **Teachers' Retirement System of Oklahoma** (TRS). The Plan is a defendant in a lawsuit in which plaintiffs allege that this transfer violates the constitution of the State. The plaintiffs seek transfer of the $39,600,000 plus interest from the Plan to a trust set up for the benefit of participants of TRS. During fiscal year 1993, the Plan was awarded summary judgement in this matter. The plaintiffs appealed the summary judgement to the Oklahoma Supreme Court, which assigned the lawsuit to the Oklahoma Court of Appeals. As a result of the appeal, an estimate of potential loss, if any, as a result of this lawsuit cannot be made at the current time.

The **Workers Compensation Court** began to issue orders in late 1992 recognizing interest payable on past due awards under Title 85, Oklahoma Statutes, Section 42. Since then, numerous claims have been filed against the Special Indemnity Fund for interest alleged as due under the statute on certain awards against the Fund accrued but not paid as due. Management considers it probable that additional awards for interest will be made under the above statute. The number and amount of these awards cannot be estimated until certain issues are resolved. Management believes that the aggregate amount of such awards may have a material adverse effect upon the financial position and results of operations of the Fund for the year or years in which the liability for such awards is recorded.

The **Oklahoma Housing Finance Agency** (OHFA) was notified by the Department of Housing and Urban Development ("HUD") that HUD may make demand for alleged overpayments to project owners under the Coinsured Section 8, Moderate Rehabilitation Rental Subsidy Program ("Rent Rollback"). HUD also asserts that OHFA would be required to repay HUD if the overpayments could not be collected from the rental owner. On July 24, 1992, a project owner filed suit against HUD and OHFA seeking to enjoin the intended Rent Rollback on a certain project and seeking reimbursement for costs and expenses. During May 1993, the Court permanently enjoined HUD and OHFA from reducing the contract rents.

HUD and OHFA subsequently filed a "Notice of Appeal." In addition to this certain project, HUD has questioned the initial contract rents on other projects. However, OHFA has not received any claims or demands from HUD in regard to these other projects. Since the ultimate outcome of this matter cannot presently be determined, OHFA has not accrued any liability in the accompanying financial statements.

Note 24. Subsequent Events

Component Units

The **Oklahoma Student Loan Authority** has expanded its operations to include internal loan servicing on all student loans effective July 1, 1994. With this expansion, the obligation of the Authority's loan servicer for the Stafford loans pertains only to due diligence and loan servicing functions through and including June 30, 1994. Additionally, in July 1994, the Authority started servicing student loans for another Oklahoma lender participating in the FFEL Program.

The **Oklahoma Housing Finance Authority** (OHFA) issued Single Family Mortgage Revenue Refunding Bonds 1993 Series A (Taxable) and B (Taxable) during December 1993 in the approximate aggregate amount of $45,000,000 to refund the 1983 Series A and C bonds. In addition, OHFA issued Subordinate Lien Single Family Mortgage Revenue Capital Appreciation Bonds 1993 Series A (Taxable) in the amount of approximately $4,300,000.

As a result of the passage of Oklahoma Title 74, Section 5062.6, the **Oklahoma Industrial Finance Authority** will share a common Board of Directors with the **Oklahoma Development Finance Authority.** Both Authorities will remain separate legal entities.

Tulsa Junior College received bids from four contractors on August 23, 1994, for the furnishing of all labor and materials for the West Campus Phase I and Student Center, per bid specifications and plans. The College accepted the bid from Lowry & Hemphill Construction Co., Inc. The total amount of the contract is $12,553,800 and will be financed with funds approved for this purpose by the Oklahoma State Regents for Higher Education.

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