

OKLAHOMA 96



**Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 1996**

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**Frank Keating
Governor**

Prepared by

Office of State Finance

**Tom Daxon, Director
Keith Johnson, State Comptroller**

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

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Requests for additional copies, comments or questions may be directed to Harry Culver, Office of State Finance, 122 State Capitol Building, Oklahoma City, Oklahoma 73105.

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INTRODUCTORY SECTION

INTRODUCTORY SECTION

THOMAS E. DAXON
SECRETARY OF FINANCE AND REVENUE
DIRECTOR OF STATE FINANCE



FRANK KEATING
GOVERNOR

STATE OF OKLAHOMA
OFFICE OF STATE FINANCE

December 24, 1996

To the Honorable Frank Keating, Governor
Members of the Legislature, and
Citizens of the State of Oklahoma

The Office of State Finance is pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the fiscal year ended June 30, 1996. This Report, presented in three sections: Introductory, Financial, and Statistical, is the primary means of reporting the State government's financial activities. The Introductory Section contains an overview of the State's economic performance, a review of current initiatives, and summary financial data. The Financial Section contains the general purpose financial statements and the combining and individual fund and account group statements and schedules. The Statistical Section contains selected financial and demographic information.

Management of the State, through the Office of State Finance, is responsible for the accuracy, fairness and completeness of the financial statements presented in this Report. The statements have been prepared in accordance with generally accepted accounting principles (GAAP). To the best of our knowledge and belief, the information presented is accurate in all material respects and includes all disclosures necessary for an understanding of the State's financial position and activities. The Governor and Legislature exercise oversight responsibility for all funds and accounts and for every executive agency, board, commission, public trust, authority, college and university whose data are presented in this report. The financial reporting entity, the State of Oklahoma, includes these funds, organizations, account groups, agencies, boards, commissions, and authorities. In accordance with Governmental Accounting Standards Board Statement 14, the State financial reporting entity includes thirteen component units. These component units, twelve proprietary activities and the State's higher education institutions, are discretely presented in the financial statements.

ECONOMIC CONDITIONS AND OUTLOOK

Oklahoma is an attractive location in which to do business, for many reasons. *Financial World* magazine, in its 1996 "Ranking of the States", determined Oklahoma to have the fourth lowest cost of doing business in the nation. Oklahoma has a highly-skilled work force that exhibits the strong work ethic necessary for success and strives to improve its qualifications. For example, in the 18-44 year age bracket, 14.1% of Oklahoma's population is enrolled in higher education, compared with the national average of 13.2%. Also, our pioneering Vo-Tech system is a national leader in developing training programs for industry. In addition to its skilled and motivated workforce, Oklahoma enjoys a central location and abundant resources. Oklahoma remains a leading producer of oil and natural gas and Oklahoma manufacturers take advantage of some of the lowest energy prices in the nation. Oklahoma is also a leading producer of agricultural products, ranking in the top five in production of wheat, cattle, peanuts, grain sorghum, pecans, and rye.

Oklahoma's real gross state product for 1995 was \$54.9 billion, up 2.7% from the previous year and up 5.9% from 1993. This compares with 2.8% and 6.9% growth, respectively, in the national gross domestic product. Oklahoma's per capita income for 1995 was \$18,580, 80.1% of the national average which ranks 44th among the states. Adjusting for Oklahoma's generally low cost of living reduces this income gap by nearly one-half. Our per capita income was up

3.9% from 1994 and 7.0% from 1993, trailing average gains nationally of 5.3% and 9.3%, respectively. From 1994 to 1995, wage and salary growth in Oklahoma (2.7%) outpaced the nation (2.3%), and between 1993 and 1995 Oklahoma growth (5.4%) also surpassed that of the U.S. (5.3%).

Oklahoma continues to enjoy a relatively low unemployment rate. Estimates for 1996 reflect a favorable 4.3% rate in Oklahoma versus a 5.4% rate nationally. Oklahoma's population, estimated to be 3,297,000 in 1996, is up 4.8% from 1990, making Oklahoma the 27th most populous state.

Oklahoma is also home to a rich diversity of cultures. Most of what is now Oklahoma was originally set aside as Indian Territory. As a result, Oklahoma is now home to 39 tribal headquarters and more people of Native American descent than any other state. Colorful pow-wows that keep alive sacred Native American traditions are a regular feature in all parts of the state. Oklahomans enjoy many opportunities for outdoor recreation. Due to its many man-made reservoirs, Oklahoma has more miles of shoreline than any other state.

FINANCIAL CONDITION OF STATE GOVERNMENT

State finances are governed by rules designed to ensure sound, conservative management. The Legislature cannot appropriate more than 95% of the revenue expected to be collected in the coming year. That revenue estimate is made by an independent board not subject to legislative control. Unlike many states that use seasonal borrowing to meet cash demands, Oklahoma maintains a cash flow reserve sufficient to meet fluctuating cash needs. General Obligation indebtedness is prohibited without a vote of the people.

The impact of these fiscally conservative rules, however, has been to some extent offset by the practice of granting pension benefits or incurring liabilities without providing the long range funding required to assure that the State will be able to pay those amounts when they become due. Six of the State's seven pension plans, the State's Special Indemnity Fund, and the Risk Management Division of the Department of Central Services will all require future increases in funding to reduce their respective unfunded liabilities. Meanwhile, Oklahoma faces the challenge presented by devolution of many federal programs. Significant changes in funding for major welfare and transportation programs are already under way and Oklahoma is responding.

However, the State's overall financial condition is healthy. A small general obligation debt load, the heightened attention to our unfunded liabilities issue and the growing balance in the State's "Rainy Day Fund" provides ample room to address unforeseen emergencies.

CURRENT DEVELOPMENTS AND MAJOR INITIATIVES

Despite many achievements, we are far from satisfied with our current situation. We enjoy many advantages that should enable Oklahomans to enjoy a higher standard of living. Our goal is to implement policies that will allow Oklahoma to realize its enormous potential.

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

The principal need for State government is to implement policies that will help reverse the relative decline in per capita income. We are embarking on a course to become the nation's friendliest state to small and growing businesses. Several initiatives are underway to help achieve this goal, including: 1) reform the worker's compensation system, 2) develop an outstanding system of education, 3) upgrade our road system, 4) provide tax relief targeted to encourage economic growth, and 5) deliver cost-effective government services.

Highlights of the fiscal 1996 and fiscal 1997 budgets include (expressed in millions):

Government Function	Amount Appropriated		Percentage of Total Appropriations		Increase (Decrease) from Prior Year		Percentage Increase (Decrease)	
	1996	1997	1996	1997	1996	1997	1996	1997
Public Schools	\$ 1,435	\$ 1,530	38%	37%	\$ 15	\$ 95	1%	7%
Higher Education	565	636	15%	15%	10	71	2%	13%
Vo-Tech	88	96	2%	2%	2	8	2%	9%
Other Education	14	15	0%	0%	0	1	0%	7%
Total Education	2,102	2,277	56%	55%	27	175	1%	8%
Human Services	737	756	19%	18%	35	19	5%	3%
Corrections	202	248	5%	6%	17	46	9%	23%
Transportation	184	213	5%	5%	14	29	8%	16%
Mental Health	112	119	3%	3%	(2)	7	(2%)	6%
Public Health	40	47	1%	1%	0	7	0%	18%
Public Safety	51	55	1%	1%	0	4	0%	8%
Other	353	431	9%	10%	(1)	78	0%	22%
Total Appropriations	\$ 3,781	\$ 4,146	100%	100%	\$ 90	\$ 365	2%	10%

In 1996, Oklahoma took an important step toward economic growth when the Legislature enacted four significant tax initiatives. Oklahoma became more attractive to retirees by eliminating the estate tax on the first \$600,000 of farm and business assets and exempting the first \$5,500 of pension income from the income tax.

In addition, the Legislature also enacted relief from the gross production tax for marginal oil and gas wells, which play a larger role in Oklahoma's energy sector than in most other states. Incentives to encourage new exploration as well as coal production were also strengthened. In order to encourage more value-added processing of Oklahoma's agricultural production, tax credits were enacted for investors in value-added processing enterprises.

Oklahomans have long viewed education as the key to the future. In 1990, the State enacted a far-reaching reform package known as HB1017. HB1017 mandated many reforms, including smaller classrooms and greater accountability for results. It was funded through an increase in the State's income and sales taxes, approved by a vote of the people.

Currently, the State is completing a modern telecommunications system, known as OneNet, that will allow multi-directional video access for government agencies throughout the State. Expanding upon an existing system operated by the State's higher education system, the State is contracting with the private sector for both installation and management of the system.

While OneNet will have many uses, perhaps the most exciting possibility is the linking of several classrooms for a single course. Such an arrangement will allow the teaching of subjects in smaller schools that may not previously have had enough students to form viable classes in those subjects. OneNet will also allow students access to the best instructors on a real time basis. Schools can organize learning more effectively allowing teachers to specialize in those functions they perform best.

During the 1996 legislative session, the school funding formula was amended to adequately fund growing school districts. Previously, districts experiencing enrollment growth did not immediately receive credit for that growth in the calculation of State aid, which makes up more than 50% of common school funding in Oklahoma. The Legislature used "Rainy Day" money to bridge the funding gap, during the transition, from the old to the new formula.

The 1996 legislative session saw a significant increase in funding for higher education. Oklahoma, with a system of two comprehensive universities, 11 four-year colleges, and 12 two-year colleges, has long been a leader in bringing higher education services to its people. The additional funding now puts the State in a position to develop quality to match availability.

One problem that remains is the large unfunded liability of the Teacher's Retirement System (TRS). After the passing of the oil boom, and the consequent decline in revenue growth, the Legislature continued providing additional benefits without adequately funding them. An unintended consequence of HB1017 was to make the situation worse by adding thousands of new teachers at a time when contributions to the System failed to cover normal cost. As a result, the System now has an actuarially estimated unfunded liability of nearly \$5 billion. Other retirement systems also have unfunded liabilities, but none are as serious as that of the TRS, which, under current projections, will consume a substantial portion of the state's general fund growth revenue for the foreseeable future. A joint executive-legislative committee began studying the problem in 1996 and is scheduled to make recommendations for action in the upcoming session of the legislature.

Oklahoma is positioning itself to better maintain its roads. The State has embarked upon an ambitious program to resurface 1,000 miles of highway and install median safety barriers on its turnpikes. As in other states, Oklahoma's interstate system is nearing the end of its originally intended useful life. The 1996 Legislature's \$29 million increase in road funding was a needed step toward ensuring a modern road system.

Oklahoma also made progress in mending the defects in its prison system. Facing a shortage of beds, the state has granted early release to certain convicts to manage its prison population. At the same time, the state finds that its ratio of secure to non-secure beds is out of balance, with many dangerous felons serving their time in minimum-security facilities. The 1996 session of the Legislature approved the lease of up to 900 private, medium-security prison beds to begin addressing the problem.

Last year, the Governor appointed a team of state employees to study state government and make recommendations as to how the government could be run more efficiently and effectively. In December of 1995, the Governor's Commission on Government Performance issued its report, listing nearly 300 recommendations for action. In response, the Governor has issued executive orders for improving several systems, including central purchasing, employee benefits, human resources, and classification and compensation systems. In addition, the Governor has asked the Legislature to make several changes in current law.

During the 1996 legislative session, the Legislature approved an increase of \$366 million, or 9.7% in appropriations for the 1997 fiscal year, for a total appropriation of \$4.1 billion. State employees were granted a \$1,200 per year pay raise and many agencies received funds for new and expanded service levels. Education funding was increased by 8.3%, Corrections by 23.0% and Transportation by 15.6%. The Governor and the Legislature, however, disagreed over the extent to which one-time monies should be used to fund continuing operations. Gubernatorial vetoes left a balance of approximately \$20 million in fiscal 1997 appropriations authority for use at some future date.

As a result of a surge in collected revenues in FY-96, the State increased the balance in its Constitutional Reserve "Rainy Day" Fund to \$114.3 million, half of which may be appropriated under restricted conditions. The fiscal year ended June 30, 1996 marked the first time since 1991 that the State made a deposit to the Fund.

FOR THE FUTURE

The State continues to aggressively research and pursue solutions to the State's relative decline in economic performance experienced over the last few years. This issue is especially pressing in many rural areas of Oklahoma. Accordingly, the State is seeking to encourage new business development. Approaches under consideration include targeted tax reforms designed to spur entrepreneurship and business relocation, developing a leading educational system, and improving the State's transportation system. We are also seeking ways to reform Oklahoma's relatively high-cost workers' compensation system.

At the same time, the State is committed to maintaining public safety and providing a "safety net" for the economically less fortunate while strengthening the financial position of the State. Such a program, to be successful, will require a fresh look at how the State provides services. Building upon the work of the Governor's Commission on Government Performance, the State will consider the sale of assets, privatization of functions and programs, elimination of unneeded or excessive services, and reforms in purchasing and personnel policies.

FINANCIAL INFORMATION

Internal Controls

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

Budget and Fiscal Policy

The budget process begins when each agency that expends money through the State Treasury, except the Legislature, submits an annual budget request to the Office of State Finance (OSF). Copies are also provided to the legislative fiscal staffs. These requests are reviewed and analyzed for the Governor by OSF. The Governor then makes recommendations in the form of an "Executive Budget" which is presented to the State Legislature on the first day of the legislative session. During the legislative session, agency needs are reviewed by legislative committees, and appropriation legislation is enacted for state agencies for operations during the ensuing fiscal year. Prior to encumbering or spending funds for the fiscal year, each agency submits a Budget Work Program to OSF. In this document the agency outlines, by object of expenditure category, fund source, and program category, how they plan to spend the various resources available to them either by legislative appropriation or through other available funding sources.

Oklahoma's Constitution imposes an annual growth limit on appropriations of 12%, restricts total appropriations to 95% of estimated revenues, and establishes the Constitutional Reserve ("Rainy Day") Fund to protect the State against fiscal emergencies and variations in receipts. The State Board of Equalization is composed of six elected officials: the Governor, the State Auditor and Inspector, the State Treasurer, the Lieutenant Governor, the Attorney General, and the Superintendent of Public Instruction, as well as the President of the State Board of Agriculture. The Board is responsible for approving the official itemized estimate of revenues, based upon information provided by the Office of State Finance and the Oklahoma Tax Commission.

The Constitution requires that collections in excess of the Board of Equalization's itemized estimate of General Revenue Fund revenues be deposited to the Rainy Day Fund each year until the balance of the Rainy Day Fund equals 10% of the prior fiscal year's General Revenue Fund certified appropriations authority. Up to one-half of the July 1 balance each year may be appropriated upon emergency declaration by the Governor with concurrence of two-thirds of the House and Senate, or by a declaration of an emergency by the Speaker of the House and President-Pro Tempore of the Senate with concurrence of three-fourths of the members of each house. The State also has an oversight process for the issuance of debt. The Executive and Legislative Bond Oversight Commissions jointly review and approve all debt issued by the State, its agencies and public trusts, and perform an assessment of all capital leases.

General Governmental Functions

Most financial operations of the State are reported in governmental fund types, which are the General Fund and Capital Projects Fund. Following are schedules of revenues and expenditures for these governmental funds. Note that the following tables present data according to generally accepted accounting principles for the fiscal year ended June 30, 1996, while previous tables have presented budgetary data for this and later periods. Transfers are primarily from the General Fund to support the public institutions of higher education.

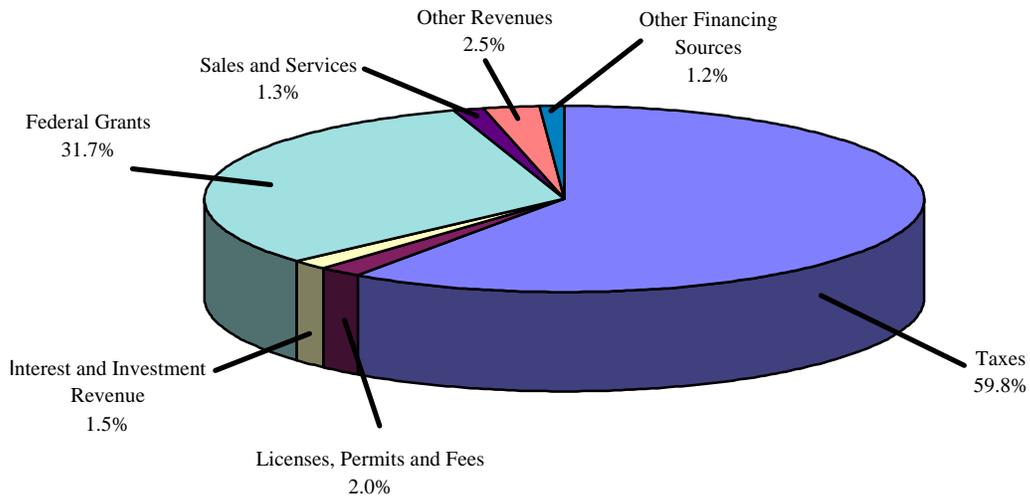
Governmental Funds Revenues and Other Financing Sources - GAAP Basis
(expressed in millions)

	1996 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	\$ 4,538	59.8%	\$ 233	5.4%
Licenses, Permits and Fees	149	2.0%	(3)	(2.0%)
Interest and Investment Revenue	110	1.5%	10	10.0%
Federal Grants	2,396	31.7%	133	5.9%
Sales and Services	96	1.3%	8	9.1%
Other Revenues	193	2.5%	22	12.9%
Other Financing Sources:				
Operating Transfers	47	0.6%	2	4.4%
Bond Proceeds	34	0.4%	17	100.0%
Capital Leases/Certificates of Participation	1	0.1%	(5)	(83.3%)
Direct Financing Lease Payments	5	0.1%	0	0.0%
Total Revenues and Other Financing Sources	\$ 7,569	100.00%	\$ 417	5.8%

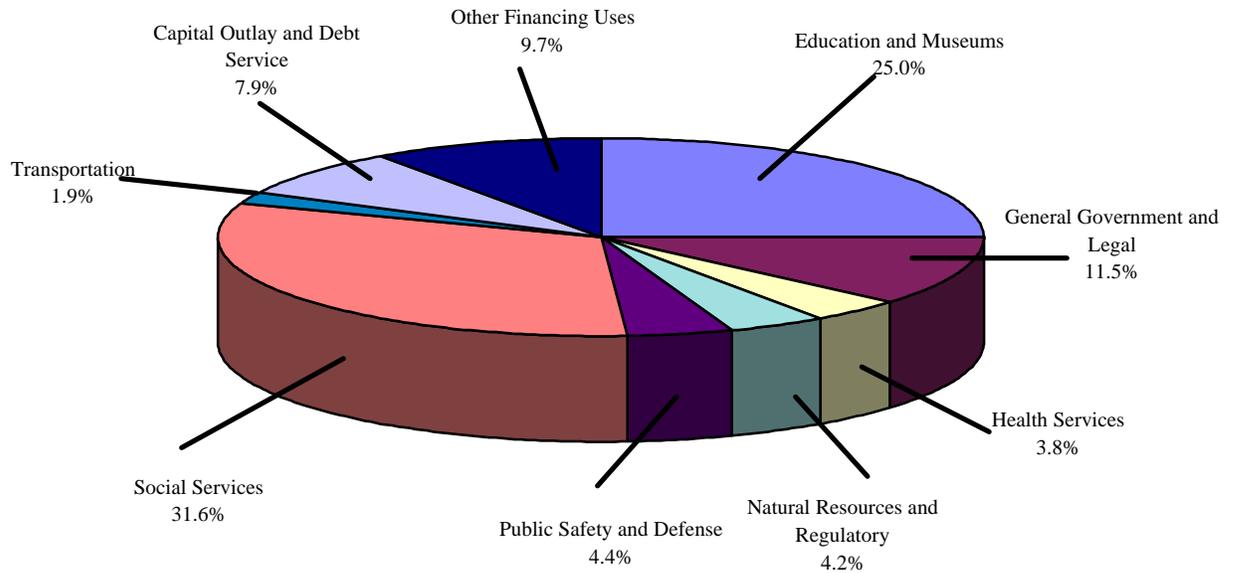
Governmental Funds Expenditures and Other Financing Uses - GAAP Basis
(expressed in millions)

	1996 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	\$ 1,846	24.9%	\$ 25	1.4%
General Government	745	10.0%	145	24.2%
Health Services	282	3.8%	23	8.9%
Legal and Judiciary	109	1.5%	7	6.9%
Museums	7	0.1%	0	0.0%
Natural Resources	159	2.1%	4	2.6%
Public Safety and Defense	324	4.4%	33	11.3%
Regulatory Services	130	2.1%	11	9.2%
Social Services	2,351	31.6%	21	0.9%
Transportation	143	1.9%	12	9.2%
Capital Outlay	552	7.4%	72	15.0%
Debt Service	40	0.5%	(3)	(7.0%)
Other Financing Uses:				
Operating Transfers	746	9.7%	(86)	(10.3%)
Total Expenditures and Other Financing Uses	\$ 7,434	100.00%	\$ 264	3.7%
Governmental Funds - Net Increase in Fund Balance	<u>\$ 135</u>			

**Governmental Fund Revenues
and Other Financing Sources (GAAP Basis) - FY 1996**



**Governmental Funds Expenditures
and Other Financing Uses (GAAP Basis) - FY 1996**



Revenue Collections and Estimates

As noted in a preceding subsection, the budget is prepared using cash available plus 95% of the itemized revenue estimate as approved by the State Board of Equalization. It should be noted that taxes deposited into the budgetary General Revenue Fund (GRF), as defined by Oklahoma law, are approximately 80% of the total tax revenues of the governmental funds, as defined by generally accepted accounting principles. However, the budgetary General Revenue Fund should not be confused with the General Fund as presented in the accompanying GAAP-Basis financial statements as the two terms are not interchangeable. Oklahoma's budgetary GRF revenues were \$3.71 billion, or 102.5 % of the State's revenue estimate for the fiscal year ended June 30, 1996. This was an increase of \$192 million, or 5.5% above that of the prior year.

Receipts from each of the four major taxes exceeded revenues of the prior year, producing a combined total of \$3.19 billion, or 86% of total GRF receipts. The total of major taxes collected was \$158 million, or 5.2% above that of the prior year, an indication of increased business activity.

As compared to fiscal 1995, collections from income taxes increased by \$89.1 million, or 5.7%; sales taxes by \$48.1 million, or 4.5%; motor vehicle taxes by \$13.7 million, or 5.9%; and gross production taxes on oil and gas by \$7.2 million, or 4.8 percent. Oklahoma has established an enviable record in recent years in its revenue forecasting results. Since enactment of a constitutional amendment in 1985 establishing new revenue estimating procedures, collections have exceeded the estimate in five years and dipped below the estimate six years, with actual collections averaging 99.8% of the estimate over the period. The comparison of estimated revenues to actual collections for fiscal 1996 is as follows:

Revenue Collections Compared to Itemized Estimate for Fiscal 1996
(expressed in millions)

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
Income Tax	\$ 1,611.1	\$ 1,658.8	\$ 47.7	103.0%
Gross Production Tax	142.6	156.1	13.5	109.5%
Sales Tax	1,129.6	1,125.0	(4.6)	99.6%
Motor Vehicle Tax	246.7	245.8	(0.9)	99.6%
Subtotal Major Taxes	3,130.0	3,185.7	55.7	101.8%
Other Sources	483.6	519.3	35.7	107.4%
Total General Revenue	<u>\$ 3,613.6</u>	<u>\$ 3,705.0</u>	<u>\$ 91.4</u>	102.5%

The eleven-year comparative history of estimated to actual collections is shown in the following table.

General Revenue Fund Comparisons
(expressed in millions)

Fiscal Year	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
1986	\$ 2,456.6	\$ 2,271.3	\$ (185.3)	92.5%
1987	2,166.7	2,070.0	(96.7)	95.5%
1988	2,319.8	2,397.8	78.0	103.4%
1989	2,499.8	2,600.6	100.8	104.0%
1990	2,661.2	2,735.1	73.9	102.8%
1991	3,034.4	3,109.5	75.1	102.5%
1992	3,213.9	3,161.2	(52.7)	98.4%
1993	3,365.2	3,258.9	(106.3)	96.8%
1994	3,398.5	3,341.5	(57.0)	98.3%
1995	3,515.3	3,512.6	(2.7)	99.9%
1996	3,613.6	3,705.0	91.4	102.5%
Eleven-Year Average	\$ 2,931.3	\$ 2,924.0	\$ (7.3)	99.8%

At June 30, 1996, the status of two important fund balances affecting the new year's fiscal picture follows:

Cash-Flow Reserve Fund - At the close of fiscal 1996, the State set aside \$318.7 million to meet anticipated monthly cash-flow needs for the new fiscal year. The new total amounted to 9.5% of the GRF certified appropriation level, consistent with the prior year.

The Cash-Flow Reserve Fund's fiscal 1996 cash carryover available to the next Legislature was \$45.8 million, compared with a balance of \$96 million in the prior year. The carryover funds come from the 5% difference between the 95% appropriation limit and actual receipts up to 100% of the estimate. Funds required to replenish or increase the cash-flow fund also come from this source. Actual receipts were 7.5 percentage points above the 95% level in fiscal 1996.

Constitutional Reserve "Rainy Day" Fund - At the start of each fiscal year, collections that exceeded the estimate for the preceding year are automatically deposited in the Rainy Day Fund until the total balance equals 10% of the prior year's certified appropriation authority for the General Revenue Fund. On July 1, 1996, this fund had a balance of \$114.3 million.

Proprietary Operations

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

Cash Management

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

Debt Administration

The authority of the State to incur debt is described in Article X, Section 25, of the Oklahoma Constitution. In 1987, the State created the Executive Bond Oversight Commission and the Legislative Bond Oversight Commission. The commissions meet jointly to review all proposed debt issuances. Both commissions must approve each financing plan before obligations are issued. The legislation which created the bond oversight commissions also created the position of State Bond Advisor. The State Bond Advisor serves as staff to the commissions, and has the authority to approve the pricing and fees associated with any debt issuance.

General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens. The general obligation bonds of the State are rated "A" by Moody's Investors Service and "AA" by both Standard & Poor's Corporation and Fitch Investors Service. Prior to a 1993 general obligation bond program, except for refunding bonds, the State last issued general obligation bonds in 1968. Certain maturities of those bonds were advance refunded in 1977. As of June 30, 1996, the outstanding tax-supported general obligation net debt of the State of Oklahoma was \$335 million. This figure excludes the self-supporting taxable bonds of the Oklahoma Industrial Finance Authority, which are secured by the repayment of loans made to private businesses. State revenues have never been required to support debt service payments on these obligations.

Various agencies, trusts, and authorities issue revenue bonds on behalf of the State of Oklahoma. These obligations are supported solely by the revenues of the issuing entities.

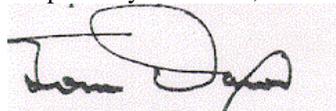
Risk Management and Insurance

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

ACKNOWLEDGMENTS

The Office of State Finance is pleased to recognize and commend the efforts of the numerous individuals across the State who made this Comprehensive Annual Financial Report possible. This year's CAFR has been prepared on a more timely basis than in past years. We are especially indebted to those agencies that met an accelerated deadline for their submission of independently audited financial statements. Questions or requests for additional information related to this report can be directed to our office at (405) 521-2141.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tom Daxon", is written over a light pink rectangular background.

Tom Daxon
Director of State Finance

SELECTED OKLAHOMA STATE OFFICIALS

June 30, 1996

LEGISLATIVE BRANCH

Senate
Stratton Taylor
President Pro Tempore

House of Representatives
Glen D. Johnson
Speaker of the House

EXECUTIVE BRANCH

Governor
Frank Keating

Lieutenant Governor
Mary Fallin

* Secretary of State
Tom Cole

State Auditor and Inspector
Clifton Scott

Attorney General
Drew Edmondson

State Treasurer
Robert Butkin

Superintendent of
Public Instruction
Sandy Garrett

Commissioner of Labor
Brenda Reneau

Commissioner of Insurance
John P. Crawford

Commissioners of the
Corporation Commission
Bob Anthony
Cody Graves
Ed Apple

JUDICIAL BRANCH

* State Supreme Court
Alma Wilson
Chief Justice

* Court of Criminal Appeals
Charles A. Johnson
Presiding Judge

* Appointed Position



LEGISLATIVE
 House of Representatives
 Legislative Service Bureau
 Senate

EXECUTIVE
 Governor
 Lieutenant Governor
 Secretary of State

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

STATE AGENCIES

ADMINISTRATION

Accountancy Board
 Architects and Landscape Board
 Banking Department
 Board of Examiners for Nursing
 Home Administrators
 Board of Nursing
 Capitol Improvement Authority
 Chiropractic Examiners Board
 Consumer Credit
 Cosmetology Board
 Dental Board
 Department of Central Services
 Election Board
 Embalmers and Funeral
 Directors Board
 Ethics Commission
 Horse Racing Commission
 Insurance Commission
 Medical Licensure
 Motor Vehicle Commission
 Optometry Board
 Osteopathic Examiners Board
 Pharmacy Board
 Podiatry Board
 Professional Engineers Board
 Psychologist Board of Examiners
 Real Estate Commission
 Securities Commission
 Social Workers Board
 Speech Pathology and
 Audiology Board
 Used Motor Vehicle Commission
 Veterinary Medical Examiners Bd.

ENERGY

Corporation Commission
 Energy Resources Board
 Interstate Oil and Gas Compact
 Commission
 Geological Survey
 Grand River Dam Authority
 Liquefied Petroleum Gas Board

AGRICULTURE

Agriculture Department
 Conservation Commission
 Foresters Board
 Peanut Commission
 Sheep and Wool Commission
 Soybean Commission
 Wheat Commission

ENVIRONMENT

Department of Environmental
 Quality
 Department of Mines
 Environmental Finance Authority
 LP Gas Research
 LP Gas Commission
 Marginally Producing Oil and
 Gas Wells
 Pollution Control Board
 Water Resources Board
 Wildlife Conservation Commission

HEALTH & HUMAN SERVICES

Children and Youth Commission
 Handicapped Concerns
 Health Care Authority
 Health Department
 Human Services
 Indian Affairs Commission
 J.D. McCarty Center
 Juvenile Affairs
 Medicolegal Investigations Board
 Mental Health and Substance Abuse
 Rehabilitation Services
 University Hospitals Authority

TRANSPORTATION

Transportation Department
 Turnpike Authority

COMMERCE

Capital Investment Board
 Center for the Advancement of
 Science and Technology
 Commerce Department
 Labor Department
 Municipal Power Authority

FINANCE & REVENUE

Auditor and Inspector
 Building Bond Commission
 Commissioners of the Land Office
 Development Finance Authority
 Housing Finance Agency
 Industrial Finance Authority
 Office of State Finance
 State Insurance Fund
 State Treasurer
 Tax Commission
Pension Systems:
 Firefighters' Retirement
 Judges and Justices Retirement
 Law Enforcement Retirement
 Police Retirement
 Public Employees' Retirement
 Teachers' Retirement

HUMAN RESOURCES

Employment Security Commission
 Human Rights Commission
 Merit Protection Commission
 Office of Personnel Management
 State Group Health Insurance

TOURISM & RECREATION

Historical Society
 J.M. Davis Memorial Commission
 Tourism and Recreation
 Department
 Will Rogers Memorial Commission

EDUCATION

Anatomical Board
 Arts Council
 Commission for Teacher
 Preparation
 Department of Education
 Education Television Authority
 Library Department
 Medical Technology and
 Research Authority
 Physician's Manpower Training
 Private Vocational Schools
 Regents for Higher Education
 School of Science and
 Mathematics
 Student Loan Authority
 Vocational and Technical
 Education

SAFETY & SECURITY

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

VETERANS' AFFAIRS

Department of Veterans Affairs

FINANCIAL SECTION

FINANCIAL SECTION



STATE OF OKLAHOMA

CLIFTON H. SCOTT
State Auditor and Inspector

OFFICE OF THE AUDITOR AND INSPECTOR
OKLAHOMA CITY

100 State Capital
Oklahoma City, OK 73105
405/521-3495

INDEPENDENT AUDITOR'S REPORT

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

We have audited the general purpose financial statements of the State of Oklahoma as of and for the year ended June 30, 1996, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the State of Oklahoma's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the enterprise fund. We did not audit the financial statements of the various pension funds or the nonexpendable trust fund. We did not audit the financial statements of the Oklahoma State Employees Deferred Compensation Plan or the Oklahoma Insurance Department, which statements reflect total assets consisting of 56% of the agency fund. We did not audit the financial statements of the Special Indemnity Fund, which statements reflect total assets consisting of 20% of the General Long-term Debt Account Group. We did not audit the proprietary component units, except for the Medical Technology and Research Authority, whose total assets consist of .08% and total revenues consist of .19% of the proprietary component units. We did not audit the financial statements of the higher education component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned entities, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the general purpose financial statements referred to in the first paragraph present fairly the financial position of the State of Oklahoma as of June 30, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 1996 on our consideration of the State of Oklahoma's internal control structure and a report dated December 23, 1996, on its compliance with laws and regulations.

As discussed in Note 17 to the financial statements, the Teachers' Retirement System faces possible difficulty in meeting its future obligations. The auditor for the Teachers' Retirement System reported "the System's actuary has determined that the funded position of the System has deteriorated in 1996. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes and if any changes further reduce or delay the implementation of the funding schedule the funding period will increase." Note 2 to the System's financial statements discloses: "The System will experience difficulty in meeting long-term obligations at a point in time if not funded at a more appropriate level...." The ultimate outcome of the ability of the System to meet its future obligations is dependent on funding established by Oklahoma Statutes, and cannot presently be determined.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Oklahoma. Such information, except for the statistical schedules and the information in the introduction which are unaudited, has been subjected to the auditing procedures applies in the audit of the general purpose financial statements and, in our opinion is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Sincerely,

A handwritten signature in cursive script, appearing to read "Clifton H. Scott".

CLIFTON H. SCOTT
State Auditor and Inspector

December 24, 1996

General Purpose Financial Statements

Combined Balance Sheet
All Fund Types, Account Groups and
Discretely Presented Component Units
June 30, 1996
(with comparative totals for June 30, 1995)
(expressed in thousands)

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type
	General	Capital Projects	Enterprise - Oklahoma Water Resources Board	Trust and Agency
Assets and Other Debits				
Assets				
Cash/Cash Equivalents	\$ 1,399,906	\$ 100,720	\$ 2,155	\$ 1,189,534
Investments	46,852	10,444	54,975	9,372,372
Accounts Receivable	21,584	0	0	3,174
Interest and Investment Revenue Receivable	16,882	410	3,397	64,242
Employer Contributions Receivable	0	0	0	2,254
Employee Contributions Receivable	0	0	0	1,262
Federal Grants Receivable	204,111	203	0	194
Taxes Receivable	115,012	0	0	3,070
Lease Payments Receivable	41,241	0	0	0
Other Receivables	0	0	0	7,701
Notes and Loans Receivable	0	0	147,173	0
Due from Brokers	0	0	0	43,289
Due from Other Funds	5	0	0	14,836
Due from Component Units	42,319	0	0	695
Due from Primary Government	0	0	0	0
Advances to Primary Government	0	0	0	0
Inventory	130,397	0	0	3,882
Prepaid Items	4,881	0	0	0
Fixed Assets, Net	0	0	0	1,461
Other Assets	2,355	0	758	9,108
Other Debits				
Amount Available for Debt Service	0	0	0	0
Amount to Be Provided For				
Retirement of Debt	0	0	0	0
Compensated Absences	0	0	0	0
Capital Leases	0	0	0	0
Certificates of Participation	0	0	0	0
Claims and Judgments	0	0	0	0
Pension Obligation	0	0	0	0
Total Assets and Other Debits	<u>\$ 2,025,545</u>	<u>\$ 111,777</u>	<u>\$ 208,458</u>	<u>\$ 10,717,074</u>

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

Account Groups		Total Primary Government		Component Units		Total Reporting Entity	
General Fixed Assets	General Long-Term Debt	(Memorandum Only)		Proprietary	Higher Education	(Memorandum Only)	
		1996	1995			1996	1995
\$ 0	\$ 0	\$ 2,692,315	\$ 2,223,489	\$ 163,963	\$ 344,248	\$ 3,200,526	\$ 2,724,341
0	0	9,484,643	8,549,097	1,568,652	277,697	11,330,992	10,224,488
0	0	24,758	22,592	101,702	92,733	219,193	195,995
0	0	84,931	75,628	19,571	3,010	107,512	97,871
0	0	2,254	2,055	0	0	2,254	2,055
0	0	1,262	1,172	0	0	1,262	1,172
0	0	204,508	230,279	1,889	897	207,294	238,102
0	0	118,082	111,565	0	0	118,082	111,565
0	0	41,241	40,570	0	0	41,241	40,570
0	0	7,701	95,718	1,791	0	9,492	99,980
0	0	147,173	133,971	633,737	42,791	823,701	799,345
0	0	43,289	80,858	0	0	43,289	80,858
0	0	14,841	21,745	0	59,937	74,778	80,344
0	0	43,014	43,783	1,275	1,050	45,339	45,894
0	0	0	0	9,346	5,088	14,434	20,121
0	0	0	0	0	0	0	210
0	0	134,279	122,678	34,876	18,793	187,948	174,215
0	0	4,881	32,874	1,338	4,432	10,651	38,125
847,442	0	848,903	809,376	1,392,059	1,703,823	3,944,785	3,748,092
0	0	12,221	10,275	361,303	1,864	375,388	381,934
0	21,251	21,251	19,345	0	0	21,251	19,345
0	383,934	383,934	364,876	0	0	383,934	364,876
0	94,378	94,378	91,771	0	0	94,378	91,771
0	9,245	9,245	10,841	0	0	9,245	10,841
0	12,785	12,785	15,881	0	0	12,785	15,881
0	130,473	130,473	105,970	0	0	130,473	105,970
0	2,232	2,232	2,142	0	0	2,232	2,142
<u>\$ 847,442</u>	<u>\$ 654,298</u>	<u>\$ 14,564,594</u>	<u>\$ 13,218,551</u>	<u>\$ 4,291,502</u>	<u>\$ 2,556,363</u>	<u>\$ 21,412,459</u>	<u>\$ 19,716,103</u>

(continued)

Combined Balance Sheet
All Fund Types, Account Groups and
Discretely Presented Component Units
June 30, 1996
(with comparative totals for June 30, 1995)
(expressed in thousands)

(continued)	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type
	General	Capital Projects	Enterprise - Oklahoma Water Resources Board	Trust and Agency
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 356,258	\$ 1,828	\$ 496	\$ 3,203
Claims and Judgments	11,178	0	0	18,515
Interest Payable	2	0	2,401	1,866
Tax Refunds Payable	0	0	0	2,515
Due to Brokers	0	0	0	70,592
Due to Other Funds	16,158	0	0	20
Due to Component Units	6,695	0	0	3,677
Due to Primary Government	0	0	0	0
Due to Others	37,921	0	0	120,538
Deferred Revenue	236,624	0	0	6,557
Pension Obligation	0	0	0	0
Capital Leases	0	0	0	0
Compensated Absences	0	0	0	178
Benefits in the Process of Payment	0	0	0	59,577
Deferred Compensation	0	0	0	160,639
Advances from Component Units	0	0	0	0
Notes Payable	0	0	0	0
General Obligation Bonds	25	0	0	0
Revenue Bonds	165	0	187,291	0
Certificates of Participation	0	0	0	0
Other Liabilities	0	0	1,215	0
Total Liabilities	665,026	1,828	191,403	447,877
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings				
Reserved				
Debt Service	0	0	16,344	0
Unreserved	0	0	711	0
Net Unrealized Gain (Loss) on Securities	0	0	0	0
Fund Balances				
Reserved				
Encumbrances	131,835	17,273	0	0
Inventory/Prepaid Items	41,661	0	0	0
Unemployment Benefits	0	0	0	547,533
Debt Service	25,556	0	0	0
Preservation of Wildlife	0	0	0	35,246
Employees Pension Benefits	0	0	0	8,917,550
Permanent Trust	0	0	0	776,467
Undistributed Revenue	0	0	0	11,152
Other Special Purposes	1,071	0	0	0
Unreserved				
Designated for Cash Flow Reserve Fund	318,677	0	0	0
Designated for Rainy Day Fund	114,301	0	0	0
Designated for Other Special Purposes	0	0	0	0
Undesignated	727,418	92,676	0	(18,751)
Total Fund Equity and Other Credits	1,360,519	109,949	17,055	10,269,197
Total Liabilities, Fund Equity and Other Credits	\$ 2,025,545	\$ 111,777	\$ 208,458	\$ 10,717,074

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

Account Groups		Total		Component Units		Total	
		Primary Government		Proprietary		Reporting Entity	
General Fixed Assets	General Long-Term Debt	(Memorandum Only)		Proprietary	Higher Education	(Memorandum Only)	
		1996	1995			1996	1995
\$ 0	\$ 0	\$ 361,785	\$ 368,946	\$ 57,775	\$ 57,382	\$ 476,942	\$ 472,368
0	130,473	160,166	123,146	721,199	0	881,365	808,515
0	0	4,269	3,895	44,862	3,120	52,251	51,525
0	0	2,515	3,311	0	0	2,515	3,311
0	0	70,592	81,891	0	0	70,592	81,891
0	0	16,178	23,058	0	59,937	76,115	81,657
0	0	10,372	12,111	1,722	590	12,684	14,171
0	0	0	0	42,204	167	42,371	42,860
0	0	158,459	169,442	0	15,144	173,603	182,098
0	0	243,181	246,933	64,419	37,860	345,460	393,650
0	2,232	2,232	2,142	0	0	2,232	2,142
0	9,245	9,245	10,841	7,134	9,873	26,252	30,386
0	94,378	94,556	91,937	10,796	38,898	144,250	141,635
0	0	59,577	55,281	0	0	59,577	55,281
0	0	160,639	140,662	0	0	160,639	140,662
0	0	0	210	0	0	0	210
0	0	0	0	61,726	1,540	63,266	35,439
0	334,655	334,680	344,480	53,040	7,700	395,420	404,715
0	70,530	257,986	185,797	2,624,784	160,071	3,042,841	2,955,600
0	12,785	12,785	15,881	0	0	12,785	15,881
0	0	1,215	139	43,897	34,485	79,597	70,682
0	654,298	1,960,432	1,880,103	3,733,558	426,767	6,120,757	5,984,679
847,442	0	847,442	807,648	0	1,577,493	2,424,935	2,240,782
0	0	16,344	16,373	13,715	0	30,059	28,707
0	0	711	5,065	500,614	0	501,325	466,092
0	0	0	0	43,615	0	43,615	(32,446)
0	0	149,108	115,709	0	0	149,108	115,709
0	0	41,661	39,347	0	0	41,661	39,347
0	0	547,533	502,248	0	0	547,533	502,248
0	0	25,556	19,345	0	0	25,556	19,345
0	0	35,246	34,696	0	0	35,246	34,696
0	0	8,917,550	7,874,651	0	0	8,917,550	7,874,651
0	0	776,467	754,249	0	0	776,467	754,249
0	0	11,152	21,273	0	0	11,152	21,273
0	0	1,071	2,690	0	0	1,071	2,690
0	0	318,677	328,510	0	0	318,677	328,510
0	0	114,301	45,575	0	0	114,301	45,575
0	0	0	0	0	552,103	552,103	518,927
0	0	801,343	771,069	0	0	801,343	771,069
847,442	0	12,604,162	11,338,448	557,944	2,129,596	15,291,702	13,731,424
\$ 847,442	\$ 654,298	\$ 14,564,594	\$ 13,218,551	\$ 4,291,502	\$ 2,556,363	\$ 21,412,459	\$ 19,716,103

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For the Fiscal Year Ended June 30, 1996
(with comparative totals for June 30, 1995)
(expressed in thousands)

	Governmental Fund Types		Fiduciary Fund Type	Total	
	General	Capital Projects	Expendable Trusts	(Memorandum Only)	
				1996	1995
Revenues					
Taxes	\$ 4,537,896	\$ 0	\$ 115,648	\$ 4,653,544	\$ 4,428,603
Licenses, Permits and Fees	149,273	0	0	149,273	151,855
Interest and Investment Revenue	99,419	10,931	36,607	146,957	131,400
Federal Grants	2,388,948	6,553	9,794	2,405,295	2,276,284
Sales and Services	95,686	0	0	95,686	87,935
Other	193,226	0	3,165	196,391	171,466
Total Revenues	7,464,448	17,484	165,214	7,647,146	7,247,543
Expenditures					
Current					
Education	1,845,785	0	0	1,845,785	1,821,092
General Government	745,333	0	0	745,333	599,888
Health Services	282,127	0	0	282,127	258,834
Legal and Judiciary	108,642	0	0	108,642	102,494
Museums	7,137	0	0	7,137	7,015
Natural Resources	159,136	0	0	159,136	154,689
Public Safety and Defense	324,335	0	0	324,335	291,341
Regulatory Services	129,778	0	24,636	154,414	143,595
Social Services	2,350,623	0	119,929	2,470,552	2,455,755
Transportation	142,818	0	0	142,818	131,488
Capital Outlay	533,519	18,738	0	552,257	479,507
Debt Service					
Principal Retirement	18,210	0	0	18,210	21,396
Interest and Fiscal Charges	21,949	0	0	21,949	21,609
Total Expenditures	6,669,392	18,738	144,565	6,832,695	6,488,703
Revenues in Excess of (Less Than) Expenditures	795,056	(1,254)	20,649	814,451	758,840
Other Financing Sources (Uses)					
Operating Transfers In	12,857	0	19,327	32,184	25,241
Operating Transfers from Component Units	28,035	5,669	0	33,704	38,105
Operating Transfers Out	(22,931)	0	0	(22,931)	(111,694)
Operating Transfers to Component Units	(640,042)	(82,792)	0	(722,834)	(720,073)
Bond Proceeds	33,560	0	0	33,560	17,500
Capital Leases and Certificates of Participation	1,172	0	0	1,172	5,588
Direct Financing Lease Payments	5,451	0	0	5,451	5,291
Total Other Financing Sources (Uses)	(581,898)	(77,123)	19,327	(639,694)	(740,042)
Revenue and Other Sources in Excess of (Less Than) Expenditures and Other Uses	213,158	(78,377)	39,976	174,757	18,798
Fund Balances - Beginning of Year	1,147,361	188,326	488,806	1,824,493	1,805,695
Fund Balances - End of Year	\$ 1,360,519	\$ 109,949	\$ 528,782	\$ 1,999,250	\$ 1,824,493

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

Combined Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget to Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 1996
(expressed in thousands)

	Budgetary General Fund		
	Final Budget	Actual	Variance
Revenues			
Taxes	\$ 3,697,862	\$ 3,757,617	\$ 59,755
Licenses, Permits and Fees	38,672	42,731	4,059
Interest and Investment Revenue	75,434	84,381	8,947
Local Receipts and Reimbursements	24,129	25,012	883
Other	25,866	19,198	(6,668)
Total Revenues	3,861,963	3,928,939	66,976
Expenditures			
Education	1,116,766	1,106,625	(10,141)
General Government	100,959	96,064	(4,895)
Health Services	147,200	144,673	(2,527)
Legal and Judiciary	81,586	79,018	(2,568)
Museums	5,526	5,408	(118)
Natural Resources	54,337	53,334	(1,003)
Public Safety and Defense	291,269	288,223	(3,046)
Regulatory Services	18,051	17,422	(629)
Social Services	118,440	116,033	(2,407)
Total Expenditures	1,934,134	1,906,800	(27,334)
Revenues in Excess of Expenditures	1,927,829	2,022,139	94,310
Other Financing Sources (Uses)			
Operating Transfers In	18,673	21,358	2,685
Operating Transfers Out	(591,238)	(592,486)	(1,248)
Intra Agency Transfers to Continuing Funds	(1,331,922)	(1,331,922)	0
Total Other Financing Sources (Uses)	(1,904,487)	(1,903,050)	1,437
Revenue and Other Sources in Excess of Expenditures and Other Uses	23,342	119,089	95,747
Budgetary Fund Balance - Beginning of Year	581,632	581,632	0
Budgetary Fund Balance - End of Year	\$ 604,974	\$ 700,721	\$ 95,747

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

Combined Statement of Revenues, Expenses
and Changes in Retained Earnings/Fund Balances
Proprietary Fund Type, Similar Trust Funds and
Discretely Presented Proprietary Component Units
For the Fiscal Year Ended June 30, 1996
(with comparative totals for June 30, 1995)
(expressed in thousands)

	Proprietary Fund Type	Fiduciary Fund Type
	Enterprise - Oklahoma Water Resources Board	Nonexpendable Trusts
Operating Revenues		
Licenses, Permits and Fees	\$ 0	\$ 955
Sales and Services	0	74
Interest and Investment Revenue	10,091	55,472
Rental Revenue	0	8,417
Sale of Investments	0	6,901
Other	0	0
Total Operating Revenues	<u>10,091</u>	<u>71,819</u>
Operating Expenses		
Operations and Maintenance of Facilities	0	0
Losses and Loss Expense	0	0
Administrative and General Expense	746	237
Interest Expense	8,578	0
Depreciation Expense	0	0
Benefit Payments and Refunds	0	39,532
Total Operating Expenses	<u>9,324</u>	<u>39,769</u>
Operating Income	<u>767</u>	<u>32,050</u>
Nonoperating Revenues (Expenses)		
Interest and Investment Revenue	0	2,591
Other Nonoperating Revenues	0	0
Interest Expense	0	0
Amortization of Losses and Discounts	0	0
Other Nonoperating Expenses	0	0
Total Nonoperating Revenues (Expenses)	<u>0</u>	<u>2,591</u>
Income Before Operating Transfers	767	34,641
Operating Transfers from Primary Government	0	0
Operating Transfers Out	(5,150)	(7,707)
Operating Transfers to Component Units	0	(14,287)
Operating Transfers to Primary Government	0	0
Costs to be Recovered from Future Revenues	0	0
Net Income (Loss)	<u>(4,383)</u>	<u>12,647</u>
Retained Earnings/Fund Balances - Beginning of Year	<u>21,438</u>	<u>810,218</u>
Retained Earnings/Fund Balances - End of Year	<u>\$ 17,055</u>	<u>\$ 822,865</u>

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

Total Primary Government		Component Units		Total Reporting Entity	
(Memorandum Only)				(Memorandum Only)	
1996	1995	Proprietary		1996	1995
\$ 955	\$ 6,235	\$ 0	\$ 955	\$ 6,235	
74	86	1,033,200	1,033,274	1,034,983	
65,563	79,238	55,059	120,622	136,233	
8,417	8,433	0	8,417	8,433	
6,901	14,648	0	6,901	14,648	
0	15	13,089	13,089	11,847	
81,910	108,655	1,101,348	1,183,258	1,212,379	
0	0	279,066	279,066	273,375	
0	2	288,020	288,020	348,924	
983	835	112,433	113,416	131,715	
8,578	10,220	54,419	62,997	67,482	
0	0	83,104	83,104	83,965	
39,532	40,551	253,208	292,740	193,812	
49,093	51,608	1,070,250	1,119,343	1,099,273	
32,817	57,047	31,098	63,915	113,106	
2,591	2,007	109,831	112,422	97,657	
0	0	4,201	4,201	3,629	
0	0	(121,746)	(121,746)	(123,081)	
0	0	(17,891)	(17,891)	(18,110)	
0	0	(226)	(226)	(4,296)	
2,591	2,007	(25,831)	(23,240)	(44,201)	
35,408	59,054	5,267	40,675	68,905	
0	0	54,082	54,082	54,375	
(12,857)	(12,501)	0	(12,857)	(12,501)	
(14,287)	(15,202)	0	(14,287)	(15,202)	
0	0	(27,505)	(27,505)	(27,898)	
0	0	9,124	9,124	12,039	
8,264	31,351	40,968	49,232	79,718	
831,656	800,305	473,361	1,305,017	1,225,299	
\$ 839,920	\$ 831,656	\$ 514,329	\$ 1,354,249	\$ 1,305,017	

Combined Statement of Cash Flows
Proprietary Fund Type, Nonexpendable Trust Funds and
Discretely Presented Proprietary Component Units
For the Fiscal Year Ended June 30, 1996
(with comparative totals for June 30, 1995)
(expressed in thousands)

	Proprietary Fund Type	Fiduciary Fund Types
	Enterprise - Oklahoma Water Resources Board	Nonexpendable Trusts
Cash Flows from Operating Activities		
Operating Income	\$ 767	\$ 32,050
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	0	0
Amortization (Accretion) and Other Noncash Expenses	0	5,339
Other	54	(5,420)
Decrease (Increase) in Assets		
Accounts Receivable	0	0
Interest and Investment Revenue Receivable	(375)	12,111
Interfund Receivable	0	(3)
Inventory	0	0
Prepaid Items	0	0
Long-Term Notes Receivable	0	0
Other Noncurrent Assets	0	0
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Liabilities	155	0
Claims and Judgments	0	0
Interest Payable	93	0
Deferred Revenue	0	507
Other Current Liabilities	0	0
Other Noncurrent Liabilities	865	0
Net Cash Provided by Operating Activities	<u>1,559</u>	<u>44,584</u>
Cash Flows from Noncapital Financing Activities		
Proceeds from Bonds and Notes Payable	49,615	0
Contributed Capital from Non-State Sources	0	0
Operating Transfers from Primary Government	0	0
Operating Transfers Out	(5,150)	(7,707)
Operating Transfers to Component Units	0	(14,287)
Operating Transfers to Primary Government	0	0
Principal Paid on Bonds and Notes Payable	(8,450)	0
Other Noncapital Financing Activity	0	0
Net Cash Used by Noncapital Financing Activities	<u>\$ 36,015</u>	<u>\$ (21,994)</u>

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

Total Primary Government		Component Units		Total Reporting Entity	
(Memorandum Only)		Proprietary		(Memorandum Only)	
1996	1995			1996	1995
\$ 32,817	\$ 57,047	\$ 31,098	\$ 63,915	\$ 113,106	
0	0	83,104	83,104	83,965	
5,339	2,943	4,120	9,459	4,571	
(5,366)	(12,882)	566	(4,800)	(16,297)	
0	0	2,494	2,494	(7,182)	
11,736	(2,350)	(17,609)	(5,873)	(17,337)	
(3)	156	4,047	4,044	(2,313)	
0	0	(2,064)	(2,064)	1,397	
0	0	197	197	(371)	
0	0	2,553	2,553	77,454	
0	42	3,652	3,652	(38,790)	
155	(24)	(1,499)	(1,344)	3,271	
0	0	35,829	35,829	34,572	
93	(29)	(480)	(387)	(13,182)	
507	193	(14,849)	(14,342)	7,817	
0	(835)	5	5	(885)	
865	275	2,850	3,715	(12,483)	
<u>46,143</u>	<u>44,536</u>	<u>134,014</u>	<u>180,157</u>	<u>217,313</u>	
49,615	0	165,990	215,605	193,327	
0	0	16	16	484	
0	0	54,082	54,082	54,375	
(12,857)	(7,747)	0	(12,857)	(7,747)	
(14,287)	(15,202)	0	(14,287)	(15,202)	
0	(4,754)	(27,505)	(27,505)	(32,652)	
(8,450)	(57,225)	(135,218)	(143,668)	(305,002)	
0	0	(303)	(303)	(259)	
<u>\$ 14,021</u>	<u>\$ (84,928)</u>	<u>\$ 57,062</u>	<u>\$ 71,083</u>	<u>\$ (112,676)</u>	

(continued)

Combined Statement of Cash Flows
Proprietary Fund Type, Nonexpendable Trust Funds and
Discretely Presented Proprietary Component Units
For the Fiscal Year Ended June 30, 1996
(with comparative totals for June 30, 1995)
(expressed in thousands)

(continued)

	Proprietary Fund Type	Fiduciary Fund Types
	Enterprise - Oklahoma Water Resources Board	Nonexpendable Trusts
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale and Maturity of Investments	\$ 0	\$ 0
Proceeds from Bonds and Notes Payable	0	0
Contributions for Purchase of Fixed Assets	0	0
Payments for Acquisitions of Fixed Assets	0	0
Payments for Refunding and Defeasance of Debt	0	0
Principal Paid on Bonds, Notes, and Capital Leases	0	0
Interest Paid on Bonds, Notes, and Capital Leases	0	0
Other Capital and Related Financing Activity	0	0
Net Cash (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>
Cash Flows from Investing Activities		
Interest and Investment Revenue	0	2,591
Proceeds from Sale and Maturity of Investments	4,818	407,283
Principal Received from Notes Receivable	9,269	76,483
Payments to Purchase Investments	(30,433)	(314,083)
Payments to Issue Notes Receivable	(23,383)	0
Net Cash Provided (Used) by Investing Activities	<u>(39,729)</u>	<u>172,274</u>
Net Increase (Decrease) in Cash/Cash Equivalents	(2,155)	194,864
Cash/Cash Equivalents - Beginning of Year	<u>4,310</u>	<u>527</u>
Cash/Cash Equivalents - End of Year	<u>\$ 2,155</u>	<u>\$ 195,391</u>

Reconciliation of Cash/Cash Equivalents to Combined Balance Sheet

Fiduciary Fund Type Cash/Cash Equivalents per Combining Balance Sheet:

Expendable Trusts	\$ 544,892
Nonexpendable Trusts	195,391
Pension Trusts	328,034
Agency Funds	121,217
Total Fiduciary Fund Types	<u>\$ 1,189,534</u>

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

Total Primary Government		Component Units		Total Reporting Entity	
(Memorandum Only)				(Memorandum Only)	
1996	1995	Proprietary		1996	1995
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 142,701
0	0	178,212	0	178,212	0
0	0	0	0	0	28
0	0	(67,499)	0	(67,499)	(60,692)
0	0	0	0	0	(95,690)
0	0	(226,665)	0	(226,665)	(34,323)
0	0	(120,488)	0	(120,488)	(122,829)
0	0	249	0	249	(776)
0	0	(236,191)	0	(236,191)	(171,581)
2,591	2,007	90,763	0	93,354	88,751
412,101	295,977	1,246,001	0	1,658,102	1,328,308
85,752	18,977	6,046	0	91,798	26,301
(344,516)	(248,817)	(1,280,917)	0	(1,625,433)	(1,352,347)
(23,383)	(29,680)	(3,118)	0	(26,501)	(36,337)
132,545	38,464	58,775	0	191,320	54,676
192,709	(1,928)	13,660	0	206,369	(12,268)
4,837	6,765	150,303	0	155,140	167,408
\$ 197,546	\$ 4,837	\$ 163,963	\$ 0	\$ 361,509	\$ 155,140

Noncash Capital and Related Financing Activities

Proprietary Component Units:

Real Estate and Equipment Acquired Through Foreclosed Notes Receivable	\$	267
Donated Equipment		1,691
Accounts Payable Incurred for Equipment		495

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Combined Statement of
Changes In Plan Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 1996
(with comparative totals for June 30, 1995)
(expressed in thousands)

	Pension Trusts	
	1996	1995
Additions		
Contributions		
Employer Contributions	\$ 220,283	\$ 199,271
Employee Contributions	200,299	202,045
State Contributions	186,474	179,387
Total Contributions	607,056	580,703
Investment Income		
Net Appreciation (Depreciation) in fair value of investments	334,060	747,741
Investment and Interest Revenue	864,924	354,983
	1,198,984	1,102,724
Less Investment Expense	38,053	29,962
Net Investment Income	1,160,931	1,072,762
Other Revenue	85	115
Total Additions	1,768,072	1,653,580
Deductions		
Administrative and General Expenses	6,149	6,013
Benefit Payments and Refunds	719,024	687,386
Total Deductions	725,173	693,399
Net Increase	1,042,899	960,181
Fund Balance Reserved for Employees' Pension Benefits		
Beginning of Year	7,874,651	6,914,470
End of Year	\$ 8,917,550	\$ 7,874,651

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

Combined Statement of Changes in Fund Balances
Component Unit - Higher Education Funds
For the Fiscal Year Ended June 30, 1996
(with comparative totals for June 30, 1995)
(expressed in thousands)

	Current Funds	
	Unrestricted	Restricted
Revenues and Other Additions		
Unrestricted Current Fund Revenues	\$ 662,097	\$ 0
Endowment Income	0	1,377
Federal Grants and Contracts	0	218,963
State and Local Grants and Contracts	0	68,881
Private Gifts, Grants and Contracts	0	37,176
Auxiliary Enterprises	0	0
Investment and Interest Revenue	0	3,018
Retirement of Indebtedness	0	0
Expended for Plant Facilities	0	0
Other	0	3,014
Total Revenues and Other Additions	662,097	332,429
Expenditures and Other Deductions		
Education and General Expenditures	890,602	330,237
Auxiliary Enterprises	214,718	304
Professional Practice Plans and Clinics	77,739	0
Expended for Plant Facilities	0	0
Indirect Cost Recoveries	0	17,292
Cancellation of Student Loans	0	0
Administrative and Collection Costs	0	0
Interest on Indebtedness	0	0
Retirement of Equipment	0	0
Retirement of Indebtedness	0	0
Disposal of Plant Facilities	0	0
Depreciation and Amortization	0	0
Other	0	150
Total Expenditures and Other Deductions	1,183,059	347,983
Transfers Among Funds - Additions (Deductions)		
Mandatory Transfers		
Principal and Interest	(10,458)	(201)
Loan Fund Matching Grant	(567)	370
Other	(499)	0
Nonmandatory	(24,357)	(624)
Operating Transfers from Primary Government	555,433	25,695
Total Transfers Among Funds	519,552	25,240
Net Increase in Fund Balances	(1,410)	9,686
Fund Balances - Beginning of Year	246,672	46,420
Fund Balances - End of Year	\$ 245,262	\$ 56,106

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

Loan Funds	Endowment Funds	Plant Funds	Total (Memorandum Only)	
			1996	1995
\$ 0	\$ 0	\$ 0	\$ 662,097	\$ 610,114
0	0	0	1,377	1,357
750	0	7,474	227,187	213,753
27	0	1,332	70,240	44,438
1	291	1,358	38,826	68,379
0	0	0	0	39
1,672	7,264	6,916	18,870	12,550
0	0	26,232	26,232	11,719
0	0	181,584	181,584	158,553
1,417	15	12,687	17,133	16,333
<u>3,867</u>	<u>7,570</u>	<u>237,583</u>	<u>1,243,546</u>	<u>1,137,235</u>
18	4,864	0	1,225,721	1,194,495
0	0	0	215,022	199,311
0	0	0	77,739	60,268
0	0	126,784	126,784	112,568
0	0	0	17,292	16,501
1,706	0	6	1,712	1,737
832	0	2	834	71
0	0	9,557	9,557	8,139
0	0	3,139	3,139	3,625
0	0	26,461	26,461	11,758
0	0	8,422	8,422	8,156
0	0	27,321	27,321	25,326
731	5	5,646	6,532	9,322
<u>3,287</u>	<u>4,869</u>	<u>207,338</u>	<u>1,746,536</u>	<u>1,651,277</u>
0	0	10,659	0	0
197	0	0	0	0
9	0	490	0	0
14	742	24,225	0	0
0	7,200	92,197	680,525	679,720
<u>220</u>	<u>7,942</u>	<u>127,571</u>	<u>680,525</u>	<u>679,720</u>
800	10,643	157,816	177,535	165,678
49,198	79,375	1,530,396	1,952,061	1,786,383
<u>\$ 49,998</u>	<u>\$ 90,018</u>	<u>\$ 1,688,212</u>	<u>\$ 2,129,596</u>	<u>\$ 1,952,061</u>

Combined Statement of Current Funds, Revenues,
Expenditures and Other Changes
Component Unit - Higher Education Funds
For the Fiscal Year Ended June 30, 1996
(with comparative totals for June 30, 1995)
(expressed in thousands)

	Current Funds		Total Current Funds	
	Unrestricted	Restricted	1996	1995
Revenues				
Tuition and Fees	\$ 241,741	\$ 0	\$ 241,741	\$ 218,514
Federal Appropriations	11,161	0	11,161	10,709
Federal Grants and Contracts	12,596	206,555	219,151	215,627
State and Local Grants and Contracts	5,390	60,951	66,341	41,301
Private Gifts, Grants and Contracts	17,369	34,606	51,975	74,787
Investment and Interest Revenue	3,016	194	3,210	2,689
Endowment Income	1,418	1,699	3,117	2,419
Sales and Services				
Educational Department	18,666	6	18,672	17,189
Auxiliary Enterprises	212,588	0	212,588	199,943
Professional Practice Plans and Clinics	81,163	0	81,163	65,257
Other Sources	56,989	1,082	58,071	58,769
Total Revenues	662,097	305,093	967,190	907,204
Expenditures and Mandatory Transfers				
Educational and General				
Instruction	407,736	36,485	444,221	426,383
Research	70,470	80,571	151,041	140,446
Public Service	43,615	54,282	97,897	88,750
Academic Support	113,681	2,941	116,622	107,156
Student Services	44,286	23,618	67,904	71,838
Institutional Support	91,979	7,134	99,113	130,453
Operation/Maintenance of Plant	84,005	269	84,274	81,394
Scholarships and Fellowships	34,830	124,937	159,767	143,885
Other	0	0	0	453
Education and General Expenditures	890,602	330,237	1,220,839	1,190,758
Mandatory Transfers				
Principal and Interest	3,693	201	3,894	2,910
Loan Fund Matching Grant	580	(370)	210	239
Other	473	0	473	1,454
Total Education and General	895,348	330,068	1,225,416	1,195,361
Auxiliary Enterprises				
Mandatory Transfers				
Principal and Interest	6,754	0	6,754	6,032
Loan Fund Matching Grant	(13)	0	(13)	(13)
Other	26	0	26	(11)
Total Auxiliary Enterprises	\$ 221,485	\$ 304	\$ 221,789	\$ 205,437

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

	Current Funds		Total Current Funds	
	Unrestricted	Restricted	1996	1995
Professional Practice Plans and Clinics	\$ 77,739	\$ 0	\$ 77,739	\$ 60,268
Mandatory Transfers - Other	11	0	11	14
Total Professional Practice Plans and Clinics	77,750	0	77,750	60,282
Total Expenditures and Mandatory Transfers	1,194,583	330,372	1,524,955	1,461,080
Other Transfers and Additions (Deductions)				
Restricted Receipts in Excess of				
Transfers to Revenues	0	10,044	10,044	3,406
Refunded to Grantors	0	(150)	(150)	(229)
Nonmandatory	(24,357)	(624)	(24,981)	(21,996)
Operating Transfers from Primary Government	555,433	25,695	581,128	575,442
Other Transfers and Additions, Net	531,076	34,965	566,041	556,623
Net Increase in Fund Balances	\$ (1,410)	\$ 9,686	\$ 8,276	\$ 2,747

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