NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: Fitch: "AA"
S&P: "AA"
See "RATINGS" herein

In the opinion of Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein (i) interest on the Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) such interest is not treated as a preference item for purposes of the Federal alternative minimum tax applicable to individuals and corporations (as defined for Federal income tax purposes) under the Code. Under the Code, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of calculating the Federal alternative minimum tax imposed on certain corporations (as defined for Federal income tax purposes). See "TAX MATTERS RESPECTING THE BONDS" herein. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from State of Oklahoma income taxation.

$10,370,000
OKLAHOMA CAPITOL IMPROVEMENT AUTHORITY
State Facilities Refunding Revenue Bonds
(State Highway Capital Improvement)
Series 2013C

(Subject to Annual Appropriation)

Dated: Date of Delivery **Due**: June 1, as shown on the inside cover

The above-described State Facilities Refunding Revenue Bonds (State Highway Capital Improvement), Series 2013C (the "Bonds") are being issued by the Oklahoma Capitol Improvement Authority (the "Authority") to provide funds (i) for the refunding of its State Highway Capital Improvement Refunding Revenue Bonds, Series 2003A and Series 2003B, issued in the original aggregate principal amounts of $65,565,000 and $26,605,000, respectively (collectively, the "Series 2003 Bonds"), and (ii) to pay the related costs of issuance of the Bonds.

The Bonds are being issued pursuant to a Resolution adopted by the Authority on August 13, 2013 (the "Resolution"). The Bonds are issuable in fully registered form and when initially issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial ownership interests in the Bonds will be made in book-entry form only, in $5,000 principal amounts or integral multiples thereof. Beneficial Owners of the Bonds will not receive physical delivery of certificates evidencing their ownership interest in the Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. BOKF, NA, dba Bank of Oklahoma, will serve as Registrar and Paying Agent for the Bonds. Interest on the Bonds is payable each June 1 and December 1, commencing June 1, 2014, as more fully described herein. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal and interest on the Bonds will be made directly to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. See "THE Bonds—Book-Entry-Only System" herein.

Maturity Schedule on Inside Cover

The Bonds are not subject to redemption prior to maturity.

The Bonds are payable solely from payments to be received by the Authority from the Oklahoma Department of Transportation (the "Department"), pursuant to the terms of a Consolidated Agreement for Use and Possession dated as of May 8, 2003 (the "Agreement"). Payment by the Department under the Agreement is subject to the annual appropriation of funds by the Oklahoma State Legislature for that purpose. See "STATE BUDGETARY PROCESS" and "SECURITY FOR THE BONDS" herein.

The Bonds are not an indebtedness of the State of Oklahoma, nor shall they be deemed to be an obligation of the State of Oklahoma or of any political subdivision thereof and neither the faith and credit nor the taxing power of the State of Oklahoma or any political subdivision thereof is pledged or may hereafter be pledged to the payment of the principal of or the interest on the Bonds. The Bonds are neither general obligations of the Authority nor personal obligations of the members of the Authority, but are limited obligations payable solely out of the Revenues specifically pledged to their payment. See "SECURITY FOR THE BONDS" and "RISK FACTORS" herein.

The Bonds are offered when, as and if issued and are subject to the receipt of the approving certificate of the Attorney General of the State of Oklahoma and the legal opinion of the Floyd Law Firm, P.C., Oklahoma City, Oklahoma, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Crowe & Dunlevy, A Professional Corporation, Oklahoma City, Oklahoma. It is expected that the Bonds will be available in definitive form for delivery at DTC in New York, New York, on or about December 3, 2013.

Citigroup

BOSC, Inc.
A subsidiary of BOK Financial Corporation

BAIRD

Wells, Nelson & Associates, LLC

The date of this Official Statement is November 20, 2013.

OKLAHOMA CAPITOL IMPROVEMENT AUTHORITY
State Facilities Refunding Revenue Bonds
(State Highway Capital Improvement)
Series 2013C

(Subject to Annual Appropriation)

Maturities, Amounts, Interest Rates and Yields

$10,370,000

Maturity June 1	Principal Amount	Interest Rate	Yield	CUSIP Base:
2014	$4,415,000	1.000%	0.171%	679088AA2
2015	$5,955,000	0.750%	0.350%	679088AB0

CUSIP numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the Owners of the Bonds. Neither the Authority nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, any such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Authority, the Department and other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information and this Official Statement is not to be construed as the promise or guarantee of the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

This Official Statement contains statements that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "intend," "expect" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. THE COVER PAGE IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THIS PRELIMINARY OFFICIAL STATEMENT IS DEEMED TO BE FINAL (EXCEPT FOR PERMITTED OMISSIONS) BY THE AUTHORITY AND THE AGENCIES FOR PURPOSES OF COMPLYING WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

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STATE OF OKLAHOMA

Oklahoma Capitol Improvement Authority

Governor Mary Fallin
Chair

Honorable Ken Miller
State Treasurer

Lieutenant Governor Todd Lamb
Vice Chair

Mike Patterson
Director, Department of Transportation

Deby Snodgrass
Director, Department of Tourism & Recreation

Ed Lake
Director, Department of Human Services

Dawn Cash
Commissioner, Oklahoma Tax Commission

Preston L. Doerflinger
Director, Office of Management and Enterprise Services

Staff

Administrator, Oklahoma Capitol Improvement Authority
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James C. Joseph

Counsel to Issuer
Assistant Oklahoma Attorney General
Kim Heaton, Esq.

Bond Counsel
Floyd Law Firm
Norman, Oklahoma

Registrar/Paying Agent
BOKF, NA, dba Bank of Oklahoma
Oklahoma City, Oklahoma

Representing the Bond Commissioner
Assistant Oklahoma Attorney General
David Kinney, Esq.

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$10,370,000

OKLAHOMA CAPITOL IMPROVEMENT AUTHORITY
State Facilities Refunding Revenue Bonds
(State Highway Capital Improvement)
Series 2013C

(Subject to Annual Appropriation)

INTRODUCTION

This Official Statement of the Oklahoma Capitol Improvement Authority (the "Authority"), including the cover and Appendices, is provided for the purpose of presenting certain information in connection with the issuance of its bonds, designated as the Oklahoma Capitol Improvement Authority State Facilities Refunding Revenue Bonds (State Highway Capital Improvement), Series 2013C in the aggregate principal amount of $10,370,000 (the "Bonds"). The Bonds, dated as of the date of delivery, are being issued pursuant to a Resolution adopted by the Authority on August 13, 2013 (the "Resolution" or "Bond Resolution"). Under the Resolution, BOKF, NA, dba Bank of Oklahoma, will serve as Registrar and Paying Agent for the Bonds. The Bonds and any Additional Bonds in the future issued on a parity therewith under the Resolution are collectively referred to as the "Bonds."

The proceeds from the sale of the Bonds will be used to provide funds (i) for the refunding of the entire outstanding principal amount of the Authority's State Highway Capital Improvement Refunding Revenue Bonds, Series 2003A and Series 2003B, issued in the original principal amounts of $65,565,000 and $26,605,000, respectively (collectively, the "Series 2003 Bonds"), which were issued to finance projects for the benefit of the Oklahoma Department of Transportation (the "Department"), and (ii) to pay the costs related to the issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Bonds are payable from payments to be received by the Authority from the Department, pursuant to the terms of a Consolidated Agreement for Use and Possession dated as of May 8, 2003 (the "Agreement"). Payments by the Department under the Agreement are subject to the annual appropriation of funds by the Oklahoma State Legislature for that purpose. See "STATE BUDGETARY PROCESS" and "SECURITY FOR THE BONDS" herein.

This Official Statement includes brief descriptions of the Authority, the Department, the Bonds, the Resolution, the Agreement and related matters. Such descriptions do not purport to be comprehensive or definitive. References to such documents are qualified in their entirety by reference to the complete texts thereof, copies of such documents being available for inspection at the offices of the Authority. Capitalized terms used in this Official Statement and not otherwise defined shall have the respective meanings given in the Resolution.

THE AUTHORITY

The Bonds are being issued pursuant to the authority of Title 73, Oklahoma Statutes 2011, Sections 151 *et seq*., inclusive, as amended, and particularly by Title 73, Oklahoma Statutes 2011, Section 156.1 (collectively, the "Act"). The Act authorizes the Authority to issue bonds for the purpose of refinancing or restructuring its outstanding obligations. On several occasions, the Oklahoma Supreme Court (the "Court") has validated laws creating the Authority and approved the issuance of bonds by the Authority. The Bonds are not required to be validated by the Court and the Authority has not submitted them to the Court for validation.

On May 3, 2003, the Authority issued its State Highway Capital Improvement Refunding Revenue Bonds, Series 2003A and Series 2003B, in the original aggregate principal amounts of $65,565,000, and $26,605,000, respectively (collectively, the "Series 2003 Bonds"). The Series 2003 Bonds were issued under a resolution of the Authority pursuant to the Act, as serial bonds maturing June 1 and December 1, 2005-2015, inclusive, commencing December 1 2005. As of the date hereof, $21,775,000 of the Series 2003 Bonds remain outstanding, consisting of $15,575,000 Series A Bonds and $6,200,000 Series B Bonds.

The Authority was created as a funding source for construction of State office buildings within the State Capitol Complex. The statutory power of the Authority was expanded in 1998 to encompass the financing of improvements and enhancements for various State universities, colleges, agencies, boards, and authorities. Pursuant to Title 73, Oklahoma Statutes 2011, Section 152, as amended, the Authority consists of eight members, including the Governor (who serves as Chair), the Lieutenant Governor (who serves as Vice Chair), the Director of the Office of Management and Enterprise Services (who serves as Secretary), the Director of the Department of Human Services, a Commissioner of the Oklahoma Tax Commission, the State Treasurer, the Director of the Department of Tourism and Recreation, and the Director of the Department of Transportation.

The Authority first issued bonds to finance the construction of four (4) State office buildings directly north of the State Capitol building. Thereafter, the Authority has provided financing for several facilities for the use and occupancy of various departments and agencies of the State. The Authority has twenty-eight (28) outstanding series of bonds, including the Series 2003 Bonds which are being refunded. Each of these series of bonds is subject to appropriation and each provides for a lease or other agreement between the Authority and the entity which was authorized to use the proceeds of the bonds for one or more of their projects. These agreements require the particular entity to make periodic payments to the Authority, which are accumulated by the Authority to pay debt service on the applicable bond issues. Because different entities are involved, not all Authority bonds are issued on parity. In each case where the same project for an entity has benefited from more than one Authority bond issue, those bonds are equitably and ratably secured by essentially the same agreement, amended and restated from the initial applicable bond issue. See "OUTSTANDING OBLIGATIONS OF THE AUTHORITY" herein.

The initial issuance by the Authority of bonds to fund highway improvement projects was validated by the Oklahoma Supreme Court on March 20, 1998, in *Application of the Oklahoma Capitol Improvement Authority*, 958 P.2d 759 (Okla. 1998).

The audited financial statements of the State of Oklahoma for the fiscal year ended June 30, 2012, are available on the OMES web site at www.ok.gov/osf. Excerpts from the State of Oklahoma Comprehensive Annual Financial Report for Fiscal Year 2012 are included in Appendix B. Certain unaudited financial results of the State of Oklahoma for the Fiscal Year 2013 and the first four months of Fiscal Year 2014, are included in Appendix C and Appendix D hereto.

THE DEPARTMENT

The mission of the Department is to provide a safe, economical and effective transportation network for the people, commerce and communities of the State.

The Oklahoma Constitution, adopted shortly after Statehood in 1907, provided for the establishment of the Department of Highways. The enabling legislation for the creation of the Department of Highways became effective in 1912, which charged the Department with building and maintaining public roads in the State.

The modern highways of today were conceived and built after the end of World War II in all parts of the nation, including Oklahoma. The industrial boom of the postwar era created the need for modern highways, and later the interstate highway system.

In 1976, the Department was legislatively created to embrace the multi-modal philosophy of the State and the nation. With this legislation, the Department became active in mass transit and railroads, as well as the highway system. The Department is charged with the planning, construction, operation, maintenance and coordination of designated multi-modal transportation systems designed to meet present and future statewide transportation needs in the State including, but not limited to, highways, public transportation, railroads and waterways.

Currently the Department is responsible for 12,261 miles of highways, of which, 674 miles are on the interstate system, and the remaining miles include both two lane and four lane divided and undivided roads. At this size, the highway system in Oklahoma is the 17th largest system in the country.

The Secretary of Transportation is appointed, and serves at the pleasure of the Governor with confirmation by the State Senate. The Secretary is responsible for the following entities: Aeronautics Commission, the Highway Construction Materials Certification Board, all port authorities, the Transportation Commission, the Department, the Oklahoma Turnpike Authority, the Trucking Advisory Board, and the Waterways Advisory Board.

The members of an eight member Transportation Commission are appointed for staggered terms by the Governor and confirmed by the Senate. The Commission is an advisory, administrative and policy making board empowered by statute: to hire, by majority vote, an ODOT Director; to set policies for the transaction of business including the letting of construction and maintenance contracts; and to prescribe the manner of cooperation between local officials and ODOT, sets departmental policy and oversees general operations. The Governor is an ex officio member of the Commission, but entitled to vote on Commission matters only in the event of a tie.

J. Michael Patterson, Director

In April 2013, Mr. Patterson was appointed the Executive Director of Oklahoma Department of Transportation. Prior to that appointment Mr. Patterson served as the Deputy Director for the agency for three years as well as filling the role of Chief Financial Officer since September 1999. Mr. Patterson has served in various positions in ODOT since beginning his employment in 1980. Prior to his employment with ODOT, Mr. Patterson was employed for three years as the Director of Restitution for the State Department of Corrections. Mr. Patterson is a member of the American Association of State Highway and Transportation Officials (AASHTO); currently serving as the Vice Chairman of the Standing Committee of Finance and Administration (SCOFA). Mr. Patterson is also a member of the American Road and Transportation Builders Association.

Mr. Patterson holds a Bachelor of Science degree in Accounting and a MBA in Finance from the University of Central Oklahoma in Edmond, Oklahoma.

Timothy J. Gatz, Deputy Director

Mr. Gatz was appointed as Deputy Director in April 2013 and serves as the Chief Administrative Officer for the Department. Mr. Gatz began his career with the Oklahoma Department of Transportation in 1990, and has served in several capacities since that time including working with local governments and legislative leaders to coordinate their needs with those of the state transportation system. Mr. Gatz is a member of the American Association of State Highway and Transportation Officials, American Road and Transportation Builders Association, and American Society of Landscape Architects.

Mr. Gatz obtained Bachelor's degree in Landscape Architecture, with emphasis in Urban Geography and Urban Planning and Architecture from Oklahoma State University in Stillwater, Oklahoma.

C. Casey Shell, Chief Engineer

Mr. Shell was named Chief Engineer of ODOT in July 2013 and serves as the Chief Operating Officer. Mr. Shell is a registered Professional Engineer, who began his career with the Department in 1986. During his time with the department, Mr. Shell has also served as Director of Operations, a post he took in 2009 after many years as Division Engineer in Field Division Four. Mr. Shell is a member of the American Association of State Highway and Transportation Officials and American Road and Transportation Builders Association.

Mr. Shell acquired a Bachelor of Science degree in Civil Engineering from the University of Arkansas in Fayetteville, Arkansas.

C. Russell Hulin, Director of Finance and Administration and Chief Financial Officer

Mr. Hulin was named the Director of Finance and Administration for the Department in September 2013 and serves as the Chief Financial Officer. Mr. Hulin served in various financial and management related positions since beginning employment with the State of Oklahoma in 1984. He served as the Chief Financial Officer for the Oklahoma Tax Commission from 1997 through 2012. Mr. Hulin is a Certified Public Accountant and is a member of the Oklahoma Society of Certified Public Accountants. Mr. Hulin is also a member of the American Association of State Highway and Transportation Officials and American Road and Transportation Builders Association.

Mr. Hulin holds a Bachelor of Business Administration degree from the University of Oklahoma in Norman, Oklahoma.

Department Funding

State funding for the Department is primarily derived from taxes received in the State Transportation Fund and the Rebuilding Oklahoma Access and Driver Safety Fund. Statutorily, the State Transportation Fund receives 48% of all fuel tax revenues and .31% of motor vehicle taxes and fees totaling $208.7 million. The Rebuilding Oklahoma Access and Driver Safety Fund receives direct apportionments from income tax collections totaling $352.1 million for FY 2014, with incremental annual increases of $59.7 million until the total reaches $575 million. Total State revenues from all tax and fee sources are estimated to total $604.9 million for FY 2014, for construction, maintenance, and operations of the Department. $497.3 million in funding has also been provided by the Federal Highway Administration for FY 2014.

THE BONDS

Description of the Bonds

The aggregate principal amount of the Bonds shall be as set forth on the cover page hereof and the Bonds shall mature on the dates and in the amounts, with interest thereon at the rates, set forth on the inside cover page hereof. See "SECURITY FOR THE BONDS" herein.

The Bonds shall be executed and delivered in fully registered form in denominations of $5,000 or integral multiples thereof not exceeding the aggregate principal amount stated to mature on any given date. The Bonds shall be dated the date of their delivery and the Owners of the Bonds shall be entitled to receive interest therefrom. The first interest payment date shall be June 1, 2014. The payment of principal of and interest on the Bonds shall be made in lawful money of the United States of America. BOKF, NA, dba Bank of Oklahoma, will serve as Registrar and Paying Agent for the Bonds. DTC shall act as Depository for the Bonds. So long as DTC is acting as Depository, the principal of and interest on the Bonds shall be payable as directed by the Depository.

The Authority and the Paying Agent, or any successor, may deem and treat the person in whose name any Bond shall be registered upon the books of the Paying Agent, as Registrar, as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of or on account of principal of or interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sums paid, and neither the Authority nor the Paying Agent or successors shall be affected by any notice to the contrary.

If any Bond shall become mutilated or be lost, stolen or destroyed prior to the payment thereof, a new Bond of like tenor and date and bearing the same number, will be prepared, executed and delivered, either in exchange for and upon cancellation of the mutilated Bond or in substitution for the Bond lost, stolen or destroyed, but such exchange or substitution shall be made only upon receipt of satisfactory evidence of the loss, theft or destruction of such Bonds, proof of ownership thereof, indemnity satisfactory to the Authority and payment by the Bondowner of reasonable charges of the Paying Agent and the cost of preparing such Bond.

No Optional Redemption of Bonds

The Bonds are not subject to optional redemption prior to maturity.

Limited Obligations

The Bonds are not an indebtedness of the State of Oklahoma, nor shall they be deemed to be an obligation of the State of Oklahoma or of any political subdivision thereof and neither the faith and credit nor the taxing power of the State of Oklahoma or any political subdivision thereof is pledged or may hereafter be pledged to the payment of the principal of or the interest on the Bonds. The Bonds are not general obligations of the Authority nor personal obligations of the members of the Authority, but are limited obligations payable solely out of the Revenues specifically pledged to their payment. See "RISK FACTORS" herein.

Book-Entry-Only System

The information in this section concerning The Depository Trust Company ("DTC") and DTC's book-entry-only system has been obtained from DTC, and the Authority and the Underwriters take no responsibility for the accuracy thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to

Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The Authority, Bond Counsel and the Underwriters cannot and do not give any assurances that the DTC Participants will distribute to the Beneficial Owners of the Bonds: (i) payments of principal of or interest on the Bonds; (ii) certificates representing an ownership interest or other confirmation of Beneficial Ownership interests in the Bonds; or (iii) redemption or other notices sent to DTC or its nominee, as the Registered Owners of the Bonds; or that they will do so on a timely basis or that DTC or its participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

None of the Authority, Bond Counsel or the Underwriters will have any responsibility or obligation to such DTC Participants (Direct or Indirect) or the persons for whom they act as nominees with respect to: (i) the Bonds; (ii) the accuracy of any records maintained by DTC or any DTC Participant; (iii) the payment by any DTC Participant of any amount due to any Beneficial Owner in respect of the principal amount of or interest on the Bonds; (iv) the delivery by any DTC Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Resolution to be given to Registered Owners; (v) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC as Registered Owner.

In reading this Official Statement, it should be understood that while the Bonds are in the Book Entry system, references in other sections of this Official Statement to Registered Owner should be read to include the Beneficial Owners of the Bonds, but: (i) all rights of ownership must be exercised through DTC and the Book Entry system; and (ii) notices that are to be given to Registered Owners by the Authority will be given only to DTC.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be used to (i) current refund the outstanding balance of the Series 2003 Bonds, and (ii) pay costs of issuing the Bonds. The Authority will irrevocably deposit cash in the Series 2003 Bonds Sinking Fund, in an amount sufficient to make the full and timely payment of all principal of and interest on the Series 2003 Bonds on and prior to their maturity. Upon such irrevocable deposit, the Series 2003 Bonds will no longer be deemed to be outstanding.

The following table sets forth the estimated sources and uses of the proceeds of the Bonds.

Sources of Funds	
Principal of Bonds	$10,370,000.00
Plus: Original Issue Premium on Bonds	53,489.60
Plus: Debt Service Reserves and other contributions by the Authority	5,150,341.68
Total Sources:	$15,573,831.28
Uses of Funds	
Deposit to Sinking Fund for the Series 2003 Bonds	$15,499,993.75
Costs of Issuance[1] and Contingency	73,837.53
Total Uses:	$15,573,831.28

[1]Includes all costs of issuance (including Underwriters' discount, rating agency, Bond Registrar and legal fees and other expenses, the payment of which is contingent upon the issuance of the Bonds).

DEBT SERVICE REQUIREMENTS FOR THE BONDS

The following table sets forth the annual amounts required to pay scheduled principal and interest on the Bonds during each fiscal year ending June 30.

Debt Service Requirements

Series 2013C Bonds

Period Ending June 1	Principal	Interest	Total Debt Service
2014	$4,415,000	$43,912.85	$4,458,912.85
2015	$5,955,000	$44,662.50	$5,999,662.50

OUTSTANDING BALANCES OF THE REFUNDED BONDS

The table below shows the outstanding balances of the Series 2003 Bonds as of November 20, 2013, all of which will be paid by the proceeds of the Bonds and other available funds.

Issue	Original Par	Outstanding Par	Redemption Date
Series 2003A	$ 65,565,000	$ 15,575,000	January 7, 2014
Series 2003B	26,605,000	6,200,000	January 7, 2014
TOTALS	**$ 92,170,000**	**$ 21,775,000**	

STATE BUDGETARY PROCESS

The Fiscal Year for Oklahoma State government entities is a period of 12 consecutive months beginning on July 1 of each year and ending on June 30 of the following year. The following is a general discussion of the budget process of Oklahoma State Government:

General. The State of Oklahoma is constitutionally provided with two houses of the State Legislature and a Governor. The Senate and House of Representatives begin a Legislative session on the first Monday of February which must end by the last Friday of May each year. The State Constitution mandates a balanced budget. In general, the Legislature has a formal role in the formation of budget request instructions and in the compilation of budget requests from agencies. Although the Legislature's focus has been changed from objects of expenditure to program spending, the Legislature has implemented performance measurement procedures to improve oversight and allocation decisions. The Governor possesses "line item veto" powers.

Agency Budget Requests. The budget process begins in June each year when the Director of the Office of Management and Enterprise Services ("OMES") and the Joint Legislative Committee on Budget and Program Oversight ("JLCBPO") issue instructions for annual budget requests for the subsequent fiscal year. These instructions specify the form, manner and detail in which an agency must submit its annual budget.

Agency Budget Request Development. Once they have received their instructions, State agencies begin preparation of their budget requests for submission to the Director of OMES and the JLCBPO. The development of budget requests varies substantially from agency to agency and is far more complex with large agencies than small ones. All budget requests include a brief narrative describing the purpose of the agency, its programs, funding, number of employees and the changes it wants for the upcoming year. The request must include justifications for any proposed program changes and proposed sources of funding for any expansion. Not all agency funding comes from appropriations. Many State agencies receive federal funds or earmarked revenues from fees, permits or taxes, or both federal and earmarked funds. Such agencies' budgets must include estimates of federal or earmarked funds along with any request for appropriation. Budget requests must be submitted by October 1st. Budget requests are initially reviewed by analysts in the Division of the Budget and the House and Senate Fiscal Staffs. The head of the Division of the Budget, the Director of OMES and the Governor conduct subsequent reviews to develop the Governor's recommendation.

Governor's Recommended Annual Budget. After review of the budget proposals for technical accuracy, justification and evaluation, the Governor develops a comprehensive budget for the State. In addition to the Governor's budget recommendations, this comprehensive recommendation includes any statutory changes needed to accomplish policy or appropriation changes that are part of the budget plan.

The Revenue Certification Process. A fundamental element in the Governor's Recommended Budget is the State Board of Equalization's certification of funds available for appropriation by the Legislature. The Constitution requires the Board to meet prior to each legislative session to determine the total amount the Legislature can appropriate. The Constitution requires the Board to estimate the income of each fund and certify an amount equal to 95% of the estimate for appropriation from each fund. The remaining 5% is to be held unappropriated. This process applies only to anticipated revenues. Cash on hand may be appropriated in its entirety with some restrictions. The Board may meet one additional time to reevaluate its estimate. The initial certification plays a key role in the Governor's budget planning. Because of the requirement for a balanced budget, and more specific statutory requirements, the Governor's recommendations must be within the allowed appropriations total or the Governor must propose revenue increases to balance the proposed budget.

Legislative Enactment of the Budget. State law requires that immediately after the beginning of each year's regular session of the Legislature, the Governor submits to the presiding officer of each house printed copies of the proposed budget as well as drafts of the legislation needed to implement the budget recommendations. The Constitution requires that all revenue-raising measures be introduced in the House of Representatives. After appropriation bills are introduced, the presiding legislative officers refer them to the appropriations committees of the two houses which normally assign them to subcommittees for more detailed consideration. After final deliberations, a report is filed and drafted into an appropriations bill for each house. Appropriations bills may be amended on the floor and become part of the "engrossed" bill which is transmitted to the opposite house for consideration. The second house may agree to the "engrossed" bill or may propose changes, which then must be agreed to by the first house. If no agreement is reached, a joint committee is selected and differences resolved. Bills, once passed by both houses in final form, are then forwarded to the Governor for signature.

Governor's Signature. The Governor's signature completes the enactment of an appropriations bill. The Governor has constitutional power to line-item veto provisions.

Administration of the State Budget. The distribution of funds, the regulation of expenditure and the accounting controls related to the State budget are the responsibility of OMES with formal involvement of the Legislature through its JLCBPO for transfers of money requested by agencies. The State agency begins the process by submitting a "budget work program" which is a detailed plan of expenditure of all funds available to the agency. Following approval, the agency formally requests allotment of funds made available to it. Allotments are requested and granted quarterly.

Fiscal Year 2012 Results. The adopted budget for Fiscal Year 2012 provided for appropriated expenditures of $6.5 billion, equal to a decrease of $211 million or 3.1% from the Fiscal Year 2011 budget. Budgeted appropriations for education declined by approximately $167 million or 4.7% from Fiscal Year 2011, including a 4.1% reduction for the Board of Education and a 5.8% reduction for the Regents of Higher Education. In March 2012, the Governor signed a supplemental funding bill, providing $92.5 million for natural disaster assistance, teacher certification bonuses, and insurance benefits for certain education employees, and other smaller appropriations.

The State of Oklahoma continued to experience strong revenue collections in Fiscal Year 2012 with total receipts of $5.7 billion, which exceed Fiscal Year 2011 receipts by 8.1% or $423 million. Sales and income tax collections showed continued year-over-year growth through Fiscal Year 2012, although gross production taxes fell below expectations. The State deposited $328.3 million into the Rainy Day Fund as a result of the Fiscal Year 2012 receipts. The Fiscal Year 2012 balance of $577.5 million in the Rainy Day Fund is the second highest balance on record.

Fiscal Year 2013 Results (Unaudited). The State's budget for Fiscal Year 2013 provided for $6.8 billion in budgeted appropriations. This funding level represents a 5.1% increase from Fiscal Year 2012 budgeted appropriations and is the first time since the recession that agencies received more money than the prior year. Education funding increased by 2.2% from Fiscal Year 2012, and public health spending grew by 5.3% over the same period.

General Revenue Fund collections for Fiscal Year 2013 exceeded the Certified Estimate, resulting in a $2.7 million deposit to the Rainy Day Fund. A program to repay oil and gas firms for deferred tax credits of $297 million over three years (beginning in Fiscal Year 2013) resulted in significantly lower gross production tax collections than would have otherwise been recorded. Additionally, a temporary reduction in the gross production tax on horizontal wells from 7% to 1% had a negative effect on collections. Net income taxes exceeded the Estimate by 10.6% in Fiscal Year 2013, more than off-setting declines in the other major tax categories. In 2013, the Governor and Legislature agreed to use $45 million from the Rainy Day Fund for disaster relief. Following this use of funds and a deposit of $2.7 million, the Rainy Day Fund balance was $525.2 million.

Fiscal Year 2014 Outlook. The State's adopted budget for Fiscal Year 2014 provided for $7.1 billion in total budgeted appropriations. This funding level represents a 4.2% increase from Fiscal Year 2013 budgeted appropriations. Education funding increased by 3.2% from Fiscal Year 2013, and public health spending grew by 4.5% over the same period. All education (Common Education, Higher Education, & Career Technology) appropriations account for about 50% of the total, while health and human services represents about 31%. There was a special appropriation of $60 million in Fiscal Year 2014 for improvements to the State Capitol Building. Another $60 million is expected in the Fiscal Year 2015 budget.

State General Revenue Fund collections increased 2.1% in October from a year ago and are down 2.5% for the first four months of Fiscal Year 2014 compared to the first four months of Fiscal Year 2013. Total General Revenue Fund collections for October were $448.3 million, which is $9.4 million or 2.1% above collections for the same month a year ago and $285,835 or 0.1% below the estimate. Total General Revenue Fund collections for the first four months of Fiscal Year 2014 were $1.7 billion, which is $44.7 million or 2.5% less than the prior year and $114.1 million or 6.2% below the official estimate upon which the Fiscal Year 2014 state budget is based. Collections from all four major tax categories are running below official estimates for the first four months of the fiscal year that started July 1. Gross production taxes, which continue to be affected by the rebate repayment program, are down 31.4%, followed by motor vehicle taxes at 13.7%, income taxes at 5.2% and sales taxes at 3.5%.

STATE POST-EMPLOYMENT BENEFITS

Post-Employment Benefits. On June 21, 2004, the Governmental Accounting Standards Board ("GASB") released its Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions ("Statement No. 45"). Statement No. 45 establishes standards for the measurement, recognition and display of post-employment healthcare as well as other forms of post-employment benefits, such as life insurance, when provided separately from pension plan expenditures and related liabilities in the financial reports of State and local governments. Under Statement No. 45, governments are required to: (i) measure the cost of benefits, and recognize other post-employment benefits, on the accrual basis of accounting in periods that approximate employees' years of service; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, the future costs of those benefits have been funded; and (iii) provide information useful in assessing potential demands on the employer's future cash flows.

The State of Oklahoma operates seven defined-benefit pension plans for its employees. Five of the seven, including the two largest public employee retirement systems (the Oklahoma Public Employees Retirement System "OPERS" and the Oklahoma Teachers Retirement System "OTRS") make a monthly payment for post-employment health insurance benefits. For OPERS, this payment is equal to the lesser of the Medicare Insurance Supplement Premium or $105. For OTRS, the payment is based on a sliding scale from $100 to $105, depending on the retiree's average salary and years of service at retirement. To qualify for this payment, retirees must maintain uninterrupted enrollment in the State health insurance system.

The actuarial accrued liabilities for post-employment benefits other than pensions are currently reported in each system's annual actuarial report. The change in reporting practices as a result of Statement No. 45 has not materially changed the statement of the unfunded liability position of any of Oklahoma's pension systems.

Oklahoma Retirement Systems. The State of Oklahoma administers seven defined benefit pension plans and one defined contribution plan for employees. One of the seven defined benefit pension plans, the Retirement Plan for Full Time Employees of the Department of Wildlife Conservation, was closed to new employees on June 30, 2010; employees hired before July 1, 2010, remain in the defined benefit plan and employees hired July 1, 2010, and thereafter participate in a new defined contribution plan.

While five boards of trustees manage these pension plans, additional oversight is provided by the Oklahoma State Pension Commission (the "Commission"), pursuant to State law. Quarterly performance reports are published by the Commission with the assistance of its pension fund management consultant, currently NEPC, LLC. The Commission also publishes an annual report which includes information on total assets, total liabilities and the unfunded liabilities of the various plans.

The pension plans administered by the State are the subject of annual actuarial valuations. To access actuarial reports for specific pension plans, see the links below:

Oklahoma Teachers Retirement System:
http://www.ok.gov/TRS/Publications/

Oklahoma Public Employees Retirement System:
http://www.opers.ok.gov/publications/

Oklahoma Police Pension & Retirement System:
http://www.ok.gov/OPPRS/Financials/

Oklahoma Firefighters Pension & Retirement System:
http://www.ok.gov/fprs/Actuary_Report/

Oklahoma Law Enforcement Retirement System:
http://www.olers.state.ok.us/DocumentForms.aspx

Uniform Retirement System for Justices and Judges:
http://www.opers.ok.gov/publications/

The actuarial report for the Retirement Plan for Full Time Employees of the Department of Wildlife Conservation is not available electronically.

The pension disclosures rely on information produced by the pension plans and their independent accountants and actuaries. Actuarial assessments are forward-looking valuation estimates that reflect the judgment of the fiduciaries of the pension plans. Actuarial assessments are based upon a variety of assumptions, one or more of which may prove to be inconsistent with subsequent events or be changed in the future, and will change with the future experience of the pension plans.

GASB Statement No. 25 establishes certain standards for financial reporting of public pension plans. Although it describes what it perceives to be an actuarially sound funding policy, it does not mandate a specific funding approach. GASB Statement No. 25 does recommend that public pension plans provide, on an annual basis, a schedule of employer contributions presenting the Actuarially Required Contribution ("ARC") and the percentage of the ARC contributed in that given year. GASB Statement No. 25 also recommends that public pension plans present a schedule of funding progress for at least the past six consecutive fiscal years of the plan, including but not limited to the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability ("UAAL"), and the funded ratio ("Funded Ratio), determined by dividing the actuarial value of a plan's assets by the actuarial accrued liability. The percentage of the ARC contributed in a given year and the Funded Ratio are often used to measure the financial health of a pension plan.

As previously noted, GASB Statement No. 25 does not mandate a specific funding approach, leaving such determination to the governmental entity. The Oklahoma Legislature has enacted measures designating certain revenue or funding sources for four of the seven State pension plans rather than appropriating sums equal to the annual ARC calculation. Pursuant to Oklahoma Statutes, the four State pension plans receiving various dedicated revenues are as follows: (i) Oklahoma Teachers Retirement System: 5% of revenues from the State's individual and corporate income tax, sales and use tax and lottery proceeds, (ii) Oklahoma Firefighters Pension & Retirement System: 34% of insurance premium tax, (iii) Oklahoma Police Pension & Retirement System: 14% of insurance premium tax and 1% of special tax credit fund, (iv) Oklahoma Law Enforcement Retirement System: 5% of insurance premium tax and 1.2% of drivers license tax. The Oklahoma Public Employees Retirement System, the Uniform Retirement System for Justices and Judges, and the Retirement Plan for Full Time Employees of the Department of Wildlife Conservation do not receive dedicated portions of state revenues and are funded by contributions to the respective systems made by members and their employers. Since funding of the State's public pension plans is not directly tied to the ARC calculations, but relies predominately on an allocation of a source of revenues, the funding for a particular pension plan may, in any given year, be more or less than the ARC calculation for such plan.

The accrual and vesting of retirement benefits under a pension plan is a State law determination. The Oklahoma Supreme Court, in *Baker v. Oklahoma Firefighters Pension and Retirement System*, 718 P.2d 348 (1986), held that pension benefits become absolute and are protected by Article II, Section 15 of the Oklahoma Constitution at the point a person becomes eligible to retire and receive pension payments. See also, 1995 Oklahoma Attorney General's Opinion No. 45, for a discussion of three separate categories of public pension rights: (i) absolute rights, (ii) service-vested rights and (iii) contractually-based rights.

A primary assumption of each plan is the investment rate of return. The table below shows the investment rate of return used by each of the seven defined benefit plans.

	Assumed Investment Return Rate
Oklahoma Teachers Retirement System	8.0%
Oklahoma Public Employees Retirement System	7.5%
Oklahoma Police Pension & Retirement System	7.5%
Oklahoma Firefighters Pension & Retirement System	7.5%
Oklahoma Law Enforcement Retirement System	7.5%
Retirement Plan for Full Time Employees of the Department of Wildlife Conservation	7.0%
Uniform Retirement System for Justices and Judges	7.5%

The table below and on the following page summarizes the employer contributions required to be reported pursuant to GASB Statement No. 25 for each of the seven defined benefit pension plans for the last four years. In Fiscal Year 2012, the total annual required contribution across all plans was $1.095 billion and actual contributions to each of the seven plans totaled $1.134 billion, or 103.5% of the required amount. In Fiscal Year 2013, the total annual required contribution across all plans was $1.17 billion and actual contributions to each of the seven plans totaled $1.18 billion, or 100.7% of the required amount. With the exception of the figures showing percentages contributed, all numbers are in millions.

Oklahoma Teachers Retirement System

Valuation Date	Annual Required Contribution	Actual Contribution	Percentage Contributed
July 1, 2010	$742.3	$620.6	83.6%
July 1, 2011	$822.4	$638.2	77.6%
July 1, 2012	$588.3	$681.8	115.9%
July 1, 2013	$619.8	$701.0	113.1%

Oklahoma Public Employees Retirement System

Valuation Date	Annual Required Contribution	Actual Contribution	Percentage Contributed
July 1, 2010	$389.2	$260.0	66.8%
July 1, 2011	$402.0	$252.9	62.9%
July 1, 2012	$240.1	$262.7	109.4%
July 1, 2013	$256.6	$269.9	105.2%

Oklahoma Police Pension & Retirement System

Valuation Date	Annual Required Contribution	Actual Contribution	Percentage Contributed
July 1, 2010	$132.5	$54.5	41.2%
July 1, 2011	$146.8	$56.5	38.5%
July 1, 2012	$64.7	$61.0	94.2%
July 1, 2013	$79.3	$66.1	83.3%

Oklahoma Firefighters Pension & Retirement System

Valuation Date	Annual Required Contribution	Actual Contribution	Percentage Contributed
July 1, 2010	$187.2	$82.2	43.9%
July 1, 2011	$195.7	$87.9	44.9%
July 1, 2012	$142.4	$94.4	66.3%
July 1, 2013	$159.1	$106.0	66.6%

Oklahoma Law Enforcement Retirement System

Valuation Date	Annual Required Contribution	Actual Contribution	Percentage Contributed
July 1, 2010	$48.1	$23.1	48.1%
July 1, 2011	$50.1	$24.6	49.0%
July 1, 2012	$48.6	$26.1	53.8%
July 1, 2013	$44.7	$28.1	62.8%

Retirement Plan for Full Time Employees of the Department of Wildlife Conservation

Valuation Date	Annual Required Contribution	Actual Contribution	Percentage Contributed
July 1, 2010	$4.4	$4.4	100.0%
July 1, 2011	$3.2	$3.2	100.0%
July 1, 2012	$3.8	$4.1	107.8%
July 1, 2013	$4.3	$4.1	96.1%

Uniform Retirement System for Justices and Judges

Valuation Date	Annual Required Contribution	Actual Contribution	Percentage Contributed
July 1, 2010	$10.8	$8.7	80.8%
July 1, 2011	$12.5	$3.2	25.5%
July 1, 2012	$7.4	$3.6	48.8%
July 1, 2013	$7.4	$4.1	55.9%

TOTAL (all seven pension plans)

Valuation Date	Annual Required Contribution	Actual Contribution	Percentage Contributed
July 1, 2010	$1,514.3	$1,053.5	69.6%
July 1, 2011	$1,632.7	$1,066.4	65.3%
July 1, 2012	$1,095.4	$1,133.8	103.5%
July 1, 2013	$1,172.2	$1,179.3	100.7%

The table below and on the following page presents the actuarial values of assets, actuarial accrued liabilities, unfunded actuarial accrued liabilities, and the funded ratios for the seven defined benefit pension plans. With the exception of the funded ratio percentages, all numbers are in millions.

Oklahoma Teachers Retirement System

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)
July 1, 2010	$9,566.7	$19,980.6	$10,414.0	47.9%
July 1, 2011	$9,960.6	$17,560.8	$7,600.2	56.7%
July 1, 2012	$10,190.5	$18,588.0	$8,397.6	54.8%
July 1, 2013	$10,861.1	$18,973.2	$8,112.1	57.2%

Oklahoma Public Employees Retirement System

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)
July 1, 2010	$6,348.4	$9,622.6	$3,274.2	66.0%
July 1, 2011	$6,598.6	$8,179.8	$1,581.1	80.7%
July 1, 2012	$6,682.2	$8,334.6	$1,652.4	80.2%
July 1, 2013	$6,978.9	$8,556.1	$1,577.2	81.6%

Oklahoma Police Pension & Retirement System

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)
July 1, 2010	$1,754.4	$2,341.6	$587.2	74.9%
July 1, 2011	$1,822.7	$1,960.0	$137.3	93.0%
July 1, 2012	$1,834.2	$2,034.5	$200.3	90.2%
July 1, 2013	$1,902.6	$2,131.2	$228.6	89.3%

Oklahoma Firefighters Pension & Retirement System

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)
July 1, 2010	$1,681.5	$3,149.4	$1,467.9	53.4%
July 1, 2011	$1,757.8	$2,760.4	$1,002.5	63.7%
July 1, 2012	$1,759.1	$2,886.4	$1,127.3	60.9%
July 1, 2013	$1,811.7	$3,081.9	$1,270.2	58.8%

Oklahoma Law Enforcement Retirement System

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)
July 1, 2010	$664.8	$903.6	$238.8	73.6%
July 1, 2011	$684.1	$900.9	$216.8	75.9%
July 1, 2012	$688.4	$878.5	$190.1	78.4%
July 1, 2013	$725.1	$890.6	$165.4	81.4%

Retirement Plan for Full Time Employees of the Department of Wildlife Conservation

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)
July 1, 2010	$71.5	$87.6	$16.2	81.5%
July 1, 2011	$74.5	$95.3	$20.9	78.1%
July 1, 2012	$76.9	$101.1	$24.2	76.1%
July 1, 2013	$81.3	$104.8	$23.5	77.6%

Uniform Retirement System for Justices and Judges

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)
July 1, 2010	$230.0	$282.8	$52.8	81.3%
July 1, 2011	$237.6	$246.8	$9.2	96.3%
July 1, 2012	$238.6	$249.4	$10.8	95.7%
July 1, 2013	$247.5	$254.4	$6.9	97.3%

During the 2011 Session, the Oklahoma Legislature adopted two measures designed to strengthen the State's pension plans. House Bill 2132 amended existing law to require identification of funding sources for any proposed cost of living increases. As evidenced by the funded status information for the various plans found on the prior page, this amendment had a significant positive impact on the State's pension plans. Senate Bill 794, also signed during the 2011 Legislative Session, amended existing law for the Oklahoma Public Employees Retirement System to change the "normal retirement date" for an employee becoming a member of the System on or after November 1, 2011, from such employee's 62nd birthday to his or her 65th birthday. Additionally, the first "early retirement date" on which a member can retire with a discounted pension benefit was changed from age 55 to age 60. While the changes provided by Senate Bill 794 are expected to be positive, their impact on the System's funding ratio is expected to be more gradual. However, no assurances can be made with respect to the specific results of such legislation in reducing Oklahoma's unfunded pension liabilities over future periods.

Other recent reform measures include Senate Bill 1001 and House Bill 2321, both signed into law as part of the 2012 Legislative Session. Senate Bill 1001 increased the employer contribution to the Oklahoma Law Enforcement Retirement System from 10% to 11%, and removed a provision of law whereby members could use the top salary of an active member in a comparable position rather than their own actual final salary when calculating their retirement benefit. House Bill 2321 modified the sick leave accrual provisions for new members of the Oklahoma Public Employees Retirement System, by stipulating that the number of years of credited service will be based on actual years and months of credited service without rounding up for an additional year. While the reforms stipulated in Senate Bill 1001 and House Bill 2321 are expected to be positive, their impact on the funding ratio of their respective system is expected to be gradual. No assurances can be made with respect to the specific results of such legislation in reducing Oklahoma's unfunded pension liabilities over future periods.

House Bill 2078, effective November 1, 2013 and enacted by the 2013 Legislature, will provide additional funding to the Oklahoma Firefighters Pension and Retirement System from both members, an increase from 8% to 9% of contributable salary, and from participating municipalities, an increase from 13% to 14% of contributable salary. Additionally, the System's portion of the state insurance premium tax collections will increase from 34% to 36%. In addition to funding increases, some benefits were modified for new members hired after November 1, 2013. This includes an increase from 20 to 22 years of service for a normal retirement, the attainment of age 50 before benefits can begin (does not include disability pensions), and an increase from 10 to 11 years of service to achieve vested rights. As previously noted, while these modifications are expected to have a positive impact on the Oklahoma Firefighters Pension and Retirement System, changes to the funding ratio will be gradual and no guarantees can be made with respect to the specific results of such legislation in reducing Oklahoma's unfunded pension liabilities over future periods.

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OUTSTANDING OBLIGATIONS OF THE AUTHORITY

The Authority, from time to time, issues lease-revenue bonds and notes to finance various State buildings and capital improvements. Security for these obligations is provided by contractual lease arrangements with the State departments and agencies that occupy or use those facilities. Funds are appropriated annually by the Legislature to make the lease payments required by such agreements. The principal amount of debt of the Authority outstanding as of October 1, 2013, is $1,174,070,000, as shown below.

Oklahoma Capitol Improvement Authority
Outstanding Obligations as of October 1, 2013

Issue	Original Par	Outstanding Par	Final Maturity
Series 2013A	$ 22,635,000	$ 22,050,000	July 1, 2024
Series 2013B	160,000	160,000	July 1, 2014
Series 2012 (Highway)	60,510,000	53,715,000	October 1, 2025
Series 2010B (Highway)	92,075,000	92,075,000	July 1, 2025
Series 2010A (Highway)	110,565,000	88,960,000	July 1, 2020
Series 2010B	30,105,000	30,105,000	July 1, 2015
Series 2010A	87,260,000	87,260,000	July 1, 2018
Series 2010	132,075,000	126,975,000	July 1, 2030
Series 2009B (Highway)	68,830,000	68,830,000	July 1, 2024
Series 2009A (Highway)	79,250,000	47,455,000	July 1, 2018
Series 2009A	24,880,000	19,550,000	July 1, 2029
Series 2008B	11,600,000	10,000,000	July 1, 2029
Series 2008A	25,380,000	20,510,000	July 1, 2025
Series 2006E	6,430,000	4,740,000	July 1, 2026
Series 2006D	125,700,000	98,125,000	July 1, 2035
Series 2006C	22,040,000	16,300,000	July 1, 2026
Series 2006B	18,900,000	13,850,000	July 1, 2026
Series 2006A	24,410,000	17,880,000	July 1, 2026
Series 2005F	333,610,000	208,925,000	July 1, 2030
Series 2005E	3,000,000	2,090,000	July 1, 2025
Series 2005D	21,355,000	17,170,000	July 1, 2030
Series 2005C	33,000,000	25,540,000	July 1, 2027
Series 2005B	4,000,000	2,740,000	July 1, 2025
Series 2005A	6,130,000	3,270,000	July 1, 2020
Series 2004A	110,845,000	69,760,000	September 1, 2024
Series 2003E	22,070,000	4,260,000	December 1, 2015
Series 2003B (Highway)	26,605,000	6,200,000	June 1, 2015
Series 2003A (Highway)	65,565,000	15,575,000	June 1, 2015
TOTAL	**$1,568,985,000**	**$1,174,070,000**	

Oklahoma Capitol Improvement Authority
Authorized, but Unissued Authority Lease Revenue Obligations

Department of Tourism and Recreation - Headquarters building	$ 9,000,000
Department of Wildlife Conservation – Land purchase	30,000,000
Oklahoma School of Science & Mathematics – Dormitory expansion	2,665,000
Department of Mental Health & Substance Abuse Services - Improvements	6,000,000
TOTAL	**$47,665,000**

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OTHER STATE OF OKLAHOMA TAX-BACKED OBLIGATIONS

The State issues bonds and other obligations to finance its on-going capital program. The table on the following pages provides a summary of the gross and net tax-supported debt of the State outstanding as of October 1, 2013. Notes follow on page 25.

State of Oklahoma
Gross and Net Tax-Backed Debt
as of October 31, 2013

($ in thousands)

General Obligation Bonds [1]		
Building Bonds of 2010, Refunding Series A	$	102,335
Building Bonds of 2013, Refunding Series A		29,620
Industrial Finance Authority		45,575
Gross General Obligation Bonds	**$**	**177,530**
Oklahoma Capitol Improvement Authority Lease Revenue Bonds [2]		
State Facilities Refunding Revenue Bonds, Series 2013A/B	$	22,210
State Highway Capital Improvement Revenue Bonds, Federally Taxable Series 2012		53,715
State Highway Capital Improvement Revenue Bonds, Series 2010A/B		181,035
State Facilities Refunding Revenue Bonds, Series 2010A/B		117,365
Endowed Chairs Funding and Refunding Program, Series 2010		126,975
State Highway Capital Improvement Revenue Bonds, Series 2009A/B		116,285
State Facilities Revenue Bonds, Series 2009A (Conservation Comm. Projects)		19,550
State Facilities Revenue Bonds, Series 2008B (Supreme Court Project)		10,000
State Facilities Revenue Bonds, Series 2008A (Native American Center)		20,510
State Facilities Revenue Bonds, Series 2006E (OSBI – Phase II)		4.740
State Facilities Revenue Bonds, Series 2006D (Higher Education Projects)		98,125
State Facilities Revenue Bonds, Series 2006C (Supreme Court Project)		16,300
State Facilities Revenue Bonds, Series 2006B (Mental Health Project)		13.850
State Facilities Revenue Bonds, Series 2006A (Agriculture Project)		17,880
State Facilities Revenue Bonds, Series 2005F (Higher Education Projects)		208,925
State Facilities Revenue Bonds, Series 2005E (Attorney General - Phase III)		2,090
State Facilities Revenue Bonds, Series 2005D (OSBI)		17,170
State Facilities Revenue Bonds, Series 2005C (Native American Center)		25,540
State Facilities Revenue Bonds, Series 2005B (Attorney General - Phase II)		2,740
State Facilities Revenue Bonds, Series 2005A (Military Department)		3,270
State Agency Facilities Refunding Revenue Bonds, Series 2004A		69,760
State Facilities Lease Revenue Bonds, Series 2003E (DCS/Science & Math/Tourism)		4,260
State Highway Capital Improvement Refunding Revenue Bonds, Series 2003A/B		21,775
Gross OCIA Lease Revenue Bonds	**$**	**1,174,070**
Oklahoma Development Finance Authority (Master Equipment Lease Program) [3]		
Series 2011A/B/C (Regents' Master Lease Program)	$	27,120
Series 2010A/B (Regents' Master Lease Program)		13,965
Series 2009A/B (Regents' Master Lease Program)		16,975
Series 2008A/B (Regents' Master Lease Program)		9,725
Series 2007A/B/C (Regents' Master Lease Program)		10,270
Series 2006A/B/C (Regents' Master Lease Program)		20,695
Series 2005A/B/C (Regents' Master Lease Program)		5,425
Series 2004A/B/C (Regents' Master Lease Program)		11,025
Series 2003B/C (Regents' Master Lease Program)		2,365
Gross Master Equipment Lease Program Bonds	**$**	**117,565**

Tax-Backed Debt Table (continued)

Oklahoma Development Finance Authority (Master Real Property Lease Program) [3]		
Series 2011A/B/C/D/E/F (Regents' Master Lease Real Property Program)	$	83,755
Series 2010A/B/C/D (Regents' Master Lease Real Property Program)		62,160
Series 2009A/B/C/D (Regents' Master Lease Real Property Program)		75,365
Series 2008A (Regents' Master Lease Real Property Program)		13,510
Series 2007A/B (Regents' Master Lease Real Property Program)		36,460
Series 2006A (Regents' Master Lease Real Property Program)		6,565
Gross Master Lease (Real Property) Bonds	**$**	**277,815**
Oklahoma Development Finance Authority Lease Purchase Obligations [4]		
Series 2013 (Dept. of Corrections Refunding)	$	21,355
Series 2013 (Rogers State University Project) – CERF		3,000
Series 2012 (CLEET Refunding)		16,270
Series 2012A (Dept. of Human Services – New Money and Refunding)		12,995
Series 2012A (LeFlore County Health Dept. Project) – CERF		2,280
Series 2009 (Office of State Finance – Data Center)		38,870
Series 2008 (Muskogee Port Project) – CERF		646
Series 2008A (Pontotoc County Health Department Project) - CERF		4,020
Series 2008A (DHS Projects)		16,565
Series 2007A (Washington County Health Department Project) - CERF		3,555
Series 2006A (Pittsburg County Health Department Project) - CERF		3,415
Series 2006 (Corrections Department – Union City Project)		3,225
Series 2005A (Department of Veterans' Affairs Refunding Bonds)		1,790
Series 2004 (Goodyear Project)		13,945
Series 2004 (Michelin Project)		10,265
Series 2004B (DHS - County Office Building and Residential Project)		2,255
Series 2004A (DHS - County Office Buildings Project)		3,890
Economic Development Pooled Finance Program:		
Series 2013 (V&M)		2,000
Series 2013 (Advance Foods)		3,000
Series 2013 (Lufthansa Technik)		3,000
Series 2013 (Solae)		4,350
Series 2013 (Michelin)		10,000
Series 2013 (Berry Plastics)		950
Series 2013 (Temtrol)		2,500
Series 2012 (L-3 Aeromet)		3,800
Series 2012 (International Paper)		6,810
Series 2012 (Process Manufacturing)		3,835
Series 2012 (Parrish Enterprises)		1,179
Series 2010 (Hitachi Project)		11,330
Series 2010 (Goodyear Project)		13,281
Gross ODFA Lease Revenue Bonds – Public Sales	**$**	**224,375**

Tax-Backed Debt Table (continued)

College Lease Revenue Bonds		
Board of Regents of Oklahoma Colleges		
Series 2002 COPs (Univ. of Central Oklahoma - Energy Management) [5] ......$		5,200
Series 2002 COPs (Univ. of Science and Arts) - Energy Management System [5]		1,550
Board of Regents of A&M Colleges (Panhandle State) - Energy Management System		1,735
Gross Public Lease Purchase Debt......$		**8,485**
Gross Lease Purchase Debt Privately Placed or Competitively Sold - 6 leases [6] **......$**		**18,186**
TOTAL GROSS TAX-SUPPORTED DEBT ......$		**1,998,026**
Less: Self-Supporting Bonds		
Industrial Finance Authority ......$	45,575	
ODFA Series 2012A Refunding (CLEET Project) [7]	16,270	
OCIA Series 2005B and 2005E (AG Projects) [8]	4,830	
OCIA Series 2013A Refunding (AG Project portion) [8]	5,042	
OCIA Series 2005D and 2006E (OSBI Projects) [9]	21,910	
ODFA (Goodyear Project), Series 2004	13,945	
ODFA (Michelin Project), Series 2004	10,265	
ODFA Economic Development Pool (13 series)	66,035	
Less: Debt Service Reserve Funds	7,372	
Total Reductions to Gross Tax-Supported Debt ......$	191,244	
TOTAL NET TAX-SUPPORTED DEBT ......$		**1,806,783**

Notes to Tax-Supported Debt Table

1. Full faith and credit debt, initially security is cigarette tax. OIFA bonds are secured by loan repayments.
2. Security is provided by annual legislative appropriations (unless otherwise noted).
3. Underlying security provided by appropriation to the Oklahoma State Regents for Higher Education.
4. Secured by various agency sources and, in some cases, legislative appropriations. Certain ODFA issues carry a Credit Enhancement Reserve Fund ("CERF") guarantee (backed by a commitment to issue State G.O. bonds if necessary). There have no G.O. bonds issued to secure the guarantees under this program.
5. These agreements provided for the installation of energy management systems in State-owned facilities. The equipment vendor has guaranteed energy savings at least equal to the annual lease payment.
6. Most of these transactions are vendor or third-party leases. Amortization schedules are provided by vendors as part of the State's standard lease purchase agreement. Privately placed leases of the Oklahoma Legislature have not been reported to the Bond Advisor's Office as of the date of this report. The total shown includes the balance of a lease by DHS for an office building in LeFlore County.
7. The ODFA (CLEET Project) lease payments are being made from dedicated fines and assessments.
8. The Attorney General Project lease payments are being made from the AG's Evidence Fund.
9. The OCIA (OSBI Project) lease payments are being made from the Forensic Science Improvement Revolving Fund.

SECURITY FOR THE BONDS

General

To secure the Bonds (and any Additional Bonds issued on a parity therewith under the Resolution), the Authority, pursuant to the Resolution, pledges and grants a security interest unto the owners of the Bonds in and to (i) the rights of the Authority under and pursuant to the Agreement and the payments to be made, subject to receipt of an annual appropriation, by the Department thereunder and (ii) all Funds and Accounts established under the Resolution and all earnings thereon, such payments and earnings being collectively referred to as the "Revenues."

The Consolidated Agreement for Use and Possession

In connection with the issuance of each series of its State Highway Capital Improvement Bonds, the Authority and the Department have entered into certain Agreements for Use and Possession (the "Prior Agreements"), which were similar in form to the other agreements heretofore entered into by and between the Authority and other departments and agencies of the State covering facilities owned by the Authority. The Authority and the Department have previously entered into a Consolidated Agreement for Use and Possession dated as of May 8, 2003 (the "Agreement"), with respect to the Series 2003 Bonds. The Agreement provides for the payment by the Department of monthly amounts sufficient to pay the principal and interest on the Series 2003 Bonds when due, subject to receipt by the Department of annual appropriations each year during the term of the Agreement for that purpose or funds received from other legally available sources. Further, the Agreement provides that the Authority may adjust (increase or decrease) the payments to be made thereunder, by giving notice thereof to the Department on or before January 1 of each year. Such notice will be given by the Authority to the Department at the time of the issuance of the Bonds, reflecting a decrease in the payments required thereunder as a result of the savings achieved by the refunding of the Series 2003 Bonds. See Appendix F hereto for the form of the Agreement.

Deposits of Revenues

All payments by the Department under the Agreement shall be deposited as received in the Revenue Account hereinafter described which is held by the State Treasurer and administered by the Authority in the manner as hereinafter set forth.

Funds Created by the Resolution

The following Funds and Accounts are established under the Resolution with the State Treasurer and BOKF, NA, dba Bank of Oklahoma, which will serve as Paying Agent and Registrar for the Bonds. All of the Funds and Accounts will be maintained for as long as the Bonds or any Additional Bonds (the "Bonds") are outstanding.

Oklahoma Capitol Improvement Authority, State Facilities Refunding Revenue Bonds (State Highway Capital Improvement), Series 2013C Revenue Account (the "Series 2013C Revenue Account"). The Series 2013C Revenue Account, administered by the Authority, will be held by the State Treasurer and used to receive monthly payments under the Agreement and to make monthly transfers to the Series 2013C Sinking Fund held by the Paying Agent for the

Bonds, in sufficient amounts and at such times as shall allow the Paying Agent to pay principal of and interest on the Bonds when due. Interest earned on the Revenue Account balance will remain in the Revenue Account and will be used for authorized expenses from that Account.

Oklahoma Capitol Improvement Authority, State Facilities Refunding Revenue Bonds (State Highway Capital Improvement), Series 2013C Sinking Fund (the "Series 2013C Sinking Fund"). The Series 2013C Sinking Fund will be held by the Paying Agent and shall be used to receive monthly transfers from the Revenue Account to make debt service payments on the Bonds. Interest earned on the Series 2013C Sinking Fund will remain in the Series 2013C Sinking Fund.

Any surplus in the Revenue Account or the Sinking Funds may be used to pay administrative costs associated with the Bonds or other lawful purpose in the discretion of the Authority, but any surplus on January 20 of each year in excess of the transfers thereto for the previous month shall serve as a credit against payments due under the Agreement. The Authority shall notify the Department by the twenty-fifth (25^{th}) of January of the amount of such credits.

Investment of Funds

Moneys in all funds and accounts created by the Resolution shall be continuously invested and reinvested by the State Treasurer and the Paying Agent in securities that shall mature in a manner consistent with the use of the moneys contained in each such Fund or Account. Those moneys shall be invested in accordance with the laws of the State and in a manner consistent with the investment guidelines of the State Treasurer.

Flow of Funds

On or before the fifteenth (15^{th}) day of each calendar month, the Department shall make monthly payments under the Agreement to the Revenue Account. On or before the twentieth (20^{th}) day of each month thereafter, the State Treasurer, on behalf of the Authority, shall transfer from the Revenue Account to Paying Agent for deposit in the Series 2013 Sinking Fund an amount, in equal monthly installments, sufficient to accumulate the next interest and principal payments due on the Bonds. Such payments may be adjusted for shorter or longer payment periods as long as sufficient amounts are collected to provide for interest and principal payments.

Covenants by the Authority

The Authority covenants and agrees, by virtue of Title 73, Oklahoma Statutes 2011, Sections 163, as amended, that in order to assure the payment of the principal and interest requirements on the Bonds, it shall require the Department to use any property leased pursuant to the Agreement (the "Highway System Improvements") to the extent practical and at substantially all times and further require the Department to make the payments for such use, subject to annual appropriation.

The Authority covenants and agrees to cause the Department to make the payments under the Agreement, subject to annual appropriation, so long as any of the Bonds are outstanding or until all indebtedness of the Authority incurred in connection with the Highway System Improvements has been paid or provision for payment thereof has been made; said payments to be fixed and revised from time to time to insure that the payments from the Department together with revenues derived from other sources shall produce sufficient revenue to pay as and when due the principal and interest requirements on the Bonds.

The Authority covenants and agrees to strictly enforce the Agreement according to the terms thereof for the purposes of complying with the terms of the Resolution.

The Authority covenants and agrees that it will promptly pay the principal of and interest on every Bond issued under the provisions of the Resolution at the places, on the dates and in the manner provided therein and in the Bonds. The Revenues are thereby pledged to the payment of the Bonds in the manner and to the extent therein specified.

The Authority covenants to keep proper books of record and account (separate and apart from all other records and accounts) in which complete and correct entries shall be made of all its transactions relating to the payments and other Revenues and the application of such payments and Revenues, and that such books shall be available for inspection as set forth in the Resolution. The Authority covenants to notify the State Legislature and the Department, on or before January 1 of each year while any of the Bonds remain outstanding, of the amount of appropriation which will be required to fund the payments for the next ensuing fiscal year.

The Authority covenants that so long as any Bonds issued pursuant to the Resolution are outstanding and unpaid, it will not voluntarily consent to any amendment to the Agreement or the Resolution or take any action which will in any manner impair or adversely affect the rights of the Authority or the security provided by the Resolution to the owners from time to time of the Bonds.

The Authority covenants and agrees to faithfully and punctually perform all duties required by the Constitution and the laws of the State of Oklahoma and the Resolution and to make application of the Revenues in conformity with the Resolution, so that all covenants and agreements shall be complied with.

All such agreements and covenants entered into by the Authority shall be binding in all respects upon the Authority and its officials, agents and employees, and upon its successors, and all such agreements and covenants shall be enforceable by appropriate action or suit at law or in equity, which may be brought by any holder or holders of the Bonds.

Additional Bonds

The Resolution provides for the issuance of additional bonds on a parity with the Bonds (the "Additional Bonds"). Under the Resolution, so long as any Bonds remain outstanding, the Authority agrees that it shall not issue any Additional Bonds payable on a parity with the Bonds under the Resolution from the payments derived from the Agreement unless the following conditions are met:

(a) The Authority is current in the performance of all agreements, covenants and obligations to be performed by the Authority under the Resolution;

(b) The Authority is current in all payments and responsibilities under the Resolution;

(c) The Agreement is further amended to provide, or an additional agreement is entered into which provides, for payments sufficient to meet the debt service requirements on all Additional Bonds issued on a parity with the Bonds;

(d) The uninsured rating on the applicable Bonds is not adversely affected by the issuance of the Additional Bonds; and

(e) The total outstanding amount of Bonds and Additional Bonds, including the face amount of the Additional Bonds proposed to be issued, do not exceed the amount of bonds authorized by State statute on the date of delivery of such Additional Bonds.

Nothing shall prevent the Authority from issuing refunding bonds payable from the pledged Revenues.

Defaults and Remedies

(a) ***Events of Default***. The following events constitute "Events of Default":

(1) if default shall be made in the due and punctual payment of the principal of or interest on any Bond when and as the same shall become due and payable;

(2) the occurrence and continuance of an "Event of Default" as defined in the Agreement;

(3) if the Authority shall commence a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any applicable bankruptcy, reorganization, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, assignee, sequestrator, or other similar official of the Authority or any substantial part of its property in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall make any official action to authorize any of the foregoing; or

(4) an involuntary case or other proceeding shall have been commenced against the Authority seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, reorganization, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, assignee, sequestrator, or other similar official of the Authority or any substantial part of its property, and such involuntary case or other proceeding shall (i) result in the entry of an order for any such relief or appointment against the Authority under the Federal bankruptcy laws or applicable State law as now or hereafter in effect or (ii) remain undismissed or unstayed for a period of 30 days.

(b) ***Remedies***. Upon the happening and continuance of (i) any Event of Default specified in paragraph 1 of subsection (a) of this Section, and the continuance thereof for thirty days, and (ii) and any other Event of Default specified in subsection (a) of this Section, the registered owners of not less than twenty-five percent (25%) in principal amount of the outstanding Bonds may appoint a trustee to represent such registered owners. Such trustee may, and upon the written request of the registered owners of twenty-five per cent (25%) in principal amount of the outstanding Bonds shall, proceed in its own name to protect and enforce its rights and the rights of the registered owners of Bonds by such of the following remedies as the trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by suit, action or proceeding at law or in equity in any court of competent jurisdiction, enforce all rights of the registered owners of Bonds, including the right to require the Authority to enforce the Agreement and collect the payments thereunder, or to carry out any other covenant or agreement with registered owners of Bonds under the Resolution and to perform its duties under the Act;

(2) bring suit upon the Bonds;

(3) by action or suit, require the Authority to account as if it were the trustee of an express trust for the registered owners of the Bonds; or

(4) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the registered owners of the Bonds.

(c) ***Remedies Not Exclusive; Limitations on Remedies***. No remedy herein conferred upon or reserved to the registered owners of Bonds is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by any registered owner of Bonds; provided, however, that (i) no one or more registered owners shall have any right in any manner whatever by such registered owner's or registered owners' action to affect, disturb or prejudice the pledge created by the Resolution, or to enforce any right under the Resolution, except to the extent and in the manner therein provided and (ii) all proceedings at law or in equity to enforce any provision of the Resolution shall be instituted, had and maintained for the equal benefit of all registered owners.

Supplemental Bond Resolutions

The Authority is authorized in the Resolution to adopt supplemental Resolutions for the purposes therein set forth. Certain supplemental Resolutions may require Bondholder consent as set forth in the Resolution.

Defeasance

At such time as the whole amount of the principal of the Bonds and the interest payable on the Bonds then outstanding shall have been paid or money, or direct obligations of the United States Government, the principal of and interest on which are sufficient to pay such sums when due, shall be held in escrow by the State Treasurer, the Paying Agent or a qualified banking institution, and provisions shall also be made for paying all other sums payable hereunder by the Authority, then, and in that case, the State Treasurer and the Paying Agent shall transfer to the Authority all balances remaining in any account and all balances remaining in other funds and accounts other than moneys held for payment of the Bonds and interest thereon and the Resolution shall no longer be in force and effect.

RISK FACTORS

The purchase of the Bonds requires a prospective purchaser to assume certain risks. In particular, the following risk factors should be considered before making any such purchase.

Prospective purchasers should understand that payments under the Agreement, are payable solely from funds appropriated annually by the State Legislature to the Department and in the event that sufficient funds are not appropriated to the Department to enable it to make the payments for any fiscal year as determined by the Department's budgets, the Department will not have funds to pay such payments. Also, an increased investment risk to bondholders may result from a failure by the State to meet its pension payment obligations. See "STATE BUDGETARY PROCESS – Oklahoma Retirement Systems" herein.

The State's four major sources of General Revenue are income tax, sales tax, natural gas severance tax (the "gross production tax") and motor vehicle tax. Recently, there have been several legislative proposals to reduce or eliminate the Oklahoma individual and/or corporate income tax. The maximum rate for the individual income tax was lowered from 5.5% to 5.25% in the 2012 legislative session, effective January 1, 2013, and during the 2013 legislative session, the top individual income tax rate was reduced from 5.25% to 5.0%, effective January 1, 2015. The top marginal income tax rate will be further reduced to 4.85% in 2016, if the Board of Equalization determines that (i) the amount of estimated revenue growth in the General Revenue Fund of the State Treasury for the fiscal year beginning on the next ensuing July 1; is equal to or greater than (ii) the amount by which the income tax revenue for the tax year which will begin on the second January 1 next following is estimated to be reduced by a fifteen hundredths percent (0.15%) decrease in the top marginal income tax rate.

As in many states, horizontal drilling has become the predominant drilling method in the State. In 2010, legislation was signed into law reducing the gross production tax rate on horizontal wells from 7 percent to 1 percent for 48 months after the start of production. The 2010 law removed a stipulation in the previous rebate law that ended the tax break once the cost of the well was recovered. Under the 2010 law's tax arrangement, the State General Revenue Fund gets no money from new horizontal oil or gas wells over the 48 month period.

Prospective purchasers of the Bonds should understand that in the event of the occurrence of a nonappropriation of funds to the Department by the State Legislature sufficient to make required payments under the Agreement the remedies provided in the Agreement may be unenforceable due to the application of the principles of equity or State and federal laws relating to bankruptcy, moratorium, reorganization and creditors' rights generally and that enforcement of remedies may require the expenditure of money and considerable time.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and State tax matters referred to above or adversely affect the market value of the Bonds. An example is the recent propagation in both the Senate and the House of Representatives of the concept of eliminating the exemption from Federal income tax for interest on State and local government bonds. Such a proposal could affect the market price or marketability of the Bonds if it were to be introduced or approved by Congress. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Another federal funding issue of recent importance is the enactment of the American Taxpayer Relief Act of 2012 which was signed into law on January 2, 2013. The impact of the permanent actions and temporary extensions in this Act are not expected to have an immediate impact on the operations of Oklahoma State government. However, significant additional cuts in federal spending are a concern, especially to the extent that such cuts place an additional burden on State spending. None of the anticipated reductions in federal spending are expected to affect the appropriation of general funds to secure the proposed refunding bonds.

The remedies available to the owners of the Bonds upon an event of default under the Resolution are limited. The Resolution provides, upon an event of default, that any owner of Bonds may require, by all legal and equitable means, including the use and filing of mandamus proceedings in any court of competent jurisdiction against the Authority, its officials and employees in their official capacities, or any appropriate official of the State of Oklahoma, to force the Authority to carry out, respect or enforce the covenants and obligations of the Resolution. The Resolution does not establish other remedies or specifically enumerate events of default with respect to the Bonds of each series. The Resolution permits, but does not require, the Authority to provide for the appointment of a trustee. The Resolution does not provide for a trustee to enforce the covenants and obligations of the Authority. Enforcement by the owners of the Bonds of the covenants and obligations of the Authority under the Resolution may be difficult, time consuming and expensive and no assurance can be given that an action in mandamus or other legal action to enforce compliance by the Authority under the Resolution will be successful. The various legal opinions delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

There is no guarantee that a secondary trading market will develop for the Bonds. Consequently, prospective purchasers of the Bonds should be prepared to hold their Bonds to maturity. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend but are not obligated to make a market in the Bonds.

Persons who purchase Bonds through broker-dealers become creditors of the broker-dealer with respect to the Bonds. Records of the investors' holdings are maintained only by the broker-dealer and the investor. In the event of the insolvency of the broker-dealer, the investor would be required to look to the broker-dealer's estate, and to any insurance maintained by the broker-dealer, to make good the investor's loss. The Authority and the Paying Agent are not responsible for failures to act by, or insolvencies of, the Securities Depository or any broker-dealer.

The foregoing is intended only as a non-exclusive summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement and the Appendices hereto.

TAX MATTERS RESPECTING THE BONDS

Opinion of Bond Counsel

In the opinion of the Floyd Law Firm, P.C., Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax that may be imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and others in connection with the Bonds, and Bond Counsel has assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

The Act provides, with respect to Bonds of the Authority, that the transfer thereof and the interest earned thereon, including any profit derived from the sale thereof, are not subject to taxation of any kind by the State of Oklahoma or by any county, municipality or political subdivision therein. In the opinion of Bond Counsel to the Authority, interest on the Bonds is exempt from State of Oklahoma income taxation.

Bond Counsel expresses no opinion regarding any other Federal or State tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under State and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

The Bonds are not "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Interest on the Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and State and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or State level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or State law and could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

LITIGATION

There is no litigation of any nature now pending or, to the knowledge of the Authority, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of such documents related thereto or the Bonds or any proceedings of the Authority taken with respect thereto.

LEGAL MATTERS

All legal matters related to the authorization, issuance and delivery of the Bonds are subject to the approval of the Attorney General of the State of Oklahoma and Floyd Law Firm, P.C., Norman, Oklahoma, as Bond Counsel. The approving opinion of Bond Counsel to be delivered in connection with the issuance and delivery of the Bonds is expected to be substantially in the form appearing in Appendix A hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Crowe & Dunlevy, A Professional Corporation, Oklahoma City, Oklahoma.

ONGOING DISCLOSURE

The Authority will enter into a Continuing Disclosure Agreement dated as of December 1, 2013 (the "Continuing Disclosure Agreement"), with OMES to provide certain periodic information and notices of material events in accordance with the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, § 240.15c2-12) (the "Rule") for the benefit of the holders and beneficial owners of the Bonds. The Underwriters' obligation to accept and pay for the Bonds is conditioned upon delivery to the Underwriters or their agents of a certified copy of the Continuing Disclosure Agreement. The proposed form of the Continuing Disclosure Agreement is attached hereto as Appendix E.

The State's Comprehensive Annual Reports ("CAFRs") are filed by OMES on behalf of the Authority, the Department and various other State agencies in accordance with the provisions of the several continuing disclosure undertakings relating to bond issues subject to the requirements of the Rule. Due to the conversion by the State of Oklahoma to a new financial management system, the CAFRs for Fiscal Years 2003-2005 and 2007 were filed later than required by such continuing disclosure undertakings. In addition, the Office of State Finance ("OSF" herein, the predecessor to OMES) advised that the original filing of the CAFR for Fiscal Year 2009, on February 19, 2010, did not contain all of the required CUSIPs and that OSF made an amended filing of such CAFR on April 7, 2010. After such delinquencies, OSF advised that it implemented appropriate procedures to help assure future compliance with respect to such continuing disclosure undertakings and compliance with the requirements of the Continuing Disclosure Agreement relating to the Bonds. The CAFR for Fiscal Year 2012 was filed on February 1, 2013. The delayed filing was caused by the implementation of new technology to calculate unemployment taxes receivable for an enterprise fund.

FINANCIAL STATEMENTS

Excerpts from the State of Oklahoma Comprehensive Annual Financial Reports for the fiscal year ended June 30, 2012 (audited) are included in Appendix B hereto.

Certain unaudited financial results of the State of Oklahoma for Fiscal Year 2013 are included in Appendix C hereto. Certain unaudited financial results of the State of Oklahoma for the first four months of Fiscal Year 2014, are included in Appendix D hereto.

UNDERWRITING

Citigroup, and the other underwriters identified on the cover page hereof (the "Underwriters"), have agreed to purchase the Bonds for reoffering to the public. The Bonds are being offered by the Underwriters at an aggregate purchase price equal to $10,397,040.45 (representing the principal amount thereof less underwriters' discount of $26,449.15 plus original issue premium of $53,489.60). The Underwriters will purchase all of the Bonds if any are purchased. The obligation of the Underwriters to accept delivery of the Bonds is subject to various conditions contained in the Bond Purchase Agreement.

The Underwriters intend to offer the Bonds to the public initially at the offering prices set forth on the inside cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices set forth on the inside cover of this Official Statement.

BOSC, Inc., A subsidiary of BOK Financial Corp. ("BOSC"), one of the Underwriters of the Bonds, and BOKF, NA, dba Bank of Oklahoma ("BOK NA"), the paying agent and registrar for the Bonds, are wholly-owned subsidiaries of BOK Financial Corp., a bank holding company organized under the laws of the State of Oklahoma ("BOK Financial"). Thus, BOSC and BOK N.A. are affiliated, but BOSC is not a bank. The Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation ("FDIC"). BOK Financial and BOK N.A. are not responsible for the obligations of BOSC.

RATINGS

Fitch Ratings ("Fitch"), and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), have assigned ratings of "AA" and "AA", respectively, to the Bonds. Such ratings reflect only the views of such organizations at the time such ratings are given, and the Authority and the Underwriters make no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from such rating agencies. The Authority furnished such ratings agencies with certain information and materials relating to the Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing such rating, circumstances so warrant. Neither the Underwriters nor the Authority has undertaken any responsibility to bring to the attention of the owners of the Bonds any proposed revision or withdrawal of a rating of the Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of such a rating could have an adverse effect on the market price and marketability of the Bonds.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the Authority and the Owners. This Official Statement is submitted only in connection with the sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose. The Authority has duly authorized this Official Statement.

OKLAHOMA CAPITOL IMPROVEMENT AUTHORITY

By: ____
Governor Mary Fallin, Chair

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APPENDIX A

PROPOSED FORM OF OPINION OF BOND COUNSEL

[An opinion in substantially the following form will be delivered by the Floyd Law Firm, P.C., Bond Counsel, upon delivery the Bonds, assuming no material changes in facts or law.]

FLOYD LAW FIRM, P.C.
ATTORNEYS AT LAW

GLENN E. FLOYD *
BETTY LYNNE DRIVER**
JEFF F. RALEY *
PHILIP R. RUSS**
CHARLES P. RAINBOLT*

118 EAST MAIN STREET
POST OFFICE BOX 396
NORMAN, OKLAHOMA 73070-0396
TEL: 405-364-6660
FAX: 405-360-5076
EMAIL: FLOYDPC@SWBELL.NET

ADMITTED IN:
* OKLAHOMA
** OKLAHOMA, TEXAS

December ___, 2013

We have acted as bond counsel in connection with the issuance by the Oklahoma Capitol Improvement Authority (the "Issuer") of $10,370,000 State Facilities Refunding Revenue Bonds (State Highway Capital Improvement), Series 2013C (the “Bonds”), pursuant to Title 73, Oklahoma Statutes 2011, §151 *et seq*., as amended (the "Act") and in accordance with a resolution adopted by the Issuer on August 13, 2013 (the "Bond Resolution"). The Bonds have been issued for the purpose of refunding certain prior outstanding bonds of the Issuer the proceeds of which were utilized to finance certain projects for the Oklahoma Department of Transportation (the "Department"), pursuant to a Consolidated Agreement for Use and Possession dated as of May 8, 2003 (the "Agreement"), between the Authority and the Department.

In preparation for rendering the opinions expressed herein, we have examined the Bond Resolution and the Agreement. We have also examined the law and such certified proceedings and other documents and instruments as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Bond Resolution and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a body politic and corporate and instrumentality of the State for prescribed public purposes, with full power and authority to adopt the Bond Resolution and approve and execute the Agreement and perform the Agreement on its part contained therein and issue the Bonds.

2. The Bond Resolution and the Agreement, together with other documents and instruments incident to the issuance of the Bonds and the application of the proceeds derived therefrom, have been duly adopted or approved by the Issuer and the Bond Resolution and the

Agreement constitute valid and binding obligations of the Issuer, enforceable in accordance with their respective terms.

3. The Bond Resolution creates a valid lien on the funds and property pledged thereunder for the security of the Bonds.

4. The Bonds have been duly authorized by the Issuer and constitute valid and binding limited obligations of the Issuer, payable solely from the sources provided in the Bond Resolution.

5. The interest on the Bonds is excluded from gross income for Federal income tax purposes and is not an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations and it should be noted, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for Federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for Federal income tax purposes. The Issuer has represented and covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for Federal income tax purposes to be retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs or is ascertained. We express no opinion regarding any other Federal tax consequences arising with respect to the Bonds.

6. The Bonds, the transfer thereof and the interest earned thereon, including any profit derived from the sale thereof, are not subject to taxation of any kind by the State, or by any county, municipality or political subdivision therein. We express no opinion regarding any other State or local tax consequences arising with respect to the Bonds.

7. The Bonds are exempt from registration under the Securities Act of 1933 and the Bond Resolution is exempt from qualification under the Trust Indenture Act of 1939.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The opinions set forth above are as of the date of this letter, and we undertake no responsibility for updating such opinions in the event any change in the law or facts upon which the opinions are based occurs after the date hereof. The opinions contained herein are expressions of professional judgment regarding the legal matters addressed herein and not a guarantee of result.

Respectfully,

FLOYD LAW FIRM, P.C.

APPENDIX B

EXCERPTS FROM THE STATE OF OKLAHOMA COMPREHENSIVE ANNUAL FINANCIAL REPORTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012 (AUDITED)

(Note: Because Appendix B was extracted from the State's Comprehensive Annual Financial Report, the page numbers correspond to where the information appears in that document.)

The State of Oklahoma Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012 (audited) may be found on the State of Oklahoma OMES Home Page at http://www.ok.gov/OSF.

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OKLAHOMA
2012

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2012

Mary Fallin
Governor

Prepared by

Office of Management and Enterprise Services

Preston L. Doerflinger, Director
Lynne Bajema, State Comptroller

Oklahoma State Auditor & Inspector

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of and for the year ended June 30, 2012, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

- the financial statements of the Commissioners of the Land Office, the Oklahoma Department of Commerce, the Native American Cultural and Educational Authority, the Oklahoma Insurance Department, the EDGE Fund, and the Oklahoma Department of Wildlife Conservation, which in the aggregate represent thirteen percent and four percent, respectively, of the assets and revenues of the governmental activities, and six percent of the assets and three percent of the revenues of the general fund;
- the financial statements of the Water Resources Board and the Oklahoma Lottery Commission which in the aggregate represent sixty-three percent of the assets and twenty-three percent of the revenues of the business-type activities and the enterprise funds;
- the financial statements of the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, the Oklahoma Department of Wildlife Conservation Lifetime Licenses permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent one hundred percent of the permanent funds; and
- the financial statements of the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, the Oklahoma Police Pension and Retirement System, the Oklahoma Public Employees Retirement System, the Oklahoma Teachers Retirement System, the Uniform Retirement System for Judges and Justices, and the Oklahoma Department of Wildlife Conservation Retirement Plan, which in the aggregate represent ninety-eight percent of the assets and one hundred percent of the revenues of the aggregate remaining fund information.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14, the TRS's unfunded liability increased from $7,600,000,000 to $8,398,000,000. This increase was primarily due to a loss on assets with lower than assumed returns. Based on the current contribution schedule, assuming no actuarial gains or losses in the future, the unfunded liability is expected to increase from the current level until fiscal year 2013 and decrease through June 30, 2033 and beyond. The current contribution schedule results in contributions sufficient to cover the interest on the current unfunded liability plus the normal cost resulting in negative amortization.

Also, as discussed in Note 1, the Multiple Injury Trust Fund (MITF) had a net deficit of approximately $236,069,000 at December 31, 2011 primarily due to court awards exceeding the apportionment of special tax revenue collected.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013, on our consideration of the State of Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's financial statements as a whole. The introductory section, statistical section and combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section listed in the aforementioned table of contents have not been subjected to the auditing procedures in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Gary a J

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

January 30, 2013

State of Oklahoma
Government Wide
Statement of Net Assets
June 30, 2012
(expressed in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets				
Cash/Cash Equivalents	$ 3,357,120	$ 684,122	$ 4,041,242	$ 1,517,548
Investments	209,123	17,312	226,435	2,670,738
Securities Lending Investments	287,647	0	287,647	37,585
Accounts Receivable	50,894	7,068	57,962	386,551
Interest and Investment Revenue Receivable	24,223	13,719	37,942	19,478
Federal Grants Receivable	414,878	746	415,624	5,076
Taxes Receivable	303,378	205,981	509,359	0
Leases Receivable	4,461	0	4,461	0
Leases Receivable - Component Units	2,225	0	2,225	0
Other Receivables	26	0	26	64,359
Notes Receivable	0	71,470	71,470	58,903
Internal Balances	18,998	(18,998)	0	0
Receivable from External Parties	11	0	11	10,201
Due from Component Units	1,526	0	1,526	4,562
Due from Primary Government	0	0	0	34,533
Inventory	73,745	0	73,745	109,868
Prepaid tems	828	0	828	19,162
Other Current Assets	5,676	267	5,943	11,315
Total Current Assets	4,754,759	981,687	5,736,446	4,949,879
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	80,415	72,370	152,785	834,617
Short-Term Investments - Restricted	0	0	0	1,853,651
Long-Term Investments	0	0	0	1,239,279
Long-Term Investments - Restricted	2,528,728	122,047	2,650,775	0
Leases Receivable	13,246	0	13,246	0
Leases Receivable - Component Units	589,424	0	589,424	0
Long-Term Notes Receivable, Net	0	1,045,121	1,045,121	89,060
Long-Term Notes Receivable, Net - Restricted	0	0	0	730,670
Long-Term Due from Component Units	52,304	0	52,304	0
Capital Assets - Depreciable, Net	8,711,464	126	8,711,590	6,323,935
Capital Assets - Land	1,606,243	0	1,606,243	372,145
Capital Assets - Construction in Progress	171,174	0	171,174	461,283
Other Noncurrent Assets	11,651	9,968	21,619	473,183
Other Noncurrent Assets - Restricted	38,227	0	38,227	87,645
Total Noncurrent Assets	13,802,876	1,249,632	15,052,508	12,465,468
Total Assets	18,557,635	2,231,319	20,788,954	17,415,347

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

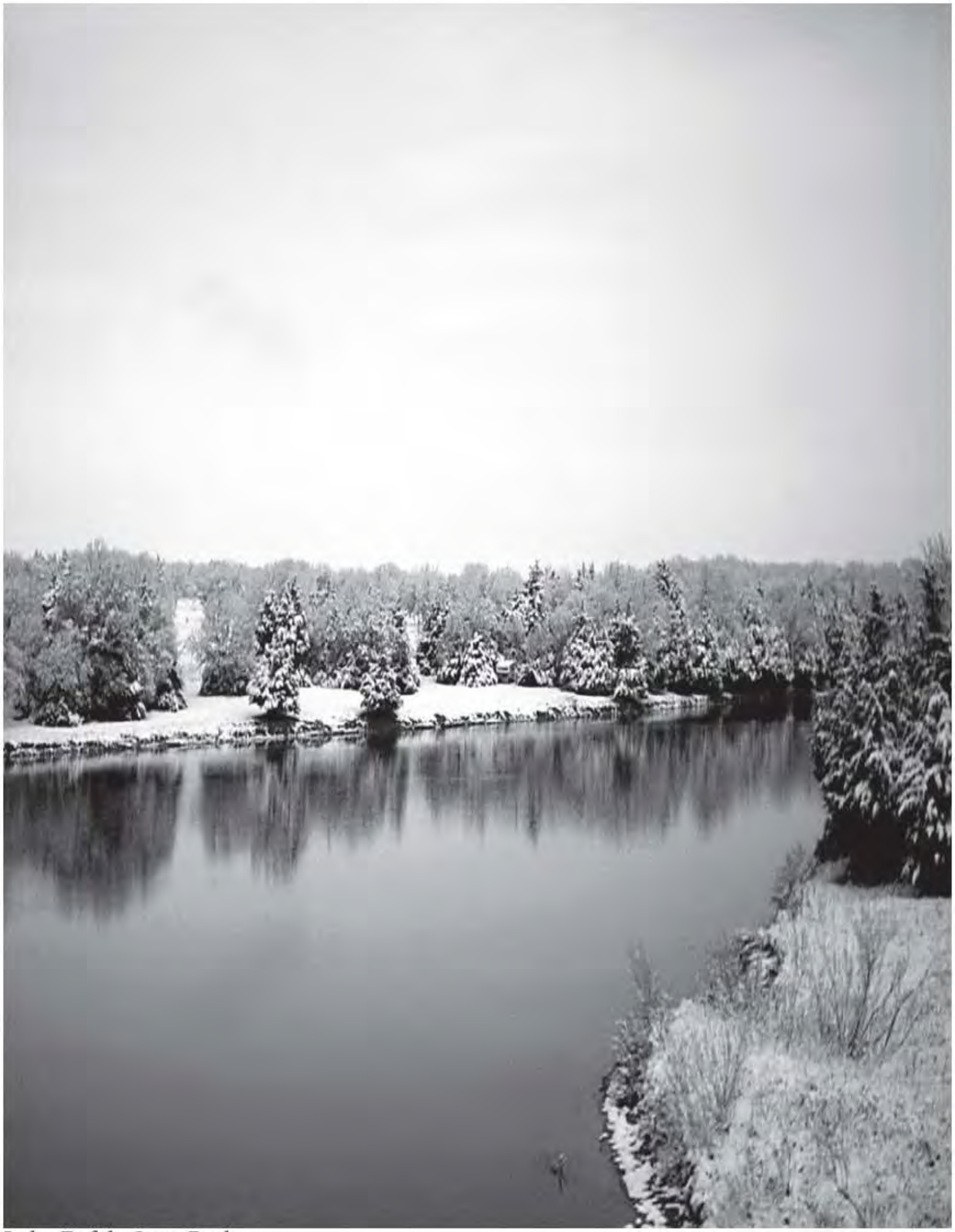
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Current Liabilities				
Accounts Payable and Accrued Liabilities	900,305	9,999	910,304	300,597
Payable Under Securities Lending Agreements	287,647	0	287,647	41,516
Claims and Judgments	7,958	0	7,958	329,179
Interest Payable	31,466	8,522	39,988	50,118
Tax Refunds Payable	1,970	0	1,970	0
Payable to External Parties	32,855	0	32,855	1,332
Due to Component Units	49,102	0	49,102	4,562
Due to Primary Government	0	0	0	2,003
Due to Others	185,327	0	185,327	0
Unearned Revenue	31,607	254	31,861	235,658
Capital Leases	2,313	0	2,313	44,184
Capital Leases - Primary Government	0	0	0	2,225
Compensated Absences	95,251	154	95,405	84,609
Notes Payable	18,032	0	18,032	109,539
General Obligation Bonds	18,160	0	18,160	625
Revenue Bonds (Net)	72,200	56,626	128,826	261,332
Other Postemployment Benefits	251	0	251	0
Other Current Liabilities	10,000	2,137	12,137	265,561
Total Current Liabilities	1,744,444	77,692	1,822,136	1,733,040
Noncurrent Liabilities				
Claims and Judgments	16,262	0	16,262	1,001,998
Due to Primary Government	0	0	0	52,304
Pension Obligation	102,450	0	102,450	0
Capital Leases	6,397	0	6,397	377,099
Capital Leases - Primary Government	0	0	0	589,425
Compensated Absences	53,961	192	54,153	32,171
Notes Payable	194,560	0	194,560	449,561
General Obligation Bonds	157,485	0	157,485	46,142
Revenue Bonds (including Premiums)	1,429,524	776,331	2,205,855	4,855,913
Other Noncurrent Liabilities	0	0	0	508,474
Total Noncurrent Liabilities	1,960,639	776,523	2,737,162	7,913,087
Total Liabilities	3,705,083	854,215	4,559,298	9,646,127
Net Assets				
Invested in Capital Assets, Net of Related Debt	9,276,689	126	9,276,815	2,934,591
Restricted for:				
Debt Service	721,373	271,412	992,785	363,768
Preservation of Wildlife	73,223	0	73,223	0
Educational Systems	1,933,777	0	1,933,777	0
Unemployment Benefits	0	831,585	831,585	0
Stabilization	433,095	0	433,095	0
Federal Grant Programs	90,124	0	90,124	0
Tobacco Cessation and Public Health				
Expendable	91,859	0	91,859	2,556,781
Nonexpendable	613,868	0	613,868	0
Unrestricted	1,618,544	273,981	1,892,525	1,914,080
Total Net Assets	$ 14,852,552	$ 1,377,104	$ 16,229,656	$ 7,769,220

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

State of Oklahoma
Government Wide
Statement of Activities
For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
			Operating	Capital	Primary Government			
		Charges for	Grants and	Grants and	Governmental	Business-Type		Component
Functions	Expenses	Services	Contributions	Contributions	Activities	Activities	Total	Units
Primary Government:								
Governmental Activities:								
Education-General	$ 2,413,027	$ 48,123	$ 959,446	$ 0	$ (1,405,458)		$ (1,405,458)	
Education-Payment to Higher Education	1,982,235	0	0	0	(1,982,235)		(1,982,235)	
General Government	1,763,437	262,488	245,898	0	(1,255,051)		(1,255,051)	
Health Services	5,432,791	476,950	3,390,013	0	(1,565,828)		(1,565,828)	
Legal and Judiciary	236,979	156,960	28,348	0	(51,671)		(51,671)	
Museums	15,455	3,216	1,174	0	(11,065)		(11,065)	
Natural Resources	223,444	119,111	74,042	0	(30,291)		(30,291)	
Public Safety and Defense	825,787	68,976	131,441	0	(625,370)		(625,370)	
Regulatory Services	116,789	80,329	8,680	0	(27,780)		(27,780)	
Social Services	2,126,879	62,997	1,627,776	0	(436,106)		(436,106)	
Transportation	845,784	87,655	714,881	0	(43,248)		(43,248)	
Interest on Long-Term Debt	95,097	0	0	0	(95,097)		(95,097)	
Total Governmental Activities	16,077,704	1,366,805	7,181,699	0	(7,529,200)		(7,529,200)	
Business-Type Activities:								
Employment Security Commission	537,575	634,373	253,027	0		$ 349,825	349,825	
Water Resources Board	39,975	59,457	7,627	0		27,109	27,109	
Lottery Commission	127,729	199,973	282	0		72,526	72,526	
Total Business-Type Activities	705,279	893,803	260,936	0		449,460	449,460	
Total Primary Government	$ 16,782,983	$ 2,260,608	$ 7,442,635	$ 0	(7,529,200)	449,460	(7,079,740)	
Component Units:								
CompSource Oklahoma	$ 313,395	$ 319,570	$ 0	$ 0				$ 6,175
State and Education Employees Group Insurance Board	832,635	876,818	0	0				44,183
Oklahoma Student Loan Authority	18,309	16,201	0	0				(2,108)
Oklahoma Housing Finance Agency	251,766	63,923	210,346	0				22,503
Oklahoma Turnpike Authority	212,416	235,369	0	0				22,953
Grand River Dam Authority	360,960	418,551	0	0				57,591
Oklahoma Municipal Power Authority	174,313	175,983	0	0				1,670
Higher Education	5,197,674	2,079,783	1,327,929	0				(1,789,962)
Nonmajor Component Units	352,085	251,286	1,632	0				(99,167)
Total Component Units	$ 7,713,553	$ 4,437,484	$ 1,539,907	$ 0				(1,736,162)
General Revenues								
Taxes:								
Income Taxes-Individual					2,739,864	0	2,739,864	0
Income Taxes-Corporate					413,113	0	413,113	0
Sales Tax					2,400,354	0	2,400,354	0
Gross Production Taxes					885,038	0	885,038	0
Motor Vehicle Taxes					693,524	0	693,524	0
Fuel Taxes					416,940	0	416,940	0
Tobacco Taxes					281,754	0	281,754	0
Other Business Taxes					216,219	0	216,219	0
Other Personal Taxes					1,815	0	1,815	0
Insurance Taxes					124,651	0	124,651	0
Beverage Taxes					99,567	0	99,567	0
Other Taxes					143,626	0	143,626	0
Payments from Primary Government					0	0	0	2,045,584
Investment Earnings					80,488	0	80,488	0
Contributions to Permanent Funds					64,861	0	64,861	0
Capital Lease and COPs					7,384	0	7,384	0
Transfers					65,880	(65,880)	0	0
Total General Revenues and Transfers					8,635,078	(65,880)	8,569,198	2,045,584
Change in Net Assets					1,105,878	383,580	1,489,458	309,422
Net Assets - Beginning of Year (as restated)					13,746,674	993,524	14,740,198	7,459,798
Net Assets - End of Year					$ 14,852,552	$ 1,377,104	$ 16,229,656	$ 7,769,220

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


Lake Eufala State Park

Fund Financial Statements

Lake Murray State Park

Fund Financial Statements

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State of Oklahoma
Balance Sheet
Governmental Funds
June 30, 2012
(expressed in thousands)

		Permanent Funds			
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	Total Governmental Funds
Assets					
Assets					
Cash/Cash Equivalents	$ 3,279,783	$ 106,244	$ 10,199	$ 41,309	$ 3,437,535
Investments	209,123	1,793,492	62,921	672,315	2,737,851
Securities Lending Investments	253,490	0	0	34,157	287,647
Accounts Receivable	50,894	0	0	0	50,894
Interest and Investment Revenue Receivable	24,223	13,241	0	4,119	41,583
Federal Grants Receivable	414,878	0	0	0	414,878
Taxes Receivable	303,378	0	0	0	303,378
Leases Receivable	17,707	0	0	0	17,707
Leases Receivable-Component Units	591,650	0	0	0	591,650
Other Receivables	26	20,800	0	67	20,893
Due from Other Funds	19,043	0	96	0	19,139
Due from Fiduciary Funds	11	0	0	0	11
Due from Component Units	1,526	0	0	0	1,526
Due from Component Units-Noncurrent	52,304	0	0	0	52,304
Inventory	73,745	0	0	0	73,745
Prepaid tems	828	0	0	0	828
Other Assets	5,669	0	7	0	5,676
Total Assets	$ 5,298,278	$ 1,933,777	$ 73,223	$ 751,967	$ 8,057,245
Liabilities and Fund Balance					
Liabilities					
Accounts Payable and Accrued Liabilities	$ 840,244	$ 49,228	$ 0	$ 10,833	$ 900,305
Payable Under Securities Lending Agreements	253,490	0	0	34,157	287,647
Tax Refunds Payable	1,970	0	0	0	1,970
Due to Other Funds	95	0	0	45	140
Due to Fiduciary Funds	32,855	0	0	0	32,855
Due to Component Units	47,897	0	0	1,205	49,102
Due to Others	185,327	0	0	0	185,327
Deferred Revenue	181,729	5,827	0	0	187,556
Other Liabilities	10,000	0	0	0	10,000
Total Liabilities	1,553,607	55,055	0	46,240	1,654,902
Fund Balances					
Nonspendable	73,539	1,862,742	73,223	613,868	2,623,372
Restricted	1,244,592	15,980	0	0	1,260,572
Committed	2,282,175	0	0	0	2,282,175
Assigned	0	0	0	66,135	66,135
Unassigned	144,365	0	0	25,724	170,089
Total Fund Balances	3,744,671	1,878,722	73,223	705,727	6,402,343
Total Liabilities and Fund Balances	$ 5,298,278	$ 1,933,777	$ 73,223	$ 751,967	

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

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

Total Fund Balance - Governmental Funds		$ 6,402,343
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of :		
Land	$ 1,606,243	
Buildings and Improvements	1,574,795	
Equipment	470,703	
Infrastructure	15,737,141	
Construction in Progress	171,174	
Accumulated Depreciation	(9,071,175)	
		10,488,881
Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		155,949
The Uniform Retirement System for Judges and Justices, the Oklahoma Law Enforcement Retirement System and Wildlife Department have under funded their Annual Required Contributions, creating a net pension obligation. This liability is not payable from current available financial resources and is not reported in the funds.		(102,452)
Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets.		6,107
Certain bonds issued by the State are for the purpose of refunding older bond issues. Some bonds that are refunded are done so at a loss to the State. These losses are costs in the funds, but are amortized over the life of the refunding bonds on the statement of net assets.		5,544
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Notes Payable	(212,592)	
General Obligation and Revenue Bonds	(1,600,200)	
Capital Leases and Certificates of Participation	(8,710)	
Bond Issue Premiums	(77,169)	
Accrued Interest on Bonds	(31,466)	
Compensated Absences	(149,212)	
Other postemployment benefits	(251)	
Claims and Judgements	(24,220)	
		(2,103,820)
Net Assets of Governmental Activities		$ 14,852,552

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

State of Oklahoma
Statement of Revenues, Expenditures
and Changes in Fund Balances-Governmental Funds
For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

	General	Permanent Funds: Commissioners of the Land Office	Permanent Funds: Department of Wildlife Lifetime Licenses	Permanent Funds: Tobacco Settlement Endowment	Total Governmental Funds
Revenues					
Taxes					
Income Taxes-Individual	$ 2,739,864	$ 0	$ 0	$ 0	$ 2,739,864
Sales Tax	2,400,354	0	0	0	2,400,354
Gross Production Taxes	885,038	0	0	0	885,038
Income Taxes-Corporate	413,113	0	0	0	413,113
Motor Vehicle Taxes	693,524	0	0	0	693,524
Fuel Taxes	416,940	0	0	0	416,940
Tobacco Taxes	281,754	0	0	0	281,754
Other Business Taxes	216,219	0	0	0	216,219
Other Personal Taxes	1,815	0	0	0	1,815
Insurance Taxes	124,651	0	0	0	124,651
Beverage Taxes	99,567	0	0	0	99,567
Other Taxes	143,626	0	0	0	143,626
Licenses, Permits and Fees	594,889	0	2,582	0	597,471
Interest and Investment Revenue	135,336	189,587	0	11,372	336,295
Federal Grants	6,934,571	0	0	0	6,934,571
Sales and Services	178,416	12,366	0	0	190,782
Other Grants and Reimbursements	484,570	0	0	0	484,570
Fines and Penalties	48,046	0	0	0	48,046
Other	13,872	2,995	0	64,861	81,728
Total Revenues	16,806,165	204,948	2,582	76,233	17,089,928
Expenditures					
Education	4,209,660	185,444	0	0	4,395,104
General Government	1,708,680	0	0	32,607	1,741,287
Health Services	5,436,158	0	0	0	5,436,158
Legal and Judiciary	231,292	0	0	0	231,292
Museums	14,281	0	0	0	14,281
Natural Resources	211,946	0	0	0	211,946
Public Safety and Defense	764,714	0	0	0	764,714
Regulatory Services	111,911	0	0	0	111,911
Social Services	2,091,972	0	0	0	2,091,972
Transportation	208,009	0	0	0	208,009
Capital Outlay	1,302,427	0	0	20	1,302,447
Debt Service					
Principal Retirement	98,831	0	0	0	98,831
Interest and Fiscal Charges	95,097	0	0	0	95,097
Total Expenditures	16,484,978	185,444	0	32,627	16,703,049
Revenues in Excess of (Less Than) Expenditures	321,187	19,504	2,582	43,606	386,879
Other Financing Sources (Uses)					
Transfers In	73,168	0	0	0	73,168
Transfers Out	(7,287)	0	0	0	(7,287)
Bonds Issued	68,805	0	0	0	68,805
Refunding Bonds	6,140	0	0	0	6,140
Bond Issue Premiums	11,282	0	0	0	11,282
Bond and Note Issue Discounts	(35)	0	0	0	(35)
Capital Leases	5,659	0	0	0	5,659
Sale of Capital Assets	8,139	0	0	0	8,139
Total Other Financing Sources (Uses)	165,871	0	0	0	165,871
Net Change in Fund Balances	487,058	19,504	2,582	43,606	552,750
Fund Balances - Beginning of Year (as restated)	3,257,613	1,859,218	70,641	662,121	5,849,593
Fund Balances - End of Year	$ 3,744,671	$ 1,878,722	$ 73,223	$ 705,727	$ 6,402,343

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

Reconciliation of the Governmental Funds Schedule of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Net Change in Fund Balances - Total Governmental Funds		$	552,750
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays ($1,000,686) exceeded depreciation ($468,453) in the current period.			532,233
In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.			(15,020)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			27,963
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which bond payments ($96,547) exceeded proceeds ($74,945).			21,602
Bond issuance premiums and discounts are other financing sources or uses to governmental funds, but are deferred liabilities in the statement of net assets. This is the amount of bond issue premiums.			(11,247)
Contributions to certain pension plans use current financial resources from governmental funds, while an increase in the net pension obligation ($21,749) is an expense in the statement of activities.			(21,749)
Some of the assets acquired this year were financed as capital leases. The amount financed is reported in the governmental funds as a source of financing. However, capital leases are long-term liabilities in the statement of net assets. This is the amount by which the payment of principal ($2,283) and cancellation of existing capital leases ($7,385) exceeds the addition of new capital leases ($5,659).			4,009
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Accretion of bond premiums	8,895		
Decrease in entity-wide interest payable	6,044		
Decrease in compensated absences	1,040		
Amortization of losses on refunded bonds	(861)		
Amortization of bond issuance costs	(801)		
Deferral of bond issuance costs	77		
Increase in Other Postemployment Benefit liability	(53)		
Decrease in claims and judgments payable	996		
			15,337
Change in Net Assets of Governmental Activities		$	1,105,878

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

State of Oklahoma
Statement of Net Assets
Proprietary Funds
June 30, 2012
(expressed in thousands)

	Business-Type Activities - Enterprise Funds			
	Employment Security Commission	Water Resources Board	Lottery Commission	Total
Assets				
Current Assets				
Cash/Cash Equivalents	$ 621,321	$ 38,886	$ 23,915	$ 684,122
Investments	0	17,312	0	17,312
Accounts Receivable	110	0	6,958	7,068
Interest and Investment Revenue Receivable	4,025	9,694	0	13,719
Federal Grants Receivable	148	598	0	746
Taxes Receivable	205,981	0	0	205,981
Notes Receivable	0	71,470	0	71,470
Other Current Assets	0	267	0	267
Total Current Assets	831,585	138,227	30,873	1,000,685
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	0	72,370	0	72,370
Long-Term Investments - Restricted	0	122,047	0	122,047
Long-Term Notes Receivable	0	1,045,121	0	1,045,121
Capital Assets, Net	0	20	106	126
Other Noncurrent Assets	0	4,182	5,786	9,968
Total Noncurrent Assets	0	1,243,740	5,892	1,249,632
Total Assets	831,585	1,381,967	36,765	2,250,317
Liabilities				
Current Liabilities				
Accounts Payable and Accrued Liabilities	0	417	9,582	9,999
Interest Payable	0	8,522	0	8,522
Compensated Absences	0	31	123	154
Deferred Revenue	0	0	254	254
Revenue Bonds	0	56,626	0	56,626
Due to Other Funds	0	282	18,716	18,998
Other Current Liabilities	0	2,137	0	2,137
Total Current Liabilities	0	68,015	28,675	96,690
Noncurrent Liabilities				
Revenue Bonds	0	776,331	0	776,331
Compensated Absences	0	130	62	192
Total Noncurrent Liabilities	0	776,461	62	776,523
Total Liabilities	0	844,476	28,737	873,213
Net Assets				
Invested in Capital Assets	0	20	106	126
Restricted for:				
Debt Service	0	271,412	0	271,412
Unemployment Benefits	831,585	0	0	831,585
Unrestricted	0	266,059	7,922	273,981
Total Net Assets	$ 831,585	$ 537,491	$ 8,028	$ 1,377,104

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

State of Oklahoma
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

	Business-Type Activities - Enterprise Funds			
	Employment Security Commission	Water Resources Board	Lottery Commission	Total
Operating Revenues				
Sales and Services	$ 617,523	$ 0	$ 199,854	$ 817,377
Federal Grants	253,027	4,242	0	257,269
Interest and Investment Revenue	0	30,646	0	30,646
Other	0	0	119	119
Total Operating Revenues	870,550	34,888	199,973	1,105,411
Operating Expenses				
Facilities Operations and Maintenance	0	0	195	195
Administrative and General	0	9,655	4,613	14,268
Prizes, Comissions and Other	0	0	122,368	122,368
Interest	0	30,286	0	30,286
Depreciation	0	34	53	87
Benefit Payments and Refunds	537,575	0	0	537,575
Total Operating Expenses	537,575	39,975	127,229	704,779
Operating Income (Loss)	332,975	(5,087)	72,744	400,632
Nonoperating Revenues (Expenses)				
Interest and Investment Revenue	13,538	6,585	282	20,405
Other Nonoperating Revenues	3,312	1,042	0	4,354
Nonoperating Federal Grants	0	24,565	0	24,565
Other Nonoperating Expenses	0	4	(500)	(496)
Total Nonoperating Revenues (Expenses)	16,850	32,196	(218)	48,828
Income (Loss) Before Transfers	349,825	27,109	72,526	449,460
Transfers In	0	7,287	0	7,287
Transfers Out	0	(3,177)	(69,990)	(73,167)
Change in Net Assets	349,825	31,219	2,536	383,580
Total Net Assets - Beginning of Year	481,760	506,272	5,492	993,524
Total Net Assets - Ending	$ 831,585	$ 537,491	$ 8,028	$ 1,377,104

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

State of Oklahoma
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

	Business-Type Activities - Enterprise Funds			
	Employment Security Commission	Water Resources Board	Lottery Commission	Total
Cash Flows from Operating Activities				
Receipts from Customers and Users	$ 548,122	$ 0	$ 188,037	$ 736,159
Receipts from Federal Grants	244,878	4,272	0	249,150
Payments of Benefits	(529,426)	(305)	0	(529,731)
Payments to Suppliers	0	(2,894)	(8,470)	(11,364)
Payments to Employees	0	(2,216)	(2,644)	(4,860)
Payments to Prize Winners	0	0	(101,418)	(101,418)
Payments to fund deposit with Multi-State Lottery	0	0	(1,864)	(1,864)
Collections of Interest on Loans to Governmental Units	0	28,505	0	28,505
Payments of Operating Interest Expense	0	(31,203)	0	(31,203)
Net Cash Provided (Used) by Operating Activities	263,574	(3,841)	73,641	333,374
Cash Flows from Noncapital Financing Activities				
Federal Grants and Other Contributions	3,142	149,978	0	153,120
Transfers In	0	7,287	0	7,287
Transfers Out	0	(3,177)	(65,440)	(68,617)
Principal Paid on Bonds and Notes Payable	0	(45,275)	0	(45,275)
Net Cash Provided (Used) by Noncapital Financing Activities	3,142	108,813	(65,440)	46,515
Cash Flows from Capital and Related Financing Activities				
Payments for Acquistion of Capital Assets	0	0	(10)	(10)
Net Cash Used by Capital and Related Financing Activities	0	0	(10)	(10)
Cash Flows from Investing Activities				
Interest and Investment Revenue	9,495	7,655	269	17,419
Proceeds from Sale and Maturity of Investments	0	50,525	0	50,525
Payments to Purchase Investments	0	(75,932)	0	(75,932)
Collections of Principal on Loans to Governmental Units	0	75,820	0	75,820
Payments to Issue Notes Receivable	0	(158,427)	0	(158,427)
Net Cash Provided by Investing Activities	9,495	(100,359)	269	(90,595)
Net Increase in Cash/Cash Equivalents	276,211	4,613	8,460	289,284
Cash/Cash Equivalents - Beginning of Year	345,110	106,643	15,455	467,208
Cash/Cash Equivalents - End of Year	$ 621,321	$ 111,256	$ 23,915	$ 756,492
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities				
Operating Income (Loss)	$ 332,975	$ (5,087)	$ 72,744	$ 400,632
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	0	34	53	87
Amortization (Accretion) and Other Noncash Expenses	0	2,308	20	2,328
Decrease (Increase) in Assets				
Accounts Receivable	(68,993)	30	1,544	(67,419)
Interest and Investment Receivable	0	(1,616)	0	(1,616)
Deposit with Multi-State Lottery	0	0	(1,864)	(1,864)
Other Receivables	0	1	0	1
Increase (Decrease) in Liabilities				
Accounts Payable and Accrued Liabilities	(284)	(170)	(324)	(778)
Interest Payable	0	1,066	0	1,066
Prizes Payable	0	0	1,421	1,421
Compensated Absences	0	(28)	0	(28)
Due to other funds	0	0	214	214
Deferred Revenue	(124)	0	(167)	(291)
Other Current Liabilities	0	(379)	0	(379)
Net Cash Provided (Used) by Operating Activities	$ 263,574	$ (3,841)	$ 73,641	$ 333,374

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

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State of Oklahoma
Statement of Fiduciary Net Assets
Fiduciary Funds and Similar Component Units
June 30, 2012
(expressed in thousands)

	Pension Trust Funds	Agency Fund
Assets		
Cash/Cash Equivalents	$ 576,485	$ 354,272
Investments, at fair value		
Equity Securities	9,896,186	0
Governmental Securities	3,285,136	0
Debt Securities	3,179,973	0
Mutual Funds	2,899,451	0
Other Investments	1,873,436	85
Securities Lending Investments	2,481,071	0
Taxes Receivable	0	1
Accounts Receivable	0	23
Interest and Investment Revenue Receivable	66,913	0
Employer Contributions Receivable	51,399	0
Employee Contributions Receivable	29,511	0
Other Contributions Receivable	29,333	0
Other Receivables	535	0
Due from Brokers	452,966	0
Due from Other Funds	33,528	0
Due from Component Units	0	659
Inventory	0	9,726
Capital Assets, Net	3,241	0
Other Assets	296	0
Total Assets	24,859,460	$ 364,766
Liabilities		
Accounts Payable	3,798	$ 393
Tax Refunds Payable	0	15,517
Securities Lending Payable	2,481,071	0
Due to Brokers	825,804	0
Due to Other Funds	11	0
Due to Others	0	348,856
Benefits in the Process of Payment	14,779	0
Other Liabilities	9,088	0
Total Liabilities	3,334,551	$ 364,766
Net Assets		
Held in Trust for Pension Benefits and Pool Participants	$ 21,524,909	

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

State of Oklahoma
Statement of Changes in
Fiduciary Net Assets
Fiduciary Funds and Similar Component Units
For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

	Pension Trust Funds
Additions	
Contributions	
Employer Contributions	$ 720,191
Employee Contributions	405,900
Other Contributions	420,170
Total Contributions	1,546,261
Investment Earnings	
Net Increase (Decrease) in Fair Value of Investments	(104,606)
Interest and Investment Revenue	495,408
Total Investment Earnings	390,802
Less Investment Expenses	69,449
Net Investment Earnings	321,353
Total Additions	1,867,614
Deductions	
Administrative and General Expenses	13,906
Benefit Payments and Refunds	1,903,098
Total Deductions	1,917,004
Change in Net Assets	(49,390)
Net Assets - Beginning of Year (as restated)	21,574,299
Net Assets - End of Year	$ 21,524,909

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

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MAJOR COMPONENT UNITS

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

COMPSOURCE OKLAHOMA
P.O. Box 53505, Oklahoma City, Oklahoma 73152
The Fund provides a source of workers' compensation insurance for all employers within the state including state agencies and other governmental units. The Fund is financed through employer premiums.

STATE AND EDUCATION EMPLOYEES GROUP INSURANCE BOARD
3545 N.W. 58th Street, Suite 110, Oklahoma City, Oklahoma 73112
The Board provides varying coverage of group health, dental, life, and disability benefits to active employees and retirees of the State, local governments, and education entities as well as certain other eligible participants. The Board is financed through employer and employee premiums.

OKLAHOMA STUDENT LOAN AUTHORITY
P.O. Box 18145, Oklahoma City, Oklahoma 73154
The Authority provides loans to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations.

OKLAHOMA HOUSING FINANCE AGENCY
100 N.W. 63rd Street, Suite 200, Oklahoma City, Oklahoma 73116
The Agency is authorized to issue revenue bonds and notes in order to provide funds to promote the development of adequate residential housing and other economic development for the benefit of the State of Oklahoma.

OKLAHOMA TURNPIKE AUTHORITY
4401 W. Memorial Rd, Suite 130, Oklahoma City, Oklahoma 73134
The Authority is authorized to construct, maintain, repair, and operate turnpike projects at locations authorized by the Legislature and approved by the Department of Transportation. The Authority receives revenues from turnpike tolls and a percentage of the turnpike concessions sales. The Authority issues revenue bonds to finance the cost of turnpike projects.

GRAND RIVER DAM AUTHORITY
P.O. Box 409, Vinita, Oklahoma 74301
The Authority controls the waters of the Grand River system to generate water power and electric energy and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma.

OKLAHOMA MUNICIPAL POWER AUTHORITY
P.O. Box 1960, Edmond, Oklahoma 73083
The Authority provides a means for the municipal electric systems in the state to jointly plan, finance, acquire, and operate electrical power supply facilities necessary to meet the electrical energy requirements of their consumers. The Authority also sells electric power to its member municipalities.

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

COMPREHENSIVE UNIVERSITIES
University of Oklahoma
Oklahoma State University

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

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

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

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

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

University Center of Southern Oklahoma was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning. Students enrolled in the Program earn credit applicable toward academic degrees and certificates at participating institutions in the System.

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

State of Oklahoma
Combining Statement of Net Assets
Major Component Units
June 30, 2012
(expressed in thousands)

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Pow er Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
Assets										
Current Assets										
Cash/Cash Equivalents										
Unrestricted	$ 25,029	$ 99,331	$ 5	$ 25,209	$ 15,484	$ 19,400	$ 726	$ 1,209,774	$ 122,590	$ 1,517,548
Investments	1,267,538	272,061	17,685	2,584	54,643	184,982	13,302	831,421	26,522	2,670,738
Securities Lending Investments	37,585	0	0	0	0	0	0	0	0	37,585
Accounts Receivable	0	32,986	0	920	1,390	35,264	16,306	299,369	316	386,551
Interest and Investment										
Revenue Receivable	9,886	1,336	217	147	616	2,843	311	3,832	290	19,478
Federal Grants Receivable	0	0	0	0	0	0	0	5,076	0	5,076
Other Receivables	2,539	4,130	0	0	0	0	0	57,554	136	64,359
Notes Receivable	50,071	0	0	0	0	0	0	6,845	1,987	58,903
Due from Fiduciary Funds	0	10,201	0	0	0	0	0	0	0	10,201
Due from Other Component Units	180	0	0	0	0	1,990	0	1,943	449	4,562
Due from Primary Government	1,056	775	0	0	885	0	0	27,591	4,226	34,533
Inventory	0	0	0	0	6,453	73,514	3,783	26,118	0	109,868
Prepaid Items	0	0	0	271	177	2,773	3,717	12,026	198	19,162
Other Current Assets	3,631	0	0	0	0	0	2,426	5,036	222	11,315
Total Current Assets	1,397,515	420,820	17,907	29,131	79,648	320,766	40,571	2,486,585	156,936	4,949,879
Noncurrent Assets										
Cash/Cash Equivalents -										
Restricted	0	0	2,501	112,109	261,099	0	0	458,153	755	834,617
Investments - Restricted	0	0	58,925	610,716	177,367	398,963	127,335	464,096	16,249	1,853,651
Long-Term Investments										
Unrestricted	0	0	0	30,766	0	0	29,165	1,151,840	27,508	1,239,279
Long-Term Notes Receivable, Net										
Unrestricted	20,140	0	9,183	0	0	0	0	45,571	14,166	89,060
Restricted	0	0	729,828	842	0	0	0	0	0	730,670
Capital Assets										
Depreciable, Net	14,067	738	1,477	2,700	891,773	691,421	298,352	4,176,290	247,117	6,323,935
Land	1,179	0	0	550	162,943	34,287	0	169,051	4,135	372,145
Construction in Progress	0	0	0	0	40,263	56,933	108,524	243,348	12,215	461,283
Other Noncurrent Assets										
Unrestricted	6,349	0	1,486	0	85,277	24,188	126,603	209,155	20,125	473,183
Restricted	0	0	8,660	8,368	0	0	646	69,935	36	87,645
Total Noncurrent Assets	41,735	738	812,060	766,051	1,618,722	1,205,792	690,625	6,987,439	342,306	12,465,468
Total Assets	1,439,250	421,558	829,967	795,182	1,698,370	1,526,558	731,196	9,474,024	499,242	17,415,347

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

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
Liabilities										
Current Liabilities										
Accounts Payable and										
Accrued Liabilities	0	9,474	2,989	1,983	19,430	29,793	17,273	203,180	16,475	300,597
Payable Under Securities										
Lending Agreements	41,516	0	0	0	0	0	0	0	0	41,516
Claims and Judgments	211,267	91,462	0	0	0	0	0	4,616	21,834	329,179
Interest Payable	0	0	799	2,380	9,917	4,101	14,315	17,948	658	50,118
Due to Fiduciary Funds	0	0	0	63	0	530	739	0	0	1,332
Due to Other Component Units	0	12	0	0	36	94	1,987	498	1,935	4,562
Due to Primary Government	5	4	0	0	18	668	0	1,308	0	2,003
Deferred Revenue	73,289	0	0	309	22,309	0	0	139,442	309	235,658
Capital Leases	0	0	0	0	0	0	0	44,184	0	44,184
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	2,225	0	2,225
Compensated Absences	1,806	937	260	978	1,823	3,814	0	74,637	354	84,609
Notes Payable	0	0	14,000	0	27,490	0	1,677	64,923	1,449	109,539
General Obligation Bonds	0	0	0	0	0	0	0	0	625	625
Revenue Bonds	0	0	0	63,281	50,955	86,765	17,795	41,441	1,095	261,332
Other Current Liabilities	12,878	33,510	0	0	0	0	3,717	215,280	176	265,561
Total Current Liabilities	340,761	135,399	18,048	68,994	131,978	125,765	57,503	809,682	44,910	1,733,040
Noncurrent Liabilities										
Claims and Judgments	779,934	11,742	0	0	0	0	0	3,608	206,714	1,001,998
Due to Primary Government	0	0	0	0	52,304	0	0	0	0	52,304
Capital Leases	0	0	0	0	0	0	0	377,099	0	377,099
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	589,425	0	589,425
Compensated Absences	0	0	0	0	0	0	0	32,027	144	32,171
Notes Payable	0	0	275,989	0	0	0	45,646	107,761	20,165	449,561
General Obligation Bonds	0	0	0	0	0	0	0	0	46,142	46,142
Revenue Bonds	0	0	475,262	555,709	1,077,631	911,841	590,195	1,199,180	58,826	4,868,644
Unamortized Premium (Discount)	0	0	0	0	0	0	4,862	0	0	4,862
Unamortized net deferred debt										
on refunding	0	0	0	0	0	0	(17,593)	0	0	(17,593)
Other Noncurrent Liabilities	0	4,233	0	728	80,475	14,603	26,997	361,450	19,988	508,474
Total Noncurrent Liabilities	779,934	15,975	751,251	556,437	1,210,410	926,444	650,107	2,670,550	351,979	7,913,087
Total Liabilities	1,120,695	151,374	769,299	625,431	1,342,388	1,052,209	707,610	3,480,232	396,889	9,646,127
Net Assets										
Invested in Capital Assets,										
Net of Related Debt	15,246	738	1,477	3,250	121,115	197,482	(21,014)	2,402,892	213,405	2,934,591
Restricted for:										
Debt Service	0	0	0	115,536	121,358	61,324	13,276	52,274	0	363,768
Other Special Purpose										
Expendable	5,000	0	31,085	7,041	48,188	637	9,415	2,451,496	3,919	2,556,781
Nonexpendable	0	0	0	0	0	0	0	0	0	0
Unrestricted	298,309	269,446	28,106	43,924	65,321	214,906	21,909	1,087,130	(114,971)	1,914,080
Total Net Assets	$ 318,555	$ 270,184	$ 60,668	$ 169,751	$ 355,982	$ 474,349	$ 23,586	$ 5,993,792	$ 102,353	$ 7,769,220

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

State of Oklahoma
Combining Statement of Activities
Major Component Units
For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

		Program Revenues			General Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue	Payments from Primary Government	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
Component Units:								
CompSource Oklahoma	$ 313,395	$ 319,570	$ 0	$ 6,175	$ 0	$ 6,175	$ 312,380	$ 318,555
State Education and Employees Group Insurance Board	832,635	876,818	0	44,183	0	44,183	226,001	270,184
Oklahoma Student Loan Authority	18,309	16,201	0	(2,108)	0	(2,108)	62,776	60,668
Oklahoma Housing Finance Agency	251,766	63,923	210,346	22,503	0	22,503	147,248	169,751
Oklahoma Turnpike Authority	212,416	235,369	0	22,953	0	22,953	333,029	355,982
Grand River Dam Authority	360,960	418,551	0	57,591	0	57,591	416,758	474,349
Oklahoma Municipal Power Authority	174,313	175,983	0	1,670	0	1,670	21,916	23,586
Higher Education Component Unit	5,197,674	2,079,783	1,327,929	(1,789,962)	1,982,235	192,273	5,801,519	5,993,792
Nonmajor Component Units Total	352,085	251,286	1,632	(99,167)	63,349	(35,818)	138,171	102,353
Total Component Units	$ 7,713,553	$ 4,437,484	$ 1,539,907	$ (1,736,162)	$ 2,045,584	$ 309,422	$ 7,459,798	$ 7,769,220

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

Beavers Bend State Park

Notes to the Financial Statements

Beavers Bend State Park

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the State of Oklahoma (the "State") have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

In December 2009 the GASB issued Statement 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* The objective of this statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employment benefit (OPEB) plans.

The State was required to implement this standard for the fiscal year ended June 30, 2012.

In June 2011 the GASB issued Statement 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53.* The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

The State was required to implement this standard for the fiscal year ended June 30, 2012.

The accompanying financial statements present the financial position of the State and the various funds and fund types, the results of operations of the State and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2012, and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts, authorities and other organizational units governed by the Oklahoma State Legislature and/or Constitutional Officers of the State of Oklahoma.

A. Reporting Entity

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

As required by GAAP, these financial statements present the State of Oklahoma (the Primary Government) and its component units.

Discrete Component Units

Component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Separately issued independent audit reports may be obtained from the Office of Management and Enterprise Services, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105. The audit reports may also be obtained from the respective component units at the addresses presented on the description page of the Fund Financial Statements section for the Major Component Units, and the description page in the Combining Financial Statement section of this report for the NonMajor Component Units.

The Component Units columns of the Government-Wide Financial Statements include the financial data of the following entities:

MAJOR COMPONENT UNITS

CompSource Oklahoma provides a source for workers' compensation insurance for all public and private employers within the State and operates similarly to an insurance company. CompSource is financed through employer premiums. The Board of Managers is comprised of nine members: the Director of State Finance, the Lieutenant Governor, and the State Auditor (or their designees), the Director of Central Services, and appointees by the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The State can impose its will on the Fund by its ability to remove Board members at will. The Fund was audited by other independent auditors for the year ended December 31, 2011, and their report, dated March 28, 2012, has been previously issued under separate cover.

State and Education Employees Group Insurance Board provides group health, life, dental, disability and other benefits to active employees and retirees of the State and certain other eligible participants. The Board is financed through employer and employee premiums. The Board consists of eight members: the State Insurance Commissioner, the Director of State Finance, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. A financial benefit/burden relationship exists between the State and the Board. The Board was audited by other independent auditors for the year ended December 31, 2011, and their report, dated April 26, 2012, has been previously issued under separate cover. Beginning in fiscal year 2013, OSEEGIB will be considered part of the general government. “The State Government Administrative Process Consolidation and Reorganization Reform Act of 2011 (HB 2140)” consolidates OSEEGIB into the Office of Management and Enterprise Services, a governmental fund agency. By statute, the administrative functions of OSEEGIB were consolidated as of December 31, 2011. As an agency that reports using a calendar year end, OSEEGIB was determined to be a component unit for their financial reporting in fiscal year 2012.

Oklahoma Student Loan Authority provides loan funds to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations. The Authority is composed of five members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority’s decisions. The Authority was audited by other independent auditors for the year ended June 30, 2012, and their report, dated November 30, 2012 has been previously issued under separate cover.

Oklahoma Housing Finance Agency is authorized to issue revenue bonds and notes in order to provide funds to promote the development of residential housing and other economic development for the benefit of citizens. In addition, the Agency administers Section 8 Housing Assistance Payments programs for the U.S. Department of Housing and Urban Development. The Board of Trustees consists of five members appointed by the Governor. The State can impose its will on the Agency by its ability to veto or modify the Agency’s decisions. The Agency was audited by other independent auditors for the year ended September 30, 2011, and their report, dated January 26, 2012, has been previously issued under separate cover.

Oklahoma Turnpike Authority constructs, maintains, repairs, and operates turnpike projects at locations authorized by the Legislature and approved by the State Department of Transportation. The Authority receives its revenues from turnpike tolls and a percentage of turnpike concession sales. The Authority issues revenue bonds to finance turnpike projects. The Authority consists of the Governor and six members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority’s decisions. The Authority was audited by other independent auditors for the year ended December 31, 2011, and their report, dated March 26, 2012, has been previously issued under separate cover.

Grand River Dam Authority controls the waters of the Grand River system to develop and generate water power and electric energy, and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma. The customers consist of rural electric cooperatives, municipalities, industries and off-system sales. The seven member Board of Directors consists of the General Manager of the Oklahoma Association of Electric Cooperatives, the Executive Director of the Municipal Electric Systems of Oklahoma, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2011, and their report, dated March 1, 2012, 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, 2011, and their report, dated April 1, 2012, has been previously issued under separate cover.

Higher Education Component Unit - This component unit is primarily comprised of the 25 colleges and universities that are members of the Oklahoma State System of Higher Education (the System). All of the colleges and universities have foundations that receive and hold economic resources for the benefit of their associated entity. These foundations are component units of their respective college or university and are included as part of the Higher Education Component Unit. Separately issued independent audit reports for each college, university, foundation, or other included entity may be obtained from the Office of Management and Enterprise Services, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105. Each institution in the System is governed by a Board of Regents. The Boards of Regents consist of five to ten members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on each institution by its ability to modify and approve their budget. The colleges and universities are funded through State appropriations, tuition, federal grants, and private donations and grants. Also included in the Higher Education Component Unit are the following entities:

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

NONMAJOR COMPONENT UNITS

Oklahoma Educational Television Authority (OETA) was created to "make educational television services available to all Oklahoma citizens on a coordinated statewide basis." The Board of Directors is comprised of thirteen members, seven of which are appointed by the Governor, with the advice and consent of the Senate. A financial benefit/burden relationship exists between the State and OETA. OETA also has a non-profit foundation that was established to receive private donations and contributions for the benefit of OETA. This foundation qualifies as a component unit of OETA, and is combined with OETA. OETA was audited by other independent auditors for the year ended June 30, 2012, and their report, dated October 25, 2012, has been previously issued under separate cover.

Oklahoma Industrial Finance Authority assists with the State's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. These loans are secured by first or second mortgages on real estate and equipment. The Authority's loans are financed by issuance of general obligation bonds. The Board of Directors is comprised of seven members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2012, and their report, dated October 8, 2012, has been previously issued under separate cover.

Health Insurance High Risk Pool (HIHRP) provides health insurance to individuals who are unable to obtain coverage from independent insurers. HIHRP is financed by assessments levied on independent insurers. The Board consists of nine members appointed by the Insurance Commissioner. The State can impose its will on HIHRP by its ability to modify the decisions of the Board. HIHRP was audited by other independent auditors for the year ended June 30, 2012, and their report, dated October 26, 2012, has been previously issued under separate cover.

Multiple Injury Trust Fund provides additional compensation to a worker with a pre-existing injury who suffers a second injury. The State can impose its will on the Fund by its ability to remove management (appointees) at will. The Fund was audited by other independent auditors for the period ended December 31, 2011, and their report, dated June 28, 2012, has been previously issued under separate cover.

University Hospitals Authority consists of The University Hospital and Children's Hospital of Oklahoma, and their related clinics and other services. The Authority is affiliated with the University of Oklahoma Health Sciences Center whose medical school residents and staff provide patient care, in-service education, and certain administrative duties for the benefit of the Authority. The Authority is governed by a six-member board consisting of appointees of the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate, and officials from the State Medicaid Program, the University of Oklahoma Health Sciences Center and the Authority. A financial benefit/burden relationship exists between the State and the Authority. The Authority was audited by other independent auditors for the year ended June 30, 2012, and their report, dated October 30, 2012, has been previously issued under separate cover.

Oklahoma Development Finance Authority provides financing for both public and private entities in the State. The Authority obtains funds through the issuance of bonds and notes. Private entities qualifying for financing are generally agricultural, civic, educational, health care, industrial, or manufacturing enterprises. Financing is also provided to governmental agencies and instrumentalities of the State. The Governing Board, appointed by the Governor, with the advice and consent of the Senate, is comprised of seven members: one person selected from each of the six Congressional Districts of the State as they existed in 1960 and the Director of the Department of Commerce. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2012, and their report, dated October 19, 2012, has been previously issued under separate cover.

Oklahoma Capital Investment Board assists the State with industrial development by mobilizing equity and near-equity capital making investments for the potential creation of jobs and growth that will diversify and stabilize the economy. The Board of Directors is comprised of five members appointed by the

Governor, with the advice and consent of the Senate. The State can impose its will on the Board by its ability to veto or modify the Board's decisions. The Board, in order to mobilize investments, owns the Oklahoma Capital Formation Company LLC (OCFC), a formerly independent corporation. During fiscal year 2006, the Board purchased 100% of the ownership of the OCFC. In fiscal year 2007 OCFC changed its corporate structure and name from a corporation to an Oklahoma limited liability company (LLC). Operations of the OCFC are included in the financial results of the Board. The Board was audited by other independent auditors for the year ended June 30, 2012, and their report, dated September 10, 2012, has been previously issued under separate cover.

Oklahoma State University Medical Authority is affiliated with the Oklahoma State University Center for Health Sciences to provide funding, teaching and training for graduate medical students. It also serves as a site for conducting medical research by faculty and providing patient care. The board is governed by seven members. Three are appointees of the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives respectively. Additional members include the CEO of the Oklahoma Health Care Authority, President of the OSU Center for Health Sciences, CEO of the Authority and an appointee of the President of Oklahoma State University. A financial benefit\burden exists between the Authority and the State. The Authority was audited by other independent auditors for the year ended June 30, 2012, and their report, dated October 26, 2012, has been issued under separate cover.

Oklahoma Centennial Commemoration Fund was affiliated with the Capitol Complex and Centennial Commemorative Commission and existed to support the former Commission with the planning and financing of the 2007 State Centennial Commemoration and the State's capitol dome. The Fund was previously administered by a Board of Directors; however, in Fiscal Year 2012 the Fund was consolidated into the Oklahoma Department of Commerce.

FIDUCIARY COMPONENT UNITS

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

Separately issued independent audit reports are available even though they are excluded from the Government-Wide Financial Statements. They may be obtained from the Office of Management and Enterprise Services, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105, or the respective fiduciary component units at the addresses presented on the description page of the Combining Financial Statement section of this report.

Oklahoma Firefighters Pension and Retirement System provides retirement benefits for municipal firefighters. The System is administered by a board comprised of thirteen members: The President of the Professional Fire Fighters of Oklahoma, the President of the Oklahoma State Retired Fire Fighters Association, the State Insurance Commissioner, and the Director of State Finance (or their designees), the five members of the Board of Trustees of the Oklahoma Firefighters Association; and appointees by the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2012, and their report, dated October 10, 2012, has been previously issued under separate cover.

Oklahoma Law Enforcement Retirement System provides retirement benefits for qualified law enforcement officers. The System is administered by a board comprised of thirteen members: The Assistant Commissioner of Public Safety, the Director of State Finance (or his designee), members of the Department of Public Safety, the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, and the Alcoholic Beverage Laws Enforcement Commission, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2012, and their report, dated October 8, 2012, has been previously issued under separate cover.

Oklahoma Public Employees Retirement System administers the Oklahoma Public Employee Retirement Plan which provides retirement benefits for State, county and local employees. The board is comprised of twelve members: the State Insurance Commissioner and the Director of State Finance (or their designees), a member of the Corporation Commission selected by the Corporation Commission, a member of the State Tax Commission, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2012, and their report, dated October 18, 2012, has been previously issued under separate cover.

Uniform Retirement System for Justices and Judges is administered by the Oklahoma Public Employee Retirement System and provides retirement benefits for justices and judges. The System was audited by other independent auditors for the year ended June 30, 2012, and their report, dated October 18, 2012, has been previously issued under separate cover.

Oklahoma Police Pension and Retirement System provides retirement benefits for police officers employed by participating municipalities. The System is administered by a Board comprised of thirteen members: Seven members elected from the seven Districts, the Director of State Finance, the State Insurance Commissioner and the President of the Oklahoma Municipal League (or their designees), and appointees by the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2012, and their report, dated September 17, 2012, has been previously issued under separate cover.

Teachers' Retirement System of Oklahoma provides retirement allowances and benefits for qualified persons employed by State-supported educational institutions. The System is administered by a board consisting of the Superintendent of Public Instruction, the Director of the State Department of Vocational and Technical Education, the Director of State Finance (or their designees), and appointees by the Governor, with the advice and consent of the Senate, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives. The System was audited by other independent auditors for the year ended June 30, 2012, and their report, dated December 11, 2012, has been previously issued under separate cover.

Related Organizations and Related Parties

Organizations for which a primary government is accountable because the State appoints a voting majority of the board, but is not financially accountable, are considered to be related organizations. The Oklahoma Ordinance Works Authority (OOWA) is a related organization of the State. The State appoints a voting majority of the Trustees of OOWA but has no further accountability.

B. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements (the Statement of Net Assets and the Statement of Activities) report information for all of the non-fiduciary activities of the Primary Government and its Component Units. For the most part, the effect of interfund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from the legally separate Component Units for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

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

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

- Employees' vested annual leave is recorded as an expenditure as it is utilized. Unused reimbursable leave following an employee's resignation or retirement that is unpaid at year end is recognized as an expenditure and a liability of the fund.
- Interest on general long-term obligations is recognized when paid.
- Executory purchase orders and contracts are recorded as a commitment of fund balance.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

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

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

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

D. Fund Accounting

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

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

1. Governmental Funds

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

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

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

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

2. Proprietary Funds

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

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

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

Oklahoma Lottery Commission Enterprise Fund – This fund operates the state-wide lottery program and related chance games, seeking to generate additional revenues for the benefit of the State's educational system.

3. Fiduciary Funds and Similar Component Units

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

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

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

4. Component Units

These entities are legally separate from the State but are considered part of the reporting entity. These Funds meet the definition of both a component unit and that of an enterprise fund as previously described. The six Public Employee Retirement Systems (PERS) meet the definition of a component unit, but are presented with the other fiduciary funds of the State.

5. Financial Statement Reporting Periods

The accompanying financial statements of the State are presented as of June 30, 2012, and for the year then ended, except for the following funds and entities which were audited by other independent auditors.

CompSource Oklahoma	12-31-11
Multiple Injury Trust Fund	12-31-11
State and Education Employees Group Insurance Board	12-31-11
Oklahoma Turnpike Authority	12-31-11
Grand River Dam Authority	12-31-11
Oklahoma Municipal Power Authority	12-31-11
Oklahoma Housing Finance Agency	09-30-11

E. Budgeting and Budgetary Control

The State's annual budget is prepared on the cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the accompanying financial statements, encumbrances are recorded as expenditures for budgetary purposes if expected to be presented for payment by November 15 following the end of the fiscal year and as a component of either restricted or committed fund balance for GAAP purposes. Since the budgetary basis differs from GAAP, budget and actual amounts in the accompanying Required Supplementary Information – Budgetary Schedules are presented on the budgetary basis. A reconciliation of revenues in excess of (less than) expenditures and other financing sources (uses) on a budgetary basis at June 30, 2012 to revenues in excess of (less than) expenditures and other financing sources (uses) presented in conformity with GAAP is set forth in the Notes to Required Supplementary Information.

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

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

Current policy allows agencies to use unexpended moneys for one-time purchases or non-recurring expenditures in the next fiscal year. This policy provides an incentive for agency managers to distribute resources efficiently; however, it is subject to annual approval by the Legislature. Unexpended balances not carried forward to the new fiscal year by

November 15 may: 1) lapse to unrestricted balances and be available for future appropriation, 2) lapse to restricted balances and be available for future appropriations restricted for specific purposes as defined by statute, or 3) be non-fiscal, and may be spent from one to thirty months from the date of appropriation.

If funding sources are not sufficient to cover appropriations, the Director of State Finance is required to reduce the budget by the amount of such deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental appropriation. All fiscal year 2012 appropriated line items were within their authorized spending level.

F. Cash and Cash Equivalents

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

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution. The State Treasurer also promulgates all rules and regulations regarding the amount of collateral securities that must be pledged to secure public deposits.

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

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

G. Investments

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

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

H. Receivables

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

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

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

I. Inter/Intrafund Transactions

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

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

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

J. Inventories and Prepaid Expenses

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Generally, inventories are valued at cost and predominantly on either the first-in first-out or weighted average basis. Inventories of federal surplus properties are valued at a percentage of federal acquisition cost. General Fund inventories are recorded as expenditures when consumed rather than when purchased by recording adjustments to the inventory account on the balance sheet. The General Fund inventories on hand at year-end are reflected as a component of nonspendable fund balance on the balance sheet, except for $1,043,000 in food commodities which is recorded as inventory and deferred revenue. Upon distribution, the food commodities are recognized as revenues and expenditures of the General Fund.

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

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

Prepaid expenses are recorded using the “purchases method,” meaning that they are initially recorded as expenditures. At fiscal year-end, significant amounts of prepaid expenditures are shown as a component of nonspendable fund balance, indicating they do not constitute available expendable resources.

K. Capital Assets

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

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

Capital assets utilized in the governmental funds are recorded as expenditures in the Governmental Fund Financial Statements. Depreciation expense is recorded in the Government-Wide Financial Statements, as well as the proprietary funds and component units financial statements.

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

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

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

L. Other Assets

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

M. Deferred Revenue

Deferred revenues at the fund level arise when potential revenue does not meet the available criterion for recognition in the current period. Available is defined as due (or past due) at June 30, and collected within sixty days thereafter to pay obligations due at June 30. Deferred revenues also arise when resources are received by the State before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the State has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet, and revenue is recognized. Deferred revenues at the government-wide level arise only when the State receives resources before it has a legal claim to them. Also included in deferred revenue at both levels are the undistributed food commodity inventories.

N. Compensated Absences

Employees earn annual vacation leave at the average rate of 10 hours per month for the first 5 years of service, 12 hours per month for service of 5 to 10 years, 13.33 hours per month for service of 10 to 20 years, and 16.67 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 240 hours for employees with less than 5 years of continuous service or 480 hours for employees with 5 years or more of continuous service. All accrued annual leave is payable upon termination, resignation, retirement, or death. The Governmental Fund Financial Statements record expenditures when employees are paid for leave. The Government-Wide Financial Statements present the cost of accumulated vacation leave as a liability. The liability is valued based on current rate of pay. There is no liability for unpaid accumulated sick leave since the State does not have a policy to pay this amount when employees separate from service.

O. Risk Management

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

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

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

P. Federal Grants

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

Q. Long-Term Obligations

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

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

Arbitrage Rebate Liability – The enterprise funds and component units account for any arbitrage rebate payable as a liability of the fund.

R. Governmental Activities

Per a review of State agencies, it was determined that the activities of the Oklahoma Health Care Authority, Department of Veteran Affairs, and the J.D. McCarty Center were more accurately reflected in the Health Services function of government instead of Social Services. Beginning with the fiscal year ended June 30, 2005, these agencies are reported as a function of Health Services. This will affect the comparability of activities with years prior to 2005.

S. Governmental Fund – Fund Balance

The Governmental Fund Financial Statements present fund balance at the aggregate level of detail within the categories defined by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Refer to Note 12 - Fund Balance for further discussion.

T. Deficit Fund Balance – Multiple Injury Trust Fund/Oklahoma Capital Investment Board

The Multiple Injury Trust Fund (MITF), a component unit, continues to operate in a deficit situation. MITF had total net liabilities (negative net assets) of $236,069,000 at December 31, 2011. Legislation was passed in May 2000 providing new funding for MITF through an assessment on gross premiums on workers compensation policies written by insurance carriers and an assessment on disability awards paid by self-insured employers, and further limits future awards against

MITF to claimants that timely filed injury claims that occurred before June 1, 2000, against their employer. These claimants have no time limitation for filing against MITF. No new claims related to injuries subsequent to June 1, 2000, can be filed. Funding is to continue until the Board of Managers of the CompSource Oklahoma, pursuant to an independent actuarial audit, has certified that there are sufficient funds to satisfy all outstanding obligations of MITF.

The Oklahoma Capital Investment Board (OCIB), a component unit, operated at a deficit for the fiscal year. In fiscal year 2006 the OCIB purchased 100% of the ownership of the Oklahoma Capital Formation Company LLC (OCFC), a formerly blended entity. This purchase brought on the long-term liabilities of the OCFC, and as a result, puts the OCIB in a negative net asset position. For the fiscal year ended June 30, 2012, the OCIB had negative net assets of $4,107,000. The OCIB takes a long-term approach to economic stimulation, and it is anticipated that a negative net asset balance could persist well into the future.

U. Pollution Remediation Obligations

During the fiscal year ended June 30, 2012, it was determined that several agencies incurred expenses of $1,645,000 for pollution obligations related to hazardous material on highways and asbestos removal, where clean-up is generally required to comply with federal regulations. This type of remediation is generally a control obligation performed as part of current operations during road construction or building renovation. There was also a liability incurred of $2,169,000 which is included in accounts payable on the Government-Wide Financial Statements.

Note 2. Deposits and Investments

The State Treasurer maintains two investment portfolios. The Treasurer's Portfolio is used to manage the investments of all State moneys that are under the control of the Treasurer where earnings accrue to the General Fund of the State. The State Agency Portfolio is used for the investment of a limited number of State agencies specifically authorized by statute to direct the activities of certain funds and accounts where the earnings accrue to those funds and accounts. Ancillary to the Treasurer's Portfolio is an internal investment pool, OK INVEST, for all State funds and agencies that are considered part of the State of Oklahoma. All cash balances held through the State Treasurer for the Primary Government, Component Units and Fiduciary Funds earn a return through the OK INVEST pool program.

In accordance with statutes, the State Treasurer's investment policy allows for investments in the following categories:

United States Treasury Bills, Notes and Bonds
United States Government Agency Securities
Prime Banker's acceptances
Investment grade obligations of state and local governments
Short-term bond funds
Foreign bonds
Collateralized or insured certificates of deposit
Negotiable certificates of deposit
Prime commercial paper
Repurchase agreements
Money market funds

The State Treasurer's investment policy attempts to reduce portfolio risk through diversification by security, institution and maturity. With the exception of U.S. Treasury securities, no more than 50% of the State's total funds available for investment will be invested in a single security or with a single financial institution. In addition, the Treasurer's investments will not have an average maturity greater than 4 years unless specifically otherwise designated by the Treasurer. The following table outlines the State Treasurer's diversification limits designed to control various types of risk:

Investment Type	Percentage of Total Invested	Percentage of Total by Issuer	Maturity Limit	Rating
U.S Government Agency Securities	50%	35%	10 Years	AAA
U.S. Government Agency Mortgage Backed Securities	45%	No Limit	7 Years	AAA
Collateralized or Insured Certificates of Deposit	Limit of $35 Million per financial institution		365 Days	N/A
Negotiable Certificates of Deposit	7.5%	2.5%	180 Days	A-1 & P-1
Bankers Acceptance	7.5%	2.5%	270 Days	A-1 & P-1
Commercial Paper	7.5%	2.5%	180 Days	A-1 & P-1
State and Local Government Obligations	10%	5.0%	30 Years	AAA
Repurchase and Tri-party Repurchase Agreements	30%	10%	14 Days	A-1
Money Market Mutual Funds	30%	10%	1 Day	AAA
Foreign Bonds	2.5%	2.5%	5 Years	A-/A3 or better

The Primary Government's three permanent funds, Commissioners of the Land Office, Department of Wildlife Lifetime Licenses, and the Tobacco Settlement Endowment all have investment goals and horizons that differ from the State Treasurer. Accordingly, the investment policies for the permanent funds allow for broader classes of investments as well as extended dates of maturity.

The Employment Security Commission, Water Resources Board and Lottery Commission are the three business-type activities within the Primary Government. These agencies generally have investment policies that correlate to the operations and services that they perform. The Employment Security Commission generally will not invest outside of U.S. Government securities and typically maintains deposit balances only. The Water Resources Board and Lottery Commission both operate with longer investment horizons and as part of normal operations will attempt to match maturities of investments with the approaching maturity of liabilities.

Due to the nature of the internal investment pool, ownership of investments cannot be assigned to individual funds, including the Pension Trust Funds and Component Units. The investment pool also holds securities purchased with cash collateral from securities lending, which are not assigned to individual funds. For these reasons, total investments will not tie to the financial statements for the Primary Government. The following table details the investments held by the Primary Government at June 30, 2012 (expressed in thousands):

Investments - Primary Government

Investment Type	General Government	Permanent Funds	Business-Type Activities	Total Primary Government
POOLED INVESTMENTS				
US Agency & Treasury	$ 5,006,394	$ -	$ -	$ 5,006,394
Money Market Mutual Funds	820,039	-	-	820,039
Securities Lending Collateral Pool	253,490	34,157	-	287,647
Mutual Funds	1,638	-	-	1,638
Certificates of Deposit	192,556	-	-	192,556
State & Muni Bond Issues	196,798	-	-	196,798
NON-POOLED INVESTMENTS				
US Agency & Treasury	37,675	509,147	30,772	577,594
Domestic Corporate Bonds	11,250	759,406	-	770,656
Foreign Corporate Bonds	29,823	88,899	-	118,722
Domestic Equities	109,874	1,024,978	-	1,134,852
Foreign Equities	-	111,727	-	111,727
Other	2,054	34,570	-	36,624
Money Market Mutual Funds	1,182	-	-	1,182
Guaranteed Investment Contracts	-	-	108,588	108,588
Totals	$ 6,662,773	$ 2,562,884	$ 139,360	$ 9,365,017

Fiduciary Funds and Similar Component Units

The Fiduciary Funds of the State have investment goals that vary significantly from the Primary Government. Due to the long term nature of these funds, investment options are broader and maturities can be longer than that of the Primary Government. Generally these funds have investment policies allowing for investments in stocks, bonds, fixed income securities and other investment securities including commingled, mutual and index funds. Generally policies allow for a portion of investments to be held in securities of foreign companies and countries. Policies also allow for portions of the total portfolio to be held in derivatives and derivative like investments such as U.S. Treasury Strips, collateralized mortgage obligations, convertible securities and variable rate instruments.

Component Units

The Component Units of the State have varied investment goals based on the demands of their specific enterprise, and commonly have investment policies that allow for broader asset classes and longer maturities than that of the Primary Government. Various finance authorities invest in an attempt to match targeted returns to the maturity of liabilities. The Higher Education Component Unit is comprised of numerous foundations that invest in order to maximize gains for the institutions that they support. These foundations may also hold assets of different classes as part of donor restrictions and covenants. The following table outlines the Component Units' investment holdings at June 30, 2012 (expressed in thousands):

Investments - Component Units

Investment Type	Total Component Units
US Agency & Treasury	1,400,775
Domestic Debt Instruments	1,100,163
Foreign Corporate Bonds	49,946
State, Muni and Local Gov't Debt Instrumen	18,111
Domestic Equities and Equity Funds	1,206,708
Foreign Equities	122,129
Other	1,548,572
Money Market Mutual Funds	313,558
Guaranteed Investment Contracts	3,706
	$ 5,763,668

A. Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the State will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, not registered in the name of the State, or held by the counterparty or its trust department but not in the State's name.

Primary Government

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution. The amount of collateral securities to be pledged for the security of public deposits is established by rules promulgated by the State Treasurer. In accordance with the Office of State Treasurer's policies, the collateral securities to be pledged by financial institutions through the State Treasurer's Office are pledged at market value and must be at 110% of value to collateralize the amount on deposit, less any federal insurance coverage. All investments held by the State Treasurer are insured, registered, or held in the name of the State Treasurer.

As of June 30, 2012, the Primary Government's bank balances of deposits are fully insured or collateralized with securities held by an agent of the State in the State's name. In addition to these deposits, the State has approximately $624,167,000 on deposit with the U.S. Government. These funds represent unemployment insurance taxes collected from Oklahoma employers that are held by the U.S. Treasury. The book value of deposits does not materially differ from the bank balance.

Fiduciary Funds and Similar Component Units

The Pension Trust Funds, fiduciary component units of the State, have investment policies that do not specifically address custodial credit risk of deposits and investments. However, each Pension Trust Fund utilizes multiple investment managers and limits cash and short-term investments to no more than 5% of each investment manager's portfolio. At June 30, 2012, the Pension Trust Funds had deposits and cash equivalents of $576,485,000 of which $295,876,000 were uninsured and uncollateralized.

Component Units

Generally, the Component Units of the State have investment policies that do not specifically address or limit custodial credit risk of deposits and investments. All Component Units typically follow the diversification and securitization of deposit policies defined by the State Treasurer in an effort to minimize custodial credit risk. At June 30, 2012, CompSource had $139,810,000 of custodial credit risk through U.S. Government debt as collateral for securities lent.

B. Credit Risk

Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the debt instrument issuer's ability to meet its obligation. The State, its Fiduciary Funds and Component Units utilize the credit quality ratings issued by Moody's, Standard and Poor's, or Fitch in determining the risk associated with its fixed-income investments. Obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government are not considered to have credit risk. Certain debt instruments are commingled investments that do not have an applicable credit risk rating. These investments are presented as not rated in the accompanying tables.

Primary Government

As outlined in an earlier table, the State Treasurer seeks to hold investments with a rating of A or higher as rated by Moody's. Generally, the Permanent Funds and the business-type activities seek to maintain the same or higher rating. The Water Resources Board, which has a high concentration of investments with one issuer, requires that issuer to maintain an average credit rating of AA or higher. Should this issuer's rating fall below AA, it is required to collateralize the guaranteed investments sufficient to maintain an AA rating on the contracts. At June 30, 2012, the Primary Government had the following investments subject to credit risk (expressed in thousands):

Credit Risk - Primary Government

Investment Rating Moody's/S&P/Fitch	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	$ 5,646,373	$ -	$ 861,029	$ 8,688	$ 6,516,090
Aa/AA/AA	101,984	670	29,564	1,105	133,323
A/A/A	20,138	17,876	64,113	5,122	107,249
Baa/BBB/BBB	-	14,069	219,751	8,648	242,468
Ba/BB/BB	-	10,576	113,382	4,537	128,495
B/B/B	-	2,911	159,262	7,649	169,822
Caa/CCC/CCC	-	670	45,598	1,254	47,522
Ca/CC/CC	-	-	3,402	117	3,519
C/C/C	-	-	111	-	111
Not Rated/Not Applicable	16,305	5,483	198,975	30,611	251,374
Total	$ 5,784,800	$ 52,255	$ 1,695,187	$ 67,731	$ 7,599,973

Fiduciary Funds and Similar Component Units

The Pension Trust Funds typically hold a significant portion of assets in the form of debt instruments. Each Pension Trust Fund has an investment policy governing their credit risk exposure. Generally, at the time of purchase, investments in domestic fixed-income investments must carry the highest rating either Aaa, (Moody's) or AAA, (S&P, Fitch) as determined by the national rating organizations. International debt instruments must be Baa or BBB at the time of purchase. Overall, each investment policy generally requires that an average credit quality rating of A or higher be maintained for total debt instrument holdings. At June 30, 2012, the Pension Trust Funds had the following credit risk exposure (expressed in thousands):

Credit Risk - Pension Trust Funds

Investment Rating Moody's/S&P/Fitch	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	$ 1,577,936	$ 31,792	$ 434,432	$ -	$ 2,044,160
Aa/AA/AA	154,507	12,056	183,754	2,842	353,159
A/A/A	35,233	44,683	496,895	2,419	579,230
Baa/BBB/BBB	1,973	48,847	767,175	1,624	819,619
Ba/BB/BB	-	6,874	450,063	2,496	459,433
B/B/B	-	2,880	311,166	333	314,379
Caa/CCC/CCC	-	-	82,972	901	83,873
Ca/CC/CC	-	-	2,065	-	2,065
D/D/D	-	-	10,180	-	10,180
Not Rated/Not Applicable	1,349,663	7,294	337,310	104,745	1,799,012
Total	$ 3,119,312	$ 154,426	$ 3,076,012	$ 115,360	$ 6,465,110

Component Units

The Component Units usually hold a significant portion of their respective portfolios in debt instruments. Each Component Unit has an investment policy governing credit risk. As a general rule, the Component Units have more liberal investment policies than the Primary Government that allow for greater levels of credit risk regarding debt securities. Foundations within the Higher Education Component Unit also hold a significant portion of their total debt portfolio as either bond funds or money market mutual funds. These debt instruments are generally pooled or commingled investments and are not subject to credit risk disclosures. Investments in U.S. Government securities are not subject to credit risk. At June 30, 2012 the Component Units had the following credit risk exposure (expressed in thousands):

Credit Risk - Component Units

Investment Rating Moody's/S&P/Fitch	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	$ 1,138,985	$ -	$ 300,732	$ -	$ 1,439,717
Aa/AA/AA	38,566	-	209,807	23,833	272,206
A/A/A	-	-	335,218	-	335,218
Baa/BBB/BBB	-	-	146,374	-	146,374
Ba/BB/BB	-	-	4,055	-	4,055
Not Rated/Not Applicable	241,572	-	421,004	26,113	688,689
Total	$ 1,419,123	$ -	$ 1,417,190	$ 49,946	$ 2,886,259

C. Concentration of Credit Risk

Primary Government

The State Treasurer's investment policy seeks to mitigate concentration of credit risk through targeted diversification limits as outlined earlier in this note. With the exception of US Treasury securities, no more than 50% of the State's total funds available for investment will be invested in a single security type or with a single financial institution. The Water Resources Board, a business-type activity of the Primary Government, has no policy limiting amounts that may be invested in one issuer. At June 30, 2012, the Board held Guaranteed Investment Contracts issued by Transamerica Occidental Life Insurance Co. / Transamerica Life Insurance and Annuity Co. in the amount of $105,097,000 or 42% of its portfolio.

D. Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Duration is a measure of a debt instrument's exposure to fair value changes arising from changes in interest rates based on the present value of future cash flows, weighted for those cash flows as a percentage of the investment's full price. Modified duration estimates the sensitivity of a bond's price to interest rate changes. The State, its Fiduciary Funds, and Component Units use either duration, modified duration or weighted average years outstanding as the standard measures for assessing interest rate risk. Generally, the longer the duration or years outstanding, the greater sensitivity an investment has to interest rate risk.

Primary Government

As outlined in a previous table, the State Treasurer follows an investment policy seeking to keep the average maturity for its entire portfolio to less than four years. The Permanent Funds and the business-type activities of the Primary Government do not have the same liquidity demands as the Treasurer, and as a matter of policy are not as restrictive regarding maturities. At June 30, 2012, the Primary Government had the following investments with maturities (expressed in thousands):

Interest Rate Risk - Primary Government

Weighted Average Years to Maturity		US Treasury, Agency and Municipal Securities		US Corporate Debt Instruments		International Debt Instruments		Total
Less than 1 year Weighted Average to Maturity	$	180,721	$	817,207	$	-	$	997,928
1 - 5 years		5,353,578		769,199		63,209		6,185,986
6 - 10 years		184,561		193		56,777		241,531
10 or more years		65,940		-		-		65,940
No Maturity or Not Applicable		-		108,588		-		108,588
Total	$	5,784,800	$	1,695,187	$	119,986	$	7,599,973

Fiduciary Funds and Similar Component Units

The Pension Trust Funds generally do not have a formal investment policy on interest rate risk. However, interest rate risk is generally controlled through diversification of portfolio management styles. Each Pension Trust Fund reviews the performance of each investment manager, and monitors the interest rate risk as part of the performance assessment. At June 30, 2012, the Pension Trust Funds had the following exposure to interest rate risk (expressed in thousands):

Interest Rate Risk - Pension Trust Funds

Duration or Weighted Average Years		US Treasury, Agency and Municipal Securities		International Government Securities		US Corporate Debt Instruments		International Debt Instruments		Total
Less than 1 year duration	$	47,446	$	23,809	$	169,680	$	3,495	$	244,430
1 - 5 years		969,828		37,506		1,464,627		3,319		2,475,280
6 - 10 years		1,069,709		39,583		856,278		3,751		1,969,321
10 or more years		854,978		53,528		373,105		315		1,281,926
No Duration		177,351		-		212,322		104,480		494,153
Total	$	3,119,312	$	154,426	$	3,076,012	$	115,360	$	6,465,110

Component Units

The State's Component Units typically have board approved investment policies designed to manage exposure to fair value losses that arise from interest rate risk. The policies of the various Component Units can differ significantly since each investment policy is designed to match the portfolio objectives for that Component Unit. A substantial portion of the Component Units' holdings in debt instruments is in money market mutual funds and bond mutual funds with demand maturities which are presented below as not having an applicable maturity. On June 30, 2012, the Component Units had the following interest rate risk exposure (expressed in thousands):

Interest Rate Risk - Component Units

Weighted Average Years to Maturity		US Treasury, Agency and Municipal Securities		International Government Securities		US Corporate Debt Instruments		International Debt Instruments		Total
Less than 1 year Weighted Average to Maturity	$	329,858	$	-	$	65,321	$	-	$	395,179
1 - 5 years		463,237		-		836,174		-		1,299,411
6 - 10 years		365,109		-		209,715		23,833		598,657
10 or more years		83,563		-		-		-		83,563
No Maturity or Not Applicable		177,356		-		305,980		26,113		509,449
Total	$	1,419,123	$	-	$	1,417,190	$	49,946	$	2,886,259

E. Foreign Currency Risk

Foreign Currency Risk is the risk that changes in currency exchange rates will adversely affect the fair value of a deposit or investment. The State, its Fiduciary Funds and Component Units typically make investments in foreign securities to achieve an additional level of diversification within the various portfolios under management. Foreign currencies held as cash and cash equivalents are usually held to limit losses in foreign investments due to fluctuations in currency values.

Primary Government

The Primary Government does not invest in international securities as a matter of general policy; however, the Permanent Funds have policies that will typically allow a portion of the total portfolio to be invested in international securities in an effort to improve diversification and total returns. The business-type activity's investing policies do not specifically address foreign investments, and they will typically not hold any international securities. At June 30, 2012, the Primary Government had the following foreign currency risk (expressed in thousands):

Foreign Currency Risk - Primary Government

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	$ 5,449	$ -	$ -	$ 5,449
Argentine peso	-	343	-	343
Brazilian real	4,557	1,736	-	6,293
British pound sterling	33,123	4,237	142	37,502
Bermuda dollar	1,828	939	-	2,767
Canadian dollar	6,920	2,633	-	9,553
Cayman dollar	78	129	-	207
Chinese renminbi	3,844	-	-	3,844
Columbian peso	-	477	-	477
Czech koruna	79	-	-	79
Danish krone	446	-	-	446
Euro	25,694	20,176	309	46,179
Hong Kong dollar	7,022	-	-	7,022
Indian rupee	203	-	-	203
Israeli shekel	159	-	-	159
Japanese yen	17,251	-	-	17,251
Malaysian ringgit	-	1,340	1	1,341
Mexican peso	-	1,242	85	1,327
Netherlands Antillean guilder	1,129	-	-	1,129
New Israeli shekel	3,321	-	-	3,321
Norwegian krone	3,081	-	-	3,081
Panamanian balboa	1,938	320	-	2,258
Peruvian nuevo sol	5	1,036	-	1,041
Russian ruble	1,217	786	-	2,003
Singapore dollar	277	-	-	277
South African rand	10	-	-	10
South Korean won	5,497	-	-	5,497
Swedish krona	297	-	-	297
Swiss franc	8,574	433	-	9,007
Thai baht	2,504	-	-	2,504
Turkish lira	-	474	-	474
Venezuelan bolivar	-	1,077	-	1,077
Totals	$ 134,503	$ 37,378	$ 537	$ 172,418

Fiduciary Funds and Similar Component Units

The Pension and Other Employee Benefit Trust Funds generally have investment policies regarding limits on the amount of foreign securities that can be held within their respective portfolios. The Trust Funds have a significantly longer time frame for achieving their investment goals, and investments in foreign securities offer an additional level of diversification, as well as provide the opportunity for increased returns. Typically, holdings in foreign currencies are used to limit losses on foreign securities due to currency fluctuations. The Trust Funds had the following foreign currency risk at June 30, 2012 (expressed in thousands):

Foreign Currency Risk - Pension Trust Funds

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	$ 21,080	$ 20,177	$ 281	$ 41,538
Brazilian real	37,756	6,908	163	44,827
British pound sterling	358,602	11,747	1,062	371,411
Bulgarian lev	185	-	42	227
Canadian dollar	38,663	1,761	259	40,683
Chilean Peso	378	-	-	378
Czech koruna	289	-	11	300
Danish krone	19,334	-	129	19,463
Euro	542,442	20,608	2,988	566,038
Hong Kong dollar	117,544	-	1,521	119,065
Hungarian forint	-	6,414	-	6,414
Indonesian rupiah	11,978	-	60	12,038
Japanese yen	345,155	-	2,446	347,601
Malaysian ringgit	4,393	6,837	77	11,307
Mexican peso	12,426	40,836	78	53,340
New Taiwan dollar	9,911	-	-	9,911
New Turkish lira	7,485	-	3,223	10,708
New Zealand dollar	-	5,846	-	5,846
Norwegian krone	8,467	-	134	8,601
Philippines peso	5,554	4,994	11	10,559
Polish zloty	1,358	9,374	-	10,732
Singapore dollar	24,944	-	43	24,987
South African rand	18,086	6,059	16	24,161
South Korean won	40,238	7,141	33	47,412
Swedish krona	27,747	-	94	27,841
Swiss franc	123,437	143	257	123,837
Thai baht	10,921	-	-	10,921
Turkish lira	4,664	-	-	4,664
Yuan Renminbi	-	-	(1)	(1)
Totals	$ 1,793,037	$ 148,845	$ 12,927	$ 1,954,809

Securities Lending Definition

In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future.

Securities Lending Activity – Primary Government

State Statute Title 62, Section 90 authorizes the State Treasurer's Office to participate in securities lending transactions. All securities held by J.P. Morgan, as trustee or custodian, may be lent in the securities lending program unless specifically excluded by the State Treasurer's Office.

During the fiscal year ended June 30, 2012, securities lending agents lent primarily U.S. Government securities. Cash and U.S. Government securities were provided as collateral for the securities lent. Generally, collateral must equal at least 100% of the fair value of the securities loaned. At June 30, 2012, the fair value of the securities on loan was approximately $246,000,000. The underlying collateral for these securities had a fair value of approximately $253,000,000. Because these securities cannot be sold or pledged unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in U.S. Government securities and is included as an asset on the balance sheet with an offsetting liability for the return of collateral.

At June 30, 2012, there was no credit risk exposure to borrowers because the amounts the Primary Government owes the borrowers exceed the amounts the borrowers owe the Primary Government. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, that resulted from the default of a borrower or the lending agent. Because these transactions are terminable at will, their duration generally did not match the duration of the investments made with cash collateral.

The Tobacco Trust Fund, a Permanent Fund of the State, participates in securities lending as defined by its investment policy. During the year, the Tobacco Trust lent U.S. Government securities, corporate debt, and domestic and foreign equities. Collateral was provided as cash for securities lent. Collateral must equal at least 102% of the market value of securities lent unless the principal market for the collateral is outside the United States, in which case a margin of 105% must be maintained. At June 30, 2012, the fair value of securities on loan was $34,160,000. The collateral for securities lent had a market value of $34,157,000. The investment made with cash collateral had an average maturity of one day and did not match the duration of the security on loan since the loans are terminable at will. There was no credit risk to borrowers.

Securities Lending Activity – Fiduciary Funds and Similar Component Units

The six Public Employees Retirement Systems (PERS) participate in securities lending transactions as provided by their respective investment policies. During the fiscal year ended June 30, 2012, securities lending agents lent primarily U.S. Government securities, equity securities, and debt securities. Cash, U.S. Government securities, and letters of credit were provided as collateral for the securities lent. Generally, collateral must be provided in the amount of 102% of the fair value of the securities loaned. In certain instances collateral must be provided in the amount of 105% when the principal trading market for the loaned securities is outside the United States. At June 30, 2012, the carrying amount and fair value of securities on loan was approximately $2,525,557,000. The underlying collateral for these securities had a fair value of approximately $2,562,867,000. Collateral of securities and letters of credit represented approximately $81,796,000 of total collateral. Because these securities and letters of credit cannot be sold or pledged unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investments pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

At June 30, 2012, there was no credit risk exposure to borrowers because the amounts the Fiduciary Funds owe the borrowers exceed the amounts the borrowers owe the Fiduciary Funds. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, resulting from the default of a borrower or the lending agent. Investment policies do not require the maturities of investments made with cash collateral to match the maturities of securities lent; however, investment policies may establish minimum levels of liquidity to minimize the interest rate risk associated with not matching the maturity of the investments with the loans. Generally, their duration did not match the duration of the investments made with cash collateral.

Securities Lending Activity – Component Units

CompSource Oklahoma participates in securities lending transactions as provided by its investment policies. There are no restrictions regarding the amount of securities that may be lent.

During the fiscal year, securities lending agents lent primarily U.S. Government securities, equity securities, and debt securities. Cash, U.S. Government securities, and letters of credit were provided as collateral for the securities lent. Collateral must be provided in the amount of 102% of the fair value of the securities loaned. At fiscal year end, the carrying amount and fair value of securities on loan was approximately $180,364,000. The underlying collateral for these securities had a fair value of approximately $184,390,000. Collateral of securities and letters of credit represented approximately $142,874,000 of total collateral. Because collateral securities and letters of credit cannot be pledged or sold unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investment pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

During the fiscal year, certain losses occurred from securities lending transactions. An unrealized loss of $53,000 was recognized in fiscal 2011. This loss represents CompSource's proportionate share of the decline in fair value of the cash collateral pool. Recorded unrealized losses are included as a net decrease in the fair value of investments and as a reduction to the asset value of the securities lending collateral on the Statement of Net Assets for Major Component Units.

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

Derivative Investments Definition

Derivatives are often complex financial arrangements used to manage specific risks or to act as investments. Derivatives can act as hedges to more effectively manage cash flow or act as investments thereby increasing or decreasing exposure to certain types of investments.

Derivative Investments –Primary Government

Certain State agencies utilize derivative investments as tools to efficiently and effectively manage domestic, international and fixed income investments within their respective portfolios. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2012 and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Permanent	Derivative	Notional	Fair Value		Change in Fair Value	
Fund	Instrument	Amount	Classification	Amount	Classification	Amount
Tobacco Settlement Trust	Foreign Currency Forward Contracts	$ 9,562	Net Receivable	$ 485	Investment Income	$ 706

Derivative Investments – Fiduciary Funds and Similar Component Units

Several of the State's Public Employees Retirement Systems (PERS) utilize derivative investments as tools to efficiently and effectively manage domestic, international and fixed income investments within their respective portfolios. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2012 and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Pension System	Derivative Instrument	Notional Amount	Fair Value Classification	Fair Value Amount	Change in Fair Value Classification	Change in Fair Value Amount
Firefighters Pension and Retirement System (OFPRS)	Foreign Currency Forward Contracts	$ 60,816	Net Payable	$ (34)	Investment Income	$ 1,552
Teachers' Retirement System (TRS)	Foreign Currency Forward Contracts	235,763	Investment	1,334	Investment Income	1,799

The OFPRS system uses foreign currency forward contracts primarily to hedge foreign currency exposure. The receivable is net of gross receivables of $417,068 and liabilities of $451,169. The gross receivables are supported by collateral in investments valued at $417,068 with a credit risk ratings of AA, AA-, and AA+ by S&P and Aa2, Aa3, and A2 by Moody's. The foreign currency forward contracts for the TRS subject the System to foreign currency risk because the investments are denominated in foreign currencies. The fair value of foreign currency forward contracts was determined by market rates for exchanging dollars against the contracted currencies.

Derivative Investments- Component Units

The Component Units of the State have varied investment goals based on the demands of their specific operations and commonly have investment policies allowing for greater investment diversity and risk. Certain component units and foundations with the Higher Education Component Unit will utilize derivative investments on occasion to secure specific returns matched to maturing liabilities to mitigate overall portfolio risk.

Note 3. Accounts Receivable

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts as of June 30, 2012, including the applicable allowances for uncollectible accounts, are presented below (expressed in thousands):

	General Fund	Proprietary Fund	Component Units	
	Accounts Receivable	Taxes Receivable	Accounts Receivable	Notes Receivable
Gross Receivables	$ 110,806	$ 265,336	$ 551,135	$ 886,000
Less: Allowance for Uncollectibles	(59,912)	(59,355)	(164,584)	(7,367)
Net Receivables	$ 50,894	$ 205,981	$ 386,551	$ 878,633

Note 4. Interfund Accounts and Transfers

A. Due from Other Funds/Due to Other Funds

A summary of interfund obligations at June 30, 2012, is shown below (expressed in thousands):

	Due From Other Funds					Due To Other Funds			
	General Fund	Permanent Funds	Enterprise Funds	Due From Fiduciary Funds	Due From Component Units	General Fund	Wildlife Permanent Fund	Due To Fiduciary Funds	Due To Component Units
Governmental Funds									
General Fund	$ -	$ 45	$ 18,998	$ 11	$ 53,830	$ -	$ 95	$ 32,855	$ 47,897
Wildlife Permanent Fund	95	-	-	-	-	-	-	-	-
Tobacco Permanent Fund	-	-	-	-	-	45	-	-	1,205
Total Governmental Funds	$ 95	$ 45	$ 18,998	$ 11	$ 53,830	$ 45	$ 95	$ 32,855	$ 49,102
Enterprise Funds									
Oklahoma Water Resources Board	$ -					$ 282			$ -
Oklahoma Lottery Commission	-					18,716			-
Total Enterprise Funds	$ -					$ 18,998			$ -
Fiduciary Funds									
Pension Trust Funds:									
Firefighters Pension and Retirement System	$ 13,407			$ -	$ -	$ -		$ -	$ -
Oklahoma Public Employees Retirement System	12,138			-	-	4		-	-
Oklahoma Law Enforcement Retirement Sysytem	1,972			-	-	1		-	-
Judges and Justices Retirement System	491			-	-	-		-	-
Oklahoma Police Pension and Retirement System	5,520			-	-	2		-	-
Teachers' Retirement System of Oklahoma	-			-	-	4		-	-
Agency Funds:									
Other	-			-	659	-		-	-
Total Fiduciary Funds	$ 33,528			$ -	$ 659	$ 11		$ -	$ -

	Due From Primary Government					Due To Primary Government		
	General Fund	Permanent Funds	Enterprise Funds	Due From Fiduciary Funds	Due From Other Component Units	General Fund	Due To Fiduciary Funds	Due To Other Component Units
Major Component Units:								
CompSource Oklahoma	$ 1,056	$ -	$ -	$ -	$ 180	$ 5	$ -	$ -
Oklahoma Student Loan	-	-	-	-	-	-	-	-
Oklahoma Housing Finance Agency	-	-	-	-	-	-	63	-
Oklahoma Municipal Power Authority	-	-	-	-	-	-	739	1,987
Oklahoma Turnpike Authority	885	-	-	-	-	52,322	-	36
State and Education Emp. Group Insurance Board	775			10,201	-	4	-	12
Grand River Dam Authority	-	-	-	-	1,990	668	530	94
Higher Education	26,386	1,205	-	-	1,943	1,308	-	498
Nonmajor Component Units:								
Multiple Injury Trust Fund	4,070	-	-	-	-	-	-	-
Oklahoma Educational Television Authority	-	-	-	-	-	-	-	-
Oklahoma Industrial Finance Authority	-	-	-	-	-	-	-	-
University Hospitals Authority	120	-	-	-	243	-	-	147
Oklahoma Development Finance Authority	36	-	-	-	206	-	-	1,788
Total Component Units	$ 33,328	$ 1,205	$ -	$ 10,201	$ 4,562	$ 54,307	$ 1,332	$ 4,562

A reconciliation of interfund receivables and interfund payables at June 30, 2012 follows. Timing differences occur between agencies with a June 30 year end and the component units with September 30 or December 31 year ends.

Due From Other Funds	
Wildlife Permanent Fund	$ 95
Fiduciary Funds	33,528
Permanent Funds	45
Enterprise Funds	18,998
Due From Fiduciary Funds	11
Due From Enterprise Funds	
General Fund	-
Due From Component Units	
General Fund	53,830
Fiduciary Funds	659
Component Units Due From Primary Government	
General Fund	33,328
Permanent Fund	1,205
Enterprise Funds	-
Due From Fiduciary Funds	10,201
Due From Other Component Units	4,562
Total Interfund Receivables per Financial Statements	$ 156,462

Due To Other Funds	
General Fund to Enterprise Funds	$ 18,998
General Fund to Fiduciary Funds	11
Enterprise Funds	-
Wildlife Permanent Fund	95
Tobacco Permanent Fund	45
Fiduciary Funds	32,855
Due To Component Units	
General Fund	47,897
Tobacco Permanent Fund	1,205
Fiduciary Funds	-
Due to Enterprise Fund	-
Due To Primary Government - General Fund	54,307
Due To Fiduciary Funds	1,332
Due To Other Component Units	4,562
Total Interfund Payables per Financial Statements	161,307
Timing Differences, Fiscal Year Ending	
December 31, 2011: Component Units	(4,845)
Total Interfund Payables	$ 156,462

The General Fund Due From Other Funds includes $52,304,000 from Oklahoma Turnpike Authority (OTA) ($52,066,000 at December 31, 2011 on OTA) for a portion of motor fuel excise taxes collected on fuels consumed on turnpikes. The balance accumulates and is payable when certain OTA revenue bonds payable have been paid in full. The Wildlife Lifetime Licenses Permanent Fund is due $95,000 from the General Fund for legislative mandated transfer of earnings on certain funds.

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

B. Notes Payable and Capital Leases

The Multiple Injury Trust Fund (MITF) component unit reports a note payable to CompSource Oklahoma component unit of $21,614,000, as permitted by statute. Included in this note payable is a $6,000,000 advance on a line of credit not to exceed $11,300,000. The remaining $5,300,000 has not been advanced. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

The Higher Education (HE) component unit has entered into capital lease agreements with the General Fund's Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. The capital lease outstanding balances are $591,650,000.

C. Interfund Transfers

A summary of interfund transfers for the fiscal year ended June 30, 2012, follows (expressed in thousands):

Transfers From (Out)	Transfers To (In)	For (Purpose)	Amount
Governmental Funds:			
General Fund	Oklahoma Water Resources Board	Payment for administrative costs	$ 7,287
	Total transfers out of the General Fund		7,287
Proprietary Funds:			
Oklahoma Water Resources Board	General Fund	Restricted investment revenue	(3,177)
Lottery Commission	General Fund	Transfer of expendable earnings	(69,990)
	Total transfers in to the General Fund		(73,167)
	Net Transfers In/Out - General Fund		$ (65,880)

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows (expressed in thousands):

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,569,519	$ 37,637	$ (913)	$ 1,606,243
Construction in progress	191,288	54,370	(74,484)	171,174
Total capital assets, not being depreciated	1,760,807	92,007	(75,397)	1,777,417
Capital assets, being depreciated:				
Buildings and improvements	1,451,643	125,389	(2,237)	1,574,795
Equipment	449,094	50,617	(29,008)	470,703
Infrastructure	14,961,914	807,157	(31,930)	15,737,141
Total capital assets, being depreciated	16,862,651	983,163	(63,175)	17,782,639
Less accumulated depreciation for:				
Buildings and improvements	(613,574)	(30,960)	1,676	(642,858)
Equipment	(283,074)	(31,449)	24,427	(290,096)
Infrastructure	(7,755,142)	(406,044)	22,965	(8,138,221)
Total accumulated depreciation	(8,651,790)	(468,453)	49,068	(9,071,175)
Total capital assets, being depreciated, net	8,210,861	514,710	(14,107)	8,711,464
Governmental activities capital assets, net	$ 9,971,668	$ 606,717	$ (89,504)	$ 10,488,881
Business-type activities:				
Capital assets, being depreciated:				
Equipment	$ 1,915	$ 10	$ -	$ 1,925
Total capital assets, being depreciated	1,915	10	-	1,925
Less accumulated depreciation for:				
Equipment	(1,713)	(86)	-	(1,799)
Total accumulated depreciation	(1,713)	(86)	-	(1,799)
Business-type activities capital assets, net	$ 202	$ (76)	$ -	$ 126

Current period depreciation expense was charged to functions of the Primary Government as follows (expressed in thousands):

Governmental activities:	
Education	$ 958
General government	11,924
Health services	5,401
Legal and judiciary	87
Museums	157
Natural resources	7,514
Public safety and defense	17,872
Regulatory services	420
Social services	6,825
Transportation	417,295
Total depreciation expense - governmental activities	$ 468,453
Business-type activities:	
General government	$ 52
Natural resources	34
Total depreciation expense - business-type activities	$ 86

Component Units

Capital asset activity for the year ended June 30, 2012, (December 31, 2011, or September 30, 2011, for those entities identified in Item D of Note 1) was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 363,050	$ 9,517	$ (422)	$ 372,145
Construction in progress	597,769	319,813	(456,299)	461,283
Total capital assets, not being depreciated	960,819	329,330	(456,721)	833,428
Capital assets, being depreciated:				
Buildings and improvements	7,077,358	493,676	(34,994)	7,536,040
Equipment	1,719,264	135,287	(61,267)	1,793,284
Infrastructure	2,157,801	101,036	(359)	2,258,478
Total capital assets, being depreciated	10,954,423	729,999	(96,620)	11,587,802
Less accumulated depreciation for:				
Buildings and improvements	(2,540,159)	(194,951)	18,229	(2,716,881)
Equipment	(1,172,186)	(116,351)	48,865	(1,239,672)
Infrastructure	(1,233,791)	(73,881)	358	(1,307,314)
Total accumulated depreciation	(4,946,136)	(385,183)	67,452	(5,263,867)
Total capital assets, being depreciated, net	6,008,287	344,816	(29,168)	6,323,935
Capital assets, net	$ 6,969,106	$ 674,146	$ (485,889)	$ 7,157,363

Note 6. Risk Management and Insurance

It is the policy of the State to cover the risk of losses to which it may be exposed through risk management activities. In general, the State is self-insured for health care claims (except for employee participation in certain health maintenance organizations), workers' compensation, and second injury workers' compensation. The State is also self-insured against tort and auto liability and property losses, with commercial insurance policies for losses that fall outside of coverage limits or are in excess of the self-insured retention.

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

CSO administers claim payments and provides excess-of-loss coverage to certain governmental entities. The premiums and fees received in connection with these transactions are included in sales revenue and were approximately $11,321,000 in 2011. The liability for claims in excess of the self-insured entities' respective retention limits included in unpaid losses and loss adjustment expenses was approximately $74,130,000 at December 31, 2011.

CSO limits the maximum net loss that can arise from risks by entering into reinsurance agreements to assign risk to other insurers on a catastrophe basis. Premiums paid for this reinsurance were approximately $2,108,000 in 2011. No losses have been ceded under these agreements. Reinsurance receivables with a single reinsurer of $906,000 at December 31, 2011, have been recorded in anticipation of estimated amounts to be recovered from reinsurers in future years for losses ceded pursuant to certain prior year reinsurance agreements. These agreements do not relieve CSO from its obligation to policyholders. Failure of reinsurers to honor their obligations could result in losses to CSO. Management believes that all reinsurers presently used are financially sound and will be able to meet their contractual obligations.

Coverage for second injury workers' compensation is provided by a discretely presented component unit. The Multiple Injury Trust Fund (MITF) was created to encourage the hiring of individuals with a pre-existing disability and to protect those employers from liability for the pre-existing disability. MITF records a liability for outstanding court awards only as those amounts are awarded by the Workers' Compensation Court for permanent total disability awards. There is no provision for incurred but not reported claims or claims pending Court determination. Claims and Judgments which were due and owing at December 31, 2011, have been charged to operations for the year ended December 31, 2011. At year end, the MITF loss liability exceeded net assets. MITF was indebted to claimants for court awarded judgments. Only those judgments currently payable in arrears bear interest. The rate, set by statute, is the Treasury bill rate plus 4% to be updated annually.

Coverage for liability and property losses is provided by the Risk Management Division of the Department of Central Services. The Risk Management Division administers a self-insurance program to protect the State, its agencies, colleges, and universities against tort and auto liability claims. Coverage and limits under this program correspond directly with the Oklahoma Governmental Tort Claims Act (GTCA). The Risk Management Division purchases commercial liability insurance for losses that fall outside of the GTCA. The Risk Management Division also provides a Property Insurance program for all agencies, colleges, and universities through a combination of a high self-insured retention and commercial insurance policies in excess of the self-insured retention. Coverage limits are $1 billion each occurrence subject to coverage terms and conditions. Commercial insurance is purchased to protect the State's fine arts and physical damage to its automobiles. Additionally, the Risk Management Department purchases a Government Crime Policy, i.e., Employee Dishonesty policy.

Except for MITF, estimates relating to incurred but not reported claims, as well as other probable and estimable losses have been included in accrued liabilities for each fund. None of the funds have included non-incremental claims adjustment expense as part of accrued liabilities. Because actual claims liabilities are impacted by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, and other economic and social factors.

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

The following table presents the changes in claims liability balances (both current and noncurrent) during the current fiscal year ended June 30, 2012, (December 31, 2011, for CSO, OSEEGIB, and MITF) and the prior fiscal year, (expressed in thousands):

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
Current Fiscal Year						
General Fund -						
Risk Management Division	$ 25,216	$ 6,962	$ (7,958)	$ 24,220	$ 16,262	$ 7,958
Component Units:						
CompSource Oklahoma	$ 957,344	$ 268,252	$ (234,395)	$ 991,201	$ 779,934	$ 211,267
State and Education Employees						
Group Insurance Board	109,609	784,564	(790,969)	103,204	11,742	91,462
Multiple Injury Trust Fund	158,800	91,177	(21,429)	228,548	206,714	21,834
Total Component Units*	$1,225,753	$1,143,993	$ (1,046,793)	$1,322,953	$ 998,390	$ 324,563

* The Higher Education Component Unit's claims and judgments ($3,608 – noncurrent) are for accrued liabilities not related to risk management.

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
Prior Fiscal Year						
General Fund -						
Risk Management Division	$ 18,923	$ 9,399	$ (3,106)	$ 25,216	$ 22,110	$ 3,106
Component Units:						
CompSource Oklahoma	$ 925,182	$ 262,050	$ (229,888)	$ 957,344	$ 751,035	$ 206,309
State and Education Employees						
Group Insurance Board	121,426	773,897	(785,714)	109,609	11,068	98,541
Multiple Injury Trust Fund	114,882	61,455	(17,537)	158,800	142,222	16,578
Total Component Units	$1,161,490	$1,097,402	$ (1,033,139)	$1,225,753	$ 904,325	$ 321,428

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

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

A. Description of Plan

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

The coverages are funded by monthly premiums paid by individuals, the State, local governments, educational employers, and retirement systems. A participant may extend coverage to dependents for an additional monthly premium based on the coverage requested. Of the 218,000 primary participants and dependents, approximately 31,000 primary participants and 24,000 dependents were covered by HMOs. These counts relate to health coverage only.

All State agencies are required to participate in the Plan. Eligible local governments may elect to participate in the Plan (295 local governments actually participate). Any education entity or local government which elects to withdraw from the Plan may do so with 30 days written notice, and must withdraw both its active and inactive participants.

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

	State Employee	Local Government Employee	Education Employee	Teachers' Retirement System	Other Retirement Systems	Survivors	COBRA
Health	X	X	X	X	X	X	X
Dental	X	X	X	X	X	X	X
Life	X	X	X	X	X		
Disability	X	X					
Medicare Supplement				X	X	X	X
Health Care Participants:							
Primary	20,000	8,000	47,000	----- 38,000 -----			
Dependents	----- 50,000 -----						

B. Unpaid Claims Liabilities

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

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

C. Reconciliation of Claims Liabilities

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

	Health and Dental Fiscal Year 12/31/2011	Life Fiscal Year 12/31/2011	Disability Fiscal Year 12/31/2011	Total Fiscal Year 12/31/2011
Reserves at beginning of period	$ 90,880	$ 4,740	$ 13,989	$ 109,609
Incurred claims:				
Provision for insured events of current period	772,930	22,544	5,011	800,485
Changes in provisions for insured events of prior periods	(14,749)	(610)	(562)	(15,921)
	758,181	21,934	4,449	784,564
Payments:				
Claims attributable to insured events of current period	693,458	17,624	632	711,714
Claims attributable to insured events of prior periods	73,110	3,163	2,982	79,255
	766,568	20,787	3,614	790,969
Reserves at end of period	$ 82,493	$ 5,887	$ 14,824	$ 103,204

D. Revenue and Claims Development Information

The separately issued audited financial statements for the Plan include Required Supplementary Information regarding revenue and claims development.

Note 7. Operating Lease Commitments

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for equipment operating leases as of June 30, 2012, are as follows (expressed in thousands):

	General Fund	Fiduciary Funds	Component Units
2013	$ 198	$ 176	$ 4,713
2014	182	-	4,559
2015	155	-	4,308
2016	101	-	3,826
2017	21	-	912
2018-2022	-	-	2,978
Total Future Minimum Lease Payments	$ 657	$ 176	$ 21,296
Operating lease commitments for building rental for year ended June 30, 2013	$ 21,096	$ 405	$ 4,209
Rent expenditures/expenses for operating leases for year ended June 30, 2012	$ 20,029	$ 472	$ 18,074

Note 8. Lessor Agreements

Primary Government

Direct Financing Leases

The Department of Transportation maintains leases classified as direct financing leases. The State leases heavy equipment and machinery to counties within the State. The lease terms are determined by the depreciation schedules published by the American Association of State Highway Transportation Officials. All new county equipment leases were charged an interest amount equivalent to 3% of the equipment cost. Title to this equipment passes to the counties at the end of the lease term. The Department of Transportation also leases railroad lines within the state to the AT&L Railroad Company with the lease term ending in 2016. No interest or executory costs are charged, and the leases include bargain purchase options. The unguaranteed residual values of the machinery, equipment, and railroad lines are not estimated by the State. Contingent rentals are not a part of any lease and uncollectible amounts are not expected. The total minimum lease payments to be received by the Department of Transportation in future years is approximately $16,902,000, which is also the net investment in direct financing leases at June 30, 2012. The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands):

	2013	2014	2015	2016	2017
Department of Transportation	$ 4,293	$ 3,722	$ 3,138	$ 2,414	$ 1,618
Oklahoma Capital Improvement Authority	2,225	17,718	35,965	31,729	19,972
Total	$ 6,518	$ 21,440	$ 39,103	$ 34,143	$ 21,590

The Oklahoma Capital Improvement Authority (OCIA) has capital lease agreements with the higher education component unit for the lease of various facilities, equipment and improvements. At June 30, 2012, the total minimum lease payments to be received by OCIA from the higher education component unit are $591,650,000. These lease agreements end in fiscal year 2035.

Operating Leases

The State has operating leases maintained by various State agencies consisting primarily of State owned building space leased to non-state entities. The Primary Government's total operating leases receivable recognized in the current fiscal year is approximately $19,000. Minimum future rentals receivable from these operating leases is presented in the following schedule (expressed in thousands):

2013	2014	2015	2016	2017
$ 555	$ 460	$ 406	$ 393	$ 376

In addition, the leasing operations of the Commissioners of the Land Office consist of leasing approximately 743,000 acres of land principally for agricultural purposes. The lease terms are generally for five-year periods with one-fifth of the leases expiring each year. The lease year is on a calendar year basis with rents prepaid one year in advance. The rental amount is determined based on the maximum amount bid by the lessee. The following schedule presents minimum future rentals receivable from the leasing of these lands (expressed in thousands):

2013	2014	2015	2016	2017
$ 8,911	$ 7,683	$ 5,557	$ 3,505	$ -

Component Units

The **Oklahoma Municipal Power Authority** executed a Power Purchase Agreement with FPL Energy Oklahoma Wind, LLC (FPLE Oklahoma), for the development of a wind generation facility in northwestern Oklahoma. Under the agreement, FPLE Oklahoma was responsible for acquiring, constructing and installing the wind project. The Authority issued taxable limited obligation notes which were payable solely from lease payments made by FPLE Oklahoma. The Authority used the proceeds of the notes to finance the Authority's acquisition of the wind project and has leased the wind project to FPLE Oklahoma under a long-term capital lease agreement for an amount sufficient to pay the debt service, principal and interest, on the notes. The Power Purchase Agreement has a term of approximately 25 years and power is sold on a take and pay basis. FPLE Oklahoma retains the operational risk related to the wind project. The following schedule lists the components of the lease agreement as of December 31, 2011 (expressed in thousands):

Total minimum lease payments to be received	$ 76,784
Less: Amounts representing interest included in total minimum lease payments	(29,461)
Net investment in direct financing leases	$ 47,323

Operating Leases

The Oklahoma Turnpike Authority has various noncancelable contracts with concessionaires to provide patron services on the State's turnpike system. The contracts are generally for five year terms, with two five-year renewal options. The Authority receives concession revenue that includes minimum rentals plus contingent rentals based on sales volume. The Authority also leases antenna space under noncancelable contracts with a 20 year term. The University Hospital Authority has leased substantially all capital assets, except construction-in-progress, to the joint operations of OUMC and OU Health Sciences Center. The University Hospital Authority carries receipts through 2049. The following schedule presents minimum future rentals receivable from these contracts (expressed in thousands):

	2013	2014	2015	2016	2017	Thereafter
University Hospitals Authority	$ 1,065	$ 676	$ 676	$ 676	$ 676	$ 21,284
Oklahoma Turnpike Authority	527	537	539	564	563	7,818
Total	$ 1,592	$ 1,213	$ 1,215	$ 1,240	$ 1,239	$ 29,102

The cost and carrying amount of the University Hospitals Authority leased property for the year ended June 30, 2012 (expressed in thousands):

Land	$4,009
Buildings	313,652
Equipment	129,104
Infrastructure	7,580
Cost	454,345
Less Accumulated Depreciation	(246,323)
Net Leased Property	$208,022

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

Long-term obligations at June 30, 2012, and changes for the fiscal year then ended (expressed in thousands):

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	DueWithin One Year
General Obligation Bonds Payable from Tax Revenue:								
Oklahoma Bldg 2003A, Refunding	2003	2.00%-5.00%	2019	$ 68,680	$ -	$ -	$ 68,680	$ 18,160
Oklahoma Bldg 2010A, Refunding	2011	2.00%-5.00%	2019	102,670	-	-	102,670	-
Oklahoma Bldg 2010B, Capitalized Interest	2011	1.59%	2014	4,295	-	-	4,295	-
Total				175,645	-	-	175,645	18,160
Revenue Bonds Payable from Lease Rentals:								
OCIA Series 1999B	2000	6.20%-7.63%	2020	330	-	25	305	30
OCIA Series 2000, Highway	2000	4.30%-5.00%	2012	18,445	-	18,445	-	-
OCIA Series 2002A	2003	2.00%-4.65%	2023	8,780	-	585	8,195	605
OCIA 2003A, Highway	2003	2.00%-5.00%	2015	29,745	-	6,910	22,835	7,260
OCIA 2003B, Highway	2003	2.00%-5.00%	2015	11,895	-	2,790	9,105	2,905
OCIA 2003C, State Facilities	2004	2.00%-4.75%	2025	13,855	-	760	13,095	785
OCIA 2003D, State Facilities	2004	2.00%-4.75%	2024	2,535	-	155	2,380	160
OCIA 2003E, State Facilities	2004	2.00%-4.00%	2016	6,835	-	1,265	5,570	1,310
OCIA 2004A, Refunding	2005	2.50%-5.00%	2025	98,400	-	9,085	89,315	9,540
OCIA 2005, Revenue	2006	3.50%-4.30%	2021	3,820	-	320	3,500	330
OCIA 2005A, Revenue	2005	3.00%-4.35%	2021	4,430	-	375	4,055	385
OCIA 2005B, Revenue	2005	3.00%-4.05%	2026	3,250	-	165	3,085	170
OCIA 2005C, Revenue	2005	3.00%-5.00%	2028	29,445	-	1,260	28,185	1,300
OCIA Series 2005D	2006	3.00%-4.38%	2031	19,205	-	655	18,550	680
OCIA Series 2005E	2006	3.70%-5.00%	2026	2,475	-	120	2,355	130
OCIA Series 2005F	2006	3.38%-5.00%	2031	219,205	-	-	219,205	-
OCIA Series 2006A	2006	3.55%-4.38%	2027	20,880	-	965	19,915	1,000
OCIA Series 2006B	2006	3.50%-4.25%	2027	16,180	-	750	15,430	775
OCIA Series 2006C	2006	4.00%-4.50%	2027	18,970	-	855	18,115	890
OCIA Series 2006D	2006	1.00%-5.00%	2036	107,825	-	6,000	101,825	-
OCIA Series 2006E	2006	4.00%-4.50%	2027	5,520	-	250	5,270	260
OCIA Series 2008A	2008	2.90%-5.30%	2026	24,225	-	1,195	23,030	1,240
OCIA Series 2008B	2009	2.70%-5.48%	2030	11,220	-	395	10,825	405
OCIA Series 2009A	2009	1.00%-4.20%	2025	23,720	-	1,360	22,360	1,385
OCIA Series 2009AA	2010	2.00%-4.00%	2025	72,830	-	8,240	64,590	8,455
OCIA Series 2009B	2010	5.04%-5.34%	2025	68,830	-	-	68,830	-
OCIA Series 2010, Refunding\Revenue	2011	1.77%-5.61%	2031	132,075	-	-	132,075	-
OCIA Series 2010A, Refunding	2011	2.00%-5.00%	2019	87,260	-	-	87,260	-
OCIA Series 2010B, Capitalized Interest	2011	2.03%-2.48%	2016	30,105	-	-	30,105	-
OCIA Series 2010A DOT	2011	2.00%-5.00%	2021	110,565	-	-	110,565	10,620
OCIA Series 2010B DOT	2011	4.24%-4.79%	2026	92,075	-	-	92,075	-
OCIA Series 2012 DOT	2012	2.00%-2.54%	2026	-	60,510	-	60,510	3,360
Corrections 2003A, Central OK (ODFA)	2003	2.25%-4.65%	2023	24,770	-	1,655	23,115	1,715
Corrections 2004, Central OK (ODFA)	2004	3.00%-4.45%	2024	2,860	-	195	2,665	200
Corrections 2006, Central OK (ODFA)	2006	3.75%-4.50%	2026	3,590	-	180	3,410	185
Tourism 2002	2002	2.10%-4.25%	2012	405	-	405	-	-
DHS-Pittsburg Co. 1998 (ODFA)	1998	4.25%-5.30%	2013	395	-	120	275	275
DHS-Canad/Linc Co. 2000 (ODFA)	2000	4.30%-5.60%	2015	1,275	-	1,275	-	-
DHS-8 County (ODFA)	2001	2.00%-5.25%	2017	7,270	-	7,270	-	-
DHS-Logan/Okla Co. 2004A (ODFA)	2004	1.00%-3.85%	2019	5,025	-	560	4,465	575
DHS-2004B (ODFA)	2005	1.60%-5.13%	2020	3,190	-	300	2,890	310
DHS-2008 (ODFA)	2008	3.25%-4.15%	2023	19,240	-	1,315	17,925	1,360
DHS-2012 (ODFA)	2012	0.40%-5.00%	2022	-	14,435	180	14,255	1,440
Veterans Series 2005 (ODFA)	2005	2.65%-3.65%	2015	3,465	-	825	2,640	850
Law Enforcement Education/Train (ODFA)	2002	3.65%-5.50%	2027	19,980	-	855	19,125	895
Finance 2009 (ODFA)	2009	2.50%-5.00%	2035	42,425	-	1,150	41,275	1,185
Total				1,428,820	74,945	79,210	1,424,555	62,970
Notes Payable from Tax Revenue (Tourism) and Grant Revenue (ODOT):								
Tourism 2004, Clean Water	2004	2.13%	2024	2,304	-	157	2,147	162
ODOT 2004A, Grant Anticipation	2004	1.00%-5.00%	2019	28,315	-	2,995	25,320	3,140
ODOT 2005A, Grant Anticipation	2006	3.00%-5.00%	2020	35,610	-	2,930	32,680	3,030
ODOT 2007A, Grant Anticipation	2007	3.25%-5.00%	2023	77,385	-	5,000	72,385	5,200
ODOT 2008A, Grant Anticipation	2009	3.00%-5.00%	2021	86,315	-	6,255	80,060	6,500
Total				229,929	-	17,337	212,592	18,032
Capital Leases				12,719	5,659	9,668	8,710	2,313
Compenstated Absences				150,252	94,211	95,251	149,212	95,251
Pension Obligation				80,702	21,748	-	102,450	-
Bond Issue Premiums				74,817	11,282	8,895	77,204	9,230
Claims and Judgements Payable				25,216	6,962	7,958	24,220	7,958
Other Postemployment Benefits				198	212	159	251	251
Total Long-Term Obligations				$ 2,178,298	$ 215,019	$ 218,478	$2,174,839	$ 214,165

Reductions of debt includes an advance refunding of $7,175 for the DHS Series 2000 and 2002A ODFA Revenue bonds, the retirement of the OCIA Series 2000A bonds and the 2002 Department of Tourism Revenue bonds. Increases in debt include the issuance of the ODFA Series 2012A Refunding bonds for DHS and the OCIA 2012 bonds for the Department of Transportation.

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2012, which have scheduled debt service amounts (expressed in thousands):

	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	2033-2037	2038-2042	Total
General Obligation bonds:											
Oklahoma Bldg 2003A, Refunding	$ 20,803	$ 20,874	$ 21,729	$ 1,689	$ 2,011	$ 8,045	$ -	$ -	$ -	$ -	$ 75,151
Oklahoma Bldg 2010A, Refunding	4,264	4,595	7,956	28,093	15,776	63,105	-	-	-	-	123,789
Oklahoma Bldg 2010B, Capitalized Interest	69	4,329	-	-	-	-	-	-	-	-	4,398
Less: Interest	6,976	6,093	5,085	4,062	1,095	4,382	-	-	-	-	27,693
Total Principal	18,160	23,705	24,600	25,720	16,692	66,768	-	-	-	-	175,645
Revenue Bonds:											
OCIA Series 1999B	52	50	52	50	52	151	-	-	-	-	407
OCIA Series 2002A	946	949	944	948	945	4,704	936	-	-	-	10,372
OCIA 2003A, Highway	8,260	8,259	8,259	-	-	-	-	-	-	-	24,778
OCIA 2003B, Highway	3,267	3,269	3,269	-	-	-	-	-	-	-	9,805
OCIA 2003C, State Facilities	1,330	1,331	1,330	1,326	1,326	6,625	3,963	-	-	-	17,231
OCIA 2003D, State Facilities	258	257	256	254	257	1,273	508	-	-	-	3,063
OCIA 2003E, State Facilities	1,496	1,503	1,506	1,505	-	-	-	-	-	-	6,010
OCIA 2004A, Refunding	13,727	13,713	13,710	13,686	13,666	38,803	786	-	-	-	108,091
OCIA 2005 Revenue	464	467	464	464	464	1,864	-	-	-	-	4,187
OCIA 2005A, Revenue	542	543	543	542	539	2,155	-	-	-	-	4,864
OCIA 2005B, Revenue	301	300	298	301	298	1,480	1,172	-	-	-	4,150
OCIA 2005C, Revenue	2,508	2,508	2,509	2,507	2,498	12,277	12,133	2,420	-	-	39,360
OCIA 2005D Revenue	1,431	1,427	1,427	1,425	1,426	7,111	7,086	5,645	-	-	26,978
OCIA 2005E Revenue	226	226	226	225	224	1,117	884	-	-	-	3,128
OCIA 2005F Revenue	5,397	20,831	20,825	20,823	20,786	44,776	119,928	95,527	-	-	348,893
OCIA 2006A Revenue	1,791	1,788	1,789	1,787	1,788	8,923	8,881	-	-	-	26,747
OCIA 2006B Revenue	1,384	1,385	1,384	1,382	1,382	6,897	6,866	-	-	-	20,680
OCIA 2006C Revenue	1,658	1,656	1,658	1,659	1,656	8,257	8,218	-	-	-	24,762
OCIA 2006D Revenue	5,083	5,091	5,091	5,099	5,083	25,456	25,456	83,962	44,506	-	204,827
OCIA 2006E Revenue	480	480	479	482	480	2,392	2,383	-	-	-	7,176
OCIA 2008A Revenue	2,285	2,277	2,276	2,277	2,275	11,326	9,017	-	-	-	31,733
OCIA 2008B Revenue	924	924	923	925	921	4,597	4,573	2,729	-	-	16,516
OCIA 2009A Revenue	2,193	2,187	2,186	2,189	2,180	10,904	6,520	-	-	-	28,359
OCIA 2009AA Revenue	10,436	10,434	10,427	10,409	10,376	20,722	-	-	-	-	72,804
OCIA 2009B Revenue	3,588	3,588	3,588	3,588	3,588	48,181	39,045	-	-	-	105,166
OCIA Series 2010, Refunding\Revenue	6,386	11,441	11,419	11,403	11,386	56,702	56,397	44,822	-	-	209,956
OCIA Series 2010A, Refunding	3,841	3,841	3,841	9,138	21,669	66,581	-	-	-	-	108,911
OCIA Series 2010B, Capitalized Interest	666	666	18,039	12,711	-	-	-	-	-	-	32,082
OCIA 2010A DOT	14,779	14,784	14,764	14,746	14,708	58,680	-	-	-	-	132,461
OCIA 2010B DOT	4,229	4,229	4,229	4,229	4,229	35,787	85,454	-	-	-	142,386
OCIA 2012 DOT	5,812	5,807	5,808	5,812	5,807	29,052	23,237				81,335
Corrections 2003A, Central OK (ODFA)	2,694	2,690	2,693	2,691	2,689	13,470	2,690	-	-	-	29,617
Corrections 2004, Central OK (ODFA)	308	306	309	306	307	1,538	308	-	-	-	3,382
Corrections 2006, Central OK (ODFA)	331	329	332	329	330	1,657	1,322	-	-	-	4,630
DHS-Pittsburg Co. 1988 (ODFA)	282	-	-	-	-	-	-	-	-	-	282
DHS-Logan/Okla Co. 2004A (ODFA)	732	725	735	734	737	1,465	-	-	-	-	5,128
DHS-2004B	430	433	434	430	431	1,285	-	-	-	-	3,443
DHS-2008	2,030	2,032	2,033	2,031	2,030	10,156	2,031	-	-	-	22,343
DHS-2012	1,793	1,798	1,797	1,794	1,797	8,524	-	-	-	-	17,503
Veterans Series 2005 (ODFA)	943	945	943	-	-	-	-	-	-	-	2,831
Law Enforcement Education/Train (ODFA)	1,858	1,854	1,853	1,853	1,856	9,271	9,276	-	-	-	27,821
Finance 2009 (ODFA)	2,919	2,918	2,916	2,918	2,922	14,565	14,494	14,415	8,614	-	66,681
	120,060	140,241	157,564	144,978	143,108	578,724	453,564	249,520	53,120	-	2,040,879
Less: Interest	57,090	60,037	56,756	53,171	49,536	189,971	104,828	41,642	3,293	-	616,324
Total Principal	62,970	80,204	100,808	91,807	93,572	388,753	348,736	207,878	49,827	-	1,424,555
Notes Payable:											
Tourism 2004, Clean Water	207	208	209	210	211	1,068	326	-	-	-	2,439
ODOT 2004A, Grant Anticipation	4,259	4,252	4,255	4,248	4,245	8,468	-	-	-	-	29,727
ODOT 2005A, Grant Anticipation	4,441	4,417	4,417	4,412	4,406	17,611	-	-	-	-	39,704
ODOT 2007A, Grant Anticipation	8,535	8,518	8,472	8,468	8,482	42,281	8,434	-	-	-	93,190
ODOT 2008A, Grant Anticipation	10,137	10,136	10,123	10,112	10,095	50,298	-	-	-	-	100,901
	27,579	27,531	27,476	27,450	27,439	119,726	8,760	-	-	-	265,961
Less: Interest	9,547	8,775	7,905	6,951	5,950	14,041	200	-	-	-	53,369
Total Principal	18,032	18,756	19,571	20,499	21,489	105,685	8,560	-	-	-	212,592
Capital Leases	3,106	2,446	1,204	932	917	2,092	-	-	-	-	10,697
Less: Interest	391	267	205	170	135	184	-	-	-	-	1,352
Less: Executory Cost	402	231	2	-	-	-	-	-	-	-	635
Total Principal	2,313	1,948	997	762	782	1,908	-	-	-	-	8,710
Total	$ 101,475	$ 124,613	$145,976	$ 138,788	$ 132,535	$ 563,114	$ 357,296	$ 207,878	$ 49,827	$ -	$ 1,821,502
Long-Term Debt without scheduled debt service:											
Compensated Absences											149,212
Pension Obligation											102,450
Bond Issue Premiums											77,204
Claims and Adjustments Payable											24,220
Other Postemployment Benefits											251
Total Long-Term Obligations											$2,174,839

A. General Obligation Bonds

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

B. Revenue Bonds

The **Oklahoma Capitol Improvement Authority** (OCIA) has thirty-one outstanding series of building bonds to construct and equip State office buildings and prisons. Principal and interest payments on these bond issues are paid from rents collected from the various State and federal agencies that occupy the buildings constructed with the bond proceeds. The 2006D series are multi-modal variable rate demand bonds and are the only variable rate bonds issued by OCIA. The interest rate resets on a daily, weekly, or monthly interest rate mode which is determined by public bond market conditions.

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

C. Notes Payable

The **Oklahoma Department of Transportation** has issued several series of Grant Anticipation Notes for the purpose of financing certain qualified federal aid transportation projects in the State. The notes are secured by federal revenue received from the Federal Highway Administration (FHA) and have a final maturity in 2023. Total revenue received from the FHA in fiscal year 2012 was $675,080,000 with a portion of that amount, $263,522,000, reserved as security for the notes. Current year note obligations for principal and interest totaled $27,371,000.

D. Capital Leases

The State has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. Capital lease obligations are reported for those leases where the fair market value of the leased asset at inception of the lease is $25,000 or more.

Leased equipment under capital leases in capital assets at June 30, 2012, includes the following (expressed in thousands):

	Buildings	Equipment	Total
Cost	$ 1,869	$ 13,707	$ 15,576
Less: Accumulated depreciation	(205)	(5,213)	(5,418)
Total	$ 1,664	$ 8,494	$ 10,158

E. Other Liabilities

Compensated absences are liquidated by the General Fund and do not have scheduled future debt service requirements beyond one year. The pension obligation is for the Oklahoma Department of Wildlife Conservation defined benefit pension plan, the Oklahoma Law Enforcement Retirement System and the Uniform Retirement System for Judges and Justices. These plans are single-employer plans that provide retirement, disability, and death benefits to the plan members and their beneficiaries. These pension obligations do not have scheduled future debt service requirements. The Wildlife Pension Plan obligation will be liquidated by the General Fund. The pension liability for the Oklahoma Law Enforcement Retirement System and the Uniform Retirement System for Judges and Justices will be liquidated by the respective pensions.

F. Authorized Unissued Bonds

The Oklahoma Capital Improvement Authority (OCIA) has been authorized to issue bonds in the amount of $9,000,000 for the Department of Tourism and Recreation to acquire, construct and renovate offices. OCIA also has authorization to issue $2,665,000 of bonds for the School of Science and Mathematics and $6,000,000 of bonds for the Department of Mental Health/Substance Abuse Services pending matching funding. The Oklahoma Water Resources Board (OWRB) has been authorized to issue general obligation bonds in the amount of $300,000,000 to be used as credit for other OWRB loan programs.

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

The **Oklahoma Water Resources Board** (Board) along with the **Department of Environmental Quality** has issued nineteen series of revenue bonds. These bonds provide resources to implement statewide financial assistance programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

Long-term obligations at June 30, 2012, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds Payable from User Fees:								
1989-2012 Issues	1989-2012	0.35-6.30%	2042	$ 732,142	$ 113,435	$ 45,277	$ 800,300	$ 56,626
Adjusted for: Bond Premiums and Discounts				27,351	6,088	782	32,657	-
Revenue Bonds Payable Net of Bond Premiums and Discounts				759,493	119,523	46,059	832,957	56,626
Other Noncurrent Liabilities				3	-	3	-	-
Compensated Absences				363	285	302	346	154
Total Long-Term Obligations				$ 759,859	$ 119,808	$ 46,364	$ 833,303	$ 56,780

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2012, which have scheduled debt service amounts (expressed in thousands):

	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	2033-2037	2038-2042	Total
Revenue Bonds:											
1989-2012 Issues	$ 90,354	$72,351	$72,712	$72,428	$71,991	$330,575	$249,309	$120,608	$46,727	$29,940	$1,156,995
Less: Interest	33,728	32,211	30,646	29,006	27,236	106,866	58,974	24,964	10,263	2,801	356,695
Principal	56,626	40,140	42,066	43,422	44,755	223,709	190,335	95,644	36,464	27,139	800,300
Total	$ 56,626	$40,140	$42,066	$43,422	$44,755	$223,709	$190,335	$ 95,644	$36,464	$27,139	$ 800,300
Adjusted for: Bond and Note Premium and Discounts											32,657
Long-Term Obligations without scheduled debt service:											
Compensated Absences											346
Total Long-Term Obligations											$ 833,303

Several of the bonds bear interest at variable rates, initially set at 0.87% to 3.80% and are periodically adjusted, pursuant to the provisions of the bond indentures, to a maximum rate of 12% to 14% per year. Variable rates are reset semiannually by the remarketing agent. The interest rate on the bonds was 0.35% to 0.65% at June 30, 2012. At the option of the Board and subject to applicable provisions of the bond indenture, which require, among other things, that all bonds be successfully remarketed, the variable interest rate may be converted to a term rate that would stay fixed until maturity. These converted rate bonds bear interest at fixed rates ranging from 1.90% to 5.88%.

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

Long-term obligations at June 30, 2012 (September 30, 2011, for Oklahoma Housing Finance Agency and December 31, 2011, for Oklahoma Turnpike Authority, Grand River Dam Authority and Municipal Power Authority), and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General Obligation Bonds Payable from User Fees:								
Industrial Finance Authority	2001-2005	2.50 - 5.25%	2022	$ 47,450	$ -	$ 595	$ 46,855	$ 625
Total Before Adjustments				47,450	-	595	46,855	
Adjusted for: Bond Premiums				44	-	5	39	
Net Deferred Debits on Refundings				(144)	-	(17)	(127)	
Total General Obligation Bonds Payable Net of Bond Premiums and Deferrals				47,350	-	583	46,767	625
Revenue Bonds Payable from User Fees:								
Student Loan Authority	1995-2011	0.51 - 6.35%	2041	580,443	-	104,505	475,938	-
Development Finance Auth.	1996	2.50%	2031	9,999	-	-	9,999	-
Housing Finance Agency	1987-2011	0.73 - 8.00%	2042	673,518	183,981	238,509	618,990	63,281
Turnpike Authority	2002-2012	2.00 - 5.50%	2031	1,034,526	683,660	581,973	1,136,213	50,955
Grand River Dam Authority	1995-2010	3.00 - 7.155%	2040	1,073,911	-	81,665	992,246	86,765
Municipal Power Authority	1992-2010	2.00 - 6.44%	2047	626,075	-	18,085	607,990	17,795
University Hospitals Authority	2005	0.09 - 0.35%	2036	51,100	-	1,040	50,060	1,095
Higher Education	1993-2007	1.20 - 10.00%	2034	1,227,039	106,499	93,522	1,240,016	41,441
Total Before Discounts/Deferrals				5,276,611	974,140	1,119,299	5,131,452	
Adjusted for: Bond (Discount) Premiums				22,714	69,744	1,315	91,143	
Net Deferred Debits on Refundings				(57,831)	(51,599)	(4,080)	(105,350)	
Total Revenue Bonds Payable Net of Bond (Discounts) Premiums and Deferrals				5,241,494	992,285	1,116,534	5,117,245	261,332
Notes Payable:								
Multiple Injury Trust Fund	2000-2001	7.00%	2031	22,966	-	1,352	21,614	1,449
Oklahoma Turnpike Authority	2009-2010	1.01%	2012	33,490	-	6,000	27,490	27,490
Student Loan Authority	1995-2004	0.20 - 1.24%	2035	386,694	-	96,705	289,989	14,000
Municipal Power Authority	2003	6.00%	2028	48,905	-	1,582	47,323	1,677
Higher Education	2001-2007	1.88 - 8.00%	2046	173,469	14,443	15,228	172,684	64,923
Total				665,524	14,443	120,867	559,100	109,539
Capital Leases:								
Higher Education				948,583	113,685	49,335	1,012,933	46,409
Total				948,583	113,685	49,335	1,012,933	46,409
Claims and Judgments				1,232,524	1,150,935	1,052,282	1,331,177	329,179
Due to Primary Government				54,382	-	75	54,307	2,003
Compensated Absences				111,930	92,902	88,052	116,780	84,609
Other Noncurrent Liabilities				744,797	625,613	596,375	774,035	265,561
Total Long-Term Obligations				$ 9,046,584	$ 2,989,863	$ 3,024,103	$ 9,012,344	$ 1,099,257

A. General Obligation Bonds

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

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2012 (September 30, 2011, for Oklahoma Housing Finance Agency and December 31, 2011, for Oklahoma Transportation Authority, Grand River Dam Authority and Municipal Power Authority), which have scheduled debt service amounts (expressed in thousands):

	2013	2014	2015	2016	2017	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	2042-2046	2045-2049	Total
General Obligation Bonds:													
Industrial Finance Authority	$ 1,948	$ 1,946	$ 1,948	$ 1,944	$ 1,943	$ 46,388	$ -	$ -	$ -	$ -	$ -	$ -	$ 56,117
	1,948	1,946	1,948	1,944	1,943	46,388	-	-	-	-	-	-	56,117
Less: Interest	1,323	1,291	1,258	1,224	1,188	2,978	-	-	-	-	-	-	9,262
Total Principal	625	655	690	720	755	43,410	-	-	-	-	-	-	46,855
Revenue Bonds:													
Student Loan Authority	6,266	6,266	6,266	6,266	6,266	25,066	120,217	78,107	76,844	290,369	-	-	621,933
Development Finance Auth	250	250	250	250	250	1,250	1,250	10,936	-	-	-	-	14,686
Housing Finance Agency	89,421	81,052	38,544	37,299	36,952	184,039	180,462	175,937	203,653	-	-	-	1,027,359
Turnpike Authority	88,632	96,621	95,343	95,338	95,336	455,779	439,844	282,396	-	-	-	-	1,649,289
Grand River Dam Authority	133,807	133,476	91,344	61,817	61,742	308,050	306,822	305,539	174,409	69,842	-	-	1,646,848
Municipal Power Authority	47,638	47,674	47,674	47,066	46,800	229,205	184,693	116,465	113,340	112,598	100,510	10,696	1,104,359
University Hospitals Authority	1,999	2,046	2,082	2,131	2,174	11,371	12,729	14,077	13,540	-	-	-	62,149
Higher Education	96,868	94,772	95,595	95,219	93,574	439,206	413,858	346,881	251,873	106,472	-	-	2,034,318
	464,881	462,157	377,098	345,386	343,094	1,653,966	1,659,875	1,330,338	833,659	579,281	100,510	10,696	8,160,941
Less: Interest	203,549	205,024	212,794	191,509	184,798	814,603	598,458	366,273	182,333	56,590	13,095	463	3,029,489
Total Principal	261,332	257,133	164,304	153,877	158,296	839,363	1,061,417	964,065	651,326	522,691	87,415	10,233	5,131,452
Notes Payable:													
Multiple Injury Trust Fund	2,925	2,925	2,925	2,925	2,925	14,624	1,450	-	-	-	-	-	30,699
Oklahoma Turnpike Authority	27,825	-	-	-	-	-	-	-	-	-	-	-	27,825
Student Loan Authority	15,618	194,386	14,374	14,200	7,014	35,053	12,942	-	-	-	-	-	293,587
Municipal Power Authority	4,517	4,517	4,517	4,517	4,517	22,584	22,583	9,032	-	-	-	-	76,784
Higher Education	73,410	19,920	19,417	18,034	7,804	34,413	18,063	15,361	5,614	1,087	870	-	213,993
	124,295	221,748	41,233	39,676	22,260	106,674	55,038	24,393	5,614	1,087	870	-	642,888
Less: Interest	14,756	9,721	8,130	6,818	5,928	22,332	11,283	3,732	719	280	89	-	83,788
Total Principal	109,539	212,027	33,103	32,858	16,332	84,342	43,755	20,661	4,895	807	781	-	559,100
Capital Leases:													
Higher Education	83,929	101,934	104,474	101,373	99,912	342,056	324,387	266,736	98,017	13,766	-	-	1,536,584
	83,929	101,934	104,474	101,373	99,912	342,056	324,387	266,736	98,017	13,766	-	-	1,536,584
Less: Interest	37,520	43,748	41,273	39,072	36,755	146,022	109,345	56,494	12,331	1,091	-	-	523,651
Total Principal	46,409	58,186	63,201	62,301	63,157	196,034	215,042	210,242	85,686	12,675	-	-	1,012,933
Total	$ 417,905	$ 528,001	$ 261,298	$ 249,756	$ 238,540	$ 1,163,149	$ 1,320,214	$ 1,194,968	$ 741,907	$ 536,173	$ 88,196	$ 10,233	$ 6,750,340
Adjusted for: Net Discounts and Deferred Debits on Refundings													(14,295)
Long-Term Obligations without scheduled debt service:													
Claims and Judgments													1,331,177
Due to Primary Government													54,307
Compensated Absences													116,780
Other Noncurrent Liabilities													774,035
Total Long-Term Obligations													$ 9,012,344

B. Revenue Bonds

The **Oklahoma Student Loan Authority** (OSLA) has issued eleven series of revenue bonds with outstanding balances. The bonds are issued for the purpose of funding student loans. All bonds payable are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective bond resolution. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in bond indentures. At June 30, 2012, the variable interest rates ranged from 0.51% to 6.35%.

The **Oklahoma Development Finance Authority** (ODFA) has issued a revenue bond to fund loans to various investment enterprises in connection with the Quality Jobs Investment Program. The bond is payable solely from and secured by the revenues and funds in the Quality Jobs Investment Program and a Credit Enhancement Reserve Fund guarantee insurance policy. The interest rate is variable and is equal to the Oklahoma Industrial Finance Authority's cost of funds on its outstanding variable rate bond issues. The interest rate at June 30, 2012 was 2.5%.

The **Oklahoma Housing Finance Agency** (OHFA) has issued 34 series of revenue bonds with outstanding balances at year end. The net proceeds of these bonds are used to provide financing for qualifying residences, provide interim and permanent financing for multi family construction projects, and establish debt service reserves as required by the various trust indentures.

The **Oklahoma Turnpike Authority** (OTA) has issued six series of revenue bonds with an original issue amount of $1,934,570,000. The bonds are issued for the purpose of financing capital improvements and new projects relating to the State's turnpike system and are financed primarily by tolls assessed on users of the turnpikes.

The **Grand River Dam Authority** (GRDA) has issued four series of revenue bonds with an original issue amount of $1,093,061,000. Oklahoma statutes have authorized GRDA to issue revenue bonds with the aggregate outstanding indebtedness not to exceed $1,410,000,000.

The **Oklahoma Municipal Power Authority** (OMPA) has issued ten series of revenue bonds. The bonds are issued to finance portions of OMPA's acquisition and construction activities. The bonds are payable from and collateralized by a pledge of and security interest in the proceeds of the sale of the bonds, the revenues of OMPA, and assets in the funds established by the respective bond resolutions. Neither the State of Oklahoma nor any political subdivision thereof is obligated to pay principal or interest on the bonds. OMPA does not have any taxing authority. Certain series of the bonds have a variable interest rate which is established either by auction or a weekly index. The maximum rate is 14%.

The **University Hospitals Authority** (UHA) has issued two revenue bond series (2005A-Tax Exempt and 2005B-Taxable) with an original issue amount of $55,460,000. The proceeds were used to finance construction of new pediatric ambulatory care facilities and a basic research center.

Twenty-one of the State's colleges and universities within the **Higher Education** component unit have authorized and issued 75 series of revenue bonds with an original issue amount of $1,394,942,000. These bonds were issued for the construction of student housing and other facilities. Student fees, revenues produced by the constructed facilities, and other revenues collateralize the revenue bonds.

C. Defeased Bonds

In prior years, component units have defeased bonds by placing assets in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the assets of the trusts and the liabilities for the defeased bonds are not included in the accompanying financial statements. The following defeased bonds were outstanding at June 30, 2012 (December 31, 2011 for GRDA and OMPA) (expressed in thousands):

Revenue Bonds		
GRDA	OMPA	Higher Education
$ 28,970	$ 39,540	$ 13,105

D. Notes Payable

The **Multiple Injury Trust Fund** (MITF) component unit reports a note payable to **CompSource Oklahoma** component unit of $21,614,000 as permitted by statute. Included in this note payable is a $6,000,000 advance on a line of credit. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

Notes of the **Oklahoma Student Loan Authority** (OSLA) are issued to fund student loans and are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective financing agreements. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in lending agreements. At year end the variable interest rates ranged from 0.20% to 1.24%.

The **Oklahoma Municipal Power Authority** (OMPA) has issued $57,739,000 of taxable limited obligation notes. The notes are payable solely from lease payments made by FPL Energy Oklahoma Wind, LLC with no recourse to OMPA. The notes bear an interest rate of 6%, and annual principal and interest payments are due through December 31, 2028.

The **Higher Education** component unit has entered into various notes payable agreements. Lease payments, a pledge of "Section Thirteen Fund State Educational Institutions" moneys, the equipment purchased, and the facilities constructed are pledged as collateral on the notes.

E. Capital Leases

The **Higher Education** component unit has entered into agreements with unrelated parties as well as agreements with the Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. In fiscal year 1999, the Higher Education component unit signed capital lease agreements with OCIA totaling $49,178,000 and additional agreements totaling $515,350,000 during fiscal year 2006. In fiscal year 2011, additional agreements with OCIA totaling $249,440,000 were added. The outstanding principal balance for the OCIA leases at June 30, 2012, is

$591,650,000. Only the principal balance of the leases is recognized since it is equivalent to the value of the items leased. The OCIA agreements are aggregated with the other capital lease obligations on the statement of net assets for year end.

Leased assets under capital leases in capital assets at June 30, 2012, included the following (expressed in thousands):

	Land	Construction In Progress	Buildings	Equipment	Total
Cost	$ -	$ 2,405	$ 372,707	$ 92,864	$ 467,976
Less: Accumulated depreciation	-	-	(38,178)	(39,716)	(77,894)
Total	$ -	$ 2,405	$ 334,529	$ 53,148	$ 390,082

F. Other Liabilities

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

G. Authorized Unissued Bonds

By statute, **Oklahoma Industrial Finance Authority** (OIFA) has authority to issue general obligation bonds not to exceed $90,000,000 plus the balance in its bond redemption account. This results in $46,855,000 of authorized but unissued general obligation bonds. Certain institutions within the **Higher Education** component unit have been authorized to issue revenue bonds in the amount of $42,000,000 for various construction, renovation and acquisition of property.

Note 12. Fund Balance

Beginning Fund Balance/Net Assets Adjustments and Other Restatements

Primary Government

Beginning net assets related to Governmental Activities on the Statement of Activities have been restated due to adjustments to capital assets ($13,895,000), reclassification of funds ($2,655,000) and accounting errors ($196,000) at July 1, 2011. This restatement increased beginning net assets by $11,044,000.

The Statement of Revenues, Expenditures and Changes in Fund Balance for Governmental Funds has been restated due to reclassification of funds. The beginning fund balance for the Permanent Fund of the Native American Cultural and Educational Authority decreased by $2,655,000 at July 1, 2011. Total beginning fund balance for Governmental Funds decreased $2,655,000.

Component Units

Beginning net assets for the Higher Education Component Unit have been restated due to accounting errors ($786,000) and reclassification of funds ($552,000). The net effect of the restatements decreased beginning net assets by $1,338,000 as of July 1, 2011.

Proprietary Funds

Beginning net assets for the Employment Security Commission have been restated by $120,199,000. The change was due to a reevaluation of the process to determine taxes receivable. The net effect of the restatement increased net assets by $120,199,000 as of July 1, 2011.

Governmental Fund Balance

The governmental fund financial statements present fund balance at the aggregate level of detail within the categories defined by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The table below represents the detailed amount of fund balance available to each functional level of government within those categories. This table also contains a separate detailed categorization for the State's stabilization, or "Rainy Day" fund if a balance is available at the end of fiscal year (expressed in thousands):

		Permanent Funds			
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	Total Governmental Funds
Nonspendable					
Inventories	$ 72,478	$ -	$ -	$ -	$ 72,478
Prepaids	1,061	-	-	-	1,061
Permanent Fund Principal	-	1,862,742	73,223	613,868	2,549,833
Restricted					
Education	16,738	15,980	-	-	32,718
General Government	725,461	-	-	-	725,461
Health Services	24,931	-	-	-	24,931
Legal and Judiciary	10,991	-	-	-	10,991
Museums	3,577	-	-	-	3,577
Natural Resources	16,112	-	-	-	16,112
Safety and Defense	6,258	-	-	-	6,258
Regulatory Services	2,330	-	-	-	2,330
Social Services	5,081	-	-	-	5,081
Transportation	18	-	-	-	18
Stabilization Fund (Rainy Day)	433,095	-	-	-	433,095
Committed					
Education	136,347	-	-	-	136,347
General Government	1,085,263	-	-	-	1,085,263
Health Services	(13,737)	-	-	-	(13,737)
Legal and Judiciary	108,615	-	-	-	108,615
Museums	107	-	-	-	107
Natural Resources	171,816	-	-	-	171,816
Safety and Defense	165,039	-	-	-	165,039
Regulatory Services	130,621	-	-	-	130,621
Social Services	145,815	-	-	-	145,815
Transportation	352,289	-	-	-	352,289
Assigned	-	-	-	66,135	66,135
Unassigned					
Permanent Fund	-	-	-	25,724	25,724
Stabilization Fund (Rainy Day)	144,365	-	-	-	144,365
Total Fund Balances	$ 3,744,671	$ 1,878,722	$ 73,223	$ 705,727	$ 6,402,343

Nonspendable fund balance represents amounts that are not in spendable form. These amounts are not expected to be converted to cash. The State's primary forms of nonspendable fund balance are inventories and prepaid items such as rent or postage. Nonspendable fund balance also includes principal amounts within each respective permanent fund that is legally required to be maintained into perpetuity.

Restricted fund balance represents amounts that have constraints upon their use through either outside creditors, grantors, contributors or other governments as well as those amounts restricted through constitutional provisions or enabling legislation that can be legally enforced by parties outside the government. The State's General Fund restricted fund balance is primarily comprised of amounts yet to be expended under federal grant awards, imminent payments on outstanding bond issues, long-term receivables that must be used for debt repayment, and 75% of any available balance in the stabilization or "Rainy Day" fund. The Commissioners of the Land Office Permanent Fund is restricted for educational systems. Fund balance as restricted by the various constraints in the General Fund for the fiscal year ended June 30, 2012 were as follows (expressed in thousands):

	General Fund - Restricted			
	For Debt Service Only	Federal Cash	By Enabling Legislation	Restricted Fund Balance
Restricted				
Education	$ -	$ 16,738	$ -	$ 16,738
General Government	711,445	14,016	-	725,461
Health Services	1,201	23,730	-	24,931
Legal and Judiciary	-	10,991	-	10,991
Museums	1,284	2,293	-	3,577
Natural Resources	-	16,112	-	16,112
Safety and Defense	2,363	3,895	-	6,258
Regulatory Services	2,248	82	-	2,330
Social Services	2,814	2,267	-	5,081
Transportation	18	-	-	18
Stabilization Fund (Rainy Day)	-	-	433,095	433,095
Total Fund Balances	$ 721,373	$ 90,124	$ 433,095	$ 1,244,592

Committed fund balance is presented for each respective function of government as directed by the State's highest level of decision making authority. Along with ratification by the Governor, the Senate and the House of Representatives write, prepare and approve legislative bills to allocate the State's available resources each fiscal year. This process is a formal legislative action constituting the highest level of decision making authority. Once this authority has been exercised, the same action must be taken to modify or rescind a previously approved bill or allocation of resources.

Under GAAP reporting, the nonspendable and restricted fund balance categories are considered to be restricted fund balance. The committed, assigned and unassigned fund balances are considered to be unrestricted fund balance. Generally, when the State has both restricted and unrestricted resources available, the restricted balances will be used first as expenditures are incurred as long as conditions that created the restriction are met. When unrestricted fund balance is used, the order of use would generally be committed, then assigned, and finally unassigned.

Article 10, Section 23 of the State Constitution establishes a stabilization arrangement (Constitutional Reserve or Rainy Day Fund) under certain conditions where revenues collected exceed estimates made by the State Board of Equalization. Each year the Board determines the amount available for allocation by the legislature not to exceed 95% of the Board's estimate, or General Revenue Fund certification amount. In any year in which amounts collected exceed 100% of the Board's estimated revenues, the excess is placed in the Constitutional Reserve Fund until the fund reaches 15% of the General Revenue Fund certification amount for the preceding fiscal year. Up to 37.5% of the balance in the fund at the beginning of the year may be appropriated for the forthcoming fiscal year when the Equalization Board's estimate is lower than the current fiscal year certification. An additional 37.5% of the Constitutional Reserve Fund at the beginning of the year may be appropriated for the current year if the Equalization Board determines that a revenue failure has occurred with respect to the General Revenue Fund for the current year. The remaining 25% of the balance in the Constitutional Reserve Fund may be appropriated upon a declaration by the Governor that emergency conditions exist with concurrence by a 2/3rds vote within the Senate and House of Representatives. This same 25% may also be appropriated through a joint declaration of emergency by both the Senate and House of Representatives with a concurrent 3/4ths vote by each legislative body. Due to the different methods for accessing the Constitutional Reserve Fund, any balance with the fund at year end is presented as 75% restricted and 25% unassigned. This split in presentation most closely aligns the government's ability to access these funds with the proper fund balance classification. The total Constitutional Reserve Fund balance at June 30, 2012 was $577,460,000, with $433,095,000 presented as restricted fund balance and $144,365,000 as unassigned fund balance.

The Tobacco Trust Fund's assigned fund balance classification reflects amounts that are constrained by the Fund's intent to be used for specific purposes. For purposes of assigned fund balance, the Fund's Board of Directors has authority to assign funds for specific purposes. Prior to 2012, the Board of Directors had determined that 10% of the unassigned fund balance would be designated as a reserve for future periods, should annual earnings prove insufficient to cover expenses. In November 2011, the Board of Directors chose to limit yearly expenditures of certified earnings to no more than 5% of the corpus of the Fund, with any unexpended certified earnings added to the reserve. For the fiscal year ended June 30, 2012, the assigned fund balance was $66,135,000.

As explained in Note 1, *Summary of Significant Accounting Policies* section J, the General Fund inventory includes $1,043,000 in food commodities which is also included in deferred revenue. Therefore, nonspendable fund balance for inventory/prepaid on the balance sheet is $1,043,000 less than the total of inventory and prepaid items.

Prior to the implementation of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, Governmental Fund Balance was presented fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use. The reserves for related assets such as inventories and prepayments are examples of the former. Reserves for encumbrances, contracts, and other specific purposes are examples of the latter. The governmental funds' designation of fund balance reflected tentative plans for future use of financial resources. Presented in the table below is a crosswalk representing how current fund balance would have been presented prior to Statement 54:

	Governmental Fund Balance - GASB 54				**Governmental Fund Balance Pre-GASB 54**			
	General Fund	**Permanent Fund**	**Total Governmental Funds**		**Reserved**	**Unreserved, Designated**	**Unreserved, Undesignated**	**Total Governmental Funds**
Non Spendable	$ 73,539	$ 2,549,833	$ 2,623,372					
				Inventories	$ 72,702			$ 72,702
				Prepaids	828			828
				By Corpus	9			9
				Permanent Fund	2,549,833			2,549,833
	$ 73,539	$ 2,549,833	$ 2,623,372		$ 2,623,372	$ -	$ -	$ 2,623,372
Restricted	$ 1,244,592	$ 15,980	$ 1,260,572					
				Federal Cash	$ 90,124			$ 90,124
				Rainy Day		433,095		433,095
				Debt Service	721,373			721,373
				Permanent Fund	15,980			15,980
	$ 1,244,592	$ 15,980	$ 1,260,572		827,477	433,095	-	1,260,572
Committed	$ 2,282,175		$ 2,282,175					
				Encumbrances	$ 282,424			$ 282,424
				Cash Flow Reserve		532,128		532,128
				Undesignated			1,467,623	1,467,623
	$ 2,282,175	$ -	$ 2,282,175		$ 282,424	$ 532,128	$ 1,467,623	$ 2,282,175
Assigned	$ -	$ 66,135	$ 66,135					
				Permanent Fund	$ 66,135			$ 66,135
	$ -	$ 66,135	$ 66,135		$ 66,135	$ -	$ -	$ 66,135
Unassigned	$ 144,365	$ 25,724	$ 170,089					
				Rainy Day		$ 144,365		$ 144,365
				Permanent Fund	25,724			25,724
	$ 144,365	$ 25,724	$ 170,089		$ 25,724	$ 144,365	$ -	$ 170,089
Total	$ 3,744,671	$ 2,657,672	$ 6,402,343	**Total**	$ 3,825,132	$ 1,109,588	$ 1,467,623	$ 6,402,343

Note 13. Nonrecourse Debt and Debt Guarantees

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

Financing agreements of Oklahoma Development Finance Authority (ODFA) and Oklahoma Housing Finance Agency (OHFA) are structured such that the debt is to be repaid solely from the revenues derived from the related facilities leased or acquired, or from the disposition of collateral. ODFA and OHFA do not hold notes receivable and trust investments in amounts equal to the long-term financings. As of September 30, 2011 OHFA had two series of multifamily bonds outstanding with an aggregate principal amount payable of approximately $8,344,000. These financings are not general obligations of the State or state agencies, and it is the opinion of agency management and its legal counsel that, in the event of default by a borrower, the State has no responsibility for repayment of such financings. Accordingly, the nonrecourse debt and the related notes receivable and trust investments of ODFA and OHFA's multi family bond programs have been excluded from the financial statements. The debt and other obligations and the related notes receivable and other assets of OHFA's single family bonds are presented in the financial statements, since any assets remaining when the single family bond programs are liquidated are transferred to OHFA.

Credit Enhancement Reserve Fund

Under the Constitution of the State of Oklahoma, ODFA may issue bonds of the State, to be known as Credit Enhancement Reserve Fund General Obligation Bonds, in a total principal amount of $100,000,000 for the sole purpose of generating resources if there are insufficient assets to meet insurance obligations. The Fund is managed, administered, and utilized by ODFA solely to secure the payment of interest insurance on the revenue bonds and other financial obligations issued by the Authority for the specific purpose of enhancing and supporting the credit of such obligations. As of June 30, 2012, there were approximately $46,000,000 of outstanding financial obligations insured by ODFA. At year end, the Fund has accrued a reserve for losses of approximately $762,000 to cover potential losses from outstanding financial obligations insured by the Fund. Through June 30, 2012, there have been no Oklahoma Credit Enhancement Reserve Fund General Obligation Bonds issued since it is the intention of ODFA to utilize existing assets to meet obligations arising from losses reserved and accrued payments in lieu of interest by the Fund.

Note 14. Retirement and Pension Systems

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

A. Primary Government

1. General Description of the Retirement System

The WCRP is a single-employer, defined benefit retirement system administered by the Wildlife Conservation Commission for employees of the Department of Wildlife Conservation with a hire date prior to July 1, 2010. The WCRP provides retirement, disability and death benefits to plan members and their beneficiaries. The WCRP was established by statute; however, benefit provisions are established and amended by the Wildlife Conservation Commission. Cost-of-living adjustments are provided to members at the discretion of the Wildlife Conservation Commission.

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

2. Funding Policy

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

The WCRP receives contributions from each member based on their annual covered salary. The contribution requirements are established and amended by the Wildlife Conservation Commission. For fiscal year 2012, the employee contribution rate was 5%. The Department of Wildlife Conservation is required to contribute at an actuarially determined rate. The required contribution for the year ended June 30, 2012 was $3,802,000.

3. Annual Pension Cost and Net Pension Obligation

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

	WCRP
Annual required contribution	$ 3,802
Interest on net pension obligation	103
Adjustment to annual required contribution	(179)
Annual pension cost	3,726
Contributions made	(4,100)
Increase (decrease) in net pension obligation	(374)
Net pension obligation-beginning of year	1,476
Net pension obligation-end of year	$ 1,102
Actuarial Assumptions:	
Investment rate of return	7.0%
Annual salary increase	4.5 - 7.0%
COLA increase	0.0%
Inflation Rate	3.5%
Acuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	11 years

The annual required contribution for the WCRP for the current year was determined as part of the July 1, 2012 actuarial valuation. Actual contributions equaled 100% of required contributions and 110% of annual pension costs for fiscal year 2012. The actuarial value of assets is set equal to the market value of assets.

Three-Year Trend Information
Wildlife Conservation Retirement Plan
(expressed in thousands)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/2012	$ 3,726	110%	$ 1,102
6/30/2011	3,102	102%	1,476
6/30/2010	4,308	102%	1,554

The following Required Supplementary Information for the WCRP was determined as part of the actuarial valuations at the dates indicated.

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

Acturial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2012	$ 76,865	$ 101,054	$ 24,189	76.1%	$ 14,662	165.0%
7/1/2011	74,450	95,341	20,891	78.1%	14,633	142.8%
7/1/2010	71,468	87,648	16,180	81.5%	14,839	109.0%

B. Component Units

1. General Description of the Retirement Systems

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

Separately issued independent audit reports for each pension plan may be obtained from the following:

Firefighters Pension and Retirement
4545 N. Lincoln Boulevard, Suite 265
Oklahoma City, OK 73105-3414

Law Enforcement Retirement
421 N.W. 13th Street, Suite 100
Oklahoma City, OK 73103-3701

Police Pension and Retirement
1001 N.W. 63rd Street, Suite 305
Oklahoma City, OK 73116-7335

Public Employees Retirement
P.O. Box 53007
Oklahoma City, OK 73152-3007

Uniform Retirement System for Judges and Justices
P.O. Box 53007
Oklahoma City, OK 73152-3007

Teachers' Retirement System
2500 N. Lincoln Boulevard, 5th Floor
Oklahoma City, OK 73105-4209

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

OFPRS	OPERS	OPPRS	TRS
614	287	133	614

During fiscal year 2012, the TRS's unfunded liability increased from $7,600,000,000 to $8,398,000,000. This increase was primarily due to a loss on assets with lower than assumed returns. Based on the current contribution schedule, assuming no actuarial gains or losses in the future, the unfunded liability is expected to increase from the current level until fiscal year 2013 and decrease through June 30, 2033 and beyond. The current contribution schedule results in contributions sufficient to cover the interest on the current unfunded liability plus the normal cost resulting in negative amortization.

2. Funding Policy

The contribution requirements for the six PERS are an established rate determined by the State Legislature each year and are not based on actuarial calculations. During the current year and the two years prior, 100% of required contributions were made into each PERS.

OFPRS receives contributions from participating full-time firefighters equal to 8% of applicable earnings, while member cities contribute 13% of the member's applicable earnings. In addition, the member cities contribute $60 for each volunteer firefighter unless their income in the General Fund is less than $25,000, in which case they are exempt. The State of Oklahoma's total allocation to the Plan during 2012 was $68,246,000, which represented the 34% insurance premium tax allocation. Insurance premium contributions to the plan for the years ended June 30, 2012, 2011, and 2010 totaled $68,246,000, $60,000,000, and $54,000,000, respectively.

OLERS receives contributions from State agencies and members of 10% and 8%, respectively, of the actual paid base salary of each member. OLERS also receives other State contributions of 1.2% of all fees, taxes, and penalties collected by motor license agents after approximately the first 5%, and 5% of the insurance premium taxes collected by the Insurance Commissioner as required by statute. The other State contributions to the plan for years ended June 30, 2012, 2011, and 2010 totaled $18,836,000, $16,965,000, and $15,456,000, respectively.

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

State, County, and Local Agency Employees - The following contribution rates were in effect during fiscal year 2012:

State employees and agencies – State employees contribute 3.5% on all salary. State agency employers contribute 16.5% of total salary.

Participating county and local agencies – Employees contribute a minimum of 3.5% up to a maximum of 8.5% of salary. Employers contribute a minimum of 11.5% up to a maximum of 16.5%. Combined employee and employer contributions equal 20% of total salary.

Elected Officials - Elected officials' employee contributions are based on the maximum compensation levels set for all members and the participating employers are required to contribute on the elected officials' covered salary using the same percentage and limits as applicable for State agencies. Members elected prior to November 1, 2010 must select an employee contribution rate of 4.5%, 6.0%, 7.5%, 8.5%, 9.0%, or 10.0%. Members elected between November 1, 2010 and October 31, 2011 may only select an employee contribution rate of either 4.5% or 10%. Members elected on or after November 1, 2011 have a contribution rate of 3.5%.

Hazardous Duty Members – Hazardous Duty Members contribute 8% of total salary. Employers contribute 16.5% of total salary.

State agency employer contributions to OPERS for the years ended June 30, 2012, 2011, and 2010 were $212,647,000, $204,212,000, and $214,002,000, respectively.

URSJJ member contributions for fiscal year 2012 are 8% of members' monthly salary. State statutes require participating court employers to contribute monthly a percentage of the gross salaries of active members. Effective for the fiscal year ended June 30, 2009, the employer contribution rate increased to 7.0% of payroll and will increase 1.5% annually up to 22% for the fiscal years ending June 30, 2019, and thereafter. For fiscal year ended June 30, 2012, the effective employer contribution rate was 11.5%. State employer contributions to URSJJ for the year ended June 30, 2012, 2011, and 2010 were $3,620,000, $3,193,000, and $8,704,000, respectively. During fiscal year 2010, the State Legislature designated an additional $6,000,000 to pay employer contributions.

Oklahoma Police Pension and Retirement System (OPPRS) receives contributions from each participating municipality and each participant. Until July 1, 1991, each municipality contributed 10% of the actual base salary of each participant employed by the municipality. As of July 1, 1991, municipality contributions increased by 0.5% per year and continued until July 1, 1996, when the contribution level reached 13%, where it remains. Each participant of OPPRS contributes 8% of actual paid base salary. In addition, the State allocates a portion of the insurance premium taxes collected from insurance companies on various types of insurance policies as required by statute. Insurance premium contributions to the plan for the years ended June 30, 2012, 2011, and 2010 totaled $28,092,000, $24,645,000, $22,292,000, respectively.

TRS receives contributions from participating members and employers. All active members contribute to the system; however, the employer may elect to make all or part of the contribution for its employees. All members must contribute

7% of regular annual compensation, not to exceed the members' maximum compensation. For members other than those employed by a comprehensive university on or before June 30, 1995, the maximum compensation level will be the member's regular annual compensation. Beginning July 1, 2008 members employed by a comprehensive university will have the full amount of regular compensation considered, subject to contribution limits established under the Internal Revenue code.

Employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate is 9.5% for all remitting entities other than comprehensive and four year universities. The employer contribution rate for comprehensive and four year universities is 8.55%. Oklahoma Statutes require the State to contribute 4.5% of the State's sales, income and use tax. Amended statutes increased this contribution rate to 5% at July 1, 2007. In addition, the system receives 1% of the cigarette taxes collected by the State and receives 5% of net lottery proceeds collected by the State. TRS received contributions of approximately $282,000,000 from this source for fiscal year 2012. State contributions on behalf of employees totaled approximately $35,839,000 for fiscal year 2012. State employer contributions to TRS for the years ended June 30, 2012, 2011, and 2010 were $5,805,000, $6,583,000, and $6,881,000, respectively.

3. Annual Pension Cost and Net Pension Obligation

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

	OLERS	URSJJ
Annual required contribution	$ 48,634	$ 7,413
Interest on net pension obligation	4,615	1,326
Adjustment to annual required contribution	(8,647)	(1,452)
Annual pension cost	44,602	7,287
Contributions made	(26,146)	(3,620)
Increase (decrease) in net pension obligation	18,456	3,667
Net pension obligation-beginning of year	61,539	17,686
Net pension obligation-end of year	$ 79,995	$ 21,353
Actuarial Assumptions:		
Investment rate of return	7.5%	7.5%
Annual salary increase	3.75% to 7.8%	5.25%
COLA increase	3.0%	0%
Inflation rate	3.0%	3.0%
Acuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level % of payroll, closed
Remaining amortization period	9 years	15 years

The annual required contribution for URSJJ for the current year was determined as part of the July 1, 2011 actuarial valuation. For the period July 1, 1994, through July 1, 1999, the aggregate actuarial cost method was used to determine cost. Effective July 1, 2000, URSJJ adopted the entry age normal method for determining cost. Contributions equaled 49% of the annual required contributions for the current year.

The annual required contribution for OLERS for the current year was determined as part of the July 1, 2011 actuarial valuation. Costs were prepared using the entry age normal method for all valuation dates except July 1, 1997, when the unfunded actuarial liability was negative and the actuarial cost method was changed to the aggregate cost method. The entry age normal method was used for all valuations subsequent to the 1997 valuation, including the current year. Contributions equaled 54% of the annual required contributions for the current year.

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

Three-Year Trend Information
(expressed in thousands)

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
Oklahoma Law Enforcement Retirement System	6/30/2012	$ 44,602	59%	$ 79,995
	6/30/2011	47,925	51%	61,539
	6/30/2010	47,412	49%	38,170
Uniform Retirement System for Justices and Judges	6/30/2012	7,287	50%	21,353
	6/30/2011	12,501	26%	17,686
	6/30/2010	10,786	81%	8,378

The following Required Supplementary Information for OLERS and URSJJ was determined as part of the actuarial valuations at the dates indicated.

Schedules of Funding Progress

Oklahoma Law Enforcement Retirement System
(unaudited)
(expressed in thousands)

Acturial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2012	$ 688,411	$ 878,537	$ 190,125	78.4%	$ 71,598	265.5%
7/1/2011	684,063	900,879	216,816	75.9%	70,967	305.5%
7/1/2010	664,794	903,567	238,773	73.6%	73,400	325.3%

Uniform Retirement System for Judges and Justices
(unaudited)
(expressed in thousands)

Acturial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2012	$ 238,554	$ 249,379	$ 10,825	95.7%	$ 33,337	32.5%
7/1/2011	237,627	246,792	9,165	96.3%	34,701	26.4%
7/1/2010	230,010	282,765	52,755	81.3%	35,023	150.6%

4. Other Retirement Systems

The Department of Wildlife Conservation's defined contribution plan is a single-employer plan that covers the employees of the Department of Wildlife Conservation with a hire date of July 1, 2010, or later. The defined contribution plan provides retirement benefits to plan members and their beneficiaries. Plan members are required to contribute 5% of compensation annually. The employer's annual contribution ranges from 6% to 12% and is based on the employee's number of completed years of credited service with the Department of Wildlife Conservation.

The Oklahoma Housing Finance Agency (OHFA), a Component Unit of the State, contributes to the Oklahoma Housing Finance Agency Retirement Plan, which is a defined contribution plan. Under its provisions, all new employees are required to participate in the Oklahoma Public Employees Retirement System (OPERS), and are not eligible to join the OHFA plan after June 30, 1997. OHFA's contribution amount is at the discretion of the Board of Trustees and does not have any limitations. The current contribution rate is 16.5% of eligible employees' compensation. Plan provisions were established and may be amended by the Board of Trustees.

In addition to the TRS, various institutions in the Higher Education Component Unit participate in other pension plans, primarily the Teachers Insurance and Annuity Association. These plans are defined contribution plans. Contributions made by participating institutions are based on a percentage of payrolls for qualified employees as determined by each institution's contract. For those institutions providing these plans, the total covered payroll was $903,225,000. The institution contributions were $78,533,000 or 8.7% of covered payroll. Employees are not required to contribute to the plans.

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

Note 15. Other Postemployment Benefits (OPEB)

1. General Description of the Other Postemployment Benefits

The Oklahoma State and Education Employee Group Insurance Board (OSEEGIB) is a special purpose component unit of the State that was created to administer, manage and provide group health, dental, life and disability insurance for active employees and retirees (should they so elect) of state agencies, school districts and other governmental units. OSEEGIB, as a multi-line insurance provider, receives OPEB payments on behalf of retiree's from several of the State's pension plans and the Department of Wildlife.

The Department of Wildlife Conservation, part of the Primary Government, at its expense, provides a health insurance allowance (OPEB) to retiree's for the payment of health insurance premiums at retirement where the retiree elects continued coverage through OSEEGIB. This allowance is reduced when the retiree is eligible for Medicare. The coverage amount is established by the Department on an annual basis and can be discontinued at the Board's discretion.

As mandated by statute, several of the State's pension plans provide an OPEB benefit to retirees' should a retiree make such an election at retirement to continue health coverage through the State's provider, OSEEGIB. This contribution is for a fixed, limited amount that varies slightly from pension to pension. This benefit is included in the pension systems' actuarial valuations to determine both funded and unfunded liabilities, but is not considered material to each respective pension as a whole.

2. Funding Policy

The Oklahoma State and Education Employees Group Insurance Board, a legal trust, operates as an insurance company and as an access provider to other health and dental plans, primarily board approved health maintenance organizations (HMOs) and dental maintenance organizations (DMOs). OSEEGIB receives monthly premium contributions directly from retirees except for the nominal amount received from the participating pension plans and the Department of Wildlife Conservation. Employers make no contribution on a retiree's behalf, and have no liability to OSEEGIB once an employee enters retirement.

The State has one department of the Primary Government that makes payments to OSEEGIB on behalf of retirees, the Department of Wildlife Conservation. The Department provides $100 per month as established by its board toward health insurance coverage should retirees so elect at retirement. These contributions are made on a pay-as-you go basis, and no separate account has been established to pre-fund these costs. For the fiscal years 2012, 2011, and 2010 the department paid into OSEEGIB as follows, representing 100% of the Department's board mandated contributions to OSEEGIB:

	FY 2012 Contributions	FY 2011 Contributions	FY 2010 Contributions
Primary Government			
Dept. of Wildlife Conservation	$ 159,000	$ 131,000	$ 126,000

The State has two cost-sharing multi-employer retirement systems that make payments to OSEEGIB on behalf of retirees should a retiree so elect. These plans are the Oklahoma Public Employees Retirement System (OPERS) and the Teachers' Retirement System of Oklahoma (TRS). The State also has two single employer retirement systems that make payments to OSEEGIB on behalf of retirees, the Uniform Retirement System for Judges and Justices (URSJJ) and the Oklahoma Law Enforcement Retirement System (OLERS). As mandated by statute, these plans pay between $100 and $105 per month to OSEEGIB on behalf of retirees if so elected. For fiscal years 2012, 2011, and 2010 the retirement systems paid into OSEEGIB as follows, representing 100% of the State's legislatively required contributions to OSEEGIB:

	FY 2012 Contributions	FY 2011 Contributions	FY 2010 Contributions
Fiduciary Component Units			
OPERS (a)	$ 18,707,000	$ 18,551,000	$ 17,856,000
TRS (a)	29,607,000	29,405,000	29,916,000
URSJJ (b)	170,000	161,000	146,000
OLERS (b)	810,000	818,000	796,000
	$ 49,294,000	$ 48,935,000	$ 48,714,000

(a) - Cost Sharing Multi-Employer Retirement Plan
(b) - Single Employer Retirement Plan

Component Units

Twenty-two of the institutions included in the Higher Education Component Unit sponsor single-employer OPEB plans as designated by each institution's governing Board of Regents. These independent trust plans primarily provide supplemental health, dental, and life insurance benefits to participating retirees. Eligibility requirements and benefits differ significantly between the participating higher education institutions. Current year benefit expenditures, funded primarily on a pay-as-you-go basis, totaled approximately $11,130,000 in fiscal year 2012 for the twenty-two participating institutions. Complete disclosure for each higher education institution can be obtained from the Oklahoma State Regents for Higher Education, 655 Research Parkway, Suite 200, Oklahoma City, OK 73104.

3. Annual Pension Cost and Net OPEB Obligation

The Department of Wildlife Conservation's annual OPEB cost is calculated based on its annual required contribution (ARC), an actuarially determined amount in accordance with GAAP. It represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period of 30 years. The annual OPEB cost and net OPEB obligation for the current year was as follows (expressed in thousands):

	Wildlife OPEB
Normal cost	$ 48
Amortization of actuarial accrued liability (AAL)	167
Annual required contribution (ARC)	215
Interest on net OPEB obligation	8
ARC adjustment	(11)
Annual OPEB cost	212
Actual amount of net employer disbursements	(159)
Increase in net OPEB obligation	53
Net OPEB obligation, beginning of year	198
Net OPEB obligation, end of year	$ 251
Actuarial Assumptions:	
Investment rate of return	4.0%
Inflation rate	0.0%
Annual healthcare cost (beginning at 9% and declining to 5% in FY2013)	6.0%
Acuarial cost method	Entry age normal
Amortization method	30 years, level dollar, open period

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the substantive OPEB plan, and the net OPEB obligation were as follows:

Three-Year Trend Information
Wildlife Conservation OPEB Substantive Plan
(expressed in thousands)

Fiscal Year Ending	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	$ 213	75%	$ 251
6/30/2011	212	62%	198
6/30/2010	160	79%	117

The following Required Supplementary Information for the Department of Wildlife Conservation was determined as part of the actuarial valuation for the dates indicated.

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

Acturial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2012	$ -	$ 4,457	$ 4,457	0.0%	$ 15,272	` 29.2%
7/1/2011	-	2,953	2,953	0.0%	14,873	19.9%
7/1/2010	-	2,918	2,918	0.0%	14,839	19.7%

The Department's OPEB is not funded and there are no OPEB plan assets as it is a substantive plan. As of July 1, 2012, the most recent actuarial valuation date, the AAL for benefits was approximately $4.5 million and the actuarial value of assets was zero, resulting in an UAAL of $4.5 million.

The actuarial valuation for this substantive plan (the plan as currently understood by the employer and the plan members), involves estimates of the value of reported amounts and assumptions about the probability of events occurring far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Projections include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods used are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective.

Note 16. On-Behalf Payments

The Teacher's Retirement System (TRS) of Oklahoma receives 5% of the State's sales, use, corporate and individual income taxes collected as dedicated tax. Senate Bill 1376, which became law in July 2002, provides that the percentage of the State's collected dedicated taxes allocated to the TRS increased from 4.5% to 5.0% on July 1, 2007 and thereafter. The System receives 1% of the cigarette taxes collected by the State and receives 5% of the net lottery proceeds collected by the State. The System received approximately $282,000,000 from the State for the year ended June 30, 2012 .

The Firefighters Pension and Retirement System (OFPRS) of Oklahoma received 34% of the State's insurance premium tax revenue. OFPRS received approximately $68,000,000 from the State for the year ended June 30, 2012. Of the same insurance premium tax revenue, the Police Pension and Retirement System (OPPRS) of Oklahoma and Law Enforcement Retirement System (OLERS) received 14% and 5% respectively. OPPRS and OLERS received approximately $28,000,000 and $10,000,000 from the State for the year ended June 30, 2012 respectively.

Note 17. Commitments

Primary Government

For the year ended June 30, 2012, the General Fund had encumbrances of $282,424,000 within the restricted and committed fund balances of the governmental funds.

The **Department of Transportation** had contractual commitments at June 30, 2012, of approximately $876,601,000 for the construction of various highway projects. Future appropriations will fund these commitments as work is performed.

The **Department of Human Services** (DHS) maintains a construction unit which engages in capital improvements of state buildings. At year end, DHS had long-term projects totaling $53,715,000 for the General Fund.

Component Units

The **University of Oklahoma** had outstanding commitments under construction contracts totaling $47,586,000 at June 30, 2012.

Oklahoma State University (University) had outstanding commitments under construction contracts of approximately $11,899,000 at June 30, 2012.

The **Oklahoma Turnpike Authority** (OTA) had commitments outstanding at December 31, 2011, relating to equipment orders and supplies of approximately $15,382,000. At December 31, 2011, OTA had commitments outstanding relating to construction and maintenance contracts of approximately $51,215,000.

The **Oklahoma Municipal Power Authority** (OMPA) purchased approximately $19,981,000 of power pursuant to several long-term purchase agreements during 2011. OMPA is obligated to purchase, at a minimum, approximately $23,248,000 of power in 2012.

The **Grand River Dam Authority** (Authority) makes and receives commitments for purchases of coal and other materials. The Authority had contractual commitments at December 31, 2011 for long-term coal and freight purchases under contracts through 2020 with estimated minimum obligations for the next fiscal year ending December 31, 2012 of $144,900,000, and total obligations of $1,477,820,000 through 2020.

Note 18. Litigation and Contingencies

The State and its component units are parties to numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the State for property damage and personal injury, alleged breaches of contract, condemnation proceedings, and other alleged violations of state and federal laws. Certain claims have been adjudicated against the State, but remained unpaid as of June 30, 2012.

The State receives significant financial assistance from the Federal Government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the State. As of June 30, 2012, the State is unable to estimate what liabilities may result from such audits.

Primary Government

Through the normal course of operations there are many legal cases which involve the State as a party. Most of these cases are currently deemed to have a remote chance of loss or will result in a gain to the State. The assessment of several cases indicates there is the reasonably possible or probable chance of a loss occurring to the State. Current estimates for these losses range from $6,000,000 to $25,600,000. A liability of $17,800,000 has been accrued for the known or probable portion of the losses range.

The **Department of Transportation** (DOT) has incurred significant expenditures on construction projects that have exceeded the amounts approved by the federal grantor. These project expenditures are held in suspense until approved by the federal grantor and subsequently reimbursed. Based on prior years' experience, the reimbursement of expenditures is highly probable. At June 30, 2012, DOT had project expenditures totaling $10,886,000 that will be reimbursed pending approval of the Federal Government.

Component Units

The **Oklahoma Capital Investment Board** (OCIB), as a public trust of the State of Oklahoma, has authority to transfer tax credits to public entities. Tax credits can be transferred by OCIB in conjunction with a legitimate call on an OCIB guarantee. As of June 30, 2012, OCIB had a maximum commitment line of credit of $30,000,000. As of June 30, 2012, the line of credit had an outstanding balance of $19,644,000. All of the outstanding balance is classified as long-term debt. In addition to the debt, OCIB reported June 30, 2012 net asset deficit of $4,107,000.

The credits and OCIB’s right to transfer the credits expire if not utilized by June 30, 2020. As of June 30, 2012, $30,915,000 of tax credits had been transferred. Four entities currently have signed agreements to purchase up to an aggregate of $8,000,000 of tax credits per year at the sole discretion of OCIB. OCIB has the authority to issue up to $20,000,000 of tax credits per year with an overall maximum of $100,000,000. The remaining $69,085,000 of tax credits were not considered impaired at June 30, 2012, as there was sufficient time remaining for the tax credits to be utilized before they expire.

Note 19. Subsequent Events

Component Units

Board of Regents has authorized but not issued general revenue bonds totaling $91,725,000 to refund outstanding tax-exempt issue. Currently the Board of Regents has authorized but not issued general revenue bonds totaling $18,000,000.

Oklahoma Development Finance Authority (ODFA) has issued bonds totaling $8,000,000 for the International Paper Project. Currently ODFA has authorized but not issued bonds totaling $54,250,000 for the various projects.

Oklahoma Housing Finance Authority has authorized but not issued bonds totaling $565,500,000 for capital projects.

Oklahoma Municipal Power Authority has authorized but not issued bonds totaling $150,000,000 for capital projects.

Water Resources Board has issued bonds totaling $104,880,000 for capital projects.

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APPENDIX C

CERTAIN FINANCIAL RESULTS OF THE STATE OF OKLAHOMA FOR FISCAL YEAR 2013 (UNAUDITED)

Final General Revenue Comparisons with Prior Year

PRELIMINARY (In $ millions)	12-MONTH YEAR-TO-DATE		SUMMARY June 2013 Variance from Prior Year	
	FY-2012 Actual	FY-2013 Actual		
	Through June 2012	Through June 2013	$	%
Net Income Tax	$2,387.2	$2,564.4	$178.1	7.5%
Gross Production	$430.5	$221.6	-$208.9	-48.5%
Sales Tax	$1,829.6	$1,900.8	$71.3	3.9%
Motor Vehicle	$221.6	$192.6	-$29.0	-13.1%
Subtotal: Major Taxes	$4,868.9	$4,880.5	$11.5	0.2%
Other Sources (1)	$695.6	$723.5	-$27.9	40%
TOTAL GEN REVENUE	$5,564.5	$5,604.0	$39.5	0.7%
Less 1-Time Receipts	$0.0	$0.0	$0.0	0.0%
Recurring Rev. (2)	$5,564.5	$5,604.0	$39.5	0.7%

Final General Revenue Comparisons with Estimate

PRELIMINARY (In $ millions)	12-MONTH YEAR-TO-DATE		SUMMARY June 2013 Variance from OMES Estimate	
	FY-2013 Estimate	FY-2013 Actual		
	Through June 2013	Through June 2013	$	%
Net Income Tax	$2,320.5	$2,565.4	$244.9	10.6%
Gross Production	$377.0	$221.6	-$155.4	-41.2%
Sales Tax	$1,924.3	$1,900.8	-$23.4	-1.2%
Motor Vehicle	$228.4	$192.6	-$35.8	-15.7%
Subtotal: Major Taxes	$4,850.2	$4,8880.5	$30.3	0.6%
Other Sources (1)	$751.2	$723.5	-$27.6	-3.7%
TOTAL GEN REVENUE	$5,601.3	$5,604.0	$2.7	0.0%
Less 1-Time Receipts	$0.0	$0.0	$0.0	0.0%
Recurring Rev. (2)	$5,601.3	$5,604.0	$2.7	0.0%

(1) Other sources revenue estimated pending final accounting
(2) Recurring revenue after subtracting one-time funds
Details may not sum due to rounding

Final Income Tax Comparisons with Prior Year

	12-MONTH YEAR-TO-DATE		SUMMARY June 2013 Variance from Prior Year	
	FY-2012 Actual	**FY-2013 Actual**		
	Through June 2012	**Through June 2013**	**$**	**%**
Taxes				
Income - Individual	$2,043,876,121.68	$2,113,767,492.13	$69,897,370.45	3.4%
Income - Corporate	$343,366,642.72	$451,639,823.58	$108,273,180.86	31.5%
Total	$2,387,242,764.40	$2,565,407,315.71	$178,164,551.31	7.5%

Details may not sum due to rounding

Final Income Tax Comparisons with Estimate

	12-MONTH YEAR-TO-DATE		SUMMARY June 2013 Variance from OMES Estimate	
	FY-2013 Estimate	**FY-2013 Actual**		
	Through June 2013	**Through June 2013**	**$**	**%**
Taxes				
Income - Individual	$1,999,625,885.80	$2,113,767,492.13	$114,141,606.33	5.7%
Income - Corporate	$320,884,875.00	$451,639,823.58	$130,754,948.58	40.7%
Total	$2,320,510,760.80	$2,565,407,315.71	$244,896,554.91	10.6%

Details may not sum due to rounding

Final Gross Production Tax Comparisons with Prior Year

	12-MONTH YEAR-TO-DATE		SUMMARY June 2013 Variance from Prior Year	
	FY-2012 Actual	**FY-2013 Actual**		
	Through June 2012	**Through June 2013**	**$**	**%**
Taxes				
GP - Gas	$249,407,781.12	$50,400,053.29	-$199,007,727.83	-79.8%
GP - Oil	$181,070,511.08	$171,210,904.20	-$9,859,606.89	-5.4%
Total	$430,478,292.21	$221,610,957.49	-$208,867,334.72	-48.5%

Details may not sum due to rounding

Final Gross Production Tax Comparisons with Estimate

	12-MONTH YEAR-TO-DATE		SUMMARY June 2013 Variance from OMES Estimate	
	FY-2013 Estimate	**FY-2013 Actual**		
	Through June 2013	**Through June 2013**	**$**	**%**
Taxes				
GP - Gas	$188,420,000.00	$50,400,053.29	-$138,019,946.71	-73.3%
GP - Oil	$188,622,999.65	$171,210,904.20	-$17,412,095.45	-9.2%
Total	$377,042,999.65	$221,610,957.49	-$155,432,042.16	-41.2%

Details may not sum due to rounding

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APPENDIX D

CERTAIN FINANCIAL RESULTS OF THE STATE OF OKLAHOMA FOR THE FIRST FOUR MONTHS OF FISCAL YEAR 2014 (UNAUDITED)

General Revenue Comparisons with Prior Year (Fiscal Year-to-Date)

PRELIMINARY (In $ millions)	4-MONTH YEAR-TO-DATE		SUMMARY October 2013 Variance from Prior Year	
	FY-2013 Actual	FY-2014 Actual		
	Through October 2012	Through October 2013	$	%
Net Income Tax	$802.7	$723.9	-$78.8	-9.8%
Gross Production	$6.7	$40.8	$34.1	507.7%
Sales Tax	$640.4	$651.5	$11.1	1.7%
Motor Vehicle	$74.4	$66.7	-$7.7	-10.3%
Subtotal: Major Taxes	$1,524.2	$1,482.9	-$41.2	-2.7%
Other Sources (1)	$232.2	$228.7	-$3.5	-1.5%
TOTAL GEN REVENUE	$1,756.4	$1,711.6	-$44.7	-2.5%
Less 1-Time Receipts	$0.0	$0.0	$0.0	0.0%
Recurring Rev. (2)	$1,756.4	$1,711.6	-$44.7	-2.5%

General Revenue Comparisons with Estimate (Fiscal Year-to-Date)

PRELIMINARY (In $ millions)	4-MONTH YEAR-TO-DATE		SUMMARY October 2013 Variance from OMES Estimate	
	FY-2014 Estimate	FY-2014 Actual		
	Through October 2013	Through October 2013	$	%
Net Income Tax	$764.0	$723.9	-$40.1	-5.2%
Gross Production	$59.5	$40.8	-$18.7	-31.4%
Sales Tax	$675.0	$651.5	-$23.5	-3.5%
Motor Vehicle	$77.3	$66.7	-$10.6	-13.7%
Subtotal: Major Taxes	$1,575.8	$1,482.9	-$92.9	-5.9%
Other Sources (1)	$249.8	$228.7	-$21.1	-8.5%
TOTAL GEN REVENUE	$1,825.7	$1,711.6	-$114.1	-6.2%
Less 1-Time Receipts	$0.0	$0.0	$0.0	0.0%
Recurring Rev. (2)	$1,825.7	$1,711.6	-$114.1	-6.2%

(1) Other sources revenue estimated pending final accounting
(2) Recurring revenue after subtracting one-time funds

Details may not sum due to rounding

Income Tax Comparisons with Prior Year (Fiscal Year to Date)

	4-MONTH YEAR-TO-DATE		SUMMARY October 2013 Variance from Prior Year	
	FY-2013 Actual	FY-2014 Actual		
	Through October 2012	Through October 2013	$	%
Taxes				
Income - Individual	$690,260,956.44	$653,942,566.94	-$36,318,389.50	-5.3%
Income - Corporate	$112,447,158.03	$69,952,995.01	-$42,494,163.02	-37.8%
Total	$802,708,114.47	$723,895,561.95	-$78,812,552.52	-9.8%

Details may not sum due to rounding

Income Tax Comparisons with Estimate (Fiscal Year-to-Date)

	4-MONTH YEAR-TO-DATE		SUMMARY October 2013 Variance from OMES Estimate	
	FY-2014 Estimate	FY-2014 Actual		
	Through October 2013	Through October 2013	$	%
Taxes				
Income - Individual	$651,925,292.52	$653,942,566.94	$2,017,274.42	0.3%
Income - Corporate	$112,070,746.06	$69,952,995.01	-$42,117,751.05	-37.6%
Total	$763,996,038.59	$723,895,561.95	-$40,100,476.64	-5.2%

Details may not sum due to rounding

Gross Production Tax Comparisons with Prior Year (Fiscal Year-to-Date)

	4-MONTH YEAR-TO-DATE		**SUMMARY October 2013 Variance from Prior Year**	
	FY-2013 Actual	**FY-2014 Actual**		
	Through October 2012	**Through October 2013**	**$**	**%**
Taxes				
GP - Gas	$6,717,853.37	$40,822,215.61	$34,104,362.24	507.7%
GP - Oil	-	-	$0.00	N/A
Total	$6,717,853.37	$40,822,215.61	$34,104,362.24	507.7%

Details may not sum due to rounding

Gross Production Tax Comparisons with Estimate (Fiscal Year-to-Date)

	4-MONTH YEAR-TO-DATE		**SUMMARY October 2013 Variance from OMES Estimate**	
	FY-2014 Estimate	**FY-2014 Actual**		
	Through October 2013	**Through October 2013**	**$**	**%**
Taxes				
GP - Gas	$59,529,475.39	$40,822,215.61	-$18,707,259.78	-31.4%
GP - Oil	-	-	$0.00	N/A
Total	$59,529,475.39	$40,822,215.61	-$18,707,259.78	-31.4%

Details may not sum due to rounding

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Agreement") dated as of December 1, 2013, by and among the Oklahoma Capitol Improvement Authority (the "Authority" or the "Issuer") and the Office of Management and Enterprise Services of the State of Oklahoma ("OMES") is entered into as a material inducement to the Underwriters of the Authority's State Facilities Refunding Revenue Bonds (State Highway Capital Improvement), Series 2013C (the "Bonds"), issued pursuant to a Resolution adopted by the Authority on August 13, 2013 (the "Resolution"). Capitalized terms used in this Agreement which are not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof. The parties hereby agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist each Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Commission"). The Issuer represents that it will be the only "obligated person" (as defined in the Rule) with respect to the Bonds at the time the Bonds are delivered to each Participating Underwriter and that no other person presently is expected to become an obligated person with respect to the Bonds at any time after the issuance of the Bonds.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"*Beneficial Owner*" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Disclosure Representative*" shall mean the Director of OMES of the State or his or her designee, or such other officer or employee as the Issuer shall designate from time to time.

"*Dissemination Agent*" shall mean any entity designated by the Issuer to act as the Dissemination Agent hereunder.

"*EMMA*" means the MSRB's Electronic Municipal Market Access System. Reference is made to Commission Release No. 34-59062, December 8, 2008 (the "*Release*") relating to the EMMA system for municipal securities disclosure effective on July 1, 2009.

"*Material Event*" shall mean any of the events listed in Exhibit B to this Disclosure Agreement.

"*Material Event Notice*" means notice of a Material Event in Prescribed Form.

"*MSRB*" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"*Official Statement*" means the "final official statement," as defined in the paragraph (f)(3) of the Rule, relating to the Bonds.

"*Participating Underwriter*" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Prescribed Form*" means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Material Events with the MSRB at *www.emma.msrb.org* (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

"*Rule*" means Rule 15c2-12 promulgated by the Commission under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Disclosure Agreement, including any official interpretations thereof.

"*State*" shall mean the State of Oklahoma.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 10 business days after such information becomes available, and not later than 180 days after the end of the Issuer's fiscal year (July 1 to June 30), commencing with the report for the 2013 Fiscal Year, provide to the MSRB, in Prescribed Form, and to the State Treasurer the Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; *provided* that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date but within 10 business days after they become available. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Material Event under Section 5.

(b) If the Issuer fails to provide an Annual Report to the MSRB by the date required in subsection (a), the Issuer shall send a notice of such failure to the MSRB by a date not in excess of 10 business days after the occurrence of such failure.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) Annual audited financial statements of the Issuer and an annual update of all material financial and operating data of the Issuer, to the same extent as provided in those portions of the Official Statement identified in Exhibit A hereto and as required by applicable State law. The descriptions in the Official Statement of financial and operating data of the Issuer are of general categories of financial and operating data deemed to be material as of the date of the Official Statement. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any annual financial and operating data containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(b) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles ("GAAP") as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification shall be provided to the MSRB, and shall include a reference to the specific federal or State law or regulation describing such accounting basis. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report within 10 business days of when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Disclosure of Material Events. The Issuer hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, a Material Event Notice to the MSRB, in Prescribed Form, and to the State Treasurer. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Disclosure Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Bonds pursuant to the Indenture. The Issuer is required to deliver such Material Event Notice in the same manner as provided by Section 3(a) of this Disclosure Agreement.

Section 6. Duty To Update EMMA/MSRB. The Issuer shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Material Event Notice under Section 5.

Section 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Material Event Notice under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or Material Event Notice, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or Material Event Notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or Material Event Notice.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement and the Issuer, its members, officers and employees shall incur no liability under this Disclosure Agreement by reason of any act or failure to act hereunder. Without limiting the generality of the foregoing, neither the commencement nor the successful completion of an action to compel performance under this Section shall entitle the State Treasurer or any other person to attorney's fees, financial damages of any sort or any other relief other than an order or injunction compelling performance; provided that the State Treasurer shall nevertheless be entitled to attorney's fees and such other rights and amounts as provided in the Indenture. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance.

This Disclosure Agreement is also enforceable on behalf of the Holders of the Bonds by the State Treasurer and the State Treasurer may, and upon the written direction of the owners of not less than twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds shall, proceed to protect and enforce the rights of the Holders of the Bonds pursuant to this Disclosure Agreement; provided that in all cases the State Treasurer shall be entitled to the indemnification and other provisions of the Indenture with regard to any actions and prior to proceeding.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees, to the extent permitted under Oklahoma law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent.

Section 13. Notices. Any notices or communications to the Issuer under this Disclosure Agreement may be given as follows:

Oklahoma Capitol Improvement Authority
Will Rogers Office Building
P.O. Box 53488
Oklahoma City, Oklahoma 73152-3488

Section 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, each Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. Recordkeeping. The Issuer shall maintain records of all filings of Annual Reports and Material Event Notices, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 16. Past Compliance. The State's Comprehensive Annual Reports ("CAFRs") are filed by OMES on behalf of the Issuer and various other State agencies in accordance with the provisions of the several continuing disclosure undertakings relating to bond issues subject to the requirements of the Rule. Due to the conversion by the State of Oklahoma to a new financial management system, the CAFRs for Fiscal Years 2003-2005 and 2007 were filed later than required by such continuing disclosure undertakings. In addition, OMES has advised that the original filing of the CAFR for Fiscal Year 2009, on February 19, 2010, did not contain all of the required CUSIPs and that OMES made an amended filing of such CAFR on April 7, 2010. OMES has advised that it has implemented appropriate procedures to assure future compliance with respect to such continuing disclosure undertakings and compliance with the requirements of the Continuing Disclosure Agreement relating to the Bonds. The CAFR for Fiscal Year 2012 was filed on February 1, 2013. The delayed filing was caused by the implementation of new technology to calculate unemployment taxes receivable for an enterprise fund. The Issuer represents that in the previous five years it has complied with the requirements of all other continuing disclosure undertakings entered into by it pursuant to the Rule in connection with previous financings to which the Rule was applicable.

Section 17. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signatures Omitted]

EXHIBIT A

**DESCRIPTION OF PORTIONS OF
OFFICIAL STATEMENT REQUIRING ANNUAL UPDATE**

Cover and inside cover – Bonds of each maturity originally issued and still outstanding

The following information under the following captions appearing on the following pages:

The table entitled "**Debt Service Requirements"** appearing on page 9;

The table entitled **"Oklahoma Capital Improvement Authority Outstanding Obligations"** appearing on page 21; and

The table entitled **"State of Oklahoma Gross and Net Tax-Backed Debt"** appearing on pages 23-25.

EXHIBIT B

EVENTS WITH RESPECT TO THE BONDS FOR WHICH MATERIAL EVENT NOTICES ARE REQUIRED

1. Principal and interest payment delinquencies.

2. Nonpayment-related defaults, if material.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

7. Modifications to rights of security holders, if material.

8. Bond calls, if material.

9. Defeasances.

10. Release, substitution or sale of property securing repayment of the securities, if material.

11. Rating changes.

12. Tender offers.

13. Bankruptcy, insolvency, receivership or similar event of the Issuer[†].

14. The consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

15. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

[†]This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

APPENDIX F

CONSOLIDATED AGREEMENT FOR USE AND POSSESSION

THIS AGREEMENT FOR USE AND POSSESSION, dated as of the 8th day of May, 2003, by and between the **OKLAHOMA CAPITOL IMPROVEMENT AUTHORITY** (hereinafter referred to as the "Authority") and the **OKLAHOMA DEPARTMENT OF TRANSPORTATION**, a governmental agency of the State of Oklahoma acting by and through its Director (hereinafter sometimes referred to as the "Department"):

RECITALS

WHEREAS, the Legislature of the State of Oklahoma by the passage of House Bill No. 1629 of the First Regular Session of the Forty-sixth Legislature (the "1997 Amendment"), determined that the need existed to construct, improve, maintain and repair the roads, highways and bridges (the "Highway System Improvements") set forth in Section 3 of the 1997 Amendment which are a part of the highway system of the State of Oklahoma, and to that end, directed the Oklahoma Capitol Improvement Authority (the "Authority") to issue revenue bonds for such purpose; and

WHEREAS, pursuant to Resolution approved September 23, 1997 (the "1998 Bond Resolution") the Authority issued its $297,960,000 "Oklahoma Capitol Improvement Authority State Highway Capital Improvement Revenue Bonds, Series 1998" on July 29, 1998, of which $188,360,000 are outstanding (herein called "1998 Bonds") all pursuant to the provisions of Title 73, Oklahoma Statutes 2001, Section 151 et seq., as amended (the "Act"), and more particularly pursuant to the provisions of the 1997 Amendment; and

WHEREAS, pursuant to the 1997 Amendment the Authority entered into an Agreement for Use and Possession, dated June 1, 1998 (the "1998 Amendment"), with the Oklahoma Department of Transportation (the "Department of Transportation" or "Department") with respect to use, maintenance and repair of the Highway System Improvements wherein the Department of Transportation agreed to make payments, subject to receipt of an annual appropriation for that purpose, to the Authority for the use of the Highway System Improvements sufficient to pay debt service and related costs on the 1998 Bonds (the "1998 Payments"); and

WHEREAS, the Legislature of the State of Oklahoma by the passage of House Bill No. 2259 of the Second Regular Session of the Forty-seventh Legislature (the "2000 Amendment"), determined that the need existed to provide additional Highway System Improvements as set forth in Section 2 of the 2000 Amendment and to that end directed the Oklahoma Capitol Improvement Authority to issue additional revenue bonds for such purpose; and

WHEREAS, pursuant to Resolution approved June 23, 2000 (the "2000 Bond Resolution") the Authority issued its $153,840,000 "Oklahoma Capitol Improvement Authority State Highway Capital Improvement Revenue Bonds, Series 2000" on August 23, 2000, of which $145,840,000 are outstanding (herein called "2000 Bonds") all pursuant to the provisions of Title 73, Oklahoma Statutes 2001, Section 151 et seq., as amended (the "Act"), and more particularly pursuant to the provisions of the 2000 Amendment; and

WHEREAS, pursuant to the 2000 Amendment the Authority entered into an Agreement for Use and Possession, dated June 1, 2000, with the Department of Transportation with respect to use, maintenance and repair of the Highway System Improvements wherein the Department of Transportation agreed to make payments, subject to receipt of an annual appropriation for that purpose, to the Authority for the use of the Highway System Improvements sufficient to pay debt service and related costs on the 2000 Bonds (the "2000 Payments"); and

WHEREAS, the roads, highways and bridges (the "Project Locations") described on Exhibit "A" hereto were designated by the provisions of the 1997 Amendment and the 2000 Amendment as highway projects to be financed in part with the proceeds of the 1998 Bonds and the 2000 Bonds; and

WHEREAS, for the purpose of refunding a portion of the 1998 Bonds and the 2000 Bonds, the Authority has determined to issue its "Oklahoma Capitol Improvement Authority State Highway Capital Improvement Refunding Revenue Bonds, Series 2003A" and "Oklahoma Capitol Improvement Authority State Highway Capital Improvement Refunding Revenue Bonds, Series 2003B", in the respective principal amounts of Sixty Five Million, Five Hundred Sixty Five Thousand Dollars ($65,565,000) and Twenty Six Million, Six Hundred Five Thousand Dollars ($26,605,000) (herein referred to together as the "2003 Bonds"), all pursuant to the provisions of the Act; and

WHEREAS, pursuant to the Act, the Authority is authorized, in cooperation with the Department of Central Services to require, and the Act directs, the Department to use the Projects and to make payments for such use; and

WHEREAS, pursuant to the Act, the Authority is authorized to fix and revise from time to time the amount of payments for the use of any portion of the Projects, PROVIDED, that the payments when so fixed, plus revenues derived from other sources, shall provide sufficient revenue to pay as and when due the principal and interest on the Bonds issued to pay for the Projects; and

WHEREAS, this Amended Agreement for Use and Possession is entered into as a replacement for both the 1998 Agreement and the 2000 Agreement and is intended to reflect payments sufficient to pay debt service on the remaining balance of the 1998 Bonds and the 2000 bonds as well as the 2003 Bonds.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

In consideration of the respective agreements herein contained and subject to all the provisions hereof, and the agreement of the Authority to finance the Projects for use of the Department, the Department hereby agrees to use the Projects and in consideration of the covenants, agreements, duties and obligations of each of the parties hereto as hereinafter set forth, the Authority and the Department do herein agree as follows:

1. Transfer of Projects. The Authority does hereby transfer for use unto the Department and the Department does hereby take possession from the Authority, the Projects including and located on the Project Locations described on Exhibit "A" hereto.

2. Term. Pursuant to the Act and as further hereby directed by the Authority and the Department of Central Services, the Department shall use the Projects pursuant to this Agreement until June 1, 2015, or until all indebtedness of the Authority incurred in connection with the Projects is paid or provision for payment thereof has been made. When all Bonds issued for the financing of the Projects have been paid in full, the Projects and Project Locations shall thereafter be under the full and exclusive supervision of the Department. The Authority, if required, agrees to execute whatever documentation is necessary to transfer all right, title and interest in the Projects and the Project Locations to the Department.

3. Rent. The Department shall make payments (the "Payments") on the fifteenth (15th) day of each month in an amount to be determined by the Authority in accordance with the Act, this Agreement and the Resolution; PROVIDED, HOWEVER, it is understood that the obligation of the Department to make Payments is conditioned upon funds being available from legislative appropriations or some other legally available source. Such Payments are subject to adjustment from time to time as hereinafter provided. The Authority shall notify the Department on or before the 1st day of January of each year during which any of the Bonds are outstanding, of the amount of rent to be paid under this Agreement, for the next fiscal year (July 1 - June 30) based on the estimated need of the Authority, PROVIDED, HOWEVER, the amount to be paid by the Department for said Projects shall be subject to adjustment by increasing or decreasing the amounts hereinbefore specified whenever the Authority determines and notifies the Department that the aggregate amount being paid is more or less than the amount required to pay the principal and interest requirements on the Bonds. The Payments, prior to any adjustments, are calculated for convenience and set forth on Exhibit "B" hereto.

It is recognized and agreed by the parties to this Agreement that the amount to be paid by the Department under this Agreement as hereinbefore provided is just and reasonable considering the cost and value of the Projects to be hereby afforded in the light of the requirements contained in the Act that the Payments when so fixed plus revenues derived from other sources, shall produce sufficient revenue to pay as and when due the principal and interest on the Bonds. It is specifically understood and agreed that the obligation of the Department is an obligation to pay for the use of the Projects and the obligation to make the Payments shall not abate under any circumstances other than as specifically set forth herein; PROVIDED, that such obligation to make Payments is contingent upon funds being available for such purpose, including legislative appropriation. The Department shall include in its annual budget an appropriation request in an amount sufficient to pay the required Payments hereunder.

4. Maintenance and Repairs by Department. The Department shall be responsible for all maintenance and repairs to the Projects and the Project Locations and there shall be no abatement in the Payments because of any need for or cost of repairs or maintenance. The Authority shall not be responsible for any structural repairs and replacements to the Projects or the operation and maintenance of the Projects.

5. Completion of Projects. The Department is solely responsible for the design and construction of the Projects. It is understood and agreed that the Authority is limited to the Bond proceeds as a source of funds for the Projects and the Authority will in no way be responsible for completion of the Projects other than from such proceeds.

6. Use of Projects and Project Locations. The Projects and Project Locations shall be used by the Department as necessary to carry on the functions of the Department, and the Department hereby represents that the Payments for such use will constitute a necessary expense of carrying on the public functions of the Department.

7. Alterations, Additions and Improvements. The Department may make or allow to be made any alterations, physical additions or improvements in or to the Projects as it deems appropriate without notice to the Authority.

8. Condition of the Projects. It is agreed that the Department shall be conclusively deemed to have accepted the Projects as suitable for their purposes and to have acknowledged that it has had full opportunity to examine the Projects and is fully informed, independently of the Authority, as to the character, construction and structure of the Projects and that the same complies fully with all of the Authority's agreements, covenants and obligations hereunder and in any implied covenants and agreements. Under no circumstances shall the Authority be deemed to have agreed, expressly or impliedly, to make improvements to the Projects or the Project Locations or to alter, remodel or otherwise improve the same.

9. Security for Bonds. It is agreed and understood that the Payments to the Authority hereinabove specified are to be pledged and used by the Authority as security and a source of payment of the Bonds and so long as any of the Bonds are outstanding the terms of this Agreement shall not be revised or suspended to the detriment of the security and source of payment of the Bonds.

10. Assignment. The Department shall not assign any portion of this Agreement or any right to use, manage or control the Projects, except as is normal and customary for the construction of similar projects, without first obtaining the written approval of the Authority, written approval of nationally recognized bond counsel and any other requirements of Section 13 hereof.

11. Events of Default. The following shall constitute events of default hereunder:

(a) Failure by the Department to make any Payment hereby reserved or other sum of money payable hereunder or under any other agreement between the Authority and the Department when due, or

(b) Failure by the Department to comply with any term, provision or covenant of this Agreement, other than the making of a Payment, or any term, provision or covenant of any other agreement between the Authority and the Department, for a period of twenty (20) days after written notice thereof to the Department specifying such failure and requesting that it be remedied.

12. Remedies. Upon the occurrence of any of the aforesaid events of default, the Authority may pursue any remedies provided by law, or in equity and no such pursuit of any remedy shall constitute a forfeiture or waiver of any Payment or other financial obligations due to the Authority hereunder or of any damages accruing to the Authority by reason of the violation of any of the terms, provisions and covenants herein contained. Failure or delay by the Authority to enforce one or more of the remedies herein provided or provided by law upon an event of default shall not be deemed or construed to constitute a waiver thereof or preclude the exercise thereof during the continuation of any default hereunder or be deemed or construed to constitute a waiver of any other violation or breach of any of the terms, provisions and covenants herein contained.

13. Tax Covenants. The Department acknowledges that the Projects are being financed with the Bonds, the interest on which will not be included in gross income of the owners of the Bonds for Federal income tax purposes. The Department further acknowledges that in order to maintain the exclusion of such interest, the provisions of Section 141 of the Internal Revenue Code of 1986 (the "Code") must be complied with by the Department with respect to the Projects. The Department covenants that all of the Projects are being constructed for and will be used solely for the governmental purposes of the Department. The Department covenants that there is no present intent to assign all or any portion of the Projects. The Department will not in any way assign its rights in all or any portion of the Projects without the written consent of the Authority and written approval of nationally recognized bond counsel. The Department will not enter into any contracts or other formal or informal arrangements, including without limitation, management contracts with respect to all or any portion of the Projects pursuant to which such contracting party would have a right to directly or indirectly use or make use of all or any portion of the Projects on a basis not available to members of the general public.

14. Notices. Except as otherwise specifically provided herein to the contrary, all notices required or permitted under this Agreement shall be given in writing, and shall be deemed to be properly given and effective on the date (i) when the same shall have been deposited in the United States mail, registered or certified mail with postage thereon prepaid, or (ii) when personally delivered to the address hereinafter identified. The parties hereto shall not refuse to accept delivery of any such notice.

(a) Addresses. Until changed in written notice from the appropriate party to the other, the addresses of the parties are and shall be:

Authority: Oklahoma Capitol Improvement Authority
Department of Central Services
Will Rogers Office Building
2401 North Lincoln Boulevard
Oklahoma City, Oklahoma 73105

Department: Oklahoma Department of Transportation
200 N.E. 21st Street
Oklahoma City, Oklahoma 73105

(b) Payment Address. Until changed by thirty (30) days prior written notice to the Department, Payments hereunder shall be made to the Authority either by mail or otherwise as follows:

Oklahoma Capitol Improvement Authority
Will Rogers Office Building
2401 North Lincoln Boulevard, Suite 204
Oklahoma City, Oklahoma 73105

15. Authority. Each party hereto affirms and states that it has full right and authority to enter into this Agreement.

16. Partial Invalidity. Should any paragraph, subparagraph, clause or provision of this Agreement be invalid or void for any reason, such invalid or void paragraph, subparagraph, clause or provision shall not affect the whole of this instrument, but the balance of the provisions hereof shall remain in full force and effect.

17. Amendments and Modifications. Except as otherwise provided in this Agreement, this Agreement shall not be amended, changed, modified, altered or terminated except by an instrument in writing executed by the parties hereto.

18. Survival of Covenants, Agreements, Representations and Warranties. All covenants, agreements, representations and warranties made by the Department in this Agreement shall survive the execution of this Agreement and shall continue in full force and effect as long as any Payments or other amounts payable hereunder remain unpaid.

19. Binding Effect. All of the terms, stipulations, covenants, conditions, provisions and agreements contained in this Agreement shall extend to and be binding upon and inure to the benefit of the successors and assigns of the respective parties hereto.

20. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Oklahoma.

21. Descriptive Headings. The descriptive headings of the paragraphs of this Agreement are for convenience only and shall not be used in the construction of the contents hereof.

22. Counterparts. This Agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, IN WITNESS WHEREOF, said Oklahoma Capitol Improvement Authority has caused this Agreement to be executed for and on its behalf by its Chairman and Secretary and its corporate seal to be hereunto affixed and said Oklahoma Department of Transportation has caused this Agreement to be executed for and on its behalf by its Director, all done this 8th day of May, 2013.

OKLAHOMA CAPITOL IMPROVEMENT AUTHORITY

(SEAL)
ATTEST
:
/s/ Pamela Warren
Secretary

By: /s/ Brad Henry ____________________
Chairman

OKLAHOMA DEPARTMENT OF TRANSPORTATION

By: /s/ Gary Ridley ____________________
Director

EXHIBIT "A"

Project Locations

A. In State Transportation Commission District 1:

1. highway improvement for U.S. Highway 59 between Westville and Watts,
2. bridge improvement for 14 Mile Creek Bridge on State Highway 82,
3. highway improvement for State Highway 82 from the vicinity of Tahlequah extending north to the vicinity of Locust Grove,
4. highway improvement for U.S. Highway 64 from the vicinity of Warner extending north in the vicinity of Muskogee,
5. intersection modifications and highway improvement for U.S. Highway 62 and Country Club Road and U.S. Highway 62 and State Highway 16,
6. highway improvement for ramps in the vicinity of State Highway 165 and Hancock-Peak,
7. highway improvement for State Highway 10 in the vicinity of Braggs Mountain,
8. highway improvement for State Highway 80 between South Street and Poplar Street in the City of Ft. Gibson,
9. intersection improvement at intersection of Country Club Road and Chandler in the City of Muskogee,
10. highway improvement for State Highway 9 extending east of Stigler,
11. highway improvement for U.S. Highway 59 extending north to the vicinity of State Highway 141, including a bridge improvement over the Arkansas River,
12. highway improvement for State Highway 51 from the vicinity of Wagoner extending west to the vicinity of Muskogee Turnpike, including a bridge improvement over the Verdigris River,
13. highway improvement for U.S. Highway 75 from the vicinity of Okmulgee County 6th Street extending north to the vicinity of State Highway 56 Loop,
14. highway improvement for U.S. Highway 266 from the vicinity of U.S. Highway 75 extending east to vicinity of Dewar,
15. highway improvement for State Highway 51 for the Northwest Tahlequah Bypass,

16. highway improvement for U.S. Highway 59 north from Westville extending approximately six (6) miles to Ballard Creek,

17. highway improvement on State Highway 51 beginning in the vicinity of the Verdigris River extending east,

18. highway improvement on State Highway 51 beginning at the junction of U.S. Highway 69 extending east to the junction of State Highway 16 in Wagoner,

19. highway improvement on State Highway 72 beginning at Pecan Street in the city of Coweta extending north to the junction of State Highway 51,

20. highway improvement on State Highway 51 beginning at the junction of State Highway 72 in the city of Coweta extending east approximately one (1) mile,

21. highway improvement on State Highway 51 from the junction of State Highway 16 in the city of Wagoner extending east,

22. highway improvement on U.S. Highway 69 beginning north of the Muskogee Turnpike extending north,

23. traffic signal installation on State Highway 165 near on and off ramps and Chandler Street in the city of Muskogee,

24. traffic signal modification at junction of U.S. Highway 64B and Southside Boulevard in the city of Muskogee,

25. highway improvement on State Highway 10 approximately five (5) miles south of U.S. Highway 62 extending south to Braggs Mountain in Muskogee County,

26. signalization and intersection modifications and additional improvements on U.S. Highway 69 at West Okmulgee Street and Broadway Street in the city of Muskogee,

27. highway improvement on State Highway 52 beginning at Morris extending north approximately nine (9) miles to State Highway 16,

28. highway improvement on U.S. Highway 62 east of Morris extending approximately six (6) miles,

29. highway improvement on State Highway 51 Spur adding parallel lanes for four lane divided highway on Northwest Tahlequah Bypass,

30. highway improvement on U.S. Highway 266 at the junction with U.S. Highway 69,

31. highway improvement on U.S. Highway 266 beginning at old U.S. Highway 69 extending east to Muskogee County line,

32. highway improvement on U.S. Highway 64 beginning at Interstate 40 extending east approximately five (5) miles to the Arkansas River bridge,

33. bridge improvement on State Highway 141 approximately four (4) miles east of junction of U.S. Highway 59,

34. highway improvement on State Highway 82 beginning at Vian and extending north to State Highway 100,

35. flashing signal installation on State Highway 51 at Taylor's Ferry east of Wagoner,

36. traffic signal improvements on State Highway 51 in Wagoner,

37. highway improvements on State Highway 16 in Okay,

38. highway lighting improvement on State Highway 51 bridge over Fort Gibson Lake,

39. highway improvement on State Highway 16 west of U.S. Highway 75,

40. highway improvement on U.S. Highway 266 east of Dewar, and

41. bridge improvement on U.S. Highway 266 approximately six (6) miles east of the Okmulgee County line in McIntosh County;\

B. In State Transportation Commission District 2:

1. reconstruct approximately eight (8) miles of U.S. Highway 270 from the vicinity of Panola to the vicinity of Red Oak in Latimer County,

2. highway improvement on State Highway 1/63 in Latimer County,

3. highway improvement on U.S. Highway 70 from the vicinity of Idabel to the junction with State Highway 98 in McCurtain County,

4. highway improvement for approximately three (3) miles on State Highway 31 from the vicinity of U.S. Highway 270 to the vicinity of the Indian Nation Turnpike in Pittsburg County,

5. bridge improvement at Sandy Creek on U.S. Highway 270 in Pittsburg County,

6. highway improvement on U.S. Highway 70 in Choctaw County from the vicinity of the Bryan County line to the junction of U.S. Highway 271,

7. highway improvement covering approximately three (3) miles on State Highway 144 in Pushmataha County,

8. highway improvement covering approximately ten (10) miles on U.S. Highway 70 from the vicinity of Lake Texoma to the vicinity of Durant in Bryan County,

9. highway improvement covering approximately seven (7) miles on State Highway 3 from the vicinity of Atoka east to the vicinity of Lane in Atoka County,

10. highway improvement on U.S. Highway 70 from the vicinity of Madill to the Bryan County line in Marshall County, and

11. highway improvement for the Poteau Bypass;

12. highway improvement covering approximately seven (7) miles on State Highway 3 from the vicinity of Atoka east to the vicinity of Lane in Atoka County,

13. highway improvements on U.S. Highway 70 from the vicinity of Lake Texoma to the east side of Bryan County,

14. highway improvement covering approximately seven (7) miles on U.S. Highway 70 from the vicinity of Idabel to the junction with State Highway 98 in McCurtain County,

15. highway improvement for the Poteau Bypass,

16. highway improvement on U.S. Highway 70 from the vicinity of Hugo to the vicinity of Valliant,

17. completion of highway improvement on U.S. Highway 270 from the vicinity of Panola to the vicinity of Red Oak in Latimer County,

18. highway improvement on State Highway 63 between Kiowa and Haileyville in Pittsburg County,

19. highway improvement to upgrade and connect the north and south ends of 3rd Street in Madill to present U.S. Highway 70 in Marshall County and including approximately two (2) miles of 3rd Street in the state highway system,

20. highway improvement from U.S. Highway 270 to Bakers Road in McAlester, and

21. highway improvement on local road from Crowder extending southeast to Blocker;

C. In State Transportation Commission District 3:

1. highway improvement covering approximately one (1) mile on Chautauqua street in the City of Norman from State Highway 9 to one (1) mile north,

2. highway improvement on Tecumseh Road in the City of Norman from U.S. Highway 77 east to East 24th Avenue, covering approximately four (4) miles,

3. highway improvement on State Highway 99 covering approximately nineteen (19) miles from the vicinity of Prague to the vicinity of Stroud,

4. highway improvement on State Highway 3W, for approximately fifteen (15) miles from the vicinity of Ada to the vicinity of Asher,

5. highway improvement on State Highway 19 for approximately one (1) mile west of State Highway 3W,

6. highway improvement for approximately one (1) mile of Federal Street in the City of Shawnee,

7. highway improvement for approximately one (1) mile in the vicinity of Shawnee Mall,

8. signal improvement at the intersection of Union and MacArthur in the City of Shawnee,

9. signal improvement at the intersection of 10th Street and Harrison in the City of Shawnee,

10. highway improvement for approximately two (2) miles of State Highway 18 from State Highway 9 to the vicinity of Benson Park,

11. highway improvement for approximately three (3) miles of State Highway 102 from the vicinity of Interstate 40 to the vicinity of McLoud,

12. highway improvement for approximately six (6) miles of State Highway 59B from U.S. Highway 177 to State Highway 102,

13. highway improvement for approximately ten (10) miles of State Highway 27 from State Highway 9 to the vicinity of Okemah,

14. highway improvement for approximately eight (8) miles of U.S. Highway 75 from the vicinity of Horntown to the vicinity of Wetumka,

15. highway improvement for approximately nine (9) miles of State Highway 19 from the vicinity of U.S. Highway 177 west to the vicinity of State Highway 133,

16. highway improvement for approximately ten (10) miles of State Highway 19 from the vicinity of Lindsay to the vicinity of Maysville,

17. highway improvement for approximately twelve (12) miles of State Highway 1/7 from the vicinity of Mill Creek to the vicinity of Ravia,

18. highway improvement for approximately one (1) mile of State Highway 56 from the vicinity of U.S. Highway 270 to the vicinity of State Highway 59,

19. highway improvement for approximately one (1) mile of State Highway 56 from the vicinity of State Highway 59 to the vicinity of U.S. Highway 270B,

20. highway improvement for U.S. Highway 270 for ramps to State Highway 59,

21. highway improvement on State Highway 59B from U.S. Highway 177 to State Highway 102,

22. highway improvement on State Highway 27 from the junction of State Highway 9 extending north to Okemah,

23. highway improvement on State Highway 19 from Lindsay extending approximately ten (10) miles to Maysville,

24. highway improvement on Tecumseh Road in the city of Norman from U.S. Highway 77 extending east to 24th Avenue in the city of Norman,

25. highway improvement of State Highway 99 covering approximately nineteen (19) miles from the vicinity of Prague to the vicinity of Stroud,

26. highway improvement on State Highway 3W, extending approximately fifteen (15) miles from the vicinity of Ada to the vicinity of Asher,

27. highway improvement on Highland Street from Kickapoo Street to Bryan Street in Shawnee,

28. highway improvement on U.S. Highway 270B from U.S. Highway 270 extending east approximately one (1) mile,

29. highway improvement on State Highway 9 from Interstate 35 extending west to U.S. Highway 62,

30. highway improvement on State Highway 270 from McLoud to the Oklahoma County line,

31. right-of-way acquisition and highway improvement on State Highway 99 from Tishomingo extending south to Madill,

32. highway improvement on State Highway 3 East and Kickapoo Street from Interstate 40 to 45th Street in Shawnee, and

33. highway improvements on old State Highway 18 from State Highway 9 to Benson Park Street in Tecumseh;

D. In State Transportation Commission District 4:

1. highway improvement on U.S. Highway 270 from the vicinity of Harrah to the vicinity of South East 29th Street,

2. highway improvement to open a south access road on Interstate 40 between the vicinity of Vickie Road and the vicinity of Sooner Road,

3. highway improvement for Interstate 235 between 36th Street and Interstate 235 and Interstate 44 junction,

4. highway improvement for exit ramp on Interstate 40 westbound in the vicinity of Rose State College Communication Center,

5. highway improvement to extend State Highway 3 west from the vicinity of Kingfisher,

6. reconstruction of 23rd Street interchange with Interstate 35 and highway improvement to 23rd Street from Interstate 35 east to Sooner Road,

7. reconstruction of Interstate 44 from the vicinity of Interstate 240 to the vicinity of Southwest 44th Street,

8. highway improvement for U.S. Highway 177 from the vicinity of Interstate 35 to the vicinity of the Kansas state line,

9. interchange improvements at junction of State Highway 11 and Interstate 35,

10. highway improvement for U.S. Highway 177 from the vicinity of Ponca City to the vicinity of the Cimarron Turnpike,

11. highway improvement for Interstate 35 access road for west side Interstate 35 from the vicinity of State Highway 164 north to vicinity of U.S. Highway 64 in Noble County,

12. highway improvement for State Highway 33 from the vicinity of Interstate 35 to the vicinity of Coyle,

13. highway improvement for State Highway 51 from vicinity of Stillwater extending east to the vicinity of State Highway 108 in Payne County,

14. highway improvement for U.S. Highway 77, also known as the Broadway Extension, from the vicinity of Northwest 63rd Street extending north to the vicinity of the City of Edmond,

15. highway improvement for State Highway 74 from the vicinity of the Logan County line to the vicinity of Edmond Road,

16. highway improvement for the Interstate 40 and Czech Hall Road interchange in Canadian County,

17. highway improvement to 23rd Street or U.S. Highway 62 from Interstate 35 east to Air Depot Boulevard, including a bridge improvement on U.S. Highway 62 in the vicinity of Air Depot Boulevard,

18. highway improvement for Interstate 240 from Interstate 40 to Interstate 44 including on and off ramps and service roads,

19. highway improvement on U.S. Highway 270 from the vicinity of Harrah Road to the vicinity of the Pottawatomie County line,

20. highway improvement on Harrah Road from Southeast 29th Street to Interstate 40,

21. highway improvement on State Highway 33 from the vicinity of Interstate 35 to the vicinity of Coyle,

22. highway improvement for U.S. Highway 77, also known as the Broadway Extension, from the vicinity of Northwest 63rd Street extending north to the vicinity of Edmond,

23. a sound barrier and bridge and drainage improvements on Interstate 40 between Bryant and Sooner Road in Del City,

24. a sound barrier on Interstate 44 between Northwest 23rd Street and Northwest 30th Street,

25. highway improvement on U.S. Highway 77 from Newkirk to the Kansas state line,

26. highway improvement on county road from Marland to Red Rock,

27. highway improvement on State Highway 33 one (1) mile east of Cushing at Norfolk Road, and

28. highway improvement on U.S. Highway 177 from Stillwater south to State Highway 33;

E. In State Transportation Commission District 5:

1. highway improvement on U.S. Highway 183 from approximately one (1) mile south of the Washita County line extending approximately four (4) miles to the vicinity of Interstate 40,

2. highway improvement for approximately two (2) miles on the Interstate 40 north frontage road in vicinity of Weatherford from Washington Street to the vicinity of Lyle Road,

3. highway improvement project on U.S. Highway 183 from vicinity of Cordell extending north approximately ten (10) miles to approximately one (1) mile south of the Custer County line,

4. highway improvement project on State Highway 6 in the vicinity of Blair north approximately ten (10) miles to approximately three (3) miles north of U.S. Highway 283,

5. highway improvement project on State Highway 6 from junction of State Highway 6 and State Highway 152 extending south approximately six (6) miles to the vicinity of State Highway 55,

6. highway improvement project on State Highway 51A from the junction of State Highway 8 and State Highway 8A extending northwest approximately five (5) miles to the junction of State Highway 8 and State Highway 51A,

7. bridge improvements on State Highway 33 between Watonga and the Kingfisher County line,

8. highway improvement project on U.S. Highway 183 from the vicinity of Manitou extending north approximately nine (9) miles to the vicinity of U.S. Highway 62,

9. highway improvement project on U.S. Highway 183 from the vicinity of Manitou extending approximately to the vicinity of Frederick,

10. highway improvement on U.S. Highway 183 from the vicinity of Manitou extending approximately seven (7) miles to the vicinity of Frederick,

11. highway improvement on U.S. Highway 283 from approximately one (1) mile south of Altus and extending south approximately five (5) miles,

12. bridge improvement on State Highway 44 approximately three (3) miles north of State Highway 9,

13. right-of-way on U.S. Highway 183 between Interstate 40 and Interstate 40B in Clinton,

14. highway improvement to add left-turn lane on State Highway 33 at Fay, and to add left-turn lanes on State Highway 54 at Section lines East/West 88, East/West 95, and East/West 100 in Custer County,

15. highway improvement on State Highway 34 beginning in vicinity south of State Highway 47 extending approximately seven (7) miles south,

16. drainage improvements on State Highway 44 in Burns Flat, and

17. intersection modifications at junction of U.S. Highway 60 and State Highway 34 in the vicinity of Vici;

F. In State Transportation Commission District 6:

1. highway improvement for U.S. Highway 60 and State Highway 51 within the city limits of Arnett,

2. highway improvement for approximately twenty-five (25) miles of U.S. Highway 412 from the vicinity of U.S. Highway 281 to the vicinity of U.S. Highway 60,

3. highway improvement for approximately twenty (20) miles of U.S. Highway 54 from the vicinity of Texhoma to the vicinity of Guymon,

4. highway improvement for U.S. Highway 54 from the vicinity of Optima to approximately four (4) miles north of Optima,

5. right-of-way purchases for future improvement to U.S. Highway 270/183 from the vicinity of Woodward to approximately ten (10) miles south of Woodward,

6. highway improvement on U.S. Highway 412 extending approximately twenty-five (25) miles from the vicinity of U.S. Highway 281 to the vicinity of U.S. Highway 60,

7. highway improvements on U.S. Highway 54 extending approximately twenty (20) miles from the vicinity of Texhoma to the vicinity of Guymon,

8. highway improvement on U.S. Highway 183 approximately one-half (V2) mile south of junction of U.S. Highway 64 extending south approximately four (4) miles,

9. right-of-way project on U.S. Highway 54 from approximately five (5) miles north of Optima extending north to the Kansas state line,

10. highway improvement on U.S. Highway 270/State Highway 3 from the vicinity of Woodward extending southeast approximately five (5) miles, and

11. highway improvement on U.S. Highway 64 from junction of State Highway 8 extending east approximately six (6) miles to State Highway 58;

G. In State Transportation Commission District 7:

1. highway improvement on 6-Mile Line from the vicinity of State Highway 37 extending south approximately five (5) miles to the vicinity of Interstate 44 in Grady County,

2. highway improvement on State Highway 19 in the vicinity of Chickasha extending east approximately ten (10) miles,

3. highway improvement on State Highway 9 in the vicinity of Carnegie extending east approximately eight (8) miles to the vicinity of Fort Cobb in Caddo County,

4. city street and intersection improvement at junction of U.S. Highway 62 and Petri Road within the city limits of Anadarko,

5. highway improvement on U.S. Highway 277 from the vicinity of Cyril extending east approximately four (4) miles to the vicinity of Cement,

6. highway improvement on U.S. Highway 62 from junction of State Highway 17 and Porter Hill south to the vicinity of junction of U.S. Highway 62 and Interstate 44,

7. highway improvement on the Duncan Bypass, beginning at State Highway 7, approximately two (2) miles west of U.S. Highway 81 and extending south to connect with State Highway 7 East junction in the vicinity of Duncan together with connecting roads,

8. highway improvement on U.S. Highway 70 from the vicinity of Ardmore extending east approximately ten (10) miles to the vicinity of the Marshall County line,

9. highway improvement on U.S. Highway 177 from State Highway 7 East junction in the City of Sulphur extending north approximately ten (10) miles to the vicinity of State Highway 29,

10. highway improvement on U.S. Highway 70 from the vicinity of Waurika to the vicinity of Ringling,

11. street improvement in vicinity of 2600 block of Southwest Lee Boulevard within the City of Lawton,

12. highway improvement on U.S. Highway 70 within the City of Lone Grove,

13. highway improvement on U.S. Highway 177 south of Sulphur extending to the Murray County line,

14. highway improvement on U.S. Highway 70 in vicinity of Mud Creek to the vicinity of Ringling,

15. right-of-way acquisition and access road to the Duncan South Industrial Park,

16. highway improvement on Rogers Lane and Flower Mound corridor in the city of Lawton,

17. highway improvement of Interstate 44 from vicinity of State Highway 49 to vicinity of Medicine Bluff Creek, and

18. bridge improvement on Comm Bridge;

H. In State Transportation Commission District 8:

1. highway improvement project on U.S. Highway 169 from the vicinity of Rogers County line extending north approximately eight (8) miles to the vicinity of the junction of U.S. Highway 60 and U.S. Highway 169,

2. highway improvement project on State Highway 88 from the vicinity of the junction of State Highway 66 and State Highway 88 to the vicinity of Rogers University,

3. highway improvement on State Highway 266 from the vicinity of the junction of State Highway 66 and State Highway 266 to the vicinity of Will Rogers Turnpike,

4. highway improvement on Gilcrease Expressway from the vicinity of the Osage Expressway extending to the vicinity of U.S. Highway 75,

5. highway improvement on State Highway 48 from State Highway 16 extending south approximately seven (7) miles,

6. highway improvement on U.S. Highway 169 from the vicinity of Interstate 44 south approximately eight (8) miles to the vicinity of 91st Street,

7. right of way and relocation on Gilcrease Expressway from the vicinity of Interstate 44 to the vicinity of Osage Expressway,

8. highway improvement on State Highway 66 from the vicinity of Chelsea extending south approximately five (5) miles,

9. intersection modification at the junction of State Highway 2 and Hospital Road in the City of Vinita,

10. highway improvement on State Highway 2 to approximately two (2) miles north of Vinita,

11. highway improvement on approximately two (2) miles of U.S. Highway 59 in the vicinity of the City of Jay and the junction of State Highway 20 and U.S. Highway 59,

12. highway improvement on U.S. Highway 59 from the vicinity of Grove extending south approximately ten (10) miles to the vicinity of Jay,

13. highway improvement on U.S. Highway 60 from the vicinity of Bartlesville extending east approximately four (4) miles to the vicinity of Nowata County line,

14. highway improvement on U.S. Highway 60 from the vicinity of Bartlesville extending west approximately five (5) miles,

15. highway improvement on U.S. Highway 64 from the vicinity of Cleveland extending west approximately two (2) miles to the vicinity of Tarlton Road,

16. highway improvement on U.S. Highway 69 for approximately two (2) miles in the vicinity of the junction of State Highway 69 and State Highway 20,

17. highway improvement on State Highway 125 from the vicinity of Miami extending south approximately ten (10) miles to the vicinity of Fairland,

18. highway improvement for approximately two (2) miles on State Highway 67 from the vicinity of Kiefer to the vicinity of U.S. Highway 75,

19. intersection modification on State Highway 66 at the junction of State Highway 66 and Frankhoma Road,

20. highway improvement on the Broken Arrow Expressway,

21. bridge construction on State Highway 11 on Bird Creek bridge in the vicinity of Barnsdall,

22. highway improvement for State Highway 75 from the vicinity of Interstate 44 extending south for approximately five (5) miles,

23. highway improvement or right-of-way on the West Gilcrease Expressway from the vicinity of L.L. Tisdale to the vicinity of Interstate 44,

24. highway improvement for the North Gilcrease Expressway from the vicinity of L. L. Tisdale to the vicinity of U.S. Highway 75,

25. highway improvement on U.S. Highway 2 from Hospital Road extending north approximately one (1) mile,

26. highway improvement and traffic signal on State Highway 82 from Salina extending north to the vicinity of Spavinaw,

27. highway improvement on State Highway 266 at interchange of Interstate 44,

28. highway improvement on U.S. Highway 64 east of Pawnee,

29. highway improvement on State Highway 67 from the vicinity of Kiefer to the vicinity of U.S. Highway 75,

30. bridge improvement on 81st Street over Interstate 44 and signalization at State Highway 66 in Sapulpa,

31. highway improvement on State Highway 66 from approximately two (2) miles south of Chelsea extending south approximately two (2) miles,

32. intersection improvement at the junction of State Highways 82 and 28 in Langley,

33. highway improvement on State Highway 66 from the north edge of Kellyville extending south seven (7) miles,

34. highway improvement on U.S. Highway 60 approximately three (3) miles west of Bartlesville extending west approximately one and one-half (1 1/2) miles,

35. highway improvement on State Highway 10 extending east from Grove to junction of State Highway 25,

36. highway improvement on State Highway 125 from Fairland extending north approximately two (2) miles,

37. planned improvements for State Highway 88 between State Highway 66 in Claremore and Inola and the intersection of U.S. Highway 412 at Inola, the four-laning of such highway, and

38. improvements on State Highway 28 from the intersection of Interstate 44 east to the intersection of U.S. Highway 69.

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