

OKLAHOMA 98

**Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 1998**

Frank Keating
Governor

Prepared by

Office of State Finance

Tom Daxon, Director
Keith Johnson, State Comptroller

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To view the divider page featuring the art of Mike Wimmer and his biography, please [click here](#).

INTRODUCTORY SECTION

INTRODUCTORY SECTION

December 28, 1998

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

The Office of State Finance is pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the fiscal year ended June 30, 1998. This report, presented in three sections: Introductory, Financial, and Statistical, is the primary means of reporting the State government's financial activities. The Introductory Section contains an overview of the State's economic performance, a review of current initiatives, and summary financial data. The Financial Section contains the general purpose financial statements and the combining and individual fund and account group statements and schedules. The Statistical Section contains selected financial and demographic information.

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

ECONOMIC CONDITIONS AND OUTLOOK

Oklahoma is an attractive location in which to live and conduct commerce. The state enjoys a very low cost of doing business, has a highly skilled work force and is geographically well positioned for interstate commercial activity. For example, Oklahoma lies at the crossroads of U.S. Interstates 35, 40 and 44, three of the nation's most important transportation and shipping corridors, allowing the state to take advantage of growth in these and many other industries. Oklahoma ranks 25th among the 50 states in full-time equivalent college enrollment as a percentage of population. At the same time, our pioneering Vo-Tech system is a national leader in developing training programs for industry. Oklahoma remains committed to improving its quality education system.

Oklahoma is also known for its abundant resources. The state remains a leading producer of oil and natural gas, allowing Oklahoma manufacturers to take advantage of some of the lowest energy prices in the nation. Oklahoma is a leading

producer of agricultural products, ranking in the top ten in production of wheat, peanuts, grain sorghum, pecans, rye, hogs and cattle. Oklahomans also enjoy many opportunities for outdoor recreation and, due to its many man-made reservoirs, Oklahoma has more miles of shoreline than any other state.

Oklahoma's real gross state product for 1997 was \$67.7 billion, up 1.9% from the previous year. This compares with 3.9% growth in the national gross domestic product. Oklahoma's per capita income for 1997 was \$20,214, which is 79.9% of the national average, and ranks Oklahoma 44th among the states. Adjusting for cost of living, Oklahoma is at 92.4% of the national average or 43rd in the nation. Our per capita income was up 4.4% from 1996, trailing average gains nationally of 4.7%.

Oklahoma continues to enjoy a low unemployment rate. Estimates for 1998 reflect a favorable 4.1% rate in Oklahoma versus a 4.9% rate nationally. With a population of approximately 3.3 million people, Oklahoma is the 27th most populous state.

Oklahoma has a rich heritage in diversity of cultures. Most of what is now Oklahoma was originally set aside as Indian Territory. As a result, Oklahoma is home to 39 tribal headquarters and more people of Native American descent than any other state. Colorful pow-wows that keep alive sacred Native American traditions are a regular feature in all parts of the state.

FINANCIAL CONDITION OF STATE GOVERNMENT

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

The impact of these fiscally conservative rules, however, has been to some extent offset by the practice of granting pension benefits and incurring other liabilities without providing the long range funding required to assure that the State will be able to pay those amounts when they become due. The Teachers and Firefighters pension plans and the State's Special Indemnity Fund will all require additional future funding to meet existing liabilities. Meanwhile, Oklahoma continues to face the challenge presented by devolution of many federal programs. Significant changes in funding for major welfare and transportation programs are already under way and Oklahoma is responding.

In spite of these challenges, the State's overall financial condition is healthy. A small general obligation debt load and the growing balance in the State's "Rainy Day Fund" provide ample room to address unforeseen emergencies.

CURRENT DEVELOPMENTS AND MAJOR INITIATIVES

Despite our many achievements, we can do better and accomplish more. We enjoy many advantages that should enable Oklahomans to enjoy a higher standard of living. With particular emphasis on improving personal per capita income, our sights are set on implementing policies that will allow Oklahomans to realize their potential.

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

Oklahoma wants to be the nation's friendliest state to small and growing businesses. Several initiatives are underway to achieve this goal, including: 1) worker's compensation reform, 2) education reform, 3) road improvements, 4) tax relief targeted to encourage economic growth, and 5) cost-effective service delivery.

Highlights of the fiscal 1998 and fiscal 1999 budgets include (expressed in millions):

	Amount Appropriated		Percentage of Total Appropriations		Increase (Decrease) from Prior Year		Percentage Increase (Decrease)	
	1998	1999	1998	1999	1998	1999	1998	1999
Dept. of Education	\$ 1,626	\$ 1,739	36%	36%	\$ 92	\$ 113	6%	7%
Regents for Higher Ed.	693	758	15%	16%	57	65	9%	9%
Dept. of Vo-Tech	108	117	2%	2%	12	9	13%	8%
Other education	20	20	0%	0%	4	0	25%	0%
Total Education	2,447	2,634	54%	54%	165	187	7%	8%
Dept. of Human Services	336	340	7%	7%	3	4	1%	1%
Health Care Authority	314	326	7%	7%	24	12	8%	4%
Office of Juvenile Affairs	88	98	2%	2%	3	10	4%	11%
University Hospitals Auth.	27	27	1%	1%	1	0	4%	0%
Dept. of Rehab. Services	23	23	1%	0%	1	0	5%	0%
Total Human Services	788	814	17%	17%	32	26	4%	3%
Dept. of Corrections	297	331	7%	7%	49	34	20%	11%
Dept. of Transportation	293	331	6%	7%	80	38	38%	13%
Dept. of Mental Health	122	128	3%	3%	3	6	3%	5%
Dept. of Health	56	67	1%	1%	9	11	19%	20%
Dept. of Public Safety	56	62	1%	1%	1	6	2%	11%
Other	460	519	11%	11%	30	59	7%	13%
Total	\$ 4,519	\$ 4,886	100%	100%	\$ 369	\$ 367	9%	8%

The 1998 legislative session saw the enactment of the largest tax cut in Oklahoma history. This package, which is estimated to have a fiscal impact of just over \$100 million spread over the next several years, provides relief from individual income taxes, sales taxes and estate taxes. For the first time ever, Oklahoma reduced its personal income tax rate. Effective January 1, 1999, a new top rate of 6.75% will replace the existing 7% rate.

In an effort to improve the quality of higher education as well as to encourage economic development, legislation was enacted which authorized the use of university facilities for research and development of privately managed technology projects. Companion legislation authorized colleges and universities to own an equity interest in private ventures connected with the development of technology. Both of these measures were later ratified by a vote of the people in a statewide election.

Oklahoma, with a system of two comprehensive universities, eleven four-year colleges, and twelve two-year colleges, has long been a leader in bringing higher education services to its citizens. From 1990 to 1997 the proportion of Oklahoma's population over age 25 with a bachelor's degree increased from 11.8% to 20.5%, nearly a 75% increase. For four consecutive years, greater emphasis has been placed on higher education funding while Oklahoma's college presidents stepped up their efforts to reduce administrative costs. The effort has begun to show results. Oklahoma State University was selected as offering the best value in higher education by any college in the country by *The Student Guide to America's 100 Best College Buys*. *U.S. News & World Report's* annual evaluation moved the ranking of four Oklahoma colleges and universities upward, including, for the first time, a ranking of the University of Oklahoma in the top half of the nation's major universities on the basis of quality.

As a result of growth in collected revenues during fiscal 1998, there is a balance in the Constitutional Reserve, or "Rainy Day Fund" of \$297.4 million, half of which may be appropriated under restricted conditions. The fiscal year ended June 30, 1998 marked the third consecutive year in which the State made a deposit to this Fund.

The State has embarked on a major highway construction and improvement effort. Starting in fiscal 1998 and continuing over the next four years, Oklahoma will spend up to \$1 billion on state highway construction, depending on economic conditions. The State is using a combination of bond financing, "Rainy Day Fund" money and general fund appropriations to finance this expanded construction.

The State is also continuing the development of a modern telecommunications system, known as OneNet, that allows multi-directional video access for government agencies throughout the State. This project expands upon an existing system operated by the State's higher education institutions. While OneNet has many uses, perhaps the most exciting feature is the linking of several classrooms for a single course. OneNet will allow all schools, even those in rural areas, to offer a varied, rigorous curriculum.

Oklahoma recently mended several defects in its prison system. Facing a shortage of beds, the State had followed the dangerous practice of granting early release to convicts to manage its prison population and hold down prison expenditures. At the same time, the ratio of secure to non-secure beds was out of balance, with many dangerous felons serving their time in minimum-security facilities. Recent legislation approved the expansion of leased facilities and authorized additional bed space to relieve the strains on our prison system. Furthermore, the legislature is expected to resolve unsettled issues in the state's "Truth in Sentencing Act" in the upcoming legislative session, which is expected to provide a better and more predictable system of assuring the safety of our citizens.

The legislature also approved a \$315 million statewide capital bond program, which included improvements and new facilities for a number of projects, some of which will be finalized during the 1999 legislative session. Additionally, state employees, particularly law enforcement officers, were given substantial increases in salary and benefits.

One problem that remains is the large unfunded liability of the Teachers' Retirement System (TRS). Due in large part to the collapse of the oil industry in the mid-1980s and the consequent decline in revenue growth, the unfunded liability was created when the legislature continued to provide additional benefits without adequately funding. A major education initiative made the situation worse by adding thousands of new teachers at a time when contributions to TRS failed to cover normal cost. As a result, the System now has an actuarially estimated unfunded liability of \$4.8 billion.

During the 1998 legislative session, the state changed TRS contribution method from a percentage of natural gas production taxes to a percentage of general revenue. This may provide greater stability and predictability to state contributions to the system. However, legislative changes also reduced school employer contribution requirements which had placed economic strains on the educational system. The changes also included a 5% cost of living adjustment for retirees. The combined impact of these changes increased the amortization period for the TRS unfunded liability from 20 to 35 years. Only superior market returns kept the impact of these changes from being greater.

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

FOR THE FUTURE

The State continues to aggressively research and pursue solutions to improve the State's competitive economic performance. This issue is especially pressing in many rural areas of Oklahoma. Accordingly, the State is seeking to encourage new business development. Approaches under consideration include targeted tax reforms designed to spur entrepreneurship and business relocation, developing a leading educational system, reducing the cost of workers' compensation insurance, and enactment of a right-to-work law.

While the State strives to strengthen its financial position, we remain committed to maintaining public safety and providing a "safety net" for the less fortunate. To be successful, such a program will require a fresh look at how the State provides services. Building upon the work of the Governor's Commission on Government Performance, the State will consider the sale of assets, privatization of functions and programs, elimination of unneeded or excessive services, and reforms in purchasing and personnel policies.

FINANCIAL INFORMATION

Internal Controls

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

Budget and Fiscal Policy

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

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

The Constitution requires that collections in excess of the Board of Equalization's itemized estimate of General Revenue Fund revenues be deposited to the "Rainy Day Fund" each year until the balance of the Rainy Day Fund equals 10% of the prior fiscal year's General Revenue Fund certified appropriations authority. Up to one-half of the July 1 balance each year may be appropriated upon emergency declaration by the Governor with concurrence of two-thirds of the House and Senate, or by a declaration of an emergency by the Speaker of the House and President-Pro Tempore of the Senate with concurrence of three-fourths of the members of each house.

The State also has an oversight process for the issuance of debt. The Executive and Legislative Bond Oversight Commissions jointly review and approve all debt issued by the State, its agencies and public trusts, and perform an assessment of all capital leases.

General Governmental Functions

Most financial operations of the State are reported in governmental fund types, which are the General Fund and Capital Projects Fund. Following are schedules of revenues and expenditures for these governmental funds. Note that the following tables present data according to generally accepted accounting principles for the fiscal year ended June 30, 1998, while previous tables have presented budgetary data for this and later periods. Transfers are primarily from the General Fund to support the public institutions of higher education.

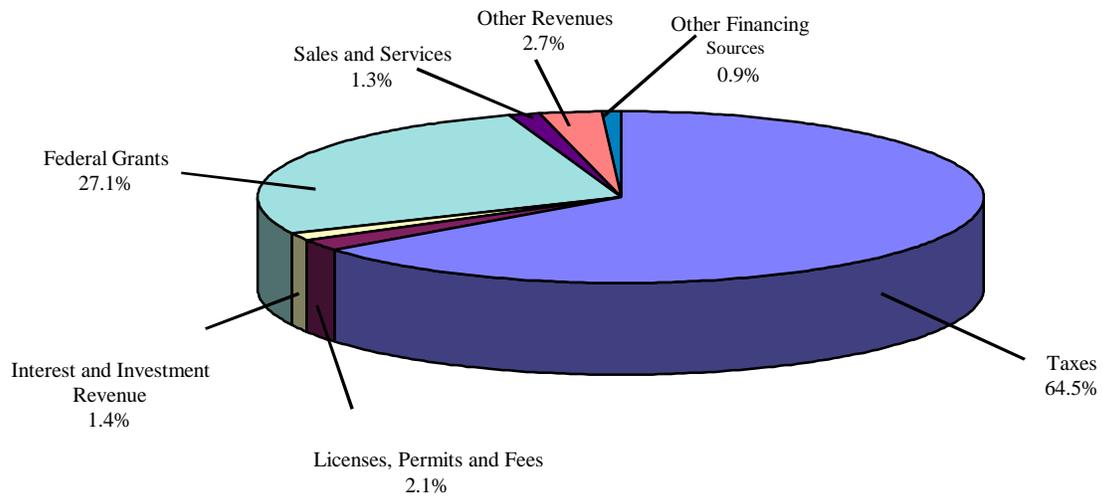
Governmental Funds: Revenues and Other Financing Sources - GAAP Basis
(expressed in millions)

	1998 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	\$ 5,213	64.5%	\$ 249	5.0%
Licenses, permits and fees	167	2.1%	0	0.0%
Interest and investment revenue	115	1.4%	3	2.7%
Federal grants	2,191	27.1%	(135)	(5.8%)
Sales and services	103	1.3%	1	1.0%
Other revenues	218	2.7%	27	(14.1%)
Other financing sources:				
Operating transfers	48	0.6%	(25)	(34.2%)
Bond proceeds	20	0.2%	17	(566.7%)
Other	8	0.1%	(1)	(11.1%)
Total revenues and other financing sources	<u>\$ 8,083</u>	<u>100.00%</u>	<u>\$ 136</u>	1.7%

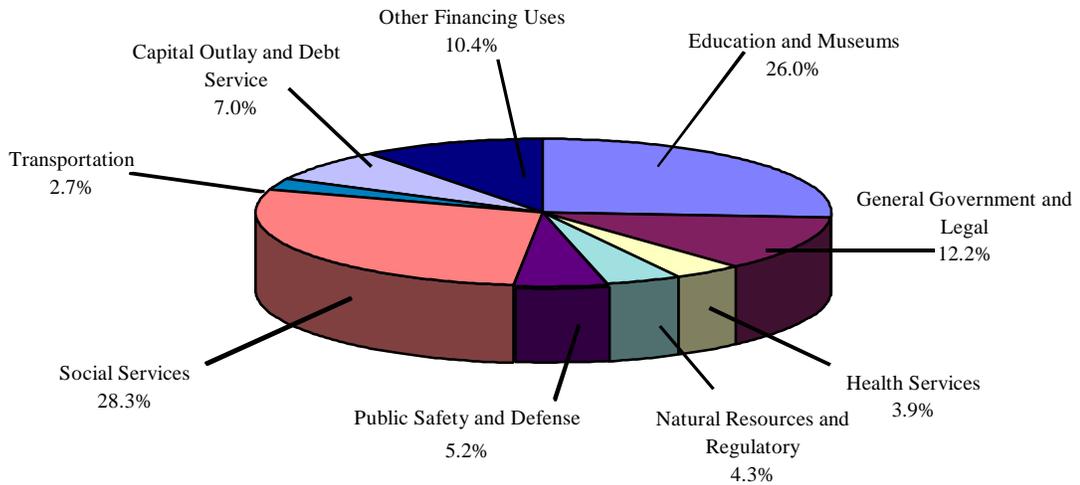
Governmental Funds: Expenditures and Other Financing Uses - GAAP Basis
(expressed in millions)

	1998 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	\$ 2,068	25.9%	\$ 124	6.4%
General government	838	10.5%	15	1.8%
Health services	315	3.9%	11	3.6%
Legal and judiciary	134	1.7%	12	9.8%
Museums	8	0.1%	1	14.3%
Natural resources	203	2.5%	33	19.4%
Public safety and defense	412	5.2%	52	14.4%
Regulatory services	142	1.8%	8	6.0%
Social services	2,255	28.3%	(104)	(4.4%)
Transportation	216	2.7%	53	32.5%
Capital outlay	516	6.5%	4	0.8%
Debt service	40	0.5%	0	0.0%
Operating transfers	827	10.4%	16	2.0%
Total expenditures and other financing uses	<u>\$ 7,974</u>	<u>100.00%</u>	<u>\$ 225</u>	2.9%
Governmental Funds - Net increase in fund balance	<u>\$ 109</u>			

**Governmental Fund Revenues
and Other Financing Sources (GAAP Basis) - Fiscal Year 1998**



**Governmental Funds Expenditures
and Other Financing Uses (GAAP Basis) - Fiscal 1998**



Revenue Collections and Estimates

As noted in a preceding subsection, the budget is prepared using cash available plus 95% of the itemized revenue estimate as approved by the State Board of Equalization. It should be noted that taxes deposited into the budgetary General Revenue Fund (GRF), as defined by Oklahoma law, are approximately 74% of the total tax revenues of the governmental funds, as defined by generally accepted accounting principles. However, the budgetary GRF should not be confused with the General Fund as presented in the accompanying GAAP-basis financial statements as the two terms are not interchangeable. For example, the GAAP-basis General Fund includes revenues deposited to the State Transportation Fund, federal grant proceeds, revolving fund revenues, fees and charges as well as other money used in the general operations of government which is not considered in the Board of Equalization's estimates of tax revenues. Oklahoma's budgetary GRF revenues were \$4.01 billion, or 103.7% of the State's revenue estimate for the fiscal year ended June 30, 1998. This was an increase of \$231.6 million, or 6.1% above that of the prior year.

Receipts from three of the four major taxes exceeded revenues of the prior year while gross production tax revenue on oil and gas decreased, producing a combined total of \$3.42 billion, or 85% of total GRF receipts. The total of major taxes collected was \$192.9 million, or 6.0% above that of the prior year, an indication of increased business activity.

As compared to fiscal 1997, collections from income taxes increased by \$172.5 million, or 10.1%; sales taxes increased by \$46.1 million, or 4.3%; motor vehicle taxes increased by \$11.7 million, or 4.6%; and gross production taxes on oil and gas decreased by \$37.4 million, or 19.9%.

Oklahoma has established an enviable record in recent years in its revenue forecasting results. Since enactment of a constitutional amendment in 1985 establishing new revenue estimating procedures, collections have exceeded the estimate in seven years and dipped below the estimate six years, with actual collections averaging 100.8% of the estimate over the period. The comparison of estimated revenues to actual collections for fiscal 1998 is as follows:

Revenue Collections Compared to Itemized Estimate for Fiscal 1998
(expressed in millions)

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
Income tax	\$ 1,712.7	\$ 1,887.7	\$ 175.0	110.2%
Sales tax	1,125.5	1,115.4	(10.1)	99.1%
Motor vehicle tax	272.8	269.2	(3.6)	98.7%
Gross production tax	201.0	150.3	(50.7)	74.8%
Subtotal Major Taxes	3,312.0	3,422.6	110.6	103.3%
Other sources	554.4	586.6	32.2	105.8%
Total	<u>\$ 3,866.4</u>	<u>\$ 4,009.2</u>	<u>\$ 142.8</u>	103.7%

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

Budgetary General Revenue Fund Comparisons
(expressed in millions)

Fiscal Year	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
1986	\$ 2,456.6	\$ 2,271.3	\$ (185.3)	92.5%
1987	\$ 2,166.7	\$ 2,070.0	\$ (96.7)	95.5%
1988	\$ 2,319.8	\$ 2,397.8	\$ 78.0	103.4%
1989	\$ 2,499.8	\$ 2,600.6	\$ 100.8	104.0%
1990	\$ 2,661.2	\$ 2,735.1	\$ 73.9	102.8%
1991	\$ 3,034.4	\$ 3,109.5	\$ 75.1	102.5%
1992	\$ 3,213.9	\$ 3,161.2	\$ (52.7)	98.4%
1993	\$ 3,365.2	\$ 3,258.9	\$ (106.3)	96.8%
1994	\$ 3,398.5	\$ 3,341.5	\$ (57.0)	98.3%
1995	\$ 3,515.3	\$ 3,512.6	\$ (2.7)	99.9%
1996	\$ 3,613.6	\$ 3,705.0	\$ 91.4	102.5%
1997	\$ 3,531.0	\$ 3,777.7	\$ 246.7	107.0%
1998	\$ 3,866.4	\$ 4,009.3	\$ 142.9	103.7%
Thirteen-Year Average	\$ 3,049.4	\$ 3,073.1	\$ 23.7	100.8%

The status of two important fund balances affecting the new year's fiscal picture is explained below:

Cash-Flow Reserve Fund - At the close of fiscal 1998, the State set aside \$399.8 million to meet anticipated monthly cash-flow needs for the new fiscal year. The new total amounted to 10.0% of the GRF certified appropriation level, an increase of 1/2 percentage point above the prior year.

The Cash-Flow Reserve Fund's fiscal 1998 cash carryover available to the next Legislature was \$37.9 million, compared with \$6.5 million in the prior year. The carryover funds come from the difference between the 95% appropriation limit and actual receipts up to 100% of the estimate. Funds required to replenish or increase the cash-flow fund also come from this source.

Constitutional Reserve "Rainy Day Fund" - At the start of each fiscal year, collections that exceed the estimate for the preceding year are automatically deposited in the Rainy Day Fund until the total balance equals 10% of the prior year's certified appropriation authority for the General Revenue Fund. On July 1, 1998, this fund had a balance of \$297.4 million.

Proprietary Operations

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

Cash Management

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

Debt Administration

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

General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens. The general obligation bonds of the State are rated "AA3" by Moody's Investors Service and "AA" by both Standard & Poor's Corporation and Fitch Investors Service. Prior to a 1993 general obligation bond program, except for refunding bonds, the State last issued general obligation bonds in 1968. Certain maturities of those bonds were advance refunded in 1977. As of June 30, 1998, the outstanding general obligation net debt of the State of Oklahoma was \$318 million. This figure excludes the self-supporting taxable bonds of the Oklahoma Industrial Finance Authority, which are secured by the repayment of loans made to private businesses. State revenues have never been required to support debt service payments on these obligations.

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

Risk Management and Insurance

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

YEAR 2000 COMPUTER ISSUE

Management of the state is keenly aware of the exposure to governmental operations and the safety of Oklahoma's citizens pertaining to the impact of the Year 2000 (Y2K) computer problem. In 1996, legislation was enacted which required state agencies to develop and implement plans to identify and correct those systems which were not compliant. Additionally, in 1998, the Governor created the Oklahoma Year 2000 Task Force to monitor compliance, gather information and provide recommendations to assure that governmental entities as well as private industry are adequately addressing the issue, developing appropriate contingency plans, and are prepared to enter the new millennium without significant interruption of essential services. Although more remains to be done to assure complete compliance, the state is addressing the issue and is confident that there will be no material disruption to governmental services.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Oklahoma for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 1997. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

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

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

ACKNOWLEDGMENTS

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

Respectfully submitted,

Tom Daxon
Director of State Finance

Keith L. Johnson
State Comptroller

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

State of
Oklahoma

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1997

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



Douglas R. Ellaworth
President

Jeffrey L. Cook
Executive Director

SELECTED OKLAHOMA STATE OFFICIALS

June 30, 1998

LEGISLATIVE BRANCH

Senate
Stratton Taylor
President Pro Tempore

House of Representatives
Lloyd L. Benson
Speaker of the House

EXECUTIVE BRANCH

Governor
Frank Keating

Lieutenant Governor
Mary Fallin

* Secretary of State
Tom Cole

State Auditor and Inspector
Clifton Scott

Attorney General
Drew Edmondson

State Treasurer
Robert Butkin

Superintendent of
Public Instruction
Sandy Garrett

Commissioner of Labor
Brenda Reneau

Commissioner of Insurance
John P. Crawford

Commissioners of the
Corporation Commission
Bob Anthony
Ed Apple
Denise Bode

JUDICIAL BRANCH

* State Supreme Court
Yvonne Kauger
Chief Justice

* Court of Criminal Appeals
Charles S. Chapel
Presiding Judge

* Appointed Position

Citizens of Oklahoma

LEGISLATIVE

House of Representatives
Legislative Service Bureau
Senate

EXECUTIVE

Governor
Lieutenant Governor
Secretary of State

JUDICIAL

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

STATE AGENCIES

ADMINISTRATION

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

ENVIRONMENT

Department of Environmental Quality
Environmental Finance Authority
Water Resources Board
Geological Survey
Water Resources Board
Wildlife Conservation Commission

AGRICULTURE

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

ENERGY

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

HEALTH & HUMAN SERVICES

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

TRANSPORTATION

Transportation Department
Turnpike Authority

COMMERCE

Capital Investment Board
Commerce Department
Development Finance Authority
Housing Finance Authority
Industrial Finance Authority
Labor Department
Municipal Power Authority

FINANCE & REVENUE

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

HUMAN RESOURCES

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

TOURISM & RECREATION

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

EDUCATION

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

MILITARY

Military Department

SAFETY & SECURITY

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

VETERANS' AFFAIRS

Department of Veterans Affairs

To view the divider page featuring the art of Poteet Victory and his biography, please [click here](#).

Financial Section

Financial Section

INDEPENDENT AUDITOR'S REPORT

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

We have audited the general-purpose financial statements of the State of Oklahoma as of and for the year ended June 30, 1998, as listed in the accompanying table of contents. These general-purpose financial statements are the responsibility of the State of Oklahoma's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit:

- * the financial statements of the proprietary fund-primary government;
- * the financial statements of the pension trust funds which reflect total assets constituting 89 percent of the fiduciary funds;
- * the financial statements of the nonexpendable trust funds which reflect total assets constituting 6 percent of the fiduciary funds;
- * the financial statements of the governmental component unit;
- * 99 percent of the assets or 99 percent of the revenues of the proprietary component units;
- * the financial statements of the higher education component unit.

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

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The State of Oklahoma has included such disclosures in Note 25. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the State of Oklahoma's disclosures with respect to the year 2000 issue made in Note 25. Further, we do not provide assurance that the State of Oklahoma is or will be year 2000 ready, that the State of Oklahoma's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the State of Oklahoma does business with will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, based upon our audit and the reports of other auditors, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State of Oklahoma as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we issued a report on our consideration of the State of Oklahoma's internal control over financial reporting and our tests of its compliance with certain provisions of

laws, regulations, contracts, and grants. This report will be issued under separate cover in the State of Oklahoma's Single Audit Report.

As discussed in Note 18 to the financial statements, the Teachers' Retirement System faces possible difficulty in meeting its future obligations. The auditor for the Teachers' Retirement System reported "the System's actuary has determined that the System's unfunded actuarial accrued liability is approximately \$4,806,200,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes and if any changes further reduce or delay the implementation of the funding schedule the funding period will increase." Note 2 to the System's financial statements discloses: "The System will experience difficulty in meeting long-term obligations at a point in time if not funded at a more appropriate level. . . ." The ultimate outcome of the ability of the System to meet its future obligations is dependent on funding established by Oklahoma Statutes, and cannot presently be determined.

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

Sincerely,

CLIFTON H. SCOTT
State Auditor and Inspector

December 29, 1998

To view the divider page featuring the art of Poteet Victory and his biography, please [click here](#).

General Purpose Financial Statements

General Purpose Financial Statements

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Combined Balance Sheet
All Fund Types, Account Groups and
Discretely Presented Component Units
June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type
	General	Capital Projects	Enterprise - Oklahoma Water Resources Board	Trust and Agency
Assets and Other Debits				
Assets				
Cash/Cash Equivalents	\$ 1,708,268	\$ 15,152	\$ 84,597	\$ 1,348,916
Investments	31,287	0	41,707	13,119,977
Securities Lending Investments	0	0	0	1,373,153
Accounts Receivable	23,657	0	0	2,225
Interest and Investment Revenue Receivable	14,547	65	4,823	72,029
Employer Contributions Receivable	0	0	0	15,185
Employee Contributions Receivable	0	0	0	11,001
Other Contributions Receivable	0	0	0	724
Federal Grants Receivable	301,770	702	0	170
Taxes Receivable	125,599	0	0	1,856
Lease Payments Receivable	41,110	0	0	0
Other Receivables	51	0	0	4,432
Notes and Loans Receivable	0	0	265,232	0
Due from Brokers	0	0	0	64,630
Due from Other Funds	0	0	0	13,088
Due from Component Units	46,109	0	0	575
Due from Primary Government	0	0	0	0
Inventory	58,384	0	0	3,808
Prepaid Items	24,910	0	0	0
Fixed Assets, Net	0	0	0	1,015
Other Assets	2,610	0	872	8,205
Total Assets	2,378,302	15,919	397,231	16,040,989
Other Debits				
Amount Available for Debt Service Amount to Be Provided For	0	0	0	0
Retirement of Debt	0	0	0	0
Compensated Absences	0	0	0	0
Capital Leases	0	0	0	0
Certificates of Participation	0	0	0	0
Claims and Judgments	0	0	0	0
Pension Obligation	0	0	0	0
Total Other Debits	0	0	0	0
Total Assets and Other Debits	\$ 2,378,302	\$ 15,919	\$ 397,231	\$ 16,040,989

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

Account Groups		Total Primary Government		Total Reporting Entity		
General Fixed Assets	General Long-Term Debt	(Memorandum Only)		Component Units	(Memorandum Only)	
		1998	1997		1998	1997
\$ 0	\$ 0	\$ 3,156,933	\$ 2,505,879	\$ 525,887	\$ 3,682,820	\$ 3,041,084
0	0	13,192,971	11,507,748	1,872,707	15,065,678	13,401,390
0	0	1,373,153	1,109,418	185,240	1,558,393	1,357,406
0	0	25,882	26,262	174,299	200,181	225,006
0	0	91,464	94,694	25,850	117,314	118,298
0	0	15,185	13,215	0	15,185	13,215
0	0	11,001	14,917	0	11,001	14,917
0	0	724	1,091	0	724	1,091
0	0	302,642	283,553	1,955	304,597	285,976
0	0	127,455	126,147	0	127,455	126,147
0	0	41,110	40,940	38,258	79,368	80,629
0	0	4,483	4,367	20,871	25,354	4,585
0	0	265,232	223,307	740,306	1,005,538	914,885
0	0	64,630	12,873	0	64,630	12,873
0	0	13,088	13,377	83,271	96,359	90,489
0	0	46,684	44,297	2,364	49,048	51,230
0	0	0	0	11,659	11,659	8,447
0	0	62,192	116,442	48,141	110,333	176,518
0	0	24,910	47,122	11,477	36,387	57,597
967,067	0	968,082	916,475	3,325,888	4,293,970	4,160,998
0	0	11,687	13,091	311,243	322,930	338,029
967,067	0	19,799,508	17,115,215	7,379,416	27,178,924	24,480,810
0	27,042	27,042	24,751	0	27,042	24,751
0	412,407	412,407	408,131	0	412,407	408,131
0	102,464	102,464	99,650	0	102,464	99,650
0	8,594	8,594	6,809	0	8,594	6,809
0	8,316	8,316	11,466	0	8,316	11,466
0	0	0	1,309	151,321	151,321	144,666
0	2,193	2,193	2,385	0	2,193	2,385
0	561,016	561,016	554,501	151,321	712,337	697,858
\$ 967,067	\$ 561,016	\$ 20,360,524	\$ 17,669,716	\$ 7,530,737	\$ 27,891,261	\$ 25,178,668

(continued)

Combined Balance Sheet
All Fund Types, Account Groups and
Discretely Presented Component Units
June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

(continued)	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type
	General	Capital Projects	Enterprise - Oklahoma Water Resources Board	Trust and Agency
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 422,147	\$ 969	\$ 1,226	\$ 3,933
Payable Under Securities				
Lending Agreements	0	0	0	1,373,153
Claims and Judgments	21,664	0	0	0
Interest Payable	5,168	0	2,803	0
Tax Refunds Payable	0	0	0	3,379
Due to Brokers	0	0	0	107,394
Due to Other Funds	13,087	0	0	0
Due to Component Units	11,715	0	0	0
Due to Primary Government	0	0	0	0
Due to Others	45,070	0	0	142,997
Deferred Revenue	145,185	0	0	5,629
Pension Obligation	0	0	0	0
Capital Leases	0	0	0	0
Compensated Absences	0	0	0	186
Benefits in the Process of Payment	0	0	0	77,034
Notes Payable	689	0	3,332	0
General Obligation Bonds	25	0	0	0
Revenue Bonds	180	0	220,999	0
Certificates of Participation	0	0	0	0
Other Liabilities	0	99	2,468	2,558
Total Liabilities	664,930	1,068	230,828	1,716,263
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings				
Reserved				
Debt Service	0	0	16,280	0
Unreserved	0	0	150,123	0
Net Unrealized Gain on Securities	0	0	0	0
Fund Balances				
Reserved				
Encumbrances	180,158	5,138	0	0
Inventory/Prepaid Items	67,862	0	0	0
Unemployment Benefits	0	0	0	613,131
Debt Service	27,042	0	0	0
Preservation of Wildlife	0	0	0	39,199
Employees Pension Benefits	0	0	0	12,661,936
External Investment Pool Participants	0	0	0	10,720
Permanent Trust	0	0	0	886,709
Undistributed Revenue	0	0	0	113,031
Other Special Purposes	850	0	0	0
Unreserved				
Designated for Cash Flow Reserve Fund	399,760	0	0	0
Designated for Rainy Day Fund	297,361	0	0	0
Designated for Other Special Purposes	0	0	0	0
Undesignated	740,339	9,713	0	0
Total Fund Equity and Other Credits	1,713,372	14,851	166,403	14,324,726
Total Liabilities, Fund Equity and Other Credits	\$ 2,378,302	\$ 15,919	\$ 397,231	\$ 16,040,989

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

Account Groups		Total Primary Government		Total Reporting Entity		
General Fixed Assets	General Long-Term Debt	(Memorandum Only)		Component Units	(Memorandum Only)	
		1998	1997		1998	1997
\$ 0	\$ 0	\$ 428,275	\$ 401,350	\$ 114,809	\$ 543,084	\$ 539,415
0	0	1,373,153	1,109,418	185,240	1,558,393	1,357,406
0	0	21,664	15,367	751,226	772,890	865,934
0	0	7,971	6,867	49,675	57,646	56,822
0	0	3,379	3,329	0	3,379	3,329
0	0	107,394	66,415	0	107,394	66,415
0	0	13,087	13,378	83,271	96,358	91,650
0	0	11,715	9,448	2,376	14,091	14,385
0	0	0	0	46,672	46,672	44,296
0	0	188,067	179,639	22,198	210,265	198,206
0	0	150,814	225,393	108,891	259,705	364,145
0	2,193	2,193	2,385	0	2,193	2,385
0	8,594	8,594	6,809	18,188	26,782	31,021
0	102,464	102,650	99,839	48,811	151,461	150,312
0	0	77,034	57,075	0	77,034	57,075
0	36,782	40,803	43,964	51,925	92,728	99,173
0	318,095	318,120	326,565	73,563	391,683	395,063
0	84,572	305,751	245,348	2,762,111	3,067,862	3,045,577
0	8,316	8,316	11,466	0	8,316	11,466
0	0	5,125	1,493	61,315	66,440	59,658
0	561,016	3,174,105	2,825,548	4,380,271	7,554,376	7,453,733
967,067	0	967,067	914,833	1,786,731	2,753,798	2,608,775
0	0	16,280	16,313	17,896	34,176	32,024
0	0	150,123	130,456	630,693	780,816	664,290
0	0	0	0	47,734	47,734	29,222
0	0	185,296	126,496	0	185,296	126,496
0	0	67,862	85,327	0	67,862	85,327
0	0	613,131	593,969	0	613,131	593,969
0	0	27,042	24,751	0	27,042	24,751
0	0	39,199	36,177	0	39,199	36,177
0	0	12,661,936	10,627,533	0	12,661,936	10,627,533
0	0	10,720	10,645	0	10,720	10,645
0	0	886,709	822,690	0	886,709	822,690
0	0	113,031	72,954	0	113,031	72,954
0	0	850	875	0	850	875
0	0	399,760	348,942	0	399,760	348,942
0	0	297,361	308,906	0	297,361	308,906
0	0	0	0	689,279	689,279	629,364
0	0	750,052	723,301	(21,867)	728,185	701,995
967,067	0	17,186,419	14,844,168	3,150,466	20,336,885	17,724,935
\$ 967,067	\$ 561,016	\$ 20,360,524	\$ 17,669,716	\$ 7,530,737	\$ 27,891,261	\$ 25,178,668

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types, Expendable Trust Fund and
Discretely Presented Governmental Component Unit
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Governmental Fund Types		Fiduciary Fund Type
	General	Capital Projects	Expendable Trust - Employment Security Commission
Revenues			
Taxes	\$ 5,212,685	\$ 0	\$ 67,706
Licenses, Permits and Fees	167,432	0	0
Interest and Investment Revenue	114,662	1,103	41,114
Federal Grants	2,188,108	2,637	4,254
Sales and Services	103,006	0	0
Other	217,552	0	329
Total Revenues	8,003,445	3,740	113,403
Expenditures			
Current			
Education	2,068,407	0	0
General Government	837,779	0	0
Health Services	315,167	0	0
Legal and Judiciary	134,139	0	0
Museums	8,223	0	0
Natural Resources	203,394	0	0
Public Safety and Defense	411,921	0	0
Regulatory Services	142,301	0	0
Social Services	2,254,478	0	94,241
Transportation	216,103	0	0
Capital Outlay	508,074	7,859	0
Debt Service			
Principal Retirement	18,242	0	0
Interest and Fiscal Charges	21,390	0	0
Total Expenditures	7,139,618	7,859	94,241
Revenues in Excess of (Less Than) Expenditures	863,827	(4,119)	19,162
Other Financing Sources (Uses)			
Operating Transfers In	13,298	0	0
Operating Transfers from Component Units	32,754	2,112	0
Operating Transfers from Primary Government	0	0	0
Operating Transfers Out	(7,101)	0	0
Operating Transfers to Component Units	(801,856)	(17,493)	0
Bond Proceeds	19,960	0	0
Capital Leases and Certificates of Participation	3,503	0	0
Sale of General Fixed Assets	4,741	0	0
Total Other Financing Sources (Uses)	(734,701)	(15,381)	0
Revenue and Other Sources in Excess of (Less Than) Expenditures and Other Uses	129,126	(19,500)	19,162
Fund Balances - Beginning of Year (as restated)	1,584,247	34,351	593,969
Fund Balances - End of Year	\$ 1,713,373	\$ 14,851	\$ 613,131

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

Total Primary Government		Governmental Component Unit		Total Reporting Entity	
(Memorandum Only)		Special Indemnity Fund		(Memorandum Only)	
1998	1997			1998	1997
\$ 5,280,391	\$ 5,071,691	\$ 0	\$ 0	\$ 5,280,391	\$ 5,071,691
167,432	166,644	0	0	167,432	166,644
156,879	162,374	0	0	156,879	162,374
2,194,999	2,322,074	0	0	2,194,999	2,322,074
103,006	101,891	0	0	103,006	101,891
217,881	192,247	0	0	217,881	192,247
<u>8,120,588</u>	<u>8,016,921</u>	<u>0</u>	<u>0</u>	<u>8,120,588</u>	<u>8,016,921</u>
2,068,407	1,943,966	0	0	2,068,407	1,943,966
837,779	822,743	0	0	837,779	822,743
315,167	304,225	0	0	315,167	304,225
134,139	122,004	0	0	134,139	122,004
8,223	7,383	0	0	8,223	7,383
203,394	169,380	0	0	203,394	169,380
411,921	360,492	0	0	411,921	360,492
142,301	133,735	21,608	0	163,909	156,096
2,348,719	2,464,645	0	0	2,348,719	2,464,645
216,103	163,173	0	0	216,103	163,173
515,933	511,778	0	0	515,933	511,778
18,242	17,996	0	0	18,242	17,996
21,390	22,366	0	0	21,390	22,366
<u>7,241,718</u>	<u>7,043,886</u>	<u>21,608</u>	<u>0</u>	<u>7,263,326</u>	<u>7,066,247</u>
<u>878,870</u>	<u>973,035</u>	<u>(21,608)</u>	<u>0</u>	<u>857,262</u>	<u>950,674</u>
13,298	7,999	0	0	13,298	7,999
34,866	64,537	0	0	34,866	64,537
0	0	21,047	0	21,047	19,807
(7,101)	0	0	0	(7,101)	0
(819,349)	(811,326)	0	0	(819,349)	(811,326)
19,960	3,335	0	0	19,960	3,335
3,503	3,672	0	0	3,503	3,672
4,741	5,831	0	0	4,741	5,831
<u>(750,082)</u>	<u>(725,952)</u>	<u>21,047</u>	<u>0</u>	<u>(729,035)</u>	<u>(706,145)</u>
128,788	247,083	(561)	0	128,227	244,529
<u>2,212,567</u>	<u>1,965,484</u>	<u>(21,306)</u>	<u>0</u>	<u>2,191,261</u>	<u>1,946,732</u>
<u>\$ 2,341,355</u>	<u>\$ 2,212,567</u>	<u>\$ (21,867)</u>	<u>\$ 0</u>	<u>\$ 2,319,488</u>	<u>\$ 2,191,261</u>

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Combined Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget to Actual (Non-GAAP Budgetary Basis)
General Fund

For the Fiscal Year Ended June 30, 1998
(expressed in thousands)

	Budgetary General Fund		
	Final Budget	Actual	Variance
Revenues			
Taxes	\$ 3,904,058	\$ 4,034,238	\$ 130,180
Licenses, Permits and Fees	61,755	40,584	(21,171)
Interest and Investment Revenue	92,038	109,254	17,216
Local Receipts and Reimbursements	31,251	27,073	(4,178)
Other	19,438	20,344	906
Total Revenues	4,108,540	4,231,493	122,953
Expenditures			
Education	132,328	121,634	(10,694)
General Government	113,519	108,110	(5,409)
Health Services	167,967	165,098	(2,869)
Legal and Judiciary	99,375	95,901	(3,474)
Museums	7,533	7,133	(400)
Natural Resources	64,084	62,893	(1,191)
Public Safety and Defense	382,146	376,950	(5,196)
Regulatory Services	24,115	23,395	(720)
Social Services	136,471	133,667	(2,804)
Total Expenditures	1,127,538	1,094,781	(32,757)
Revenues in Excess of Expenditures	2,981,002	3,136,712	155,710
Other Financing Sources (Uses)			
Operating Transfers In	52,900	76,465	23,565
Operating Transfers Out	(996,393)	(996,393)	0
Intra Agency Transfers to Continuing Funds	(2,327,742)	(2,327,742)	0
Total Other Financing Sources (Uses)	(3,271,235)	(3,247,670)	23,565
Revenue and Other Sources in Excess of Expenditures and Other Uses	(290,233)	(110,958)	179,275
Budgetary Fund Balance - Beginning of Year	861,926	861,926	0
Budgetary Fund Balance - End of Year	\$ 571,693	\$ 750,968	\$ 179,275

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

Combined Statement of Revenues, Expenses
and Changes in Retained Earnings/Fund Balances
Proprietary Fund Type, Similar Trust Funds and
Discretely Presented Proprietary Component Units
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Proprietary Fund Type	Fiduciary Fund Type
	Enterprise - Oklahoma Water Resources Board	Nonexpendable Trusts
Operating Revenues		
Licenses, Permits and Fees	\$ 0	\$ 1,757
Sales and Services	0	74
Interest and Investment Revenue	17,623	153,413
Federal Grants	11,178	0
Rental Revenue	0	8,764
Sale of Investments	0	4,849
Other	299	1
Total Operating Revenues	<u>29,100</u>	<u>168,858</u>
Operating Expenses		
Operations and Maintenance of Facilities	0	0
Losses and Loss Expense	0	0
Administrative and General Expense	1,115	2,779
Interest Expense	10,878	0
Depreciation Expense	0	0
Benefit Payments and Refunds	0	39,826
Total Operating Expenses	<u>11,993</u>	<u>42,605</u>
Operating Income	<u>17,107</u>	<u>126,253</u>
Nonoperating Revenues (Expenses)		
Interest and Investment Revenue	0	0
Other Nonoperating Revenues	0	0
Interest Expense	0	0
Amortization of Losses and Discounts	0	0
Other Nonoperating Expenses	0	0
Total Nonoperating Revenues (Expenses)	<u>0</u>	<u>0</u>
Income Before Operating Transfers	17,107	126,253
Operating Transfers In	3,500	0
Operating Transfers from Primary Government	0	0
Operating Transfers Out	(973)	(4,964)
Operating Transfers to Component Units	0	(14,171)
Operating Transfers to Primary Government	0	0
Costs to be Recovered from Future Revenues	0	0
Net Income	<u>19,634</u>	<u>107,118</u>
Retained Earnings/Fund Balances - Beginning of Year (as restated)	<u>146,769</u>	<u>931,821</u>
Retained Earnings/Fund Balances - End of Year	<u>\$ 166,403</u>	<u>\$ 1,038,939</u>

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

Total Primary Government		Component Units		Total Reporting Entity	
(Memorandum Only)		Proprietary		(Memorandum Only)	
1998	1997			1998	1997
\$ 1,757	\$ 1,518	\$ 0	\$ 0	\$ 1,757	\$ 1,518
74	74	905,438		905,512	980,983
171,036	136,351	58,220		229,256	191,972
11,178	10,108	0		11,178	10,108
8,764	9,661	0		8,764	9,661
4,849	18,150	0		4,849	18,150
300	86	13,583		13,883	13,657
197,958	175,948	977,241		1,175,199	1,226,049
0	0	319,824		319,824	300,585
0	0	128,931		128,931	181,803
3,894	3,357	65,801		69,695	115,130
10,878	7,934	53,938		64,816	62,063
0	0	78,898		78,898	80,044
39,826	36,146	275,057		314,883	334,186
54,598	47,437	922,449		977,047	1,073,811
143,360	128,511	54,792		198,152	152,238
0	0	142,833		142,833	140,426
0	0	21,520		21,520	1,388
0	0	(117,264)		(117,264)	(118,393)
0	0	(17,439)		(17,439)	(17,645)
0	0	(13,446)		(13,446)	(13,890)
0	0	16,204		16,204	(8,114)
143,360	128,511	70,996		214,356	144,124
3,500	0	0		3,500	0
0	0	57,421		57,421	58,163
(5,937)	(7,999)	(30,274)		(36,211)	(7,999)
(14,171)	(12,952)	0		(14,171)	(12,952)
0	0	0		0	(60,303)
0	0	901		901	6,630
126,752	107,560	99,044		225,796	127,663
1,078,590	971,030	549,545		1,628,135	1,500,472
\$ 1,205,342	\$ 1,078,590	\$ 648,589		\$ 1,853,931	\$ 1,628,135

Combined Statement of Cash Flows
Proprietary Fund Type, Nonexpendable Trust Funds and
Discretely Presented Proprietary Component Units
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Proprietary Fund Type	Fiduciary Fund Types
	Enterprise - Oklahoma Water Resources Board	Nonexpendable Trusts
Cash Flows from Operating Activities		
Operating Income	\$ 17,107	\$ 126,253
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	0	0
Amortization (Accretion) and Other Noncash Expenses	1,206	72
Other	0	0
Reclassification of Investment Income	0	(147,265)
Net Appreciation in Fair Value	0	(42,761)
Decrease (Increase) in Assets		
Accounts Receivable	11,496	0
Interest and Investment Revenue Receivable	(732)	0
Interfund Receivable	0	(20)
Inventory	0	0
Prepaid Items	0	0
Long-Term Notes Receivable	0	0
Other Current Assets	0	0
Other Noncurrent Assets	0	0
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Liabilities	370	0
Claims and Judgments	0	0
Interest Payable	432	0
Deferred Revenue	0	7
Other Current Liabilities	0	0
Due to Primary Government	0	0
Other Noncurrent Liabilities	0	0
Net Cash Provided (Used) by Operating Activities	<u>29,879</u>	<u>(63,714)</u>
Cash Flows from Noncapital Financing Activities		
Proceeds from Bonds and Notes Payable	51,903	0
Contributed Capital from Non-State Sources	0	0
Operating Transfers In	3,500	0
Operating Transfers from Primary Government	0	0
Operating Transfers Out	0	(4,964)
Operating Transfers to Component Units	0	(14,171)
Operating Transfers to Primary Government	(973)	0
Principal Paid on Bonds and Notes Payable	(9,855)	0
Other Noncapital Financing Activity	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 44,575</u>	<u>\$ (19,135)</u>

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

Total Primary Government		Component Units		Total Reporting Entity	
(Memorandum Only)		Proprietary		(Memorandum Only)	
1998	1997			1998	1997
\$ 143,360	\$ 128,511	\$ 54,792	\$	198,152	\$ 152,238
0	0	78,898		78,898	80,044
1,278	9,938	5,427		6,705	15,462
0	191	460		460	1,120
(147,265)	(78,142)	0		(147,265)	(78,142)
(42,761)	(55,800)	0		(42,761)	(55,800)
11,496	40	13,651		25,147	(4,353)
(732)	(304)	(1,037)		(1,769)	(1,802)
(20)	524	0		(20)	1,399
0	0	523		523	(5,114)
0	0	125		125	83
0	0	(44,028)		(44,028)	(18,838)
0	0	7		7	387
0	0	5,886		5,886	4,441
370	357	(9,812)		(9,442)	(317)
0	0	(108,497)		(108,497)	(27,754)
432	(95)	(387)		45	(41)
7	(54)	(14,874)		(14,867)	(16,682)
0	0	233		233	29
0	0	1,471		1,471	1,319
0	2	838		838	(411)
(33,835)	5,168	(16,324)		(50,159)	47,268
51,903	2,269	64,140		116,043	180,064
0	0	20,470		20,470	0
3,500	0	0		3,500	0
0	0	57,421		57,421	58,163
(4,964)	(7,999)	0		(4,964)	(7,999)
(14,171)	(12,952)	0		(14,171)	(12,952)
(973)	0	(30,274)		(31,247)	(60,303)
(9,855)	(11,560)	(70,359)		(80,214)	(164,429)
0	0	(57)		(57)	(759)
\$ 25,440	\$ (30,242)	\$ 41,341	\$	66,781	\$ (8,215)

(continued)

Combined Statement of Cash Flows
Proprietary Fund Type, Nonexpendable Trust Funds and
Discretely Presented Proprietary Component Units
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

(continued)

	Proprietary Fund Type	Fiduciary Fund Types
	Enterprise - Oklahoma Water Resources Board	Nonexpendable Trusts
Cash Flows from Capital and Related Financing Activities		
Proceeds from Bonds and Notes Payable	\$ 0	\$ 0
Payments for Acquisitions of Fixed Assets	0	0
Principal Paid on Bonds, Notes, and Capital Leases	0	0
Interest Paid on Bonds, Notes, and Capital Leases	0	0
Increase in Payable Under Security Lending Agreement	0	0
Other Capital and Related Financing Activity	0	0
Net Cash (Used) by Capital and Related Financing Activities	0	0
Cash Flows from Investing Activities		
Interest and Investment Revenue	0	110,981
Fees Paid Under Security Lending Agreement	0	0
Increase in Security Lending Investment Pool	0	0
Proceeds from Sale and Maturity of Investments	(9,703)	482,049
Principal Received from Notes Receivable	42,011	306
Payments to Purchase Investments	0	(487,477)
Payments to Issue Notes Receivable	(83,936)	0
Net Cash Provided (Used) by Investing Activities	(51,628)	105,859
Net Increase (Decrease) in Cash/Cash Equivalents	22,826	23,010
Cash/Cash Equivalents - Beginning of Year	61,771	18,863
Cash/Cash Equivalents - Fiduciary Activities	0	0
Cash/Cash Equivalents - End of Year	\$ 84,597	\$ 41,873

Reconciliation of Cash/Cash Equivalents to Combined Balance Sheet

Cash/Cash Equivalents per Combining Balance Sheets:

Expendable Trusts	\$ 610,466
Nonexpendable Trusts	41,873
Pension Trusts	543,853
Investment funds	10,674
Agency Funds	142,050
Governmental Component Unit	
Proprietary Component Units	
Higher Education Component Unit	
Total	\$ 1,348,916

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

Total Primary Government		Component Units		Total Reporting Entity	
(Memorandum Only)		Proprietary		(Memorandum Only)	
1998	1997			1998	1997
\$ 0	\$ 0	\$ 634	\$ 634	\$ 10,664	
0	0	(49,434)	(49,434)	(54,358)	
0	0	(59,988)	(59,988)	(51,995)	
0	0	(116,433)	(116,433)	(119,468)	
0	0	(62,748)	(62,748)	36,803	
0	0	297	297	184	
0	0	(287,672)	(287,672)	(178,170)	
110,981	69,144	98,169	209,150	170,622	
0	0	(12,149)	(12,149)	(10,743)	
0	0	62,748	62,748	(36,803)	
472,346	273,552	1,681,208	2,153,554	1,875,515	
42,317	29,065	7,082	49,399	34,278	
(487,477)	(462,860)	(1,550,890)	(2,038,367)	(2,021,892)	
(83,936)	(52,092)	(9,318)	(93,254)	(55,765)	
54,231	(143,191)	276,850	331,081	(44,788)	
45,836	(168,265)	14,195	60,031	(183,905)	
80,634	248,899	153,705	234,339	418,244	
0	0	109	109	105	
\$ 126,470	\$ 80,634	\$ 168,009	\$ 294,479	\$ 234,444	

\$ 536
 168,009
357,342
 \$ 525,887

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Combined Statement of
Changes In Plan Net Assets
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Investment Trust	Pension Trusts	Total (Memorandum Only)	
			1998	1997
Additions				
Contributions				
Employer Contributions	\$ 0	\$ 308,992	\$ 308,992	\$ 295,020
Employee Contributions	0	221,634	221,634	230,871
Other Contributions	22,926	248,498	271,424	246,516
Total Contributions	22,926	779,124	802,050	772,407
Investment Income				
Net Appreciation in fair value of investments	0	1,747,782	1,747,782	1,393,082
Investment and Interest Revenue	596	396,391	396,987	376,019
	596	2,144,173	2,144,769	1,769,101
Less Investment Expense	0	64,800	64,800	59,033
Net Investment Income	596	2,079,373	2,079,969	1,710,068
Other Revenue	0	1,700	1,700	197
Total Additions	23,522	2,860,197	2,883,719	2,482,672
Deductions				
Administrative and General Expenses	0	9,237	9,237	6,738
Payments and Refunds	23,447	816,557	840,004	778,960
Total Deductions	23,447	825,794	849,241	785,698
Net Increase	75	2,034,403	2,034,478	1,696,974
Net Assets Held in Trust				
Beginning of Year (as restated)	10,645	10,627,533	10,638,178	8,941,204
End of Year	\$ 10,720	\$ 12,661,936	\$ 12,672,656	\$ 10,638,178

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

Combined Statement of Changes in Fund Balances
Component Unit - Higher Education Funds
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Current Funds	
	Unrestricted	Restricted
Revenues and Other Additions		
Unrestricted Current Fund Revenues	\$ 771,943	\$ 0
Endowment Income	0	1,735
Federal Grants and Contracts	0	247,821
State and Local Grants and Contracts	0	49,224
Private Gifts, Grants and Contracts	0	80,405
Auxiliary Enterprises	0	65
Investment and Interest Revenue	0	794
Retirement of Indebtedness	0	0
Expended for Plant Facilities	0	0
Other	0	5,512
Total Revenues and Other Additions	771,943	385,556
Expenditures and Other Deductions		
Education and General Expenditures	1,051,839	383,492
Auxiliary Enterprises	238,642	92
Professional Practice Plans and Clinics	106,920	0
Expended for Plant Facilities	0	0
Indirect Cost Recoveries	0	20,642
Cancellation of Student Loans	0	0
Administrative and Collection Costs	0	0
Interest on Indebtedness	0	0
Retirement of Equipment	0	0
Retirement of Indebtedness	0	0
Disposal of Plant Facilities	0	0
Depreciation and Amortization	0	0
Other	0	133
Total Expenditures and Other Deductions	1,397,401	404,359
Transfers Among Funds - Additions (Deductions)		
Mandatory Transfers		
Principal and Interest	(15,127)	(1)
Loan Fund Matching Grant	(603)	(7)
Other	1,980	(2,280)
Nonmandatory	(6,085)	(3,064)
Operating Transfers from Primary Government	666,549	33,262
Total Transfers Among Funds	646,714	27,910
Net Increase in Fund Balances	21,256	9,107
Fund Balances - Beginning of Year (as restated)	273,386	66,775
Fund Balances - End of Year	\$ 294,642	\$ 75,882

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

Loan Funds	Endowment Funds	Plant Funds	Total (Memorandum Only)	
			1998	1997
\$ 0	\$ 0	\$ 0	\$ 771,943	\$ 705,979
0	0	0	1,735	3,049
789	0	211	248,821	227,355
0	0	3,952	53,176	75,489
1	2,121	14,262	96,789	64,550
0	0	0	65	1,132
1,343	27,513	5,562	35,212	17,830
0	0	8,823	8,823	21,070
0	0	159,515	159,515	158,697
2,094	1,894	11,125	20,625	17,954
<u>4,227</u>	<u>31,528</u>	<u>203,450</u>	<u>1,396,704</u>	<u>1,293,105</u>
20	7,663	0	1,443,014	1,326,134
0	0	0	238,734	218,696
0	0	0	106,920	94,866
0	0	84,482	84,482	106,805
0	0	0	20,642	19,845
1,909	0	0	1,909	2,818
24	0	0	24	153
0	0	10,824	10,824	10,856
0	0	3,904	3,904	7,271
0	0	19,958	19,958	14,721
0	0	8,363	8,363	14,802
0	0	32,903	32,903	30,623
1,255	78	6,189	7,655	5,128
<u>3,208</u>	<u>7,741</u>	<u>166,623</u>	<u>1,979,332</u>	<u>1,852,718</u>
0	0	15,275	147	0
253	0	0	(357)	0
0	0	300	0	0
(32)	1,339	7,842	0	0
0	7,500	28,231	735,542	709,283
<u>221</u>	<u>8,839</u>	<u>51,648</u>	<u>735,332</u>	<u>709,283</u>
1,240	32,626	88,475	152,704	149,670
49,429	134,105	1,799,611	2,323,306	2,173,636
<u>\$ 50,669</u>	<u>\$ 166,731</u>	<u>\$ 1,888,086</u>	<u>\$ 2,476,010</u>	<u>\$ 2,323,306</u>

Combined Statement of Current Funds, Revenues,
Expenditures and Other Changes
Component Unit - Higher Education Funds
For the Fiscal Year Ended June 30, 1998
(with comparative totals for June 30, 1997)
(expressed in thousands)

	Current Funds		Total Current Funds	
	Unrestricted	Restricted	1998	1997
Revenues				
Tuition and Fees	\$ 268,518	\$ 0	\$ 268,518	\$ 244,054
Federal Appropriations	9,963	0	9,963	10,519
Federal Grants and Contracts	17,956	237,889	255,845	230,939
State and Local Grants and Contracts	4,772	42,347	47,119	46,758
Private Gifts, Grants and Contracts	34,670	62,707	97,377	81,637
Investment and Interest Revenue	3,277	348	3,625	2,963
Endowment Income	3,284	2,743	6,027	4,511
Sales and Services				
Educational Department	20,514	0	20,514	18,541
Auxiliary Enterprises	230,859	65	230,924	216,787
Professional Practice Plans and Clinics	116,582	0	116,582	108,063
Other Sources	61,548	6,056	67,604	61,255
Total Revenues	771,943	352,155	1,124,098	1,026,027
Expenditures and Mandatory Transfers				
Educational and General				
Instruction	513,661	41,018	554,679	516,008
Research	52,048	97,698	149,746	135,224
Public Service	43,463	54,421	97,884	98,896
Academic Support	131,002	3,552	134,554	127,179
Student Services	53,714	37,600	91,314	77,690
Institutional Support	110,508	9,115	119,623	110,423
Operation/Maintenance of Plant	104,234	95	104,329	94,323
Scholarships and Fellowships	42,402	139,993	182,395	164,368
Other	0	0	0	97
Education and General Expenditures	1,051,032	383,492	1,434,524	1,324,208
Mandatory Transfers				
Principal and Interest	6,100	1	6,101	5,734
Loan Fund Matching Grant	237	7	244	167
Other	0	0	0	22
Total Education and General	1,057,369	383,500	1,440,869	1,330,131
Auxiliary Enterprises				
Mandatory Transfers	238,642	92	238,734	218,696
Principal and Interest	9,024	0	9,024	7,336
Loan Fund Matching Grant	366	0	366	7
Total Auxiliary Enterprises	\$ 248,032	\$ 92	\$ 248,124	\$ 226,039

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

	Current Funds		Total Current Funds	
	Unrestricted	Restricted	1998	1997
Professional Practice Plans and Clinics	\$ 106,920	\$ 0	\$ 106,920	\$ 94,866
Mandatory Transfers	3	0	3	8
Total Professional Practice Plans and Clinics	106,923	0	106,923	94,874
Total Expenditures and Mandatory Transfers	1,412,324	383,592	1,795,916	1,651,044
Other Transfers and Additions (Deductions)				
Restricted Receipts in Excess of				
Transfers to Revenues	0	12,759	12,759	7,940
Refunded to Grantors	0	(133)	(133)	(216)
Nonmandatory	(6,085)	(3,065)	(9,150)	(2,859)
Operating Transfers from Primary Government	666,549	33,263	699,812	646,238
Other Transfers and Additions, Net	660,464	42,824	703,288	651,103
Net Increase in Fund Balances	\$ 20,083	\$ 11,387	\$ 31,470	\$ 26,086

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