STATE OF OKLAHOMA 2018

Single Audit Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA

State Auditor & Inspector

OKLAHOMA
2018

Single Audit Report
For the Fiscal Year Ended June 30, 2018

Prepared by
Office of the State Auditor and Inspector

Cindy Byrd, CPA
Oklahoma State Auditor and Inspector

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 74 O.S. §212, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 65 O.S. §3-114.

OKLAHOMA SAI STATE AUDITOR & INSPECTOR
Cindy Byrd, CPA | State Auditor & Inspector
2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

March 29, 2019

To the Honorable J. Kevin Stitt, Governor
and Members of the Legislature
of the State of Oklahoma

This is the Single Audit Report of the State of Oklahoma for the fiscal year ended June 30, 2018. The audit was conducted in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.l et seq.) and shall be open to any person for inspection and copying.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office by various state officials and employees during the course of the audit.

Sincerely,

Cindy Byrd

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

OFFICE OF THE STATE AUDITOR AND INSPECTOR OKLAHOMA

State of Oklahoma
Single Audit Reporting Package
Year Ended June 30, 2018

Table of Contents Page

Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Cindy Byrd, CPA | State Auditor & Inspector
2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

INDEPENDENT AUDITOR'S REPORT

To the Honorable J. Kevin Stitt, Governor
and Members of the Legislature
of the State of Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the State of Oklahoma's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State of Oklahoma's major federal programs for the year ended June 30, 2018. The State of Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. We did not audit compliance with those requirements that are applicable to the major federal programs administered by the Department of Commerce and the Department of Wildlife Conservation, which were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). All of the federal programs for the above referenced agencies represent 0.98% of total expenditures for federal programs reported on the Schedule of Expenditures of Federal Awards. These entities were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to compliance with the compliance requirements for the above-mentioned entities, is based solely upon the reports of the other auditors.

The State of Oklahoma's basic financial statements include the operations of component units, some of which received federal awards. Those component units are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2018. Our audit, described below, did not include the operations of those component units because they engaged other auditors to perform audits in accordance with Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above and the reports of other auditors. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit and the reports of other auditors provide a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State of Oklahoma's compliance.

Basis for Qualified Opinion on Medicaid Cluster

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the State of Oklahoma with CFDA #93.778 Medicaid Cluster - Special Tests Requirement (N6) as described in finding #2018-054. Consequently, we were unable to determine whether the State of Oklahoma complied with this requirement applicable to that program.

Qualified Opinion on Medicaid Cluster

In our opinion, except for the possible effects of the matter described in the immediately preceding Basis for Qualified Opinion paragraph, the State of Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended June 30, 2018.

Basis for Qualified Opinion on SNAP Cluster; Child Nutrition Cluster; Child and Adult Food Care Program; Unemployment Insurance; Title I Grants to Local Educational Agencies; Supporting Effective Instruction State Grants; Foster Care – Title IV-E; and Disaster Grants - Public Assistance

As described in the accompanying schedule of findings and questioned costs, the State of Oklahoma did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2018-067	10.551	SNAP Cluster	Special Tests (N3)
2018-033	10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	Activities Allowed/ Unallowed
2018-033	10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	Allowable Costs/Cost Principles
2018-033	10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	Eligibility
2018-033, 2018-036	10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	Subrecipient Monitoring
2018-033	10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	Special Tests (N1)
2018-033	10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	Special Tests (N3)
2018-033	10.553/10.555/ 10.556/10.559	Child Nutrition Cluster	Special Tests (N4)
2018-048	10.559	Child Nutrition Cluster	Eligibility
2018-034	10.558	Child and Adult Care Food Program	Activities Allowed/ Unallowed
2018-034	10.558	Child and Adult Care Food Program	Allowable Costs/Cost Principles
2018-034	10.558	Child and Adult Care Food Program	Eligibility
2018-034, 2018-037, 2018-038	10.558	Child and Adult Care Food Program	Subrecipient Monitoring
2018-022	17.225	Unemployment Insurance	Special Tests (N5)
2018-010	84.010	Title I Grants to Local Educational Agencies	Special Tests (N3)
2018-015	84.010	Title I Grants to Local Educational Agencies	Level of Effort
2018-016, 2018-017	84.010	Title I Grants to Local Educational Agencies	Special Tests (N2)
2018-015	84.367	Supporting Effective Instruction State Grants	Level of Effort
2018-016	84.367	Supporting Effective Instruction State Grants	Special Tests (N2)
2018-052	93.658	Foster Care – Title IV-E	Subrecipient Monitoring
2018-011, 2018-013	97.036	Disaster Grants - Public Assistance	Subrecipient Monitoring

2018-012, 2018-013	97.036	Disaster Grants - Public Assistance	Cash Management
2018-013	97.036	Disaster Grants - Public Assistance	Special Tests (N1)
2018-047, 2018-057	97.036	Disaster Grants - Public Assistance	Reporting

Compliance with such requirements is necessary, in our opinion, for the State of Oklahoma to comply with the requirements applicable to those programs.

Qualified Opinion on SNAP Cluster; Child Nutrition Cluster; Child and Adult Food Care Program; Unemployment Insurance; Title I Grants to Local Educational Agencies; Supporting Effective Instruction State Grants; Foster Care – Title IV-E; and Disaster Grants - Public Assistance

In our opinion, except for the noncompliance described in the immediately preceding Basis for Qualified Opinion paragraph, the State of Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the SNAP Cluster; Child Nutrition Cluster; Child and Adult Food Care Program; Unemployment Insurance; Title I Grants to Local Educational Agencies; Supporting Effective Instruction State Grants; Foster Care – Title IV-E; and Disaster Grants - Public Assistance programs for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, based on our audit and the report of other auditors, the State of Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items:

2018-001	2018-002	2018-003	2018-009	2018-013	2018-014
2018-017	2018-019	2018-020	2018-023	2018-025	2018-026
2018-028	2018-030	2018-034	2018-054	2018-059	2018-060
2018-061	2018-065	2018-066	2018-069	2018-071	2018-073
2018-075	2018-076	2018-077	2018-078	2018-079	2018-080

Our opinion on each major federal program is not modified with respect to these matters.

The State of Oklahoma's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The State of Oklahoma's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the State of Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Oklahoma's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items (see list below) to be material weaknesses.

2018-003	2018-010	2018-011	2018-012	2018-013	2018-015
2018-016	2018-019	2018-022	2018-033	2018-034	2018-047
2018-052	2018-054	2018-057	2018-061	2018-067	

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items (see list below) to be significant deficiencies.

2018-001	2018-002	2018-008	2018-009	2018-014	2018-017
2018-020	2018-023	2018-027	2018-028	2018-030	2018-036
2018-037	2018-038	2018-044	2018-048	2018-054	2018-059
2018-060	2018-065	2018-066	2018-069	2018-071	2018-073
2018-075	2018-076	2018-077	2018-078	2018-079	2018-080

The State of Oklahoma’s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The State of Oklahoma’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the 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, 2018, and the related notes to the financial statements, which collectively comprise the State of Oklahoma’s basic financial statements. We issued our report thereon dated December 22, 2018, which contained unmodified opinions on those financial statements. Our report included a reference to our reliance on other auditors. Our report also included emphasis paragraphs on the net deficit of the Multiple Injury Trust Fund and the adopted provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions;* GASB Statement No. 81, *Irrevocable Split-Interest Agreements*; GASB Statement No 85, *Omnibus 2017*; and GASB Statement No. 86, *Certain Debt Extinguishment Issues* effective July 1, 2017.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied 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 basic financial statements or to the basic 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, the procedures performed as described previously, and the reports of other auditors, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Cindy Byrd

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR AND INSPECTOR

March 29, 2019 except for our report on the Schedule of Expenditures
of Federal Awards, for which the date is December 22, 2018

Schedule of Findings and Questioned Costs

Schedule of Findings
Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:.. unmodified

Internal control over financial reporting:

Material weakness(es) identified?..No

Significant deficiencies identified that are not
considered to be material weakness(es)?...Yes

Noncompliance material to financial statements noted?...No

For fiscal year 2018, the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards* was issued with the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the year ended June 30, 2018, dated December 22, 2018.

Federal Awards

Internal control over major programs:

Material weakness(es) identified?..Yes

Significant deficiencies identified that are not
considered to be material weakness(es)?...Yes

Type of auditor's report issued on compliance for major programs: Unmodified for all major programs except for #10.551 – SNAP Cluster; #10.553/10.555/10.556/10.559 – Child Nutrition Cluster; #10.558 – Child and Adult Food Care Program; #17.225 - Unemployment Insurance; #84.010 - Title I Grants to Local Educational Agencies; #84.367 - Supporting Effective Instruction State Grants; #93.658 - Foster Care – Title IV-E; #93.778 – Medicaid Cluster; and #97.036 - Disaster Grants - Public Assistance which were qualified.

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? ....Yes

Dollar threshold used to distinguish between
type A and type B programs:..$20,392,282

Auditee qualified as low-risk auditee?..No

Identification of Major Programs:

		CFDA Number and Program	State Agency Name
	10.093	Voluntary Public Access and Habitat Incentive	Department of Wildlife Conservation
SNAP Cluster	10.551	Supplemental Nutrition Assistance Program	Department of Human Services
	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	
Child Nutrition Cluster	10.553	School Breakfast Program	Department of Education
	10.555	National School Lunch Program	Department of Education, Department of Human Services
	10.556	Special Milk Program for Children	Department of Education
	10.559	Summer Food Service Program for Children	Department of Education, Department of Human Services
	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	State Department of Health
	10.558	Child and Adult Care Food Program	Department of Education, Department of Human Services
	14.228	Community Development Block Grant	Department of Commerce
	14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	Department of Commerce
Fish and Wildlife Cluster	15.605	Sport Fish Restoration Program	Department of Wildlife Conservation
	15.611	Wildlife Restoration and Basic Hunter Education	
	17.225	Unemployment Insurance	Employment Security Commission
Highway Planning and Construction Cluster	20.205	Highway Planning and Construction	Department of Transportation, Historical Society
	20.219	Recreational Trails Program	Tourism & Recreation Department
	64.015	Veterans State Nursing Home Care	Department of Veterans Affairs
	84.010	Title I Grants to Local Educational Agencies	Department of Education, Office of Juvenile Affairs
	81.042	Weatherization Assistance for Low-Income Persons	Department of Commerce
	84.367	Supporting Effective Instruction State Grants	Department of Education
Maternal, Infant, and Early Childhood Home Visiting Cluster	93.505	Affordable Care Act (ACA) - Maternal, Infant, and Early Childhood Home Visiting Program	State Department of Health
	93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	State Department of Health
	93.563	Child Support Enforcement	Department of Human Services, District Attorney's Council

	93.569	Community Services Block Grant	Department of Commerce
	93.658	Foster Care IV-E	Department of Human Services, Commission on Children and Youth, Office of Juvenile Affairs
	93.767	Children’s Health Insurance Program	Health Care Authority, Department of Mental Health
Medicaid Cluster	93.775	State Medicaid Fraud Control Units	Attorney General
	93.777	State Survey and Certification of Health Care Providers and Suppliers (TitleXVIII) Medicare	Department of Health
	93.778	Medical Assistance Program (Regular and ARRA)	Health Care Authority, Department of Human Services, Department of Health, Department of Mental Health, and Office of Juvenile Affairs
	93.917	HIV Care Formula Grants	Department of Health
	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Emergency Management, Department of Tourism, Department of Transportation

FINANCIAL STATEMENT FINDINGS

Reference Number: 18-695-006
State Agency: Oklahoma Tax Commission (the Commission)
Fund Type: Governmental Activities

Criteria: The GASB 33 *Recognition Standards* section states, in part, "The timing of recognition for each class of nonexchange transactions is outlined below. . . . *Derived tax revenues* – Assets–when the underlying exchange transaction occurs or resources are received, whichever is first." Paragraph 16 states, in part, "Governments should recognize assets from derived tax revenue transactions in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first." Paragraph 67 states, in part, "for derived tax revenues, a government should recognize assets when the exchange transaction on which the government imposes the tax occurs. At that point, the government has a legal claim to the provider's resources, supported by the enabling legislation. That is so, even if actual payment to the government in not required until a later date or, if the amount of the required payment is not certain (but is reasonably estimable), until a tax return or other require validation report is submitted and accepted."

The Governmental Accounting, Auditing, and Financial Reporting Chapter 7, *Measurement Focus and Basis of Accounting* states, in part, "Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. All other financial statements (proprietary fund, fiduciary fund, and government-wide) use the economic resources measurement focus and the accrual basis of accounting, with the exception of agency funds (which technically have no measurement focus but do employ the accrual basis of accounting for purposes of asset and liability recognition)." Chapter 8, *Categories of Transactions and Events and Their Recognition* states, in part, "Governments frequently generate revenue from exchange transactions to which they are not a party." It also states, "Accountants describe such arrangements as derived tax revenues, because the revenue results (*derives*) from events unrelated to the government's own operations. A government should recognize both a receivable and revenue (net of estimated refunds and uncollectible amounts) as soon as the underlying exchange transaction has taken place." Chapter 9, *Revenue Recognition in Governmental Funds* states, in part, "Derived tax revenues arise when a government imposes a tax on an exchange transaction to which it is not a party. The most commonly encountered examples are sales taxes and income taxes." It also states, "A government should recognize a receivable, net of estimated refunds and uncollectible amounts, as soon as the underlying exchange transaction has taken place."

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.03 states, in part, "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

Office of Management and Enterprise Services (OMES) GAAP Conversion Manual for GAAP Package E. Taxes Receivable and Refunds Payable Conversion Package IV. A. 3. states, "Taxes receivables as of June 30 can be estimated by compiling the tax receipts in July and August. Specify by the type of tax. If your agency has a receivable system in place that system should be used."

Office of Management and Enterprise Services (OMES) GAAP Conversion Manual for GAAP Package C. Accounts Receivable/Deferred Revenue Conversion Package IV. A. states, "Calculate or estimate the amount of cash that has been collected or reported, or will be collected or reported, for each type of revenue for any year(s) subsequent to this fiscal year to determine the amount of deferred revenue." Section III. E. states, in part, "Accounts receivable are all amounts that are measurable and due to your agency from parties outside state government at June 30. As of June 30, you either:

- Have billed these non-state parties and not yet collected the related cash, or
- Know that these parties owe you money even though you have not yet billed them."

Condition and Context: We noted the amount reported by the Commission as Taxes Receivable on the GAAP Package E-1 was derived from taxes due to the Commission as of June 30, 2018 and received between July 1, 2018 to August 30, 2018. Since the Commission reported tax payments received between July 1 and August 30, 2018, the remaining taxes due to the Commission as of June 30, 2018 were not accounted for on the GAAP Package E-1. Based on the definition of accrual accounting, the taxes earned and expected to be collected by the Commission as of June 30, 2018 should have been included in the taxes receivable balance reported for SFY 2018.

We noted the amount reported by the Commission as Accounts Receivable on the GAAP Package C-1 was derived from interest and penalties due to the Commission as of June 30, 2018 and received between July 1, 2018 to August 30, 2018. Since the Commission reported interest and penalty payments received between July 1 and August 30, 2018, the remaining interest and penalties due to the Commission as of June 30, 2018 were not accounted for on the GAAP Package C-1. Based the of definition of accrual accounting, the interest and penalties earned and expected to be collected by the Commission as of June 30, 2018 should have been included in the accounts receivable balance reported for SFY 2018.

Cause: The method currently being used by the Commission to calculate Taxes Receivable and Accounts Receivable does not comply with GAAP accrual basis accounting. The method used does not consider all taxes, interest, and penalties due to the Commission at year-end but rather only accounts for the taxes, interest, and penalties collected for July and August related to June 30, 2018.

Effect: The Taxes Receivable amount reported by the Commission on the GAAP Package E-1 and the Accounts Receivable amount reported by the Commission on the GAAP Package C-1 excluded some of the taxes, interest, and penalties due to the Commission at year-end.

Recommendation: We recommend the Commission develop a method to determine and report Taxes Receivables and Accounts Receivable in compliance with the accrual basis of accounting. This method should include taxes, interest, and penalties earned as of year-end.

Views of Responsible Official(s)
Contact Person: Carol McCullar
Anticipated Completion Date: June 30, 2019
Corrective Action Planned: The Commission agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

Reference Number: 18-090-008
State Agency: Office of Management and Enterprise Services
Fund Type: Governmental Activities & General Fund

Criteria: Statewide Accounting Manual paragraph 12.13 *Supervising Internal Control Activities* states, "…Supervisors should systematically review each staff member's work."

A component objective of an effective internal control system is to ensure accurate and reliable information through a proper review and approval process.

Paragraph 13.02 of GAO *Standards for Internal Control in the Federal Government* states, "Management designs a process that uses the entity's objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks."

Paragraph 13.04 of GAO *Standards for Internal Control in the Federal Government* states, "… Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability."

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

Condition: During our review of the preliminary financial statements and statewide adjusting journal entries, we noted 4 material errors that required adjustment to the preliminary financial statements. The errors noted were, as follows:

- An overstatement of the Net Pension Liability by approximately $1.7 billion.
- A misclassification of expenditures resulting in an overstatement of $568.8 million in Social Services expenditures and an understatement of $568.8 million in Education expenditures.
- The recording of an entry from FY 2017 again instead of the entry for FY 2018 resulting in an understatement of Capital Outlay by approximately $33.5 million.
- An understatement of the Government-Wide Net Position of approximately $191.1 million relating to an incorrect recording of Deferred Inflows and Deferred Outflows of Resources Relating to Pensions.

After the errors were discussed with the Financial Reporting Unit at OMES, all necessary corrections were made.

Cause: The current review process in place at OMES did not detect the errors in the adjusting journal entries prior to recording them.

Effect: Material misstatements were present in the preliminary financial statements that were provided to the Auditor's Office.

Recommendation: The agency should review their internal control procedures and implement additional controls to strengthen the review process of the adjusting journal entries and preliminary financial statements to ensure they are adequately reviewed prior to submitting to the Auditor's Office. In addition, we recommend that the agency perform a comparison of preliminary financial statements and adjusting journal entries (government-wide and fund) to the prior year to identify any unexpected change in balances.

Views of Responsible Official(s)
Contact Person: Matt Clarkson
Anticipated Completion Date: June 30, 2019
Corrective Action Planned: The agency agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

End of Financial Statement Findings

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Note: Findings are presented alphabetically by state agency.

OKLAHOMA DEPARTMENT OF EDUCATION

FINDING NO: 2018-010 (Repeat 2017-026)
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Education (USDE)
CFDA NO: 84.010
FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs)
FEDERAL AWARD NUMBER: S010A170036
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Special Tests and Provisions – Annual Report Card, High School Graduation Rate
QUESTIONED COSTS: $0

Criteria: 34 CFR § 200.19(b)(1) *Other academic indicators - High Schools – Graduation Rate* states in part:

"Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i) (A) A State must calculate a "four-year adjusted cohort graduation rate," defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class.
(B) For those high schools that start after grade nine, the cohort must be calculated based on the earliest high school grade.

(ii) The term "adjusted cohort" means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term "students who transfer into the cohort" means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.
(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.
(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.
(2) A student who is retained in grade, enrolls in a General Educational Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort.

(iii) The term "students who graduate in four years" means students who earn a regular high school diploma at the conclusion of their fourth year, before the conclusion of their fourth year, or during a summer session immediately following their fourth year.

(iv) The term "regular high school diploma" means the standard high school diploma that is awarded to students in the State and that is fully aligned with the State's academic content standards or a higher diploma and does not include a GED credential, certificate of attendance, or any alternative award.

(v) In addition to calculating a four-year adjusted cohort graduation rate, a State may propose to the Secretary for approval an "extended-year adjusted cohort graduation rate."

(A) An extended-year adjusted cohort graduation rate is defined as the number of students who graduate in four years or more with a regular high school diploma divided by the number of students who form the adjusted cohort for the four-year adjusted cohort graduation rate, provided that the adjustments account for any students who transfer into the cohort by the end of the year of graduation being considered minus the number of students who transfer out, emigrate to another country, or are deceased by the end of that year.
(B) A State may calculate one or more extended-year adjusted cohort graduation rates."

2 CFR § 200.303(a) – *Internal Controls* states in part, "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Condition and Context: OSDE does not have appropriate policies and procedures in place to ensure that all LEAs maintain appropriate documentation to confirm when students have been removed from the regulatory adjusted cohort. In addition, OSDE does not verify that the LEA maintains appropriate written documentation to support the removal of a student from the regulatory adjusted cohort.

Cause: OSDE was unable to fully implement procedures in 2018 to ensure LEA's maintain documentation to identify all students who have been removed from the regulatory adjusted cohort.

Effect: Failure to review and verify changes to the State's regulatory adjusted cohort could result in faulty graduation rate data being reported.

Recommendation: We recommend that OSDE develop policies and procedures to ensure that LEAs maintain appropriate documentation to confirm when students have been removed from the regulatory adjusted cohort. In addition, we recommend that OSDE develop procedures to adequately verify that LEAs maintain appropriate written documentation to support the removal of a student from the regulatory adjusted cohort.

Views of Responsible Official(s)
Contact Person: Maria Harris
Anticipated Completion Date: June 1, 2019
Corrective Action Planned: The Department of Education concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-014 (Repeat 2017-011)
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Education (USDE)
CFDA NO: 84.010
FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs)
FEDERAL AWARD NUMBER: S010A170036
FEDERAL AWARD YEAR: 2017/2018
CONTROL CATEGORY: Period of Performance
QUESTIONED COSTS: $0

Criteria: 2 CFR § 200.303(a) – *Internal Controls* states in part, "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

20 U.S. Code § 6339 Carryover and waiver (a) - Limitation on carryover states, "Notwithstanding section 1225(b) of this title or any other provision of law, not more than 15 percent of the funds allocated to a local educational agency for any fiscal year under this subpart (but not including funds received through any reallocation under this subpart) may remain available for obligation by such agency for one additional fiscal year."

20 U.S. Code § 6339 *Carryover and waiver (c) - Exclusion* states, "The percentage limitation under subsection (a) of this section shall not apply to any local educational agency that receives less than $50,000 under this subpart for any fiscal year."

Condition and Context: While performing compliance testwork on 25 of 195 LEAs identified by OSDE as having potential carryover amounts (more than 15 percent of the funds allocated for a given year), we noted that four LEAs were not in compliance with the excess carryover requirements. No waiver was granted for any of the four LEA's which would have allowed them to keep the carryover funds. In addition, OSDE failed to release (reduce) FY16 Title I Part A funds for all 4 LEAs and inappropriately included the amounts, which totaled $89,151.03, in the LEA's FY17 Title I Part A allocations.

In addition, OSDE did not maintain supporting documentation used for their initial Excess Carryover Worksheet calculations which would have enabled SAI to adequately verify whether all LEAs were included in the calculations appropriately.

Cause: It appears that OSDE does not have an adequate tracking and review process to 1) ensure that all LEAs subject to carryover requirements are included in the calculation of excess carryover; 2) to ensure that amounts used in the calculation of excess carryover are correct and, 3) to ensure that excess carryover funds that don't meet period of performance are released (reduced) appropriately.

Effect: Failure to 1) appropriately identify LEAs subject to excess carryover requirements; 2) ensure excess carryover amounts are calculated correctly and; 3) to release excess carryover funds timely could result in inappropriate use of Federal funds.

Recommendation: We recommend that OSDE develop and implement an adequate tracking process which is reviewed by someone other than the preparer to ensure that all LEAs subject to carryover requirements are included in the calculation of excess carryover and to ensure that amounts used in the calculation of excess carryover are correct. In addition, we recommended that OSDE develop procedures to ensure the release of excess carryover funds is performed appropriately and timely.

Views of Responsible Official(s)
Contact Person: Gloria Bayouth
Anticipated Completion Date: December 2018
Corrective Action Planned: The Department of Education concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-015 (Repeat 2017-038)
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Education (USDE)
CFDA NO: 84.010 and 84.367
FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant
FEDERAL AWARD NUMBER: S010A170036; S367A170035
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Level of Effort - Supplement not Supplant
QUESTIONED COSTS: $0

Criteria: 20 U.S. Code § 6321 - *Fiscal requirements* states in part:
"(b) *Federal funds to supplement, not supplant, non-Federal funds* -

(1) *IN GENERAL* - A State educational agency or local educational agency shall use Federal funds received under this part only to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds."

20 U.S. Code § 6314 (a) (2) - *Schoolwide programs* states in part:
"(B) *SUPPLEMENTAL FUNDS*- In accordance with the method of determination described in section 6321(b)(2) of this title, a school participating in a schoolwide program shall use funds available to carry out this section only to supplement the amount of funds that would, in the absence of funds under this part, be made available from non-Federal sources for the school, including funds needed to provide services that are required by law for children with disabilities and English learners"

20 U.S. Code § 6623 – *Local uses of funds* states in part:
"(b)*SUPPLEMENT, NOT SUPPLANT*- Funds received under this subpart shall be used to supplement, and not supplant, non-Federal funds that would otherwise be used for activities authorized under this subpart."

2 CFR § 200.303(a) – *Internal Controls* states in part, "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Condition and Context: OSDE was not able to quantifiably demonstrate that Federal expenditures are in compliance with *Level of Effort – Supplement not Supplant* requirements. A review of budgeted items on the Consolidated Application is performed; however, it is a non-documented, cursory review of budgeted items and no system based calculations or manual calculations are used to determine if the budgeted items are in compliance with *Level of Effort – Supplement not Supplant* requirements. Also, the current supplement not supplant procedures are performed only on budgeted items and not on the actual expenditures.

In addition, OSDE did not perform the following *Level of Effort – Supplement not Supplant* determinations:

Non-schoolwide programs-

a. If the LEA used Federal funds to provide services which they were required to make available under Federal, State, or local law and were also made available by funds subject to a supplement not supplant requirement.
b. If the LEA used Federal funds to provide services which were provided with non-Federal funds in the prior year:
   1) Identify the federally funded services.
   2) Perform procedures to determine whether the Federal program funded services that were previously provided with non-Federal funds.
   3) Perform procedures to ascertain if the total level of services applicable to the requirement increased in proportion to the level of Federal contribution.

Schoolwide programs (Title I, Part A only) – For Federal funds consolidated with State and local funds, the LEA provided the school all of the non-Federal funds it would otherwise have received from the LEA if it were not operating a schoolwide program.

Cause: OSDE has not developed and implemented appropriate procedures to quantifiably demonstrate that Federal expenditures are in compliance with the *Level of Effort – Supplement not Supplant* requirements.

Effect: OSDE is unable to accurately identify if Federal funds are being used inappropriately to supplant funds from non-Federal sources.

Recommendation: We recommend that OSDE develop adequate policies and procedures to quantifiably demonstrate that federal expenditures are in compliance with Level of Effort – Supplement not Supplant requirements.

Views of Responsible Official(s)
Contact Person: Gloria Bayouth
Anticipated Completion Date: July 1, 2018
Corrective Action Planned: The Department of Education concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-016 (Repeat 2017-041)
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Education (USDE)
CFDA NO: 84.010, 84.367
FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant
FEDERAL AWARD NUMBER: S010A170036; S367A170035
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Special Tests and Provisions – Access to Federal Funds for New or Significantly Expanded Charter Schools
QUESTIONED COSTS: $0

Criteria: 34 CFR § 76.787 *What definitions apply to this subpart?* - states in part, "For purposes of this subpart - *Significant expansion of enrollment* means a substantial increase in the number of students attending a charter school due to a significant event that is unlikely to occur on a regular basis, such as the addition of one or more grades or educational programs in major curriculum areas. The term also includes any other expansion of enrollment that the SEA determines to be significant."

34 CFR § 76.789 *What are an SEA's responsibilities under this subpart?* - states in part,

"(a) *Information.* Upon receiving notice under § 76.788(a) of the date a charter school LEA is scheduled to open or significantly expand its enrollment, an SEA must provide the charter school LEA with timely and meaningful information about each covered program in which the charter school LEA may be eligible to participate, including notice of any upcoming competitions under the program.

(b)*Allocation of Funds.*

(1) An SEA must allocate funds under a covered program in accordance with this subpart to any charter school LEA that -

(i) Opens for the first time or significantly expands its enrollment during an academic year for which the State awards funds by formula or through a competition under the program;

….

(3) (ii) Except as provided in § 76.792(c), an SEA that receives less than 120 days' actual notice of the date an eligible charter school LEA is scheduled to open or significantly expand its enrollment must allocate funds to the charter school LEA on or before the date the SEA allocates funds to LEAs under the applicable covered program for the succeeding academic year."

34 CFR § 76.791 *On what basis does an SEA determine whether a charter school LEA that opens or significantly expands its enrollment is eligible to receive funds under a covered program?- states,*

"(a) For purposes of this subpart, an SEA must determine whether a charter school LEA is eligible to receive funds under a covered program based on actual enrollment or other eligibility data for the charter school LEA on or after the date the charter school LEA opens or significantly expands its enrollment.
(b) For the year the charter school LEA opens or significantly expands its enrollment, the eligibility determination may not be based on enrollment or eligibility data from a prior year, even if the SEA makes eligibility determinations for other LEAs under the program based on enrollment or eligibility data from a prior year."

34 CFR § 76.792 *How does an SEA allocate funds to eligible charter school LEAs under a covered program in which the SEA awards subgrants on a formula basis?* – states in part,

"(a) For each eligible charter school LEA that opens or significantly expands its enrollment on or before November 1 of an academic year, the SEA must implement procedures that ensure that the charter school LEA receives the proportionate amount of funds for which the charter school LEA is eligible under each covered program."

34 CFR § 76.796 *What are the consequences of an SEA allocating more or fewer funds to a charter school LEA under a covered program than the amount for which the charter school LEA is eligible when the charter school LEA actually opens or significantly expands its enrollment?* - states,

"a) An SEA that allocates more or fewer funds to a charter school LEA than the amount for which the charter school LEA is eligible, based on actual enrollment or eligibility data when the charter school LEA opens or significantly expands its enrollment, must make appropriate adjustments to the amount of funds allocated to the charter school LEA as well as to other LEAs under the applicable program.
(b) Any adjustments to allocations to charter school LEAs under this subpart must be based on actual enrollment or other eligibility data for the charter school LEA on or after the date the charter school LEA first opens or significantly expands its enrollment, even if allocations or adjustments to allocations to other LEAs in the State are based on enrollment or eligibility data from a prior year."

34 CFR § 76.797 *When is an SEA required to make adjustments to allocations under this subpart?* - states in part,

"(a) The SEA must make any necessary adjustments to allocations under a covered program on or before the date the SEA allocates funds to LEAs under the program for the succeeding academic year."

2 CFR § 200.303(a) – *Internal Controls* states in part, "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Condition and Context: When documenting controls over newly opening and significantly expanding charter schools, we determined that the Federal programs department (Title I-Part A, Supporting Effective Instruction State

Grant) did not implement policies and procedures to define the criteria used to determine if a school has significantly expanded (addition of grade level, addition of major curriculum area, etc.) during our audit period.

In addition, when performing testwork for all newly opening and significantly expanding charter schools, OSDE was unable to provide details on any of the new or expanding charter school LEA's/charter school's eligibility or enrollment data for the year in which the school opened or expanded for any of the eleven (11) charter schools which notified OSDE accreditation department that they [charter school] were newly opening or expanding by one or more grade levels effective for the start of the school year. Lastly, OSDE was unable to provide details on how the allocation adjustment for the prior year charter schools that were recognized as new or significantly expanding was handled since OSDE did not correct the prior year finding during our audit period.

Cause: It appears that staff turnover within the Federal programs department along with a failure to correctly apply all of the compliance requirements resulted in OSDE not incorporating appropriate policies and procedures that would ensure that new or significantly expanding charter schools receive the amount of Federal formula funds for which they were eligible in a timely manner.

Effect: New or significantly expanding charter schools did not receive the amount of Federal formula funds for which they were eligible in a timely manner.

Recommendation: We recommended that OSDE develop policies and procedures to:

- Define the criteria used to determine if a school has significantly expanded (addition of grade level, addition of major curriculum area, etc.).
- Track the date the OSDE Accreditation department first receives notice that a charter school is newly opening or significantly expanding to ensure that allocations are adjusted in a timely manner.
- Follow-up on any allocations which are required to be adjusted on or before the date the SEA allocates funds to LEAs under the applicable covered program for the succeeding academic year.
- Ensure proper supporting documentation is maintained for any determinations or allocations of new or significantly expanding charter schools.

Views of Responsible Official(s)
Contact Person: Gloria Bayouth
Anticipated Completion Date: March 2019
Corrective Action Planned: The Department of Education concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-017
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Education (USDE)
CFDA NO: 84.010
FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs)
FEDERAL AWARD NUMBER: S010A170036
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Earmarking and Special Tests and Provisions – Access to Federal Funds for New or Significantly Expanding Charter Schools
QUESTIONED COSTS: $0

Criteria: 34 CFR § 76.787 *What definitions apply to this subpart?* - states in part, "For purposes of this subpart - *Significant expansion of enrollment* means a substantial increase in the number of students attending a charter school due to a significant event that is unlikely to occur on a regular basis, such as the addition of one or more grades or educational programs in major curriculum areas. The term also includes any other expansion of enrollment that the SEA determines to be significant."

ESEA § 4306(c) – "For purposes of implementing the hold-harmless protections in sections 1122(c) and 1125A(f)(3) of the ESEA for a newly opened or significantly expanded charter school LEA, an SEA must calculate a hold-harmless base for the prior year that reflects the new or significantly expanded enrollment of the charter school LEA."

2 CFR § 200.303(a) – *Internal Controls* states in part, "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Condition and Context: When documenting controls over earmarking and newly opening and significantly expanding charter schools, we determined that the Federal programs department did not implement procedures to ensure that the calculation of the hold-harmless base for the prior year reflects the new or significantly expanded enrollment of the charter school LEA's.

Cause: It appears that staff turnover within the Federal programs department along with a failure to correctly apply all of the compliance requirements resulted in OSDE not incorporating appropriate policies and procedures that would ensure that the hold-harmless base for new or significantly expanding charter schools was applied correctly.

Effect: The department is not in compliance with ESEA § 4306(c). In addition, new or significantly expanding charter schools have a higher hold-harmless base than they should have.

Recommendation: We recommend that OSDE develop policies and procedures to calculate the correct hold-harmless amount for new or significantly expanding charter schools.

Views of Responsible Official(s)
Contact Person: Gloria Bayouth
Anticipated Completion Date: March 2019
Corrective Action Planned: The Department of Education concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-019
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Education (USDE)
CFDA NO: 84.010
FEDERAL PROGRAM NAME: Title I, Part A Grants to Local Educational Agencies (LEAs)
FEDERAL AWARD NUMBER: S010A170036
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Special Tests and Provisions – Assessment System Security
QUESTIONED COSTS: $0

Criteria: 2 CFR § 200.303(a*) – Internal Controls states in part*, "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

20 U.S. Code § 6311. *State plans* states in part,

"(b) Academic standards, academic assessments, and accountability

(3) Academic assessments

(C) Requirements

(iii) be used for purposes for which such assessments are valid and reliable, and be consistent with relevant, nationally recognized professional and technical standards"

OAC § 210:10-13-21(a) *Academic Assessment Monitoring Program (AAMP) – Purpose* states in part, "The Oklahoma State Department of Education (OSDE) shall establish and implement the Academic Assessment

Monitoring Program (AAMP) to evaluate school district implementation and compliance with both Federal and State law and regulations related to academic assessments. The rules will bring the state into compliance with the following state and federal statutes and regulations:

(5) This monitoring program is intended to:

(A) Ensure the testing of all eligible students, proper training of school district staff is conducted, test security is maintained, assessments are administered consistently and in a uniform manner as mandated in the Oklahoma Administrative Code (OAC) sections 210:10-13-2, 4, 6, 7, 9, 10, and 11."

OAC § 210:10-13-21(e) *Academic Assessment Monitoring Program (AAMP) – Monitoring Procedures* states in part,

"(2) Desk monitoring.

(D) District Superintendents and District Test Coordinators of the school district to be monitored will receive a Desk Monitoring Checklist, ten (10) working days before the opening of the testing window. The section of the checklist titled, "District Provided Documentation" must be completed and documents returned to the Office of Accountability and Assessments of the Oklahoma State Department of Education within twenty (20) working days from the last testing day of the assessment window."

OAC § 210:10-13-21(f) (1) *Failure to comply with state and federal regulations related to Academic Assessment* states in part,

> "The Office of Accountability and Assessments will provide monitoring results to the district superintendent. The monitoring results will inform a district that they have met or not met requirements of Subsection (a) of these rules related to student academic testing. Districts will be designated as in compliance if all requirements have been met, or if any monitored area is found deficient then the district and the school will be designated as noncompliant. If a district is designated as noncompliant, the Office of Accountability and Assessment staff will annually conduct monitoring activities until the district is in compliant status."

Condition and Context: During our review of controls over the *Monitoring Progress Spreadsheet*, we determined that OSDE did not provide monitoring results to the district superintendent's in a reasonable timeframe for any of the On-Site or Desk Monitoring that was performed in 2018. The documentation was required to be submitted by the school districts by May 25, 2018; however, almost none of the sites were reviewed by November 2018, when we received the initial monitoring log. The majority of the monitoring appears to have been completed in January and February of 2019, approximately 8 to 9 months after the school district's documentation was provided. Lastly, no compliance letters had been sent to district superintendent's as of February 9, 2019.

In addition, the *Monitoring Progress Spreadsheet* is not designed appropriately to ensure compliance. The spreadsheet does not include the date that the desk and on-site monitoring checklists are completed by OSDE, the date the desk and on-site monitoring checklists are reviewed, the date the compliance letter is sent to the District, and whether the compliance letter was sent to the district superintendent and the monitoring status. Also, the desk and on-site monitoring checklists do not include a signature and date for the OSDE employee completing the checklist or, the name and date of the employee who reviews the completed checklist.

Lastly, while testing 47 of 307 monitored sites, we noted the following issues:

- For three sites, the monitoring checklist did not contain DocuSign of Nondisclosure Agreement and District Level Security Forms; however, all three sites were marked as compliant.
- For two sites, the monitoring checklist did not contain the districts policies and procedures. However, both sites were still considered compliant;
- For one site, the district was missing District level Test Security; however, the district was still marked as being compliant.

Cause: The Department does not have adequate controls in place to ensure all desk and on-site monitoring are completed and properly supported. It also appears that OSDE did not have an adequate tracking mechanism to ensure monitoring was completed timely and reviewed appropriately.

Effect: The failure to send compliance letters to district superintendents within a reasonable timeframe can result in schools having insufficient time to implement changes to ensure the school district staff are properly trained before the next testing cycle.

In addition, the failure to ensure that 1) an LEA has appropriate policies and procedures related to test security and, 2) a failure to ensure that the LEA implemented appropriate test security measures could result in testing violations.

Recommendation: We recommend that OSDE continue to work on strengthening controls over proper review and approval of desk and on-site monitoring checklists to ensure compliance with test security. We also recommend that OSDE revise the *Monitoring Progress Spreadsheet* and the desk and on-site monitoring checklists to ensure monitoring procedures are performed within a reasonable timeframe to ensure the district can make changes for the next testing cycle, and that reviews are adequately documented.

Views of Responsible Official(s)
Contact Person: Craig Walker
Anticipated Completion Date: September 30, 2019
Corrective Action Planned: The Department of Education concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-030 (Repeat 2017-035)
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Education (USDE)
CFDA NO: 84.010 and 84.367
FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant
FEDERAL AWARD NUMBER: S010A170036; S367A170035
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Eligibility, Subrecipient Monitoring
QUESTIONED COSTS: $0

Criteria: 2 CFR § 200.331 (d) - *Requirements for pass-through entities* states, "All pass-through entities must:

> **(d)** Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
> (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means."

Title I, Part A, Subpart 1 SEC.1114 (b)(3)- *SCHOOLWIDE PROGRAMS* states,

> "(b) SCHOOLWIDE PROGRAM PLAN. —An eligible school operating a schoolwide program shall develop a comprehensive plan (or amend a plan for such a program that was in existence on the day before the date of the enactment of the Every Student Succeeds Act) that—
>
> > (3) remains in effect for the duration of the school's participation under this part, except that the plan and its implementation shall be regularly monitored and revised as necessary based on student needs to ensure that all students are provided opportunities to meet the challenging State academic standards;

Title I, Part A, Subpart 1 - SEC. 1115. (c) (2) *TARGETED ASSISTANCE SCHOOLS* states,

> "(2) REQUIREMENTS- Each school conducting a program under this section shall assist participating children selected in accordance with subsection (b) to meet the State's proficient and advanced levels of achievement by--

(A) the coordinating of resources provided under this part with other resources; and
(B) reviewing, on an ongoing basis, the progress of participating children and revising the targeted assistance program, if necessary, to provide additional assistance to enable such children to meet the State's challenging student academic achievement standards, such as an extended school year, before- and after-school, and summer programs and opportunities, training for teachers regarding how to identify students who need additional assistance, and training for teachers regarding how to implement student academic achievement standards in the classroom."

2 CFR § 200.303(a) – *Internal Controls* states in part, "The Non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Condition and Context: While performing testwork on 20 of 191 LEAs monitored in SFY 2018, we noted the following issues:

- For two LEAs, the monitoring tool was not completed correctly which shows a lack of proper review;
- For one of the two LEA's noted above, parts of the review were not completed yet the conclusion page showed Meets Requirements. Therefore, the monitoring of the subaward did not provide reasonable assurance that the subrecipient used the subaward for authorized purposes in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

While testing controls over Monitoring, we noted the following:

- OSDE is not adequately verifying during monitoring that existing schoolwide plans are revised as necessary each year based on student needs to ensure that all students are provided opportunities to meet the challenging State academic standards.
- OSDE is not adequately verifying during monitoring that existing targeted assistance plans are 1) reviewed, on an ongoing basis by the LEA to access the progress of participating children and 2) revised, if necessary, to provide additional assistance to enable such children to meet the State's challenging student academic achievement standards.
- Two LEAs had a non-compliant status in the prior year (2017) [Paoli (25-I005) and Optima (70-C009)] and were not included on the 2018 Monitoring Log or re-monitored as required resulting in their Consolidated Applications for SFY 2018 being inappropriately approved as well as their SFY 2018 paid claims being inappropriately approved. We also noted that neither Paoli or Optima were identified on the 2018 Risk Assessment Tool for consolidated monitoring as having failed consolidated monitoring in the prior year.

Cause: OSDE failed to ensure that the consolidated monitoring tool and the monitoring log for 2018 were completed appropriately and adequately reviewed.

In addition, it appears that the consolidated monitoring process includes a review of the Title I Site Plan (a sample of a schoolwide or targeted assistance plan from at least one school); however, the District decides which site plan to submit and no methodology is utilized by OSDE to ensure that the complete population of all existing schoolwide program plans and targeted assistance plans have the possibility of being selected for review.

Effect: Failure to adequately prepare, document and review the consolidated monitoring tool and the monitoring log for 2018 could result in Federal funds being paid to LEAs that are not in compliance with Federal statutes, regulations, and the terms and conditions of the award.

Schools operating under schoolwide programs may not have included the required elements in the schoolwide program plan and, the schoolwide program plan may not have been revised as necessary each year based on student needs to ensure that all students are provided opportunities to meet the challenging State academic standards. In addition, Federal funds included in the schoolwide program may not be used to address specific educational needs that the school identified in the comprehensive needs assessment and that were articulated in the schoolwide program plan.

Schools operating under targeted assistance programs may not have appropriately identified which students would be served under the plan and, the progress of participating children may not have been appropriately assessed on an ongoing basis and the LEA may not have provided adequate, additional assistance to enable such children to meet the State's challenging student academic achievement standards. In addition, Federal funds included in the targeted assistance plan may not be used to provide additional assistance to enable such children to meet the State's challenging student academic achievement standards.

Recommendation: We recommend that OSDE develop policies and procedures to ensure the consolidated monitoring tool and the monitoring log for 2018 are adequately documented, correctly completed, and reviewed appropriately. We also recommend that OSDE develop policies and procedures to ensure that all schoolwide program sites and targeted assistance sites are included in the consolidated monitoring process. In addition, we recommend OSDE ensure that an appropriate monitoring methodology is utilized to ensure that schoolwide program plans and targeted assistance plans come from the complete population of all schoolwide program sites and targeted assistance sites and have the possibility of being selected for review.

Views of Responsible Official(s)
Contact Person: Gloria Bayouth
Anticipated Completion Date: July 1, 2018
Corrective Action Planned: The Department of Education concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-033
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Agriculture (USDA)
CFDA NO: 10.553, 10.555, 10.556, and 10.559
FEDERAL PROGRAM NAME: Child Nutrition Cluster
FEDERAL AWARD NUMBER: 60K300329
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Subrecipient Monitoring, Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions – School Food Accounts; Special Tests and Provisions – Paid Lunch Equity
QUESTIONED COSTS: $0

Criteria: 2 CFR § 200.303(a) – *Internal Controls* states in part, "The Non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

7 CFR § 210.18(o) – *Recordkeeping* states in part, "Each State agency must keep records which document the details of all reviews and demonstrate the degree of compliance with the critical and general areas of review. Records must be retained as specified in § 210.23(c) and include documented corrective action, and documentation of withholding of payments and fiscal action, including recoveries made. Additionally, the State agency must have on file:

(1) Criteria for selecting schools for administrative reviews in accordance with paragraphs (e)(2)(ii) and (i)(2)(ii) of this section.

(2) Documentation demonstrating compliance with the statistical sampling requirements in accordance with paragraph (g)(1)(i) of this section, if applicable."

7 CFR § 225.7(d) – *Program monitoring and assistance* states in part, "The State agency shall conduct Program monitoring and provide Program assistance according to the following provisions:

(1) Pre-approval visits. The State agency shall conduct pre-approval visits of sponsors and sites, as specified below, to assess the applicant sponsor's or site's potential for successful Program operations and to verify information provided in the application. The State agency shall visit prior to approval:

(i) All applicant sponsors which did not participate in the program in the prior year. However, if a sponsor is a school food authority, has been reviewed by the State agency under the National School Lunch Program during the preceding 12 months, and had no significant deficiencies noted in that review, a pre-approval visit may be conducted at the discretion of the State agency. In addition, pre-approval visits of sponsors proposing to operate the Program during unanticipated school closures during the period from October through April (or at any time of the year in an area with a continuous school calendar) may be conducted at the discretion of the State agency;
(ii) All applicant sponsors which, as a result of operational problems noted in the prior year, the State agency has determined need a pre-approval visit; and
(iii) All sites which the State agency has determined need a pre-approval visit.

(2) *Sponsor and site reviews* -

(i) *General.* The State agency must review sponsors and sites to ensure compliance with Program regulations, the Department's non-discrimination regulations (7 CFR part 15) and any other applicable instructions issued by the Department. In determining which sponsors and sites to review, the State agency must, at a minimum, consider the sponsors' and sites' previous participation in the Program, their current and previous Program performance, and the results of previous reviews of the sponsor and sites. When the same school food authority personnel administer this Program as well as the National School Lunch Program (7 CFR part 210), the State agency is not required to conduct a review of the Program in the same year in which the National School Lunch Program operations have been reviewed and determined to be satisfactory."

7 CFR § 225.7(d)(5) – *Program monitoring and assistance - Records* states in part, "Documentation of Program assistance and the results of such assistance shall be maintained on file by the State agency."

Condition and Context: We noted while testing the individual Administrative Reviews (ARs) and Summer Food Service Program (SFSP) Sponsor reviews that controls were not properly designed or implemented: policies and procedures backing up the reviews were not applied consistently and supporting documentation was not maintained. In addition, we noted the following issues:

- One AR contained discrepancies between the AR On-site Assessment Tool and the School Food Authority (SFA) Data Summary Form;
- A sample of 10% of verified applications was not selected and re-verified as required on the AR On-site Assessment Tool;
- OSDE does not perform adequate procedures (calculations) to verify compliance with the following during the AR:
  - The SFA is actually charging students the required paid lunch price in accordance with the results of the PLE Tool calculations.
  - The SFA met the (PLE) equity requirement by furnishing additional funds from non-Federal sources.
  - The amount of non-Federal funds provided was sufficient to cover the difference between the amount calculated by the SFA on the approved PLE Tool and the amount actually charged for paid lunches.

Based on the lack of design and implementation of controls for the Administrative Reviews (ARs) for the National School Lunch Program (NSLP), School Breakfast Program (SBP) and Special Milk Program (SMP), we determined that OSDE is not adequately documenting the procedures used to test and verify the School Food Authorities compliance, and OSDE is not maintaining adequate supporting documentation that would enable a reviewer to confirm how the consultant tested and verified the School Food Authority/ Institutions' compliance with Child Nutrition Program requirements, confirm that the consultant performed the AR appropriately and, to confirm that the consultant's conclusions were valid. In addition, because adequate supporting documentation is not retained by OSDE, SAI is unable to audit OSDE's compliance with the following requirements:

- Activities Allowed/Allowable Costs
- Eligibility (Certification, Benefit Issuance, Provision 1 & 2 & CEP Eligibility, SFSP Site Eligibility)
- Monitoring of Sub-recipients
- Verification of Free & Reduced Meals
- School Food Service Accounts (Separate accounting and 3-month operating balance)
- Paid Lunch Equity (verification of actual amounts received for paid lunches)

In addition, based on lack of design and implementation of controls over the Summer Food Service Program (SFSP) Sponsor reviews, we determined that OSDE is not adequately documenting the procedures used to test and verify the SFSP Sponsors' compliance, and OSDE is not maintaining adequate supporting documentation that would enable a reviewer to confirm that the consultant performed the SFSP Sponsor Review appropriately and to confirm that the consultant's conclusions were valid. In addition, because adequate supporting documentation is not retained by OSDE, SAI is unable to audit OSDE's compliance with the following requirements**:**

- Activities Allowed/Allowable Costs
- Eligibility (Certification, Benefit Issuance, SFSP Site Eligibility)
- Monitoring of Sub-recipients

Cause: We determined that high employee turnover and a lack of understanding of some of the compliance requirements contributed to the deficiencies noted.

Effect: Consultants may not be conducting the AR or SFSP reviews appropriately to ensure sub-recipient noncompliance issues are accurately detected.

Recommendation: We recommend that OSDE develop adequate policies and procedures/controls to ensure sufficient documentation is obtained and maintained by OSDE for all Administrative and SFSP reviews that would allow internal or external reviewers to evaluate whether the tests performed are appropriate and accurate and, whether the analysis conducted, and conclusions reached by the consultants are valid. Additionally, we recommend that OSDE develop policies and procedures/controls to ensure that all AR and SFSP reviews are adequately reviewed based on the documentation maintained.

Views of Responsible Official(s)
Contact Person: Debbie Hamilton
Anticipated Completion Date: October 1, 2020
Corrective Action Planned: The Department of Education does not concur with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

Auditor Response: In accordance with 7 CFR 210.18(0) under *Recordkeeping,* we are unable to adequately test controls and compliance without records which document the details of the review and demonstrate the degree of compliance with the critical and general areas of review. This documentation includes but is not limited to: school meal counts for the claim month; household applications; direct certification reports, annual on-site review by SFA for year of AR, sample of 10% of verified applications, sample of second review of applications, 3 month operating balance calculation per CNP Manual, and calculations to determine that additional funds from appropriate, non-federal sources were collected and sufficient to meet Paid Lunch Equity requirements.

FINDING NO: 2018-034
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Agriculture (USDA)
CFDA NO: 10.558
FEDERAL PROGRAM NAME: Child and Adult Care Food Program (CACFP)
FEDERAL AWARD NUMBER: 60K300330, 60K300349
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Subrecipient Monitoring

QUESTIONED COSTS: $0

Criteria: 2 CFR § 200.303(a) – *Internal Controls* states in part, "The Non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

7 CFR § 226.6(k)(7) – *Administrative reviews of institutions and responsible principals and responsible individuals – Results of Administrative Reviews states, "*The State agency must maintain searchable records of all administrative reviews and their disposition."

7 CFR § 226.6(m)(6) – *Program Assistance - Frequency and number of required institution reviews states in part, "*The State agency must review institutions according to the following schedule:

> (i)Independent centers and sponsoring organizations of 1 to 100 facilities must be reviewed at least once every three years. A review of such a sponsoring organization must include reviews of 10 percent of the sponsoring organization's facilities;
>
> (ii) Sponsoring organizations with more than 100 facilities must be reviewed at least once every two years. These reviews must include reviews of 5 percent of the first 1,000 facilities and 2.5 percent of the facilities in excess of 1,000; and
>
> (iii)New institutions that are sponsoring organizations of five or more facilities must be reviewed within the first 90 days of Program operations."

7 CFR § 226.16 (g) & (h) - *Sponsoring Organization Provisions* states in part,.

> 4) "(g) Each sponsoring organization electing to receive advance payments of program funds for day care homes shall disburse the full amount of such payments within five working days of receipt from the State agency…
>
> 5) (h) Sponsoring organizations shall make payments of program funds to child care centers, adult day care centers, emergency shelters, at-risk afterschool care centers, or outside-school-hours care centers within five working days of receipt from the State agency, on the basis of the management plan approved by the State agency, and may not exceed the Program costs documented at each facility during any fiscal year; except in those States where the State agency has chosen the option to implement a meals times rates payment system. In those States which implement this optional method of reimbursement, such disbursements may not exceed the rates times the number of meals documented at each facility during any fiscal year."

Condition and Context: We noted while testing the individual Administrative Reviews (ARs) that controls were not properly designed or implemented: policies and procedures backing up the reviews were not applied consistently and supporting documentation was not maintained. In addition, we noted the following issues:

- Federal funds for administrative expenses were paid to a Family Day Care Home (FDCH) Sponsor who did not have any Administrative funds approved in their CACFP application and therefore, were not eligible for any administrative payments.
- The amount of actual administrative expenses recorded during the site visit by the consultant on the Administrative Cost Worksheet did not agree with the amount reported by the Sponsor on the April 2018 claim as 'Actual Administrative Costs' and the consultant did not identify the discrepancy in the AR.
- One FDCH Provider claimed 23 meals in excess of the number of children in attendance as reported in the 5-day reconciliation on the AR Tool and the consultant did not identify the discrepancy on the AR Tool.
- The percentage of Providers not at home when the consultant conducted the site visits (50%) exceeded the serious deficiency threshold (25%), however, no serious deficiency was noted on the CACFP AR Tool.
- The Percentage Error Worksheet was calculated incorrectly causing the error rates used to identify serious deficiencies in meal components, quantities and counting and claiming to be substantially lower than it appears they should have been.

- The number of children and hours of attendance reported on the 5-day reconciliation substantially exceeded the home's license capacity for one FDCH Provider and the consultant did not identify the discrepancy in the AR.
- The 5-day reconciliation procedures performed for FDCH Providers who claim shift meals was inadequate to determine if the provider was within the license capacity for all meals served.
- The *Estimate of Milk Needed* form was not completed correctly and did not agree with the corresponding claim for one Sponsor.
- The dates on the 5-day reconciliation were inconsistent with the dates on the meal components and quantities worksheet.

During our control testwork related to Administrative Review tracking of the frequency and number of required reviews, we noted the following issues:

- 121 Independent centers, sponsoring organizations of centers with 1 to 100 centers, and sponsoring organizations of day care homes with 1 to 100 homes were not reviewed at least once every three years.
- Two Sponsoring organizations with more than 100 homes were not reviewed at least once every two years.
- A review was not conducted for one newly participating sponsoring organization with five or more child care facilities within the first 90 days of program operations.

Based on the lack of design and implementation of controls over Administrative Reviews for the Child and Adult Care Food Program, we determined that OSDE is not adequately documenting the procedures used to test and verify the CACFP institutions compliance and, OSDE is not maintaining adequate supporting documentation that would enable a reviewer to confirm that the consultant performed the AR appropriately and to confirm that the consultant's conclusions were valid. In addition, because adequate supporting documentation is not retained by OSDE, SAI is unable to audit OSDE's compliance with the following requirements:

- Activities Allowed/Allowable Costs
- Cash Management - Sponsoring organization must disburse advance and meal reimbursement payments to centers and day care homes under its sponsorship within five working days of receiving them from its State agency
- Eligibility (Individual participant eligibility, Categorical eligibility)
- Monitoring of Subrecipients

Cause: It appears that turnover of staff within the Child Nutrition Program department resulted in a failure to adequately review the CACFP Administrative Review Tracking Log which resulted in the sites not being reviewed timely.

In addition, we determined that high employee turnover and a lack of understanding of some of the compliance requirements contributed to the deficiencies noted.

Effect: OSDE is not in compliance with 7 CFR § 226.6(k)(7) and 7 CFR § 226.6(m)(6). In addition, consultants may not be conducting the AR reviews appropriately to ensure subrecipient noncompliance issues are accurately detected since appropriate documentation is not maintained.

Recommendation: We recommend that OSDE develop adequate policies and procedures/controls to ensure sufficient information and documentation is obtained and maintained by OSDE for all CACFP Administrative Reviews that would allow a reviewer to evaluate whether the tests performed are appropriate and accurate and, whether the analysis conducted, and conclusions reached by the consultants are valid. Additionally, we recommend that OSDE develop policies and procedures/controls to ensure that Administrative Reviews cover the frequency and number of required institutions.

Views of Responsible Official(s)
Contact Person: Debbie Hamilton
Anticipated Completion Date: October 1, 2020

Corrective Action Planned: The Department of Education does not concur with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

Auditor Response: We are unable to adequately test controls and compliance without records which document the details of the review and demonstrate the degree of compliance with the critical and general areas of review. This documentation includes but is not limited to: for Providers - CACFP rosters for free and reduced price meals, approved family-size and income applications, provider enrollment records, daily attendance records, meal count records and purchasing records; For Sponsor – Pre-approval visit and on-site monitoring visit forms, payment voucher/ disbursement records, administrative expenditure records (invoices, agreements, payroll records, canceled checks, etc), and monthly meal counts.

FINDING NO: 2018-036
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Agriculture (USDA)
CFDA NO: 10.553, 10.555, 10.556, and 10.559
FEDERAL PROGRAM NAME: Child Nutrition Cluster
FEDERAL AWARD NUMBER: 60K300329
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Subrecipient Monitoring
QUESTIONED COSTS: $0

Criteria: 2 CFR § 200.331(b) – *Requirements for pass-through entities* states, "All pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring, which may include consideration of such factors as:

(1) The subrecipient's prior experience with the same or similar subawards;

(2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F - Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;

(3) Whether the subrecipient has new personnel or new or substantially changed systems; and

(4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency)."

2 CFR § 200.303(a) – *Internal Controls* states in part, "The Non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Condition and Context: The OSDE Child Nutrition Department has not implemented risk assessment procedures to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the Child Nutrition Program subawards for purposes of determining the appropriate subrecipient monitoring. In addition, OSDE does not have any procedures to 1) identify LEAs that have a demonstrated level of, or are at high risk for, administrative error and 2) perform the required Additional Administrative Reviews (AARs).

Cause: It appears that staff turnover within the OSDE Child Nutrition Department along with changes to the OMB compliance requirements resulted in a lag in implementing this new requirement.

Effect: Failure to properly evaluate risk for subrecipient monitoring may lead to an increased risk of noncompliance by the subgrantees with the terms and conditions of the Child Nutrition Program subawards.

Recommendation: We recommend that the Oklahoma State Department of Education immediately develop and implement the required risk assessment processes to ensure that each subrecipient's risk of noncompliance with

Federal statutes, regulations, and the terms and conditions of the subaward is appropriately evaluated for monitoring purposes.

Views of Responsible Official(s)
Contact Person: Debbie Hamilton
Anticipated Completion Date: October 1, 2019
Corrective Action Planned: The Department of Education concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-037
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Agriculture (USDA)
CFDA NO: 10.558
FEDERAL PROGRAM NAME: Child and Adult Care Food Program (CACFP)
FEDERAL AWARD NUMBER: 60K300330, 60K300349
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Subrecipient Monitoring
QUESTIONED COSTS: $0

Criteria: 2 CFR § 200.331(b) – *Requirements for pass-through entities* states, "All pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring, which may include consideration of such factors as:

> **(1)** The subrecipient's prior experience with the same or similar subawards;
>
> **(2)** The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F - Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
>
> **(3)** Whether the subrecipient has new personnel or new or substantially changed systems; and
>
> **(4)** The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency)."

2 CFR § 200.303(a) – *Internal Controls* states in part, "The Non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Condition and Context: The OSDE Child Nutrition Department has not implemented risk assessment procedures to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the Child and Adult Care Food Program subawards for purposes of determining the appropriate subrecipient monitoring.

Cause: It appears that staff turnover within the OSDE Child Nutrition Department along with changes to the OMB compliance requirements resulted in a lag in implementing this new requirement.

Effect: Failure to properly evaluate risk for subrecipient monitoring may lead to an increased risk of noncompliance by the subgrantees with the terms and conditions of the Child and Adult Care Food Program subawards.

Recommendation: We recommend that the Oklahoma State Department of Education immediately develop and implement the required risk assessment processes to ensure that each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward is appropriately evaluated for monitoring purposes.

Views of Responsible Official(s)
Contact Person: Debbie Hamilton
Anticipated Completion Date: October 1, 2019
Corrective Action Planned: The Department of Education concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-038
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Agriculture (USDA)
CFDA NO: 10.558
FEDERAL PROGRAM NAME: Child and Adult Care Food Program (CACFP)
FEDERAL AWARD NUMBER: 60K300330, 60K300349
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Subrecipient Monitoring
QUESTIONED COSTS: $0

Criteria: Per 2 CFR §200.501(b), "*Single audit.* A non-Federal entity that expends $750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single audit conducted…."

2 CFR § 200.331 states in part, "All pass-through entities must: . . . (f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements."

2 CFR § 200.512(a)(1) *Report submission* states in part, "The audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day."

2 CFR § 200.303(a) – *Internal Controls* states in part, "The Non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Condition and Context: Based on review of subrecipient monitoring controls, it appears more CACFP institutions exceeded the $750,000 threshold in Federal funds expended than are included on the Department's Audit Log for audits due in calendar year 2018. We determined that OSDE's current control process of obtaining each agency's federal expenditures for their prior fiscal year at the time the CACFP application is submitted (September '17 for our audit) has resulted in 1) audits not being submitted on time based largely on subrecipient not finding out timely an audit is required, and 2) some required single audits are not being submitted at all.

While performing test work on 15 of 54 subrecipient audits with due dates in SFY 2018, we noted the following issues:

- For 5 audits tested, the audit was received after the due date, and no letter was sent stating the audit must be received within 15 days of receipt or the subrecipient will be considered seriously deficient;
- For 2 audits tested, the audit was received after the due date, but a letter was sent stating the audit must be received within 15 days of receipt or the subrecipient will be considered seriously deficient;
- For 1 audit tested, OSDE did not actually receive the audit and the omission was not identified.

Cause: It appears that the *Funds Received – CACFP/FDCH'* Report in the CACFP application does not clearly state the fiscal year the subrecipient is providing expenditures for, which results in inaccurate and incomplete audit logs as OSDE cannot adequately verify what fiscal year's data they are receiving from the subrecipient. Also, depending on the subrecipients fiscal year end, OSDE may not identify subrecipients that require a single audit until close to or after the due date for the audit. Lastly, the Department does not list the type of entity and fiscal year end when evaluating all subrecipients over 750k.

Effect: Not all audits are being received and/or performed in accordance with 2 CFR § 200.501(b), 2 CFR § 200.331, and 2 CFR § 200.512(a)(1). In addition, we are unable to determine the exact number of additional audits that should have been received based on the current control structure for gathering subrecipient federal expenditures.

Recommendation: We recommend that OSDE develop and implement a system to track all subrecipient audits on a monthly basis to ensure that all audits are received and in a timely manner. In addition, we recommend OSDE develop and implement procedures on how subrecipient audits that are submitted late will be handled.

Views of Responsible Official(s)
Contact Person: Debbie Hamilton
Anticipated Completion Date: October 1, 2019
Corrective Action Planned: The Department of Education concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-044
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Education (USDE)
CFDA NO: 84.367
FEDERAL PROGRAM NAME: Supporting Effective Instruction State Grant
FEDERAL AWARD NUMBER: S367A170035
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Eligibility

Criteria: 2 CFR § 200.303(a) – *Internal Controls* states in part, "The Non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Condition and Context: Based on our sample of 60 Local Education Agencies (LEA's) tested for Eligibility, we noted the following:

- 8 district reviews where accreditation status reported on the SFY 2017 Accreditation Compliance Visit audit documentation does not support the accreditation status of the LEA listed on the Accreditation Recommendation Master List;
- 1 district review where Accreditation Master List matched the accreditation documentation; however, the Accreditation Compliance Visit form was incomplete because the Regional Accreditation Officer did not answer two questions.
- 1 district review where the Accreditation List matched the accreditation documentation, however code 413 stated the following "If an adjunct teacher is employed, has the district a) obtained local board approval; b) processed a felony search report; c) notified SDE appropriately when required. This question was marked no; which should have resulted in accreditation with one deficiency but was not.

Cause: Based on discussion with the OSDE Accreditation Department, for the 8 districts with accreditation status discrepancies, the Department was not able to identify why the accreditation status reported on the Accreditation Compliance Visit forms did not agree with the Accreditation Recommendation Master List In addition, the Department does not have adequate procedures in place to ensure the results from the Accreditation Compliance Visit reconciles to the Accreditation Recommendation Master List. Lastly, for the two districts for which the reviewer responses on the Accreditation Compliance Visit form matched the accreditation status reported on the Accreditation Master list, the results did not appear to be properly reviewed.

Effect: We determined that there were no districts tested for which the discrepancies noted would have resulted in the district not being accredited. However, inadequate controls over the accreditation process could result in serious accreditation issues not being appropriately identified and addressed.

Recommendation: We recommend that OSDE develop appropriate policies and procedures to ensure 1) the Accreditation Compliance Visit forms are adequately reviewed by someone other than the preparer and, 2) the district's accreditation status is reported correctly.

Views of Responsible Official(s)
Contact Person: Jason Pittenger
Anticipated Completion Date: March 2019
Corrective Action Planned: The Department of Education concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-048
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Agriculture (USDA)
CFDA NO: 10.559
FEDERAL PROGRAM NAME: Child Nutrition Cluster
FEDERAL AWARD NUMBER: 60K300329
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Eligibility
QUESTIONED COSTS: $0

Criteria: 2 CFR § 200.303(a) – *Internal Controls* states in part, "The Non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

7 CFR § 225.6 (b) - *Approval of sponsor applications states in part, …*

> "(1) The State agency must require that all applicant sponsors submit written applications for Program participation to the State agency by June 15. However, the State agency may establish an earlier deadline for the Program application submission. Sponsors applying for participation in the Program due to an unanticipated school closure during the period from October through April (or at any time of the year in an area with a continuous school calendar) shall be exempt from the application submission deadline.
> …
>
> (3) Within 30 days of receiving a complete and correct application, the State agency shall notify the applicant of its approval or disapproval. If an incomplete application is received, the State agency shall so notify the applicant within 15 days and shall provide technical assistance for the purpose of completing the application…"

OSDE internal policy requires that Summer Food Service Programs (SFSP) institutions have an approved application before claims can be submitted and paid.

Condition and Context: While testing 40 of 180 Summer Food Service Program (SFSP) institutions with claims paid during FY17, we noted the following issues:

- For 11 institutions, the FY17 SFSP Application was not submitted to the State agency by June 15, 2017.
- For 7 institutions, the FY17 SFSP Application was not submitted by the institution or approved by OSDE prior to payment of the first claim.
- For 2 institutions, the FY17 SFSP Application was submitted by the institution but not approved by OSDE prior to payment of the first claim.
- One institution did not have an approved FY17 SFSP Application, however, 4 claims totaling $61,519.07 were paid to the institution.

Cause: It appears that turnover of staff within the Child Nutrition Program department contributed to the lack of controls over SFSP application submission and approvals. In addition, it appears that inadequate system edits allowed the payment of FY17 claims when the institution did not have an approved FY17 SFSP application.

Effect: Failure to ensure SFSP applications are properly approved could result in ineligible subrecipients receiving Federal funds.

Recommendation: We recommend that OSDE develop appropriate policies and procedures to 1) ensure SFSP applications are submitted and approved timely, and 2) ensure claims are not paid prior to application submission and approval.

Views of Responsible Official(s)
Contact Person: Debbie Hamilton
Anticipated Completion Date: Summer 2018
Corrective Action Planned: The Department of Education concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-059 (Repeat 2017-044)
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Education (USDE)
CFDA NO: 84.010 and 84.367
FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant
FEDERAL AWARD NUMBER: S010A170036; S367A170035
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Eligibility
QUESTIONED COSTS: $0

Criteria: Title I, Part A, Subpart 1 SEC.1114 (b)(2)- *SCHOOLWIDE PROGRAMS* states,

> "(b) *SCHOOLWIDE PROGRAM PLAN*.—An eligible school operating a schoolwide program shall develop a comprehensive plan (or amend a plan for such a program that was in existence on the day before the date of the enactment of the Every Student Succeeds Act) that—
>
> (1) is developed during a 1-year period, unless—
>
> (A) the local educational agency determines, in consultation with the school, that less time is needed to develop and implement the schoolwide program;" or
>
> (B) the school is operating a schoolwide program on the day before the date of the enactment of the Every Student Succeeds Act, in which case such school may continue to operate such program, but shall develop amendments to its existing plan during the first year of assistance after that date to reflect the provisions of this section"

34 CFR § 200.77 - *Reservation of funds by an LEA* states in part, "Before allocating funds in accordance with § 200.78, an LEA must reserve funds as are reasonable and necessary to -

> (a) Provide services comparable to those provided to children in participating school attendance areas and schools to serve -
>
> (1) Homeless children who do not attend participating schools, including providing educationally related support services to children in shelters and other locations where homeless children may live."

2 CFR § 200.303(a) – *Internal Controls* states in part, "The Non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

OSDE Internal Policy stipulates that a 1% Homeless set-aside is required for LEAs with non-Title I sites in accordance with ESSA, Section 1113(c)(3)(A).

Condition and Context: While documenting controls over Eligibility, we noted that OSDE has not ensured that existing schoolwide plans were amended to reflect the provisions of Every Student Succeeds Act (ESSA).

In addition, for our sample of 40 of 540 LEA consolidated applications tested for Eligibility, we noted that for 8 LEAs the set-aside was less than 1% of the total current year allocations (plus transfers in) for homeless children.

Cause: OSDE did not have controls in place to ensure that schoolwide plans were amended for provisions of ESSA.

In addition, the Federal Programs department failed to adequately review the homeless set-aside amounts on the GMS consolidated applications.

Effect: Schools operating under schoolwide programs may not have included the components required under the provisions of Every Student Succeeds Act in the schoolwide program plans, and therefore may not be in compliance with eligibility re-determination compliance requirements.

Failure to set aside the appropriate amount of funds for homeless children could result in services for homeless children not being provided as required.

Recommendation: We recommend that OSDE develop policies and procedures to ensure that existing schoolwide program plans are amended appropriately to reflect the provisions of Every Student Succeeds Act.

We also recommend OSDE develop policies and procedures to ensure an adequate review is performed on the amounts set-aside for homeless services.

Views of Responsible Official(s)
Contact Person: Gloria Bayouth
Anticipated Completion Date: September 2018
Corrective Action Planned: The Department of Education concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-078 (Repeat 2017-039)
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Education (USDE)
CFDA NO: 84.010
FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs)
FEDERAL AWARD NUMBER: S010A170036
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Special Tests and Provisions – Participation of Private School Children
QUESTIONED COSTS: $0

Criteria: 2 CFR § 200.303(a) – *Internal Controls* states in part, "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

34 CFR 200.62 - *Responsibilities for providing services to private school children* states,

> "(a) After timely and meaningful consultation with appropriate officials of private schools, an LEA must -
>
> (1) In accordance with §§ 200.62 through 200.67 and section 1120 of the ESEA, provide special educational services or other benefits under subpart A of this part, on an equitable basis and in a timely manner, to eligible children who are enrolled in private elementary and secondary schools; and

(2) Ensure that teachers and families of participating private school children participate on a basis equitable to the participation of teachers and families of public school children receiving these services in accordance with § 200.65.

(b)
(1) Eligible private school children are children who -
(i) Reside in participating public school attendance areas of the LEA, regardless of whether the private school they attend is located in the LEA; and
(ii) Meet the criteria in section 1115(b) of the ESEA.
(2) Among the eligible private school children, the LEA must select children to participate, consistent with § 200.64.

(c) The services and other benefits an LEA provides under this section must be secular, neutral and nonideological."

34 CFR 200.64 - *Factors for determining equitable participation of private school children* states in part,
"(a)*Equal expenditures.*
(1) Funds expended by an LEA under subpart A of this part for services for eligible private school children in the aggregate must be equal to the amount of funds generated by private school children from low-income families under paragraph (a)(2) of this section.
(2) An LEA must meet this requirement as follows:
(i)
(A) If the LEA reserves funds under § 200.77 to provide instructional and related activities for public elementary or secondary school students at the district level, the LEA must also provide from those funds, as applicable, equitable services to eligible private school children.
(B) The amount of funds available to provide equitable services from the applicable reserved funds must be proportionate to the number of private school children from low-income families residing in participating public school attendance areas.
(ii) The LEA must reserve the funds generated by private school children under § 200.78 and, in consultation with appropriate officials of the private schools, may -
(A) Combine those amounts, along with funds under paragraph (a)(2)(i) of this section, if appropriate, to create a pool of funds from which the LEA provides equitable services to eligible private school children, in the aggregate, in greatest need of those services; or
(B) Provide equitable services to eligible children in each private school with the funds generated by children from low-income families under § 200.78 who attend that private school.
(b)*Services on an equitable basis.*
(1) The services that an LEA provides to eligible private school children must be equitable in comparison to the services and other benefits that the LEA provides to public school children participating under subpart A of this part.
(2) Services are equitable if the LEA -
(i) Addresses and assesses the specific needs and educational progress of eligible private school children on a comparable basis as public school children;
(ii) Meets the equal expenditure requirements under paragraph (a) of section; and
(iii) Provides private school children with an opportunity to participate that -
(A) Is equitable to the opportunity provided to public school children; and
(B) Provides reasonable promise of the private school children achieving the high levels called for by the State's student academic achievement standards or equivalent standards applicable to the private school children."

ESEA SEC. 1117 (a) (4) (A) *Determination,* states,

"(i) In General.—Expenditures for educational services and other benefits to eligible private school children shall be equal to the proportion of funds allocated to participating school attendance areas based on the number of children from low-income families who attend private schools.

(ii) Proportional Share.—The proportional share of funds shall be determined based on the total amount of funds received by the local educational agency under this part prior to any allowable expenditures or transfers by the local educational agency."

According to the *Title I Non-Regulatory Guidance: Fiscal Changes and Equitable Services Requirements section N-7*, the following provisions are applicable for private school carry-over funds:

> "In general, to ensure that equitable services are provided in a timely manner, an LEA must obligate the funds allocated for equitable services under all applicable programs in the year for which they are appropriated. (ESEA sections 1117(a)(4)(B) and 8501(a)(4)(B).) There may be extenuating circumstances, however, in which an LEA is unable to obligate all funds within this timeframe in a responsible manner. Under these circumstances, the funds may remain available for the provision of equitable services under the respective program during the subsequent school year. In determining how such carryover funds will be used, the LEA must consult with appropriate private school officials. (ESEA sections 1117(b) and 8501(c).)"

Condition and Context: While documenting controls over Participation of Private School Children under Title I Part A, we noted that OSDE does not have policies or procedures to verify that 1) equitable services for private school students were actually provided, and 2) funds allocated for equitable services are obligated in the year for which they were appropriated, or, adequate verification of extenuating circumstances is documented for amounts that should have been used to provide services to private school children in the current year but are carried forward to be used to provide services to private school children in the following year .

In addition, while performing testwork on 6 of the 13 LEA's for equitable participation of private school children under Title I Part A, we noted the following issues:

- For one LEA they budgeted the private school expenditures under function 1000, code 600 instead of function 5500, code 600, indicating that the funds were to be spent from the public share of funds. However, we noticed that the LEA did not spend the amount budgeted under function 1000, code 600 for the private school either; therefore, no equitable services were provided, and the discrepancies were not identified in the review process;
- For two LEAs, the amount allocated for private school students on the Low- Income step #4 of the Consolidated Application did not agree with the budgeted amount for private school services and, it appears that the LEAs failed to set aside the required amount for private school children. In addition, the discrepancies were not identified in the review process;
- For five LEAs, it does not appear that all private school educational services that were planned were provided;
- For five LEAs, it does not appear that funds allocated for equitable services were obligated in the year for which they were appropriated and, it also appears that the LEAs did not have appropriate extenuating circumstances related to the amount of unobligated funds.

Cause: It appears that OSDE does not have adequate policies and procedures to verify the following:

- All participating private school children are included in the allocation process;
- Equitable services for private school students were actually provided, and
- Funds allocated for equitable services are obligated in the year for which they were appropriated, or, adequate verification of extenuating circumstances is documented for amounts carried forward in the following year.

Also, it appears that discrepancies in the Consolidated Applications were not identified due to inadequate review procedures.

Effect: Inadequate policies and procedures and an inadequate review process could result in a failure to provide equitable services to Private/ Nonpublic School children.

Recommendation: We recommend that OSDE develop appropriate policies and procedures to verify the following:

- All participating private school children are included in the allocation process;
- Equitable services for private school students are actually provided; and
- Funds allocated for equitable services are obligated in the year for which they were appropriated, or, adequate verification of extenuating circumstances is documented for amounts carried forward in the following year.

Views of Responsible Official(s)
Contact Person: Gloria Bayouth
Anticipated Completion Date: June 2019
Corrective Action Planned: The Department of Education concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-080 (Repeat 2017-053)
STATE AGENCY: Oklahoma State Department of Education
FEDERAL AGENCY: United States Department of Education (USDE)
CFDA NO: 84.367
FEDERAL PROGRAM NAME: Supporting Effective Instruction State Grant
FEDERAL AWARD NUMBER: S367A170035
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Special Tests and Provisions – Participation of Private School Children
QUESTIONED COSTS: $0

Criteria: 2 CFR § 200.303(a) – *Internal Controls* states in part, "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

34 CFR 200.62 - *Responsibilities for providing services to private school children* states,

"(a) After timely and meaningful consultation with appropriate officials of private schools, an LEA must -
(1) In accordance with §§ 200.62 through 200.67 and section 1120 of the ESEA, provide special educational services or other benefits under subpart A of this part, on an equitable basis and in a timely manner, to eligible children who are enrolled in private elementary and secondary schools; and
(2) Ensure that teachers and families of participating private school children participate on a basis equitable to the participation of teachers and families of public school children receiving these services in accordance with § 200.65.

(b)
(1) Eligible private school children are children who -
(i) Reside in participating public school attendance areas of the LEA, regardless of whether the private school they attend is located in the LEA; and
(ii) Meet the criteria in section 1115(b) of the ESEA.
(2) Among the eligible private school children, the LEA must select children to participate, consistent with § 200.64.

(c) The services and other benefits an LEA provides under this section must be secular, neutral and nonideological."

34 CFR § 299.7 *What are the factors for determining equitable participation of children and teachers in private schools? – states,*

"(a)*Equal expenditures.*
(1) Expenditures of funds made by an agency or consortium of agencies under a program listed in § 299.6 (b) for services for eligible private school children and their teachers and other educational personnel must be equal on a per-pupil basis to the amount of funds expended for participating public school children and

their teachers and other educational personnel, taking into account the number and educational needs of those children and their teachers and other educational personnel.
(2) Before determining equal expenditures under paragraph (a)(1) of this section, an agency or consortium of agencies shall pay for the reasonable and necessary administrative costs of providing services to public and private school children and their teachers and other educational personnel from the agency's or consortium of agencies' total allocation of funds under the applicable ESEA program.

(b)*Services on an equitable basis.*
(1) The services that an agency or consortium of agencies provides to eligible private school children and their teachers and other educational personnel must also be equitable in comparison to the services and other benefits provided to public school children and their teachers or other educational personnel participating in a program under this subpart."

According to the *Title II Non-Regulatory Guidance,* the following provisions are applicable for private school carry-over funds:

> "In general, to ensure that equitable services are provided in a timely manner, an LEA must obligate the funds allocated for equitable services under all applicable programs in the year for which they are appropriated. (ESEA sections 1117(a)(4)(B) and 8501(a)(4)(B).) There may be extenuating circumstances, however, in which an LEA is unable to obligate all funds within this timeframe in a responsible manner. Under these circumstances, the funds may remain available for the provision of equitable services under the respective program during the subsequent school year. In determining how such carryover funds will be used, the LEA must consult with appropriate private school officials. (ESEA sections 1117(b) and 8501(c).)"

ESEA SEC. 1117 (a) (4) (A) *Determination,* states,

> "(i) In General. —Expenditures for educational services and other benefits to eligible private school children shall be equal to the proportion of funds allocated to participating school attendance areas based on the number of children from low-income families who attend private schools.
> (ii) Proportional Share. —The proportional share of funds shall be determined based on the total amount of funds received by the local educational agency under this part prior to any allowable expenditures or transfers by the local educational agency."

20 U.S. Code § 7881(a)(4). *Participation by private school children and teachers – Private School Participation – Expenditures*
– states:
"(B) Obligation of funds
Funds allocated to a local educational agency for educational services and other benefits to eligible private school children shall be obligated in the fiscal year for which the funds are received by the agency."

The U.S. Department of Education publication *Title II, Part A – Teacher and Principal Training and Recruiting Fund Equitable Services to Private School Teachers*, states in part:

> "G-2. What is meant by "equitable participation?
> Participation is considered to be equitable if the public and private educational agencies and institutions: (1) assess, address, and evaluate the needs and progress of both groups of teachers in the same manner; (2) provide approximately the same amount of training and, where appropriate, instruction to teachers with similar needs; (3) spend an equal amount of funds per student to serve public and private school teachers; and (4) provide private school teachers with an opportunity to participate in Title II, Part A program activities equivalent to the opportunity provided public school teachers.
>
> ….

G-9. Must the expenditures that the LEA provides for professional development for private school teachers be equal on a per-pupil basis?

Title IX, Section 9501 of ESEA requires that Title II, Part A services for professional development that are provided to private school teachers and other educational personnel be equitable in comparison to those provided to public school teachers. It also requires that funds provided for professional development for private school teachers be equal on a per-pupil basis."

Condition and Context: While documenting controls over Participation of Private School Children under Title II Part A, we noted that OSDE does not have policies or procedures to verify that 1) equitable services for private school students were actually provided, and 2) funds allocated for equitable services are obligated in the year for which they were appropriated, or, adequate verification of extenuating circumstances is documented for amounts that should have been used to provide services to private school children in the current year but are carried forward to be used to provide services to private school children in the following year.

In addition, while performing testwork on 12 of 27 LEA's for equitable participation of private school children under Title II Part A, we noted the following issues

- For five LEAs, the amount budgeted for Title IIA private schools (account code 5500) does not agree with the amount calculated by the GMS on the Private /Nonpublic Schools share page of the Title IIA application (line 8) and the review did not identify the discrepancy.
- For five LEAs, the required amount was not set aside (budgeted) for private school children;
- For eleven LEAs, OSDE did not appropriately verify that the educational services that were planned were provided;
- For eleven LEAs, it does not appear that funds allocated for equitable services were obligated in the year for which they were appropriated and, it also appears that the LEAs did not have appropriate extenuating circumstances related to the amount of unobligated funds.
- For nine LEAs, expenditures are not equal on a per-pupil basis for public and private school students, teachers and other educational personnel, taking into consideration their numbers and needs as required by 34 CFR section 299.7.

Cause: It appears that OSDE does not have adequate policies and procedures to review/verify the following:

- Private/ Nonpublic School allocations are calculated correctly and the appropriate amounts are set aside for private school children;
- Equitable services for private school students were actually provided, and
- Funds allocated for equitable services are obligated in the year for which they were appropriated, or adequate verification of extenuating circumstances is documented for amounts carried forward in the following year.
- Amounts that should have been used to provide services to private school children in the current year are carried forward to be used to provide services to private school children in the following year.

Also, it appears that discrepancies in the Consolidated Applications were not identified due to inadequate review procedures.

Effect: Inadequate policies and procedures and an inadequate review process could result in a failure to provide equitable services to Private/ Nonpublic School children.

Recommendation: We recommend that OSDE develop appropriate policies and procedures to verify the following:

- Private/ Nonpublic School allocations are calculated correctly and, the appropriate amounts are set aside for private school children;
- Equitable services for private school students are actually provided, and

- Amounts that should have been used to provide services to private school children in the current year are carried forward to be used to provide services to private school children in the following year.

Views of Responsible Official(s)
Contact Person: Gloria Bayouth
Anticipated Completion Date: March 2019
Corrective Action Planned: The Department of Education concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT

FINDING NO: 2018-011 (Repeat 2017-028)
STATE AGENCY: Oklahoma Department of Emergency Management
FEDERAL AGENCY: United States Department of Homeland Security
CFDA NO: 97.036
FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance
FEDERAL AWARD NUMBER: FEMA-1718, FEMA-1876, FEMA-1883, FEMA-4064, FEMA-4109, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324
FEDERAL AWARD YEAR: 2017/2018
CONTROL CATEGORY: Subrecipient Monitoring
QUESTIONED COSTS: $0

Criteria:

Applicable to FEMA-1718, FEMA-1876, FEMA-1883, FEMA-4064, FEMA-4109, & FEMA-4117:

FEMA Public Assistance Program Interim Guidance on 2 CFR Part 200: *VI Guidance Details* states, "On December 26, 2014, DHS adopted, in its entirety, 2 C.F.R. Part 200 through 79 FR 75871, which supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in OMB guidance, including 2 C.F.R. Parts 215, 220, 225, and 230); OMB Circulars A-89, A-102, and A-133; and the guidance in OMB Circular A-50 on Single Audit Act follow-up. At the same time, FEMA removed Part 13 from Title 44 of the Code of Federal Regulations. These superseded OMB Circulars and guidance, including 44 C.F.R. Part 13, will continue to apply to Federal awards made under emergency or major disaster
declarations declared prior to December 26, 2014.

44 CFR § 13.26 – *Non-Federal audit* states, "(a) *Basic rule:* Grantees and subgrantees are responsible for obtaining audits in accordance with the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507); 31 U.S.C. 503, 1111; Executive Order 8248; Executive Order 11541; and revised OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." The audits shall be made by an independent auditor in accordance with generally accepted government auditing standards covering financial audits. (b) *Subgrantees:* State or local governments, as those terms are defined for purposes of the Single Audit Act Amendments of 1996, that provide Federal awards to a subgrantee, which expends $500,000 or more (or other amount as specified by OMB) in Federal awards in a fiscal year, shall: (1) Determine whether State or local subgrantees have met the audit requirements of the Act and whether subgrantees covered by OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," have met the audit requirements of the Act. Commercial contractors (private for-profit and private and governmental organizations) providing goods and services to State and local governments are not required to have a single audit performed. State and local governments should use their own procedures to ensure that the contractor has complied with laws and regulations affecting the expenditure of Federal funds; (2) Determine whether the subgrantee spent Federal assistance funds provided in accordance with applicable laws and regulations. This may be accomplished by reviewing an audit of the subgrantee made in accordance with the Act, Circular A-110, or through other means (e.g., program reviews) if the subgrantee has not had such an audit; (3) Ensure that appropriate corrective action is taken within six months after receipt of the audit report in instance of noncompliance with Federal laws and regulations;

(4) Consider whether subgrantee audits necessitate adjustment of the grantee's own records; and (5) Require each subgrantee to permit independent auditors to have access to the records and financial statements."

Applicable to FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324:

2 CFR § 200.501 - *Audit requirements* states, "(a) *Audit required.* A non-Federal entity that expends $750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part."

Condition and Context: The Department did not track subgrantees that expended over $750,000 in total federal expenditures (from all agencies) for their most recent fiscal year.

Cause: The Department did not have procedures/internal controls in place to ensure that subgrantees' total federal expenditures are being tracked for a given fiscal year. For Public Assistance grant funds, the department failed to track those subgrantees that had an approved Project Worksheet(s) (PW) and the associated expenditures for that same fiscal year.

Effect: The Department is unaware of whether subrecipients complied with the Single Audit requirement for their most recent fiscal year end. In addition, the Department is unaware of potential subgrantee Single Audits with noncompliance issues related to the Public Assistance program. Lastly, the Department has failed to ensure that subgrantees took appropriate corrective action on any relevant findings within the required timeframe.

Recommendation: We recommend the Department develop policies and procedures/internal controls to ensure that all subgrantees subject to Single Audit requirements are tracked for a given fiscal year.

Views of Responsible Official(s)
Contact Person: Daniel Piltz
Anticipated Completion Date: Completed on 10/16/18
Corrective Action Planned: The Department concurs with this finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-012
STATE AGENCY: Oklahoma Department of Emergency Management
FEDERAL AGENCY: United States Department of Homeland Security
CFDA NO: 97.036
FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance
FEDERAL AWARD NUMBER: FEMA-1718, FEMA-1876, FEMA-1883, FEMA-4064, FEMA-4109, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA 4315, FEMA 4324
FEDERAL AWARD YEAR: 2017/2018
CONTROL CATEGORY: Cash Management
QUESTIONED COSTS: $19,632

Criteria: 31 CFR *§ 205.3 (a)(2)(3)* states, Federal assistance programs are subject to subpart A if they meet the funding threshold for a major Federal assistance program and are included in a Treasury-State agreement.

2 CFR § 200.305(b) (1) – *Payments* states, "… Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project."

SFY 2018 Treasury State Agreement section 6.2.1 Average Clearance, states, "The State shall request funds such that they are deposited by ACH on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified in Exhibit II (6-days for CFDA #97.036). The amount of the request shall be for the exact amount of that disbursement."

SFY 2018 Treasury State Agreement section 6.3.2 Programs, states:

97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Recipient: Department of Emergency Management
% of Funds Agency Receives: 100.00
Component: Program
Technique: Average Clearance
Average Day of Clearance: 6 Days

31 CFR *§ 205.12 (b)(5)* states, "Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

2 CFR § 200.303 (a) – *Internal Control* states, "The Non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

Condition and Context: While testing a sample of 13 draws out of a total population of 40 draws, we noted the following:

- Eleven draws were made prior to payment to the subrecipient.
- One draw appears to be for State share payments in the amount of $19,632.30.
- All three draws for advances do not appear to ensure that the time elapsing between the transfer of federal funds to the subrecipient and the disbursement of such funds for program purpose were minimized.

Cause: For the eleven draws the Department did not have adequate procedures/controls in place to ensure subrecipient payments were made at least 6 days prior to the draw. In addition, the state share was drawn down and the Department did not adequately review support prior to making the draw. Lastly, for the advance draws, the Department did not perform during the award monitoring to ensure the time elapsing between the transfer of funds and disbursement were minimized.

Effect: The Department is not complying with 31 CFR *§* 205, 2018 Treasury State Agreement, or 2 CFR *§ 200.305(b)(1)*. In addition, the Department was not tracking the extent of interest events applicable for the fiscal year.

Recommendation: We recommend the Department develop policies and procedures to ensure draws are made in accordance with the clearance pattern for the program. In addition, we recommend the Department develop policies and procedures to ensure that draws made for advances payments are monitored during the award.

Views of Responsible Official(s)
Contact Person: Sandy Henry
Anticipated Completion Date: 4/30/2019
Corrective Action Planned: The Department concurs with this finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-013 (Repeat 2017-015)
STATE AGENCY: Oklahoma Department of Emergency Management
FEDERAL AGENCY: United States Department of Homeland Security
CFDA NO: 97.036
FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance
FEDERAL AWARD NUMBER: FEMA-1718, FEMA-1876, FEMA-1883, FEMA-4064, FEMA-4109, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324
FEDERAL AWARD YEAR: 2017/2018

CONTROL CATEGORY: Cash Management, Period of Performance, Subrecipient Monitoring, and Special Tests and Provisions - Project Accounting
QUESTIONED COSTS: $0

Criteria:

Applicable to FEMA-1718, FEMA-1876, FEMA-1883, FEMA-4064, FEMA-4109, FEMA-4117:

FEMA Public Assistance Program Interim Guidance at 2 CFR Part 200: *VI Guidance Details* states, "On December 26, 2014, DHS adopted, in its entirety, 2 C.F.R. Part 200 through 79 FR 75871, which supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in OMB guidance, including 2 C.F.R. Parts 215, 220, 225, and 230); OMB Circulars A-89, A-102, and A-133; and the guidance in OMB Circular A-50 on Single Audit Act follow-up. At the same time, FEMA removed Part 13 from Title 44 of the Code of Federal Regulations. These superseded OMB Circulars and guidance, including 44 C.F.R. Part 13, will continue to apply to Federal awards made under emergency or major disaster
declarations declared prior to December 26, 2014."

44 CFR § 13.40(a) – *Monitoring by grantees* states, "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity"

44 CFR § 13.21(c) – *Advances* states, *"*Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee."

A-133 Subpart C § .300 (b) – *Auditee responsibilities* states, "The auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Applicable to FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324:

2 CFR § 200.331(b) – *Requirements for pass-through entities* states, "All pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring."

2 CFR § 200.331(d) – *Requirements for pass-through entities* states, "All pass-through entities must Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved."

2 CFR § 200.305(b) (1) – *Payments* states, "… Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project."

Applicable to all disasters: A component objective of an effective internal control system is to ensure accurate and reliable information through a process of proper review and approval.

Condition and Context: We reviewed all ***advances*** and identified $21,305,714.41 that was advanced during SFY 2018 to subgrantees without ensuring supported activities were in compliance with applicable Federal requirements prior to the closeout of the project. The advances represent 40% of the funds provided to subgrantees during the fiscal year. In addition, the Department did not ensure that the subgrantee had the willingness and the ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement. Also, the Department did not evaluate each subgrantee's risk of noncompliance to determine the appropriate subrecipient monitoring.

In addition, for our sample of 10 of the 29 advance payments made to subgrantees, we noted the following:

- All ten advances were not made in accordance with 44 CFR 13.21(c) as OEM failed to monitor the subrecipient to ensure the time was minimized between the transfer of funds and disbursement by the subrecipient;
- One *Request for Advance or Reimbursement Form (15-Alpha)/Payment Request Form* payment was approved as an advance; however, the payment appears to meet the definition of a reimbursement;
- Two State extensions for the associated Project Worksheets (PW) were not maintained; therefore, we were unable to determine if they were approved.

Cause: The Department did not have during the award monitoring procedures/internal controls in place to ensure that funds ***advanced*** to subgrantees were being used in compliance with applicable Federal requirements and to ensure that the subgrantee had the willingness and the ability to minimize the time elapsing between the transfer of the funds and their disbursement. The Department did not implement procedures to ensure that the time elapsing between the transfer of Federal funds to the subrecipient and the disbursement of such funds for program purposes by the subrecipient was minimized. In addition, the Department did not have procedures/internal controls to evaluate each subrecipient's risk of noncompliance.

Lastly, the Department did not properly review the *Request for Advance or Reimbursement Form (15-Alpha)/Payment Request Form* to ensure that the payment met the definition of an advance and failed to maintain proper safeguard controls over State approved extensions.

Effect: The Department is not in compliance with the requirements of 44 CFR 13.40 (a), 44 CFR 13.21 (c), 2 CFR 200.331 (d), and 2 CFR 200.305 (b) (1) for advance payments. Also, it appears that the Department is not in compliance with the requirements of 2 CFR 200.331(b). As a result, failure to perform during the award monitoring of subgrantees for advance payments could lead to federal funds not being disbursed timely and/or in accordance with Federal regulations.

Recommendation: We recommend the Department develop policies and procedures/internal controls to ensure subgrantees receiving ***advance*** funds are monitored prior to the closeout of the project to ensure compliance with the applicable Federal regulations, ensure that subgrantees are minimizing the time between the receipt of funds and their disbursement, and to evaluate each subrecipient's risk of noncompliance. Lastly, we recommend the Department closely review the *Request for Advance or Reimbursement Form (15-Alpha)/Payment Request Form* prior to payment to ensure the correct payment method is selected.

Views of Responsible Official(s)
Contact Person: Alden Graybill and Michael Teague
Anticipated Completion Date: 5/1/2019
Corrective Action Planned: The Department concurs with this finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-047 (Repeat 2017-048)
STATE AGENCY: Oklahoma Department of Emergency Management
FEDERAL AGENCY: United States Department of Homeland Security
CFDA NO: 97.036
FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance
FEDERAL AWARD NUMBER: FEMA-1718, FEMA-1876, FEMA-1883, FEMA-4064, FEMA-4109, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324
FEDERAL AWARD YEAR: 2017/2018
CONTROL CATEGORY: Reporting
QUESTIONED COSTS: $0

Criteria: The instructions for SF-425 for line 10b – *Cash Disbursements* states, “enter the cumulative amount of Federal fund disbursements by the grantee (such as cash or checks) as of the reporting period end date. Disbursements are the sum of actual cash disbursements (of Federally authorized funds) for direct charges for goods and services, the amount of indirect expenses charged to the award, and the amount of cash advances and payments (of Federally authorized funds) made to subrecipients and contractors.”

The instructions for SF-425a for line 10b – *Cumulative Federal Cash Disbursements* states, “enter the cumulative amount of the Federal share of cash disbursed for each award. Cash disbursements are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expenses charged to the award, and the amount of cash advances and payments made to subrecipients and contractors.”
Per 2 CFR §200.62, “*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports.”

2 CFR § 200.303 (a) – *Internal Control* states, “The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information. In addition, a key element of internal controls is the performance of a reconciliation of funds between the agency and external records. The reconciliation process is essential because it ensures that accounting records are accurate and errors are detected and corrected in a timely manner.

Condition and Context: The Department is responsible for reporting cumulative disbursements (line 10b) for each open disaster on the SF-425 and SF-425a quarterly to FEMA. Since we were unable to rely on the 6/30/17 SF-425 reports, we started with the 6/30/16 SF-425 reports and added subrecipient and management costs for the last two years to get to the 6/30/18 totals that should have been reported. We then compared the amounts reported at 6/30/18 on the SF-425 and SF-425a (in Column F) to what we calculated and noted the following variances for the disasters reported:

	A	B	C	D	E	(A+B+C+D+E)	F	
DR	6/30/16 SF-425 Line 10b	SFY17 Payments	SFY17 Mgmt Draws	SFY18 Payments	SFY18 Mgmt Draws	Total	6/30/18 SF-425 Line 10b	Difference
1718	$ 17,751,999.41	$ (8,730.11)		$ 743,701.55		$ 18,486,970.85	$ 17,304,864.88	$ 1,182,105.97
1754	$ 20,333,175.05		$ 66,331.83			$ 20,399,506.88	$ 20,399,506.88	$ -
1823	$ 9,203,600.91					$ 9,203,600.91		$ 9,203,600.91
1876	$ 18,063,583.71			$ 22,367.96		$ 18,085,951.67		$ 18,085,951.67
1883	$ 112,713,931.97	$ 4,210,055.44		$ 682,906.12		$ 117,606,893.53	$ 116,840,683.60	$ 766,209.93
1917	$ 5,997,664.40			$ 417,310.46		$ 6,414,974.86		$ 6,414,974.86
1926	$ 3,363,736.78					$ 3,363,736.78	$ 3,363,736.78	$ -
1970	$ 3,740,646.02	$ 1,130,659.28				$ 4,871,305.30		$ 4,871,305.30
1988	$ 3,860,283.53	$ 78,901.19				$ 3,939,184.72	$ 3,860,283.53	$ 78,901.19
1989	$ 7,204,824.78	$ 8,345.55	$ 8,345.55			$ 7,221,515.88		$ 7,221,515.88
4064	$ 2,723,747.68	$ 8,429.72		$ 53,611.00		$ 2,785,788.40	$ 2,783,830.62	$ 1,957.78
4109	$ 45,357,148.13	$ 12,247,353.01		$ 68,015.07		$ 57,672,516.21	$ 57,646,680.55	$ 25,835.66
4117	$ 41,862,497.70	$ 1,482,661.03	$ 63,115.78	$ 4,347,748.96		$ 47,756,023.47	$ 47,387,339.13	$ 368,684.34
4164	$ 3,990,899.35					$ 3,990,899.35	$ 3,947,030.06	$ 43,869.29
4222	$ 35,823,098.84	$ 9,842,084.24	$ 1,892,657.00	$ 7,660,129.09		$ 55,217,969.17	$ 55,246,695.43	$ (28,726.26)
4247	$ 12,432,786.90	$ 9,359,850.88	$ 20,326.27	$ 5,583,725.03	$ 615,889.73	$ 28,012,578.81	$ 28,004,743.86	$ 7,834.95
4256		$ 28,955,962.44	$ 302,066.00	$ 7,538,583.73	$ 351,236.27	$ 37,147,848.44	$ 37,147,848.44	$ -
4274		$ 387,909.89	$ 18,200.36	$ 729,218.28	$ 24,954.64	$ 1,160,283.17	$ 1,150,905.42	$ 9,377.75
4299		$ 241,209.56		$ 18,202,809.58	$ 142,025.00	$ 18,586,044.14	$ 18,589,559.77	$ (3,515.63)
4315				$ 5,005,959.22	$ 78,600.00	$ 5,084,559.22	$ 11,061,406.74	$ (5,976,847.52)
4324				$ 1,857,172.09	$ 41,037.00	$ 1,898,209.09	$ 1,898,209.09	$ -
	$ 344,423,625.16	$ 67,944,692.12	$ 2,371,042.79	$ 52,913,258.14	$ 1,253,742.64	$ 468,906,360.85	$ 426,633,324.78	$ 42,273,036.07

	A	B	C	D	E	(A+B+C+D+E)	F	
DR	6/30/16 SF-425A Line 10b	SFY17 Payments	SFY17 Mgmt Draws	SFY18 Payments	SFY18 Mgmt Draws	Total	6/30/18 SF-425A Line 10b	Difference
1718	$ 17,751,999.41	$ (8,730.11)		$ 743,701.55		$ 18,486,970.85	$ 17,304,864.88	$ 1,182,105.97
1754	$ 20,333,175.05		$ 66,331.83			$ 20,399,506.88		$ 20,399,506.88
1823	$ 9,203,600.91					$ 9,203,600.91		$ 9,203,600.91
1876	$ 18,063,583.71			$ 22,367.96		$ 18,085,951.67		$ 18,085,951.67
1883	$ 112,713,931.97	$ 4,210,055.44		$ 682,906.12		$ 117,606,893.53	$ 116,949,567.71	$ 657,325.82
1917	$ 5,997,664.40			$ 417,310.46		$ 6,414,974.86		$ 6,414,974.86
1926	$ 3,363,736.78					$ 3,363,736.78		$ 3,363,736.78
1970	$ 3,740,646.02	$ 1,130,659.28				$ 4,871,305.30		$ 4,871,305.30
1988	$ 3,860,283.53	$ 78,901.19				$ 3,939,184.72		$ 3,939,184.72
1989	$ 7,204,824.78	$ 8,345.55	$ 8,345.55			$ 7,221,515.88		$ 7,221,515.88
4064	$ 2,723,747.68	$ 8,429.72		$ 53,611.00		$ 2,785,788.40	$ 2,783,830.62	$ 1,957.78
4109	$ 45,969,922.85	$ 12,247,353.01		$ 68,015.07		$ 58,285,290.93	$ 57,646,680.55	$ 638,610.38
4117	$ 41,862,497.70	$ 1,482,661.03	$ 63,115.78	$ 4,347,748.96		$ 47,756,023.47	$ 47,387,339.13	$ 368,684.34
4164	$ 3,990,899.35					$ 3,990,899.35	$ 3,947,030.06	$ 43,869.29
4222	$ 35,823,098.84	$ 9,842,084.24	$ 1,892,657.00	$ 7,660,129.09		$ 55,217,969.17	$ 55,246,695.43	$ (28,726.26)
4247	$ 12,432,786.90	$ 9,359,850.88	$ 20,326.27	$ 5,583,725.03	$ 615,889.73	$ 28,012,578.81	$ 28,004,743.86	$ 7,834.95
4256	$ -	$ 28,955,962.44	$ 302,066.00	$ 7,538,583.73	$ 351,236.27	$ 37,147,848.44	$ 37,147,848.44	$ -
4274	$ -	$ 387,909.89	$ 18,200.36	$ 729,218.28	$ 24,954.64	$ 1,160,283.17	$ 1,150,905.42	$ 9,377.75
4299	$ -	$ 241,209.56		$ 18,202,809.58	$ 142,025.00	$ 18,586,044.14	$ 18,589,559.77	$ (3,515.63)
4315	$ -			$ 5,005,959.22	$ 78,600.00	$ 5,084,559.22	$ 11,061,406.74	$ (5,976,847.52)
4324	$ -			$ 1,857,172.09	$ 41,037.00	$ 1,898,209.09	$ 1,898,209.09	$ -
	$ 345,036,399.88	$ 67,944,692.12	$ 2,371,042.79	$ 52,913,258.14	$ 1,253,742.64	$ 469,519,135.57	$ 399,118,681.70	$ 70,400,453.87

We noted that for 5 ***open*** disasters at 6/30/18 we were not provided with an SF-425 report, as indicated by the blank amount in column F; therefore, it appears an SF-425 report was not submitted.

We noted that for 8 ***open*** disasters at 6/30/18 were not included on the SF-425a report, as indicated by the blank amount in column F; therefore, it appears an SF-425a report was not submitted.

Cause: The Department did not have adequate controls in place to ensure the SF-425 and SF-425a were reconciled on a quarterly basis prior to submission to FEMA.

Effect: The Department understated the cumulative amount of the cash disbursements at 6/30/18 for all open Public Assistance disasters by approximately $42,273,036 on the SF-425 and $70,400,454 on the SF-425a.

Recommendation: We recommend the Department of Emergency Management develop policies and procedures/internal controls to ensure that the amounts and disasters reported on the SF-425 and SF-425a are calculated in accordance with the instructions and agree to the accounting records. Also, we recommend the Department perform an adequate and timely reconciliation of SF-425a and SF-425 prior to submitting to FEMA.

Views of Responsible Official(s)
Contact Person: Sandy Henry
Anticipated Completion Date: 10/1/2019
Corrective Action Planned: The Department concurs with this finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-057
STATE AGENCY: Oklahoma Department of Emergency Management
FEDERAL AGENCY: United States Department of Homeland Security
CFDA NO: 97.036
FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance
FEDERAL AWARD NUMBER: FEMA-1718, FEMA-1876, FEMA-1883, FEMA-4064, FEMA-4109, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324
FEDERAL AWARD YEAR: 2017/2018
CONTROL CATEGORY: Reporting
QUESTIONED COSTS: $0

Criteria: Per 2 CFR § 200.62, "*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports."

Per 2 CFR § 200.510 (b), "*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended…."

Per 2 CFR § 200.502 (a), "*Determining Federal awards expended.* The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs…."

OMES Form Z Instructions – IV. Specific Instructions B (5), "Detailed data should be maintained for both receipts and disbursements to support amounts submitted."

OMES Form Z Instructions – IV. Specific Instructions C - Working Papers, "The agency should keep any documents that support data on the summary. For example, agencies should thoroughly document: How you computed each amount. The source(s) of data for each amount. Track amounts provided to subrecipients (Non-state agencies and higher education institutions). Track amounts transferred to other state agencies."

Condition and Context: The SFY 2018 *Schedule of Expenditures of Federal Awards* (SEFA – GAAP Package Z) for the Department incorrectly reports the total federal cash basis and accrual basis expenditures as follows:

	Current Total Federal Expenditures	Revised Total Federal Expenditures	Variance
(5) Cash Basis	70,893,786	51,764,999	(19,128,787)
Revenue and Expenditure Accrual Adjustments			
(6) Prior Year Federal Accounts Receivable			
(7) Prior Year Federal Accounts Payable	(205,857)	(205,857)	-
(8) Current Year Federal Accounts Receivable			
(9) Current Year Federal Accounts Payable	467,504	6,504,464	6,036,960
(10) Total	$ 71,155,433	$ 58,063,606	$ (13,091,827)

Cause: It appears the Department calculated the cash basis expenditure amount and current year Federal accounts payable based on the accounting date entered into the statewide accounting system rather than when the expense occurred, and the error was not detected during review. In addition, it appears the Department did not maintain support for the cash basis expenditures reported to the Office of Management and Enterprise Services (OMES) on 10/25/18 as part of the CAFR reporting.

Effect: The Department's total federal expenditures were overstated by $13,091,827.

Recommendation: We recommend the Department review the current procedures and implement the necessary controls to ensure accurate reporting of total federal expenditures on the SEFA.

Views of Responsible Official(s)
Contact Person: Sandy Henry
Anticipated Completion Date: 4/1/2019
Corrective Action Planned: The Department concurs with this finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-069
STATE AGENCY: Oklahoma Department of Emergency Management
FEDERAL AGENCY: United States Department of Homeland Security
CFDA NO: 97.036, 97.042
FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance, Emergency Management Performance Grants
FEDERAL AWARD NUMBER: FEMA-1718, FEMA-1876, FEMA-1883, FEMA-4064, FEMA-4109, FEMA-4117, FEMA-4222, FEMA-4247, FEMA-4256, FEMA-4274, FEMA-4299, FEMA-4315, FEMA-4324
FEDERAL AWARD YEAR: 2017/2018
CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
QUESTIONED COSTS: $45,777

Criteria: 2 CFR 200.405 (d) *Allocable costs* states, "Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, …, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis."

2 CFR §200.62, "Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: . . . (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award and

(b) Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program. . . .”

2 CFR 200.403 (a) *Factors affecting allowability of costs* states, “Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:
Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.”

2 CFR 200.431 (c) *Compensation – fringe benefits* states, . . . “Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.”

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

Condition and Context: The Office of Management and Enterprise Services (OMES) informed agencies in February 2018 that any excess Pathfinder contributions (account code 513300 in the Statewide Accounting System) that went to the OPERS defined benefit plan would not be allowed to be charged to Federal grants. The Federal government maintains that the amount used to fund the defined benefit plan is an overcharge to Federal programs. As a result, OMES informed the agencies they would repay the unallowable costs from inception (state fiscal year 2016) through 2/20/18. However, any agencies charging Federal grants for the unallowable cost after that point would be required to repay on their own.

When reviewing the excess Pathfinder costs for OEM, we noted of the total $61,323, $45,777 was charged to the Federal grant Emergency Management Performance Grant (EMPG) – CFDA #97.042 during SFY 2018. Of the $45,777 of unallowable costs charged to Federal grants for state fiscal year 2018, $11,010 was charged from 2/21/18 to 6/30/18. Based on our discussion with the Department and review of the employees whose time was charged to the EMPG, it appears that a large portion of those Pathfinder unallowable costs applied to the Public Assistance grant.

The remaining $15,546 was state charges to E-911 Grant for class-fund 22000 and appropriated costs from class fund 19801(non-Federal).

Cause: The Department was unaware that excess Pathfinder contributions were an unallowable charge until they were made aware by OMES.

In addition, it appears the Department did not have a proper way of allocating costs as the Federal share of all management costs were charged to EMPG regardless of what Federal grant they worked on.

Effect: Of the total $45,777 in excess Pathfinder contributions overcharged to Federal programs, and required to be reimbursed to the Federal agency, the Department is responsible for the amount of $11,010, and OMES is responsible for the amount of $34,767.

The Federal share of management costs charged to OEM’s Federal grants have not been charged according to actual time worked on the grant.

Recommendation: We recommend the Department develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants. In addition, we recommend the Department develop and implement procedures to ensure management costs for Federal grants are charged according to actual time worked on the grant.

Views of Responsible Official(s)
Contact Person: Sandy Henry
Anticipated Completion Date: 6/30/2019
Corrective Action Planned: The Department concurs with this finding. Please see the corrective action plan located in the corrective action plan section of this report. Also, please see the OMES Pathfinder summary in Appendix I.

OKLAHOMA EMPLOYMENT SECURITY COMMISSION

FINDING NO: 2018-022 (Repeat 2017-055)
STATE AGENCY: Oklahoma Employment Security Commission
FEDERAL AGENCY: U.S. Department of Labor
CFDA NO: 17.225
FEDERAL PROGRAM NAME: Unemployment Insurance
FEDERAL AWARD NUMBER: N/A – Related to Payments from Employers
FEDERAL AWARD YEAR: 2017 and 2018
CONTROL CATEGORY: Special Tests and Provisions
QUESTIONED COSTS: $0

Criteria: 2 C.F.R. §200.303(a) states in part, "The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

42 U.S. Code § 503 (a) (11) states, "The Secretary of Labor shall make no certification for payment to any State unless he finds that the law of such State, approved by the Secretary of Labor under the Federal Unemployment Tax Act [26 U.S.C. 3301 et seq.], includes provision for -

(A) At the time the State agency determines an erroneous payment from its unemployment fund was made to an individual due to fraud committed by such individual, the assessment of a penalty on the individual in an amount of not less than 15 percent of the amount of the erroneous payment; and
(B) The immediate deposit of all assessments paid pursuant to subparagraph (A) into the unemployment fund of the State."

40 O.S. § 2-613 (1) states, "Fraud overpayment: in which an individual intentionally makes a false statement or representation or fails to disclose a material fact, and has received any sum as benefits to which the individual was not entitled. The individual shall be liable to repay this sum, plus a penalty of twenty-five percent (25%) of the amount of the original overpayment and interest at the rate of one percent (1%) per month on the unpaid balance of the overpayment, to the Oklahoma Employment Security Commission. Three-fifths (3/5) of the penalty amount collected shall be deposited in the Unemployment Trust Fund for the State of Oklahoma and the remaining two-fifths (2/5) shall be deposited in the Oklahoma Employment Security Commission Revolving Fund. The interest shall cease to accrue when the total accrued interest equals the amount of the overpayment. If an overpayment is modified, the interest shall cease to accrue when the total accrued interest equals the amount of the modified overpayment. The Commission shall deduct the principal sum from any future benefits payable to the individual;"

Per 2 CFR Part 200, Appendix XI (Compliance Supplement) Part 4 –Unemployment Insurance: UI Program Integrity (Part N5), "The Bipartisan Budget Act of 2013 (Pub. L. No. 113-67) amended Section 303 of the Social Security Act to require States to utilize the Treasury Offset Program (TOP), authorized by Section 6402(f)(4), Internal Revenue Code, to recover overpayments that remain uncollected one year after the debt was determined to be due."

Condition and Context: During SFY 2018, the Agency failed to assess and collect penalties in the amount of $646,840 applicable to overpayments that were due to fraud. Additionally, the Agency did not take timely action under section 6402(f) of the Internal Revenue Code of 1986 to recover debt resulting from fraudulent overpayments determined to be uncollected after 1 year by participating in the Treasury Offset Program of the U.S. Department of Treasury during the full SFY 2018.

Cause: The Agency does not have adequate system in place to ensure compliance with 40 O.S. § 2-613 (1). Additionally, the Agency did not enter into an agreement to collect overpayments via the Treasury Offset Program until January 26, 2018 and the Agency's procedures are not designed to maximize the collection of unemployment compensation debt that remained uncollected one year after the debt was determined to be due.

Effect: The Agency is not in compliance with the criteria above. Additionally, overpayments are not properly recovered and the program may have lost funds by not participating in the Treasury Offset Program during the full SFY 2018.

Recommendation: We recommend the Agency design its system to ensure compliance with 40 O.S. § 2-613 (1) to include the assessment of a 25% penalty applicable to fraud overpayments with 3/5 of the penalty amount collected being deposited into the Unemployment Trust Fund.

Views of Responsible Official(s)
Contact Person: *Shalonda Sanders*
Anticipated Completion Date: 06/30/2019
Corrective Action Planned: The Oklahoma Employment Security Commission agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-060
STATE AGENCY: Oklahoma Employment Security Commission
FEDERAL AGENCY: U.S. Department of Labor
CFDA NO: 17.225
FEDERAL PROGRAM NAME: Unemployment Insurance
FEDERAL AWARD NUMBER: UI-31619-18-60-A-40 and UI-31312-18-55-A-40
FEDERAL AWARD YEAR: 2017 and 2018
CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
QUESTIONED COSTS: $23,362

Criteria: 2 CFR 200.405 (d) *Allocable costs* states, "Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, …, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis."

2 CFR §200.62, "Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: . . . (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award and (b) Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program. . . ."

2 CFR 200.403 (a) *Factors affecting allowability of costs* states, "Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:
Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles."

2 CFR 200.431 (c) *Compensation – fringe benefits* states, . . . "Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices."

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

Condition and Context: The Office of Management and Enterprise Services (OMES) informed agencies in February 2018 that any excess Pathfinder contributions (account code 513300 in the Statewide Accounting System) that went to the OPERS defined benefit plan would not be allowed to be charged to Federal grants. The Federal government maintains that the amount used to fund the defined benefit plan is an overcharge to Federal programs. As a result, OMES informed the agencies they would repay the unallowable costs from inception (state fiscal year 2016) through 2/20/18. However, any agencies charging Federal grants for the unallowable cost after that point would be required to repay on their own.

When reviewing the excess Pathfinder costs for Oklahoma Employment Security Commission (OESC), we noted that a total of $23,362 of unallowable costs were charged to the Unemployment Insurance Program – CFDA #17.225 during SFY 2018. Of the $23,362 of unallowable costs charged to the Federal grant for state fiscal year 2018, $8,534 was charged for the period 2/21/18 to 6/30/18.

Cause: The Commission was unaware it was an unallowable cost until notified by OMES. Also, the Commission did not ensure that charges made to the UI program for unallowable costs was discontinued after 2/20/2018.

Effect: Of the total $23,362 in excess Pathfinder contributions overcharged to the Federal program, and required to be reimbursed to the Federal agency, the Commission is responsible for the amount of $8,534, and OMES is responsible for the amount of $14,828.

Recommendation: We recommend the Commission develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants.

Views of Responsible Official(s)
Contact Person: Riley Shaull
Anticipated Completion Date: Unable to comply with auditor recommendations
Corrective Action Planned: The Oklahoma Employment Security Commission does not agree with the finding. Please see the corrective action plan located in the corrective action plan section of this report. Also, please see the OMES Pathfinder summary in Appendix I.

OKLAHOMA HEALTH CARE AUTHORITY

FINDING NO: 2018-008 (Repeat 2017-002)
STATE AGENCY: Oklahoma Health Care Authority
FEDERAL AGENCY: United States Department of Health and Human Services
CFDA NO: 93.767; 93.778
FEDERAL PROGRAM NAME: Children's Health Insurance Program (CHIP); Medicaid Cluster (MAP)
FEDERAL AWARD NUMBER: 1705OK5021; 1705OK0301; 1805OK5021; 1705OK5MAP; 1805OK5MAP
FEDERAL AWARD YEAR: 2017 and 2018
CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility

Criteria: 45 CFR §75.303 states, "The non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.03 states, in part, "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."
The GAO Standards for Internal Control in the Federal Government 10.13 states, in part, "Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties."

Adequate internal controls over access and accountability for resources include (1) limiting access to resources and records to authorized individuals and (2) assigning and maintaining accountability for the custody and use of resources.

Adequate internal controls over separation of duties and supervision include separating key duties and responsibilities in authorizing, processing, recording, and reviewing official agency transactions.

Condition and Context: The Independent Service Auditor's Report on the Service Organization's System (SOC-1) for the period of September 1, 2016 to August 31, 2017 indicated control issues related to the job scheduling and access to data and programs control objectives and related controls for the general computer controls. *This condition only applies to a portion of state fiscal year 2018, July through August of 2017.*

Cause: The service organization did not ensure users were restricted only to either development or production access in the job scheduling, nor did they ensure active users had appropriate access or terminated users were eliminated from the access to data and programs.

Effect: Access to both development and production, and inappropriate user access increases the risk of waste, loss, unauthorized use or misappropriation of state and federal funds.

Recommendation: We recommend the Authority continue to follow-up with the service organization and ensure noted deficiencies are addressed and corrective actions noted in the SOC-1 report are implemented in a timely manner.

Views of Responsible Official(s)
Contact Person: Josh Richards
Anticipated Completion Date: 9/1/2017
Corrective Action Planned: The Authority agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-023 (Repeat 2017-004)
STATE AGENCY: Oklahoma Health Care Authority
FEDERAL AGENCY: United States Department of Health and Human Services
CFDA NO: 93.778
FEDERAL PROGRAM NAME: Medicaid Cluster (MAP)
FEDERAL AWARD NUMBER: 1705OK5MAP and 1805OK5MAP
FEDERAL AWARD YEAR: 2017 and 2018
CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility
QUESTIONED COSTS: $36,471

Criteria: 42 CFR §435.916(b) states in part, "The agency must redetermine the eligibility of Medicaid beneficiaries excepted from modified adjusted gross income under §435.603(j) of this part, for circumstances that may change, at least every 12 months".

42 CFR §431.10(c)(2) states, "The Medicaid agency may delegate authority to make eligibility determinations or to conduct fair hearings under this section only to a government agency which maintains personnel standards on a merit basis."

42 CFR §431.10(c)(3)(ii) states in part, "The Medicaid agency must exercise appropriate oversight over the eligibility determinations and appeals decisions made by such agencies ..."

45 CFR §75.303 states, "The non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government"

issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

Additionally, a component objective of generally accepted accounting principles is to provide accurate and reliable information.

Condition and Context: The Authority delegates the Oklahoma Department of Human Services (DHS) to determine eligibility for non-MAGI (modified adjusted gross income) recipients.

- For four of the 72 (5.56%) non-MAGI recipients of Medical Assistance Program payments tested, a redetermination of Medicaid eligibility had not been performed within 12 months of the last eligibility determination or redetermination and benefits were not discontinued after the period of eligibility expired. However, only three of those recipients had claims paid during SFY 2018. The recipient was ineligible for a portion of state fiscal year 2018.
- For four of the 72 (5.56%) non-MAGI recipients of Medical Assistance Program payments tested, the recipient passed away during our audit period; however, the recipient had claims paid with date of service after their date of death. Of those four recipients that passed away during our audit period, three were identified by the Authority for recoupment during their annual death file audit. We will not question the costs of those three recipients.
- The universe included 181,023 non-MAGI recipients with medical expenditures totaling $2,223,304,873. Medical payments for recipients sampled totaled $1,169,275. Questioned costs include all payments for services provided to those four recipients within the time period for which they were ineligible during SFY 2018. Payments for medical expenditures to recipients with non-compliance noted in the sample totaled $61,790, of which $36,471 ($61,790 times the applicable Federal Medical Assistance Percentage (FMAP) rate (59.94% for the exception claims in the first quarter of SFY 18/ 58.57% for the claims in the second, third, and fourth quarters) for each exception claim) is the federal questioned costs.

Cause: The Authority did not exercise appropriate oversight over the eligibility determinations made by DHS to ensure adequate controls are in place to properly close ineligible cases.

Effect: The Authority may be paying for services for which the recipient is not entitled.

Recommendation: We recommend the Authority investigate the recipients identified and, if considered necessary, recoup any funds paid to providers for services for which the recipients were not entitled. We also recommend the Authority take steps to ensure proper oversight over DHS eligibility determinations in order to identify and timely close any ineligible cases.

Views of Responsible Official(s)
Contact Person: Josh Richards
Anticipated Completion Date: June 30, 2019
Corrective Action Planned: The Authority agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-025 (Repeat 2017-033)
STATE AGENCY: Oklahoma Health Care Authority
FEDERAL AGENCY: United States Department of Health and Human Services
CFDA NO: 93.778
FEDERAL PROGRAM NAME: Medicaid Cluster (MAP)
FEDERAL AWARD NUMBER: 1705OK5MAP and 1805OK5MAP
FEDERAL AWARD YEAR: 2017 and 2018
CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles; Matching
QUESTIONED COSTS: $28

Criteria: 45 CFR §75.403 (Subpart E) states in part, "Costs must…

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles, and (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items."

Condition and Context: Medical payments are either direct medical payments that are initiated by the provider or are indirectly related to medical claims and are not initiated by the provider, such as the cost of non-emergency transportation to appointments or capitation payments to primary care providers based on the number of enrolled members.

- Based on a medical professional's review of 57 direct medical claims initiated by the provider for Medical Assistance Program recipients, one (1.75%) claim had a payment error. The claim billed more units than shown on the supporting documents. For this claim, since the supporting documentation indicated the services provided did not meet Medicaid policy/regulatory requirements and were not adequately supported by medical records or other evidence indicating that the services were actually provided and/or necessary, we will question the costs.
- The universe included 22,966,923 direct medical payments totaling $4,086,640,272. Payments for direct medical expenditures in our sample totaled $37,191. Payments for direct medical expenditures with non-compliance noted in our sample totaled $47, of which $28 ($47 times the applicable Federal Medical Assistance Percentage (FMAP) rate 59.94% for the exception claim in the first quarter) is the federal questioned costs.
- In addition, one (1) claim had documentation errors. The attending physician listed on the claim did not match the physician noted in the medical records provided; however, both physicians are approved contractors with OHCA. For this claim, since the supporting documentation indicated the services provided did meet Medicaid policy/regulatory requirements and were adequately supported by medical records or other evidence indicating that the services were actually provided and/or necessary, we will not question the costs.

Cause: One (1) claim submitted by a provider was not appropriately supported by medical records, and one (1) claim had documentation submitted to the Authority which included documentation errors.

Effect: The Authority may be paying for services that were not performed or were not medically necessary.

Recommendation: We recommend the Authority investigate the items identified and, if considered necessary, recoup any funds paid to providers for services that were not supported by medical records.

Views of Responsible Official(s)
Contact Person: Josh Richards
Anticipated Completion Date: June 30, 2019
Corrective Action Planned: The Authority agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-026 (Repeat 2017-034)
STATE AGENCY: Oklahoma Health Care Authority
FEDERAL AGENCY: United States Department of Health and Human Services
CFDA NO: 93.767
FEDERAL PROGRAM NAME: Children's Health Insurance Program
FEDERAL AWARD NUMBER: 1705OK5021, 1805OK5021 and 1705OK0301
FEDERAL AWARD YEAR: 2017 and 2018
CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles; Matching
QUESTIONED COSTS: $1,670

Criteria: 45 CFR §75.403 (Subpart E) states in part, "Costs must…
(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles, and (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items."

Condition and Context: Medical payments are either direct medical payments that are initiated by the provider or are indirectly related to medical claims and are not initiated by the provider, such as the cost of non-emergency transportation to appointments or capitation payments to primary care providers based on the number of enrolled members.

- Based on a medical professional's review of 71 direct medical claims initiated by the provider for Children's Health Insurance Program recipients, three (4.23%) claims had payment errors. One (1) billed claim indicated the provider was unable to complete the procedure, while the other two (2) billed claims were upcoded. For these claims, since the supporting documentation indicated the services provided did not meet Medicaid policy/regulatory requirements and were not adequately supported by medical records or other evidence indicating that the services were actually provided and/or necessary, we will question the costs.
- The universe included 2,370,445 direct medical payments totaling $316,265,268. Payments for direct medical expenditures in our sample totaled $26,463. Payments for direct medical expenditures with non-compliance noted in the sample totaled $1,777, of which $1,670 ($1777 x the applicable Federal Medical Assistance Percentage (FMAP) rate (94.00%) for each exception claim) is the federal questioned costs.
- In addition, three (3) claims had documentation errors. For two (2) of the claims, the attending physician listed on the claim did not match the physician noted in the medical records provided; however, both physicians are approved contractors with OHCA. For one (1) of the claims, a data processing error occurred. For these claims, since the supporting documentation indicated the services provided did meet Medicaid policy/regulatory requirements and were adequately supported by medical records or other evidence indicating that the services were actually provided and/or necessary, we will not question the costs.

Cause: Three (3) claims submitted by a provider were not appropriately supported by medical records, and three (3) claims had documentation submitted to the Authority which included documentation errors.

Effect: The Authority may be paying for services that were not performed or are not medically necessary.

Recommendation: We recommend the Authority investigate the items identified and, if considered necessary, recoup any funds paid to providers for services that were not supported by medical records.

Views of Responsible Official(s)
Contact Person: Josh Richards
Anticipated Completion Date: June 30, 2019
Corrective Action Planned: The Authority agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-027
STATE AGENCY: Oklahoma Health Care Authority
FEDERAL AGENCY: United States Department of Health and Human Services
CFDA NO: 93.767; 93.778
FEDERAL PROGRAM NAME: Children's Health Insurance Program (CHIP); Medicaid Cluster (MAP)
FEDERAL AWARD NUMBER: 1705OK5021; 1705OK0301; 1805OK5021; 1705OK5MAP; 1805OK5MAP
FEDERAL AWARD YEAR: 2017 and 2018
CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility

Criteria: 45 CFR §75.303 states, "The non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.06 states, "Control activities can be implemented in either an automated or a manual manner. Automated control activities are either wholly or partially automated through the entity's information technology. Automated control activities tend to be more reliable because they are less susceptible to human error and are typically more efficient. If the entity relies on information technology in its operations, management designs control activities so that the information technology continues to operate properly."

The GAO Standards for Internal Control in the Federal Government 11.06 states in part, "Management designs appropriate types of control activities in the entity's information system for coverage of information processing objectives for operational processes."

The GAO Standards for Internal Control in the Federal Government 11.07 states, "Information system general controls (at the entity-wide, system, and application levels) are the policies and procedures that apply to all or a large segment of an entity's information systems. General controls facilitate the proper operation of information systems by creating the environment for proper operation of application controls. General controls include security management, logical and physical access, configuration management, segregation of duties, and contingency planning."

The GAO Standards for Internal Control in the Federal Government 11.12 states, "Security management includes the information processes and control activities related to access rights in an entity's information technology, including who has the ability to execute transactions. Security management includes access rights across various levels of data, operating system (system software), network, application, and physical layers. Management designs control activities over access to protect an entity from inappropriate access and unauthorized use of the system. These control activities support appropriate segregation of duties. By preventing unauthorized use of and changes to the system, data and program integrity are protected from malicious intent (e.g., someone breaking into the technology to commit fraud, vandalism, or terrorism) or error."

Condition and Context: OHCA's Medicaid Management Information System (MMIS) processes medical claims. The MMIS system has over 1,800 edits/audits and validation checks to prevent erroneous payments. The editing process in the MMIS system consists of general data field verifications, provider and recipient eligibility, verification against historical claims data, etc. After discussion with OHCA staff, we determined there was no evidence anyone was monitoring the MMIS edit changes. Certain OHCA employees had the ability to change, create and even deactivate MMIS edits/audits without the review or approval of another individual.

Cause: There is a lack of segregation of duties over changes in edits checks in the MMIS system.

Effect: Lack of segregation of duties over changes in edit checks increases the risk of waste, loss, unauthorized use or misappropriation of state and federal funds.

Recommendation: We recommend OHCA implement internal controls to ensure segregation of duties over changes in edits/audits. These controls should include review and approval by someone other than the individual changing, creating, and deactivating the MMIS edits/audits, and proper monitoring of changes to edits/audits within the MMIS system.

Views of Responsible Official(s)
Contact Person: Brett May
Anticipated Completion Date: 1/31/2019
Corrective Action Planned: The Authority agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-054
STATE AGENCY: Oklahoma Health Care Authority (OHCA)
FEDERAL AGENCY: United States Department of Health and Human Services
CFDA NO: 93.778
FEDERAL PROGRAM NAME: Medicaid Cluster (MAP)
FEDERAL AWARD NUMBER: 1705OK5MAP; 1805OK5MAP; 1705OK5ADM; 1805OK5ADM
FEDERAL AWARD YEAR: 2017 and 2018

CONTROL CATEGORY: Special Tests and Provisions: Utilization Control and Program Integrity and Medicaid Fraud Control Unit; Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility
QUESTIONED COSTS: $0

Criteria: 45 CFR §455.13 states, in part, "The Medicaid agency must have (a) Methods and criteria for identifying suspected fraud cases; (b) Methods for investigating these cases. … and (c) Procedures, developed in cooperation with State legal authorities, for referring suspected fraud cases to law enforcement officials."

45 CFR §75.303 states, "The non-Federal entity must:(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 12.02 states, "Management documents in policies the internal control responsibilities of the organization."

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 12.03 states, "Management documents in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness. Each unit, with guidance from management, determines the policies necessary to operate the process based on the objectives and related risks for the operational process. Each unit also documents policies in the appropriate level of detail to allow management to effectively monitor the control activity."

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 12.04 states, "Those in key roles for the unit may further define policies through day-to-day procedures, depending on the rate of change in the operating environment and complexity of the operational process. Procedures may include the timing of when a control activity occurs and any follow-up corrective actions to be performed by competent personnel if deficiencies are identified. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities."

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 12.05 states, in part, "Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks. If there is a significant change in an entity's process, management reviews this process in a timely manner after the change to determine that the control activities are designed and implemented appropriately. … Management considers these changes in its periodic review."

2 CFR 200.508 (d) states, "The auditee must provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit required by this part."

74 Oklahoma Statute (O.S.) § 215 provides our office with the authority to examine any documents necessary in order to complete our audits.

Condition and Context: The Authority has no written policies to ensure violations of Medicaid laws and regulations by providers are identified and referred to an office with authority to prosecute cases of provider fraud. The Legal Division of the Authority stated that they follow 42 CFR §455.12 to §455.23, and routine internal meetings are set up between the Legal Division and Program Integrity to discuss identified questionable providers based on Program Integrity's preliminary findings. If the result of the discussion is to investigate or review further, regular internal meetings within Legal are utilized to further discuss and review the providers before an ultimate decision to refer the provider to the Medicaid Fraud Control Unit (MFCU) is made. However, the State Auditor and Inspector's Office (SAI) was not allowed to access any documentation pertaining to the cases to determine the agency took appropriate steps to investigate and, if appropriate, make a referral. We did obtain a listing of the providers referred to the MFCU and verified with the MFCU that they received the cases.

Cause: The Authority's Legal Division took over the process in which the Authority's Program Integrity previously referred cases to the MFCU. At the time of the change, the procedures changed; however, the policy was not updated. The Authority's Legal Division believes client/attorney confidentiality precludes them from allowing SAI access to the identified suspected cases.

Effect: Without written policies and procedures, the Authority is at risk for inconsistently communicating policies and procedures to staff, including new hires, which could lead to instances of suspected fraud not being referred to the State MFCU. Without access to documentation of the Authority's suspected cases of fraud, SAI was not able to determine the agency took appropriate steps to investigate and appropriately refer cases to the MFCU.

Recommendation: We recommend the Authority develop written policies and procedures to ensure violations of Medicaid laws and regulations by providers are identified and referred to the appropriate office or authority. We also recommend the Authority comply with the requirements of the state and federal laws and regulations to allow SAI access to identified suspected cases in order to perform the applicable audit procedures.

Views of Responsible Official(s)
Contact Person: Becki Burton
Anticipated Completion Date: Within one (1) month of the final determination from United States Department of Health and Human Services, Office of Inspector General (HHS/OIG).
Corrective Action Planned: The Authority concurs in part with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

Auditor Response: We were only given a listing of cases referred to the MFCU. No other documentation to support the steps taken between flagging a case of possible fraud and determining which cases should be referred to the MFCU was provided to enable us to determine whether or not they complied with the requirement. In our opinion, the Authority's refusal to provide the necessary documentation for the MFCU case referrals is in direct violation of laws and regulations stated in the criteria above, as well as the Supreme Court's Opinion in 1980 OK 28, which was also provided to the Authority by our Legal Counsel during the audit.

FINDING NO: 2018-073
STATE AGENCY: Oklahoma Health Care Authority (OHCA)
FEDERAL AGENCY: United States Department of Health and Human Services
CFDA NO: 93.767; 93.778
FEDERAL PROGRAM NAME: Children's Health Insurance Program (CHIP); Medicaid Cluster (MAP)
FEDERAL AWARD NUMBER: 1705OK0301; 1805OK5021; 1705OK5MAP and 1805OK5MAP
FEDERAL AWARD YEAR: 2017 and 2018
CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles
QUESTIONED COSTS: $128,048

Criteria: Per 45 CFR §75.303(a), the non-Federal entity must: "Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award…"

45 CFR 75.403 (a) *Factors affecting allowability of costs* states, "Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles."

45 CFR 75.431 (c) *Compensation – fringe benefits* states, "Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices."

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

Condition and Context: The Office of Management and Enterprise Services (OMES) informed agencies in February 2018 that any excess Pathfinder contributions (account code 513300 in the Statewide Accounting System) that went to the OPERS defined benefit plan would not be allowed to be charged to Federal grants. The Federal government maintains that the amount used to fund the defined benefit plan is an overcharge to Federal programs. As a result, OMES informed the agencies they would repay the unallowable costs from inception (state fiscal year 2016) through 2/20/18. However, any agencies charging Federal grants for the unallowable cost after that point would be required to repay on their own.

When reviewing the excess Pathfinder costs for the Authority we noted $128,048 in Pathfinder contributions charged to the referenced Federal grants during SFY 2018. Of the $128,048 of unallowable costs charged to Federal grants for state fiscal year 2018, $43,948 was charged from 2/20/18 to 6/30/18.

Cause: The Authority was unaware it was an unallowable charge until notified by OMES. Also, the Authority did not ensure that charges made to the Federal programs for unallowable costs was discontinued after 2/20/2018.

Effect: Of the total $128,048 in excess Pathfinder contributions overcharged to the Federal programs, and required to be reimbursed to the Federal agency, the Authority is responsible for the amount of $43,948, and OMES is responsible for the amount of $84,100.

Recommendation: We recommend the Authority develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants.

Views of Responsible Official(s)
Contact Person: Susan Crooke
Anticipated Completion Date: October 31, 2019
Corrective Action Planned: The Authority agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report. Also, please see the OMES Pathfinder summary in Appendix I.

OKLAHOMA STATE DEPARTMENT OF HEALTH

FINDING NO: 2018-001 (Repeat 2017-059; Repeat 2017-058)
STATE AGENCY: Oklahoma State Department of Health (OSDH)
FEDERAL AGENCY: United States Department of Agriculture; Health Resources and Services Administration (HRSA)
CFDA NO: 10.557; 93.505 and 93.870; 93.917
FEDERAL PROGRAM NAME: Special Supplemental Nutrition Program for Women, Infants and Children (WIC); Maternal, Infant, and Early Childhood Home Visiting Cluster; HIV Care Formula Grant
FEDERAL AWARD NUMBER: 176OK525W5003, 186OK525W5003, 186OK505W1003, and 186OK505W1006; 1 X10MC31164-01-00,6 D89MC28275-01-01, 6 UH4MC30745-01-01, 6 X02MC28241-01-01, and 1 X10MC29496-01-00; 6X07HA00048-27, 6X07HA00048-28 and 5X07HA00048-28;
FEDERAL AWARD YEAR: 2015, 2016, 2017, 2018
CONTROL CATEGORY: Reporting
QUESTIONED COSTS: $0

Criteria: For Special Supplemental Nutrition Program for Women, Infants and Children (WIC) program:

Per 2 CFR §200.62, "*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports."

Per 2 CFR §200.510 (b), "*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 …. At a minimum, the schedule must: (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available…."

Per 2 CFR §200.502 (a), "*Determining Federal awards expended.* The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs…."

For Maternal, Infant, and Early Childhood Home Visiting Cluster and the HIV Care Formula Grant:

Per 45 CFR §75.303(a), the non-Federal entity must: "Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award…"

Per 45 CFR §75.510 (b), "*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended… as determined in accordance with §75.502."

Per 45 CFR §75.502 (a), "*Determining Federal awards expended.* The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs…."

Condition and Context: The original FY 2018 *Schedule of Expenditures of Federal Awards* (SEFA – GAAP Package Z) submitted by the Oklahoma State Department of Health to the Office of Management and Enterprise Services (OMES) incorrectly reported the following amounts:

- understated the beginning federal cash balance for CFDA #10.557 by $847,137;
- overstated the cash basis federal revenue for CFDA #93.505 by $118,372;
- overstated the cash basis federal revenue for CFDA #93.870 by $6,095,058;
- understated the cash basis federal expenditure for CFDA #93.870 by $898,423;
- understated the cash basis federal expenditures for CFDA #93.917 by $260,140;
- overstated the amount transferred to state agencies for CFDA #93.917 by $260,140;
- understated the amount provided to non-state agency subrecipients for CFDA #93.917 by $260,140;
- overstated the amount prior year Federal accounts payable by $1,350,789;

Cause: The review process for the SEFA's did not detect these errors.

Effect: By incorrectly reporting the amounts in the SEFA, the Federal awarding agency is unable to determine Federal expenditures for the cluster or the programs identified.

Recommendation: We recommend OMES amend the SFY 2018 SEFA's to reflect the correct amounts for CFDA #10.557, #93.505, #93.870 and #93.917. Further, we recommend the Oklahoma State Department of Health review the current procedures and implement the necessary procedures to ensure accurate reporting of program financial information on the SEFA's (GAAP Package Z).

Views of Responsible Official(s):
Contact Person: Gloria Hudson
Anticipated Completion Date: 7/1/2018
Corrective Action Planned: OSDH concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-002
STATE AGENCY: Oklahoma State Department of Health (OSDH)
FEDERAL AGENCY: Health Resources and Services Administration (HRSA)

CFDA NO: 93.917
FEDERAL PROGRAM NAME: HIV Care Formula Grant
FEDERAL AWARD NUMBER: 6X07HA00048-27
FEDERAL AWARD YEAR: 2017 and 2018
CONTROL CATEGORY: Reporting
QUESTIONED COSTS: $0

Criteria: 45 CFR §75.381 – *Closeout* (a) states, "The non-Federal entity must submit, no later than 90 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award…"

Instructions for the SF- 425 Federal Financial Report - Federal Cash Transaction Report require that final reports shall be submitted no later than 90 days after the project or grant period end date.

45 CFR 75.302 – *Financial management and standards for financial management systems* (b)(2) states, "Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 75.341 and 75.342. …"

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

Condition and Context: We noted that the amounts reported on line 12 – *Remarks* – on the SF 425 for prior year rebate funds and rebate funds expended did not agree to supporting documentation. Furthermore, OSDH did not identify the correct Federal award on the submitted report.

Cause: It appears that OSDH does not have adequate processes in place to ensure that the FFR is being reviewed properly prior to submission. It also appears that OSDH did not follow the instructions for the SF-425 to ensure an accurate and timely completion of the report.

Effect: Failure to submit the required information accurately and in a timely manner may adversely affect the future funding of projects and impacts the reliability and usefulness of the federal financial reports.

Recommendation: We recommend the Department implement processes and procedures to ensure the SF- 425 report is prepared accurately, in accordance with the instructions, and submitted within the required timeframe.

Views of Responsible Official(s):
Contact Person: Gloria Hudson
Anticipated Completion Date: N/A
Corrective Action Planned: OSDH does not concur with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

Auditor Response: We were unable to support the amounts reported in the comments sections of SF-425 with the additional support provided by the agency.

FINDING NO: 2018-003 (Repeat 2017-062)
STATE AGENCY: Oklahoma State Department of Health (OSDH)
FEDERAL AGENCY: Health Resources and Services Administration (HRSA)
CFDA NO: 93.917
FEDERAL PROGRAM NAME: HIV Care Formula Grant
FEDERAL AWARD NUMBER: 6X07HA00048-27, 6X07HA00048-28 and 5X07HA00048-28
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
QUESTIONED COSTS: $0

Criteria: 45 CFR 75.302 *Financial management and standards for financial management systems*. (a) states, "Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award."

45 CFR 75.302 (b)(4) states, "Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes."

Condition and Context: The Department did not maintain separate accounting/fund for the HIV Care Grant (Ryan White program) rebates in the Statewide Accounting System. The rebate funds were comingled with other federal funds in Class Fund 400; therefore, OSDH is unable to support that Ryan White program rebate funds were used in accordance with Federal regulations and the terms and conditions of the Federal award.

Cause: During the implementation of the Statewide Accounting System, no process/class fund was put in place to account for Ryan White program funds independently of other Federal funds.

Effect: Restricted Ryan White rebate funds could be used for purposes unrelated to the Ryan White program.

Recommendation: We recommend the Department establish a separate restricted fund in the Statewide Accounting System for Ryan White program rebates in order to ensure compliance with Federal regulations.

Views of Responsible Official(s):
Contact Person: Gloria Hudson
Anticipated Completion Date: 7/1/2018
Corrective Action Planned: OSDH concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-020 (Repeat 2017-061)
STATE AGENCY: Oklahoma State Department of Health (OSDH)
FEDERAL AGENCY: Health Resources and Services Administration (HRSA)
CFDA NO: 93.505; 93.870
FEDERAL PROGRAM NAME: Maternal, Infant, and Early Childhood Home Visiting Cluster
FEDERAL AWARD NUMBER: 1 X10MC31164-01-00,6 D89MC28275-01-01, 6 UH4MC30745-01-01, 6 X02MC28241-01-01, and 1 X10MC29496-01-00;
FEDERAL AWARD YEAR: 2015, 2016, 2017
CONTROL CATEGORY: Reporting
QUESTIONED COSTS: $0

Criteria: Per 45 CFR §75.303(a), the non-Federal entity must: "Establish and maintain effective internal control over the Federal awar that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award…"

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

Condition and Context: OSDH submits Demographic and Service Utilization Data for Enrollees and Children (DGIS-HV) information into the Health Resources and Services Administration's (HRSA) Electronic Handbooks (EHB). Prior to the submission, OSDH has no review process in place to ensure the DGIS-HV information entered is correct. In addition, OSDH does not maintain the results of the query used to generate the information utilized in the report and is unable to support the amounts reported.

Cause: The agency has not implemented a process to ensure that the supporting documentation for the report is maintained and that the report is reviewed and approved before submission.

Effect: The DGIS-HV information submitted is not adequately supported.

Recommendation: We recommend that OSDH review their DGIS-HV reporting processes and develop procedures to ensure that reports are reviewed prior to submission, contain accurate information, and that supporting documentation is maintained.

Views of Responsible Official(s):
Contact Person: Gloria Hudson
Anticipated Completion Date: N/A
Corrective Action Planned: OSDH partially concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-028 (Repeat 2017-065)
STATE AGENCY: Oklahoma State Department of Health (OSDH)
FEDERAL AGENCY: Health Resources and Services Administration (HRSA)
CFDA NO: 93.505; 93.870
FEDERAL PROGRAM NAME: Maternal, Infant, and Early Childhood Home Visiting Cluster
FEDERAL AWARD NUMBER: 1 X10MC31164-01-00,6 D89MC28275-01-01, 6 UH4MC30745-01-01, 6 X02MC28241-01-01, and 1 X10MC29496-01-00;
FEDERAL AWARD YEAR: 2015, 2016, 2017
CONTROL CATEGORY: Subrecipient Monitoring
QUESTIONED COSTS: $0

Criteria: 45 CFR §75.303(a), the non-Federal entity must: "Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award…"

Per 45 CFR Part 75, Appendix XI (Compliance Supplement) Part 3.2 – Subrecipient Monitoring, A pass-through entity (PTE) must:

- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 45 CFR section 75.352(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award; and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports).

- *Monitor* – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (45 CFR sections 75.352(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:
  1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
  2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
  3. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the PTE as required by 45 CFR section 75.521.

Condition and Context: For ten out of ten (100%) subrecipients tested, OSDH did not include the Federal Award Identifying Number (FAIN) in the initial subaward documents.

For three of ten (30%) subrecipients tested, we were unable to determine that OSDH performed the required subrecipient monitoring due to lack of supporting documentation.

Cause: OSDH's control process does not ensure required information is included in the initial subaward documents. OSDH did not perform or did not maintain adequate documentation to ensure subrecipients were monitored as required.

Effect: Without monitoring and identification of required award information, subrecipients may not be aware of the requirements of the program and may not use the subaward for authorized purposes, comply with the terms and conditions of the subaward, and achieve performance goals (45 CFR sections 75.352(d) through (f)).

Recommendation: We recommend OSDH modify its current processes to ensure required documentation is provided to subrecipients, subrecipients are monitored, and adequate documentation is maintained related to its identification of subawards and subrecipient monitoring activities.

Views of Responsible Official(s):
Contact Person: Gloria Hudson
Anticipated Completion Date: 3/29/2019
Corrective Action Planned: OSDH concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-066
STATE AGENCY: Oklahoma State Department of Health (OSDH)
FEDERAL AGENCY: Health Resources and Services Administration (HRSA)
CFDA NO: 93.505; 93.870
FEDERAL PROGRAM NAME: Maternal, Infant, and Early Childhood Home Visiting Cluster
FEDERAL AWARD NUMBER: D89MC28275-01-01
FEDERAL AWARD YEAR: 2015, 2016, 2017
CONTROL CATEGORY: Reporting
QUESTIONED COSTS: $0

Criteria: 45 CFR 75.302 – *Financial management and standards for financial management systems* (b)(2) states, "Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 75.341 and 75.342. …"

Instructions for the SF- 425 Federal Financial Report - Federal Cash Transaction Report require that cash receipts and cash disbursements be entered in boxes 10a and 10b on the report.

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

Condition and Context: OSDH did not include cash receipts and cash disbursements on the SF-425 report for grant award D89MC28275-01-01 for the period ending September 30, 2017

Cause: OSDH does not have adequate processes in place to ensure that the FFR is being reviewed properly prior to submission. Also, OSDH did not follow the instructions for the SF-425 to ensure accurate completion of the report.

Effect: Failure to submit the required information accurately and in a timely manner may adversely affect the future funding of projects and impacts the reliability and usefulness of the federal financial reports.

Recommendation: We recommend the Department implement processes and procedures to ensure the SF-425 report is prepared accurately and in accordance with the instructions.

Views of Responsible Official(s):
Contact Person: Gloria Hudson
Anticipated Completion Date: N/A
Corrective Action Planned: OSDH does not concur with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-071
STATE AGENCY: Oklahoma State Department of Health (OSDH)
FEDERAL AGENCY: United States Department of Agriculture
CFDA NO: 10.557
FEDERAL PROGRAM NAME: Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
FEDERAL AWARD NUMBER: 176OK525W5003, 186OK525W5003, 186OK505W1003, and 186OK505W1006
FEDERAL AWARD YEAR: 2017 and 2018
CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
QUESTIONED COSTS: $75,365

Criteria: 2 CFR §200.62 states, "Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: . . . (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award and (b) Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program. . . ."

2 CFR 200.403 (a) *Factors affecting allowability of costs* states, "Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles."

2 CFR 200.431 (c) *Compensation – fringe benefits* states, "Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices."

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

Condition and Context: The Office of Management and Enterprise Services (OMES) informed agencies in February 2018 that any excess Pathfinder contributions (account code 513300 in the Statewide Accounting System) that went to the OPERS defined benefit plan would not be allowed to be charged to Federal grants. The Federal government maintains that the amount used to fund the defined benefit plan is an overcharge to Federal programs. As a result, OMES informed the agencies they would repay the unallowable costs from inception (state fiscal year 2016) through 2/20/18. However, any agencies charging Federal grants for the unallowable cost after that point would be required to repay on their own.

When reviewing the excess Pathfinder costs for OSDH we noted $75,365 in Pathfinder contributions charged to the Federal grants during SFY 2018. Of the $75,365 of unallowable costs charged to Federal grants for state fiscal year 2018, $16,813 was charged from 2/21/18 to 6/30/18.

Cause: The Department was unaware it was an unallowable charge until notified by OMES. Also, the Department did not ensure that charges made to the Federal programs for unallowable costs was discontinued after 2/20/2018.

Effect: Of the total $75,365 in excess Pathfinder contributions overcharged to the Federal grants, and required to be reimbursed to the Federal Agency, the Department is responsible for the amount of $16,813, and OMES is responsible for the amount of $58,552.

Recommendation: We recommend the Department develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants.

Views of Responsible Official(s):
Contact Person: Gloria Hudson
Anticipated Completion Date: N/A
Corrective Action Planned: OSDH partially concurs with this finding. Please see the corrective action plan located in the corrective action plan section of this report. Also, please see the OMES Pathfinder summary in Appendix I.

Auditor Response: The amounts in question after the 2/20/18 notification from OMES were included in the amount reported on the OSDH SEFA; therefore, we determined that OSDH considered those costs an expenditure of the program.

OKLAHOMA DEPARTMENT OF HUMAN SERVICES

FINDING NO: 2018-052 (Repeat 2017-050)
STATE AGENCY: Oklahoma Department of Human Services
FEDERAL AGENCY: Department of Health and Human Services
CFDA NO: 93.658
FEDERAL PROGRAM NAME: Foster Care – Title IV-E
FEDERAL AWARD NUMBER: 1701OKFOST and 1801OKFOST
FEDERAL AWARD YEAR: 2017 and 2018
CONTROL CATEGORY: Subrecipient Monitoring
QUESTIONED COSTS: $0

Criteria: 2 CFR §200.303(a) states in part, "The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

Per 2 CFR Part 200, Appendix XI (Compliance Supplement) Part 3 – Subrecipient Monitoring, A pass-through entity (PTE) must:

- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

- *Evaluate Risk* – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following:
  1. The subrecipient's prior experience with the same or similar subawards;
  2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar subaward has been audited as a major program;
  3. Whether the subrecipient has new personnel or new or substantially changed systems; and
  4. The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

- *Monitor* – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.331(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:
  1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
  2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
  3. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

Condition and Context: Based on review of four of nine Foster Care subrecipient contracts during the SFY 2017 audit, we noted OKDHS did not indicate the CFDA title and number, award name and number, award date, amount of the award, contact information for the pass-through entity, if the award is research and development, the name of the Federal Awarding Agency, terms and conditions concerning closeout of subaward, or applicable compliance requirements. Based on discussion with Foster Care Management, it appears a revision to the contract to address the condition noted in the SFY 2017 audit was not made until after SFY 2018.

Also, through discussion with Foster Care management during the SFY 2017 audit, we noted there is no review performed by OKDHS of Foster Care expenditures incurred by each of its subrecipients nor does OKDHS contact its subrecipients to ensure they are administering the award in accordance with the grant requirements. Further, based on review of OIG's database of subrecipients, it appears only two of the nine appear in the database. Therefore, OKDHS does not obtain and review all the single audits of the Foster Care subrecipients as required. Based on discussion with Foster Care Management, it appears corrective action to address the condition noted in the SFY 2017 audit was not made until after SFY 2018.

Cause: Management did not take corrective action to address subrecipient monitoring requirements conditions noted during the SFY 2017audit until after SFY 2018.

Effect: OKDHS is not in compliance with the criteria above. Additionally, the subrecipient may not be spending federal funds in accordance with program requirements.

Recommendation: We recommend OKDHS immediately implement policies and procedures that would ensure compliance with 2 CFR 200.331. This would include:

- (1) informing subrecipients (current and future) of all necessary information as required by 2 CFR 200.331(a)
- (2) evaluating each subrecipient's risk of material noncompliance with Federal statutes, regulations, and terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring as required by 2 CFR 200.331(b)
- (3) monitoring the activities of the subrecipient by (a) reviewing financial and programmatic reports, (b) following up and ensuring subrecipients take timely and appropriate action on deficiencies noted through agency audits, on-site reviews, and other means, (c) issuing management decisions for audit findings as required by 2 CFR 200.331, and (d) establishing policies and procedures to ensure OKDHS receives and reviews a single audit or program specific audit from those subrecipients who expend $750,000 or more in Federal awards as required by 2 CFR 200.501

Views of Responsible Official(s)
Contact Person: Kevin Haddock
Anticipated Completion Date: July 1, 2019
Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-061
STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services
CFDA NO: 93.558
FEDERAL PROGRAM NAME: TANF Cluster
FEDERAL AWARD NUMBER: 1701OKTANF
FEDERAL AWARD YEAR: 2017
CONTROL CATEGORY: Activities Allowed/Unallowed, Allowable Costs/Cost Principles, and Eligibility
QUESTIONED COSTS: $10,000,000

Criteria: Title 45 §260.20 states, "The TANF program has the following four purposes: (a) Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives…."

Per Title 45 §260.31(a)(1), "The term "assistance" includes cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs (i.e., for food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses)."

The TANF Program Policy Questions and Answers addressing the Use of TANF Funds found on the Administration for Children and Families website (https://www.acf.hhs.gov/ofa/resource/q-a-use-of-funds) state, "Q6: May a State use Federal TANF or State MOE funds for adoption assistance? A6: A State could use Federal TANF or State MOE funds to provide adoption benefits and services[4] to needy parents of an adopted child who is not eligible for title IV-E adoption assistance.[5] The adoption establishes a parental relationship even if no blood relationship exists."

[4] Benefits provided in this circumstance would trigger applicable TANF rules if they meet the definition of "assistance," e.g., address basic needs, and are provided under the TANF program.

[5] States may not use Federal or State MOE funds to take the place of any adoption assistance payments provided under the Federal Adoption Assistance Program; section 402 of the Act requires "eligible States" (i.e., States that receive Federal TANF funds) to certify that the State will operate a Foster Care and Adoption Assistance Program under Title IV-E of the Act. However, there may be circumstances under which adoption assistance (in the form of family services, benefits payments, or both) would be outside the normal purview of the IV-E program and reasonably calculated to accomplish TANF purpose one. Expenditures on adoption assistance in such circumstances could constitute an allowable use of Federal or State MOE funds.

Condition and Context: While performing analysis on the Statewide SEFA, we discovered that a portion of the federal TANF grant was being used to pay non-IV-E Adoption Assistance subsidies. Since the agency considers these Adoption Assistance subsidies to be TANF assistance, it appears they fall under TANF purpose one which allows for TANF funding to be utilized to provide assistance to needy families. Based on discussion with agency personnel, it appears all expenditures recorded to account code 34X-2110 were considered TANF compensable as 'child only cases'; however, annual TANF eligibility determinations, including analysis of income, were not performed in order to ensure the benefits were paid to needy families.

Additionally, there is no detailed benefit data by case to determine exactly which cases these TANF funds were applied to because the Budget Unit makes the determination on the amount of TANF to be utilized annually for this purpose based on the agency's fiscal need. Because of this, we question the allowability of the entire $10,000,000 of TANF funds utilized for this purpose during SFY18.

Based on analysis of the FFY16 and FFY17 TANF ACF-196 reports, it appears that line 6b includes these types of Adoption Assistance subsidy payments. Approximately 21% of the total FFY16 TANF grant expenditures and 16.38% of the FFY17 (through 6/30/18 filings) TANF grant expenditures were attributed to this particular line. This compares to 4.08% of the total FFY15 TANF grant expenditures.

Cause: Per discussion with agency personnel, we noted that a decision was made in 2011 to utilize TANF funds to pay for non-IV-E Adoption Assistance subsidies under the assumption that these subsidies were TANF compensable due to them being 'child only cases'. From 2011 forward, TANF funds were utilized for this purpose and were considered TANF assistance. At the beginning of each fiscal year, the Budget Unit decides the amount of TANF funds to use for non-IV-E Adoption Assistance subsidy payments. The amount that the Budget Unit determines is then divided by twelve and that calculated amount is drawn from the TANF grant each month of the fiscal year. There is no detailed assistance benefit data by case that supports the monthly draw amount; the amount is solely determined by the Budget Unit dependent on the fiscal need of the agency.

During FFY16 and FFY17, the agency chose to allocate significantly more TANF funds to non-IV-E Adoption Assistance than had been allocated in previous years. This was because costs of adoption grew, and State funding sources decreased due to the downturn in the state's economy. There were overall state budget reductions across all of state government. During this time, DHS exhausted TANF carryover funding to compensate for reduced state funding. It appears that state funding previously used to fund non-IV-E Adoption Assistance subsidies was supplanted with federal TANF funding.

Effect: Since the agency has determined these non-IV-E Adoption Assistance subsidy payments are considered TANF assistance, it appears that TANF assistance is being provided to families that may not be needy since there are no need-based eligibility determinations performed on a routine basis for this group of TANF recipients.

Recommendation: We recommend that agency personnel implement procedures to perform TANF eligibility determinations when using TANF funds to pay non-IV-E Adoption Assistance benefits. These eligibility determinations should include an analysis of income to ensure the family meets the income requirement to be considered a family in need and qualify for TANF assistance.

Views of Responsible Official(s)
Contact Person: Patrick Klein
Anticipated Completion Date: July 1st, 2020 for establishment of parental means test
Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-067
STATE AGENCY: Oklahoma Department of Human Services
FEDERAL AGENCY: Department of Agriculture
CFDA NO: **1**0.551
FEDERAL PROGRAM NAME: SNAP Cluster
FEDERAL AWARD NUMBER: 008015409S6008
FEDERAL AWARD YEAR: 2017 & 2018
CONTROL CATEGORY: Special Test - EBT Security
QUESTIONED COSTS: $0

Criteria:The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.10 states, "Transaction control activities are actions built directly into operational processes to support the entity in achieving its objectives and addressing related risks. "Transactions" tends to be associated with financial processes (e.g., payables transactions), while "activities" is more generally applied to operational or compliance processes. For the purposes of this standard, "transactions" covers both definitions. Management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.

According to OKDHS' Electronic Payments Handbook, "The cards are to be inventoried at the time of receipt and kept locked in the County Director's office, or another secure office location, where access is restricted to designated staff." … "At the end of each day, the unused cards will be returned to inventory, signed in by the EBT Specialist, and initialed by the County Director or designee."

Best practice includes the security of EBT cards, which includes the security of the cards themselves as well as the security of the keys to the cards, the daily reconciliation of EBT cards, and the deactivation of an EBT card prior to destruction.

Condition and Context:
Based on procedures performed at eight of the 77 county office locations, we noted:

- Three (37.5%) offices did not keep keys to the (Electronic Benefit Transaction) EBT card inventory secured;

- Seven (87.5%) offices did not maintain the EBT cards in a secure office location where access is restricted to designated staff;
- One (12.5%) office was unable to provide documentation supporting EBT cards ordered;
- Eight (100%) offices' inventory logs did not support that the inventory count was performed by two individuals at the end of each day;
- Six (75%) offices do not verify the card status to ensure card deactivation prior to destruction;
- Two (25%) county offices did not ensure the card destruction process was performed by two employees.

Based on review of EBT Card destruction logs from the remaining 69 county offices we noted 5 county offices (7.25%) did not have dual signatures indicating a witness of EBT card destructions performed in SFY 2018. Furthermore, based on walk-through performed at one judgmentally selected county office, we noted that the office staff did not verify EBT card status to ensure card deactivation prior to destruction.

Cause: OKDHS policies and procedures related to the inventory accounting and securing of EBT cards are not consistently followed.

Effect: EBT cards are at risk of unauthorized issuance and improper use due to lack of insufficient inventory procedures leading to potential misuse or misappropriation of Supplement Nutrition Assistance Program (SNAP) benefits.

Recommendation: We recommend DHS ensure policies and procedures related to proper inventory accounting and securing of EBT cards are consistently followed. Additionally, we recommend DHS management implement procedures to monitor the county office locations for compliance with these policies and procedures throughout the year.

Views of Responsible Official(s)
Contact Person: Thomas Pennington
Anticipated Completion Date: 08/30/19
Corrective Action Planned: The Department of Human Services partially agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-075
STATE AGENCY: Oklahoma Department of Human Services
FEDERAL AGENCY: Department of Health and Human Services
CFDA NO: 93.563
FEDERAL PROGRAM NAME: Child Support Enforcement
FEDERAL AWARD NUMBER: 1-736017987-E1
FEDERAL AWARD YEAR: 2017 and 2018
CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
QUESTIONED COSTS: $81,476

Criteria: Per 45 CFR §75.303(a), the non-Federal entity must: "Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award…"

45 CFR 75.403 (a) *Factors affecting allowability of costs* states, "Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles."

45 CFR 75.431 (c) *Compensation – fringe benefits* states, "Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices."

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

Condition and Context: The Office of Management and Enterprise Services (OMES) informed agencies in February 2018 that any excess Pathfinder contributions (account code 513300 in the Statewide Accounting System) that went to the OPERS defined benefit plan would not be allowed to be charged to Federal grants. The Federal government maintains that the amount used to fund the defined benefit plan is an overcharge to Federal programs. As a result, OMES informed the agencies they would repay the unallowable costs from inception (state fiscal year 2016) through 2/20/18. However, any agencies charging Federal grants for the unallowable cost after that point would be required to repay on their own.

When reviewing the excess Pathfinder costs for the Oklahoma Department of Human Services (DHS), we noted that a total of $81,476 of unallowable costs were charged to the Child Support Enforcement Program (CSE) – CFDA # 93.563 during SFY 2018. Of the $81,476 of unallowable costs charged to the Federal grant for state fiscal year 2018, $30,544 was charged for the period 2/21/18 to 6/30/18.

Cause: The Department was unaware it was an unallowable charge until notified by OMES. Also, the Agency did not ensure that charges made to the CSE program for unallowable costs was discontinued after 2/20/2018.

Effect: Of the total $81,476 in excess Pathfinder contributions overcharged to the Federal program, and required to be reimbursed to the Federal agency, the Agency is responsible for the amount of $30,544.54, and OMES is responsible for the amount of $50,932.

Recommendation: We recommend the Agency develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants.

Views of Responsible Official(s)
Contact Person: Chris Smith
Anticipated Completion Date: 4/2019
Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report. Also, please see the OMES Pathfinder summary in Appendix I.

FINDING NO: 2018-076
STATE AGENCY: Oklahoma Department of Human Services
FEDERAL AGENCY: Department of Agriculture
CFDA NO: 10.551 and 10.561
FEDERAL PROGRAM NAME: SNAP Cluster
FEDERAL AWARD NUMBER: 2018S251446, 2017S251446
FEDERAL AWARD YEAR: 2017 and 2018
CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
QUESTIONED COSTS: $121,163

Criteria: 2 CFR §200.62, "Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: . . . (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award and (b) Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program. . . ."

2 CFR 200.403 (a) *Factors affecting allowability of costs* states, "Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:
Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles."

2 CFR 200.431 (c) *Compensation – fringe benefits* states, . . . "Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices."

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

Condition and Context: The Office of Management and Enterprise Services (OMES) informed agencies in February 2018 that any excess Pathfinder contributions (account code 513300 in the Statewide Accounting System) that went to the OPERS defined benefit plan would not be allowed to be charged to Federal grants. The Federal government maintains that the amount used to fund the defined benefit plan is an overcharge to Federal programs. As a result, OMES informed the agencies they would repay the unallowable costs from inception (state fiscal year 2016) through 2/20/18. However, any agencies charging Federal grants for the unallowable cost after that point would be required to repay on their own.

When reviewing the excess Pathfinder costs for the Oklahoma Department of Human Services (DHS), we noted that a total of $121,163 of unallowable costs were charged to the State Administrative Matching Grant for the Supplemental Nutrition Assistance Program – CFDA # 10.561 during SFY 2018. Of the $121,163 of unallowable costs charged to the Federal grant for state fiscal year 2018, $44,487 was charged for the period 2/21/18 to 6/30/18.

Cause: The Department was unaware it was an unallowable charge until notified by OMES. Also, the Agency did not ensure that charges made to the State Administrative Matching Grant for the Supplemental Nutrition Assistance Program for unallowable costs was discontinued after 2/20/2018.

Effect: Of the total $121,163 in excess Pathfinder contributions overcharged to the Federal program, and required to be reimbursed to the Federal agency, the Agency is responsible for the amount of $44,487, and OMES is responsible for the amount of $76,676.

Recommendation: We recommend the Agency develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants.

Views of Responsible Official(s)
Contact Person: Chris Smith
Anticipated Completion Date: 4/2019
Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report. Also, please see the OMES Pathfinder summary in Appendix I.

FINDING NO: 2018-077
STATE AGENCY: Oklahoma Department of Human Services
FEDERAL AGENCY: Department of Health and Human Services
CFDA NO: 93.658
FEDERAL PROGRAM NAME: Foster Care – Title IV E
FEDERAL AWARD NUMBER: 1701OKFOST and 1801OKFOST
FEDERAL AWARD YEAR: 2017 and 2018
CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
QUESTIONED COSTS: $239,550

Criteria: Per 45 CFR §75.303(a), the non-Federal entity must: "Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award…"

45 CFR 75.403 (a) *Factors affecting allowability of costs* states, "Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles."

45 CFR 75.431 (c) *Compensation – fringe benefits* states, "Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices."

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

Condition and Context: The Office of Management and Enterprise Services (OMES) informed agencies in February 2018 that any excess Pathfinder contributions (account code 513300 in the Statewide Accounting System) that went to the OPERS defined benefit plan would not be allowed to be charged to Federal grants. The Federal government maintains that the amount used to fund the defined benefit plan is an overcharge to Federal programs. As a result, OMES informed the agencies they would repay the unallowable costs from inception (state fiscal year 2016) through 2/20/18. However, any agencies charging Federal grants for the unallowable cost after that point would be required to repay on their own.

When reviewing the excess Pathfinder costs for the Oklahoma Department of Human Services (DHS), we noted that a total of $239,550 of unallowable costs were charged to the Foster Care (FC) program – CFDA # 93.568 during SFY 2018. Of the $239,550 of unallowable costs charged to the Federal grant for state fiscal year 2018, $89,951 was charged for the period 2/21/18 to 6/30/18.

Cause: The Department was unaware it was an unallowable charge until notified by OMES. Also, the Agency did not ensure that charges made to the FC program for unallowable costs was discontinued after 2/20/2018.

Effect: Of the total $239,550 in excess Pathfinder contributions overcharged to the Federal program, and required to be reimbursed to the Federal agency, the Agency is responsible for the amount of $89,951, and OMES is responsible for the amount of $149,599.

Recommendation: We recommend the Agency develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants.

Views of Responsible Official(s)
Contact Person: Chris Smith
Anticipated Completion Date: 4/2019
Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report. Also, please see the OMES Pathfinder summary in Appendix I.

FINDING NO: 2018-079
STATE AGENCY: Oklahoma Department of Human Services
FEDERAL AGENCY: Department of Health and Human Services
CFDA NO: 93.778
FEDERAL PROGRAM NAME: Medicaid Cluster
FEDERAL AWARD NUMBER: 1705OK5MAP and 1805OK5MAP
FEDERAL AWARD YEAR: 2017 and 2018
CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
QUESTIONED COSTS: $115,743

Criteria: Per 45 CFR §75.303(a), the non-Federal entity must: "Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award…"

45 CFR 75.403 (a) *Factors affecting allowability of costs* states, "Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles."

45 CFR 75.431 (c) *Compensation – fringe benefits* states, "Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices."

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

Condition and Context: The Office of Management and Enterprise Services (OMES) informed agencies in February 2018 that any excess Pathfinder contributions (account code 513300 in the Statewide Accounting System) that went to the OPERS defined benefit plan would not be allowed to be charged to Federal grants. The Federal government maintains that the amount used to fund the defined benefit plan is an overcharge to Federal programs. As a result, OMES informed the agencies they would repay the unallowable costs from inception (state fiscal year 2016) through 2/20/18. However, any agencies charging Federal grants for the unallowable cost after that point would be required to repay on their own.

When reviewing the excess Pathfinder costs for the Oklahoma Department of Human Services (DHS), we noted that a total of $115,743 of unallowable costs were charged to the Medical Assistance Program (Medicaid) – CFDA # 93.778 during SFY 2018. Of the $115,743 of unallowable costs charged to the Federal grant for state fiscal year 2018, $44,925 was charged for the period 2/21/18 to 6/30/18.

Cause: The Department was unaware it was an unallowable charge until notified by OMES. Also, the Agency did not ensure that charges made to the Medicaid program for unallowable costs was discontinued after 2/20/2018.

Effect: Of the total $115,743 in excess Pathfinder contributions overcharged to the Federal program, and required to be reimbursed to the Federal agency, the Agency is responsible for the amount of $44,925, and OMES is responsible for the amount of $70,818.

Recommendation: We recommend the Agency develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants.

Views of Responsible Official(s)
Contact Person: Chris Smith
Anticipated Completion Date: 4/2019
Corrective Action Planned: The Department of Human Services agrees with the finding. Please see the corrective action plan located in the corrective action plan section of this report. Also, please see the OMES Pathfinder summary in Appendix I.

OKLAHOMA DEPARTMENT OF TRANSPORTATION

FINDING NO: 2018-009
STATE AGENCY: Oklahoma Department of Transportation
FEDERAL AGENCY: Federal Highway Administration
CFDA NO: 20.205
FEDERAL PROGRAM NAME: Highway Planning and Construction Cluster
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Matching
QUESTIONED COSTS: $0

Criteria: 2 CFR §200.303 - *Internal controls* states in part, "The *Non-Federal* entity must*: (*a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

2 CFR §200.62 - *Internal control over compliance requirements for Federal awards* states in part, "*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;"

OAC 730:10-5-2(3) states in part, "no federal-aid project shall be advertised for contract letting until all federal and state requirements have been satisfied…. The city must deposit its share of the local matching funds with the Department prior to advertising for bids on the project. (A) The project will be officially programmed by the Commission, subject to availability of federal funds, only when all of the conditions in this section have been met and the project is ready to be advertised for contract letting."

OAC 730:10-1-7 (a) states, "all city or county funds which, by agreement with the Department are to be used to pay or participate in construction contract cost items shall be deposited with the Department prior to advertising the project for bids. If the city or county by agreement with the Department is to perform a portion or all of the construction work as their share of the project costs, they will not be required to deposit funds with the Department prior to advertising for bids. Where it is impossible to determine final cost of the project until construction is completed, the deposit shall be based on the engineer's quantity estimates."

Condition and Context: We determined that 3 of 42 (7.14%) projects listed as having insufficient funds/no deposit in the monthly exception memos to the office engineer during the audit period were awarded prior to deposit of the local matching funds and did not appear to meet the exception noted in OAC 730:10-1-7 for work performed by the City or County. However, the Department did not issue a notice to proceed for the project until the funds were on deposit from the third party.

Cause: The Oklahoma Department of Transportation personnel in charge of preventing projects from being sent to bid without having funds on deposit was unaware of the OAC requirement.

Effect: Failure to ensure that the required funds are on deposit with the Department may cause a delay in the awarding of a project or delay a notice to proceed for the project to begin.

Recommendation: We recommend the Oklahoma Department of Transportation evaluate the review processes for third party funding and make the appropriate adjustments

Views of Responsible Official(s)
Contact Person: Anthony Delce, Office Engineer
Anticipated Completion Date: January 15, 2019
Corrective Action Planned: ODOT concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

FINDING NO: 2018-065
STATE AGENCY: Oklahoma Department of Transportation
FEDERAL AGENCY: Federal Highway Administration
CFDA NO: 20.205
FEDERAL PROGRAM NAME: Highway Planning and Construction Cluster
FEDERAL AWARD YEAR: 2018
CONTROL CATEGORY: Subrecipient Monitoring
QUESTIONED COSTS: $0

Criteria: 2 CFR §200.303 - *Internal controls* states in part, "The Non-Federal entity must*:* (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

2 CFR §200.331 - *Requirements for pass-through entities* states in part, "All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification.

xi. CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;

(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section….

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

(f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements."

Condition and Context: While performing procedures to document the processes utilized for identifying the subaward, it was determined that no processes were in place to identify the CFDA number to subrecipients of Emergency Repair, Enhancement, and Safe Routes to Schools funding. We noted that 15 of 25 (60%) award documents tested from all subrecipient types did not contain a CFDA number.

While performing procedures to document the processes utilized to evaluate the risk of noncompliance, it was determined that no processes were in place to formally evaluate the risk of noncompliance for Municipal Planning Organizations and Regional Transportation Planning Organizations.

While performing procedures to document the processes utilized for monitoring the activities of the subrecipient, it was determined that no processes were in place to determine whether recipients of Emergency Repair, Enhancement, and Safe Routes to Schools funding have expended over $750,000 and require a single audit. In addition, for 6 of 6 (100%) Municipal Planning Organization and Regional Transportation Planning Organization subrecipients expending more than $750,000, the Oklahoma Department of Transportation received a copy of the required single audit; however, for 4 of 6 (66.7%) the 2017 audits were not reviewed for deficiencies and appropriate corrective actions.

Cause: The Oklahoma Department of Transportation has not designed and implemented internal controls to ensure that all subrecipient contracts or award documentation include a CFDA number, that all risk assessments were performed on Municipal Planning Organization and Regional Transportation Planning Organization subrecipients, and that all required Single Audits are received, reviewed, and timely follow-up on findings is performed.

Effect: Without a process to ensure subrecipients are effectively monitored, subrecipients and the Oklahoma Department of Transportation are at risk of being out of compliance with Federal statutes, regulations, and the terms and conditions for the Federal award.

Recommendation: We recommend the Oklahoma Department of Transportation review the current subrecipient processes and implement the necessary processes to ensure all subrecipients are monitored in accordance with the Grants Management requirements. Recommendations include:

- Updating information in subrecipient contract templates to include CFDA number.
- Develop risk assessment procedures related to subrecipients to ensure adequate monitoring of the subrecipient is occurring.
- Develop procedures to review required Single Audits and follow-up on findings noted in the required audit.

Views of Responsible Official(s)
Anticipated Completion Date: May 1, 2019
Corrective Action Planned: ODOT concurs with the finding. Please see the corrective action plan located in the corrective action plan section of this report.

Schedule of Expenditures of Federal Awards
By Federal Grantor

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture					
Direct and Pass Through Programs:					
Plant and Animal Disease, Pest Control, and Animal Care	10.025		Department of Agriculture	629,406	
Wildlife Services	10.028		Department of Wildlife Conservation	10,000	
Voluntary Public Access and Habitat Incentive	10.093		Department of Wildlife Conservation	884,754 ♦	
Inspection Grading and Standardization	10.162		Department of Agriculture	957,138	
Market Protection and Promotion	10.163		Department of Agriculture	25,400	
Specialty Crop Block Grant Program - Farm Bill	10.170		Department of Agriculture	489,000	
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475		Department of Agriculture	912,298	
Supplemental Nutrition Assistance Program	10.551		Department of Human Services	844,957,875 ✪	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		Department of Human Services	34,635,896 ✪	5,713,721
			SNAP Cluster Total	879,593,771 ✪ ❅	5,713,721
School Breakfast Program	10.553		Department of Education	59,531,345 ✪	59,452,811
National School Lunch Program	10.555		Department of Education	168,201,083 ✪	168,035,310
	10.555		Department of Human Services	26,154,462 ✪	2,057,292
			Program Total	194,355,545 ✪	170,092,602
Special Milk Program for Children	10.556		Department of Education	5,989 ✪	5,718
Summer Food Service Program for Children	10.559		Department of Education	4,847,074 ✪	4,703,432
	⌘ 10.559		Department of Human Services	24,830 ✪	
			Program Total	4,871,904	4,703,432
			Child Nutrition Cluster Total	258,764,783 ✪ ❅	234,254,563
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		State Department of Health	70,547,232 ❅	4,187,855
Child and Adult Care Food Program	10.558		Department of Education	64,366,758	64,127,425
	⌘ 10.558		Department of Human Services	195,784	
			Program Total	64,562,542 ❅	64,127,425
State Administrative Expenses for Child Nutrition	10.560		Department of Education	5,190,362	553,381
	10.560		Department of Human Services	799,809	
			Program Total	5,990,171	553,381
Commodity Supplemental Food Program	10.565		Department of Human Services	967,723 ✪	210,100
Emergency Food Assistance Program (Administrative Costs)	10.568		Department of Human Services	857,021 ✪	806,223
Emergency Food Assistance Program (Food Commodities)	⌘ 10.569		Department of Human Services	6,432,685 ✪	
			Food Distribution Cluster Total	8,257,429 ✪	1,016,323
Senior Farmers Market Nutrition Program	10.576		Department of Human Services	61,932	
Child Nutrition Discretionary Grants Limited Availability	10.579		Department of Education	39,316	39,316
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580		Department of Human Services	431,030	
Fresh Fruit and Vegetable Program	10.582		Department of Education	2,250,639	2,250,639
Child Nutrition Direct Certification Performance Award	10.589		Department of Education	355,556	355,556
Forestry Research	10.652		Department of Agriculture	225,067	
Cooperative Forestry Assistance	10.664		Department of Agriculture	1,294,758	
Forest Health Protection	10.680		Department of Agriculture	14,625	
Forest Services - Partnership Agreements	10.699		Department of Wildlife Conservation	14,000	
Soil and Water Conservation	10.902		Department of Agriculture	3,180	
	10.902		Conservation Commission	838,611	
Watershed Protection Flood Prevention	10.904		Conservation Commission	213,713	
Environmental Quality Incentives Program	10.912		Department of Agriculture	2,464	
Watershed Rehabilitation Program	10.916		Conservation Commission	2,800,715	
Emergency Watershed Protection Program	10.923		Conservation Commission	627,051	

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures		Expenditures to Subrecipients
Agricultural Conservation Easement Program	10.931		Department of Wildlife Conservation	28,000		
Cost Reimbursement Contract - McGee Creek Project	10 UNK		Department of Wildlife Conservation	163,116		
U.S. Department of Agriculture-Subtotal				1,300,987,697		$ 312,498,779
U.S. Department of Commerce						
Direct and Pass Through Programs:						
Economic Adjustment Assistance	11.307		Department of Commerce	94,287	✪	
Cost Reimbursement Contract: Economic Adjustment Assistance	11.307		Oklahoma Center for the Advancement of Science and Technology	637,356	✪	
			Economic Development Cluster Total	731,643	✪	-
State and Local Implementation Grant Program	11.549		Office of Management and Enterprise Services	564,894		
U.S. Department of Commerce-Subtotal				1,296,537		$ -
U.S. Department of Defense						
Direct and Pass Through Programs:						
Procurement Technical Assistance For Business Firms	12.002		Department of Career & Technology Education	613,672		205,024
Cost Reimbursement Contract - State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113		Department of Environmental Quality	171,456		
Cost Reimbursement Contract - Military Construction, National Guard	12.400		Oklahoma Military Department	8,066,412		
Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects	12.401		Oklahoma Military Department	33,531,533		
Cost Reimbursement Contract - National Guard ChalleNGe Program	12.404		Oklahoma Military Department	4,934,626		
Troops to Teachers	12.620		Department of Education	282,162		
U.S. Department of Defense-Subtotal				47,599,861		$ 205,024
U.S. Department of Housing and Urban Development						
Direct and Pass Through Programs:						
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		Department of Commerce	11,065,277	♦	10,582,205
Emergency Solutions Grant Program	14.231		Department of Commerce	1,653,709		1,592,251
Shelter Plus Care	14.238		Mental Health and Substance Abuse Services	263,830		247,247
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269		Department of Commerce	20,007,584	✪	19,650,133
			CDBG-Disaster Recovery Grants - Pub. L. No. 113-2 Cluster Total	20,007,584	✪ ♦	19,650,133
U.S. Department of Housing and Urban Development-Subtotal				32,990,400		$ 32,071,836
U.S. Department of the Interior						
Direct and Pass Through Programs:						
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250		Department of Mines	1,006,933		
Abandoned Mine Land Reclamation (AMLR)	15.252		Conservation Commission	3,875,115		
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427		State Auditor and Inspector	394,541		
Title XVI Water Reclamation and Reuse	15.504		Water Resources Board	32,205		
Recreation Resources Management	15.524		Department of Agriculture	5,389		
Fish and Wildlife Management Assistance	15.608		Department of Wildlife Conservation	57,707		
Sport Fish Restoration Program	15.605		Department of Wildlife Conservation	7,249,001	✪	225,893
Wildlife Restoration and Basic Hunter Education	15.611		Department of Wildlife Conservation	10,485,414	✪	641,320
			Fish and Wildlife Cluster Total	17,734,415	✪ ♦	867,213
Cooperative Endangered Species Conservation Fund	15.615		Department of Wildlife Conservation	106,990		67,170
Clean Vessel Act	15.616		Department of Environmental Quality	20,575		
Enhanced Hunter and Safety Education	15.626		Department of Wildlife Conservation	146,365		

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency		Expenditures	Expenditures to Subrecipients
Partners for Fish and Wildlife	15.631		Conservation Commission		100,000	
	15.631		Department of Wildlife Conservation		287,443	
				Program Total	387,443	-
State Wildlife Grants	15.634		Department of Wildlife Conservation		727,041	526,558
Historic Preservation Fund Grants-In-Aid	15.904		Historical Society		792,205	
Outdoor Recreation - Acquisition, Development and Planning	15.916		Department of Tourism and Recreation		723,463	589,777
National Ground-Water Monitoring Network	15.980		Water Resources Board		31,249	
Water Use and Data Research	15.981		Water Resources Board		21,930	
U.S. Department of the Interior-Subtotal					26,063,566	$ 2,050,718
U.S. Department of Justice						
Direct and Pass Through Programs:						
Sexual Assault Services Formula Program	16.017		District Attorneys Council		360,100	307,412
Juvenile Accountability Block Grants	16.523		Office of Juvenile Affairs		4,458	
Juvenile Justice and Delinquency Prevention	16.540		Office of Juvenile Affairs		587,055	
Missing Children's Assistance	16.543		State Bureau of Investigation		373,962	
State Justice Statistics Program for Statistical Analysis Centers	16.550		State Bureau of Investigation		32,601	
National Criminal History Improvement Program (NCHIP)	16.554		District Attorneys Council		24,371	24,371
	16.554		State Bureau of Investigation		263,045	
				Program Total	287,416	24,371
Crime Victim Assistance	16.575		District Attorneys Council		24,525,959	20,988,409
	16.575		Medicolegal Investigation Board		38,800	
	16.575		Attorney General		144,475	
	16.575		State Bureau of Investigation		95,859	
				Program Total	24,805,093	20,988,409
Crime Victim Compensation	16.576		District Attorneys Council		2,246,053	2,140,480
Crime Victim Assistance/Discretionary Grants	16.582		District Attorneys Council		89,048	6,705
	16.582		Mental Health and Substance Abuse Services		8,172	
				Program Total	97,220	6,705
Drug Court Discretionary Grant Program	16.585		Mental Health and Substance Abuse Services		467,712	167,836
Violence Against Women Formula Grants	16.588		District Attorneys Council		1,887,734	868,072
	16.588		Attorney General		97,742	
	16.588		Department of Corrections		34,067	
				Program Total	2,019,543	868,072
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589		District Attorneys Council		210,163	4,307
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		District Attorneys Council		222,364	95,913
Residential Substance Abuse Treatment for State Prisoners	16.593		District Attorneys Council		7,296	1,409
	16.593		Department of Corrections		173,148	
	16.593		Office of Juvenile Affairs		6,734	
				Program Total	187,178	1,409
Special Data Collections and Statistical Studies	16.734		State Bureau of Investigation		12,467	
PREA Program: Strategic Support for PREA Implementation	16.735		Office of Juvenile Affairs		24,157	
Edward Byrne Memorial Justice Assistance Grant Program	16.738		District Attorneys Council		2,269,754	265,829
	16.738		Department of Corrections		57,159	
				Program Total	2,326,913	265,829

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
DNA Backlog Reduction Program	16.741		State Bureau of Investigation	405,789	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		District Attorneys Council	24,759	14,331
	16.742		State Bureau of Investigation	68,878	
	16.742		Medicolegal Investigation Board	7,207	
			Program Total	100,844	14,331
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		Mental Health and Substance Abuse Services	106,818	
Support for Adam Walsh Act Implementation Grant Program	16.750		Department of Corrections	51,392	
Harold Rogers Prescription Drug Monitoring Program	16.754		Bureau of Narcotics & Dangerous Drugs Control	113,047	
Second Chance Act Reentry Initiative	16.812		Department of Corrections	1,504	
	16.812		Mental Health and Substance Abuse Services	192,437	
			Program Total	193,941	-
NICS Act Record Improvement Program	16.813		State Bureau of Investigation	370,955	
John R. Justice Prosecutors and Defenders Incentive Act	16.816		District Attorneys Council	36,850	33,184
Emergency Planning for Juvenile Justice Facilities	16.823		Office of Juvenile Affairs	8,107	
Justice Reinvestment Inititative	16.827		Mental Health and Substance Abuse Services	120,452	114,016
	16.827		Department of Corrections	240,383	
			Program Total	360,835	114,016
Swift, Certain, and Fair (SCF) Sanctions program: Replicating the Concepts behind Project HOPE	16.828		Department of Corrections	134,034	
U.S. Department of Justice-Subtotal				36,147,067	$ 25,032,274
U.S. Department of Labor					
Direct and Pass Through Programs:					
Labor Force Statistics	17.002		Employment Security Commission	890,778	
Compensation and Working Conditions	17.005		Department of Labor	31,128	
Employment Service/Wagner-Peyser Funded Activities	17.207		Employment Security Commission	9,994,691 ✪	
Disabled Veterans' Outreach Program (DVOP)	17.801		Employment Security Commission	1,494,555 ✪	
Local Veterans' Employment Representative Program	17.804		Employment Security Commission	490,996 ✪	
			Employment Service Cluster Total	11,980,242 ✪	-
Unemployment Insurance	17.225		Employment Security Commission	263,118,835 ❋	
Senior Community Service Employment Program	17.235		Department of Human Services	1,206,368	1,122,851
Trade Adjustment Assistance	17.245		Employment Security Commission	2,477,680	
Work Opportunity Tax Credit Program (WOTC)	17.271		Employment Security Commission	234,999	
Temporary Labor Certification for Foreign Workers	17.273		Employment Security Commission	69,661	
Consultation Agreements	17.504		Department of Labor	1,178,940	
Mine Health and Safety Grants	17.600		Department of Mines	159,310	
U.S. Department of Labor-Subtotal				281,347,941	$ 1,122,851
U.S. Department of Transportation					
Direct and Pass Through Programs:					
Airport Improvement Program	20.106		Oklahoma Aeronautics Commission	740,882	
Highway Research and Development Program	20.200		Department of Transportation	565,951	
Highway Planning and Construction	20.205		Department of Transportation	645,530,993 ✪	5,350,444
	20.205		Oklahoma Historical Society	19,936 ✪	
	20.205	902006	Pass-Through from Cherokee Nation to Department of Transportation	30,600 ✪	
	20.205	9000000492	Pass-Through from Chickasaw Nation to Department of Transportation	1,375 ✪	
	20.205	902135 902665 900000413	Pass-Through from Texas Department of Transportation to Department of Transportation	2,668,221 ✪	
			Program Total	648,251,125 ✪	5,350,444
Recreational Trails Program	20.219		Department of Tourism and Recreation	2,156,306 ✪	1,743,216
			Highway Planning and Construction Cluster Total	650,407,431 ✪ ❋	7,093,660

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Highway Training and Education	20.215		Department of Transportation	439,751	1,740
Motor Carrier Safety Assistance	20.218		Department of Public Safety	4,908,427	
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237		Department of Transportation	610,946	
Federal Transit Capital Investment Grants	20.500		Department of Transportation	(189,979) ✪	(189,979)
Bus and Bus Facilities	20.526		Department of Transportation	4,266,521 ✪	4,100,210
			Federal Transit Cluster Total	4,076,542 ✪	3,910,231
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		Department of Transportation	736,199	718,127
Formula Grants for Rural Areas	20.509		Department of Transportation	13,732,247	12,942,243
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		Department of Human Services	1,508,717 ✪	
			Transit Services Programs Cluster Total	1,508,717 ✪	-
Rail Fixed Guildeway Public Transportation System State Safety Oversight Formula Grant Program	20.528		Department of Transportation	74,720	
Cost Reimbursement Contract - National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614		Department of Public Safety	64,640	
State and Community Highway Safety	20.600		Department of Transportation	49,664 ✪	
	20.600		Mental Health and Substance Abuse Services	68,891 ✪	
	20.600		Department of Public Safety	4,377,445 ✪	4,318,228
			Program Total	4,496,000 ✪	4,318,228
National Priority Safety Programs	20.616		Department of Public Safety	3,716,236 ✪	3,203,651
	20.616		State Bureau of Investigation	168,107 ✪	
	20.616		Mental Health and Substance Abuse Services	35,562 ✪	
	20.616		District Attorneys Council	142,808 ✪	
			Program Total	4,062,713 ✪	3,203,651
			Highway Safety Cluster Total	8,558,713 ✪	7,521,879
Cost Reimbursement Contract - Pipeline Safety Program State Based Grant	20.700		Corporation Commission	1,667,548	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		Department of Emergency Management	256,512	256,512
U.S. Department of Transportation- Subtotal				688,349,226	$ 32,444,392
General Services Administration					
Direct and Pass Through Programs:					
Donation of Federal Surplus Personal Property ⌘	39.003		Office of Management and Enterprise Services-DCAM	1,441,493	
General Services Administration-Subtotal				1,441,493	$ -
National Foundation on the Arts and the Humanities					
Direct and Pass Through Programs:					
Promotion of the Arts - Partnership Agreements	45.025		State Arts Council	730,000	
Grants to States	45.310		Department of Libraries	2,112,351	422,859
National Foundation on the Arts and the Humanities-Subtotal				2,842,351	$ 422,859
National Science Foundation					
Direct and Pass Through Programs:					
Education and Human Resources	47.076	14-2-1203355-94814	Pass-Through-from University of Tulsa to Dept. of Career & Tech Ed.	20,047	
Office of International Science and Engineering	47.079	EPSCoR-2013-14	Pass-Through-from OK State University to Dept. of Career & Tech Ed.	3,996	
National Science Foundation-Subtotal				24,043	$ -

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency		Expenditures		Expenditures to Subrecipients
U.S. Small Business Administration							
Direct and Pass Through Programs:							
State Trade Expansion	59.061		Department of Commerce		22,450		-
U.S. Small Business Administration-Subtotal					22,450		$ -
U.S. Department of Veterans Affairs							
Direct and Pass Through Programs:							
Grants to States for Construction of State Home Facilities	64.005		Department of Veterans Affairs		1,151,427		
Veterans State Nursing Home Care	64.015		Department of Veterans Affairs		91,790,517	❁	
All-Volunteer Force Educational Assistance	64.124		Department of Veterans Affairs		519,975		
U.S. Department of Veterans Affairs-Subtotal					93,461,919		$ -
U.S. Environmental Protection Agency							
Direct and Pass Through Programs:							
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		Department of Environmental Quality		407,361		
State Clean Diesel Grant Program	66.040		Department of Environmental Quality		16,083		
Multipurpose Grants to States and Tribes	66.204	OK292PT2928133717	Pass-Through from Sec. of Energy & Enviro. to Dept of Enviro. Quality		38,032		
Water Pollution Control State, Interstate and Tribal Program Support	66.419	OK292PT2928126216/218	Pass-Through from Sec. of Energy & Enviro. to Dept of Enviro. Quality		1,974,828		
	66.419	OK292PT8358131617/717	Pass-Through from Sec. of Energy & Enviro. to Water Resources Board		572,846		
				Program Total	2,547,674		-
State Underground Water Source Protection	66.433		Corporation Commission		168,979		
Water Quality Management Planning	66.454	OK292PT8358133417	Pass-Through from Sec. of Energy & Enviro. to Water Resources Board		83,405		
Capitalization Grants for Clean Water State Revolving Funds	66.458		Water Resources Board		5,959,067	✪	-
				Clean Water State Revolving Fund Cluster Total	5,959,067	✪	-
Nonpoint Source Implementation Grant	66.460	OK292PT6458130016/1317	Pass-Through from Secretary of Environment (DEQ) to Conservation Commission		3,204,226		
Regional Wetland Program Development Grant	66.461	OK292PT6458129516/616	Pass-Through from Sec. of Energy & Environment (DEQ) to Conservation Commissio		45,052		
	66.461	OK292PT8358133817	Pass-Through from Sec. of Energy & Environment to Water Resources Board		53,019		
				Program Total	98,071		-
Capitalizatin Grants for Drinking Water State Revolving Fund	66.468		Department of Environmental Quality		15,130,820	✪	
				Drinking Water State Revolving Fund Cluster Total	15,130,820	✪	-
Performance Partnership Grants	66.605		Department of Environmental Quality		3,814,811		
Environmental Information Exchange Network Grant Program and Related Assistance	66.608		Water Resources Board		43,954		
Consolidated Pesticide Enforcement Cooperative Agreements	66.700		Department of Agriculture		423,445		
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701		Department of Labor		183,486		
Pollution Prevention Grants Program	66.708		Department of Environmental Quality		49,652		
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		Department of Environmental Quality		4,579,724		
Underground Storage Tank Prevention, Detection and Compliance Program	66.804		Corporation Commission		459,000		
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		Corporation Commission		808,000		
Brownfield Pilots Cooperative Agreements	66.811		Department of Commerce		161,968		

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency		Expenditures		Expenditures to Subrecipients
State and Tribal Response Program Grants	66.817		Corporation Commission		195,525		
	66.817		Department of Environmental Quality		391,432		
				Program Total	586,957		-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		Department of Environmental Quality		315,581		
U.S. Environmental Protection Agency-Subtotal					39,080,296		$ -
U.S. Department of Energy							
Direct and Pass Through Programs:							
State Energy Program	81.041		Department of Commerce		347,857		128,265
Weatherization Assistance for Low-Income Persons	81.042		Department of Commerce		2,426,165		2,247,310
U.S. Department of Energy-Subtotal					2,774,022	♦	$ 2,375,575
U.S. Department of Education							
Direct and Pass Through Programs:							
Adult Education - Basic Grants to States	84.002		Department of Corrections		271,824		
	84.002		Department of Career & Technology Education		7,034,275		6,141,087
				Program Total	7,306,099		6,141,087
Title I Grants to Local Educational Agencies	84.010		Department of Education		166,544,488		164,862,511
	84.010		Office of Juvenile Affairs		181,748		
				Program Total	166,726,236	❅	164,862,511
Migrant Education State Grant Program	84.011		Department of Education		1,252,496		1,074,427
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		Department of Education		(269,287)		
	84.013		Department of Corrections		(649)		
	84.013		Office of Juvenile Affairs		133,497		
				Program Total	(136,439)		-
Special Education Grants to States	84.027		Department of Education		145,333,852	✪	131,314,608
	84.027		Office of Juvenile Affairs		33,850	✪	
	84.027		Department of Corrections		2,253	✪	
				Program Total	145,369,955		131,314,608
Special Education Preschool Grants	84.173		Department of Education		3,222,585	✪	3,136,169
				Special Education Cluster (IDEA) Total	148,592,540	✪	134,450,777
Career and Technical Education - Basic Grants to States	84.048		Department of Career & Technology Education		14,789,007		12,995,443
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		Department of Rehabilitation Services		38,763,785		
Migrant Education Coordination Program	84.144		Department of Education		101,164		
Rehabilitation Services Client Assistance Program	84.161		Office of Disability Concerns		118,675		-
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177		Department of Rehabilitation Services		342,268		
Special Education Grants for Infants and Families	84.181		Department of Education		273,356		
	84.181		State Department of Health		917,926		
				Program Total	1,191,282		
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187		Department of Rehabilitation Services		300,000		
Education for Homeless Children and Youth	84.196		Department of Education		761,404		756,926
Javits Gifted and Talented Students Education	84.206		Department of Education		48,837		
Twenty-First Century Community Learning Centers	84.287		Department of Education		11,617,402		11,005,486
Special Education - State Personnel Development	84.323		Department of Education		691,358		
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330		Department of Education		21,409		

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency		Expenditures	Expenditures to Subrecipients
Rural Education	84.358		Department of Education		3,929,886	3,772,517
English Language Acquisition State Grants	84.365		Department of Education		4,874,363	4,738,258
Mathematics and Science Partnerships	84.366		Department of Education		1,424,634	1,405,004
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		Department of Education		17,154,790 ❁	16,720,349
Grants for State Assessments and Related Activities	84.369		Department of Education		5,401,652	
Comprehensive Literacy Development	84.371		Department of Education		1,308,056	1,173,783
School Improvement Grants	84.377		Department of Education		4,771,223	4,525,422
Performance Partnership Pilots for Disconnected Youth	84.420		Department of Human Services		200,850	94,287
Student Support and Academic Enrichment Program	84.424		Department of Education		52,306	
U.S. Department of Education-Subtotal					431,605,283	$ 363,716,277
National Archives and Records Administration						
Direct and Pass Through Programs:						
National Historical Publications and Records Grants	89.003		Department of Libraries		63,248	20,056
National Archives and Records Administration - Subtotal					63,248	$ 20,056
U.S. Election Assistance Commission						
Direct and Pass Through Programs:						
Help America Vote Act Requirements Payments	90.401		State Election Board		1,272,653	
U.S. Election Assistance Commission - Subtotal					1,272,653	$ -
U.S. Department of Health and Human Services						
Direct and Pass Through Programs:						
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		Department of Human Services		55,658	55,091
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042		Department of Human Services		192,295	
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043		Department of Human Services		176,040	165,142
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		Department of Human Services		4,661,351 ✪	4,466,742
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045		Department of Human Services		8,202,836 ✪	7,893,644
Nutrition Services Incentive Program	93.053		Department of Human Services		2,002,869 ✪	1,965,323
				Aging Cluster Total	14,867,056 ✪	14,325,709
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048		Department of Human Services		31,229	
	93.048		Oklahoma Insurance Department		278,110	
				Program Total	309,339	-
National Family Caregiver Support, Title III, Part E	93.052		Department of Human Services		1,620,766	1,536,888
Public Health Emergency Preparedness	93.069		State Department of Health		178,693	
Medicare Enrollment Assistance Program	93.071		Oklahoma Insurance Department		161,982	
	93.071		Department of Human Services		180,221	
				Program Total	342,203	-
Lifespan Respite Care Program	93.072		Department of Human Services		89,483	
Birth Defects and Developmental Disabilities	93.073		State Department of Health		296,878	
Hospital Preparedness Program (HPP) and Public Health	93.074		State Department of Health		8,829,356	2,421,268
Emergency Preparedness (PHEP) Aligned Cooperative Agreement	93.074		Mental Health and Substance Abuse Services		626	
				Program Total	8,829,982	2,421,268

Federal Grantor/Pass-Through Grantor/Program Title		CFDA Number	Pass Through Entity Identifying Number	Agency		Expenditures		Expenditures to Subrecipients
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance		93.079		State Department of Health		57,759		
Enhance Safety of Children Affected by Substance Abuse		93.087		Mental Health and Substance Abuse Services		478,741		368,247
Affordable Care Act (ACA) Personal Responsibility Education Program		93.092		State Department of Health		600,252		455,131
Food and Drug Administration - Research		93.103		Department of Agriculture		379,490		
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)		93.104		Mental Health and Substance Abuse Services		3,056,044		2,444,815
Maternal and Child Health Federal Consolidated Programs		93.110		State Department of Health		92,097		
Project Grants and Cooperative Agreements for Tuberculosis Control Programs		93.116		State Department of Health		528,947		
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices		93.130		State Department of Health		176,406		
Injury Prevention and Control Research and State and Community Based Programs		93.136		State Department of Health		1,713,404		170,561
		93.136		Narcotics & Dangerous Drugs Control		505,623		
					Program Total	2,219,027		170,561
Projects for Assistance in Transition from Homelessness (PATH)		93.150		Mental Health and Substance Abuse Services		519,115		257,459
Family Planning - Services		93.217		State Department of Health		3,724,926		1,160,816
Research on Healthcare Costs,Quality and Outcomes		93.226	1R18HS025067-01	Pass-Through from Agency for Healthcare Research and Quality to Mental Health and Substance Abuse Services		87,851		
Traumatic Brain Injury State Demonstration Grant Program		93.234		State Department of Health		(98)		
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program		93.235		State Department of Health		939,797		474,871
Substance Abuse and Mental Health Services Projects of Regional and National Significance		93.243		State Department of Health		636,378		49,177
		93.243		Mental Health and Substance Abuse Services		10,134,351		7,385,112
		93.243		Department of Human Services		2,579		
					Program Total	10,773,308		7,434,289
Universal Newborn Hearing Screening		93.251		State Department of Health		180,140		
Immunization Cooperative Agreements	❖	93.268		State Department of Health		61,538,087		317,024
Viral Hepatitis Prevention and Control		93.270		State Department of Health		324,005		
Centers for Disease Control and Prevention Investigations and Technical Assistance		93.283		State Department of Health		(46,126)		
National State Based Tobacco Control Programs		93.305		State Department of Health		966,734		400,705
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program		93.314		State Department of Health		152,917		
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		93.323		State Department of Health		1,430,479		
State Health Insurance Assistance Program		93.324		Oklahoma Insurance Department		554,599		
Behavioral Risk Factor Surveillance System		93.336		State Department of Health		50,531		
ACL Independent Living State Grants		93.369		Department of Rehabilitation Services		276,444		
Pregnancy Assistance Fund Program		93.500		State Department of Health		325,448		56,037
Affordable Care Act (ACA) - Maternal, Infant and Early Childhood Home Visiting Program		93.505		State Department of Health		1,039,327	✪	
Maternal, Infant and Early Childhood Home Visiting Grant Program		93.870		State Department of Health		4,564,175	✪	2,170,504
					Maternal, Infant, and Early Childhood Home Visiting Cluster Total	5,603,502	✪ ❅	2,170,504
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF		93.521		State Department of Health		666,696		
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds		93.539		State Department of Health		(121,623)		

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency		Expenditures		Expenditures to Subrecipients
Promoting Safe and Stable Families	93.556		Department of Human Services		4,249,553		718,788
	93.556		Office of Juvenile Affairs		244,950		
	93.556		Mental Health and Substance Abuse Services		84,057		
				Program Total	4,578,560		718,788
Temporary Assistance for Needy Families	93.558		Department of Human Services		37,459,392	✪	2,702,772
	93.558		Department of Career & Technology Education		2,578,410	✪	
	93.558		Department of Libraries		518,395	✪	
	93.558		Mental Health and Substance Abuse Services		3,986,455	✪	
				TANF Cluster Total	44,542,652	✪	2,702,772
Child Support Enforcement	93.563		Department of Human Services		27,680,372		902,379
	93.563		District Attorneys Council		2,946,856		
				Program Total	30,627,228	❁	902,379
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566		Department of Human Services		672,349		455,881
Low-Income Home Energy Assistance	93.568		Department of Human Services		31,099,827		
	93.568		Department of Commerce		2,318,961		2,248,441
				Program Total	33,418,788		2,248,441
Community Services Block Grant	93.569		Department of Commerce		8,261,601	♦	7,871,097
Child Care and Development Block Grant	93.575		Department of Human Services		65,573,287	✪	1,341,917
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		Department of Human Services		54,384,035	✪	
				CCDF Cluster Total	119,957,322	✪	1,341,917
State Court Improvement Program	93.586		Supreme Court		507,978		
Community-Based Child Abuse Prevention Grants	93.590		State Department of Health		644,436		309,381
Grants to States for Access and Visitation Programs	93.597		Department of Human Services		118,014		
Chafee Education and Training Vouchers Program (ETV)	93.599		Department of Human Services		1,015,325		
Head Start	93.600		Department of Commerce		221,110		221,110
Adoption and Legal Guardianship Incentive Payments	93.603		Department of Human Services		3,875,107		
Developmental Disabilities Basic Support and Advocacy Grants	93.630		Department of Human Services		1,024,023		
Children's Justice Grants to States	93.643		Department of Human Services		170,233		
Stephanie Tubbs Jones Child Welfare Services Program	93.645		Department of Human Services		697,283		
Child Welfare Research Training or Demonstration	93.648		Department of Human Services		316,929		
Adoption Opportunities	93.652		Department of Human Services		755,952		174,027
Foster Care Title IV-E	93.658		Department of Human Services		69,019,955		3,360,895
	93.658		Office of Juvenile Affairs		111,076		
	93.658		Oklahoma Commission on Children and Youth		424,461		
				Program Total	69,555,492	❁	3,360,895
Adoption Assistance	93.659		Department of Human Services		67,692,683		
Social Services Block Grant	93.667		Department of Human Services		33,643,212		
Child Abuse and Neglect State Grants	93.669		Department of Human Services		1,115,300		
Child Abuse and Neglect Discretionary Activities	93.670	90CA1854	Pass-Through from Administration for Children and Families to Mental Health and Substance Abuse Services		4,720		
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671		Attorney General		1,380,776		1,341,797
Chafee Foster Care Independence Program	93.674		Department of Human Services		3,619,088		1,857,111
State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	93.735		State Department of Health		212,965		
PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745		State Department of Health		181,436		

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency		Expenditures		Expenditures to Subrecipients
Child Lead Poisoning Prevention Surveillance financed							
in part by Prevention and Public Health (PPHF) Program	93.753		State Department of Health		288,910		
State and Local Public Health Actions to Prevent							
Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757		State Department of Health		1,717,004		
Preventive Health and Health Services Block Grant							
funded solely with Prevention and Public Health	93.758		State Department of Health		1,145,905		76,977
Funds (PPHF)	93.758		Narcotics & Dangerous Drugs Control		66,231		
				Program Total	1,212,136		76,977
PPHF- Cooperative Agreements to Implement the							
National Strategy for Suicide Prevention (Short Title:							
National Strategy Grants)	93.764		Mental Health and Substance Abuse Services		297,296		80,930
Children's Health Insurance Program	93.767		Health Care Authority		219,884,315		
	93.767		Mental Health and Substance Abuse Services		77,255		
				Program Total	219,961,570	❅	
Medicare Hospital Insurance	93.773		State Department of Health		572,470		
State Medicaid Fraud Control Units	93.775		Attorney General		1,711,214	✪	
State Survey and Certification of Health Care Providers							
and Suppliers (Title XVIII) Medicare	93.777		State Department of Health		5,853,457	✪	
Medical Assistance Program	93.778		Office of Juvenile Affairs		146,898	✪	
	93.778		Health Care Authority		2,784,417,959	✪	
	93.778		State Department of Health		5,476,005	✪	
	93.778		Department of Human Services		55,314,770	✪	
	93.778		Mental Health and Substance Abuse Services		715,701	✪	
				Program Total	2,846,071,333	✪	-
				Medicaid Cluster Total	2,853,636,004	✪ ❅	-
Opioid STR	93.788		Mental Health and Substance Abuse Services		5,880,619		2,515,829
Money Follows the Person Rebalancing Demonstration	93.791		Health Care Authority		1,319,691		
State Survey Certification of Health Care Providers	93.796		Health Care Authority		4,930,602		
and Suppliers (Title XIX) Medicaid	93.796		State Department of Health		5,126,188		
				Program Total	10,056,790		-
Domestic Ebola Supplement to the Epidemiology and							
Laboratory Capacity for Infectious Diseases (ELC)	93.815		State Department of Health		119,187		
Hospital Preparedness Program (HPP) Ebola							
Preparedness and Response Activities	93.817		State Department of Health		76,046		
Section 223 Demonstration Programs to Improve							
Cancer Prevention and Control Programs for State, Territorial							
and Tribal Organizations	93.898		State Department of Health		1,564,804		
HIV Care Formula Grants	93.917		State Department of Health		2,643,898	❅ ✟	363,898
Grants to Provide Outpatient Early Intervention Services to	93.918		State Department of Health		41,660		
HIV Prevention Activities Health Department Based	93.940		State Department of Health		1,930,691		112,271
Human Immunodeficiency Virus (HIV)/Acquired							
Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		State Department of Health		181,968		
Assistance Programs for Chronic Disease Prevention							
and Control	93.945		State Department of Health		418,265		
Cooperative Agreements to Support State-Based Safe							
Motherhood and Infant Health Initiative Programs	93.946		State Department of Health		157,020		
Block Grants for Community Mental Health Services	93.958		Mental Health and Substance Abuse Services		5,867,764		1,183,998
Block Grants for Prevention and Treatment of Substance							
Abuse	93.959		Mental Health and Substance Abuse Services		15,578,696		3,658,417
	93.959		State Department of Health		6,238		
				Program Total	15,584,934		3,658,417

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977		State Department of Health	1,084,583	
Maternal and Child Health Services Block Grant to the States	93.994		State Department of Health	1,854,740	1,253,055
	93.994		J.D. McCarty Center	41,438	
	93.994		Department of Human Services	2,067,853	
			Program Total	3,964,031	1,253,055
Assisted Outpatient Treatment	93.997		Mental Health and Substance Abuse Services	980,935	598,654
Cost Reimbursement Contracts:					
Implementation Alcohol/Drug Data Collection	93.UNK		Mental Health and Substance Abuse Services	33,800	
Client Level Projects	93.UNK		Mental Health and Substance Abuse Services	77,327	
U.S. Department of Health and Human Services-Subtotal				3,680,973,853	$ 67,564,182
Corporation for National and Community Service					
Direct and Pass Through Programs:					
Social Innovation Fund Pay for Success	94.024	14PSHNY001	Pass-Through from Corp for Supp Housing/Non-Profit Finance to Mental Health and Substance Abuse Services	132,376	
Corporation for National and Community Service-Subtotal				132,376	$ -
Executive Office of the President					
Cost Reimbursement Contract: High Intensity Drug Trafficking Areas Program	95.001		Narcotics & Dangerous Drugs Control	58,973	
Executive Office of the President-Subtotal				58,973	$ -
Social Security Administration					
Direct and Pass Through Programs:					
Social Security - Disability Insurance	96.001		Department of Rehabilitation Services	43,966,865 ✪	
			Disability Insurance/SSI Cluster Total	43,966,865 ✪	-
Social Security Administration-Subtotal				43,966,865	$ -
U.S. Department of Homeland Security					
Direct and Pass Through Programs:					
Boating Safety Financial Assistance	97.012		Department of Public Safety	1,506,656	
Community Assistance Program State Support Services	97.023		Department of Emergency Management	109,583	
Element (CAP-SSSE)	97.023		Water Resources Board	319,083	
			Program Total	428,666	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		Department of Emergency Management	58,063,606	50,180,424
	97.036		Department of Transportation	352,651	
	97.036		Department of Tourism and Recreation	417,310	-
			Program Total	58,833,567 ❁	50,180,424
Hazard Mitigation Grant	97.039		Department of Emergency Management	8,213,040	8,213,040
National Dam Safety	97.041		Water Resources Board	356,335	
Emergency Management Performance Grants	97.042		Department of Emergency Management	7,314,116	2,166,913
Cooperating Technical Partners	97.045		Water Resources Board	455,949	
Fire Management Assistance Grant	97.046		Department of Emergency Management	40,269	40,269
Pre-Disaster Mitigation	97.047		Department of Emergency Management	3,779,688	3,779,688
State Homeland Security Program (SHSP)	97.073		Department of Transportation	681	
	97.073		Department of Public Safety	2,551,492	2,490,688
	97.073		State Bureau of Investigation	306,030	
	97.073		Conservation Commission	32,422	
			Program Total	2,889,944	2,490,688
Disaster Assistence Project	97.088		Department of Emergency Management	987,352	
U.S. Department of Homeland Security-Subtotal				84,806,263	$ 66,871,022

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Entity Identifying Number	Agency	Expenditures	Expenditures to Subrecipients
U.S. Drug Enforcement Administration					
Direct and Pass Through Programs:					
Other Federal Assistance - Marijuana Eradication Suppression Program	99.UNK		Bureau of Narcotics & Dangerous Drugs Control	118,972	
U.S. Drug Enforcement Administration-Subtotal				118,972	$ -
Total Federal Assistance				6,797,427,355	$ 906,395,845

⌘ Noncash Assistance
❖ Partially Noncash Assistance
❁ Tested as a major program as defined by 2 CFR §200.518
⧫ Program audited as a major program by independent auditor
✪ Programs defined as a cluster by OMB Compliance Supplement
⌖ See SEFA footnote #7
UNK Unknown

Notes to the Schedule of Expenditures of Federal Awards

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2018

Note 1. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (schedule) includes the federal award activity of the State of Oklahoma for the year ended June 30, 2018. The information in this schedule is presented in conformity with the requirements set forth in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. The reporting entity includes the primary government of the State of Oklahoma as presented in the Comprehensive Annual Financial Report (CAFR). Component units included in the CAFR prepare individual financial statements that meet the requirements of Uniform Guidance, and have not been included in the schedule. Uniform Guidance allows non-Federal entities to meet the audit requirements of the compliance supplement through a series of audits that cover the reporting entity.

B. Basis of Presentation

The schedule presents expenditures and expenses for the fiscal year ended June 30, 2018. The schedule reports total federal award expenditures and expenses for each federal program as identified in the Catalog of Federal Domestic Assistance (CFDA). Federal awards without identified CFDA numbers have been identified as "Unknown" (UNK).

Federal financial awards include federal financial assistance and federal cost-reimbursement contracts. Federal financial assistance may be defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, food commodities, interest subsidies, insurance or direct appropriations, but does not include direct federal cash assistance to individuals. Non-monetary federal assistance including surplus property, food stamps and food commodities is reported in the schedule. Solicited contracts between the state and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Food and commodity distributions on the accompanying schedule are valued using a weighted average cost based on the U.S. Department of Agriculture commodity price list at the inventory receipt date. The food stamp issuance amount included in the accompanying schedule is stated at the value of food stamps redeemed. Donated federal surplus property is included in the schedule at a percentage of the federal government acquisition cost.

The scope of the schedule includes expenditures made by state primary recipients. The determination of when a federal award is expended is based on when the activity related to the federal award occurs. Generally, the activity pertains to events that require the state agency to comply with federal statutes, regulations, and the terms and conditions of federal awards. With reference to the primary government, the primary recipient expenditures are not adjusted for sub-recipient expenditures.

Certain federal expenditure transactions may appear in the records of more than one state agency. To avoid duplication and overstatement of the aggregate level of federal expenditures by the State of Oklahoma, the following policies have been adopted:

- When monies are received by one state agency and distributed to another state agency, the federal expenditures are attributed to the state agency that actually expends the funds.
- When purchases of provider services between two state agencies occurs, the federal funds are normally recorded as expenditures on the purchasing state agency's records and provider service revenues on the records of the state agency rendering the services. Therefore, the receipt of federal funds related to provider services will be attributed to the purchasing agency which is the primary receiving/expending state agency.

Major programs are defined by levels of expenditures and expenses and risk assessments established in the Uniform Guidance.

C. Basis of Accounting

The accompanying schedule, in general, reports expenditures of the primary government in accordance with Generally Accepted Accounting Principles (GAAP). GAAP requires that governmental funds report revenue and expenditures using the modified accrual basis of accounting as described in the Comprehensive Annual Financial Report. The modified accrual basis of accounting recognizes expenditures and expenses when liquidated with current resources. The Oklahoma Department of Wildlife Conservation uses the accrual basis of accounting that recognizes expenditures when incurred.

Note 2. State Unemployment Insurance Fund

Expenditures for unemployment insurance (CFDA#17.225) include state unemployment insurance (UI) funds as well as federal UI funds. The state portion of UI funds amounted to $224,889,702. The federal portion of UI funds amounted to $37,965,215.

Note 3. Cost Recovery of Federal Program Expenditures

During fiscal year 2018, the Oklahoma Department of Health received cash rebates from infant formula manufacturers in the amount of $19,856,883 on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA#10.557). The rebate contracts are authorized by 7 CFR 246.16(a) as a cost containment measure. The cash rebates are treated as a credit against prior food expenditures.

The Oklahoma Department of Transportation has incurred significant expenditures on construction projects that have exceeded the contract amounts approved by the federal grantor. These project expenditures are held in suspense until modified contracts are approved by the federal grantor and the expenditures subsequently reimbursed. Project expenditures totaling $233,000 were in suspense at June 30, 2018, and once the modified contracts are approved by the U.S. Department of Transportation an estimated 100% will be considered available.

Note 4. Indirect Cost Rate

Per Uniform Guidance 2 CFR § 200.510(b)(6), agencies are required to disclose whether or not they elect to use the 10 percent de minimis cost rate that 2 CFR§ 200.414(f) allows for nonfederal entities that have never received a negotiated indirect cost rate. Below is a table indicating whether the agency has elected to use the 10 percent de minimis cost rate or not:

Yes	No
Office of Management and Enterprise Services	Military Department
Oklahoma State Bureau of Investigation	Attorney General
	Oklahoma Arts Council
	Oklahoma Aeronautics Commission
	Department of Mines
	Oklahoma Commission on Children and Youth
	Department of Corrections
	District Attorney's Council
	Election Board
	Oklahoma Employment Security Commission
	State Auditor & Inspector
	Oklahoma Dept. of Emergency Management
	Office of Disability Concerns
	Medicolegal Investigation Board
	Transportation Department
	Oklahoma Space Industry Dev Authority
	Oklahoma Historical Society
	Office of Juvenile Affairs
	Department of Libraries
	Narcotics/Dangerous Drugs Control
	Ctr for Advancement of Science/Technology
	J.D. McCarty Center
	Supreme Court
	Oklahoma Tax Commission
	Oklahoma Health Care Authority
	Department of Human Services
	Veterans Affairs Department

Note 5. Audits Provided by Auditors Other Than Principal Auditor

Audits provided by auditors other than the principal auditor include:

Oklahoma Department of Commerce
Oklahoma Department of Wildlife Conservation

Several programs were identified as major and audited as such in the separate single audits of these entities. The schedule separately identifies programs that were audited as major programs by independent auditors of entities.

Note 6. Department of Transportation Federal Soft Match Provision

Beginning in the year 1992, the Oklahoma Department of Transportation began using the "soft match" provision of the Inter-modal Surface Transportation Efficiency Act, which allows the maintenance and construction cost of toll facilities that serve interstate commerce to be used in lieu of state matching funds. Annually, dollars spent for major maintenance (reconstruction) of turnpikes or new construction may be added to the amount of soft match credit available for use as state match. The state's share of expenditures is deducted from the available soft match amount. Federal money would then fund 100 percent of the project from the amount that had previously been apportioned for Oklahoma's highway projects.

The Department utilized $50,246,512 of the soft match provision for projects billed during fiscal year 2018. These soft match dollars are applied to the approved construction projects when expenditures are incurred, based on the soft match percentage. It should be noted that the amount of soft match credit utilized on the progressive estimate billings submitted to the Federal Highway Administration (FHWA) for each project is an estimate during the course of the project. The actual amount of soft match utilized for a particular project is not determinable until the project is final and the final reconciliation and billing has been submitted to FHWA.

Note 7. Department of Health HIV Care Rebates

Although federal expenditures for CFDA #93.917 - HIV Care Formula Grants are minimal, this program also receives drug rebates to help administer the program. These rebates are not considered federal expenditures however they must be restricted and spent in accordance with applicable federal grant requirements. After considering these drug rebates, the Oklahoma State Department of Health expended $20,318,535 during 2018 for this program.

Corrective Action Plan

Lynne Bajema
State Comptroller
Central Accounting & Reporting

John Budd
Director

OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
18-090-008	CAFR – Governmental Activities & General Fund	State law and accounting policies require agency (component unit) financial statements be reported to OMES by October 31 each year. The purpose is to allow OMES 60 days to issue the state's Comprehensive Accounting Financial Report (CAFR). OMES streamlines the preparation of the CAFR by presenting the State Auditor and Inspector information as soon as the entries are made realizing that formal compilation and review is ongoing. If preliminary data is not submitted until after the CAFR is complete, the timeframe for the completion, review and audit of the CAFR would be compressed significantly. OMES management concurs that this process is not ideal but has historically found it necessary to meet the deadlines of presenting the CAFR. The short time frame for preparation of the CAFR is compounded by agencies that routinely miss the October deadline for reporting their information. OMES management will expand interim reviews providing more accuracy of preliminary information. OMES management will add a financial preparer so the manager can focus on review activities. OMES management recommends the state allow OMES to impose a penalty to agencies that do not submit their information timely causing for untimely reviews and delays in the CAFR preparation.	06/30/2019	Matt Clarkson

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-010	84.010 Title I Grants to Local Educational Agencies (LEAs)	For the majority of student graduation records (approximately 80% in SY 2018), documentation for students exiting a cohort due to transferring to another diploma-issuing institution already exists via the receiving Oklahoma public school reporting the enrollment directly to OSDE. Thus, a process for verifying documentation of students exiting from a school's cohort currently exists for the overwhelming majority of students. OSDE is committed to ever-improving data quality and accuracy. For this reason, the Office of Accountability has developed a yearly report for the Regional Accreditation Officers (RAOs) that identifies all students who are exited from a cohort and do not have documentation via an enrollment record from OSDE's data system, beginning with the 2018 cohort. When the RAOs conduct their spring audit in April/May, the RAOs will verify the documentation for a sample of the students, not to be below 10% of the number of students identified. If OSDE determines that a school is not maintaining appropriate documentation for a student prior to exiting a student from the cohort, OSDE will insert the students lacking documentation back into the cohort prior to the reporting of the graduation rate.	June 1, 2019	Maria Harris

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-014	84.010 Title I Grants to Local Educational Agencies (LEAs)	These processes have been implemented in the 2018-2019 school year. To ensure all LEA's funds subject to the 15% carryover requirements of Title I, Part A are adequately reviewed, tracked, and released, the Office of Federal Programs (OFP) has done the following: 1. Created 2 reports in the Grants Management System (GMS) to indicate the LEAs which are subject to the carryover limitation: a) One report includes all LEAs and displays their current year allocation. b) One report includes only LEAs whose current year allocation is greater than $50,000 and are subject to the 15% carryover limitation. 2. Assigned a second OFP reviewer to verify that LEAs subject to the carryover limitation were adequately identified, and to verify excess carryover calculations. 3. Established an internal date range (January-March), to ensure OFP releases in a timely manner excess carryover funds from LEAs who did not liquidate the excess funds within the period of performance. 4. Established procedures which ensure that excess funds were released in the appropriate amount from the LEAs who did not liquidate the excess funds within the period of performance.	December 2018	Gloria Bayouth

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-015	84.010 & 84.367 Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant	In order to ensure the supplement not supplant requirements have been met, OSDE has done the following: • placed an assurance in the FY18 Assurances Application that required LEAs to attest that the supplement not supplant requirements will be met for the current fiscal year. • required the LEAs to describe in the FY18 Consolidated Monitoring Tool the processes the LEA has in place to evaluate LEA's compliance with supplanting requirements. • required the LEAs to describe in the FY18 Consolidated Monitoring Tool the processes to correct budgets and expenditure reports due to supplanting violations. • required the LEAs to upload in the FY19 Consolidated Application the methodology used to allocate state and local funds to each school in order to meet the supplement not supplant requirement under ESSA, Section 1118(b)(2).	July 1, 2018	Gloria Bayouth

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-016	84.010 & 84.367 Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant	OSDE has developed agency policy and procedures to: • Define the criteria used to determine if a school has significantly expanded (addition of grade level, addition of major curriculum area, etc.). • Track the date the OSDE Accreditation department first receives notice that a charter school is newly opening or significantly expanding to ensure that allocations are adjusted in a timely manner. • After receiving student counts from Child Nutrition division, OFP will follow-up on any allocations which are required to be adjusted on or before the date the SEA allocates funds to LEAs under the applicable covered program for the succeeding academic year. • OFP created an internal control spreadsheet to ensure proper supporting documentation is maintained for any determinations or allocations of new or significantly expanding charter schools.	March 2019	Gloria Bayouth

JOY HOFMEISTER

STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
OKLAHOMA STATE DEPARTMENT OF EDUCATION

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-017	84.010 Title I Grants to Local Educational Agencies (LEAs)	OSDE has developed procedures and created a control spreadsheet in alignment with the Fiscal, Non-Regulatory Guidance from USDE to properly calculate the correct hold harmless amount for new or significantly expanding charter schools.	March 2019	Gloria Bayouth

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-019	84.010 Title I Grants to Local Educational Agencies (LEAs)	OSDE recognizes the importance of implementing adequate controls to track the review of Academic Assessment Monitoring Program (AAMP) documentation and have revised both the Monitoring Progress (or 2019 Monitoring Status) Spreadsheet and the Desk Monitoring and On-site Monitoring Checklists as follows: 1. 2019 Monitoring Status Spreadsheet: inclusion of the date that the desk and on-site monitoring checklists are completed by OSDE staff, the date the desk and on-site monitoring checklists are reviewed, the date the compliance letter is sent to the district, recipients of the AAMP Status Determination Letter, and the monitoring status outcome . 2. Desk Monitoring and On-site Monitoring Checklists: addition of the electronic signature and date the OSDE employee completed the checklist documentation review, the status of compliance, and the name and date of the OSDE staff member who reviews the completed checklist.	September 30, 2019	Craig Walker

JOY HOFMEISTER

STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
OKLAHOMA STATE DEPARTMENT OF EDUCATION

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-030	84.010 & 84.367 Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant	OSDE has written procedures in place that are required to be followed by all reviewers, to ensure the consolidated monitoring tool and the monitoring logs for FY19 are adequately documented, correctly completed, and reviewed appropriately. Starting with FY19, OSDE required all LEAs to submit the Schoolwide and Targeted Assistance Plans for all Title I schools via the Grants Management System (GMS). The plans are monitored by OSDE reviewers throughout the year, and are not collected through the Consolidated Monitoring process.	July 1, 2018	Gloria Bayouth

JOY HOFMEISTER

STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
OKLAHOMA STATE DEPARTMENT OF EDUCATION

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-033	10.553; 10.555; 10.556 & 10.559 Child Nutrition Cluster	USDA maintains an Administrative Review (AR) process that is in tremendous detail and very intense. AR instructions for completion are included in documents that the monitors all maintain on-site during the week long process. Myriads of documents obtained at the SFA are examined including the required percentage of Family Size and Income applications (four pages, printed front-to-back) (which could be as many as 599 applications) as stated in the guidance for completing the instrument. The following steps are taken as part of the AR process to ensure that there are adequate controls and supervision in place during review at the site. • All new monitoring staff do not go out on ARs unless accompanied by senior staff. New staff are not released to complete ANY ARs unaccompanied until approved to do so by the supervisor of all field staff. This may take plus or minus two years. • Various times during the year, the supervisor of field staff accompanies those staff members to validate that the AR is being conducted as required per USDA guidelines. When the supervisor accompanies the field staff, she is also actively monitoring and even assisting during the entire review process. This allows the supervisor to evaluate and verify the tests performed by the reviewer and determine if they are accurate and if the conclusions are valid. • Should any field staff member encounter issues with unusual scenarios, they call or email the supervisor to discuss the procedures at that very time it arises. Issues are dealt with on a case-by-case basis. • Mandatory training for the Administrative Review process and any updates is conducted each May during the annual Spring Staff Meeting to prepare all 16 field staff for that process for the coming year. • All ARs, whether for School Food Authorities, Summer Food Service Program participants or Child Care and Family Day Care Home sponsors, go	October 1, 2020	Debbie Hamilton

		through a complete desk audit upon the arrival of the completed review into the State Agency for finalizing and sending closure or follow-up letters to the entities. Third bullet under "Conditions and Contest" above: These are **all** done as they are part of the Resource Management portion of the Administrative Review. Instructions say if the SFA is not charging the amount that the PLE reflects, non-federal funds must cover the difference. This validation is completed during the review. To address the issue of "*maintaining adequate supporting documentation that would enable a reviewer to confirm that the consultant performed the Admin Review or the SFSP review …and confirm the consultant's conclusions were valid*," see attached documents including: 1. Pages 294 and 295 of the 2 CFR PART 200, APPENDIX XI, COMPLIANCE SUPPLEMENT, APRIL 2017, under Suggested Audit Procedures: specifically for Family Size and Income Guidelines published by FNS. The guidance requires that the sampling be verified to see the process was performed correctly and that changes were made to the eligibility status as needed according to documents received from families. 2. Email dated 12/14/18, clarifying discussion concerning documentation required for the Administrative Review process. As stated in the highlighted verbiage: FNS does not require State agencies to include documentation to prove validation of questions where further explanations comments and/or attachments are not required per the AR tools and when the SFA is in compliance. The 3-month operating balance testwork as part of the School Food Account was not being monitored annually per email from Southwest Regional USDA office because it was monitored during the AR. After further clarification from the SWRO this annual monitoring will resume effective immediately. SFAs with an excess 3-month operating balance will receive letters requesting documentation on how excess balances were spent. These letters will be mailed 3/25/2019. The Benefit Issuance under Eligibility for SFSP Sponsor reviews applies only for Camps and Closed Sites. As a means to help ensure the other items noted in this audit are in place, more in-depth training on the actual process of the review will be implemented. Training for the SFSP monitors will be more intense to ensure compliance as well. Additionally, for future audits, Child Nutrition staff will work with the auditors and the SFAs to obtain documentation from the SFAs that are critical to conduct test work to the extent it is reasonable, cost effective, can be safeguarded and meets all the data security requirements.		

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-034	10.558 Child and Adult Care Food Program	USDA maintains an Administrative Review process that is in tremendous detail and very intense. AR instructions for completion are included in documents the monitors all maintain on-site during the process. Documents are obtained and examined at the center or sponsor locations including the required percentage of Family Size and Income applications (four pages, printed front-to-back) as stated in the guidance for completing the monitoring instrument. Training for the Administrative Review process is conducted each May during the annual Spring Staff Meeting to prepare for that process. Staff turnover could be attributed to a very small part of the issues noted above, but very little. All Administrative Reviews, whether for School Food Authorities, Summer Food Service Program participants or Child Care and Family Day Care Home sponsors, go through a complete desk audit upon the arrival of the completed review into the State Agency for finalizing and sending closure or follow-up letters to the entities. To address the issue of "*maintaining adequate supporting documentation that would enable a reviewer to confirm that the consultant performed the Admin Review or the SFSP review …and confirm the consultant's conclusions were valid*," see attached documents including: 1. Pages 294 and 295 of the 2 CFR PART 200, APPENDIX XI, COMPLIANCE SUPPLEMENT, APRIL 2017, under Suggested Audit Procedures: specifically for Family Size and Income Guidelines published by FNS. The guidance requires that the sampling be verified to see the process was performed correctly and that changes were made to the eligibility status as needed according to documents received from families. 2. Email dated 12/14/18, clarifying discussion concerning documentation required for the	October 1, 2020	Debbie Hamilton

		Administrative Review process. As stated in the highlighted verbiage: FNS does not require State agencies to include documentation to prove validation of questions where further explanations comments and/or attachments are not required per the AR tools and when the SFA is in compliance. As a means to help ensure the other items noted in this audit are in place, more in-depth training on the actual process of the review will be implemented.		

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-036	10.553; 10.555; 10.556 & 10.559 Child Nutrition Cluster	Staff turnover in Child Nutrition beginning 6/1/15, included a complete new staff either completely new to the agency or new to the responsibilities of the program now assigned to within Child Nutrition. Nationwide changes to OMB compliance requirements were also put in place in this timeframe. Risk assessment process is currently being developed by Child Nutrition staff with a target date of 10/1/2019. Assessment factors will possibly include: 1. Using overclaims as a percentage of meal errors compared to the number of meals claimed. This flag would then require follow-up review for at least the one area of deficiency. 2. Repeat violations of any over claim issues. 3. Any SFA that has implemented a Loan Agreement for their Child Nutrition. Others are being developed for implementation as seen necessary by the Child Nutrition staff as a whole.	October 1, 2019	Debbie Hamilton

Joy Hofmeister

State Superintendent of Public Instruction
Oklahoma State Department of Education

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT
CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-037	10.558 Child and Adult Care Food Program	Staff turnover in Child Nutrition beginning 6/1/15, included a complete new staff either completely new to the agency or new to the responsibilities of the program now assigned to within Child Nutrition. Nationwide changes to OMB compliance requirements were also put in place in this timeframe. Assessing risk was not at the top of the list of responsibilities. An item in place for the past 4 years is any institution deemed Seriously Deficient (SD) in one Fiscal year automatically receives a review the next fiscal year. Risk assessment process is currently being developed by Child Nutrition staff with a target date to have the process and procedures in place for by 10/1/2019. Additional risk factors are being developed and will be implemented by 10/1/2019.	October 1, 2019	Debbie Hamilton

JOY HOFMEISTER

STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
OKLAHOMA STATE DEPARTMENT OF EDUCATION

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-038	10.558 Child and Adult Care Food Program	USDA Regulations (2CFR 200 subpart (f)) require sub-recipients to send audits no later than 9 months after the close of their FY year. Because of staff turnover, the audit log had not been kept current. As of 1/31/19, notifications have been sent to all sub-recipients to send their audits ASAP. The audit log will be updated to include the date of the end of the subrecipient's fiscal year. A letter will be created and sent to the subrecipient at the end of their fiscal year requesting supporting documentation in the form a "Summary of Federal Expenditures" to verify they did or did not receive $750,000 in Federal funds. This letter will also serve as the audit notification letter. Per 2 CFR 200 subpart (f): Failure to submit the organization audit by the due date will result in being declared Seriously Deficient as well as possibly being proposed for Termination and Disqualification.	October 1, 2019	Debbie Hamilton

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-044	84.367 Supporting Effective Instruction State Grant	The office of Accreditation has taken steps to address the issues identified by updating its procedures for reconciliation and verification of reports. The compliance reports are now reviewed by 3 other individuals in addition to the compliance report preparer. In addition, Regional Accreditation Officers (RAOs) have been asked to compile a list of districts that should be receiving deficiencies in a spreadsheet for further double checking. The Alternative Ed compliance report has been updated to make the deficiency allocation crystal clear from the forms. It has been implemented in the current year and will be fully completed in the next school year. SDE continues to work with OMES IT staff to resolve any discrepancies in the reports generated by the Accreditation Application and to ensure that the reports are accurate.	March 2019	Jason Pittenger

JOY HOFMEISTER

STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
OKLAHOMA STATE DEPARTMENT OF EDUCATION

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-048	10.559 Child Nutrition Cluster	USDA Memo SFSP 06-2018 dated May 24, 2018, (see attached) actually rescinded the regulatory policy 7 CFR.9(d) <u>allowing</u> reimbursements not be paid for meals prior to the approval of the sponsor's application. Therefore up until May 24, 2018, state agencies were allowed to reimburse for meals prior to the approval of an application with Regional Office approval. A change in SFSP Coordinator staff member for the 2018 summer program, brought notice of several approval date issues and payment of claims prior to approval for the 2017 season. More training for the SFSP staff is an ongoing process to ensure the approvals being completed by USDA's final deadline of June 15. The Oklahoma deadline for <u>submission</u> is April 30, with USDA Regional approval of that date. In 2018 there were several requests received asking to submit an application after that date. Only 2 were allowed and those were for SFAs wanting to conduct the program during a short summer school session. These were allowed to submit their completed applications after that date as schools are knowledgeable of conducting USDA food programs from the start of a SFSP session. Therefore, from the summer session 2018 forward, these errors have not occurred.	Summer 2018	Debbie Hamilton

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-059	84.010 & 84.367 Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant	In FY18, all the Schoolwide Plans in GMS had the ESSA required components. This was an opportunity for all LEAs to complete the Schoolwide Plans via GMS, but it was not a mandate because Schoolwide Plans were monitored via Consolidated Monitoring. In FY19, OSDE required all LEAs to complete the Schoolwide Plans via GMS, therefore ESSA required components are met. In FY18 OSDE had the following homeless set-aside procedures in place: 1. LEAs 1% homeless set-aside must remain in the function code 2199 until the end of FY18. OFP reviewers have been trained to manually verify that the proper amount was set-aside for services for homeless students; 2. OSDE assured with the vendor (MTW Solutions) that GMS (Grants Management System) is performing the edit check correctly for the required 1% homeless set-aside for LEAs with non-Title I sites, to include: the current year allocation, any transfers-in, before any transfers-out, and without including carryover funds; 3. OSDE developed a review check list within GMS to be used by OFP reviewers to verify the 1% set-aside, in addition to the GMS edit check; 4. OSDE established periodic trainings with OFP reviewers, to help strengthen knowledge about ESSA statutory requirements for the application review process	September 2018	Gloria Bayouth

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-078	84.010 Title I Grants to Local Educational Agencies (LEAs);	OFP has developed written procedures to be followed by the Oklahoma State Ombudsman and another assigned staff member who will verify all Equitable Services Packets, the number of students submitted, and the participation of each Private School in the chosen programs. Then, the spreadsheet with numbers of private school children is submitted to the Director of Finance who ensures that all participating private school children are included in the allocation process for each current fiscal year. Starting with FY19, a new page was added in GMS named "Nonpublic School Services" which prompts the LEAs to describe the types of services that are provided to nonpublic students and schools. The Ombudsman sends a form to LEAs to collect information from participating nonpublic schools in regard to the services provided, to ensure that actual services were provided to the students. In April-May, the Ombudsman sends out the "Equitable Services Survey" to LEAs and nonpublic schools to monitor the services provided to nonpublic students. The Ombudsman sends the “Extenuating Circumstances” form to LEAs to collect information from participating nonpublic schools in regard to the services provided in the previous fiscal year, to determine if there were any extenuating circumstances that resulted in carryover of the funds to the following fiscal year.	June 2019	Gloria Bayouth

OKLAHOMA STATE DEPARTMENT OF EDUCATION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-080	84.367 Supporting Effective Instruction State Grant	The FY18 Nonpublic Equitable Share amount (current year and carryover) was manually checked by OSDE program reviewers for accurate correlation with the budgeted amount on the Budget page. In addition, the GMS created the FY18 closeout report to calculate the nonpublic carryover amount to FY19. Under extenuating circumstances, the nonpublic carryover amount was manually entered by LEAs in the FY19 equitable share table. GMS also checks the FY19 program specific Nonpublic Equitable Share table against the budget and the Nonpublic Services table. Starting with FY19, a new page was added in GMS named "Nonpublic School Services" which prompts the LEAs to describe the types of services that are provided to nonpublic students and schools. Also, the Ombudsman sends a form to LEAs to collect information from participating nonpublic schools in regard to the services provided, to ensure that actual services were provided to the students. Each fiscal year, LEAs submit claims that indicate that funds allocated for equitable services are obligated in the year for which they were appropriated. If there are carryover funds, the Ombudsman sends the "Extenuating Circumstances" form to LEAs to collect information from participating nonpublic schools in regard to the services provided in the previous fiscal year, to determine if there were any extenuating circumstances that resulted in carryover of the funds to the following fiscal year. If there were no extenuating circumstances, the unexpended nonpublic school funds are not carried- over to the nonpublic share.	March 2019	Gloria Bayouth

Mark Gower
State Director

J. Kevin Stitt
Governor

State of Oklahoma
Department of Emergency Management

OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT (OEM)
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-011	97.036 Disaster Grants – Public Assistance	The Oklahoma Department of Emergency Management (OEM) will provide notification to 100% of all subgrantees for Single Audit compliance. OEM Policy Single Audit-001 outlines exactly how OEM is corresponding with subgrantees regarding Single Audit. On October 16, 2018, OEM sent out the Single Audit Notification Form (Policy Single Audit-001) to all 185 Public Assistance non-electric cooperatives sub-grantees for FY18 as well as all 19 electrical cooperatives for FY17 and all 15 electrical cooperatives for FY18. The subgrantees were determined based on data from EMMIE for all open federally declared disasters in Oklahoma. The subgrantee responses are being tracked and stored locally as well as in OK EMGrants. OEM initiated the Single Audit tracking module on EM Grants Pro beginning May 7th, 2018. Additionally, in a FEMA letter dated December 18th, 2018, FEMA considers this finding from FY17 (Finding 2017-028) closed.	10/16/18	Daniel Piltz
2018-012	97.036 Disaster Grants – Public Assistance	The Oklahoma Department of Emergency Management (OEM) thanks you for the information regarding the Cash Management Improvement Act. OEM will formalize a procedure and set up the required loan program with OMES as allowed by State Title 62 Sec 34.55 Paragraph B in order to prevent interest events and to remain revenue neutral.	4/30/2019	Sandy Henry
2018-013	97.036 Disaster Grants – Public Assistance	OEM will formalize Public Assistance program internal policy to require the tracking and monitoring of subrecipients. A formalized agency subrecipient tracking and Risk Assessment processes to track and monitor subrecipients has been developed and approved per OEM internal policy Risk-001. Risk Assessments and an Annual Monitoring Plan will be formalized based on feedback from FEMA Program staff after a 3/21/2019 subrecipient monitoring visit. Additionally, the payment that appears to be a reimbursement was an advance. As per OEM's FEMA approved Public Assistance Admin Plan, as well as 2 CFR 200.3, OEM can advance funds prior to the request for closeout letter being sent to FEMA.	5/1/2019	Alden Graybill and Michael Teague

P.O. Box 53365, Oklahoma City, OK 73152-3365 * 2401 North Lincoln Blvd.
(Will Rogers Building Tunnel), Oklahoma City, OK 73105
405-521-2481; Fax 405-521-4053 * www.oem.ok.gov

		Finally, OEM will obtain a retroactive extension for the projects in question. As a corrective action, OEM has developed State Extension Policy 2018-016B. This policy outlines a process to utilize OEM's grant management system, OK EMGrants. The process includes reporting, notification, and tracking subgrantees needing an extension.		
2018-047	97.036 Disaster Grants – Public Assistance	OEM continues to develop OK EMGrants. When fully operational, this system has the ability to accurately generate 425 reports for all grants within the system. Currently, OEM has implemented OK EMGrants for all disaster grants starting with DR-4247. OEM plans to add DR-4222 to the system as well in the near future. During this continued development phase, OEM plans to work with the State Auditor's Office to outline both a process and a timeline to transition to system generated reports. Additionally, FEMA has provided 425 reporting instructions to help with the development with the automated reporting and the current manual processing of reports.	10/1/2019	Sandy Henry
2018-057	97.036 Disaster Grants – Public Assistance	OEM will review the current procedures and implement the necessary controls to ensure accurate reporting of total federal expenditures for all SEFA reporting. Additionally, OEM has contracted with Agency Business Services (ABS) for all GAAP reporting.	4/1/2019	Sandy Henry
2018-069	97.036 Disaster Grants – Public Assistance	OEM will develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants. In addition, OEM will develop and implement procedures to ensure management costs for Federal grants are charged according to actual time worked on the grant.	6/30/2019	Sandy Henry

Oklahoma Employment Security Commission

Richard McPherson, Executive Director

Kevin Stitt, Governor

Representing Employers
David Adams, Commissioner
Karen Hudson, Commissioner

Representing the Public
Rachel Hutchings, Chair

Representing Employees
Jim Quillen, Commissioner
Duchess Bartmess, Commissioner

OKLAHOMA EMPLOYMENT SECURITY COMMISSION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-022	17.225 Unemployment Insurance	OESC has designed a system to ensure compliance with this section of law in order to collect the 25% penalty for all fraudulent overpayments. During a recent test to the new system, the 25% penalty is working properly and will be available with the launch of the new system which is scheduled to launch by the end of June 2019 barring any technical issues with the system.	6/30/2019	Shalonda Sanders
2018-060	17.225 Unemployment Insurance	OESC is a 100% federally funded so payment with State funds is not possible. OESC is working with it's cognizant agency USDOL to seek guidance on this finding.	TBD	Riley Shaul

Will Rogers Memorial Office Building 2401 • North Lincoln Boulevard • Post Office Box 52003 • Oklahoma City, Oklahoma 73152-2003 • Telephone (405) 557-7100 • Fax (405) 557-7174

REBECCA PASTERNIK-IKARD
CHIEF EXECUTIVE OFFICER

J. KEVIN STITT
GOVERNOR

STATE OF OKLAHOMA
OKLAHOMA HEALTH CARE AUTHORITY

OKLAHOMA HEALTH CARE AUTHORITY
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-008	93.767 Children's Health Insurance Program 93.778 Medicaid Cluster	The Oklahoma Health Care Authority had direct communications with our service provider about these deficiencies and their corrective actions during regularly scheduled status meetings. These findings and corrective actions are monitored monthly by the agency Security Governance Committee to ensure actions are taken timely and are appropriate. In addition, the most recent SOC-1 report has been issued with no control issues, indicating these issues have been corrected.	9/1/2017	Josh Richards
2018-023	93.778 Medicaid Cluster	OHCA will continue to monitor member eligibility and implement appropriate system changes and internal controls to ensure appropriate eligibility determinations and closures occur to avoid inappropriate payments. The cases related to death match issues are closed and no further payments will occur. OHCA will continue to audit death matches. OHCA will recoup where appropriate, and will reimburse the Federal share for claims paid during periods of ineligibility.	6/30/2019	Josh Richards
2018-025	93.778 Medicaid Cluster	OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. Regarding these specific findings, the federal share will be returned to CMS.	6/30/2019	Josh Richards
2018-026	93.767 Children's Health Insurance Program	OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. Regarding these specific findings, the federal share will be returned to CMS.	6/30/2019	Josh Richards
2018-027	93.767 Children's Health Insurance Program	Business Enterprise is the system support staff for the business users at OHCA. Within the Business Enterprise Department is the Performance and Electronic Process Unit, which is made up of system analysts. System analysts are referred to as "certain OHCA employees" in the Condition portion of the finding. One of the responsibilities of the system analysts is to make updates in the MMIS at the request of OHCA business users. Currently, business	1/31/2019	Brett May

	93.778 Medicaid Cluster	users will request changes to existing edits to the system analysts. The system analyst will make the update and document who requested the change and why the change was requested. While this does not seem to be a lack of segregation of duties, the system analysts particularly assigned to make these changes do agree there is an opportunity to enhance the current process. This is going to be done by: 1) CO 21575 is being implemented to force a notation in the MMIS when any update is made to an edit. Currently, notes are made but the notes are not required in the system and can be forgotten. This removes the possibility of missing documentation. 2) System Analysts will redirect OHCA business users to the reference file change request system overseen by the System Integrity Unit in the Program Integrity Unit. This will be a central location for requests and approval. Once the system analyst has made the change in production the requester will be informed and instructed to review claims entering the system to properly monitor the change. This process will be for changing existing edits and audits and creating new audits. Any new edits would be a result of a Change Order and therefore would not be subject to this process.		
2018-054	93.778 Medicaid Cluster	The Oklahoma Health Care Authority (OHCA) concurs in part and does not concur in part with the finding stated above in the "Condition and Context" section. The OHCA concurs that it does not currently have a written policy or procedure regarding the requirements of 42 C.F.R. §§ 455.12 – 455.23. However, OHCA disagrees that these CFR provisions require the State Medicaid Agency (SMA) to have a ***written*** policy or procedure to implement the CFR requirements. Furthermore, OHCA believes that our internal fraud review methods and criteria comply with the CFR requirements to identify, preliminarily investigate, review, and refer suspected cases of fraud. As partially outlined in the finding above, OHCA's internal methods and criteria are communicated with and known by the Program Integrity (PI) Division, and OHCA has routinely set internal meetings between Legal and PI to discuss questionable providers based on PI's preliminary findings. If the result of the discussion of these meetings is to investigate or review further, then regularly scheduled internal meetings within OHCA Legal are utilized to further discuss and review the providers before an ultimate decision to refer the provider to the Oklahoma Attorney General's Medicaid Fraud Control Unit (MFCU) is made. The finding states that the SAI could not determine that the agency took appropriate steps to investigate and, if appropriate, make a referral, although it admitted that it was able to verify a listing of cases referred by OHCA with a listing of cases received by MFCU. The OHCA believes that the verification of cases referred	TBD	Becki Burton

		demonstrates that OHCA has taken appropriate steps to identify, preliminarily investigate, review, and refer suspected cases of fraud to MFCU as required by the applicable CFR provisions. Furthermore, contrary to the statement above in the "Effect" Section, OHCA does not believe that access to its investigatory case files themselves will help to determine if appropriate steps were taken to investigate and appropriately refer suspected cases of fraud to MFCU. The OHCA believes it has provided enough information and documentation to demonstrate that it has a verifiable process for referral and that it does, in fact, comply with that process. Additionally, OHCA believes that both the attorney-client privilege, including attorney work product and attorney-client communication, and 56 O.S. §1004(D) govern the internal investigatory case files of OHCA. Specifically, 56 O.S. §1004(D), which is part of the Oklahoma Medicaid Program Integrity Act, states, "Records obtained or created by the Authority or the Attorney General pursuant to the Oklahoma Medicaid Program Integrity Act ***shall be classified as confidential information and shall not be subject*** to the Oklahoma Open Records Act or ***to outside review or release by any individual except***, if authorized by the Attorney General, in relation to legal, administrative, or judicial proceeding." (Emphasis added.) The OHCA believes it would be in violation of this specific statute, as well as a breach of the attorney-client privilege doctrine, if it were to allow SAI to review any internal investigatory case file that was created pursuant to this statute. Lastly, OHCA believes that it is important to note that there is not a finding stating that it does not comply with the CFR requirements to identify, preliminarily investigate, review, or refer suspected cases of fraud. In fact, the finding specifically states that SAI has verified that cases have been referred by OHCA to MFCU. Rather, the finding is that OHCA does not have a ***written*** policy or procedure to implement the CFR requirements. Should HHS/OIG ultimately determine that a written policy or procedure is mandatory, OHCA can have a written policy in place within one (1) month of the final determination. However, OHCA would request a telephone conference among appropriate representatives of the SAI, HHS/OIG, and OHCA so that all agencies can fully discuss what would constitute a reasonable written policy that would address the concerns of all the agencies involved.		
2018-073	93.767 Children's Health Insurance Program	New procedures were implemented beginning SFY19 to ensure Pathfinder excess contributions are no longer charged to our Federal grants. Once OMES receives a demand letter from Cost Allocation Services; and the manner in which the repayment is to	10/31/2019	Susan Crooke

	93.778 Medicaid Cluster	occur is determined, OHCA will report the appropriate prior period adjustments on the CMS-64 and CMS-21.		

Oklahoma State Department of Health
Creating a State of Health

OKLAHOMA STATE DEPARTMENT OF HEALTH
STATE OF OKLAHOMA - SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) 93.505 93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster 93.917 HIV Care Formula Grant	OSDH management concurs with finding. On July 1, 2018, OSDH financial staff implemented changes to accurately reflect and post grants separately in the statewide accounting system along with their corresponding CFDA numbers. The changes included creating sub-accounts and operating unit field options to be used in the Statewide Accounting System, to mirror revenue source, federal fiscal year, service chief, and locations utilized in FISCAL(OSDH's current internal system). This will allow clear reconciliation and reporting of expenditures between systems in SFY 19. In addition, OSDH has developed an internal policy that the SEFA-GAAP Package Z will be completed for review one week prior to submission date. This will allow adequate time for supervisory review.	July 1, 2018	Gloria Hudson

2018-002	93.917 HIV Care Formula Grant	OSDH management does not concur with audit finding. Additional documentation has been submitted which supports the rebate amounts reported on the SF-425.	N/A	Gloria Hudson
2018-003	93.917 HIV Care Formula Grant	OSDH Management concurs with finding. As of July 1, 2018, two separate funds have been established and utilized by OSDH to track the revenues and expenditures associated with the Ryan White HIV/AIDS Program (RWHAP) Part B in the Oklahoma Management and Enterprise Services statewide accounting system. These funds clearly delineate the revenues received and expense incurred for the AIDS Drug Assistance Program (ADAP) rebate fund (Fund 411) and the RWHAP federal award (Fund 410). Policies and procedures addressing the proper use and recording of Ryan White HIV/AIDS program funds have been developed to clearly define these processes for both funds. In these policies, OSDH has also addressed proper procedures for drawing federal funds for the grant.	July 1, 2018	Gloria Hudson
2018-020	93.505 93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster	OSDH management concurs with finding as to report maintenance and has established procedures to retain supporting documents. However, OSDH does not concur with the finding as it pertains to review processes. Prior to the submission, OSDH has a review process which follows our federal requirement to submit these reports via EHB for review and technical assistance from our federal project officer and TA Specialist. We still follow this process, in addition to requesting an approval from the Program Director and the MIECHV Grant Coordinator.	N/A	Gloria Hudson
2018-028	93.505 93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster	OSDH Management concurs with finding. The OSDH procurement staff currently maintains a log of subrecipient contracts. This list is forwarded to the grants unit on a monthly basis. The grant unit reviews the document for inclusion on the SEFA report. The grants unit maintains a list of grants including the FAIN #. This list is now supplied to OSDH procurement who will review Federal Award Identifying Numbers (FAINs) for inclusion on the subrecipient award documentation. The Internal audit unit of OSDH performs an invoice validation within their limited scope audit. The audit includes validating the invoice as well as other aspects related to the compliance of the Sub-Recipients Operations as guided by 2 - CFR-200. These audits (Invoice Validations) will be performed for each sub-recipient not required to receive a single audit, preferably in the first two years of the project period, with the higher risk entities being the priority. Required single audits will be reviewed on an annual basis.	March 29, 2019	Gloria Hudson
2018-066	93.505 93.870 Maternal, Infant, and Early	OSDH management does not concur with finding. Lines 10a and 10b (Cash Receipts and disbursements lines) are not available for entry on the HRSA website. (These fields are blocked from entry) Therefore, the SF-425 does not	N/A	Gloria Hudson

	Childhood Home Visiting Cluster	reflect amounts in those fields. Additional support information has been submitted for review.		
2018-071	10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	OSDH management does not concur with the audit finding as it pertains to OSDH unallowable cost. OSDH removed the 1330 object code from the Time and Effort validation computation prior to the final closeout for the payroll period 201818 (2/18/2018 to 3/3/2018). The salary and fringe amounts applied to the grants are only the T&E program validation amounts for each period reportable to the grant dates. No Federal grants have been charged with Pathfinder (1330) unallowable amounts through the application of Time and Effort salaries and fringes to the FFR final reports. OSDH management does concur to those findings related to dates prior to 2/18/18.	N/A	Gloria Hudson

OKLAHOMA DEPARTMENT OF HUMAN SERVICES
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-052	93.658 Foster Care – Title IV-E	1. New contracts will be written and executed for the appropriate sub-recipient agencies. These contracts will have standard language covering all required information. 2. Procedures to evaluate risk will be established with the help of OIG. Each sub-recipient will undergo a risk assessment annually or/as required. Results of this assessment will be formally documented. 3. Further federal guidance will be sought to fully understand and implement the requirements of on-site reviews and the extent of the on-site reviews. 4. Establish policies and procedures to ensure DHS receives and reviews a single audit or program audit from subrecipients in compliance with 2 CFR 200.501.	July 1, 2019	Kevin Haddock
2018-061	93.558 TANF Cluster	Concur. Adoption Assistance subsidies are a legal and appropriate use of TANF. Many states, like Oklahoma, use TANF funds to cover certain foster care and adoption related expenditures to assist with the care and stability of children as permanent homes are being established. This is done with the intent of fulfilling the first purpose of TANF: “Provide assistance to needy families so that children can be cared for in their own homes or in the homes of relatives”. In Oklahoma, children in state custody were historically certified for Child Only TANF prior to the adoption taking place. With children being eligible for TANF at the time of the certification, the agency believed the Adoption Assistance for the children qualified without the parental means test. This audit finding has led DHS leadership to understand that the TANF expenditures for adoption assistance specifically for non-IVE eligible children must have a means test for the adoptive family. Beginning with state fiscal year 2019 expenditures, the agency has stopped charging any non-IVE Adoption Assistance subsidies to TANF. In the future, the agency will only charge non-IVE Adoption Assistance subsidies to TANF with an approved parental means test established within Child Welfare Services.	July 1, 2020	Patrick Klein

2018-067	10.551 SNAP Cluster	Bullet One: Concur. The 3 offices have been notified to keep the key to their card inventory in a secure location, with access restricted to designated staff. Additionally, all field offices have been instructed that keys to card inventory are to be kept in a secure location as instructed in the EBT Specialist Handbook. Bullet Two: Concur. The seven offices were notified and the cards have been moved to a more secure location inside each county director's office, with access restricted to designated staff. Bullet Three: Concur. This office is a satellite office maintained by another county office, staffed by the sister office and housed in another entity's building. Due to low card activity by the satellite office, EPS State Office allows the sister office to provide card stock to the satellite office with instructions that each office must document their transactions. Both offices have been notified again that all transfers of card stock must be properly documented and be maintained for 3 years. Bullet Four: Concur on 7 of the 8 offices noted above. Those offices have been notified that all offices with two or more staff members must have two signatures verifying the count daily per the EBT Handbook. The daily count is maintained at each office. Each office submits the bulk inventory report to EPS state office monthly. We do not concur on 1 of the 8 offices noted above. That office is a satellite office and is staffed with only one individual, making it impossible to have 2 different signatures. The EPS state office has authorized this office to have their daily log reviewed once a week by a supervisor or someone else designated by the county director. Bullet Five: Do not concur on cards returned by the client, replaced by the county office using the centralized printing of SNAP. Those returned cards are automatically deactivated when a new EBT card is printed. Concur on cards returned to any DHS office by a third party (police, retailers, non-cardholder, etc). The EBT Specialist Handbook instructs individuals to check for card status and if active, deactivate. Instructions have also been sent to all EBT Specialists in the field and the county directors outlining instances where manual deactivation is required. Bullet Six: Concur on one of the offices noted above. Do not concur on the second office cited above. That office is a satellite office with only one employee. Since returned cards cannot be held over 24 hours this office must log the card on the destruction log, check the card status, deactivate if needed and sign off. There is no other person to witness or sign off. All other offices have been instructed on the proper card destruction process as outlined in the EBT Handbook. Final Note: The EPS State Office along with AFS leadership are working together to ensure all existing EBT Specialists review the EBT Handbook. This handbook is updated electronically each year by the EPS State Office and emailed to existing and new EBT Specialists. Each EBT Specialist must sign an access form stating they have read and understand the handbook. The access form is maintained by EPS in a locked file cabinet in the EPS office area. The EPS office has revised the handbook for 2019, adding clarification on some changes and put some requirements in more than one place. The AFS division performs audits annually on all county offices and along with EPS, will start performing audits on all county offices twice a year. Additionally, the	September 30, 2019	Thomas Pennington

		audit checklist will be expanded to ensure required areas are being reviewed and verified.		
2018-075	93.563 Child Support Enforcement	In a OMES/OPERS Pathfinder forum on May 31, 2018 it was mentioned, beginning in March 2018, that state agencies should cease billing federal programs for excess contributions redirected to the state's defined benefit plan. However, comments made by OMES/OPERS in this forum indicated there was a possibility OMES may have enough appropriated funds left over from refunding contributions through February 2018, to cover the remaining months of state fiscal year 2018. On August 29, 2018 DHS contacted OMES' State Comptroller, inquiring about the final settlement of unallowable charges for SFY 2018. We were told OMES is waiting on official correspondence from DHHS Cost Allocation Services. They will not know how far funds will stretch until more negotiating happens. They did indicate the original directive to cease billing in March 2018 has not changed. It was DHS' intent to make the necessary cost allocation adjustment for the February 21, 2018 through June 30, 2018 period, once a final response was received from OMES. An adjustment by DHS, and later payment from OMES, would have resulted in a duplicate reimbursement to the federal government, and possibly yet another adjustment to the cost allocation reports. Since no further word has been received from OMES DHS will make the cost allocation adjustment for the quarter ending March 31, 2019. DHS' share of the $81,476 in questioned costs listed above is $30,554.54. The rest belongs to OMES. A copy of the adjustment will be provided to the state auditors. Starting with the July 1, 2018 quarter (FY19) DHS has made quarterly cost allocation adjustments reversing all Pathfinder contributions redirected to the state's defined pension plan. Adjustments will continue to be made quarterly, until further notice.	April 2019	Chris Smith
2018-076	10.551 and 10.561 SNAP Cluster	In a OMES/OPERS Pathfinder forum on May 31, 2018 it was mentioned, beginning in March 2018, that state agencies should cease billing federal programs for excess contributions redirected to the state's defined benefit plan. However, comments made by OMES/OPERS in this forum indicated there was a possibility OMES may have enough appropriated funds left over from refunding contributions through February 2018, to cover the remaining months of state fiscal year 2018. On August 29, 2018 DHS contacted OMES' State Comptroller, inquiring about the final settlement of unallowable charges for SFY 2018. We were told OMES is waiting on official correspondence from DHHS Cost Allocation Services. They will not know how far funds will stretch until more negotiating happens. They did indicate the original directive to cease billing in March 2018 has not changed. It was DHS' intent to make the necessary cost allocation adjustment for the February 21, 2018 through June 30, 2018 period, once a final response was received from OMES. An adjustment by DHS, and later payment from OMES, would have resulted in a duplicate reimbursement to the federal government, and possibly yet another adjustment to the cost allocation reports. Since no further word has been received	April 2019	Chris Smith

		from OMES DHS will make the cost allocation adjustment for the quarter ending March 31, 2019. DHS' share of the $121,163 in questioned costs listed above is $44,487.26. The rest belongs to OMES. A copy of the adjustment will be provided to the state auditors. Starting with the July 1, 2018 quarter (FY19) DHS has made quarterly cost allocation adjustments reversing all Pathfinder contributions redirected to the state's defined pension plan. Adjustments will continue to be made quarterly, until further notice.		
2018-077	93.658 Foster Care – Title IV-E	In a OMES/OPERS Pathfinder forum on May 31, 2018 it was mentioned, beginning in March 2018, that state agencies should cease billing federal programs for excess contributions redirected to the state's defined benefit plan. However, comments made by OMES/OPERS in this forum indicated there was a possibility OMES may have enough appropriated funds left over from refunding contributions through February 2018, to cover the remaining months of state fiscal year 2018. On August 29, 2018 DHS contacted OMES' State Comptroller, inquiring about the final settlement of unallowable charges for SFY 2018. We were told OMES is waiting on official correspondence from DHHS Cost Allocation Services. They will not know how far funds will stretch until more negotiating happens. They did indicate the original directive to cease billing in March 2018 has not changed. It was DHS' intent to make the necessary cost allocation adjustment for the February 21, 2018 through June 30, 2018 period, once a final response was received from OMES. An adjustment by DHS, and later payment from OMES, would have resulted in a duplicate reimbursement to the federal government, and possibly yet another adjustment to the cost allocation reports. Since no further word has been received from OMES DHS will make the cost allocation adjustment for the quarter ending March 31, 2019. DHS' share of the $239,550 in questioned costs listed above is $89,950.94. The rest belongs to OMES. A copy of the adjustment will be provided to the state auditors. Starting with the July 1, 2018 quarter (FY19) DHS has made quarterly cost allocation adjustments reversing all Pathfinder contributions redirected to the state's defined pension plan. Adjustments will continue to be made quarterly, until further notice.	April 2019	Chris Smith
2018-079	93.778 Medicaid Cluster	In a OMES/OPERS Pathfinder forum on May 31, 2018 it was mentioned, beginning in March 2018, that state agencies should cease billing federal programs for excess contributions redirected to the state's defined benefit plan. However, comments made by OMES/OPERS in this forum indicated there was a possibility OMES may have enough appropriated funds left over from refunding contributions through February 2018, to cover the remaining months of state fiscal year 2018. On August 29, 2018 DHS contacted OMES' State Comptroller, inquiring about the final settlement of unallowable charges for SFY 2018. We were told OMES is waiting on official correspondence from DHHS Cost Allocation Services. They will not know how far funds will stretch until more negotiating happens. They did indicate the original directive to cease billing in March 2018 has not	April 2019	Chris Smith

		changed. It was DHS' intent to make the necessary cost allocation adjustment for the February 21, 2018 through June 30, 2018 period, once a final response was received from OMES. An adjustment by DHS, and later payment from OMES, would have resulted in a duplicate reimbursement to the federal government, and possibly yet another adjustment to the cost allocation reports. Since no further word has been received from OMES DHS will make the cost allocation adjustment for the quarter ending March 31, 2019. DHS' share of the $115,743 in questioned costs listed above is $44,925.38. The rest belongs to OMES. A copy of the adjustment will be provided to the state auditors. Starting with the July 1, 2018 quarter (FY19) DHS has made quarterly cost allocation adjustments reversing all Pathfinder contributions redirected to the state's defined pension plan. Adjustments will continue to be made quarterly, until further notice.		

OKLAHOMA TAX COMMISSION
STATE OF OKLAHOMA – SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
18-695-006	CAFR – Accounts Receivable/ Taxes Receivable	OTC will provide figures for Taxes Receivable and Accounts Receivable in compliance with the accrual basis of accounting by using the audited fiscal year's delinquent payments received, along with the payments received in July and August following the fiscal year end. This combined group of payments will reflect the most appropriate estimate of the total Taxes and Accounts Receivable as of the end of the fiscal year.	06/30/19	Carol McCullar

OKLAHOMA DEPARTMENT OF TRANSPORTATION

200 N.E. 21st Street
Oklahoma City, OK 73105-3204
www.odot.org

OKLAHOMA DEPARTMENT OF TRANSPORTATION
STATE OF OKLAHOMA - SINGLE AUDIT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
SFY 2018

Finding Number	Subject Heading (Financial) or CFDA no. and program name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-009	20.205 Highway Planning and Construction Cluster	Effective January 15, 2019, an internal control and process was implemented to remove projects on the bid opening that do not have the governing authority's funding in place prior to advertising. At the Pre-Advertising meeting, the Office Engineer Division compares each months' bid opening list with the respective Interoffice Memorandum issued by the ODOT Comptroller Division. This memo identifies which projects lack adequate funding. Matters of insufficient local funds are resolved at the meeting. This meeting occurs approximately 1 ½ weeks prior to official advertising.	January 15, 2019	Anthony Delce, Office Engineer
2018-065	20.205 Highway Planning and Construction Cluster	The 15 entities identified are being sent the appropriate CFDA information along with their compliance requirements. Standard language and CFDA information is being incorporated into all agreements as recommended going forward. A more documented risk assessment, confirmation of federal expenditures from subrecipients and Single Audit review follow-up process is also being implemented, as recommended, to strengthen controls in this area.	May 1, 2019	Dawn Sullivan, Director of Capital Programs

Summary Schedule of Prior Audit Findings

Lynne Bajema
State Comptroller
Central Accounting & Reporting

John Budd
Director

Reference Number: 17-090-006
Fund Type: General Fund
Other Information: Cash/Revenue/Fund Balance
Status: Corrected

TRENT H. BAGGETT
Executive Coordinator

KATHRYN B. BREWER
Assistant Executive Coordinator

STATE OF OKLAHOMA

DISTRICT ATTORNEYS COUNCIL

421 NW 13th Street, Suite 290 • Oklahoma City, Oklahoma 73103

	EXECUTIVE	FINANCE	GRANTS	VICTIMS	IT	TRAINING	UVED
	405-264-5000	405-264-5004	405-264-5008	405-264-5006	405-264-5002	405-264-5000	405-264-5010
FAX	405-264-5099	405-264-5099	405-264-5099	405-264-5097	405-264-5099	405-264-5099	405-264-5099

Finding No: 2017-006
CFDA No: 16.575
Program Name: Crime Victims Assistance
Status: Partially Corrected. The DAC was not notified of the finding until April, 2018. The Finance Director took immediate steps by confirming he would personally compare the SEFA reporting to the PeopleSoft Accounting expenditures prior to submission. In addition, the Finance Director will initial the supporting documentation and scan into the DAC Network for access during future audits. This finding was fully corrected in SFY 19 with the implementation of the attached *Policy and Procedures for Ensuring the Schedule of Expenditures of Federal Awards (SEFA) are Accurate*.

Finding No: 2017-022
CFDA No: 16.575
Program Name: Crime Victims Assistance
Status: Partially Corrected. The DAC was not notified of the finding until April, 2018. During the month of April, 2018, DAC staff went back through all 2015, 2016 and 2017 grants and identified those requiring single audits that we had not received. The single audit reports were requested from subrecipients and were uploaded into the online grant management system (OKGrants) upon receipt. Documentation of receipt of the single audit reports is maintained in the Monitoring Determination Spreadsheet. In addition, the new position of Compliance Officer was hired in SFY 18. Part of the duties of the Compliance Officer is to monitor subrecipient compliance with the single audit requirements. The training of subrecipients on audit requirements took place in September, 2018. This finding was fully corrected in SFY 19 with the implementation of the attached *Policy and Procedures for Monitoring VOCA Subrecipients Timely Submission of Single Audit Reports*.

Finding No: 2017-024
CFDA No: 16.575
Program Name: Crime Victims Assistance
Status: Not Corrected. The DAC was not notified of the finding until April, 2018. The DAC immediately implemented procedures to avoid future typographical errors when inputting data into the OVCPMT online system. A pdf form was developed with calculations throughout and one employee was assigned the task of entering and comparing the data submitted to the data entered. The attached *Policy and Procedures*

for Entering VOCA Subrecipient Subaward and Performance Measurement Data was signed and fully implemented 9/24/2018.

Finding No: 2017-027
CFDA No: 16.575
Program Name: Crime Victims Assistance
Status: Not Corrected. The DAC was not notified of the finding until April, 2018. Procedures were changed to require the initials of all persons involved in the drawing of federal funds and billing of invoices in order to show an adequate segregation of duties. Policies and procedures were developed, signed and shared with the DOJ Audit Division 9/24/18. The DOJ Audit Division required more detailed information; therefore, the attached *Modified Policy and Procedures for Ensuring Cash Management Functions are Adequately Segregated* was signed and fully implemented 2/14/2019.

CFDA No: 84.010
Finding No: 2017-011
Program Name: Title I Grants to Local Educational Agencies (LEAs)
Status: Partially Corrected. The Office of Federal Programs vendor (MTW) created in the Grants Management System (GMS) two reports: Title I Projected Excess Carryover-All LEAs and Title I Projected Excess Carryover-LEAs allocations' > $50,000. Discrepancies in the form of duplicate LEAs on the report and one LEA whose Title I allocation did not match the Title I allocation spreadsheet from the Director of Finance were discovered by the current state auditor. This issue is being resolved by our vendor and should be completely resolved within the next few days.

CFDA No: 84.027, 84.173
Finding No: 2017-018
Program Name: Special Education Cluster (IDEA)
Status: Corrected.

CFDA No: 84.010
Finding No: 2017-019
Program Name: Title I Grants to Local Educational Agencies (LEAs)
Status: The finding doesn't warrant further action, because the requirement was removed from the 2018 compliance supplement.

CFDA No: 84.010
Finding No: 2017-026
Program Name: Title I Grants to Local Educational Agencies (LEAs)
Status: Partially Corrected. The Office of Accountability has developed a yearly report for the Regional Accreditation Officers (RAOs) that identifies all students who are exited from a cohort and do not have documentation via an enrollment record from OSDE's data system, beginning with the 2018 cohort. The RAOs will verify the documentation maintained by LEAs during their spring audit in April/May 2019.

CFDA No: 84.010, 84.367
Finding No: 2017-031
Program Name: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant
Status: Corrected

CFDA No: 84.010
Finding No: 2017-035
Program Name: Title I Grants to Local Educational Agencies (LEAs)
Status: Partially Corrected. All targeted assistance sites were required to upload their targeted assistance plans in the online Grants Management System (GMS) for FY 2019.

CFDA No: 84.010, 84.367
Finding No: 2017-037
Program Name: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant
Status: Corrected

CFDA No: 84.010, 84.367
Finding No: 2017-038
Program Name: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant
Status: Partially Corrected. All LEAs were required to submit a Title I, Part A methodology plan for all sites for FY 2019 in the online Grants Management System.

CFDA No: 84.010
Finding No: 2017-039
Program Name: Title I Grants to Local Educational Agencies (LEAs)
Status: Partially Corrected. The Office of Federal Programs (OFP) created procedures for FY18 Equitable Services Packet verification that were implemented and partially completed in FY18, and fully completed in FY19. Supporting documentation will be available in FY20.

CFDA No: 84.010, 84.367
Finding No: 2017-040
Program Name: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant
Status: The finding doesn't warrant further action, because the requirement was removed from the 2018 compliance supplement.

CFDA No: 84.010, 84.367
Finding No: 2017-041
Program Name: Title I Grants to Local Educational Agencies (LEAs); Supporting Effective Instruction State Grant
Status: Partially Corrected. The Director of Finance in the Office of Federal Programs is in the process of recalculating new or significant expanding charter schools' allocations based on OSDE's developed policies and procedures. Allocations will be adjusted as appropriate.

CFDA No: 84.010
Finding No: 2017-042
Program Name: Title I Grants to Local Educational Agencies (LEAs)
Status: The finding doesn't warrant further action, because the requirement was removed from the 2018 compliance supplement.

CFDA No: 84.027, 84.173
Finding No: 2017-043
Program Name: Special Education Cluster (IDEA)

Status: Partially Corrected. OSDE submitted its updated Maintenance of Effort Policies, which include guidance to LEAs related to IDEA MOE eligibility and compliance standards. OSDE's policies require that LEAs provide budget information, and submit data matching the LEA's OCAS submission, through OSDE's grant application process. Further, in monitoring the compliance standard, OSDE's policies indicate that CDF Specialists will verify LEA expenditure data using information from OCAS reporting and require the LEA to submit an amendment to their application in instances where the LEA's data is inconsistent with OCAS data.

CFDA No: 84.010
Finding No: 2017-044
Program Name: Title I Grants to Local Educational Agencies (LEAs)
Status: Partially Corrected. The Office of Federal Programs (OFP) took steps regarding the homeless set-aside in the FY18 Consolidated Application that were implemented and partially completed in FY18 (LEAs were required to keep the homeless set-aside in the Title I application until the end of the fiscal year). This requirement was fully completed in FY19. Supporting documentation will be available in FY20.

CFDA No: 84.367
Finding No: 2017-053
Program Name: Supporting Effective Instruction State Grant
Status: Partially Corrected**.** The Office of Federal Programs (OFP) created allocation calculation procedures for FY18 that were implemented and partially completed in FY18, and fully completed in FY19. Supportive documentation will be available in FY20.

CFDA No: 84.027, 84.173
Finding No: 2017-054
Program Name: Special Education Cluster (IDEA)
Status: Partially Corrected. OSDE submitted documentation supporting the actions that it has taken to address the required actions. OSDE provided its Charter Schools New or Significant Expansion of Enrollment Policies and Procedures, which defines new and significant expansion, references Federal requirements, and includes sections devoted to charter school and OSDE responsibilities. OSDE's procedures also describe allocations requiring adjustments, indicating that OSDE's Accreditation Division will receive and review notifications from LEAs regarding new or expanding grades. OSDE further provided updated notification forms that new and significantly expanded charter school LEAs will use to inform OSDE during the Federal fiscal year (FFY) 2019 IDEA Part B subgranting process. Finally, OSDE submitted documentation supporting the adjustments made for FFY 2017 and 2018 for IDEA section 611 and 619 programs.

MARK GOWER
STATE DIRECTOR

J. KEVIN STITT
GOVERNOR

STATE OF OKLAHOMA
DEPARTMENT OF EMERGENCY MANAGEMENT

CFDA No: 97.036
Finding No: 2015-020, 2016-001, 2017-014
Program Name: Disaster Grants – Public Assistance
Status: Corrected

CFDA No: 97.036
Finding No: 2015-012, 2016-002, 2017-015
Program Name: Disaster Grants – Public Assistance
Status: Not Corrected

OEM did not have proper monitoring in place to ensure funds were collected and returned in a timely manner. OEM acknowledges all of the advances were made without proper monitoring. OEM continues to work on a comprehensive monitoring plan to include advances.

CFDA No: 97.036
Finding No: 2015-040, 2016-045, 2017-016
Program Name: Disaster Grants – Public Assistance
Status: Corrected

CFDA No: 97.036
Finding No: 2015-024, 2016-003, 2017-028
Program Name: Disaster Grants – Public Assistance
Status: Partially Corrected

OEM will provide notification to 100% of all subgrantees for Single Audit compliance. OEM Policy 2018-028 outlines exactly how OEM is corresponding with subgrantees regarding Single Audit. On October 16, 2018, OEM sent out the Single Audit Notification Form (Policy 2018-028) to all 185 Public Assistance non-electric cooperatives sub-grantees for FY18 as well as all 19 electrical cooperatives for FY17. The subgrantees were determined based on data from EMMIE for all open federally declared disasters in Oklahoma. The subgrantee responses are being tracked and stored locally as well as in OK EMGrants. OEM initiated the Single Audit tracking module on EM Grants Pro beginning May 7th, 2018.

CFDA No: 97.036
Finding No: 2015-042, 2016-044, 2017-046
Program Name: Disaster Grants – Public Assistance
Status: Corrected

CFDA No: 97.036
Finding No: 2015-026, 2016-012, 2017-048
Program Name: Disaster Grants – Public Assistance
Status: Not Corrected

OEM continues to develop OK EMGrants. When fully operational, this system has the ability to accurately generate 425 reports for all grants within the system. Currently, OEM is has implemented OK EMGrants for all disaster grants starting with DR-4247. OEM plans to add DR-4222 to the system as well in the near future.

During this continued development phase, OEM plans to work the State Auditor's Office to outline both a process and a timeline to transition to system generated reports. Additionally, FEMA has provided 425 reporting instructions to help with the development with the automated reporting and the current manual processing of reports.

P.O. BOX 53365, OKLAHOMA CITY, OK 73152-3365 * 2401 NORTH LINCOLN BLVD.
(WILL ROGERS BUILDING TUNNEL), OKLAHOMA CITY, OK 73105
405-521-2481; FAX 405-521-4053 * www.oem.ok.gov

March 25, 2019

CFDA No: 17.225
Finding No: 2017-032
Program Name: Unemployment Insurance
Status: Corrected

CFDA No: 17.225
Finding No: 2017-055
Program Name: Unemployment Insurance
Status: Not Corrected. Over the last years, OESC has been working on a technology project to enhance outcomes for recovery of overpayments. This system will allow many methods of recovery as well as enable OESC to be in compliance with the 25% penalty for fraudulent unemployment insurance claims. Although we have made great strides, there were varying issues that caused the project to be delayed. Some of these issues include change of project management, vendor and part of the scope. These issues have since been resolved. This finding is reoccurring because the length of time assigned to this project and available IT resources from OESC. The OESC plans to correct this action with the launch of this new system. During a recent test to the new system, the 25% penalty function is working properly and will be available with the launch of the new system. The system is scheduled to go live by the end of June 2019 barring any technical issues with the system.

CFDA No: 17.225
Finding No: 2017-056
Program Name: Unemployment Insurance
Status: Corrected

Will Rogers Memorial Office Building 2401 • North Lincoln Boulevard • Post Office Box 52003 • Oklahoma City, Oklahoma 73152-2003 • Telephone (405) 557-7100 • Fax (405) 557-7174

Reference Number: 16-807-018; 17-807-004
Fund Type: General Fund
Other Information: Accounts Payable/Expenditures
Status: Corrected

CFDA No: 93.767; 93.778
Finding No: 2016-004, 2017-002
Federal Program Name: Children's Health Insurance Program; Medicaid Cluster
Status: Partially Corrected, the Oklahoma Health Care Authority had direct communications with our service provider about these deficiencies and their corrective actions during regularly scheduled status meetings. These findings and corrective actions are monitored monthly by the agency Security Governance Committee to ensure actions are taken timely and are appropriate. In addition, the most recent SOC-1 report has been issued with no control issues, indicating these issues have been corrected.

CFDA No: 93.778
Finding No: 12-807-008, 2013-043, 2014-026, 2015-035, 2016-006, 2017-033
Federal Program Name: Medicaid Cluster
Status: Partially Corrected, OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. Regarding these specific findings, the federal share will be returned to CMS.

CFDA No: 93.767
Finding No: 12-807-006, 2013-044, 2014-025, 2015-036, 2016-007, 2017-034
Federal Program Name: Children's Health Insurance Program
Status: Partially Corrected, OHCA will continue its Clinical Audit and Payment Accuracy Measurement processes to ensure oversight of the program. Regarding these specific findings, the federal share will be returned to CMS.

CFDA No: 93.778
Finding No: 2016-008, 2017-004
Federal Program Name: Medicaid Cluster
Status: Partially Corrected, OHCA will continue to monitor member eligibility and implement appropriate system changes and internal controls to ensure appropriate eligibility determinations and closures occur to avoid inappropriate payments. The cases related to death match issues are closed and no further payments will occur. OHCA will continue to audit death matches. OHCA will recoup where appropriate, and will reimburse the Federal share for claims paid during periods of ineligibility.

CFDA No: 93.778
Finding No: 2017-005
Federal Program Name: Children's Health Insurance Program; Medicaid Cluster
Status: Corrected

Reference Number: 17-340-008
Fund Type: General Fund
Other Information: Payroll Expenditures
Status: Corrected

Reference Number: 17-340-012
Fund Type: General Fund
Status: Corrected

CFDA No: 93.268
Finding No: 2016-046
Program Name: Immunization Cooperative Agreements
Status: Not Corrected; OSDH management does not concur with finding. The federal immunization program only encompasses the cost of the vaccine. The shot administration is a separate component and this rate does not include the actual vaccine cost. OSDH is prohibited from charging for the actual vaccines received through the grant.

CFDA No: 93.505, 93.870, 93.917
Finding No: 2017-057
Program Name: Maternal, Infant, and Early Childhood Home Visiting Cluster; HIV Care Formula Grants
Status: Corrected

CFDA No: 93.917
Finding No: 2017-058
Program Name: HIV Care Formula Grants
Status: Not Corrected; Policies and procedures addressing the proper use and recording of Ryan White HIV/AIDS program funds have been developed to clearly define these processes for both the federal award fund and the rebate fund. In these policies, OSDH has also addressed the proper procedures for drawing federal funds for the grant.

CFDA No: 93.505, 93.870
Finding No: 2017-059
Program Name: Maternal, Infant, and Early Childhood Home Visiting Cluster
Status: Not Corrected; During the period of review, OSDH's internal financial system did not reflect changes to CFDA numbers during the state fiscal year. On July 1/2018, OSDH financial staff implemented changes to accurately reflect and post grants separately in the statewide accounting system along with their corresponding CFDA numbers. The changes included creating sub-accounts and operating unit field options to be used in the Statewide Accounting System, to mirror revenue source, federal fiscal year, service chief, and locations utilized in FISCAL(OSDH's current internal system). This will allow clear reconciliation and reporting of expenditures between systems.

CFDA No: 93.505, 93.870
Finding No: 2017-061
Program Name: Maternal, Infant, and Early Childhood Home Visiting Cluster
Status: Not Corrected; OSDH MIECHV staff have implemented internal procedures to review the DGIS-HV reporting processes to ensure accurate reporting is achieved. Documentation used to support the submitted report is maintained by the program.

CFDA No: 93.917
Finding No: 2017-062
Program Name: HIV Care Formula Grants
Status: Not Corrected; As of July 1, 2018, two separate funds have been established and utilized by OSDH to track the revenues and expenditures associated with the Ryan White HIV/AIDS Program (RWHAP) Part B in the Oklahoma Management and Enterprise Services statewide accounting system. These funds clearly delineate the revenues

received and expense incurred for the AIDS Drug Assistance Program (ADAP) rebate fund (Fund 411) and the RWHAP federal award (Fund 410).

Policies and procedures addressing the proper use and recording of Ryan White HIV/AIDS program funds have been developed to clearly define these processes for both funds. In these policies, OSDH has also addressed the proper procedures for drawing federal funds for the grant.

CFDA No: 93.505, 93.870
Finding No: 2017-063
Program Name: Maternal, Infant, and Early Childhood Home Visiting Cluster
Status: Corrected

CFDA No: 93.505, 93.870
Finding No: 2017-065
Program Name: Maternal, Infant, and Early Childhood Home Visiting Cluster
Status: Not Corrected; The OSDH procurement staff maintains a log of subrecipient contracts. This list is forwarded to the grants unit on a monthly basis. The grant unit reviews the document for inclusion on the SEFA report.
The Internal audit unit of OSDH performs invoice validation within their limited scope audit. The audit includes validating the invoice as well as other aspects related to the compliance of the Sub-Recipients Operations as guided by 2 - CFR-200. These audits (Invoice Validations) will be performed for each sub-recipient preferably in the first two years of the project period, with the higher risk entities being the priority and the entities required to have a single audit performed being at the lower priority. Required single audits will be reviewed on an annual basis.

CFDA No: 93.505, 93.870
Finding No: 2017-066
Program Name: Maternal, Infant, and Early Childhood Home Visiting Cluster
Status: Corrected

CFDA No: 93.558; 93.714
Finding No: 07-830-015, 08-830-015, 09-830-027, 10-830-031, 11-830-012, 12-830-001, 2013-034, 2014-020, 2015-014, 2016-013
Program Name: TANF Cluster
Status: Partially Corrected. A written plan to address how AFS responds to G1DX discrepancies was not completed until 08/02/2018, which was after the FY18 audit period.

CFDA No: 93.568
Finding No: 04-830-019, 05-830-011, 06-830-011, 07-830-003, 08-830-012, 09-830-020, 10-830-024, 11-830-013, 12-830-010, 2013-040, 2014-022, 2015-010, 2016-026, 2017-023
Program Name: Low Income Home Energy Assistance Program
Status: Partially Corrected. DHS has conducted additional training for OU personnel who work on LIHEAP emphasizing the importance of case documentation. However, not all of the training occurred during the SFY18 audit period.

CFDA No: 93.568
Finding No: 04-830-032, 05-830-012, 06-830-010, 08-830-012, 09-830-020, 09-830-031, 10-830-018, 11-830-007, 12-830-007, 12-830-008, 2013-020, 2013-022, 2014-030, 2015-004, 2016-041, 2017-008
Program Name: Low Income Home Energy Assistance Program
Status: Partially Corrected. OMES-ISD has reviewed the systems edits to ensure they are working, but the review occurred in SFY19. DHS has also provided additional training to OU personnel working on LIHEAP to better detect duplicate addresses and prevent duplicate payments.

CFDA No: 93.568
Finding No: 2017-009
Program Name: Low Income Home Energy Assistance Program
Status: Not Corrected. AFS LIHEAP staff and OMES-ISD are working on strengthening the report logic to meet the reporting guidelines given to us from OCS's response to the State Auditor and Inspector office on 03/04/2019. We estimate this work will be completed by September 30, 2019. AFS LIHEAP unit will use the reporting guidelines to prepare DHS LIHEAP Household reports.

CFDA No: 93.658
Finding No: 2017-050
Program Name: Foster Care – Title IV-E
Status: Not Corrected.
1. New contracts will be written and executed for the appropriate sub-recipient agencies. These contracts will have standard language covering all required information.
2. Procedures to evaluate risk will be established with the help of OIG. Each sub-recipient will undergo a risk assessment annually or/as required. Results of this assessment will be formally documented.
3. Further federal guidance will be sought to fully understand and implement the requirements of on-site reviews and the extent of the on-site reviews.
4. Establish policies and procedures to ensure DHS receives and reviews a single audit or program audit from subrecipients in compliance with 2 CFR 200.501.

The anticipated completion date for this finding is on 07/01/2019.

CFDA No: 93.659
Finding No: 2017-051
Program Name: Adoption Assistance Program
Status: Not Corrected. DHS has developed a comprehensive Adoption Assistance funding document which will evidence: 1) annual pre and post adoption assistance expenditures; 2) baseline funding sources (state and federal), identified by amount and source; 3) amounts supported by DHS's accounting records; 4) expenditures of state adoption savings used to supplement, and not supplant existing federal and state funding; and 5) ensuring at least 30 percent of adoption savings are spent on post-adoption and post-guardianship services. However, the division reported that corrective action was not in place until after the FY18 audit period.

Appendix I

Lynne Bajema
State Comptroller
Central Accounting &Reporting

John Budd
Director

March 15, 2019

Pension Contributions for Employees on Defined Benefit Plan

The State of Oklahoma ("State") has a retirement plan which consists of both a defined benefit plan component and a defined contribution plan component (the plan is known as "Pathfinder"). The Pathfinder plan was implemented during the year ended June 30, 2016. Under Pathfinder, participating employees contribute a minimum of 4.5% of their compensation. Participating employers match employee contributions up to 7%. In addition to the matching contributions, participating employers are required to remit to the Oklahoma Public Employees Retirement System ("OPERS") the difference between the matching contributions for Pathfinder members and the amount the participating employer would have contributed for a legacy defined benefit plan member. For each employee in the Pathfinder plan, the employer contributed either 9.5% or 10.5% of salary to the defined benefit plan.

The State maintains that the entire contribution is a required expense for the employee participating in the Pathfinder plan.

As required by the FY19 SWCAP agreement, the State has provided details on the amount of contributions that were remitted to OPERS on behalf of employees participating in the Pathfinder plan. The State also has completed an analysis of the federal funding percentage ("FFP") for those contributions. The time period included in the analysis begins at the inception of employee participation in Pathfinder (on November 1, 2015) and ends on February 20, 2018, the date upon which the State notified its agencies that they may not charge federal programs for the amount remitted to the defined benefit plan.

Certain agencies have already dealt with this issue and are handling any repayment directly with their cognizant agency. FFP was calculated by soliciting information from each agency for each individual participating in Pathfinder. The State's agencies provided the federal reimbursement rate for individuals who participate in federal programs.

The total amount of contributions to the defined benefit component on behalf of employees participating in Pathfinder is $19,195,712. Of this amount, the federal portion is $2,826,484 and the calculated FFP is 14.7%.

OKLAHOMA
SAI
STATE AUDITOR & INSPECTOR

THE STATE OF

OKLAHOMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

2018

FISCAL YEAR ENDED JUNE 30, 2018

Every member of the Capitol's construction team posed for a group photo in 2017 to include in the Capitol Centennial Time Capsule.

OKLAHOMA 2018

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2018

Mary Fallin
Governor

Prepared by

Office of Management and Enterprise Services

Denise Northrup, Director
Lynne Bajema, State Comptroller

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

Requests for additional copies, comments or questions may be directed to Stephanie Brown, Office of Management and Enterprise Services, 5005 North Lincoln Blvd., Suite 100, Oklahoma City, Oklahoma 73105.

TABLE OF CONTENTS

Top left: Workers pour concrete on a new structural support system for the Capitol's north stairway.
Bottom left: Engineers discovered many of the Capitol's exterior stairways were structurally unsound.
Right: Stonemasons reinstall large granite blocks weighing several tons on the south side of the Capitol.

Lynne Bajema
State Comptroller
Central Accounting & Reporting

Denise Northrup
Director

December 22, 2018

To the Honorable Mary Fallin, Governor
Members of the Legislature, and
Citizens of the State of Oklahoma

The Office of Management and Enterprise Services (OMES) is pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the fiscal year ended June 30, 2018. This report is presented in three sections — introductory, financial and statistical — as the primary means of reporting the state government's financial activities. Its objectives are to provide a clear picture of the government as a single, unified entity and to provide traditional fund based financial statements. The CAFR has been prepared in conformity with relevant Governmental Accounting Standards Board statements.

The Introductory Section contains an overview of the state's economic performance, a review of current initiatives and summary financial data. The Financial Section contains Management's Discussion and Analysis, Government-wide Financial Statements and Fund Financial Statements for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information and Other Supplementary Information. The Statistical Section contains selected financial and demographic information. Management's Discussion and Analysis contains complementary information, and readers are encouraged to review this section.

PROFILE OF THE GOVERNMENT

Management of the state, through OMES, 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. To the best of our knowledge and belief, the information presented is accurate in all material respects and includes all disclosures necessary for an understanding of the state's financial position and activities. The governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority, college and university whose data are presented in this report. The financial reporting entity, the State of Oklahoma, includes these funds, organizations, agencies, boards, commissions and authorities. In accordance with Governmental Accounting Standards Board Statement 61, the state financial reporting entity includes 19 component units. There are six major component units, seven nonmajor component units, and six fiduciary component units. The major and nonmajor component units are discretely presented in the financial statements. The fiduciary component units are presented in the fiduciary fund and similar component units' financial statements, along with the other fiduciary activities of the state. The fiduciary activities are not included in the Government-wide Financial Statements because the resources of these funds are not available to support the state's own programs.

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

CENTRAL ACCOUNTING AND REPORTING · 5005 N. LINCOLN BLVD., STE. 100, OKLAHOMA CITY, OK 73105 · OFFICE: 405-522-5577 · FAX: 405-522-2186
STATE OF OKLAHOMA · OFFICE OF MANAGEMENT & ENTERPRISE SERVICES · OMES.OK.GOV

The state's financial statements were audited by the Office of the State Auditor and Inspector. The goal of the independent audit was to provide reasonable assurance that the financial statements of the state for the fiscal year ended June 30, 2018, are free of material misstatement. The audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that, based upon the audit, there was a reasonable basis for rendering an unmodified opinion and that the State of Oklahoma's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the Financial Section of this report.

Internal Controls

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

Budget and Fiscal Policy

The budget process begins when each agency, other than the Legislature, that expends money through the state treasury submits an annual budget request to OMES. Copies are also provided to the legislative fiscal staffs. These requests are reviewed and analyzed for the governor by OMES. The governor then makes formal recommendations in the executive budget which is presented to the Legislature on the first day of the legislative session. During the legislative session, legislative committees review agency needs and recommend appropriation levels. Then the Legislature must approve all appropriation bills to fund agency operations for the next fiscal year. Appropriation bills provide for state appropriated funds and establish spending limits for state agencies. The governor can accept, reject or line-item veto particular legislative appropriations. Before encumbering or spending money in the fiscal year, each agency must submit a budget work program to OMES. The program outlines, by account, fund source and program category, how the agency plans to spend the available state, federal and revolving funds during the fiscal year. OMES must approve an agency's budget work program before agencies can encumber or spend available funds.

Oklahoma's Constitution restricts total appropriations to 95 percent of estimated general revenues. The Board of Equalization is responsible for approving the official itemized estimate of revenues based upon information provided by OMES and the Oklahoma Tax Commission and sets the amount of legislative appropriations authority. The board is comprised of six elected officials and the president of the state Board of Agriculture. The six elected officials are the governor, the state auditor and inspector, the state treasurer, the lieutenant governor, the attorney general, and the superintendent of public instruction.

The constitution requires that collections in excess of the Board of Equalization's itemized estimate of general revenue fund revenues be deposited to the Stabilization or "Rainy Day" Fund each year until the balance of the "Rainy Day" Fund equals 15 percent of the prior fiscal year's General Revenue Fund certified appropriations authority. In November 2004, Oklahoma voters enacted restrictions on the use of the "Rainy Day" Fund. Up to one-fourth of the July 1 balance each year may be appropriated upon an emergency declaration by the governor with concurrence of two-thirds of the House and Senate, or by a declaration of an emergency by the House speaker and Senate's president pro tempore with concurrence of three-fourths of the members of each legislative body. Up to three-eighths of the fund may be accessed if the Board of Equalization is forecasting a decline in state revenues for the coming fiscal year and up to three-eighths may be utilized in the event of a current year revenue shortfall.

The state also has an oversight process for the issuance of debt. The Council on Bond Oversight is responsible for the review and approval of all debt issued by the state, its agencies and public trusts, and performs an assessment of all capital leases.

Proprietary Operations

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

Capital Assets

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

ECONOMIC CONDITIONS AND OUTLOOK

While diversification efforts continue to reduce the state’s dependence on oil and natural gas tax revenues, the energy sector remains an important driver of the Oklahoma economy. After weathering a significant two-year downturn in energy prices, Oklahoma’s economy has continued to expand throughout 2018.

Oklahoma carries a low tax-supported debt burden overall, with continued declining annual debt service payments. The state constitution requires voter approval of all state general obligation (GO) bonds with the stipulation that they be secured by a specific tax revenue stream. Currently, the state’s only GO bonds of this type matured in July of 2018.

State pension plans recently reported excellent investment performance and continuing funding level improvements. Oklahoma has seven pension systems of which the Teachers Retirement System (OTRS) and the Public Employee Retirement System (OPERS) compose 80 percent of total pension fund assets. The Oklahoma State Pension Commission reported at the end of November that the actuarial funded status of six of the seven systems increased in fiscal year 2018. The funded ratio for the OTRS was reported at 72.9 percent. It is the largest state pension system, accounting for just over one-half of all pension assets. The second largest system, OPERS, holds nearly 30 percent of all assets and ended 2018 with a funded ratio of 97.7 percent. Combined, all state systems currently have a funded ratio of just over 80 percent for 2018.

Data from the United States (U.S.) Department of Labor and the Oklahoma Employment Security Commission reports that October 2018 job growth in Oklahoma was flat and unemployment reached a 10-year low of 3.4 percent. Oklahoma’s unemployment rate is currently outperforming the national average of 3.7 percent. The largest gains in employment since last year were in the mining and logging industry, which added 6,900 jobs as a result of recovering oil prices. Oklahoma added 23,200 jobs through October 2018 year-to-date. Metropolitan areas grew at a more rapid pace compared to non-metro regions and were primary job growth drivers for the state. For September 2018, Oklahoma City’s unemployment rate stood at 2.8 percent and Tulsa at 3.0 percent.

Oklahoma’s economy continued to expand in 2018 along with the national economy. According to the most recent real gross domestic product (GDP) data released by the U.S. Bureau of Economic Analysis, Oklahoma’s annualized GDP grew by 1.7 percent in Q1 and 4.1 percent in Q2, while the U.S. economy grew 2.2 percent and 4.2 percent, respectively. Oklahoma ranked 16th in the nation for GDP growth through the second quarter. This is a significant improvement over 2017, where Oklahoma GDP grew 0.7 percent but lagged behind the national growth of 2.2 percent.

According to Baker Hughes Rig Count, as of Nov. 21, 2018, 144 rigs were drilling in the state, up from 122 a year ago. Rig counts are still well below pre-2015 downturn levels, which had 214 rigs in November 2014. Oklahoma has the second highest rig count nationwide after Texas (450).

West Texas Intermediate (WTI) crude prices moved significantly upward since reaching a sub-$30 a barrel bottom in 2016. However, after breaching $70 a barrel several times this year, all gains have been erased by November as WTI crude prices briefly dipped below $50, the lowest since October 2017. Current Energy Information Administration (EIA) estimates expect spot prices for the WTI to average $65 a barrel in 2019. The next EIA estimate release is scheduled for Dec. 11, 2018.

The latest EIA release of monthly Oklahoma crude oil production numbers reflect August 2018 production at a record 17,445 thousand barrels, which is over 20 percent more than pre-2015 downturn levels. Despite record oil production, rig counts and worker numbers are below 2014 levels. Technology and drilling, as well as production improvements by the oil and gas industry, enable many companies to operate leaner without slashing production goals.

The aerospace industry continues to be one of the most important contributors to Oklahoma's economy. This year Oklahoma hosted the annual National Association of State Aviation Officials. The theme of the convention was "Oklahoma – Aircraft Repair Capital of the World." Tinker Air Force Base is the world's largest military aircraft repair facility and the American Airlines maintenance base in Tulsa is the world's largest commercial aircraft repair facility. According to Victor Bird, director of the Oklahoma Aeronautics Commission, the aerospace industry supports 206,000 jobs with an annual payroll of $11.7 billion and an average salary of $73,300.

Durable goods and real estate made the largest non-oil and gas extraction contributions to Oklahoma's GDP in the second quarter at 0.5 percent each. Growth in employment occurred in all industries except for financial activities, construction, arts and entertainment and non-durable goods. Professional services and trade, transportation, and utilities had the strongest 12-month job growth for non-oil industries at 2.8 percent and 2.0 percent, respectively.

According to the Oklahoma Economic Report published by the State Treasurer, monthly gross receipts for October 2018 reached a record $1.1 billion, or growth of more than 16 percent. The running 12-month gross receipts were $12.7 billion. All major revenue streams grew over the last 12 months. Individual income tax reflected strong employment growth with receipts growing more than 9 percent in the past year. Sales tax receipts were also strong at 10 percent growth year-over-year. New revenues generated from tax rate increases approved by House Bill 1010XX made a significant contribution of 4.9 percent of October gross receipts.

Comparisons of treasury gross receipts include all collections received through the Oklahoma Tax Commission before refunds and rebates, and include taxes levied by cities and counties which are not state revenues. This report, according to the State Treasurer, is meant to reflect general state macro-economic activity and present snapshots in time to indicate rising or falling economic conditions. General Revenue Fund collections, as reported by OMES, and other state revenues funding the state budget do not correlate directly to gross receipts.

For this reason, Oklahoma state government, pursuant to the state constitution, builds a 5 percent cushion into every appropriated state budget to reduce the risk of mandatory budget reductions if revenues fall below the 100 percent estimate. If collections to the General Revenue Fund are projected to fall more than 5 percent below the official estimate during any fiscal year, a revenue failure is declared and mandatory appropriation reductions must occur to maintain a balanced budget.

Fiscal year 2018 collections to the General Revenue Fund totaled 7 percent, or $381.6 million, above the 100 percent official estimate, resulting in the surplus being deposited to the Oklahoma Constitutional Reserve Fund ("Rainy Day" Fund), bringing the reserve fund balance to just over $450 million.

Receipts to the General Revenue Fund are trending modestly positive over the first four months of fiscal year 2019. OMES reports collections to the fund to be $20.4 million, or 1 percent, above the year-to-date estimate through October 2018, and $202.6 million, or 11.5 percent, above prior year collections. For fiscal year 2019, increased revenues are expected and target estimates are higher than actuals from the previous year – meaning that collections constantly above the prior year are not only expected but necessary just to meet current year state allocations. During the last two regular legislative sessions, as well as in two special sessions, state policymakers have increased recurring revenues for upcoming fiscal years and substantially reduced the use of non-recurring revenues in the fiscal year 2019 budget.

When asked in November how the recent drop in oil prices might play out into the coming year, OMES director Denise Northrup advised, "While most reporting categories appear to be on a stable footing through these first four months, the recent slump in crude oil prices gives rise to some concern as we prepare to finish out 2018 and look forward to 2019."

In September 2018, Moody's affirmed Oklahoma's Aa2 credit rating and revised the state's outlook from negative to stable. Governor Mary Fallin credited the recent tax package and reduction on reliance on one-time revenue sources.

In November, the Oklahoma State Treasurer reported that the Oklahoma Business Conditions Index has topped growth neutral for 15 consecutive months. The October index of 55 indicates that economic growth is anticipated during the next three to six months.

According to the Missouri Economic Research and Information Center, Oklahoma had the second lowest cost of living in the United States for the third quarter in 2018, with a composite index of 87.1 normalized to the U.S. average.

Some other highlights of Oklahoma's economy include:

- In an historic revenue raising measure, the state policymakers increased teachers' pay in Oklahoma by an average of $6,100, the largest amount in state history.
- Three Oklahoma-based companies, American Fidelity Assurance (59), Encompass Home Health and Hospice (76), and Devon Energy (92), are among Fortune's 100 Best Places to Work.
- Five Oklahoma-based companies earned spots on the Fortune 500 List: Devon Energy (213), NGL Energy Partners (223), Oneok (249), Chesapeake Energy (314) and Williams (353).
- Three companies made it on the Forbes America's Largest Private Companies list: Love's Travel Stops and Country Stores (16), QuikTrip (29) and Hobby Lobby Stores (91).

Highlights of the fiscal year 2018 and fiscal year 2019 executive branch budgets include (expressed in millions):

	Amount Appropriated		Percentage of Total Appropriations		Increase (Decrease) from Prior Year		Percentage Increase (Decrease)	
	2018	2019	2018	2019	2018	2019	2018	2019
Department of Education	$ 2,448	$ 2,913	36%	38%	$ 21	$ 465	1%	19%
Regents for Higher Education	774	777	11%	10%	(36)	3	(4%)	0%
Career & Technical Education	113	124	2%	2%	(5)	11	(4%)	10%
Other Education	39	40	1%	1%	(2)	1	(5%)	3%
Total Education	3,374	3,854	50%	51%	(22)	480	(1%)	14%
Department of Health	53	55	1%	1%	(2)	2	(4%)	4%
Health Care Authority	1026	1,132	14%	15%	35	106	4%	10%
Department of Mental Health	328	337	5%	4%	3	9	1%	3%
Other Health	48	49	1%	1%	3	1	7%	2%
Total Health	1,455	1,573	21%	21%	39	118	3%	8%
Department of Human Services	700	729	11%	10%	48	29	7%	4%
Office of Juvenile Affairs	92	93	1%	1%	-	1	0%	1%
Other Human Services	69	74	1%	1%	2	5	3%	7%
Total Human Services	861	896	13%	12%	50	35	6%	4%
Department of Corrections	486	517	7%	7%	1	31	0%	6%
Department of Transportation	155	166	2%	2%	-	11	0%	7%
Department of Public Safety	95	98	1%	1%	6	3	7%	3%
Other	422	441	6%	6%	(4)	19	(1%)	5%
Total	$ 6,848	$ 7,545	100%	100%	$ 70	$ 697	1%	10%

FINANCIAL INFORMATION

Governmental Functions

Most financial operations of the state are reported in governmental fund types, which are the general fund and the permanent funds. Following are schedules of revenues and expenditures for these governmental funds. Note that the following tables present data according to GAAP for the fiscal year ended June 30, 2018, while previous tables have presented budgetary data for this and later periods. Transfers are primarily from the general fund to support public institutions of higher education.

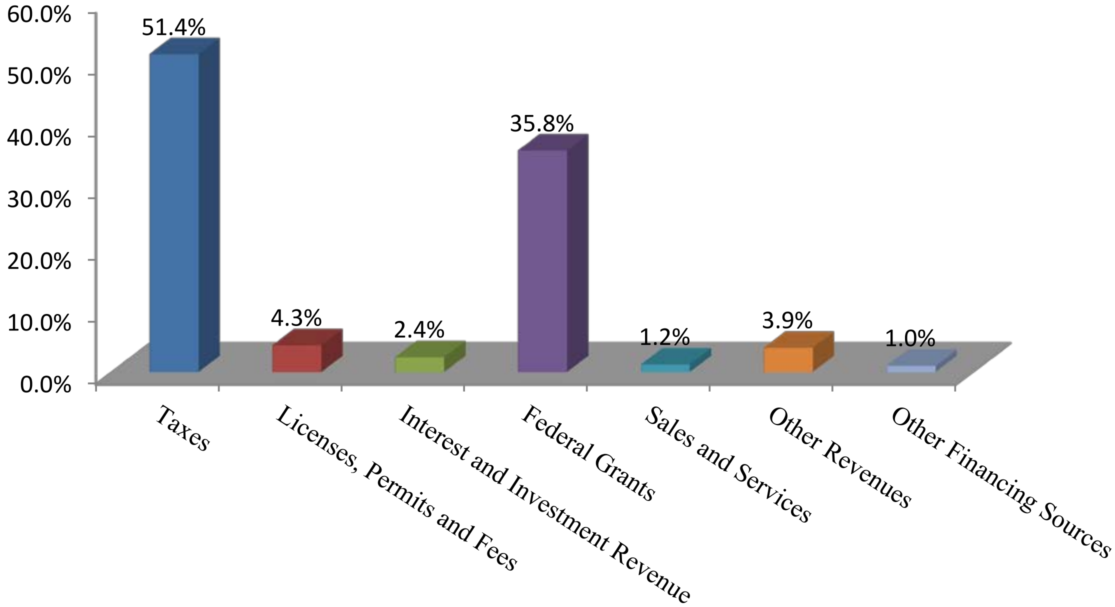
Governmental Funds: Revenues and Other Financing Sources - GAAP Basis
(expressed in millions)

	2018 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	$ 9,232	51.4%	$ 1,100	13.5%
Licenses, permits and fees	781	4.3%	70	9.8%
Interest and investment revenue	436	2.4%	(219)	(33.4%)
Federal grants	6,440	35.8%	(256)	(3.8%)
Sales and services	218	1.2%	(4)	(1.8%)
Other revenues	700	3.9%	(59)	(7.8%)
Other financing sources:				
Transfers	79	0.4%	(3)	(3.7%)
Bond and note proceeds	88	0.5%	(178)	(66.9%)
Other	20	0.1%	(33)	(62.3%)
Total revenues and other financing sources	$ 17,994	100.0%	$ 418	2.4%

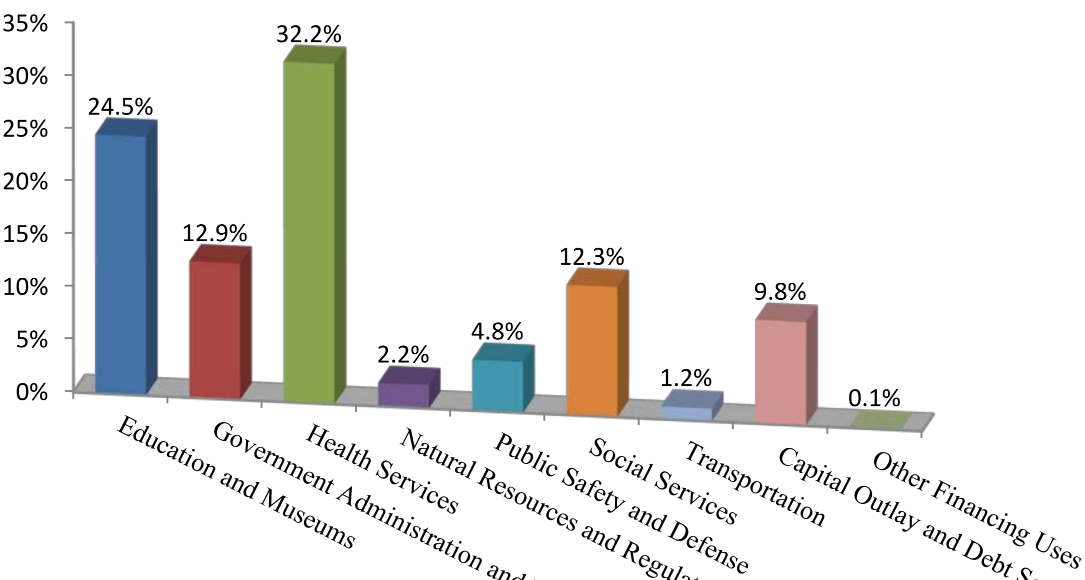
Governmental Funds: Expenditures and Other Financing Uses - GAAP Basis
(expressed in millions)

	2018 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	$ 4,263	24.5%	$ 16	0.4%
Government Administration	1,982	11.4%	46	2.4%
Health services	5,596	32.2%	(18)	(0.3%)
Legal and judiciary	256	1.5%	1	0.4%
Museums	8	0.0%	1	13.4%
Natural resources	252	1.4%	(44)	(14.9%)
Public safety and defense	838	4.8%	1	0.1%
Regulatory services	114	0.8%	18	18.8%
Social services	2,146	12.3%	(47)	(2.1%)
Transportation	215	1.2%	12	5.9%
Capital outlay	1,507	8.7%	(68)	(4.3%)
Debt service	199	1.1%	(53)	(21.0%)
Other Financing Uses:				
Transfers	16	0.1%	0	0.0%
Total expenditures and other financing uses	$ 17,392	100.0%	$ (135)	(0.8%)
Governmental Funds - Net increase in fund balance	$ 602			

Governmental Fund Revenues and Other Financing Sources (GAAP Basis) – Fiscal Year 2018



Governmental Funds Expenditures and Other Financing Uses (GAAP Basis) – Fiscal Year 2018



Revenue Collections and Estimates

As noted in a preceding subsection, the budget is prepared using cash available plus 95 percent 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, as defined by Oklahoma law, are approximately 75 percent of the total tax revenues of the governmental funds, as defined by GAAP. However, the budgetary General Revenue Fund should not be confused with the general fund as presented in the accompanying GAAP-basis financial statements, as the two terms are not interchangeable. For example, the GAAP-basis general fund includes revenues deposited to the state Transportation Fund, federal grant proceeds, revolving fund revenues, fees and charges as well as other money used in the general operations of government which are not considered in the Board of Equalization's estimates of tax revenues.

During 2017, the most recent data available, receipts from three of the five major taxes were less than revenues of the prior year. The taxes combined for $4.2 billion, or 94.9 percent of total receipts for the same categories in the prior year. The total of major taxes collected decreased $228 million or 5.1 percent from that of the previous year. As compared to fiscal year 2016, collections from income taxes decreased by $238 million, or 10.6 percent; sales taxes decreased by $44 million, or 2.3 percent; motor vehicle taxes decreased $9 million, or 4.1 percent; and gross production taxes on gas and oil increased by $62 million, or 65.7 percent.

Oklahoma has established an enviable record in recent years for its revenue forecasting results. Since enactment of a constitutional amendment in 1985 establishing new revenue estimating procedures, collections have exceeded the estimate in 17 years and dipped below the estimate 15 years. The comparison of estimated revenues to actual collections for fiscal year 2017 is as follows:

Revenue Collections Compared to Itemized Estimate for Fiscal Year 2017
(expressed in millions)

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
Individual and Corporate				
Income tax	$ 2,183.2	$ 2,012.1	$ (171.1)	92.2%
Sales tax	1,935.9	1,850.1	(85.8)	95.6%
Motor vehicle tax	214.0	212.9	(1.1)	99.5%
Gross production tax	128.2	157.4	29.2	122.8%
Subtotal Major Taxes	4,461.3	4,232.5	(228.8)	94.9%
Other sources	759.0	811.9	52.9	107.0%
Total	$ 5,220.3	$ 5,044.4	$ (175.9)	96.6%

The 15-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
2003	$ 4,725	$ 4,186	$ (539)	88.6%
2004	4,396	4,613	217	104.9%
2005	4,545	4,957	412	109.1%
2006	5,149	5,715	566	111.0%
2007	5,708	5,966	258	104.5%
2008	5,845	5,981	136	102.3%
2009	5,981	5,544	(437)	92.7%
2010	5,415	4,622	(793)	85.4%
2011	4,889	5,138	249	105.1%
2012	5,236	5,564	328	106.3%
2013	5,601	5,604	3	100.1%
2014	5,889	5,627	(262)	95.6%
2015	5,857	5,727	(130)	97.8%
2016	5,746	5,205	(541)	90.6%
2017	5,220	5,044	(176)	96.6%
Fifteen-Year Average	$ 5,347	$ 5,300	$ (47)	99.1%

The status of three important fund balances affecting the new year's fiscal picture is explained as follows:

Cash-Flow Committed Fund – Each year, 10 percent of the General Revenue Fund's certified appropriation level is set aside to meet anticipated monthly cash flow needs for the new fiscal year. At the close of fiscal year 2018, the amount the state set aside was $874.9 million.

General Revenue Fund – In fiscal year 2018, there were amendments to the budget that netted an additional $125.7 million. Carried-over amounts from prior years of $39.4 million were added to the budget compared to a $49.1 million carry-over in fiscal year 2017. Carry-over funds reflect the difference between the 95 percent appropriation limit and actual receipts up to 100 percent of the estimate. Funds required to replenish or increase the cash-flow committed fund also come from this source. An additional $92.7 million was added to fund a portion of the ad valorem reimbursement to schools. OMES was awarded an additional $13.9 million to cover debt service payments for bonds associated with the project to restore the State Capitol Building. In addition, the Department of Corrections was given $8.8 million in supplementary funding. Offsetting the additions to the budget were statewide reductions caused by revenue shortfalls.

Constitutional "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 15 percent of the prior year's certified collections for the General Revenue Fund. As a result of different triggers for making the funds available for use, any amounts deposited to the fund are split between unassigned and restricted fund balance. For the fiscal year beginning July 1, 2018, the restricted portion had a balance of $338.7 million and the unassigned portion had a balance of $112.9 million, giving the total Constitutional Fund a balance of $451.6 million.

FOR THE FUTURE

State government will focus on critical issues to ensure Oklahoma capitalizes on its potential for growth. Sustained efforts in creating a business friendly environment are essential for creating a bright, strong future. In addition, the state will continue to improve the efficiency of government through consolidations of information technology and financial services.

Oklahoma's executive management will continue to lead in promoting these key areas to improve the lives of Oklahomans. With the governor's leadership, Oklahoma will invest in a high quality educational system where all students can succeed, advance the improved health of Oklahoma's citizens and encourage investors to allow their money to work and grow in Oklahoma, creating more jobs and higher incomes.

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 for the fiscal year ended June 30, 2017. 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 CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

OMES is pleased to recognize and commend the efforts of the numerous individuals across the state that made this CAFR possible. Questions or requests for additional information related to this report can be directed to our office at 405-521-2141.

Respectfully submitted,

Denise Northrup
Director

Lynne Bajema
State Comptroller

Government Finance Officers Association

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, 2017

Christopher P. Morrill

Executive Director/CEO

Selected Oklahoma State Officials

2018

LEGISLATIVE BRANCH

Senate
Greg Treat, President Pro Tempore

House of Representatives
Charles McCall, Speaker of the House

EXECUTIVE BRANCH

Governor
Mary Fallin

Lieutenant Governor
Todd Lamb

Secretary of State
* James Williamson

State Auditor and Inspector
Gary Jones

Attorney General
Mike Hunter

State Treasurer
Ken Miller

Superintendent of Public Instruction
Joy Hofmeister

Commissioner of Labor
* Melissa McLawhorn Houston

Commissioner of Insurance
John D. Doak

Commissioners of the Corporation Commission
Todd Hiett
Bob Anthony
Dana Murphy

JUDICIAL BRANCH

* State Supreme Court
Douglas Combs, Chief Justice

* Court of Criminal Appeals
Gary Lumpkin, Presiding Judge

* Appointed to position

CABINET DEPARTMENT SECRETARIES

Agriculture
Commerce & Tourism
Education & Workforce Development
Energy & Environment
Finance, Administration, & Information Technology
Health & Human Services
Military
Native American Affairs
Safety & Security
Science & Technology
State
Transportation
Veterans Affairs

The cabinet secretaries are appointed by the governor with the approval of the Senate. Many of the secretaries are also heads of the executive branch agencies. State agencies are assigned to a cabinet department by the governor. The specific agency assignments to each cabinet are shown on the next page. Agency numbers are listed to the left of the agency name.

State Agencies by Cabinet

305 Office of the Governor
440 Office of the Lieutenant Governor

Agriculture

40 Agriculture, Department of
39 Boll Weevil Eradication Org.
645 Conservation Commission
790 Veterinary Medical Examiners Board
353 Horse Racing Commission

Commerce and Tourism

55 Arts Council
160 Commerce, Department of
290 Employment Security Commission
350 Historical Society
922 Housing Finance Authority
370 Industrial Finance Authority
204 J.M. Davis Memorial Commission
620 Qtz Mtn. Arts/Conf. Cntr/Nat. Pk.
566 Tourism & Recreation, Dept. of

Education and Workforce Dev.

44 Anatomical Board
800 Career & Technology Education
266 Educational Television Authority
265 Education, Department of *
275 Educ. Qual. & Account., Comm. For
405 Labor, Department of *
619 Physicians Manpower Trng. Comm.
563 Private Vocational School, Board of
605 Regents for Higher Education
629 School of Science & Mathematics
618 Student Loan Authority
803 Virtual Charter School Board

Colleges and Universities:

100 Cameron University
108 Carl Albert State College
165 Connors State College
230 East Central University
240 Eastern Oklahoma State College
420 Langston University
470 Murray State College
480 Northeastern Okla. A & M College
485 Northeastern State University
490 Northern Oklahoma College
505 Northwestern Oklahoma State Univ.
530 Oklahoma Panhandle State Univ.
10 Oklahoma State University
761 Oklahoma University Law Center
633 Oklahoma City Community College
770 Okla. University Health Science Ctr.
773 OSU -College of Osteopathic Medicine
14 OSU -College of Veterinary Medicine
11 OSU -Experiment Station
12 OSU -Extension Division
13 OSU -School of Tech. Training
15 OSU -Technical Institute of OKC
16 OSU -Tulsa
771 OU Health Sci. Ctr. Prof. Prac. Plan
241 Redlands Community College
610 Regional University System of Ok
461 Rogers State University
531 Rose State College
606 University Center of Southern Ok
623 Seminole State College
660 Southeastern Oklahoma State Univ.
665 Southwestern Oklahoma State Univ.
750 Tulsa Community College
758 University Center at Ponca City
120 University of Central Oklahoma
760 University of Oklahoma
765 University of Oklahoma - Tulsa
150 Univ. of Science and Arts of Okla.
41 Western Oklahoma State College

Energy and Environment

185 Corporation Commission *
359 Energy Resources Board
292 Dept. of Environmental Quality
980 Grand River Dam Authority
307 Interstate Oil Comp. Com.
445 LPG Board
125 Mines, Department of
981 Municipal Power Authority
835 Water Resources Board
320 Wildlife Conservation, Dept. of

Finance, Admin., and Info Tech.

22 Abstractor's Board
20 Accountancy Board
300 Auditor & Inspector *
65 Banking Department
91 Building Bonds Commission
915 Capital Investment Board
170 Construction Industries Bd.
635 Consumer Credit, Comm. For
900 Development Finance Authority
270 Election Board
296 Ethics Commission
678 Judicial Complaints, Council on
315 Firefighters Pension & Retirement
385 Insurance Department *
410 Land Office, Commissioners of the
416 Law Enforcement Retirement
435 Lottery Commission
90 Office of Mgmt. & Enterprise Services
298 Merit Protection Commission
475 Motor Vehicle Commission
557 Police Pension & Retirement System
515 Public Employees' Retirement System
630 Securities Commission
675 Self-Insurance Guaranty Board
695 Tax Commission
715 Teachers Retirement System
740 Treasurer *
755 Used Motor Vehicle & Parts

Health and Human Services

448 Alcohol and Drug Coun., Bd. of Lic.
148 Behavioral Health Lic., Board of
127 Children & Youth, Commission
145 Chiropractic Examiners Board
783 Community Hospitals Authority
190 Cosmetology and Barbering Board
215 Dentistry, Board of
326 Disability Concerns, Office of
285 Funeral Board
807 Health Care Authority
340 Health, Department of
830 Human Services, Department of
670 J.D. McCarty Center
400 Juvenile Affairs, Office of
622 Licensed Social Workers, Board of
509 Long-Term Care Admin., Bd. of Exam.
450 Medical Licensure & Supv., Bd. of
452 Mental Health and Sub. Abuse Svc.
510 Nursing Board
775 Oklahoma State Univ. Medical Auth.
520 Optometry Board
525 Osteopathic Examiners Board
343 Perfusionists, State Bd. of Examiners
560 Pharmacy Board
140 Podiatric Medical Examiners, Bd. Of
575 Psychologists, Bd. of Examiners
805 Rehabilitation Services
632 Speech Pathology & Audiology Bd.
092 Tobacco Settlement Endow. Trust Fund
825 University Hospitals Authority

Military

25 Military Department

Safety and Security

30 Alcohol Beverage Laws Enforcement
772 Alcohol/Drug Influence, Bd. of Tests
309 Emergency Management, Dept. of
131 Corrections Department of
308 Investigation, Bureau of
415 Law Enf. Educ. & Trng., Council on
342 Medicolegal Investigations, Bd. of
477 Narcotics & Dang. Drugs, Bureau of
306 Pardon and Parole Board
585 Public Safety, Department of
310 State Fire Marshal, Office of

Science and Technology

628 Center f/t Adv. of Sci. & Technology
346 Space Industry Development Auth.

State

49 Attorney General *
220 District Attorney's Council
47 Indigent Defense System
45 Licensed Architects, Board of Gov.
430 Library Department
391 Multiple Injury Trust Fund
570 Prof. Engin. & Land Surveyors Bd.
588 Real Estate Commission
625 Secretary of State
865 Workers' Compensation Commission

Transportation

060 Aeronautics Commission
978 Okla. Turnpike Authority
345 Transportation, Department of

Veterans Affairs

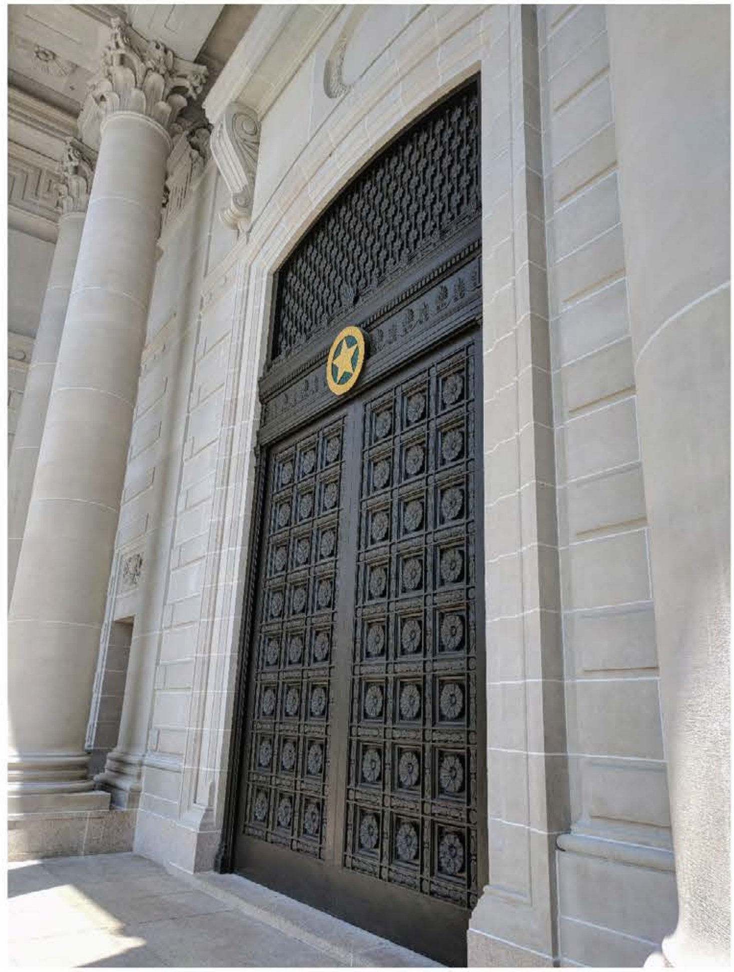
650 Veterans Affairs, Department of

Native American Affairs

361 Native American Cultural/Ed. Auth.

* Agency is headed by a statewide elected official or their controlling board is made up of elected officials. They are assigned to a cabinet department for purposes of coordinating services and programs only.

This Page Intentionally Left Blank



Top left: The cast iron state seal above the historic main entrance to the Capitol is painted.
Bottom left: The cast iron state seal above the historic main entrance was painted in the original 1917 colors.
Right: The 18-foot tall steel pocket doors and ornamental cast iron at the historic main entrance underwent a meticulous restoration process.

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**

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

- the financial statements of the Water Resources Board which represent fifty percent of the assets, thirty-three percent of the net position and three percent of the revenues of the proprietary funds;
- the financial statements of the Oklahoma Municipal Power Authority, University of Oklahoma, University of Oklahoma – Health Sciences Center, Oklahoma State University – Foundation, Grand River Dam Authority, Oklahoma State University, Oklahoma Turnpike Authority, University of Oklahoma – Foundation, the Regents for Higher Education, and the Oklahoma Housing Finance Agency which in the aggregate represent eighty-one percent of the assets, eighty-six percent of the net position and seventy-three percent of the revenues for the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent ninety-eight percent of the assets, ninety-eight percent of the fund balance and ninety-nine percent of the revenues of the permanent funds;
- the financial statements of the Oklahoma Public Employees Retirement System, the Oklahoma Teachers Retirement System, and the Oklahoma Firefighters Pension and Retirement System which in the aggregate represent eighty-seven percent of the assets, eighty-eight percent of the net position and ninety percent of the additions of the aggregate remaining fund information;
- the financial statements of the Department of Wildlife, Department of Commerce, and Oklahoma Capital Improvement Authority which in the aggregate represent ten percent of the assets, fourteen percent of the net position and one percent of the revenues of the general fund.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the above-mentioned entities, are 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the Multiple Injury Trust Fund (MITF) had a net deficit or negative net position of approximately $462,493,000 at December 31, 2017 primarily due to court awards exceeding the apportionment of special tax revenue collected.

As discussed in Note 1, effective July 1, 2017 the State of Oklahoma has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 81, *Irrevocable Split-Interest Agreements*; GASB Statement No. 85 *Omnibus 2017*; and GASB Statement No 86, *Certain Debt Extinguishment Issues*.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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, the Notes to Required Supplementary Information-Budgetary Reporting, the Pension Data Required by GASB 68, and the OPEB Data required by GASB 75 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Oklahoma's basic financial statements. The introductory section, combining financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2018, 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 solely 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 effectiveness of the State of Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Oklahoma's internal control over financial reporting and compliance.

Gary A. Jones

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

December 22, 2018

This Page Intentionally Left Blank

Left: Workers remove the deteriorated waterproofing material off of the underground tunnel.
Right: The underground tunnel was unearthed in order to install new waterproofing material and a leak detection system.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management of the State of Oklahoma provides this *Management's Discussion and Analysis* of the State of Oklahoma’s Comprehensive Annual Financial Report (CAFR) for readers of the state’s financial statements. This narrative overview and analysis of the financial activities of the State of Oklahoma is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the additional information that is furnished in the Letter of Transmittal, which can be found preceding this narrative, and with the state’s financial statements which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights:

Net Position - The assets plus deferred outflows of resources of the state exceeded its liabilities and deferred inflows of resources at fiscal year ending June 30, 2018, by $19.8 billion (presented as "net position"). Of this amount, $2.4 billion was reported as "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the state’s ongoing obligations to citizens and creditors.

Changes in Net Position - The state's total net position increased by $1.1 billion (a 5.8% increase) in fiscal year 2018 after a 1.6% increase during the previous fiscal year. Net position of governmental activities increased by $985.6 million (a 5.9% increase), while net position of the business-type activities showed an increase of $90.3 million (a 4.6% increase).

Fund Highlights:

Governmental Funds - Fund Balances - As of the close of fiscal year 2018, the state's governmental funds reported a combined ending fund balance of $7.3 billion, an increase of $602.1 million in comparison with the prior year. Of this total amount, $3.7 billion represents nonspendable fund balance, with $77.1 million being in the general fund. Amounts that can be spent include $1.1 billion of restricted fund balance, $2.3 billion of committed fund balance, $41.8 million of assigned fund balance, and $112.9 million of unassigned fund balance. The portion of fund balance which is available is roughly 20.9% of the total governmental expenditures for the year.

Long-term Debt:

The state's total long-term debt obligations showed a net decrease of $53.9 million (3.9%) in the governmental type activities and a net increase of $51.2 million (5.9%) in the business type activities during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the state – the *Government-Wide Financial Statements* and the *Fund Financial Statements and Combining Major Component Unit Financial Statements*. These financial statements also include the *Notes to the Financial Statements* that explain some of the information in the financial statements and provide more detail.

Government-Wide Financial Statements

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

The S*tatement of Net Position* presents all of the government's assets and liabilities in addition to deferred inflows and outflows, with the difference between the four reported as net position. Over time, increases or decreases in the state's net position may serve as a useful indicator of whether the financial position of the state is improving or declining.

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

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

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

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

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

The state's six discretely presented major component units are:

Oklahoma Student Loan Authority
Oklahoma Housing Finance Agency
Oklahoma Turnpike Authority
Grand River Dam Authority
Oklahoma Municipal Power Authority
Higher Education Component Unit

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

Oklahoma Educational Television Authority
Oklahoma Industrial Finance Authority
Multiple Injury Trust Fund
University Hospitals Authority
Oklahoma Development Finance Authority
Oklahoma Capital Investment Board
Oklahoma State University Medical Authority

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

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

Fund Financial Statements and Major Component Unit Financial Statements

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances both provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The state has four governmental funds. All four governmental funds are considered major funds for financial reporting purposes. These four major funds are – the General Fund, the Commissioners of the Land Office Permanent Fund, the Department of Wildlife Conservation Permanent Fund, and the Tobacco Settlement Endowment Permanent Fund. Each major fund is presented in a separate column in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances.

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

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

The state has four enterprise funds, with all four being considered major proprietary funds for presentation purposes. As previously mentioned, they are the operations of the Oklahoma Unemployment Insurance Trust Fund (by the Oklahoma Employment Security Commission), the state's program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Oklahoma Water Resources Board), the administration of insurance benefits for state employees by the Employees Group Insurance Division (EGID) of the Office of Management and Enterprise Services (OMES), and the Oklahoma Lottery Commission.

The basic proprietary funds financial statements can be found immediately following the governmental fund financial statements.

Fiduciary Funds and Similar Component Units Financial Statements – These funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the state's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting.

The state's fiduciary funds are the pension trust funds (seven separate retirement plans for employees), and the agency funds (which account for the assets held for distribution by the state as an agent for other governmental units, other organizations or individuals). Individual fund detail can be found in the combining financial statements described below.

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes the budgetary comparison schedule – budget to actual (non-GAAP budgetary basis), which includes a schedule of reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements. In addition, schedules required by GASB 68 (pension) and GASB 75 (other postemployment benefits) are presented.

Budgetary Detail

The schedule of expenditures and intra-agency transfers – detail budget to actual comparison is presented in this section. It provides detail comparisons of expenditures and intra-agency transfers at the legal level of control. Comparisons can be made between the original budget, final budget, and actual.

Pension Detail

With the implementation of GASB Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, certain information related to net pension liability and funding of pension plans is reported in the Required Supplementary Information section.

Other Postemployment Benefits Detail

With the implementation of GASB Statement 75, *Accounting and Financial Reporting for Other Postemployment Benefits (OPEB)*, certain information related to Net OPEB Liability and funding of OPEB plans is reported in the required supplementary information section.

Combining Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The state's combined net position (government and business-type activities) totaled $19.8 billion at the end of 2018, compared to $18.7 billion at the end of the previous year.

The largest portion of the state's net position (57.2%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the state's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

State of Oklahoma's Net Position-Primary Government

(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current Assets	$ 4,869,697	$ 4,485,880	$ 1,815,849	$ 1,775,089	$ 6,685,546	$ 6,260,969
Capital Assets	12,212,896	11,920,999	2,085	2,477	12,214,981	11,923,476
Other Assets	4,180,569	4,033,947	1,321,885	1,239,135	5,502,454	5,273,082
Total Assets	21,263,162	20,440,826	3,139,819	3,016,701	24,402,981	23,457,527
Deferred Outflows	521,219	1,094,712	2,902	6,771	524,121	1,101,483
Noncurrent Liabilities	2,078,470	2,541,523	870,273	824,717	2,948,743	3,366,240
Other Liabilities	1,851,516	1,932,265	220,565	236,000	2,072,081	2,168,265
Total Liabilities	3,929,986	4,473,788	1,090,838	1,060,717	5,020,824	5,534,505
Deferred Inflows	128,066	320,943	3,108	4,284	131,174	325,227
Net Investment in Capital Assets	11,318,869	11,018,816	2,085	2,477	11,320,954	11,021,293
Restricted	4,554,212	4,392,708	1,471,069	1,423,476	6,025,281	5,816,184
Unrestricted	1,853,248	1,329,283	575,621	532,518	2,428,869	1,861,801
Total Net Position	$ 17,726,329	$ 16,740,807	$ 2,048,775	$ 1,958,471	$ 19,775,104	$ 18,699,278

A portion of the state's net position (30.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the state's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

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

Changes in Net Position

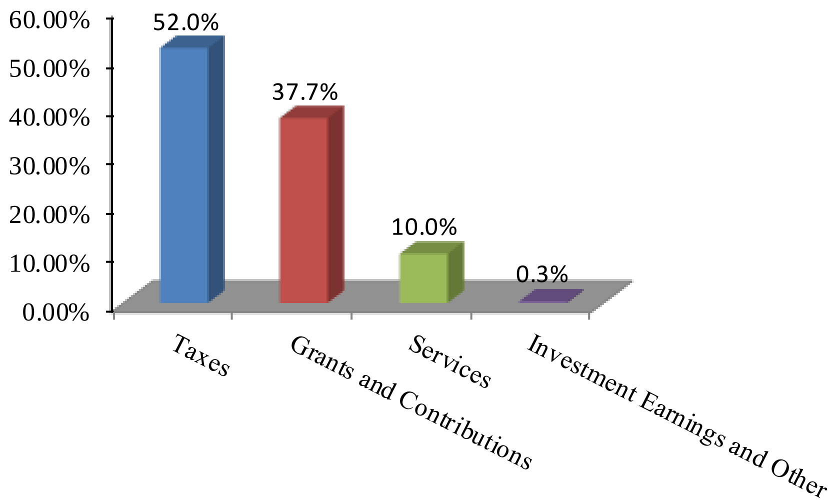
The state's governmental net position increased by $1.1 billion, or 5.8%. Approximately 52% of the state's total revenue came from taxes, while 38% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 10% of the total revenues. The state's expenses cover a range of services. The largest expenses were for health services, general education, government administration, and social services. In 2018, governmental activity expenses exceeded program revenues, resulting in the use of $8.4 billion in general revenues (mostly taxes). The business-type activities' program revenues exceeded their expenses for 2018 by $153.3 million.

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

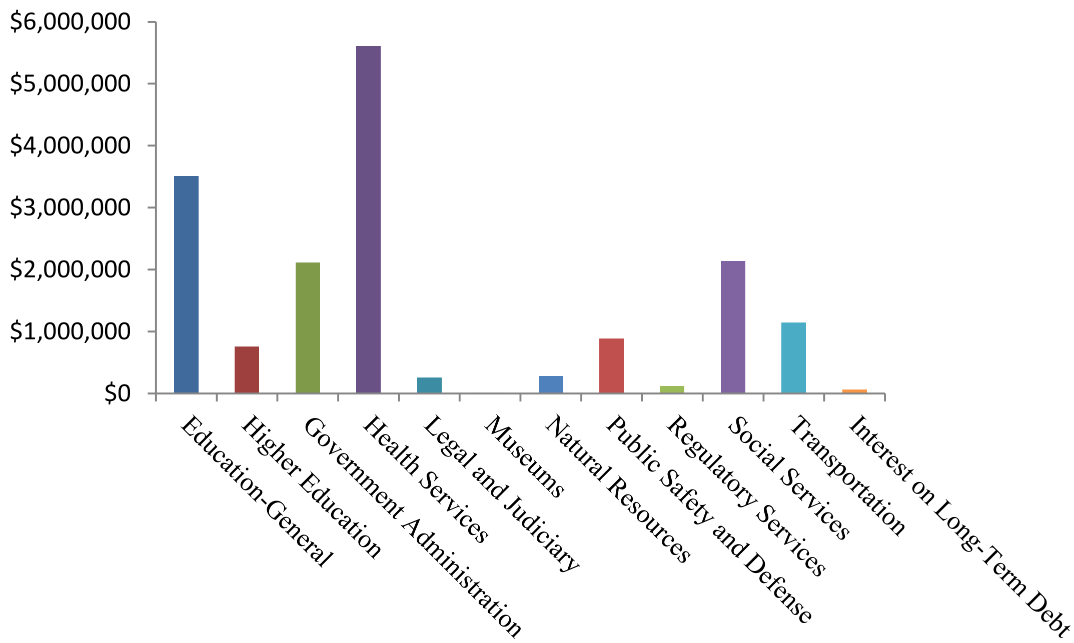
(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	$ 1,769,355	$ 1,790,348	$ 1,638,329	$ 1,499,669	$ 3,407,684	$ 3,290,017
Operating Grants and Contributions	6,681,680	7,131,617	15,620	9,031	6,697,300	7,140,648
General Revenues:						
Income Taxes-Individual	3,240,777	2,948,867	-	-	3,240,777	2,948,867
Income Taxes-Corporate	251,163	169,638	-	-	251,163	169,638
Sales Taxes	2,823,427	2,460,237	-	-	2,823,427	2,460,237
Gross Production Taxes	596,196	412,899	-	-	596,196	412,899
Motor Vehicle Taxes	868,042	757,223	-	-	868,042	757,223
Fuel Taxes	441,978	432,779	-	-	441,978	432,779
Other Taxes	1,010,089	950,305	-	-	1,010,089	950,305
Investment Earnings	58,075	53,157	-	-	58,075	53,157
Total Revenues	17,740,782	17,107,070	1,653,949	1,508,700	19,394,731	18,615,770
Expenses:						
Education-General	3,507,277	3,361,645	-	-	3,507,277	3,361,645
Education-Payments to Higher Education	761,036	889,389	-	-	761,036	889,389
Government Administration	2,111,959	2,025,758	-	-	2,111,959	2,025,758
Health Services	5,603,631	5,613,009	-	-	5,603,631	5,613,009
Legal and Judiciary	252,845	267,320	-	-	252,845	267,320
Museums	11,281	11,316	-	-	11,281	11,316
Natural Resources	281,187	330,625	-	-	281,187	330,625
Public Safety and Defense	885,841	895,886	-	-	885,841	895,886
Regulatory Services	115,590	97,779	-	-	115,590	97,779
Social Services	2,137,520	2,199,544	-	-	2,137,520	2,199,544
Transportation	1,148,291	1,128,957	-	-	1,148,291	1,128,957
Interest on Long-Term Debt	56,493	76,321	-	-	56,493	76,321
Unemployment Insurance Trust Fund	-	-	250,465	320,111	250,465	320,111
State Loan Program to Local Governments	-	-	37,489	34,932	37,489	34,932
Group Insurance Program	-	-	1,051,302	1,031,753	1,051,302	1,031,753
Lottery Commission	-	-	161,388	97,619	161,388	97,619
Total Expenses	16,872,951	16,897,549	1,500,644	1,484,415	18,373,595	18,381,964
Increase (Decrease) in Net Position Before Transfers and Contribution to Permanent Funds	867,831	209,521	153,305	24,285	1,021,136	233,806
Contribution to Permanent Funds	54,765	59,460	-	-	54,765	59,460
Transfers	63,001	65,456	(63,001)	(65,456)	-	-
Change in Net Position	985,597	334,437	90,304	(41,171)	1,075,901	293,266
Net Position, Beginning of Year	16,908,609	16,406,295	1,958,471	1,999,642	18,867,080	18,405,937
Adjustments to Beginning Net Position	(167,877)	-	-	-	(167,877)	-
Net Position, End of Year	$ 17,726,329	$ 16,740,732	$ 2,048,775	$ 1,958,471	$ 19,775,104	$ 18,699,203

Revenues – Governmental Activities
Fiscal Year 2018



Expenses – Governmental Activities
Fiscal Year 2018
(expressed in thousands)



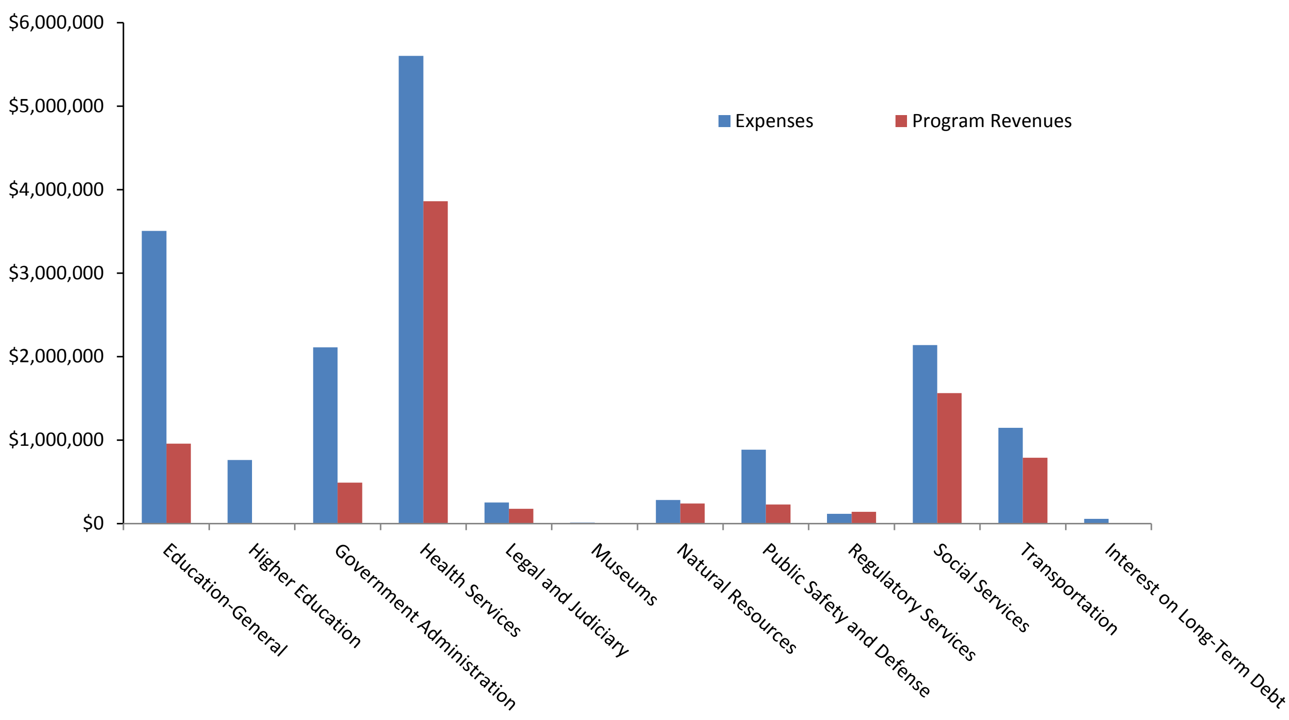
Governmental Activities

Governmental activities increased the state's net position by $985.6 million. Tax revenues were up in all five major types. Total revenues for governmental activities were up by $633.7 million, or 3.7%, in 2018. The state showed a $291.9 million increase in individual income taxes, a $363.2 million increase in sales taxes, a $110.8 million increase in motor vehicle taxes, an $81.5 million increase in corporate income taxes, and a $183.3 million increase in gross production taxes during 2018. Additionally, there was a $449.9 million decrease in federal grant revenue.

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

	Governmental Activities
Expenses Net of Program Revenues:	
Education-General	$ (2,549,097)
Education-Payment to Higher Education	(761,036)
Government Administration	(1,621,128)
Health Services	(1,742,178)
Legal and Judiciary	(74,800)
Museums	(7,714)
Natural Resources	(40,962)
Public Safety and Defense	(657,113)
Regulatory Services	23,546
Social Services	(575,881)
Transportation	(359,060)
Interest on Long-Term Debt	(56,493)
Total Governmental Activities Expenses	(8,421,916)
General Revenues:	
Taxes	9,231,672
Investment Earnings	58,075
Contributions to Permanent Funds	54,765
Transfers	63,001
Increase in Governmental Activities Net Position	$ 985,597

Expenses and Program Revenues – Governmental Activities
Fiscal Year 2018
(expressed in thousands)



Business-Type Activities

The business-type activities increased the state's net position by $90.3 million, a 4.6% increase, to $2.0 billion. This increase comes after a decrease of 2.1% in the prior year. The increase primarily resulted from a reduction in benefit payments, and claims submitted to the Oklahoma Unemployment Insurance Trust Fund (OUITF) which is administered by the Oklahoma Employment Security Commission. The OUITF net position increased by $46.0 million, OWRB’s net position increased by $15.1 million, EGID increased by $32.1 million, and the Oklahoma Lottery Commission had a decrease in net position of $3.0 million.

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the state’s governmental funds reported combined ending fund balances of $7.3 billion, an increase of $602.1 million from the prior year. The largest portion $3.7 billion (50.4%) of this total amount constitutes nonspendable fund balance, which includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. In addition $1.1 billion (15.6%) of fund balance is classified as restricted meaning that the funds can only be used for specific purposes defined by enabling legislation or externally imposed limitations. Amounts that can only be used for specific purposes pursuant to constraints of the government’s highest level of decision-making authority are reported as committed fund balance. Committed fund balance represents $2.3 billion (31.9%) of total fund balance. Amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted, nor committed, are reported as assigned fund balance. Assigned fund balance represents $41.8 million (0.6%) of total fund balance. The remaining funds that are not classified in any of the other four categories represent unassigned fund balance. For the fiscal year ended June 30, 2018 the state has $112.9 million (1.5%) classified as unassigned fund balance.

The general fund is the chief operating fund of the state. At the end of the current fiscal year, the total fund balance increased $472.1 million to $3.6 billion. This 15.0% increase is primarily related to improved tax collections and reduction in expenditures.

As a measure of the general fund’s liquidity, it may be useful to compare the portion of fund balance not classified as nonspendable (spendable) and total fund balance to total fund expenditures. Spendable fund balance represents 20.9% of total governmental fund expenditures, while total fund balance represents 42.3% of that same amount.

The Commissioners of the Land Office manages land and cash set aside by the Federal Government for the use and benefit of public education in Oklahoma to generate maximum earnings for Trust beneficiaries. The Trust beneficiaries are common education and thirteen Oklahoma colleges and universities. This year total program revenues were $188 million compared to $322.8 million for the prior year. Distributions to beneficiaries totaled $129.4 million for fiscal year 2018 with $32.6 million disbursed to universities and colleges and $93.6 million disbursed to public schools, and $3.2 million disbursed for public buildings. This was a decrease of $14 million from the apportionments of fiscal year 2017.

The Department of Wildlife’s Lifetime Licenses’ fund balance increased by 2.6% to $87.9 million. This increase occurred due to collections for licenses.

The Tobacco Settlement Endowment Permanent Fund holds certain moneys that are received in settlement of claims by the state against tobacco manufacturers. Earnings from these moneys are to be utilized for research, education, prevention and treatment of tobacco related diseases and certain other health programs. This fund reported $88.3 million net increase in fund balance with $54.8 million coming in from the settlement payment by tobacco manufacturers for 2018. The prior year’s payment was about $59.5 million. The state now has $1.2 billion in this permanent fund.

Proprietary Funds

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

As discussed in the business-type activities section above, the state's net position increased by $90.3 million as a result of operations in the proprietary funds. This resulted from a $46.0 million increase in net position by the OUITF, an increase in net position of $15.1 million by the Oklahoma Water Resources Board's (OWRB) program for making loans to local government units for drinking and waste water facilities, an increase of $32.1 million by EGID for insurance benefit administration, and a decrease in net position of $3.0 million by the Oklahoma Lottery Commission.

The OUITF increased in net position primarily as a result of a decrease in benefit payments and claims submitted.

The OWRB increased net position by $15.1 million which was $4.1 million more than the $11.0 million in the prior year.

The EGID increased net position by $32.1 million due to increases in membership and premium revenue along with a decrease of incurred claims.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the original budget and the final amended budget amounted to $125.7 million with $39.4 million coming from budget carryovers from fiscal year 2017. To reimburse school districts for ad valorem tax shortfalls related to state property, the Department of Education was transferred $92.7 million. For debt services related to repairs to the Capitol building, OMES was granted an additional $13.9 million in funds. In addition, the Department of Corrections was given $8.8 million in supplementary funding. Offsetting the additions to the budget were state wide reductions caused by revenue shortfalls.

The difference between the final budget and the actual collections amounted to $210.9 million less than the budget. Due to economic factors related to the economic downturn suffered by the state, this variance was not unexpected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The state's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to $24.3 billion, net of accumulated depreciation of $12.1 billion, leaving a net book value of $12.2 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the state's investment in capital assets for the current fiscal year was about 2.4% in terms of net book value. Actual expenditures to purchase or construct assets that are capitalized were $901.3 million for the year, a $38.3 million (4.1%) decrease from the prior year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled $578.3 million. Additional information on the state's capital assets can be found in Note 5 of the notes to the financial statements of this report.

Debt Administration

The authority of the state to incur debt is described in Article X, Section 25, of the Oklahoma Constitution. In 1987, the state created the Council of Bond Oversight. The Council meets to review all proposed debt issuances. The Council must approve each financing plan before obligations are issued. The legislation that created the Council of Bond Oversight also created the position of State Bond Advisor, who advises the Council 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 "Aa2" by Moody's Investors Service, "AA" by

Fitch Investors Service, and "AA" by Standard & Poor's Corp. Before 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, 2003, 2011 and again in 2013.

The State of Oklahoma's total debt decreased by $53.9 million, or 3.9%, during the current fiscal year. Business-type activities' debt increased by $51.2 million or 5.9%.

Additional information on the state's long-term debt obligations can be found in Notes 9, 10, and 11 of the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Oklahoma unemployment rate was consistently lower than that for the nation between 1997 and 2017. The national unemployment rate is currently 3.7% while Oklahoma's at 3.4% for the same time period.

Inflationary trends in the region continue to compare favorably to national indices.

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

Budget and Revenue Collections

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

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

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

The Legislature may, in regular or special session, make selective reductions in spending or consider revenue increases.

Fiscal Year 2019

General revenue fund collections have shown signs of improvement through the first five months of fiscal year 2019. Total collections exceeded prior year collections by 19.2% and budgeted estimates by 2% during October of 2018. This was driven by increased revenue from individual income tax, sales tax, motor vehicle tax, and gross production taxes.

"Most reporting categories look to be on stable footing with gross production and the other revenues category falling short of their estimates in October" said OMES Director Denise Northrup. "I'm encouraged to see individual income tax returns trending up. Solid returns in this category indicate businesses are expecting a healthy economy going into the holiday season."

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Oklahoma's finances for all of Oklahoma's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the state's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State of Oklahoma, Office of Management and Enterprise Services, 5005 N. Lincoln, Suite 100, Oklahoma City, OK 73105 or helpdesk@omes.ok.gov.

This Page Intentionally Left Blank

This decorative cast iron urn on the south wing of the Capitol was in poor shape prior to its restoration.

Painters apply new black paint to the lettering on the granite seals on the south plaza.

This Page Intentionally Left Blank

State of Oklahoma
Government-Wide Statement of Net Position

June 30, 2018
(expressed in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets				
Cash/Cash Equivalents	$ 3,770,941	$ 1,253,993	$ 5,024,934	$ 1,655,376
Investments	52,557	281,967	334,524	1,260,368
Securities Lending Investments	132,033	0	132,033	0
Accounts Receivable	46,898	93,607	140,505	651,203
Interest and Investment Revenue Receivable	17,014	15,976	32,990	14,147
Federal Grants Receivable	413,661	979	414,640	11,657
Taxes Receivable	321,452	85,362	406,814	0
Leases Receivable	5,222	0	5,222	0
Leases Receivable - Component Units	12,518	0	12,518	0
Other Receivables	90	5	95	28,354
Notes Receivable	0	71,593	71,593	6,731
Internal Balances	11,558	(11,558)	0	0
Receivable from External Parties	110	0	110	0
Due from Component Units	3,272	0	3,272	13,328
Due from Primary Government	0	0	0	71,322
Inventory	76,573	0	76,573	98,865
Prepaid Items	1,035	0	1,035	14,359
Other Current Assets	4,763	23,925	28,688	22,130
Total Current Assets	4,869,697	1,815,849	6,685,546	3,847,840
Noncurrent Assets				
Cash/Cash Equivalents, Restricted	104,197	88,274	192,471	1,147,891
Short Term Investments, Restricted	3,612,019	0	3,612,019	2,498,418
Long Term Investments	0	12,849	12,849	1,919,349
Long Term Investments, Restricted	0	47,389	47,389	0
Leases Receivable	17,699	0	17,699	0
Leases Receivables Component Units	328,509	0	328,509	0
Long-Term Notes Receivable, Net	0	1,168,882	1,168,882	42,275
Long-Term Notes Receivable, Net - Restricted	0	0	0	1,921
Net Pension Asset	35,425	0	35,425	193
Net OPEB Asset	724	0	724	10,935
Long-Term Due from Comp Units	53,706	0	53,706	0
Capital Assets-Depreciable, Net	10,138,307	2,085	10,140,392	8,074,169
Capital Assets-Land	1,837,263	0	1,837,263	475,467
Capital Assets-Construction in Progress	237,326	0	237,326	665,523
Other Noncurrent Assets	0	4,491	4,491	259,816
Other Noncurrent Assets-Restricted	28,290	0	28,290	367
Total Noncurrent Assets	16,393,465	1,323,970	17,717,435	15,096,324
Total Assets	21,263,162	3,139,819	24,402,981	18,944,164
Deferred Outflows				
Deferred Outflows from Pensions	486,996	1,836	488,832	444,137
Deferred Outflows from OPEB	33,383	0	33,383	11,008
Unamortized Loss on Bond Refundings	840	0	840	0
Lease Restructuring	0	0	0	2,929
Advance Refunding of Bonds	0	0	0	125,439
Defeasance of Bonds	0	1,066	1,066	39,291
Accumulated Decrease in Fair Value of Derivatives	0	0	0	5,763
Total Deferred Outflows	$ 521,219	$ 2,902	$ 524,121	$ 628,567

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	$ 1,052,729	$ 149,652	$ 1,202,381	$ 411,435
Unearned Revenue	63,006	1,590	64,596	193,148
Payable Under Securities Lending Agreements	132,033	0	132,033	0
Claims and Judgements	16,598	0	16,598	45,582
Interest Payable	24,888	9,053	33,941	61,957
Tax Refunds Payable	2,227	0	2,227	0
Payable to External Parties	76,115	0	76,115	715
Due to Component Units	71,526	4	71,530	13,130
Due to Primary Government	0	0	0	3,272
Due to Others	157,501	0	157,501	0
Capital Leases	741	0	741	67,257
Capital Leases-Primary Government	0	0	0	12,518
Compensated Absences	94,815	235	95,050	93,977
Notes Payable	8,490	0	8,490	22,976
General Obligation Bonds	28,530	0	28,530	10,000
Revenue Bonds (Net)	122,317	47,455	169,772	158,757
Other Current Liabilities	0	12,576	12,576	529,224
Total Current Liabilities	1,851,516	220,565	2,072,081	1,623,948
Noncurrent Liabilities				
Claims and Judgements	54,087	0	54,087	430,936
Due to Primary Government	0	0	0	53,706
Net Pension Liability	611,458	2,385	613,843	1,764,334
Capital Leases	0	0	0	858,119
Capital Leases-Primary Government	621	0	621	328,509
Compensated Absences	63,202	704	63,906	39,443
Notes Payable	61,505	0	61,505	114,559
General Obligation Bonds	0	0	0	30,000
Revenue Bonds (including Premiums)	1,110,949	857,453	1,968,402	5,301,798
Net OPEB Liability	176,648	0	176,648	519,492
Other Noncurrent Liabilities	0	9,731	9,731	175,199
Total Noncurrent Liabilities	2,078,470	870,273	2,948,743	9,616,095
Total Liabilities	3,929,986	1,090,838	5,020,824	11,240,043
Deferred Inflows				
Restructured Debt	0	2,677	2,677	5,800
Deferred Inflows from Pensions	102,329	431	102,760	272,628
Deferred Inflows from OPEB	25,737	0	25,737	27,978
Deferred Regulation Inflows	0	0	0	42,960
Service Concession Arrangements	0	0	0	31,300
Total Deferred Inflows	128,066	3,108	131,174	380,666
Net Position				
Net Investment in Capital Assets	11,318,869	2,085	11,320,954	3,879,624
Restricted for:				
Debt Service	354,476	315,067	669,543	347,563
Preservation of Wildlife	87,855	0	87,855	0
Lottery Benefits	0	10,582	10,582	0
Educational Systems	2,419,973	0	2,419,973	0
Unemployment Benefits	0	1,145,420	1,145,420	0
Stabilization	338,737	0	338,737	0
Federal Grant Programs	128,361	0	128,361	0
Tobacco Cessation and Public Health				
Nonexpendable	1,117,758	0	1,117,758	797,569
Expendable	107,052	0	107,052	3,017,076
Unrestricted	1,853,248	575,621	2,428,869	(89,810)
Total Net Position	$ 17,726,329	$ 2,048,775	$ 19,775,104	$ 7,952,022

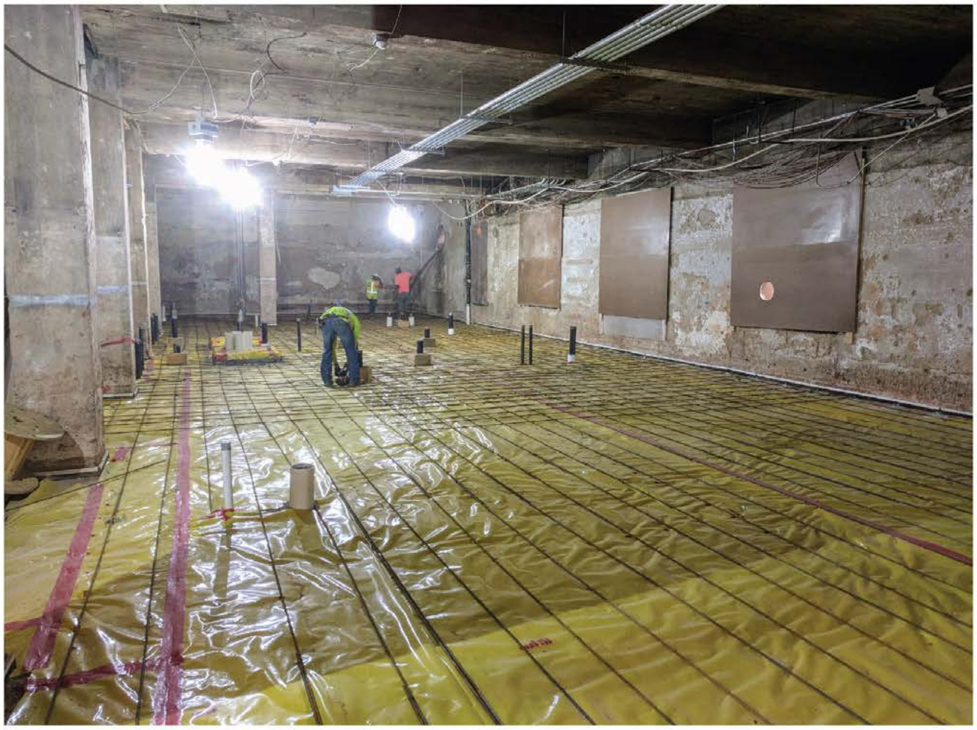
The Notes to the Financial Statements are an integral part of this statement

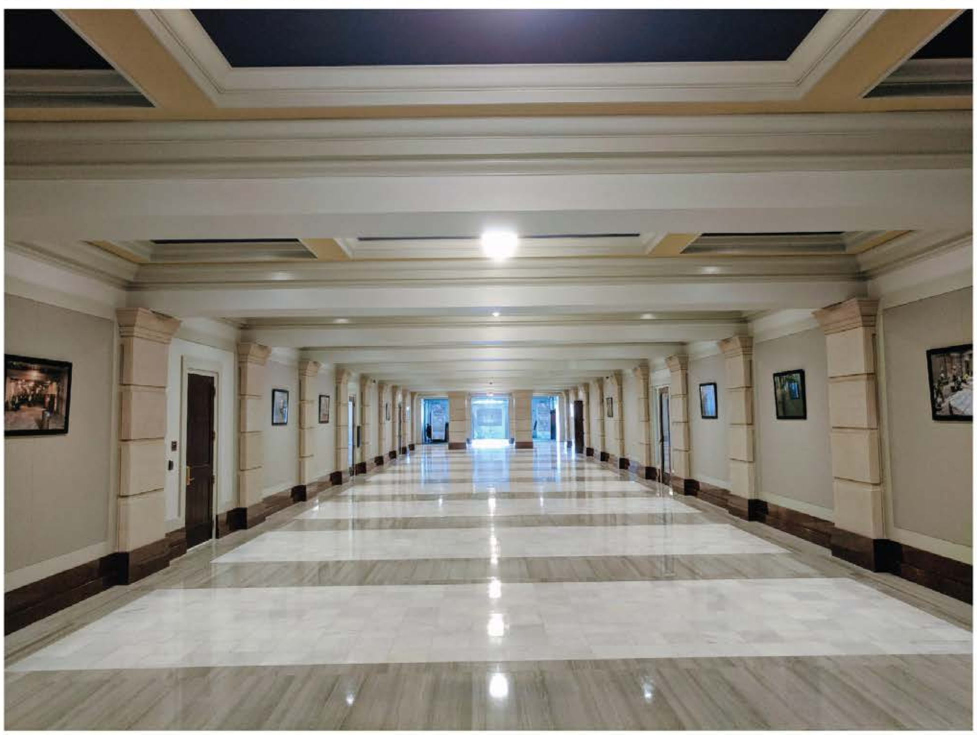
State of Oklahoma
Government-Wide Statement of Activities

For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

		Program Revenues		Net (Expense) Revenue and Changes in Net Position			
				Primary Government			
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Primary Government							
Governmental Activities:							
Education-General	$ 3,507,277	$ 70,919	$ 887,261	$ (2,549,097)		$ (2,549,097)	
Education-Payment to Higher Education	761,036	0	0	(761,036)		(761,036)	
Government Administration	2,111,959	350,687	140,144	(1,621,128)		(1,621,128)	
Health Services	5,603,631	579,414	3,282,039	(1,742,178)		(1,742,178)	
Legal and Judiciary	252,845	149,821	28,224	(74,800)		(74,800)	
Museums	11,281	2,748	819	(7,714)		(7,714)	
Natural Resources	281,187	179,350	60,875	(40,962)		(40,962)	
Public Safety and Defense	885,841	108,940	119,788	(657,113)		(657,113)	
Regulatory Services	115,590	132,435	6,701	23,546		23,546	
Social Services	2,137,520	72,277	1,489,362	(575,881)		(575,881)	
Transportation	1,148,291	122,764	666,467	(359,060)		(359,060)	
Interest on Long-Term Debt	56,493	0	0	(56,493)		(56,493)	
Total Governmental Activities	16,872,951	1,769,355	6,681,680	(8,421,916)		(8,421,916)	
Business-Type Activities							
Employment Security Commission	250,465	285,454	11,045		46,034	46,034	
Water Resources Board	37,489	47,802	4,575		14,888	14,888	
Office of Management and Enterprise Services	1,051,302	1,083,430	0		32,128	32,128	
Lottery Commission	161,388	221,643	0		60,255	60,255	
Total Business-Type Activities	1,500,644	1,638,329	15,620		153,305	153,305	
Total Primary Government	$ 18,373,595	$ 3,407,684	$ 6,697,300	(8,421,916)	153,305	(8,268,611)	
Component Units:							
Oklahoma Student Loan Authority	19,699	19,810	0				111
Oklahoma Housing Finance Agency	156,575	16,081	138,795				(1,699)
Oklahoma Turnpike Authority	222,711	318,082	0				95,371
Grand River Dam Authority	460,018	467,134	0				7,116
Oklahoma Municipal Power Authority	188,596	189,523	0				927
Higher Education	4,875,254	2,828,492	1,606,213				(440,549)
Nonmajor Component Units	467,778	368,195	2,035				(97,548)
Total Component Units	$ 6,390,631	$ 4,207,317	$ 1,747,043				(436,271)
General Revenues							
Taxes:							
Income Taxes-Individual				3,240,777	0	3,240,777	0
Income Taxes-Corporate				251,163	0	251,163	0
Sales Tax				2,823,427	0	2,823,427	0
Gross Production Taxes				596,196	0	596,196	0
Motor Vehicle Taxes				868,042	0	868,042	0
Fuel Taxes				441,978	0	441,978	0
Tobacco Taxes				261,234	0	261,234	0
Other Business Taxes				244,168	0	244,168	0
Other Personal Taxes				0	0	0	0
Insurance Taxes				181,614	0	181,614	0
Beverage Taxes				122,541	0	122,541	0
Other Taxes				200,532	0	200,532	0
Payments from Primary Government				0	0	0	862,903
Investment Earnings				58,075	0	58,075	0
Contributions to Permanent Funds				54,765	0	54,765	0
Transfers				63,001	(63,001)	0	0
Total General Revenues and Transfers				9,407,513	(63,001)	9,344,512	862,903
Change in Net Position				985,597	90,304	1,075,901	426,632
Net Position - Beginning of Year (as restated)				16,740,732	1,958,471	18,699,203	7,525,390
Net Position - End of Year				$ 17,726,329	$ 2,048,775	$ 19,775,104	$ 7,952,022

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





Top: Workers prepare for concrete floors to be poured in the food service area.
Bottom: The west corridor of the ground floor was completed in 2018.

This Page Intentionally Left Blank

State of Oklahoma
Balance Sheet
Governmental Funds

June 30, 2018
(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	$ 3,722,474	$ 109,048	$ 3,666	$ 39,950	$ 3,875,138
Investments	52,557	2,323,385	84,091	1,204,543	3,664,576
Security Lending Investments	21,855	0	0	110,178	132,033
Accounts Receivable	46,898	0	0	0	46,898
Interest and Investment Revenue Receivable	17,014	11,677	0	4,288	32,979
Federal Grants Receivable	413,661	0	0	0	413,661
Taxes Receivable	321,452	0	0	0	321,452
Leases Receivable	22,921	0	0	0	22,921
Leases Receivable-Component Units	341,027	0	0	0	341,027
Other Receivables	90	11,630	0	695	12,415
Due from Other Funds	11,708	0	91	0	11,799
Due from Fiduciary Funds	110	0	0	0	110
Due from Component Units	3,272	0	0	0	3,272
Due From Component Units-Noncurrent	53,706	0	0	0	53,706
Inventory	76,573	0	0	0	76,573
Prepaid Items	1,035	0	0	0	1,035
Other Assets	4,652	104	7	0	4,763
Total Assets	5,111,005	2,455,844	87,855	1,359,654	9,014,358
Liabilities					
Accounts Payable and Accrued Liabilities	1,002,163	28,260	0	22,308	1,052,731
Payable Under Securities Lending Agreements	21,855	0	0	110,178	132,033
Unearned Revenue	171,496	7,611	0	0	179,107
Tax Refunds Payable	2,227	0	0	0	2,227
Due to Other Funds	132	0	0	70	202
Due to Fiduciary Funds	76,115	0	0	0	76,115
Due to Component Units	69,238	0	0	2,288	71,526
Due to Others	157,501	0	0	0	157,501
Total Liabilities	1,500,727	35,871	0	134,844	1,671,442
Fund Balances					
Nonspendable	77,093	2,419,973	87,855	1,117,758	3,702,679
Restricted	1,145,684	0	0	0	1,145,684
Committed	2,274,589	0	0	65,263	2,339,852
Assigned	0	0	0	41,789	41,789
Unassigned	112,912	0	0	0	112,912
Total Fund Balances	$ 3,610,278	$ 2,419,973	$ 87,855	$ 1,224,810	$ 7,342,916

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 Position

Total Fund Balance - Governmental Funds		$ 7,342,916
Amounts reported for governmental activities in the statement of net position 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	1,837,263	
Buildings and Improvements	1,635,454	
Equipment	569,832	
Infrastructure	20,016,546	
Construction in Progress	237,326	
Accumulated Depreciation	(12,083,525)	
		12,212,896
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 considered to be unearned.		116,101
The state's portion of the net pension asset ($35,425), net pension liability ($611,458), deferred inflows ($102,329), and deferred outflows ($486,996) as determined by the actuarial calculations of the pension systems created by statute.		(191,366)
The state's portion of the net other postemployment benefit asset ($724), net other postemployment benefit liability ($176,648), deferred inflows ($25,737,), and deferred outflows ($33,383) as determined by the actuarial calculations of the pension systems created by statute.		(168,278)
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 position.		840
Timing differences caused by the component units with alternative year end dates resulted in differences in due to/from other funds.		(37)
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	(69,995)	
General Obligation and Revenue Bonds	(1,163,697)	
Capital Leases and Certificates of Participation	(1,362)	
Bond Issue Premiums	(98,099)	
Accrued Interest on Bonds	(24,888)	
Compensated Absences	(158,017)	
Claims and Judgments	(70,685)	
		(1,586,743)
Net Position of Governmental Activities		$ 17,726,329

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, 2018
(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	$ 3,240,777	$ 0	$ 0	$ 0	$ 3,240,777
Sales Tax	2,823,427	0	0	0	2,823,427
Gross Production Tax	596,196	0	0	0	596,196
Income Taxes-Corporate	251,163	0	0	0	251,163
Motor Vehicle Taxes	868,042	0	0	0	868,042
Fuel Taxes	441,978	0	0	0	441,978
Tobacco Taxes	261,234	0	0	0	261,234
Other Business Taxes	244,168	0	0	0	244,168
Other Personal Taxes	0	0	0	0	0
Insurance Taxes	181,614	0	0	0	181,614
Beverage Taxes	122,541	0	0	0	122,541
Other Taxes	200,532	0	0	0	200,532
Licenses, Permits and Fees	778,446	0	2,203	0	780,649
Interest and Investment Revenue	161,121	183,291	0	91,245	435,657
Federal Grants	6,440,084	0	0	0	6,440,084
Sales and Services	217,647	0	0	0	217,647
Other Grants and Reimbursements	465,775	0	0	0	465,775
Fines and Penalties	58,732	0	0	0	58,732
Other	116,125	4,745	0	54,765	175,635
Total Revenues	17,469,602	188,036	2,203	146,010	17,805,851
Expenditures					
Education	4,125,378	137,444	0	0	4,262,822
Government Administration	1,936,229	0	0	45,523	1,981,752
Health Services	5,595,980	0	0	0	5,595,980
Legal and Judiciary	255,739	0	0	0	255,739
Museums	7,650	0	0	0	7,650
Natural Resources	252,484	0	0	0	252,484
Public Safety and Defense	838,098	0	0	0	838,098
Regulatory Services	114,355	0	0	0	114,355
Social Services	2,145,461	0	0	0	2,145,461
Transportation	215,428	0	0	0	215,428
Capital Outlay	1,494,528	0	0	12,206	1,506,734
Debt Service					
Principal Retirement	140,272	0	0	0	140,272
Interest and Fiscal Charges	59,145	0	0	0	59,145
Total Expenditures	17,180,747	137,444	0	57,729	17,375,920
Revenues in Excess of (Less Than) Expenditures	288,855	50,592	2,203	88,281	429,931
Other Financing Sources (Uses)					
Transfers In	78,997	0	0	0	78,997
Transfers Out	(4,979)	(11,017)	0	0	(15,996)
Bonds Issued	27,215	0	0	0	27,215
Bond Issue Premiums	10,023	0	0	0	10,023
Capital Leases	0	0	0	0	0
Sale of Capital Assets	10,447	0	0	0	10,447
Note Proceeds	61,505	0	0	0	61,505
Total Other Financing Sources (Uses)	183,208	(11,017)	0	0	172,191
Net Change in Fund Balances	472,063	39,575	2,203	88,281	602,122
Fund Balances - Beginning of Year (as restated)	3,138,215	2,380,398	85,652	1,136,529	6,740,794
Fund Balances - End of Year	$ 3,610,278	$ 2,419,973	$ 87,855	$ 1,224,810	$ 7,342,916

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		$	602,122
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 ($882,020) exceeded depreciation ($577,530) in the current period.			304,490
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 position differs from the change in fund balance by the cost of the asset sold.			(12,593)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(9,958)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which bond payments ($138,894) exceeded proceeds ($88,720).			50,174
Bond issuance premiums and discounts are other financing sources or uses to governmental funds, but are deferred liabilities in the statement of net position. This is the amount of bond issue premiums.			(10,023)
The amount by which the state's portion of net pension asset ($18,207) increased, net pension liability ($385,287) decreased, deferred inflows from pensions ($218,614) decreased, and deferred outflows from pensions ($606,190) decreased compared to the prior fiscal year.			15,918
The amount by which the state's portion of net other postemployment benefit asset ($649) increased, net other postemployment benefit liability ($25,074) decreased, deferred inflows from other postemployment benefits ($25,737) increased, and deferred outflows from other postemployment benefits ($33,383) increased compared to the prior fiscal year.			33,369
For assets acquired 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 position. This is the amount by which the payment of principal ($1,378) exceeded the addition of new capital leases ($0).			1,378
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	12,360		
Increase in entity-wide interest payable	2,652		
Decrease in compensated absences	245		
Amortization of losses on refunded bonds	(686)		
Timing difference of due from/to other funds	51		
Decrease in claims and judgments payable	(3,902)		
			10,720
Change in Net Position of Governmental Activities		$	985,597

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

State of Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2018
(expressed in thousands)

	Business-Type Activities - Enterprise Funds				
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	Total
Assets					
Current Assets					
Cash/Cash Equivalents	$ 1,055,575	$ 79,007	$ 88,025	$ 31,386	$ 1,253,993
Investments	0	104,370	177,597	0	281,967
Accounts Receivable	0	0	87,081	6,526	93,607
Interest and Investment Revenue Receivable	5,904	9,431	641	0	15,976
Federal Grants Receivable	6	973	0	0	979
Taxes Receivable	85,362	0	0	0	85,362
Notes Receivable	0	71,593	0	0	71,593
Due from Other Funds	0	0	80	0	80
Other Receivables	0	5	0	0	5
Other Current Assets	0	31	23,894	0	23,925
Total Current Assets	1,146,847	265,410	377,318	37,912	1,827,487
Noncurrent Assets					
Cash/Cash Equivalents, Restricted	0	88,274	0	0	88,274
Long-Term Investments	0	12,849	0	0	12,849
Long-Term Investments, Restricted	0	47,389	0	0	47,389
Long-Term Notes Receivable	0	1,168,882	0	0	1,168,882
Capital Assets, Net	0	415	1,569	101	2,085
Other Noncurrent Assets	0	0	0	4,491	4,491
Total Noncurrent Assets	0	1,317,809	1,569	4,592	1,323,970
Total Assets	1,146,847	1,583,219	378,887	42,504	3,151,457
Deferred Outflows of Resources					
Unamortized Loss on Defeasance	0	1,066	0	0	1,066
Deferred Pension Plan Outflows	0	0	1,359	477	1,836
Total Deferred Outflows	0	1,066	1,359	477	2,902
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Liabilities	1,427	64	129,871	19,880	151,242
Interest Payable	0	9,053	0	0	9,053
Compensated Absences	0	95	0	140	235
Revenue Bonds (Net)	0	47,455	0	0	47,455
Due to Fiduciary Funds	0	0	0	0	0
Due to Component Units	0	0	4	0	4
Due to Other Funds	0	0	0	11,638	11,638
Other Current Liabilities	0	1,087	11,489	0	12,576
Total Current Liabilities	1,427	57,754	141,364	31,658	232,203
Noncurrent Liabilities					
Revenue Bonds (including Premiums)	0	857,453	0	0	857,453
Compensated Absences	0	44	590	70	704
Other Noncurrent Liabilities	0	0	9,731	0	9,731
Pension Obligation	0	0	1,905	480	2,385
Total Noncurrent Liabilities	0	857,497	12,226	550	870,273
Total Liabilities	1,427	915,251	153,590	32,208	1,102,476
Deferred Inflows of Resources					
Deferred Inflows from Pensions	0	0	341	90	431
Refinancing of Debt	0	2,677	0	0	2,677
Total Deferred Inflows	0	2,677	341	90	3,108
Net Position					
Invested in Capital Assets	0	415	1,569	101	2,085
Restricted for:					
Debt Service	0	315,067	0	0	315,067
Lottery Benefits	0	0	0	10,582	10,582
Unemployment Benefits	1,145,420	0	0	0	1,145,420
Unrestricted	0	350,875	224,746	0	575,621
Total Net Position	$ 1,145,420	$ 666,357	$ 226,315	$ 10,683	$ 2,048,775

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

State of Oklahoma
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds

For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

	Business-Type Activities - Enterprise Funds				
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	Total
Operating Revenues					
Sales and Services	$ 260,258	$ 0	$ 1,062,958	$ 221,110	$ 1,544,326
Federal Grants	11,045	4,575	0	0	15,620
Interest and Investment Revenue	0	32,486	0	0	32,486
Other	0	0	3,711	117	3,828
Total Operating Revenues	271,303	37,061	1,066,669	221,227	1,596,260
Operating Expenses					
Facilities Operations and Maintenance	0	0	0	149	149
Administration and General	6,522	5,514	44,258	5,985	62,279
Prizes, Commissions and Other	0	0	0	154,470	154,470
Interest	0	31,765	0	0	31,765
Depreciation	0	89	628	34	751
Benefit Payments and Refunds	243,943	0	1,006,416	0	1,250,359
Total Operating Expenses	250,465	37,368	1,051,302	160,638	1,499,773
Operating Income (Loss)	20,838	(307)	15,367	60,589	96,487
Nonoperating Revenues (Expense)					
Interest and Investment Revenue	23,018	3,432	16,761	416	43,627
Other Nonoperating Revenues	2,178	0	0	0	2,178
Nonoperating Federal Grants	0	11,884	0	0	11,884
Other Nonoperating Expenses	0	(121)	0	(750)	(871)
Total Nonoperating Revenues (Expenses)	25,196	15,195	16,761	(334)	56,818
Income (Loss) Before Transfers	46,034	14,888	32,128	60,255	153,305
Transfers In	0	4,979	0	0	4,979
Transfers Out	0	(4,750)	0	(63,230)	(67,980)
Change in Net Position	46,034	15,117	32,128	(2,975)	90,304
Total Net Position - Beginning of Year	1,099,386	651,240	194,187	13,658	1,958,471
Total Net Position - Ending	$ 1,145,420	$ 666,357	$ 226,315	$ 10,683	$ 2,048,775

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, 2018
(expressed in thousands)

	Business-Type Activities - Enterprise Funds				
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	Total
Cash Flows from Operating Activities					
Receipts from Customers and Users	$ 252,935	$ 0	$ 1,324,619	$ 203,180	$ 1,780,734
Receipts from Federal Grants	10,852	4,074	0	0	14,926
Payments of Benefits	(250,465)	(661)	(1,255,878)	0	(1,507,004)
Payments to Suppliers	0	(2,588)	(42,181)	(12,134)	(56,903)
Payments to Employees	0	(2,448)	(8,198)	(2,428)	(13,074)
Payments to Prize Winners	0	0	0	(124,590)	(124,590)
Payments to fund deposit with Multi-State Lottery	0	0	0	(56)	(56)
Payments of Operating Interest Expense	0	(33,003)	0	0	(33,003)
Collections of Interest on Loans to Governmental Units	0	32,434	0	0	32,434
Net Cash Provided (Used) by Operating Activities	13,322	(2,192)	18,362	63,972	93,464
Cash Flows from Noncapital Financing Activities					
Federal Grants and Other Contributions	2,128	132,590	0	0	134,718
Transfers In	0	2,469	0	0	2,469
Transfers Out	0	(2,240)	0	(52,347)	(54,587)
Principal Paid on Bonds and Notes Payable	0	(66,865)	0	0	(66,865)
Net Cash Provided (Used) by Noncapital Financing Activities	2,128	65,954	0	(52,347)	15,735
Cash Flows from Capital and Related Financing Activities					
Payments for Acquistion of Capital Assets	0	(326)	0	(32)	(358)
Net Cash Used by Capital and Related Financing Activities	0	(326)	0	(32)	(358)
Cash Flows from Investing Activities					
Interest and Investment Revenue	22,871	3,136	3,505	391	29,903
Proceeds from Sale and Maturity of Investments	0	18,905	129,545	0	148,450
Payments to Purchase Investments	0	(1,780)	(144,422)	0	(146,202)
Collections of Principal on Loans to Governmental Units	0	123,013	0	0	123,013
Payments to Issue Notes Receivable	0	(167,053)	0	0	(167,053)
Miscellaneous	1	0	0	0	1
Net Cash Provided by Investing Activities	22,872	(23,779)	(11,372)	391	(11,888)
Net Increase in Cash/Cash Equivalents	38,322	39,657	6,990	11,984	96,953
Cash/Cash Equivalents - Beginning of Year	1,017,253	127,624	81,035	19,402	1,245,314
Cash/Cash Equivalents - End of Year	$ 1,055,575	$ 167,281	$ 88,025	$ 31,386	$ 1,342,267
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities					
Operating Income (Loss)	$ 20,838	$ (307)	$ 15,367	$ 60,589	$ 96,487
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation Expense	0	89	628	34	751
Amortization (Accretion) and Other Noncash Expenses	0	(1,878)	0	35	(1,843)
Decrease (Increase) in Assets					
Accounts Receivable	(7,307)	0	11,731	(4,006)	418
Federal Receivable	(1)	0	0	0	(1)
Interest and Investment Receivable	0	(562)	0	0	(562)
Deposit with Multi-State Lottery	0	0	0	(55)	(55)
Other Receivables	0	(662)	15,681	0	15,019
Increase (Decrease) in Liabilities					
Accounts Payable and Accrued Liabilities	0	(63)	(20,457)	2,654	(17,866)
Interest Payable	0	650	0	0	650
Prizes Payable	0	0	0	4,891	4,891
Compensated Absences	0	(9)	0	0	(9)
Due to other funds	0	0	0	130	130
Deferred Revenue	(208)	0	0	(217)	(425)
Other Current Liabilities	0	550	(4,588)	(83)	(4,121)
Net Cash Provided (Used) by Operating Activities	$ 13,322	$ (2,192)	$ 18,362	$ 63,972	$ 93,464

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

This Page Intentionally Left Blank

State of Oklahoma
Statement of Fiduciary Net Position
Fiduciary Funds and Similar Component Units
June 30, 2018
(expressed in thousands)

	Pension Trust Funds	Agency Fund
Assets		
Cash/Cash Equivalents	$ 811,776	$ 689,535
Investments, at fair value		
Equity Securities	17,534,747	0
Governmental Securities	3,793,071	0
Debt Securities	3,748,166	0
Mutual Funds	3,401,102	0
Other Investments	4,054,991	0
Securities Lending Investments	2,380,698	0
Accounts Receivable	0	175
Interest and Investment Revenue Receivable	103,906	0
Employer Contributions Receivable	47,532	0
Employee Contributions Receivable	27,651	0
Due from Brokers	365,499	0
Due from Primary Government	76,115	0
Due from Component Units	715	0
Inventory	0	8,594
Capital Assets, Net	6,400	0
Other Assets	600	0
Total Assets	36,352,969	698,304
Liabilities		
Accounts Payable	$ 16,438	$ 649
Deferred Revenue	0	159
Tax Refunds Payable	0	97,616
Securities Lending Payable	2,380,698	0
Due to Brokers	875,445	0
Due to Other Funds	110	0
Due to Component Units	1	0
Due to Others	0	599,880
Benefits in the Process of Payment	1,759	0
Other Liabilities	12,628	0
Total Liabilities	3,287,079	698,304
Net Position		
Net Position Restricted for Pensions	$ 33,065,890	

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

State of Oklahoma
Statement of Changes in Fiduciary Net Position
Fiduciary Funds and Similar Component Units
For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

	Pension Trust Funds
Additions	
Contributions	
Employer Contributions	$ 795,846
Employee Contributions	440,516
Other Contributions	507,645
Total Contributions	1,744,007
Investment Earnings	
Net Increase (Decrease) in Fair Value of Investments	2,355,232
Interest and Investment Revenue	644,650
Total Investment Earnings	2,999,882
Less Investment Expenses	129,286
Net Investment Earnings	2,870,596
Total Additions	4,614,603
Deductions	
Administrative and General Expenses	21,461
Benefit Payments and Refunds	2,494,418
Total Deductions	2,515,879
Change in Net Position Restricted for Pensions	2,098,724
Net Position - Beginning of Year	30,967,166
Net Position - End of Year	$ 33,065,890

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

Description of Major Component Units

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

OKLAHOMA STUDENT LOAN AUTHORITY
525 Central Park Drive, Suite 600, Oklahoma City, Oklahoma 73105
www.osla.org
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
www.ohfa.org
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
P.O. Box 11357, Oklahoma City, Oklahoma 73111
www.pikepass.com
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
www.grda.com
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
www.ompa.com
The Authority provides a means for the municipal electric systems in the state to jointly plan, finance, acquire, and operate electrical power supply facilities necessary to meet the electrical energy requirements of their consumers. The Authority also sells electric power to its member municipalities.

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

COMPREHENSIVE UNIVERSITIES
University of Oklahoma
Oklahoma State University

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

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

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

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

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 in southern Oklahoma. Students enrolled in the program earn credit applicable toward academic degrees and certificates at participating institutions in the System.

University Center at Ponca City was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning in northern Oklahoma. 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.

This Page Intentionally Left Blank

State of Oklahoma
Combining Statement of Net Position
Major Component Units
June 30, 2018
(expressed in thousands)

	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
Assets								
Current Assets								
Cash/Cash Equivalents - Unrestricted	$ 0	$ 9,068	$ 98,422	$ 41,706	$ 9,594	$ 1,306,286	$ 190,300	$ 1,655,376
Investments	22,338	4,206	11,947	36,780	6,978	1,136,647	41,472	1,260,368
Accounts Receivable	0	938	3,960	38,435	15,001	508,283	84,586	651,203
Interest and Investment Revenue Receivable	5,500	1,015	285	5,014	126	1,970	237	14,147
Federal Grants Receivable	0	0	0	0	0	11,657	0	11,657
Other Receivables	0	0	0	0	0	27,286	1,068	28,354
Notes Receivable	0	0	0	0	0	5,735	996	6,731
Due from Component Units	0	0	0	1,482	0	11,543	303	13,328
Due from Primary Government	0	0	3,952	0	0	38,693	28,677	71,322
Inventory	0	0	8,632	63,150	6,282	20,801	0	98,865
Prepaid Items	0	369	332	5,010	0	5,566	3,082	14,359
Other Current Assets	0	0	0	12,926	979	3,750	4,475	22,130
Total Current Assets	27,838	15,596	127,530	204,503	38,960	3,078,217	355,196	3,847,840
Noncurrent Assets								
Cash/Cash Equivalents - Restricted	92	17,600	774,286	0	35,853	316,731	3,329	1,147,891
Investments - Restricted	47,439	245,611	179,706	0	79,151	1,945,610	901	2,498,418
Long-Term Investments Unrestricted	224,572	57,816	0	317,337	24,069	1,279,835	15,720	1,919,349
Net pension asset	0	0	0	0	0	193	0	193
Net OPEB asset	0	0	0	0	0	10,935	0	10,935
Long-Term Notes Receivable, Net								
Unrestricted	0	0	0	0	0	39,543	2,732	42,275
Restricted	0	1,921	0	0	0	0	0	1,921
Capital Assets								
Depreciable, Net	647	2,287	887,742	1,191,030	467,342	5,229,617	295,504	8,074,169
Land	0	550	221,994	37,660	0	210,867	4,396	475,467
Construction in Progress	0	0	308,200	17,351	4,314	331,944	3,714	665,523
Other Noncurrent Assets								
Unrestricted	289	0	0	6,567	126,451	86,155	40,354	259,816
Restricted	0	0	0	0	310	21	36	367
Total Noncurrent Assets	273,039	325,785	2,371,928	1,569,945	737,490	9,451,451	366,686	15,096,324
Total Assets	300,877	341,381	2,499,458	1,774,448	776,450	12,529,668	721,882	18,944,164
Deferred Outflow of Resources								
Deferred Outflows from Pensions	1,455	2,883	4,754	10,359	1,271	422,277	1,138	444,137
Accumulated Decrease in Fair Value of Derivatives	0	29	0	539	5,195	0	0	5,763
Lease Restructuring	0	0	0	0	0	2,929	0	2,929
Advance Refunding of Bonds	0	0	97,209	0	18,857	9,347	26	125,439
Deferred Outflows from OPEB	0	0	0	0	0	11,008	0	11,008
Defeasance of Bonds	0	0	0	37,967	0	1,324	0	39,291
Total Deferred Outflows	1,455	2,912	101,963	48,865	25,323	446,885	1,164	628,567

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

	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	1,354	2,558	30,491	38,627	15,078	260,946	62,381	411,435
Claims and Judgments	0	0	0	0	0	1,942	43,640	45,582
Interest Payable	426	523	19,162	3,914	14,386	23,183	363	61,957
Unearned Revenue	0	550	32,194	0	12,244	148,018	142	193,148
Due to Other Component Units	0	0	0	0	1,282	11,563	285	13,130
Due to Fiduciary Funds	0	0	0	617	77	1	20	715
Due to Primary Government	0	3	1,993	117	0	1,154	5	3,272
Capital Leases	0	0	0	235	0	66,782	240	67,257
Capital Leases-Primary Govt.	0	0	0	0	0	12,518	0	12,518
Compensated Absences	0	817	2,044	4,971	0	85,598	547	93,977
Notes Payable	0	0	15,000	0	2,379	1,342	4,255	22,976
General Obligation Bonds	0	0	0	0	0	0	10,000	10,000
Revenue Bonds	0	5,921	58,040	14,760	22,775	57,261	0	158,757
Other Current Liabilities	0	0	0	21	9,760	486,019	33,424	529,224
Total Current Liabilities	1,780	10,372	158,924	63,262	77,981	1,156,327	155,302	1,623,948
Noncurrent Liabilities								
Claims and Judgments	0	0	0	0	0	3,213	427,723	430,936
Due to Primary Government	0	0	53,706	0	0	0	0	53,706
Capital Leases	0	0	0	0	0	857,804	315	858,119
Capital Leases-Primary Govt.	0	0	0	0	0	328,509	0	328,509
Compensated Absences	0	0	0	0	0	39,384	59	39,443
Net Pension Liability	6,548	2,452	6,532	14,390	1,724	1,731,536	1,152	1,764,334
Notes Payable	52,849	0	0	0	33,244	12,784	15,682	114,559
General Obligation Bonds	0	0	0	0	0	0	30,000	30,000
Net OPEB Liability	0	0	0	3,267	0	516,225	0	519,492
Revenue Bonds	180,832	169,305	1,523,275	967,570	622,345	1,495,443	9,999	4,968,769
Unamortized Premium (Discount) on refunding	0	4,224	174,456	119,485	28,096	6,768	0	333,029
Other Noncurrent Liabilities	0	0	0	3,794	2,888	167,086	1,431	175,199
Total Noncurrent Liabilities	240,229	175,981	1,757,969	1,108,506	688,297	5,158,752	486,361	9,616,095
Total Liabilities	242,009	186,353	1,916,893	1,171,768	766,278	6,315,079	641,663	11,240,043
Deferred Inflow of Resources								
Accumulated Increase from Restructured Debt	0	0	0	0	0	5,800	0	5,800
Deferred pension plan inflows	870	880	1,134	3,582	308	265,613	241	272,628
Deferred OPEB plan inflows	0	0	0	0	0	27,978	0	27,978
Deferred Regulation inflows	0	0	0	42,960	0	0	0	42,960
Service Concession Arrangements	0	0	0	0	0	31,300	0	31,300
Total Deferred Inflows	870	880	1,134	46,542	308	330,691	241	380,666
Net Position								
Net Investment in Capital Assets	647	2,837	341,663	269,912	(27,958)	2,999,358	293,165	3,879,624
Restricted for:								
Debt Service	0	83,981	170,854	12,524	23,255	56,949	0	347,563
Other Special Purpose								
Expendable	45,015	2,205	56,302	2,230	10,375	2,897,445	3,504	3,017,076
Nonexpendable	0	0	0	0	0	797,569	0	797,569
Unrestricted	13,791	68,037	114,575	320,337	29,515	(420,538)	(215,527)	(89,810)
Total Net Position	$ 59,453	$ 157,060	$ 683,394	$ 605,003	$ 35,187	$ 6,330,783	$ 81,142	$ 7,952,022

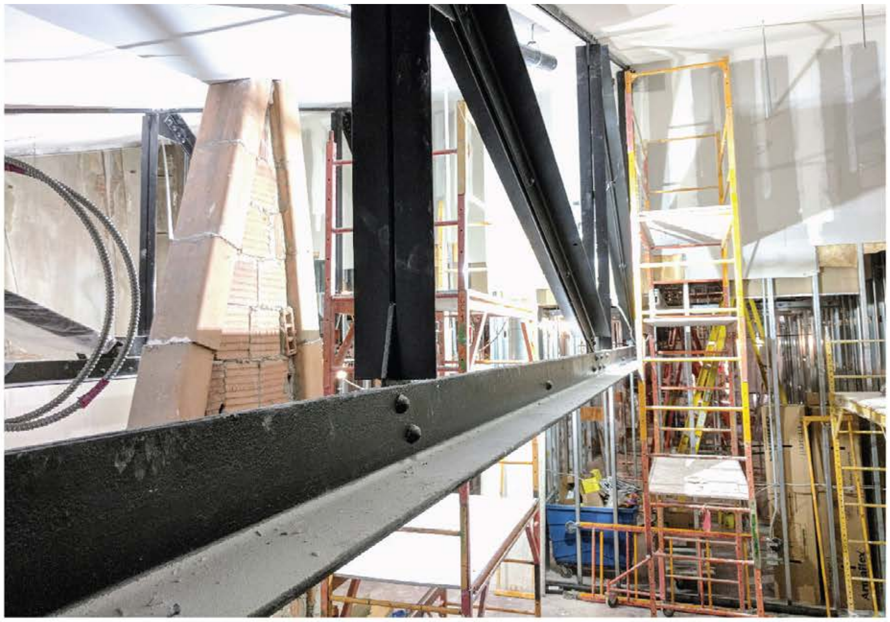
The Notes to the Financial Statements are an integral part of this statement.

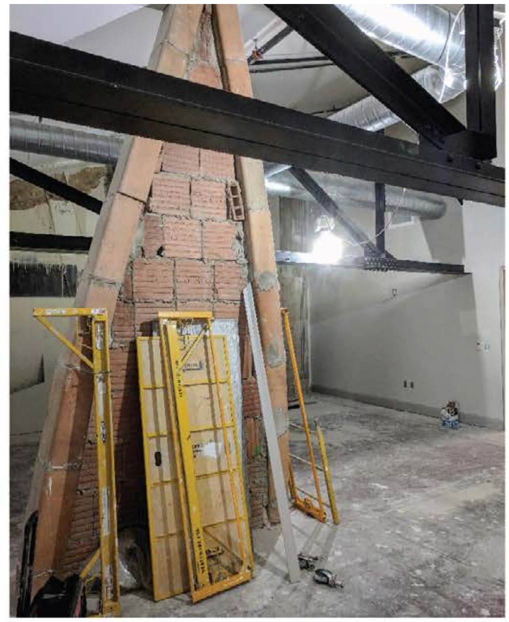
State of Oklahoma
Combining Statement of Activitites
Major Component Units

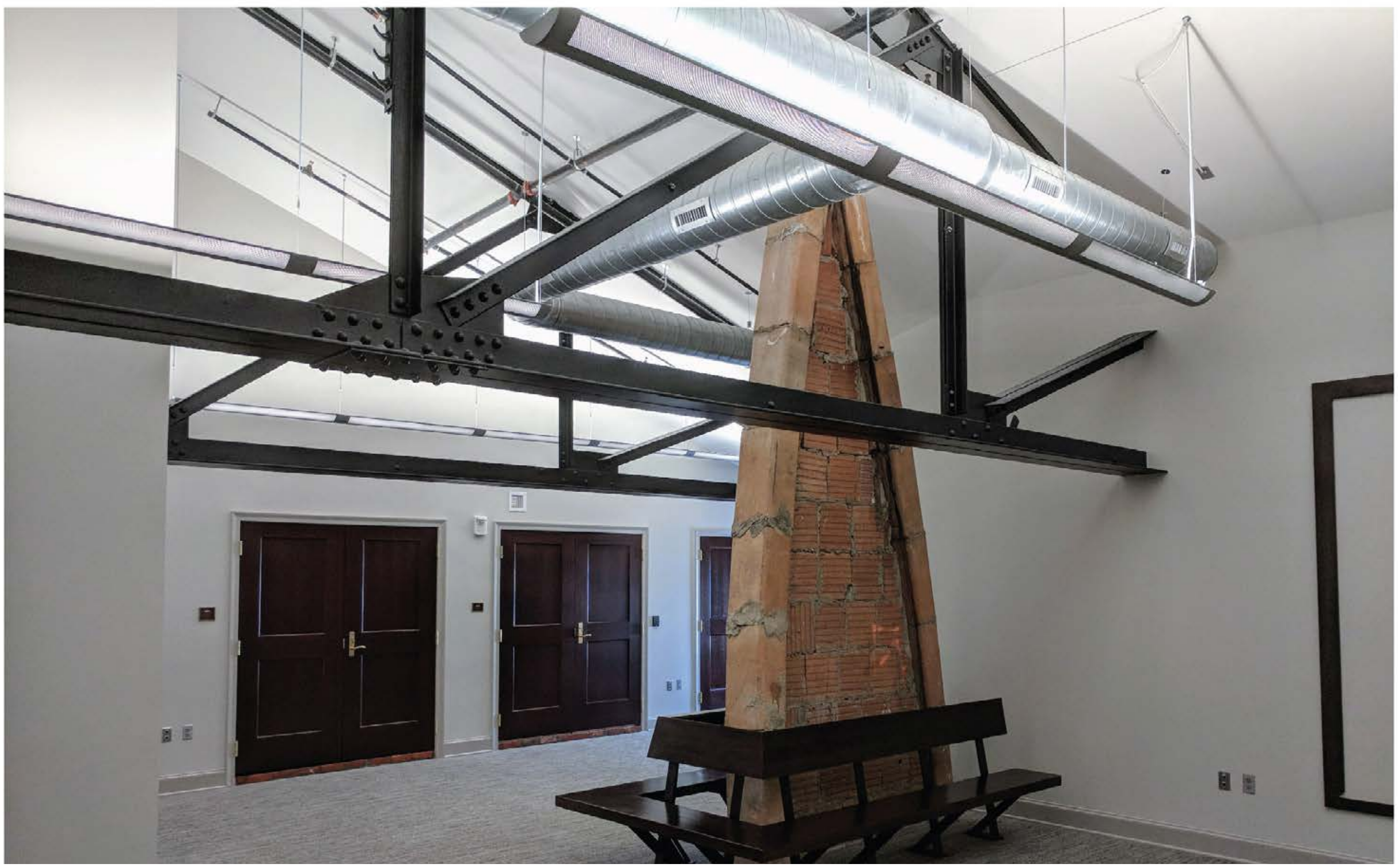
For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

		Program Revenues			General Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue	Payments from Primary Government	Change in Net Position	Net Position Beginning of Year (as restated)	Net Position End of Year
Component Units:								
Oklahoma Student Loan Authority	$ 19,699	$ 19,810	$ 0	$ 111	$ 0	$ 111	$ 59,342	$ 59,453
Oklahoma Housing Finance Agency	156,575	16,081	138,795	(1,699)	0	(1,699)	158,759	157,060
Oklahoma Turnpike Authority	222,711	318,082	0	95,371	0	95,371	588,023	683,394
Grand River Dam Authority	460,018	467,134	0	7,116	0	7,116	597,887	605,003
Oklahoma Municipal Power Authority	188,596	189,523	0	927	0	927	34,260	35,187
Higher Education Component Unit	4,875,254	2,828,492	1,606,213	(440,549)	761,036	320,487	6,010,296	6,330,783
Nonmajor Component Units Total	467,778	368,195	2,035	(97,548)	101,867	4,319	76,823	81,142
Total Component Units	$ 6,390,631	$ 4,207,317	$ 1,747,043	$ (436,271)	$ 862,903	$ 426,632	$ 7,525,390	$ 7,952,022

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







All pictures: Restoration of the Senate's sixth floor offices and conference room reveals iron trusses used to support the roof and chimneys that terminate in the roof above.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies

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

In June of 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement addresses accounting and financial reporting for Other Postemployment Benefits (OPEB) that are provided to the employees of the state and local governmental employers and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about defined benefit OPEB also are addressed. The adoption of this standard had a significant impact on the financial statements.

The state was required to implement this standard for the fiscal year ended June 30, 2018.

In March of 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The adoption of this standard did not have a significant impact on the financial statements.

The state was required to implement this standard for the fiscal year ended June 30, 2018.

In March of 2017, GASB issued Statement No. 85, *Omnibus 2017.* This statement addresses practice issues that were identified during implementation and application of certain GASB statements including blending component units, goodwill, fair value measurement and application, and postemployment benefits. The adoption of this standard did not have a significant impact on the financial statements.

The state was required to implement this standard for the fiscal year ended June 30, 2018.

In May of 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* This statement improves accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired only with existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The adoption of this standard did not have a significant impact on the financial statements.

The state was required to implement this standard for the fiscal year ended June 30, 2018.

New Accounting Pronouncements Issues Not Yet Adopted:

GASB Statement No. 83, *Certain Asset Retirement Obligations,* establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations.

GASB Statement No. 84, *Fiduciary Activities,* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists.

GASB Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contracts. The statement also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves the information disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. The statement also clarifies which liabilities governments should include when disclosing information related to debt.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of the construction period.

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, 2018, 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 generally accepted accounting principles (GAAP), these financial statements present the State of Oklahoma (the primary government) and its component units.

Discretely Presented 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, 5005 North Lincoln Blvd., Suite 100, 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 non-major component units.

The component units columns of the government-wide financial statements include the financial data of the following entities:

MAJOR COMPONENT UNITS

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, 2018, and their report, dated November 1, 2018, was 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 United States 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, 2017, and their report, dated January 11, 2018, was 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, 2017, and their report, dated March 29, 2018, was 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, 2017, and their report, dated March 31, 2018, was 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, 2017, and their report, dated March 30, 2018, was 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, 5005 North Lincoln Blvd., Suite 100, 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** 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. Participating Institutions are: East Central University, Murray State College, and Southeastern Oklahoma State University. 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.
- **University Center at Ponca City** was established to make educational program resources in the Oklahoma State System of Higher Education available to the citizens in Northern Oklahoma and the Ponca City community. The Center is administered by a Board of Trustees consisting of nine members 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.

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, 2018, and their report, dated October 18, 2018, was 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, 2018, and their report, dated October 19, 2018, was previously issued under separate cover.

Multiple Injury Trust Fund provides benefits to a worker with a pre-existing disability who suffers a second on-the-job 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, 2017, and their report, dated June 13, 2018, was 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, 2018, and their report, dated November 9, 2018, was 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, 2018, and their report, dated October 16, 2018, was 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, 2018, and their report, dated September 10, 2018, was previously issued under separate cover.

Oklahoma State University Medical Authority is affiliated with the Oklahoma State University (OSU) 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 which consists of the following: a member appointed by the governor, with the advice and consent of the Senate, a member appointed by the president pro tempore of the Senate, a member appointed by the speaker of the House of Representatives, the Chief Executive Officer (CEO) of the Oklahoma Health Care Authority, or his or her designee, the president of the OSU Center for Health Sciences, CEO of the Oklahoma State University Medical 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, 2018, and their report, dated October 18, 2018, was issued under separate cover. In October 2013, Oklahoma State University Medical Trust, Oklahoma State University Medical Center Trust, and the Authority entered into a Tripartite Agreement and Plan of Merger. Under the terms of the merger agreement the Oklahoma State University Medical Center Trust merged with the Oklahoma State University Medical Trust. Oklahoma State University Medical Trust, the surviving entity, is deemed to be a component unit of the Authority due to the common governance.

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 legally separate component units, while meeting the definition of a component unit, are presented in the fund financial statements along with other primary government fiduciary funds of the state. They are 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, 5005 North Lincoln Blvd., Suite 100, 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 provide retirement benefits for municipal firefighters. The system is administered by a board comprised of thirteen members: The president of the Professional Firefighters of Oklahoma, the president of the Oklahoma State Retired Firefighters Association, the State Insurance Commissioner, and the director of the Office of Management and Enterprise Services (or their designee), 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, 2018, and their report, dated October 12, 2018, was 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 the Office of Management and Enterprise Services (or their 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, 2018, and their report, dated October 17, 2018, was 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 fourteen members: the State Insurance Commissioner (or designee), and the Director of the Office of Management and Enterprise Services (or designee), a member of the Corporation Commission (or designee) selected by the Corporation Commission, the director of Human Capital Management of the Office of Management and Enterprise Services, a member of the Oklahoma Tax Commission selected by the Tax Commission, the State Treasurer (or designee), three appointees by the governor, one member appointed by the Supreme Court, two members appointed by the speaker of the House of Representatives, and two members appointed by the president pro tempore of the Senate. The system was audited by other independent auditors for the year ended June 30, 2018, and their report, dated October 12, 2018, was 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 Board of Trustees is comprised of fourteen members: the State Insurance Commissioner (or designee), and the Director of the Office of Management and Enterprise Services (or designee), a member of the Corporation Commission (or designee) selected by the Corporation Commission, the Director of Human Capital Management of the Office of Management and Enterprise Services, a member of the Oklahoma Tax Commission selected by the Tax Commission, the State Treasurer (or designee), three appointees by the governor, one member appointed by the Supreme Court, two members appointed by the speaker of the House of Representatives, and two members appointed by the president pro tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2018, and their report, dated October 12, 2018, was 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 State Insurance Commissioner and the director of the Office of Management and Enterprise Services (or their designee), and appointees by the governor, the speaker of the House of Representatives, the president pro tempore of the Senate, and the Oklahoma Municipal League. The system was audited by other independent auditors for the year ended June 30, 2018, and their report, dated September 17, 2018, was 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 fifteen members: State Superintendent of Public Instruction, director of the Office of Management and Enterprise Services (or designee), director of the Oklahoma Department of Career and Technology Education (or designee), State Treasurer (or designee), two appointed by the governor with Senate approval, three appointed by the governor, two appointed by the president pro tempore of the Senate, two appointed by the speaker of the House of Representatives and one retired educators representative. The system was audited by other independent auditors for the year ended June 30, 2018, and their report, dated October 19, 2018, was 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 Ordnance 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 position 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 position is restricted when constraints placed on it are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. 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 are met. Interfund services provided and used are not eliminated in the process of consolidation.

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 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 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 are accrued in accordance with GAAP since they are earned and expected to be collected within sixty days of the end of the period. Other revenues are considered 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.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 requisitioned from the Oklahoma Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits, monthly premiums for self-funded insurance benefits provided to statutorily defined state employees by the Employees Group Insurance Division, 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 are 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 accumulate 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 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.

Employees Group Insurance Division of the Office of Management and Enterprise Services provides group health, life, dental, disability and other 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 the Consolidated Omnibus Budget Reconciliation Act of 1985 or COBRA. Coverages are funded by monthly premiums paid by employers and employees.

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

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 statewide 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 position 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, primarily taxes collected, 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 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, 2018, and for the year then ended, except for the following funds and entities which were audited by other independent auditors:

Multiple Injury Trust Fund	12-31-17
Employees Group Insurance Division	12-31-17
Oklahoma Turnpike Authority	12-31-17
Grand River Dam Authority	12-31-17
Oklahoma Municipal Power Authority	12-31-17
Oklahoma Housing Finance Agency	09-30-17

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, 2018, 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 Secretary of Finance, Administration, and Information Technology 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 Secretary of Finance, Administration, and Information Technology 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 2018 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 are 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.

Generally accepted accounting principles establish a fair value hierarchy for the determination and measurement of fair value. This hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy generally is as follows:

1. Level 1 — Unadjusted quoted prices in active markets for identical assets
2. Level 2 — Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs
3. Level 3 — Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset

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 fiscal 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 section includes these transactions. However, as a general rule recorded intrafund revenues and expenditures are 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 fiscal 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 $455,000 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 capital assets are recorded at their fair market value at the date of donation, unless received as part of a service concession arrangement at which point they would be recorded at acquisition cost.

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, was 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 unit’s financial statements. Capital assets received in a service concession arrangement are reported at acquisition, rather than fair value.

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 position. 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 the 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 capital 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 delayed to future periods in which these amounts will be recovered through revenues.

M. Unearned Revenue

Unearned 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. Unearned 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 unearned revenue is removed from the combined statement of net position, and revenue is recognized. Unearned revenues at the government-wide level arise only when the state receives resources before it has a legal claim to them. Also included in unearned 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 Department of the Office of Management and Enterprise 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 Department 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 Department 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 Department is also charged with the responsibility to immediately notify the Attorney General of any claims against the state presented to Risk Management.

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 in the period incurred.

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 in the period incurred.

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

R. 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 for further discussion.

S. 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 position) of $462,493,000 at December 31, 2017. 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 Workers’ Compensation Commission 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, 2018, the OCIB had negative net position of $997,000.

The OCIB takes a long-term approach to economic stimulation, and it is anticipated that a negative net position balance could persist well into the future.

T. Pollution Remediation Obligations

During the fiscal year ended June 30, 2018, it was determined that several agencies incurred expenses of $483,000 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 $1,646,000 which is included in accounts payable on the government-wide financial statements.

Pollution remediation obligation is determined by the agency responsible for performing the remediation. These estimates are subject to revision because of price increases or reductions, changes in technology, or changes in applicable laws or regulations. There are currently no expectations of cost recoveries from ongoing projects.

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 (U.S.) Treasury Bills, Notes and Bonds
U.S. 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 are 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 otherwise specifically 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
Treasuries	No Limit	No Limit	10 Years	Aaa,AAA
U.S Government Agency Securities	50%	35%	10 Years	Aaa,AAA
U.S. Government Agency Mortgage Backed Securities	45%	No Limit	7 Years	Aaa,AAA
Collateralized or Insured Certificates of Deposit	Limit of $20 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	Securities must not be less than investment grade at purchase
Repurchase and Tri-party Repurchase Agreements	30%	10%	14 Days	A-1
Money Market Mutual Funds	30%	10%	N/A	AAAm
Foreign Bonds	2.5%	Must be listed as an industrialized country by the International Monetary Fund	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, Office of Management and Enterprise Services-Employees Group Insurance Division (EGID) and Lottery Commission are the four 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, EGID and Lottery Commission all 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 agree to the financial statements for the primary government. The following table details the investments held by the primary government at June 30, 2018 (expressed in thousands):

Investments - Primary Government

Investment Type	Government Administration	Permanent Funds	Business-Type Activities	Total Primary Government
POOLED INVESTMENTS				
US Agency & Treasury	$ 4,714,996	$ 6,463	$ -	$ 4,721,459
Money Market Mutual Funds	-	4,580	-	4,580
Securities Lending Collateral Pool	21,855	110,178	-	132,033
Mutual Funds	2,485	72,540	50,491	125,516
Certificates of Deposit & Commercial Paper	207,925	-	-	207,925
State & Muni Bond Issues	74,206	508	-	74,714
NON-POOLED INVESTMENTS				
US Agency & Treasury	16,983	489,248	209,280	715,511
Domestic Corporate Bonds	-	722,835	41,226	764,061
Foreign Corporate Bonds	19,973	223,280	-	243,253
Domestic Equities	23,565	1,167,974	71,224	1,262,763
Foreign Equities	-	453,612	-	453,612
Other	-	470,979	58,258	529,237
Money Market Mutual Funds	583,480	-	-	583,480
Totals	$ 5,665,468	$ 3,722,197	$ 430,479	$ 9,818,144

The primary government categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The primary government used the "market approach" for valuation purposes. The following table details the fair value of investments held by the primary government at June 30, 2018 (expressed in thousands):

	Amounts Measured At Fair Value	Primary Government Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments Measured by Fair Value				
Debt Securities				
US Treasury, Agency and Municipal Securities	$ 5,511,684	$ 418,983	$5,092,658	$ 43
Certificates of Deposit & Commercial Paper	207,925	-	207,925	-
US Corporate Debt	764,061	-	763,077	984
Foreign Corporate Bonds	243,253	-	223,280	19,973
Equity Securities				
US Domestic Equities	1,024,979	1,024,861	80	38
Foreign Equities	205,531	205,521	-	10
Mutual Funds	125,516	123,031	2,485	-
Other	397,408	133,116	59,024	205,268
Total Investments Measured at Fair Value	$ 8,480,357			
Investments Measured at Amortized Cost	$ 588,060			
Investments Measured at Net Asset Value (NAV)	$ 617,694			

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. These funds generally 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 separate trading of registered interest and principal of securities (or STRIPS), collateralized mortgage obligations, convertible securities and variable rate instruments.

The fiduciary funds categorize fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment. The following table details the fair value of investments held by the fiduciary funds at June 30, 2018 (expressed in thousands):

	Amounts Measured At Fair Value	Pension Trust Funds Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments Measured by Fair Value				
Debt Securities				
US Treasury, Agency and Municipal Securities	$ 3,454,112	$ 368,541	$ 3,076,068	$ 9,503
US Corporate Debt	3,390,705	-	3,377,350	13,355
Foreign Corporate Bonds	376,723	-	298,859	77,864
Equity Securities				
US Domestic Equities	14,631,341	13,635,403	994,142	1,796
Foreign Equities	1,823,137	1,226,578	596,559	-
Other	776,815	4,378	-	772,437
Total Investments Measured at Fair Value	$ 24,452,833			
Investments Measured at Amortized Cost	$ -			
Investments Measured at Net Asset Value (NAV)	$ 8,079,244			

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 component units categorize fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment. The following table details the fair value of investments held by component units at June 30, 2018 (expressed in thousands):

		Component Units Fair Value Measurements at Reporting Date Using		
	Amounts Measured At Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments Measured by Fair Value				
Debt Securities				
US Treasury, Agency and Municipal Securities	$ 994,218	$ 526,121	$ 468,070	$ 27
US Corporate Debt	100,648	72,569	27,988	91
Foreign Corporate Bonds	92,946	68,869	-	24,077
Equity Securities				
US Domestic Equities	1,012,648	770,746	178	241,724
Foreign Equities	163,552	163,552	-	-
Other	1,529,070	586,266	621,135	321,669
Total Investments Measured at Fair Value	$ 3,893,082			
Investments Measured at Amortized Cost	$ 283,432			
Investments Measured at Net Asset Value (NAV)	$ 1,501,621			

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, 2018, 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 $1,055,575,000 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, 2018, the pension trust funds had deposits and cash equivalents of $811,776,000 of which $23,576,000 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.

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 (S&P), 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, 2018, 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	$ 3,553,160	$ -	$ 57,549	$ -	$ 3,610,709
Aa/AA/AA	2,529,022	1,012	25,991	5,533	2,561,558
A/A/A	8,220	3,055	60,234	43,464	114,973
Baa/BBB/BBB	2,067	1,744	207,833	62,567	274,211
Ba/BB/BB	-	8,799	150,803	56,496	216,098
B/B/B	-	2,290	159,561	24,023	185,874
Caa/CCC/CCC	-	972	19,039	4,306	24,317
Ca/CC/CC	-	-	699	455	1,154
C/C/C	-	-	358	-	358
D/D/D	-	-	498	530	1,028
Not Rated/Not Applicable	2,045	-	86,726	28,007	116,778
Total	$ 6,094,514	$ 17,872	$ 769,291	$ 225,381	$ 7,107,058

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, 2018, 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	$ 2,948,442	$ -	$ 347,067	$ 7,298	$ 3,302,807
Aa/AA/AA	33,047	761	113,264	6,530	153,602
A/A/A	31,796	-	592,477	41,630	665,903
Baa/BBB/BBB	13,736	17,778	934,166	5,691	971,371
Ba/BB/BB	5,574	-	572,412	14,234	592,220
B/B/B	10,858	-	329,072	1,203	341,133
Caa/CCC/CCC	1,059	-	86,567	-	87,626
Ca/CC/CC	-	-	1,625	-	1,625
C/C/C	-	-	369	-	369
D/D/D	-	-	1,083	-	1,083
Not Rated/Not Applicable	729,297	723	413,508	279,970	1,423,498
Total	$ 3,773,809	$ 19,262	$ 3,391,610	$ 356,556	$ 7,541,237

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, 2018, 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	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	$ 713,100	$ 37,333	$ -	$ 750,433
Aa/AA/AA	24	39,508	-	39,532
Ba/BB/BB	-	46,242	-	46,242
Not Rated/Not Applicable	295,167	258,512	92,946	646,625
Total	$ 1,008,291	$ 381,595	$ 92,946	$ 1,482,832

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 are 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.

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, 2018, 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	International Government Instruments	US Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year Weighted Average to Maturity	$ 627,274	$ -	$ 142	$ 19,973	$ 647,389
1 - 5 years	5,121,653	-	740,334	36,236	5,898,223
6 - 10 years	82,157	17,872	24,235	169,172	293,436
10 or more years	25,787	-	-	-	25,787
No Maturity or Not Applicable	237,643	-	4,580	-	242,223
Total	$ 6,094,514	$ 17,872	$ 769,291	$ 225,381	$ 7,107,058

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, 2018, 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	$ 14,193	$ -	$ 147,215	$ 18,257	$ 179,665
1 - 5 years	119,019	-	2,074,405	22,854	2,216,278
6 - 10 years	1,430,947	19,262	949,047	10,277	2,409,533
10 or more years	2,202,223	-	112,508	35,166	2,349,897
No Duration	7,427	-	108,435	270,002	385,864
Total	$ 3,773,809	$ 19,262	$ 3,391,610	$ 356,556	$ 7,541,237

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, 2018, 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	US Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year Weighted Average to Maturity	$ 87,053	$ 25,335	$ -	$ 112,388
1 - 5 years	457,561	71,267	-	528,828
6 - 10 years	127,433	43,375	-	170,808
10 or more years	24,143	29	-	24,172
No Maturity or Not Applicable	312,101	241,589	92,946	646,636
Total	$ 1,008,291	$ 381,595	$ 92,946	$ 1,482,832

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 general government is not invested in securities that are exposed to foreign currency risk; 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, 2018, 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	$ 3,112	$ 130	$ 97	$ 3,339
Argentine peso	-	2,086	165	2,251
Armenian dram	-	215	-	215
Brazilian real	1,306	3,402	7	4,715
British pound sterling	32,880	7,575	301	40,756
Bermuda dollar	6,400	1,384	-	7,784
Canadian dollar	4,094	4,580	48	8,722
Cayman dollar	13,947	1,555	-	15,502
Columbian peso	-	1,541	1	1,542
Euro	71,064	14,261	82	85,407
Ghana Cedi	-	244	-	244
Honduran lempira	-	214	-	214
Hong Kong dollar	5,003	-	34	5,037
Indonesian rupiah	-	1,974	46	2,020
Japanese yen	22,825	-	-	22,825
Jersey pound	230	689	-	919
Kazahstan Tenge	-	442	-	442
Kenyan shilling	-	424	-	424
Korian Won	4,869	863	-	5,732
Liberian Dollar	-	1,293	-	1,293
Mexican nuevo peso	-	4,496	221	4,717
Moroccan dirham	-	525	-	525
Multiple	-	1,054	-	1,054
Netherlands Antillean guilder	2,679	-	-	2,679
New Taiwan dollar	5,022	-	-	5,022
Nigerian Naira	-	182	-	182
Norwegian krone	5,289	-	-	5,289
Peruvian nuevo sol	-	501	-	501
Philippines peso	-	220	-	220
Russian ruble	-	2,502	18	2,520
Singapore dollar	-	3,240	-	3,240
South African rand	-	-	1,022	1,022
Swedish krona	6,183	-	-	6,183
Swiss franc	13,360	-	-	13,360
Thai baht	1,802	-	-	1,802
Turkish lira	-	508	71	579
Uae Dirham	-	225	-	225
Yuan Renminbi	2,227	-	-	2,227
Totals	$ 202,292	$ 56,325	$ 2,113	$ 260,730

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, 2018 (expressed in thousands):

Foreign Currency Risk - Pension Trust Funds

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Argentine Peso	$ 22,474	$ 2,934	$ 120	$ 25,528
Australian dollar	103,794	12,042	26	115,862
Bermudian dollar	3,626	-	-	3,626
Brazilian real	39,305	6,364	88	45,757
British pound sterling	659,503	10,267	322	670,092
Bulgarian lev	-	-	2	2
Canadian dollar	143,858	(5)	78	143,931
Chilean peso	971	-	-	971
Chinese yuan	23,936	-	-	23,936
Czech koruna	409	-	-	409
Danish krone	53,351	-	-	53,351
Euro	927,508	10,905	(427)	937,986
Hong Kong dollar	278,425	95	397	278,917
Hungarian forint	6,299	-	-	6,299
Indian rupee	11,613	-	-	11,613
Indonesian rupiah	7,782	5,692	-	13,474
Israeli shekel	12,614	-	-	12,614
Japanese yen	669,791	(252)	1,642	671,181
Malaysian ringgit	19,007	10,177	107	29,291
Mexican peso	14,899	50,091	-	64,990
New Taiwan dollar	92,593	335	-	92,928
New Turkish lira	-	-	460	460
New Zealand dollar	750	-	-	750
Norwegian krone	24,917	2,280	-	27,197
Philippines peso	7,244	(59)	-	7,185
Polish zloty	4,442	8,994	-	13,436
Puerto Rico	531	-	-	531
Qatari rial	2,792	-	-	2,792
Singapore dollar	65,590	-	420	66,010
South African rand	40,849	7,883	-	48,732
South Korean won	129,626	(5)	35	129,656
Swedish krona	88,842	(132)	398	89,108
Swiss franc	215,552	-	620	216,172
Thai baht	20,929	-	4	20,933
Turkish lira	18,930	855	-	19,785
UAE dirham	3,127	-	-	3,127
Uruguayan peso	-	697	-	697
Venezuelan bolivar	-	1,111	-	1,111
Totals	$ 3,715,879	$ 130,269	$ 4,292	$ 3,850,440

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 Office of the State Treasurer 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 Office of the State Treasurer.

During the fiscal year ended June 30, 2018, 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, 2018, there were no securities on loan. The collateral balance of $21,855,000 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, 2018, 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 Settlement Endowment Trust Fund (TSET), a Permanent Fund of the state, participates in securities lending as defined by its investment policy. During the year, TSET 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 U.S., in which case a margin of 105% must be maintained. At June 30, 2018, the fair value of securities on loan was $105,537,000. The collateral for securities lent had a market value of $110,178,000. 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, 2018, 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 U.S. At June 30, 2018, the carrying amount and fair value of securities on loan was approximately $2,322,688,000. The underlying collateral for these securities had a fair value of approximately $2,543,873,000. Collateral of securities and letters of credit represented approximately $163,175,000 of total collateral. These securities and letters of credit cannot be sold or pledged unless the borrower defaults, therefor the collateral and related liability is 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.

At June 30, 2018, 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.

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. Investments for TSET are reported at fair value based on the cash flows from interest and principal payments. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2018, and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Permanent Fund	Derivative Instrument	Notional Amount	Fair Value		Change in Fair Value	
			Classification	Amount	Classification	Amount
Tobacco Settlement Trust	Foreign Currency Forward Contracts	$ 15,447	Net Receivable	$ 1,569	Investment Income	$ 271

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, 2018, 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		Change in Fair Value	
			Classification	Amount	Classification	Amount
Firefighters Pension and Retirement System (OFPRS)	Foreign Currency Forward Contracts	$ (87,845)	Net Payable	$ (2,293)	Investment Income	$ (911)
Teachers' Retirement System (TRS)	Foreign Currency Forward Contracts	102,254	Investment	101,578	Investment Income	(677)

The OFPRS system uses foreign currency forward contracts primarily to hedge foreign currency exposure. The fair values of all OFPRS derivative instruments are determined from market quotes of the instruments or similar instruments. The receivable is net of gross receivables of $747,000 and liabilities of $3,040,000. The gross receivables are supported by collateral in investments valued at $747,000 with a credit risk ratings of A by S&P 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 values of foreign currency forward contracts for TRS are estimated based on the present value of their estimated cash flows.

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 are disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts as of June 30, 2018, 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	$ 61,853	$ 153,541	$ 933,764	$ 53,463
Less: Allowance for Uncollectibles	(14,955)	(68,179)	(282,561)	(2,536)
Net Receivables	$ 46,898	$ 85,362	$ 651,203	$ 50,927

Note 4. Interfund Accounts and Transfers

A. Due from Other Funds/Due to Other Funds

A summary of interfund obligations at June 30, 2018, is shown below (expressed in thousands):

	Due From Other Funds			Due From	Due From Other	Due to Other Funds			Due To	Due To
	General Fund	Permanent Funds	Enterprise Funds	Fiduciary Funds	Component Units	General Fund	Permanent Funds	Enterprise Funds	Fiduciary Funds	Component Units
Governmental Funds										
General Fund	$ -	$ 70	$ 11,638	$ 110	$ 56,978	$ -	$ 91	$ 41	$ 76,115	$ 69,238
Wildlife Permanent Fund	91	-	-	-	-	-	-	-	-	-
Tobacco Permanent Fund	-	-	-	-	-	70	-	-	-	2,288
Total Governmental Funds	$ 91	$ 70	$ 11,638	$ 110	$ 56,978	$ 70	$ 91	$ 41	$ 76,115	$ 71,526
Enterprise Funds										
Office of Management and Enterprise Services	$ 80	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4
Oklahoma Lottery Commission	-	-	-	-	-	11,638	-	-	-	-
Total Enterprise Funds	$ 80	$ -	$ -	$ -	$ -	$ 11,638	$ -	$ -	$ -	$ 4
Fiduciary Funds										
Pension Trust Funds:										
Firefighters Pension and Retirement System	$ 18,153	$ -	$ -	$ -	$ -	$ 3	$ -	$ -	$ -	$ -
Oklahoma Law Enforcement Retirement System	4,227	-	-	-	-	1	-	-	-	-
Oklahoma Public Employees Retirement System	8,728	-	-	-	715	52	-	-	-	1
Judges and Justices Retirement System	17	-	-	-	-	-	-	-	-	-
Oklahoma Police Pension and Retirement System	7,060	-	-	-	-	3	-	-	-	-
Teachers' Retirement System of Oklahoma	37,930	-	-	-	-	51	-	-	-	-
Total Fiduciary Funds	$ 76,115	$ -	$ -	$ -	$ 715	$ 110	$ -	$ -	$ -	$ 1

	Due From Primary Government			Due From	Due From Other	Due To Primary Government			Due To	Due To Other
	General Fund	Permanent Funds	Enterprise Funds	Fiduciary Funds	Component Units	General Fund	Permanent Funds	Enterprise Funds	Fiduciary Funds	Component Units
Major Component Units:										
Oklahoma Housing Finance Agency	$ -	$ -	$ -	$ -	$ -	$ 3	$ -	$ -	$ -	$ -
Oklahoma Turnpike Authority	3,952	-	-	-	-	55,699	-	-	-	-
Grand River Dam Authority	-	-	-	-	1,482	117	-	-	617	-
Oklahoma Municipal Power Authority	-	-	-	-	-	-	-	-	77	1,282
Higher Education	36,405	2,288	4	1	11,538	1,154	-	-	1	11,563
Nonmajor Component Units:										
Multiple Injury Trust Fund	10,651	-	-	-	-	5	-	-	-	-
University Hospitals Authority	17,997	-	-	-	-	-	-	-	20	285
Oklahoma Development Finance Authority	29	-	-	-	303	-	-	-	-	-
Total Component Units	$ 69,034	$ 2,288	$ 4	$ 1	$ 13,323	$ 56,978	$ -	$ -	$ 715	$ 13,130

A reconciliation of interfund receivables and interfund payables at June 30, 2018 follows. Timing differences occur between agencies with a June 30 fiscal year end and the component units with September 30 or December 31 fiscal year ends.

Total Due From Other Funds:			**Total Due To Other Funds:**		
Wildlife Lifetime Licenses	$	91	Tobacco Settlement Endowment	$	70
Enterprise Funds		80	Enterprise Funds		11,638
Fiduciary Funds		76,115	Fiduciary Funds		110
Component Unit Funds		69,034	Component Unit Funds		56,978
General Fund Due From Permanent Funds		70	General Fund Due To Permanent Funds		91
Component Units Due From Permanent Funds		2,288	Due To Enterprise Funds		
Due From Enterprise Funds			General Fund		41
General Fund		11,638	Due To Fiduciary Funds		
Component Unit Funds		4	General Fund		76,115
Due From Fiduciary Funds			Component Unit Funds		715
General Fund		110	Due To Component Units		
Component Unit Funds		1	General Fund		69,238
Due From Component Units			Permanent Funds		2,288
General Fund		56,978	Proprietary Funds		4
Fiduciary Funds		715	Fiduciary		1
Other Component Unit Funds		13,323	Component Unit Funds		13,130
Total Interfund Receivables per Financial Statements	$	230,447	Total Interfund Payables per Financial Statements		230,419
			Timing Differences, Fiscal Year Ending		
			December 31, 2017: Component Units		28
			Total Interfund Payables	$	230,447

The general fund due from other funds includes $53,986,000 from Oklahoma Turnpike Authority (OTA) ($53,706,000 at December 31, 2017) 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 are paid in full. The Wildlife Lifetime Licenses Permanent Fund is due $91,000 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 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 $341,027,000.

C. Interfund Transfers

A summary of interfund transfers for the fiscal year ended June 30, 2018, 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	$	4,979
		Total transfers out of the General Fund		4,979
Proprietary Funds:				
Oklahoma Water Resources Board	General Fund	Restricted investment revenue		4,750
Oklahoma Lottery Commission	General Fund	Transfer for expendible earnings		63,230
		Total Transfers in to the General Fund		67,980
		Net Transfers In/Out - General Fund	$	63,001

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows (expressed in thousands):

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, nondepreciable				
Land	$ 1,799,992	$ 38,333	$ (1,062)	$ 1,837,263
Construction in progress	198,477	58,144	(19,295)	237,326
Total capital assets, nondepreciable	1,998,469	96,477	(20,357)	2,074,589
Capital assets, depreciable:				
Buildings and improvements	1,608,790	30,109	(3,446)	1,635,453
Equipment	569,041	20,500	(19,709)	569,832
Infrastructure	19,280,309	754,229	(17,992)	20,016,546
Total capital assets, depreciable	21,458,140	804,838	(41,147)	22,221,831
Less accumulated depreciation for:				
Buildings and improvements	(747,385)	(39,785)	1,748	(785,422)
Equipment	(404,057)	(38,447)	17,673	(424,831)
Infrastructure	(10,384,169)	(499,297)	10,195	(10,873,271)
Total accumulated depreciation	(11,535,611)	(577,529)	29,616	(12,083,524)
Total capital assets, depreciable, net	9,922,529	227,309	(11,531)	10,138,307
Governmental activities capital assets, net	$ 11,920,998	$ 323,786	$ (31,888)	$ 12,212,896
Business-type activities:				
Capital assets, depreciable:				
Equipment	$ 6,453	$ 358	$ (92)	$ 6,719
Total capital assets, depreciable	6,453	358	(92)	6,719
Less accumulated depreciation for:				
Equipment	(3,976)	(751)	93	(4,634)
Total accumulated depreciation	(3,976)	(751)	93	(4,634)
Business-type activities capital assets, net	$ 2,477	$ (393)	$ 1	$ 2,085

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

Government Activities:		
Education	$	1,619
General government		13,765
Health services		7,366
Legal and judiciary		291
Museums		140
Natural resources		11,301
Public safety and defense		26,397
Regulatory services		180
Social services		3,769
Transportation		512,701
Total depreciation expense - Governmental Activities	$	577,529
Business-type Activities:		
Government Administration		662
Natural resources		89
Total depreciation expense - Business-type Activities	$	751

Component Units

Capital asset activity for the year ended June 30, 2018, (December 31, 2017, or September 30, 2017, for those entities identified in Item D of Note 1) was as follows (expressed in thousands):

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, nondepreciable:				
Land	$ 440,581	$ 40,808	$ (5,922)	$ 475,467
Construction in progress	1,125,737	449,717	(909,931)	665,523
Total capital assets, nondepreciable	1,566,318	490,525	(915,853)	1,140,990
Capital assets, depreciable				
Buildings and improvements	9,839,816	945,231	(47,414)	10,737,633
Equipment	2,072,741	98,224	(316,543)	1,854,422
Infrastructure	2,732,614	55,151	(181)	2,787,584
Total capital assets, depreciable	14,645,171	1,098,606	(364,138)	15,379,639
Less accumulated depreciation for:				
Buildings and improvements	(3,903,324)	(275,106)	29,602	(4,148,828)
Equipment	(1,522,344)	(97,879)	270,809	(1,349,414)
Infrastructure	(1,714,656)	(92,746)	174	(1,807,228)
Total accumulated depreciation	(7,140,324)	(465,731)	300,585	(7,305,470)
Total capital assets, depreciable,net	7,504,847	632,875	(63,553)	8,074,169
Capital assets, net	$ 9,071,165	$ 1,123,400	$ (979,406)	$ 9,215,159

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 automobile 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 entities of the state. The Employees Group Insurance Division (EGID), a department of the Office of Management and Enterprise Services (OMES), manages a legal trust which provides group health, life, dental, and disability benefits to the state's employees and certain other eligible participants. Effective January 1, 2015, the Risk Management Department (RMD), part of Capital Assets Management, a division of OMES, was authorized to handle workers' compensation for all state agencies when House Bill 2009 was signed into law during 2014. The Risk Management Department Consolidated Workers' Compensation Program began operating on July 1, 2015.

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 of Existing Claims (WCCEC) for permanent total disability awards. There is no provision for incurred but not reported claims or claims pending WCCEC determination. Claims and Judgments which were due and owing at December 31, 2017, were charged to operations for the year ended December 31, 2017. At year end, the MITF loss liability exceeded net position. MITF was indebted to claimants for court awarded judgments. Only those judgments currently payable in arrears bear interest. The rate is established by the WCCEC or the Workers' Compensation Commission and ranges from 5.25% to 5.5%.

Coverage for liability and property losses is provided by the RMD of OMES. The RMD administers a self-insurance program to protect the state, its agencies, colleges, and universities against tort and automobile liability claims. Coverage and limits under this program correspond directly with the Oklahoma Governmental Tort Claims Act (GTCA). The RMD purchases commercial liability insurance for losses that fall outside of the GTCA. The RMD 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 for 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 RMD 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 are 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 RMD of OMES 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, 2018, (December 31, 2017, for EGID 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 -						
Office of Management and Enterprise Services (RMD)	$ 66,783	$ 20,500	$ (16,598)	$ 70,685	$ 54,087	$ 16,598
Proprietary Fund -						
Office of Management and Enterprise Services (EGID)	$ 135,216	$1,012,148	$ (1,026,915)	$ 120,449	$ 9,731	$ 110,718
Component Unit - *						
Multiple Injury Trust Fund	$ 424,131	$ 87,704	$ (40,472)	$ 471,363	$ 427,723	$ 43,640

* The Higher Education Component Unit's claims and judgments ($3,213 – 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 -						
Office of Management and Enterprise Services (RMD)	$ 46,698	$ 41,826	$ (21,741)	$ 66,783	$ 45,042	$ 21,741
Proprietary Fund -						
Office of Management and Enterprise Services (EGID)	$ 130,130	$1,022,183	$ (1,017,097)	$ 135,216	$ 9,395	$ 125,821
Component Unit -						
Multiple Injury Trust Fund	$ 406,476	$ 69,558	$ (51,903)	$ 424,131	$ 386,296	$ 37,835

Public Entity Risk Pool – Employees Group Insurance Division

The state operates the Employees Group Insurance Division of the Office of Management and Enterprise Services (EGID), a public entity risk pool.

A. Description of Plan

EGID 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 the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Disability coverage is available only to active state employees and local government employees. EGID 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 established separately.

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 223,000 primary participants and dependents, approximately 23,000 primary participants and 14,000 dependents were covered by HMOs. These counts relate to health coverage only.

All state agencies are required to participate in EGID. Eligible local governments may elect to participate in EGID (317 local governments actually participate). Any education entity or local government which elects to withdraw from EGID 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	OPERS	COBRA
Health	X	X	X	X	X	X
Dental	X	X	X	X	X	X
Life	X	X	X	X	X	
Disability	X	X				
Medicare Supplement				X	X	X
Health Care Participants:						
Primary	24,000	9,000	54,000	----------------- 38,000 -----------------		
Dependents	-- 61,000 --					

B. Unpaid Claims Liabilities

EGID establishes policy and contract claim reserves based on the estimated ultimate cost of settling claims that are reported but not settled, and of claims that are 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 EGID.

The reserves are determined using EGID's historical benefit payment experience. The length of time for which costs must be estimated depends on the coverages involved. Although such estimates are EGID'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 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, as required. 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	Life	Disability	Total
	Fiscal Year 12/31/2017	Fiscal Year 12/31/2017	Fiscal Year 12/31/2017	Fiscal Year 12/31/2017
Reserves at beginning of period	$ 117,188	$ 5,801	$ 12,227	$ 135,216
Incurred claims:				
Provision for insured events of current period	982,833	28,744	4,433	1,016,010
Changes in provisions for insured events of prior periods	(4,082)	953	(733)	(3,862)
	978,751	29,697	3,700	1,012,148
Payments:				
Claims attributable to insured events of current period	885,037	24,849	566	910,452
Claims attributable to insured events of prior periods	109,143	4,473	2,847	116,463
	994,180	29,322	3,413	1,026,915
Reserves at end of period	$ 101,759	$ 6,176	$ 12,514	$ 120,449

D. Revenue and Claims Development Information

The separately issued audited financial statements for EGID 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, 2018, are as follows (expressed in thousands):

	General Fund	Fiduciary Funds	Component Units
2019	$ 2,209	$ 99	$ 16,768
2020	1,470	-	414
2021	60	-	119
2022	62	-	63
2023	54	-	51
2024-2028	283	-	1,206
2029-2033	319	-	142
2034-2038	359	-	-
2039-2043	245	-	-
Total	$ 5,061	$ 99	$ 18,763
Operating lease commitments for building rental for year ended June 30, 2019	$ 23,497	$ 458	$ 114
Rent expenditures/expenses for operating leases for year ended June 30, 2018	$ 25,365	$ 640	$ 16,878

Operating leases with an agreement of less than one year or a value less than $10,000 are not included in the general fund total due to state-wide accounting policy.

Note 8. Lessor Agreements

Primary Government

Direct Financing Leases

The Department of Transportation (DOT) 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 for this equipment passes to the counties at the end of the lease term. DOT also leases railroad lines within the state to various railroad companies with the longest lease term ending in 2026. 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 DOT in future years are approximately $22,918,000 which is also the net investment in direct financing leases at June 30, 2018. The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands):

	2019	2020	2021	2022	2023	Thereafter	Total
Department of Transportation	$ 5,187	$ 4,762	$ 3,891	$ 3,201	$ 2,547	$ 3,298	$ 22,886
Oklahoma Capital Improvement Authority	12,518	9,925	10,405	26,275	27,570	254,334	341,027
Total	$ 17,705	$ 14,687	$ 14,296	$ 29,476	$ 30,117	$ 257,632	$ 363,913

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, 2018, the total minimum lease payments due to OCIA from the Higher Education Component Unit are $341,027,000. These lease agreements end in fiscal year 2035.

Operating Leases

Non-state entities lease primarily state land and a lesser amount of state owned buildings through operating leases maintained by various state agencies. Due to the passage of time, the state's historical cost of the leased land is not reasonably determinable. The leased buildings consist of sub-leased office space under an operating lease. Since the state does not have a cost basis in the building, no depreciation expense is recognized. The primary government's total operating leases receivable recognized in the current fiscal year is approximately $2,000. Minimum future rentals receivable from these operating leases is presented in the following schedule (expressed in thousands):

2019	2020	2021	2022	2023	Total
$ 291	$ 177	$ 120	$ 93	$ 73	$ 754

In addition, the leasing operations of the Commissioners of the Land Office consist of leasing approximately 740,000 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 noncancelable leasing of these lands (expressed in thousands):

2019	2020	2021	2022	2023	Total
$ 12,810	$ 9,863	$ 6,888	$ 4,366	$ 1,052	$ 34,979

The Oklahoma Department of Tourism and Recreation (ODTR) has various contracts with concessionaires to provide patron services within state parks. Contract expiration terms vary, as well as renewal options. ODTR receives concession revenue that is generally based on sales volume. The following schedule presents estimated minimum future concession revenue from these contracts (expressed in thousands):

2019	2020	2021	2022	2023	Thereafter	Total
$ 1,079	$ 1,079	$ 1,079	$ 1,079	$ 1,079	$ 2,158	$ 7,553

Component Units

The Oklahoma Municipal Power Authority (OMPA) 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. OMPA issued taxable limited obligation notes which were payable solely from lease payments made by FPLE Oklahoma. OMPA used the proceeds of the notes to finance OMPA'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, 2017 (expressed in thousands):

Total minimum lease payments to be received	$ 49,684
Less: Amounts representing interest included in total minimum lease payments	(14,061)
Net investment in direct financing leases	$ 35,623

Operating Leases

The Oklahoma Educational Television Authority leases excess capacity on various channels to a wireless communications provider. The leases will expire in February, 2047. Oklahoma Development Finance Authority leases a portion of its office space with a private company. The lease is in effect through February, 2021. The Oklahoma Turnpike Authority (OTA) 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. OTA receives concession revenue that includes minimum rentals plus contingent rentals based on sales volume. OTA also leases antenna space under noncancelable contracts with a 20 year term. Higher education institutions have entered into various agreements for land and building space leases. The leases expire between 2024 and 2068. The following schedule presents minimum future rentals receivable from these contracts (expressed in thousands):

	2019	2020	2021	2022	2023	Thereafter	Total
Oklahoma Educational Television Authority	$ 204	$ 204	$ 204	$ 204	$ 204	$ 4,811	$ 5,831
Oklahoma Development Finance Authority	10	10	10	-	-	-	30
Oklahoma Turnpike Authority	1,090	1,019	1,023	1,049	1,055	12,100	17,336
Higher Education	7,228	5,844	4,153	868	637	21,151	39,881
Total	$ 8,532	$ 7,077	$ 5,390	$ 2,121	$ 1,896	$ 38,062	$ 63,078

The cost, carrying amount and accumulated depreciation of OTA leased property for the year ended December 31, 2017, is $42,491,000, $30,867,000 and $11,624,000, respectively. The cost and carrying amount of the higher education institutions leased property for the year ended June 30, 2018 (expressed in thousands):

Land	$ 596
Buildings	34,707
Cost	35,303
Less Accumulated Depreciation	(3,102)
Net Leased Property	$ 32,201

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

Long-term obligations at June 30, 2018, 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 2010A, Refunding	2011	2.00%-5.00%	2019	$ 47,955	$ -	$ 26,495	$ 21,460	$ 21,460
Oklahoma Bldg 2013, Refunding	2013	2.00%-5.00%	2019	7,920	-	850	7,070	7,070
Total				55,875	-	27,345	28,530	28,530
Revenue Bonds Payable from Lease Rentals:								
OCIA Series 2009A	2009	1.00%-4.20%	2025	14,965	-	1,645	13,320	1,695
OCIA Series 2009AA	2010	2.00%-4.00%	2025	19,950	-	9,790	10,160	10,160
OCIA Series 2009B	2010	5.04%-5.34%	2025	68,830	-	-	68,830	-
OCIA Series 2010, Refunding\Revenue	2011	1.77%-5.61%	2031	110,965	-	5,700	105,265	5,930
OCIA Series 2010A, Refunding	2011	2.00%-5.00%	2019	63,590	-	31,450	32,140	32,140
OCIA Series 2010A DOT	2011	2.00%-5.00%	2021	53,740	-	12,650	41,090	13,125
OCIA Series 2010B DOT	2011	4.24%-4.79%	2026	92,075	-	-	92,075	-
OCIA Series 2012 DOT	2012	2.00%-2.54%	2026	42,705	-	3,970	38,735	4,130
OCIA Series 2013A	2013	2.00%-4.00%	2025	15,790	-	2,185	13,605	2,250
OCIA Series 2014A	2014	2.00%-5.00%	2031	205,410	-	3,320	202,090	3,730
OCIA Series 2014B	2015	2.00%-5.00%	2025	30,660	-	10,423	20,237	9,384
OCIA Series 2014C	2015	2.00%-5.00%	2035	79,335	-	2,615	76,720	2,695
OCIA Series 2015A	2015	2.00%-5.00%	2025	28,035	-	3,065	24,970	3,185
OCIA Series 2015B	2016	3.00%-5.00%	2027	39,535	-	3,315	36,220	3,420
OCIA Series 2016 DOT	2017	2.00%-5.00%	2035	170,000	-	-	170,000	-
OCIA Series 2017A, Refunding\Revenue	2017	2.00%-4.00%	2030	23,055	-	745	22,310	2,215
OCIA Series 2017B	2017	2.00%-5.00%	2026	70,000	-	3,880	66,120	6,735
OCIA Series 2017C	2018	2.00%-5.00%	2051	-	27,215	-	27,215	-
Dept of Corrections 2013, Central OK (ODFA)	2013	1.40%-5.00%	2023	13,093	-	2,087	11,006	2,135
Dept of Corrections 2016A, Central OK (ODFA)	2017	2.00-3.00%	2027	2,375	-	240	2,135	245
DHS-2008 (ODFA)	2008	3.25%-4.15%	2023	10,635	-	1,610	9,025	1,670
DHS-2012 (ODFA)	2012	4.00%-5.00%	2022	7,575	-	1,455	6,120	1,525
DHS-2014 (ODFA)	2014	2.00%	2019	1,815	-	900	915	915
Law Enforcement Education/Train (ODFA)	2013	2.50%-5.00%	2022	12,298	-	1,054	11,244	1,093
OMES 2009 (ODFA)	2009	2.50%-5.00%	2035	34,985	-	1,365	33,620	1,405
Total				1,211,416	27,215	103,464	1,135,167	109,782
Notes Payable from Grant Revenue:								
ODOT 2008A, Grant Anticipation	2009	3.00%-5.00%	2019	16,575	-	8,085	8,490	8,490
ODOT 2018A, Grant Anticipation	2018	3.00%-5.00%	2034	-	61,505	-	61,505	-
Total				16,575	61,505	8,085	69,995	8,490
Capital Leases				2,740	-	1,378	1,362	741
Compenstated Absences				158,262	94,570	94,815	158,017	94,815
Net Pension Liability				996,745	-	385,287	611,458	-
Bond Issue Premiums				100,434	10,023	12,358	98,099	12,535
Claims and Judgments Payable				66,783	20,500	16,598	70,685	16,598
Other Postemployment Benefits				201,722	-	25,074	176,648	-
Total Long-Term Obligations				$ 2,810,552	$ 213,813	$ 674,404	$2,349,961	$ 271,491

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2018, which have scheduled debt service amounts (expressed in thousands):

	2019	2020	2021	2022	2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	2049-2053	Total
General Obligation bonds:												
Oklahoma Bldg 2010A, Refunding	$ 21,940	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 21,940
Oklahoma Bldg 2013, Refunding	7,411	-	-			-	-	-	-	-	-	7,411
Less: Interest	821	-	-				-	-	-	-	-	821
Total Principal	28,530	-	-	-	-	-	-	-	-	-		28,530
Revenue Bonds:												
OCIA 2009A Revenue	2,180	2,181	2,178	2,176	2,172	4,349	-	-	-	-	-	15,236
OCIA 2009A DOT	10,356	-	-	-	-	-	-	-	-	-	-	10,356
OCIA 2009B DOT	3,588	13,872	13,671	13,464	13,245	25,801	-	-	-	-	-	83,641
OCIA Series 2010, Refunding\Revenue	11,348	11,340	11,332	11,311	11,303	56,318	33,595	-	-	-	-	146,547
OCIA Series 2010A, Refunding	32,895	-	-	-	-	-	-	-	-	-	-	32,895
OCIA 2010A DOT	14,682	14,656	14,622	-	-	-	-	-	-	-	-	43,960
OCIA 2010B DOT	4,229	4,229	4,229	18,872	18,626	66,827	-	-	-	-	-	117,012
OCIA 2012 DOT	5,807	5,811	5,812	5,810	5,811	17,426	-	-	-	-	-	46,477
OCIA 2013A Revenue	2,666	2,670	2,653	2,236	2,234	2,591	-	-	-	-	-	15,050
OCIA 2014A Revenue	12,995	12,796	12,568	12,036	26,985	132,286	71,056	-	-	-	-	280,722
OCIA 2014B Revenue	10,025	9,995	229	232	243	489	-	-	-	-	-	21,213
OCIA 2014C Revenue	5,946	6,376	6,373	6,370	6,382	31,837	31,703	12,693	-	-	-	107,680
OCIA 2015A Revenue	4,233	4,228	4,228	4,230	4,233	8,459	-	-	-	-	-	29,611
OCIA 2015B Revenue	4,951	4,949	4,944	4,944	4,934	19,678	-	-	-	-	-	44,400
OCIA Series 2016	7,632	14,901	14,903	14,902	14,900	74,508	74,517	29,805	-	-	-	246,068
OCIA Series 2017A	2,889	2,884	2,872	2,872	2,870	10,091	1,525	-	-	-	-	26,003
OCIA Series 2017B	9,596	9,604	9,599	9,601	9,596	33,026	-	-	-	-	-	81,022
OCIA Series 2017C	1,090	1,090	1,585	1,584	1,581	7,903	7,883	7,865	7,840	7,813	4,667	50,901
Corrections 2013, Central OK (ODFA)	2,650	2,651	2,653	2,648	2,109	-	-	-	-	-	-	12,711
Corrections 2016A, Central OK (ODFA)	299	299	299	299	301	899	-	-	-	-	-	2,396
DHS-2008	2,032	2,029	2,030	2,033	2,032	-	-	-	-	-	-	10,156
DHS-2012	1,795	1,794	1,794	1,344	-	-	-	-	-	-	-	6,727
DHS-2014	933	-	-	-	-	-	-	-	-	-	-	933
Law Enforcement Education/Train (ODFA)	1,467	1,464	1,465	1,462	1,462	5,733	-	-	-	-	-	13,053
OMES 2009 (ODFA)	2,917	2,912	2,912	2,907	2,906	14,476	14,398	5,742	-	-	-	49,170
	159,201	132,731	122,951	121,333	133,925	512,697	234,677	56,105	7,840	7,813	4,667	1,493,940
Less: Interest	49,419	45,453	41,950	38,532	34,499	105,038	33,402	5,635	2,875	1,673	297	358,773
Total Principal	109,782	87,278	81,001	82,801	99,426	407,659	201,275	50,470	4,965	6,140	4,370	1,135,167
Notes Payable:												
ODOT 2008A, Grant Anticipation	8,490	-	-	-	-	-	-	-	-	-	-	8,490
ODOT 2018A, Grant Anticipation	2,519	5,167	5,922	5,917	5,914	29,496	29,369	5,852	-	-	-	90,156
	11,009	5,167	5,922	5,917	5,914	29,496	29,369	5,852	-	-	-	98,646
Less: Interest	2,519	3,022	2,892	2,737	2,574	10,126	4,639	142	-	-	-	28,651
Total Principal	8,490	2,145	3,030	3,180	3,340	19,370	24,730	5,710	-	-	-	69,995
Capital Leases	853	590	88	-	-	-	-	-	-	-	-	1,531
Less: Interest	106	44	1	-	-	-	-	-	-	-	-	151
Less: Executory Cost	6	6	6	-	-	-	-	-	-	-	-	18
Total Principal	741	540	81	-	-	-	-	-	-	-	-	1,362
Total	$ 147,543	$ 89,963	$ 84,112	$ 85,981	$ 102,766	$ 427,029	$ 226,005	$ 56,180	$ 4,965	$ 6,140	$ 4,370	$ 1,235,054
Compensated Absences												158,017
Net Pension Liability												611,458
Bond Issue Premiums												98,099
Claims and Judgments Payable												70,685
Other Postemployment Benefits												176,648
Total Long-Term Obligations												$ 2,349,961

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 eighteen 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 sale of series 2017C bonds for $27,215,000 was issued for construction and furnishing of the Museum of Popular Culture in Tulsa.

The Oklahoma Development Finance Authority (ODFA) issues lease revenue bonds to provide lease financing for the Department of Corrections, the Department of Human Services, the Council for Law Enforcement Education and Training, and the Office of Management and Enterprise Services. 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 (ODOT) 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 (FHWA) and have a final maturity in 2034. Total revenue received from the FHWA in fiscal year 2018 was $645,530,000 with a portion of that amount, $98,646,000, reserved as security for the notes. Current year note obligations for principal and interest totaled $11,009,000.

D. Capital Leases

The state enters 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 buildings and equipment under capital leases in capital assets at June 30, 2018, includes the following (expressed in thousands):

	Buildings	Equipment	Total
Cost	$ 5,793	$ 691	$ 6,484
Less: Accumulated depreciation	(2,462)	(301)	(2,763)
Total	$ 3,331	$ 390	$ 3,721

For fiscal year 2018, $ 375,000 was recognized as depreciation expense for leased assets.

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 obligations are for the Oklahoma Law Enforcement Retirement System, Oklahoma Public Employees Retirement System, Oklahoma Police Pension and Retirement System, Oklahoma Teachers Retirement System and Oklahoma Wildlife Conservation Retirement Plan (OWCRP). These plans 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 OWCRP obligations are liquidated by the general fund. The pension liabilities are for all other plans are liquidated by the respective pensions. Beginning other postemployment benefits liability was restated by $200,801,000 based on the requirements of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The beginning balance of net pension liability was also restated by $45,803,000 to reclassify the portion that represented other postemployment benefits.

F. Authorized Unissued Bonds

The OCIA was authorized to issue bonds in the amount of $9,000,000 for the Department of Tourism and Recreation to acquire, construct and renovate offices. The Oklahoma Water Resources Board (OWRB) was authorized to issue general obligation bonds in the amount of $300,000,000 to be used as credit for other OWRB loan programs. During the 2015 legislative session, OCIA was authorized to issue $25,000,000 of bonds to provide funding for the completion of the American Indian Cultural Center and Museum in Oklahoma City, if certain conditions are met. During the 2016 legislative session, OCIA was authorized to issue up to $125,000,000 of bonds to fund repairs to the state capitol building. These bonds cannot be issued before fiscal year 2019. During 2017, the legislature authorized OCIA to issue $58,555,000 for the Department of Health to construct a new state health laboratory and $45,000,000 for Office of Juvenile Affairs to construct a new juvenile center to replace and consolidate multiple facilities. In 2018, the legislature authorized OCIA to issue $116,500,000 in new bonds for the Department of Corrections to maintain and repair existing facilities. OCIA was also authorized to issue $5,116,000 on behalf of the Oklahoma Conservation Commission for repair and improvement of flood-control dams.

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

The Oklahoma Water Resources Board (OWRB) along with the Department of Environmental Quality have issued 38 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. Three of the revenue bonds have a variable or floating rate and are also subject to mandatory sinking fund redemption. The remaining revenue bonds are held at a fixed rate.

Long-term obligations at June 30, 2018, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Issue Amount	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds Payable from User Fees:									
1999-2018 Issues	1999-2018	$1,327,045	0.188-5.25%	2047	$ 797,265	$ 110,100	$ 66,865	$ 840,500	$ 47,455
Adjusted for: Bond Premiums and (Discounts)					56,763	10,611	2,966	64,408	-
Revenue Bonds Payable Net of Bond Premiums and (Discounts)					854,028	120,711	69,831	904,908	47,455
Other Noncurrent Liabilities					9,395	336	-	9,731	-
Net Pension Liability					4,329	-	1,944	2,385	-
Compensated Absences					1,003	60	124	939	235
Total Long-Term Obligations					$ 868,755	$ 121,107	$ 71,899	$ 917,963	$ 47,690

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2018, which have scheduled debt service amounts (expressed in thousands):

	2019	2020	2021	2022	2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	Total
Revenue Bonds:											
1999-2018 Issues	$ 80,780	$85,820	$86,408	$83,599	$ 82,193	$299,210	$243,867	$128,232	$55,184	$ 8,782	$1,154,075
Less: Interest	33,325	31,440	29,188	26,644	24,003	90,920	51,587	20,012	5,794	662	313,575
Principal	47,455	54,380	57,220	56,955	58,190	208,290	192,280	108,220	49,390	8,120	840,500
Adjusted for: Bond and Note Premium and (Discounts)											64,408
Long-Term Obligations without scheduled debt service:											
Other Noncurrent Liabilities											9,731
Net Pension Liability											2,385
Compensated Absences											939
Total Long-Term Obligations											$ 917,963

Several of the bonds bear interest at variable rates, initially set at 0.87% to 2.90% and are periodically adjusted, pursuant to the bond indenture provisions, to a maximum rate of 12% per year. Variable rates are reset semiannually by the remarketing agent. The interest rate on the bonds was 1.5% at June 30, 2018. At the option of OWRB and subject to applicable bond indenture provisions, 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.

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

Long-term obligations at June 30, 2018 (September 30, 2017, for Oklahoma Housing Finance Agency and December 31, 2017, for Oklahoma Turnpike Authority, Grand River Dam Authority and Oklahoma Municipal Power Authority), and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	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 - 5.20%	2022	$ 40,000	$ -	$ -	$ 40,000	$ 10,000
Total General Obligation Bonds Payable				40,000	-	-	40,000	10,000
Revenue Bonds Payable from User Fees:								
Student Loan Authority	1995-2013	0.15 - 6.35%	2041	221,908	-	41,076	180,832	-
Development Finance Auth.	1996	2.50%	2031	9,999	-	-	9,999	-
Housing Finance Agency	1991-2013	1.45 - 7.35%	2044	233,236	-	58,010	175,226	5,921
Turnpike Authority	2006-2017	0.20 - 5.00%	2047	935,045	1,164,355	518,085	1,581,315	58,040
Grand River Dam Authority	2010-2017	1.80 - 7.16%	2040	1,012,241	90,455	120,366	982,330	14,760
Municipal Power Authority	1992-2016	1.71 - 6.44%	2047	666,785	-	21,665	645,120	22,775
University Hospitals Authority	2005	0.43 - 1.20%	2018	43,865	-	43,865	-	-
Higher Education	1993-2018	0.40 - 6.63%	2048	1,547,290	127,503	122,089	1,552,704	57,261
Total Before Discounts/Deferrals				4,670,369	1,382,313	925,156	5,127,526	
Adjusted for: Bond (Discount) Premiums				175,046	119,542	(38,441)	333,029	
Total Revenue Bonds Payable Net of Bond (Discounts) Premiums and Deferrals				4,845,415	1,501,855	886,715	5,460,555	158,757
Notes Payable:								
Multiple Injury Trust Fund	2000-2001	7.00%	2023	13,249	-	2,050	11,199	2,198
Oklahoma Turnpike Authority	2017	2.22%	2018	15,000	15,000	15,000	15,000	15,000
Student Loan Authority	2016-2017	1.9 - 2.00%	2032	65,221	-	12,372	52,849	-
OSU Medical Authority	2014	4.12 - 4.78%	2021	10,766	-	2,028	8,738	2,057
Municipal Power Authority	2003	6.00%	2028	37,868	-	2,245	35,623	2,379
Higher Education	2001-2017	1.00-6.00%	2046	107,058	712	93,644	14,126	1,342
Total				249,162	15,712	127,339	137,535	22,976
Capital Leases:								
Grand River Dam Authority				-	323	88	235	235
OSU Medical Authority				785	-	230	555	240
Higher Education				1,327,129	66,610	128,126	1,265,613	79,300
Total				1,327,914	66,933	128,444	1,266,403	79,775
Claims and Judgments				429,731	89,198	42,411	476,518	45,582
Due to Primary Government				53,263	443	-	53,706	-
Compensated Absences				128,753	94,567	89,900	133,420	93,977
Net Pension Liability				2,257,226	7,630	500,522	1,764,334	-
Other Postemployment Benefits				522,085	130,926	133,519	519,492	-
Other Noncurrent Liabilities				1,196,953	785,148	1,022,573	959,528	784,329
Total Long-Term Obligations				$11,050,502	$2,692,412	$2,931,423	$10,811,491	$1,195,396

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2018 (September 30, 2017, for Oklahoma Housing Finance Agency and December 31, 2017, for Oklahoma Transportation Authority, Grand River Dam Authority and Oklahoma Municipal Power Authority), which have scheduled debt service amounts (expressed in thousands):

	2019	2020	2021	2022	2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	2049-2053	Total
General Obligation Bonds:												
Industrial Finance Authority	$ 10,812	$ 20,438	$ 250	$ 10,125	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 41,625
Less: Interest	812	438	250	125	-	-	-	-	-	-	-	1,625
Total Principal	10,000	20,000	-	10,000	-	-	-	-	-	-	-	40,000
Revenue Bonds:												
Student Loan Authority	5,690	5,690	5,690	5,690	5,690	28,449	28,449	87,093	133,387	-	-	305,828
Development Finance Auth.	250	250	250	250	250	1,000	10,936	-	-	-	-	13,186
Housing Finance Agency	12,146	12,136	12,088	10,373	10,363	62,378	47,916	46,051	35,991	4,372	-	253,814
Turnpike Authority	99,263	126,216	125,038	123,000	123,214	610,682	466,826	303,304	303,299	303,304	-	2,584,146
Grand River Dam Authority	60,948	72,146	82,053	82,047	82,687	415,872	396,075	248,086	93,371	-	-	1,533,285
Municipal Power Authority	51,544	49,975	49,748	47,769	47,823	213,030	168,734	145,147	149,729	151,012	-	1,074,511
University Hospitals Authority	-	-	-	-	-	-	-	-	-	-	-	-
Higher Education	119,827	118,408	117,989	117,703	118,171	559,471	486,359	395,077	263,545	84,134	-	2,380,684
	349,668	384,821	392,856	386,832	388,198	1,890,882	1,605,295	1,224,758	979,322	542,822	-	8,145,454
Less: Interest	190,911	214,806	207,777	199,823	191,782	820,156	575,412	370,420	190,394	56,447	-	3,017,928
Total Principal	158,757	170,015	185,079	187,009	196,416	1,070,726	1,029,883	854,338	788,928	486,375	-	5,127,526
Notes Payable:												
Multiple Injury Trust Fund	2,925	2,925	2,925	2,925	1,450	-	-	-	-	-	-	13,150
Oklahoma Turnpike Authority	15,333	-	-	-	-	-	-	-	-	-	-	15,333
Student Loan Authority	1,462	1,462	1,462	1,462	1,462	64,100	-	-	-	-	-	71,410
OSU Medical Authority	2,425	2,425	2,425	2,401	-	-	-	-	-	-	-	9,676
Municipal Power Authority	4,517	4,517	4,517	4,517	4,517	22,583	4,516	-	-	-	-	49,684
Higher Education	2,274	1,390	1,484	1,373	1,235	10,245	2,535	1,881	1,506	1,683	369	25,975
	28,936	12,719	12,813	12,678	8,664	96,928	7,051	1,881	1,506	1,683	369	185,228
Less: Interest	5,959	5,085	4,637	4,156	3,658	18,917	2,308	1,282	765	765	161	47,693
Total Principal	22,977	7,634	8,176	8,522	5,006	78,011	4,743	599	741	918	208	137,535
Capital Leases:												
Grand River Dam Authority	240	-	-	-	-	-	-	-	-	-	-	240
OSU Medical Authority	260	260	65	-	-	-	-	-	-	-	-	585
Higher Education	128,881	107,936	104,064	106,082	113,318	540,575	378,465	173,135	116,206	52,125	-	1,820,787
	129,381	108,196	104,129	106,082	113,318	540,575	378,465	173,135	116,206	52,125	-	1,821,612
Less: Interest	49,607	46,919	45,452	43,474	41,418	169,952	91,726	43,334	20,128	3,199	-	555,209
Total Principal	79,774	61,277	58,677	62,608	71,900	370,623	286,739	129,801	96,078	48,926	-	1,266,403
Total	$271,508	$258,926	$251,932	$268,139	$273,322	$1,519,360	$1,321,365	$ 984,738	$885,747	$536,219	$ 208	$ 6,571,464
Adjusted for: Net Discounts and Deferred Debits on Refundings												333,029
Long-Term Obligations without scheduled debt service:												
Claims and Judgments												476,518
Due to Primary Government												53,706
Compensated Absences												133,420
Net Pension Liability												1,764,334
Other Postemployment Benefits												519,492
Other Noncurrent Liabilities												959,528
Total Long-Term Obligations												$ 10,811,491

A. General Obligation Bonds

Oklahoma Industrial Finance Authority (OIFA) has four 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.

B. Revenue Bonds

The Oklahoma Student Loan Authority (OSLA) has issued four series of revenue bonds with outstanding balances. The bonds were 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, 2018, the variable interest rates ranged from 2.6% to 3.5%.

The Oklahoma Development Finance Authority (ODFA) has issued revenue bonds to fund loans to various investment enterprises in connection with the Quality Jobs Investment Program. The bonds are 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 rates are variable and equal to OIFA’s cost of funds on its outstanding variable rate bond issues. The interest rate at June 30, 2018 was 2.5%.

The Oklahoma Housing Finance Authority has eleven series of revenue bond issues 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 multifamily construction projects, and establish debt service reserves as required by the various trust indentures.

The Oklahoma Turnpike Authority has seven series of revenue bonds outstanding with an original issue amount of $1,848,015,000. 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 seven series of revenue bonds outstanding with an original issue amount of $1,201,655,000. Oklahoma statutes authorize GRDA to issue revenue bonds with the aggregate outstanding indebtedness not to exceed $1,410,000,000.

The Oklahoma Municipal Power Authority (OMPA) has ten series of revenue bonds outstanding. The bonds were 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 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.

Eight of the state's colleges and universities within the Higher Education Component Unit have authorized and issued 60 series of revenue bonds with an original issue amount of $2,359,865,000. These bonds are 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. OMPA had defeased bonds outstanding at June 30, 2018 (December 31, 2017 for OMPA), totaling $30,980,000.

D. Notes Payable

The Multiple Injury Trust Fund (MITF) component unit reports a note payable to CompSource Oklahoma of $11,199,000 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 rate was 2.8%.

OMPA has issued $57,739,000 in a taxable limited obligation note. The note is payable solely from lease payments made by FPL Energy Oklahoma Wind, LLC, with no recourse to OMPA. The note bears 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. In fiscal year 2014, lease agreements for $177,055,000 were added. During fiscal year 2015, lease agreements for $95,713,000 were added. The outstanding principal balance for the OCIA leases at June 30, 2018, is $341,027,000. 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 position for year end.

Oklahoma State University Medical Authority has capital leases totaling $555,000 for equipment through fiscal year 2021.

Leased assets under capital leases in capital assets at June 30, 2018, included the following (expressed in thousands):

	Construction In Progress	Buildings	Equipment	Total
Cost	$ 460	$ 448,927	$ 424,203	$ 873,590
Less: Accumulated depreciation	-	(98,440)	(123,248)	(221,688)
Total	$ 460	$ 350,487	$ 300,955	$ 651,902

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, are 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, 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 $50,000,000 of authorized but unissued general obligation bonds. Certain institutions within the Higher Education Component Unit are authorized to issue revenue bonds in the amount of $35,000,000 for various construction projects, renovation and acquisition of property.

Note 12. Net Position/Fund Balance

Beginning Net Position and Other Restatements

Primary Government

Beginning net position related to governmental activities on the Statement of Activities were restated due to a correction of accounting errors (decrease of $12,879,000) and cumulative change in accounting principle (adoption of GASB 75 resulting in a decrease of $154,998,000) at July 1, 2017.

Component Units

Beginning net position for component units has been restated due to accounting errors (increase of $38,510,000), cumulative change in accounting principle (adoption of GASB 75 resulting in a decrease of $284,820,000) and an increase of $12,437,000 due to a GASB 61 reassessment in the Higher Education Component Unit. The net effect of the restatements decreased beginning net position by $233,873,000 as of July 1, 2017.

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	Wildlife Lifetime Licenses	Tobacco Settlement Endowment Trust	Total Governmental Funds
Nonspendable					
Inventories	$ 76,832	$ -	$ -	$ -	$ 76,832
Prepaids	261	-	-	-	261
Permanent Fund Principal	-	2,419,973	87,855	1,117,758	3,625,586
Restricted					
Education	21,020	-	-	-	21,020
Government Administration	664,073	-	-	-	664,073
Health Services	70,491	-	-	-	70,491
Legal and Judiciary	18,414	-	-	-	18,414
Museums	1,978	-	-	-	1,978
Natural Resources	9,047	-	-	-	9,047
Safety and Defense	4,669	-	-	-	4,669
Regulatory Services	6,683	-	-	-	6,683
Social Services	8,685	-	-	-	8,685
Transportation	1,887	-	-	-	1,887
Stabilization Fund (Rainy Day)	338,737	-	-	-	338,737
Committed					
Education	(3,292,236)	-	-	-	(3,292,236)
Government Administration	4,427,844	-	-	65,263	4,493,107
Health Services	(554,617)	-	-	-	(554,617)
Legal and Judiciary	70,312	-	-	-	70,312
Museums	14,837	-	-	-	14,837
Natural Resources	229,818	-	-	-	229,818
Safety and Defense	61,425	-	-	-	61,425
Regulatory Services	193,755	-	-	-	193,755
Social Services	755,309	-	-	-	755,309
Transportation	368,142	-	-	-	368,142
Assigned	-	-	-	41,789	41,789
Unassigned					
Stabilization Fund (Rainy Day)	112,912	-	-	-	112,912
Total Fund Balances	$ 3,610,278	$ 2,419,973	$ 87,855	$ 1,224,810	$ 7,342,916

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, 2018, are as follows (expressed in thousands):

	General Fund - Restricted			
	Debt Service Only	Federal Cash	By Enabling Legislation	Restricted Fund Balance
Restricted				
Education	$ -	$ 21,020	$ -	$ 21,020
Government Administration	659,010	5,063	-	664,073
Health Services	239	70,252	-	70,491
Legal and Judiciary	-	18,414	-	18,414
Museums	897	1,081	-	1,978
Natural Resources	4,948	4,099	-	9,047
Safety and Defense	137	4,532	-	4,669
Social Services	3,644	5,041	-	8,685
Regulatory Services	6,670	13	-	6,683
Transportation	-	1,887	-	1,887
Stabilization Fund (Rainy Day)	-	-	338,737	338,737
Total Fund Balances	$ 675,545	$ 131,402	$ 338,737	$ 1,145,684

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 is exercised, the same action must be taken to modify or rescind a previously approved bill or allocation of resources.

Under generally accepted accounting principles (GAAP) reporting, the nonspendable and restricted fund balance categories are considered restricted fund balance. The committed, assigned and unassigned fund balances are considered to be unrestricted fund balances. Generally, when the state has both restricted and unrestricted resources available, the restricted balances are used first as expenditures are incurred as long as conditions that created the restriction are met. When unrestricted fund balances are used, the order of use is generally 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 (Board). 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 (GRF) 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 (CRF) until the fund reaches 15% of the GRF 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 Board's estimate is lower than the current fiscal year certification. An additional 37.5% of the CRF at the beginning of the year may be appropriated for the current year if the Board determines that a revenue failure has occurred with respect to the GRF for the current year. The remaining 25% of the balance in the CRF may be appropriated upon a declaration by the governor that emergency conditions exist with concurrence by a two-thirds 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 CRF, any balance within 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 CRF balance at June 30, 2018, was $451,649,000, with $338,737,000 presented as restricted fund balance and $112,912,000 as unassigned fund balance.

The Tobacco Settlement Endowment 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, 2018, the assigned fund balance was $41,789,000.

As explained in Note 1, *Summary of Significant Accounting Policies*, section J, the general fund inventory includes $455,000 in food commodities which is also included in deferred revenue. Therefore, nonspendable fund balance for inventory/prepaid on the balance sheet is $455,000 less than the total of inventory and prepaid items.

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, 2017, OHFA had six series of multifamily bonds outstanding with an aggregate principal amount payable of approximately $69,130,000. 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 multifamily bond programs are 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 ODFA for the specific purpose of enhancing and supporting the credit of such obligations. As of June 30, 2018, there were approximately $32,200,000 of outstanding financial obligations insured by ODFA. At year end, the fund has accrued a reserve for losses of approximately $633,000 to cover potential losses from outstanding financial obligations insured by the fund. Through June 30, 2018, there are 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

A. Plan Description

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 (ODWC) administers the Wildlife Conservation Retirement Plan (WCRP), which is part of the primary government.

OFPRS, OPERS, OPPRS, and TRS are all cost-sharing, multi-employer defined benefit retirement systems. URSJJ, OLERS and WCRP are single-employer, defined benefit retirement systems. Pension benefit provisions for all plans are 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. The information and schedules which follow are the representation of the respective state and local governmental employer pension plans which are administered through trusts.

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

Firefighters Pension and Retirement 6601 Broadway Extension, Suite 100 Oklahoma City, OK 73116 http://www.ok.gov/fprs/	Law Enforcement Retirement 421 N.W. 13th Street, Suite 100 Oklahoma City, OK 73103 http://www.olers.state.ok.us/	Police Pension and Retirement 1001 N.W. 63rd Street, Suite 305 Oklahoma City, OK 73116 http://www.ok.gov/OPPRS/
Public Employees Retirement P.O. Box 53007 Oklahoma City, OK 73152 http://www.opers.ok.gov/	Uniform Retirement System for Judges and Justices P.O. Box 53007 Oklahoma City, OK 73152 http://www.opers.ok.gov/	Teachers Retirement System P.O. Box 53524 Oklahoma City, OK 73152 http://www.ok.gov/TRS/
	Department of Wildlife Conservation P.O. Box 53465 Oklahoma City, OK 73152 http://www.wildlifedepartment.com	

B. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the respective pension plans and additions to/deductions from plans fiduciary net position is determined on the same basis as they are reported by each pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

C. Eligibility Factors and Benefit Provisions

Provisions	OFPRS as of July 1, 2017
a. Eligible to Participate	All eligible firefighters of a participating municipality or a fire protection district who perform the essential functions of fire suppression, prevention and life safety duties in a fire department
b. Period Required to Vest	Ten years of credited service if employed prior to November 1, 2013; eleven years of credited service if employed after November 1, 2013

c. Eligibility for Distribution	Normal retirement 20 years of service if employed prior to November 1, 2013; age 50 with 20 years of service if employed after November 1, 2013; disability retirement upon disability; death benefit of $5,000 payable to the qualified spouse or designated recipient upon the participant's death
d. Benefit Determination Base	Final average salary - the average paid gross salary of the firefighter for normally scheduled hours over the highest salaried thirty consecutive months of the last 60 months of credited service
e. Benefit Determination Methods:	
Normal Retirement	Paid firefighters: 50% of the firefighter's final average salary. Volunteer firefighters: $150.60 per month, effective July 1, 2008
Disability Retirement Paid Firefighters	2.5% of the firefighter's final average salary per year of service, with a minimum service credit of twenty years and maximum of thirty years; for disabilities not in the line of duty, final average monthly compensation is based on 60 months instead of 30 months
Volunteer Firefighters	$7.53 per month per years of service, with a maximum of 30 years; for disabilities or deaths in the line of duty, there is a minimum service credit of 20 years
f. Benefit Authorization	Benefits are established in accordance with Title 11 of the Oklahoma Statutes, Section 49-100.1 through 49-143.6 as amended
g. Form of Benefit Payments	Straight life annuity; survivor benefit: joint and 100% survivor annuity if firefighter was married 30 months prior to death

Provisions	OLERS as of July 1, 2017
a. Eligible to Participate	All law enforcement officers of the Oklahoma Highway Patrol (OHP) and Capitol Patrol of Department of Public Safety (DPS), Oklahoma State Bureau of Investigation (OSBI), Oklahoma State Bureau of Narcotics and Dangerous Drugs Control (OBNDD), Alcoholic Beverage Laws Enforcement Commission (ABLE), members of the DPS Communications Division (Communications), DPS Waterways Lake Patrol, Tourism and Recreation Department (Rangers), Inspectors of the Oklahoma State Board of Pharmacy (Pharmacy Inspectors), and Gun Smiths of DPS are eligible upon employment
b. Period Required to Vest	Ten years of credited service
c. Eligibility for Distribution	Normal retirement 20 years of service or age 62 with 10 years of service; maximum of age 60 with 20 years of service, unless considered physically able to continue; disability benefit upon determination of disability

incurred in the line of duty; for disability not in the line of duty after three years of service; death benefit of $5,000 payable to the designated beneficiary

d. Benefit Determination Base	Final average salary – the average of the highest 30 consecutive complete months of compensation
e. Benefit Determination Methods:	
Normal Retirement	2.5% of member's final average salary multiplied by the years of credited service; no maximum on service
Disability Retirement: Duty	The greater of: 1) 2.5% of the greater of the final average salary times years and completed months of credited service, or 2) 50% of final average salary
Non-Duty	2.5% of the final average salary times years and completed months of credited service
f. Benefit Authorization	Benefits are established in accordance with Title 47 of the Oklahoma Statutes, Chapter 2, Article III, Section 2-300 through 2-315 as amended
g. Form of Benefit Payments	100% Joint and Survivor Annuity

Provisions	OPERS as of July 1, 2017
a. Eligible to Participate	All permanent employees of the State of Oklahoma, and any other employer such as a county, county hospital, city or town, conservation districts, circuit engineering districts, and any trust in which a county, city, or town participates and is the primary beneficiary, are eligible to join if: • The employee is not eligible for or participating in another retirement system authorized under Oklahoma law, is covered by Social Security and not participating in the U.S. Civil Service Retirement System • The employee is scheduled for 1,000 hours per year and salary is not less than the hourly rate of the monthly minimum wage for state employees (for employees of local government employers, not less than the hourly rate of the monthly minimum wage for such employees)
b. Period Required to Vest	Eight years of credited service
c. Eligibility for Distribution	Normal retirement : • Member before November 1, 2011, one of the following: Age 62 with 6 years of credited service; for elected officials age 60 80 points - The sum of age and years of

service equals 80 if member before July 1, 1992

90 points - The sum of age and years of service equals 90 if member after July 1, 1992

- Member on or after November 1, 2011, one of the following:

  Age 65 with 6 years of credited service; for elected officials age 65 with 8 years of elected service

  90 points – At least age 60 and the sum of age and years of service equals 90

Disability benefit after 8 years of service, provided member qualifies for disability benefits from the Social Security Administration or the Railroad Retirement Board

Death benefit of $5,000 payable upon death of retiree to the designated beneficiary

d. Benefit Determination Base	Final average salary – member before July 1, 2013, the average of the 36 highest months of compensation earned within the last 10 years of service (including highest 3 longevity payments); member after July 1, 2013, the average highest 60 months of compensation earned within the last 10 years of service (including highest 5 longevity payments)
e. Benefit Determination Methods:	
Normal Retirement	2% of member's final average salary multiplied by the years of credited service
Disability Retirement	Same as normal retirement
f. Benefit Authorization	Benefits are established in accordance with Title 74 of the Oklahoma Statutes, Chapter 29, Section 901 through 935 as amended
g. Form of Benefit Payments	Life Annuity, Joint and 50% Survivor, Joint and 100% Survivor Annuity, Life Annuity with a minimum of 120 monthly payments, and Medicare Gap Benefit option

<u>Provisions</u>	<u>USRJJ as of July 1, 2017</u>
a. Eligible to Participate	Any Justice or Judge of the Supreme Court, Court of Criminal Appeals, Workers' Compensation Court, Court of Appeals or District Court who serves as justice or judge of any of said courts in the State of Oklahoma
b. Period Required to Vest	Eight years of credited service
c. Eligibility for Distribution	Normal retirement :

- Member before January 1, 2012, one of the following:

  Age 60 with 10 years of credited service

  Age 65 with 8 years of credited service

  80 points- The sum of age and years of service equals 80

- Member after January 1, 2012, one of the following:

  Age 62 with 10 years of credited service

  Age 67 with 8 years of credited service

Disability benefit at age 55 and 15 years of continuous judicial service

Death benefit of $5,000 payable upon death of retiree to the designated beneficiary

d. Benefit Determination Base	Final average salary – average monthly salary based on the highest 36 months of active service
e. Benefit Determination Methods:	
Normal Retirement	4% of member's final average compensation multiplied by years of credited service not to exceed 100% of final average salary
Disability Retirement	Same as normal retirement
f. Benefit Authorization	Benefits are established in accordance with Title 20 of the Oklahoma Statutes, Chapter 16, Section 1101 through 1111 as amended
g. Form of Benefit Payments	Single-life, Joint and 50% Survivor, Joint and 100% Survivor

Provisions	OPPRS as of July 1, 2017
a. Eligible to Participate	All eligible officers of a participating municipality and any person hired by a participating municipality who is undergoing police training to become a permanent police officer; works more than 25 hours per week and is not less than 21 or more than 45 years of age when accepting membership
b. Period Required to Vest	Ten years of credited service
c. Eligibility for Distribution	Normal retirement upon completing 20 years of credited service Total Disability (Duty): upon determination of total disability; Total Disability (Non-Duty): upon determina-

	tion of disability after 10 years of service
	Death benefit of $5,000 payable upon death of retiree to the designated beneficiary
d. Benefit Determination Base	Final average salary – average base salary for normally scheduled hours over the highest salaried 30 consecutive months of the last 60 months of credited service.
e. Benefit Determination Methods:	
Normal Retirement	2.5% of member's final average salary multiplied by years of credited service not to exceed 30 years
Disability Retirement	Total Disability (Duty): 50% of final average salary
	Total Disability (Non-Duty): 2.5% of final average salary multiplied by years of credited service not to exceed 30 years
	Partial Disability (Duty): final average salary reduced by the % of impairment, as outlined in the "American Medical Association's Guide to the Evaluation of Permanent Impairment"
	Partial Disability (Non-Duty): 2.5% of final average salary multiplied by years of credited service (maximum of 30 years) reduced by the percentage of impairment, as outlined in the "American Medical Association's Guide to the Evaluation of Permanent Impairment"
f. Benefit Authorization	Benefits are established in accordance with Title 11 of the Oklahoma Statutes, Chapter 1, Section 50-101 through 50-136.8 as amended
g. Form of Benefit Payments	Straight life annuity

<u>Provisions</u>	<u>TRS as of July 1, 2017</u>
a. Eligible to Participate	All employees of any public school in Oklahoma, including public colleges and universities
b. Period Required to Vest	Five years of credited service
c. Eligibility for Distribution	Normal retirement : • Member after July 1, 1967, and before November 1, 2011 – age 62 with 5 years of service • Member after October 31, 2011 – age 65 with 5 years of service or age 60 and the number of years of service totals 90 • Member before July 1, 1992 – age and the number of years of creditable service total 80 • Member on or after July 1, 1992 but prior to November 1, 2011 – age and the number of years totals 90

Early retirement:

- Member prior to November 1, 2011 – Age 55 and 5 years of service or upon completion of 30 years of service
- Member after October 31, 2011 – Age 60 and 5 years of service

Disability benefit after 10 years of service

Death benefit of $5,000 payable upon death of retiree to the designated beneficiary

d. Benefit Determination Base

Final average salary – For those becoming members before July 1, 1992, the compensation for the three years on which the highest contributions are paid; for persons becoming members after June 30, 1992, the compensation for the five years on which the highest contributions are paid

e. Benefit Determination Methods:

Normal Retirement

2% of member's final average salary subject to the compensation limits in Title 70, Chapter 1, Article 17, Section 17-101(28) and 17-116.2C.

Disability Retirement

Same as normal retirement

f. Benefit Authorization

Benefits are established in accordance with Title 70 of the Oklahoma Statutes, Chapter 1, Article 17, Section 17-101 through 17-122.1 as amended

g. Form of Benefit Payments

Straight Life Annuity, Joint and 50% Survivor, Joint and 100% Survivor

Provisions	WCRP as of July 1, 2017
a. Eligible to Participate	Employees with a hire date prior to July 1, 2010; plan was frozen as of July 1, 2010
b. Period Required to Vest	Ten years of credited service
c. Eligibility for Distribution	Normal retirement – Age 65 Early retirement: • Age 55 and 15 years of service; benefit reduced 2% for each year benefit received prior to age 62 • Age 55 and sum of age and years of continuous service equals 85
d. Benefit Determination Base	Final average salary – Highest three years annual covered compensation received during the last 10 years of participating service

e. Benefit Determination Methods:

Normal Retirement	2.5% of member's final average salary multiplied by years of credited service; employees hired after July 1, 1995, the maximum benefit is 85% of final average salary with minimum benefit of $50 per month
Disability Retirement	Same as normal retirement

f. Benefit Authorization — Benefits are established in accordance with Title 29 of the Oklahoma Statutes, Chapter 1, Article 3, Section 3-306

g. Form of Benefit Payments — Lifetime benefit

D. Employees Covered by Benefit Terms

	OFPRS	OLERS	OPERS	URSJJ	OPPRS	TRS	WCRP
Active Employees	12,378	1,277	38,873	262	4,695	87,795	228
Deferred Vested Former Employees	1,563	24	5,951	19	867	11,796	26
Retirees or Retiree Beneficiaries	11,043	1,397	34,579	262	3,658	62,391	210
Total	24,984	2,698	79,403	543	9,220	161,982	464

E. Contribution Requirements

Oklahoma Firefighters Pension and Retirement System: The authority to set and amend contribution rates is established by ordinance for OFPRS defined benefit plan in accordance with Title 11 of the Oklahoma Statutes, Section 49-100.6. The contribution rates for the current fiscal year are made in accordance with Oklahoma statute. The rate is 9% for employees of their covered salary and 14% for employers of covered payroll as of July 1, 2017. Municipalities with revenues in excess of $25,000 contribute $60 per year for each volunteer firefighter. Prior to November 1, 2013, the rate was 8% for employees, 13% for employers, and municipalities contributed $60 per year for each volunteer firefighter. The state contributes a portion of the insurance premium tax collected through its taxing authority. Currently, this contribution is 36% of insurance premium tax collected by the state. Prior to November 1, 2013, the contribution rate was 34%. For the year ended June 30, 2017, OFPRS recognized $153,696,000 in contributions to the plan based on covered payroll of $285,073,000.

Oklahoma Law Enforcement Retirement System: The authority to set and amend contribution rates is established by ordinance for OLERS defined benefit plan in accordance with Title 47 of the Oklahoma Statutes, Chapter 2, Article 3, Section 2-303.1. The contribution rates for the current fiscal year are made in accordance with Oklahoma statute. The rate is 8% for employees of their covered salary and 11% for employers of covered payroll as of July 1, 2017. The state contributes a portion of driver's license taxes, motor vehicle inspection fees, and insurance premium tax collected through its taxing authority. Currently this contribution is 1.2% of driver's license taxes, and 5% of insurance premium tax. For the year ended June 30, 2017, OLERS recognized $37,937,000 in contributions to the plan based on covered payroll of $86,496,000

Oklahoma Public Employees Retirement System: The authority to set and amend contribution rates is established by ordinance for OPERS defined benefit plan in accordance with Title 74 of the Oklahoma Statutes, Chapter 29, Section 908. The contribution rates for the current fiscal year are made in accordance with Oklahoma statute. The rate for state employees is 3.5% of their covered salary and 16.5% of covered payroll for state agencies as of July 1, 2017. Contributions for participating county and local agencies total 20% for employees and employers as of July 1, 2017. For the year ended June 30, 2017, OPERS recognized $339,787,000 in contributions to the plan based on covered payroll of $1,790,810,000.

Uniform Retirement System for Judges and Justices: The authority to set and amend contribution rates is established by ordinance for URSJJ defined benefit plan in accordance with Title 20 of the Oklahoma Statutes, Chapter 16, Section 1108. The contribution rates for the current fiscal year are made in accordance with Oklahoma statute. The rate for employees is 8% of their covered salary and 19% of covered payroll for employers as of July 1, 2017. For the year ended June 30, 2017, URSJJ recognized $8,677,000 in contributions to the plan based on covered payroll of $34,811,000.

Oklahoma Police Pension and Retirement System: The authority to set and amend contribution rates is established by ordinance for OPPRS defined benefit plan in accordance with Title 11 of the Oklahoma Statutes, Chapter 1, Article 50, Section 50-106. The contribution rates for the current fiscal year are made in accordance with Oklahoma statute. The rate is 8% for employees of their covered salary and 13% for employers of covered payroll as of July 1, 2017. The state contributes a portion of the insurance premium tax collected through its taxing authority. Currently, this contribution is 14% of insurance premium tax collected by the state. For the year ended June 30, 2017, OPPRS recognized $97,086,000 in contributions to the plan based on covered payroll of $314,374,000.

Teachers Retirement System: The authority to set and amend contribution rates is established by ordinance for TRS defined benefit plan in accordance with Title 70 of the Oklahoma Statutes, Chapter 1, Article 17, Section 17-106. The contribution rates for the current fiscal year are made in accordance with Oklahoma statute. The rate is 7% for employees of their covered salary and 9.5% for employer entities other than comprehensive and four year universities as of July 1, 2017. The rate for comprehensive and four year universities is 8.55% as of July 1, 2017. The state contributes 5% of revenues from sales taxes, use taxes, corporate and individual income taxes. The System receives 1% of the cigarette taxes collected by the State and 5% net lottery proceeds. For the year ended June 30, 2017, TRS recognized $991,645,000 in contributions to the plan based on covered payroll of $4,115,687,000.

Wildlife Conservation Retirement Plan: The authority to set and amend contribution rates is established by ordinance for WCRP defined benefit plan in accordance with Title 29 of the Oklahoma Statutes, Chapter 1, Article 3, Section 3-306. The contribution rates for the current fiscal year are made in accordance with Oklahoma statute. The rate is 5% for employees of their covered salary. For the year ended June 30, 2017, WCRP recognized $5,413,000 in contributions to the plan based on covered payroll of $12,806,000.

F. Actuarial Assumptions

Oklahoma Firefighters Pension and Retirement System

Date of Last Actuarial Valuation	July 1, 2017
a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7.5%
c. Projected salary increase	3.5% - 9.0%
d. Post retirement cost-of-living increase	Half of the dollar amount of a 3% assumed increase in base pay for firefighters with 20 years of service as of May 26, 1983; no cost-of-living adjustment (COLA) assumed for members not eligible for this increase
e. Inflation Rate	3%
f. Mortality table	Active employees (pre and post retirement): RP-2000 Blue Collar Healthy Combined with generational mortality improvement using Scale AA; disabled pensioners: RP-2000 Blue Collar Healthy Combined
g. Percent of married employees	85% Males; 85% Females
h. Spouse age difference	Males three years older than females
i. Turnover	Varies from 0.4% to 3.5%
j. Date of last experience study	June 30, 2012, for the period from July 1, 2007, to June 30, 2012

Oklahoma Law Enforcement Retirement System

Date of Last Actuarial Valuation	July 1, 2017
a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7.5%
c. Projected salary increase	3.5% - 9.75%
d. Post retirement cost-of-living increase	3% for eligible members
e. Inflation Rate	2.75%
f. Mortality table	Active employees (pre and post retirement): RP-2014 Blue Collar Healthy Table with Generational Projection using Scale MP-2016; Disabled pensioners: RP-2014 Blue Collar Table with no projection from 2006 rates.
g. Percent of married employees	85% Males; 85% Females
h. Spouse age difference	Males three years older than females
i. Turnover	Varies from 1.5% to 15%
j. Date of last experience study	July 2011 to June 2016

Oklahoma Public Employees Retirement System

Date of Last Actuarial Valuation	July 1, 2017
a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7.0%
c. Projected salary increase	3.5% - 9.5%
d. Post retirement cost-of-living increase	None
e. Inflation Rate	2.75%
f. Mortality table	Active employees (pre and post retirement): RP-2014 Blue Collar Healthy Employees with base rates projected to 2025 using Scale MP-2016; Disabled pensioners: Nondisabled retiree mortality set forward 12 years for disabled experience.
g. Percent of married employees	85% Males; 85% Females
h. Spouse age difference	Males four years older than females
i. Turnover	Varies from 1%-24%
j. Date of last experience study	July 1, 2013, to June 30, 2016

Uniform Retirement System for Justices and Judges

Date of Last Actuarial Valuation	July 1, 2017
a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7.0%
c. Projected salary increase	3.75%
d. Post retirement cost-of-living increase	None
e. Inflation Rate	2.75%
f. Mortality table	Active employees (pre and post retirement): RP-2014 Blue Collar Active/Retiree Healthy Mortality Table with base rate projected to 2025 using Scale MP-2016; Disabled pensioners: Nondisabled retiree mortality set forward 12 years for disabled experience
g. Percent of married employees	85% Males; 85% Females
h. Spouse age difference	Males four years older than females
i. Turnover	2%
j. Date of last experience study	July 1, 2013, to June 30, 2016

Oklahoma Police Pension and Retirement System

Date of Last Actuarial Valuation	July 1, 2017
a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7.5%
c. Projected salary increase	4.5% to 17.0%
d. Post retirement cost-of-living increase	Officers eligible to receive COLA according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3%
e. Inflation Rate	3%
f. Mortality table	Active employees pre-retirement: RP-2000 Blue Collar Healthy Combined fully generational using Scale AA with age set back 4 years; Post-retirement: RP-2000 Blue Collar Healthy Combined fully generational using Scale AA; Disabled pensioners: RP-2000 Blue Collar Healthy Combined with age set back 4 years
g. Percent of married employees	85% Males; 85% Females
h. Spouse age difference	Males three years older than females
i. Turnover	Varies from 1% to 20%
j. Date of last experience study	Five-year period from July 1, 2007, to June 30, 2012

Teachers Retirement System

Date of Last Actuarial Valuation	June 30, 2017
a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7.5%
c. Projected salary increase	3.25% plus 1% productivity increase, plus step-rate promotional increases for members with less than 25 years of service
d. Post retirement cost-of-living increase	None
e. Inflation Rate	2.5%
f. Mortality table	Active employees - pre-retirement: RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, with male rates multiplied by 60% and females rates multiplied by 50%; Post-retirement: RP-2000 Combined Healthy Mortality table for males with White Collar Adjustments; Generational mortality improvements in accordance with Scale BB from the table's base year of 2000; For females the GRS Southwest Region Teacher Mortality Table, scaled at 105%; Generational mortality improvements in accordance with Scale BB from the table's base year of 2012; Disabled pensioners: RP-2000 Mortality tables with male rates multiplied by 75%, no set back, and female rates multiplied by 100%, no set back
g. Percent of married employees	80% Males; 80% Females
h. Spouse age difference	Males three years older than females
i. Turnover	Varies from 1.5% to 23.0%
j. Date of last experience study	May 2015, for a five-year period ending June 30, 2014

Wildlife Conservation Retirement Plan

Date of Last Actuarial Valuation	July 1, 2017
a. Actuarial cost method	Entry age normal
b. Rate of return on investments and discount rate	7%
c. Projected salary increase	3% to 8%
d. Post retirement cost-of-living increase	none
e. Inflation Rate	3%
f. Mortality table	Active Members: RP-2014 Employee Mortality Table with Blue Collar Adjustment projected to 2030 with Scale BB; Retired Members: RP-2014 Mortality Table for Healthy Annuitants with Blue Collar Adjustment projected to 2030 with Scale BB; Disabled members: RP-2014 Mortality Table for Disabled Annuitants, projected to 2030 with Scale BB
g. Percent of married employees	85% Males; 85% Females
h. Spouse age difference	Males three years older than females
i. Turnover	Varies from 1% to 8%
j. Date of last experience study	July 1, 2010, to June 30, 2015

G. Discount Rate

Oklahoma Firefighters Pension and Retirement System

The projection of cash flows used to determine the discount rate assumed that contributions from plan members are made at the current contribution rate and that contributions from employers are made at contractually required rates. Projected cash flows also assume insurance premium taxes are contributed as determined by state statutes.

Based on these assumptions, the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments. Therefore, the discount rate used is 7.5% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	4.38%
Equity	62%	8.71%
Alternative Investments	18%	6.35%
Total	100%	

Oklahoma Law Enforcement Retirement System

The projection of cash flows used to determine the discount rate assumed that plan contributions from members, state agencies, insurance premium taxes and other state sources are made at the current contribution rates as set out in state statute.

Based on those assumptions, the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments. Therefore, the discount rate used is 7.5% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	30%	6.49%
Equity	60%	12.14%
Alternative Investments	10%	7.50%
Total	100%	

Oklahoma Public Employees Retirement System

The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers are made at the current contribution rate as set out in state statute.

Based on those assumptions, the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments. Therefore, the discount rate used is 7.0% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments is determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	32%	0.97%
Equity	44%	5.45%
Alternative Investments	24%	6.00%
Total	100%	

Uniform Retirement System for Justices and Judges

The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers are made at the current contribution rate as set out in state statute.

Based on those assumptions, the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments. Therefore, the discount rate used is 7.0% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	32%	0.97%
Equity	44%	5.45%
Alternative Investments	24%	6.00%
Total	100%	

Oklahoma Police Pension and Retirement System

The projection of cash flows used to determine the discount rate assumed that plan contributions from members, state agencies, insurance premium taxes and other state sources are made at the contractually required rates. Projected cash flows also assume insurance premium taxes are contributed as determined by state statutes.

Based on these assumptions, the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments. Therefore, the discount rate used is 7.5% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	25%	4.51%
Equity	60%	8.72%
Alternative Investments	15%	6.07%
Total	100%	

Teachers Retirement System

The projection of cash flows used to determine the single discount rate assumed that plan member and employer contributions are made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the state's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Based on these assumptions, the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments. Therefore, the discount rate used is 7.5% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	24%	2.50%
Equity	47%	6.00%
International Equity	19%	8.50%
Alternative Investments	10%	6.10%
Total	100%	

Wildlife Conservation Retirement Plan

The projection of cash flows used to determine the discount rate assumed that contributions from plan members are made at the current contribution rate and that contributions from the department are at least 100% of the department's required contribution.

Based on these assumptions, the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments. Therefore, the discount rate used is 7% which is the long-term expected rate of return on plan investments.

The long-term expected rate of return on pension plan investments is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	40%	2.68%
Equity	50%	8.02%
Alternative Investments	10%	3.07%
Total	100%	

H. Changes in Net Pension Liability

The total pension liability for the various pension systems is determined based on actuarial valuations performed as of July 1, 2017, which is also the measurement date. There are no changes in assumptions or changes between the measurement date of July 1, 2017, and the state's report ending date of June 30, 2018, that would have a significant impact on the net pension liability. The following tables report the components of changes in net pension liability (in thousands):

Oklahoma Law Enforcement Retirement System

Schedule of Changes in Net Pension Liability

Increases (Decreases)

	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balance Beginning of Year	$ 1,029,349	$ 853,584	$ 175,765
Changes for the Year:			
Service Cost	23,670	-	23,670
Interest	75,080	-	75,080
Difference between expected and actual experience	(2,307)	-	(2,307)
Changes in assumptions	1,107		1,107
Contributions-Employer	-	9,262	(9,262)
Contributions-State of Oklahoma, non-employer contributing entity	-	21,843	(21,843)
Contributions-Employee	-	6,832	(6,832)
Net Investment Income	-	106,519	(106,519)
Benefit payments, including refunds	(57,612)	(57,612)	-
Administrative expense	-	(1,083)	1,083
Net Changes	39,938	85,761	(45,823)
Balances at June 30, 2017	$ 1,069,287	$ 939,345	$ 129,942

Uniform Retirement System for Justices and Judges

Schedule of Changes in Net Pension Liability

Increases (Decreases)

	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance Beginning of Year	$ 276,434	$ 293,727	$ (17,293)
Changes for the Year:			
Service Cost	10,085	-	10,085
Interest	19,229	-	19,229
Difference between expected and actual experience	(6,664)	-	(6,664)
Changes in Assumptions	1,491	(2,563)	4,054
Contributions-Employer	-	6,013	(6,013)
Contributions-Employee	-	2,664	(2,664)
Net Investment Income	-	36,312	(36,312)
Benefit payments, including refunds	(17,737)	(17,737)	-
Administrative expense	-	(153)	153
Net Changes	6,404	24,536	(18,132)
Balances at June 30, 2017	$ 282,838	$ 318,263	$ (35,425)

Wildlife Conservation Retirement Plan
Schedule of Changes in Net Pension Liability
Increases (Decreases)

	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
Balance Beginning of Year	$ 118,719	$ 99,138	$ 19,581
Changes for the Year:			
Service Cost	1,627	-	1,627
Interest	8,203	-	8,203
Difference between expected and actual experience	(883)	-	(883)
Contributions-Employer	-	4,780	(4,780)
Contributions-Employee	-	633	(633)
Net Investment Income	-	10,797	(10,797)
Benefit payments, including refunds	(6,315)	(6,315)	-
Administrative expense	-	(52)	52
Net Changes	2,632	9,843	(7,211)
Balances at June 30, 2017	$ 121,351	$ 108,981	$ 12,370

I. Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate, as well as what net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage-point higher than the current rate (in thousands):

Oklahoma Law Enforcement Retirement System

	1% Decrease in Discount rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Net Pension Liability (Asset)	$ 266,701	$ 129,942	$ 17,841

Oklahoma Public Employees Retirement System

	1% Decrease in Discount rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
Net Pension Liability (Asset)	$ 1,254,718	$ 424,531	$ (278,443)

Uniform Retirement System for Justices and Judges

	1% Decrease in Discount rate (6.25%)	Current Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Net Pension Liability (Asset)	$ (8,890)	$ (35,425)	$ (58,457)

Oklahoma Police Pension and Retirement System

	1% Decrease in Discount rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Net Pension Liability (Asset)	$ 757	$ 22	$ (598)

Teachers Retirement System

	1% Decrease in Discount rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Net Pension Liability (Asset)	$ 2,430,551	$ 1,764,704	$ 1,207,313

Wildlife Conservation Retirement Plan

	1% Decrease in Discount rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
Net Pension Liability (Asset)	$ 33,337,590	$ 19,581,480	$ 7,891,575

J. Deferred Outflows/Inflows of Resources

Reported deferred outflows of resources resulting from contributions subsequent to the measurement date are recognized as a decrease of the net pension liability in the year ended June 30, 2019.

Oklahoma Law Enforcement Retirement System

At June 30, 2017, OLERS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 27,864	$ 4,811
Net difference between projected and actual plan investment earnings	17,991	-
Changes in Assumptions	904	-
Contributions made since measurement date	9,083	-
	$ 55,842	$ 4,811

Oklahoma Public Employees Retirement System

At June 30, 2017, OPERS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ -	$ 75,918
Net difference between projected and actual plan investment earnings	18,965	-
Changes in Assumptions	188,467	-
Changes in proportion and differences between employer contributions and proportionate share of contribuitions	-	4,221
Contributions made since measurement date	203,295	-
	$ 410,727	$ 80,139

Uniform Retirement State Judges and Justices

At June 30, 2017, URSJJ reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ -	$ 10,419
Net difference between projected and actual plan investment earnings	368	-
Changes in Assumptions	5,987	43
Contributions made since measurement date	6,504	-
	$ 12,859	$ 10,462

Oklahoma Police Pension and Retirement System

At June 30, 2017, OPPRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ -	$ 135
Net difference between projected and actual plan investment earnings	167	-
Changes in proportion and differences between employer contributions and proportionate share of contribuitions	36	-
Contributions made since measurement date	70	-
	$ 273	$ 135

Teachers Retirement System

At June 30, 2017, TRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ -	$ 120,225
Net difference between projected and actual plan investment earnings	25,031	-
Changes in Assumptions	208,977	105,267
Changes in proportion and differences between employer contributions and proportionate share of contribuitions	58,791	-
Contributions made since measurement date	109,857	-
	$ 402,656	$ 225,492

Wildlife Conservation Retirement Plan

At June 30, 2017, WCRP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 412	$ 919
Net difference between projected and actual plan investment earnings	519	-
Changes in Assumptions	130	-
Contributions made since measurement date	3,100	-
	$ 4,161	$ 919

K. **Amortization of Pension Deferrals**

Amounts reported as deferred outflows of resources (excluding deferred outflows of resources related to contributions made subsequent to the measurement date) and deferred inflows of resources are recognized in pension expense as follows (in thousands):

	For year ended June 30, 2017					
	Law Enforcement Retirement System	Public Employees Retirement System	Retirement System Judges and Justices	Police Pension and Retirement System	Teachers Retirement System	Wildlife Conservation
2018	$ 10,610	$ 47,686	$ (4,008)	$ 30	$ (15,324)	$ (308)
2019	23,893	121,200	2,639	82	89,929	990
2020	15,753	28,200	368	38	55,408	431
2021	(8,205)	(69,793)	(3,106)	(67)	(41,418)	(824)
2022	(103)	-	-	(15)	(19,564)	(143)
2023	-	-	-	-	(1,724)	(4)
Total	41,948	127,293	(4,107)	68	67,307	142

L. **Payables to the Pension Plans** – The amounts presented below represent the amount, in thousands, payable from the State of Oklahoma to the pension plans at June 30, 2018. This includes both contributions payable and dedicated taxes that had yet to be paid.

	Payable at Fiscal Year End
Firefighters Pension and Retirement Plan	$ 18,153
Law Enforcement Retirement System	4,227
Public Employees Retirement System	8,824
Retirement System Judges and Justices	12
Police Pension and Retirement System	7,723
Teachers Retirement System	48,165
Total	$ 87,104

M. **State General Fund Portion** -- The amounts presented below represent net pension liability, deferred inflows, deferred outflows, and pension expense related to the various pension systems recorded to governmental activities on the Government-Wide Statement of Net Position. These amounts (in thousands) are determined based on actuarial valuations performed as of July 1, 2017, which is also the measurement date.

	General Fund Portion	Pension Assets	Pension Liabilities	Net Pension Liability (Asset)	Deferred Inflows	Deferred Outflows	Pension Expense
Law Enforcement Retirement System	92.120%	$ 865,326	$ 985,029	$ 119,703	$ 4,561	$ 51,441	$ 37,176
Public Employees Retirement System	74.027%	6,598,717	6,998,951	400,234	76,141	387,220	163,272
Judges and Justices Retirement System	100.000%	318,263	282,838	(35,425)	10,462	12,859	295
Police Pension and Retirement System	0.291%	6,978	7,000	22	135	273	137
Teachers Retirement System	1.193%	178,759	257,888	79,129	10,111	31,042	8,304
Wildlife Commission Retirement Plan	100.000%	108,981	121,351	12,370	919	4,161	2,037
Total		$ 8,077,024	$ 8,653,057	$ 576,033	$ 102,329	$ 486,996	$ 211,221

N. Changes Subsequent to Measurement Date

The following changes were made to pension plan policy since the measurement date. These changes could potentially change the calculation of net pension liability:

Oklahoma Firefighters and Retirement System:

House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit is paid to qualifying members, subject to a cap and floor on the payment. This provision became effective May 8, 2018.

Oklahoma Law Enforcement Retirement System:

House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit is paid to qualifying members, subject to a cap and floor on the payment. This provision became effective May 8, 2018.

House Bill 2517 clarifies that all benefits payable from the plan, including payments from deferred option plans, shall be paid from general assets of the fund. This provision became effective April 12, 2018.

Oklahoma Public Employees Retirement System:

House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit is paid to qualifying members, subject to a cap and floor on the payment. This provision became effective May 8, 2018.

House Bill 2516 clarifies certain system provisions related to billing employers for sick leave and early retirement for elected officials. This provision became effective April 12, 2018.

Senate Bill 527 states that a statewide elected official or legislator who is first elected or appointed on or after November 1, 2018, and who has participating service in the OPERS defined benefit plan prior to November 1, 2015, shall be a member of the defined benefit plan. This provision became effective April 17, 2018.

Oklahoma Uniform Retirement System for Justices and Judges:

House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit is paid to qualifying members, subject to a cap and floor on the payment. This provision became effective May 8, 2018.

Oklahoma Police Pension and Retirement System:

House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit is paid to qualifying members, subject to a cap and floor on the payment. This provision became effective May 8, 2018.

House Bill 2515 clarifies that all benefits payable from the plan, including payments from deferred option plans, shall be paid from general assets of the fund. HB 2515 further provides that a permanent and total impairment equates to one hundred percent (100%) of the accrued retirement benefits. This provision became effective April 12, 2018.

Teacher’s Retirement System of Oklahoma:

House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit is paid to qualifying members, subject to a cap and floor on the payment. This provision became effective May 8, 2018.

O. Defined Contribution Plans

The ODWC's defined contribution plan (DC Plan) is a single-employer plan that covers the employees of ODWC with a hire date of July 1, 2010, or later. The DC Plan provides retirement benefits to plan members and their beneficiaries. At June 30, 2018, there were 125 plan members. Plan members are required to contribute 5% of compensation annually. The ODWC's annual contribution is based on the employee's number of completed years of credited service with the ODWC, defined as follows:

Years of Credited Service	Compensation Contributed by Employer
Less than 5	6%
At least 5, but less than 10	8%
At least 10, but less than 15	10%
At least 15 or more	12%

Employees vest in 100% of ODWC's contributions after 5 years of credited service.

For the year ended June 30, 2018, the ODWC contributed $316,000, and eligible employees contributed $248,000 to the DC Plan.

House Bill 2630 and Senate Bill 2120 directed OPERS to establish a defined contribution retirement system for members first employed by a participating employer of the system on or after November 1, 2015, including statewide elected officials and legislators. The provisions of this bill are not applicable to hazardous duty members, district attorneys, assistant district attorneys or other employees of the district attorney's office who will continue to participate in the defined benefit plan. Also excluded are employees of a county, county elected officials, county hospital, city or town, conservation district, circuit engineering district, and any public or private trust in which a county, city or town participates and is the primary beneficiary.

This defined contribution plan was created and implemented during the year ended June 30, 2016. Under this plan, participating employees contribute a minimum of 4.5% of their compensation. Participating employers match employee contributions up to 7%. In addition to the matching contributions, participating employers are required to remit to OPERS the difference between the matching contributions for defined contribution plan members and the amount the participating employer would have contributed for a defined benefit plan member.

At June 30, 2018, there were 6,605 plan members. For the year ended June 30, 2018, OPERS contributed $9,481,000 and eligible employees contributed $6,632,000 to the plan.

Note 15. Other Postemployment Benefits (OPEB)

1. General Description of the Other Postemployment Benefits

The Employees Group Insurance Division (EGID), a division of the Office of Management and Enterprise Services (OMES) manages a legal insurance trust which provides group health, life, dental and disability benefits for active employees and retirees (should they so elect) of state agencies, school districts and other governmental units. EGID, as a multi-line insurance provider, allows for retirees that are not yet eligible for Medicare benefits to participate in the insurance plans available to active employees. Current and retired employees participate in the same plans with blended premium rates creating an implicit rate subsidy for the retirees in the plan. This plan is not administered through a trust, and as a result, there are no assets to net against the total liability. Separately issued reports for the EGID plan can be obtained at https://omes.ok.gov/services/accounting-reporting.

ODWC, part of the primary government, at its expense, provides a health insurance allowance to retirees for the payment of health insurance premiums at retirement where the retiree elects continued coverage through EGID. This allowance is reduced when the retiree is eligible for Medicare. The coverage amount is established by ODWC on an annual basis and can be discontinued at the board's discretion.

As mandated by statute, the Oklahoma Law Enforcement Retirement System (OLERS), Oklahoma Public Employees Retirement System (OPERS), Uniform Retirement System for Judges and Justices (URSJJ) and Teachers' Retirement System (TRS) provide an OPEB benefit to retirees should a retiree make such an election at retirement to continue health coverage through the state's provider, EGID. This benefit is for a fixed amount that varies slightly from pension to pension, and the contribution is included in the employer pension contribution. Methods for obtaining separately issued independent audit reports, a summary of significant accounting policies of the pension plans and the statutory authority under which OPEB benefits are required to be paid are discussed in Note 14.

2. Employees Covered

At June 30, 2017, the following employees were covered by the benefit terms:

	Plans Outside of Trusts		OPEB Trust Funds			
	Employees Group Insurance Division	Department of Wildlife Conservation	Law Enforcement Retirement System	Uniform Retirement System for Judges and Justices	Public Employees Retirement System	Teachers' Retirement System
Active employees	31,971	212	1,277	262	38,873	87,795
Terminated, vested	-	27				
Inactive participants	3,038	219	619	160	20,213	61,875
Total	35,009	458	1,896	422	59,086	149,670

3. Net OPEB Liability

The State of Oklahoma measured a net OPEB asset of $11,819,000 and a net OPEB liability of $170,346,000 as of June 30, 2017, as determined by actuarial valuations of that date.

The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

	Employees Group Insurance Division	Department of Wildlife Conservation	Law Enforcement Retirement System	Uniform Retirement System for Judges and Justices	Public Employees Retirement System	Teachers' Retirement System
Inflation	0%	3.00%	2.75%	2.75%	2.75%	2.50%
Salary Increases	3.00-11.25%	N/A	3.50-9.75%	3.75%	3.50-9.50%	3.25%
Discount Rate	3.58%	3.62%	7.50%	7.00%	7.00%	7.50%
Healthcare cost trend	7.10% - 4.60%	5.00%	N/A	N/A	N/A	N/A
Retirees' share of benefit-related costs	0%	0%	0%	0%	0%	0%

Discount Rates

The discount rate was determined using the Bond Buyer GO 20-Bond Municipal Bond Index for the EGID. The discount rate for ODWC was measured using a Fidelity 20-year municipal bond index rate (AA/Aa or higher) as of June 29, 2018. For the remainder of OPEB plans, the discount rate is determined by the expected rate of return on assets of the associated pension plan as referenced in Note 14.

Mortality Rates

Mortality rates for EGID were based on RP-2006 combined healthy mortality table with a fully generational projection using Scale MP-2017.

ODWC based mortality rates for active and retired members on RP-2014 employee mortality tables with blue collar adjustment, projected to 2030 with Scale BB (separate rates for males and females). Disabled members of the ODWC plan have mortality rates calculated using the RP-2014 mortality table for disabled annuitants with blue collar adjustment, projected to 2030 with scale BB, separate rates for males and females.

The Oklahoma Law Enforcement Retirement System (OLERS) uses RP-2014 blue collar healthy table with generational projection using Scale MP-2016 for both pre-retirement and post-retirement for retiree mortality rates. For disability mortality rates, OLERS uses RP-2014 blue collar table with no projection from the 2006 base rates.

For the actuarial report prepared as of June 30, 2017, the Uniform Retirement System for Judges and Justices (URSJJ) determined mortality rates using RP-2014 blue collar active healthy mortality table with base rates projected to 2025 using scale MP-2016 rates set back one year. URSJJ uses RP-2014 blue collar retiree healthy mortality table with base rates projected to 2025 using Scale MP-2016 for retirees and disability mortality rates were based on the post-retirement mortality rates with rates set forward twelve years.

The Oklahoma Public Employees Retirement System (OPERS) uses RP-2014 mortality tables projected to 2025 by scale MP-2016. Disabled pensioner rates are set forward twelve years.

Oklahoma Teachers’ Retirement System (OTRS) determines the discount rate using RP-2000 combined healthy mortality table for males with white collar adjustments for male retirees. Generational mortality improvements are in accordance with scale BB from the table’s base year of 2000. For female retirees, OTRS uses Gabriel Roder Smith & Company southwest region teacher mortality table, scaled to 105%. Generational mortality improvements are in accordance with scale BB from the table's base year of 2012.

Actuarial Assumptions

The EGID implicit rate subsidy valuation report dated July 1, 2017, is based on a measured date of July 1, 2017, with a measurement period of July 1, 2016, to July 1, 2017.

The ODWC actuarial assumptions in the actuarial report dated June 30, 2017, is prepared on a measured date of June 30, 2017, based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015.

The actuarial assumptions used in the June 30, 2017, valuation report by OLERS is measured as of June 30, 2017, and are based on the results of the most recent actuarial experience study, which covers the five-year period ending June 30, 2016. The experience study report is dated May 10, 2017.

URSJJ is measured as of June 30, 2017, in the valuation report of the same date, and based the actuarial assumptions on the results of the most recent actuarial experience study, which covers the three-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

The actuarial assumptions used in the July 1, 2017, valuation report measured on the same date by OPERS are based on the results of the most recent actuarial experience study, which covers the three-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

The actuarial assumptions used in the July 1, 2017, valuation report by OTRS were measured July 1, 2017, and are based on the results of the most recent actuarial experience study, which covers the five-year period ending June 30, 2014. The experience study report is dated May, 2015.

4. Changes in the OPEB Liability

	Employees Group Insurance Division	Department of Wildlife Conservation	Law Enforcement Retirement System	Uniform Retirement System for Judges and Justices	Public Employees Retirement System	Teachers' Retirement System	Total
Total Liability at June 30, 2016	$ 158,189	$ 4,532	$ 13,195	$ 2,488	$ 251,693	$ 113,391	$ 543,488
Change for the year:							
Service cost	5,920	119	357	123	6,714	1,733	14,966
Interest	4,497	177	958	174	17,716	8,274	31,796
Changes of benefit terms	-	2,992	-	-	-	-	2,992
Differences between expected and actual experience	-	(28)	(502)	(13)	(13,158)	(3,699)	(17,400)
Changes in assumptions or other inputs	(7,404)	180	(304)	107	8,695	-	1,274
Benefit Payments	(12,706)	(236)	(848)	(180)	(14,918)	(7,903)	(36,791)
Change in Total Liability	(9,693)	3,204	(339)	211	5,049	(1,595)	(3,163)
Total Liability at June 30, 2017	$ 148,496	$ 7,736	$ 12,856	$ 2,699	$ 256,742	$ 111,796	$ 540,325
Plan Net Position at June 30, 2016	$ -	$ -	$ -	$ 2,563	$ 219,958	$ 113,391	$ 335,912
Change for the year:							
Contributions - Employer	-	-	849	178	14,784	1,698	17,509
Net investment income	-	-	-	330	28,068	16,244	44,642
Benefit payments	-	-	(849)	(179)	(14,918)	(7,903)	(23,849)
Administrative expense	-	-	-	(1)	(144)	(7)	(152)
Change in Net Position	-	-	-	328	27,790	10,032	38,150
Total Net Position at June 30, 2017	$ -	$ -	$ -	$ 2,891	$ 247,748	$ 123,423	$ 374,062
Total OPEB Liability (Asset)	$ 148,496	$ 7,736	$ 12,856	$ (192)	$ 8,994	$ (11,627)	$ 166,263

(Balances are shown, in thousands, as of the measurement date.)

Changes in Assumptions and Other Inputs

Employees Group Insurance Division: The discount rate to calculate liabilities was changed from 2.85% as of July 1, 2016, to 3.58% as of July 1, 2017.

Oklahoma Department of Wildlife Conservation: Effective July 1, 2018, the health insurance allowance for eligible employees was increased from $150 per month to $250 per month.

Oklahoma Law Enforcement Retirement System: Price inflation was lowered from 3.00% to 2.75%; interest credit on deferred option plan balances was increased from 8.00% to 11.00%; mortality assumption was revised to reflect recent mortality improvements; revisions made to salary scale, retirement rates, withdrawal rates, disability rates, and included a salary increase reserve to stabilize liabilities with the historical pattern of infrequent, but large, across-the-board pay increases.

Uniform Retirement System for Judges and Justices: Investment return was decreased from 7.25% to 7.00%; price inflation was decreased from 3.00% to 2.75%; real wage growth was decreased from 1.00% to 0.75%; mortality assumption was changed to reflect recent mortality improvements; salary scale assumption was decreased from 5.00% to 3.75%, and retirement rates were revised.

Oklahoma Public Employees Retirement System: Investment return was decreased from 7.25% to 7.00%; price inflation was decreased from 3.00% to 2.75%; real wage growth was decreased from 1.00% to 0.75%; mortality assumption was changed to reflect recent mortality improvements; salary scale assumptions, withdrawal rates, disability rates, and retirement rates were revised.

5. Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the State of Oklahoma, as well as what the projected OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate (in thousands):

Employees Group Insurance Division

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	$ 158,499	$ 148,496	$ 139,181

Oklahoma Department of Wildlife Conservation

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB Liability	$ 8,603	$ 7,736	$ 6,996

Oklahoma Law Enforcement Retirement System

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Net OPEB Liability	$ 14,305	$ 12,856	$ 11,636

Uniform Retirement System for Judges and Justices

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 34	$ (192)	$ (391)

Oklahoma Public Employees Retirement System

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 35,525	$ 8,994	$ (13,815)

Oklahoma Teachers Retirement System

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Net OPEB Liability	$ (487)	$ (11,627)	$ (21,153)

6. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the net OPEB liability at June 30, 2018, calculated using the healthcare trend rate, as well as what the trend rate increasing or decreasing by 1-percentage-point. Of the OPEB plans, only the EGID implicit rate subsidy and ODWC are affected by the healthcare trend rate.

Employee Group Insurance Division

	1% Decrease (6.10% - 3.60%)	Discount Rate (7.10% - 4.60%)	1% Increase (8.10% - 5.60%)
Total OPEB Liability	$ 136,291	$ 148,496	$ 162,633

Oklahoma Department of Wildlife Conservation

	1% Decrease (4.00%)	Discount Rate (5.00%)	1% Increase (6.00%)
Total OPEB Liability	$ 7,709	$ 7,736	$ 7,761

7. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

The following tables illustrate the deferred inflows and outflows as of June 30, 2018, based on the requirements of Governmental Accounting Standards Board Statement 75 (in thousands):

	Employees Group Insurance Division	Department of Wildlife Conservation	Law Enforcement Retirement System	Uniform Retirement System for Judges and Justices	Public Employees Retirement System	Teachers' Retirement System	Total
Deferred Outflows:							
Changes of assumptions or other inputs	$ -	$ 157	$ -	$ -	$ 7,325	$ -	$ 7,482
Subsequent contributions	11,008	236	1,285	180	14,982	759	28,450
Total deferred outflows	$ 11,008	$ 393	$ 1,285	$ 180	$ 22,307	$ 759	$ 35,932
Deferred Inflows:							
Changes of assumptions or other inputs	$ (5,795)	$ (24)	$ (436)	$ -	$ -	$ -	$ (6,255)
Differences between expected and actual experience	-	-	(265)	-	(11,086)	(3,121)	(14,472)
Differences between projected and actual investment earnings	-	-	-	-	(9,705)	(6,378)	(16,083)
Total deferred inflows	$ (5,795)	$ (24)	$ (701)	$ -	$ (20,791)	$ (9,499)	$ (36,810)
OPEB Expense	8,807	236	1,211	179	5,508	(431)	15,510

Amounts reported as deferred outflows of resources and deferred inflows of resources are recognized in OPEB expense as follows (in thousands):

	Employees Group Insurance Division	Department of Wildlife Conservation	Law Enforcement Retirement System	Uniform Retirement System for Judges and Justices	Public Employees Retirement System	Teachers' Retirement System	Total
Year ended June 30:							
2019	$ (1,610)	$ 19	$ (105)	$ -	$ (3,129)	$ (2,172)	$ (6,997)
2020	(1,610)	19	(105)	-	(3,129)	(2,172)	(6,997)
2021	(1,610)	19	(105)	-	(3,129)	(2,172)	(6,997)
2022	(965)	19	(105)	-	(3,129)	(2,172)	(6,352)
2023	-	19	(105)	-	(703)	(578)	(1,367)
Thereafter	-	38	(176)	-	(247)	(233)	(618)

Note 16. On-Behalf Payments

The Oklahoma Teachers' Retirement System (OTRS) 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 OTRS increased from 4.5% to 5.0% on July 1, 2007, and thereafter. OTRS receives 1% of the cigarette taxes and receives 5% of the net lottery proceeds collected by the state. OTRS received approximately $344,610,000 from the state for the year ended June 30, 2018.

The Oklahoma Firefighters Pension and Retirement System (OFPRS) received 36% of the state's insurance premium tax revenue. OFPRS received approximately $100,333,000 from the state for the year ended June 30, 2018. Of the same insurance premium tax revenue, the Oklahoma Police Pension and Retirement System (OPPRS) and Oklahoma Law Enforcement Retirement System (OLERS) received 14% and 5% respectively. OPPRS and OLERS received approximately $39,028,000 and $13,935,000, respectively, from the state for the year ended June 30, 2018.

Note 17. Commitments

Primary Government

For the year ended June 30, 2018, the general fund has encumbrances of $531,020,000 within the restricted and committed fund balances of the governmental funds.

The Department of Transportation has contractual commitments at June 30, 2018, of approximately $986,446,000 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 has long-term projects totaling $19,145,000 for the general fund.

The Oklahoma Capital Improvement Authority has issued bonds in the aggregate principal amount of $120,000,000 for the Office of Management and Enterprise Services to provide funding for repairs, refurbishments and improvements to the State Capitol Building. This bond issuance is the first series of obligations sold as part of two authorizations totaling $245,000,000 for the Capitol repair project.

Component Units

The University of Oklahoma has outstanding commitments under construction contracts totaling $29,122,000 at June 30, 2018.

Oklahoma State University has outstanding commitments under construction contracts of approximately $64,558,000 at June 30, 2018.

The Oklahoma Turnpike Authority (OTA) has commitments outstanding at December 31, 2017, relating to equipment orders and supplies of approximately $12,636,000. At December 31, 2017, OTA has commitments outstanding relating to construction and maintenance contracts of approximately $106,087,000.

The Oklahoma Municipal Power Authority (OMPA) purchased approximately $15,241,000 of power pursuant to several long-term purchase agreements during 2017. OMPA is obligated to purchase, at a minimum, approximately $14,770,000 of power in 2018.

The Grand River Dam Authority (GRDA) makes and receives commitments for purchases of coal and other materials. GRDA had contractual commitments at December 31, 2017 for long-term coal and freight purchases through 2025. The estimated minimum obligations for the next fiscal year, ending December 31, 2018, are $40,045,000, and total obligations of $362,578,000 are through 2025.

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 were adjudicated against the state, but remain unpaid as of June 30, 2018.

The state receives significant financial assistance from the federal government in the form of grants and entitlements. Assistance is generally conditioned upon compliance with requirements 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 can become a liability of the state.

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 $933,000 to $37,192,000.

The Department of Transportation (DOT) incurred significant expenditures on construction projects that 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, 2018, DOT has project expenditures of $233,000 that shall be reimbursed pending approval of the federal grantor.

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, 2018, OCIB has a maximum commitment line of credit of $16,000,000, and the line of credit had an outstanding balance of $10,683,000. All of the outstanding balance is classified as long-term debt. In addition to the debt, OCIB reported a net position deficit of $997,000 as of June 30, 2018.

The credits and OCIB’s right to transfer the credits expire if not utilized by July 1, 2020. As of June 30, 2018, $33,715,000 of tax credits were 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 authority to issue up to $20,000,000 of tax credits per year with an overall maximum of $100,000,000. The remaining $66,285,000 of tax credits were not considered impaired at June 30, 2018, as there is sufficient time remaining for the tax credits to be utilized before they expire.

Note 19. Tax Abatements

The State of Oklahoma (state) provides tax abatements under six programs: Historic Rehabilitation tax credits, Quality Jobs programs (Quality Jobs, Small Employer and 21st Century), Oklahoma Film Enhancement rebates, the Quality Events Program, Small Business Incubators (Sponsors and Tenants) and New Products Development Income Tax Exemptions. Tribal compacts with Native American tribes also provide abatements to cigarette tax collections.

The Historic Rehabilitation Tax Credits Program, established by the Legislature – 68 Oklahoma Statute (O.S.) § 2357.41 – promotes the rehabilitation of historic structures of every period. These credits can be claimed at any time after the relevant local governmental body responsible for doing so issues a certificate of occupancy or other document that is a precondition for the applicable use of the building or structure. During the fiscal year ended June 30, 2018, estimated tax credits in the amount of $37,623,000 were approved for 24 structures. Historic Rehabilitation tax credits used to reduce tax liability in 2017 was $7,502,000.

Three quality jobs programs are administered by the Oklahoma Department of Commerce (ODOC) for which the state provides incentive payments that are paid from income tax collections:

The Oklahoma Quality Jobs Program was established by the Legislature (68 O.S. § 3601) to provide an incentive for companies to expand or relocate jobs to Oklahoma. Companies meeting certain statutory requirements can receive a rebate up to 5% of new taxable payroll for up to 10 years. The requirements include creating jobs within a qualifying industry as noted by the North American Industry Classification System description; paying wages on the newly created jobs equal to the average county wage or state threshold wage, whichever is lower; achieving $2,500,000 in new annual taxable payroll within three years; and offering basic health insurance to employees within 180 days of employment. Companies can receive up to a 6% rebate if at least 10% of new payroll is comprised of qualified military veterans.

Under certain circumstances, some program requirements may be amended or waived.

A company that participates in the Oklahoma Quality Jobs Program but fails to maintain a business presence in the state of Oklahoma within three years of start date must repay all program benefits received and may not re-apply for the program for one year following dismissal.

The Small Employer Quality Jobs Program (68 O.S. §3901) was established to provide appropriate incentives to support the creation of quality jobs, particularly for small businesses, in basic industries of the state. Companies applying for the Small Employer program must have 90 employees or less at the time of application to the program. Rebates under the program are received for up to seven years. Program requirements include creating a minimum number of new jobs based on the population of the community where the company is located; having 75% out-of-state sales within one year of program start date; paying the newly created jobs at 110% of the average county wage; and offering basic health insurance within 180 days of employment (the employee must not pay more than 50% of the premium).

The 21st Century Quality Jobs Program (68 O.S. §3911-3920) was established to provide appropriate incentives to attract growth industries and sectors to Oklahoma in the 21st century through a policy of rewarding businesses with a highly skilled, knowledge-based workforce. The program allows a net benefit rate of up to ten percent of payroll for up to ten years and requires at least ten full-time jobs at an annual average wage of the lesser of $95,243 (the state wage, which is indexed every year) or 300% of the county’s average wage. Out-of-state sales for the company must be at least 50% for most participants. The program targets industries, such as knowledge-based service industries, including professional, scientific and technical services; music, film and performing arts; and specialty hospitals.

During the fiscal year ended June 30, 2018, 96 companies received payments totaling $60,085,000 as part of Quality Jobs Programs.

In an effort to increase the attractiveness of Oklahoma as a location for the film industry, the Oklahoma Film Enhancement rebate was established by the Legislature (68 O.S. §§ 3621-3626). A rebate, of up to 35% of documented expenditures made in Oklahoma directly attributable to the production of film, television production, or television commercials, may be paid to the production company. The Oklahoma Film and Music Commission and the Oklahoma Tax Commission (OTC) administer the program. During the fiscal year ended June 30, 2018, five film companies were rebated corporate income tax amounting to $2,474,000.

The Quality Events Incentive (68 O.S. §4301-4311) was designed to promote certain quality events that have a significant positive economic impact. A quality event is a new event of a meeting of a nationally recognized organization, a new or existing event that is a national, international or world championship, or a new or existing event that is managed or produced by an Oklahoma based national or international organization. The host community must submit a resolution and information pertaining to the event (geographic area, length of time for revenue capture, expenses, event history, and economic impact) to the OTC within 30 days of the date on which the host community adopts the ordinance or resolution. The OTC will then approve or disapprove the impact study. The ODOC and the Oklahoma Tourism and Recreation Department provide assistance and information, as requested, by the OTC to approve or disapprove an economic impact study.

During the fiscal year ended June 30, 2018, nine events were certified by the Quality Events Incentive Program, and $417,000 in sales tax was abated.

A business incubator is a facility in which small businesses may rent space and where management provides business development services, such as financial consulting and marketing assistance. The Small Business Incubators program offers tax exemptions for both sponsors (74 O.S. §5075) and tenants (74 O.S. §5078) of business incubators that register with ODOC.

The income of a certified incubator sponsor is exempt from Oklahoma income taxes on income earned from rental fees, other income derived from services provided to the tenants, or for providing funding for an incubator site.

The tenant is exempt from state tax liability on income earned as a result of activities conducted as an occupant in a certified incubator for up to ten years from the occupancy date in an incubator site in accordance with rules of the OTC. The exemption remains in effect after the date the tenant is no longer an occupant in an incubator, but not to exceed a total of ten years.

Reporting for tax exemptions related to business incubator tenants and sponsors is commingled with other tax exemptions on the forms provided to the OTC. As a result, it is not possible to determine the amount of tax abated during the fiscal year ended June 30, 2018.

Under the New Products Development Income Tax Exemption (74 O.S. § 5064.7), royalties earned by an inventor from a product developed and manufactured in the state shall be exempt from state income tax for a period of seven years from the first year in which such royalty is received as long as the manufacturer remains in the state. In addition, such manufacturer may exclude from state taxable income, or in the case of an individual, the state adjusted gross income, 65% of the cost of depreciable property purchased and utilized directly in manufacturing the product. To qualify for the incentives, the product shall be patented or have patent pending pursuant to federal law and shall be registered with Oklahoma Center for the Advancement of Science and Technology.

The reporting for tax exemptions related to New Products Development Income Tax Exemptions is commingled with other tax exemptions on the forms provided to OTC. As a result, it is not possible to determine the amount of tax abated during the fiscal year ended June 30, 2018.

Twenty-nine American Indian tribes, governed within the state's borders, collect cigarette taxes on behalf of the state through compact agreements. Only a portion of the taxes are remitted to the state, with the tribe retaining the remainder as defined by the compact agreement. During the fiscal year ended June 30, 2018, the portion of tax retained by tribes ranged from 50-80% and resulted in $46,654,000 of tax abated.

Information relevant to disclosure of those programs for the fiscal year ended June 30, 2018, is:

Tax Abatement Program	Amount of Taxes Abated (in thousands)
Historic Rehabilitation Tax Credits Used	$ 7,502
Quality Jobs Programs	60,085
Oklahoma Film Enhancement Rebate	2,474
Quality Events Program	417
Cigarette Tax Tribal Compacts	46,654

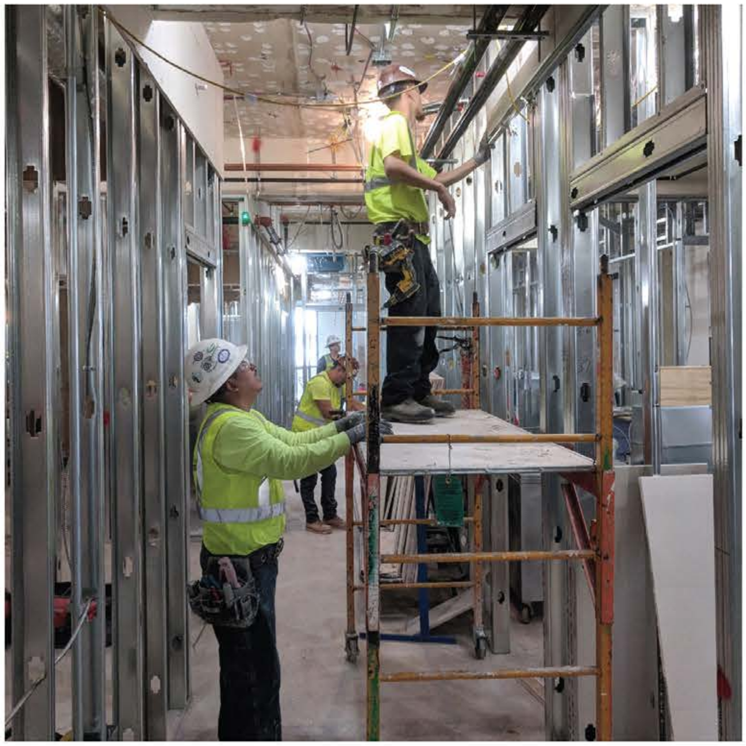
Note 20. Subsequent Events

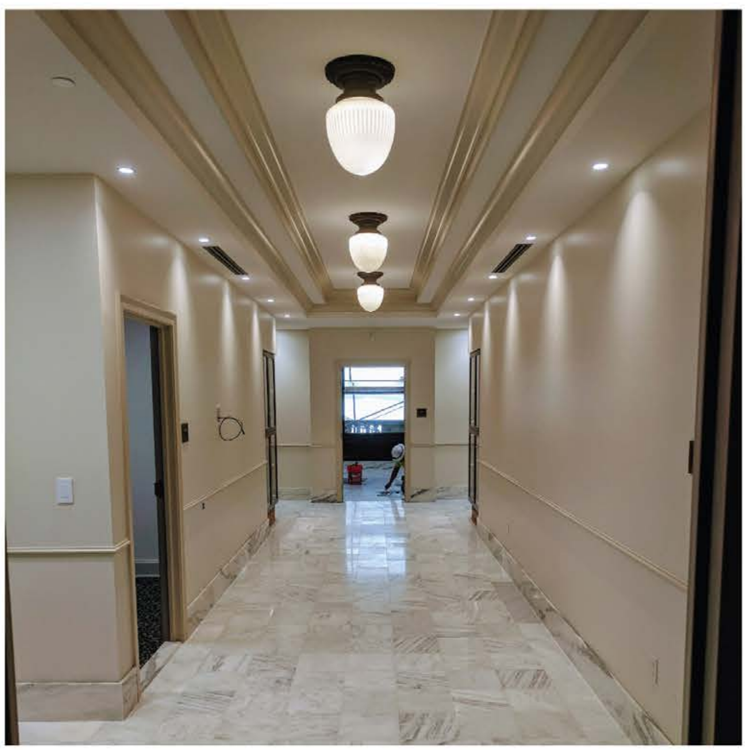
Oklahoma Capital Improvement Authority (OCIA) has authorized lease revenue bonds totaling $455,171,000 for outstanding tax-exempt issues. OCIA issued $212,345,000 from this authorization after, June 30, 2018.

Oklahoma Water Resources Board has authorized, but not issued, bonds totaling $300,000,000 for the state loan program.

Component Unit

Oklahoma State University has authorized but not issued bonds totaling $35,000,000 for the construction of facilities to expand telemedicine to rural areas in Oklahoma.





Top: Wall framing is installed in the auditor's office suite.
Bottom: The finishing touches are put on the Secretary of State's first floor suite.

Budgetary Comparison Schedule
Budget to Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

		GENERAL FUND				
		BUDGET				
		ORIGINAL	*Amendments*	FINAL	ACTUAL	VARIANCE
EDUCATION						
State Arts Council						
01	Duties	$ 2,795	$ (18)	$ 2,777	$ 1,727	$ 1,050
11	FY17 Carryover	-	315	315	24	291
	Agency Total	2,795	297	3,092	1,751	1,341
Department Of Education						
01	Financial support of Public Schools	1,036,430	(15,358)	1,021,072	1,020,794	278
01	Financial support of Public Schools (Min Lea)	4,275	-	4,275	2,930	1,345
02	Financial support of Public Schools (Min Lea)	2,624	-	2,624	2,624	-
18	Financial support of Public Schools (Lottery)	25,940	-	25,940	25,745	195
16	Financial support of Public Schools (Lottery)	5,430	-	5,430	5,430	-
02	Public School Activities	92,074	(755)	91,319	79,025	12,294
03	Certified Employee Health Benefit Allowance	299,320	-	299,320	299,320	-
04	Support Personnel Health Benefit Allowance	163,376	-	163,376	163,376	-
05	Administrative and Support Functions	15,681	(128)	15,553	9,630	5,923
18	Transfer to School Consolidation Assistance Fund (FY-2015)	2,882	-	2,882	-	2,882
16	Transfer to School Consolidation Assistance Fund (FY-2013)	603	-	603	603	-
18	Transfer to OTRS (FY-2018)	2,882	-	2,882	2,288	594
16	Transfer to OTRS (FY-2016)	603	-	603	603	-
03	Financial support of Public Schools	33,000	-	33,000	33,000	-
04	Financial support of Public Schools	18,000	-	18,000	18,000	-
01	Ad Valorem Reimbursement Fund	-	92,700	92,700	92,700	-
	Agency Total	1,703,120	76,459	1,779,579	1,756,068	23,511
Office of Educational Quality and Accountability						
01	Duties	1,120	(7)	1,113	665	448
03	Duties	500	-	500	297	203
11	FY17 Carryover	-	557	557	557	-
	Agency Total	1,620	550	2,170	1,519	651
Commissioners of the Land Office						
01	Duties	8,539	-	8,539	7,199	1,340
	Agency Total	8,539	-	8,539	7,199	1,340
Department of Libraries						
01	Duties	4,387	(29)	4,358	4,180	178
11	FY17 Carryover	-	100	100	100	-
	Agency Total	4,387	71	4,458	4,280	178
Physician Manpower Training Commission						
01	Duties	2,915	(22)	2,893	2,047	846
04	Duties	400	-	400	396	4
21	FY16 Carryover	-	3	3	3	-
11	FY17 Carryover	-	272	272	266	6
13	FY17 Carryover	-	121	121	107	14
	Agency Total	3,315	374	3,689	2,819	870
Center for Advancement of Science and Technology						
01	Duties	13,423	(89)	13,334	12,339	995
11	FY17 Carryover	-	258	258	246	12
	Agency Total	13,423	169	13,592	12,585	1,007

Oklahoma School of Science and Math

01	Duties	$ 6,121	$ (39)	$ 6,082	$ 4,789	$ 1,293
12	FY17 Carryover	-	1,062	1,062	1,019	43
	Agency Total	6,121	1,023	7,144	5,808	1,336

Department of Career and Technology Education

08	Duties	108,181	(746)	107,435	98,719	8,716
18	Ed & Gen Oper Budgets, Construc,Maint,Rep (FY-2016 Lottery	3,170	-	3,170	230	2,940
16	Ed & Gen Oper Budgets, Construc,Maint,Rep (FY-2014)	664	-	664	-	664
18	FY17 Carryover	-	7,491	7,491	7,491	-
	Agency Total	112,015	6,745	118,760	106,440	12,320

Education Total	1,855,335	85,688	1,941,023	1,898,469	42,554

GENERAL GOVERNMENT

Office of Management and Enterprise Services

01	Duties	24,007	(222)	23,785	22,770	1,015
01	For transfer to Bldg & Fac Revolv (Fund 245)	2,140	-	2,140	1,962	178
02	For transfer to Bldg & Fac Revolv (Fund 245)	1,736	-	1,736	1,736	-
01	Governor Transition Costs	-	30	30	-	30
03	Reconcile costs associated with state pension systems	-	5,600	5,600	-	5,600
02	Duties (Capitol Bond Debt Service)	-	13,865	13,865	-	13,865
21	FY16 Carryover	-	243	243	243	-
11	FY17 Carryover	-	1,393	1,393	1,393	-
	Agency Total	27,883	20,909	48,792	28,104	20,688

Department of Commerce

01	Duties	14,850	(96)	14,754	11,784	2,970
02	Duties - NACEA	5,968	(6)	5,962	5,323	639
01	Closing Fund	-	4,000	4,000	-	4,000
11	FY17 Carryover	-	1,873	1,873	1,238	635
12	FY17 Carryover	-	109	109	109	-
	Agency Total	20,818	5,880	26,698	18,454	8,244

State Election Board

01	Duties	6,338	(52)	6,286	5,058	1,228
04	Duties	1,500	-	1,500	215	1,285
11	FY17 Carryover	-	1,111	1,111	1,111	-
13	FY17 Carryover	-	671	671	671	-
	Agency Total	7,838	1,730	9,568	7,055	2,513

Ethics Commission

01	Duties	704	(5)	699	685	14
	Agency Total	704	(5)	699	685	14

Merit Protection Commission

01	Duties	361	(2)	359	231	128
11	FY17 Carryover	-	142	142	139	3
	Agency Total	361	140	501	370	131

State Auditor and Inspector

01	Duties	3,138	(21)	3,117	3,107	10
02	County Govt Personnel Educ & Trng	225	(2)	223	205	18
11	FY17 Carryover	-	29	29	28	1
12	FY17 Carryover	-	2	2	2	-
	Agency Total	3,363	8	3,371	3,342	29

Governor

01	Duties	1,641	(11)	1,630	1,553	77
11	FY17 Carryover	-	156	156	156	-
	Agency Total	1,641	145	1,786	1,709	77

Lieutenant Governor

01	Duties	373	(2)	371	263	108
21	FY16 Carryover	-	2	2	2	-
11	FY17 Carryover	-	133	133	133	-
	Agency Total	373	133	506	398	108

Tax Commission

30	Duties	$ 43,026	$ (292)	$ 42,734	$ 39,443	$ 3,291
	Agency Total	43,026	(292)	42,734	39,443	3,291

Treasurer

01	Duties	2,583	(18)	2,565	1,314	1,251
03	State Land Reimbursements	95	-	95	95	-
21	FY16 Carryover	-	126	126	115	11
11	FY17 Carryover	-	1,703	1,703	1,533	170
	Agency Total	2,678	1,811	4,489	3,057	1,432

General Government Total	108,685	30,459	139,144	102,617	36,527

HEALTH SERVICES

Department of Health

01	Duties	53,084	(348)	52,736	35,625	17,111
	Agency Total	53,084	(348)	52,736	35,625	17,111

Mental Health and Substance Abuse

01	Duties	189,129	11,726	200,855	169,944	30,911
05	Duties	63,361	30,157	93,518	93,518	-
01	Duties (Health Care Enhancement Fund)	75,000	(75,000)	-	-	-
02	Duties	-	7,614	7,614	-	7,614
01	Duties	-	23,338	23,338	23,338	-
11	FY17 Carryover	-	2,099	2,099	2,099	-
	Agency Total	327,490	(66)	327,424	288,899	38,525

Health Care Authority

01	Duties (to Disbursing Funds 200 and 340)	850,719	15,440	866,159	866,159	-
04	Duties (to Disbursing Funds 200 and 340)	52,000	22,866	74,866	74,866	-
02	Duties	-	7,179	7,179	7,179	-
01	Duties (Health Care Enhancement Fund)	70,000	(70,000)	-	-	-
02	Duties	-	17,712	17,712	17,712	-
01	Duties	32,000	-	32,000	32,000	-
	Agency Total	1,004,719	(6,803)	997,916	997,916	-

Health Services Total	1,385,293	(7,217)	1,378,076	1,322,440	55,636

LEGAL AND JUDICIARY

Indigent Defense System

01	Duties	15,960	(106)	15,854	13,798	2,056
11	FY17 Carryover	-	660	660	486	174
	Agency Total	15,960	554	16,514	14,284	2,230

Attorney General

01	Duties	9,164	(54)	9,110	8,690	420
02	For transfer to the Legal Services Rev Fund	905	(6)	899	899	-
11	FY17 Carryover	-	542	542	504	38
	Agency Total	10,069	482	10,551	10,093	458

Court of Criminal Appeals

01	Duties	3,605	(24)	3,581	3,405	176
11	FY17 Carryover	-	179	179	176	3
	Agency Total	3,605	155	3,760	3,581	179

District Courts

01	Duties - District Courts	10,858	(363)	10,495	10,472	23
11	FY17 Carryover	-	285	285	285	-
	Agency Total	10,858	(78)	10,780	10,757	23

Supreme Court

01	Duties	7,745	(76)	7,669	6,236	1,433
11	FY17 Carryover	-	886	886	886	-
	Agency Total	7,745	810	8,555	7,122	1,433

Legal and Judiciary Total	48,237	1,923	50,160	45,837	4,323

MUSEUMS

J.M. Davis Arms and Historical Museum

01	Duties	$ 231	$ (2)	$ 229	$ 196	$ 33
	Agency Total	231	(2)	229	196	33

Historical Society

01	Duties	10,906	(49)	10,857	10,137	720
	Agency Total	10,906	(49)	10,857	10,137	720

Museums Total	11,137	(51)	11,086	10,333	753

NATURAL RESOURCES

Department of Agriculture

01	Duties	20,773	(145)	20,628	20,347	281
03	Duties	1,693	-	1,693	1,693	-
11	FY17 Carryover	-	142	142	58	84
	Agency Total	22,466	(3)	22,463	22,098	365

Department of Environmental Quality

01	Duties	4,696	(38)	4,658	4,416	242
	Agency Total	4,696	(38)	4,658	4,416	242

Department of Tourism and Recreation

01	Duties	16,491	(109)	16,382	13,660	2,722
11	FY17 Carryover	-	155	155	155	-
	Agency Total	16,491	46	16,537	13,815	2,722

Conservation Commission

01	Duties	9,707	(50)	9,657	8,122	1,535
11	FY17 Carryover	-	63	63	61	2
	Agency Total	9,707	13	9,720	8,183	1,537

Water Resources Board

01	Duties	5,247	(35)	5,212	4,933	279
11	FY17 Carryover	-	74	74	74	-
	Agency Total	5,247	39	5,286	5,007	279

Natural Resources Total	58,607	57	58,664	53,519	5,145

PUBLIC SAFETY AND DEFENSE

Oklahoma Military Department

01	Duties	9,969	(62)	9,907	7,344	2,563
11	FY17 Carryover	-	862	862	737	125
	Agency Total	9,969	800	10,769	8,081	2,688

Alcohol Beverage Laws Enforcement

01	Duties	2,458	(16)	2,442	2,432	10
11	FY17 Carryover	-	17	17	17	-
	Agency Total	2,458	1	2,459	2,449	10

Department of Corrections

30	Duties	478,669	(3,189)	475,480	455,582	19,898
40	Duties	1,064	-	1,064	1,064	-
04	Duties	5,279	-	5,279	5,279	-
01	Duties	-	8,750	8,750	3,513	5,237
31	FY17 Carryover	-	8,166	8,166	8,071	95
	Agency Total	485,012	13,727	498,739	473,509	25,230

District Attorney's Council

01	Duties (w/ allowance to transfer $491,014 to 22500)	32,790	(217)	32,573	32,327	246
11	FY17 Carryover	-	484	484	478	6
	Agency Total	32,790	267	33,057	32,805	252

Pardon and Parole Board

01	Duties	$ 2,182	$ (14)	$ 2,168	$ 1,375	$ 793
11	FY17 Carryover	-	466	466	466	-
	Agency Total	2,182	452	2,634	1,841	793

State Bureau of Investigation

01	Duties	11,892	(65)	11,827	11,827	-
11	FY17 Carryover	-	87	87	-	87
	Agency Total	11,892	22	11,914	11,827	87

Department of Emergency Management

01	Duties	479	(3)	476	428	48
11	FY17 Carryover	-	19	19	-	19
	Agency Total	479	16	495	428	67

Board of Medicolegal Investigations

01	Duties	10,971	(73)	10,898	9,674	1,224
11	FY17 Carryover	-	976	976	976	-
	Agency Total	10,971	903	11,874	10,650	1,224

Council on Law Enforcement, Education, and Training

01	Duties	2,684	(18)	2,666	2,367	299
02	Duties	86	-	86	67	19
11	FY17 Carryover	-	80	80	6	74
	Agency Total	2,770	62	2,832	2,440	392

Bureau of Narcotics and Dangerous Drugs

01	Duties	2,941	(20)	2,921	2,921	-
	Agency Total	2,941	(20)	2,921	2,921	-

Department of Public Safety

01	Duties	72,048	(651)	71,397	62,241	9,156
01	Duties (from State Public Safety Fund)	17,860	-	17,860	17,860	-
01	Duties (From CLEET fund)	624	18	642	464	178
	Agency Total	90,532	(633)	89,899	80,565	9,334

Public Safety and Defense Total	651,996	15,597	667,593	627,516	40,077

REGULATORY SERVICES

Department of Mines

01	Duties	738	(5)	733	723	10
12	FY16 Carryover	-	21	21	-	21
11	FY17 Carryover	-	11	11	-	11
	Agency Total	738	27	765	723	42

Corporation Commission

01	Duties	7,787	(64)	7,723	7,712	11
11	FY17 Carryover	-	237	237	237	-
	Agency Total	7,787	173	7,960	7,949	11

Department of Labor

04	Duties	1,858	(23)	1,835	1,451	384
01	Duties	1,425	-	1,425	1,011	414
02	Duties	234	-	234	134	100
13	FY17 Carryover	-	422	422	422	-
	Agency Total	3,517	399	3,916	3,018	898

Regulatory Services Total	12,042	599	12,641	11,690	951

SOCIAL SERVICES

Commission on Children and Youth

10	Duties	1,658	(11)	1,647	1,438	209
11	FY17 Carryover	-	131	131	131	-
	Agency Total	1,658	120	1,778	1,569	209

Office of Disability Concerns						
01	Duties	$ 234	$ (2)	$ 232	$ 151	$ 81
11	FY17 Carryover	-	50	50	50	-
	Agency Total	234	48	282	201	81
Office of Juvenile Affairs						
01	Duties	91,532	(607)	90,925	75,568	15,357
12	FY17 Carryover	-	304	304	-	304
11	FY17 Carryover	-	1,320	1,320	1,317	3
	Agency Total	91,532	1,017	92,549	76,885	15,664
Department of Veterans Affairs						
01	Duties	27,846	(199)	27,647	23,017	4,630
11	FY17 Carryover	-	2,512	2,512	2,512	-
	Agency Total	27,846	2,313	30,159	25,529	4,630
J.D. McCarty Center						
10	Duties	3,859	(19)	3,840	3,414	426
11	FY17 Carryover	-	50	50	31	19
	Agency Total	3,859	31	3,890	3,445	445
Department of Rehabilitation Services						
01	Duties (to disbursing funds)	29,564	(190)	29,374	29,374	-
	Agency Total	29,564	(190)	29,374	29,374	-
University Hospitals Authority						
01	Duties	37,669	(250)	37,419	33,550	3,869
11	FY17 Carryover	-	248	248	248	-
	Agency Total	37,669	(2)	37,667	33,798	3,869
Department of Human Services						
01	Duties (to Disbursing Funds)	571,868	2,826	574,694	574,694	-
05	Duties (to Disbursing Funds)	59,044	28,069	87,113	87,113	-
02	Duties	-	6,962	6,962	6,962	-
02	Duties	-	26,500	26,500	26,500	-
01	Duties (Health Care Enhancement Fund)	69,000	(69,000)	-	-	-
	Agency Total	699,912	(4,643)	695,269	695,269	-
Social Services Total		892,274	(1,306)	890,968	866,070	24,898
TRANSPORTATION						
01	Duties to Space Industries Dev. (To the Space Ind. Dev. Auth	290	-	290	290	-
	Agency Total	290	-	290	290	-
Transportation Total		290	-	290	290	-
General Fund Total		$ 5,023,896	$ 125,749	$ 5,149,645	$ 4,938,781	$ 210,864

SUMMARY OF REVENUE BY FUNCTION OF GOVERNMENT

Education Revenue Total	$ 76,136	$ -	$ 76,136	$ 78,135	$ (1,999)
General Government Revenue Total	5,783,597	-	5,783,597	6,165,480	(381,883)
Public Safety and Defense Total	22,312	-	22,312	25,985	(3,673)
Regulatory Services Total	1,500	-	1,500	1,563	(63)
Revenue Total	$ 5,883,545	$ -	$ 5,883,545	$ 6,271,163	$ (387,618)

Notes to Required Supplementary Information - Budgetary Reporting

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis) presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis. The schedule represents budgetary comparisons at the legal level of budgetary control (i.e. line item level). The schedule is prepared on a cash basis plus encumbrances where the expenditures are expected to be presented by November 15th in the following fiscal year. Certain appropriations are transferred to continuing funds for expenditure. Unexpended amounts may then be budgeted again in subsequent fiscal years. These transfers are not included in the total expenditures on the Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis).

Reconciliation of Budgetary Fund Balance to GAAP Fund Balance

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resulting basis, perspective, and entity differences in the revenues in excess of (less than) expenditures and other financing sources (uses) between budgetary and GAAP presentations for the year ended June 30, 2018, is presented below (expressed in thousands) for the general fund:

Budgetary Basis Fund Balance, June 30, 2017	$ 1,235,995
Excess of total sources over total uses of financial resources (Budgetary Basis)	956,504
Budgetary Basis Fund Balance, June 30, 2018	2,192,499
Entity and Perspective Differences:	
Non-budgeted Funds and Capital Funds	1,502,802
Encumbrances	101,585
Basis Differences:	
Add: Net accrued revenues, related receivables, and deferred revenues	1,065,015
Less: Net accrued expenditures and related liabilities	(1,251,623)
GAAP Basis Fund Balance, June 30, 2018	$ 3,610,278

Pension Schedules
Required by GASB 68

For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

The following information presented for pension plans that are reported as fiduciary component units of the State of Oklahoma are required by the Governmental Accounting Standards Board (GASB), Statement 68, *Accounting and Financial Reporting for Pensions*. For more complete information, including the annual money-weighted rate of return, and schedule of funding progress, audited annual statements can be acquired by contacting the pension plan:

Firefighters Pension and Retirement
6601 Broadway Extension, Suite 100
Oklahoma City, OK 73116
http://www.ok.gov/fprs/

Law Enforcement Retirement
421 N.W. 13th Street, Suite 100
Oklahoma City, OK 73103-3701
http://www.olers.state.ok.us/

Police Pension and Retirement
1001 N.W. 63rd Street, Suite 305
Oklahoma City, OK 73116-7335
http://www.ok.gov/OPPRS/

Public Employees Retirement
P.O. Box 53007
Oklahoma City, OK 73152-3007
http://www.opers.ok.gov/

Uniform Retirement System for Judges and Justices
P.O. Box 53007
Oklahoma City, OK 73152-3007
http://www.opers.ok.gov/

Teachers' Retirement System
2500 N. Lincoln Boulevard, 5th Floor
Oklahoma City, OK 73105-4209
http://www.ok.gov/TRS/

Department of Wildlife Conservation
P.O. Box 53465
Oklahoma City, OK 73152
http://www.wildlifedepartment.com

Schedules of Contributions and Related Ratios

Single Employer Plans

A. General Fund

Schedule of Contributions
Wildlife Commission Retirement Plan
Last Ten Fiscal Years
(Expressed in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	$ 2,494	$ 2,988	$ 3,197	$ 3,691	$ 4,307	$ 4,267	$ 3,802	$ 3,180	$ 4,414	$ 3,406
Contributions in relation to the actuarially determined contribution	3,100	4,780	3,700	4,307	4,300	4,100	4,100	3,180	4,414	3,410
Contribution deficiency (excess)	$ (606)	$ (1,792)	$ (503)	$ (616)	$ 7	$ 167	$ (298)	$ -	$ -	$ (4)
Covered payroll	$ 12,208	$ 12,806	$ 13,388	$ 13,667	$ 13,599	$ 14,300	$ 14,662	$ 14,633	$ 14,839	$ 14,811
Contributions as percentage of covered payroll	25.39%	37.33%	27.64%	31.51%	31.62%	28.67%	27.96%	21.73%	29.74%	23.02%

Schedule of Net Pension Liability
Wildlife Commission Retirement Plan
Last Five Fiscal Years
(Expressed in thousands)

	2017	2016	2015	2014	2013
Total Pension Liability					
Service cost	$ 1,627	$ 1,848	$ 1,840	$ 1,930	$ 1,988
Interest	8,203	7,832	7,586	7,296	7,057
Differences between expected and actual experience	(883)	456	(357)	293	(844)
Changes in benefit terms	-	1,156	-	-	-
Changes of assumptions	-	195	-	-	-
Benefit payments	(6,315)	(5,594)	(5,540)	(5,032)	(4,445)
Net Change in Total Pension Liability	$ 2,632	5,893	3,529	4,487	3,756
Total Pension Liability - Beginning	118,719	112,826	109,297	104,810	101,054
Total Pension Liability - Ending	$ 121,351	$ 118,719	$ 112,826	$ 109,297	$ 104,810
Plan Fiduciary Net Position					
Contributions - employer	$ 4,780	$ 3,700	$ 4,307	$ 4,300	$ 4,100
Contributions - member	633	663	655	681	698
Net investment income	10,797	492	4,097	12,370	7,483
Benefit payments	(6,315)	(5,593)	(5,540)	(5,032)	(4,445)
Administrative expense	(52)	(55)	(49)	(38)	(38)
Net change in plan fiduciary net position	9,843	(793)	3,470	12,281	7,798
Plan fiduciary net position - beginning	99,138	99,931	96,461	84,180	76,382
Plan fiduciary net position - ending	108,981	99,138	99,931	96,461	84,180
Net pension liability	$ 12,370	$ 19,581	$ 12,895	$ 12,836	$ 20,630
Total pension liability	$ 121,351	$ 118,719	$ 112,826	$ 109,297	$ 104,810
Plan fiduciary net position	108,981	99,138	99,931	96,461	84,180
Net pension liability (asset)	$ 12,370	$ 19,581	$ 12,895	$ 12,836	$ 20,630
Ratio of plan fiduciary net position to total pension liability	89.81%	83.51%	88.57%	88.26%	80.32%
Covered payroll	$ 12,806	$ 13,388	$ 13,667	$ 13,599	$ 14,300
Net pension liability as a percentage of covered payroll	96.60%	146.26%	94.35%	94.39%	144.27%

Notes to Schedules:

GASB Statement 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 68 and is the latest available at the date of publication.

Actuarially Determined Contributions:

The annual required contribution for fiscal year 2018 was determined as part of the July 1, 2018, actuarial valuation using the entry age normal method. The actuarial assumptions included a) a 7.0% investment rate of return (net of administrative expense) and b) projected salary increases of 3.0%-8.0%. The assumptions did not include cost-of-living allowances for active, disabled, or retired members.

Benefit Changes: Information to present a 10-year history is not readily available

Changes in Actuarial Assumptions: Information to present a 10-year history is not readily available

B. Component Units

Schedule of Contributions
Oklahoma Law Enforcement Retirement System
Last Ten Fiscal Years
(Expressed in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	$ 32,467	$ 33,110	$ 33,291	$ 31,838	$ 43,775	$ 44,734	$ 48,634	$ 50,094	$ 48,103	$ 36,616
Contributions in relation to the actuarially determined contribution	9,083	9,262	10,219	9,438	8,566	8,296	7,414	7,694	7,779	7,686
Contributions--State of Oklahoma insurance premium tax	23,673	21,843	22,981	22,861	21,165	19,807	18,836	16,965	15,456	17,311
Total Contribution	32,756	31,105	33,200	32,299	29,731	28,103	26,250	24,659	23,235	24,997
Contribution deficiency (excess)	$ (289)	$ 2,005	$ 91	$ (461)	$ 14,044	$ 16,631	$ 22,384	$ 25,435	$ 24,868	$ 11,619
Covered payroll	$ 86,121	$ 86,496	$ 88,683	$ 84,880	$ 76,838	$ 73,423	$ 71,598	$ 70,967	$ 73,400	$ 75,320
Contributions as percentage of covered payroll	38.03%	35.96%	37.44%	38.05%	38.69%	38.28%	36.66%	34.75%	31.66%	33.19%

Schedule of Net Pension Liability
Oklahoma Law Enforcement Retirement System
Last Four Fiscal Years
(Expressed in thousands)

	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ 23,670	$ 23,126	$ 22,087	$ 20,294
Interest	75,080	72,766	66,613	64,959
Differences between expected and actual experience	(2,307)	6,137	51,090	(9,771)
Changes in assumptions	1,107	-	-	-
Benefit payments	(57,612)	(58,348)	(57,187)	(49,777)
Net Change in Total Pension Liability	$ 39,938	43,681	82,603	25,705
Total Pension Liability - Beginning	1,029,349	998,863	916,260	890,555
Total Pension Liability - Ending	$ 1,069,287	$ 1,042,544	$ 998,863	$ 916,260
Plan Fiduciary Net Position				
Contributions - employer	$ 9,262	$ 10,219	$ 9,438	$ 8,566
Contributions - nonemployer	21,843	22,981	22,861	21,165
Contributions - member	6,832	6,866	6,390	5,787
Net investment income	106,519	(22,244)	34,802	121,403
Benefit payments	(57,612)	(58,348)	(57,187)	(49,777)
Administrative expense	(1,083)	(1,031)	(1,069)	(927)
Net change in plan fiduciary net position	85,761	(41,557)	15,235	106,217
Plan fiduciary net position - beginning	853,584	895,141	879,906	773,689
Plan fiduciary net position - ending	$ 939,345	$ 853,584	$ 895,141	$ 879,906
Net pension liability	$ 129,942	$ 188,960	$ 103,722	$ 36,354
Total pension liability	1,069,287	1,042,544	998,863	916,260
Plan fiduciary net position	939,345	853,584	895,141	879,906
Net pension liability (asset)	$ 129,942	$ 188,960	$ 103,722	$ 36,354
Ratio of plan fiduciary net position to total pension liability	87.85%	81.88%	89.62%	96.03%
Covered payroll	$ 86,496	$ 88,683	$ 84,880	$ 76,838
Net pension liability as a percentage of covered payroll	150.23%	213.07%	122.20%	47.31%

Notes to Schedule:

GASB Statement 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 68 and is the latest available at the date of publication.

Actuarially Determined Contributions:

The annual required contribution for fiscal year 2018 was determined as part of the July 1, 2018, actuarial valuation using the individual entry age normal method. The actuarial assumptions included: a) a 7.5% investment rate of return (net of administrative expense), b) projected salary increases of 3.50%-9.75%, c) a cost-of-living allowance of 3% for eligible participants, and d) an inflation rate of 2.75%.

Benefit Changes:

2018: House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit is paid to qualifying members, subject to a cap and floor on the payment. This became effective May 8, 2018.

House Bill 2517 clarifies that all benefits payable from the plan, including payments from deferred option plans, shall be paid from general assets of the fund. This became effective April 12, 2018.

2014: House Bill 2622 reset the amortization period of the unfunded actuarial liability to 15 years effective July 1, 2014.

2012: Senate Bill No. 1001 was enacted, which increased the agency contribution to 11% of pay as of November 1, 2012. In addition, the bill eliminated the half-pay benefit for certain members hired on or after November 1, 2012.

2011: The Oklahoma Pension Legislation Actuarial Analysis Act was modified to change the Definition of non-fiscal retirement bill and by removing a certain provision that allows a Cost-of-living adjustment (COLA) to be considered non-fiscal, thereby requiring that COLAs be concurrently funded by the Legislature at the time they are enacted.

2010: Senate Bill 2130 eliminated the mandatory retirement age of sixty years for members.

2008: House Bill 3112 provides a 4% COLA for retired members. Senate Bill 565 states that beginning July 1, 2010, the amount of insurance premium tax revenue apportioned to the System is applied prior to calculation of the Home Office Credit.

2007: Senate Bill 695 brings the System into compliance with IRS requirements as it relates to the direct payment of qualified health insurance premiums and the rollover of distributions of a non-spouse beneficiary. House Bill 2070 subjects the System to the Oklahoma Pension Legislation Actuarial Analysis Act.

Changes in Actuarial Assumptions:

July 1, 2017 Valuation:

- The cost of living assumption was 3% for eligible participants. The inflation assumption was 3%.
- Beginning with the July 1, 2017 valuation, there is a salary experience reserve. When base pay raises are small or non-existent, the reserve is credited with the liability gain resulting from this experience. When pay raises are granted, the reserve is released to offset any loss (or completely released, if less than the loss).

July 1, 2012 Valuation:

- Healthy mortality was changed from the RP-2000 table with blue collar adjustment (Active rates before age 50, Annuitant rates after age 49) with generational mortality improvement to the RP-2000 combined table with blue collar adjustment with generational mortality improvement.
- The mortality table used for disabled pensioners was changed from RP-2000 table with blue collar adjustment set forward seven years to RP-2000 combined table with blue collar adjustment.

- The retirement, disability, and withdrawal rates were changed. The inflation assumption was changed from 3.25% to 3.00%. The salary increase assumption was changed.

July 1, 2007 Valuation:

- The retirement, disability, and withdrawal rates were changed. The salary increase assumption was changed. The rate of inflation assumption was increased to 3.25% per year.
- COLA assumption of 4% every other year was added.

Uniform Retirement System for Judges and Justices
Schedule of Contributions
Last Five Fiscal Years
(Expressed in thousands)

	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 1,638	$ 3,626	$ 3,454	$ 4,897	$ 7,215
Actual Employer Contributions	6,504	6,013	5,832	5,295	4,611
Contribution deficiency (excess)	$ (4,866)	$ (2,387)	$ (2,378)	$ (398)	$ 2,604
Covered payroll	$ 33,359	$ 34,811	$ 34,537	$ 34,282	$ 34,325
Contributions as percentage of employee payroll	19.50%	17.27%	16.89%	15.45%	13.43%

Schedule of Net Pension Liability
Uniform Retirement System for Judges and Justices

Last Four Fiscal Years
(Expressed in thousands)

	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ 10,085	$ 9,689	$ 9,602	$ 9,489
Interest	19,229	19,341	18,812	18,529
Differences between expected and actual experience	(6,664)	(7,480)	(4,598)	(7,597)
Changes of assumptions	3,979	5,843	-	(1,046)
Benefit payments	(17,648)	(17,198)	(16,093)	(14,939)
Refunds of contributions	(89)	(161)	(111)	(57)
Net Change in Total Pension Liability	$ 8,892	10,034	7,612	4,379
Total Pension Liability - Beginning	276,434	266,400	258,788	254,409
Adoption of GASB 74	(2,488)	-	-	-
Total Pension Liability - Ending	$ 282,838	$ 276,434	$ 266,400	$ 258,788
Plan Fiduciary Net Position				
Contributions - employer	$ 6,013	$ 5,832	$ 5,295	$ 4,611
Contributions - member	2,664	2,666	2,706	2,544
Net investment income	36,312	1,441	8,174	46,211
Benefit payments	(17,648)	(17,198)	(16,093)	(14,939)
Administrative expense	(153)	(149)	(144)	(132)
Refunds of contributions	(89)	(161)	(111)	(57)
Net change in plan fiduciary net position	$ 27,099	$ (7,569)	$ (173)	$ 38,238
Plan fiduciary net position - beginning	293,727	301,296	301,469	263,231
Adoption of GASB 74	(2,563)	-	-	-
Plan fiduciary net position - ending	$ 318,263	$ 293,727	$ 301,296	$ 301,469
Net pension liability	$ (35,425)	$ (17,293)	$ (34,896)	$ (42,681)
Total pension liability	282,838	276,434	266,400	258,788
Plan fiduciary net position	318,263	293,727	301,296	301,469
Net pension liability (asset)	(35,425)	$ (17,293)	$ (34,896)	$ (42,681)
Ratio of plan fiduciary net position to total pension liability	112.52%	106.26%	113.10%	116.49%
Covered payroll	$ 34,811	$ 34,537	$ 34,282	$ 34,325
Net pension asset as a percentage of covered payroll	101.76%	50.07%	101.79%	124.34%

Notes to Schedule:

GASB Statement 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 68 and is the latest available at the date of publication.

Actuarially Determined Contributions:

The annual required contribution for fiscal year 2018 was determined as part of the July 1, 2018, actuarial valuation using the entry age normal method. The actuarial assumptions included a) a 7.00% investment rate of return (net of administrative expense) b) projected salary increases of 3.75%. The assumptions did not include a cost-of-living allowance for active, disabled, or retired members, and c) an inflation rate of 2.75%.

Benefit Changes:

2018: House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit is paid to qualifying members, subject to a cap and floor on the payment. This became effective May 8, 2018.

2011: With the passage of House Bill 2132 benefits are not assumed to increase due to future ad hoc COLA increases.

Under House Bill 1010, the retirement age for judges taking office on or after January 1, 2012 increases from the current age 65 to age 67 with eight years of service. In addition, the current rule of 80 or age 60 changes to age 62 with 10 or more years of service.

Senate Bill 782 amends 62 O.S § 3109 to move the deadline for completion of an actuarial investigation from November 1 to December 1. The final bill deletes the requirement that the state pension systems submit reports annually to the Pension Commission using standard actuarial assumptions.

2009: Effective July 1, 2009, Senate Bill 212 provides that the funded ratio of the URSJJ should be at or near 90%. The bill also authorizes the Board of Trustees of the Oklahoma Public Employees Retirement System to establish and adjust the employer contribution rate annually up to the actuarially required contribution rate. If the increase to the full actuarially required contribution rate is in excess of three percent (3%), the Board may adopt a plan to raise the rate to the actuarially required contribution rate over a period of up to five (5) years. The board may consider the availability of funds to the administrative director of the courts, the Court of Civil Appeals, the Court of Criminal Appeals, and the Workers' Compensation Court in establishing the annual contribution rate.

House Bill 1254 provides for a payment of $6 million, in addition to the regular employer contributions, to be paid into the URSJJ for the fiscal year ending June 30, 2010.

2008: House Bill 3112 was passed by the 2008 Oklahoma Legislature and included a four percent (4%) COLA for members who were retired as of June 30, 2007, and still receiving a benefit as of July 1, 2008.

Changes in Actuarial Assumptions:

7/1/2017 valuation: Investment return decreased from 7.25% to 7.00%. Projected salary increases decreased from 5.00% to 3.75%. Inflation rate decreased from 3.00% to 2.75%.

7/1/2016 valuation: Investment return decreased from 7.5% to 7.25%

7/1/2014 valuation: Salary scale assumption was decreased. Retirement rates were adjusted.

7/1/2011 valuation: Salary increase assumption was revised. Payroll increase assumption was revised.

7/1/2008 valuation: Inflation assumption was increased from 2.5% to 3.0%. Investment return was increased from 7.25% to 7.5%. General wage growth assumption was set at 4.25%. Retirement rates were increased for ages before 65 and rates were lowered for ages above 67. Post-retirement mortality was changed to RP-2000 combined active/retired healthy mortality table projected to 2010, setback one year. Amortization methodology was changed for the unfunded actuarial accrued liability form level dollar to level percent of payroll. The board reset the amortization period to 20 years from July 1, 2007. The previous amortization period was 40 years from July 1, 1987.

Cost Sharing Pension Plans

A. Component Units

Schedule of Related Ratios
Oklahoma Firefighters Pension and Retirement System
Last Nine Fiscal Years
(Expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009
Plan fiduciary position as a percentage of the total pension liability	66.61%	64.87%	68.27%	68.12%	61.62%	59.22%	63.18%	46.99%	45.20%
Covered payroll	$ 285,073	$ 273,621	$ 270,536	$ 271,572	$ 253,955	$ 256,250	$ 243,684	$ 248,520	$ 246,816
Net pension liability as a percentage of covered payroll	441.19%	446.50%	392.34%	378.66%	465.75%	459.40%	417.04%	671.78%	682.74%
State portion of net pension liability	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State employer portion of net pension liability	0%	0%	0%	0%	0%	0%	0%	0%	0%

Schedule of Contributions
Oklahoma Firefighters Pension and Retirement System
Last Nine Fiscal Years
(Expressed in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required employer contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Statutorily required employer contributions	100,333	88,134	92,330	91,236	79,545	76,311	68,246	59,876	54,159
Total required contributions	100,333	88,134	92,330	91,236	79,545	76,311	68,246	59,876	54,159
Actual employer contribution	-	-	-	-	-	-	-	-	-
State of Oklahoma, non employer contributions	100,333	88,134	92,330	91,236	79,545	76,311	68,246	59,876	54,159
Total Contributions	100,333	88,134	92,330	91,236	79,545	76,311	68,246	59,876	54,159
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer portion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Actual contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:

GASB Statement 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 68 and is the latest available at the date of publication.

Benefit Changes:

2018: House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit is paid to qualifying members, subject to a cap and floor on the payment. This became effective May 8, 2018.

2017: House Bill 1705 modified certain provisions of eligible rollover distributions, provided treatment of certain mandatory distributions occurring on or after a certain date.

2016: Senate Bill 1021 modified the termination date of local boards. The termination date was extended from December 31, 2000 to December 31, 2016.

Senate Bill 1022 clarified certain forms of payments made to members of the Oklahoma Firefighters Pension and Retirement System (OFPRS).

2015: House Bill 2005 prevents any volunteer firefighter who begins service on or after age 45 from becoming a participant in the OFPRS.

House Bill 1002 directs OFPRS Board of Trustees to use IRS guidelines to determine if a potential rollover from another system may be rolled into OFPRS. The board is required to use IRS guidelines to determine the taxable portion of a distribution from the System.

2013: House Bill 2078 and SB 1101 made certain changes to the benefits of members hired on or after November 1, 2013, including the following:

- Increased the eligibility to retire to age 50 with 22 years of service.
- Increased the eligibility for a vested benefit to 11 years.
- Changed the interest earned to DROP accounts to be the rate earned by System assets, less one percentage point, once the member has left active DROP.

Changes in Actuarial Assumptions:

July 1, 2013 Valuation:

- The retirement, disability, and withdrawal rates were changed.
- The salary increase assumption was changed.
- The mortality rates were changed.

July 1, 2011 Valuation:

- No assumption for future ad-hoc COLA due to the adoption of the Oklahoma Pension Legislation Actuarial Analysis Act.

Changes in Actuarial Funding Methods:

2013: House Bill 2078 increased the amount of gross salary contributed by paid firefighters from 8% to 9%, effective November 1, 2013. In addition, the bill increased the amount of gross salary contributed by municipalities and fire districts from 13% to 14%, effective November 1, 2013. The bill also increased the portion of statewide insurance premium tax allocated to the System from 34% to 36%.

Schedule of Related Ratios
Oklahoma Public Employees Retirement System
Last Four Fiscal Years
(Expressed in thousands)

	2017	2016	2015	2014
Plan fiduciary position as a percentage of the total pension liability	94.28%	89.48%	96.00%	97.90%
Covered payroll	$ 1,406,150	$ 1,443,199	$ 1,391,397	$ 1,359,348
Net pension liability as a percentage of covered payroll	30.19%	54.85%	20.62%	10.83%
State portion of net pension liability	$ 424,531	$ 793,756	$ 286,962	$ 147,158
State employer portion of net pension liability	78.52%	79.99%	79.78%	80.17%

Schedule of Contributions
Oklahoma Public Employees Retirement System
Last Four Fiscal Years
(Expressed in thousands)

	2018	2017	2016	2015
Contractually required employer contribution	$ 258,907	$ 269,511	$ 296,249	$ 292,197
Actual employer contribution	258,907	269,511	296,249	292,197
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -
Employer portion of net pension liability	78.52%	79.99%	79.78%	80.17%
Covered payroll	1,325,851	$ 1,432,469	$ 1,443,199	$ 1,391,397
Actual contributions as a percentage of covered payroll	19.53%	18.81%	20.53%	21.00%

Notes to Schedule:

GASB Statement 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 68 and is the latest available at the date of publication.

Covered payroll beginning in 2017 is for the defined benefit plan members only although employer contributions toward the net pension liability are being received on behalf of defined contribution plan members.

2017 was the first year to exclude health insurance subsidy.

Benefit Changes: Information to present a 10-year history is not readily available

2018: House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit is paid to qualifying members, subject to a cap and floor on the payment. This became effective May 8, 2018.

House Bill 2516 clarifies certain system provisions related to billing employers for sick leave and early retirement for elected officials. Effective April 12, 2018.

Senate Bill 527 states that a statewide elected official or legislator who is first elected or appointed on or after November 1, 2018, and who has participating service in the OPERS defined benefit plan prior to November 1, 2015, shall be a member of the defined benefit plan. Effective April 17, 2018.

Changes in Actuarial Assumptions: Information to present a 10-year history is not readily available

Schedule of Related Ratios
Oklahoma Police Pension and Retirement System
Last Four Fiscal Years
(Expressed in thousands)

	2017	2016	2015	2014
Plan fiduciary position as a percentage of the total pension liability	99.68%	93.50%	99.82%	101.53%
Covered payroll	$ 871	$ 862	$ 632	$ 608
Net pension liability as a percentage of covered payroll	2.57%	51.67%	1.38%	(11.63%)
State portion of net pension liability	22	446	12	(72)
State Employer portion of NPL	0.29%	0.29%	0.29%	0.21%

Schedule of Contributions
Oklahoma Police Pension and Retirement System
Last Four Fiscal Years
(Expressed in thousands)

	2018	2017	2016	2015
Contractually required employer contributions	$ 117	$ 113	$ 112	$ 173
Statutorily required employer contributions	39,028	34,283	35,915	35,490
Total required contributions	39,145	34,396	36,027	35,663
Actual employer contribution	117	113	112	173
State of Oklahoma, non employer contributions	39,028	34,283	35,915	35,490
Total contributions	39,145	34,396	36,027	35,663
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -
Employer portion of net pension liability	0.29%	0.29%	0.29%	0.21%
Covered payroll	$ 899	$ 871	$ 862	$ 632
Actual contributions as a percentage of covered payroll	4354.28%	3947.35%	4179.47%	5642.88%

Notes to Schedule:

GASB Statement 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 68 and is the latest available at the date of publication.

Benefit Changes: Information to present a 10-year history is not readily available

2018: House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of retirement benefits. A single payment of 2% of the gross annual retirement benefit is paid to qualifying members, subject to a cap and floor on the payment. This became effective May 8, 2018.

House Bill 2515 clarifies that all benefits payable from the plan, including payments from deferred option plans, shall be paid from general assets of the fund. HB 2515 further provides that a permanent and total impairment equates to one hundred percent (100%) of the accrued retirement benefits. This became effective April 12, 2018.

2017: House Bill 1119 updates the rules for distributions to include rollover contributions for SIMPLE IRAs that are structured and timed in accordance with the IRS SIMPLE IRA regulations.

2016: House Bill 2273 amends the computation of final average salary to be based specifically on paid base salary in which required contributions are made. Amends and clarifies the definition of paid base salary, including its components and exclusions. Adds additional language regarding the purchase of transferred credited service to comply with IRS rules regarding the use of Roth and non-Roth type accounts.

2015: Senate Bill 345 authorizes the Oklahoma Police Pension and Retirement System Board of Trustees to adopt rules for computation of the purchase price for transferred service credit and the purchase methods available, including time periods available to complete the purchase, and added language regarding distributions necessary for the System to remain an IRS qualified plan.

Changes in Actuarial Assumptions: Information to present a 10-year history is not readily available

July 1, 2018 Valuation:

- The price inflation assumption was decrease from 3.00% to 2.75%.
- The interest credit on DOP balances were increased from 7.75% to 11.00%.
- The real wage growth assumption was set at 0.75%
- The COLA basis assumption was increased from 3.00% to 3.50%.
- The retirement and termination rates were adjusted to better reflect observed experience.
- The salary scale was adjusted to better reflect observed experience.
- The expected severity of disability was increased from 25-49% to 50-74%.
- Surplus UAAL was amortized over an open 30-year period.

Schedule of Related Ratios
Teacher's Retirement System
Last Four Fiscal Years
(Expressed in thousands)

	2017	2016	2015	2014
Plan fiduciary position as a percentage of the total pension liability	69.32%	62.24%	70.31%	72.43%
Covered payroll	$ 1,103,585	$ 1,111,204	$ 1,079,239	$ 1,070,909
Net pension liability as a percentage of covered payroll	159.91%	199.19%	140.65%	125.85%
State portion of net pension liability	$ 1,764,704	$ 2,248,905	$ 1,611,824	$ 1,347,638
State employer portion of net pension liability	26.60%	26.84%	26.42%	24.88%

Schedule of Contributions
Teacher's Retirement System
Last Four Fiscal Years
(Expressed in thousands)

	2018	2017	2016	2015
Contractually required employer contributions	$ 4,926	$ 106,483	$ 108,240	$ 184,726
Statutorily required employer contributions	344,610	301,952	315,672	336,391
Total required contributions	349,536	408,435	423,912	521,117
Actual employer contribution	4,926	106,483	108,240	184,726
State of Oklahoma, non employer contributions	344,610	301,952	315,672	336,391
Total Contributions	349,536	408,435	423,912	521,117
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -
Employer portion of net pension liability	26.60%	26.84%	26.42%	24.88%
Covered payroll	$ 1,103,585	$ 1,092,555	$ 1,111,204	$ 1,079,239
Actual contributions as a percentage of covered payroll	31.67%	37.38%	38.15%	48.29%

Notes to Schedule:

GASB Statement 68 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 68 and is the latest available at the date of publication.

Benefit Changes:

2018: House Bill 1340 provides for a single, one-time, non-permanent increase in the payment of Retirement benefits. A single payment of 2% of the gross annual retirement benefit is paid to qualifying members, subject to a cap and floor on the payment. This became effective May 8, 2018.

2011: Senate Bill 377 – changes the eligibility conditions for both normal and early retirement for members hired on or after November 1, 2011. Members are eligible for normal retirement at the earlier of age 65 with 5 years of service or when their age plus service equals 90 (Rule of 90) with a minimum age of 60. Members are eligible for early (reduced) retirement at age 60 with 5 years of service.

House Bill 2132- changes the definition of a nonfiscal retirement bill to exclude COLA even if such COLAs are assumed in the annual actuarial valuation.

Senate Bill 782 eliminates the requirement that statewide retirement systems report a second set of actuarial valuation results to the Oklahoma State Pension Commission using specified actuarial assumptions.

2010: House Bill 1935 – Allows a retiree electing one of the optional benefit forms (i.e. not life only) to make a one-time irrevocable change in the benefit option within 60 days of retirement. The beneficiary may not be changed.

Senate Bill 859-allows a retiree who chose a life annuity at retirement to change to Retirement Option 2 or 3 (100% joint survivor annuity and 50% joint survivor annuity, respectively) within a year of marriage.

2008: A 2.00% ad hoc COLA was provided, effective July 1, 2008. All retirees who retired before July 1, 2007 were eligible, including disabled retirees, special retirees and beneficiaries receiving payments.

Changes in Actuarial Assumptions: Information to present a 10-year history is not readily available.

June 30, 2017 Valuation:

- Change in the election rate of the supplemental medical insurance benefit.

June 30, 2016 Valuation:

- Inflation rate was decreased from 3% to 2.5%
- Assumed investment return was decreased from 8% to 7.5%
- Wage inflation was decreased from 3.75% to 3.25%
- Payroll growth was decreased from 3.25% to 2.75%

Other Postemployment Benefits Schedules
Required by GASB 75

For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

The following information presented for other postemployment benefit plans that are reported as fiduciary component units of the State of Oklahoma are required by the Governmental Accounting Standards Board (GASB), Statement 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*. For more complete information, including the annual money-weighted rate of return, and schedule of funding progress, audited annual statements can be acquired by contacting the administering plans:

Law Enforcement Retirement 421 N.W. 13th Street, Suite 100 Oklahoma City, OK 73103-3701 http://www.olers.state.ok.us/	Public Employees Retirement P.O. Box 53007 Oklahoma City, OK 73152-3007 http://www.opers.ok.gov/	Office of Management and Enterprise Services 5005 N. Lincoln Blvd, Suite 100 Oklahoma City, OK 73105 http://omes.ok.gov
Department of Wildlife Conservation P.O. Box 53465 Oklahoma City, OK 73152 http://www.wildlifedepartment.com	Teachers' Retirement System 2500 N. Lincoln Boulevard, 5th Floor Oklahoma City, OK 73105-4209 http://www.ok.gov/TRS/	Uniform Retirement System for Judges and Justices P.O. Box 53007 Oklahoma City, OK 73152-3007 http://www.opers.ok.gov/

Schedules of Contributions and Related Ratios

A. General Fund

Schedule of Contributions
Employee Group Insurance Division – Implicit Rate Subsidy
Last Fiscal Year
(Expressed in thousands)

	2018
Actuarially required contributions	$ 12,706
Contributions in relation to the Actuarially required contributions	12,706
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 1,521,794
Contributions as a percentage of covered payroll	0.83%

Schedule of Total Other Postemployment Benefit Liability
Employee Group Insurance Division – Implicit Rate Subsidy
Last Fiscal Year
(Expressed in thousands)

		2017
Total OPEB liability		
Service cost	$	5,920
Interest		4,497
Changes of benefit terms		-
Difference between expected and and actual experience		-
Changes of assumption or other inputs		(7,404)
Benefit payments		(12,706)
Net change in total OPEB liability		(9,693)
Total OPEB Liability-beginning		158,189
Total OPEB Liability-ending	$	148,496
Covered employee payroll	$	1,521,794
Total OPEB Liability as a percentage of covered employee payroll		9.76%

Notes to Schedules:

GASB Statement 75 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 75 and is the latest available at the date of publication.

There are no assets in a trust compliant with GASB Statement 75 from which to pay benefits.

Schedule of Contributions
Wildlife Commission Health Insurance Allowance
Last Fiscal Year
(Expressed in thousands)

		2018
Actuarially required contributions	$	236
Contributions in relation to the Actuarially required contributions		236
Contribution deficiency (excess)	$	-
Covered employee payroll	$	12,208
Contributions as a percentage of covered payroll		1.93%

Schedule of Total Other Postemployment Benefit Liability
Wildlife Commission Retirement Plan
Last Fiscal Year
(Expressed in thousands)

		2017
Total OPEB liability		
Service cost	$	121
Interest		177
Changes of benefit terms		2,992
Difference between expected and and actual experience		(28)
Changes of assumption or other inputs		180
Benefit payments		(238)
Net change in total OPEB liability		3,204
Total OPEB Liability-beginning		4,532
Total OPEB Liability-ending	$	7,736
Covered employee payroll	$	12,208
Total OPEB Liability as a percentage of covered employee payroll		63.37%

Notes to Schedules:

GASB Statement 75 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 75 and is the latest available at the date of publication.

There are no assets in a trust compliant with GASB Statement 75 from which to pay benefits.

B. Component Units

Schedule of Contributions
Oklahoma Law Enforcement Retirement System
Last Two Fiscal Years
(Expressed in thousands)

	2018	2017
Actuarially determined contribution	$ 380	398
Contributions in relation to the contractually required contribution:		
State Agencies	1,285	849
Contributions--State of Oklahoma insurance premium tax and other state sources	-	-
Total contributions	1,285	849
Contribution deficiency (excess)	$ (905)	$ (451)
Covered employee payroll	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A

Schedule of Net Other Postemployment Benefit Liability
Oklahoma Law Enforcement Retirement System
Last Fiscal Year
(Expressed in thousands)

	2017
Total OPEB liability	
Service cost	357
Interest	958
Changes of benefit terms	-
Difference between expected and and actual experience	(501)
Changes of assumption or other inputs	(304)
Benefit payments	(849)
Net change in total OPEB liability	(339)
Total OPEB Liability-beginning	13,195
Total OPEB Liability-ending	12,856
Plan fiduciary net position (OPEB)	
Contributions - state agencies	849
Net investment (loss) income	-
Health insurance premiums paid	(849)
Administrative expense	-
Net change in fiduciary net position	-
Fiduciary net position OPEB-beginning	-
Fiduciary net position OPEB-ending	-
Net OPEB Liability	12,856
Fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered employee payroll	N/A
Net OPEB Liability (Asset) as a percentage of covered employee payroll	N/A

Notes to Schedules:

GASB Statement 75 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 75 and is the latest available at the date of publication.

As of June 30,2018, OPEB had allocated assets of approximately $430,000 and no allocated assets as of June 30, 2017. As such the return for both years is 0%. The returns in future years are the same for both OPEB and the pension plan.

Covered payroll is not meaningful to formulate a ratio of net OPEB liability as a percentage of covered payroll. Contributions are only received from employers.

Uniform Retirement System for Judges and Justices
Schedule of Contributions
Last Two Fiscal Years
(Expressed in thousands)

	2018	2017
Actuarially determined contribution	$ 15	35
Actual employer contributions	180	178
Contribution deficiency (excess)	$ (165)	$ (143)
Covered employee payroll	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A

Schedule of Net Other Postemployment Benefit Liability
Uniform Retirement System for Judges and Justices
Last Fiscal Year
(Expressed in thousands)

	2017
Total OPEB liability	
Service cost	122
Interest	174
Changes of benefit terms	-
Difference between expected and and actual experience	(13)
Changes of assumption or other inputs	107
Benefit payments	(179)
Net change in total OPEB liability	211
Total OPEB Liability-beginning	2,488
Total OPEB Liability-ending	2,699
Plan fiduciary net position (OPEB)	
Contributions - state agencies	178
Net investment (loss) income	330
Health insurance premiums paid	(179)
Administrative expense	(1)
Net change in fiduciary net position	328
Fiduciary net position OPEB-beginning	2,563
Fiduciary net position OPEB-ending	2,891
Net OPEB Liability	(192)
Fiduciary net position as a percentage of the total OPEB liability	107.11%
Covered employee payroll	N/A
Net OPEB Liability (Asset) as a percentage of covered employee payroll	N/A

Notes to Schedule:

GASB Statement 75 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 75 and is the latest available at the date of publication.

Covered payroll is not meaningful to formulate a ratio of net OPEB liability as a percentage of covered payroll. Contributions are only received from employers.

Cost Sharing Other Postemployment Plans

B. Component Units

Schedule of Contributions
Oklahoma Public Employees Retirement System
Last Two Fiscal Years
(Expressed in thousands)

	2018	2017
Actuarially determined contribution	$ 4,543	4,780
Actual employer contributions	14,982	14,784
Contribution deficiency (excess)	$ (10,439)	$ (10,004)
State portion of liability	78.52%	78.52%
Covered employee payroll	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A

Schedule of Net Other Postemployment Benefit Liability
Oklahoma Public Employees Retirement System
Last Fiscal Year
(Expressed in thousands)

	2017
Total OPEB liability	
Service cost	6,713
Interest	17,717
Changes of benefit terms	-
Difference between expected and and actual experience	(13,158)
Changes of assumption or other inputs	8,695
Benefit payments	(14,918)
Net change in total OPEB liability	5,049
Total OPEB Liability-beginning	251,693
Total OPEB Liability-ending	256,742
Plan fiduciary net position (OPEB)	
Contributions - state agencies	14,784
Net investment (loss) income	28,068
Health insurance premiums paid	(14,918)
Administrative expense	(144)
Net change in fiduciary net position	27,790
Fiduciary net position OPEB-beginning	219,958
Fiduciary net position OPEB-ending	247,748
Net OPEB Liability (Asset)	8,994
State portion of liability	78.52%
Fiduciary net position as a percentage of the total OPEB liability	96.50%
Covered employee payroll	N/A
Net OPEB Liability (Asset) as a percentage of covered employee payroll	N/A

Notes to Schedule:

GASB Statement 75 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 75 and is the latest available at the date of publication.

Covered payroll is not meaningful to formulate a ratio of net OPEB liability as a percentage of covered payroll. Contributions are only received from employers.

Schedule of Contributions
Teacher's Retirement System
Last Two Fiscal Years
(Expressed in thousands)

	2018	2017
Actuarially determined contribution	$ 760	1,698
Actual employer contributions	760	1,698
Contribution deficiency (excess)	$ -	$ -
State portion of liability	26.07%	26.07%
Covered employee payroll	1,081,956	1,061,401
Contributions as a percentage of covered payroll	0.07%	0.16%

Schedule of Net Other Postemployment Benefit Liability
Teacher's Retirement System
Last Fiscal Year
(Expressed in thousands)

	2017
Total OPEB liability	
Service cost	1,733
Interest	8,274
Changes of benefit terms	-
Difference between expected and and actual experience	(3,699)
Changes of assumption or other inputs	-
Benefit payments	(7,903)
Net change in total OPEB liability	(1,595)
Total OPEB Liability-beginning	113,391
Total OPEB Liability-ending	111,796
Plan fiduciary net position (OPEB)	
Contributions-employer	1,698
Contributions-employee	-
Net investment (loss) income	16,244
Health insurance premiums paid	(7,903)
Administrative expense	(7)
Net change in fiduciary net position	10,032
Fiduciary net position OPEB-beginning	113,391
Fiduciary net position OPEB-ending	123,423
Net OPEB Liability (Asset)	(11,627)
State portion of liability	26.07%
Fiduciary net position as a percentage of the total OPEB liability	110.40%
Covered employee payroll	1,061,401
Net OPEB Liability (Asset) as a percentage of covered employee payroll	-1.10%

Notes to Schedule:

GASB Statement 75 requires the information presented in the "Schedules of Required Supplementary Information" cover the 10 most recent fiscal years. The information above covers the period retroactive to the adoption of GASB Statement 75 and is the latest available at the date of publication.

Top: The concrete structure for the Capitol's new electrical switch gear is in place.
Bottom: The Capitol's new state-of-the-art electrical room is complete.

Description of Fiduciary Funds and Similar Component Units

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

PENSION TRUST FUNDS

The pension trust funds account for the transactions, assets, liabilities, and net position held in a trustee capacity for the benefit of the Plan members.

WILDLIFE CONSERVATION RETIREMENT PLAN
P.O. Box 53465, Oklahoma City, Oklahoma 73152
www.wildlifedepartment.com
This Plan is part of the primary government. The Plan accounts for transactions, assets, liabilities, and net position available for payment of plan benefits to employees of the Department of Wildlife Conservation.

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

OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM
6601 Broadway Ext Suite 100, Oklahoma City, Oklahoma 73105
www.ok.gov/fprs
The System provides retirement benefits for municipal firefighters in the State of Oklahoma.

OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM
421 NW 13th St., Suite 100, Oklahoma City, Oklahoma 73103
www.olers.state.ok.us
The System provides retirement benefits for qualified law enforcement officers in the State of Oklahoma.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM
P.O Box 53007, Oklahoma City, Oklahoma 73152
www.opers.ok.gov
The System administers the Oklahoma Public Employee Retirement Plan, which provides retirement benefits for state, county and local employees in the State of Oklahoma.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES
P.O. Box 53007, Oklahoma City, Oklahoma 73152
www.opers.ok.gov
The System provides retirement benefits for justices and judges in the State of Oklahoma.

OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM
1001 N.W. 63rd Street, Suite 305, Oklahoma City, Oklahoma 73116
www.ok.gov/opprs
The System provides retirement benefits for police officers employed by participating municipalities in the State of Oklahoma.

TEACHER'S RETIREMENT SYSTEM OF OKLAHOMA
P.O. Box 53524, Oklahoma City, Oklahoma 73152
www.ok.gov/trs
The System provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions in the State of Oklahoma.

AGENCY FUNDS

Agency Funds account for the receipt and disbursement of various moneys and property collected by the state, acting in the capacity of an agent, for distribution to non-state parties.

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

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

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

Other is moneys accounted for (1) by the Department of Human Capital Management for the Office of Management and Enterprise Services (OMES) for payment of employee claims against SoonerFlex flexible spending accounts, (2) deposits held by Capital Asset Management of OMES for bid process documents, (3) donations held by the District Attorney's Council for the Murrah Crime Victims Compensation Fund, (4) funds held by the Department of Transportation which had accrued to its former health insurance rate stabilization account and is being returned to the accounts contributors.

State of Oklahoma
Combining Statement of Net Position
Pension Trust Funds (Including Similar Component Units)
June 30, 2018
(expressed in thousands)

	Primary Government	Fiduciary Component Units						
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	TeachersRetirementSystem ofOklahoma	Total
Assets								
Cash/Cash Equivalents	$ 4,856	$ 70,883	$ 16,368	$ 223,015	$ 8,168	$ 38,434	$ 450,052	$ 811,776
Investments, at fair value								
Equity Securities	70,003	1,655,371	595,816	3,313,189	237,094	1,481,914	10,181,360	17,534,747
Governmental Securities	28,517	82,716	62,279	1,997,498	71,339	20,716	1,530,006	3,793,071
Debt Securities	6,535	232,112	201,552	1,023,581	32,754	365,758	1,885,874	3,748,166
Mutual Funds	0	0	0	3,401,102	0	0	0	3,401,102
Other Investments	4,378	674,151	131,542	12,596	0	646,516	2,585,808	4,054,991
Securities Lending Investments	0	88,147	71,716	476,470	14,401	0	1,729,964	2,380,698
Interest and Investment Revenue Receivable	0	4,095	1,117	21,948	490	2,723	73,533	103,906
Contributions Receivable:								
Employer	0	1,458	0	4,163	0	2,275	39,636	47,532
Employee	0	925	563	1,241	0	1,399	23,523	27,651
Due from Broker	0	0	0	194,906	7,304	1,272	162,017	365,499
Due from Component Units	0	0	0	715	0	0	0	715
Due from Other Funds	0	18,153	4,227	8,728	17	7,060	37,930	76,115
Capital Assets, Net	0	1,008	679	213	0	0	4,500	6,400
Other Assets	0	0	2	598	0	0	0	600
Total Assets	114,289	2,829,019	1,085,861	10,679,963	371,567	2,568,067	18,704,203	36,352,969
Liabilities								
Accounts Payable and Accrued Liabilities	0	15,045	815	0	0	578	0	16,438
Securities Lending Payable	0	88,147	71,716	476,470	14,401	0	1,729,964	2,380,698
Due to Broker	0	5,809	13,713	501,408	19,131	2,646	332,738	875,445
Due to Component Units	0	0	0	1	0	0	0	1
Due to Other Funds	0	3	1	52	0	3	51	110
Benefits in the Process of Payment	0	0	494	0	0	1,265	0	1,759
Other Liabilities	0	119	59	0	0	129	12,321	12,628
Total Liabilities	0	109,123	86,798	977,931	33,532	4,621	2,075,074	3,287,079
Net Position Restricted for Employees' Pension Benefits	$ 114,289	$ 2,719,896	$ 999,063	$ 9,702,032	$ 338,035	$ 2,563,446	$ 16,629,129	$ 33,065,890

State of Oklahoma
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds (Including Similar Component Units)

For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

	Primary Government	Fiduciary Component Units						
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	Total
Additions								
Contributions								
Employer Contributions	$ 3,100	$ 41,591	$ 10,368	$ 277,987	$ 6,684	$ 40,135	$ 415,981	$ 795,846
Employee Contributions	610	26,087	6,667	66,930	2,608	24,747	312,867	440,516
Other Contributions	0	100,333	23,674	0	0	39,028	344,610	507,645
Total Contributions	3,710	168,011	40,709	344,917	9,292	103,910	1,073,458	1,744,007
Investment Income								
Net Appreciation in Fair Value of Investments	6,658	280,541	71,286	622,573	23,989	205,758	1,144,427	2,355,232
Interest and Investment Revenue	2,059	27,545	14,511	156,232	2,877	15,317	426,109	644,650
	8,717	308,086	85,797	778,805	26,866	221,075	1,570,536	2,999,882
Less Investment Expenses	218	18,717	5,792	18,327	426	15,636	70,170	129,286
Net Investment Income	8,499	289,369	80,005	760,478	26,440	205,439	1,500,366	2,870,596
Total Additions	12,209	457,380	120,714	1,105,395	35,732	309,349	2,573,824	4,614,603
Deductions								
Administrative and General Expenses	6,843	2,098	1,092	5,340	156	1,721	4,211	21,461
Benefit Payments and Refunds	58	244,858	59,904	627,523	18,695	139,563	1,403,817	2,494,418
Total Deductions	6,901	246,956	60,996	632,863	18,851	141,284	1,408,028	2,515,879
Net Increase	5,308	210,424	59,718	472,532	16,881	168,065	1,165,796	2,098,724
Net Position Reserved for Employees' Pension Benefits								
Beginning of Year (as restated)	108,981	2,509,472	939,345	9,229,500	321,154	2,395,381	15,463,333	30,967,166
End of Year	$ 114,289	$ 2,719,896	$ 999,063	$ 9,702,032	$ 338,035	$ 2,563,446	$ 16,629,129	$33,065,890

State of Oklahoma
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2018
(expressed in thousands)

	Taxes Held for Outside Entity	Assets Held in Escrow	Assets Held for Beneficiaries	Other	Total
Assets					
Cash/Cash Equivalents	$ 554,646	$ 81,051	$ 9,604	$ 44,234	$ 689,535
Accounts Receivable	0	18	157	0	175
Inventory	0	0	0	8,594	8,594
Total Assets	554,646	81,069	9,761	52,828	698,304
Liabilities					
Account Payable	0	0	649	0	649
Tax Refunds Payable	97,616	0	0	0	97,616
Deferred Revenue	0	2	157	0	159
Due to Others	457,030	81,067	8,955	52,828	599,880
Total Liabilities	$ 554,646	$ 81,069	$ 9,761	$ 52,828	$ 698,304

State of Oklahoma
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Taxes Held for Outside Entities				
Assets				
Cash/Cash Equivalents	$ 524,497	$ 729,179	$ 699,030	$ 554,646
Total Assets	524,497	729,179	699,030	554,646
Liabilities				
Tax Refunds Payable	105,639	97,616	105,639	97,616
Due to Others	418,858	631,563	593,391	457,030
Total Liabilities	524,497	729,179	699,030	554,646
Funds Held in Escrow				
Assets				
Cash/Cash Equivalents	76,371	23,335	18,655	81,051
Accounts Receivable	34	18	34	18
Total Assets	76,405	23,353	18,689	81,069
Liabilities				
Account Payable	40	0	40	0
Deferred Revenue	0	2	0	2
Due to Others	76,365	23,351	18,649	81,067
Total Liabilities	76,405	23,353	18,689	81,069
Assets Held for Beneficiaries				
Assets				
Cash/Cash Equivalents	8,211	440,807	439,414	9,604
Accounts Receivable	7	157	7	157
Total Assets	8,218	440,964	439,421	9,761
Liabilities				
Account Payable	657	649	657	649
Deferred Revenue	1	157	1	157
Due to Others	7,560	440,158	438,763	8,955
Total Liabilities	8,218	440,964	439,421	9,761
Other				
Assets				
Cash/Cash Equivalents	47,332	6,075	9,173	44,234
Inventory	7,501	8,594	7,501	8,594
Total Assets	54,833	14,669	16,674	52,828
Liabilities				
Due to Others	54,833	14,669	16,674	52,828
Total Liabilities	54,833	14,669	16,674	52,828
Total - All Agency Funds				
Assets				
Cash/Cash Equivalents	656,411	1,199,396	1,166,272	689,535
Accounts Receivable	41	175	41	175
Inventory	7,501	8,594	7,501	8,594
Total Assets	663,953	1,208,165	1,173,814	698,304
Liabilities				
Account Payable	697	649	697	649
Tax Refunds Payable	105,639	97,616	105,639	97,616
Deferred Revenue	1	159	1	159
Due to Others	557,616	1,109,741	1,067,477	599,880
Total Liabilities	663,953	1,208,165	1,173,814	698,304

Description of Nonmajor Component Units

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

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
P.O. Box 14190, Oklahoma City, OK 73113
www.oeta.tv
The Authority provides educational television services to all Oklahoma citizens on a coordinated statewide basis.

OKLAHOMA INDUSTRIAL FINANCE AUTHORITY
9220 N. Kelley Ave., Oklahoma City, OK 73118
The Authority assists with the state's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. The loans are financed by issuance of general obligation bonds.

MULTIPLE INJURY TRUST FUND
421 NW 13th Street Suite 105, Oklahoma City, OK 73103
The fund provides additional compensation to a worker with a pre-existing injury who suffers a second injury.

UNIVERSITY HOSPITALS AUTHORITY
P.O Box 26307, Oklahoma City, OK 73126
www.uhatok.com
The Authority consists of The University Hospital and Children's Hospital of Oklahoma. The University Hospital is affiliated with the University of Oklahoma Health Sciences Center. The University Hospital is financed primarily through patient service charges.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
5900 N. Classen Ct., Oklahoma City, OK 73118
The Authority provides financing for both public and private entities in the state. The Authority obtains funds through the issuance of bonds and notes.

OKLAHOMA CAPITAL INVESTMENT BOARD
13905 Quail Pointe Drive, Suite A, Oklahoma City, OK 73134
www.ocib.org
The Authority assists the state with industrial development by mobilizing equity and near-equity capital for investment to potential creation of jobs and growth that will diversify and stabilize the economy.

OKLAHOMA STATE UNIVERSITY MEDICAL AUTHORITY
1111 W. 17th Street, Tulsa, OK 74107
www.healthsciences.okstate.edu/osuma
The Authority is charged with overseeing the 50-year Academic Affiliation Agreement signed between Tulsa Regional Medical Center and OSU Center for Health Sciences. The agreement provides for funding, teaching and training facilities to the graduate medical program associated with the Oklahoma State University Center for Health Sciences.

State of Oklahoma
Combining Statement of Net Position
Nonmajor Component Units
June 30, 2018
(expressed in thousands)

	Oklahoma Educational Televison Authority	Oklahoma Industrial Finance Authority	Multiple Injury Trust Fund	University Hospitals Authority	Oklahoma Development Finance Authority	Oklahoma Capital Investment Board	Oklahoma State Univ. Medical Authority	Nonmajor Component Units Total
Assets								
Current Assets								
Cash/Cash Equivalents								
Unrestricted	$ 7,505	$ 39,031	$ 9,700	$ 69,622	$ 16,801	$ 14	$ 47,627	$ 190,300
Investments	29,401	0	0	2,321	0	9,750	0	41,472
Accounts Receivable	722	0	0	73,501	0	0	10,363	84,586
Interest and Investment								
Revenue Receivable	30	177	18	12	0	0	0	237
Other Receivables	0	0	0	0	0	0	1,068	1,068
Notes Receivable	0	967	0	0	29	0	0	996
Due from Other Component Units	0	0	0	0	303	0	0	303
Due from Primary Government	0	0	10,651	17,997	29	0	0	28,677
Prepaid Items	465	0	0	3	0	0	2,614	3,082
Other Current Assets	0	0	0	0	930	0	3,545	4,475
Total Current Assets	38,123	40,175	20,369	163,456	18,092	9,764	65,217	355,196
Noncurrent Assets								
Cash/Cash Equivalents -								
Restricted	3,064	15	0	250	0	0	0	3,329
Investments - Restricted	0	0	0	883	18	0	0	901
Long-Term Notes Receivable, Net	0	2,732	0	0	0	0	0	2,732
Long-Term Investments-Unrestricted	0	15,720	0	0	0	0	0	15,720
Capital Assets								
Depreciable, Net	9,251	37	16	254,644	1,211	0	30,345	295,504
Land	26	75	0	4,009	286	0	0	4,396
Construction in Progress	0	0	0	2,027	0	0	1,687	3,714
Other Noncurrent Assets								
Unrestricted	0	0	0	40,000	0	0	354	40,354
Restricted	0	0	0	36	0	0	0	36
Total Noncurrent Assets	12,341	18,579	16	301,849	1,515	0	32,386	366,686
Total Assets	50,464	58,754	20,385	465,305	19,607	9,764	97,603	721,882
Deferred Outflows								
Advance Refunding of Bonds	0	26	0	0	0	0	0	26
Deferred Outflows from Pensions	552	132	0	454	0	0	0	1,138
Total Deferred Outflows	552	158	0	454	0	0	0	1,164
Liabilities								
Liabilities								
Current Liabilities								
Accounts Payable and								
Accrued Liabilities	175	0	29	47,719	679	78	13,701	62,381
Claims and Judgements	0	0	43,640	0	0	0	0	43,640
Interest Payable	0	167	196	0	0	0	0	363
Unearned Revenue	139	0	0	3	0	0	0	142
Due to Other Component Units	0	0	0	285	0	0	0	285
Due to Fiduciary Funds	0	0	0	20	0	0	0	20
Due to Primary Government	0	0	5	0	0	0	0	5
Capital Leases	0	0	0	0	0	0	240	240
Compensated Absences	236	46	86	179	0	0	0	547
Notes Payable	0	0	2,198	0	0	0	2,057	4,255
Gen Obligation Bonds Payable	0	10,000	0	0	0	0	0	10,000
Revenue Bonds	0	0	0	0	0	0	0	0
Other Current Liabilities	1	15,299	0	0	320	10,683	7,121	33,424
Total Current Liabilities	551	25,512	46,154	48,206	999	10,761	23,119	155,302
Noncurrent Liabilities								
Claims and Judgements	0	0	427,723	0	0	0	0	427,723
Net Pension Liability	565	138	0	449	0	0	0	1,152
Compensated Absences	59	0	0	0	0	0	0	59
Notes Payable	0	0	9,001	0	0	0	6,681	15,682
General Obligation Bonds	0	30,000	0	0	0	0	0	30,000
Capital Leases	0	0	0	0	0	0	315	315
Revenue Bonds	0	0	0	0	9,999	0	0	9,999
Unamortized Premium (Discount)	0	0	0	0	0	0	0	0
Other Noncurrent Liabilities	310	0	0	0	119	0	1,002	1,431
Total Noncurrent Liabilities	934	30,138	436,724	449	10,118	0	7,998	486,361
Total Liabilities	1,485	55,650	482,878	48,655	11,117	10,761	31,117	641,663
Deferred Inflows of Resources								
Deferred Inflows from Pensions	136	25	0	80	0	0	0	241
Total Deferred Inflows	136	25	0	80	0	0	0	241
Net Position								
Net Investment in Capital Assets	9,277	0	0	260,680	1,497	0	21,711	293,165
Restricted for:								
Other Special Purpose								
Expendable	2,320	15	0	1,169	0	0	0	3,504
Unrestricted	37,798	3,222	(462,493)	155,175	6,993	(997)	44,775	(215,527)
Total Net Position	$ 49,395	$ 3,237	$ (462,493)	$ 417,024	$ 8,490	$ (997)	$ 66,486	$ 81,142

State of Oklahoma
Combining Statement of Activities
NonMajor Component Units
For the Fiscal Year Ended June 30, 2018
(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 Asset	Net Position Beginning of Year	Net Position End of Year
Nonmajor Component Units:								
Oklahoma Educational Televison Authority	$ 11,696	$ 8,292	$ 2,035	$ (1,369)	$ 2,702	$ 1,333	$ 48,062	$ 49,395
Oklahoma Industrial Finance Authority	1,411	1,436	0	25	0	25	3,212	3,237
Multiple Injury Trust Fund	90,445	146	0	(90,299)	48,683	(41,616)	(420,877)	(462,493)
University Hospitals Authority	219,318	213,616	0	(5,702)	37,663	31,961	385,063	417,024
Oklahoma Development Finance Authority	1,008	1,426	0	418	0	418	8,072	8,490
Oklahoma Capital Investment Board	855	2,719	0	1,864	0	1,864	(2,861)	(997)
Oklahoma State Univ. Medical Authority	143,045	140,560	0	(2,485)	12,819	10,334	56,152	66,486
Total Nonmajor Component Units	$ 467,778	$ 368,195	$ 2,035	$ (97,548)	$ 101,867	$ 4,319	$ 76,823	$ 81,142

Top: A crane carefully lowers the Capitol's new emergency power generator into place. Bottom: The completed emergency power generator weighs over 24,000 pounds and generates 828 kilowatts of electricity.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 22, 2018, which included an emphasis paragraph on the Multiple Injury Trust Fund for a net deficit related primarily to court awards that exceeded the apportionment of special tax revenue collected. Our report includes a reference to other auditors who audited:

- the financial statements of the Water Resources Board which represent fifty percent of the assets, thirty-three percent of the net position and three percent of the revenues of the proprietary funds;
- the financial statements of the Oklahoma Municipal Power Authority, University of Oklahoma, University of Oklahoma – Health Sciences Center, Oklahoma State University – Foundation, Grand River Dam Authority, Oklahoma State University, Oklahoma Turnpike Authority, University of Oklahoma – Foundation, the Regents for Higher Education, and the Oklahoma Housing Finance Agency which in the aggregate represent eighty-one percent of the assets, eighty-six percent of the net position and seventy-three percent of the revenues for the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent ninety-eight percent of the assets, ninety-eight percent of the fund balance and ninety-nine percent of the revenues of the permanent funds;
- the financial statements of the Oklahoma Public Employees Retirement System, the Oklahoma Teachers Retirement System, and the Oklahoma Firefighters Pension and Retirement System which in the aggregate represent eighty-seven percent of the assets, eighty-eight percent of the net position and ninety percent of the additions of the aggregate remaining fund information;
- the financial statements of the Department of Wildlife, Department of Commerce, and Oklahoma Capital Improvement Authority which in the aggregate represent ten percent of the assets, fourteen percent of the net position and one percent of the revenues of the general fund.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Oklahoma's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 18-695-006 and 18-090-008 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

State of Oklahoma's Response to Findings

The State of Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The State of Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

Gary A Jones

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

December 22, 2018

Schedule of Findings and Responses

Reference Number: 18-695-006
State Agency: Oklahoma Tax Commission (the Commission)
Fund Type: Governmental Activities
Other Information: Accounts Receivable/Taxes Receivables

Criteria: The GASB 33 *Recognition Standards* section states, in part, "The timing of recognition for each class of nonexchange transactions is outlined below. . . . *Derived tax revenues* – Assets–when the underlying exchange transaction occurs or resources are received, whichever is first." Paragraph 16 states, in part, "Governments should recognize assets from derived tax revenue transactions in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first." Paragraph 67 states, in part, "for derived tax revenues, a government should recognize assets when the exchange transaction on which the government imposes the tax occurs. At that point, the government has a legal claim to the provider's resources, supported by the enabling legislation. That is so, even if actual payment to the government in not required until a later date or, if the amount of the required payment is not certain (but is reasonably estimable), until a tax return or other require validation report is submitted and accepted."

The Governmental Accounting, Auditing, and Financial Reporting Chapter 7, *Measurement Focus and Basis of Accounting* states, in part, "Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. All other financial statements (proprietary fund, fiduciary fund, and government-wide) use the economic resources measurement focus and the accrual basis of accounting, with the exception of agency funds (which technically have no measurement focus but do employ the accrual basis of accounting for purposes of asset and liability recognition)." Chapter 8, *Categories of Transactions and Events and Their Recognition* states, in part, "Governments frequently generate revenue from exchange transactions to which they are not a party." It also states, "Accountants describe such arrangements as derived tax revenues, because the revenue results (*derives*) from events unrelated to the government's own operations. A government should recognize both a receivable and revenue (net of estimated refunds and uncollectible amounts) as soon as the underlying exchange transaction has taken place." Chapter 9, *Revenue Recognition in Governmental Funds* states, in part, "Derived tax revenues arise when a government imposes a tax on an exchange transaction to which it is not a party. The most commonly encountered examples are sales taxes and income taxes." It also states, "A government should recognize a receivable, net of estimated refunds and uncollectible amounts, as soon as the underlying exchange transaction has taken place."

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government 10.03 states, in part, "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

Office of Management and Enterprise Services (OMES) GAAP Conversion Manual for GAAP Package E. Taxes Receivable and Refunds Payable Conversion Package IV. A. 3. states, "Taxes receivables as of June 30 can be estimated by compiling the tax receipts in July and August. Specify by the type of tax. If your agency has a receivable system in place that system should be used."

Office of Management and Enterprise Services (OMES) GAAP Conversion Manual for GAAP Package C. Accounts Receivable/Deferred Revenue Conversion Package IV. A. states, "Calculate or estimate the amount of cash that has been collected or reported, or will be collected or reported, for each type of revenue for any year(s) subsequent to this fiscal year to determine the amount of deferred revenue." Section III. E. states, in part, "Accounts receivable are <u>all</u> amounts that are measurable and due to your agency from parties outside state government at June 30. As of June 30, you either:

* Have billed these non-state parties and not yet collected the related cash, or
* Know that these parties owe you money even though you have not yet billed them."

Condition: We noted the amount reported by the Commission as Taxes Receivable on the GAAP Package E-1 was derived from taxes due to the Commission as of June 30, 2018 and received between July 1, 2018 to August 30, 2018. Since the Commission reported tax payments received between July 1 and August 30, 2018, the remaining taxes due to the Commission as of June 30, 2018 were not accounted for on the GAAP Package E-1. Based on the definition of accrual accounting, the taxes earned and expected to be collected by the Commission as of June 30, 2018 should have been included in the taxes receivable balance reported for SFY 2018.

We noted the amount reported by the Commission as Accounts Receivable on the GAAP Package C-1 was derived from interest and penalties due to the Commission as of June 30, 2018 and received between July 1, 2018 to August 30, 2018. Since the Commission reported interest and penalty payments received between July 1 and August 30, 2018, the remaining interest and penalties due to the Commission as of June 30, 2018 were not accounted for on the GAAP Package C-1. Based the of definition of accrual accounting, the interest and penalties earned and expected to be collected by the Commission as of June 30, 2018 should have been included in the accounts receivable balance reported for SFY 2018.

Cause: The method currently being used by the Commission to calculate Taxes Receivable and Accounts Receivable does not comply with GAAP accrual basis accounting. The method used does not consider all taxes, interest, and penalties due to the Commission at year-end but rather only accounts for the taxes, interest, and penalties collected for July and August related to June 30, 2018.

Effect: The Taxes Receivable amount reported by the Commission on the GAAP Package E-1 and the Accounts Receivable amount reported by the Commission on the GAAP Package C-1 excluded some of the taxes, interest, and penalties due to the Commission at year-end.

Recommendation: We recommend the Commission develop a method to determine and report Taxes Receivables and Accounts Receivable in compliance with the accrual basis of accounting. This method should include taxes, interest, and penalties earned as of year-end.

Agency Management Response: The Tax Commission agrees that we are not using the accrual basis of accounting to report Taxes Receivable and Accounts Receivable on the GAAP packages. We have consistently followed the modified accrual basis of accounting this year and all past years. We have not seen nor been made aware of any harm to entities that used these reports in prior years. This method has ensured that the Tax Commission did not overstate Taxes Receivable nor Accounts Receivable, which could cause adverse issues with the users of this information if larger estimated figures were relied upon for future collections. The Tax Commission will move forward with identifying a method and related system that could produce reliable estimates for use in reporting Taxes Receivable and Accounts Receivable under the accrual basis of accounting. Research will also be pursued to contact other state Departments of Revenue to determine how other state governments are implementing the accrual basis of accounting to report Taxes Receivable in their state financial reports.

Reference Number: 18-090-008
State Agency: Office of Management and Enterprise Services
Fund Type: Governmental Activities & General Fund

Criteria: Statewide Accounting Manual paragraph 12.13 *Supervising Internal Control Activities* states, "...Supervisors should systematically review each staff member's work."

A component objective of an effective internal control system is to ensure accurate and reliable information through a proper review and approval process.

Paragraph 13.02 of GAO *Standards for Internal Control in the Federal Government* states, "Management designs a process that uses the entity's objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks."

Paragraph 13.04 of GAO *Standards for Internal Control in the Federal Government* states, "... Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability."

A basic objective of Generally Accepted Accounting Principles is to provide accurate, reliable, and timely information.

Condition: During our review of the preliminary financial statements and statewide adjusting journal entries, we noted 4 material errors that required adjustment to the preliminary financial statements. The errors noted were, as follows:

- An overstatement of the Net Pension Liability by approximately $1.7 billion.
- A misclassification of expenditures resulting in an overstatement of $568.8 million in Social Services expenditures and an understatement of $568.8 million in Education expenditures.
- The recording of an entry from FY 2017 again instead of the entry for FY 2018 resulting in an understatement of Capital Outlay by approximately $33.5 million.
- An understatement of the Government-Wide Net Position of approximately $191.1 million relating to an incorrect recording of Deferred Inflows and Deferred Outflows of Resources Relating to Pensions.

After the errors were discussed with the Financial Reporting Unit at OMES, all necessary corrections were made.

Cause: The current review process in place at OMES did not detect the errors in the adjusting journal entries prior to recording them.

Effect: Material misstatements were present in the preliminary financial statements that were provided to the Auditor's Office.

Recommendation: The agency should review their internal control procedures and implement additional controls to strengthen the review process of the adjusting journal entries and preliminary financial statements to ensure they are adequately reviewed prior to submitting to the Auditor's Office. In addition, we recommend that the agency perform a comparison of preliminary financial statements and adjusting journal entries (government-wide and fund) to the prior year to identify any unexpected change in balances.

Agency Management Response: State law and accounting policies require agency (component unit) financial statements be reported to OMES by October 31 each year. The purpose is to allow OMES 60 days to issue the state's Consolidated Accounting Financial Report. OMES streamlines the preparation of the CAFR by presenting the State Auditor and Inspector information as soon as the entries are made realizing that formal compilation and review is ongoing.

If preliminary data is not submitted until after the CAFR is complete, the timeframe for the completion, review and audit of the CAFR would be compressed significantly. OMES management concurs that this process is not ideal but has historically found it necessary to meet the deadlines of presenting the CAFR. The short time frame for preparation of the CAFR is compounded by agencies that routinely miss the October deadline for reporting their information.

OMES management will expand interim reviews providing more accuracy of preliminary information. OMES management will add a financial preparer so the manager can focus on review activities. OMES management recommends the state allow OMES to impose a penalty to agencies that do not submit their information timely causing for untimely reviews and delays in the CAFR preparation.

This Page Intentionally Left Blank

Top: Scaffolding is removed from a completed elevation on the east wing of the Capitol.
Bottom: A completed elevation of the building includes restored windows, repaired limestone, newly cleaned limestone, new gutters, and new mortar in the stone joints.

STATISTICAL SECTION
INDEX

This Page Intentionally Left Blank

Using the Statistical Section

The statistical section of the Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the state's overall financial health. The information is grouped into the following five categories:

Financial Trends – Net Position by Component, Changes in Net Position, Fund Balances, and Changes in Fund Balance

These schedules contain trend information to help the reader understand how the state's financial performance and well-being have changed over time.

Revenue Capacity – Personal Income by Industry, Personal Income Tax Filers and Liability by Adjusted Gross Income, and Tax Collections

These schedules contain information to help the reader assess the ability of the state to generate and collect taxes.

Debt Capacity – Percentage of Annual Debt Service Expenditures for General Bonded Debt to Total Expenditures, Ratios of Outstanding Debt by Type, and Revenue Bond Coverage

These schedules present information to help the reader assess the affordability of the state's current levels of outstanding debt, its ability to issue additional debt in the future, and its ability to repay the outstanding debt.

Demographic and Economic Information – Major Employers by Size, Demographic and Economic Statistics, and School Enrollments

These schedules offer demographic and economic indicators to help the reader understand the environment within which the state's financial activities take place and to help make comparisons over time and with other governments.

Operating Information – Government Employees by Function, Capital Asset Utilization by Function, Operating Indicators for Governmental Functions, and Additional Information and Sources of Statistical Data

These schedules contain information about the state's operations and resources to help the reader understand how the state's financial information relates to the services the state provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from CAFR of the relevant year.

State of Oklahoma
Schedule of Net Position by Component
Last Ten Fiscal Years
(expressed in thousands)

	2009	2010	2011	2012
Governmental Activities				
Net investment in capital assets	$ 7,364,509	$ 8,148,821	$ 8,710,430	$ 9,276,689
Restricted	2,268,701	2,492,399	3,647,627	3,957,319
Unrestricted	2,970,902	2,415,428	1,895,301	2,091,507
Total governmental activities net position	12,604,112	13,056,648	14,253,358	15,325,515
Business-type activities				
Net investment in capital assets	527	330	202	126
Restricted	1,178,940	834,824	867,777	1,102,997
Unrestricted	10,972	8,887	5,346	273,981
Total business-type activities net position	1,190,439	844,041	873,325	1,377,104
Primary government				
Net investment in capital assets	7,365,036	8,149,151	8,710,632	9,276,815
Restricted	3,447,641	3,327,223	4,515,404	5,060,316
Unrestricted	2,981,874	2,424,315	1,900,647	2,365,488
Total primary government net position	$ 13,794,551	$ 13,900,689	$ 15,126,683	$ 16,702,619

State of Oklahoma
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(expressed in thousands)

	2009	2010	2011	2012	2013	2014
General Fund						
Reserved	$ 767,554	$ 679,812	$ -	$ -	$ -	$ -
Unreserved	3,166,157	2,644,239	-	-	-	-
Nonspendable	-	-	64,817	73,539	84,743	74,278
Restricted	-	-	1,020,229	1,244,592	1,240,573	1,340,771
Committed	-	-	2,630,649	2,755,138	2,788,761	2,632,260
Assigned	-	-	-	-	1,960	1,777
Unassigned	-	-	62,301	144,365	133,796	133,796
Total General Fund	3,933,711	3,324,051	3,777,996	4,217,634	4,249,833	4,182,882
All Other Governmental Funds						
Reserved	1,906,950	2,232,060	-	-	-	-
Nonspendable	-	-	2,539,403	2,549,833	2,829,731	3,226,796
Restricted	-	-	23,294	15,980	12,438	7,417
Committed	-	-	-	-	-	53,430
Assigned	-	-	2,928	66,135	60,952	70,096
Unassigned	-	-	26,355	25,724	39,056	-
Total All Other Governmental Funds	1,906,950	2,232,060	2,591,980	2,657,672	2,942,177	3,357,739
Total All Governmental Fund Balances	$ 5,840,661	$ 5,556,111	$ 6,369,976	$ 6,875,306	$ 7,192,010	$ 7,540,621

Note: Effective 6/30/11, GASB statement 54 established new fund balance reporting classifications based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Prior year unreserved funds are now labeled unassigned funds. Prior year reserved funds are now separated into in four categories.

2013	2014	2015	2016	2017	2018
$ 9,650,570	$ 9,992,791	$ 10,425,644	$ 10,865,784	$ 11,031,695	$ 11,318,869
4,182,822	4,698,509	4,930,516	4,140,040	4,392,708	4,554,212
2,106,533	2,029,441	1,696,768	1,397,498	1,484,206	1,853,248
15,939,925	16,720,741	17,052,928	16,403,322	16,908,609	17,726,329
1,037	1,415	1,914	2,856	2,477	2,085
1,353,998	1,573,491	1,601,651	1,468,588	1,423,476	1,471,069
602,997	636,300	582,633	528,198	532,518	575,621
1,958,032	2,211,206	2,186,198	1,999,642	1,958,471	2,048,775
9,651,607	9,994,206	10,427,558	10,868,640	11,034,172	11,320,954
5,536,820	6,272,000	6,532,167	5,608,628	5,816,184	6,025,281
2,709,530	2,665,741	2,279,401	1,925,696	2,016,724	2,428,869
$ 17,897,957	$ 18,931,947	$ 19,239,126	$ 18,402,964	$ 18,867,080	$ 19,775,104

2015	2016	2017	2018
$ -	$ -	$ -	$ -
-	-	-	-
76,851	80,281	78,555	77,093
1,572,465	815,862	790,129	1,145,684
2,634,649	2,445,893	2,245,651	2,274,589
1,045	609	542	-
96,297	25,866	23,338	112,912
4,381,307	3,368,511	3,138,215	3,610,278
-	-	-	-
3,228,359	3,212,407	3,508,054	3,625,586
1,265	5,081	-	-
48,967	29,394	41,833	65,263
79,460	77,296	52,692	41,789
-	-	-	-
3,358,051	3,324,178	3,602,579	3,732,638
$ 7,739,358	$ 6,692,689	$ 6,740,794	$ 7,342,916

State of Oklahoma
Changes in Net Position by Component
Last Ten Fiscal Years
(expressed in thousands)

	2009	2010	2011	2012
Expenses				
Governmental Activities:				
Education-General	$ 3,548,104	$ 3,573,881	$ 3,506,316	$ 2,413,027
Education-Payment to Higher Education	1,074,409	1,076,248	1,065,225	1,982,235
Government Administration	1,718,794	1,611,256	1,663,883	1,763,437
Health Services	4,542,241	4,750,304	4,866,858	5,432,791
Legal and Judiciary	230,706	256,867	241,360	236,979
Museums	17,507	14,572	13,539	15,455
Natural Resources	265,197	249,020	257,998	223,444
Public Safety and Defense	951,387	811,999	850,190	825,787
Regulatory Services	130,033	119,044	127,211	116,789
Social Services	1,976,556	2,287,486	2,269,749	2,126,879
Transportation	902,151	842,394	934,272	845,784
Interest on Long-Term Debt	70,026	70,549	100,363	95,097
Governmental Activities	15,427,111	15,663,620	15,896,964	16,077,704
Business-Type Activities:				
Employment Security Commission	533,629	1,146,720	776,001	537,575
Water Resources Board	25,527	26,739	40,769	39,979
Office of Management and Enterprise Services	-	-	-	-
Lottery Commission	122,961	132,642	132,812	127,729
Business-Type Activities	682,117	1,306,101	949,582	705,283
Total Primary Government Expenses	16,109,228	16,969,721	16,846,546	16,782,987
Program Revenues				
Governmental Activities:				
Charges for Services:				
Government Administration	230,663	224,563	226,054	263,050
Health Services	126,087	167,567	174,185	476,950
Social Services	190,535	198,086	171,890	62,997
All Others	569,538	707,820	570,744	564,370
Total Charges for Services	1,116,823	1,298,036	1,142,873	1,367,367
Operating Grants and Contributions	6,141,165	7,804,862	7,982,737	7,181,699
Total Governmental Activities	7,257,988	9,102,898	9,125,610	8,549,066
Business-Type Activities:				
Charges for Services:				
Employment Security Commission	267,591	206,763	352,458	634,373
Water Resources Board	53,973	26,979	76,225	59,461
Office of Management and Enterprise Services	-	-	-	-
Lottery Commission	193,326	199,926	198,274	199,973
Total Charges for Services	514,890	433,668	626,957	893,807
Operating Grants and Contributions	134,029	596,350	421,483	260,936
Total Business-Type Activities	648,919	1,030,018	1,048,440	1,154,743
Total Primary Government Revenue	7,906,907	10,127,765	10,172,410	9,703,247
Net (Expense) Revenue:				
Governmental Activities	(8,169,123)	(6,560,722)	(6,771,354)	(7,528,638)
Business-Type Activities	(33,198)	(276,083)	98,858	449,460
Total Primary Government	(8,202,321)	(6,836,805)	(6,672,496)	(7,079,178)
General Revenues				
Governmental Activities:				
Taxes	7,865,257	6,825,428	7,736,326	8,371,138
Investment Earnings	141,264	45,116	117,128	80,488
Contributions to Permanent Funds	73,548	62,325	61,738	64,861
Gain (Loss) on Sale of Assets	1,316	3,816	-	-
Special Item	-	-	-	7,384
Transfers	69,826	70,315	69,574	65,880
Total Governmental Activities	8,151,211	7,007,000	7,984,766	8,589,751
Business-Type Activities:				
Transfers	(69,826)	(70,315)	(69,574)	(65,880)
Total Business-Type Activities	(69,826)	(70,315)	(69,574)	(65,880)
Total General Revenues and Transfers	8,081,385	6,936,685	7,915,192	8,523,871
Change in Net Position (Governmental)	(17,912)	446,278	1,213,412	1,061,113
Change in Net Position (Business-Type)	(103,024)	(346,398)	29,284	383,580
Net Position - Beginning of Year (as restated)	13,915,217	13,800,809	13,883,987	15,257,926
Net Position - End of Year	$ 13,794,281	$ 13,900,689	$ 15,126,683	$ 16,702,619

2013	2014	2015	2016	2017	2018
$ 2,405,694	$ 3,322,341	$ 3,424,751	$ 3,435,184	$ 3,361,645	$ 3,507,277
2,003,101	1,037,785	1,030,060	942,707	889,389	761,036
1,866,501	1,830,570	1,114,539	2,114,501	1,870,606	2,111,959
5,462,257	5,766,102	5,660,101	5,710,985	5,613,009	5,603,631
245,372	261,344	205,622	262,081	267,320	252,845
15,916	17,691	18,189	12,502	11,316	11,281
353,243	264,233	288,333	290,366	318,494	281,187
820,506	863,080	787,751	859,395	895,929	885,841
129,206	131,756	153,511	193,245	97,804	115,590
2,222,255	2,240,638	2,187,576	2,356,625	2,199,151	2,137,520
941,132	1,043,522	1,086,603	1,109,349	1,128,688	1,148,291
112,030	71,270	58,330	78,130	76,321	56,493
16,577,213	16,850,332	16,015,366	17,365,070	16,729,672	16,872,951
386,399	289,959	281,058	395,192	320,111	250,465
39,398	35,286	32,641	34,673	34,932	37,489
843,065	925,327	1,023,920	1,051,966	1,031,753	1,051,302
128,642	123,180	112,624	121,139	97,619	161,388
1,397,504	1,373,752	1,450,243	1,602,970	1,484,415	1,500,644
17,974,717	18,224,084	17,465,609	18,968,040	18,214,087	18,373,595
469,439	189,753	558,328	330,500	447,826	350,687
472,502	557,041	544,828	625,906	633,940	579,414
26,317	61,925	11,962	36,311	9,984	72,277
697,964	627,565	628,232	659,458	698,598	766,977
1,666,222	1,436,284	1,743,350	1,652,175	1,790,348	1,769,355
6,939,234	7,326,805	6,744,975	6,785,553	7,131,617	6,681,680
8,605,456	8,763,089	8,488,325	8,437,728	8,921,965	8,451,035
535,290	475,453	305,538	254,001	278,815	285,454
54,877	55,315	53,329	61,237	42,455	47,802
860,767	941,890	964,432	984,734	1,026,482	1,083,430
200,324	191,564	171,989	190,074	151,917	221,643
1,651,258	1,664,222	1,495,288	1,490,046	1,499,669	1,638,329
138,918	37,901	10,935	8,302	9,031	15,620
1,790,176	1,702,123	1,506,223	1,498,348	1,508,700	1,653,949
10,396,260	10,465,028	9,997,863	9,936,752	10,430,665	10,104,984
(7,971,757)	(8,087,243)	(7,527,041)	(8,927,342)	(7,807,707)	(8,421,916)
392,672	328,371	55,980	(104,622)	24,285	153,305
(7,579,085)	(7,758,872)	(7,471,061)	(9,031,964)	(7,783,422)	(8,268,611)
8,342,838	8,691,182	8,612,118	8,232,688	8,131,948	9,231,672
68,601	59,298	60,007	60,792	53,157	58,075
87,515	60,516	59,287	58,810	59,460	54,765
-	-	-	-	-	-
615	-	(451)	-	-	-
77,745	81,020	76,211	78,979	65,456	63,001
8,577,314	8,892,016	8,807,172	8,431,269	8,310,021	9,407,513
(77,745)	(81,020)	(76,211)	(78,979)	(65,456)	(63,001)
(77,745)	(81,020)	(76,211)	(78,979)	(65,456)	(63,001)
8,499,569	8,810,996	8,730,961	8,352,290	8,244,565	9,344,512
605,557	804,773	1,280,131	(496,073)	502,314	985,597
314,927	247,351	(20,231)	(183,601)	(41,171)	90,304
16,977,473	17,879,823	17,979,226	19,082,638	18,405,937	18,699,203
$ 17,897,957	$ 18,931,947	$ 19,239,126	$ 18,402,964	$ 18,867,080	$ 19,775,104

State of Oklahoma
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(expressed in thousands)

	2009	2010	2011	2012
Revenues				
Taxes:				
Income Taxes-Individual	$ 2,537,221	$ 2,093,097	$ 2,527,208	$ 2,722,648
Income Taxes-Corporate	449,910	219,795	351,074	443,358
Sales Tax	2,190,082	1,982,820	2,191,359	2,400,752
Gross Production Taxes	1,136,279	762,223	818,572	837,302
Motor Vehicle Taxes	585,084	579,852	638,189	692,046
Fuel Taxes	397,852	402,999	405,555	410,949
Tobacco Taxes	254,006	253,172	270,307	278,797
Insurance Taxes	105,076	88,156	113,951	124,653
Beverage Taxes	90,071	90,276	95,115	100,547
Other Taxes	119,946	353,038	324,996	360,086
Licenses, Permits and Fees	357,226	361,338	405,062	598,030
Interest and Investment Revenue	89,296	476,597	699,254	336,295
Federal Grants	6,227,575	7,456,421	7,499,163	6,934,571
Sales and Services	201,307	185,037	166,584	190,779
Other	570,192	780,704	521,740	614,350
Total Revenues	15,311,123	16,085,525	17,028,129	17,045,163
Expenditures				
Education	4,619,951	4,648,786	4,572,304	4,395,104
Government Administration	1,631,219	1,560,521	1,634,351	1,741,287
Health Services	4,525,993	4,737,363	4,851,630	5,436,158
Legal and Judiciary	225,225	248,996	232,245	231,292
Museums	16,903	14,993	13,801	14,281
Natural Resources	271,487	279,830	250,174	211,946
Public Safety and Defense	915,880	755,376	798,995	764,714
Regulatory Services	127,803	117,821	115,076	111,911
Social Services	1,933,117	2,259,473	2,252,188	2,091,972
Transportation	199,517	177,683	182,708	208,009
Capital Outlay	1,438,064	1,626,181	1,551,017	1,302,447
Debt Service				
Principal Retirement	95,155	111,816	118,163	98,831
Interest and fiscal Charges	70,026	70,549	72,074	95,097
Total Expenditures	16,070,340	16,609,388	16,644,726	16,703,049
Revenues in Excess of				
(Less Than) Expenditures	(759,217)	(523,863)	383,403	342,114
Other Financing Sources (Uses)				
Transfers In	77,371	84,362	71,919	73,168
Transfers Out	(7,545)	(14,047)	(2,345)	(7,287)
Bonds Issued	105,400	148,080	559,045	68,805
Notes Issued	98,230	-	-	-
Refunding Bonds Issued	-	-	-	6,140
Bond Issue Premiums	2,478	2,671	38,627	11,282
Bond Issue Discounts	(730)	-	-	(35)
Payment to Refunded Bond Escrow Agent	-	-	(246,044)	-
Capital Leases and				
Certificates of Participation	3,655	8,116	2,640	5,659
Sale of Capital Assets	5,832	10,142	7,601	8,139
Total Other Financing Sources (Uses)	284,691	239,324	431,443	165,871
Net Changes in Fund Balances	**(474,526)**	**(284,539)**	**814,846**	**507,985**
Fund Balances - Beginning of Year				
(as restated)	6,315,187	5,840,650	5,555,130	6,367,321
Fund Balances - End of Year	$ 5,840,661	$ 5,556,111	$ 6,369,976	$ 6,875,306
Debt Service as a Percentage				
of Noncapital Expenditures	1.1%	1.2%	1.3%	1.3%

2013	2014	2015	2016	2017	2018
$ 2,854,034	$ 2,893,520	$ 2,965,231	$ 2,944,246	$ 2,948,868	$ 3,240,777
583,829	396,087	373,518	333,838	169,639	251,163
2,523,139	2,599,078	2,553,978	2,481,242	2,460,238	2,823,427
512,875	666,825	543,656	326,608	412,898	596,196
678,075	788,668	772,697	761,052	757,223	868,042
403,641	420,105	424,048	432,607	432,780	441,978
270,682	248,623	252,978	257,813	254,935	261,234
145,420	167,489	183,722	181,133	164,008	181,614
105,145	109,390	112,718	116,246	118,449	122,541
265,997	401,397	429,572	397,902	412,914	444,700
626,597	672,008	695,364	682,750	711,014	780,649
509,424	692,697	318,679	254,610	655,229	435,657
6,647,031	6,746,151	6,652,689	6,667,592	6,695,846	6,440,084
174,523	200,086	180,315	212,169	222,086	217,647
865,023	508,809	810,615	729,640	759,334	700,142
17,165,435	17,510,933	17,269,780	16,779,448	17,175,461	17,805,851
4,406,724	4,359,511	4,459,227	4,373,024	4,247,212	4,262,822
1,857,921	2,204,090	1,522,733	1,699,571	1,935,755	1,981,752
5,447,207	5,745,842	5,636,440	5,704,161	5,614,255	5,595,980
239,421	250,376	248,668	251,114	254,551	255,739
14,915	14,532	9,698	9,074	7,444	7,650
337,867	246,556	273,081	281,530	295,638	252,484
768,059	798,173	786,197	826,716	837,157	838,098
122,354	128,460	150,864	191,627	95,621	114,355
2,196,864	2,214,898	2,177,124	2,347,661	2,192,547	2,145,461
212,248	225,768	203,021	237,427	203,290	215,428
1,104,103	894,684	1,451,605	1,764,073	1,575,479	1,506,734
221,187	361,488	408,643	191,272	179,384	140,272
112,030	71,269	60,833	76,228	72,994	59,145
17,040,900	17,515,647	17,388,134	17,953,478	17,511,327	17,375,920
124,535	(4,714)	(118,354)	(1,174,030)	(335,866)	429,931
67,955	81,020	83,587	85,002	81,634	78,997
-	-	(7,376)	(6,023)	(16,178)	(15,996)
22,795	235,505	189,250	39,535	265,665	27,215
-	-	-	-	-	61,505
67,555	-	-	-	-	-
8,099	25,679	18,398	5,276	39,067	10,023
(121)	-	-	-	-	-
-	-	-	-	-	-
5,256	322	365		440	-
11,928	10,798	87,267	14,451	13,343	10,447
183,467	353,324	371,491	138,241	383,971	172,191
308,002	**348,610**	**253,137**	**(1,035,789)**	**48,105**	**602,122**
6,884,008	7,192,011	7,486,221	7,728,478	6,692,689	6,740,794
$ 7,192,010	$ 7,540,621	$ 7,739,358	$ 6,692,689	$ 6,740,794	$ 7,342,916
2.1%	2.6%	2.9%	1.7%	1.6%	1.3%

State of Oklahoma
Personal Income by Industry
Last Ten Years
(expressed in millions)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Personal Income	$ 131,070	$ 132,144	$ 133,149	$ 142,862	$ 154,958	$ 161,188	$ 167,292	$ 178,250	$ 179,238	$ 170,791
Farm Earnings	828	110	955	881	1,253	1,128	1,303	2,043	1,390	949
Nonfarm Earnings	93,894	93,158	92,177	101,345	108,094	113,571	118,038	126,040	126,433	117,485
Private Earnings	**73,787**	**71,887**	**70,174**	**79,024**	**87,058**	**92,367**	**96,706**	**103,580**	**103,347**	**94,362**
Forestry, Fishing & Agriculture	203	199	193	273	244	268	357	229	255	275
Mining, Oil & Natural Gas Extraction	7,963	8,528	5,813	9,467	14,809	14,736	15,626	13,859	11,878	8,100
Utilities	1,309	1,473	1,407	1,468	1,537	1,573	2,044	1,637	1,648	1,526
Construction	4,722	4,383	4,861	5,390	6,381	7,296	7,509	7,767	7,964	7,348
Manufacturing - Durable	6,266	5,389	5,717	5,907	6,486	6,725	7,108	7,311	6,885	6,749
Manufacturing - Nondurable	5,734	5,476	3,240	3,675	3,500	3,839	3,915	3,147	3,255	3,014
Wholesale Trade	4,060	3,727	3,667	4,026	4,298	4,559	4,839	4,844	4,763	4,875
Retail Trade	6,255	5,810	6,414	6,749	7,080	7,329	7,603	7,253	7,450	7,147
Transportation and Warehousing	3,732	3,698	3,931	5,063	4,316	5,739	5,893	14,222	14,538	11,522
Services	33,543	33,204	34,931	37,006	38,407	40,303	41,812	43,311	44,711	43,806
Government	**20,107**	**21,271**	**22,003**	**22,321**	**21,036**	**21,204**	**21,332**	**22,460**	**23,086**	**23,122**
Federal, civilian	4,193	4,467	4,797	4,884	4,409	4,277	4,308	4,582	4,786	4,921
Military	2,825	3,024	3,261	3,240	2,438	2,355	2,216	2,171	2,195	2,228
State and Local	13,089	13,780	13,945	14,197	14,189	14,572	14,808	15,707	16,105	15,973
Highest Personal Income Tax Rate	5.50%	5.50%	5.50%	5.50%	5.25%	5.25%	5.25%	5.25%	5.00%	5.00%
Corporate Income Tax Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

Source: U. S. Department of Commerce, Bureau of Economic Analysis, and the Oklahoma Tax Commission.
Data is the latest avaialable at time of printing.

State of Oklahoma

Personal Income Tax Filers and Liability by Adjusted Gross Income

Calendar (Tax) Years 2017 and 2008

Calendar Year 2017

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	215,924	13%	$1,294,403,783	52%
$75,001 - $100,000	127,704	8%	$348,380,487	14%
$50,001 - $75,000	210,654	13%	$378,616,145	16%
$25,001 - $50,000	409,940	25%	$346,882,390	14%
$10,001 - $25,000	368,426	23%	$63,229,023	3%
$10,000 and lower	283,461	18%	$625,795	1%
Total	1,616,109	100%	$2,432,137,623	100%

Calendar Year 2008

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	182,781	10%	$1,480,858,878	48%
$75,001 - $100,000	114,714	6%	$354,200,229	11%
$50,001 - $75,000	213,805	12%	$451,832,819	15%
$25,001 - $50,000	411,469	23%	$442,783,617	14%
$10,001 - $25,000	423,921	23%	$127,726,335	4%
$10,000 and lower	472,880	26%	$230,436,521	8%
Total	1,819,570	100%	$3,087,838,399	100%

Source: Oklahoma Tax Commission

State of Oklahoma
Tax Collections
Last Ten Years

Taxes	2009	2010	2011	2012
Aircraft Excise Tax	$ 4,172,388	$ 4,234,993	$ 4,358,022	$ 5,884,147
Alcoholic Beverage Excise Tax	21,886,066	21,905,099	22,777,383	23,614,156
Beverage Tax	26,359,749	25,303,290	24,934,826	24,979,667
Bingo Tax	222,436	140,859	136,038	132,086
Business Activity Tax	-	-	4,869,667	50,733,207
Charity Games Tax	51,222	54,607	20,623	28,177
Cigarette Tax	204,236,542	196,519,460	215,941,799	227,840,813
City Use Tax - Collect/Deposit	958,607	1,002,399	1,000,347	1,259,015
Coin Operated Device Decal	3,956,591	3,111,604	2,197,531	4,044,697
Controlled Dangerous Substance Tax	33,260	20,674	30,586	34,874
County Tax (Use & Lodging)	219,223	194,713	237,749	280,394
Diesel Fuel Excise Tax	72,681,342	71,963,557	69,230,643	77,027,777
Documentary Stamp Tax	13,307,236	11,090,994	10,981,645	11,991,469
Farm Implement Tax Stamps	8,287	6,397	8,033	8,328
Franchise Tax	46,908,656	46,714,746	32,647,715	758,202
Freight Car Tax	707,694	530,685	619,364	665,287
Fuels Excise Tax	-	-	49,665	-
Gaming Exclusivity Fees	104,803,681	118,624,111	123,560,707	124,300,610
Gasoline Excise Tax	206,287,240	208,545,441	197,712,177	206,179,731
Gross Production Tax - Oil and Gas	976,062,637	579,700,531	631,755,429	724,903,048
Horse Track Gaming	13,727,728	13,710,940	16,915,904	18,612,058
Income Tax (Individual)	2,605,269,216	2,230,787,128	2,385,413,131	2,723,887,073
Income Tax (Corporate)	376,971,517	212,866,850	330,905,421	412,808,773
Inheritance and Estate Tax	43,803,931	23,433,845	5,661,243	1,814,854
Insurance Premium Tax	165,916,913	141,255,690	170,627,316	199,620,667
Mixed Beverage Gross Receipts Tax	31,554,602	32,494,306	35,344,321	39,241,847
Occupational Health and Safety Tax	2,521,511	2,757,188	2,672,792	3,027,902
Pari-Mutuel Taxes	1,647,939	1,265,853	1,117,663	1,272,843
Pari-Mutuel - Other Tax	18,178	28,721	11,155	7,633
Petroleum Excise Tax	16,010,447	11,045,779	13,077,225	14,309,381
Rural Electric Co-operative Tax	1,602,814	1,521,744	1,642,867	1,770,676
Sales Tax	1,989,494,833	1,806,049,515	1,982,182,368	2,165,311,137
Sales Tax - City	13,720,926	13,113,139	12,948,170	14,906,819
Sales Tax - County	2,851,342	2,715,907	2,853,587	3,304,647
Special Fuel Decal	315,226	355,578	503,848	396,838
Special Fuel Use Tax	1,438,287	1,498,427	1,522,816	1,539,054
Tag Agent Remittance Tax	261,581,867	247,546,872	307,579,624	348,562,103
Telephone Surcharge	885,980	837,385	796,832	722,113
Tobacco Products Tax	26,073,091	27,045,416	30,947,514	34,415,644
Tourism Gross Receipt Tax	2,946	-	-	-
Tribal Compact in Lieu of Tax Payments	43,708,777	47,165,891	40,180,597	41,910,495
Unclaimed Property Assessment	11,444,647	11,418,562	9,424,634	12,083,796
Unclassified Tax Receipts	510,559	274,693	188,102	366,977
Use Tax	191,222,671	152,323,434	176,061,390	206,228,223
Vehicle Revenue Tax Stamps	39,793	37,247	40,797	43,650
Workers' Compensation Awards - Assessments	23,056,945	23,440,505	25,534,690	22,723,364
Workers' Compensation Insurance Premium Tax	7,567,468	7,452,455	8,802,817	8,693,887
Other Taxes	19,825,879	19,113,157	21,172,515	23,170,322
Total	$ 7,535,648,889	$ 6,321,220,387	$ 6,927,199,288	$ 7,785,418,461

Prepared using cash basis to aid in budgetary analysis.
Source: Oklahoma Tax Commission as adjusted.

2013	2014	2015	2016	2017	2018
$ 4,910,204	$ 4,074,978	$ 3,243,398	$ 4,828,624	$ 5,391,211	$ 4,053,797
25,553,610	26,372,098	26,987,301	26,646,189	28,106,231	28,556,548
24,653,353	23,896,702	23,283,684	22,887,790	22,331,800	21,877,356
127,801	105,890	80,475	61,400	29,185	101,233
45,051,074	33,395,208	816,420	107,215	33,469	20,356
42,535	34,835	37,195	18,534	13,514	17,394
210,231,001	195,926,775	197,553,535	198,606,624	185,771,745	197,801,584
1,229,331	1,313,014	1,356,836	658,449	694,396	899,474
4,191,200	3,602,660	3,794,511	3,719,626	3,585,473	3,557,522
57,556	72,283	63,393	55,753	42,755	45,251
314,817	357,102	372,177	181,421	161,073	178,659
73,785,574	80,309,870	79,234,208	68,837,914	80,680,616	83,928,077
15,282,903	15,763,766	18,191,408	18,008,889	19,078,660	21,022,186
10,818	11,611	11,697	10,666	7,886	8,177
540,824	1,126,420	56,540,151	56,198,494	52,175,517	59,063,475
717,516	837,888	826,793	850,181	797,132	1,016,667
-	-	-	-	-	-
129,286,255	123,376,190	128,443,759	134,390,332	135,437,136	139,811,191
203,403,445	202,091,479	207,370,800	214,758,884	204,215,392	213,150,162
373,494,633	477,781,300	401,619,064	196,635,110	270,569,184	480,533,689
20,483,704	20,615,037	20,592,150	20,890,153	20,738,589	25,459,166
2,844,880,206	2,835,207,273	3,152,729,993	2,941,832,022	2,881,519,924	3,207,252,928
594,181,209	408,109,649	375,873,186	371,445,751	167,149,379	233,637,308
135,523	873,332	1,056,925	126,278	256,834	176,713
213,675,180	223,090,507	244,415,684	257,217,612	243,245,651	280,967,940
43,357,002	46,127,916	50,193,262	52,872,099	54,204,358	57,325,035
2,681,651	2,597,953	2,171,916	2,280,573	1,615,273	1,590,164
1,287,912	1,168,333	1,163,885	1,068,502	1,085,121	1,105,126
9,352	6,961	6,028	24,116	8,318	10,119
12,450,983	16,135,417	14,152,206	8,148,238	11,897,143	15,825,493
1,842,173	2,055,243	2,214,029	2,031,514	2,048,871	2,163,108
2,275,444,163	2,335,326,717	2,424,380,716	2,268,723,336	2,192,792,253	2,511,931,524
15,541,756	14,952,187	16,725,211	8,964,736	8,283,457	8,903,019
3,374,051	3,328,337	3,800,593	1,919,312	1,632,995	1,602,075
460,204	450,950	351,812	159,254	930,292	760,693
1,421,676	1,485,281	1,534,694	1,541,979	1,068,339	1,175,495
330,838,092	388,643,946	376,730,773	385,676,774	391,613,483	404,913,340
719,897	634,760	570,979	493,779	403,749	288,787
37,643,515	40,243,152	44,462,393	47,592,850	50,725,702	52,835,101
-	-	-	-	-	-
43,741,973	31,908,905	27,372,341	28,901,523	30,894,381	38,587,904
10,575,619	10,235,907	9,433,401	10,200,000	11,033,333	9,366,667
49,413	43	436,149	209,126	5,884	46,065
221,082,285	237,162,483	240,423,735	208,492,766	219,582,282	276,137,946
51,598	47,408	46,974	47,338	45,594	46,494
34,801,759	55,465,606	63,469,440	57,157,971	48,609,051	49,240,983
9,949,807	10,210,365	9,789,096	9,129,743	6,500,000	6,500,000
28,001,415	32,368,659	37,118,891	33,803,335	35,231,845	35,434,656
$ 7,861,566,568	$ 7,908,902,396	$ 8,271,043,267	$ 7,668,412,775	$ 7,392,244,476	$ 8,478,926,647

State of Oklahoma
Percentage of Annual Debt Service Expenditures for General Bonded Debt to Total Expenditures Governmental Funds
For Last Ten Years
(Expressed in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Service										
Principal Retirement	$ 95,155	$ 111,816	$ 118,163	$ 98,831	$ 221,187	$ 361,488	$ 408,643	$ 191,272	$ 179,384	$ 140,272
Interest and Fiscal Charges	70,026	70,549	72,074	95,097	112,030	71,269	60,833	76,228	72,994	59,145
Total Debt Service	165,181	182,365	190,237	193,928	333,217	432,757	469,476	267,500	252,378	199,417
Total Expenditures	$ 14,632,276	$ 14,983,207	$ 15,093,709	$ 15,400,602	$ 15,936,797	$ 16,620,964	$ 15,936,529	$ 16,189,405	$ 15,935,848	$ 15,869,186
Ratio	1.129%	1.217%	1.260%	1.259%	2.091%	2.604%	2.946%	1.652%	1.584%	1.257%

State of Oklahoma
Ratios of Outstanding Debt by Type- Primary Government
Last Ten Fiscal Years
(expressed in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities Debt:										
General Obligation Bonds	$ 203,755	$ 188,030	$ 175,645	$ 175,645	$ 136,585	$ 131,955	$ 107,395	$ 82,100	$ 55,875	$ 28,530
General Obligation Bonds as a Percentage of General Revenue [a]	2.50%	2.81%	2.26%	2.03%	1.59%	1.49%	1.21%	0.97%	0.67%	0.30%
Per Capita (actual-not in thousands) [b]	$ 55	$ 50	$ 46	$ 46	$ 36	$ 34	$ 28	$ 21	$ 14	$ 7
Revenue bonds	1,099,625	1,173,025	1,428,820	1,424,555	1,353,449	1,255,988	1,283,082	1,157,304	1,311,850	1,233,266
Notes Payable	299,266	246,623	229,929	212,592	194,560	173,985	47,245	30,520	16,575	69,995
Capital Leases	6,650	12,553	12,719	8,710	10,712	8,271	6,526	4,202	2,740	1,362
Total Governmental Activities	1,609,296	1,620,231	1,847,113	1,821,502	1,695,306	1,570,199	1,444,248	1,274,126	1,387,040	1,333,153
Business-Type Activities Debt:										
Revenue Bonds	$ 502,901	$ 599,984	$ 759,493	$ 832,597	$ 931,413	$ 801,159	$ 778,800	$ 867,324	$ 854,028	$ 904,908
Total Business-Type Activities	502,901	599,984	759,493	832,597	931,413	801,159	778,800	867,324	854,028	904,908
Total Primary Government	2,112,197	2,220,215	2,606,606	2,654,099	2,626,719	2,371,358	2,223,048	2,141,450	2,241,068	2,238,061
Total Primary Government Debt as a Percentage of Personal Income [c]	1.60%	1.66%	1.92%	1.84%	1.68%	1.46%	1.32%	1.20%	1.34%	1.31%
Per Capita (actual-not in thousands) [b]	$ 575	$ 595	$ 679	$ 694	$ 684	$ 618	$ 569	$ 543	$ 569	$ 568

[a] General Revenue values can be found in the Changes in Net Position statistics schedule.

[b] Population data can be found in the Demographic and Economic Statistics schedule. The amount for the current year is estimated. Population data for the current year was unavailable at printing.

[c] Debt by Type information can be found in the notes to the financial statements. The percentage for the current year is estimated. Current year personal income data was unavailable at printing.

State of Oklahoma
Revenue Bond Coverage
Enterprise Fund and Component Units
For the Last Ten Fiscal Years
(expressed in thousands)

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
COMPONENT UNITS:						
Oklahoma Student Loan Authority	2018	$ 19,324	$ 12,961	$ 6,363	$ 4,932	1.29
(June 30 year end)	2017	14,981	10,734	4,247	4,181	1.02
	2016	12,890	9,488	3,402	4,010	0.85
	2015	12,614	9,552	3,062	4,323	0.71
	2014	14,229	9,720	4,509	5,251	0.86
	2013	19,195	9,319	9,876	7,002	1.41
	2012	16,201	2,134	14,067	6,823	2.06
	2011	19,831	(296)	20,127	7,734	2.60
	2010	19,858	(1,993)	21,851	42,601	0.51
	2009	39,625	867	38,758	94,891	0.41
Oklahoma Housing Finance Agency	2017	$ 16,080	$ 12,149	$ 3,931	$ 14,160	0.28
(September 30 year end)	2016	31,793	11,914	19,879	18,524	1.07
	2015	35,347	12,395	22,952	25,043	0.92
	2014	39,286	15,461	23,825	41,461	0.57
	2013	18,003	19,773	(1,770)	115,088	-0.02
	2012	47,532	14,855	32,678	88,459	0.37
	2011	63,923	14,131	49,792	69,559	0.72
	2010	64,490	15,346	49,144	44,125	1.11
	2009	83,223	14,233	68,990	104,808	0.66
	2008	67,511	13,402	54,109	72,439	0.75
Oklahoma Turnpike Authority	2017	$ 318,082	$ 101,888	$ 216,194	$ 90,346	2.39
(December 31 year end)	2016	278,200	93,972	184,228	93,246	1.98
	2015	263,317	85,532	177,785	94,634	1.88
	2014	257,863	82,048	175,815	108,314	1.62
	2013	242,226	81,593	160,633	91,893	1.75
	2012	241,379	86,706	154,674	101,570	1.52
	2011	235,369	87,918	147,451	99,141	1.49
	2010	237,047	72,396	164,651	100,389	1.64
	2009	217,158	70,915	146,243	99,555	1.47
	2008	273,732	75,320	198,412	94,143	2.11
Grand River Dam Authority	2017	$ 445,125	$ 322,537	$ 122,588	$ 75,601	1.62
(December 31 year end)	2016	441,662	300,547	141,115	74,787	1.89
	2015	425,083	229,863	195,220	75,542	2.58
	2014	485,012	307,941	177,071	79,109	2.24
	2013	432,799	251,386	181,413	134,919	1.34
	2012	423,614	272,188	151,425	135,799	1.12
	2011	418,551	254,480	164,071	136,623	1.20
	2010	398,415	196,671	201,744	142,448	1.42
	2009	340,341	214,758	125,583	124,702	1.01
	2008	346,067	156,179	189,888	68,780	2.76
Oklahoma Municipal Power Authority	2017	$ 188,903	$ 132,271	$ 56,632	$ 52,010	1.09
(December 31 year end)	2016	186,775	131,533	55,242	50,392	1.10
	2015	185,981	132,151	53,830	45,125	1.19
	2014	192,273	136,025	56,248	49,563	1.13
	2013	179,321	135,198	44,123	39,685	1.11
	2012	175,506	124,308	51,198	43,857	1.17
	2011	175,983	126,187	49,796	44,848	1.11
	2010	163,991	117,610	46,381	40,299	1.15
	2009	153,534	113,568	39,966	35,494	1.13
	2008	158,006	122,828	35,178	36,346	0.97

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
Higher Education	2018	$ 5,195,741	$ 4,480,202	$ 715,539	$ 183,513	3.90
(June 30 year end)	2017	5,138,290	4,432,737	705,553	251,231	2.81
	2016	4,762,338	4,308,023	454,315	291,597	1.56
	2015	4,843,892	4,122,226	721,666	113,085	6.38
	2014	5,015,949	4,107,758	908,191	274,979	3.30
	2013	5,953,195	3,944,790	2,008,405	147,220	13.64
	2012	5,389,947	3,932,409	1,457,538	148,780	9.80
	2011	4,722,834	3,562,033	1,160,801	207,268	5.60
	2010	4,177,035	3,670,063	506,972	303,612	1.67
	2009	3,831,790	3,636,123	195,667	95,303	2.05
ENTERPRISE FUND:						
Oklahoma Water Resources Board	2018	$ 21,604	$ 641	$ 20,963	$ 56,558	0.37
(June 30 year end)	2017	20,714	645	20,069	76,004	0.26
	2016	22,601	1,460	21,141	40,318	0.52
	2015	20,918	766	20,152	42,672	0.47
	2014	20,600	1,287	19,313	50,395	0.38
	2013	20,128	1,427	18,701	56,376	0.33
	2012	17,580	1,036	16,544	40,532	0.41
	2011	14,705	1,529	13,176	34,638	0.38
	2010	12,885	1,126	11,759	34,162	0.34
	2009	12,069	807	11,262	40,149	0.28

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

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

- Revenue bond coverage is not intended to portray compliance with bond indenture agreements.
- Debt service requirements do not include one time debt service payments from refunding bonds.

State of Oklahoma
Major Employers by Size
Non-Government
For years 2008 and 2017

Non-Governmental Major Employers 2008	Non-Governmental Major Employers 2017	Employment 2017	Percentage of Total State Employment 2017
Wal-Mart Stores, Inc.	Wal-Mart Stores, Inc.	33,500	1.91%
Integris Health	Integris Health, Inc.	9,500	0.54%
Chickasaw Enterprises	Chickasaw Enterprises	7,500	0.43%
AT&T (formerly SBC)	Mercy Health	6,500	0.37%
YUM! Brands	Hobby Lobby Stores	6,000	0.34%
Saint Francis Hospital Inc.	Saint Francis Hospital Inc.	6,000	0.34%
W.H. Braum, Inc	Braum's Inc.	5,500	0.31%
AMR Corp.	American Airlines	5,500	0.31%
Choctaw Nation of Oklahoma	Choctaw Nation of Oklahoma	5,000	0.28%
Conoco Phillips	St. Johns Medical Center Inc.	5,000	0.28%

Source: Oklahoma Department of Commerce

Note: The information above is compiled by the Department of Commerce and is the latest available at the date of publication.

State of Oklahoma
Demographic and Economic Statistics
Last Ten Fiscal Years

	Population [a] (in thousands)				Personal Income [a] (in millions)	Per Capita Personal Income [a]			Civilian Labor Force [b]		
Year	U. S.	Change from Prior Period	State of Oklahoma	Change from Prior Period	State of Oklahoma	U. S.	State of Oklahoma	Oklahoma as a Percentage of U.S.	Employed	Unemployed	Unemployment Rate
2008	304,060	0.92%	3,642	0.94%	131,070	40,208	35,985	89.50%	1,682,000	71,000	4.1%
2009	307,007	0.97%	3,687	1.24%	132,144	39,626	35,840	90.45%	1,660,000	114,000	6.4%
2010	309,350	0.76%	3,762	2.03%	133,149	39,945	35,396	88.61%	1,631,000	124,000	7.1%
2011	311,592	0.72%	3,792	0.80%	142,862	41,560	37,679	90.66%	1,662,000	109,000	6.2%
2012	313,914	0.75%	3,815	0.61%	154,958	43,735	40,620	92.88%	1,709,000	94,000	5.2%
2013	316,129	0.71%	3,851	0.94%	161,188	44,765	41,861	93.51%	1,718,000	99,000	5.4%
2014	318,857	0.86%	3,878	0.70%	167,292	46,129	43,138	93.52%	1,704,000	80,000	4.5%
2015	321,419	0.80%	3,911	0.85%	178,250	48,112	45,573	94.72%	1,764,000	78,000	4.2%
2016	323,128	0.53%	3,924	0.33%	167,503	49,246	42,692	86.69%	1,739,000	89,000	4.9%
2017	325,719	0.80%	3,931	0.18%	170,791	50,392	43,449	86.22%	1,756,000	79,000	4.3%

[a] source U.S. Bureau of Economic Analysis as adjusted.

[b] source Oklahoma Employment Security Commission.

Note: The information above is the latest available at the date of publication.

State of Oklahoma
School Enrollments
For the last ten years

Public School Enrollments:	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Early childhood	35,270	37,726	39,784	40,688	37,929	40,121	40,129	39,474	36,377	36,679
Kindergarten	49,306	50,497	51,037	52,114	52,339	54,649	55,127	53,453	49,620	49,334
Elementary School	239,446	242,668	246,305	248,398	252,235	266,499	257,154	248,631	251,280	249,922
Junior High School	136,059	135,889	138,626	140,964	130,505	141,539	123,812	142,131	140,895	141,909
Senior High School	178,400	176,679	177,366	175,949	173,193	154,144	184,074	187,031	188,966	190,312
No-High School Districts (Grades 1-8)	22,603	24,090	23,938	23,596	23,549	17,215	24,151	18,179	22,637	22,644
Special Education (Ungraded)	3,584	1,649	1,684	1,798	1,535	1,542	2,070	2,169	2,274	2,418
Out-of-Home Placements	1,635	1,806	1,720	1,915	1,905	1,616	1,783	1,602	1,661	1,598
Total	666,303	671,004	680,460	685,422	673,190	677,325	688,300	692,670	693,710	694,816
Higher Education:										
Public Institutions	235,388	250,673	255,503	256,213	251,096	236,865	228,768	225,858	221,207	216,191
Private Institutions	25,278	21,945	25,856	26,830	27,708	26,175	17,997	17,494	17,837	16,909
Total	260,666	272,618	281,359	283,043	278,804	263,040	246,765	243,352	239,044	233,100
Career-Technology Education:										
Secondary *	156,755	154,492	148,831	148,831	151,720	149,501	152,227	150,958	156,673	159,686
Adult	378,772	345,016	354,949	354,949	376,783	372,687	394,650	366,538	354,839	363,222
Total	535,527	499,508	503,780	503,780	528,503	522,188	546,877	517,496	511,512	522,908

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

Sources: Department of Education, Regents for Higher Education, and Department of Career and Technology Education

State of Oklahoma
Government Employees by Function
Last Ten Years
(excluding Higher Education)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function:										
Education	1,043	963	864	832	836	817	782	767	740	768
Government Administration	2,297	2,324	2,036	2,275	2,828	2,829	2,633	2,624	2,529	2,508
Health Services	4,920	4,550	4,403	4,254	4,337	4,434	4,519	4,497	4,429	3,873
Legal and Judiciary	2,335	2,316	2,216	2,276	2,275	2,220	2,255	2,216	2,135	2,086
Museums	168	158	151	149	151	145	140	129	112	116
Natural Resources	2,547	2,418	2,356	2,292	2,266	2,254	2,360	2,325	2,329	2,291
Public Safety and Defense	7,224	6,857	6,428	6,311	6,320	6,367	6,338	6,409	6,564	6,586
Regulatory Services	1,368	1,328	1,291	1,280	1,289	1,302	1,023	1,030	1,087	1,126
Social Services	12,635	12,027	11,674	11,033	10,960	11,268	11,518	10,911	10,109	9,475
Transportation	3,109	3,019	2,960	2,893	2,865	2,906	2,868	2,912	2,840	2,886
Total	37,646	35,960	34,379	33,595	34,127	34,542	34,436	33,820	32,874	31,715

Source: The Human Capital Management (HCM) division of the Office of Management and Enterprise Services (OMES).

State of Oklahoma
Capital Assets Utilization by Function-
Primary Government
Last Ten Fiscal Years
(net of depreciation, expressed in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Education	$ 23,888	$ 24,064	$ 28,402	$ 29,906	$ 29,628	$ 33,274	$ 32,602	$ 33,110	$ 32,936	$ 32,736
Government Administration	173,235	220,891	235,887	289,578	291,033	289,411	286,592	276,274	250,684	238,202
Health Services	142,580	149,604	146,835	162,355	157,101	151,996	151,408	157,047	166,329	167,742
Legal and Judiciary	125	387	310	349	1,066	824	529	1,168	818	526
Museums	6,594	11,156	12,662	12,505	13,169	13,920	12,942	13,894	13,754	13,614
Natural Resources	140,616	160,253	180,892	193,947	200,208	218,155	233,997	251,259	270,754	271,772
Public Safety and Defense	372,077	460,894	502,434	524,859	529,224	522,170	507,035	444,173	429,586	424,454
Regulatory Services	1,597	1,532	1,173	904	859	726	947	804	676	496
Social Services	97,722	122,358	118,942	115,417	104,439	86,288	87,785	85,479	77,556	88,957
Transportation	7,513,128	8,139,553	8,730,234	9,159,061	9,433,515	9,692,860	9,957,686	10,335,267	10,690,785	10,974,397
Governmental activities, net	$ 8,471,562	$ 9,290,692	$ 9,957,771	$ 10,488,881	$ 10,760,242	$ 11,009,624	$ 11,271,523	$ 11,598,475	$ 11,933,878	$ 12,212,896
Business-type activities, net	$ 527	$ 330	$ 202	$ 126	$ 1,037	$ 1,415	$ 1,914	$ 2,856	$ 2,477	$ 2,085

State of Oklahoma
Operating Indicators for Governmental Functions
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Government Administration										
Office of Management and Enterprise Services										
Number of motor vehicles maintained	964	1,267	1,203	1,217	1,168	1,104	1,093	1,076	1,050	1,007
Number of buildings managed	17	18	18	19	20	20	28	28	28	28
Health Services										
Department of Health										
Protective services:										
Retail food establishment inspections	33,648	24,369	23,368	45,874	43,083	44,939	45,417	47,457	45,887	47,414
Food inspections	42,342	48,036	44,878	46,662	43,671	47,831	48,417	48,913	47,238	48,602
Long-Term Care:										
Facility licensing, inspections and complaints	2,314	2,120	1,912	4,078	2,223	2,492	2,275	2,901	2,231	2,227
Residents (approximate)	17,813	19,623	21,202	18,512	19,340	19,006	18,987	18,880	18,722	18,135
Mental Health and Substance Abuse Department										
Number of clients:										
Mental Health	52,226	54,804	56,478	65,356	65,314	* 166,181	167,464	172,096	175,823	177,882
Substance Abuse	22,144	20,981	18,881	19,351	18,208	37,292	39,747	39,257	37,709	32,847
Hospitals - Inpatient Care	3	3	3	3	3	3	2	2	2	2
Legal and Judiciary										
Oklahoma Indigent Defense system										
Provides legal representation for indigent citizens charged with committing criminal acts.										
Represented - Total Court Appointments	39,385	43,883	41,965	43,712	43,980	48,401	49,723	58,025	60,747	61,115
Included above: Non-capital trial cases	30,000	32,000	33,000	35,000	43,167	47,543	48,964	57,318	59,986	60,317
Capital trial cases	92	105	112	98	67	53	50	44	58	56
General appeals cases	529	558	609	540	595	648	565	663	703	742
Average cost: Non-capital case (Staff Attorney)	$373	$279	$380	$368	$361	$346	$304	$334	$333	$474
Capital case (Staff Attorney)	$28,756	$28,423	$21,196	$21,551	$25,955	$36,710	$37,075	$40,252	$48,385	$41,224
Museums										
J. M. Davis Memorial										
Museum - 40,000 sq. ft.										
Number of artifacts (approximate)	48,012	48,012	48,012	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Visitors per year (approximate)	22,000	22,000	22,000	35,000	30,000	30,000	28,000	30,000	30,000	30,000
Oklahoma Historical Society										
Center - 18 acres; 215,000 sq. ft.; 5 Galleries; 6 acres outdoor exhibits										
Number of artifacts (on exhibit, approximate)	>2,000	>2,000	>2,000	>2,000	>2,000	>2,000	>2,000	>2,000	>2,000	2,500
Visitors and researchers per year (approximate)	244,000	244,000	185,491	254,634	214,723	183,251	183,000	182,000	185,000	199,000
Will Rogers Memorial										
Museum - 26,631 sq.ft., 28 acres - 12 Galleries, Theater and Children's Museum; Library - 1,518 sq. ft.; Birthplace - 161 acres										
Archives - number of documents, photographs	18,000	18,000	18,000	18,000	18,000	18,000	18,000	36,000	30,000	30,000
Visitors and researchers per year (approximate)	120,000	117,000	120,000	133,000	32,000	29,000	31,000	26,000	40,000	40,000
Natural Resources										
Wildlife Conservation										
Number of Anglers in State (last census)	697,000	697,000	697,000	729,000	729,000	729,000	729,000	729,000	729,000	729,000
Number of Hunters (last census)	445,000	445,000	445,000	244,000	244,000	244,000	244,000	244,000	244,000	244,000
Number of Wildlife Watchers (last census)	1,110,000	1,110,000	1,110,000	1,263,000	1,263,000	1,263,000	1,263,000	1,263,000	1,263,000	1,263,000

* 2014 increase due to ODMHSAS becoming responsible for Medicaid outpatient behavioral health.

Source: Agency reports, Governor's annual budget report. Data above is the latest available at the date of publication.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety and Defense										
Department of Public Safety										
Driver's Licenses Issued	954,419	744,878	690,131	694,557	741,938	835,807	727,169	726,740	758,277	773,495
Citations Processed	168,346	227,426	162,748	158,914	182,073	198,518	200,826	213,616	205,905	162,542
Collision Reports Processed	76,947	79,354	74,714	73,462	68,406	82,067	74,267	72,537	83,320	79,615
Department of Corrections										
Capacity (Number of Beds)	25,515	25,455	25,364	25,469	25,846	26,473	27,256	27,064	27,399	26,863
Prison Population	24,337	24,870	24,384	24,526	25,159	26,874	27,889	27,987	26,710	27,010
As a percentage of capacity	95.4%	97.7%	96.1%	96.3%	97.3%	101.5%	102.3%	103.4%	97.5%	100.5%
Cost to house an inmate:										
Per diem cost/day - Maximum Security	$64.35	$75.97	$75.85	$78.50	$87.01	$100.80	$87.20	$84.01	# $94.13	# $94.37
Per diem cost/day - Medium Security	$44.93	$42.41	$38.98	$38.94	$40.17	$47.47	$42.83	$45.46	# $45.73	# $44.45
Regulatory Services										
Oklahoma Corporation Commission										
Number of regulated utilities	494	511	484	421	418	420	411	410	359	361
Hearings and administrative proceedings	35,582	29,981	30,504	31,805	40,052	40,594	43,642	44,269	46,463	56,740
Motor carrier vehicles registered (power units)	151,639	121,874	132,927	135,230	139,569	152,280	157,188	156,722	178,913	143,774
Oil and gas wells plugged (operator plugged)	1,629	1,582	2,926	1,948	1,319	1,485	1,226	2,403	1,072	1,253
Oil and gas wells plugged (abandoned, plugged by OCC)					167	206	176	132	44	119
Motor Fuel Facilities inspected	4,174	5,490	4,341	4,326	5,760	6,011	4,371	4,384	4,923	4,912
Retail fuel dispenser (pump) inspections	85,118	97,326	77,444	70,649	75,939	80,397	80,742	83,649	73,169	74,072
Social Services										
Department of Human Services										
Adoption subsidies (end of fiscal year)	10,951	11,924	12,384	13,114	13,706	14,123	15,333	16,611	18,417	19,337
Adult protective svcs (state fiscal year)	18,168	18,615	17,135	16,012	15,223	15,010	14,807	9,821	8,499	5,932
Child care services provided (monthly average)	39,079	39,060	39,017	36,444	34,722	33,322	32,336	31,713	44,942	43,642
Licensed facilities (monthly average)	4,696	4,561	4,376	4,213	3,960	3,825	3,558	3,438	3,317	3,185
Licensed capacity (monthly average)	137,973	136,534	136,816	135,585	132,625	131,150	126,123	124,200	122,253	120,930
Child protective services-Substantiated (state fiscal year	8,605	7,248	8,110	9,842	11,418	14,172	15,252	15,187	15,289	15,951
Child support enforcement (cases-quarterly average)	188,327	193,000	198,390	202,743	203,209	206,746	207,677	206,701	201,459	194,836
Developmental Disabilities Persons Served (end of fiscal yea	14,063	14,352	14,602	9,894	9,772	9,777	9,693	8,905	8,186	7,845
Elderly support services (meals/state fiscal year)	3,902,997	6,176,989	6,098,275	6,265,779	6,105,823	6,056,081	6,324,185	6,630,634	6,570,061	6,256,572
Food stamps (unduplicated count/state fiscal year)	445,364	559,626	609,723	891,555	889,137	615,412	867,968	874,873	850,855	825,583
Foster care children (end of fiscal year)	9,489	7,973	8,502	9,132	10,233	11,483	10,942	9,984	9,923	9,277
Oklahoma Employment Security Commission										
Initial unemployment claims	183,159	218,918	183,849	155,885	124,170	108,758	105,258	109,028	90,007	73,761
Unemployment insurance paid	$350,260,138	$499,636,015	$340,695,628	$271,279,698	$263,654,340	$247,148,751	$270,419,798	$386,312,966	$316,957,075	$234,472,327
Transportation										
Oklahoma Department of Transportation										
State Highway System (miles)	12,266	12,266	12,882	12,882	12,882	12,882	12,265	12,265	12,265	12,265
Bridges on the State Highway System	6,728	6,728	6,800	6,800	6,800	6,800	6,828	6,828	6,828	6,828
System usage growth next 20 years (est.)										
Automobiles	33%	33%	65%	65%	65%	65%	65%	65%	26%	26%
Trucks	70%	70%	65%	65%	65%	65%	65%	65%	52%	52%
Freight railroads operating in Oklahoma	20	20	22	22	22	22	22	22	22	22
Passenger railroad	1	1	1	1	1	1	1	1	1	1
Rail passengers (average per year)	54,000	54,000	81,000	81,000	81,000	81,000	82,000	82,000	82,000	82,000
Railroad track (miles)	3,234	3,234	3,746	3,746	3,746	3,746	3,740	3,740	3,740	3,740
Public Waterway Ports	2	2	2	2	2	2	2	2	2	2

Dept. of Corrections -estimated cost for current fiscal year. Actual costs are updated in the following year.

State of Oklahoma
Additional Information and Sources of Statistical Data
Fiscal Year 2018

Additional Information:

The population of Oklahoma has steadily increased since 2008, averaging 0.8% per year.

At the end of December 2017, the United States (U. S.) Bureau of Labor Statistics reported the state's unemployment rate was 4.1%, same as the national rate.

Oklahoma's total personal income rate has increased at an average of 3.1% annually since 2008. During the same period, Oklahoma's personal income per capita increased annually by an average of 2.3% compared to 2.7% nationally.

As a result, annual total tax collections since 2009 have increased by $943,278,000 or 12.5%.

Please refer to the preceding Statistical Section tables, Management's Discussion and Analysis, the Financial Statements and Notes for more details and analysis.

Sources of Statistical Data:

Data provided in the statistical section of the CAFR is the latest available at the time of publication.

Primary sources of statistical data provided in the Statistical Section of the CAFR include:

- Oklahoma Department of Commerce
- Oklahoma Department of Labor
- Oklahoma Employment Security Commission
- Oklahoma Tax Commission
- Oklahoma Department of Education
- Oklahoma Regents for Higher Education
- Oklahoma Department of Career and Technology
- Oklahoma Office of Management and Enterprise Services
- U. S. Bureau of Labor Statistics
- U. S. Census Bureau
- U. S. Department of Commerce
- U. S. Bureau of Economic Analysis

Report Prepared by
the Office of Management and Enterprise Services

Administration	-	Denise Northrup, Interim Director
	-	Susan Perry, Executive Assistant
Division of Central Accounting and Reporting	-	Lynne Bajema, CPA, State Comptroller
	-	Steve L. Funck, CPA, CGFM, Deputy State Comptroller
	-	Jennie Pratt, CPA, CGFM, Director of Statewide Accounting
Financial Reporting Unit	-	Matt Clarkson, CPA, Financial Reporting Supervisor
	-	Roy M. Garcia, CPA, Financial Reporting Analyst
	-	Jennifer LeFlore, CPA, Financial Reporting Analyst
	-	Lahcen Darouich, Financial Reporting Analyst

With Assistance From

Office of Management and Enterprise Services

Budget	-	Brandy Manek, Director of Budget, Policy, and Legislative Relations
Central Printing	-	Mark Dame, Jon Paulk, and Team
Communications	-	Shelley Zumwalt, Public Affairs Director

Office of the State Auditor and Inspector

State Auditor and Inspector	-	Gary Jones, CPA, CFE
State Agency Audit Division	-	Lisa Hodges, CFE, CGFM, Deputy State Auditor
	-	Shelley Fleming, CPA, Director of State Agency Audits
	-	Billy Swindell, Deputy Director, and Team

State Agency Finance Officers and Teams

2018

OKLAHOMA

GENERAL INFORMATION

ADMITTED TO UNION (46TH STATE)	1907
CAPITAL	OKLAHOMA CITY
2017 POPULATION	3,930,864
POPULATION PER SQUARE MILE	57.3
COUNTIES	77

STATE SYMBOLS

NICKNAME	THE SOONER STATE
MOTTO	LABOR OMNIA VINCIT (WORK CONQUERS ALL THINGS)
SONG	*"OKLAHOMA!"* (MUSIC BY RICHARD ROGERS, LYRICS BY OSCAR HAMMERSTEIN II)
ANIMAL	AMERICAN BUFFALO (BISON)
BIRD	SCISSOR-TAILED FLYCATCHER
FISH	WHITE BASS
INSECT	HONEYBEE
FRUIT	STRAWBERRY
WILDFLOWER	INDIAN BLANKET
FLORAL EMBLEM	MISTLETOE
TREE	REDBUD
MUSICAL INSTRUMENT	FIDDLE
FOLK DANCE	SQUARE DANCE

AREA

TOTAL AREA	69,996 SQUARE MILES
LAND AREA	68,595 SQUARE MILES
WATER AREA	1,401 SQUARE MILES

RECREATION

NUMBER OF STATE PARKS	33
NUMBER OF STATE TRAILS	102
NUMBER OF LAKES	>200

OFFICE OF MANAGEMENT
& ENTERPRISE SERVICES

5005 N. LINCOLN BLVD., STE. 100
OKLAHOMA CITY, OK 73105
405-522-5577 | WWW.OK.GOV/OSF