



STATE OF OKLAHOMA OFFICE OF THE STATE AUDITOR & INSPECTOR

F
I
N
A
N
C
I
A
L

A
U
D
I
T

ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004



JEFF A. McMAHAN, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

Alcoholic Beverage Laws Enforcement Commission
Financial Statements and Independent Auditor's Reports
For the Fiscal Year Ended June 30, 2004



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

August 29, 2005

TO THE HONORABLE BRAD HENRY
GOVERNOR OF THE STATE OF OKLAHOMA

Transmitted herewith are the Alcoholic Beverage Laws Enforcement Commission, State of Oklahoma, audit reports and financial statements for the fiscal year ended June 30, 2004. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our engagement.

The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to ensure a government that is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

Table of Contents

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Assets – Cash Basis	7
Statement of Activities – Cash Basis	8
Balance Sheet – Governmental Fund– Cash Basis	9
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund – Cash Basis	10
Statement of Fiduciary Assets and Liabilities – Agency Fund – Cash Basis	11
Notes to the Basic Financial Statements	12
Required Supplementary Information	
Budgetary Comparison Schedule	15
Note to the Required Supplementary Information	16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	17



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

INDEPENDENT AUDITOR'S REPORT

**TO THE BOARD OF THE ALCOHOLIC BEVERAGE
LAWS ENFORCEMENT COMMISSION**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alcoholic Beverage Laws Enforcement Commission (ABLE Commission), a part of the primary government of the State of Oklahoma, as of and for the year ended June 30, 2004, which collectively comprise the ABLE Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ABLE Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the ABLE Commission are intended to present the financial position and the changes in financial position, of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Oklahoma that is attributable to the transactions of the ABLE Commission. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2004, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

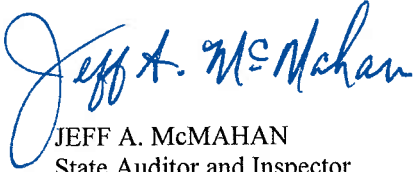
As also discussed in Note 1, the ABLE Commission's financial statements are prepared on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the ABLE Commission, as of June 30, 2004, and the respective changes in financial position-cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report, dated July 28, 2005, on our consideration of the ABLE Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules on pages 3 through 6 and page 15 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.



JEFF A. McMAHAN
State Auditor and Inspector

July 28, 2005

Management's Discussion and Analysis

The Oklahoma Alcoholic Beverage Laws Enforcement Commission (ABLE Commission) is a constitutional board established in 1959 to regulate the liquor industry in Oklahoma. The mission of the ABLE Commission has been expanded since then from enforcement of the laws pertaining to alcoholic beverages and licensing approved establishments and their employees for sale/transport/storage of alcoholic beverages to include enforcement of the laws and rules and regulations pertaining to charity games (which includes the licensing of approved charity gaming functions and employees) and enforcement of laws and rules and regulations related to youth access to tobacco within the State of Oklahoma as well.

As management of the ABLE Commission, we offer readers of ABLE's financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2004.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to ABLE's basic financial statements. ABLE'S basic financial statements are comprised of three components: 1) Government-wide, 2) Fund Financial Statements, and 3) notes to the financial statements.

Cash Basis Financial Statements

The ABLE Commission utilizes cash basis financial statements; revenues and expenses are reported when cash is received and expended. Accruals of expenditures are not made. Therefore, accrued liabilities are not presented.

Government-Wide Financial Statements

The statement of net assets presents information on assets and net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the financial position of ABLE is improving or deteriorating. The fiduciary (agency) fund assets are excluded from the government-wide statement of net assets.

The statement of activities presents information showing how ABLE's net assets changed during the most recent fiscal year. Revenues and expenses are reported in this statement when cash is received and expended.

Fund Financial Statements

1. **General Fund** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All governmental activities of ABLE are reflected in the general fund. The governmental fund financial statements are the same as the government-wide financial statements as a result of the cash basis presentation of ABLE's financial statements.

2. **Agency Fund** - Agency funds account for assets held by the Commission in a purely custodial capacity. The ABLE Commission is the official depository and collector of brand registration, license, penalty and administrative fees for the State of Oklahoma, which are accounted for in its one agency fund.

Financial Highlights

- During 2004, ABLE originally received an appropriation from the General Revenue Funds (GRF) of the State of Oklahoma of \$3,431,691. Carryover from Fiscal Year 2003 was \$45,824 for a total GRF of \$3,477,515. This net appropriation amount is a decrease of \$223,558 from the prior year's net appropriation amount.
- Approximately 81.1% of GRF expenditures during the most recent year were directly utilized to fund the agency (ABLE) payroll costs and this is a decrease from Fiscal Year 2003 levels of approximately 5.5%.
- The ABLE Commission received \$4,131,026 in licenses and other fees in fiscal year 2004 and deposited those fees to the GRF of the State of Oklahoma with the Oklahoma State Treasurer's Office as required by State Statute. These fees off set all General Revenue Funds appropriated to ABLE for

See independent auditor's report.

FY2004 and provided the GRF with an excess of \$653,511 over ABLE appropriations for this fiscal year.

- ABLE has net assets of \$308,709. This is an increase of \$179,928 or 140% from the total net assets of June 30, 2003.

Government-Wide/Fund Financial Analysis

At the end of the current year, ABLE's change in net assets (cash) are reported as follows:

Net Assets/Fund Balance

	2004	2003
Cash	\$ <u>308,709</u>	\$ <u>128,781</u>
Total Assets	<u>308,709</u>	<u>128,781</u>
Net Assets(unrestricted)	<u>308,709</u>	<u>128,781</u>
Total Net Assets(unrestricted)	\$ <u>308,709</u>	\$ <u>128,781</u>

Changes in Net Assets/Fund Balance

Expenses/Expenditures:	2004	2003
Personnel Services	2,718,609	3,180,930
Professional Services	89,946	30,978
Travel	10,175	9,607
Administrative	415,892	432,716
Property, Furniture, and Equipment	117,766	11,910
Payments to Local Governments	-0-	7,000
Transfers and Other Disbursements	<u>-0-</u>	<u>389</u>
Total Expenses/Expenditures	<u>3,352,388</u>	<u>3,673,530</u>
Revenues:		
General Revenues:		
Transfers In – Appropriations	3,431,691	3,695,949
Transfers In – Carryover Prior Fiscal Year	45,824	5,124
Refunds & Reimbursements	27,649	29,876
Sale of Property	<u>27,152</u>	<u>-0-</u>
Total General Revenue	<u>3,532,316</u>	<u>3,730,949</u>
Change in Net Assets/Fund Balance	179,928	57,419
Fund Balance/Net Assets:		
Beginning of the Year	<u>128,781</u>	<u>71,362</u>
End of the Year	\$ <u>308,709</u>	\$ <u>128,781</u>

Net assets (cash) have increased, improving ABLE's financial position. The remaining cash was sufficient to pay all fiscal year 2004 outstanding invoices. The increase is the result of careful management of available assets/resources for fiscal year 2004. Cut backs in payroll (personnel expenses), etc. account for the improvement. Cut backs in the overall number of agency personnel were critical in improving the Commission financial position in fiscal year 2004. Positions coming open for whatever reasons were left open in fiscal year 2004. A RIF of seven personnel occurred in early fiscal year 2004 due to budget cuts enacted by the legislature in response to revenue failures in fiscal year 2002 and fiscal year 2003 (and

See independent auditor's report.

resulting revenue estimates for fiscal year 2004). This change is not significant when considered against overall appropriations.

Budgetary Comparison Schedule

Expenditures:

There is essentially one reason for the differences between budgeted amounts and actual amounts (the variance reported on this schedule) and that is, careful management of resources (funds) during the fiscal year 2004. A failure of the other sources of revenue: Sale of Seized Property and Inter-Agency Reimbursement and Sale of Surplus Property, was also responsible for this variance. This failure was much less important than the strict limits set on expenditures and especially in the personnel areas of the budget.

The first factor is much more important. This is because the funding source is much more reliable and holding down expenditures has a direct impact on the bottom line, whereas the failure of the continuing funds is more likely since this funding (and budgeted amounts) are based on estimates which may not be accurate due to the nature and sources of those types of funds. Funding estimates for continuing funds are based on General Revenue Fund (GRF) appropriations and when those are cut, some impact will be felt in operations which in turn may generate or aid in the generation of income to the continuing funds. When items such as personnel levels (enforcement was cut four agents in FY04) are cut back due to budget cuts, then some investigations may be put on hold (at least temporarily) and (for example) seizures subject to sale by this agency may not then be made which will result in decreased income to the Continuing Fund 205.

Expenditures were held down in most areas through careful management of the available funds. This resulted in deep cuts in some areas between budgeted and actual expenditures with some increases in other areas where past frugality made current increases necessary. Professional Services and Property were increased as Payroll (Personnel) Costs were being drastically cut. Even with budgeted changes, estimates are never exact and differences can be found between budgeted funds for Professional Services and Property Purchases and actual expenditures in those areas. Personnel costs (mostly payroll) cannot vary much between budgeted and actual without pay cuts or loss of personnel to layoffs or terminations; however, by carefully using professional services (contract personnel) savings in payroll were significant during FY04 after retirements and staffing cuts early on in the Fiscal Year.

The impact of these changes were significant but manageable and were the results of management practices and public policy during fiscal year 2004.

ABLE had originally budgeted expenditures based on \$3,431,691 in General Revenue funds (GRF) and \$115,000 in revolving funds for a total of \$3,546,691 for fiscal year 2004. After the addition of \$45,824 in Carryover Funds, the final amount budgeted for expenditures was \$3,592,515 of which \$3,564,277 was actually expended. Only \$3,352,388 (Cash Basis) was actually expended during fiscal year 2004 from all sources. Funding of \$45,000 in Fund 700 has not been included in the above figure as these funds are only transferred from the Agency Holding Account to the 700 Fund at the point at which refunds are to be made to agency clients for overpayment of fees, etc. and to municipalities for tobacco penalty sharing under the terms of O.S. 37 Sec. 600.11b (Prevention of Youth Access to Tobacco Act).

The fiscal year General Revenue Fund (GRF) appropriation for fiscal year 2004 was \$3,431,691. This figure was increased for fiscal year 2004 by carryover from FY03 of \$45,824 to a total appropriated balance available of \$3,477,515. Carryover from fiscal year 2004 to fiscal year 2005 of \$28,178 enhanced the original GRF & Fund 576 appropriation for FY05 of \$3,626,853 to 3,655,031. The GRF fiscal year 2006 budget levels have not yet been determined.

See independent auditor's report.

Contacting ABLE's Financial Management Team

This financial report is designed to provide interested parties with a general overview of ABLE's finances and to demonstrate ABLE's accountability for the money it receives. If you have questions about this report or need additional information, contact the Oklahoma Alcoholic Beverage Laws Enforcement (ABLE) Commission at 4545 N. Lincoln Blvd., Suite 270, Oklahoma City, OK 73105. ABLE's phone number is 405-521-3484 and its fax is 405-521-6578. The agency's website is at www.able.state.ok.us or at www.able.ok.gov.

ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION
STATEMENT OF NET ASSETS – CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2004

Assets

Cash	\$ <u>308,709</u>
Total Assets	<u>308,709</u>

Net Assets

Unrestricted	<u>308,709</u>
Total Net Assets	\$ <u>308,709</u>

The notes to the financial statements are an integral part of this statement.

ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION
STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2004

Expenses

Governmental Activities - Public Safety and Defense

Personnel Services	\$ 2,718,609
Professional Services	89,946
Travel	10,175
Administrative	415,892
Property, Furniture and Equipment	<u>117,766</u>

Total Expenses	<u>3,352,388</u>
-----------------------	-------------------------

General Revenues

Transfers In - Appropriations	3,431,691
Transfers In - Carryover From FY2003	45,824
Refunds and Reimbursements	27,649
Sale of Property	<u>27,152</u>

Total General Revenues	<u>3,532,316</u>
-------------------------------	-------------------------

Increase(Decrease) in Net Assets	179,928
---	----------------

Net Assets, July 1, 2003	<u>128,781</u>
Net Assets, June 30, 2004	\$ <u><u>308,709</u></u>

The notes to the financial statements are an integral part of this statement.

ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION
BALANCE SHEET – GOVERNMENTAL FUND – CASH BASIS
JUNE 30, 2004

Assets	General Fund
Cash	\$ <u>308,709</u>
Total Assets	<u>308,709</u>
 Fund Balance	
Fund Balance Arising From Cash Transactions	<u>308,709</u>
Total Fund Balance	\$ <u>308,709</u>

There is no variance between the fund balance arising from cash transactions and the net assets (cash balance) of the governmental activities in the statement of net assets.

The notes to the financial statements are an integral part of this statement.

ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

Revenues	General Fund
Refunds & Reimbursements	\$ 27,649
Sale of Property	27,135
Sale of Seized Property	<u>17</u>
Total Revenues	<u>54,801</u>
 Expenditures	
Personnel Services	2,718,609
Professional Services	89,946
Travel	10,175
Administrative	415,892
Property, furniture and Equipment	<u>117,766</u>
Total Expenditures	<u>3,352,388</u>
Revenues Over (Under) Expenditures	(3,297,587)
 Other Financing Sources (Uses)	
Transfers In - Appropriations	3,431,691
Transfers In - Carryover FY2003	<u>45,824</u>
Total Other Financing Sources/(Uses)	<u>3,477,515</u>
Excess Deficiency of Revenue and other Sources Over(Under) Expenditures and Other Uses.	179,928
 Fund Balance, July 1 2003	
	<u>128,781</u>
Fund Balance, June 30, 2004	\$ <u>308,709</u>

There is no variance between the amounts reported for net change in fund balance-General Fund cash basis and the change in net assets of the governmental activities in the cash basis statement of activities.

The notes to the financial statements are an integral part of this statement.

ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND
JUNE 30, 2004

	Agency Fund
Assets	
Cash	\$ <u>464,832</u>
Total Assets	<u>464,832</u>
Liabilities	
Balance Due to the State of Oklahoma General Fund	463,027
Balance Due to Licensees	<u>1,805</u>
Total Liabilities	\$ <u>464,832</u>

The notes to the financial statements are an integral part of this statement.

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the Oklahoma Alcoholic Beverage Laws Enforcement Commission (ABLE) have been prepared in conformity with the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements are intended to present the financial position and results of operations of only that portion of the State of Oklahoma that is attributable to the transactions of ABLE.

A. Reporting Entity

The ABLE Commission is a constitutional board established in 1959 to regulate the liquor industry in Oklahoma. The mission of the ABLE Commission has been expanded beyond enforcement of the laws pertaining to Alcoholic Beverages to include; enforcement of Charity Games Laws and Rules & Regulations and enforcement of the Laws and Rules & Regulations associated with Youth Access To Tobacco.

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

Cash Basis Financial Statements

The financial statements are reported using the cash basis of accounting. Revenues are recorded when received and expenses are recorded when paid. Capital assets are not presented.

Government-Wide Financial Statements

The statement of net assets presents information on assets and net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the financial position of ABLE is improving or deteriorating. The fiduciary (agency) fund assets are excluded from the government-wide statement of net assets.

The statement of activities presents information showing how ABLE's net assets changed during the most recent fiscal year. Revenues and expenses are reported in this statement when cash is received and expended.

Fund Financial Statements

The financial activities of the Commission are recorded in two funds. 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 Commission uses a general fund and an agency fund to account for all of its activities.

1. **General Fund** – The General Fund is the primary operating fund of the Commission and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

2. **Agency Fund** - Agency funds account for assets held by the Commission in a purely custodial capacity. The ABLE Commission is the official depository and collector of brand registration, license, penalty and administrative fees for the State of Oklahoma, which are accounted for in its one agency fund.

C. Receipts and Expenditures

The receipts handled by ABLE Commission, which are deposited to the State of Oklahoma General Revenue Fund at the end of each month, are receipts for license fees, brand registration fees, penalty fees, bottle club fees, administrative license fees, and other miscellaneous fees. Revenues are generally deposited into the General Revenue Fund (GRF) of the State of Oklahoma, as required by 37 O.S. 2001 #567, on a monthly basis by ABLE and amounted to \$4,131,026 during fiscal year 2004 with \$3,667,999 transferred during fiscal year 2004 and \$463,027 transferred during fiscal year 2005 for June 2004. The ABLE Commission acts as a fiduciary when managing these receipts. Therefore, the ABLE financial statements do not include these receipts. This account, presented as a fiduciary (agency) fund, is used only to reconcile receipts with transfers to the General Revenue Fund of the State of Oklahoma.

Exceptions to GRF of the State of Oklahoma transfer may occur for four types of receipts: 1) Interagency Reimbursements (Fund 443), 2) Sale of Seized Property (Fund 205), 3) Sale of Surplus Property (Fund 494), and 4) Refunds and Payments to the Cities Fund 700. Only three types of revenue are retained by ABLE for expenditure. Fund 700 is essentially a holding fund for money to be refunded to clients for overpayment of fees, etc. or for payment to Oklahoma municipalities per the Prevention of Youth Access to Tobacco Act (OS 37, Sec. 600.11b).

Appropriations to ABLE from the GRF of the State of Oklahoma by the legislature were \$3,431,691 during fiscal year 2004.

D. Cash

At June 30, 2004 all cash was under the control of the State Treasurer of Oklahoma and was collateralized in accordance with 62 O.S. 2001, 72.1., titled, "Security for Public Deposits Act." As of this date, the bank balances on deposit are fully insured or collateralized with securities held by the State's agent in the State's name.

Note 2. Operating Leases

ABLE leases office space on an annual basis. Rent of approximately \$120,233 was paid under the lease agreements for the year ended June 30, 2004.

Note 3. Risk Management and Insurance

As a part of the primary government of the State of Oklahoma, the risk of losses to which ABLE may be exposed is covered through the risk management activities of the State and any losses and liabilities are the responsibility of, and financed through the State's 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, second injury workers' compensation, tort liability (except for excess coverage for certain losses in excess of \$1,000,000), vehicle liability, and property losses (except for excess coverage for certain losses in excess of \$250,000, or \$750,000 for certain agencies). The property loss excess coverage is limited to a maximum loss of \$1,000,000,000.

Two separate component units of the State provide coverage for health care claims and worker's compensation. The State and Education Employees' Group Insurance Board provides group health, life, dental and disability benefits to the State's employees and certain other eligible participants. The State Insurance Fund (CompSource) provides workers' compensation coverage for the State's employees (and private and local government employees). Coverage for second injury workers' compensation is provided by the Multiple Injury Trust Fund, a component unit of the State.

The remaining risk management activities of the State are included in the State's General Fund. The Risk Management Division of the Department of Central Services is responsible for administering the State's tort liability, vehicle liability, property loss, and other types of risk coverage. Also, the Division is responsible for the acquisition and administration of all insurance policies purchased by the State and administration of any self-insurance plans and programs adopted for use by the State (and for certain organizations and bodies outside of state government).

Note 4. Pension Plans

Plan Description. The Oklahoma ABLE Commission contributes to the Oklahoma Public Employees Retire Plan (OPERS), the Oklahoma Law Enforcement Retirement Plan (OLERS), and the Oklahoma Police Pension & Retirement System (OPPRS). These three units are cost sharing multiple employer defined benefit retirement systems. The plans provide retirement, disability, and death benefits to plan members and their beneficiaries. The pension benefit provisions are established and may be amended by the state legislature. Cost-of-living adjustments are provided to plan members and beneficiaries at the discretion of the state legislature.

A separately issued independent audit report for each pension plan may be obtained from: 1) Public Employees Retirement, 6601 N. Broadway Extension, Suite 129, Oklahoma City, Oklahoma 73152-3007, 2) Oklahoma Law Enforcement Retirement System, 4545 N. Lincoln Blvd., Suite 257, Oklahoma City, Oklahoma 73105, and 3) Oklahoma Police Pension & Retirement System, 1001 N.W. 63rd Street, Oklahoma City, Oklahoma 73116.

Funding Policy. Plan members and state agencies are required to contribute at a rate set by statute. The contribution requirements of plan members and state agencies are established and may be amended by the State Legislature. OPERS, OLERS and OPPRS receives contributions from each member based on their gross salary earned (excluding overtime).

OPERS receives contributions from ABLE and each member based on their gross salary earned, excluding overtime. There is no cap on qualifying salary earned, subject to Internal Revenue Service limitations on compensation. ABLE employees contribute 3% on the first \$25,000 of salary and 3.5% on salary above \$25,000. ABLE contributes 10% of total salary. ABLE contributions to the plan for the years ended June 30, 2004, 2003, 2002 were \$ 72,621, \$97,319, and \$114,859 respectively. These contributions represent 100% of the contribution required.

OLERS receives contributions from ABLE and members of 10% and 8% respectively, of the actual paid base salary of each member. ABLE contributions to the plan for the years ended June 30, 2004, 2003, and 2002 were \$112,317, \$177,204, and \$151,480 respectively. These contributions represent 100% of the contribution required.

OPPRS receives contributions from ABLE and members of 13% and 8% respectively, of the actual paid base salary of each member. ABLE contributions to the plan for the year ended June 30, 2004 was \$ 727 and for June 30, 2003 was \$3,791 as one OLERS member transferred membership during the 2003 fiscal year and was RIF'd during FY2004. Prior to fiscal year 2003, ABLE employees were not members of OPPRS. These contributions represent 100% of the contribution required.

Note 5. Other Post-employment Benefits

In addition to the pension benefits described in Note 4, the State provides post-retirement health care benefits (OPEB). The Oklahoma Public Employees Retirement System (OPERS), the Oklahoma Law Enforcement Retirement System (OLERS), and the Oklahoma Police Pension & Retirement System (OPPRS), each pay the Medicare supplement premium or \$105 per month; whichever is less, for all retirees who elect coverage at the time of retirement through the respective systems. Information specific to ABLE is not available and cannot be reasonably estimated.

Required Supplementary Information

ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – NON-GAAP - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amount	Variance With
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget</u>
Revenues				
Refunds and Reimbursements	\$ 65,000	\$ 65,000	\$ 27,649	\$ (37,351)
Sale of Surplus Property	30,000	30,000	27,135	(2,865)
Sale of Property	<u>20,000</u>	<u>20,000</u>	<u>17</u>	<u>(19,983)</u>
Total Revenues	<u>115,000</u>	<u>115,000</u>	<u>54,801</u>	<u>(60,199)</u>
Expenditures				
Personnel Services	2,795,777	2,823,639	2,661,268	162,371
Professional Services	81,092	81,092	56,910	24,182
Travel	22,584	20,184	15,761	4,423
Administrative	563,738	561,114	654,914	(93,800)
Property, furniture and Equipment	<u>83,500</u>	<u>78,308</u>	<u>88,760</u>	<u>(10,452)</u>
Total Expenditures	<u>3,546,691</u>	<u>3,564,337</u>	<u>3,477,613</u>	<u>86,724</u>
Excess of Revenues over/(under) Expenditures	<u>(3,431,691)</u>	<u>(3,449,337)</u>	<u>(3,422,812)</u>	<u>26,525</u>
Other Financing Sources/(Uses)				
Transfers In - Appropriations	3,431,691	3,477,515	3,477,515	-
Transfers Out - Lapsed Funds	-	-	-	-
Carryover to FY2005	<u>-</u>	<u>(28,178)</u>	<u>(28,178)</u>	<u>-</u>
Total Other Financing Sources/(Uses)	<u>3,431,691</u>	<u>3,449,337</u>	<u>3,449,337</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	26,525	26,525
Fund Balance, July 2003	<u>128,781</u>	<u>128,781</u>	<u>128,781</u>	
Fund Balance, June 30, 2004	<u>\$ 128,781</u>	<u>\$ 128,781</u>	<u>\$ 155,306</u>	<u>\$ 26,525</u>

The note to the Required Supplementary Information is an integral part of this statement

ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

The Alcoholic Beverage Laws Enforcement Commission's (ABLE) annual budget is prepared on the budgetary basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the accompanying financial statements, encumbrances are recorded as expenditures for budgetary purposes and not presented for the cash basis of accounting, a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). Since the budgetary basis differs from the cash basis, 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.

Since accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with the cash basis of accounting, a comprehensive basis of accounting other than generally accepted accounting principles (GAAP), a reconciliation of resulting differences in the excess of revenues over (under) expenditures and other financing sources (uses) between budgetary and cash basis presentations for the year ended June 30, 2004, is presented below for the General Fund:

Budgetary Basis Fund Balance, June 30, 2004	\$ 155,306
Add: Encumbrance Balance at June 30, 2004	323,955
Less: Encumbrance Balance at June 30, 2003	<u>170,553</u>
Cash Basis Fund Balance, June 30, 2004	\$ <u>308,708</u>

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS**

**TO THE COMMISSIONERS OF THE ALCOHOLIC BEVERAGE
LAWS ENFORCEMENT COMMISSION**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alcoholic Beverage Laws Enforcement Commission (ABLE Commission), a part of the primary government of the State of Oklahoma, as of and for the year ended June 30, 2004, which collectively comprise the ABLE Commission's basic financial statements, and have issued our report thereon dated July 28, 2005. The report includes an explanatory paragraph stating that the basic financial statements of the ABLE Commission are intended to present the financial position and results of operations of only that portion of the State of Oklahoma attributable to the transactions of the ABLE Commission. The report also includes an explanatory paragraph stating that the ABLE Commission's financial statements are prepared on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the ABLE Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ABLE Commission's financial statements are free of 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*.

This report is intended solely for the information and use of the management of the ABLE Commission and its governing members and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.



JEFF A. McMAHAN
State Auditor and Inspector

July 28, 2005



Office of the State Auditor and Inspector

2300 North Lincoln Boulevard, Room 100
Oklahoma City, Oklahoma 73105-4896
(405) 521-3495

www.sai.state.ok.us