



**STATE OF OKLAHOMA**  
**OFFICE OF THE STATE AUDITOR & INSPECTOR**

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**OKLAHOMA DEPARTMENT OF CAREER  
AND TECHNOLOGY EDUCATION**

**FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORTS**

*FOR THE FISCAL YEAR ENDED JUNE 30, 2004*

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**JEFF A. McMAHAN, CFE**  
**OKLAHOMA STATE AUDITOR & INSPECTOR**

Oklahoma Department of Career and Technology Education  
Financial Statements and Independent Auditor's Reports  
For the Fiscal Year Ended June 30, 2004

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

June 8, 2005

**TO THE HONORABLE BRAD HENRY  
GOVERNOR OF THE STATE OF OKLAHOMA**

Transmitted herewith are our audit reports on the financial statements of the Oklahoma Department of Career and Technology Education 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 serve 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. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

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## **Members of the State Board of Career and Technology Education**

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State Superintendent of Public Instruction

Dr. Debbie Blue  
Term Expires April 2006

Mr. Karl Meyers  
Term Expires April 2005

Mr. Melvin Gilliam  
Term Expires April 2004

Maj. Gen (Ret) Tony Stricklin  
Term Expires April 2007

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Term Expires April 2005

Ms. Cheri Ezzell  
Term Expires April 2006

Mr. Harold Anglin  
Term Expires April 2009

Mr. Randy Gilbert  
Term Expires April 2008

Dr. Phil Berkenbile  
Interim Executive Officer of the Board



As management of the Oklahoma Department of Career and Technology Education (ODCTE), we offer readers of ODCTE's financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2004.

### **Financial Highlights**

- Federal revenues for fiscal year 2004 totaled \$20,613,395, a decrease of \$4,515,464 in comparison with the prior year. The primary reason for this decrease in federal revenue for fiscal year 2004 was that the Career Clusters federal grant received by ODCTE in prior years ended during fiscal year 2003. The major source of federal revenue for fiscal year 2004 was the Carl Perkins Basic Grant in the amount of \$15,049,722 or 73.0% of the total. There are two other sources of federal funding that exceeded one million dollars each: (1) Temporary Assistance for Needy Families (TANF)-\$2,783,843 or 13.5% and (2) Carl Perkins Tech Prep-\$1,268,093 or 6.2%. Other small contracts and grants generated a total of \$1,511,737 or 7.3% of total federal revenues.
- Revolving revenues for fiscal year 2004 totaled \$4,900,156, a decrease of \$124,078 in comparison with the prior year. The major source of revolving revenue for fiscal year 2004 was the sale of curriculum materials, which totaled \$2,605,400 or 53.2% of the total. The next largest source of revolving revenue was safety training, which totaled \$425,000 or 8.7% of the total. All other revolving revenue sources generated \$1,869,756 or 38.1% of total revolving revenues.
- For fiscal year 2004, Special Revenue Fund revenues for the Conference Account totaled \$194,625, an increase of \$6,751 in comparison with the prior year.
- Original state appropriations were \$117,822,607 for fiscal year 2004. As a result of favorable tax collection, the agency received an increase in cash allocations totaling \$1,498,901. Total state appropriations received in cash allocations for fiscal year 2004 were \$119,321,508, a decrease of \$1,736,230 in comparison with the prior year. Fiscal year 2004 cash allocations include a \$1,498,943 FY 03 appropriation received in FY 04.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to ODCTE's basic financial statements. ODCTE's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

#### Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of ODCTE's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of ODCTE's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the financial position of ODCTE is improving or deteriorating.

The statement of activities presents information showing how ODCTE's net assets changed during the most recent fiscal year. All changes in net assets 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 only result in cash flow in future periods.

Fund financial statements

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 ODCTE are reflected in the general fund and special revenue fund. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

At the end of the fiscal year, ODCTE's net assets are reported as follows:

	2003	2004
Current Assets	\$ 16,751,811	\$ 16,415,538
Capital Assets, net	1,264,563	1,344,547
Total Assets	<u>18,016,374</u>	<u>17,760,085</u>
Current Liabilities	7,018,181	2,487,487
Long Term Liabilities	303,035	367,605
Total Liabilities	<u>7,321,216</u>	<u>2,855,092</u>
Invested in Capital Assets	1,264,563	1,344,547
Unrestricted	9,430,595	13,560,446
Total Net Assets	<u>\$ 10,695,158</u>	<u>\$ 14,904,993</u>

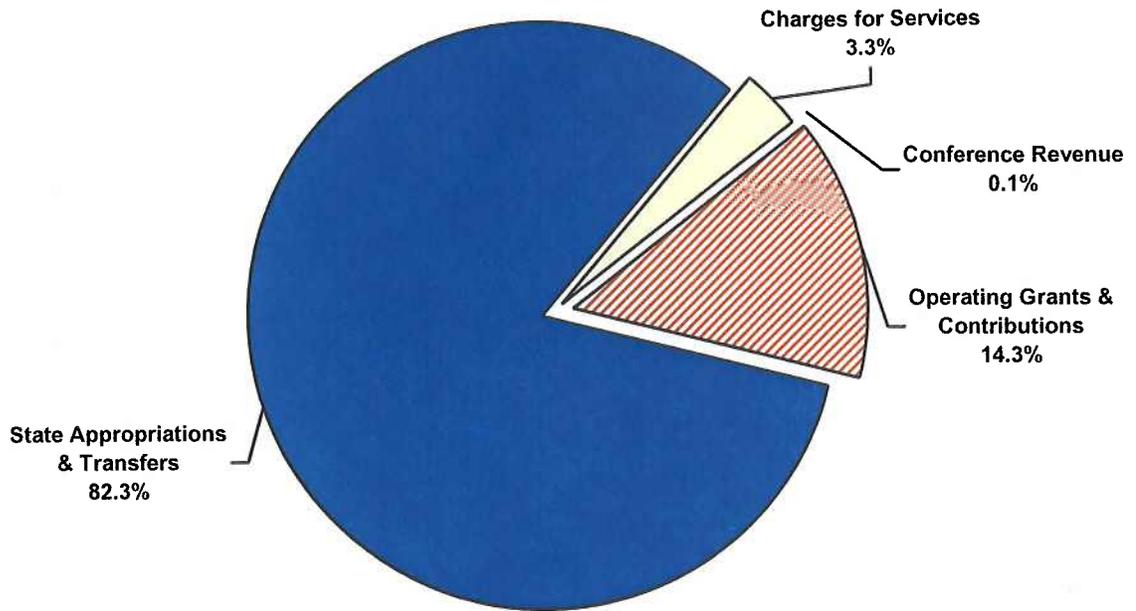
## Analysis of Government-wide Balances

The largest effect on the government-wide balances is payments to local schools. Schools are not always consistent in seeking reimbursement. In some years, reimbursements to schools are made prior to June 30 and in other years after June 30. The following reflects ODCTE's changes in net assets for fiscal years 2003 and 2004:

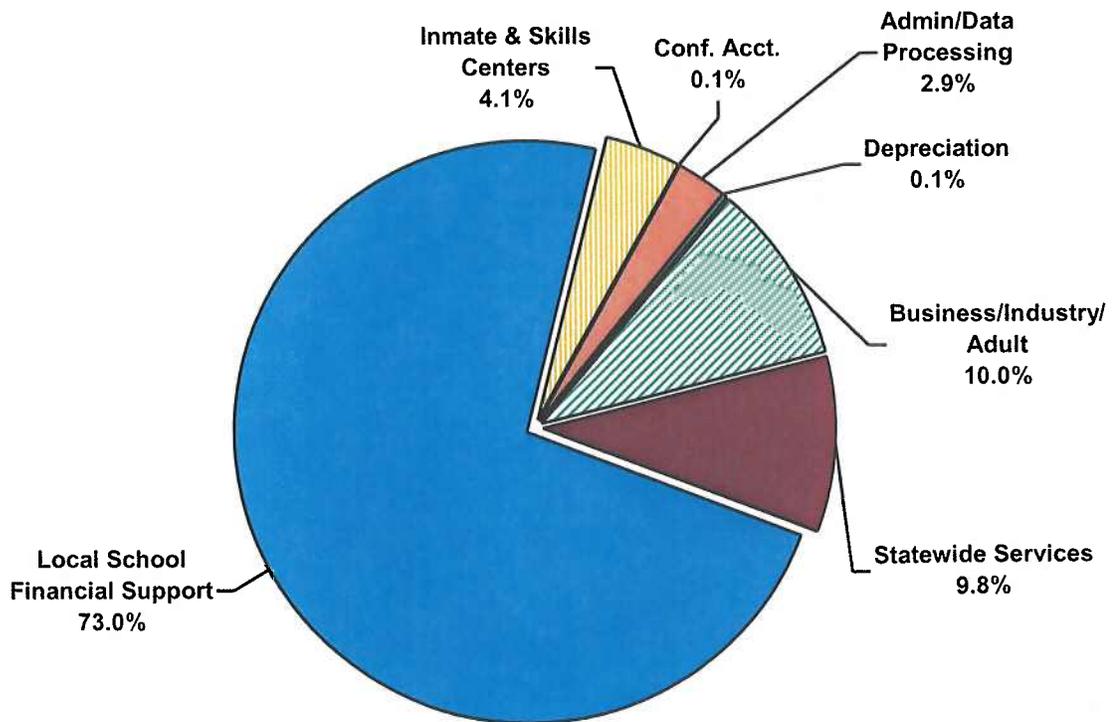
	2003	2004
Program Revenues:		
Charges for Services	\$ 4,907,796	\$ 4,814,740
Operating Grants and Contributions	25,081,223	20,698,811
Capital grants and Contributions	164,074	-
Conference Revenue	<u>187,874</u>	<u>194,625</u>
Total Program Revenues	<u>30,340,967</u>	<u>25,708,176</u>
General Revenues:		
State Appropriations	121,057,738	119,321,508
Transfers In	<u>(511)</u>	<u>-</u>
Total General Revenues	<u>121,057,227</u>	<u>119,321,508</u>
Total Revenues	151,398,194	145,029,684
Expenditures/Expenses:		
Business/Industry/Adult	15,345,656	14,120,318
Local School Financial Support	106,372,462	102,783,893
Statewide Services	15,305,574	13,783,051
Inmate and Skills Centers	5,796,541	5,706,202
Administration/Data Processing	4,538,122	4,047,912
Career Tech Conference Account	262,752	168,513
Depreciation - Unallocated	<u>214,600</u>	<u>209,960</u>
Total Expenditures/Expenses	<u>147,835,707</u>	<u>140,819,849</u>
Changes in Net Assets	3,562,487	4,209,835
Fund Balance/Net Assets:		
Beginning of the year	7,132,671 *	10,695,158
End of the year	<u>\$ 10,695,158</u>	<u>\$ 14,904,993</u>

\* - Restated for fiscal year 2003.

## Sources of Revenue



## Expenditures by Activity



## **Analysis of Governmental Fund Balances**

General Fund – State appropriations for fiscal year 2004 were \$3,075,121 or 2.54% less than the fiscal year 2003 appropriated cash allocations. This followed a cash shortfall of \$10,298,938 or 7.85% in fiscal year 2003. The increase in ending cash balance is the result of a decline in expenditures for Training for Industry Programs, Safety Training Programs, Existing Industry Training Programs, and the termination of 31 employees on July 1, 2003 as a result of the agency voluntary “buy-out”. The agency also received a fiscal year 2003 allocation in fiscal year 2004 totaling \$1,498,943. Equitable reductions were made in program funding to technology centers and comprehensive high schools as well as the Skills Centers and the state agency.

Special Revenue Fund - The increase in fund balance of \$26,112 was due to conference expenses decreasing while revenue increased.

Additional information for the governmental funds has also been presented in the Financial Highlights section of the MD&A.

### **Budgetary Accounts**

The ODCTE revenue is budgeted using the categories of State Appropriations, Federal, Revolving, and Conference Revenues. Budget categories for expenditures are Personnel Services; Travel; Administrative Expense; Property, Furniture, and Equipment; Related Debt; Assistance and Payments to Local Governments; Transfers and Other Disbursements; and Budget Reductions.

Variances in budget to actual expenditures are presented by object of expenditure so that users can determine the purpose of the expenditures and variances from budgeted expenditures.

**Oklahoma Department of Career and Technology Education  
Budget-to-Actual Expenditures - General Fund**

	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Variance</b>
<b>Revenues</b>			
Federal Grants and Contracts	\$ 21,420,000	\$ 23,415,084	\$ 1,995,084
Revolving	5,900,419	4,908,555	(991,864)
Total Revenues	<u>27,320,419</u>	<u>28,323,639</u>	<u>1,003,220</u>
<b>Expenditures</b>			
Personnel Services	22,077,935	21,284,944	792,991
Travel	833,210	823,729	9,481
Administrative Expense	4,684,183	2,596,236	2,087,947
Property, Furniture and Equipment Related Debt	2,607,307	2,179,198	428,109
Assistance and Payments to Local Governments	124,582,388	118,785,641	5,796,747
Transfers and Other Disbursements	630,675	633,852	(3,177)
Budget Reductions	(7,051,409)	0	(7,051,409)
Total Expenditures	<u>148,364,289</u>	<u>146,303,600</u>	<u>2,060,689</u>
Excess (deficiency) of revenues over expenditures	<u>(121,043,870)</u>	<u>(117,979,961)</u>	<u>3,063,909</u>
<b>Other financing sources (uses)</b>			
State Appropriations	119,321,508	119,321,508	-
Transfers In	-	-	-
Total other financing sources (uses)	<u>119,321,508</u>	<u>119,321,508</u>	<u>-</u>
Net change in fund balance	(1,722,362)	1,341,547	3,063,909
Fund balance July 1, 2003	<u>12,793,900</u>	<u>13,251,471</u>	<u>457,571</u>
Fund balance June 30, 2004	<u>\$ 11,071,538</u>	<u>\$ 14,593,018</u>	<u>\$ 3,521,480</u>

**Oklahoma Department of Career and Technology Education  
Budget-to-Actual Expenditures - Special Revenue Fund**

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance</u>
Conference Revenues	\$ 300,000	\$ 194,626	\$ (105,374)
Total Conference Revenues	<u>300,000</u>	<u>194,626</u>	<u>(105,374)</u>
Expenditures			
Administrative Expense	210,000	140,154	69,846
Transfers and Other Disbursements	90,000	29,788	60,212
Total Expenditures	<u>300,000</u>	<u>169,942</u>	<u>130,058</u>
Net change in fund balance	-	24,684	24,684
Fund balance July 1, 2003	<u>59,387</u>	<u>99,799</u>	<u>40,412</u>
Fund balance June 30, 2004	<u>\$ 59,387</u>	<u>\$ 124,483</u>	<u>\$ 65,096</u>

**Capital Assets**

The ODCTE has a capital asset reporting threshold of \$25,000. The ODCTE investment in capital assets for its governmental activities as of June 30, 2004 is \$5,121,604, with a net accumulated depreciation of \$3,777,057, leaving a net book value of \$1,344,547. This investment in capital assets includes equipment purchased from state and federal funds. Equipment is located in skills centers and at the state department.

New purchases during the year total \$307,325. Deletions and adjustments total \$43,450 for a net increase of \$263,875. Depreciation charges for the year totaled \$195,885.

**Debt Administration**

The Legislature approved the issuance of Bond Series 1999 A, B, and C effective September 1, 1998, which included \$5,000,000 to be used for the purchase of equipment in the Career Tech System. The repayment schedule to retire these bonds is as follows:

	2005
Capital Leases:	\$ 210,400
Less: Interest	25,400
Total Principal	<u>\$ 185,000</u>

Monthly installments are paid to the Oklahoma Capitol Improvement Authority, which coordinates with the State Treasurer's Office to make payments to the bondholders. Annual appropriations from the Legislature include funding to retire these bonds. This debt is reflected in the financial statements as capital leases.

**Economic Factors/Next Year's Budget**

State general fund revenue collections for FY-05 are up significantly over the same period of the prior fiscal year. The increases indicate that state agencies will receive full funding for FY-05. FY-04 carry-over funds in addition to an anticipated supplemental appropriation for Training for Industry (TIP) will result in a significant increase in the FY-05 budget over FY-04.

Income from Carl Perkins federal grants, which account for the majority of federal funds, remains steady for FY-05; however, are anticipated to be reduced for FY-06 based upon preliminary information

received from the grantor agency. Congress is currently acting on reauthorization of the Carl Perkins Act.

The agency implemented a voluntary "buy-out" effective July 1, 2003. A total of 31 employees accepted that offer. Several of those positions have been replaced and new positions have been added resulting in the projected FY-06 FTE count to be back up to the pre "buy-out" level. The agency implemented a new salary plan effective December 2004, which resulted in salary increases for several employees. This was in addition to the state mandated increase of \$1,400 annually effective January 1, 2005 and \$700 annually effective July 1, 2005.

An increase in the health benefit allowance for state employees of approximately 15% effective January 1, 2004 and an additional increase of approximately 9% January 1, 2005 have resulted in an increased budget need for FY-05 and FY-06.

#### **Contacting ODCTE's Financial Management**

This financial report is designed to provide interested parties with a general overview of ODCTE's finances and to demonstrate ODCTE's accountability for the money it receives. If you have questions about this report or need additional information, contact the Oklahoma Department of Career and Technology Education, 1500 W. Seventh Avenue, Stillwater, Oklahoma 74074.



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 OKLAHOMA DEPARTMENT  
OF CAREER AND TECHNOLOGY EDUCATION

We have audited the accompanying financial statements of the governmental activities and each major fund of the Oklahoma Department of Career and Technology Education (the Department), as of and for the year ended June 30, 2004, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions 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 Department are intended to present the financial position and the changes in financial position, of only that portion of the governmental activities and each major fund of the State of Oklahoma that is attributable to the transactions of the Department. 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 and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1.C. and 1.D., management accounts for inventories using the purchases method on both the governmental fund level and the government-wide statements. Accounting principles generally accepted in the United States of America allow for the usage of this methodology on the governmental fund level statements but require that the consumption method of accounting for inventories be used on the accrual-basis government-wide statements. The amount by which this departure would affect the assets and expenditures presented in the government-wide statements is not reasonably determinable.

In our opinion, except for the effects, if any, of not valuing inventory in accordance with the consumption method, the financial statements of the governmental activities referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Department as of June 30, 2004, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, of the Department, as of June 30, 2004, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 20, 2005, on our consideration of the Department'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. 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 1 through 9 and 26 through 29 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.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis but is not a required part of the basic financial statements. We did not audit this information and express no opinion on it.

Sincerely,

  
JEFF A. McMAHAN  
State Auditor and Inspector

May 20, 2005



**OKLAHOMA DEPARTMENT OF CAREER AND TECHNOLOGY EDUCATION**  
**STATEMENT OF NET ASSETS**  
**June 30, 2004**

**Assets:**

Current Assets:

Cash			\$ 13,080,881
Receivables			
From Sale of Curriculum Materials	\$ 219,193		
Less: Uncollectible	<u>(4,384)</u>	\$ 214,809	
From Federal Grant/Entitlement-Direct		689,010	
From Federal Funded Contracts as Subrecipient		98,867	
From Registration, Activity Charges		<u>1,450</u>	1,004,136
Prepaid Expenses-Postage			30,056
Inventories			
Curriculum Materials for Resale		2,162,557	
Printshop Raw Materials		<u>137,908</u>	2,300,465
Total Current Assets			<u>16,415,538</u>

Non-Current Assets:

Investments in Capital Assets-Equipment		5,121,604	
Less: Accumulated Depreciation		<u>(3,777,057)</u>	<u>1,344,547</u>

**Total Assets**

**\$ 17,760,085**

**Liabilities:**

Current Liabilities

Accounts Payable			
Vendor from Federal Funds		264,642	
Vendor from State Revolving Funds		823,960	
Vendor from Special Revenue Funds		24	
Payroll		<u>9,514</u>	1,098,140
Compensated Absences			1,028,880
Deferred Revenue			
Federal			127,839
Conference Account			47,628
Capital Leases - Current Payable			<u>185,000</u>
Total Current Liabilities			<u>2,487,487</u>

Non-Current Liabilities

Accrued Compensated Absences			367,605
Capital Leases - Long Term			<u>0</u>
Total Non-Current Liabilities			<u>367,605</u>

**Total Liabilities**

**2,855,092**

**Net Assets:**

Investment Capital Assets-Equipment, Net of Related Debt			1,344,547
Unrestricted			<u>13,560,446</u>

**Total Net Assets**

**\$ 14,904,993**

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

**OKLAHOMA DEPARTMENT OF CAREER AND TECHNOLOGY EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activity</u>
<b>Governmental Activity-Education:</b>					
<b>Business/Industry/Adult</b>					
Program/Field Services	\$ 1,007,305	\$ 31,045	\$ 305,577	\$ -	\$ (670,683)
Payments to Local Schools	10,921,480	573			(10,920,907)
Training for Industry Program (TIP)	2,191,533				(2,191,533)
<b>Local School Financial Support</b>					
Program/Field Services	1,783,963	42,485	262,419		(1,479,059)
Payments to Local Schools	100,999,930	425,000	16,678,279		(83,896,651)
<b>Statewide Services</b>					
Program/Field Services	9,439,126	465,795	1,854,678		(7,118,653)
Curriculum Development/Distribution	4,343,925	2,763,140	466,261		(1,114,524)
<b>Inmate and Skills Centers</b>					
Program/Field Support	252,535				(252,535)
Skills Centers	5,287,279	698,327	808,244		(3,780,708)
OIC	166,388				(166,388)
<b>Administration/Data Processing</b>					
Administration	2,069,728	335,826	9		(1,733,893)
Data Processing	1,978,184	52,549	323,344		(1,602,291)
Conference Account	168,513	194,625			26,112
Depreciation - Unallocated	209,960				(209,960)
Total Governmental Activity	<u>\$ 140,819,849</u>	<u>\$ 5,009,365</u>	<u>\$ 20,698,811</u>	<u>\$ -</u>	<u>\$ (115,111,673)</u>
<b>General Revenues:</b>					
State Appropriations					119,321,508
Transfers In / (Out)					<u>0</u>
Total General Revenues					<u>119,321,508</u>
<b>Change in Net Assets</b>					
Net Assets - Beginning					10,695,158
Net Assets - Ending					<u>\$ 14,904,993</u>

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

**OKLAHOMA DEPARTMENT OF CAREER AND TECHNOLOGY EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Current Assets:			
Cash	\$ 12,954,160	\$ 126,721	\$ 13,080,881
Receivables			
From Sale of Curriculum Materials, net of uncollectible allowance	214,809		214,809
From Federal Grant/Entitlement-Direct	689,010		689,010
From Federal Funded Contracts	98,867		98,867
From Registration, Activity Charges		1,450	1,450
Prepaid Expenses-Postage	30,056		30,056
Inventories			
Curriculum Materials	2,162,557		2,162,557
Printshop Raw Materials	137,908		137,908
	<u>16,287,367</u>	<u>128,171</u>	<u>16,415,538</u>
Total Assets	<u>\$ 16,287,367</u>	<u>\$ 128,171</u>	<u>\$ 16,415,538</u>
<b>Liabilities:</b>			
Accounts Payable			
Vendor from Federal Funds	\$ 264,642		264,642
Vendor from State Revolving Funds	823,960		823,960
Vendor from Special Revenue Funds		24	24
Payroll	9,514		9,514
Compensated Absences	2,189		2,189
Deferred Revenue			
Federal	127,839		127,839
Conference Account		47,628	47,628
Total Liabilities	<u>1,228,144</u>	<u>47,652</u>	<u>1,275,796</u>
Fund Balances			
Reserve for Encumbrances	7,714,963	116	7,715,079
Reserve for Inventories	2,300,465		2,300,465
Unreserved	5,043,795	80,403	5,124,198
	<u>15,059,223</u>	<u>80,519</u>	<u>15,139,742</u>
Total Fund Balances	<u>15,059,223</u>	<u>80,519</u>	<u>15,139,742</u>
Total Liabilities and Fund Balances	<u>\$ 16,287,367</u>	<u>\$ 128,171</u>	<u>\$ 16,415,538</u>

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

**OKLAHOMA DEPARTMENT OF CAREER AND TECHNOLOGY EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2004**

Total Fund Balances - Governmental Funds	\$ 15,139,742
--	---------------

Amounts reported for governmental activities in the Statements of Net Assets are different because:

1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These consist of:	
Investments in Capital Assets - Equipments	5,121,604
Less: Accumulated Depreciation	(3,777,057)
2) Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those consist of:	
Compensated Absences	(1,394,296)
Future Capital Lease Payments	(185,000)
	(1,579,300)
Net Assets of Governmental Activities	\$ 14,904,993

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

**OKLAHOMA DEPARTMENT OF CAREER AND TECHNOLOGY EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2004**

Revenues:	General Fund	Special Revenue Fund	Total Governmental Funds
Federal Grants-in-aid	\$ 16,317,814	\$ 0	\$ 16,317,814
Federal Reimbursement	766,855	0	766,855
Federal Funds from Other State Agencies	3,528,726	0	3,528,726
Grants and Donations - Private Sources	160,000	0	160,000
Reimbursements - Non-Federal	365,401	0	365,401
Sales of Services	352,267	0	352,267
Sales of Documents and Merchandise	2,605,400	0	2,605,400
Registration, Activity Charges	119,800	131,556	251,356
Sale of Property	5,447	0	5,447
Insurance Taxes	425,000	0	425,000
Education-Licenses, Permits and Fees	193,556	0	193,556
Income from Rent	0	57,368	57,368
Insurance and Other Reimbursements	2,326	0	2,326
Contributions, Judgements & Forfeits	0	1,500	1,500
Other Non-Revenue Receipts	0	4,201	4,201
Inter/Intra Agency Transfers	541,007	0	541,007
Inter/Intra Agency Receipts	52,741	0	52,741
Other Grants, Refunds, & Reimbursements	74,862	0	74,862
Income from Royalties	814	0	814
Motor Vehicle and Related Taxes	1,535	0	1,535
<b>Total Revenues</b>	<b>25,513,551</b>	<b>194,625</b>	<b>25,708,176</b>
<b>Expenditures:</b>			
Current Operating:			
Business/Industry Adult			
Program/Field Services	1,007,305		1,007,305
Payments to Local Schools	10,921,480		10,921,480
Training for Industry Program (TIP)	2,191,533		2,191,533
Local School Financial Support			
Program/Field Services	1,753,452		1,753,452
Payments to Local Schools	102,079,930		102,079,930
Statewide Services			
Program/Field Services	9,319,809		9,319,809
Curriculum Development Services	4,327,052		4,327,052
Inmate and Skills Centers			
Program/Field Services	252,535		252,535
Skills Centers	5,281,284		5,281,284
OIC	166,388		166,388
Administration/Data Processing			
Administration	2,338,666		2,338,666
Data Processing	1,977,452		1,977,452
Conference Account	0	168,513	168,513
<b>Total Expenditures</b>	<b>141,616,886</b>	<b>168,513</b>	<b>141,785,399</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(116,103,335)</b>	<b>26,112</b>	<b>(116,077,223)</b>
<b>Other Financial Sources (Uses):</b>			
State Appropriations	119,321,508		119,321,508
Transfers In	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>119,321,508</b>	<b>0</b>	<b>119,321,508</b>
Net Change in Fund Balances	3,218,173	26,112	3,244,285
Fund Balance - Beginning of Year	11,841,049	54,407	11,895,456
<b>Fund Balance - End of Year</b>	<b>\$ 15,059,222</b>	<b>\$ 80,519</b>	<b>\$ 15,139,741</b>

**OKLAHOMA DEPARTMENT OF CAREER AND TECHNOLOGY EDUCATION  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004**

Net Change in Fund Balance - Total Governmental Funds	\$	3,244,285
Difference in amounts reported for Governmental Activities on the Statement of Activities:		
Governmental funds report capital outlays as expenditures. However, in the Statement 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 exceeds depreciation expense in the current period.		97,365
This amount represents the carrying value of the capital assets that were transferred for disposal		(17,380)
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 governmental funds. This is the amount of compensated absences earned but not used in the current period, less the amount accrued in the fund statement.		(194,435)
Capital leases provide current financial resources to governmental funds, but create current and long-term liabilities in the statement of net assets. This amount is		<u>1,080,000</u>
Change in Net Assets on Statement of Activities	\$	<u><u>4,209,835</u></u>



**Oklahoma Department of Career and Technology Education**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

**Note 1. Summary of Significant Accounting Policies**

The Oklahoma Department of Career and Technology Education complies with generally accepted accounting principles, except for the use of the purchase method to value inventory on the government-wide financial statements. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note. The State of Oklahoma adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of July 1, 2000; as a part of the primary government, the Department also adopted the provisions of the GASB Statement No. 34 as of July 1, 2000. In addition, the Department also adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2000.

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 the Department of Career and Technology Education.

**A. Reporting Entity**

The State Board of Career and Technology Education as established under Title 70, Section 14, paragraph 101, is a part of the primary government of the State of Oklahoma. The State Board of Career and Technology Education consists of nine members with specific qualifications as defined by House Bill 1068 which was signed by the Governor and became effective August 28, 2003. Three of the members are ex officio voting members; these three members are the State Superintendent of Public Instruction and two appointed members from the State Board of Education. The Governor appoints the remaining six members; five of these members are with the advice and consent of the Senate. One of the appointed members must be from each of the five Congressional districts with the remaining member at large. After each members initial term, all members appointed by the Governor will be appointed for terms of six years. The Director of the Department of Career and Technology Education serves as an ex officio nonvoting member, and is the executive officer of the Board.

**B. Basis of Presentation**

**Government-Wide Financial Statements:**

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all resources of the reporting entity. The Department is involved only in governmental activities. Governmental

**Oklahoma Department of Career and Technology Education**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenue.

**Fund Financial Statements:**

Fund financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

The funds of the financial reporting entity are described below:

**Governmental Funds**

General Fund - The General Fund is the primary operating fund of the Agency 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.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

**Major Funds**

The types of funds that qualify as major to the Oklahoma Department of Career and Technology Education are as follows:

General Fund - The General Fund is made up of three separate funding sources:

- 1) State Appropriations - Funds provided by annual appropriations from State Legislation.
- 2) Revolving Revenue - Funds provided by the sale of curriculum materials; telecommunication assessment fees; contracts with other state agencies and private prisons; and membership dues from a ten state curriculum consortium.
- 3) Federal Revenue - Funds provided by federal grants and contracts as well as contracts with other state agencies.

Special Revenue Fund - (CareerTech Conference Account) - Note: This fund did not meet major fund criteria; however, ODCTE management determined it to be significant enough to be reported as major. The account's purpose is to receive conference related revenue such as registration fees and booth rentals and to pay for conference related expenses.

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Oklahoma Department of Career and Technology Education**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets and financial position. All assets or liabilities (whether current or non-current) associated with their activities are reported.

In the fund financial statements all governmental funds are accounted for using a current resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues and other financing sources) and decreases (e.g., expenditures and other financing uses) in net current assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, assets and liabilities resulting from exchange transactions are recognized when the exchange takes place.

In the fund financial statements all governmental funds are maintained and reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and related current assets are recognized when measurable and available to finance operations during the year or liquidate liabilities existing at the end of the year. For this purpose the state considers revenues to be available if collected within sixty days of the end of the current fiscal year.

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 when utilized. The amount of accumulated annual leave unpaid at June 30, 2004, has been reported only in the government-wide financial statements.
- Interest on general long-term obligations is recognized when paid.
- Executory purchase orders and contracts are recorded as a reservation of fund balance.
- All printshop raw materials and curriculum re-sale inventory is accounted for using the purchase method.

**Oklahoma Department of Career and Technology Education**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

**D. Assets, Liabilities, and Equity**

Cash

All cash balances are held by the Oklahoma Office of the State Treasurer. The Department's cash is pooled with the cash of all other state agencies; this pool of cash is deposited in banks or invested by the State Treasurer in accordance with Oklahoma statutes. The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution.

Inventories

Inventories are valued at cost. The flow assumption used to determine cost is first in, first out. The costs of inventories for the ODCTE are recorded as expenditures when purchased.

Capital Assets

The Department of Central Services (formerly the Office of Public Affairs), in accordance with 74 O.S. §110.1 of the Oklahoma Statutes, has primary responsibility to maintain control of all property and equipment owned by the State of Oklahoma with a cost in excess of \$500. The ODCTE has adopted a \$25,000 capital asset reporting threshold for financial statement purposes. The Department of Central Services has delegated to each of the various state agencies the responsibility to maintain the accounting records for property and equipment purchased and used by each agency. Capital assets held by the ODCTE and reflected in the accompanying financial statements are stated at original cost or estimated cost as determined from available records maintained by the ODCTE net of accumulated depreciation. Assets valued by estimate represent 0.5 percent of total capitalized assets. The asset values were based on equipment fair market values at the time of acquisition.

Additional capital asset disclosures are presented in Note 5.

Compensated Absences

Employees earn annual vacation at the average rate of 10 hours per month for up to 5 years service and may accumulate to a maximum of 240 hours. Employees earn an average of 12 hours per month for 5 to 10 years, an average of 13.33 hours per month for 10 to 20 years, and an average of 16.67 hours per month for over 20 years of service. Annual leave for employees over 5 years service may accumulate to a maximum of 480 hours. All accrued annual leave is payable upon layoff, resignation, retirement, or death.

The general fund records expenditures when the employee is paid for annual leave, and the cost of accumulated annual leave is recorded in the statement of net assets. Payments for employee vested annual leave for the year ended June 30, 2004 were made in the amount of \$31,605. Total amount outstanding at June 30, 2004 is \$1,396,485 of which \$367,605 is recorded as a non-current liability.

**Oklahoma Department of Career and Technology Education**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

Accounts Payable

Payables consist of all prior year payments made during the months of July and August of the following fiscal year. Most of the payments are to schools for previous fiscal year activity.

**E. Program Revenues**

In the Statement of Activities, revenues are derived directly from governmental activities and reported as program revenue.

The agency has the following types of program revenues in the governmental activities:

Charges for Services	In conducting day-to-day operations the agency collects revenue from registration fees, live work, vending machines, sale of salvage, and insurance damages. These types of revenues are specifically related to the government activity program.
Operating Grants	The agency participates in various Federal grants-in-aid and reimbursement programs. The agency also contracts with other state agencies and private prisons.
Capital Grants	The agency does not currently have any Federal grants which provide for capital equipment.

**Note 2. Cash**

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

**Note 3. Pension Plan**

**Plan Description.** The Department contributes to the Teachers' Retirement System Plan, a multiple employer, cost sharing public employee retirement plan, which is a defined benefit pension plan administered by the Teachers' Retirement Systems of Oklahoma (TRS). Benefit provisions are established and can be amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits. Title 70 of the Oklahoma Statutes, Section 17-101 through 17-120 as amended, provides more complete information about the Plan. TRS issues a publicly available financial report that includes financial statements and required supplementary information about the Plan. The report may be obtained by writing to the Teachers' Retirement System, P.O. Box 53524, Oklahoma City, Oklahoma 73152 or by calling 405-521-2387.

**Oklahoma Department of Career and Technology Education**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

Funding Policy

The contribution rates for each member category of the Plan are established rates determined by the State Legislature each year and are not based on actuarial calculations. The contribution rate for employees for the fiscal year ended June 30, 2004 was 7% of regular annual compensation, not to exceed the members' maximum compensation level.

On behalf of active members, the State agencies contribute 6.8% of the employees' annual compensation.

The Department's contributions to the Plan for the years ending June 30, 2004, 2003, and 2002, were \$2,426,994, \$2,618,798, and \$2,637,201, respectively, equal to the required contributions for each year.

**Note 4. Other Post Employment Benefits**

In addition to the pension benefits described in Note 3, the State provides post-retirement health care benefits (OPEB). For retirees that elect to obtain health insurance coverage through the Oklahoma State and Education Employees Group Insurance Board (the Board), the System pays between \$100 and \$105 per month to the Board for each retiree, depending on the members' years of service.

TRS funds post-employment health care benefits as part of the overall retirement requirement. OPEB expenditures and participant information is available for the state as a whole; however, information specific to the Career and Technology Education is not available or reasonably estimable.

**Note 5. Capital Assets**

The ODCTE has a capital asset reporting threshold of \$25,000. This capitalization amount is reflected in the accompanying financial statements. Expenditures for capital assets are recorded as period costs when the assets are purchased in the governmental funds. A provision for depreciation has been recorded in the governmental activities of the Statement of Net Assets and Statement of Activities. The depreciation method used for capital assets is straight line with half-year convention. The estimated useful life of equipment was estimated to range between three and twenty years.

The following are examples of useful lives:

<u>Descriptions</u>	<u>Years</u>
Vehicles, Computers	3
Digital Cameras, LCD Projectors, Camcorders	5
Fax Machines, TV's, Telephones	6
Welders, Lathes, Drill Presses, Saws	10
Print Shop Equipment, Construction Equipment,	

**Oklahoma Department of Career and Technology Education**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

Forklifts, Concrete Mixers	15
Fence, Storage Buildings, Parking Lot	20

Changes in Capital assets for the year ended June 30, 2004, were as follows:

	<u>Equipment</u>	<u>Accumulated Depreciation</u>	<u>Capital Assets - Net</u>
Beginning Balance	\$ 4,857,729	\$ (3,593,166)	\$ 1,264,563
Adjustments:			
Prior Year Accumulated Depreciation adjustment	-	(14,076)	(14,076)
	\$ 4,857,729	\$ (3,607,242)	\$ 1,250,487
Increases / Net Transfers	307,325	(195,885)	111,440
Decreases	(43,450)	26,070	(17,380)
	\$ 5,121,604	\$ (3,777,057)	\$ 1,344,547
Ending Balance	\$ 5,121,604	\$ (3,777,057)	\$ 1,344,547

**Note 6. Operating Leases**

The Department leases two pieces of printing equipment, which meet the qualifications of operating leases. By State regulations, all leases are made through and with the permission of the Department of Central Services, for a period not to exceed 12 months. Payments required to satisfy the Department's contractual obligations for the fiscal year ended June 30, 2004, were approximately \$82,088.

**Note 7. Risk Management**

The Department participates in the Risk Management Division of the Department of Central Services for the State of Oklahoma. The Risk Management Division of the Department of Central Services is empowered by the authority of 74 O.S. §85.34 et seq. The Division 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 State Risk Management Division is authorized to settle claims of the State and shall govern the dispensation and /or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided to the State, agency, or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act, as provided by 51O.S., § 154. The Risk Management Division oversees the collection of liability claims owed to the State incurred as the result of a loss through the wrongful or negligent act of a private person or entity.

**Oklahoma Department of Career and Technology Education**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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

**Note 8. Long-Term Obligations**

Long-term obligations at June 30, 2004 are as follows:

Compensated Absences:

Beginning Balance	\$	1,332,909
Additions		1,092,456
Reductions		(1,028,880)
Ending Balance	\$	1,396,485
Due Within One Year	\$	1,028,880
Long-Term Amount		367,605
	\$	1,396,485

Leases:

Beginning Balance	\$	1,265,000
Additions		-
Reductions		(1,080,000) *
Ending Balance	\$	185,000
Due Within One Year	\$	185,000
Long-Term Amount		-
	\$	185,000

		<u>2005</u>
Capital Leases:	\$	210,400
Less: Interest		25,400
Total Principal	\$	185,000

\* Fiscal Year 2004 payments were reduced from \$1,261,965 to \$996,250 by applying a Reserve Fund Credit by the Oklahoma Capital Improvement Authority.

**Note 9. Litigation and Contingencies**

The Oklahoma Department of Career and Technology Education was the defendant in a breach of contract action in the District Court of Payne County, State of Oklahoma, case number CJ-01-535. This action involved an alleged breach of contract of employment with the Department and was filed in 2001. A jury trial concluded on

**Oklahoma Department of Career and Technology Education**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

May 14, 2003, with a verdict for the defendant, the Department. Thus, the Plaintiff was awarded nothing in the jury trial. This matter was appealed to the Oklahoma Supreme Court and the Supreme Court affirmed the decision on May 14, 2004. Mandate issued on June 16, 2004 and the appeal concluded.



**OKLAHOMA DEPARTMENT OF CAREER AND TECHNOLOGY EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2004  
(UNAUDITED)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Federal Grants-in-aid	\$ 16,570,000	\$ 16,570,000	\$ 18,497,767	\$ 1,927,767
Federal Reimbursements	1,000,000	1,000,000	874,502	(125,498)
Federal Funds form Other State Agencies	3,850,000	3,850,000	4,042,815	192,815
Grants and Donations - Private Sources	160,000	200,000	160,000	(40,000)
Reimbursement - Non-Federal	160,999	160,999	365,401	204,402
Other Grants, Refunds, and Reimbursements	9,197	9,197	74,863	65,666
Sales of Services	375,000	400,000	352,267	(47,733)
Sales of Documents and Merchandise	3,000,000	3,193,723	2,613,798	(579,925)
Registration, Activity Charges	150,000	200,000	119,800	(80,200)
Sale of Property	9,000	9,000	5,447	(3,553)
Insurance Taxes	440,000	440,000	425,000	(15,000)
Education - License Permits and Fees	210,000	210,000	193,556	(16,444)
Insurance and Other Reimbursements	2,000	2,000	2,326	326
Motor Vehicle and Related Taxes	2,000	2,000	1,535	(465)
Income from Royalties	0	0	814	814
Inter/Intra Agency Transfers	890,000	1,020,000	541,007	(478,993)
Inter/Intra Agency Receipts	53,500	53,500	52,741	(759)
<b>Total Revenues</b>	<u>26,881,696</u>	<u>27,320,419</u>	<u>28,323,639</u>	<u>1,003,220</u>
<b>Expenditures:</b>				
Personnel Services	21,910,865	22,077,935	21,284,944	792,991
Travel	818,500	833,210	823,729	9,481
Administrative Expense	3,646,629	4,684,183	2,596,236	2,087,947
Property, Furniture, Equipment and Related Debt	2,248,020	2,607,307	2,179,198	428,109
Assistance and Payments to Local Governments	119,694,414	124,582,388	118,785,641	5,796,747
Transfers and Other Disbursements	630,675	630,675	633,852	(3,177)
Budget Reductions	0	(7,051,409)	0	(7,051,409)
<b>Total Expenditures</b>	<u>148,949,103</u>	<u>148,364,289</u>	<u>146,303,600</u>	<u>2,060,689</u>
Excess (deficiency) of revenue over expenditures	<u>(122,067,407)</u>	<u>(121,043,870)</u>	<u>(117,979,961)</u>	<u>3,063,909</u>
Other Financing Sources (Uses)				
State Appropriations	117,822,607	119,321,508	119,321,508	0
Transfers In	0	0	0	0
<b>Total Other Sources (Uses)</b>	<u>117,822,607</u>	<u>119,321,508</u>	<u>119,321,508</u>	<u>0</u>
Net Change in Fund Balance	(4,244,800)	(1,722,362)	1,341,547	3,063,909
Fund Balance - July 1, 2003	<u>12,417,973</u>	<u>12,793,900</u>	<u>13,251,471</u>	<u>457,571</u>
<b>Fund Balance - June 30, 2004</b>	<u>\$ 8,173,173</u>	<u>\$ 11,071,538</u>	<u>\$ 14,593,018</u>	<u>\$ 3,521,480</u>

**OKLAHOMA DEPARTMENT OF CAREER AND TECHNOLOGY EDUCATION  
 BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED JUNE 30, 2004  
 (UNAUDITED)**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Reimbursements - Non-Federal	\$ 0	\$ 0	\$ 0	\$ 0
Registration	235,000	235,000	131,557	(103,443)
Income from Rent	65,000	65,000	57,368	(7,632)
Contributions Judgements and Forfeits	0	0	1,500	1,500
Other Non-Revenue Receipts	0	0	4,201	4,201
<b>Total Revenues</b>	<u>300,000</u>	<u>300,000</u>	<u>194,626</u>	<u>(105,374)</u>
<b>Expenditures:</b>				
Administrative Expense	210,000	210,000	140,154	69,846
Transfers and Other Disbursements	90,000	90,000	29,788	60,212
<b>Total Expenditures</b>	<u>300,000</u>	<u>300,000</u>	<u>169,942</u>	<u>130,058</u>
Net Change in Fund Balance	0	0	24,684	24,684
Fund Balance - July 1, 2003	<u>82,289</u>	<u>59,387</u>	<u>99,799</u>	<u>40,412</u>
<b>Fund Balance - June 30, 2004</b>	<u><u>\$ 82,289</u></u>	<u><u>\$ 59,387</u></u>	<u><u>\$ 124,483</u></u>	<u><u>\$ 65,096</u></u>

**Oklahoma Department of Career and Technology Education**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**For the Fiscal Year Ended June 30, 2004**

**Note A. Budgeting, Budgeting Control and Budgetary Reports – General Fund**

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 reservations of fund balance for GAAP purposes. Since the budgetary basis differs from generally accepted accounting principles, budget and actual amounts in the accompanying Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Budgetary Basis) are presented on the budgetary basis.

The legal level of budgetary control is maintained at the line item level (i.e. Duties, etc.) identified in the appropriation acts. Budgets may be modified subject to statutory limits on transfers. The Director of the Office of State Finance can approve transfers between line items up to 25%. Agencies can obtain approval from the Contingency Review Board to transfer up to an additional 15%; however, 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 monies for one-time purchases or non-recurring expenditures in the next fiscal year. This policy provides an incentive for management 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 30 months from the date of appropriation.

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 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 GAAP presentations for the year ended June 30, 2004, is presented below for the General Fund:

Budgetary Basis Fund Balance, June 30, 2004	\$ 14,593,018
Basis Differences:	
Add: Encumbrances Recognized as Expenditures	7,714,963
Less: Prior Year Encumbrances	3,314,449
Expenditures Not Recognized	(9,152,785)
Difference in July 1, 2003, GAAP Basis Fund Balance, Compared to July 1, 2003, Budgetary Basis Fund Balance	(1,410,422)
GAAP Basis Fund Balance, June 30, 2004	<u>\$ 15,059,223</u>

See independent auditor's report.

**Oklahoma Department of Career and Technology Education  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Fiscal Year Ended June 30, 2004**

**Note B. Budgeting, Budgeting Control and Budgetary Reports – Special Revenue Fund**

An Agency Special Account is a fund to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Agency Special Account used by the ODCTE is the Special Revenue Fund. A Special Revenue Fund is an account established under specific conditions for a state agency in the official depository in the State Treasury. Disbursements are made on vouchers and issued directly against the account by the agency concerned. The only level of budgetary control required is an estimate of the total of the activity expected to occur.

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 generally accepted accounting principles (GAAP), a reconciliation of resulting differences in the excess of revenues over (under) expenditures between budgetary and GAAP presentations for the year ended June 30, 2004, is presented below for the Special Revenue Fund:

Budgetary Basis Fund Balance, June 30, 2004	\$	124,483
Basis Differences:		
Add: Encumbrances Recognized as Expenditures		116
Accrual Revenue Not Recognized		1,312
Difference in July 1, 2003, GAAP Basis Fund Balance, Compared to July 1, 2003, Budgetary Basis Fund Balance		(45,392)
GAAP Basis Fund Balance, June 30, 2004	\$	80,519

See independent auditor's report.



OKLAHOMA DEPARTMENT OF CAREER AND TECHNOLOGY EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (unaudited)  
 FYE 6-30-04

Grantor Pass-through Grant Title	Federal CFDA #	Cash Bal 7/1/2003	Revenue Received	State/Local Matching Contributions	Federal Disbursements	Pass-Through to Subrecipient	Refunds and Adjustments	Cash Bal 6/30/2004
U.S. Department of Defense								
Procurement Technical Assistance for Business Firms	12.002	\$ 15,446	\$ 418,121	\$ 1,100,055	\$ 305,639	\$ 64,338	\$ -	\$ 127,928
Pass-through University of Tulsa: Information Security Grant Program	12.902	-	79,062	-	79,062	-	384	384
Total U.S. Department of Defense		15,446	497,183	1,100,055	384,701	64,338	384	128,312
U.S. Department of Justice								
Pass-through Oklahoma Office of Juvenile Affairs: Part E - State Challenge Activities	16.549	654	-	-	654	-	-	-
Total U.S. Department of Justice		654	-	-	654	-	-	-
U.S. Department of Labor								
Employment Services and Job Training Employment and Training Administration Pilots, Demonstrations, and Research Projects Project - REACH	17.261	-	99,333	-	108,822	-	-	(9,489)
Pass-Through Oklahoma Employment Security Commission:								
Workforce Investment Act	17.255	(1,853)	-	-	(1,853)	-	-	-
Workforce Investment Act (Adult)	17.258	(54,493)	490,683	2,950,704	483,956	-	-	(47,766)
Workforce Investment Act (Youth)	17.259	-	150,000	-	150,000	-	-	-
Total U.S. Department of Labor		(56,346)	740,016	2,950,704	740,925	-	-	(57,255)

**OKLAHOMA DEPARTMENT OF CAREER AND TECHNOLOGY EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (unaudited)**  
 FYE 6-30-04

Grantor Pass-through Grant Title	Federal CFDA #	Cash Bal 7/1/2003	Revenue Received	State/Local Matching Contributions	Federal Disbursements	Pass-Through to Subrecipient	Refunds and Adjustments	Cash Bal 6/30/2004
<hr/>								
<b>U.S. Small Business Administration</b>								
Congressional - Special Initiative								
Revttech Support								
	59.000	(215,422)	341,879	-	228,336	-	-	(101,879)
<hr/>								
Total U.S. Small Business Administration								
		(215,422)	341,879	-	228,336	-	-	(101,879)
<hr/>								
<b>U.S. Department of Education</b>								
Carl Perkins Act:								
Vocational Education - Basic Grants to States								
	84.048	(37,531)	16,771,017	25,687,763	17,048,318	14,411,572	6,342	(308,490)
	84.243	(469)	1,726,750	239,713	1,726,880	1,660,020	-	(599)
	84.346	(1,416)	127,714	-	138,095	-	-	(11,797)
<hr/>								
Total U.S. Department of Education								
		(39,416)	18,625,481	25,927,476	18,913,293	16,071,592	6,342	(320,886)
<hr/>								
<b>U.S. Department of Health and Human Services</b>								
Pass-through Oklahoma Department of Health								
State Rural Hospital Flexibility Program								
	93.241	(6,701)	98,526	-	115,096	43,853	-	(23,271)
Rural Health Project								
<hr/>								
Pass-through Oklahoma Department of Human Services								
Temporary Assistance for Needy Families								
	93.558	(16,541)	3,303,606	704,700	3,307,227	3,234,171	129	(20,033)
<hr/>								
Total U.S. Department of Health and Human Services								
		(23,242)	3,402,132	704,700	3,422,323	3,278,024	129	(43,304)
<hr/>								
Total All Federal Funds								
		\$ (318,326)	\$ 23,606,691	\$ 30,682,935	\$ 23,690,232	\$ 19,413,954	\$ 6,855	\$ (395,012)

See notes to the Schedule of Expenditures of Federal Awards.  
 See independent auditor's report.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2004**

**Note 1.           Summary of Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared in conformity with the requirements set forth in the Single Audit act of 1984, Public Law 98-502, the Single Audit Act Amendments of 1996, Public Law 104-156 and Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments and Non-Profit Organizations.

**A.   Basis of Presentation**

The Schedule presents expenses for the fiscal year ended June 30, 2004. The Schedule reports total federal award expenses for each federal program as identified in the *Catalog of Federal Domestic Assistance (CFDA)*.

Federal 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.

The major program for the Oklahoma Department of Career and Technology Education was defined as those that were major at the State level.

**B.   Basis of Accounting**

The accompanying Schedule reports expenses of the Oklahoma Department of Career and Technology Education on the cash basis. Using the cash basis of accounting, revenues are recognized when cash is received and expenses are recognized when cash is disbursed.

See independent auditor's report.





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 BOARD OF THE DEPARTMENT OF  
CAREER AND TECHNOLOGY EDUCATION**

We have audited the financial statements of the governmental activities and each major fund of the Oklahoma Department of Career and Technology Education (Department), 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 Department's basic financial statements, and have issued our report thereon dated May 20, 2005. Our opinion on the government-wide financial statements is qualified because the value of inventory is not presented using the consumption method. The report also includes an explanatory paragraph stating that the basic financial statements of the Department 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 Department. 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 Department'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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 04-800-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department'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 Oklahoma Department of Career and Technology Education 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.

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

May 20, 2005



**Oklahoma Department of Career and Technology Education**  
**Schedule of Findings**  
**For the Fiscal Year Ended June 30, 2004**

**REF NO:** 04-800-001

**CONTROL CATEGORY:** Inventory (Repeat Finding)

**Criteria:** GASB 34 ¶ 224 states in part that the consumption method of inventory must be used when using an accrual basis of accounting. The consumption method recognizes economic transactions and other events when they occur, rather than only when the related inflows and outflows of cash or other financial resources occur. A charge is made to operations in the period when goods and services are used or consumed.

In addition, according to the GASB 34 Implementation Guide, "...if the government uses the purchases method in its governmental funds and the consumption method produces different results, the difference should be included in the reconciliations of governmental funds to governmental activities."

**Condition:** The agency accounts for all printshop raw materials and curriculum re-sale inventory on the purchase method. While permissible for the fund-level financial statements, the agency does not use the appropriate accounting method for the government-wide financial statements.

**Effect:** Inventory is not being expensed in the period of consumption, but when purchased. The government-wide financial statements are not prepared in accordance with GASB 34. This will result in a qualification of inventory reported on the government-wide financial statements.

**Recommendation:** We recommend the agency establish and implement a system that will recognize and record inventory items when they are consumed.

***Views of Responsible Officials***

**Contact Person:** Dwight Stoddard, Audit Manager

**Anticipated Completion Date:** June 30, 2005

**Corrective Action Planned:** We concur in principal with this requirement. While we will continue to expense inventory costs as they occur, we will adjust the government-wide financial statements to reflect these expenditures as they are consumed.



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