



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 LAW ENFORCEMENT COMMISSION

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2005



JEFF A. McMAHAN, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**Alcoholic Beverage Law Enforcement Commission
Financial Statements and Independent Auditor's Reports
For the Fiscal Year Ended June 30, 2005**

This publication is printed and issued by the State Auditor and Inspector, as required by 74 O.S. § 212. Pursuant to 74 O.S. § 3105, 32 copies have been prepared and distributed at a cost of \$79.97. Copies have been deposited with the Publications Clearing house of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 20, 2006

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

Transmitted herewith are our audit reports on the financial statements of the Alcoholic Beverage Law Enforcement Commission for the fiscal year ended June 30, 2005. 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. McMahan".

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
Governmental Fund Type – General Fund Balance Sheet – Cash Basis	9
Governmental Fund Type – General Fund Statement of Revenues Collected and Expenditures Paid – Cash Basis.....	10
Statement of Fiduciary Assets and Net Assets Held for Others – Agency Fund	11
Notes to the Financial Statements.....	12
Required Supplementary Information	
Budgetary Comparison Schedule.....	15
Notes 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
LAW 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, 2005, 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, 2005, 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.

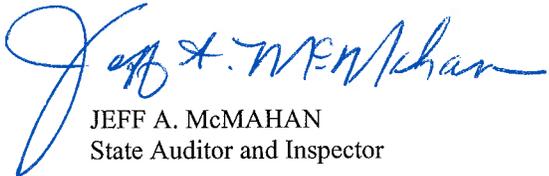
As also discussed in Note 1, the ABLE Commission's financial statements are prepared on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the presentation of the financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the ABLE Commission as of June 30, 2005, or changes in its financial position for the year then ended.

However, in our opinion, the cash basis financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the ABLE Commission, as of June 30, 2005, 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 June 7, 2006, 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 on pages 3 through 6 and the Budgetary Comparison Schedule on 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

June 7, 2006

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, 2005.

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; receipts and disbursements are reported when cash is received and expended. Accruals of disbursements are not made. Therefore, accrued liabilities are not presented.

Government-Wide Financial Statements

The statement of net assets presents information on cash basis assets and net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the cash 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. Receipts and disbursements are reported in this statement when cash is received and expended.

Fund Financial Statements

1. General Fund - Governmental funds are used to account for 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 2005, ABLE originally received appropriations from the General Revenue Funds (GRF) of the State of Oklahoma of \$3,483,853 with an additional appropriation of \$143,000.00 from Cash Fund 576 for a total of \$3,626,853. Carryover from appropriations received in Fiscal Year 2004 was \$28,178 for a total GRF of \$3,655,031. This net appropriation amount is an increase of \$177,516 from the prior year's net appropriation amount.
- Approximately 74.0% of GRF expenditures during the most recent year were directly utilized to

See independent auditor's report

fund the agency (ABLE) payroll costs and this is a decrease from FY2004 levels of approximately 7.1%.

- The ABLE Commission received \$4,198,760 in licenses and other fees in fiscal year 2005 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 offset all General Revenue Funds appropriated to ABLE for FY2005 and provided the GRF with an excess of \$543,729 over net ABLE appropriations for this fiscal year.
- ABLE has cash basis net assets of \$176,563. This is a decrease of \$132,146 or 42.8 % from the total net assets of June 30, 2004.

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

	2005	2004
Cash	\$ <u>176,563</u>	\$ <u>308,709</u>
Total Assets	<u>176,563</u>	<u>308,709</u>
Net Assets (restricted)	60	0
Total Net Assets (unrestricted)	\$ <u>176,503</u>	\$ <u>308,709</u>

Changes in Net Assets/Fund Balance

	2005	2004
Disbursements:		
Personnel Services	\$ 2,832,916	\$ 2,718,609
Professional Services	204,630	89,946
Travel	33,515	10,175
Administrative	490,341	415,892
Property, Furniture and Equipment	264,750	117,766
Transfers and Other Disbursements	<u>1,783</u>	<u>0</u>
Total Disbursements	<u>3,827,935</u>	<u>3,352,388</u>
Receipts:		
General Receipts:		
Transfers In – Appropriations	3,626,853	3,431,691
Other Transfers In – Carryover from Prior Fiscal Year		45,824
Refunds & Reimbursements	41,896	27,649
Sale of Property	<u>27,040</u>	<u>27,152</u>
Total General Receipts	<u>3,695,789</u>	<u>3,532,316</u>
Change in Net Assets/Fund Balance	<u>(132,146)</u>	<u>179,928</u>
Fund Balance/Net Assets:		
Beginning of the Year	<u>308,709</u>	<u>128,781</u>
End of the Year	\$ <u>176,563</u>	\$ <u>308,709</u>

See independent auditor's report

Net assets (cash) have declined, as has ABLE's cash position. The remaining cash was sufficient to pay all fiscal year 2005 outstanding invoices and or liabilities. The decrease is a result of continuing requirements to perform at certain levels without significant increases in funding to support such activities. The overall level of personnel within the Commission has not increased in the last year. Payroll costs increased in FY2005 due to legislatively mandated pay increases. A "stand still" level of employment has been maintained with changes in specific jobs but no over all change in numbers. A re-alignment of duties continues as retirements and normal attrition allow such changes.

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 2005. A partial 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 in explaining the variances in this schedule.

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 in some part based on General Revenue Fund (GRF) appropriations and when those are cut, some impact may be felt in operations which in turn may generate or aid in the generation of income to the continuing funds.

Expenditures were increased in most areas but was carefully managed to not exceed the available funds. This resulted in some reductions in available resources and significant differences between budgeted and actual expenditures with some increases in areas where past frugality made such increases necessary. Even with budgeted changes, estimates are never exact and differences can always be found between budgeted funds for most activities 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 in reducing the rate of increase demanded by legislated payroll increases during FY05 and payroll adjustments to reflect fairness in enforcement payroll levels.

The impact of these changes were significant but manageable and were the results of management practices and public policy during FY2005.

ABLE had originally budgeted expenditures based on \$3,483,853 in General Revenue funds (GRF) and \$143,000 in 576 Cash Funds for a total appropriation of \$3,626,853 for fiscal year 2005. After the addition of \$28,178 in Carryover Funds and \$241,822 in revolving and/or continuing funds; the final amount budgeted for expenditures was \$3,896,853 of which \$3,600,396 was actually expended. Only \$3,827,935 (Cash Basis) was actually expended during fiscal year 2005 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 2005 was \$3,483,853. This figure was increased for fiscal year 2005 by carryover from FY04 of \$28,178 to a total appropriated

See independent auditor's report.

balance available of \$3,512,331. There was no carryover of fiscal year 2005 funds to fiscal year 2006. The GRF fiscal year 2007 budget levels have not yet been determined

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.ok.gov.

See independent auditor's report.

ALCOHOLIC BEVERAGE LAW ENFORCEMENT COMMISSION
STATEMENT OF NET ASSETS – CASH BASIS
JUNE 30, 2005

Assets	
Cash	\$ <u>176,563</u>
Total Assets	\$ <u>176,563</u>
Net Assets	
Restricted-Lapsed Funds	\$ 60
Unrestricted	<u>175,503</u>
Total Net Assets	\$ <u>176,563</u>

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

**ALCOHOLIC BEVERAGE LAW ENFORCEMENT COMMISSION
STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2005**

Disbursements

Governmental Activities - Public Safety and Defense

Personnel Services	\$ 2,832,916
Professional Services	204,630
Travel	33,515
Administrative	490,341
Property, Furniture and Equipment	264,750
Transfers and Other Disbursements	<u>1,783</u>
Total Disbursements	<u>3,827,935</u>

General Receipts

Sale of Property	27,040
Refunds and Reimbursements	41,896

Transfers In – Appropriations

	<u>3,626,853</u>
--	------------------

Total General Receipts and Transfers 3,695,789

Decrease in Net Assets (132,146)

Net Assets, July 1, 2004 308,709

Net Assets, June 30, 2005 **\$ 176,563**

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

**ALCOHOLIC BEVERAGE LAW ENFORCEMENT COMMISSION
BALANCE SHEET – GOVERNMENTAL FUNDS – CASH BASIS
JUNE 30, 2005**

	General Fund
Assets	
Cash	\$ <u>176,563</u>
Total Assets	\$ <u>176,563</u>
Fund Balance	
Fund Balance Arising From Cash Transactions	\$ <u>176,563</u>
Total Fund Balance	\$ <u>176,563</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
GOVERNMENTAL FUND TYPE – GENERAL FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN CASH BASIS FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005**

Receipts	General Fund
Refunds & Reimbursements	\$ 41,896
Sale of Property	12,297
Sale of Seized Property	<u>14,743</u>
Total Receipts	<u>68,936</u>
Disbursements	
Personnel Services	2,832,916
Professional Services	204,630
Travel	33,515
Administrative	490,341
Property, Furniture and Equipment	264,750
Transfers and Other Disbursements	<u>1,783</u>
Total Disbursements	<u>3,827,935</u>
Receipts Under Disbursements	<u>(3,758,999)</u>
Other Financing Sources	
Transfers In – Appropriations	<u>3,626,853</u>
Total Other Financing Sources	<u>3,626,853</u>
Receipts and Other Sources Under Disbursements and Other Uses.	<u>(132,146)</u>
Cash Basis Fund Balance, July 1 2004	<u>308,709</u>
Cash Basis Fund Balance, June 30, 2005	\$ <u>176,563</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 LAW ENFORCEMENT COMMISSION
STATEMENT OF FIDUCIARY ASSETS AND NET ASSETS HELD FOR OTHERS
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	Agency Fund
Assets	
Cash	\$ <u>466,771</u>
Total Assets	\$ <u>466,771</u>
Net Assets Held For Others	
Balance Held for the State of Oklahoma General Fund	\$ 448,051
Balance Held for Continuing Funds Receipts	<u>18,720</u>
Total Net Assets Held For Others	\$ <u>466,771</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 cash position and results of cash transactions 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. Receipts are recorded when received and disbursements are recorded when paid. Capital assets are not presented.

Government-Wide Financial Statements

The statement of net assets presents information on all cash basis assets and net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the cash 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. Receipts and disbursements 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

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. Receipts 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 \$4,198,760 during fiscal year 2005 with \$3,750,709 transferred during fiscal year 2005 and \$448,051 transferred during fiscal year 2006 for June 2005. 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 495), and 4) Refunds and Payments to the Cities Fund 700. Only three types of receipts 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 \$3,626,853 during fiscal year 2005.

D. Cash

At June 30, 2005 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 \$128,120 was paid under the lease agreements for the year ended June 30, 2005. Rent (lease payments) for FY 2006 are estimated to be \$130,900; an estimated increase of approximately 2.17% over FY2005 levels. Moving our Northern District offices from Tulsa to Claremore during FY2005 is the cause of the estimated increase.

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, 2005, 2004, 2003 were \$ 83,175, \$72,621, and \$97,319 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, 2005, 2004, and 2003 were \$126,021, \$112,317, and \$177,204 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 years ended were June 30, 2005 \$1,428, June 30, 2004 \$727 and for June 30, 2003 \$3,791 as one OLERS member transferred membership during the 2003 fiscal year and was RIF'd during FY2004 and rehired in FY2005. 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 LAW ENFORCEMENT COMMISSION
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amount Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Refunds and Reimbursements	\$ 190,000	\$ 162,508	\$ 41,896	\$ (120,612)
Sale of Surplus Property	50,000	50,000	12,297	(37,703)
Sale of Property	<u>30,000</u>	<u>29,314</u>	<u>14,743</u>	<u>(14,571)</u>
Total Revenues	<u>270,000</u>	<u>241,822</u>	<u>68,936</u>	<u>(172,886)</u>
Expenditures				
Personnel Services	3,081,590	3,057,482	2,755,419	302,063
Professional Services	107,251	107,526	187,185	(79,659)
Travel	57,954	59,489	26,718	32,771
Administrative	501,816	524,114	441,363	82,751
Property, furniture and Equipment	148,242	148,242	175,411	(27,169)
Transfers and Other Disbursements	<u>0</u>	<u>0</u>	<u>827</u>	<u>(827)</u>
Total Expenditures	<u>3,896,853</u>	<u>3,896,853</u>	<u>3,586,923</u>	<u>309,930</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(3,626,853)</u>	<u>(3,655,031)</u>	<u>(3,517,987)</u>	<u>137,044</u>
Other Financing Sources/(Uses)				
Transfers In - Appropriations	3,626,853	3,626,853	3,626,853	0
CarryOver from FY2004	<u>0</u>	<u>28,178</u>	<u>8,178</u>	<u>0</u>
Total Other Financing Sources/(Uses)	<u>3,626,853</u>	<u>3,655,031</u>	<u>3,655,031</u>	<u>0</u>
Excess(Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>0</u>	<u>0</u>	<u>137,044</u>	<u>137,044</u>
Fund Balance, July 2004	<u>155,306</u>	<u>155,306</u>	<u>155,306</u>	
Fund Balance, June 30, 2005	<u>\$ 155,306</u>	<u>\$ 155,306</u>	<u>\$ 292,350</u>	<u>\$ 137,044</u>

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

See independent auditor's report.

ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

The Alcoholic Beverage Laws Enforcement Commission's (ABLE) 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 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, 2005, is presented below for the General Fund

Budgetary Basis Fund Balance, June 30, 2005	\$ 292,350
Add: Encumbrance Balance at June 30, 2005	208,168
Less: Encumbrance Balance at June 30, 2004	<u>323,955</u>
Cash Basis Fund Balance, June 30, 2005	\$ <u>176,563</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, 2005, which collectively comprise the ABLE Commission's basic financial statements, and have issued our report thereon dated June 7, 2006. 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 should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records act (51 O.S. § 24.A.1. et seq.), and shall be open to any person for inspection and copying.



JEFF A. McMAHAN
State Auditor and Inspector
June 7, 2006



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