

**ALCOHOLIC BEVERAGE LAWS  
ENFORCEMENT COMMISSION  
BASIC FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS  
FOR THE FISCAL YEAR ENDED  
June 30, 2003**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

September 8, 2004

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

Transmitted herewith is the Alcoholic Beverage Laws Enforcement Commission audit report for the fiscal year June 30, 2003. 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 the audit.

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

Sincerely,

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

JEFF A. McMAHAN  
State Auditor and Inspector

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## Commission Members

Richard G. Moore, Chairman  
Oklahoma City, Oklahoma  
*Term Expires: 06/23/05*

Paul Moody, Vice-Chairman  
Oklahoma City, Oklahoma  
*Term Expires: 06/23/06*

Bryan Close, Commissioner  
Jenks, Oklahoma  
*Term Expires: 06/23/06*

Marty Corder, Commissioner  
Oklahoma City, Oklahoma  
*Term Expires: 09/18/04*

Delbert Foltz, Commissioner  
Billings, Oklahoma  
*Term Expires: 06/23/04*

Jerry Koester, Commissioner  
Oklahoma City, Oklahoma  
*Term Expires: 06/23/06*

Desmond Sides, Commissioner  
Poteau, Oklahoma  
*Term Expires: 6/23/07*

Joe Ralph Perkins, Commissioner  
Owasso, Oklahoma  
*Term Expires: 6/23/09*

Maxine Louella Finely-McFalls, Commissioner  
Ada, Oklahoma  
*Term Expires: 9/18/09*  
(Appointed to the Commission during FY 2004)



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alcoholic Beverage Laws Enforcement Commission (ABLE Commission), as of and for the year ended June 30, 2003, 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 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 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 Commission. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2003, 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 also discussed in Note 1, the ABLE Commission's financial statements are prepared on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the ABLE Commission, as of June 30, 2003, 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 August 11, 2004, 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, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule on pages 3 through 6 and 15 through 16, respectively, 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 primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMAHAN". The signature is written in a cursive style with a large initial "J" and "M".

JEFF A. McMAHAN  
State Auditor and Inspector

August 11, 2004



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 since then from enforcement of the laws pertaining to 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 Oklahoma Alcoholic Beverage Laws Enforcement Commission (ABLE), we offer readers of ABLE's financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2003.

### **Financial Highlights**

- During 2003, ABLE originally received an appropriation from the General Revenue Funds (GRF) of the State of Oklahoma of \$4,010,797. Following a series of budget reductions, the final appropriation amount was \$3,695,949 with \$5,124 carryover from Fiscal Year 2002 for a total GRF of \$3,701,073. This net appropriation is a decrease of \$355,857 from the prior year's net appropriation amount.
- Approximately 86.6% of GRF expenditures during the most recent year were directly utilized to fund the agency (ABLE) payroll costs and this is consistent with FY 2002 levels by approximately 4.6%.
- The ABLE Commission received \$3,951,572 in licenses and other fees in fiscal year 2003 and deposited those fees to the GRF of the State of Oklahoma with the Oklahoma State Treasurer's Office as required by State Statute. These fees off-set all General Revenue Funds appropriated to ABLE for FY2003 and provided the GRF with an excess of \$250,499 over ABLE appropriations for this fiscal year.
- ABLE has net assets of \$128,781. This is an increase of \$57,419 or 80.5% from the total net assets of June 30, 2002.

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

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

#### *Cash Basis Financial Statements*

The ABLE Commission utilizes cash basis financial statements; revenues and expenses are reported when cash is received and expended. Accruals of expenditures are not made. Therefore, accrued liabilities are not presented. The ABLE Commission has no long-term debt or assets that require capitalization.

#### *Government-wide Financial Statements*

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

The statement of net assets presents information on all 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 ABLE is improving or deteriorating. The fiduciary (agency) fund assets are excluded from the government-wide statement of net assets.

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

#### *Fund Financial Statements*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All governmental activities of ABLE are reflected in the general fund. However, unlike the government-wide financial statements, governmental funds 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.

See Independent Auditor's Report

Government-wide financial analysis

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

Oklahoma Alcoholic Beverage Laws Enforcement Commission Net Assets (cash)

Cash	<u>\$128,781</u>
Total Assets	<u>128,781</u>
Current Liabilities/Long Term Liabilities	
Total Liabilities	-0-
Total Net Assets	<u>\$128,781</u>

Oklahoma Alcoholic Beverage Laws Enforcement Commission Changes in Net Assets (cash)

Program Revenues:	
Charges for Services	\$29,876
General Revenues:	
Transfer In – Appropriations	3,701,073
Transfers Out – Lapsed Funds	-0-
Total Revenues	<u>3,730,949</u>
Expenses:	
Personnel Services	3,180,930
Professional Services	30,978
Travel	9,607
Administrative	432,716
Property, Furniture and Fixtures	11,910
Payments to Local Governments	7,000
Transfers and Other Disbursements	<u>389</u>
Total Expenses	<u>3,673,530</u>
Change in Net Assets (cash)	57,419
Fund Balance/Net Assets (cash)	
Beginning of the year	<u>71,362</u>
End of year	<u>\$128,781</u>

Net assets (cash) have increased, improving ABLE's financial position. However, the remaining cash was sufficient to pay all fiscal year 2003 outstanding invoices. The increase is the result of careful management of available assets/resources for FY2003. Cut backs on planned equipment purchases and professional services expenses, etc., account for the improvement. Cut backs in the overall number of agency personnel also aided in improving the Commission financial position in FY2003. Positions coming open for whatever reasons were left open in FY2003. This change is not significant when considered against overall appropriations.

Budgetary Comparison Schedule

Expenditures:

There are essentially two reasons for the differences between budgeted amounts and actual amounts (the variance reported on this schedule) and they are, a) funding shortfalls during fiscal year 2003 of \$314,848 in General Revenue Funds (GRF) appropriated to the ABLE Commission and b) failures of the other sources of revenue: Sale of Surplus and Seized Property and Inter-Agency Reimbursement.

See Independent Auditor's Report

The first failure of revenue is generally more important. This is because this funding is much more reliable, whereas the failure in 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 are also based on full GRF appropriations. When items such as travel are cut back due to revenue failures, then some investigations may be put on hold (at least temporarily) and seizures subject to sale by this agency may not then be made.

Expenditures were held down in most areas through careful management of the available funds. This resulted in deep cuts in some areas between budgeted and actual expenditures and little changes in other areas where there was less flexibility available. Profession Services and Property could be cut much easier than Payroll (Personnel) Costs and therefore significant changes can be found between budgeted funds for Professional Services and Property Purchases and actual expenditures in those areas. Personnel costs (mostly payroll) cannot vary much between budgets and actual without pay cuts or loss of personnel to layoffs or terminations. While some terminations did occur in FY2003, associated costs (such as payments for annual leave balances, etc.) used up most of the potential payroll savings from those terminations during FY2003.

The impact of these changes was significant but manageable and was caused by revenue failures and public policy during FY2003.

ABLE had originally budgeted expenditures based on \$4,010,797 in General Revenue Funds (GRF) and \$87,114 in revolving funds for a total of \$4,097,911 for fiscal year 2003. After a series of budget (funding shortfalls) reductions initiated at the Office of State Finance, the final amount of budgeted expenditures was \$3,838,187 of which \$3,662,297 was actually expended. Only \$3,673,530 (Cash Basis) was actually expended during fiscal year 2003 from all sources.

During fiscal year 2003 ABLE had no capital asset and no long-term debt activities.

The fiscal year General Revenue Fund (GRF) appropriation for fiscal year 2003 (revised due to budgetary shortfalls) was \$3,695,949. This figure was further reduced for fiscal year 2004 by the state legislature to an appropriation of \$3,431,691. Carryover from prior fiscal year 2003 of \$45,824 enhanced the original appropriations from the General Revenue fund to \$3,477,515 for fiscal year 2004. The GRF fiscal year 2004 revised budget levels were increased for fiscal year 2005 by the state legislature to \$3,626,853. This is an increase of \$149,338 from the GRF fiscal year 2004 final budget levels.

#### Change in Net Assets from Fiscal Year 2002 through Fiscal Year 2003

	2002	2003
Program Revenues:		
Operating Grants	\$-0-	\$-0-
Refunds & Reimbursements	79,315	29,876
Sale of Property	28,885	-0-
Miscellaneous	-0-	-0-
General Revenues:	108,200	29,876
Transfer In – Appropriations	4,056,930	3,695,949
Transfers Out – Lapsed Funds	(75,000)	-0-
Transfers In – Carryover Prior Fiscal Year	-0-	5,124
Total Revenues:	4,090,130	3,730,949
Expenditures:		
Personnel Services	3,427,364	3,180,930
Professional Services	210,595	30,978
Travel	49,600	9,607
Administrative	415,347	432,716

See Independent Auditor's Report

Property, Furniture and Fixtures	37,190	11,910
Payments to Local Governments	18,833	7,000
Transfers and Other Disbursements	321	389
Total Expenditures	4,159,250	3,673,530
Change in Net Assets (cash)	(69,120)	57,419
Fund Balance/Net Assets:		
Beginning of the year	140,482	71,362
End of year	71,362	128,781

**Contacting ABLE’s Financial Management Team**

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

See Independent Auditor’s Report



**Alcoholic Beverage Laws Enforcement Commission  
Statement of Net Assets – Cash Basis  
For the Year Ended June 30, 2003**

**Assets**

Cash	\$ 128,781
Total Assets	<u>128,781</u>

**Net Assets**

Unrestricted	128,781
Total Net Assets	<u>\$ 128,781</u>

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

**Alcoholic Beverage Laws Enforcement Commission  
Statement of Activities – Cash Basis  
For the Year Ended June 30, 2003**

**Governmental Activities - Public Safety and Defense**

**Expenses**

Personnel Services	\$ 3,180,930
Professional Services	30,978
Travel	9,607
Administrative	432,716
Property, Furniture and Equipment	11,910
Payments to Local Governments	7,000
Transfers and Other Disbursements	389
	<hr/>
Total Expenses	<u>3,673,530</u>

**Program Revenues**

Charges for Services - Refunds and Reimbursements	29,876
Charges for Services - Sale of Property	-0-
	<hr/>
Total Program Revenues	<u>29,876</u>
Net Expenses	(3,643,654)

**Other Financing Sources/(Uses)**

Transfers In - Appropriations	3,695,949
Transfers In – Carryover from FY2002	5,124
Transfers Out - Lapsed Funds	-0-
	<hr/>
Total Other Financing Sources/(Uses)	<u>3,701,073</u>
Increase/(Decrease) in Net Assets	57,419
Net Assets, July 1, 2002	<u>71,362</u>
Net Assets, June 30, 2003	<u>\$ 128,781</u>

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

**Alcoholic Beverage Laws Enforcement Commission  
Balance Sheet – Governmental Funds – Cash Basis  
For the Year Ended June 30, 2003**

<b>Assets</b>	<b>General Fund</b>
Cash	\$ 128,781
Total Assets	<u>128,781</u>
<b>Fund Balance</b>	
Fund Balance Arising From Cash Transactions	128,781
Total Fund Balance	<u>\$ 128,781</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 Revenues Collected and Expenditures Paid – Cash Basis  
 For the Year Ended June 30, 2003**

<b>Revenues</b>	<b>General Fund</b>
Refunds and Reimbursements	\$ 29,876
Sale of Property	0
Total Revenues	<u>29,876</u>
<b>Expenditures</b>	
Personnel Services	3,180,930
Professional Services	30,978
Travel	9,607
Administrative	432,716
Property, Furniture and Equipment	11,910
Payments to Local Governments	7,000
Transfers and Other Disbursements	389
Total Expenditures	<u>3,673,530</u>
Excess(Deficiency) of revenues over(under) expenditures	<u>(3,643,654)</u>
<b>Other Financing Sources/(Uses)</b>	
Transfers In - Appropriations	3,695,949
Transfers In - Carryover FY2002	5,124
Transfers Out - Lapsed Funds	0
Total Other Financing Sources/(Uses)	<u>3,701,073</u>
Excess(Deficiency) of Revenues and Other Sources Over(Under) Expenditures and Other Uses	<u>57,419</u>
Fund Balance, July 1, 2001	71,362
Fund Balance, June 30, 2002	<u>\$ 128,781</u>

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

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

**Alcoholic Beverage Laws Enforcement Commission  
Statement of Fiduciary Assets and Liabilities - Agency Fund  
For the Year Ended June 30, 2003**

**Assets**

Cash	\$ 440,315
Total Assets	<u>440,315</u>

**Liabilities**

Balance Due to the State of Oklahoma General Fund	440,315
Total Liabilities	<u>\$ 440,315</u>

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



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

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

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

### **A. Reporting Entity**

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

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

#### **Cash Basis Financial Statements**

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

### **C. Fund Classification**

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 reporting entity includes one agency fund.

The ABLE Commission is the official depository and collector of brand registration, license, penalty and administrative fees for the State of Oklahoma.

### **D. Receipts and Expenditures**

The receipts handled by ABLE commission, which are deposited to the State of Oklahoma General Revenue Fund at the end of each month, are receipts for license fees, brand registration fees, penalty fees, bottle club fees, administrative license fees, and other miscellaneous fees. Revenues are generally deposited into the General Revenue Fund (GRF) of the State of Oklahoma, as required by 37 O.S. 2001 § 567, on a monthly basis by ABLE and amounted to \$3,951,572 during fiscal year 2003 with \$3,511,257 transferred during fiscal year 2003 and \$440,315 transferred during fiscal year 2004 for June 2003. 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 three types of receipts: 1) Interagency Reimbursements (Fund 443), 2) Sale of Seized Property (Fund 205), 3) and Sale of Surplus Property (Fund 493 for fiscal year 2003). Only these three types of revenue are retained by ABLE for expenditure.

Appropriations to ABLE from the GRF of the State of Oklahoma by the legislature were \$3,695,949 during fiscal year 2003 after adjustment for Revenue Shortfalls of \$314,848 during FY 2003.

#### **E. Cash**

At June 30, 2003, all cash was under the control of the State Treasurer 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 \$124,035 was paid under the lease agreements for the year ended June 20, 2003.

#### **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 workers' 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 Retirement Plan and the Oklahoma Law Enforcement Retirement Plan. The Oklahoma Retirement System (OPERS) and the Oklahoma Law Enforcement Retirement Plan (OLERS) 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, and 2) Oklahoma Law Enforcement Retirement System, 4545 N. Lincoln Blvd., Suite 257, Oklahoma City, Oklahoma 73105.

*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. Oklahoma Public Employees Retirement System (OPERS) and Oklahoma Law Enforcement Retirement Plan (OLERS) receive contributions from each member based on their gross salary earned (excluding overtime).

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, 2003, 2002, and 2001 were \$177,204, \$151,480, and \$148,038 respectively. These contributions represent 100% of the contribution required.

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, 2003, 2002, and 2001 were \$97,319, \$114,859, and \$110,144 respectively. These contributions represent 100% of the contribution required.

OPPRS receives contributions from ABLE and members if 13% and 8% respectively of the actual paid base salary of each member. ABLE contributions to the plan for the year ended June 30, 2003 was \$3,791 as one OLERS member transferred membership during 2003 fiscal year. Prior to fiscal year 2003, ABLE employees were not members of OPPRS.

**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) and The Oklahoma Law Enforcement Retirement Plan (OLERS), and the Oklahoma Police Pension & Retirement System (OPPRS), each pay the Medicare supplement premium or \$105.00 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.



**Alcoholic Beverage Laws Enforcement Commission  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Refunds and Reimbursements	\$ 47,114	\$ 97,114	\$ 27,450	\$ (69,664)
Sale of Property	40,000	40,000	2,426	(37,574)
Total Revenues	<u>87,114</u>	<u>137,114</u>	<u>29,876</u>	<u>(107,238)</u>
<b>Expenditures</b>				
Personnel Services	3,369,500	3,159,447	3,154,895	4,552
Professional Services	65,102	65,102	8,853	56,249
Travel	24,000	15,000	8,141	6,859
Administrative	518,984	499,816	472,291	27,525
Property, Furniture and Equipment	120,325	98,822	10,997	87,825
Payments to Local Governments	0	0	7,000	(7,000)
Transfers and Other Disbursements	0	0	120	(120)
Total Expenditures	<u>4,097,911</u>	<u>3,838,187</u>	<u>3,662,297</u>	<u>175,890</u>
Excess(Deficiency) of revenues over expenditures	<u>(4,010,797)</u>	<u>(3,701,073)</u>	<u>(3,632,421)</u>	<u>68,652</u>
<b>Other Financing Sources/(Uses)</b>				
Transfers In - Appropriations	4,010,797	3,701,073	3,701,074	1
Transfers Out - Lapsed Funds	0	0	0	0
Total Other Financing Sources/(Uses)	<u>4,010,797</u>	<u>3,701,073</u>	<u>3,701,074</u>	<u>1</u>
Excess(Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	0	0	68,653	68,653
Fund Balance, July 1, 2002	71,362	71,362	71,362	
Fund Balance, June 30, 2003	<u>\$ 71,362</u>	<u>\$ 71,362</u>	<u>\$ 140,015</u>	<u>\$ 68,653</u>

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

**Alcoholic Beverage Laws Enforcement Commission  
 Note to Required Supplementary Information – Budgetary Reporting  
 For the Fiscal Year Ended June 30, 2003**

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, 2003, is presented below for the General Fund:

Budgetary Basis Fund Balance, June 30, 2003	\$140,015
Add: Encumbrance Balance at June 30, 2003	170,553
Less: Encumbrance Balance at June 30, 2002	<u>184,787</u>
Cash Basis Fund Balance, June 30, 2003	<u>\$128,781</u>

See Independent Auditor’s Report





STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

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

We have audited the cash basis financial statements 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, 2003, and have issued our report thereon dated August 11, 2004, which includes an explanatory paragraph stating that the cash basis 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 cash transactions of the ABLE Commission. We conducted our audit in accordance with auditing standards generally accepted 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.

**Compliance**

As part of obtaining reasonable assurance about whether the ABLE Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

**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 opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahhan". The signature is written in a cursive, slightly slanted style.

JEFF A. McMAHAN  
State Auditor and Inspector

August 11, 2004