

State of Oklahoma

Department of Commerce

Financial Statements

June 30, 2013 and 2012
(With Independent Auditors' Report Thereon)



STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

FINANCIAL STATEMENTS

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STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

State of Oklahoma
Department of Commerce

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the State of Oklahoma Department of Commerce ("ODOC"), a component unit of the State of Oklahoma, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise ODOC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of ODOC, as of June 30, 2013 and 2012, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matters

Department-Only Financial Statements

As discussed in Note 1, the financial statements of ODOC are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the General Fund of the State of Oklahoma that is attributable to the transactions of ODOC. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2013 and 2012, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States. Our opinions are not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in fiscal year 2013 ODOC adopted new accounting guidance, Statement No. 63 of the Governmental Accounting Standards Board (GASB), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis and budgetary comparison information on pages I-1 through I-8 and 37 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

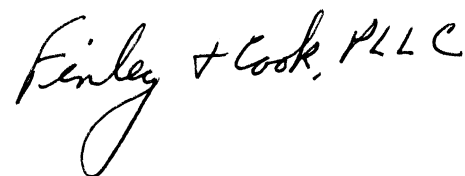
Other Matters, Continued

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ODOC's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013, on our consideration of ODOC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ODOC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
October 29, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of ODOC's financial performance provides an overview of ODOC's financial activity for the years ended June 30, 2013 and 2012. It should be read in conjunction with the financial statements which begin on page 4.

Discussion of the Basic Financial Statements

The 2013 and 2012 financial statements have been prepared in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34). GASB 34 not only provides for the presentation of Management's Discussion and Analysis and other required supplementary information, but also provides for the following statements:

Government-Wide Financial Statements:

Statements of Net Position—These are financial statements of ODOC as a whole. They are prepared on the accrual basis of accounting and present all assets, liabilities, and net position for the entire department as of June 30, 2013 and 2012.

Statements of Activities—These statements are also prepared on the accrual basis of accounting and present the operating results of ODOC for the years ended June 30, 2013 and 2012.

Fund Financial Statements:

Balance Sheets—General Fund—As ODOC has only one fund, the General Fund, these financial statements present the balance sheets prepared on a modified accrual basis of accounting. Certain assets and liabilities presented on the statements of net position are not reflected on these statements. There is also a reconciliation prepared on the balance sheets to reconcile the fund balance per the General Fund to the government-wide net position.

Statements of Revenues, Expenditures, and Changes in Fund Balances—General Fund—These statements are prepared on a modified accrual basis of accounting; consider only the governmental funds, i.e., in ODOC's case, the General Fund; and present operating results on a governmental fund basis. There is also a reconciliation of the statements of revenues, expenditures, and changes in fund balances—General Fund to the statements of activities—as the name implies, these statements are simply a reconciliation of the net changes in fund balances for governmental funds to the changes in net position per the statements of activities.

The government-wide financial statements include all assets and liabilities of ODOC, such as land, building, furniture, fixtures, and equipment, capital leases payable, accruals for compensated absences, etc. As such, also included are depreciation and interest expenses, whereas the fund financial statements generally include only current assets and payables. At the fund level, payments on the capital lease obligations are reflected as expenditures when paid and no capital assets such as land and building are included.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Condensed Financial Information

Government-Wide Financial Statements

Statements of Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets			
Current assets	\$ 39,001,343	33,691,100	52,399,053
Noncurrent assets	<u>17,716,786</u>	<u>18,834,021</u>	<u>8,319,780</u>
Total assets	<u>56,718,129</u>	<u>52,525,121</u>	<u>60,718,833</u>
Liabilities			
Current liabilities	11,765,842	13,347,388	18,445,343
Noncurrent liabilities	<u>4,411,854</u>	<u>4,881,967</u>	<u>5,302,813</u>
Total liabilities	<u>16,177,696</u>	<u>18,229,355</u>	<u>23,748,156</u>
Net position	<u>\$ 40,540,433</u>	<u>34,295,766</u>	<u>36,970,677</u>

Current assets primarily consist of cash and receivables from grantors. In addition, as of June 30, 2013 and 2012, there was approximately \$9,634,000 and \$5,650,000, respectively, of receivables from subgrantees. This represents amounts that ODOC has advanced to subgrantees but which the subgrantees have not expended. Capital assets primarily consist of land, building, furniture, fixtures, and equipment. Also included in noncurrent assets are certain loans which ODOC has made, for which repayment is expected. Current liabilities were primarily composed of accounts payable along with the current portion of capital lease obligations of \$485,000 and \$465,000 at June 30, 2013 and 2012, respectively, and the current portion of compensated absences of approximately \$512,000 and \$524,000 at June 30, 2013 and 2012, respectively. There was deferred revenue of approximately \$256,000 and \$2,704,000 as of June 30, 2013 and 2012, respectively. Noncurrent liabilities consisted of lease obligations, net of the current portion, of \$4,245,000 and \$4,730,000 at June 30, 2013 and 2012, respectively, and accrued compensated absences, less the current portion, of approximately \$167,000 and \$152,000 at June 30, 2013 and 2012, respectively.

Net position was composed of the net investment in capital assets, of approximately \$1,156,000 and \$885,000 at June 30, 2013 and 2012, respectively. Restricted net position totaled approximately \$35,363,000 and \$27,669,000 at June 30, 2013 and 2012, respectively, representing the net position of the federal programs administered by ODOC, with approximately \$144,000 restricted for the Opportunity Fund at both June 30, 2013 and 2012, approximately \$1,630,000 and \$1,843,000 restricted for the Oklahoma Bioenergy Center Fund at June 30, 2013 and 2012, respectively, approximately \$6,725,000 restricted for the Oklahoma Quick Action Closing Fund at June 30, 2013, and approximately \$347,000 and \$5,500 restricted for the Oklahoma Viticulture and Enology Development Fund at June 30, 2013 and 2012, respectively. Unrestricted net position approximated \$4,022,000 and \$5,741,000 at June 30, 2013 and 2012, respectively.

A significant portion of the statements of activities is represented by state appropriations. For the years ended June 30, 2013 and 2012, approximately \$41,106,000 and \$40,606,000, respectively, was transferred to ODOC from State of Oklahoma appropriated revenues. Grant programs as of June 30, 2013 and 2012, accounted for approximately \$106,576,000 and \$147,926,000, respectively, of expenses and approximately \$107,185,000 and \$134,025,000, respectively, of revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Analysis of the Government's Overall Financial Position and Results of Operations

The June 30, 2013 and 2012, the statements of net position reflect assets in excess of liabilities of approximately \$40,540,000 and \$34,296,000, respectively; approximately \$26,518,000 and \$25,677,000, respectively, of net position was restricted for grant operations. For the years ended June 30, 2013 and 2012, the statements of activities reflect a change in net position of approximately \$6,245,000 and \$(2,675,000), respectively.

Analysis of Balances and Transactions of Individual Funds

As noted previously, ODOC, for reporting purposes, has one fund and that is the General Fund. Included in the fund balance of the General Fund are the remaining assets of federal programs which are reflected as restricted.

Condensed Financial Information

Fund Financial Statements

	<u>Balance Sheets</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash, including short-term investments	\$ 23,510,527	22,156,960	26,138,950
Subgrantee advances	9,634,394	5,649,838	11,975,281
Grants receivable	5,804,602	5,679,078	13,851,181
Accounts receivable	<u>51,820</u>	<u>205,224</u>	<u>433,641</u>
Total assets	<u>\$ 39,001,343</u>	<u>33,691,100</u>	<u>52,399,053</u>
Accounts payable	\$ 10,512,317	9,653,747	17,438,103
Deferred revenue	256,339	2,704,295	-
Fund balances	<u>28,232,687</u>	<u>21,333,058</u>	<u>34,960,950</u>
Total liabilities and fund balances	<u>\$ 39,001,343</u>	<u>33,691,100</u>	<u>52,399,053</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Condensed Financial Information, Continued

Fund Financial Statements, Continued

Statements of Revenues, Expenditures, and Changes in Fund Balance

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues and other sources:			
State appropriations	\$ 41,105,681	40,605,681	39,306,423
Federal grant revenues	68,827,586	93,571,676	130,303,836
In-kind revenues (match)	37,077,088	38,800,351	16,243,877
Other	<u>9,995,546</u>	<u>2,798,293</u>	<u>2,515,677</u>
Total revenues and other sources	<u>157,005,901</u>	<u>175,776,001</u>	<u>188,369,813</u>
Expenditures:			
Subgrantee expenditures	79,638,818	120,408,177	132,732,640
Salaries, wages, and benefits	10,604,035	10,303,913	10,677,559
In-kind expenditures (match)	37,077,088	38,800,351	16,243,877
Other	<u>22,786,331</u>	<u>19,891,452</u>	<u>21,229,680</u>
Total expenditures	<u>150,106,272</u>	<u>189,403,893</u>	<u>180,883,756</u>
Net increase (decrease) in fund balance	<u>\$ 6,899,629</u>	<u>(13,627,892)</u>	<u>7,486,057</u>

Grants receivable represents amounts due from federal grants for expenditures made as of June 30, 2013 and 2012. Cash includes federal grant monies held at June 30, 2013 and 2012, of \$5,295,662 and \$9,766,944, respectively. The fund balance at June 30, 2013 and 2012, included \$14,686,776 and \$12,923,502, respectively, reserved for the grant programs administered by ODOC, \$143,642 at both June 30, 2013 and 2012, reserved for the Opportunity Fund, \$1,629,762 and \$1,843,062 at June 30, 2013 and 2012, respectively, reserved for the Oklahoma Bioenergy Center Fund, \$6,725,049 at June 30, 2013, reserved for the Oklahoma Quick Action Closing Fund, and \$346,616 and \$5,549 at June 30, 2013 and 2012, respectively, for the Oklahoma Viticulture and Enology Development Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Analysis of Significant Variations Between Budget Amounts for the General Fund

The largest significant variances in the budgets are in the areas of grant revenues, subgrantee expenditures, and state appropriations. For the years ended June 30, 2013 and 2012, it was anticipated that ODOC would receive approximately \$80,868,000 and \$129,424,000, respectively, in grant revenues and expend approximately \$98,987,000 and \$148,649,000, respectively, in subgrantee expenditures. For the years ended June 30, 2013 and 2012, grant revenue was overestimated by approximately \$9,857,000 and \$33,898,000, respectively, while subgrantee expenditures were overestimated by approximately \$19,348,000 and \$28,241,000, respectively. The variance for the year ended June 30, 2013, was largely due to expending less than anticipated for the State Small Business Credit Initiative program and the Oklahoma Bioenergy Center. Actual state appropriations exceeded budget amounts by approximately \$11,532,000 for each of the years ended June 30, 2013 and 2012, due to reclassification of the Rural Economic Action Plan revenues for reporting purposes. No other large variances in the budget were noted, with the exception of contractual and professional expenditures, for which actual expenditures were approximately \$5,606,000 less than budgeted for the year ended June 30, 2013, and \$2,096,000 more than budgeted for the year ended June 30, 2012; salaries, wages, and benefits, for which actual expenditures were approximately \$75,000 more than budgeted for the year ended June 30, 2013, and \$3,168,000 less than budgeted for the year ended June 30, 2012; and capitol dome leases, space and equipment rental, for which actual expenditures were approximately \$754,000 and \$5,718,000 less than budgeted, respectively. The building and capitol dome leases variance for the year ended June 30, 2012, was due to the reclassification for reporting purposes of certain amounts.

Description of Significant Capital Asset and Long-Term Debt Activity

As of June 30, 2013 and 2012, long-term debt of ODOC consisted of capital lease obligations and compensated absences. At June 30, 2013 and 2012, the principal amount of the capital lease obligations was \$4,730,000 and \$5,195,000, respectively. During the years ended June 30, 2013 and 2012, principal payments of \$465,000 and \$445,000, respectively, were made on the debt.

Compensated absences totaled \$679,040 and \$676,313 at June 30, 2013 and 2012, respectively. The allocation of the portion considered long-term is as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total compensated absences	\$ 679,040	676,313	670,053
Portion considered short-term	<u>(512,186)</u>	<u>(524,346)</u>	<u>(562,240)</u>
Long-term portion	<u>\$ 166,854</u>	<u>151,967</u>	<u>107,813</u>

During the years ended June 30, 2013 and 2012, while recording approximately \$298,000 and \$311,000, respectively, of depreciation, there was approximately \$103,000 and \$65,000, respectively, of property added. ODOC had no large amounts of infrastructure assets, and property is depreciated on the half-year, straight-line basis.

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

Description of Currently Known Facts, Decisions, or Conditions that are Expected to Have a Significant Effect on the Financial Position or Results of Operations

On July 16, 2013, the Office of Management and Enterprise Services approved ODOC’s budget for the fiscal year July 1, 2013, to June 30, 2014. Overall, the total budgeted operating expenditures decreased \$14,678,266 for FY-2014 and decreased \$66,925,553 for FY-2013. The change in anticipated expenditures, reflected by funding source, is as follows:

<u>Funding Source</u>	<u>2014 Budget Compared to 2013</u>	<u>2013 Budget Compared to 2012</u>	<u>2012 Budget Compared to 2011</u>
State-appropriated (including appropriation budgeted in revolving funds and Special Cash and REAP funds)	\$ 1,011,368	(565,111)	395,463
Revolving funds (excluding appropriation budgeted in revolving funds)	(2,645,234)	(2,222,686)	(3,999,630)
Federal and other	<u>(13,044,400)</u>	<u>(64,137,756)</u>	<u>(62,978,560)</u>
Total budget change	<u>\$ (14,678,266)</u>	<u>(66,925,553)</u>	<u>(66,582,727)</u>

ODOC is anticipating \$44,811,211 in state-appropriated funding for FY-2014, compared to \$43,799,843 in FY-2013. The \$1,011,368 increase in the “state-appropriated” category for the year ending June 30, 2014, is due primarily to the following:

- Appropriations for pass-through entities and other operating including the Native American Cultural and Educational Authority (NACEA) increased by \$3,705,530 in FY-2014—from \$40,400,151 in FY-2013 to \$44,105,681 in FY-2014. Three million dollars of the increase was due to an appropriation to the Quick Action Closing Fund which was deposited in the Quick Action Closing Revolving Fund.
- Carryover of appropriated funds decreased by \$2,694,162 in FY-2014—from \$3,399,692 in FY-2013 to \$705,530 in FY-2014. NACEA requested the majority of their carryover be budgeted in September, but the remaining carryover for the agency is not known and is not budgeted until the last quarter of the calendar year.

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

Description of Currently Known Facts, Decisions, or Conditions that are Expected to Have a Significant Effect on the Financial Position or Results of Operations, Continued

ODOC is anticipating \$8,348,111 in revolving funded operating expenditures for FY-2014, compared to \$10,993,345 in FY-2013. The \$2,645,234 decrease in the “Revolving Funds” category for the year ending June 30, 2014, is due primarily to the following:

- The Oklahoma Bioenergy Center Fund non-appropriated budget decreased by \$69,062 in FY-2014—from \$69,062 in FY-2013 to \$0 in FY-2014, as the Oklahoma Bioenergy Center Fund was transferred to another agency.
- The ODOC Non-Appropriated Fund decreased by \$2,161,015 in FY-2014—from \$2,974,494 in FY-2013 to \$813,479 in FY-2014.
- The Oklahoma Opportunity Revolving Fund decreased by \$143,763 in FY-2014—from \$143,763 in FY-2013 to \$0 in FY-2014.
- The Intra-Agency Reimbursement Fund decreased by \$235,843 in FY-2014—from \$632,812 in FY-2013 to \$396,969 in FY-2014.

ODOC is anticipating \$70,283,751 in federally funded operating expenditures for FY-2014, compared to \$83,327,751 in FY-2013. The \$13,044,000 decrease in the “Federal and Other” category for the year ending June 30, 2014, is due primarily to the following:

- The ARRA stimulus budget decreased by \$10,731,462 in FY-2014—from \$15,910,947 in FY-2013 to \$5,179,485 in FY-2014.
- The federal pass-through and other budget including payroll decreased by \$2,312,938 in FY-2014—from \$67,416,804 in 2013 to \$65,103,866 in FY-2014.

Federal funds totaling approximately \$173 million have been made available to ODOC by the federal government for administering the American Recovery and Reinvestment Act (ARRA) program and funding over a 30-month period. Stimulus funds totaling \$15,355,727 were budgeted in FY-2013 compared to \$5,179,485 currently budgeted for FY-2014. This decrease is due to many of the grants ending on or before September 30, 2012.

This significant federal stimulus legislation, along with its massive funding levels and stringent reporting and monitoring requirements, necessitated an organizational change to develop and effectively administer the ARRA stimulus programs. The Operations Group filled this role for ODOC. However, as the ARRA program activity has decreased, the Operations Group staff has been transferred into Community Development to assist in closing out these programs.

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

Description of Currently Known Facts, Decisions, or Conditions that are Expected to Have a Significant Effect on the Financial Position or Results of Operations, Continued

ODOC operations could be significantly impacted by the Sequestration mandated by the Budget Control Act of 2011 which went into effect on January 1, 2013, and the federal government shutdown which began October 1, 2013. The Sequestration could have a significant effect on the financial position of ODOC with the possibility of federal grants being reduced 8%–10% over a 9-year period. This would impact the FTEs and cost-sharing programs and cause a reduction of services. The federal government shutdown could delay receipt of federal grants funded with federal FY-2014 funds that are not excepted by the Antideficiency Act, including Workforce Investment Act and Community Services Block Grant funding.

Request for Information

This financial report is designed to provide a general overview of ODOC’s finances for those people who have an interest. Any questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Oklahoma Department of Commerce, 900 North Stiles Avenue, Oklahoma City, OK 73104.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

STATEMENTS OF NET POSITION

<i>June 30,</i>	<i>2013</i>	<i>2012</i>
Assets		
Current assets:		
Cash, including short-term investments	\$ 23,510,527	22,156,960
Subgrantee advances	9,634,394	5,649,838
Grants receivable	5,804,602	5,679,078
Accounts receivable	51,820	205,224
Total current assets	<u>39,001,343</u>	<u>33,691,100</u>
Noncurrent assets:		
Loans receivable	11,830,939	12,753,540
Capital assets:		
Nondepreciable—land	150,000	150,000
Depreciable, net of accumulated depreciation	<u>5,735,847</u>	<u>5,930,481</u>
Capital assets, net	<u>5,885,847</u>	<u>6,080,481</u>
Total noncurrent assets	<u>17,716,786</u>	<u>18,834,021</u>
Total assets	<u>\$ 56,718,129</u>	<u>52,525,121</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 10,512,317	9,653,747
Capital lease obligations—current portion	485,000	465,000
Compensated absences—current portion	512,186	524,346
Deferred revenue	<u>256,339</u>	<u>2,704,295</u>
Total current liabilities	<u>11,765,842</u>	<u>13,347,388</u>
Noncurrent liabilities:		
Capital lease obligations—less current portion	4,245,000	4,730,000
Compensated absences—less current portion	<u>166,854</u>	<u>151,967</u>
Total noncurrent liabilities	<u>4,411,854</u>	<u>4,881,967</u>
Total liabilities	<u>16,177,696</u>	<u>18,229,355</u>
Net Position		
Net investment in capital assets	1,155,847	885,481
Restricted—grant programs	26,517,716	25,677,042
Restricted—Opportunity Fund	143,762	143,762
Restricted—Oklahoma Bioenergy Center Fund	1,629,762	1,843,062
Restricted—Oklahoma Quick Action Closing Fund	6,725,049	-
Restricted—Oklahoma Viticulture and Enology Development Fund	346,616	5,549
Unrestricted	<u>4,021,681</u>	<u>5,740,870</u>
Total net position	<u>40,540,433</u>	<u>34,295,766</u>
Total liabilities and net position	<u>\$ 56,718,129</u>	<u>52,525,121</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2013

		REVENUE		
	<u>Expense</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Government activities:				
General government:				
Operations	\$ (43,473,986)	429,311	6,725,049	(36,319,626)
Interest expense	(216,504)	-	-	(216,504)
Total general government	<u>(43,690,490)</u>	<u>429,311</u>	<u>6,725,049</u>	<u>(36,536,130)</u>
Grant programs	<u>(106,575,687)</u>	<u>-</u>	<u>107,185,062</u>	<u>609,375</u>
Total government activities	<u>\$ (150,266,177)</u>	<u>429,311</u>	<u>113,910,111</u>	<u>(35,926,755)</u>
General revenues:				
State appropriations				41,105,681
Investment income				87,428
Other				978,313
Total general revenues				<u>42,171,422</u>
Change in net position				6,244,667
Net position, beginning of year				<u>34,295,766</u>
Net position, end of year				<u>\$ 40,540,433</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

STATEMENTS OF ACTIVITIES, CONTINUED

Year Ended June 30, 2012

		REVENUE		
	<u>Expense</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Government activities:				
General government:				
Operations	\$ (30,394,334)	420,337	-	(29,973,997)
Interest expense	(204,716)	-	-	(204,716)
Total general government	<u>(30,599,050)</u>	<u>420,337</u>	<u>-</u>	<u>(30,178,713)</u>
Grant programs	<u>(147,925,588)</u>	<u>-</u>	<u>134,025,445</u>	<u>(13,900,143)</u>
Total government activities	<u>\$ (178,524,638)</u>	<u>420,337</u>	<u>134,025,445</u>	<u>(44,078,856)</u>
General revenues:				
State appropriations				40,605,681
Investment income				123,990
Other				674,274
Total general revenues				<u>41,403,945</u>
Change in net position				(2,674,911)
Net position, beginning of year				<u>36,970,677</u>
Net position, end of year				<u>\$ 34,295,766</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

BALANCE SHEETS—GENERAL FUND

<i>June 30,</i>	<i>2013</i>	<i>2012</i>
Assets		
Cash, including short-term investments	\$ 23,510,527	22,156,960
Subgrantee advances	9,634,394	5,649,838
Grants receivable	5,804,602	5,679,078
Accounts receivable	<u>51,820</u>	<u>205,224</u>
Total assets	<u>\$ 39,001,343</u>	<u>33,691,100</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 10,512,317	9,653,747
Deferred revenue	<u>256,339</u>	<u>2,704,295</u>
Total liabilities	<u>10,768,656</u>	<u>12,358,042</u>
Fund balances:		
Restricted	25,453,847	16,703,586
Assigned	985,831	892,509
Unassigned	<u>1,793,009</u>	<u>3,736,963</u>
Total fund balances	<u>28,232,687</u>	<u>21,333,058</u>
Total liabilities and fund balances	<u>\$ 39,001,343</u>	<u>33,691,100</u>
Reconciliation of Fund Balances to Net Position		
Total fund balances from above	\$ 28,232,687	21,333,058
Amounts reported in the statements of net assets are different because:		
Capital assets and certain loans used in governmental activities are not financial resources and therefore not reported in the fund:		
Capital assets, net of accumulated depreciation of \$2,601,411 and \$2,417,351 at June 30, 2013 and 2012, respectively	5,885,847	6,080,481
Loans receivable	11,830,939	12,753,540
Certain liabilities are not due and payable in the current period and therefore not reported in the fund:		
Accrued compensated absences	(679,040)	(676,313)
Capital lease obligations	<u>(4,730,000)</u>	<u>(5,195,000)</u>
Net position, per the statements of net position	<u>\$ 40,540,433</u>	<u>34,295,766</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

**STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GENERAL FUND**

<i>Years Ended June 30,</i>	<i>2013</i>	<i>2012</i>
Revenues:		
Federal grant revenues	\$ 68,827,586	93,571,676
Program income	2,172,992	1,954,229
Interest	87,428	123,990
Other	7,735,126	720,074
In-kind revenues (match)	37,077,088	38,800,351
Total revenues	<u>115,900,220</u>	<u>135,170,320</u>
Expenditures:		
Subgrantee expenditures	79,638,818	120,408,177
Salaries, wages, and benefits	10,604,035	10,303,913
Professional	1,779,528	1,835,095
Travel	721,241	737,310
Building and capitol dome leases	681,505	649,716
Space rental	52,972	77,759
Equipment rental	34,381	33,348
Supplies	138,155	69,120
Equipment	615,134	329,701
Maintenance	521,549	306,575
Telephone	188,496	91,784
Postage and freight	41,069	20,707
Advertising	464,407	353,640
Printing	69,900	37,868
Contractual, including Oklahoma Bioenergy Center Fund expenditures in 2013 and 2012	7,289,782	7,198,819
Funds returned to grantor	1,919,927	10,397
Other	1,361,856	1,730,117
NACEA expenditures	6,906,429	6,409,496
In-kind expenditures (match)	37,077,088	38,800,351
Total expenditures	<u>150,106,272</u>	<u>189,403,893</u>
Deficiency of revenues over expenditures	(34,206,052)	(54,233,573)
Other funding sources:		
State appropriations	<u>41,105,681</u>	<u>40,605,681</u>
Net changes in fund balances	6,899,629	(13,627,892)
Beginning fund balances	<u>21,333,058</u>	<u>34,960,950</u>
Ending fund balances	<u>\$ 28,232,687</u>	<u>21,333,058</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GENERAL FUND TO THE
STATEMENTS OF ACTIVITIES**

<i>Years Ended June 30,</i>	<i>2013</i>	<i>2012</i>
Net changes in fund balances—General Fund	\$ 6,899,629	(13,627,892)
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures while government-wide activities report depreciation expense to allocate those expenditures over the lives of the assets:		
Depreciation expense	(297,528)	(310,991)
Capital asset purchases capitalized	102,894	64,563
	<u>(194,634)</u>	<u>(246,428)</u>
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of net assets:		
Capital lease obligation principal payments	465,000	445,000
Repayment of certain loans is revenue in the governmental funds, but the repayment reduces long-term assets (loans) on the statements of net assets:		
Loan principal repayments	(922,601)	(348,147)
Principal advanced on certain loans is an increase in long-term assets (loans) on the statements of net assets, but an expenditure for the governmental funds:		
Advances of principal	-	11,108,817
Some expenses reported in the statements of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accrued compensated absences	<u>(2,727)</u>	<u>(6,261)</u>
Changes in net position, per the statements of activities	<u>\$ 6,244,667</u>	<u>(2,674,911)</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State of Oklahoma Department of Commerce (“ODOC”) complies with accounting principles generally accepted in the United States. Accounting principles generally accepted in the United States 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.

Reporting Entity

ODOC was created on July 1, 1986, under the provisions of the State of Oklahoma House Bill 1944. This legislation joined two state agencies, the Department of Economic and Community Affairs and the Office of the Governor—Department of Economic Development, with several other smaller entities to become the State of Oklahoma Department of Commerce.

ODOC, as an agency of the State of Oklahoma, receives appropriations from state funds, in addition to administering various federal programs. ODOC passes certain federal and state funds through to qualifying participants. The financial statements include revenues and expenditures for all funds administered by ODOC.

The financial statements include only the activities of ODOC and are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the General Fund of the State of Oklahoma that is attributable to the transactions of ODOC. In addition, certain activities of the Native American Cultural and Educational Authority (NACEA), as discussed in Note 13, are included, as they are administered by ODOC on behalf of NACEA.

As a state agency, ODOC’s insurance is provided through a risk pool of state agencies. For the years ended June 30, 2013 and 2012, the premiums paid for this coverage were approximately \$10,000 and \$7,000, respectively.

ODOC’s financial statements are included in the statewide financial statements of the State of Oklahoma.

See Independent Auditors’ Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Basis of Presentation

Government-Wide Financial Statements

The statements of net position and the statements of activities display information about ODOC as a whole. ODOC's activities are all governmental in nature and generally are financed primarily through state appropriations and other nonexchange revenues (grants). ODOC has no business-type activities as defined by GASB 34.

Fund Financial Statements

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

For the financial statement presentation, ODOC has only one fund, and that is the General Fund. All grant revenues and expenditures are accounted for in the General Fund, with net position and fund balances restricted.

ODOC has only governmental-type funds and no proprietary or fiduciary funds.

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.

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Measurement Focus and Basis of Accounting, Continued

Measurement Focus

On the government-wide statements of net position and the statements of activities, ODOC's activities are presented using the economic resources measurement focus as defined in item *a* below.

In the fund financial statements, the "current financial resources" measurement focus is used as defined in item *b* below.

- a. The statements of net position and the statements of activities utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of changes in net positions and financial positions. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.
- b. The General Fund utilizes a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. The fund uses fund balances as the measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statements of net position and statements of activities, ODOC's 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 the economic assets are used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchanges take place.

In the fund financial statements, the General Fund is presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities; ODOC considers 90 days as the timeframe for collectible. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for principal and interest which are reported when due.

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Accounting

The General Fund is the operating fund of ODOC. It is used to account for all activities. Included in the General Fund are various grant revenues and expenditures. The grant monies are considered restricted. Because the operations of the federal and state programs are so significant to ODOC, a summary of the objectives of the more significant federal and state programs administered by ODOC is as follows:

- √ *Community Development Block Grant/States Program (CDBG)*—The objective of CDBG is the development of viable urban communities, decent housing and a suitable living environment, and expanded economic opportunities to be achieved through the undertaking of eligible activities that fulfill one or more of three broad national objectives: (1) benefiting low- and moderate-income individuals, (2) aiding in the prevention or elimination of slums or blight, and (3) meeting other communities' development needs having a particular urgency because existing conditions pose a serious and immediate threat to health or welfare of the community and other financial resources are not available to meet such needs.
- √ *CDBG ED Recovery and CD Recovery*—These are funds received by ODOC in repayment of various financial assistance agreements which were initially funded by the CDBG program. These funds are designated to be used in the same manner and under the same conditions as the CDBG program funds.

The outstanding balances of loans made to municipal authorities and cities for the funding of projects to provide for jobs to low-income individuals and to assist communities with community development projects under this program are not reflected in the financial statements. Due to the nature of the loans, the ultimate collection of the full amount of the loans cannot be determined. Therefore, in accordance with accounting principles generally accepted in the United States, the loan repayments are treated as revenue when cash payments are received. Such repayments are included as program income.

Since the inception of the program, loans of approximately \$58,007,000 have been funded as of June 30, 2013, with approximately \$23,834,000 and \$25,014,000 outstanding at June 30, 2013 and 2012, respectively. During the years ended June 30, 2013 and 2012, collection of principal and interest on loans amounted to approximately \$1,180,000 and \$1,519,000, respectively. Cumulative collections since the inception of the program approximated \$34,173,000 and \$32,993,000 as of June 30, 2013 and 2012, respectively. No loans were deemed uncollectible during the years ended June 30, 2013 or 2012. Cumulative loans charged-off since the inception of the program approximated \$13,304,000 and \$13,306,000 as of June 30, 2013 and 2012, respectively.

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Accounting, Continued

- √ *Other Loan Programs*—ODOC has other loan activities funded through the oil overcharge programs and the SEPRF as noted below. The other loan programs are expected to be collected and, for the purpose of government-wide financial statements, are included as assets.

A summary of the loans by program funded at June 30 is as follows:

<u>Program</u>	<u>2013</u>	<u>2012</u>
SEPRF *	\$ 10,398,105	11,027,557
EIRLF	991,004	1,048,557
HELP	191,183	273,282
SALP	129,937	214,953
CEEMP	52,194	95,511
Stripper Well	<u>68,516</u>	<u>93,680</u>
	<u>\$ 11,830,939</u>	<u>12,753,540</u>

* The State Energy Program Revolving Loan Fund (SEPRF) is funded through the American Recovery and Reinvestment Act of 2009. The program is to provide loans for eligible energy activities.

- √ *Weatherization Assistance Program for Low-Income Persons ("Weatherization")*—The objective of Weatherization is to conserve energy and reduce the impact of rising costs on low-income persons, particularly the elderly and handicapped, through the installation of energy-conserving measures in their dwellings.
- √ *Community Services Block Grant (CSBG)*—The objective of CSBG programs is to provide funds to states for community-based programs that assist in removing the causes and consequences of poverty.
- √ *Emergency Solutions*—These funds are used to meet the critical and urgent needs of the homeless and to provide programs to assist the homeless, with special emphasis on elderly persons, handicapped persons, families with children, Native Americans, and veterans.

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Accounting, Continued

- √ *Stripper Well and Oil Overcharge*—These funds are used for energy-related purposes as authorized by the U.S. Department of Energy.
- √ *Workforce Investment Act (WIA)*—The objectives of WIA programs are to help Americans access the tools needed to manage their careers through information and high-quality services and to help U.S. companies find skilled workers.
- √ *Oklahoma Opportunity Fund (“Opportunity Fund”)*—The Opportunity Fund was established by the Oklahoma Legislature, with the objectives being the creation of new jobs which offer a basic health benefit plan; the maintenance of existing jobs which are at risk for termination; investment in new real property, plant, or equipment or improvement or retooling of existing plant or equipment; and additional revenues in either ad valorem, income, or sales and use taxes. During FY-2007, ODOC received \$45,000,000 in state appropriations for the Opportunity Fund, and no funds were expended during the years ended June 30, 2013 or 2012. At both June 30, 2013 and 2012, \$143,762 of funds were available for expenditure for the Opportunity Fund. Future expenditures are subject to the approval of the Oklahoma Legislature.
- √ *Oklahoma Bioenergy Center Fund (OBC Fund)*—The OBC Fund was established by the Oklahoma Legislature as a strategic partnership focusing the collective resources of contributing institutions in the field of bioenergy research to address and undertake research facing biofuels and bioenergy industry in Oklahoma and the nation; advance the research capacity in Oklahoma; and conduct research through contributing institutions and partnerships to deliver practical outcomes to enable the competitive and sustainable production of liquid biofuels in Oklahoma. During the years ended June 30, 2013 and 2012, ODOC did not receive any additional state appropriations. ODOC expended approximately \$213,300 and \$2,044,000 during the years ended June 30, 2013 and 2012, respectively, which is reflected as contractual expense in the statements of revenues, expenditures, and changes in fund balances—General Fund. An additional \$728,000 was also expended for other authorized purposes during the year ended 2012. At June 30, 2013 and 2012, \$1,629,762 and \$1,843,062, respectively, of funds were available for expenditure for the OBC Fund.
- √ *Quick Action Closing Fund*—The Quick Action Closing Fund was established by the Oklahoma Legislature with the objectives being the creation of new jobs which offer a basic health benefit plan; the maintenance of existing jobs which are at risk for termination; investment in real property, plant or equipment or improvements in ad valorem, income, or sales and use taxes. During the year ended June 30, 2013, ODOC received \$6,725,049 from interest or other proceeds earned on investments of the EDGE Fund made prior to July 1, 2012. No funds were expended by ODOC during the year; as such there was \$6,725,049 available as of June 30, 2013.

See Independent Auditors’ Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Fund Accounting, Continued

- √ *Oklahoma Viticulture and Enology Development Revolving Fund (OVEC Fund)*—The OVEC Fund was established by the Oklahoma Legislature for the purpose of establishing a Viticulture and Enology Center on the campus of Redlands Community College; developing viticulture related and enology related education programs; developing technologies, strategies, or practices that aid in the production of grapes and wine in Oklahoma; and increasing the positive economic impact of the Oklahoma wine industry in the State. During the years ended June 30, 2013 and 2012, ODOC received \$350,000 and \$282,099, respectively. ODOC expended \$352,699 and \$276,550 during the years then ended, respectively. At June 30, 2013 and 2012, \$346,616 and \$5,549, respectively, of funds were available from the OVEC Fund.
- √ *Rural Economic Action Plan (REAP) Fund*—The REAP Fund is a continuing fund established by the Oklahoma Legislature for rural cities and towns that do not exceed 7,000 persons. The purposes of the funds were established for, but not limited to, water quality projects, solid waste disposal, sanitary sewer construction or improvement projects, road or street construction, fire protection services, construction or improvement of telecommunication facilities or systems, and improvement of municipal energy distribution systems. During each of the years ended June 30, 2013 and 2012, ODOC received approximately \$11,533,000, in state appropriations for the REAP Fund. ODOC expended approximately \$11,340,000 and \$11,533,000 during the years ended June 30, 2013 and 2012, respectively, which is reflected as subgrantee expenditures in the statements of revenues, expenditures, and changes in fund balances—General Fund. At June 30, 2013, there were approximately \$193,000 remaining funds available for expenditures for the REAP Fund and no remaining funds available for expenditures at June 30, 2012.

The American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 (“ARRA”) was passed by Congress in February 2009 to provide a stimulus to the U.S. economy in the wake of the economic downturn. A summary of the objectives of the ARRA funds administered by ODOC is as follows:

- √ *Workforce Investment Act (WIA)*—The WIA program funds are contracted by the U.S. Department of Labor to enhance workforce development programming for low-income youth, low-income adults, and the recently unemployed. The funding will enhance the alignment of workforce with the needs of local businesses. The funding encourages training for high-growth industries, such as healthcare and jobs that support energy efficiency. The program ended June 30, 2011.

See Independent Auditors’ Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The American Recovery and Reinvestment Act of 2009, Continued

- √ *Community Development Block Grant (CDBG)*—The CDBG program funds are contracted by the U.S. Department of Housing and Urban Development to enhance public systems through the investment of federal and state resources. ODOC provides Oklahoma communities with the infrastructure, facilities, and planning required for economic growth. The program awards are based on jobs created, jobs offered to low-to-moderate income individuals, job wage in relationship to average country wage, and jobs with healthcare benefits. This program ended September 30, 2012.
- √ *State Energy Program*—The State Energy Program funds are contracted by the U.S. Department of Energy to increase energy efficiency and reduce energy costs and consumption for consumers, businesses, and government; reduce reliance on imported energy; improve the reliability of electricity and fuel supply and the delivery of energy services; and reduce the impacts of energy production and use on the government.
- √ *Homeless Prevention and Rapid Re-Housing Program (HPRP)*—The HPRP program funds are contracted by the U.S. Department of Housing and Urban Development to provide rental assistance, housing relocation, and stabilization, such as credit counseling, utility payments, and moving cost assistance. The program ended during the year ended June 30, 2013.
- √ *Weatherization Assistance Program for Low-Income Persons (“Weatherization”)*—Weatherization program funds are contracted by the U.S. Department of Energy to create jobs by permanently reducing energy bills of eligible homeowners through the installation of energy-conserving measures in their dwellings.
- √ *Energy Efficiency and Conservation Block Grant (EECBG)*—EECBG program funds are contracted by the U.S. Department of Energy to reduce fossil fuel emissions in a manner that is environmentally sustainable, to maximize benefits for local and regional communities, and to improve energy efficiency in the building sector, the transportation sector, and various sectors.
- √ *Energy Efficient Appliance Rebate Program (EEARP)*—EEARP program funds are contracted by the U.S. Department of Energy to provide rebates to residential consumers for the purchase of residential Energy Star products to replace used appliances of the same type. The program ended during the year ended June 30, 2012.
- √ *Electricity Delivery and Energy Reliability, Research, Development and Analysis (“Energy Assurance”)*—Energy Assurance program funds are contracted by the U.S. Department of Energy to lead national efforts to modernize the electric grid; enhance security and reliability of the energy infrastructure; and mitigate the impact of, and facilitate recovery from, disruptions to the energy supply. The program ended during the year ended June 30, 2013.

See Independent Auditors’ Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The American Recovery and Reinvestment Act of 2009, Continued

- √ *State Energy Sector Partnership and Training Grant (SESP)*—SESP program funds are contracted by the U.S. Department of Labor for training and development of eligible participants in various energy efficiency/renewable energy occupations and industries. This program ended June 30, 2013.
- √ *State Fiscal Stabilization Fund (SFSF)*—SFSF program funds are contracted by the U.S. Department of Education to support public safety and other government services, which may include assistance for elementary and secondary education and public institutions of higher education (IHE), and for modernization, renovation, or repair of public school facilities and IHE facilities. The program ended September 30, 2011.

Through the year ended June 30, 2013, the cumulative amount of ARRA funds that ODOC has been awarded approximated \$173,000,000. During the year ended June 30, 2013, ODOC expended approximately \$16,500,000 of ARRA funds for the following programs:

<u>Program Awarded</u>	<u>Cumulative Amount Awarded</u>	<u>Amount Expended During the Year Ended June 30, 2013</u>
Workforce Investment Act:		
Adult Statewide	\$ 3,650,170	-
Youth Services	8,708,036	-
Dislocated Workers	6,023,463	-
	<u>18,381,669</u>	<u>-</u>
CDBG	4,333,265	1,423,024
State Energy Program	46,704,000	5,139,878
SESP	6,000,000	2,323,178
CSBG	11,965,297	-
HPRP	8,101,391	513,105
Weatherization	63,435,436	4,077,964
EECBG	9,593,500	2,908,993
EEARP	3,495,000	-
Energy Assurance	534,197	75,671
SFSF	420,000	-
	<u>\$ 172,963,755</u>	<u>16,461,813</u>

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Program Income

Program income represents repayments on the various loan programs and other income earned by subgrantees from the federal financial assistance provided.

Subgrantee Advances

ODOC does not reflect subgrantee payments as expenditures until the subgrantee reports them as expenditures and, as such, payments made to subgrantees which have not been reported as expenditures are reflected as subgrantee advances.

Subgrantee Expenditures

ODOC recognizes subgrantee expenditures when incurred as evidenced by a monthly expenditure report. Subgrantee advances represent the difference between funds advanced to subgrantees and subgrantee expenditures incurred.

Capital Lease Obligations

In 1997, ODOC entered into a capital lease obligation, as more fully described in Note 4 to the financial statements. The amount reflected in the statements of net position is the principal balance due as of June 30, 2013 and 2012.

At July 1, 2008, the operations of the Oklahoma Capital Complex and Centennial Commemoration Commission (collectively referred to as the "Centennial Commission") were transferred to ODOC. This transfer resulted in ODOC assuming an additional capital lease obligation, as more fully described in Note 4 to the financial statements. The amount reflected in the statements of net position is the principal balance due as of June 30, 2013 and 2012.

Compensated Absences

Full-time continuous employees earn annual vacation leave at the rate of 10 hours per month for up to 5 years of service, 12 hours per month for service of over 5 years to 10 years, 13.2 hours per month for service of over 10 years to 20 years, and 16.4 hours per month for over 20 years of service. Annual leave can only be accumulated for up to 480 hours for employees with 5 or more years of service and up to 240 hours for employees with less than 5 years of service. Annual leave is payable upon termination, resignation, retirement, or death. The statements of net position and statements of activities account for compensated absences on an accrual basis. The amount reflected as a current liability is an estimate based on historical use.

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Equity Classifications

Government-Wide Financial Statements

Equity is classified as net position and displayed in three components:

- a. Net invested in capital assets—consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position—consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position—all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is ODOC’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. These classifications are defined as:

- a. Nonspendable fund balance—includes amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact.
- b. Restricted fund balance—consists of fund balances with constraints placed on the use of resources that are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

ODOC has identified all federal grants and state funded programs as restricted fund balances. ODOC received state appropriations that specifically were identified within the state legislation for the use of outside agencies. These appropriations are identified as restricted fund balances.

See Independent Auditors’ Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classifications, Continued

Fund Financial Statements, Continued

- c. Committed fund balance—the committed fund balance classification reflects specific purposes pursuant to constraints imposed by formal action of ODOC’s highest level of decision-making authority. Also, such constraints can only be removed or changed by the same form of formal action.
- d. Assigned fund balance—the assigned fund balance classification reflects amounts that are constrained by ODOC’s intent to be used for specific purposes, but meet neither the restricted nor committed forms of constraint. Assigned funds cannot cause a deficit in unassigned fund balance.

ODOC has also received appropriations that were not specifically identified within state legislation for the use of outside agencies. The Executive Director has the authority as recommended or approved by the Governor or State Leadership to set aside a portion of these funds for the use of outside agencies. These funds are identified as assigned fund balance.

- e. Unassigned fund balance—the unassigned fund balance classification is the residual classification for the General Fund only. Unassigned fund balance essentially consists of excess funds that have not been classified in the four above fund balance categories.

It is ODOC’s policy to first use the restricted fund balance prior to the use of the unrestricted fund balances when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. ODOC’s policy for the use of unrestricted fund balance amounts requires that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

See Independent Auditors’ Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Equity Classifications, Continued

Fund Financial Statements, Continued

Effective July 1, 2010, ODOC implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The following table shows the fund balance classifications as shown on the governmental fund balance sheets in accordance with GASB 54 for the years ended June 30:

	General Fund	
	<u>2013</u>	<u>2012</u>
Fund balances:		
Restricted for:		
Federal grants	\$ 14,686,776	12,923,502
State appropriations	3,695,405	3,774,533
State funded programs	<u>7,071,666</u>	<u>5,551</u>
Total restricted	<u>25,453,847</u>	<u>16,703,586</u>
Assigned:		
State appropriations	<u>985,831</u>	<u>892,509</u>
Unassigned:		
State appropriations	807,591	2,298,760
Program income	<u>985,418</u>	<u>1,438,203</u>
Total unassigned	<u>1,793,009</u>	<u>3,736,963</u>
Total fund balances	<u>\$ 28,232,687</u>	<u>21,333,058</u>

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded as expenditures of the applicable funds, is used. This is an extension of the formal budgetary integration in the General Fund. Encumbrances do not represent any further constraint on the use of amounts than is already communicated by governmental fund balance classification as restricted, committed, or assigned. As of June 30, 2013 and 2012, approximately \$1,223,000 and \$1,105,000, respectively, of encumbrances, adjusted for accruals and negative subgrantee advances, were outstanding.

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Advertising Costs

All costs associated with advertising are expensed as incurred.

Grant Revenues and Expenditures

Grant revenues are primarily expenditure driven, in that prior to requesting grant monies, expenditures are normally incurred. As noted previously, ODOC does not recognize subgrantee expenditures until the subgrantee expends the funds and reports this to ODOC. ODOC has contracts with various subgrantees throughout the state. Grants receivable represent the amount needed to fund expenditures accrued at June 30, 2013 and 2012.

As of June 30, 2013 and 2012, ODOC had approximately \$89,086,000 and \$122,911,000, respectively, of grant funds available to be drawn upon when needed. Contract commitments with subgrantees of approximately \$56,203,000 and \$81,007,000 were outstanding as of June 30, 2013 and 2012, respectively.

Recent Accounting Pronouncements

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62). The objective of GASB 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures

The requirements in GASB 62 will improve financial reporting by contributing to GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. GASB 62 is effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. ODOC implemented GASB 62 as of July 1, 2012. The implementation had no significant effects on ODOC's net position or changes in net position.

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). The objective of GASB 63 is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The pronouncement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. ODOC adopted GASB 63 effective July 1, 2012. The adoption of the statement required ODOC to adopt the term "net position" as required. In addition, as required by GASB 63, ODOC determined that as of June 30, 2013 and 2012, there were no items of deferred outflows of resources or deferred inflows of resources, as presently defined, to be reported.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources; and recognize certain items that were previously reported as assets and liabilities as outflows of resources or inflows of resources. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. No material effects on the statement of net position or changes in net position are anticipated when ODOC implements GASB No. 65.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. For defined benefit pensions, GASB 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement is effective for financial statements for periods beginning after June 15, 2014. ODOC has not determined the effects, if any, of implementing GASB 68.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through October 29, 2013, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH BALANCES AND SUBGRANTEE ADVANCES

Cash Balances

Cash balances consist of cash held at the State Treasurer's office. Cash balances of ODOC are part of the State's pooled cash system and, as such, are properly collateralized.

Custodial Credit Risk—Custodial credit risk is the risk that in the event of the failure of a counterparty, ODOC will not be able to recover the value of its cash deposits. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. As a department of the State of Oklahoma, ODOC's deposits are required to be invested in fully collateralized accounts.

Included in cash are investments included in the State of Oklahoma's OK INVEST Portfolio. Because these investments are controlled by the State of Oklahoma and the balances change on a daily basis, they are considered cash equivalents. The balances are overnight funds consisting of U.S. agencies, U.S. Treasury notes, tri-party repurchase agreements, mortgage-backed agencies, municipal bonds, foreign bonds, certificates of deposit, money market mutual funds, and commercial paper. As of June 30, the investment balances were as follows:

	<u>2013</u>	<u>2012</u>
U.S. agencies	\$ 1,634,331	1,375,373
Mortgage-backed agencies	1,786,590	1,717,062
U.S. Treasury notes	50,173	50,245
Municipal bonds	70,044	69,777
Foreign bonds	32,841	19,576
Certificates of deposit	106,211	125,650
Money market mutual funds	390,148	532,488
Commercial paper	87,388	-
	<u>\$ 4,157,726</u>	<u>3,890,171</u>

Subgrantee Advances

ODOC does not reflect subgrantee payments as expenditures until the subgrantee reports them as expenditures and, as such, payments made to subgrantees which have not been reported as expenditures are reflected as subgrantee advances.

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) **CAPITAL ASSETS**

The capital assets of ODOC consist of land, building, building improvements, and furniture, fixtures, and equipment. A summary of changes in capital assets is as follows:

	Balance at <u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>June 30, 2013</u>
Land, nondepreciable	\$ 150,000	-	-	150,000
Building	2,625,000	-	-	2,625,000
Building improvements— capitol dome	4,720,000	-	-	4,720,000
Furniture, fixtures, and equipment	<u>1,002,832</u>	<u>102,894</u>	<u>(113,468)</u>	<u>992,258</u>
Total cost	<u>8,497,832</u>	<u>102,894</u>	<u>(113,468)</u>	<u>8,487,258</u>
Less accumulated depreciation:				
Building	(1,122,236)	(61,337)	-	(1,183,573)
Building improvements— capitol dome	(572,120)	(143,031)	-	(715,151)
Furniture, fixtures, and equipment	<u>(722,995)</u>	<u>(93,160)</u>	<u>113,468</u>	<u>(702,687)</u>
Total accumulated depreciation	<u>(2,417,351)</u>	<u>(297,528)</u>	<u>113,468</u>	<u>(2,601,411)</u>
Capital assets, net	<u>\$ 6,080,481</u>	<u>(194,634)</u>	<u>-</u>	<u>5,885,847</u>

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) CAPITAL ASSETS, CONTINUED

	Balance at <u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>June 30, 2012</u>
Land, nondepreciable	\$ 150,000	-	-	150,000
Building	2,625,000	-	-	2,625,000
Building improvements— capitol dome	4,720,000	-	-	4,720,000
Furniture, fixtures, and equipment	<u>938,269</u>	<u>64,563</u>	-	<u>1,002,832</u>
Total cost	<u>8,433,269</u>	<u>64,563</u>	-	<u>8,497,832</u>
Less accumulated depreciation:				
Building	(1,060,899)	(61,337)	-	(1,122,236)
Building improvements— capitol dome	(429,090)	(143,030)	-	(572,120)
Furniture, fixtures, and equipment	<u>(616,371)</u>	<u>(106,624)</u>	-	<u>(722,995)</u>
Total accumulated depreciation	<u>(2,106,360)</u>	<u>(310,991)</u>	-	<u>(2,417,351)</u>
Capital assets, net	<u>\$ 6,326,909</u>	<u>(246,428)</u>	-	<u>6,080,481</u>

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) CAPITAL ASSETS, CONTINUED

A summary of capitalized lease assets included above, which are part of capital lease obligations, is as follows as of June 30:

	2013		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Capital Assets, Net</u>
Land, nondepreciable	\$ 150,000	-	150,000
Building	2,625,000	(1,183,573)	1,441,427
Building improvements—			
capitol dome	4,720,000	(715,151)	4,004,849
Furniture, fixtures, and equipment	385,000	(385,000)	-
	<u>\$ 7,880,000</u>	<u>(2,283,724)</u>	<u>5,596,276</u>
	2012		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Capital Assets, Net</u>
Land, nondepreciable	\$ 150,000	-	150,000
Building	2,625,000	(1,122,236)	1,502,764
Building improvements—			
capitol dome	4,720,000	(572,120)	4,147,880
Furniture, fixtures, and equipment	385,000	(385,000)	-
	<u>\$ 7,880,000</u>	<u>(2,079,356)</u>	<u>5,800,644</u>

ODOC has no significant infrastructure assets.

The assets are valued at cost and are depreciated using the half-year, straight-line method over their estimated useful lives. The useful lives are as follows:

Land	N/A
Building	40 years
Building improvements—	
capitol dome	33 years
Furniture, fixtures, and equipment	5–10 years

Depreciation expense for the years ended June 30, 2013 and 2012, was \$297,528 and \$310,991, respectively.

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CAPITAL LEASE OBLIGATIONS

During 1997, ODOC entered into a lease agreement with the Oklahoma Capitol Improvement Authority (the "Authority") for office space. The lease is accounted for as a capital lease. The leased asset (building and land) and related obligation are accounted for in the statements of net position.

During 2005, the Centennial Commission, a governmental agency of the State of Oklahoma, entered into a lease agreement with the Authority for building improvements. At July 1, 2008, the rights and responsibilities of the Centennial Commission transferred to ODOC, including all property, furniture, equipment, supplies, records, current and future liabilities, fund balances, encumbrances, obligations, and indebtedness associated with the Centennial Commission. The lease is accounted for as a capital lease. The leased asset (capitol dome) and related obligation are accounted for in the statements of net position.

The Authority issued revenue bonds to facilitate the acquisition of the building which ODOC occupies and for the payments for the improvements to the capitol dome, which is located on the State Capitol Building. The lease payments made by ODOC will repay the principal of the bonds, plus interest. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2013:

<u>Year Ending June 30,</u>	<u>Building</u>	<u>Capitol Dome</u>	<u>Total</u>
2014	\$ 212,275	466,663	678,938
2015	215,025	463,535	678,560
2016	212,400	464,390	676,790
2017	214,400	464,290	678,690
2018	215,900	463,590	679,490
2019–2022	<u>848,038</u>	<u>1,400,625</u>	<u>2,248,663</u>
Minimum lease payments for capital lease	1,918,038	3,723,093	5,641,131
Less amount representing interest	<u>(358,038)</u>	<u>(553,093)</u>	<u>(911,131)</u>
Present value of minimum lease payments	<u>\$ 1,560,000</u>	<u>3,170,000</u>	<u>4,730,000</u>

The leases of the building and the capitol dome expire October 1, 2021, and August 1, 2020, respectively, at which time the bonds should be paid in full. ODOC is responsible for all maintenance and insurance of the building.

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) **CAPITAL LEASE OBLIGATIONS, CONTINUED**

Changes in the lease obligations for the years ended June 30 were as follows:

	<u>2013</u>	<u>2012</u>
Balance at beginning of year	\$ 5,195,000	5,640,000
Principal payments	<u>(465,000)</u>	<u>(445,000)</u>
Balance at end of year	<u>\$ 4,730,000</u>	<u>5,195,000</u>

(5) **ACCRUED COMPENSATED ABSENCES**

Changes in accrued compensated absences for the years ended June 30 were as follows:

	<u>2013</u>	<u>2012</u>
Balance at beginning of year	\$ 676,313	670,053
Amount earned	514,913	530,606
Amount used	<u>(512,186)</u>	<u>(524,346)</u>
Balance at end of year	<u>\$ 679,040</u>	<u>676,313</u>

For the statements of net position and the statements of activities, the changes in the accounts are reflected and the amounts estimated to be current are what were used during the years ended June 30, 2013 and 2012.

(6) **DEFERRED REVENUE**

ODOC contracts with the Oklahoma Natural Gas (ONG) for the weatherizing of homes that qualify for the ONG weatherization program. Effective January 1, 2012, ODOC entered into a contract with ONG to promote energy efficiency for the cost of weatherizing homes. ODOC received \$250,000, the amount of the contract, up front and will recognize the revenue when weatherization improvements for the homes are made. During the year ended June 30, 2013, a new agreement was entered into with ONG and there was \$13,060 of deferred revenue related to ONG as of June 30, 2013. At June 30, 2012, ODOC had recognized \$38,984 in revenue, with \$211,016 recognized as deferred revenue. ODOC received an additional \$250,000 in July 2013.

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) **DEFERRED REVENUE, CONTINUED**

ODOC entered into an allocation agreement with the U.S. Department of Treasury for the State Small Business Credit Initiative established by the Small Business Jobs Act of 2010. The funds are to be used to spur lending to small businesses and create jobs in Oklahoma. At the completion and approval of the allocation agreement, ODOC received one-third of the funds up front and recognizes the revenue as contracts are entered into to lend the funds. At June 30, 2013, there was \$243,279 of deferred revenue for the program. At June 30, 2012, ODOC had received \$4,345,556 from the federal government, of which \$2,493,279 had not been recognized as revenue and was in deferred revenue. ODOC expends the funds as subgrantee expenses as the subgrantee requests funds.

(7) **STATE APPROPRIATIONS**

ODOC receives monies through appropriations from the State of Oklahoma as approved by the Oklahoma Legislature. Appropriations received for the years ended June 30, 2013 and 2012, were \$41,105,681 and \$40,605,681, respectively.

During the years ended June 30, 2013 and 2012, \$19,501 and \$8,299, respectively, of state funds were returned to the State of Oklahoma.

(8) **MATCHING REQUIREMENTS**

Certain of the federal grants require that the state or local government match the federal dollars expended. The required matching (in-kind) dollars have been reflected in the revenues and expenditures of the fund financial statements, as they are considered part of the grant.

(9) **INDIRECT COSTS**

For the years ended June 30, 2013 and 2012, ODOC had a fixed indirect cost rate (a percentage of direct salaries and wages, including applicable fringe benefits) approved by the U.S. Department of Housing and Urban Development for use in charging indirect costs. ODOC's indirect cost rate for the years ended June 30, 2013 and 2012, was 17%, which resulted in a charge of \$429,311 and \$420,337 to the various federal programs during 2013 and 2012, respectively.

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) PENSION PLAN

Description

ODOC's eligible staff are required to participate in the statewide and state-sponsored Oklahoma Public Employees Retirement System (OPERS). All full-time employees of ODOC are eligible to participate in OPERS. In general, OPERS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members.

OPERS has separately prepared audited financial statements which include historical trend information about OPERS. The trend information provides information about progress made in accumulating assets and paying benefits when due. Complete copies of the audited financial statements can be obtained from the Oklahoma Public Employees Retirement System, 5801 North Broadway Extension, Suite 400, Oklahoma City, OK 73118.

Funding Policy

Plan members and the agencies are required to contribute at a rate established by state law. The contribution rates for 2013, 2012, and 2011 fiscal years were 16.5%, 16.5%, and 15.5%, respectively, of all salaries for state agencies. State employees were required to contribute 3.5% of total salaries for 2013, 2012, and 2011.

<u>Fiscal Year</u>	<u>Employee Contribution</u>	<u>ODOC Required Contribution</u>	<u>Percentage Contributed</u>	<u>Percentage of Covered Payroll</u>
2013	\$ 276,000	1,234,000	100%	16.5%
2012	268,000	1,206,000	100%	16.5%
2011	283,000	1,214,000	100%	15.5%

See Independent Auditors' Report.

**(11) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN AND
DEFERRED SAVINGS INCENTIVE PLAN**

Deferred Compensation Plan

The State of Oklahoma offers its employees a Deferred Compensation Plan (the “Plan”) as authorized by Section 457 of the Internal Revenue Code (IRC), as amended by the Tax Reform Act of 1986, and in accordance with the provisions of Sections 1701 through 1706 of Title 74 of the Oklahoma Statutes.

The supervisory authority for the management and operation of the Plan is the Board of Trustees of the Oklahoma Public Employees Retirement System (the “Board”).

The Plan is available to all State of Oklahoma employees, as well as any elected officials receiving a salary from the State of Oklahoma. Participants may direct the investment of their contributions in available investment options offered by the Plan. The minimum contribution amount is the equivalent of \$25 per month, and participants are immediately 100% vested in their respective accounts. All interest, dividends, and investment fees are allocated to participants’ accounts.

Participants may defer until future years up to the lesser of 100% of their compensation as defined by plan documents or the maximum amount allowed each year as determined by the Internal Revenue Service.

The Plan offers a catch-up program to participants which allows them to defer annually for the 3 years prior to their year of retirement up to twice that plan year’s deferral limit. The amount of additional contributions in excess of the normal maximum contributions to the Plan are also limited to contributions for years in which the participant was eligible but did not participate in the Plan or the difference between contributions made and the maximum allowable level. To be eligible for the catch-up program, the participant must be within 3 years of retirement with no reduced benefits.

Participants age 50 or older may make additional contributions annually, subject to certain limits.

Deferred compensation benefits are paid to participants or beneficiaries upon termination, retirement, death, or unforeseeable emergency. Such benefits are based on a participant’s account balance and are disbursed in a lump sum or periodic payments at the option of the participant or beneficiaries in accordance with the Plan’s provisions.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(11) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN AND DEFERRED SAVINGS INCENTIVE PLAN, CONTINUED

Deferred Compensation Plan, Continued

Effective January 1, 1998, the Board established a trust and a trust fund covering the Plan's assets, pursuant to federal legislation enacted in 1996, requiring public employers to establish such trusts for plans meeting the requirements of Section 457 of the IRC no later than January 1, 1999. Under the terms of the trust, the corpus or income of the trust fund may be used only for the exclusive benefit of the Plan's participants and their beneficiaries. Prior to the establishment of the trust, the Plan's assets were subject to the claims of general creditors of the State. The Board acts as trustee of the trust. The participants' accounts are invested in accordance with the investment elections of the participants. The Board is accountable for all deferred compensation received, but has no duty to require any compensation to be deferred or to determine that the amounts received comply with the Plan or to determine that the trust fund is adequate to provide the benefits payable pursuant to the Plan.

Further information may be obtained from the Plan's audited financial statements for the years ended June 30, 2013 and 2012. ODOC believes that it has no liabilities with respect to the Plan.

Deferred Savings Incentive Plan

Effective January 1, 1998, the State of Oklahoma established the Oklahoma State Employees Deferred Savings Incentive Plan (the "Savings Incentive Plan") as a money purchase pension plan pursuant to IRC Section 401(a). The Savings Incentive Plan and its related trust are intended to meet the requirements of IRC Sections 401(a) and 501(a).

Any qualified participant who is a state employee and is an active participant in the Plan is eligible for a contribution of the amount determined by the Oklahoma Legislature, currently the equivalent of \$25 per month. Participation in the Savings Incentive Plan is automatic in the month of participation in the Plan and is not voluntary.

Upon cessation of contributions to the Plan, termination of employment with the State of Oklahoma, retirement, or death, a participant will no longer be eligible for contributions from the State of Oklahoma into the Savings Incentive Plan. Participants are at all times 100% vested in their Savings Incentive Plan account. Participant contributions are not required or permitted. Qualified participants may make rollover contributions to the Savings Incentive Plan, provided such rollover contributions meet applicable requirements of the IRC. Plan participants may direct the investment of the contributions in available investment options offered by the Savings Incentive Plan. All interest, dividends, and investment fees are allocated to the participants' accounts.

Savings Incentive Plan benefits are paid to participants or beneficiaries upon termination, retirement, or death. Such benefits are based on a participant's account balance and are disbursed in a lump sum or periodic payments or may be rolled over to a qualified plan at the option of the participant or beneficiaries.

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(12) RISK MANAGEMENT

The Risk Management Division of the Division of Capital Assets Management, a Division of the Office of Management and Enterprise Services, (the “Division”) is responsible for the acquisition and administration of all insurance purchased by the State of Oklahoma or administration of any self-insurance plans and programs adopted for use by the State of Oklahoma for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The Division is authorized to settle claims of the State of Oklahoma and shall govern the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided by the State of Oklahoma, an agency, or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Government Tort Claims Act, as provided by Title 51 O.S. Supp. 1988, Section 154. The Division oversees the collection of claims owed to the State of Oklahoma incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Division is also charged with the responsibility to immediately notify the attorney general of any claims against the State of Oklahoma presented to the Division. The Division purchases insurance policies through third-party insurance carriers that ultimately inherit the risk of loss. The Division annually assesses each State agency, including ODOC, their pro rata share of the premiums purchased. ODOC has no obligations to any claims submitted against ODOC.

(13) NATIVE AMERICAN CULTURAL AND EDUCATIONAL AUTHORITY (NACEA)

The objective of NACEA is to promote the history and culture of Native Americans for the mutual benefit of the state of Oklahoma and its Native American and non-Native American citizens. The operations of NACEA which flow through ODOC are included in ODOC’s General Fund.

ODOC receives state appropriations yearly for NACEA’s operations. For each of the years ended June 30, 2013 and 2012, ODOC received state appropriations earmarked for NACEA of approximately \$6,784,000. For the years ended June 30, 2013 and 2012, NACEA’s expenditures, as administered by ODOC, were approximately \$6,906,000 and \$6,409,000, respectively.

See Independent Auditors’ Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(14) COMMITMENTS AND CONTINGENT LIABILITIES

Grant Programs

In the normal course of operations, ODOC participates in a number of federally assisted grant programs. These programs are subject to audits by the grantors or their representatives. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under the terms of the grant. Presently, ODOC has no such requests pending and, in the opinion of management, any such amounts would not be considered material.

ODOC was recently monitored by the Department of Labor. While a final report has not been completed, there were several issues discussed which may lead to some questioned costs. Such amounts, if any, are not considered material by management.

In the administration of its grant programs, ODOC subcontracts with numerous subgrantees throughout the state of Oklahoma to accomplish the overall goals of grant agreements. In the administration of subgrantee activities, ODOC requires that an audit of the subgrantee's financial statements be performed by independent certified public accountants on an annual basis. While the subgrantee is held accountable for all questioned costs, ODOC is ultimately responsible to the grantor agency for the funds it receives. ODOC's policy is to require subgrantees to resolve questioned costs on a timely basis.

Leasing Agreements

ODOC leases space and various items of equipment under annual renewable operating leases. As of June 30, 2013 and 2012, there were no significant operating lease commitments outstanding.

Legal

ODOC is occasionally involved in legal proceedings in the normal course of operations. At June 30, 2013, there was no litigation outstanding.

See Independent Auditors' Report.

**STATE OF OKLAHOMA
DEPARTMENT OF COMMERCE**

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

**COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—BUDGET TO ACTUAL
(BUDGETARY BASIS)—GENERAL FUND**

Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
State appropriations	\$ 29,573,212	29,573,212	41,105,681	11,532,469
Federal grant revenues and program income	66,234,112	80,867,965	71,010,478	(9,857,487)
Other	1,307,024	7,812,233	8,240,198	427,965
Total revenues	<u>97,114,348</u>	<u>118,253,410</u>	<u>120,356,357</u>	<u>2,102,947</u>
Expenditures:				
Subgrantee expenditures	85,080,762	98,986,679	79,638,818	19,347,861
Salaries, wages, and benefits	11,402,306	11,356,654	11,431,709	(75,055)
Contractual and professional	5,841,545	15,560,237	9,954,526	5,605,711
Travel	1,316,982	1,393,982	739,943	654,039
Capitol dome leases, space and equipment rental	6,520,716	6,520,716	5,766,309	754,407
Equipment	116,987	179,487	618,421	(438,934)
Maintenance	268,850	376,550	528,244	(151,694)
Miscellaneous administrative expenses	3,235,101	4,452,164	2,858,832	1,593,332
Total expenditures	<u>113,783,249</u>	<u>138,826,469</u>	<u>111,536,802</u>	<u>27,289,667</u>
Revenues (less than) in excess of expenditures	(16,668,901)	(20,573,059)	8,819,555	29,392,614
Budgetary fund balance— beginning of year	<u>(112,424,156)</u>	<u>(145,637,938)</u>	<u>48,796,037</u>	<u>194,433,975</u>
Budgetary fund balance— end of year	<u>\$ (129,093,057)</u>	<u>(166,210,997)</u>	<u>57,615,592</u>	<u>223,826,589</u>

(Continued)

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

**COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—BUDGET TO ACTUAL
(BUDGETARY BASIS)—GENERAL FUND, CONTINUED**

Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
State appropriations	\$ 29,073,212	29,073,212	40,605,681	11,532,469
Federal grant revenues and program income	103,658,219	129,423,924	95,525,906	(33,898,018)
Other	1,296,545	1,784,891	1,265,937	(518,954)
Total revenues	<u>134,027,976</u>	<u>160,282,027</u>	<u>137,397,524</u>	<u>(22,884,503)</u>
Expenditures:				
Subgrantee expenditures	122,121,308	148,648,786	120,408,177	28,240,609
Salaries, wages, and benefits	11,788,385	13,471,507	10,303,913	3,167,594
Contractual and professional	5,739,276	6,937,652	9,033,914	(2,096,262)
Travel	1,200,484	1,496,330	737,310	759,020
Building and capitol dome leases	5,925,951	6,367,432	649,716	5,717,716
Space and equipment rental	260,739	260,739	111,107	149,632
Equipment	34,500	48,775	329,701	(280,926)
Maintenance	332,633	362,633	306,575	56,058
Miscellaneous administrative expenses	<u>2,739,450</u>	<u>4,063,764</u>	<u>2,725,108</u>	<u>1,338,656</u>
Total expenditures	<u>150,142,726</u>	<u>181,657,618</u>	<u>144,605,521</u>	<u>37,052,097</u>
Revenues less than expenditures	(16,114,750)	(21,375,591)	(7,207,997)	14,167,594
Budgetary fund balance— beginning of year	<u>(96,309,406)</u>	<u>(124,262,347)</u>	<u>56,004,034</u>	<u>180,266,381</u>
Budgetary fund balance— end of year	<u><u>\$ (112,424,156)</u></u>	<u><u>(145,637,938)</u></u>	<u><u>48,796,037</u></u>	<u><u>194,433,975</u></u>

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

**COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—BUDGET TO ACTUAL
(BUDGETARY BASIS)—GENERAL FUND, CONTINUED**

Years Ended June 30, 2013 and 2012

Certain appropriations, if unexpended, may be transferred to the next fiscal year's budget for expenditures. Unexpended amounts so transferred may then be rebudgeted in the next fiscal year. Unexpended 2012 amounts transferred to 2013 and rebudgeted approximated \$3,400,000. Unexpended 2011 amounts transferred to 2012 and rebudgeted approximated \$1,859,000.

The budget for the General Fund includes the originally approved appropriations for expenditures as adjusted for budget reductions, supplementary appropriations, and approved transfers between budget categories.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriations, is employed as an extension of the formal budgetary process of the General Fund.

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

**RECONCILIATION OF DIFFERENCES BETWEEN
BUDGETARY BASIS AND REPORT BASIS—GENERAL FUND**

Year Ended June 30, 2013

	<u>Actual per Audit Report</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>
Revenues:			
State appropriations	\$ 41,105,681	-	41,105,681
Federal grants	68,827,586	2,182,892	71,010,478
Other	47,072,634	(38,832,436)	8,240,198
Total revenues	<u>157,005,901</u>	<u>(36,649,544)</u>	<u>120,356,357</u>
Expenditures:			
Subgrantee expenditures	79,638,818	-	79,638,818
Salaries, wages, and benefits	10,604,035	827,674	11,431,709
Contractual and professional	9,069,310	885,216	9,954,526
Travel	721,241	18,702	739,943
Capitol dome leases, space and equipment rental	768,858	4,997,451	5,766,309
Equipment	615,134	3,287	618,421
Maintenance	521,549	6,695	528,244
Miscellaneous administrative expenses	48,167,327	(45,308,495)	2,858,832
Total expenditures	<u>150,106,272</u>	<u>(38,569,470)</u>	<u>111,536,802</u>
Revenues in excess of expenditures	6,899,629	1,919,926	8,819,555
Fund balance—July 1, 2012	<u>21,333,058</u>	<u>27,462,979</u>	<u>48,796,037</u>
Fund balance—June 30, 2013	<u>\$ 28,232,687</u>	<u>29,382,905</u>	<u>57,615,592</u>

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

**RECONCILIATION OF DIFFERENCES BETWEEN
BUDGETARY BASIS AND REPORT BASIS—GENERAL FUND, CONTINUED**

Year Ended June 30, 2012

	<u>Actual per Audit Report</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>
Revenues:			
State appropriations	\$ 40,605,681	-	40,605,681
Federal grants	93,571,676	1,954,230	95,525,906
Other	41,598,644	(40,332,707)	1,265,937
Total revenues	<u>175,776,001</u>	<u>(38,378,477)</u>	<u>137,397,524</u>
Expenditures:			
Subgrantee expenditures	120,408,177	-	120,408,177
Salaries, wages, and benefits	10,303,913	-	10,303,913
Contractual and professional	9,033,914	-	9,033,914
Travel	737,310	-	737,310
Building and capitol dome leases	649,716	-	649,716
Space and equipment rental	111,107	-	111,107
Equipment	329,701	-	329,701
Maintenance	306,575	-	306,575
Miscellaneous administrative expenses	<u>47,523,480</u>	<u>(44,798,372)</u>	<u>2,725,108</u>
Total expenditures	<u>189,403,893</u>	<u>(44,798,372)</u>	<u>144,605,521</u>
Revenues (less than) in excess of expenditures	(13,627,892)	6,419,895	(7,207,997)
Fund balance—July 1, 2011	<u>34,960,950</u>	<u>21,043,084</u>	<u>56,004,034</u>
Fund balance—June 30, 2012	<u>\$ 21,333,058</u>	<u>27,462,979</u>	<u>48,796,037</u>

See Independent Auditors' Report.

**STATE OF OKLAHOMA
DEPARTMENT OF COMMERCE**

**REPORTS AND SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS AND
*OMB CIRCULAR A-133***

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award Amount</u>	<u>Fund Balance June 30, 2012</u>	<u>Current Grant Year Revenues</u>	<u>Other Revenues</u>	<u>Current Grant Year Federal Expenditures</u>	<u>Other Expenditures</u>	<u>Transfers</u>	<u>Fund Balance June 30, 2013</u>
DEPARTMENT OF ENERGY										
Weatherization	81.042	*								
FY 13		DE-EE0006178	\$ 2,023,225	-	-	-	-	-	-	-
FY 12		DE-EE0000063	679,076	(2,605)	1,464,338	-	1,464,764	-	39,032	36,001
FY 11		DE-EE0000063	1,964,590	29,413	-	-	26,443	-	(2,970)	-
FY 10		DE-EE0000063	2,029,472	36,062	-	-	-	-	(36,062)	-
FY 09		DE-EE0000063	5,150,319	-	-	-	-	-	-	-
FY 08		DE-FG26-03R830008	3,399,575	-	-	-	-	-	-	-
ARRA—Weatherization		DE-EE0000153	63,435,436	1,186,169	2,951,071	-	4,077,964	-	-	59,276
State Energy Program	81.041	*								
FY 12		DE-FG26-07NT43203	421,000	-	317,170	586,533	477,680	571,565	29,228	(116,314)
FY 11		DE-FG26-07NT43203	558,000	(72,660)	119,311	(1,116)	40,012	(4,068)	7,029	16,620
FY 10		DE-FG26-07NT43203	434,294	38,601	-	-	-	-	(29,207)	9,394
FY 09		DE-FG26-07NT43203	345,000	7,051	-	-	-	-	(7,051)	-
FY 08		DE-FG26-07NT43203	627,294	-	-	-	-	-	-	-
FY 07		DE-FG26-07NT43203	582,191	-	-	-	-	-	-	-
State Energy Program—Revolving Loan Fund		N/A	N/A	90,499	-	671,785	-	-	-	762,284
ARRA—State Energy Program		DE-EE0000063	46,704,000	1,593,073	3,541,022	7,351,544	5,139,878	7,345,999	-	(238)
Renewable Energy Research and Development	81.087									
FY 10 Wind Power		DE-EE0000539	400,000	(196)	6,172	362	2,361	-	-	3,977
ARRA—Energy Efficiency and Conservation Block Grant	81.128	*	DE-EE0000922	9,593,500	1,518,701	1,412,897	2,908,993	947,031	-	27,884
ARRA—Electricity Delivery and Energy Reliability, Research, Development, and Analysis	81.122		DE-OE0000105	534,197	(1,540)	77,277	75,671	-	-	961
ARRA—Energy Efficiency Appliance Rebate Program	81.127		DE-EE0001611	3,495,000	5,011	(7,986)	(2,975)	-	-	-

(Continued)

See Independent Auditors' Report.

See accompanying notes to Schedule of Expenditures of Federal Awards.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award Amount</u>	<u>Fund Balance June 30, 2012</u>	<u>Current Grant Year Revenues</u>	<u>Other Revenues</u>	<u>Current Grant Year Federal Expenditures</u>	<u>Other Expenditures</u>	<u>Transfers</u>	<u>Fund Balance June 30, 2013</u>
DEPARTMENT OF ENERGY—										
PASSED THROUGH STATE OF										
OKLAHOMA GOVERNOR'S OFFICE										
Stripper Well Alternative Fuels	N/A	97	650,000	656,185	-	31,863	-	-	-	688,048
CEEMP	N/A	95	245,632	551,270	-	58,185	-	-	-	609,455
EIRLF	N/A	95	1,000,000	455,635	-	75,582	-	-	-	531,217
HELP	N/A	07	1,000,000	921,694	-	113,911	-	-	-	1,035,605
SALP	N/A	96	1,100,000	303,233	-	95,174	-	-	-	398,407
DEPARTMENT OF HOUSING AND										
URBAN DEVELOPMENT										
Community Development Block Grants—										
State-Administered Small Cities										
Program Cluster	14.228	*								
FY 13		B-13-DC-40-0001	13,497,021	-	2,275	-	2,275	-	-	-
FY 12		B-12-DC-40-0001	13,016,213	(23,830)	3,652,346	437,884	3,586,471	230,954	-	248,975
FY 11		B-11-DC-40-0001	14,578,062	377,629	5,913,237	878,014	5,614,224	-	-	1,554,656
FY 10		B-10-DC-40-0001	17,354,448	812,813	2,388,085	378,932	2,074,914	22,238	-	1,482,678
FY 09		B-09-DC-40-0001	16,243,555	(27,617)	630,819	115,098	425,917	-	-	292,383
FY 08		B-08-DC-40-0001	15,972,200	426,167	269,823	7,387	250,304	-	-	453,073
FY 07		B-07-DC-40-0001	17,320,561	88,964	(9,250)	14,050	97,375	-	-	(3,611)
FY 06		B-06-DC-40-0001	17,215,512	11,000	103,790	-	21,500	-	-	93,290
FY 05		B-05-DC-40-0001	19,092,030	9,761	192,221	1,029	50,261	-	-	152,750
FY 04		B-04-DC-40-0001	20,044,319	4,550	64,714	18,951	18,951	-	-	69,264
FY 03		B-03-DC-40-0001	19,757,000	5,621	44,926	-	-	-	-	50,547
FY 02		B-02-DC-40-0001	21,396,000	491	-	-	-	-	-	491
FY 01		B-01-DC-40-0001	21,738,000	(44,133)	79,208	-	-	-	-	35,075
FY 00		B-00-DC-40-0001	20,878,000	-	-	-	-	-	-	-

(Continued)

See Independent Auditors' Report.

See accompanying notes to Schedule of Expenditures of Federal Awards.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award Amount</u>	<u>Fund Balance June 30, 2012</u>	<u>Current Grant Year Revenues</u>	<u>Other Revenues</u>	<u>Current Grant Year Federal Expenditures</u>	<u>Other Expenditures</u>	<u>Transfers</u>	<u>Fund Balance June 30, 2013</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, CONTINUED										
Community Development Block Grants—										
State-Administered Small Cities										
Program Cluster, Continued	14.228	*								
FY 99		B-99-DC-40-0001	20,668,000	-	-	-	-	-	-	-
FY 98		B-98-DC-40-0001	20,466,000	-	-	-	-	-	-	-
FY 97		B-97-DC-40-0001	20,869,000	-	-	-	-	-	-	-
FY 96		B-96-DC-40-0001	21,079,000	-	-	-	-	-	-	-
FY 95		B-95-DC-40-0001	21,567,000	-	-	-	-	-	-	-
FY 94		B-94-DC-40-0001	21,339,000	-	-	-	-	-	-	-
FY 93		B-93-DC-40-0001	19,061,000	77,357	-	799	78,156	-	-	-
CDBG—ED		N/A	N/A	891,294	92,678	(422,694)	272,710	-	-	288,568
CDBG—CD		N/A	N/A	14,085	-	16,347	10,889	-	-	19,543
CDBG—Disaster Recovery		B-08-DF-40-0001-DF1	1,793,876	6,613	1,632,121	-	922,719	-	-	716,015
Neighborhood Stabilization Program	14.228	*								
FY 11		B-11-DN-40-0001	5,000,000	(7,884)	4,600,840	-	4,601,150	-	-	(8,194)
FY 08		B-08-DN-40-0001	29,969,459	380,086	786,318	15,958	938,571	-	-	243,791
ARRA—Community Development Block Grant	14.255	*	B-09-DY-40-0001	4,333,265	461	1,422,612	-	1,423,024	-	49
Emergency Solutions Grant Program	14.231	*								
FY 13		E-13-DC-40-0001	1,268,344	-	-	-	-	-	-	-
FY 12		E-12-DC-40-0001	1,667,424	(14,018)	650,420	677,365	596,233	677,366	-	40,168
FY 11		E-11-DC-40-0001	929,475	(77,928)	566,052	416,766	513,413	416,766	-	(25,289)
FY 10		S-10-DC-40-0001	926,824	-	-	-	-	-	-	-
FY 09		S-09-DC-40-0001	924,420	-	-	-	(2,500)	-	-	2,500
ARRA—Homeless Prevention and Rapid Re-Housing Program	14.257	*	S-09-DY-40-0001	8,101,391	189,076	322,013	-	513,105	-	(2,016)

(Continued)

See Independent Auditors' Report.

See accompanying notes to Schedule of Expenditures of Federal Awards.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award Amount</u>	<u>Fund Balance June 30, 2012</u>	<u>Current Grant Year Revenues</u>	<u>Other Revenues</u>	<u>Current Grant Year Federal Expenditures</u>	<u>Other Expenditures</u>	<u>Transfers</u>	<u>Fund Balance June 30, 2013</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES										
Community Services Block Grant	93.569									
FY 13		G13B1OKCOSR	7,561,949	-	1,721,522	-	796,687	-	-	924,835
FY 12		G12B1OKCOSR	8,062,881	573,724	4,890,920	-	5,319,034	-	-	145,610
FY 11		G11B1OKCOSR	8,096,247	(18,048)	427,513	-	489,181	-	-	(79,716)
FY 10		G10B1OKCOSR	8,326,884	91,968	1,325	-	-	-	-	93,293
ARRA—Community Services Block Grant	93.710	G-0901OKCOS2	11,965,297	(18,001)	-	-	(18,001)	-	-	-
Head Start	93.600									
FY 13		06CD0019/03	178,152	-	39,695	-	39,695	-	-	-
FY 12		06CD0019/02	175,000	23,265	102,625	21,486	125,890	21,486	-	-
FY 11		06CD0019/01	175,000	-	-	-	-	-	-	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES—PASSED THROUGH OKLAHOMA DEPARTMENT OF HUMAN SERVICES										
LIHEAP/Weatherization	93.568									
FY 12		ODHS 12 LIHEAP	3,450,000	-	1,168,060	-	1,293,069	-	-	(125,009)
FY 11		ODHS 11 LIHEAP	1,000,000	83,764	463,328	-	547,092	-	-	-
FY 10		ODHS 10 LIHEAP	1,000,000	5,728	-	-	(4,324)	-	-	10,052
FY 09		ODHS 09 LIHEAP	2,200,000	(638)	-	-	(638)	-	-	-
FY 08		ODHS 08 LIHEAP	1,000,000	-	-	-	-	-	-	-

(Continued)

See Independent Auditors' Report.

See accompanying notes to Schedule of Expenditures of Federal Awards.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award Amount</u>	<u>Fund Balance June 30, 2012</u>	<u>Current Grant Year Revenues</u>	<u>Other Revenues</u>	<u>Current Grant Year Federal Expenditures</u>	<u>Other Expenditures</u>	<u>Transfers</u>	<u>Fund Balance June 30, 2013</u>
DEPARTMENT OF LABOR										
Workforce Investment Act Cluster										
WIA/Adult Statewide	17.258									
FY 13 Workforce Adult Statewide		AA22956LX0	5,809,594	-	3,644,758	-	3,019,096	-	-	625,662
PY 12 Workforce Adult Statewide		AA22956JL0	479,868	-	478,891	-	445,664	-	-	33,227
FY 12 Workforce Adult Statewide		AA21416HB0	5,872,275	115,228	2,474,823	-	2,496,756	-	-	93,295
PY 11 Workforce Adult Statewide		AA21416FO0	493,379	10,236	10,402	-	21,020	-	-	(382)
FY 11 Workforce Adult Statewide		AA20214CX0	5,374,726	66,198	63,389	-	111,490	-	-	18,097
PY 10 Workforce Adult Statewide		AA20214AS0	1,131,106	21,364	(6,289)	-	14,635	-	-	440
FY 10 Workforce Adult Statewide		AA186628D	5,250,346	(3,230)	5,764	-	2,534	-	-	-
PY 09 Workforce Adult Statewide		AA186626X	1,102,720	-	-	-	-	-	-	-
WIA/Youth Services	17.259									
PY 13 Workforce Youth Services		AA24113OQ0	5,982,158	-	2,133	-	14,660	-	-	(12,527)
PY 12 Workforce Youth Services		AA22956JP0	6,676,111	(10,701)	4,595,600	-	3,789,426	-	-	795,473
PY 11 Workforce Youth Services		AA21416EZ0	6,877,913	(354,497)	2,520,708	-	2,162,284	-	-	3,927
PY 10 Workforce Youth Services		AA20214AFO	6,970,582	114,464	59,511	-	164,044	-	-	9,931
PY 09 Workforce Youth Services		AA186626E	6,773,423	2,129	2,781	-	4,910	-	-	-
WIA/Dislocated Workers										
FY 13 Workforce Dislocated Workers	17.278	AA22956LZ0	4,963,178	-	1,705,486	-	1,332,398	-	-	373,088
PY 12 Workforce Dislocated Workers	17.278	AA22956JN0	855,003	-	565,663	-	530,650	-	-	35,013
FY 12 Workforce Dislocated Workers	17.278	AA21416HD0	5,510,019	(35,241)	2,949,500	-	2,530,276	-	-	383,983
PY 11 Workforce Dislocated Workers	17.278	AA21416FQ0	1,323,279	(4,822)	367,291	-	357,965	-	-	4,504
FY 11 Workforce Dislocated Workers	17.278	AA20214CZ0	5,006,489	145,628	278,764	-	435,745	-	-	(11,353)
PY 10 Workforce Dislocated Workers	17.278	AA20214AU0	1,889,012	106,958	189,900	-	189,195	-	-	107,663
FY 10 Workforce Dislocated Workers	17.260	AA186628F	4,127,593	36,714	16,208	-	52,922	-	-	-
PY 09 Workforce Dislocated Workers	17.260	AA186626Z	1,634,683	1,331	(246)	-	1,085	-	-	-

(Continued)

See Independent Auditors' Report.

See accompanying notes to Schedule of Expenditures of Federal Awards.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award Amount</u>	<u>Fund Balance June 30, 2012</u>	<u>Current Grant Year Revenues</u>	<u>Other Revenues</u>	<u>Current Grant Year Federal Expenditures</u>	<u>Other Expenditures</u>	<u>Transfers</u>	<u>Fund Balance June 30, 2013</u>
DEPARTMENT OF LABOR, CONTINUED										
WIA/Heroes at Home/ Military Spouse Initiative National Emergency Grant										
FY 11 BRAC	17.277	EM18155DE0	1,690,122	42,414	479,719	-	341,381	-	-	180,752
FY 08 BRAC	17.260	EM181554F	1,500,000	170,119	(532)	-	164,025	-	-	5,562
FY 07 BRAC	17.260	MI16376VS/XS	2,500,000	(131,574)	131,574	-	-	-	-	-
WIA/Dislocated Workers/ National Emergency Grant										
Disaster Recovery Employment FY 13	17.277	EM-24380-13-60-A-40	5,000,000	-	1,244	-	8,564	-	-	(7,320)
Workforce Data Quality Initiative Grant	17.261	MI-23215-12-60-A-40	1,000,000	-	22,934	-	23,567	-	-	(633)
H-1B Technical Skills Training Grant	17.268	HG-22622-12-60-A-40	5,000,000	(4,377)	559,190	-	551,679	-	-	3,134
ARRA—State Energy Sector Partnership and Training Grant	17.275 *	GJ-19904-10-60-A-40	6,000,000	8,852	2,352,617	26,683,774	2,323,178	26,683,774	-	38,291
Veterans Employment and Training Grant— Homeless Veterans Reintegration Program	17.805	SD-23037HV2	7,000	-	-	-	-	-	-	-
DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY—PASSED THROUGH OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY										
Brownfield's Cleanup Revolving Loan Fund	66.811	N/A	880,000	17,402	-	5,357	-	-	-	22,759 (Continued)

See Independent Auditors' Report.

See accompanying notes to Schedule of Expenditures of Federal Awards.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award Amount</u>	<u>Fund Balance June 30, 2012</u>	<u>Current Grant Year Revenues</u>	<u>Other Revenues</u>	<u>Current Grant Year Federal Expenditures</u>	<u>Other Expenditures</u>	<u>Transfers</u>	<u>Fund Balance June 30, 2013</u>
U.S. SMALL BUSINESS ADMINISTRATION										
State Trade and Export Promotion	59.061									
FY 12		SBAHQ-11-IT-0004	825,733	76,384	298,192	163,977	374,576	163,977	-	-
FY 13		SBAHQ-12-IT-0013	383,077	-	77,146	-	288,308	-	143,871	(67,291)
U.S. DEPARTMENT OF TREASURY										
State Small Business Credit Initiative	N/A	2011SSBCIOK	13,168,350	1,180,314	2,735,000	-	2,605,263	-	-	1,310,051
INSTITUTE OF MUSEUM AND LIBRARY SERVICES										
National Endowment for Humanities— Oklahoma Humanities Council	45.129	N/A	20,000	5,082	-	-	-	-	-	5,082
National Leadership Grants FY 10	45.312	CM-00-10-0015-10	<u>750,000</u>	<u>189,211</u>	<u>143,957</u>	<u>-</u>	<u>333,168</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL			<u>\$ 770,457,349</u>	<u>12,923,502</u>	<u>68,827,586</u>	<u>39,367,508</u>	<u>69,498,602</u>	<u>37,077,088</u>	<u>143,870</u>	<u>14,686,776</u>

* A major program as determined by the auditors.

See Independent Auditors' Report.
See accompanying notes to Schedule of Expenditures of Federal Awards.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

(1) **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of ODOC under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of ODOC, it is not intended to and does not present the financial position or changes in financial position of ODOC.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) **OTHER REVENUES**

Other revenues consisted of the following as of June 30, 2013:

Program income	\$ 2,172,992
Interest	87,428
In-kind matching	37,077,088
Other	<u>30,000</u>
	<u>\$ 39,367,508</u>

(4) **EXPENDITURES AND SUBGRANTEES**

Expenditures are presented in two columns: federal expenditures and other expenditures. Other expenditures consist of matching expenditures, both state and local. For the year ended June 30, 2013, subgrantees of ODOC expended approximately \$61,816,000, or 89%, of federal expenditures and approximately \$36,322,000, or 98%, of matching expenditures.

The federal expenditures of \$69,498,602 are included in total expenditures per the Statements of Revenue, Expenditures, and Changes in Fund Balances—General Fund.

See Independent Auditors' Report.



**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

State of Oklahoma
Department of Commerce

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the State of Oklahoma Department of Commerce ("ODOC"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise ODOC's basic financial statements, and have issued our report thereon dated October 29, 2013. Our report includes an explanatory paragraph to emphasize the fact that the financial statements include only that portion of the State of Oklahoma that is attributable to transactions of ODOC. In addition, our report includes an explanatory paragraph disclaiming an opinion on required supplementary information and an explanatory paragraph to emphasize the adoption of GASB Statement No. 63 by ODOC.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ODOC's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ODOC's internal control. Accordingly, we do not express an opinion on the effectiveness of ODOC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, CONTINUED**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ODOC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ODOC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ODOC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 29, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

State of Oklahoma
Department of Commerce

Report on Compliance for Each Major Federal Program

We have audited the State of Oklahoma Department of Commerce's ("ODOC") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ODOC's major federal programs for the year ended June 30, 2013. ODOC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of ODOC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ODOC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ODOC's compliance.

Opinion on Each Major Federal Program

In our opinion, ODOC complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED**

Report on Internal Control Over Compliance

Management of ODOC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ODOC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ODOC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 29, 2013

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

SECTION I—SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ None Noted

Significant deficiency(ies) identified that are not considered
to be material weakness(es)?

☐ Yes ☒ None Reported

Noncompliance material to financial statements noted?

☐ Yes ☒ None Noted

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐ Yes ☒ None Noted

Significant deficiency(ies) identified that are not considered
to be material weakness(es)?

☐ Yes ☒ None Reported

Type of auditors' report issued on compliance for the major programs:

Unmodified

Any audit findings disclosed that are required to be reported in
accordance with section 510(a) of Circular A-133?

☐ Yes ☒ No

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

SECTION I—SUMMARY OF AUDITORS' RESULTS, CONTINUED

Federal Awards, Continued

Identification of major programs:

<u>Federal CFDA #</u>	<u>Name of Federal Program</u>
	<i>Department of Energy</i>
81.042	Weatherization
81.042	ARRA—Weatherization
81.041	State Energy Program
81.041	ARRA—State Energy Program
81.128	ARRA—Energy Efficiency and Conservation Block Grant
	<i>Department of Housing and Urban Development</i>
	CDBG Cluster:
14.228	Community Development Block Grants
14.228	Neighborhood Stabilization Program
14.255	ARRA—Community Development Block Grant
14.231	Emergency Solutions Grant Program
14.257	ARRA—Homeless Prevention and Rapid Re-Housing Program
	<i>Department of Labor</i>
17.275	ARRA—State Energy Sector Partnership and Training Grant

Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

SECTION II—FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2013

There were no findings or questioned costs noted in the June 30, 2012, audit report.