

# **State of Oklahoma**

## **Department of Commerce**

### *Financial Statements*

June 30, 2014 and 2013  
(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, 2014 and 2013, 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, 2014 and 2013, 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 Matter**

#### *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, 2014 and 2013, 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.

### **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 27, 2014, 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 27, 2014

## **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, 2014 and 2013. It should be read in conjunction with the financial statements which begin on page 4.

### **Discussion of the Basic Financial Statements**

The 2014 and 2013 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, 2014 and 2013.

**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, 2014 and 2013.

#### *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>2014</u>	<u>2013</u>	<u>2012</u>
<b>Assets</b>			
Current assets	\$ 45,875,833	39,001,343	33,691,100
Noncurrent assets	19,304,949	17,716,786	18,834,021
Total assets	<u>65,180,782</u>	<u>56,718,129</u>	<u>52,525,121</u>
<b>Liabilities</b>			
Current liabilities	11,309,558	11,765,842	13,347,388
Noncurrent liabilities	3,867,391	4,411,854	4,881,967
Total liabilities	<u>15,176,949</u>	<u>16,177,696</u>	<u>18,229,355</u>
Net position	<u>\$ 50,003,833</u>	<u>40,540,433</u>	<u>34,295,766</u>

Current assets primarily consist of cash and receivables from grantors. In addition, as of June 30, 2014 and 2013, there was approximately \$14,614,000 and \$9,634,000, 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 and deferred revenue, along with the current portion of capital lease obligations of \$505,000 and \$485,000 at June 30, 2014 and 2013, respectively, and the current portion of compensated absences of approximately \$512,000 at both June 30, 2014 and 2013, respectively. There was deferred revenue of approximately \$4,614,000 and \$256,000 as of June 30, 2014 and 2013, respectively. Noncurrent liabilities consisted of lease obligations, net of the current portion, of \$3,740,000 and \$4,245,000 at June 30, 2014 and 2013, respectively, and accrued compensated absences, less the current portion, of approximately \$127,000 and \$167,000 at June 30, 2014 and 2013, respectively.

Net position was composed of the net investment in capital assets of approximately \$1,347,000 and \$1,156,000 at June 30, 2014 and 2013, respectively. Restricted net position totaled approximately \$43,765,000 and \$35,363,000 at June 30, 2014 and 2013, 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, 2014 and 2013; approximately \$1,630,000 restricted for the Oklahoma Bioenergy Center Fund at both June 30, 2014 and 2013; approximately \$6,725,000 restricted for the Oklahoma Quick Action Closing Fund at both June 30, 2014 and 2013; and approximately \$356,000 and \$347,000 restricted for the Oklahoma Viticulture and Enology Development Fund at June 30, 2014 and 2013, respectively. Unrestricted net position approximated \$4,892,000 and \$4,022,000 at June 30, 2014 and 2013, respectively. Subsequent to June 30, 2014, the State of Oklahoma recaptured the Opportunity Fund balance pursuant to 2014 O.S.L 420.164.

A significant portion of the statements of activities is represented by state appropriations. For the years ended June 30, 2014 and 2013, approximately \$44,106,000 and \$41,106,000, respectively, was transferred to ODOC from State of Oklahoma appropriated revenues. Grant programs as of June 30, 2014 and 2013, accounted for approximately \$66,930,000 and \$106,576,000, respectively, of expenses and approximately \$72,551,000 and \$107,185,000, respectively, of revenues.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

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

At June 30, 2014 and 2013, the statements of net position reflect assets in excess of liabilities of approximately \$50,004,000 and \$40,540,000, respectively; approximately \$34,910,000 and \$26,518,000, respectively, of net position was restricted for grant operations. For the years ended June 30, 2014 and 2013, the statements of activities reflect a change in net position of approximately \$9,463,000 and \$6,245,000, 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*

	<b><u>Balance Sheets</u></b>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash, including short-term investments	\$ 28,368,887	23,510,527	22,156,960
Subgrantee advances	14,613,704	9,634,394	5,649,838
Grants receivable	2,718,021	5,804,602	5,679,078
Accounts receivable	<u>175,221</u>	<u>51,820</u>	<u>205,224</u>
Total assets	<u>\$ 45,875,833</u>	<u>39,001,343</u>	<u>33,691,100</u>
Accounts payable	\$ 5,678,293	10,512,317	9,653,747
Deferred revenue	4,613,995	256,339	2,704,295
Fund balances	<u>35,583,545</u>	<u>28,232,687</u>	<u>21,333,058</u>
Total liabilities and fund balances	<u>\$ 45,875,833</u>	<u>39,001,343</u>	<u>33,691,100</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>2014</u>	<u>2013</u>	<u>2012</u>
Revenues and other sources:			
State appropriations	\$ 44,105,681	41,105,681	40,605,681
Federal grant revenues	69,750,313	68,827,586	93,571,676
In-kind revenues (match)	2,535,226	37,077,088	38,800,351
Other	1,749,916	9,995,546	2,798,293
Total revenues and other sources	<u>118,141,136</u>	<u>157,005,901</u>	<u>175,776,001</u>
Expenditures:			
Subgrantee expenditures	77,957,303	79,638,818	120,408,177
Salaries, wages, and benefits	10,100,868	10,604,035	10,303,913
In-kind expenditures (match)	2,535,226	37,077,088	38,800,351
Other	20,196,881	22,786,331	19,891,452
Total expenditures	<u>110,790,278</u>	<u>150,106,272</u>	<u>189,403,893</u>
Net increase (decrease) in fund balance	<u>\$ 7,350,858</u>	<u>6,899,629</u>	<u>(13,627,892)</u>

Grants receivable represents amounts due from federal grants for expenditures made as of June 30, 2014 and 2013. Cash includes federal grant monies held at June 30, 2014 and 2013, of \$10,942,181 and \$5,295,662, respectively. The fund balance at June 30, 2014 and 2013, included \$21,197,450 and \$14,686,776, respectively, reserved for the grant programs administered by ODOC; \$143,762 at both June 30, 2014 and 2013, reserved for the Opportunity Fund; \$1,629,762 at June 30, 2014 and 2013, reserved for the Oklahoma Bioenergy Center Fund; \$6,725,049 at June 30, 2014 and 2013, reserved for the Oklahoma Quick Action Closing Fund; and \$356,101 and \$346,616 at June 30, 2014 and 2013, 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, 2014 and 2013, it was anticipated that ODOC would receive approximately \$78,088,000 and \$80,868,000, respectively, in grant revenues and expend approximately \$94,159,000 and \$98,987,000, respectively, in subgrantee expenditures. For the years ended June 30, 2014 and 2013, grant revenue was overestimated by approximately \$7,192,000 and \$9,857,000, respectively, while subgrantee expenditures were overestimated by approximately \$16,201,000 and \$19,348,000, respectively. The variance for the year ended June 30, 2014, was largely due to spending less than anticipated for the Quick Action Closing Fund and the State Small Business Credit Initiative. Actual state appropriations exceeded budget amounts by approximately \$11,532,000 for June 30, 2013, 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 \$6,858,000 less than budgeted for the year ended June 30, 2014, and \$5,606,000 less than budgeted for the year ended June 30, 2013; salaries, wages, and benefits, for which actual expenditures were approximately \$1,288,000 less than budgeted for the year ended June 30, 2014, and \$75,000 more than budgeted for the year ended June 30, 2013; and capitol dome leases, space and equipment rental, for which actual expenditures were approximately \$558,000 and \$754,000 less than budgeted, respectively. The salary, wages, and benefits variance for the year ended June 30, 2014, was due to budgeted positions that were not filled during the course of the year.

### **Description of Significant Capital Asset and Long-Term Debt Activity**

As of June 30, 2014 and 2013, long-term debt of ODOC consisted of capital lease obligations and compensated absences. At June 30, 2014 and 2013, the principal amount of the capital lease obligations was \$4,245,000 and \$4,730,000, respectively. During the years ended June 30, 2014 and 2013, principal payments of \$485,000 and \$465,000, respectively, were made on the debt.

Compensated absences totaled \$639,661 and \$679,040 at June 30, 2014 and 2013, respectively. The allocation of the portion considered long-term is as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total compensated absences	\$ 639,661	679,040	676,313
Portion considered short-term	<u>(512,270)</u>	<u>(512,186)</u>	<u>(524,346)</u>
Long-term portion	<u>\$ 127,391</u>	<u>166,854</u>	<u>151,967</u>

During the years ended June 30, 2014 and 2013, ODOC recorded approximately \$294,000 and \$298,000, respectively, of depreciation. There was no property added for the year ended June 30, 2014, and approximately \$103,000 of property added for the year ended June 30, 2013. 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 11, 2014, the Office of Management and Enterprise Services approved ODOC’s budget for the fiscal year July 1, 2014, to June 30, 2015. Overall, the total budgeted operating expenditures decreased \$20,800,204 for FY-2015 and decreased \$14,678,266 for FY-2014. The change in anticipated expenditures, reflected by funding source, is as follows:

<u>Funding Source</u>	<u>2015 Budget Compared to 2014</u>	<u>2014 Budget Compared to 2013</u>	<u>2013 Budget Compared to 2012</u>
State-appropriated (including appropriation budgeted in revolving funds and Special Cash and REAP funds)	\$ (5,219,374)	1,011,368	(565,111)
Revolving funds (excluding appropriation budgeted in revolving funds)	(2,959,807)	(2,645,234)	(2,222,686)
Federal and other	<u>(12,621,023)</u>	<u>(13,044,400)</u>	<u>(64,137,756)</u>
Total budget change	<u>\$ (20,800,204)</u>	<u>(14,678,266)</u>	<u>(66,925,553)</u>

ODOC is anticipating \$40,842,284 in state-appropriated funding for FY-2015, compared to \$46,061,658 in FY-2014. The \$5,219,374 decrease in the “state-appropriated” category for the year ending June 30, 2015, is due primarily to the following:

- Appropriations for pass-through entities and other operating including the Native American Cultural and Educational Authority (NACEA) decreased by \$4,986,305 in FY-2015—from \$44,105,681 in FY-2014 to \$39,119,376 in FY-2015. Three million dollars of the decrease was due to a one-time appropriation to the Quick Action Closing Fund in FY-2014. The remaining \$1,986,305 was a result of budget cuts enacted by the Legislature.
- Carryover of appropriated funds decreased by \$233,069 in FY-2015—from \$1,955,977 in FY-2014 to \$1,722,908 in FY-2015. As of the date of this report, NACEA has not requested that their carryover be budgeted. Carryover for ODOC was budgeted in September 2014.

## **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 \$8,603,598 in revolving funded operating expenditures for FY-2015, compared to \$11,563,405 in FY-2014. The \$2,959,807 decrease in the “Revolving Funds” category for the year ending June 30, 2015, is due primarily to the following:

- The ODOC Non-Appropriated Fund decreased by \$15,359 in FY-2015—from \$820,519 in FY-2014 to \$805,160 in FY-2015.
- The Native American Cultural and Educational Authority Revolving Fund increased by \$130,000 in FY-2015—from \$0 in FY-2014 to \$130,000 in FY-2015.
- The Quick Action Closing Fund decreased by \$3,000,000 in FY-2015—from \$9,725,049 in FY-2014 to \$6,725,049 in FY-2015.
- The Intra-Agency Reimbursement Fund decreased by \$74,449 in FY-2015—from \$605,223 in FY-2014 to \$530,774 in FY-2015.

ODOC is anticipating \$65,530,688 in federally funded operating expenditures for FY-2015, compared to \$78,151,711 in FY-2014. The \$12,621,023 decrease in the “Federal and Other” category for the year ending June 30, 2015, is due primarily to the following:

- The ARRA stimulus budget decreased by \$5,278,885 in FY-2015—from \$5,428,885 in FY-2014 to \$150,000 in FY-2015.
- The federal pass-through and other budget including payroll decreased by \$7,342,138 in FY-2015—from \$72,722,826 in FY-2014 to \$65,380,688 in FY-2015.

Federal funds totaling approximately \$173 million were 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. Several of these programs were extended through FY-2014. Stimulus funds totaling \$5,179,485 were budgeted in FY-2014 compared to \$150,000 currently budgeted for FY-2015. This decrease is due to all grant programs ending on or before June 30, 2014.

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. 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.

During FY-2014, ODOC received \$10.6 million in Community Development Block Grant Disaster Recovery Funds (CDBGDR) to address immediate unmet housing and economic revitalization needs in areas severely impacted by the tornadoes and floods of May 18 through June 2, 2013. The first tranche of \$4,246,016 was made available in April 2014, with future incremental funding to be made available as funds are obligated by ODOC through Action Plan amendments submitted to the U.S. Department of Housing and Urban Development (HUD). On June 3, 2014, ODOC received notice of an additional \$83.1 million in CDBGDR funds to assist with the previous disaster declaration as well as additional declarations from 2011 through 2013. ODOC is currently awaiting HUD approval of the Action Plan submitted for the Second Allocation.

### **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 Comptroller, 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>2014</i>	<i>2013</i>
<b>Assets</b>		
Current assets:		
Cash, including short-term investments	\$ 28,368,887	23,510,527
Subgrantee advances	14,613,704	9,634,394
Grants receivable	2,718,021	5,804,602
Accounts receivable	175,221	51,820
Total current assets	<u>45,875,833</u>	<u>39,001,343</u>
Noncurrent assets:		
Loans receivable	13,713,026	11,830,939
Capital assets:		
Nondepreciable—land	150,000	150,000
Depreciable, net of accumulated depreciation	<u>5,441,923</u>	<u>5,735,847</u>
Capital assets, net	<u>5,591,923</u>	<u>5,885,847</u>
Total noncurrent assets	<u>19,304,949</u>	<u>17,716,786</u>
Total assets	<u>\$ 65,180,782</u>	<u>56,718,129</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 5,678,293	10,512,317
Capital lease obligations—current portion	505,000	485,000
Compensated absences—current portion	512,270	512,186
Deferred revenue	<u>4,613,995</u>	<u>256,339</u>
Total current liabilities	<u>11,309,558</u>	<u>11,765,842</u>
Noncurrent liabilities:		
Capital lease obligations—less current portion	3,740,000	4,245,000
Compensated absences—less current portion	<u>127,391</u>	<u>166,854</u>
Total noncurrent liabilities	<u>3,867,391</u>	<u>4,411,854</u>
Total liabilities	<u>15,176,949</u>	<u>16,177,696</u>
<b>Net Position</b>		
Net investment in capital assets	1,346,923	1,155,847
Restricted—grant programs	34,910,475	26,517,716
Restricted—Opportunity Fund	143,762	143,762
Restricted—Oklahoma Bioenergy Center Fund	1,629,762	1,629,762
Restricted—Oklahoma Quick Action Closing Fund	6,725,049	6,725,049
Restricted—Oklahoma Viticulture and Enology Development Fund	356,101	346,616
Unrestricted	<u>4,891,761</u>	<u>4,021,681</u>
Total net position	<u>50,003,833</u>	<u>40,540,433</u>
Total liabilities and net position	<u>\$ 65,180,782</u>	<u>56,718,129</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2014

		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	\$ (41,987,860)	1,350,594	-	(40,637,266)
Interest expense	(154,496)	-	-	(154,496)
Total general government	<u>(42,142,356)</u>	<u>1,350,594</u>	<u>-</u>	<u>(40,791,762)</u>
Grant programs	<u>(66,929,993)</u>	<u>-</u>	<u>72,551,133</u>	<u>5,621,140</u>
Total government activities	<u>\$ (109,072,349)</u>	<u>1,350,594</u>	<u>72,551,133</u>	<u>(35,170,622)</u>
General revenues:				
State appropriations				44,105,681
Investment income				94,613
Other				433,728
Total general revenues				<u>44,634,022</u>
Change in net position				9,463,400
Net position, beginning of year				<u>40,540,433</u>
Net position, end of year				<u>\$ 50,003,833</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, 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**

**BALANCE SHEETS—GENERAL FUND**

<i>June 30,</i>	<i>2014</i>	<i>2013</i>
<b>Assets</b>		
Cash, including short-term investments	\$ 28,368,887	23,510,527
Subgrantee advances	14,613,704	9,634,394
Grants receivable	2,718,021	5,804,602
Accounts receivable	<u>175,221</u>	<u>51,820</u>
Total assets	<u>\$ 45,875,833</u>	<u>39,001,343</u>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 5,678,293	10,512,317
Deferred revenue	<u>4,613,995</u>	<u>256,339</u>
Total liabilities	<u>10,292,288</u>	<u>10,768,656</u>
Fund balances:		
Restricted	31,866,145	25,453,847
Assigned	543,727	985,831
Unassigned	<u>3,173,673</u>	<u>1,793,009</u>
Total fund balances	<u>35,583,545</u>	<u>28,232,687</u>
Total liabilities and fund balances	<u>\$ 45,875,833</u>	<u>39,001,343</u>
<b>Reconciliation of Fund Balances to Net Position</b>		
Total fund balances from above	\$ 35,583,545	28,232,687
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 \$2,510,335 and \$2,601,411 at June 30, 2014 and 2013, respectively	5,591,923	5,885,847
Loans receivable	13,713,026	11,830,939
Certain liabilities are not due and payable in the current period and therefore not reported in the fund:		
Accrued compensated absences	(639,661)	(679,040)
Capital lease obligations	<u>(4,245,000)</u>	<u>(4,730,000)</u>
Net position, per the statements of net position	<u>\$ 50,003,833</u>	<u>40,540,433</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>2014</i>	<i>2013</i>
Revenues:		
Federal grant revenues	\$ 69,750,313	68,827,586
Program income	1,502,171	2,172,992
Interest	94,613	87,428
Other	153,132	7,735,126
In-kind revenues (match)	2,535,226	37,077,088
Total revenues	<u>74,035,455</u>	<u>115,900,220</u>
Expenditures:		
Subgrantee expenditures	77,957,303	79,638,818
Salaries, wages, and benefits	10,100,868	10,604,035
Professional	1,140,405	1,779,528
Travel	649,634	721,241
Debt service:		
Principal	485,000	465,000
Interest	154,496	216,505
Space rental	57,398	52,972
Equipment rental	27,800	34,381
Supplies	68,496	138,155
Equipment	389,073	615,134
Maintenance	235,966	521,549
Telephone	180,203	188,496
Postage and freight	15,782	41,069
Advertising	393,770	464,407
Printing	38,993	69,900
Contractual	8,407,943	7,289,782
Funds returned to grantor	21,107	1,919,927
Other	1,218,826	1,361,856
NACEA expenditures	6,711,989	6,906,429
In-kind expenditures (match)	2,535,226	37,077,088
Total expenditures	<u>110,790,278</u>	<u>150,106,272</u>
Deficiency of revenues over expenditures	(36,754,823)	(34,206,052)
Other funding sources:		
State appropriations	<u>44,105,681</u>	<u>41,105,681</u>
Net changes in fund balances	7,350,858	6,899,629
Beginning fund balances	<u>28,232,687</u>	<u>21,333,058</u>
Ending fund balances	<u>\$ 35,583,545</u>	<u>28,232,687</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>2014</i>	<i>2013</i>
Net changes in fund balances—General Fund	\$ 7,350,858	6,899,629
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	(293,924)	(297,528)
Capital asset purchases capitalized	<u>-</u>	<u>102,894</u>
	<u>(293,924)</u>	<u>(194,634)</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	485,000	465,000
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	(935,343)	(922,601)
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	2,817,430	-
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>39,379</u>	<u>(2,727)</u>
Changes in net position, per the statements of activities	<u>\$ 9,463,400</u>	<u>6,244,667</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

# STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

## NOTES TO FINANCIAL STATEMENTS

**June 30, 2014 and 2013**

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### **(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, 2014 and 2013, the premiums paid for this coverage were approximately \$9,000 and \$10,000, 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

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(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

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### (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

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### (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, 2014, with approximately \$22,634,000 and \$23,834,000 outstanding at June 30, 2014 and 2013, respectively. During the years ended June 30, 2014 and 2013, collection of principal and interest on loans amounted to approximately \$1,200,000 and \$1,180,000, respectively. Cumulative collections of principal and interest since the inception of the program approximated \$35,373,000 and \$34,173,000 as of June 30, 2014 and 2013, respectively. Loans of approximately \$333,000 were deemed as uncollectible and written-off during the year ended June 30, 2014. No loans were deemed uncollectible during the year ended June 30, 2013. Cumulative loans charged-off since the inception of the program approximated \$13,637,000 and \$13,304,000 as of June 30, 2014 and 2013, 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>2014</u>	<u>2013</u>
SEPRF *	\$ 12,597,050	10,398,105
EIRLF	931,696	991,004
HELP	91,227	191,183
SALP**	43,638	129,937
CEEMP	7,568	52,194
Stripper Well	41,847	68,516
	<u>\$ 13,713,026</u>	<u>11,830,939</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.

\*\* Subsequent to June 30, 2014, the grantor allowed ODOC to change SALP from a loan program to a direct grant program.

- √ *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. The program ended during the year ended June 30, 2014.
- √ *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

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(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, 2014 or 2013. At both June 30, 2014 and 2013, \$143,762 of funds were available for expenditure for the Opportunity Fund. Subsequent to June 30, 2014, the State of Oklahoma recaptured the Opportunity Fund balance pursuant to 2014 O.S.L. 420.164.
- √ *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, 2014 and 2013, ODOC did not receive any additional state appropriations. ODOC expended approximately \$213,300 during the year ended June 30, 2013, which is reflected as contractual expense in the statements of revenues, expenditures, and changes in fund balances—General Fund. There were no expenditures of the OBC Fund by ODOC during 2014. At both June 30, 2014 and 2013, \$1,629,762 of funds were available for expenditure for the OBC Fund.

See Independent Auditors’ Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Accounting, Continued

- √ *Community Development Block Grant Disaster Recovery (CDBGDR)* – The objective of these funds is to support long-term disaster recovery efforts in eligible designated disaster areas with demonstrated “unmet need.” Outside of requirements specifically related to the geographic areas where funds must be expended, CDBGDR expenditures have the same national objectives as CDBG program funds.

CDBGDR funds were distributed in two allocations from the U.S. Department of Housing and Urban Development. The first allocation of \$10,600,000 may only be expended in areas of Oklahoma directly impacted by the tornadoes of May 18 through June 2, 2013. Of the \$10,600,000 allocation, 30.4% must be expended in Cleveland County.

ODOC received notice of a second allocation of \$83,100,000 on June 3, 2014. The second allocation may only be expended in areas of Oklahoma designated as Presidentially Declared Disaster areas between 2011 and 2013. A minimum of \$41,200,000 must be expended in Cleveland and Creek Counties.

- √ *Workforce Investment Act Dislocated Workers National Emergency Grant–Disaster Recovery Emergency (DRE)*—The objective of the DRE program is to provide temporary employment on projects for the clean-up, demolition, repair, renovation, and reconstruction of destroyed public structures, facilities, and lands within communities affected by the tornadoes of May 18 through June 2, 2013. Funds may also be used to provide temporary employment in humanitarian assistance jobs. The award provides for up to \$10,000,000 in funding. As of June 30, 2014, \$5,000,000 had been awarded.

- √ *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 years ended June 30, 2014 and 2013, ODOC received \$3,000,000 and \$6,725,049, respectively, from state appropriations in 2014 and interest or other proceeds earned on investments of the EDGE Fund made prior to July 1, 2013. ODOC expended \$3,000,000 during the year ended June 30, 2014. At both June 30, 2014 and 2013, \$6,725,049 of funds were available for expenditure for the Quick Action Closing Fund.

See Independent Auditors’ Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(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, 2014 and 2013, ODOC received approximately \$356,000 and \$350,000, respectively, and ODOC expended \$346,749 and \$352,699, respectively. At June 30, 2014 and 2013, \$356,101 and \$346,616, 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, expenditures designed to increase employment, construction or improvement of telecommunication facilities or systems, and improvement of municipal energy distribution systems, community buildings, courthouses, town halls, senior nutrition centers, meeting rooms, or similar public facilities. ODOC received approximately \$11,533,000 in state appropriations for the REAP Fund during both of the years ended June 30, 2014 and 2013. ODOC expended approximately \$11,725,000 and \$11,340,000 during the years ended June 30, 2014 and 2013, respectively, which is reflected as subgrantee expenditures in the statements of revenues, expenditures, and changes in fund balances—General Fund. At June 30, 2014 and 2013, there was approximately \$0 and \$193,000, respectively, of remaining funds available for expenditures for the REAP Fund.

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 presently administered by ODOC is as follows:

- √ *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. The program ended during the year ended June 30, 2014.
- √ *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. The program ended during the year ended June 30, 2014.
- √ *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. The program ended during the year ended June 30, 2014.
- √ *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.
- √ *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. 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

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

#### The American Recovery and Reinvestment Act of 2009, Continued

During the year ended June 30, 2014, ODOC expended approximately \$4,800,000 of ARRA funds for the following programs:

<u>Program Awarded</u>	<u>Amount Expended</u> <u>During the</u> <u>Year Ended</u> <u>June 30, 2014</u>
State Energy Program	\$ 4,485,344
SESP	(4,718)
HPRP	(4,843)
Weatherization	13,742
EECBG	292,851
Energy Assurance	<u>961</u>
	<u>\$ 4,783,337</u>

#### 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. Such amounts are subject to be refunded to ODOC, if not expended, or if expended improperly.

#### Subgrantee Expenditures

ODOC recognizes subgrantee expenditures when incurred as evidenced by a monthly expenditure report, signifying eligibility requirements for the expenditures have been met. Subgrantee advances represent the difference between funds advanced to subgrantees and subgrantee expenditures incurred.

See Independent Auditors' Report.

# STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

#### 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, 2014 and 2013.

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, 2014 and 2013.

#### 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.

#### 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.

See Independent Auditors’ Report.

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

**Equity Classifications, Continued**

*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.

- 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.

See Independent Auditors' Report.



STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classifications, Continued

*Fund Financial Statements, Continued*

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.

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>2014</u>	<u>2013</u>
Fund balances:		
Restricted for:		
Federal grants	\$ 21,197,450	14,686,776
State appropriations	3,586,722	3,695,405
State funded and other restricted programs	<u>7,081,973</u>	<u>7,071,666</u>
Total restricted	<u>31,866,145</u>	<u>25,453,847</u>
Assigned:		
State appropriations	<u>543,727</u>	<u>985,831</u>
Unassigned:		
State appropriations	1,279,544	846,343
Program income	<u>1,894,129</u>	<u>946,666</u>
Total unassigned	<u>3,173,673</u>	<u>1,793,009</u>
Total fund balances	<u>\$ 35,583,545</u>	<u>28,232,687</u>

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

**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, 2014 and 2013, approximately \$19,000 and \$1,223,000, respectively, of encumbrances, adjusted for accruals and negative subgrantee advances, were outstanding.

**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, 2014 and 2013.

As of June 30, 2014 and 2013, ODOC had approximately \$83,779,000 and \$89,086,000, respectively, of grant funds available to be drawn upon when needed. Contract commitments with subgrantees of approximately \$48,677,000 and \$56,203,000 were outstanding as of June 30, 2014 and 2013, respectively.

See Independent Auditors' Report.

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

**Recent Accounting Pronouncements**

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, 2014 and 2013, 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 adoption of GASB 65 as of July 1, 2013, had no material effects on the statement of net position or changes in net position of ODOC.

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 27, 2014, 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

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### (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, 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>2014</u>	<u>2013</u>
U.S. agencies	\$ 2,840,085	1,634,331
Mortgage-backed agencies	2,542,994	1,786,590
U.S. Treasury notes	73,698	50,173
Municipal bonds	94,968	70,044
Foreign bonds	48,630	32,841
Certificates of deposit	160,688	106,211
Money market mutual funds	298,874	390,148
Commercial paper	<u>130,267</u>	<u>87,388</u>
	<u>\$ 6,190,204</u>	<u>4,157,726</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, 2013</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>June 30, 2014</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>992,258</u>	<u>-</u>	<u>(385,000)</u>	<u>607,258</u>
Total cost	<u>8,487,258</u>	<u>-</u>	<u>(385,000)</u>	<u>8,102,258</u>
Less accumulated depreciation:				
Building	(1,183,573)	(61,338)	-	(1,244,911)
Building improvements— capitol dome	(715,151)	(143,030)	-	(858,181)
Furniture, fixtures, and equipment	<u>(702,687)</u>	<u>(89,556)</u>	<u>385,000</u>	<u>(407,243)</u>
Total accumulated depreciation	<u>(2,601,411)</u>	<u>(293,924)</u>	<u>385,000</u>	<u>(2,510,335)</u>
Capital assets, net	<u>\$ 5,885,847</u>	<u>(293,924)</u>	<u>-</u>	<u>5,591,923</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, 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

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

	2014		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Capital Assets, Net</u>
Land, nondepreciable	\$ 150,000	-	150,000
Building	2,625,000	(1,244,911)	1,380,089
Building improvements— capitol dome	<u>4,720,000</u>	<u>(858,181)</u>	<u>3,861,819</u>
	<u>\$ 7,495,000</u>	<u>(2,103,092)</u>	<u>5,391,908</u>
	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	<u>4,720,000</u>	<u>(715,151)</u>	<u>4,004,849</u>
Furniture, fixtures, and equipment	<u>385,000</u>	<u>(385,000)</u>	<u>-</u>
	<u>\$ 7,880,000</u>	<u>(2,283,724)</u>	<u>5,596,276</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, 2014 and 2013, was \$293,924 and \$297,528, respectively.

See Independent Auditors' Report.

# STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

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### (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, 2014:

<u>Year Ending June 30,</u>	<u>Building</u>	<u>Capitol Dome</u>	<u>Total</u>
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	212,025	466,927	678,952
2020–2022	636,013	933,698	1,569,711
Minimum lease payments for capital lease	1,705,763	3,256,430	4,962,193
Less amount representing interest	(285,763)	(431,430)	(717,193)
Present value of minimum lease payments	<u>\$ 1,420,000</u>	<u>2,825,000</u>	<u>4,245,000</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.

Subsequent to June 30, 2014, the State of Oklahoma affected a restructuring of the building bonds, reducing future payments by approximately \$375,000. The restructuring will be reflected in the 2015 financial statements as a deferred inflow of resources and adjusted to interest expense over the life of the restructured bonds.

See Independent Auditors' Report.



STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

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

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 4,730,000	5,195,000
Principal payments	<u>(485,000)</u>	<u>(465,000)</u>
Balance at end of year	<u>\$ 4,245,000</u>	<u>4,730,000</u>

(5) **ACCRUED COMPENSATED ABSENCES**

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

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 679,040	676,313
Amount earned	472,891	514,913
Amount used	<u>(512,270)</u>	<u>(512,186)</u>
Balance at end of year	<u>\$ 639,661</u>	<u>679,040</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, 2014 and 2013.

(6) **DEFERRED REVENUE**

**Oklahoma Natural Gas (ONG)**

ODOC contracts with ONG for the weatherizing of homes that qualify for the ONG weatherization program. ONG advances the monies for the contracts upfront and ODOC recognizes the funds as deferred until all eligibility requirements are met. As of June 30, 2014 and 2013, there was \$255,560 and \$13,060, respectively, of deferred revenue related to the ONG contracts. Such amounts represent monies received for which all eligibility requirements had not been met to allow for the monies to be spent.

See Independent Auditors' Report.

# STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

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### (6) DEFERRED REVENUE, CONTINUED

#### U.S. Department of Treasury

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. During the year ended June 30, 2014, ODOC received \$8,822,794 from the federal government, of which \$4,358,435 was deferred at June 30, 2014. At June 30, 2013, there was \$243,279 of deferred revenue for the program. The funds are classified as deferred because not all eligibility requirements to spend the monies have been met.

### (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, 2014 and 2013, were \$44,105,681 and \$41,105,681, respectively.

During the years ended June 30, 2014 and 2013, \$1,986 and \$19,501, 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, 2014 and 2013, 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 Labor and the U.S. Department of Housing and Urban Development, respectively, for use in charging indirect costs. ODOC's indirect cost rate for the years ended June 30, 2014 and 2013, was 58.95% and 17.00%, respectively, which resulted in a charge of \$1,350,594 and \$429,311 to the various federal programs during 2014 and 2013, respectively.

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(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 rate for 2014, 2013, and 2012 fiscal years was 16.5% of all salaries for state agencies. State employees were required to contribute 3.5% of total salaries for 2014, 2013, and 2012.

<u>Fiscal Year</u>	<u>Employee Contribution</u>	<u>ODOC Required Contribution</u>	<u>Percentage Contributed</u>	<u>Percentage of Covered Payroll</u>
2014	\$ 262,000	1,177,000	100%	16.5%
2013	276,000	1,234,000	100%	16.5%
2012	268,000	1,206,000	100%	16.5%

See Independent Auditors' Report.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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**(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.

See Independent Auditors’ Report.

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(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, 2014 and 2013. 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

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#### **(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 the years ended June 30, 2014 and 2013, ODOC received state appropriations earmarked for NACEA of approximately \$6,784,000 and \$6,784,000, respectively. For the years ended June 30, 2014 and 2013, NACEA’s expenditures, as administered by ODOC, were approximately \$6,712,000 and \$6,906,000, respectively.

See Independent Auditors’ Report.

## STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

### NOTES TO FINANCIAL STATEMENTS, CONTINUED

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#### (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 U.S. 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, 2014 and 2013, 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, 2014, 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, 2014*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance</u>
Revenues:				
State appropriations	\$ 44,105,681	44,105,681	44,105,681	-
Federal grant revenues and program income	70,199,831	78,088,191	70,896,250	(7,191,941)
Other	1,072,319	1,347,164	1,933,934	586,770
Total revenues	<u>115,377,831</u>	<u>123,541,036</u>	<u>116,935,865</u>	<u>(6,605,171)</u>
Expenditures:				
Subgrantee expenditures	86,440,513	94,158,665	77,957,303	16,201,362
Salaries, wages, and benefits	11,804,737	12,039,158	10,750,828	1,288,330
Contractual and professional	14,696,874	16,458,433	9,600,710	6,857,723
Travel	973,692	1,029,192	667,699	361,493
Capitol dome leases, space and equipment rental	6,435,008	6,491,008	5,933,135	557,873
Equipment	54,000	104,000	422,565	(318,565)
Maintenance	195,700	205,700	246,999	(41,299)
Miscellaneous administrative expenses	2,050,028	2,290,618	3,984,661	(1,694,043)
Total expenditures	<u>122,650,552</u>	<u>132,776,774</u>	<u>109,563,900</u>	<u>23,212,874</u>
Revenues (less than) in excess of expenditures	<u>\$ (7,272,721)</u>	<u>(9,235,738)</u>	<u>7,371,965</u>	<u>16,607,703</u>

See Independent Auditors' Report.

See accompanying notes to 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, CONTINUED**

*Year Ended June 30, 2013*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</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	<u>\$ (16,668,901)</u>	<u>(20,573,059)</u>	<u>8,819,555</u>	<u>29,392,614</u>

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

**RECONCILIATION OF DIFFERENCES**

**BETWEEN BUDGETARY BASIS AND REPORT BASIS—GENERAL FUND**

*Year Ended June 30, 2014*

	<u>Actual per Audit Report</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>
Revenues:			
State appropriations	\$ 44,105,681	-	44,105,681
Federal grants	69,750,313	1,145,937	70,896,250
Other	4,285,142	(2,351,208)	1,933,934
Total revenues	<u>118,141,136</u>	<u>(1,205,271)</u>	<u>116,935,865</u>
Expenditures:			
Subgrantee expenditures	77,957,303	-	77,957,303
Salaries, wages, and benefits	10,100,868	649,960	10,750,828
Contractual and professional	9,548,348	52,362	9,600,710
Travel	649,634	18,065	667,699
Capitol dome leases, space and equipment rental	724,694	5,208,441	5,933,135
Equipment	389,073	33,492	422,565
Maintenance	235,966	11,033	246,999
Miscellaneous administrative expenses	11,184,392	(7,199,731)	3,984,661
Total expenditures	<u>110,790,278</u>	<u>(1,226,378)</u>	<u>109,563,900</u>
Revenues in excess of expenditures	7,350,858	21,107	7,371,965
Fund balance—July 1, 2013	<u>28,232,687</u>	<u>29,382,905</u>	<u>57,615,592</u>
Fund balance—June 30, 2014	<u>\$ 35,583,545</u>	<u>29,404,012</u>	<u>64,987,557</u>

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

**RECONCILIATION OF DIFFERENCES**

**BETWEEN BUDGETARY BASIS AND REPORT BASIS—GENERAL FUND, CONTINUED**

*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.

See accompanying notes to required supplementary information.

## STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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*Years Ended June 30, 2014 and 2013*

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- In preparing its budget, ODOC is allowed to budget estimated revenues, expenditures, and available cash on-hand. The budgeted expenditures in excess of revenues for 2014 and 2013 were budgeted to be funded with available cash on-hand.
- 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 2013 amounts transferred to 2014 and rebudgeted approximated \$1,956,000. Unexpended 2012 amounts transferred to 2013 and rebudgeted approximated \$3,400,000.
- 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**

**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, 2014

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award Amount</u>	<u>Fund Balance June 30, 2013</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, 2014</u>
<b>DEPARTMENT OF ENERGY</b>										
Weatherization	81.042									
FY 14		DE-EE0006178	\$ 2,020,640	-	-	-	-	-	-	-
FY 13		DE-EE0006178	2,023,225	-	1,831,036	-	1,828,513	-	-	2,523
FY 12		DE-EE0000063	679,076	36,001	30,697	-	65,457	-	-	1,241
FY 11		DE-EE0000063	1,964,590	-	978	-	978	-	-	-
FY 10		DE-EE0000063	2,029,472	-	-	-	-	-	-	-
FY 09		DE-EE0000063	5,150,319	-	-	-	-	-	-	-
ARRA—Weatherization		DE-EE0000153	63,435,436	59,276	34,668	-	13,742	-	-	80,202
State Energy Program	81.041	*								
FY 13		DE-EE0006219	523,580	-	263,583	156,697	376,074	156,696	-	(112,490)
FY 12		DE-FG26-07NT43203	421,000	(116,314)	246,138	22,119	172,934	14,619	26,014	(9,596)
FY 11		DE-FG26-07NT43203	838,000	16,620	-	-	-	-	(16,620)	-
FY 10		DE-FG26-07NT43203	184,294	9,394	-	-	-	-	(9,394)	-
FY 09		DE-FG26-07NT43203	354,215	-	-	-	-	-	-	-
FY 08		DE-FG26-07NT43203	588,079	-	-	-	-	-	-	-
FY 07		DE-FG26-07NT43203	671,485	-	-	-	-	-	-	-
State Energy Program—Revolving Loan Fund		N/A	N/A	762,284	-	1,255,396	-	-	-	2,017,680
ARRA—State Energy Program		DE-EE0000133	46,704,000	(238)	4,485,582	-	4,485,344	-	-	-
Renewable Energy Research and Development	81.087									
FY 10 Wind Power		DE-EE0000539	400,000	3,977	-	-	-	-	-	3,977
ARRA—Energy Efficiency and										
Conservation Block Grant	81.128	DE-EE0000922	9,593,500	27,884	266,347	29,097	292,851	29,097	-	1,380
ARRA—Electricity Delivery and Energy Reliability,										
Research, Development, and Analysis	81.122	DE-OE0000105	534,197	961	-	-	961	-	-	-
ARRA—Energy Efficiency Appliance Rebate Program	81.127	DE-EE0001611	3,495,000	-	-	-	-	-	-	-

(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, 2014

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award Amount</u>	<u>Fund Balance June 30, 2013</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, 2014</u>
<b>DEPARTMENT OF ENERGY—</b>										
<b>PASSED THROUGH STATE OF</b>										
<b>OKLAHOMA GOVERNOR'S OFFICE</b>										
Stripper Well Alternative Fuels	N/A	97	650,000	688,048	-	41,423	-	-	-	729,471
CEEMP	N/A	95	245,632	609,455	-	57,530	-	-	-	666,985
EIRLF	N/A	95	1,000,000	531,217	-	75,534	-	-	-	606,751
HELP	N/A	07	1,000,000	1,035,605	-	121,103	-	-	-	1,156,708
SALP	N/A	96	1,100,000	398,407	-	95,896	-	-	-	494,303
<b>DEPARTMENT OF ENERGY—</b>										
<b>PASSED THROUGH INDIAN NATIONAL</b>										
<b>COUNCIL OF GOVERNMENTS</b>										
Clean Cities Implementation Initiative to										
Advance Alternative Fuel Markets	81.086	N/A	30,000	-	-	-	3,448	-	3,448	-
<b>DEPARTMENT OF HOUSING AND</b>										
<b>URBAN DEVELOPMENT</b>										
Community Development Block Grants—										
State-Administered Small Cities										
Program Cluster	14.228									
FY 14		B-14-DC-40-0001	13,115,124	-	-	-	-	-	-	-
FY 13		B-13-DC-40-0001	13,497,021	-	3,644,178	344,620	1,835,024	338,404	-	1,815,370
FY 12		B-12-DC-40-0001	13,016,213	248,975	5,425,444	453,224	3,151,298	-	-	2,976,345
FY 11		B-11-DC-40-0001	14,578,062	1,554,656	3,246,459	27,300	3,976,688	-	-	851,727
FY 10		B-10-DC-40-0001	17,354,448	1,482,678	743,021	37,841	1,643,570	-	-	619,970
FY 09		B-09-DC-40-0001	16,243,555	292,383	652,269	4,000	836,964	-	-	111,688
FY 08		B-08-DC-40-0001	15,972,200	453,073	296,922	28,813	601,750	-	-	177,058
FY 07		B-07-DC-40-0001	17,320,561	(3,611)	1,037,627	-	1,034,400	-	-	(384)
FY 06		B-06-DC-40-0001	17,215,512	93,290	49,903	-	106,290	-	-	36,903
FY 05		B-05-DC-40-0001	19,092,030	152,750	714,772	(262,664)	482,250	-	-	122,608
FY 04		B-04-DC-40-0001	20,044,319	69,264	245,532	(245,532)	69,264	-	-	-
FY 03		B-03-DC-40-0001	19,757,000	50,547	32,251	(32,251)	-	-	-	50,547
FY 02		B-02-DC-40-0001	21,396,000	491	-	-	-	-	-	491

(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, 2014

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award Amount</u>	<u>Fund Balance June 30, 2013</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, 2014</u>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, CONTINUED</b>										
Community Development Block Grants—										
State-Administered Small Cities										
Program Cluster, Continued	14.228									
FY 01		B-01-DC-40-0001	21,738,000	35,075	(35,075)	-	-	-	-	-
FY 00		B-00-DC-40-0001	20,878,000	-	-	-	-	-	-	-
FY 99		B-99-DC-40-0001	20,668,000	-	-	-	-	-	-	-
FY 98		B-98-DC-40-0001	20,466,000	-	75,672	(75,672)	-	-	-	-
FY 97		B-97-DC-40-0001	20,869,000	-	935,538	(928,538)	-	-	-	7,000
FY 96		B-96-DC-40-0001	21,079,000	-	88,468	(88,468)	-	-	-	-
FY 93		B-93-DC-40-0001	19,061,000	-	799	(799)	-	-	-	-
CDBG—ED		N/A	N/A	288,568	1,000,000	505,837	145,052	-	-	1,649,353
CDBG—CD		N/A	N/A	19,543	734,236	140,532	417,029	-	-	477,282
CDBG—Disaster Recovery		B-08-DF-40-0001-DF1	1,793,876	716,015	51,345	-	767,360	-	-	-
CDBG—Disaster Recovery	14.269	B-13-DS-40-0001	4,246,016	-	-	-	-	-	-	-
Neighborhood Stabilization Program	14.228									
FY 11		B-11-DN-40-0001	5,000,000	(8,194)	380,129	-	80,959	-	-	290,976
FY 08		B-08-DN-40-0001	29,969,459	243,791	675,526	8,396	82,287	-	-	845,426
ARRA—Community Development Block Grant	14.255	B-09-DY-40-0001	4,333,265	49	-	-	-	-	-	49
Emergency Solutions Grant Program	14.231									
FY 14		E-14-DC-40-0001	1,471,628	-	1,666	-	4,493	-	-	(2,827)
FY 13		E-13-DC-40-0001	1,268,344	-	842,181	735,656	792,325	735,657	-	49,855
FY 12		E-12-DC-40-0001	1,667,424	40,168	1,013,256	999,036	1,054,760	999,036	-	(1,336)
FY 11		E-11-DC-40-0001	1,452,305	(25,289)	245,481	196,804	208,787	196,804	-	11,405
FY 10		S-10-DC-40-0001	926,824	-	-	-	(106)	-	-	106
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	(2,016)	-	-	(4,843)	-	-	2,827

(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, 2014

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award Amount</u>	<u>Fund Balance June 30, 2013</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, 2014</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>										
Community Services Block Grant	93.569	*								
FY 14		G14B1OKCOSR	7,954,932	-	2,280,178	-	1,887,257	-	-	392,921
FY 13		G13B1OKCOSR	7,561,949	924,835	5,411,602	-	6,226,816	-	-	109,621
FY 12		G12B1OKCOSR	8,062,881	145,610	637,789	-	785,220	-	-	(1,821)
FY 11		G11B1OKCOSR	8,096,247	(79,715)	(7,226)	-	(6,857)	-	-	(80,084)
FY 10		G10B1OKCOSR	8,326,884	93,293	-	-	-	-	-	93,293
Head Start	93.600									
FY 14		06CD0019/04	190,539	-	48,000	-	48,000	-	-	-
FY 13		06CD0019/03	162,613	-	122,918	63,244	122,918	63,244	-	-
FY 12		06CD0019/02	162,626	-	-	-	-	-	-	-
FY 11		06CD0019/01	147,030	-	-	-	-	-	-	-
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES—PASSED THROUGH OKLAHOMA DEPARTMENT OF HUMAN SERVICES</b>										
LIHEAP/Weatherization	93.568	*								
FY 13		ODHS 13 LIHEAP	1,500,000	-	1,089,091	-	821,049	-	-	268,042
FY 12		ODHS 12 LIHEAP	3,450,000	(125,009)	2,203,824	-	2,047,245	-	-	31,570
FY 11		ODHS 11 LIHEAP	1,000,000	-	38,363	-	49,820	-	-	(11,457)
FY 10		ODHS 10 LIHEAP	1,000,000	10,052	-	-	-	-	-	10,052

(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, 2014

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award Amount</u>	<u>Fund Balance June 30, 2013</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, 2014</u>
<b>DEPARTMENT OF LABOR</b>										
Workforce Investment Act Cluster										
WIA/Adult Statewide	17.258	*								
FY 14 Workforce Adult Statewide		AA24113QO0	5,636,193	-	3,065,916	-	2,578,801	-	-	487,115
PY 13 Workforce Adult Statewide		AA24113OM0	138,390	-	137,828		137,828	-	-	-
FY 13 Workforce Adult Statewide		AA22956LX0	5,809,594	625,662	2,130,424	-	2,784,767	-	-	(28,681)
PY 12 Workforce Adult Statewide		AA22956JL0	479,868	33,227	358	-	33,546	-	-	39
FY 12 Workforce Adult Statewide		AA21416HB0	5,872,275	93,295	100,183	47,500	247,819	-	-	(6,841)
PY 11 Workforce Adult Statewide		AA21416FO0	493,379	(382)	624	-	242	-	-	-
FY 11 Workforce Adult Statewide		AA20214CX0	5,374,726	18,097	(57,974)	-	(39,877)	-	-	-
PY 10 Workforce Adult Statewide		AA20214AS0	1,131,106	440	(440)	-	-	-	-	-
WIA/Youth Services	17.259	*								
PY 14 Workforce Youth Services		AA25374TE0	6,258,954	-	167,546	-	175,643	-	-	(8,097)
PY 13 Workforce Youth Services		AA24113OQ0	5,982,158	(12,527)	3,787,849	-	3,666,075	-	-	109,247
PY 12 Workforce Youth Services		AA22956JP0	6,676,111	795,473	2,059,712	-	2,839,198	-	-	15,987
PY 11 Workforce Youth Services		AA21416EZ0	6,877,913	3,927	310,332	-	319,347	-	-	(5,088)
PY 10 Workforce Youth Services		AA20214AFO	6,970,582	9,931	(64,250)	-	(54,319)	-	-	-
WIA/Dislocated Workers	17.278	*								
FY 14 Workforce Dislocated Workers		AA24113QQ0	4,719,052	-	1,659,533	-	1,490,274	-	-	169,259
PY 13 Workforce Dislocated Workers		AA24113OO0	511,808	-	383,408	-	353,501	-	-	29,907
FY 13 Workforce Dislocated Workers		AA22956LZ0	4,963,628	373,088	3,086,401	-	3,463,377	-	-	(3,888)
PY 12 Workforce Dislocated Workers		AA22956JN0	855,003	35,013	274,162	-	311,926	-	-	(2,751)
FY 12 Workforce Dislocated Workers		AA21416HD0	5,510,019	383,983	972,048	-	1,331,194	-	-	24,837
PY 11 Workforce Dislocated Workers		AA21416FQ0	1,323,279	4,504	79,800	-	74,130	-	-	10,174
FY 11 Workforce Dislocated Workers		AA20214CZ0	5,006,489	(11,353)	49,992	-	38,639	-	-	-
PY 10 Workforce Dislocated Workers		AA20214AU0	1,889,012	107,663	(68,209)	-	39,454	-	-	-
FY 10 Workforce Dislocated Workers		AA186628F	4,127,593	-	-	-	-	-	-	-

(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, 2014

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award Amount</u>	<u>Fund Balance June 30, 2013</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, 2014</u>
<b>DEPARTMENT OF LABOR, CONTINUED</b>										
WIA/Heroes at Home/ Military Spouse Initiative National Emergency Grant										
FY 11 BRAC	17.277	*	EM18155DE0	1,690,122	180,752	1,070,435	-	1,251,188	-	(1)
FY 08 BRAC	17.260		EM181554F	1,500,000	5,562	(26,674)	-	(21,112)	-	-
WIA/Dislocated Workers/ National Emergency Grant										
Disaster Recovery Employment FY 13	17.277	*	EM-24380-13-60-A-40	5,000,000	(7,320)	3,923,482	-	3,544,137	-	372,025
Workforce Data Quality Initiative Grant	17.261		MI-23215-12-60-A-40	1,000,000	(633)	178,811	-	180,702	-	(2,524)
H-1B Technical Skills Training Grant	17.268	*	HG-22622-12-60-A-40	5,000,000	3,134	963,913	-	972,280	-	(5,233)
ARRA—State Energy Sector Partnership and Training Grant	17.275		GJ-19904-10-60-A-40	6,000,000	38,291	(43,009)	1,669	(4,718)	1,669	-
<b>DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY—PASSED THROUGH OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY</b>										
Brownfield's Cleanup Revolving Loan Fund	66.811		N/A	880,000	22,759	-	15,431	-	-	38,190
										(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, 2014

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award Amount</u>	<u>Fund Balance June 30, 2013</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, 2014</u>
<b>U.S. SMALL BUSINESS ADMINISTRATION</b>										
State Trade and Export Promotion	59.061									
FY 12		SBAHQ-11-IT-0004	825,733	-	-	-	-	-	-	-
FY 13		SBAHQ-12-IT-0013	383,077	(67,291)	304,305	-	93,143	-	(143,871)	-
<b>U.S. DEPARTMENT OF TREASURY</b>										
State Small Business Credit Initiative	N/A	2011SSBCIOK	13,168,350	1,310,051	4,222,638	-	2,080,208	-	-	3,452,481
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>										
National Endowment for Humanities—										
Oklahoma Humanities Council	45.129	N/A	<u>20,000</u>	<u>5,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,082</u>
<b>TOTAL</b>			<u>\$ 739,841,852</u>	<u>14,686,777</u>	<u>69,750,312</u>	<u>3,830,774</u>	<u>64,394,764</u>	<u>2,535,226</u>	<u>(140,423)</u>	<u>21,197,450</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

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Year Ended June 30, 2014

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### (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, 2014. 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, 2014:

Program income	\$	1,145,935
Interest		94,613
In-kind matching		2,535,226
Other		<u>55,000</u>
	\$	<u>3,830,774</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, 2014, subgrantees of ODOC expended approximately \$59,702,000, or 92.71%, of federal expenditures and approximately \$1,980,000, or 78.10%, of matching expenditures.

The federal expenditures of \$64,394,764 are included in total expenditures per the statements of revenues, 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, 2014, and the related notes to the financial statements, which collectively comprise ODOC's basic financial statements, and have issued our report thereon dated October 27, 2014. 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.

**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 27, 2014





**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"), a component unit of the State of Oklahoma, 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, 2014. 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, 2014.

(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 27, 2014

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2014**

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**SECTION I—SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued:

**Unmodified**

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ None Reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ None Reported

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

**Unmodified**

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

☐ Yes ☒ No

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

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**SECTION I—SUMMARY OF AUDITORS' RESULTS, CONTINUED**

**Federal Awards, Continued**

Identification of major federal programs:

<b><u>Federal CFDA #</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
	<i>Department of Energy</i>
<b>81.041</b>	<b>State Energy Program</b>
<b>81.041</b>	<b>ARRA—State Energy Program</b>
	<i>Department of Health and Human Services</i>
<b>93.568</b>	<b>Low-Income Home Energy Assistance Program</b>
<b>93.569</b>	<b>Community Services Block Grant</b>
	<i>Department of Labor</i>
	<b>Workforce Investment Act Cluster:</b>
<b>17.258</b>	<b>WIA Adult Program</b>
<b>17.259</b>	<b>WIA Youth Activities</b>
<b>17.278</b>	<b>WIA Dislocated Worker Formula Grant</b>
<b>17.277</b>	<b>WIA Dislocated Workers National Emergency Grant</b>
<b>17.268</b>	<b>H-1B Technical Skills Training Grant</b>

Dollar threshold used to distinguish between type A and type B programs: **\$1,869,437**

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

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

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**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, 2014**

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There were no findings or questioned costs noted in the June 30, 2013, audit report.