

**DELAWARE COUNTY, OKLAHOMA
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2001**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR
OKLAHOMA CITY

CLIFTON H. SCOTT
State Auditor and Inspector

2300 N. Lincoln Blvd.
100 State Capitol
Oklahoma City, OK 73105-4896
405/521-3495

October 18, 2002

TO THE CITIZENS OF
DELAWARE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Delaware County, Oklahoma, for the fiscal year ended June 30, 2001. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our audit.

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

Sincerely,

A handwritten signature in cursive script that reads 'Clifton H. Scott'.

CLIFTON H. SCOTT
State Auditor and Inspector

DELAWARE COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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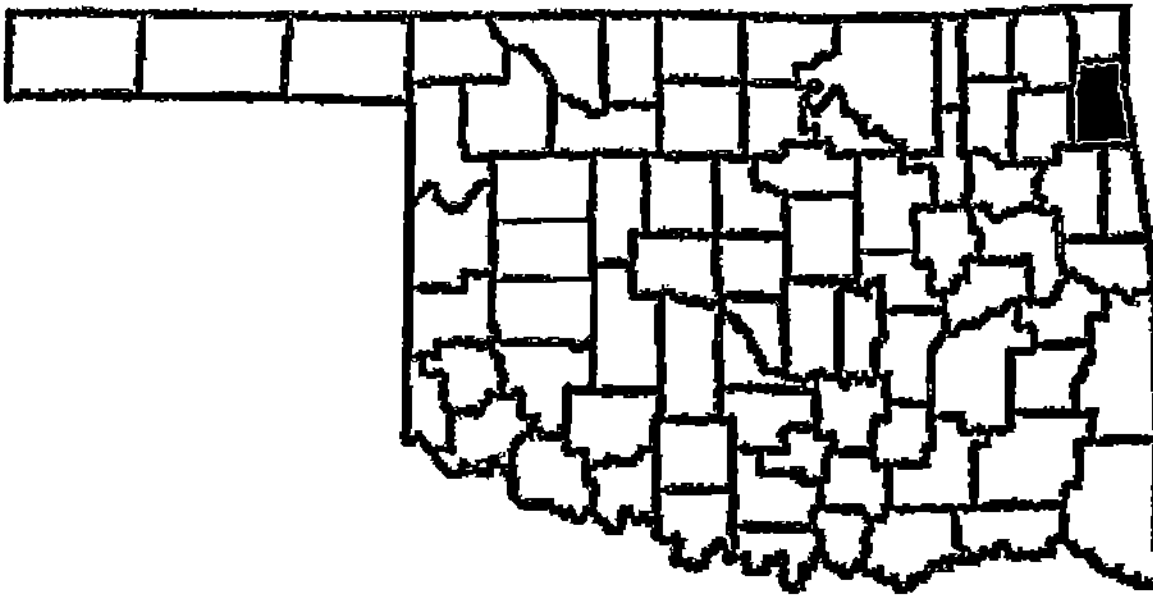
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REPORT TO THE CITIZENS
OF
DELAWARE COUNTY, OKLAHOMA



Located on the Oklahoma-Arkansas border, Delaware County takes pride in its lakes and recreation areas. Grove, situated on the northern edge of the Old Cherokee Nation, is a resort center for the eastern shore of Grand Lake, which covers 46,500 acres, and includes 1,300 miles of shoreline.

Jay, the county seat of Delaware County, was named for Jay Washburn, the grandson of an early-day missionary. The principal industry is the raising and processing of chickens. Green beans and soybeans are raised throughout the area, as well as cattle.

Annual events in Delaware County include the Pelican Festival held in Grove every autumn, and the Huckleberry Festival located in Jay during July.

County Seat – Jay

Area - 720 Square Miles

County Population - 34,160
(2001 est.)

Farms – 1,303

Land in Farms - 264,620 Acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Sharon Lane
(D) Jay

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

COUNTY CLERK
Carol Fortner
(R) Grove

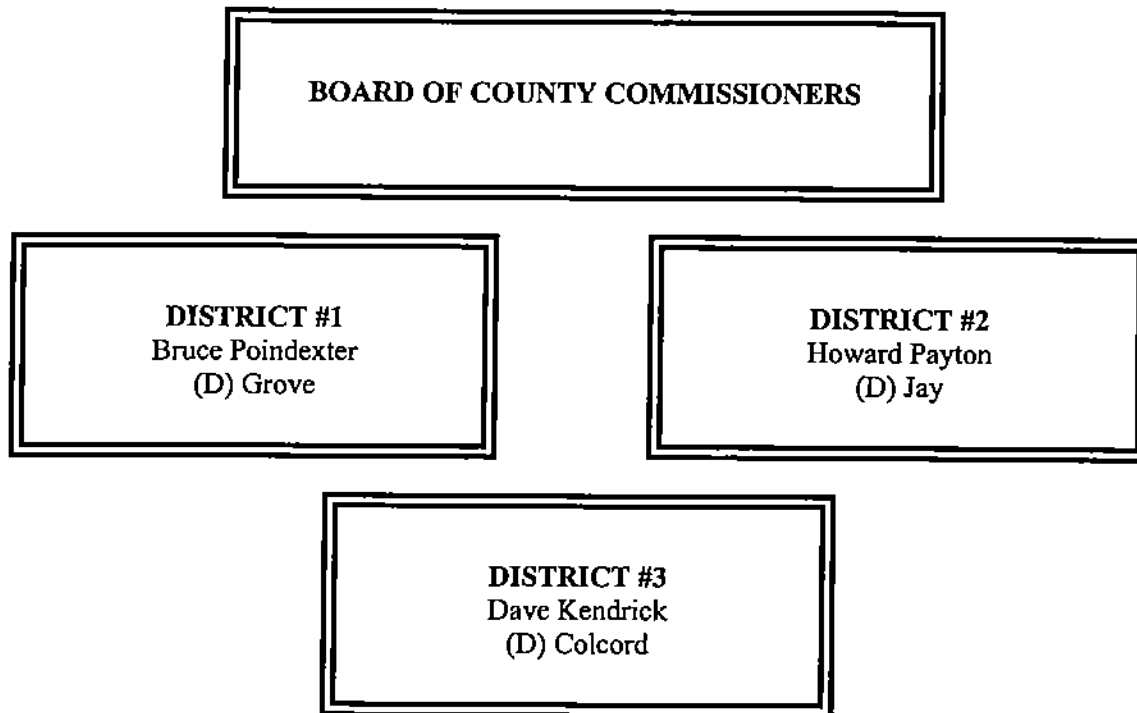
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**



The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Lenden Woodruff
(R) Jay

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

COUNTY TREASURER
Carole Rutherford
(D) Jay

All revenues received by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county revenues and expenditures, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Caroline M. Weaver
(D) Jay

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government. Court Clerks use forms and follow procedures prescribed by the Court Administrator's Office, the Oklahoma Supreme Court, and the State Auditor and Inspector.

DISTRICT ATTORNEY
Thomas May
(R) Miami

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

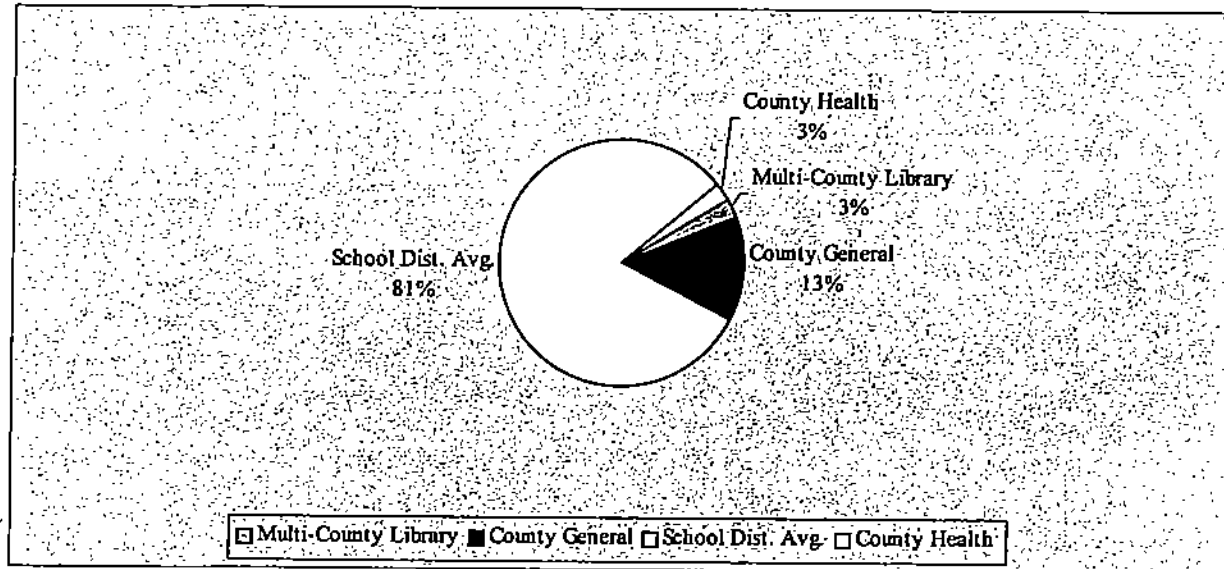
ELECTION BOARD SECRETARY
Earlene Bradford
(D) Grove

The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within the county.

To finance the operating expenses of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

**AD VALOREM TAX DISTRIBUTION
DELAWARE COUNTY, OKLAHOMA
SHARE OF THE AVERAGE MILLAGE**

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages

County General Fund	10.45
County Health	2.09
Multi-County Library	2.09

School District Millages:

	<u>General</u>	<u>Sinking</u>	<u>Building</u>	<u>Ambulance</u>	<u>Vo-Tech</u>	<u>Common</u>	<u>Totals</u>
I-1 Jay	36.61	2.47	5.23		10.45	4.18	58.94
I-2 Grove	36.40	11.11	5.20	1.80	10.45	4.18	69.44
I-3 Kansas	37.06	9.22	5.29		10.45	4.18	66.20
I-4 Colcord	37.74		5.39		10.45	4.18	57.76
I-5 Oaks/Mission	37.05		5.29		10.45	4.18	56.97
D-6 Cleora	36.77		5.26		10.45	4.18	56.66
D-14 Leach	37.77		5.40		10.45	4.18	57.80
D-30 Kenwood	37.19	102.08	5.31		10.45	4.18	159.21
D-34 Moseley	36.77	4.74	5.25		10.45	4.18	61.39
J-6 Ketchum	36.74	8.26	5.25			4.18	54.43
J-01 Skelly	35.00		5.00			4.18	44.18
J-10 Turkey Ford	36.27	11.26	5.18			4.18	56.89
J-26 Afton	35.95		5.14		10.45	4.18	55.72
J-21 Spavinaw	38.00		5.43			4.18	47.61

See independent auditor's report



STATE OF OKLAHOMA

OFFICE OF THE AUDITOR AND INSPECTOR

OKLAHOMA CITY

CLIFTON H. SCOTT
State Auditor and Inspector

2300 N. Lincoln Blvd.
100 State Capitol
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Independent Auditor's Report

TO THE OFFICERS OF
DELAWARE COUNTY, OKLAHOMA

We have audited the accompanying general-purpose financial statements of Delaware County, Oklahoma, as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of Delaware County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Delaware County Courthouse Renovation Trust and Delaware County Solid Waste Authority. The two trusts represent 100% of the assets and revenues of the proprietary fund types. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Delaware County Courthouse Renovation Trust and Delaware County Solid Waste Authority is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

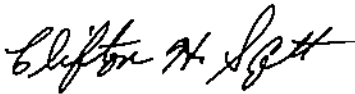
As explained in Note (1H), the financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, based on our audit and the reports of the other auditors, except for the effects on the general-purpose financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Delaware County, Oklahoma, as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2002, on our consideration of Delaware County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Delaware County, Oklahoma, taken as a whole. The other information listed in the table of contents under *Introductory Section* has not been audited by us and accordingly, we express no opinion on such data.

Sincerely,



CLIFTON H. SCOTT
State Auditor and Inspector

June 26, 2002

General-Purpose Financial Statements

**DELAWARE COUNTY, OKLAHOMA
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 2001**

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	ENTERPRISE FUND	INTERNAL SERVICE	AGENCY	GENERAL LONG - TERM DEBT	
ASSETS							
Cash and investments	\$ 532,992	\$ 1,957,551	\$ 665,213	\$ 309,102	\$ 842,954	\$	\$ 4,307,812
Restricted cash and investments				455,575			455,575
Ad valorem taxes receivable	50,535	9,925			298,974		359,434
Due from other governments	14,365	176,691			14,543		205,599
Accrued interest receivable	5,298	1,966			214		7,478
Fixed assets:							
Property and equipment			797,502				797,502
Construction in progress				6,111,708			6,111,708
Amount to be provided for capitalized lease purchase agreements						1,169,253	1,169,253
Total assets	\$ 603,190	\$ 2,146,133	\$ 1,462,715	\$ 6,876,385	\$ 1,156,685	\$ 1,169,253	\$ 13,414,361
LIABILITIES AND FUND BALANCES							
Liabilities:							
Warrants payable	\$ 198,396	\$ 248,834	\$	\$	\$ 4,735	\$	\$ 451,965
Accounts payable	15,984	11,762	100,169				127,915
Accrual interest			1,465				1,465
Due to other taxing units					442,897		442,897
Due to others					709,053		709,053
Notes payable				505,000			505,000
Accrued leave payable			13,824				13,824
Capitalized lease obligations payable			277,602			1,169,253	1,446,855
Total liabilities	214,380	260,596	393,060	505,000	1,156,685	1,169,253	3,698,974
Fund equity:							
Retained earnings:							
Unreserved			1,069,655	6,371,385			7,441,040
Fund balances:							
Reserved for encumbrances	53,472	1,840					55,312
Unreserved:							
Undesignated	335,338	1,883,697					2,219,035
Total fund balances	388,810	1,885,537	1,069,655	6,371,385	-	-	9,715,387
Total liabilities and fund balances	\$ 603,190	\$ 2,146,133	\$ 1,462,715	\$ 6,876,385	\$ 1,156,685	\$ 1,169,253	\$ 13,414,361

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

**DELAWARE COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL (MEMORANDUM ONLY)</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	
Revenues:			
Ad valorem taxes	\$ 1,702,643	\$ 528,879	\$ 2,231,522
Charges for services	303,565	257,113	560,678
Intergovernmental revenues	553,399	2,522,023	3,075,422
Miscellaneous revenues	185,142	495,728	680,870
Total revenues	<u>2,744,749</u>	<u>3,803,743</u>	<u>6,548,492</u>
Expenditures:			
Current operating:			
General government	1,904,403	380,258	2,284,661
Public safety	630,598	228,734	859,332
Health and welfare		321,969	321,969
Culture and recreation	10,953		10,953
Education	45,962		45,962
Roads and highways	152,369	3,269,272	3,421,641
Total expenditures	<u>2,744,285</u>	<u>4,200,233</u>	<u>6,944,518</u>
Excess revenues over/(under) expenditures	<u>464</u>	<u>(396,490)</u>	<u>(396,026)</u>
Other financing sources:			
Sale of equipment		15,085	15,085
Capitalized lease agreements		565,203	565,203
Total other financing sources	<u>-</u>	<u>580,288</u>	<u>580,288</u>
Excess revenues and other sources over expenditures	464	183,798	184,262
Beginning fund balances	<u>388,346</u>	<u>1,701,739</u>	<u>2,090,085</u>
Ending fund balances	<u>\$ 388,810</u>	<u>\$ 1,885,537</u>	<u>\$ 2,274,347</u>

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

DELAWARE COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
-BUDGET AND ACTUAL-GENERAL AND SPECIAL REVENUE
(COUNTY HEALTH DEPARTMENT ONLY) FUNDS
FOR THE YEAR ENDED JUNE 30, 2001

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 317,059	\$ 317,746	\$ 687	\$ 452,543	\$ 452,261	\$ (282)
Revenues:						
Ad valorem taxes	1,622,572	1,692,314	69,742	324,514	351,582	27,068
Charges for services	280,384	303,565	23,181	20,979	20,938	(41)
Intergovernmental revenues	552,649	555,724	3,075		41	41
Miscellaneous revenues	133,467	187,397	53,930			
Total revenue, budgetary basis	<u>2,589,072</u>	<u>2,739,000</u>	<u>149,928</u>	<u>345,493</u>	<u>372,561</u>	<u>27,068</u>
Expenditures:						
General government	2,060,373	1,954,212	106,161			
Public safety	632,828	631,482	1,346			
Health and welfare	1,000		1,000	798,036	321,846	476,190
Culture and recreation	11,000	10,975	25			
Education	46,100	45,526	574			
Roads and highway	154,830	152,369	2,461			
Total expenditures, budgetary basis	<u>2,906,131</u>	<u>2,794,564</u>	<u>111,567</u>	<u>798,036</u>	<u>321,846</u>	<u>476,190</u>
Excess of revenues and beginning fund balances over expenditures, budgetary basis	\$ <u>-</u>	262,182	\$ <u>262,182</u>	\$ <u>-</u>	502,976	\$ <u>502,976</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem receivable		50,535			9,925	
Accrued interest		5,298				
Due from other governments		14,365				
Reserved for encumbrances		53,472				
Adjustment to prior year reserved for encumbrances		2,958			3	
Ending fund balances		<u>\$ 388,810</u>			<u>\$ 512,904</u>	

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

DELAWARE COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS – PROPRIETARY FUND TYPES – BLENDED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2001

	Enterprise Fund	Internal Service Fund	Total (Memorandum Only)
	Solid Waste Authority	Courthouse Renovation Trust	
Operating revenues:			
Sales tax	\$ 1,142,376	\$ 1,142,376	\$ 2,284,752
Fees	359,576		359,576
Total operating revenues	<u>1,501,952</u>	<u>1,142,376</u>	<u>2,644,328</u>
Operating expenses:			
Personal services	522,930		522,930
Purchased services and professional fees	490,148	3,400	493,548
Maintenance and operations	256,033	33	256,066
Total operating expenses	<u>1,269,111</u>	<u>3,433</u>	<u>1,272,544</u>
Net operating income	<u>232,841</u>	<u>1,138,943</u>	<u>1,371,784</u>
Non-operating revenues (expenses):			
Interest income	26,612	43,931	70,543
Interest expense	(19,787)	(55,350)	(75,137)
Reimbursements		9,439	9,439
Depreciation	(229,170)		(229,170)
Total non-operating revenues (expenses)	<u>(222,345)</u>	<u>(1,980)</u>	<u>(224,325)</u>
Net income	<u>10,496</u>	<u>1,136,963</u>	<u>1,147,459</u>
Beginning retained earnings	<u>1,059,159</u>	<u>5,234,422</u>	<u>6,293,581</u>
Ending retained earnings	<u>\$ 1,069,655</u>	<u>\$ 6,371,385</u>	<u>\$ 7,441,040</u>

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

**DELAWARE COUNTY, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES – BLENDED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Total (Memorandum Only)</u>
	<u>Solid Waste Authority</u>	<u>Courthouse Renovation Trust</u>	
Cash flows from operating activities:			
Net income	\$ 10,496	\$ 1,136,963	\$ 1,147,459
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	229,170		229,170
Increase (decrease) in accounts payable	26,037		26,037
Increase (decrease) in accrued leaves payable	2,445		2,445
Increase (decrease) in interest payable	1,465		1,465
Net cash provided (used) by operating activities	<u>269,613</u>	<u>1,136,963</u>	<u>1,406,576</u>
Cash flows from capital and investing activities:			
(Increase) decrease in fixed assets	(114,884)		(114,884)
(Increase) decrease in construction in progress		(795,752)	(795,752)
Net cash provided (used) by capital and investing activities	<u>(114,884)</u>	<u>(795,752)</u>	<u>(910,636)</u>
Cash flows from financing activities			
Increase (decrease) in long-term liabilities	(78,880)	(955,000)	(1,033,880)
Net cash provided (used) by financing activities	<u>(78,880)</u>	<u>(955,000)</u>	<u>(1,033,880)</u>
Net increase (decrease) in cash	75,849	(613,789)	(537,940)
Cash and investments at beginning of year	589,364	1,378,466	1,967,830
Cash and investments at end of year	<u>\$ 665,213</u>	<u>\$ 764,677</u>	<u>\$ 1,429,890</u>

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

Notes to the Financial Statements

DELAWARE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

1. Summary of Significant Accounting Policies

The financial statements of Delaware County are required to be presented in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies and practices are described below.

A. Reporting Entity

The counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, the County is required to present the entities that comprise the primary government and its legally separate component units in the fiscal year 2001 primary government financial statements.

Blended Component Units

The combined financial statements should include the financial data of the County's component units. Component units are included in the reporting entity when the primary government is financially accountable, is able to impose its will on the organization. Component units are blended when the governing body is substantively the same as the governing body of the primary government.

The following component units have been presented as blended component units because the component units' governing body is substantially the same as the governing body of the County, or the component unit provides services almost entirely to the primary government.

Delaware County Solid Waste Authority (DCSWA) - The Authority was established as a trust for the purpose of promoting the healthful proper management of disposal of solid waste within and without the territorial limits outside Delaware County, Oklahoma, to provide additional employment which will benefit and strengthen the economy of the State of Oklahoma and Delaware County, and to perform functions and powers as mandated and authorized by the solid waste management statutes of the State of Oklahoma and the United States of America. Separate financial statements may be obtained from the Authority. The DCSWA is presented as an enterprise fund in the general-purpose financial statements.

Delaware County Courthouse Renovation Trust (DCCRT) - The Trust was created May 27, 1997 to construct, equip, modernize, restore, renovate, and add to the Delaware County Courthouse and maintain and continually improve such facilities and related facilities. Separate financial statements may be obtained from the Authority. The DCCRT is presented as an internal service fund in the general-purpose financial statements.

Summary of Significant Accounting Policies (continued)

Related Organization Excluded from the Reporting Entity

The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations do not extend beyond making the appointments. The following organization is not included in the reporting entity.

Monkey Island Development Authority - Board members are appointed by the County. The County is not responsible for approving budgets, contracts, key personnel, fiscal matters, or day-to-day operations of the Authority. The Authority was inactive for fiscal year 2001.

B. Fund Accounting

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into the following categories: governmental, proprietary, and fiduciary. Each category in turn is divided into separate fund types.

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Summary of Significant Accounting Policies (continued)

Proprietary Funds Blended Component Units

Proprietary funds are used to account for activities similar to those found in the private sector, when the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) except for those that conflict with GASB pronouncements.

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. Agency funds are generally used to account for assets that the government holds on behalf of others as their agent.

Account Groups

General Fixed Assets Account Group (GFAAG) - Generally accepted accounting principles (GAAP) require that those fixed assets of a government not reported in a proprietary fund or a trust fund be reported in a general fixed assets account group (GFAAG). This account group is not a fund. It does not have a balance sheet as such, nor does it report operations. Instead, the GFAAG serves as a list of the government's fixed assets and is designed to ensure accountability.

General Long-Term Debt Account Group (GLTDAG) - The general long-term debt account group (GLTDAG) is used to account for a government's unmatured long-term indebtedness that has not been identified as a specific fund liability of a proprietary or trust fund. In addition to general obligation debt instruments (e.g., bonds, notes, warrants), the GLTDAG is also used to report revenue bonds that will be repaid from general government resources, special assessment debt when the government is "obligated in some manner," special revenue bonds, and certain liabilities that are normally not expected to be liquidated with expendable available financial resources (e.g., capitalized lease-purchase obligations).

Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these fund types present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is utilized by proprietary fund types, pension trust funds, and nonexpendable trust funds. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. The Delaware County Solid Waste Authority (DCSWA) and the Delaware County Courthouse Renovation Trust (DCCRT) utilize a proprietary fund whereby revenue and expenses are recognized on the accrual basis.

The modified-accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified-accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be quantified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if collected within 60 days after year-end. Expenditures are recorded when incurred and the related fund liability is expected to be paid from available spendable resources. Principal and interest on general long-term debt are recorded as fund expenditures when paid or when amounts for principal and interest have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, sales tax, interest revenue, and other taxes collected and held by the Oklahoma Tax Commission at year-end on behalf of the government. Charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

Summary of Significant Accounting Policies (continued)

D. Budgetary Policies and Procedures

Under current Oklahoma statutes, the general fund and County Health Department are required to adopt a formal budget. The budget presented for the general fund includes the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other cash funds are made on a monthly basis, according to the funds then available.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund.

Any encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. At the end of the year, unencumbered appropriations are lapsed.

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue (County Health Department only) Funds presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2001.

Cash and Cash Equivalents -- (DCSWA) and (DCCRT)

For the purposes of the statement of cash flows, the DCSWA and DCCRT consider all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

F. Receivables

All receivables for the county are reported at their gross value.

Summary of Significant Accounting Policies (continued)

G. Interest Receivable

Interest on deposits and investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

H. Fixed Assets

The County presently maintains some individual records of personal property; however, the County does not keep similar records for land, buildings, and improvements. For this reason, a statement of general fixed assets, required by generally accepted accounting principles, is not presented on the Combined Balance Sheet - All Fund Types and Account Group.

I. Inventories – (DCSWA)

The DCSWA does not maintain any material inventories for its proprietary fund types.

J. Depreciation – (DCSWA)

Depreciation of property and equipment is computed by using the straight-line method.

K. Construction in Progress – (DCCRT)

The amount reported includes payments made to architects, surveyors, etc., for the initial phase of the renovation project.

L. Risk Management

The County is exposed to various risks of loss as follows:

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	The County participates in a	If claims exceed pool
- Torts	public entity risk pool -	assets, the County would
- Errors and Omissions	Association of County	have to pay its share of
- Law Enforcement	Commissioners of Oklahoma -	the pool deficit.
Officers Liability	Self-Insured Group. (See ACCO-	
- Vehicle	SIG.)	

DELAWARE COUNTY, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2001

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool. (See ACCO – SIF)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of risk.	None

ACCO-SIG The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county pays a deductible amount (\$1,000 to \$10,000; Delaware County has a \$2,500 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool pays legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

ACCO-SIF The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. ACCO-SIF was set up in 1984 and pays legitimate worker's compensation claims up to \$500,000 per incident. A reinsurance policy, with no limit, pays claims that exceed \$500,000 for a particular incident. The pool has not assessed additional premiums to be paid by its members in the past three years.

The County continues to carry commercial insurance for employees' health and accident insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2001 fiscal year.

Summary of Significant Accounting Policies (continued)

M. Compensated Absences

All full-time employees are entitled to annual leave that is accrued on a monthly basis. From the employee start date and through one year of service, employees are entitled to no days of vacation. Employees with one year of service are entitled to 5 days vacation. Those with 2 to 9 years of service are entitled to 10 days of vacation. Employees with 10 or more years are entitled to 15 days annual leave. In management's opinion, the amount of compensated absences is not material to the financial statements for the fiscal year ended June 30, 2001. No accrual is recorded in the governmental fund types.

The County does accumulate sick leave. An employee earns up to 15 days per year and may accumulate up to 130 days. Since there is no history of sick leave usage from which to project future usage, no liability for such has been recorded. Such an amount, if recorded, would not be material to the financial statements. In management's opinion, the amount of sick leave is not material to the financial statements for the fiscal year ended June 30, 2001. No accrual is recorded in the governmental fund types.

N. Long-Term Obligations

The County reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

O. Memorandum Only - Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Interfund transactions, if any, have not been eliminated from the total column of each financial statement.

P. Grant Revenue

Revenues from federal and state grants are recognized when expenditures are incurred.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office, or department and object. The Delaware County Board of County Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

3. Detailed Notes on Account Balances

A. Deposits

Title 62 O.S. 1996 Supp., § 348.3 authorizes the County Treasurer to invest in:

- U.S. Government Obligations
- Certificates of Deposit
- Savings Accounts
- G.O. Bonds issued by Counties, Municipalities, or School Districts
- Money judgments against Counties, Municipalities, or School Districts
- Bonds and Revenue Notes issued by a Public Trust when the beneficiary of the Trust is a County, Municipality, or School District
- Negotiable Certificates of Deposit
- Prime Bankers Acceptances which are eligible for purchase by the Federal Reserve System
- Prime Commercial Paper with a maturity of 180 days or less
- Repurchase Agreements
- Money Market Funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments.

At year-end, the carrying amount of the County's deposits was \$3,333,497, and the bank balance was \$2,982,949. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name. The remaining balance of \$52,148 was uncollateralized.

At year-end, the carrying amount of the DCSWA's deposits was \$665,213, and the bank balance was \$665,213. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the DCSWA agent in the DCSWA's name.

At year-end, the carrying amount of the DCCRT's deposits was \$309,102, and the bank balance was \$309,102. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the DCCRT's agent in the DCCRT's name.

Total deposits for the government entity were \$4,307,812.

Detailed Notes on Account Balances (continued)

B. Receivables

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, . . . "Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

The net assessed property value as of January 1, 2000, was \$170,797,102.

The County levied 10.45 mills (the legal maximum) for general fund operations, 2.09 mills for the County Health Department, and 2.09 mills for the Multi-County Library. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions the ad valorem taxes collected to the appropriate taxing units.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid before January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year. Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2001, were approximately 95 percent of the levy for tax year 2001.

C. Pension Plan

Plan Description. Delaware County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

DELAWARE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

Detailed Notes on Account Balances (continued)

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation, which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributed between 5.0% and 10% of earned compensation for fiscal year 2001. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributed 10% of earned compensation for elected officials. The County's contributions to the plan for the years ending June 30, 2001, 2000, and 1999, were \$309,952, \$294,039, and \$342,006, respectively, equal to the required contributions for each year.

D. Construction and Other Significant Commitments

As of June 30, 2001, the Delaware County Courthouse Renovation Trust had a commitment with respect to an unfinished capital project for construction and renovation of Delaware County Courthouse. The expected completion date is January 31, 2002.

E. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. 1991, § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest-free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired. The one-time fee is reported as interest.

Oklahoma statutes prohibit the County from entering into contracts of this nature longer than one year. For this reason, these lease-purchase agreements do not qualify for capitalization until the year the lease-purchase agreements are completed and title to the equipment is transferred to the County. However, because it is the County's intent to exercise its right to purchase this property, the lease-purchase agreements have been capitalized to conform to generally accepted accounting principles. The unpaid portions of these agreements have been reflected as capitalized lease obligations within the general long-term debt account group.

Providing all capital leases are renewed each year by resolution of the Board of County Commissioners, minimum lease commitments under capitalized lease-purchase agreements as of June 30, 2001, are as follows:

DELAWARE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

Detailed Notes on Account Balances (continued)

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 328,241	\$ 39,501	\$ 367,742
2003	228,596	27,775	256,371
2004	217,100	20,376	237,476
2005	150,595	13,797	164,392
2006	125,679	8,014	133,693
2007-2008	<u>119,042</u>	<u>3,637</u>	<u>122,679</u>
Totals	<u>\$1,169,253</u>	<u>\$113,100</u>	<u>\$1,282,353</u>

During the year, the County paid \$252,749 on the outstanding balances of lease-purchase agreements and capitalized lease-purchases totaling \$565,203.

Capital Leases – (DCSWA)

The Authority entered into a number of lease-purchase agreements during the fiscal year 1998-1999. These agreements are for the remaining of the current year with options to renew annually for a set period of time (36 months to 60 months). At the end of the lease period the equipment becomes the property of the Authority. The Authority has elected to capitalize the equipment and treat the lease agreement as a note payable since the past history of the Authority has been to retain equipment past the lease period.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 93,743	\$ 14,914	\$ 108,657
2003	94,350	8,444	102,794
2004	83,738	2,787	86,525
2005	<u>5,771</u>	<u>58</u>	<u>5,829</u>
Total	<u>\$ 277,602</u>	<u>\$ 26,203</u>	<u>\$ 303,805</u>

F. Changes in Fixed Assets - (DCSWA)

	<u>June 30, 2000</u>			<u>June 30, 2001</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Land and buildings	\$ 341,587	\$ 15,767	\$	\$ 357,353
Vehicles and equipment	<u>1,708,995</u>	<u>99,117</u>	<u> </u>	<u>1,808,113</u>
Total	<u>\$2,050,582</u>	<u>\$114,884</u>	<u>\$ -</u>	2,165,466
Less accumulated depreciation				<u>(1,367,964)</u>
Balance				<u>\$ 797,502</u>

DELAWARE COUNTY, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2001

Detailed Notes on Account Balances (continued)

G. Long-Term Debt -- (DCCRT)

The Trust obligated itself to the Bank of Oklahoma in the amount of \$2,545,000 on November 1, 1998, in a note payable to construct and renovate the courthouse. The note was secured by sales tax proceeds voted by the public.

Interest and principal payments commenced November 25, 1998, and will continue monthly through July 25, 2001, at which time the notes will be paid. Monthly payments will be made to a reserve account with semi-annual payments of interest and principal made on February 1 and August 1, respectively.

Total obligation requirements for the notes payable, including interest of \$66,713, are as follows:

Fiscal Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2002	\$ <u>505,000</u>	\$ <u>11,363</u>	\$ <u>516,363</u>
Total	\$ <u>505,000</u>	\$ <u>11,363</u>	\$ <u>516,363</u>

H. Changes in General Long-Term Liabilities

During the year ended June 30, 2001, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2001</u>
Capital leases	\$ <u>856,799</u>	\$ <u>565,203</u>	\$ <u>252,749</u>	\$ <u>1,169,253</u>
Total	\$ <u>856,799</u>	\$ <u>565,203</u>	\$ <u>252,749</u>	\$ <u>1,169,253</u>

I. Fund Equity

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Designated fund equity represents tentative plans for future use of financial resources, which are available for appropriation. Specific reservations of the fund balance accounts are summarized below.

Reserved for Encumbrances- The reserve for encumbrances represents encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the County but not completed as of the close of the fiscal year.

4. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

5. Sales Tax

The voters of Delaware County voted a permanent ½ cent sales tax, which became effective April 1, 1988. The purpose of the sales tax is to provide revenue to be used only for the acquisition, establishment, and operation of Solid Waste Services for the people of Delaware County.

On April 1, 1997, the voters of Delaware County approved a sales tax of ½ cent for the exclusive purpose of funding the modernization, restoration, renovation, construction, and addition to the Delaware County Courthouse, together with associated costs and expenses. The ½ cent sales tax became effective on June 1, 1997, and continued until May 31, 2001. However, on September 15, 1998, the Delaware County voters extended the ½ cent sales tax to continue until May 31, 2001.

On June 1, 2001, the sales tax shall be reduced to 1/10 of 1 cent and shall continue until May 31, 2006, with all of the income from said reduced sales tax to be allocated for the exclusive purpose of funding the maintenance, operation, and continued improvement of said courthouse and county officers. The reduced sales tax of 1/10 of 1 cent shall be voted on every five years to determine if it shall be continued for another five years.

6. Subsequent Events

On May 8, 2001, the voters of Delaware County approved, in addition to all other city, county, and state excise taxes, a four tenths of one percent (.4%) sales tax to become effective July 1, 2001. The .4% sales tax is for the purpose of construction or improving fire stations, purchase of equipment, training, education, general maintenance and operation of nineteen (19) fire departments in Delaware County, Oklahoma. The sales tax may be terminated at any time after five (5) years from it's implementation, by a simple majority vote of the voters of Delaware County.

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR
OKLAHOMA CITY

CLIFTON H. SCOTT
State Auditor and Inspector

2300 N. Lincoln Blvd.
100 State Capitol
Oklahoma City, OK 73105-4896
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**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

TO THE OFFICERS OF
DELAWARE COUNTY, OKLAHOMA

We have audited the financial statements of Delaware County, Oklahoma, as of and for the year ended June 30, 2001, and have issued our report thereon dated June 26, 2002. We qualified our opinion because the general fixed assets account group was not included in the financial statements. We did not audit the financial statements of the Delaware County Courthouse Renovation Trust and Delaware County Solid Waste Authority. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the component units is based solely upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Delaware County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Finding 2001-1 – Pledged Collateral

Criteria: Title 62 O.S. 1991, § 511 states, "Any custodian of public funds of any kind . . . shall . . . be required to secure proper collateral only for sums deposited in excess of the amount of deposit insured by such Federal Deposit Insurance Corporation."

Condition: It was noted in the testing of pledged collateral, as of January 13, 2001, a heavy tax collection period, the bank balance at the Delaware County Bank was \$152,148 and collateral pledged was \$100,000. The collateral was underpledged by \$52,148.

Recommendation: We recommend the County Treasurer comply with 62 O.S. 1991, § 511, and insure proper pledged collateral for funds held in financial institutions for the County.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Delaware County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described below.

Finding 1998-1 – General Fixed Assets

Criteria: Generally accepted accounting principles for a governmental entity using governmental fund types require the presentation of the general fixed assets account group (GFAAG) in the financial statements.

Title 19 O.S. 2000, § 178.1, requires the county to maintain necessary information regarding land, building, and improvements.

Condition: Information is not available for reporting general fixed assets in accordance with generally accepted accounting principles for a government entity. The general fixed assets control account is not accurate.

Recommendation: We recommend records include acquisition cost, a complete description, purchase date, location of such assets, and that a control total of the cost of these assets be maintained and reconciled annually in accordance with Title 19 O.S. 2000, § 178.1.

Finding 1999-2 – Segregation of Duties

Criteria: The overall goal of accounting principles generally accepted in the United States of America is to demonstrate accountability and stewardship to be used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: Based on inquiries of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

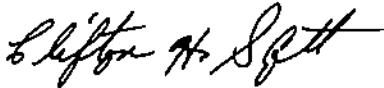
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 1998-1 and 1999-2 to be material weaknesses.

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

This report is intended solely for the information and use of the management of the County, and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



CLIFTON H. SCOTT
State Auditor and Inspector

June 26, 2002

Management Response

Board of Commissioners

Delaware County

Bruce Poindexter - District One
Howard Payton - District Two
Dave Kendrick - District Three

Drawer 550
Jay, OK 74346
(918) 253-4432
Fax: (918) 253-8707

September 4, 2002

Dear Sherri Merle,

We thank the State Auditor and Inspector's Office for their Audit in June. The auditors were cordial and directive.

RE: 98-1 General Fixed Assets

This item has not been reported for several years and actions have been taken to try to come up with the necessary information to satisfy SA&I on this item.

RE: 1992-2 Segregation of Duties

In the County Clerk's office four land employees who receive monies from the public, one balances daily amounts, another employee initials the amount, and a third employee takes the deposit to the Treasurer's Office. On monthly amounts, the officer signs the balance sheet.

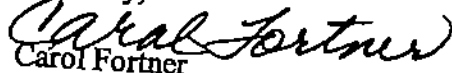
In the Treasurer Office, one employee receives the fees, another employee completes daily and monthly balances, and still another delivers money to the banks.

RE: 2001-1 Pledged Collateral

The current Treasurer has taken the following action:

She has changed office procedure to keep up with the money and that the money be invested as well as collateral to cover all funds.

Sincerely,



Carol Fortner

Delaware County Clerk



Bruce Poindexter

Chairman

Board of County Commissioners