

**LeFLORE COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

April 29, 2003

TO THE CITIZENS OF  
LeFLORE COUNTY, OKLAHOMA

Transmitted herewith is the audit of LeFlore County, Oklahoma, for the fiscal year ended June 30, 2002. 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 "Jeff A. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

**LeFLORE COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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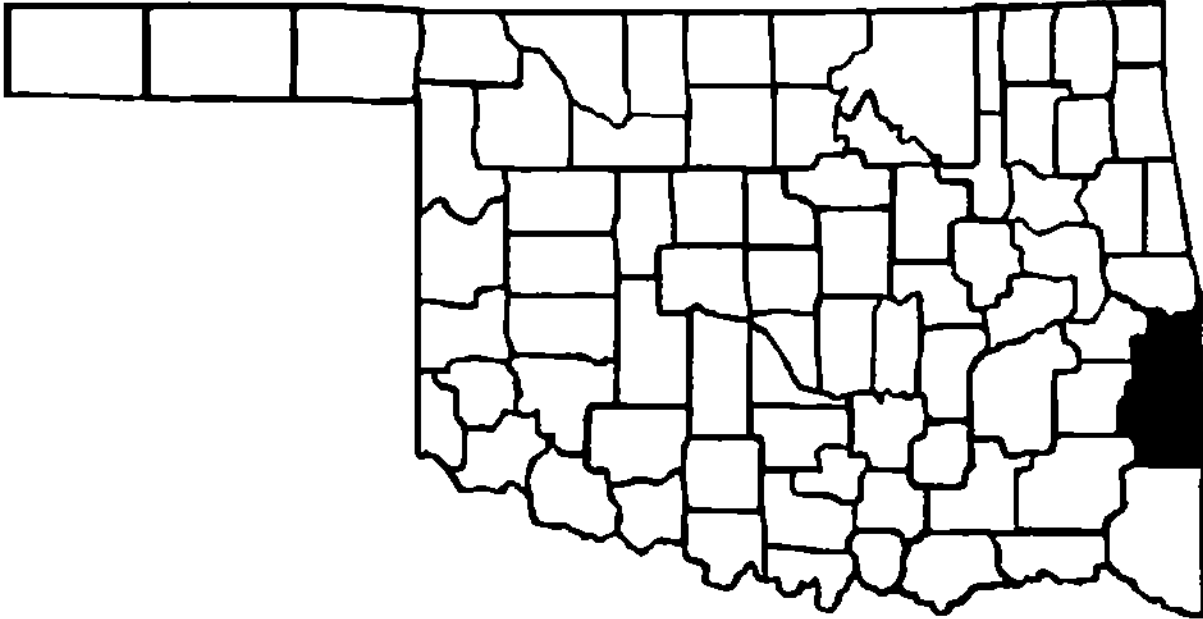
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**REPORT TO THE CITIZENS  
OF  
LeFLORE COUNTY, OKLAHOMA**

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Once part of the Choctaw Nation, Indian Territory, LeFlore County is diverse in its topography. With rugged hills, narrow valleys and productive farmland, there is a gentle blending of modern days and old ways. Many of the towns were established as a result of railroad expansion.

Within its borders there are two hospitals, seven libraries, a two-year college, three vocational schools, five newspapers, a veteran's center, and numerous clinics. Manufacturing produces such items as refrigerator parts, instrument panels, crackers, and cattle feed. Carl Albert State College offers courses to more than 2,000 full and part-time students annually.

Poteau, the county seat, was home to late Senator Robert S. Kerr. Tourism is an important aspect of LeFlore County. The Heavener Runestone and Spiro Mounds offer historic interest and are well known, and stops on the old Butterfield Trail, hailed as the first transcontinental link between East and West, are still found in the northern part of the county. The Ouachita National Forest, including the Talimena Scenic Drive, dominates the southern half of the county. Annual events include the Cavanal Fall Festival and Auto Show in October near Poteau. For more information, call the county clerk's office at (918) 647-5738.

County Seat – Poteau

Area – 1,586 Square Miles

County Population – 46,770  
(1999 est.)

Farms – 1,744

Land in Farms – 407,359 Acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY ASSESSOR**  
Ruth Darnal  
(D) Wister

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**  
Alan Vickers  
(D) Heavener

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 OFFICIALS  
AND RESPONSIBILITIES**

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**BOARD OF COUNTY COMMISSIONERS**

**DISTRICT #1**  
Carrol Rogers  
(D) Spiro

**DISTRICT #2**  
Lance Smith  
(D) Monroe

**DISTRICT #3**  
Freddie D. Cox  
(D) Heavener

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.

See independent auditor's report.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY SHERIFF**

Roy Gentry  
(D) Poteau

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**

Stella Drury  
(D) Poteau

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 OFFICIALS  
AND RESPONSIBILITIES**

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**COURT CLERK**  
Melba Hall  
(D) Poteau

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**  
Rob Wallace  
(D) Poteau

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.

See independent auditor's report.



**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**ELECTION BOARD SECRETARY**

Phillip Zearley  
(D) Poteau

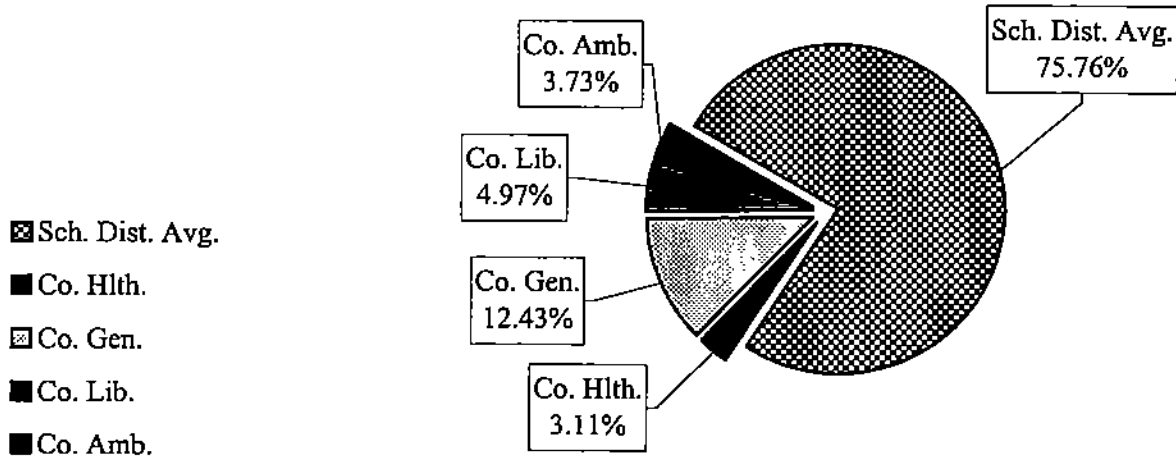
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

See independent auditor's report.

**AD VALOREM TAX DISTRIBUTION  
LeFLORE 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 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.



- ☒ Sch. Dist. Avg.
- Co. Hlth.
- ▨ Co. Gen.
- Co. Lib.
- Co. Amb.

**County-Wide Millages:**

Co. General Fund	10.00
Co. Health	2.50
EMS	3.00
Library	4.00

**School District Millages:**

	Gen.	Bldg.	Skg.	Vo-Tech	Common	Total
I-2 Spiro	35.00	5.00	10.92		4.00	54.92
I-3 Heavener	35.00	5.00	4.66	12.00	4.00	60.66
C-4 Shady Pt.	35.00	5.00	9.49	12.00	4.00	65.49
I-7 Pocola	35.00	5.00	18.85	12.00	4.00	66.85
C-11 Monroe	35.00	5.00		12.00	4.00	56.00
C-14 Hodgen	35.00	5.22	10.01	12.00	4.00	66.01
I-16 LeFlore	35.00	5.00		12.00	4.00	56.00
I-17 Cameron	35.00	5.00		12.00	4.00	56.00
I-20 Panama	35.00	5.00	5.65	12.00	4.00	61.65
I-26 Bokoshe	35.00	5.00		12.00	4.00	56.00
I-29 Poteau	35.00	5.00	13.99	12.00	4.00	69.99
C-39 Fanshawe	35.00	5.00		12.00	4.00	56.00
I-49 Wister	35.00	5.00	8.25	12.00	4.00	64.25
I-52 Talihina	35.00	5.00	11.89	12.00	4.00	67.89
I-62 Whitesboro	35.00	5.00		12.00	4.00	56.00
I-67 Howe	35.00	5.00	12.48	12.00	4.00	68.48
I-91 Arkoma	35.00	5.00		12.00	4.00	56.00
J-14 Smithville	35.00	5.00	10.38	12.00	4.00	66.38
J-37 McCurtain	35.00	5.00		12.00	4.00	56.00
JT-2 Red Oak	35.00	5.00	9.85	12.00	4.00	65.85
JT-16 Latimer	35.00	5.00		12.00	4.00	56.00
JT-43 Keota	35.00	5.00	8.14	12.00	4.00	64.14
JT-52 Latimer	35.00	5.00		12.00	4.00	56.00

See independent auditor's report.



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
LeFLORE COUNTY, OKLAHOMA

We have audited the accompanying general-purpose financial statements of LeFlore County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of LeFlore County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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


In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of LeFlore County, Oklahoma, as of June 30, 2002, 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 March 17, 2003, on our consideration of LeFlore 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 LeFlore County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our

opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements 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,

A handwritten signature in black ink that reads "Jeff A. McMahan". The signature is written in a cursive style with a large, looping initial "J".

JEFF A. McMAHAN  
State Auditor and Inspector

March 17, 2003

**General-Purpose Financial Statements**

**LeFLORE COUNTY, OKLAHOMA**  
**COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2002**

	Governmental Fund Types				Fiduciary	Account		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Fixed Assets	General Long-Term Debt	
<b>ASSETS</b>								
Cash and investments	\$ 79,832	\$ 4,817,253	\$ 189,072	\$ 96,427	\$ 1,139,745	\$	\$	\$ 6,322,329
Ad valorem taxes receivable	51,990	10,636			245,181			307,807
Sales tax receivable		216,061						216,061
Due from other governments	51,415	1,283,608			101,428			1,436,451
Accrued interest receivable	14,925	4,940						19,865
Consumable inventories		176,146						176,146
Land and buildings						3,934,313		3,934,313
Machinery and equipment						7,776,411		7,776,411
Amount available in debt service fund							189,072	189,072
Amount to be provided for capitalized lease agreements							160,196	160,196
Amount to be provided for retirement of revenue bonds							2,509,196	2,509,196
<b>Total assets</b>	<b>\$ 198,162</b>	<b>\$ 6,508,644</b>	<b>\$ 189,072</b>	<b>\$ 96,427</b>	<b>\$ 1,486,354</b>	<b>\$ 11,710,724</b>	<b>\$ 2,858,464</b>	<b>\$ 23,047,847</b>
<b>LIABILITIES AND FUND EQUITY</b>								
<b>Liabilities:</b>								
Warrants payable	\$ 79,554	\$ 186,730	\$	\$	\$	\$	\$	\$ 266,284
Accounts payable	41,994	692,646						734,640
Due to other taxing units					994,522			994,522
Due to others					491,832			491,832
Capitalized lease obligations payable							160,196	160,196
Revenue bonds payable							2,698,268	2,698,268
<b>Total liabilities</b>	<b>121,548</b>	<b>879,376</b>	<b>-</b>	<b>-</b>	<b>1,486,354</b>	<b>-</b>	<b>2,858,464</b>	<b>5,345,742</b>
<b>Fund equity:</b>								
Investment in general fixed assets						11,710,724		11,710,724
<b>Fund balance:</b>								
Reserve for encumbrances	8,677	226,637						235,314
Reserve for consumable inventories		176,146						176,146
Reserve for debt service			189,072					189,072
<b>Unreserved:</b>								
Designated for capital projects				96,427				96,427
Undesignated	67,937	5,226,485						5,294,422
<b>Total fund equity</b>	<b>76,614</b>	<b>5,629,268</b>	<b>189,072</b>	<b>96,427</b>	<b>-</b>	<b>11,710,724</b>	<b>-</b>	<b>17,702,105</b>
<b>Total liabilities and fund equity</b>	<b>\$ 198,162</b>	<b>\$ 6,508,644</b>	<b>\$ 189,072</b>	<b>\$ 96,427</b>	<b>\$ 1,486,354</b>	<b>\$ 11,710,724</b>	<b>\$ 2,858,464</b>	<b>\$ 23,047,847</b>

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

**LeFLORE COUNTY, OKLAHOMA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
Ad valorem taxes	\$ 1,556,520	\$ 387,606	\$	\$	\$ 1,944,126
Sales tax		1,312,481			1,312,481
Charges for services	248,488	246,064			494,552
Intergovernmental revenues	410,956	7,301,514			7,712,470
Miscellaneous revenues	257,114	1,281,511	266,906	5,751	1,811,282
<b>Total revenues</b>	<u>2,473,078</u>	<u>10,529,176</u>	<u>266,906</u>	<u>5,751</u>	<u>13,274,911</u>
<b>Expenditures:</b>					
<b>Current operating:</b>					
General government	1,901,272	1,324,728			3,226,000
Public safety	539,691	267,090			806,781
Education	75,456				75,456
Health and welfare		633,253			633,253
Culture and recreation	3,010				3,010
Roads and highways		7,859,844			7,859,844
Sanitation		1,569,041			1,569,041
Capital outlay				474,518	474,518
<b>Debt service:</b>					
Principal retirement			98,629		98,629
Interest and fiscal agent			162,289		162,289
<b>Total expenditures</b>	<u>2,519,429</u>	<u>11,653,956</u>	<u>260,918</u>	<u>474,518</u>	<u>14,908,821</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(46,351)</u>	<u>(1,124,780)</u>	<u>5,988</u>	<u>(468,767)</u>	<u>(1,633,910)</u>
<b>Other financing sources (uses):</b>					
Sale of county property	23,336	13,702			37,038
Capitalized lease agreements		166,300			166,300
<b>Total other financing sources (uses)</b>	<u>23,336</u>	<u>180,002</u>	<u>-</u>	<u>-</u>	<u>203,338</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<u>(23,015)</u>	<u>(944,778)</u>	<u>5,988</u>	<u>(468,767)</u>	<u>(1,430,572)</u>
<b>Beginning fund balances</b>	<u>99,629</u>	<u>6,574,046</u>	<u>183,084</u>	<u>565,194</u>	<u>7,421,953</u>
<b>Ending fund balances</b>	<u>\$ 76,614</u>	<u>\$ 5,629,268</u>	<u>\$ 189,072</u>	<u>\$ 96,427</u>	<u>\$ 5,991,381</u>

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

**LeFLORE 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, 2002**

	General			Special Revenue Funds		
	Budget	Actual	Variance	County Health Department		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 2,546	\$ (789)	\$ (3,335)	\$ 695,076	\$ 696,865	\$ 1,789
Revenues:						
Ad valorem taxes	1,554,443	1,553,360	(1,083)	367,742	385,826	18,084
Charges for services	238,590	248,488	9,898			
Intergovernmental revenues	499,988	369,692	(130,296)	88,116	111,422	23,306
Miscellaneous revenues	281,100	272,799	(8,301)		50,064	50,064
Total revenues, budgetary basis	<u>2,574,121</u>	<u>2,444,339</u>	<u>(129,782)</u>	<u>455,858</u>	<u>547,312</u>	<u>91,454</u>
Expenditures:						
Current operating:						
General government	1,958,742	1,908,657	50,085			
Public safety	537,219	535,192	2,027			
Education	73,206	73,060	146			
Culture and recreation	7,500	370	7,130			
Health and welfare				1,150,934	632,288	518,646
Total expenditures, budgetary basis	<u>2,576,667</u>	<u>2,517,279</u>	<u>59,388</u>	<u>1,150,934</u>	<u>632,288</u>	<u>518,646</u>
Excess of revenues and beginning fund balances over (under) expenditures, budgetary basis	<u>\$ -</u>	<u>(73,729)</u>	<u>\$ (73,729)</u>	<u>\$ -</u>	<u>611,889</u>	<u>\$ 611,889</u>
Other financing sources (uses):						
Sales of equipment		23,336				
Total other financing sources (uses):		<u>23,336</u>			<u>-</u>	
Excess of revenues, other sources, and beginning fund balance over expenditures and other (uses)		(50,393)			-	
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem taxes		51,990			10,636	
Accrued interest receivable		14,925			2,678	
Due from other governments		51,415				
Reserved for encumbrances		<u>8,677</u>				
Ending fund balances		<u>\$ 76,614</u>			<u>\$ 625,203</u>	

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



**Notes to the Financial Statements**

1. Summary of Significant Accounting Policies

The financial statements of the 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. Financial Reporting Entity

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 accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of LeFlore County (the primary government) and its legally separate component units.

Blended Component Units

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

LeFlore County Public Buildings Authority – This Authority has been blended into the debt service and capital projects funds and the general fixed assets account group.

LeFlore County Public Health Management Authority – This Authority has been blended into the special revenue fund.

Related Organizations Excluded from the Reporting Entity

The County's officials are responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. These organizations are not included in the financial statements.

Poteau Valley Improvement Authority  
LeFlore County Industrial Development Authority  
LeFlore County Special 911 Authority  
LeFlore County Hospital Authority  
LeFlore County Educational Authority  
LeFlore County Home Finance Authority

Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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 two major categories: governmental and fiduciary.

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 the activities of the general government not accounted for in some other fund.

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) – Accounting principles generally accepted in the United States of America require that the fixed assets of a government 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 trust fund. The GLTDAG is also used to report revenue bonds that will be repaid from general government resources 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 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.

The modified accrual basis of accounting is used by all governmental fund types 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, 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.

D. Budgetary Policies and Procedures

Under current Oklahoma Statutes, the general fund and the County Health Department fund are the only funds required to adopt a formal budget. The budget presented for the general and special revenue (County Health Department only) funds 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 and special revenue funds.

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.

Summary of Significant Accounting Policies (continued)

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. The County's financial statements reflected a deficit fund balance as of June 30, 2002. This deficit was a result of budgeting in excess of the statutorily mandated 90% of prior year collections. Also, the County did not receive expected collections during the year for the general fund.

E. Cash

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.

F. Receivables

All receivables are reported at their gross value.

G. Interest Receivable

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

H. Inventories

Inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

The costs of governmental fund type inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of their respective funds. Reported inventories in these funds are equally offset by a fund balance reserve.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

Summary of Significant Accounting Policies (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related fixed assets, as applicable.

Public domain (“infrastructure”) general fixed assets consisting of roads, bridges and drainage systems are not capitalized since these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated.

**J. 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 - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle	The County participates in a public entity risk pool – Association of County Commissioners of Oklahoma – Self-Insured Group. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
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 Self-Insured Fund 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 will pay a deductible amount (\$1,000 to \$10,000; the County has a \$2,500 deductible) for each insured event as stated in the County’s “Certificate of Participation.” The risk pool will pay 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.

Summary of Significant Accounting Policies (continued)

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 will pay 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 2002 fiscal year.

**K. Compensated Absences**

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and must be taken during the year earned. Employees with 1 to 5 years of service earn 40 hours per year, employees with 6 to 10 years of service earn 104 hours, and employees with 11 plus years of service earn 120 hours per year.

The County does not record any liability for sick leave. An employee earns up to 6 days per year and may accumulate up to 30 days. There is no history of sick leave usage from which to project future usage; hence, no liability for such has been recorded. Such an amount, if recorded, would not be material to the financial statements.

**L. 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.

**M. 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 accounting principles generally accepted in the United States of America. Interfund transactions have not been eliminated from the total column of each financial statement.

**N. Grant Revenue**

Revenues from federal grants are recognized when expenditures are incurred.

**LeFLORE COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before May 31 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. Within weeks, the County Budget Board 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

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

- U.S. government obligations
- Certificates of deposit
- Saving 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 acceptance 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.

Title 62 O.S. §72.4a. requires public trusts that have the state or county as a beneficiary must only invest in certificates of deposit or other evidences of deposit.

These restrictions do not apply to the proceeds of bonds issued by the LeFlore County Public Buildings Authority or the revenues that service the debt in accordance with part B of Title 62 O.S. §72.4a., which requires the proceeds, including the revenue stream, relating to bond issues be invested pursuant to the indenture established for such bonds.

A. Deposits and Investments

Deposits. At year-end, the carrying amount of the County's deposits was \$5,494,649 and the bank balance was \$5,811,063. 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.

Investments. Cash in excess of current needs is invested in investments which are categorized into three categories of credit risk:



**LeFLORE COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

Detailed Notes on Account Balances (continued)

1. Insured or registered, or securities held by the County or its agent in the County's name.
2. Uninsured and unregistered, with securities held by the Counterparty's trust department or agent in the County's name.
3. Uninsured and unregistered, with securities held by the Counterparty, or by its trust department or agent, but not in the County's name.

LeFlore County Public Buildings Authority had a balance after FDIC of \$185,499 that was not collateralized but was invested in a money market fund that invests in U.S. Treasury Securities.

	1	2	3	Reported Amount/ Fair Value
U.S. Government securities	\$ 499,923	\$	\$	\$ 499,923
Total	\$ 499,923	\$ -	\$ -	499,923

Investments not subject to categorization:

Money market fund	327,757
Total investments	\$ 827,680

Total cash and investments equal \$6,322,329.

**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 every four (4) years."

The net assessed property value as of January 1, 2001, was \$161,806,001.

The County levied 10.0 mills for general fund operations, 4.0 mills for the library, 2.5 mills for the County Health Department, and 3.0 mills for the emergency medical service. 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.

**LeFLORE COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

Detailed Notes on Account Balances (continued)

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 prior to 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, 2002, were approximately 95.03 percent of the tax levy.

C. Fixed Assets

	Balance July 1, 2001	Additions	Retirements	Construction Completed	Balance June 30, 2002
Land and buildings	\$ 3,099,276	\$	\$	\$ 835,037	\$ 3,934,313
Machinery and equipment	7,381,225	1,164,001	768,815		7,776,411
Construction in progress	360,519	474,518		(835,037)	
Total general fixed assets	<u>\$ 10,841,020</u>	<u>\$ 1,638,519</u>	<u>\$ 768,815</u>	<u>\$ -</u>	<u>\$ 11,710,724</u>

D. Pension Plan

Plan Description. The 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.

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 contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2000, 2001, and 2002, were \$355,457, \$356,139, and \$380,123, respectively, equal to the required contributions for each year.

**LeFLORE COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

Detailed Notes on Account Balances (continued)

**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. § 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. 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, it is the County's intent to exercise its right to purchase this property; accordingly, the lease-purchase agreements have been capitalized to conform with accounting principles generally accepted in the United States of America. 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 Commissioners, minimum lease commitments under capitalized lease-purchase agreements as of June 30, 2002, are as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 77,259	\$ 7,100	\$ 84,359
2004	45,676	3,274	48,950
2005	28,974	1,375	30,349
2006	8,287	86	8,373
Total	\$ 160,196	\$ 11,835	\$ 172,031

During the year, the County capitalized leases totaling \$166,300 and paid \$133,995 on the outstanding balances of lease-purchase agreements.

**LeFLORE COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

Detailed Notes on Account Balances (continued)

F. Long-Term Debt

Revenue Bonds

The LeFlore County Public Building Authority, a component unit, also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2002, include the Series 1998 refunding bonds that were issued for the Department of Human Services Building Project and Series 2000 revenue bonds that were issued for the Emergency 911 and Emergency Medical Services Building Project. Revenue bond debt service requirements to maturity are as follows:

Purpose	Interest	Amount
LeFlore Co. Public Authority Authority gross lease Revenue refunding bonds Series 1998	4.7 - 7.0%	\$ 1,675,000

Revenue bond debt service requirements to maturity, including interest of \$758,417, are as follows:

Year Ending June 30,	Amount
2003	\$ 161,517
2004	162,045
2005	163,008
2006	163,762
2007-2011	819,249
2012-2016	804,524
2017	159,312
Total	\$ 2,433,417

Purpose	Interest	Amount
LeFlore Co. Public Authority Authority gross lease Revenue refunding bonds Series 2000	6.35%	\$ 1,023,268

**LeFLORE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

Detailed Notes on Account Balances (continued)

Revenue bond debt service requirements to maturity, including interest of \$467,745, are as follows:

Year Ending June 30,	Amount
2003	\$ 94,601
2004	94,601
2005	94,601
2006	94,601
2007-2011	1,112,609
Total	\$ 1,491,013

Changes in Long-Term Debt

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002
Revenue bonds, Series 1998	\$ 1,745,000	\$	\$ 70,000	\$ 1,675,000
Revenue bonds, Series 2000	1,051,897		28,629	1,023,268
Capital leases	127,891	166,300	133,995	160,196
Total	\$ 2,924,788	\$ 166,300	\$ 232,624	\$ 2,858,464

G. 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. Specific reservations and designations of the fund balance accounts are summarized below:

**LeFLORE COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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Detailed Notes on Account Balances (continued)

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.

Reserved for Debt Service – The reserve for debt service was established to indicate that the fund balance or portion thereof is required by law to be used for the payment of any outstanding bonds, interest, or judgments against the County.

Reserved for Consumable Inventories – The reserve for inventories represents the balance of inventories on hand as of June 30, 2002. This amount is presented as reserved to indicate that it is not an available, spendable resource.

Designated for Capital Project – The current fund balance in the capital project fund is the remaining balance after completion of the Emergency 911 building. This amount will be used for capital expenditures according to the bond issue.

H. Sales Tax

The voters of LeFlore County approved a 1/2% sales tax effective February 1993. This sales tax is permanent. The sales tax was established to provide revenue for Solid Waste purposes only.

I. Fuel Taxes

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on county population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County highway fund. The County highway fund is reported herein as "special revenue," and the fuel tax revenue is presented as "intergovernmental."

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.

**Supplementary Schedule**

**LeFLORE COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through Oklahoma State Treasurer: Schools and Roads	10.665		\$ 818,080
Total U.S. Department of Agriculture			<u>818,080</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
Passed Through District Attorney Council Local Law Enforcement Block Grant	16.592	1999-LB-VX-5120	38,782
Total U.S. Department of Justice			<u>38,782</u>
<b><u>U.S. DEPARTMENT OF THE INTERIOR</u></b>			
Direct Grant: Payment In-Lieu of Taxes	15.226		39,479
Total U.S. Department of the Interior			<u>39,479</u>
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>			
Passed Through Oklahoma State Treasurer: Flood Control Project	12.112		24,698
Total U.S. Department of Defense			<u>24,698</u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Passed Through Oklahoma Department of Commerce: Community Development Block Grant	14.228	9641 CDBG	160,665
Total U.S. Department of Housing and Urban Development			<u>160,665</u>
<b><u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u></b>			
Passed Through Oklahoma State Department of Civil Emergency Management Public Assistance Grants	83.544	1355DR	3,388,940
Hazard Mitigation Grant	83.548		2,000
Total Federal Emergency Management Agency			<u>3,390,940</u>
Total Federal Assistance			<u>\$ 4,472,644</u>



**LeFLORE COUNTY, OKLAHOMA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

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1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of LeFlore County, Oklahoma, and is presented on the *modified accrual basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**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

JEFF A. McMAHAN  
State Auditor and Inspector

**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  
LeFLORE COUNTY, OKLAHOMA

We have audited the financial statements of LeFlore County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated March 17, 2003. 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 LeFlore 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of Findings and Questioned Costs as item 02-1.

Internal Control Over Financial Reporting

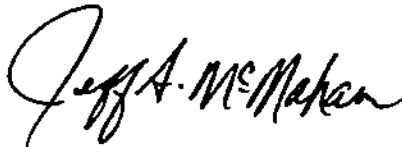
In planning and performing our audit, we considered LeFlore County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN  
State Auditor and Inspector

March 17, 2003

**Report on Compliance With Requirements Applicable to Each  
Major Program and Internal Control Over Compliance in Accordance With  
OMB Circular A-133**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Report on Compliance With Requirements Applicable to Each  
Major Program and Internal Control Over Compliance in Accordance With  
OMB Circular A-133**

TO THE OFFICERS OF  
LeFLORE COUNTY, OKLAHOMA

We have audited the compliance of LeFlore County, Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. LeFlore County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of LeFlore County's management. Our responsibility is to express an opinion on LeFlore County's compliance based on our audit.

We conducted our audit of compliance in accordance with accounting standards generally accepted in the United States of America; 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 LeFlore County'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. Our audit does not provide a legal determination of LeFlore County's compliance with those requirements.

In our opinion, LeFlore County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of LeFlore County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered LeFlore County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

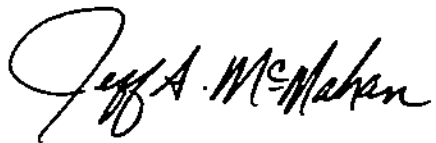
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahen". The signature is written in a cursive style with a large, stylized initial "J".

JEFF A. McMAHAN  
State Auditor and Inspector

March 17, 2003

**Schedule of Findings and Questioned Costs**



**LeFLORE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**SECTION 1 - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weakness(es)? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of Major Programs

CFDA Number(s)

Name of Federal Program or Cluster

83.544

Public Assistance Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**LeFLORE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**SECTION 2 - Financial Statement Findings**

**Finding 02-1 – Budgetary Policies and Procedures**

**Criteria:** Title 68 O.S. 2001, § 3017 restricts the County from budgeting in excess of 90% of the actual collections from prior year sources of revenue, with the exception of ad valorem taxation.

**Condition:** The Budget Board budgeted revenues on the estimate of needs in excess of the 90% limitations required by state statutes.

**Effect:** The County's budgeted revenues exceeded the actual revenues.

**Recommendation:** We recommend that revenues, other than ad valorem taxation, not be budgeted in excess of 90% as required by 68 O.S. 2001, § 3017.

**SECTION 3 – Federal Award Findings and Questioned Costs**

No matters were reported.

**Corrective Action Plan**

CARROLL ROGERS  
District #1 - Spiro  
Shop: 918-962-9471

LANCE SMITH  
District #2 - Poteau  
Shop: 918-647-3600

FREDDIE D. COX  
District #3 - Heavener  
Shop: 918-653-4494

**LEFLORE COUNTY  
BOARD OF COUNTY COMMISSIONERS**

POST OFFICE BOX 607  
POTEAU, OKLAHOMA 74953  
Telephone: 918-647-2527

Office of State Auditor and Inspector  
Attention: Jeff A. McMahan  
State Capitol Building – Room 100  
Oklahoma City, Ok. 73105

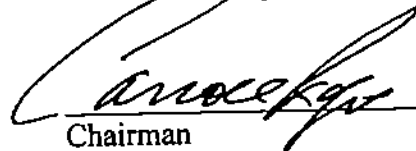
Gentlemen:


**SUBJECT: CORRECTIVE ACTION PLAN**


Budgeted Revenues – Finding 02-1

During the current fiscal year, we will try to implement control procedures for budgeting revenues that will not exceed 90%, as recommended by the State Auditors Office.

LeFlore County  
Board of County Commissioners

  
Chairman

  
Member

  
Member