

**OKFUSKEE COUNTY, OKLAHOMA
SPECIAL-PURPOSE 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

February 6, 2004

TO THE CITIZENS OF
OKFUSKEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Okfuskee 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 black ink, reading "Jeff A. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

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

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

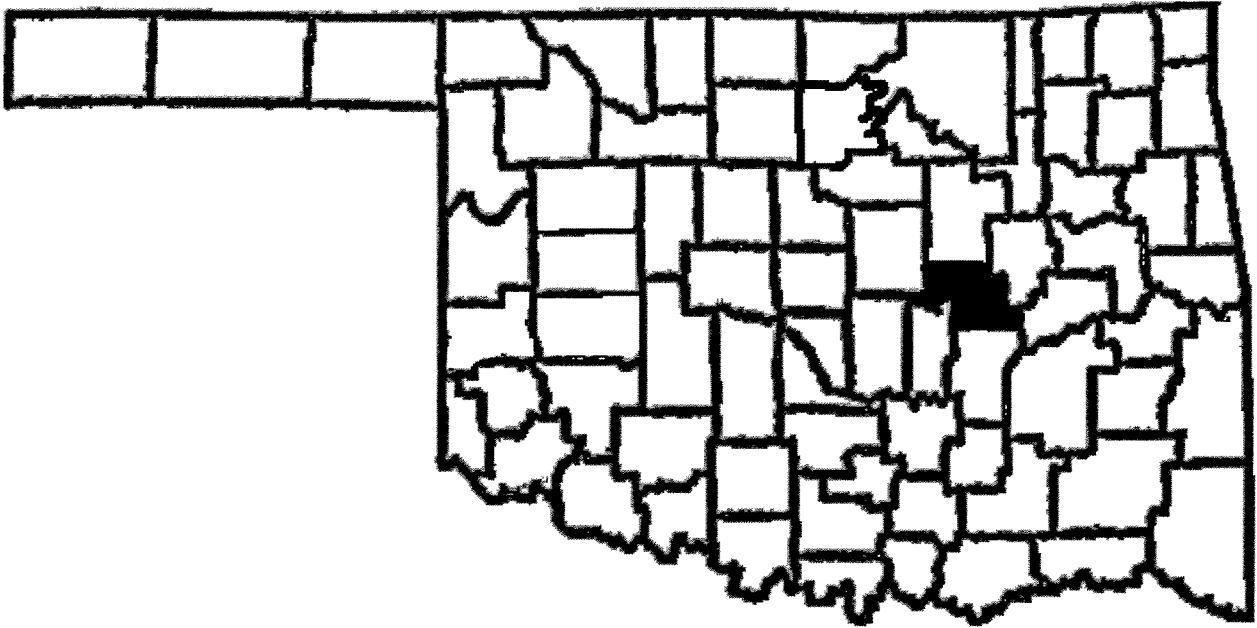
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REPORT TO THE CITIZENS
OF
OKFUSKEE COUNTY, OKLAHOMA



Okfuskee County was named for a Creek town in Cleburn County, Alabama, and was originally part of the Creek Nation, Indian Territory.

Okemah, the county seat, is named for the Creek chief, Okemah, meaning “Big Chief”. Two of Okemah’s most noted residents were Leon Chase Phillips, 11th governor of Oklahoma, and noted American songwriter Woody Guthrie.

County Seat – Okemah

Area – 624.8 Square Miles

County Population – 11,242
(1999 est.)

Farms – 784

Land in Farms – 282,167

Source: Oklahoma Almanac 2001-2002

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR

Peggy Williams
(D) Okemah

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

Dianne Flanders
(D) Okemah

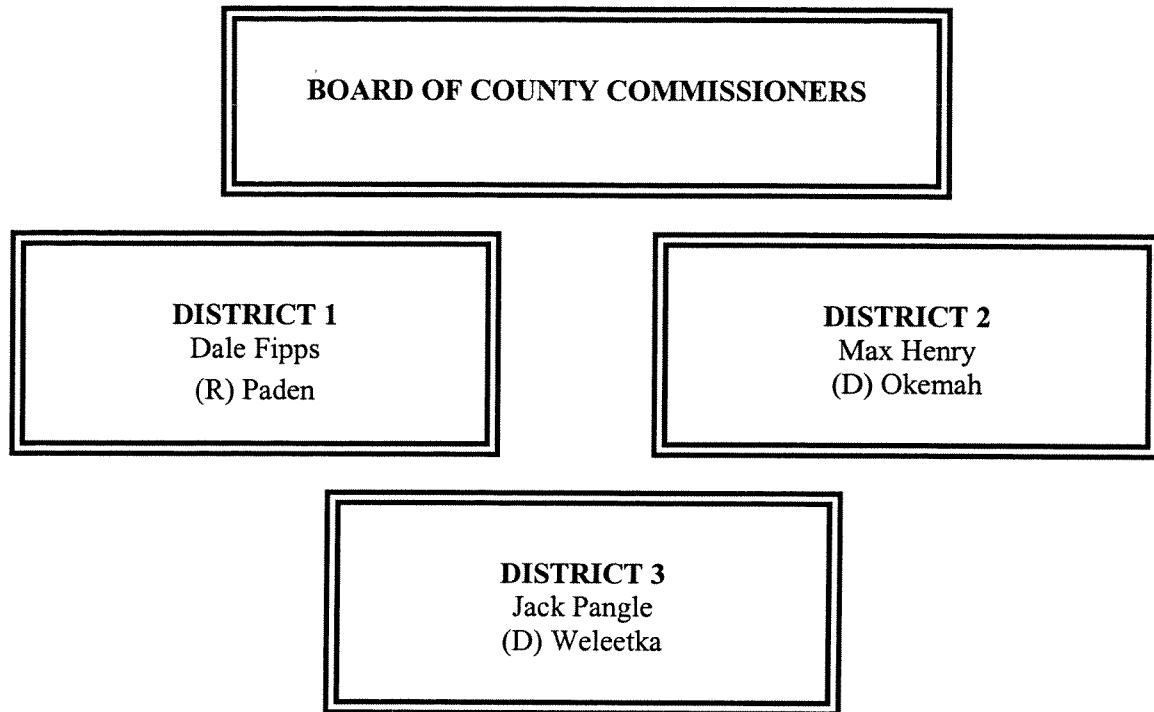
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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**



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**

COUNTY SHERIFF

James C. Fox
(D) Okemah

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

Dorothy Ross
(D) Okemah

All collections 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 collections and disbursements, 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**

COURT CLERK

Kay Adams
(D) Okemah

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

Max Cooke
(R) Kellyville

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 OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

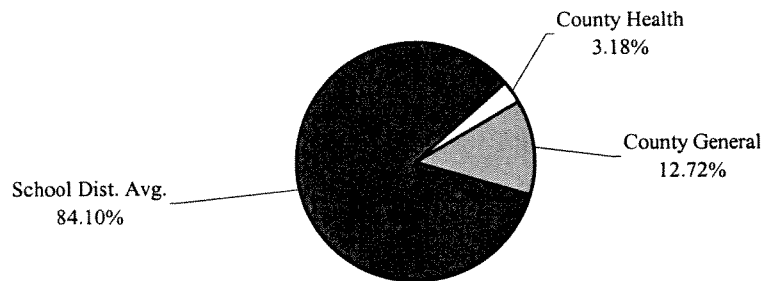
Deborah Dean
(D) Okemah

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 operation 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
OKFUSKEE 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 General
 ☒ School Dist. Avg.
 ☐ County Health

County-Wide Millages	
Co. General	10.55
County Health	2.64
Other	
Weleetka/Graham EMS	4.17

			School District Millages					
			Gen.	Bldg.	Skp.	Vo-Tech	Common	Total
Mason	I-2		39.01	5.57	16.21	5.28	4.22	70.29
Boley	I-13		36.26	5.18	18.77	15.83	4.22	80.26
Paden	I-14		37.27	5.32	9.62	15.83	4.22	72.26
Okemah	I-26		36.80	5.26	14.15	5.28	4.22	65.71
Bearden	D-29		37.74	5.39		5.28	4.22	52.63
Weleetka	DI-31		36.13	5.16	0.09	5.28	4.22	50.88
Graham	I-32		37.75	5.39	28.05	5.28	4.22	80.69
Hughes	JT-5		39.35	5.62	23.65	5.28	4.22	78.12
Seminole	JT-15		36.68	5.24	15.20	15.83	4.22	77.17

See independent auditor's report.

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
OKFUSKEE COUNTY, OKLAHOMA

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

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

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Okfuskee County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Okfuskee County in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Okfuskee County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, as of and for the year ended June 30, 2002, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2003, on our consideration of Okfuskee 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.

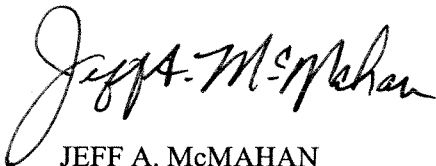
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Okfuskee County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole. The other information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

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,

A handwritten signature in black ink, reading "Jeff A. McMAHAN". The signature is written in a cursive, flowing style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

June 3, 2003

Special-Purpose Financial Statements

OKFUSKEE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

All County Funds	Beginning Cash Balances July 1, 2001	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2002
General Fund	\$ 787,769	\$ 1,150,595	\$ 1,256,008	\$	\$ 682,356
Highway Cash	1,443,559	2,327,223	2,532,052		1,238,730
County Health	198,715	120,165	136,686		182,194
Resale Property	91,725	25,183	16,957		99,951
Mortgage Cert. Fee	13,247	3,405	1,076		15,576
County Clerk Lien Fee	13,745	5,994	1,628		18,111
County Clerk Record's Preservation		19,750			19,750
Sheriff Service Fee	31,304	53,027	32,744		51,587
Sheriff Training Fund	40,843	15,775	26,456		30,162
Assessor's Visual Inspection	4,053	4,245	1,281		7,017
BIA	1,034,624	22,377	1,020,851		36,150
REAP		77,188	73,957		3,231
Hwy Improvement Grant	13	29,705	29,705		13
JAIB Grant	5,097	130			5,227
CDBG Solid Waste		10,000	10,000		
Insurance Damage	9,904		174		9,730
Hospital Fund	938,801	22,734			961,535
Safe Room		2,000	2,000		
Use Tax		3,951			3,951
EMS	31,501	70,333	101,746		88
Excess Resale	59		59		
911 Services	14,160	53,617			67,777
Court Clerk Trust	18,373	468			18,841
Law Library	1,049	9,374	7,899		2,524
Individual Redemption	139	7,584	7,155		568
Schools	1,393,003	5,969,569	6,152,034		1,210,538
Cities and Towns	6,960	89,970	89,967		6,963
Official Depository	348,687	1,069,441	1,127,400	3,368	294,096
Court Fund	60,535	372,739	346,439		86,835
Juvenile Detention	140				140
Co. Industrial Authority	262,076	4,063	3,273		262,866
CSSP	75,584	23,150	167		98,567
Total County Funds	\$ 6,825,665	\$ 11,563,755	\$ 12,977,714	\$ 3,368	\$ 5,415,074

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

**OKFUSKEE COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 787,769	\$ 787,769	\$ 787,769	\$ -
Less: Prior Year Outstanding Warrants	(35,638)	(35,638)	(35,638)	
Less: Prior Year Encumbrances	(33,779)	(33,779)	(33,628)	151
Beginning Cash Balances, Budgetary Basis	718,352	718,352	718,503	151
Receipts:				
Ad Valorem Taxes	356,754	356,754	389,655	32,901
Sales Tax	415,681	415,681	485,566	69,885
Charges for Services	54,000	54,000	55,946	1,946
Intergovernmental Revenues	81,500	81,500	109,072	27,572
Miscellaneous Revenues	100,000	95,535	110,356	14,821
Total Receipts, Budgetary Basis	1,007,935	1,003,470	1,150,595	147,125
Expenditures:				
Total District Attorney	5,000	5,000	2,784	2,216
Total County Treasurer	74,184	74,184	73,108	1,076
Total County Clerk	99,020	118,271	116,036	2,235
Total Court Clerk	48,592	49,030	48,889	141
Total County Assessor	50,792	50,792	50,723	69
Total Revaluation	63,446	57,290	39,782	17,508

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

**OKFUSKEE COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Total Excise Board	3,400	3,400	2,877	523
Total County Election Board	38,300	40,392	39,368	1,024
Total County Purchasing Agent	3,000	3,000	2,756	244
Total Insurance	55,000	57,480	49,944	7,536
General Government	434,129	388,524	299,931	88,593
Capital Outlay	50,000	50,000		50,000
Total General Government	484,129	438,524	299,931	138,593
Total Courthouse Repairs	83,792	83,792	37,869	45,923
Total County Audit	3,720	5,874	5,874	
Total County Sheriff	263,867	284,698	284,686	12
Total Emergency Management		7,550	6,244	1,306
Total Rural Fire Departments	31,415	34,065	10,070	23,995
Total Senior Citizens	19,448	19,448	13,204	6,244
Total Welfare Agencies	1,500	1,500	1,150	350

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

OKFUSKEE COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Total OSU Extension	<u>94,489</u>	<u>94,489</u>	<u>24,692</u>	<u>69,797</u>
Commissioners	<u>86,168</u>	<u>76,018</u>	<u>23,135</u>	<u>52,883</u>
Capital Outlay	<u>55,000</u>	<u>55,000</u>		<u>55,000</u>
Total Commissioners	<u>141,168</u>	<u>131,018</u>	<u>23,135</u>	<u>107,883</u>
Total Highway Special Projects	<u>134,316</u>	<u>134,316</u>	<u>96,771</u>	<u>37,545</u>
Total Free Fair	<u>27,709</u>	<u>27,709</u>	<u>19,687</u>	<u>8,022</u>
 Total Expenditures, Budgetary Basis	 <u>1,726,287</u>	 <u>1,721,822</u>	 <u>1,249,580</u>	 <u>472,242</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 <u>\$ -</u>	 619,518	 <u>\$ 619,518</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			27,158	
Add: Current Year Outstanding Warrants			35,680	
 Ending Cash Balance			<u>\$ 682,356</u>	

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

OKFUSKEE COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL -
COUNTY HEALTH DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2002

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 198,715	\$ 198,715	\$ 198,715	\$ -
Less: Prior Year Outstanding Warrants	(85)	(85)		85
Less: Prior Year Encumbrances	(12,893)	(12,893)	(12,683)	210
Beginning Cash Balances, Budgetary Basis	185,737	185,737	186,032	295
Receipts:				
Ad Valorem Taxes	89,273	89,273	97,489	8,216
Miscellaneous Revenues		14,285	22,676	8,391
Total Receipts, Budgetary Basis	89,273	103,558	120,165	16,607
Expenditures:				
Health and Welfare	275,010	289,295	139,341	149,954
Total Expenditures, Budgetary Basis	275,010	289,295	139,341	149,954
Excess of Receipts and Beginning Cash Balances Over Expenditures				
Budgetary Basis	\$ -	\$ -	166,856	\$ 166,856
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			15,338	
Ending Cash Balance			\$ 182,194	

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

**OKFUSKEE COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2002**

Official Depository Accounts	Beginning Cash Balance July 1, 2001	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balance June 30, 2002
Court Clerk	\$ 156,416	\$ 765,779	\$ 746,479	\$ 1,878	\$ 177,594
Court Clerk Revolving	4,816	8,412	2,447		10,781
District Attorney	123,009	149,061	177,387	1,233	95,916
County Clerk	305	87,540	87,573	52	324
County Sheriff	2,121	14,105	13,674		2,552
Treasurer	2,786	11,294	11,230	30	2,880
Election	1,470	13,210	14,523	175	332
County Health	21	14,842	14,842		21
County Assessor		4,245	4,245		
Court Clerk Inv.	57,743	953	55,000		3,696
Total Official Depository Accounts	\$ 348,687	\$ 1,069,441	\$ 1,127,400	\$ 3,368	\$ 294,096

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

Notes to the Financial Statements

OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

1. Summary of Significant Accounting Policies

A. 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.

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Okfuskee County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County. The funds presented are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

The government uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

C. Basis of Accounting

The financial statements are prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgetary Policies

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 fund and county health department fund includes the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other 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 and county health department fund.

OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Summary of Significant Accounting Policies (continued)

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

The Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund and County Health Department 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 Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including the county health department, school districts and cities and towns. These other budgetary entities produce and file their own financial statements and estimates of needs (budgets). These related cash receipts and disbursements of other budgetary entities are not included in the County's Estimate of Needs.

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, 2002.

F. 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	If claims exceed authorized
- Torts	in a public entity risk pool;	deductibles, the County would
- Errors and Omissions	Association of County	have to pay its share of the pool
- Law Enforcement	Commissioners of	deficit.
Officers Liability	Oklahoma-Self-Insurance	
- Vehicle	Group. (See ACCO-SIG.)	

OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

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 authorized deductibles, 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; Association of County Commissioners of Oklahoma-Self-Insurance Fund. (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 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.

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 recently assessed additional premiums to be paid by its members.

The County continues to carry commercial insurance for employees' health and life 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.

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

All full-time employees are entitled to annual leave that is accrued on a monthly basis. Employees can earn from 5 days of leave up to 15 days of leave depending on the number of years of service. Employees may not carry over vacation leave.

All full-time employees are also entitled to sick leave. Full-time employees earn up to 8 days per year and may accumulate up to 130 days.

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 County Board of 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

At year-end, the reported amount of the County's deposits was \$5,415,074 and the bank balance was \$5,478,560. 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.

Title 62 O.S. § 348.1 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

OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Detailed Notes on Account Balances (continued)

B. Description of Funds

General Fund – revenues are from ad valorem taxes, sales tax, officers' fees, interest earnings and miscellaneous collections of the county. Disbursements are for the general operations of the County.

Highway Cash – revenues are from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

County Health Department – revenues are from ad valorem taxes, miscellaneous fees charged by the health department and state and federal funds. Disbursements are for the operation of the county health department.

Resale Property – revenues are from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Mortgage Certification Fee – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

County Clerk Lien Fee – revenues are from a fee charged by the Clerk for filing liens. Disbursements are for any lawful expense of the Clerk's office.

County Clerk Record's Preservation – revenues are from a fee charged by the Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Sheriff Service Fee – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

Sheriff Training Fund - revenues are from the sale of property forfeited in drug cases. Disbursements are for officer training, equipment, and crime prevention.

Assessor's Visual Inspection – revenues are from fees charged to all entities receiving ad valorem taxes. Disbursements are for the re-valuation of all county property for ad valorem purposes.

BIA – revenues are from a Bureau of Indian Affairs grant. Disbursements are for county road improvement projects.

REAP – revenues are from state grants. Disbursements are for county road improvements and rural fire district equipment.

Highway Improvement Grant – revenues are from a private party reimbursement for improvements made on county roads. Disbursements are for the road improvements.

OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Detailed Notes on Account Balances (continued)

JAIB Grant – revenues are from a juvenile accountability and incentive block grant.

CDBG Solid Waste – revenues are from a federal grant. Disbursements are for the solid waste station at the county industrial park.

Insurance Damage – revenues are from the County's insurance coverage. Disbursements are for the repairs of damaged properties.

Hospital Fund – revenues are from payments received from the buyer of the hospital. Disbursements are for capital asset acquisitions.

Safe Room – revenues are from a federal grant. Disbursements are for the construction of tornado "safe rooms" in homes.

Use Tax – revenues are from sales tax charged to out-of-county vendors on in-county sales. Disbursements are for any legal expense of the County.

EMS – revenues are from ad valorem taxes collected for the Weleetka-Graham Emergency Medical Service. These collections are remitted to the EMS monthly.

Excess Resale – revenues are the amount collected in excess of taxes due when property is sold for taxes. The amount is held for the landowner for two years and if unclaimed, is transferred to the resale property fund.

911 Services – revenues are from a tariff charged to telephone customers. Disbursements are to offset the expense of the 911 emergency service.

Court Clerk Trust – revenues are from the state court system to be used to purchase equipment.

Law Library – revenues are from an annual payment from the courts. Disbursements are for the operation of the county law library.

Individual Redemption – revenues are from taxpayers who redeem tax certificates previously sold on their property. Disbursements are to reimburse the certificate holders for taxes paid, interest, penalties and cost.

Schools – All funds collected on behalf of the county schools are recorded in this fund and remitted to the individual schools monthly.

Cities and Towns – All funds collected on behalf of cities and towns are recorded in this fund and remitted to the individual cities and towns monthly.

OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Detailed Notes on Account Balances (continued)

Official Depository – All officers and agencies collecting fees deposit those fees to this account daily. At the end of each month the fees are distributed to the appropriate fund or agency.

Court Fund – accounts for fees transferred from the Court Clerk account and interest earnings and is disbursed for the purpose of fees for various entities, salaries and operation of the Court Clerk's office.

Juvenile Detention – revenues are from the state courts. Disbursements are for the temporary detention of juveniles pending a transfer to state facilities.

County Industrial Authority – revenues are from repayments of a loan made for industrial development purposes and disbursements are for industrial development purposes.

CSSP – revenues are from state funds reimbursing the expenses of operating a community service sentencing program. Disbursements are for any activity or equipment needed for the people fulfilling community service sentences.

The following narrative details the official depository accounts.

Court Clerk - accounts for the collection of bonds, fines, and fees. Money is disbursed for fees and restitution.

Court Clerk Revolving - accounts for the charge of \$5 for each warrant. Money is disbursed in the same manner as the Court Fund.

District Attorney – accounts for the collection of all District Attorney fees and the subsequent disbursement for remittance of these fees.

County Clerk - accounts for the collection of filing fees and is transferred to the appropriate entity monthly.

County Sheriff – accounts for the collection of cash bonds transferred to courts.

Treasurer - accounts for all collections of pre-paid ad valorem taxes, pre-paid mobile home taxes, and the sale of motor vehicle tax stamps. Disbursements are for the purpose of refunds, tax payments, Oklahoma Tax Commission, and Treasurer's Mortgage Tax Certification Fees.

Election - accounts for reimbursements for election cost and is disbursed for election board operations.

County Health – accounts for fees charged by the county health department. Disbursements are to the county health department budget account monthly.

OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Detailed Notes on Account Balances (continued)

County Assessor - accounts for fees charged by the County Assessor and remitted to the Assessor's Revolving Fund monthly.

Court Clerk Investment – accounts for investments of specific case balances as required by the court.

C. Ad Valorem Tax

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 assessed property value as of January 1, 2001, was approximately \$37,197,087.

The County levied 10.55 mills (the legal maximum) for general fund operations and 2.64 mills for the county health department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits 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 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 96.7 percent of the tax levy.

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

OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Detailed Notes on Account Balances (continued)

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.

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 percent on all subsequent pieces of machinery acquired.

F. Fuel Tax

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 the 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.

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 management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

5. Sales Tax

The voters of Okfuskee County approved a one and one-quarter percent sales tax effective March 1, 1993. The tax is permanent and is designated for the following purposes:

General Government	59.0%
Courthouse Repair and Maintenance	6.0%
O.S.U. Extension	12.5%
Free Fair	4.5%
Rural Fire District	3.0%
Senior Citizen Centers	3.0%
Highway T-4 Special Projects	12.0%

Separate accounts have been established by the County to verify that sales tax receipts are properly handled and used for the approved purposes.

Schedule of Expenditures of Federal Awards

OKFUSKEE COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPT OF HOUSING AND URBAN DEVELOPMENT</u> Passed Through OK		
D.O.C. Solid Waste		\$ <u>10,000</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
Passed through Bureau of Indian Affairs: Highway Planning and Construction	20.205	1,020,851
Total U.S. Department of Transportation		<u>1,020,851</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>		
Passed through State Department of Civil Emergency Management:		
Public Assistance Grant	83.544	369,564
Hazard Mitigation Grant	83.548	2,000
Total Federal Emergency Management Agency		<u>371,564</u>
Total Expenditures of Federal Awards		\$ <u>1,402,415</u>

OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2002

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Okfuskee County, and is presented on the *cash 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
OKFUSKEE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Okfuskee County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated June 3, 2003. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. 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 Okfuskee County's special-purpose 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Okfuskee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 condition is described in the accompanying schedule of findings and questioned costs as item 2002-1.

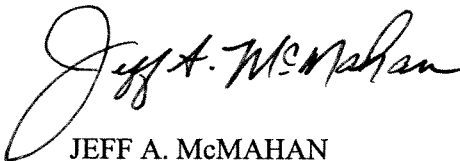
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 item 2002-1 to be a material weakness.

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, reading "Jeff A. McMahen". The signature is fluid and cursive, with the first name "Jeff" and last name "McMahen" clearly legible.

JEFF A. McMAHAN
State Auditor and Inspector

June 3, 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
OKFUSKEE COUNTY, OKLAHOMA

We have audited the compliance of Okfuskee 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. Okfuskee 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 Okfuskee County's management. Our responsibility is to express an opinion on Okfuskee County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing 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 Okfuskee 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 Okfuskee County's compliance with those requirements.

In our opinion, Okfuskee County complied, in all material respects, with 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 Okfuskee 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 Okfuskee 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.

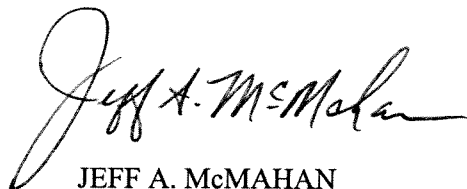
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively 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, reading "Jeff A. McMAHAN". The signature is fluid and cursive, with the first name "Jeff" and last name "McMAHAN" clearly distinguishable.

JEFF A. McMAHAN
State Auditor and Inspector

June 3, 2003

Schedule of Findings and Questioned Costs

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

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? YES
- Reportable condition(s) identified that are not considered to be material weaknesses? NONE REPORTED

Noncompliance material to financial statements noted? NO

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

20.205

Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

NO

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

SECTION 2 - Findings related to the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*

Finding 2002-1 – Segregation of Duties (Repeat Finding)

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources. The most effective controls lie in management's knowledge of County operations and a periodic review of operations.

Condition: The limited number of office personnel within several County offices prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

Recommendation: We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of County operations and a periodic review of operations.

Management's Corrective Action Plan:

Contact Person: Dorothy Ross, County Treasurer

Anticipated Completion Date: See response.

Corrective Action Planned: Management is aware of your current and previous findings, but due to the limited amount of resources to perform the duties of our office effectively and efficiently, we will have to make the necessary adjustments when resources are available. Our office has been and will continue to monitor these situations.

SECTION 3 – Findings related to the *Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133*.

No matters were reported.

Schedule of Prior Year Audit Findings

**OKFUSKEE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

Finding 01-1- Cash Management

Criteria: OMB Circular A-102 Subpart C § .20 (2) states, "Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, or expenditures, and income."

Condition: We examined purchase orders for each district and could not determine which purchase orders were for items purchased with federal money. The County does not separately account for federal purchases. All funds are maintained in the T-Highway accounts and are not segregated from County funds.

Effect: This condition could lead to misappropriation of federal funds.

Recommendation: We recommend the County establish a cash fund for each federal grant in order to segregate federal and county funds and maintain records in enough detail to identify the source and use of those funds.

Corrective Action Taken: FEMA funds were not segregated, however, the County now establishes separate funds for each grant which adequately segregates federal funds for tracking the source and use of each grant.

Finding 01-2- Allowable Costs/Cost Principles

Criteria: The Public Assistance Guide provided by the Federal Emergency Management Agency states, "For debris removal and emergency protective measures, only overtime labor is eligible for permanent employees, regardless of normal duties or assignments. Regular time, which is defined by the entity's established compensation policy, is not eligible for permanent employees."

Condition: Okfuskee County received federal funding under Category B, Emergency Protective Measures. For this type of work, regular time for permanent employees cannot be charged. We noted that regular time was charged for permanent employees totaling \$25,022.14 and \$34,460.00 for District 1 and District 3 respectively, resulting in total questioned costs for payroll of \$59,482.14. We further noted that District 2 charged overtime for the equipment used by their employees working overtime. The total questioned cost for this equipment is \$11,965. The Public Assistance Guide does not specifically address overtime use of equipment; however, this practice is not allowed according to the Oklahoma Department of Civil Emergency Management.

Effect: This condition results in questioned costs of \$71,447.14 due to noncompliance with the FEMA Public Assistance Guide and Oklahoma Department of Civil Emergency Management procedures.

**OKFUSKEE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

Recommendation: We recommend that each of the districts seek guidance from a representative of the Oklahoma Department of Civil Emergency Management to determine how the aforementioned questioned costs should be refunded.

Corrective Action Taken: The Federal Emergency Management Assistance (FEMA) office was contacted by the County. FEMA has allowed the County to satisfy the expenditures by charging part time laborers to the grant. FEMA documentation supporting this action are on file in the County.

**Statistical Data
(Unaudited)**

**OKFUSKEE COUNTY, OKLAHOMA
TOP TEN TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)**

<u>TAXPAYER</u>	<u>JANUARY 1, 2001 NET ASSESSED VALUATION</u>	<u>% OF TOTAL NET VALUATION</u>
1. Public Service of Oklahoma	\$ 4,964,865	13.35%
2. Transok	3,518,038	9.46
3. Southwestern Bell	1,497,544	4.02
4. Duke Energy	657,608	1.77
5. Explorer Pipeline	508,531	1.37
6. Oneok	430,763	1.16
7. Central Oklahoma Tele Co.	398,419	1.07
8. AT&T	394,037	1.06
9. VF Jeans	298,435	.80
10. Valor Comm of OK LLC	291,027	.78
TOTAL	<u>\$ 12,959,267</u>	<u>34.84 %</u>

Source: (Provided by the Oklahoma Tax Commission - Ad Valorem Division)

**OKFUSKEE COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)**

Total net assessed value as of January 1, 2001		<u>\$ 37,197,087</u>
Debt Limit – 5 % of total assessed value		\$ 1,859,854
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal Debt Margin		<u>\$ 1,859,854</u>

OKFUSKEE COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)

	<u>2001</u>
Estimated population	<u>11,242</u>
Net assessed value	<u>\$ 37,197,087</u>
Gross bonded debt	-
Less available sinking fund cash balance	<u>-</u>
Net bonded debt	<u>\$ -</u>
Ratio of net bonded debt to assessed value	<u>-</u>
Net bonded debt per capita	<u>\$ -</u>

**OKFUSKEE COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE YEAR ENDED JUNE 30, 2002
(UNAUDITED)**

<u>Tax Year</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
2001	\$6,117,030	\$12,793,224	\$21,140,774	\$2,853,941	\$37,197,087	\$239,811,519