

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR
OKLAHOMA CITY

CLIFTON H. SCOTT
State Auditor and Inspector

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

October 14, 2002

TO THE CITIZENS OF
OKMULGEE COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Clifton H. Scott".

CLIFTON H. SCOTT
State Auditor and Inspector

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

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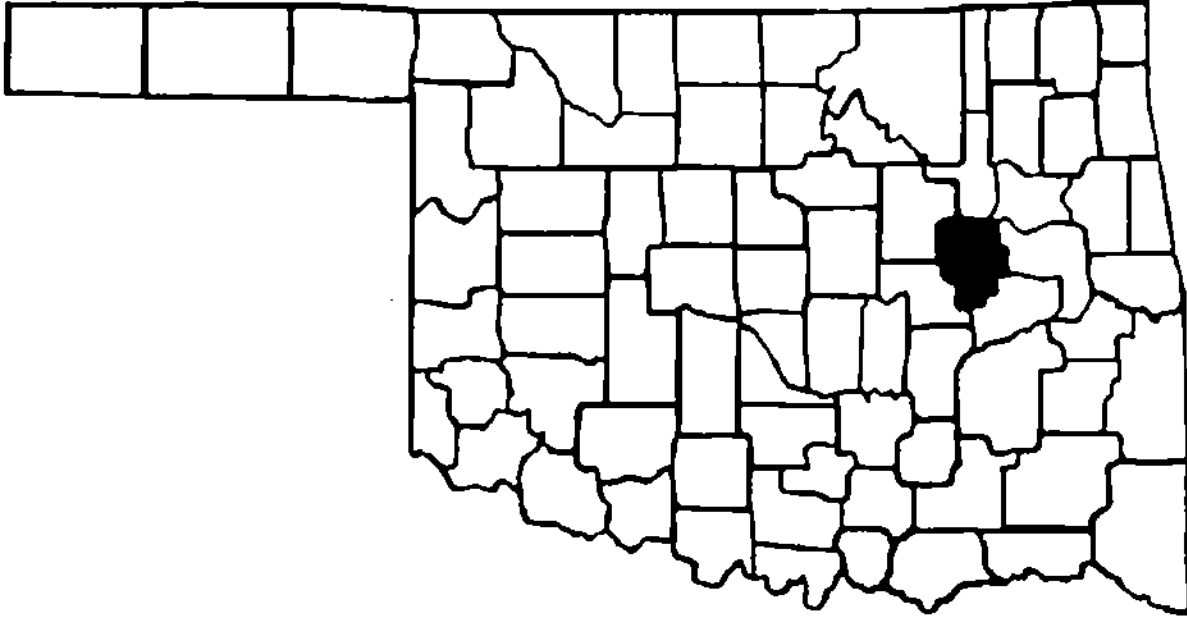
**OKMULGEE COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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REPORT TO THE CITIZENS
OF
OKMULGEE COUNTY, OKLAHOMA



The name *Okmulgee* comes from a Creek word meaning “boiling water.” Created at statehood from lands in the Creek Nation, Indian Territory, the county seat, Okmulgee, has been the capital of the Creek Nation since the Civil War. The Indians chose the site in the belief that tornadoes would not strike the area and so far history has proven them correct.

Two local lakes furnish most of the water for the county. Major highways are I-40, east-west, and S.H. 75, north-south. Burlington Northern Railroad maintains a station for shipping.

Points of interest are: the Creek Council House Museum (former meeting place of the Intertribal Council of the Five Civilized Tribes), the Creek Tribal Complex, Samuel Checote gravesite, Oklahoma State University – Okmulgee, Nuyaka Mission, and Okmulgee State Park. A Pecan Festival is held mid-June annually in Okmulgee and a Labor Day celebration is observed in Henryetta each year. Both cities support public libraries. The City of Okmulgee is a participant in the Oklahoma Department of Commerce’s Main Street project.

History of Okmulgee County offers information about the area. For additional information, call the county clerk’s office at (918) 756 – 0788.

County Seat - Okmulgee

Area – 697 Square Miles

County Population – 39,788
(1999 est.)

Farms – 1,107

Land in Farms – 302,155 Acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor’s report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Regina Mengers
(D) Henryetta

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
Becky Thomas
(D) Henryetta

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**

BOARD OF COUNTY COMMISSIONERS

DISTRICT #1
James Henson
(D) Beggs

DISTRICT #2
Roger Ballenger
(D) Okmulgee

DISTRICT #3
James Connors
(D) Dewar

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
Ernest Arocha
(D) Henryetta

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
Vonna Lampkins
(D) Beggs

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**

COURT CLERK

Linda Beaver
(D) Okmulgee

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

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

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

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

DISTRICT ATTORNEY

Thomas Giulioli
(D) Okmulgee

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.

ELECTION BOARD SECRETARY

James Lonsdale

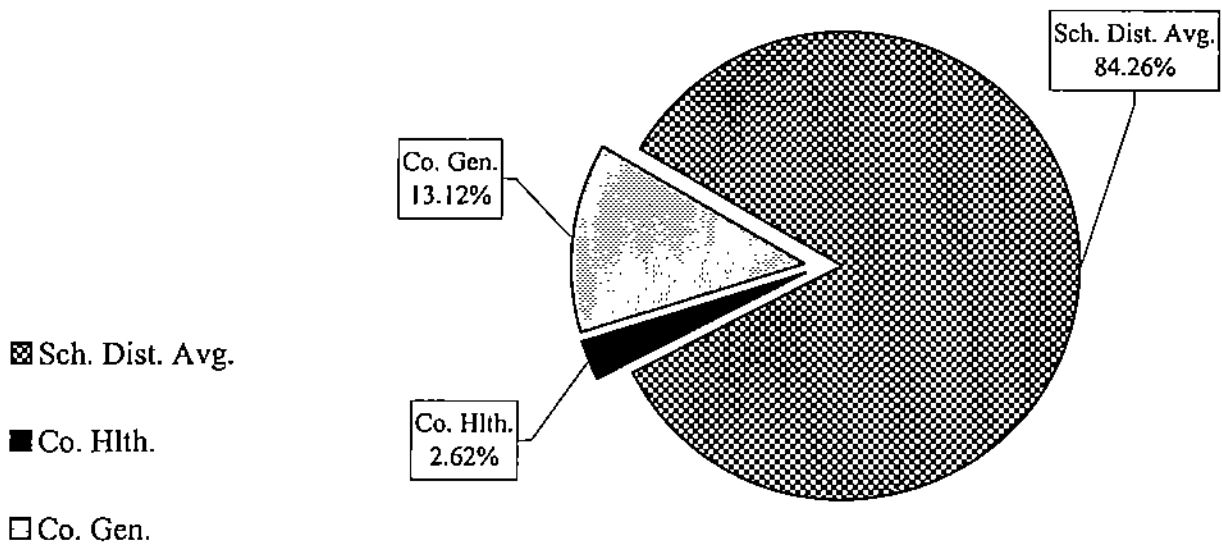
(D) Henryetta

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

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

**AD VALOREM TAX DISTRIBUTION
OKMULGEE 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.



County-Wide Millages:

Co. General Fund	10.00
Co. Health	2.00

School District Millages:

	<u>Gen.</u>	<u>Bldg.</u>	<u>Skg.</u>	<u>Vo-Tech</u>	<u>Common</u>	<u>Total</u>
I-1 Okmulgee	35.00	5.00	7.74	8.00	4.00	59.74
I-2 Henryetta	35.00	5.00	16.15	8.00	4.00	68.15
I-3 Morris	35.00	5.00	24.25	8.00	4.00	76.25
I-4 Beggs	35.00	5.00	8.95	8.00	4.00	60.95
I-5 Preston	35.00	5.00	13.78	8.00	4.00	65.78
I-6 Schulter	35.00	5.00	9.31	8.00	4.00	61.31
I-7 Wilson	35.00	5.00	19.76	8.00	4.00	71.76
I-8 Dewar	35.00	5.00	6.91	8.00	4.00	58.91
D-9 Liberty	35.00	5.00	18.11	8.00	4.00	70.11
D-11 Twin Hills	35.00	5.00	12.35	8.00	4.00	64.35
JT-2 Muskogee	35.00	5.00	6.43	10.00	4.00	60.43
JT-5 Creek	35.00	5.00	14.60	15.00	4.00	73.60
JT-14 Tulsa	35.00	5.00	8.46	13.00	4.00	65.46
JT-19 McIntosh	35.00	5.00		10.00	4.00	54.00
JT- 27 McIntosh	35.00	5.00	3.86	10.00	4.00	57.86
JT-31 Okfuskee	35.00	5.00	0.10	5.00	4.00	49.10
JT-32 Okfuskee	35.00	5.00	25.27	5.00	4.00	74.27

See independent auditor's report.



STATE OF OKLAHOMA

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Independent Auditor's Report

TO THE OFFICERS OF
OKMULGEE COUNTY, OKLAHOMA

We have audited the accompanying general-purpose financial statements of Okmulgee County, Oklahoma, as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of Okmulgee County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the Okmulgee County Governmental Building Authority, the Okmulgee County Development Authority, nor the Okmulgee County Criminal Justice Authority, which statements reflect total assets of \$19,814,193, \$1,255,782, and \$84,384, respectively, as of June 30, 2002, and total revenues of \$1,040,098, \$44,327, and \$912, respectively, for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the general-purpose financial statements, insofar as it relates to the amounts included for the Okmulgee County Governmental Building Authority, the Okmulgee County Development Authority, and the Okmulgee County Criminal Justice Authority in the Special Revenue fund types, Debt Service fund types, Capital Projects fund types, Proprietary fund types, General Long-Term Debt Account Group, and Discretely Presented Component Unit Column, is based on the reports of the other auditors.

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

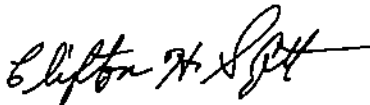
As explained in Note 1(H), the general-purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2002, on our consideration of Okmulgee 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 Okmulgee 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,



CLIFTON H. SCOTT
State Auditor and Inspector

June 10, 2002

General-Purpose Financial Statements

<u>Fiduciary Fund Types</u>	<u>Account Group</u>	<u>Total (Memorandum Only)</u>	<u>Component Unit</u>	<u>Total (Memorandum Only)</u>
<u>Trust and Agency</u>	<u>General Long-Term Debt</u>	<u>Primary Government</u>		<u>Reporting Entity</u>
\$ 919,079	\$	\$ 2,860,990	\$ 84,384	\$ 2,945,374
		8,905,564		8,905,564
110,654		131,348		131,348
		82,150		82,150
		981		981
21,804		248,898		248,898
	1,353,884	1,353,884		1,353,884
	8,446,116	8,446,116		8,446,116
	270,379	270,379		270,379
		1,254,329		1,254,329
<u>\$ 1,051,537</u>	<u>\$ 10,070,379</u>	<u>\$ 23,554,639</u>	<u>\$ 84,384</u>	<u>\$ 23,639,023</u>

\$	\$	\$ 315,535	\$ 6,102	\$ 315,535
		27,935		34,037
		3,852		3,852
		384,540		384,540
232,518		232,518		232,518
819,019		819,019		819,019
	9,800,000	9,800,000		9,800,000
	270,379	270,379		270,379
<u>1,051,537</u>	<u>10,070,379</u>	<u>11,853,778</u>	<u>6,102</u>	<u>11,859,880</u>

		855,123		855,123
		12,267		12,267
		152,358		152,358
		1,353,884		1,353,884
		7,759,103		7,759,103
		1,568,126	78,282	1,646,408
		11,700,861	78,282	11,779,143
<u>\$ 1,051,537</u>	<u>\$ 10,070,379</u>	<u>\$ 23,554,639</u>	<u>\$ 84,384</u>	<u>\$ 23,639,023</u>

**OKMULGEE COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – ALL GOVERNMENTAL FUND TYPES AND DISCRETELY
PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types				Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Primary Government		Reporting Entity
Revenues:							
Ad valorem taxes	\$ 999,302	\$ 317,387	\$ 5,833	\$	\$ 1,322,522	\$	\$ 1,322,522
Sales tax			731,497		731,497		731,497
Charges for services	231,263	201,404			432,667		432,667
Intergovernmental revenues	480,936	3,681,971	6,928		4,169,835		4,169,835
Miscellaneous revenues	57,161	228,940	38,321	269,818	594,240	912	595,152
Total revenues	<u>1,768,662</u>	<u>4,429,702</u>	<u>782,579</u>	<u>269,818</u>	<u>7,250,761</u>	<u>912</u>	<u>7,251,673</u>
Expenditures:							
Current operating:							
General government	1,310,675	267,869			1,578,544		1,578,544
Public safety	422,884	405,532			828,416		828,416
Health and welfare	188	336,345			336,533		336,533
Culture and recreation	11,763				11,763		11,763
Education	38,198				38,198		38,198
Roads and highways	23,454	3,110,583			3,134,037		3,134,037
Operating expenses						45,131	45,131
Capital outlay				858,310	858,310		858,310
Debt service:							
Principal			7,205		7,205		7,205
Interest and fiscal agent charges			347,227		347,227		347,227
Total expenditures	<u>1,807,162</u>	<u>4,120,329</u>	<u>354,432</u>	<u>858,310</u>	<u>7,140,233</u>	<u>45,131</u>	<u>7,185,364</u>
Excess of revenues over (under) expenditures	<u>(38,500)</u>	<u>309,373</u>	<u>428,147</u>	<u>(588,492)</u>	<u>110,528</u>	<u>(44,219)</u>	<u>66,309</u>
Other financing sources (uses):							
Operating transfer in		51,960	921,286		973,246	122,501	1,095,747
Operating transfer (out)				(973,246)	(973,246)		(973,246)
Bond proceeds				9,320,841	9,320,841		9,320,841
Total other financing sources (uses)	<u>-</u>	<u>51,960</u>	<u>921,286</u>	<u>8,347,595</u>	<u>9,320,841</u>	<u>122,501</u>	<u>9,443,342</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(38,500)</u>	<u>361,333</u>	<u>1,349,433</u>	<u>7,759,103</u>	<u>9,431,369</u>	<u>78,282</u>	<u>9,509,651</u>
Beginning fund balances	<u>341,774</u>	<u>1,055,877</u>	<u>4,451</u>	<u>-</u>	<u>1,402,102</u>	<u>-</u>	<u>1,402,102</u>
Ending fund balances	<u>\$ 303,274</u>	<u>\$ 1,417,210</u>	<u>\$ 1,353,884</u>	<u>\$ 7,759,103</u>	<u>\$ 10,833,471</u>	<u>\$ 78,282</u>	<u>\$ 10,911,753</u>

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

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

	General			Special Revenue Funds		
	Budget	Actual	Variance	County Health Department		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 313,779	\$ 288,073	\$ (25,706)	\$ 124,854	\$ 120,535	\$ (4,319)
Revenues:						
Ad valorem taxes	\$ 922,615	\$ 998,554	\$ 75,939	\$ 184,524	\$ 199,802	\$ 15,278
Charges for services	138,300	231,263	92,963	73,076	80,047	6,971
Intergovernmental revenues	512,772	480,936	(31,836)		6	6
Miscellaneous revenues	48,273	61,843	13,570		1,791	1,791
Total revenues, budgetary basis	<u>1,621,960</u>	<u>1,772,596</u>	<u>150,636</u>	<u>257,600</u>	<u>281,646</u>	<u>24,046</u>
Expenditures:						
Current operating:						
General government	1,436,178	1,307,705	128,473			
Public safety	424,738	422,659	2,079			
Education	36,499	35,638	861			
Health and welfare	300	282	18	382,454	330,691	51,763
Culture and recreation	11,764	11,763	1			
Roads and highways	26,260	23,305	2,955			
Total expenditures, budgetary basis	<u>1,935,739</u>	<u>1,801,352</u>	<u>134,387</u>	<u>382,454</u>	<u>330,691</u>	<u>51,763</u>
Excess of revenues and beginning fund balances over (under) expenditures, budgetary basis	<u>\$ -</u>	<u>259,317</u>	<u>\$ 259,317</u>	<u>\$ -</u>	<u>71,490</u>	<u>\$ 71,490</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem taxes receivable		17,164			3,433	
Accrued interest receivable					109	
Due from other governments		4,873				
Reserved for encumbrances		<u>21,920</u>			<u>2,652</u>	
Ending fund balances		<u>\$ 303,274</u>			<u>\$ 77,684</u>	

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

OKMULGEE COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001

	Okmulgee County Development Authority
Revenues:	
Rent	\$ 32,705
Interest	11,622
Total revenues	44,327
Expenses:	
Interest expense	30,478
Professional fees	3,000
Total expenses	33,478
 NET INCOME	 10,849
Beginning retained earnings	1,418
Ending retained earnings	\$ 12,267

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

**OKMULGEE COUNTY, OKLAHOMA
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

	Okmulgee County Development Authority	
Cash flows from operating activities:		
Increase in net assets	\$	\$ 10,849
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
(Increase) decrease in net interest receivable		99
Increase (decrease) in accounts payable		(8,034)
Increase (decrease) in unearned revenue		3,852
Capitalized interest expense		15,123
Total adjustments		11,040
Net cash provided by operating activities		21,889
Cash flows from investing activities		
Investment in property and equipment		(433,588)
Net cash used by investing activities		(433,588)
Cash flows from financing activities		
Increase (decrease) in note payable		(15,460)
Net cash used by financing activities		(15,460)
Net decrease in cash		(427,159)
Cash at beginning of year		428,612
Cash at end of year		\$ 1,453

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

Notes to the Financial Statements

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

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 Okmulgee County (the primary government) and its legally separate component units.

Discretely Presented Component Unit

The component unit column in the combined financial statements includes the financial data of the County's discretely presented component unit. It is reported in a separate column to distinguish between the financial data of the primary government and that of the discretely presented component unit. The following component unit, which reports as a governmental fund type, is included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organization. Complete financial statements of the component unit are available by contacting the Okmulgee County Clerk.

Okmulgee County Criminal Justice Authority

Information presented is for the year ended June 30, 2001.

Blended Component Units

The following component units have been presented as blended component units because the component units' 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.

Okmulgee County Governmental Building Authority – This Authority was created November 22, 1999. The first fiscal year of the Authority ended October 31, 2000. Governmental Accounting Standards Board Statement 14 requires the reporting entities to include component unit financial information for the fiscal ending during the primary governments fiscal year or within the first quarter year after that date. Because of this, the activity reported for this component unit is for its fiscal year ended October 31, 2000.

Summary of Significant Accounting Policies (continued)

The activity of this component unit has been blended into the Special Revenue, Debt Service and Capital Projects fund types, and the General Long-Term Debt Account Group. Complete financial statements for this component unit are available by contacting the Okmulgee County Clerk.

Okmulgee County Development Authority

The financial activities of this component unit are presented in the Proprietary column on the combined statements. The primary purpose of the authority is the remodeling of the County Health Department. The Authority's fiscal year ends on June 30, and the information included is for the year ended June 30, 2001. Complete financial statements are available for this component unit by contacting the Okmulgee County Clerk.

Related Organizations Excluded from the Reporting Entity

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

Okmulgee County Industrial Authority

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 three major categories: governmental, proprietary, 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.

Summary of Significant Accounting Policies (continued)

Proprietary Funds

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

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

Fiduciary Funds

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

Account Groups

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

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

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.

Summary of Significant Accounting Policies (continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund types operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

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

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.

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 certificates of deposit or interest-bearing demand accounts at June 30, 2001.

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. Fixed Assets

While the County presently maintains some individual records of personal property; it does not keep similar records for land, buildings, and improvements. For this reason, a Statement of General Fixed Assets, required by accounting principles generally accepted in the United States of America, is not presented on the Combined Balance Sheet - All Fund Types and Account Group.

I. 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.

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

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool. (See ACCO 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.

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. No significant reductions in insurance coverage occurred during the fiscal year ended June 30, 2001.

The County has a judgment it is retiring through a tax levy. This judgment was the result of an error made by the County during a tax sale and was not covered by insurance. This judgment was paid in full as of June 30, 2001.

J. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and may be accumulated. The amount of accumulated unpaid vacation benefits is not material to the financial statements for the fiscal year ending June 30, 2001.

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

Summary of Significant Accounting Policies (continued)

K. 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. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

L. 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, results of operations, or cash flows of its proprietary fund types 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.

M. Fund Equity

Retained earnings reflect the accumulated earnings of an enterprise fund. Contributed capital is recorded in the Enterprise fund as "Funds provided by county."

N. Property – Okmulgee County Development Authority

The property listed for the proprietary fund includes all costs associated with the expansion of the health department building. The schedule below summarizes the construction and related project cost from inception.

	Costs Through June 30, 2000	Costs July 1, 2000 To Completion	Total Costs
Construction and projects costs:			
Architect & Design I & J	\$ 14,587	\$ 1,485	\$ 16,072
Legal	5,550		5,550
Financing cost	7,584	15,123	22,707
Construction	133,020	416,980	550,000
Expansion Totals	160,741	433,588	594,329
Land & building:			
Original Value	660,000	-	660,000
Investment in fixed assets	\$ 820,741	\$ 433,588	\$ 1,254,329

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

Summary of Significant Accounting Policies (continued)

O. Grant Revenue

Revenues from federal grants are recognized when expenditures are incurred.

P. Operating Transfers

Operating transfers consist of \$51,960 transferred from the Okmulgee County Governmental Building Authority construction fund (capital projects) to the same authorities general fund (special revenue) and \$921,286 from this authorities construction fund (capital projects) to its debt service fund.

The Okmulgee County Criminal Justice Authority received \$122,500.54 from the Okmulgee County Governmental Building Authority. These transfers do not balance because the authorities report on different fiscal year periods.

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

A. Deposits and Investments

Deposits

At year-end, the carrying amount of the County's deposits was \$2,945,374 and the bank balance was \$2,932,743. Of the bank balance, \$2,849,308 was covered by federal depository insurance or by collateral held by the County's agent in the County's name. Component unit deposits of the Okmulgee County Governmental Building Authority of \$83,435 were not collateralized.

Public trusts that have the state or a county as 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 Okmulgee County Governmental Building Authority or the revenues that service the debt, which shall be invested pursuant to the indenture established for such bonds per 62 O.S. 1997 Supp., § 72.4a.

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

Detailed Notes on Account Balances (continued)

Investments

Investments made by the Okmulgee County Governmental Building Authority are summarized below. The investments are classified as to credit risk within the following three categories:

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

	1	2	3	Book	Market
Investments	\$ -	\$ -	\$ 8,905,564	\$ 8,905,564	\$ 8,905,564

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, 2000, was approximately \$101,487,983.

The County levied 10.00 mills for general fund operations, 2.00 mills for the County Health Department, and 0.06 mills for Debt 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.

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, 2001, were approximately 95 percent of the tax levy.

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

Detailed Notes on Account Balances (continued)

C. 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, 1999, 2000, and 2001, were \$242,668, \$190,853, and \$186,032, respectively, equal to the required contributions for each year.

D. Operating Leases

The government is committed under various leases for road machinery and equipment. Lease expenditures for the year ended June 30, 2001, amounted to \$174,000. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2002	\$ 198,900
2003	31,000
2004	<u>12,000</u>
Total	<u>\$ 241,900</u>

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

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. 1991, § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. 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, 2001, are as follows:

Year Ending June 30,	Principal	Interest	Total
2002	\$ 86,203	\$ 15,047	\$ 101,250
2003	47,984	10,653	58,637
2004	48,066	7,577	55,643
2005	38,152	4,644	42,796
2006	30,943	2,409	33,352
2007	19,031	428	19,459
Total	<u>\$ 270,379</u>	<u>\$ 40,758</u>	<u>\$ 311,137</u>

During the year, the County paid \$118,723 on the outstanding balances of lease-purchase agreements.

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

Detailed Notes on Account Balances (continued)

F. Series 2000 Revenue Bonds

On February 1, 2000, the Trustees of The Okmulgee County Governmental Building Authority authorized the issuance and delivery of \$9,800,000 aggregate principal amount of The Okmulgee County Governmental Building Authority First Mortgage Sales Tax Revenue Bonds. Each bond is dated February 1, 2000, and interest is payable semi-annually on the first day of March and September each year beginning commencing September 1, 2000.

Maturity Schedule

Each \$5,000 of the principal is represented by a bond number. The interest rates and maturity-dates are shown below:

<u>Bond Numbers (Inclusive)</u>	<u>Matures March 1</u>	<u>Amount Maturing</u>	<u>Interest Rate (Per Annum)</u>
1-565	2010	\$ 2,825,000	5.6%
566-1045	2015	\$ 2,430,000	6.0%
1046-1960	2020	\$ 4,575,000	6.2%

Bonds are subject to the following mandatory sinking fund redemption prior to maturity out of any available funds, on any March 1 interest-payment date beginning 2001:

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

Detailed Notes on Account Balances (continued)

Mandatory Redemption Schedule

\$	350,000	2001
	440,000	2002
	165,000	2003
	180,000	2004
	215,000	2005
	235,000	2006
	265,000	2007
	290,000	2008
	325,000	2009
	360,000	2010
	395,000	2011
	430,000	2012
	480,000	2013
	520,000	2014
	575,000	2015
	615,000	2016
	670,000	2017
	730,000	2018
	795,000	2019
	<u>1,765,000</u>	2020
<u>\$</u>	<u>9,800,000</u>	

The revenue bond indenture requires the establishment of several bank accounts, which include the following:

1. Gross Revenue. This account is designated "The Okmulgee County Governmental Building Authority First Mortgage Sales Tax Gross Revenue Account" and is to be used for: a) deposits daily all money received, b) Payment of Trustee fees, transfers to the Bond account, and Sinking Fund Reserve Fund, c) any other proper purpose.
2. Bond Account. To be used solely for the purpose of providing for the payments into the Sinking Fund.
3. Sinking Fund. This account is for the purpose of a) paying interest on the Bonds, b) paying at maturity the principal of the Bonds, c) retiring, before maturity, Bonds, d) paying any funds due the bank.

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

Detailed Notes on Account Balances (continued)

4. Sinking Fund Reserve Fund. Which is for the purpose of supplying any deficiency in the Sinking Fund whenever sufficient money is not in that fund.
5. Construction Fund. This is the balance of the bonds proceeds after payment of accrued interest, expenses of issuing the bonds, and transfer to the Sinking Fund Reserve Fund.

G. Long-Term Debt

Changes in Long-Term Liabilities

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

	Balance July 1, 2000	Additions	Reductions	Balance June 30, 2001
Revenue bond payable	\$	\$ 9,800,000	\$	\$ 9,800,000
Judgment	7,205		7,205	-
Capital leases	389,102		118,723	270,379
Total	\$ 396,307	\$ 9,800,000	\$ 125,928	\$ 10,070,379

Long-Term Debt – Blended Component Unit – Proprietary Fund

The Okmulgee County Development Authority's project to remodel, improve, and expand the facilities of the Okmulgee County Health Department was completed as of October of 2001. Upon completion and occupancy of the building addition by the Health Department, rents in the amount necessary to fund amortization of the Authority's debt obligation have been assessed. The Health Department's first rental payment was on November 13, 2001.

The following is a summary of the activity of long-term debt for the year ended June 30, 2001:

	Balance at July 1, 2000	Proceeds/ Additions	Payments/ Deductions	Balance at June 30, 2001
Note Payable	\$ 400,000	\$	\$ 15,460	\$ 384,540

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

Detailed Notes on Account Balances (continued)

The requirements to amortize the note payable over the next twelve years are as follows:

Period	# of Pymts	Total
07/01/2001 - 06/30/2002	12	24,757
07/01/2002 - 06/30/2003	12	26,218
07/01/2003 - 06/30/2004	12	27,766
07/01/2004 - 06/30/2005	12	29,406
07/01/2005 - 06/30/2006	12	31,142
07/01/2006 - 06/30/2012	64	245,251
Totals	124	\$ 384,540

H. Fund Balance

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. Designations of fund balance are used to show the amounts within unreserved fund balance which are intended to be used for specific purposes but are not legally restricted. Specific reservations and designations of the fund balance accounts are summarized below:

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

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.

Designated for Capital Projects – The Capital Projects Funds are used to account for the acquisition or construction of capital facilities being financed from General Obligation or Certificates of Obligation Bonds proceeds, grants, or transfers from other funds. These funds include: Streets and Drainage, Parks and Recreation, General Facilities and Traffic.

Detailed Notes on Account Balances (continued)

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 of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the government expects such amounts, if any, to be immaterial.

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

5. Related Party Transactions

The Okmulgee County Criminal Justice Authority receives its funding from the Okmulgee County Governmental Building Authority. The Authorities operate under the supervision of the same Board of Trustees and the same County Commissioners.

The Okmulgee County Governmental Building Authority is responsible for the construction of a new county jail facility. The Okmulgee County Criminal Justice Authority is responsible for the daily operations of the facility.

The revenues are derived primarily from sales tax collections. The Okmulgee County Governmental Building Authority receives the revenues, and then a portion is allocated to the Okmulgee County Criminal Justice Authority. When the jail is completed and in operation, the Justice Authority will receive a portion of its revenues by contracting with county, city, and state governments to house and maintain adult inmates.

Supplementary Schedule

**OKMULGEE COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Passed Through Oklahoma Department of Commerce: Community Development Block Grants/State's Program	14.228	<u>\$ 144,462</u>
Total U.S. Department of Housing and Urban Development		<u>144,462</u>
<u>U.S. DEPARTMENT OF CIVIL EMERGENCY MANAGEMENT</u>		
Passed Through Oklahoma State Department of Civil Emergency Management Public Assistance Grants	83.544	<u>1,271,873</u>
Total Federal Emergency Management Agency		<u>1,271,873</u>
Total Federal Assistance		<u>\$ 1,416,335</u>

**OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Okmulgee 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
OKLAHOMA CITY

CLIFTON H. SCOTT
State Auditor and Inspector

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

**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
OKMULGEE COUNTY, OKLAHOMA

We have audited the financial statements of Okmulgee County, Oklahoma for the year ended June 30, 2001, and have issued our report thereon dated June 10, 2002. We did not audit the financial statements of the Okmulgee County Governmental Building Authority, the Okmulgee County Development Authority, nor the Okmulgee County Criminal Justice Authority. Those financial statements were audited by other auditors whose reports have been furnished to us. We qualified our opinion because the general fixed assets account group was not included in the financial statements. 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 Okmulgee 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*. The finding is reported as 00-1 in the Schedule of Findings and Questioned Costs.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Okmulgee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial

reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 98-1 and 99-1.

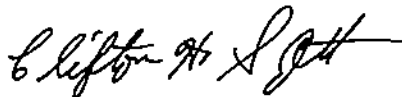
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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, of the reportable conditions described above, we consider item 98-1 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,



CLIFTON H. SCOTT
State Auditor and Inspector

June 10, 2002

**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

CLIFTON H. SCOTT
STATE AUDITOR AND INSPECTOR

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100 STATE CAPITOL
OKLAHOMA CITY, OK 73105-4896
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**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
OKMULGEE COUNTY, OKLAHOMA

We have audited the compliance of Okmulgee County 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, 2001. Okmulgee 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 Okmulgee County's management. Our responsibility is to express an opinion on Okmulgee 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 Okmulgee 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 Okmulgee County's compliance with those requirements.

In our opinion, Okmulgee 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, 2001.

Internal Control Over Compliance

The management of Okmulgee 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 Okmulgee 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.

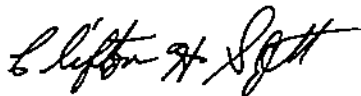
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively 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 considered 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,



CLIFTON H. SCOTT
State Auditor and Inspector

June 10, 2002

Schedule of Findings and Questioned Costs

**OKMULGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001**

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: QUALIFIED

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes

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)

83.544

Name of Federal Program or Cluster

Public Assistance Grants

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

Auditee qualified as low-risk auditee? No

**OKMULGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001**

SECTION 2 - Financial Statement Findings

Finding 98-1 - General Fixed Assets

Criteria: Accounting principles generally accepted in the United States of America for a governmental entity using governmental fund types require the presentation of the general fixed assets account group (GFAAG) in the financial statements.

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

Effect: This component of internal control is not effective. Accordingly, there is a greater risk that a fixed asset may not be properly accounted for and safeguarded against loss.

Recommendation: We recommend records include acquisition cost, a complete description, purchase date, location of such asset, and that a control total of the cost of these assets be maintained and reconciled annually.

Management's Corrective Action Plan:

Contact Person: Becky Thomas, County Clerk

No planned corrective action is anticipated to obtain fixed assets records in such a manner that general fixed assets could be reported in accordance with accounting principles generally accepted in the United States of America.

Finding 99-1 Segregation of Duties

Criteria: The overall goal of accounting principles generally accepted in the United States of America as they relate to governmental entities is to demonstrate accountability and stewardship in management's accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing collections should be segregated.

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

Cause: This lack of segregation of duties is caused by the limited number of employees.

Effect: These conditions could result in unrecorded transactions, misstated financial reports, errors, or misappropriation of assets.

Recommendation: Management should be aware of these conditions and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of County operations and periodic review of those operations.

**OKMULGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001**

Management's Corrective Action Plan:

Contact Person: Vonna Lampkins, County Treasurer

We agree the duties of receiving, receipting, recording, and depositing cash and checks should be segregated. The County acknowledges this condition and understands the risks associated with it. We plan to discuss this situation during the budget process and will comply if it is cost effective and feasible. Management is aware of County operations and will be making periodic reviews of those operations.

Finding 00-1 Encumbrances

Criteria: Purchases of goods and services by counties are generally governed by 19 O.S. 2001, § 1500 through 1505. 19 O.S. 2001, § 1505 provides for the initiation of a purchase by a requisition from the requesting department from which the county clerk encumbers the funds necessary for payment of the purchases. 62 O.S. 2001, § 310.8 provides for the use of blanket purchase orders for recurring purchases of goods and services.

Condition: We noted numerous purchases of goods and services by the county sheriff's office, which were not requisitioned prior to the ordering of the goods and services, and therefore the funds necessary to pay for the purchases were not encumbered in accordance with procedures prescribed by statute. Many of these purchases were recurring yet blanket purchase orders were not used. Some purchase orders were paid from photocopies of invoices. Many purchase orders made partial payments of amounts due to vendors and some amounts paid were several months past due. We also noted interest paid by the county on past due accounts.

Effect: This condition results in noncompliance with state statutes. It can and did result in the unavailability of funds to satisfy obligations of the county and it can and did increase costs to the county in the form of interest charged on delinquent accounts. Additional increased costs to the county could result from defending against court proceedings brought to collect delinquent amounts owed by the county.

Recommendation: We recommend that more emphasis be placed on the purchasing procedures established by Oklahoma statutes. Specifically, we recommend that all purchases of goods and services be initiated by a requisition by the requesting department and that funds be encumbered for all purchases prior to ordering.

Management's Corrective Action Plan:

Contact Person: Ernest Arocha, County Sheriff

More emphasis has and will be placed on purchasing procedures established by statutes. A new employee has recently been hired to oversee the purchasing procedures so that better controls can be established for these purposes.

SECTION 3 – Federal Award Findings and Questioned Costs

No matters were reported.