

**OKMULGEE 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

April 2, 2004

TO THE CITIZENS OF
OKMULGEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Okmulgee County, Oklahoma, for the fiscal year ended June 30, 2002. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

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

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

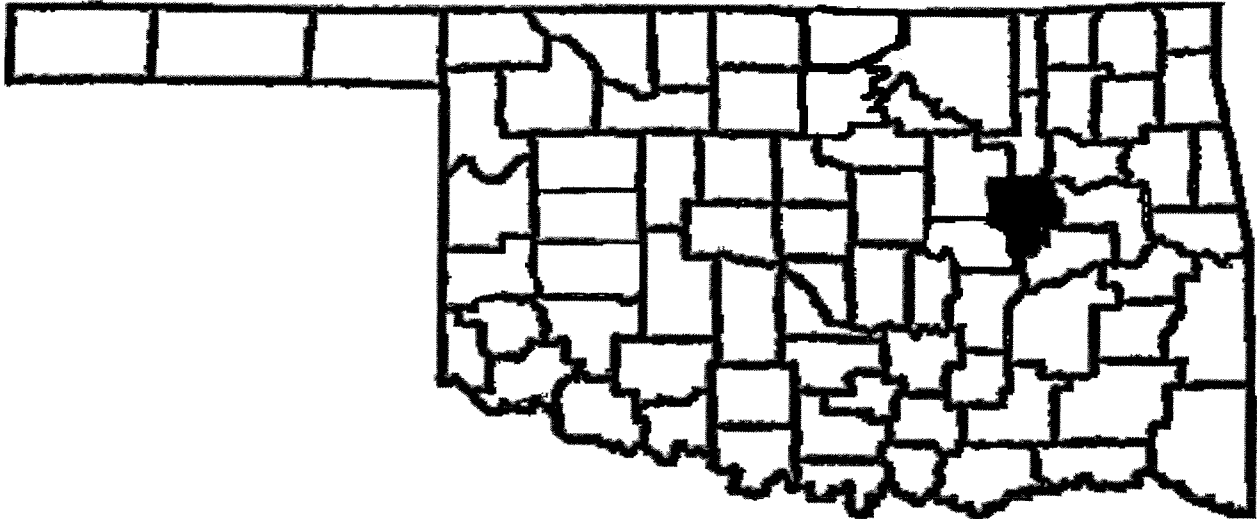
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REPORT TO THE CITIZENS
OF
OKMULGEE COUNTY, OKLAHOMA



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 SH 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 Labor Day celebration is observed in Henryetta each year. Both cities support public libraries. The City of Okmulgee is a participant in 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 – 38,788
(1999 est.)

Farms – 1,107

Land in Farms – 302,155 Acres

Source: Oklahoma Almanac 2001-2002

See independent auditor's report.

**OKMULGEE 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

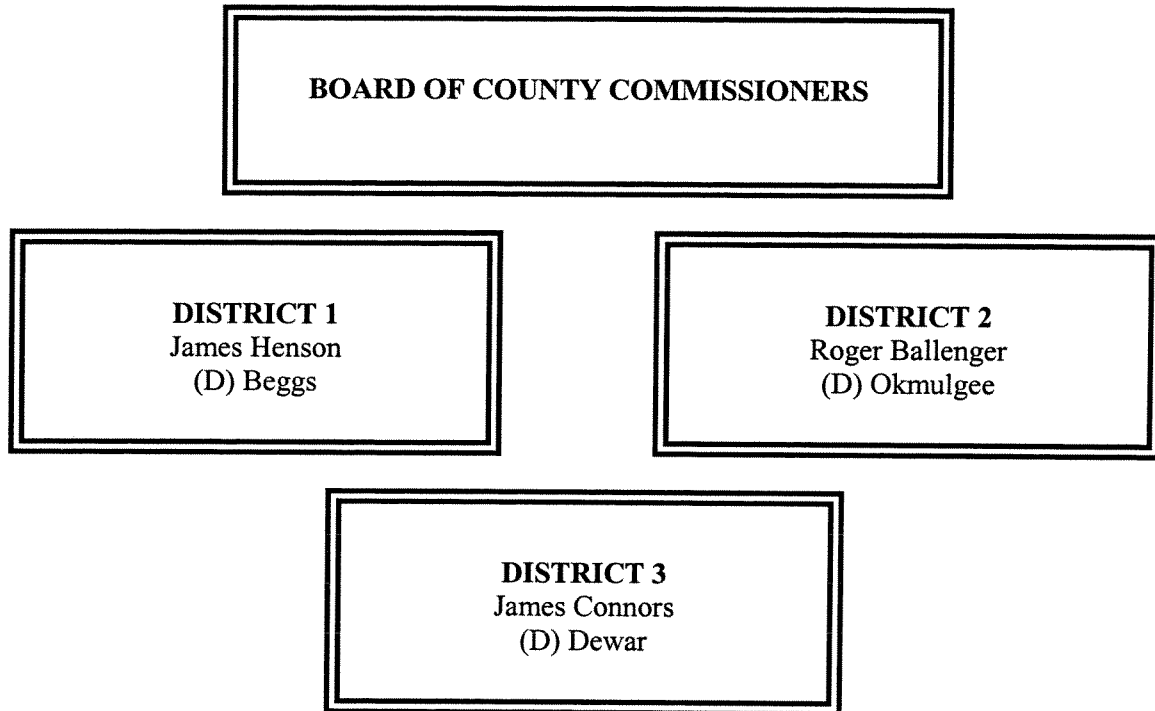
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**OKMULGEE 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.

**OKMULGEE 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 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.

**OKMULGEE 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.

**OKMULGEE COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

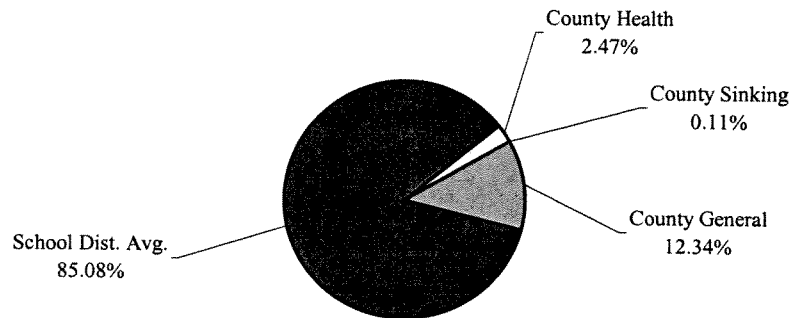
V. Ann Powders
(D) Okmulgee

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.

**OKMULGEE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
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 Sinking

County-Wide Millages		School District Millages								
Co. General	10.00			Gen.	Bldg.	Skg.	Tech Cntr.	Tech Cntr. Bldg.	Common	Total
County Health	2.00	Okmulgee	I-1	35.00	5.00	6.82	8.00		4.00	58.82
County Sinking	0.09	Henryetta	I-2	35.00	5.00	15.44	8.00		4.00	67.44
		Morris	I-3	35.00	5.00	23.66	8.00		4.00	75.66
		Beggs	I-4	35.00	5.00	25.42	8.00		4.00	77.42
		Preston	I-5	35.00	5.00	13.29	8.00		4.00	65.29
		Schulter	I-6	35.00	5.00	25.93	8.00		4.00	77.93
		Wilson	I-7	35.00	5.00	19.76	8.00		4.00	71.76
		Dewar	I-8	35.00	5.00	24.04	8.00		4.00	76.04
		Liberty	D-9	35.00	5.00	16.69	8.00		4.00	68.69
		Twin Hills	D-11	35.00	5.00	11.77	8.00		4.00	63.77
		Tulsa	JT-14	35.00	5.00	25.00	8.00	5.00	4.00	82.00
		Creek	JT-5	35.00	5.00	15.50	10.00	3.00	4.00	72.50
		Muskogee	JT-2	35.00	5.00	22.36	8.00	2.00	4.00	76.36
		McIntosh	JT-9	35.00	5.00	0.18	8.00	2.00	4.00	54.18
		McIntosh	JT-27	35.00	5.00	4.35	8.00	2.00	4.00	58.35
		Okfuskee	JT-31	35.00	5.00	0.09	5.00		4.00	49.09
		Okfuskee	JT-32	35.00	5.00	28.05	5.00		4.00	77.05

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
OKMULGEE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Okmulgee 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 Okmulgee 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 Okmulgee 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 Okmulgee 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 Okmulgee 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 July 9, 2003, 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.

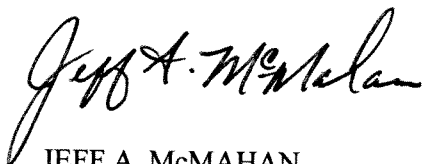
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Okmulgee County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the 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, 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 written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

July 9, 2003

Special-Purpose Financial Statements

OKMULGEE 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	Transfers In	Transfers Out	Ending Cash Balances June 30, 2002
General Fund	\$ 381,730	\$ 1,777,346	\$ 1,758,308	\$	\$	\$ 400,768
Highway Cash	344,003	2,219,707	2,100,199			463,511
Highway TCR Fund	683,506	1,661,973	1,941,104			404,375
Health	88,814	273,839	168,257			194,396
Court Clerk Trust Acct	41,009	280	41,289			
Sheriff's Domestic Violence	687					687
Sheriff's Substance Abuse	81					81
Sheriff's CAE	1,008					1,008
Assessor's Revolving	5,524	4,188	825			8,887
Resale Property	120,082	131,709	124,738			127,053
Trash Cops Fund	300	300				600
Co. Clerk Lien Fees	5,133	7,169	7,268			5,034
Mortgage Cert. Fees	8,581	12,875	11,155			10,301
Sheriff Service Fees	11,200	75,808	68,465			18,543
Sheriff's DOC Cash	19,667	114,488	106,513			27,642
DARE	3,243	869	3,709			403
Sheriff's Training	351		321			30
Assessor Visual Inspection	27,628	600	1,864			26,364
Sheriff's Police School	1,254					1,254
NCACV-DA	10,195	92,277	98,779			3,693
County Bldg. Auth. Sales Tax	81,227	1,067,176	1,148,403			
Sheriff COPS Program	118					118
Sheriff Block Grant	7,176	13,309	20,485			
DA Incarceration Cost	10					10
Criminal Justice Authority		43,260	42,802			458
County Clerk Record's Preservation		50,235				50,235
County Bldg. Auth. Bond	63		63			
Sheriff's Reserve Acct.		25				25
Winchester St. - CDBG		9,125	9,125			
CDBG - Elevator		48,168	48,168			
CDBG - RWD #4		705	705			
County Sinking	6,559	9,476	6,807	1,146		10,374
Indus. Development Sinking	4,429	100				4,529
Cities and Towns	22,771	315,845	316,283			22,333
Official Depository	580,516	4,097,760	4,046,010	95,265		727,531
Cash in Office	141					141
Excess Resale	10,841	1,696	1,773		1,146	9,618
Revenue Stamps	5,100	54,833	53,803			6,130
Lien Bond Docket	2,946	6,142	2,297			6,791
Emergency 911	107,910	258,019	322,352			43,577
Child Abuse Prevention	122					122
Bond Proceeds CD	54,275		54,275			
Sheriff Commissary	2,470	29,200	25,854			5,816
Tax Refunds	1,125	21,192	21,470			847
Protest Taxes	52,149	1,474				53,623
Individual Redemption	1,424	10,867	11,363			928
County Use Tax		18,115				18,115
Schools	77,289	7,246,638	7,243,041			80,886
Total County Funds	\$ 2,772,657	\$ 19,676,788	\$ 19,807,873	\$ 96,411	\$ 1,146	\$ 2,736,837

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

OKMULGEE 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	\$ 381,730	\$ 381,730	\$ 381,730	\$
Less: Prior Year Outstanding Warrants	(89,901)	(89,901)	(89,901)	
Less: Prior Year Encumbrances	(28,327)	(28,327)	(28,329)	(2)
Beginning Cash Balances, Budgetary Basis	263,502	263,502	263,500	(2)
Receipts:				
Ad Valorem Taxes	957,627	1,020,646	1,050,269	29,623
Charges for Services	334,373	334,373	361,183	26,810
Intergovernmental Revenues	279,366	279,366	302,138	22,772
Miscellaneous Revenues	65,450	65,450	63,756	(1,694)
Total Receipts, Budgetary Basis	1,636,816	1,699,835	1,777,346	77,511
Expenditures:				
Total District Attorney	12,200	12,200	9,201	2,999
County Sheriff	404,057	417,663	415,739	1,924
Capital Outlay	16,406	8,500	8,500	
Total County Sheriff	420,463	426,163	424,239	1,924
County Treasurer	80,483	80,645	80,645	
Capital Outlay	2,500	1,832	1,832	
Total County Treasurer	82,983	82,477	82,477	
County Commissioners	6,000	6,000	5,865	135
Capital Outlay	2,000	2,000		2,000
Total County Commissioners	8,000	8,000	5,865	2,135
OSU Extension	33,586	33,586	33,169	417
Capital Outlay	1,000	1,000	508	492
Total OSU Extension	34,586	34,586	33,677	909
County Clerk	128,535	128,535	127,185	1,350
Capital Outlay	500	500	498	2
Total County Clerk	129,035	129,035	127,683	1,352

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

**OKMULGEE 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 Court Clerk	\$ 258,036	\$ 269,370	\$ 266,195	\$ 3,175
County Assessor	73,672	72,472	72,223	249
Capital Outlay	1	701	699	2
Total County Assessor	73,673	73,173	72,922	251
Revaluation of Real Property	162,868	156,902	141,138	15,764
Capital Outlay	1	6,001	5,950	51
Total Revaluation of Real Property	162,869	162,903	147,088	15,815
General Government	498,514	543,104	419,429	123,675
Capital Outlay	52,462	52,466	17,460	35,006
Total General Government	550,976	595,570	436,889	158,681
Total Excise-Equalization Board	2,922	2,922	2,504	418
County Election Board	82,882	84,499	83,928	571
Capital Outlay	255	1,005	983	22
Total County Election Board	83,137	85,504	84,911	593
Total County Purchasing Agent	21,116	21,116	20,796	320
Total Charity	300	300	185	115
Total Sales Tax	15,000	15,000	14,524	476
Total Highway Budget	17,560	17,560	16,366	1,194
Total Audit Budget	12,274	12,274	12,274	
Free Fair Budget	11,680	11,680	11,658	22
Capital Outlay	8	4		4
Total Free Fair Budget	11,688	11,684	11,658	26

continued on next page

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

**OKMULGEE 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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Provision for Interest on Warrants	\$ 3,500	\$ 3,500	\$ 4,740	\$ (1,240)
Total Expenditures, Budgetary Basis	<u>1,900,318</u>	<u>1,963,337</u>	<u>1,774,194</u>	<u>189,143</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	266,652	<u>\$ 266,652</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			20,299	
Add: Current Year Outstanding Warrants			113,817	
Ending Cash Balance			<u>\$ 400,768</u>	

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

**OKMULGEE 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	\$ 88,814	\$ 88,814	\$ 88,814	\$
Less: Prior Year Outstanding Warrants	(8,958)	(8,958)	(8,958)	
Less: Prior Year Encumbrances	(7,277)	(7,277)	(7,277)	
Beginning Cash Balances, Budgetary Basis	<u>72,579</u>	<u>72,579</u>	<u>72,579</u>	
Receipts:				
Ad Valorem Taxes	200,646	200,646	210,053	9,407
Miscellaneous Revenue		47,569	63,786	16,217
Total Receipts, Budgetary Basis	<u>200,646</u>	<u>248,215</u>	<u>273,839</u>	<u>25,624</u>
Expenditures:				
Health and Welfare	213,709	261,278	186,678	74,600
Capital Outlay	59,516	59,516	1,656	57,860
Provision for Interest on Warrants			26	(26)
Total Expenditures, Budgetary Basis	<u>273,225</u>	<u>320,794</u>	<u>188,360</u>	<u>132,434</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	158,058	<u>\$158,058</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			32,276	
Add: Current Year Outstanding Warrants			4,062	
Ending Cash Balance			<u>\$ 194,396</u>	

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

**OKMULGEE 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 Balances July 1, 2001	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2002
District Attorney	\$ 153,857	\$ 949,302	\$ 937,278	\$ 535	\$ 166,416
County Sheriff		27,564	27,140		424
County Treasurer	19,799	122,367	104,703	952	38,415
County Clerk		257,993	281,716	23,723	
Court Clerk	259,570	1,679,766	1,803,458	67,008	202,886
County Law Library	3,521	29,785	27,498		5,808
County Election Board	5,359	43,716	45,536	821	4,360
County Health Dept.		61,533	61,533		
Co. Assessor's Cash		1,173	1,173		
Court Case CD's	27,373	28,542	27,373		28,542
Court Fund	99,894	883,158	724,696	2,226	260,582
Court Clerk's Revolving Cash	11,143	12,861	3,906		20,098
Total Official Depository Accounts	\$ 580,516	\$ 4,097,760	\$ 4,046,010	\$ 95,265	\$ 727,531

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

Notes to the Financial Statements

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 Okmulgee 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.

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

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. All funds were 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.)	

OKMULGEE 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.

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 \$2,736,837 and the bank balance was \$2,753,580. 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. § 348.3 authorizes the County Treasurer to invest in:

- U. S. government obligations
- Certificates of deposit
- Saving accounts
- G.O. bonds issued by counties, municipalities, or school districts
- Money judgments against counties, municipalities, or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality, or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

B. Description of Funds

General Fund – revenues are from ad valorem taxes, 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.

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

Detailed Notes on Account Balances (continued)

Highway TCR Fund – revenues are from Oklahoma Tax Commission for Motor Vehicle Collections for Roads – CRIF. Income from Creek Nation for work on highways is also deposited into this account. Disbursements are for maintenance and operations of county roads and highways.

Health – 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.

Court Clerk Trust Account – revenues are from costs and fees on court cases. Disbursements were used for the purchase of computers.

Sheriff's Domestic Violence – Balance of a federal grant received for the prevention of and aiding victims of domestic violence.

Sheriff's Substance Abuse – Balance of a federal grant received for drug education and the prevention of substance abuse.

Sheriff's CAE – Balance of federal grant received to prevent crimes against the elderly.

Assessor's Revolving – revenues are from fees charged by the County Assessor (copies, etc.). Disbursements are for any legal expenses of the Assessor's office.

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.

Trash Cops Fund – revenues are from a federal grant received for the prevention of illegal dumps.

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.

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

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's DOC Cash – revenues are from the Department of Corrections to house inmates. Disbursements are for maintenance of vehicles and jail expenses.

DARE – revenues are from a federal grant and donations for drug education. Disbursements are for payroll of drug officers who go into schools and teach Drug Abuse Resistance Education.

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

Detailed Notes on Account Balances (continued)

Sheriff's Training – revenues are from a federal grant. Disbursements are for training expenses within the Sheriff's office.

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.

Sheriff's Police School – revenues are from a federal grant. Disbursements are made to send officers for required CLEET training and for officer education.

NCACV-DA – revenues are from a federal grant. Disbursements are for payroll of investigators and for informants to buy drugs to aid in prevention of narcotic abuse.

County Building Authority Sales Tax – revenue is from sales tax money (tax, penalty and interest) coming into the County from the Oklahoma Tax Commission. Disbursements are to BancFirst for payments on jail bonds and to the Criminal Justice Authority for the maintenance and operation of the jail.

Sheriff COPS Program – Balance of a federal grant received for the payroll of Sheriff's officers.

Sheriff Block Grant – revenues are from a federal grant. Disbursements are for purchase of Sheriff's vehicles.

DA Incarceration Cost – revenues are from defendants' court costs that are set up for the District Attorney's office. Disbursements are for general expenses of the District Attorney's office.

Criminal Justice Authority – revenues are from a county sales tax. Disbursements are for the operation of the jail.

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.

County Building Authority Bond – revenue is from interest earned on bond proceeds. County was advised to zero out the account and the funds were disbursed to BancFirst for jail payments.

Sheriff's Reserve Account – revenues are from donations for reserve officers. Disbursements are for expenditures necessary for reserve officers.

Winchester St. – CDBG – revenues are from a federal grant. Disbursements were made for the improvement of roads and streets within Winchester.

CDBG - Elevator – revenues are from a federal grant and disbursements were for the construction of an elevator.

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

Detailed Notes on Account Balances (continued)

CDBG - RWD #4 – revenues are from a grant received for Rural Water District #4. Disbursements were for the improvement of the water district.

County Sinking – revenues are from an ad valorem levy and residual funds. Disbursements are for the payment of county judgments.

Industrial Development Sinking – revenues are from interest earned on the balance of the fund. Account is not active – there are no disbursements out of that fund.

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.

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.

Cash in Office – accounts for change funds held by various county offices.

Excess Resale – revenues are from funds collected in excess of taxes owed when the County sells property for taxes. Disbursements are to the original landowner or eventually transferred to County Sinking.

Revenue Stamps – revenue are from documentary stamps on the filing of legal documents within the County Clerk's office. Disbursements are to the Oklahoma Tax Commission for funds owed to the state for documentary stamps.

Lien Bond Docket – revenues are from deposits made by people with a lien on their property to get the lien released. Disbursements are to the lien holder.

Emergency 911 – revenues are from a fee of 5% of telephone tariff charges for implementing 911 service in Okmulgee County. Disbursements are for the engineering, installation, administration, and other recurring costs necessary to implement, administer, operate, and maintain the emergency 911 county system.

Child Abuse Prevention – revenues are from a federal grant. Disbursements are for child abuse prevention.

Bond Proceeds CD – Revenue received from proceeds of bonds to build the county jail. Disbursement of the full amount was rolled over to a CD at Citizens Bank.

Sheriff Commissary – revenues are from profits on commissary sales in the county jail. Disbursements are for jail improvements.

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

Detailed Notes on Account Balances (continued)

Tax Refunds – revenue are from overpayments of ad valorem taxes. Disbursements are to the original payer.

Protest Taxes – Ad valorem taxes paid under protest are held in this account until a court order is issued for their dispersal.

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.

County Use Tax – revenues are from a county use tax.

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

The following narrative details the official depository accounts.

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

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.

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

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

County Law Library – accounts for court revenue and expenses for operating the county law library.

County Election Board - 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.

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

Detailed Notes on Account Balances (continued)

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

Court Case CDs – accounts for funds held on deposit pending a judge's order for specific cases.

Court Fund – accounts for fees transferred from the Court Clerk account and interest earnings. Disbursements are for operating expense of the Court Clerk's office.

Court Clerk's Revolving Cash – revenues are from the courts and disbursements are for any legal expense of the Court Clerk's office.

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 \$104,629,948.

The County levied 10 mills (the legal maximum) for general fund operations, 2 mills for the county health department, and .09 mills for debt service. 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 94 percent of the tax levy.

Detailed Notes on Account Balances (continued)

D. Pension Plan

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

E. 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.

5. Judgments

The County has judgments which are being retired by tax levies. The County is obligated to pay those judgments over a three-year period.

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

Detailed Notes on Account Balances (continued)

Future principal and interest payments that will become due on the existing judgments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$29,547	\$3,793	\$33,340
2004	22,656	3,793	26,449
2005	<u>10,367</u>	<u>1,955</u>	<u>12,322</u>
Totals	<u>\$62,570</u>	<u>\$9,541</u>	<u>\$72,111</u>

6. Transfers

Transfers consist of a \$1,146 residual equity transfer from the Excess Resale Fund to the County Sinking Fund. The transfers column also reflects cancelled depository vouchers of \$95,265 as transfers in.

Schedule of Expenditures of Federal Awards

OKMULGEE 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. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Passed through State Department of Commerce:		
Community Development Block Grant	14.228	\$ <u>57,998</u>
Total U.S. Department of Housing and Urban Development		<u>57,998</u>
 <u>U.S. DEPARTMENT OF JUSTICE</u>		
Passed through District Attorney's Council:		
Multi-Jurisdictional Drug Task Force	16.579	<u>88,935</u>
Total U.S. Department of Justice		<u>88,935</u>
 <u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>		
Passed through Oklahoma State Department of Civil Emergency Management:		
Public Assistance Grants	83.544	<u>801,533</u>
Total Federal Emergency Management Agency		<u>801,533</u>
 Total Expenditures of Federal Awards		 \$ <u>948,466</u>

OKMULGEE 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 Okmulgee 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
OKMULGEE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Okmulgee County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated July 9, 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 Okmulgee 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 Okmulgee 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 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, we do not consider item 99-1 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" being more prominent.

JEFF A. McMAHAN
State Auditor and Inspector

July 9, 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
OKMULGEE COUNTY, OKLAHOMA

We have audited the compliance of Okmulgee 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. 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 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 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 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 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.

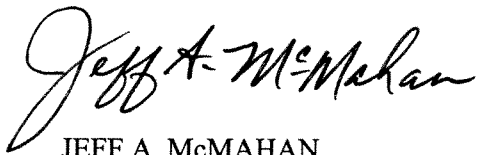
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively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

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

July 9, 2003

Schedule of Findings and Questioned Costs

**OKMULGEE 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? NO
- Reportable condition(s) identified that are not considered to be material weaknesses? YES

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
83.544	Public Assistance Grant
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	NO

**OKMULGEE 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 99-1 - Segregation of Duties (Repeat Finding)

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

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

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

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

Recommendation: Management should be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Management's Corrective Action Plan:

Contact Person: Vonna Lampkins, County Treasurer

Anticipated Completion Date: Not applicable.

Corrective Action Planned: We agree the duties of receiving, receipting, and depositing cash and checks should be segregated. The County acknowledges this condition and understands the risks associated with it. We plan to discuss the 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.

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

No matters were reported.

**Statistical Data
(Unaudited)**

**OKMULGEE 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. SOUTHWESTERN BELL TELEPHONE	\$ 3,958,095	3.78%
2. ANCHOR GLASS ACQUISITION CORP	3,265,492	3.12
3. MONSANTO (KELCO)	3,000,318	2.87
4. PUBLIC SERVICE CO	2,869,135	2.74
5. ONG / ONEOK	2,321,401	2.22
6. WAL-MART	1,685,183	1.61
7. DUKE ENERGY FIELD SERVICE	1,441,797	1.38
8. OG&E	1,123,779	1.08
9. BURLINGTON NORTHERN RR	1,101,669	1.05
10. TRANSOK LLC	<u>1,103,040</u>	<u>1.05</u>
TOTAL	<u>\$ 21,869,909</u>	<u>20.90%</u>

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

**OKMULGEE 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>\$ 104,629,948</u>
Debt limit – 5 % of total assessed value		\$ 5,231,497
Total bonds outstanding	0	
Total judgments outstanding	62,570	
Less cash in sinking fund	<u>10,374</u>	<u>52,196</u>
Legal debt margin		<u>\$ 5,179,301</u>

OKMULGEE 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>2002</u>
Estimated population	<u>38,788</u>
Net assessed value	<u>\$ 104,629,948</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>0</u>
Net bonded debt per capita	<u>\$ -</u>

**OKMULGEE 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	\$21,221,103	\$75,129,483	\$17,485,343	\$9,205,981	\$104,629,948	\$811,264,720