

**OKMULGEE COUNTY, OKLAHOMA  
SPECIAL-PURPOSE FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2003**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

February 1, 2005

TO THE CITIZENS OF  
OKMULGEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Okmulgee County, Oklahoma, for the fiscal year ended June 30, 2003. 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, 2003**

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**OKMULGEE COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

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COMPLIANCE AND INTERNAL CONTROL SECTION

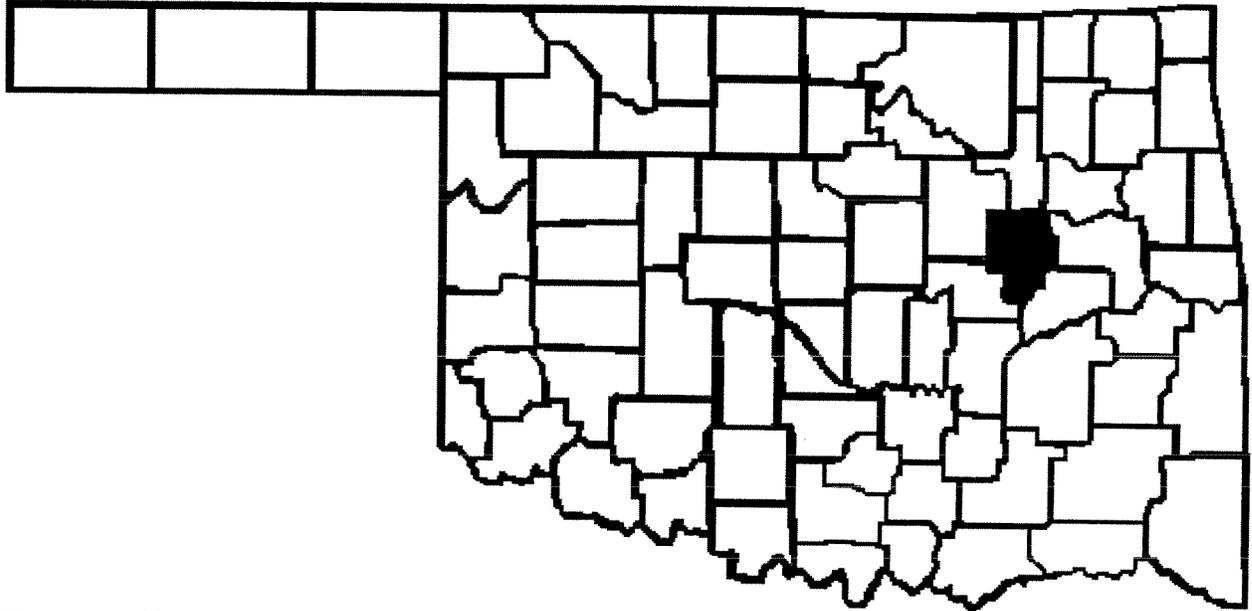
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REPORT TO THE CITIZENS  
OF  
OKMULGEE COUNTY, OKLAHOMA

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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 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 – 39,685 (2000 est.)

Farms – 1,107

Land in Farms – 302,155 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor’s report.

**OKMULGEE COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**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.

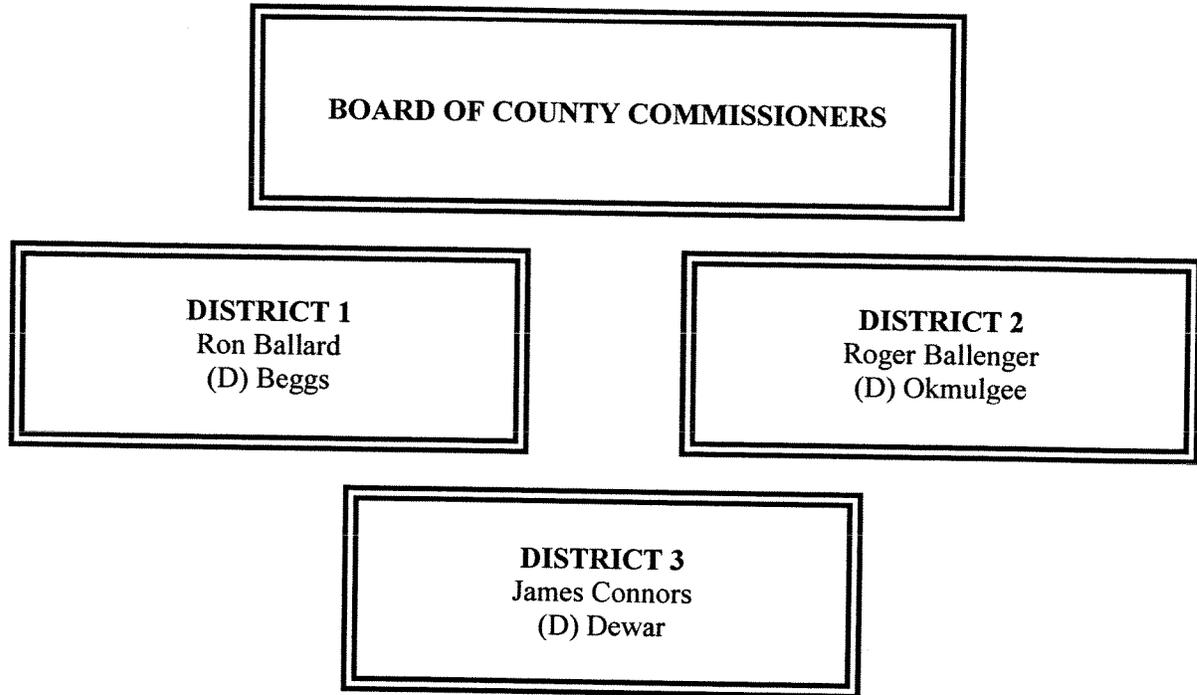
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. 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**

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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**

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**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**

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**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**

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**ELECTION BOARD SECRETARY**

V. Ann Powders  
(D) Okmulgee

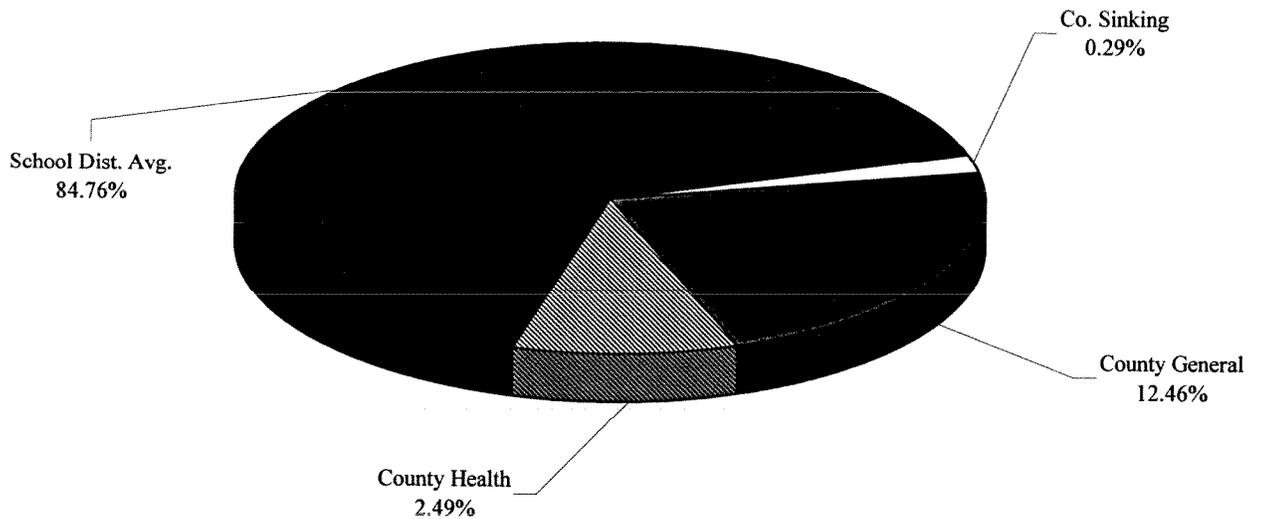
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

See independent auditor's report.

**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-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
Co. General	10.00								
County Health	2.00	Okmulgee	I-1	35.00	5.00	6.16	10.00	4.00	60.16
Co. Sinking	0.23	Henryetta	I-2	35.00	5.00	13.13	10.00	4.00	67.13
		Morris	I-3	35.00	5.00	18.80	10.00	4.00	72.80
		Beggs	I-4	35.00	5.00	23.63	10.00	4.00	77.63
		Preston	I-5	35.00	5.00	7.07	10.00	4.00	61.07
		Schulter	I-6	35.00	5.00	23.16	10.00	4.00	77.16
		Wilson	I-7	35.00	5.00	16.41	10.00	4.00	70.41
		Dewar	I-8	35.00	5.00	16.09	10.00	4.00	70.09
		Liberty	D-9	35.00	5.00	15.22	10.00	4.00	69.22
		Twin Hills	D-11	35.00	5.00	10.32	10.00	4.00	64.32
		Tulsa	JT-14	35.00	5.00	26.13	13.00	4.00	83.13
		Creek	JT-5	35.00	5.00	16.34	13.00	4.00	73.34
		Muskogee	JT-27	35.00	5.00	20.25	10.00	4.00	74.25
		McIntosh	JT-19	35.00	5.00		10.00	4.00	54.00
		McIntosh	JT-27	35.00	5.00	4.26	10.00	4.00	58.26
		Okfuskee	JT-31	35.00	5.00		5.00	4.00	49.00
		Okfuskee	JT-32	35.00	5.00	25.35	5.00	4.00	74.35

See independent auditor's report.

## **Financial Section**



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, 2003, 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 the county health department fund of the County, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2004, 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.

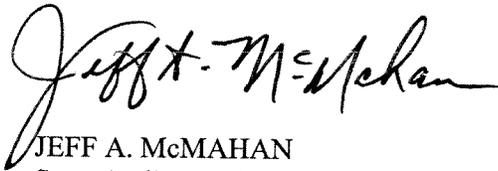
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Okmulgee County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits 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 information listed in the table of contents under *Introductory Section* and *Statistical Section* 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,



JEFF A. McMAHAN  
State Auditor and Inspector

September 22, 2004

**Special-Purpose Financial Statements**

**OKMULGEE COUNTY, OKLAHOMA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - ALL FUNDS  
FOR THE YEAR ENDED, JUNE 30, 2003**

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
General Fund	\$ 400,768	\$ 1,749,069	\$ 1,774,095	\$	\$ 375,742
Highway Cash	463,511	2,046,889	2,197,275		313,125
Highway TCR Fund	404,375	2,668,513	2,352,330		720,558
County Health	194,396	244,992	220,221		219,167
Winchester - CDBG		73,875	73,875		
Sheriff's Domestic Violence	687				687
Sheriff's Substance Abuse	81				81
Sheriff's CAE	1,008				1,008
Assessor's Revolving	8,887	5,801	8,278		6,410
Resale Property	127,053	162,266	137,321		151,998
Trash Cops Fund	600				600
Clerk Lien Fee	5,034	7,848	7,833		5,049
Mortgage Cert. Fee	10,301	12,905	9,395		13,811
Sheriff's Service Fee	18,543	86,051	83,520		21,074
Sheriff's DOC Cash	27,642	32,959	46,677		13,924
DARE	403	100	250		253
Sheriff's Training	30				30
Assessor's Visual Inspection	26,364	501	8,983		17,882
Sheriff's Police School	1,254				1,254
NCACV-DA	3,693	116,789	120,482		
County Bldg Auth. Sales Tax		1,109,975	1,109,975		
Sheriff COPS Program	118				118
Sheriff Block Grant		10,728			10,728
DA Incarceration Cost	10	45			55
Criminal Justice Authority	458	400			858
County Clerk's Record Preservation	50,235	52,735	12,866		90,104
Sheriff's Reserve Account	25				25
CDBG-RWD #4		2,093	2,093		
County Sinking	10,374	32,382	10,566		32,190
Indus. Development Sinking	4,529	110			4,639
Cities and Towns	22,333	295,121	293,519		23,935
Official Depository	727,531	4,296,369	4,174,589	34,559	883,870
Cash in Office	141				141
Excess Resale	9,618	2,423	9,479		2,562
Revenue Stamps	6,130	55,346	56,007		5,469
Lien Bond Docket	6,791	8,750	6,033		9,508
Emergency 911	43,577	266,361	122,074		187,864

continued on next page

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

**OKMULGEE COUNTY, OKLAHOMA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - ALL FUNDS  
FOR THE YEAR ENDED, JUNE 30, 2003**

continued from previous page

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
Child Abuse Prevention	122				122
Sheriff Commissary	5,816	2,200	4,823		3,193
Tax Refunds	847	35,413	35,299		961
Protest Tax	53,623	181,503	16,773		218,353
Individual Redemption	928	29,241	27,589		2,580
County Use Tax	18,115	44,717	20,000		42,832
Schools	80,886	7,544,409	7,528,318		96,977
<b>Total County Funds</b>	<u>\$ 2,736,837</u>	<u>\$ 21,178,879</u>	<u>\$ 20,470,538</u>	<u>\$ 34,559</u>	<u>\$ 3,479,737</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  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 400,768	\$ 400,768	\$ 400,768	\$ -
Less: Prior Year Outstanding Warrants	(113,817)	(113,817)	(109,454)	4,363
Less: Prior Year Encumbrances	(20,299)	(20,299)	(19,270)	1,029
Beginning Cash Balances, Budgetary Basis	<u>266,652</u>	<u>266,652</u>	<u>272,044</u>	<u>5,392</u>
Receipts:				
Ad Valorem Taxes	1,018,054	1,018,054	1,083,805	65,751
Sales Tax	46,030	46,030	50,062	4,032
Charges for Services	145,313	145,313	165,924	20,611
Intergovernmental Revenues	244,484	244,484	270,693	26,209
Miscellaneous Revenues	50,966	152,092	178,585	26,493
Total Receipts, Budgetary Basis	<u>1,504,847</u>	<u>1,605,973</u>	<u>1,749,069</u>	<u>143,096</u>
Expenditures:				
Total District Attorney	<u>12,200</u>	<u>12,200</u>	<u>11,567</u>	<u>633</u>
County Sheriff	326,521	327,946	320,992	6,954
Capital Outlay	16,406	31,882	31,855	27
Total County Sheriff	<u>342,927</u>	<u>359,828</u>	<u>352,847</u>	<u>6,981</u>
County Treasurer	73,134	75,729	75,468	261
Capital Outlay	2,500			
Total County Treasurer	<u>75,634</u>	<u>75,729</u>	<u>75,468</u>	<u>261</u>
County Commissioners	6,000	6,000	5,909	91
Capital Outlay	2,000	2,000	1,842	158
Total County Commissioners	<u>8,000</u>	<u>8,000</u>	<u>7,751</u>	<u>249</u>
OSU Extension	30,947	30,947	28,190	2,757
Capital Outlay	1	1		1
Total OSU Extension	<u>30,948</u>	<u>30,948</u>	<u>28,190</u>	<u>2,758</u>
County Clerk	135,904	135,756	134,103	1,653
Capital Outlay	1	1		1
Total County Clerk	<u>135,905</u>	<u>135,757</u>	<u>134,103</u>	<u>1,654</u>
Total Court Clerk	<u>72,530</u>	<u>72,530</u>	<u>72,232</u>	<u>298</u>

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, 2003**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	77,642	77,643	77,248	395
Capital Outlay	1	1		1
Total County Assessor	<u>77,643</u>	<u>77,644</u>	<u>77,248</u>	<u>396</u>
Revaluation of Real Property	162,868	159,988	154,933	5,055
Capital Outlay	1	3,001	1,895	1,106
Total Revaluation of Real Property	<u>162,869</u>	<u>162,989</u>	<u>156,828</u>	<u>6,161</u>
General Government	483,810	605,960	572,283	33,677
Capital Outlay	77,620	37,620	3,514	34,106
Total General Government	<u>561,430</u>	<u>643,580</u>	<u>575,797</u>	<u>67,783</u>
Total Excise-Equalization Board	<u>2,922</u>	<u>3,222</u>	<u>2,867</u>	<u>355</u>
County Election Board	82,882	84,715	83,857	858
Capital Outlay	255	128	127	1
Total County Election Board	<u>83,137</u>	<u>84,843</u>	<u>83,984</u>	<u>859</u>
Total County Purchasing Agent	<u>22,408</u>	<u>22,408</u>	<u>22,384</u>	<u>24</u>
Total Charity	300	300	299	1
Total Sales Tax Account	15,000	15,000	14,940	60
Total Okmulgee Criminal Justice Authority	122,596	122,596	114,444	8,152
Total Highway Budget Account	18,852	18,852	17,766	1,086
Total County Audit Budget Account	11,198	11,199	11,199	-
Total Free Fair	<u>10,000</u>	<u>10,000</u>	<u>9,981</u>	<u>19</u>

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, 2003**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Provision for Interest on Warrants	5,000	5,000	2,278	2,722
Total Expenditures, Budgetary Basis	1,771,499	1,872,625	1,772,173	100,452
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	248,940	\$ 248,940
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			33,188	
Add: Current Year Outstanding Warrants			93,614	
Ending Cash Balance			\$ 375,742	

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 FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 194,396	\$ 194,396	\$ 194,396	\$ -
Less: Prior Year Outstanding Warrants	(4,062)	(4,062)	(4,062)	
Less: Prior Year Encumbrances	(32,276)	(32,276)	(29,887)	2,389
Beginning Cash Balances, Budgetary Basis	<u>158,058</u>	<u>158,058</u>	<u>160,447</u>	<u>2,389</u>
Receipts:				
Ad Valorem Taxes	203,611	209,714	216,761	7,047
Miscellaneous Revenues	13,060	28,231	28,231	
Total Receipts, Budgetary Basis	<u>216,671</u>	<u>237,945</u>	<u>244,992</u>	<u>7,047</u>
Expenditures:				
Health and Welfare	243,000	334,274	259,269	74,005
Capital Outlay	131,729	61,729	27,230	34,499
Total Expenditures, Budgetary Basis	<u>374,729</u>	<u>396,003</u>	<u>286,499</u>	<u>109,504</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	118,940	<u>\$ 118,940</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			26,782	
Add: Current Year Outstanding Warrants			73,445	
Ending Cash Balance			<u>\$ 219,167</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 - SINKING FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

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Beginning Cash Balance	<u>\$ 10,374</u>
Receipts:	
Ad Valorem Tax	24,099
Miscellaneous	<u>8,283</u>
Total Receipts	<u>32,382</u>
Disbursements:	
Judgments	8,762
Interest	<u>1,804</u>
Total Disbursements	<u>10,566</u>
Ending Cash Balance	<u><u>\$ 32,190</u></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, 2003**

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
District Attorney	\$ 166,416	\$ 752,764	\$ 730,868	\$ 2,017	\$ 190,329
County Sheriff	424	23,553	24,740	763	
County Treasurer	38,415	133,955	129,087	580	43,863
County Clerk		267,245	267,318	73	
Court Clerk	202,886	1,965,419	1,931,600	24,820	261,525
County Law Library	5,808	26,987	26,456		6,339
County Election Board	4,360	68,781	73,579	898	460
County Health Dept.		22,000	22,000		
County Assessor		564	564		
Court Case CD's	28,542	243,460	3,375		268,627
Court Fund	260,582	774,350	949,430	5,408	90,910
Court Clerk's Revolving	20,098	17,291	15,572		21,817
<b>Total Official Depository Accounts</b>	<u>\$ 727,531</u>	<u>\$ 4,296,369</u>	<u>\$ 4,174,589</u>	<u>\$ 34,559</u>	<u>\$ 883,870</u>

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

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 Statements of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - for the General Fund and County Health Department Fund present 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 fully invested or deposited in interest-bearing demand accounts at June 30, 2003.

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 - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Group (ACCO-SIG).	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

**OKMULGEE COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of coverage.	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 chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$10,000 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 amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate worker's compensation claims and employees' insurance. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Management believes coverage is sufficient to preclude any significant uninsured losses to the County.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before May 31st 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.

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$3,479,737 and the bank balance was \$3,593,924. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

Title 62 O.S. § 348.1 and § 348.3 allow the following types of investments:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers 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, sales tax, officers' fees, interest earnings and miscellaneous collections of the county. Disbursements are for the general operations of the County.

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

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

County 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.

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

Detailed Notes on Funds and Account Balances (continued)

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 – accounts for the collection of fees for copies restricted by state statute.

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.

Clerk Lien Fee – revenues are from a fee charged by the County 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's 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 – accounts for monies received from the State Department of Corrections for housing prisoners. Disbursements are for maintenance of vehicles and jail expenses.

DARE – accounts for grant monies and donations received by the Sheriff's office for the DARE Program.

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

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

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.

**OKMULGEE COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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Detailed Notes on Funds and Account Balances (continued)

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

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

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 – accounts for the payments of interest and principal on long-term bonded debt and civil judgments. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments on cash not immediately required for debt service payments.

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.

Detailed Notes on Funds and Account Balances (continued)

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

Revenue Stamps – revenues 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 tariff charged to telephone customers. Disbursements are to offset the expense of the 911 emergency service.

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

Sheriff Commissary – accounts for monies received from inmates for purchases from the county’s commissary and disbursements are as restricted by state statute.

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

Protest Tax – accounts for ad valorem taxes collected in protest.

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

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.

**OKMULGEE COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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Detailed Notes on Funds and Account Balances (continued)

County 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 transfers 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 monies received for disbursement from the state for the law library board.

County Election Board - accounts for reimbursement of elections and is disbursed for refunds or election fees and maintenance and operation of the office.

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

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

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

Court Fund - accounts for fees transferred from district court and interest. Money is disbursed for the purpose of fees for various entities, salaries, and the operation of the office.

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

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."

Detailed Notes on Account Balances (continued)

The assessed property value as of January 1, 2002, was approximately \$111,985,954.

The County levied 10 mills (the legal maximum) for general fund operations, 2 mills for the county health department, and .23 mill 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, 2003, were approximately 94 percent of the tax levy.

D. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death 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.

**OKMULGEE COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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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 these judgments over a three-year period. Future principal and interest payments that will become due on the existing judgments are as follows:

<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$33,074	\$4,823	\$37,897
2005	10,367	2,893	13,260
2006	<u>10,367</u>	<u>2,893</u>	<u>13,260</u>
Total	<u>\$53,808</u>	<u>\$10,609</u>	<u>\$64,417</u>

**Supplementary Schedule Section**

**OKMULGEE COUNTY, OKLAHOMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2003**

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<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	\$ 75,968
Total U.S. Department of Housing and Urban Development		<u>75,968</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>		
Passed Through District Attorney's Council:		
Multi-Jurisdictional Drug Task Force	16.579	116,789
Total U.S. Department of Justice		<u>116,789</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>		
Passed Through State Department of Civil Emergency Management:		
Public Assistance Grants	83.544	383,614
Total Federal Emergency Management Agency		<u>383,614</u>
Total Expenditures of Federal Awards		<u>\$ 576,371</u>

**OKMULGEE COUNTY, OKLAHOMA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2003**

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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*.

**Compliance and Internal Control Section**



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, 2003, and have issued our report thereon dated September 22, 2004. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2003-1.

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 98-1.

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

A handwritten signature in cursive script that reads "Jeff A. McMahán". The signature is written in black ink and is positioned above the printed name and title.

JEFF A. McMAHAN  
State Auditor and Inspector

September 22, 2004



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 on Internal Control Over Compliance in Accordance With  
OMB Circular A-133**

TO THE OFFICERS OF  
OKMULGEE COUNTY, OKLAHOMA

Compliance

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, 2003. The 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 the County's management. Our responsibility is to express an opinion on the 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 the 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 on the County's compliance with those requirements.

In our opinion, the 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, 2003.

Internal Control Over Compliance

The management of the 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 the 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,



JEFF A. McMAHAN  
State Auditor and Inspector

September 22, 2004

OKMULGEE COUNTY, OKLAHOMA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 JUNE 30, 2003

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

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

CFDA Number(s)  
83.544

Name of Federal Program or Cluster  
Public Assistance Grants

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**  
**JUNE 30, 2003**

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**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 98-1 - Segregation of Duties (Repeat Finding)**

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources.

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

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

Management's Response: 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 office operations and will be making periodic reviews of those operations.

**Finding 2003-1 - Financial Statements**

Criteria: For counties who have adopted the County Budget Act per 19 O.S. 2001, § 1403, Title 19 O.S. 2001, § 1405 states, "The accounting records of each county shall be established and maintained and financial statements prepared therefore in conformity with generally accepted accounting principles promulgated from time to time by authoritative bodies of the United States..."

Condition: The County has adopted the County Budget Act, however does not prepare financial statements in conformity with generally accepted accounting principles as provided by that Act.

Recommendation: We recommend the County prepare its financial statements in conformity with generally accepted accounting principles as required for counties who have adopted the County Budget Act.

Management's Response: Management is aware of this situation; however, due to financial situations we are unable to comply with this statute at this time. We are currently in the process of correcting this situation to comply with state statutes.

**OKMULGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2003**

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

No matters were reported.

**Statistical Section  
(Unaudited)**

**OKMULGEE COUNTY, OKLAHOMA  
TOP TEN TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2003  
(UNAUDITED)**

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Southwestern Bell	\$ 4,661,089	4.16%
Public Service of Oklahoma	4,236,857	3.78%
CP Kelco	3,000,318	2.68%
Anchor Glass	2,964,282	2.65%
Oneok (All Systems)	2,115,772	1.89%
Wal-Mart	1,723,096	1.54%
Duke Energy Field Service	1,700,625	1.52%
Enogex Inc	1,404,994	1.25%
Explorer Pipeline	1,221,795	1.09%
BN&SF RR	1,216,310	1.09%
Total	<u>\$ 24,245,138</u>	<u>21.65%</u>

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

**OKMULGEE COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED JUNE 30, 2003  
(UNAUDITED)**

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Total net assessed value as of January 1, 2002		<u>\$ 111,985,954</u>
Debt limit - 5% of total assessed value		5,599,298
Total bonds outstanding	-	
Total judgments outstanding	53,808	
Less cash in sinking fund	<u>32,190</u>	<u>21,618</u>
Legal debt margin		<u>\$ 5,577,680</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, 2003  
 (UNAUDITED)**

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	2003
Estimated population	39,685
Net assessed value as of January 1, 2002	\$ 111,985,954
Gross bonded debt	-
Less available sinking fund cash balance	32,190
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

**OKMULGEE COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE YEAR ENDED JUNE 30, 2003  
(UNAUDITED)**

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<u>Valuation Date</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>
1/1/02	\$22,584,548	\$20,128,503	\$78,402,088	\$9,129,185	\$111,985,954	\$933,216,283