

**PAWNEE 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

November 30, 2004

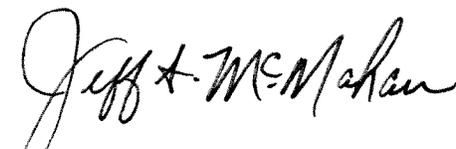
TO THE CITIZENS OF
PAWNEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pawnee 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,


JEFF A. McMAHAN
State Auditor and Inspector

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

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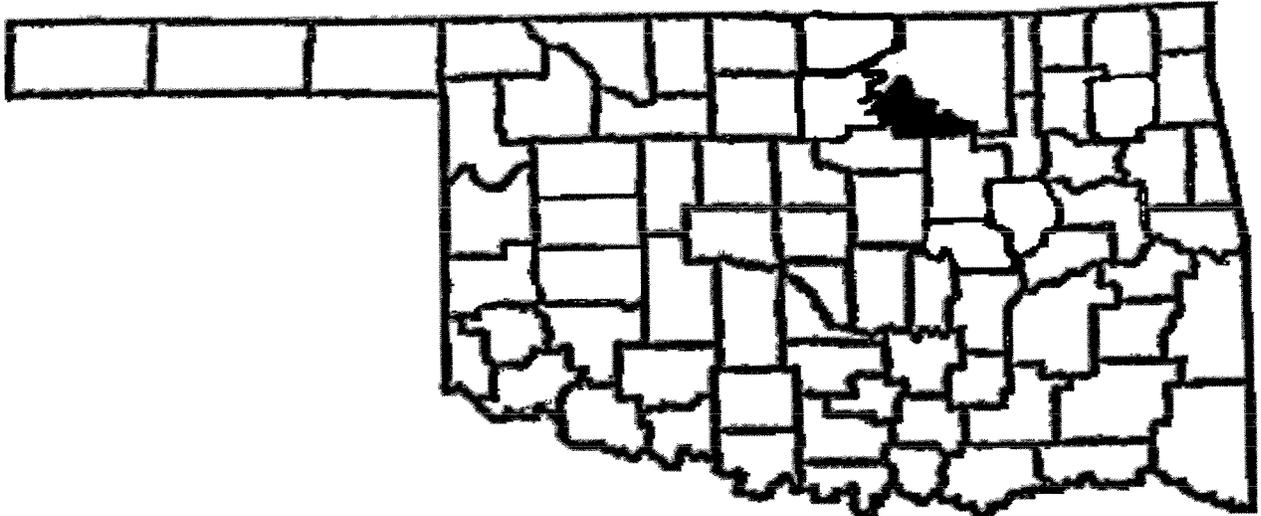
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**PAWNEE COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

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REPORT TO THE CITIZENS
OF
PAWNEE COUNTY, OKLAHOMA



Originally part of the Cherokee Outlet, Pawnee County lies between the Cimarron River on the south and the Arkansas River on the north. The lands were opened to settlement by lottery in 1892, and the County was designated County "Q". Later the name was changed to honor the Skidi Pawnee Indians who located here in the 19th century. The County is primarily noted for agriculture and cattle. Today, Keystone Lake and the Pawnee Bill Museum in Pawnee, the County seat, are major tourist attractions along with Lone Chimney Lake south of Pawnee.

County Seat – Pawnee

Area – 569.5 Square Miles

County Population – 16,612
(2000 est.)

Farms – 671

Land in Farms – 263,369 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**PAWNEE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR

Wayne Spears
(D) Pawnee

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

Marcelee Welch
(D) Pawnee

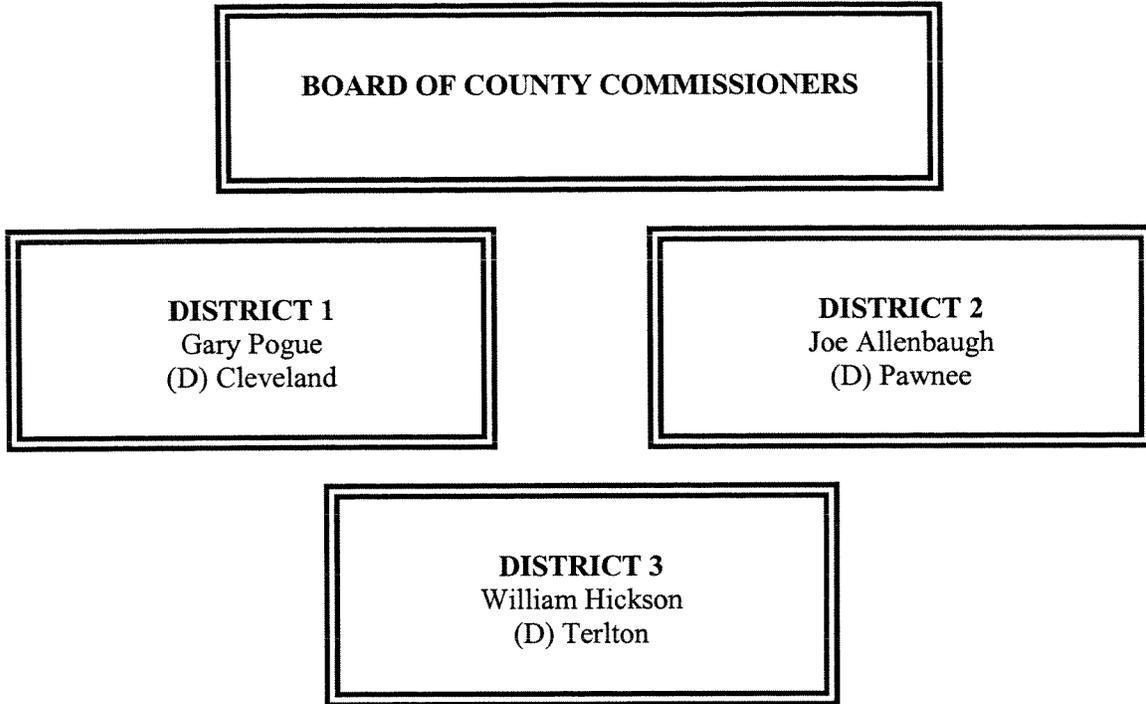
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**PAWNEE 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.

**PAWNEE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Wesley Don Sweger
(D) Cleveland

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
Anita Jo Harris
(D) Pawnee

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.

**PAWNEE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Elaine Tannahill
(D) Cleveland

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
Larry D. Stuart
(D) Hominy

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.

**PAWNEE COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY
Tonda Miner
(D) Pawnee

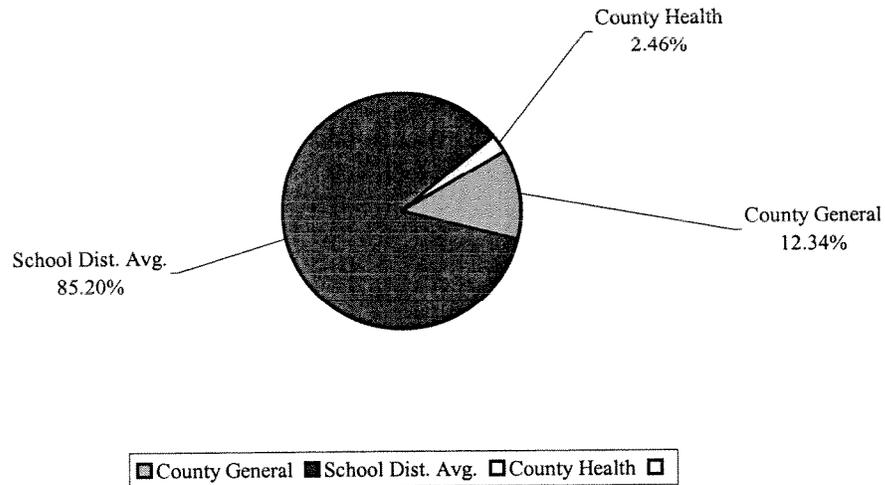
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

**PAWNEE 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	Pawnee (V-16)	I-1	35.00	5.00	11.47	15.00	4.00	70.47
County Health	2.00	Cleveland	I-6	35.00	5.00	30.37	13.00	4.00	87.37
		Jennings	O-2	35.00	5.00		13.00	4.00	57.00
		Woodland	Jl-90	35.00	5.00	6.04		4.00	50.04
		Glencoe (V-16)	Jl-101	35.00	5.00	19.16	15.00	4.00	78.16
		Yale (V-3)	J-103	35.00	5.00	13.36	13.00	4.00	70.36
		Morrison (V-16)	J-6	35.00	5.00	16.07	15.00	4.00	75.07
		Frontier	J-14	35.00	5.00	10.54		4.00	54.54
		Keystone	J-15	35.00	5.00	9.77	13.00	4.00	66.77
		Mannford (V-3)	J-3B	35.00	5.00	23.83	13.00	4.00	80.83

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
PAWNEE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Pawnee 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 Pawnee 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 Pawnee 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 Pawnee 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 Pawnee 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 August 23, 2004, on our consideration of Pawnee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. 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 Pawnee County, Oklahoma, taken as a whole. The other information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

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

This report is intended solely for the information and use of the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,

A handwritten signature in 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

August 23, 2004

Special-Purpose Financial Statements

PAWNEE 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	\$ 330,857	\$ 894,016	\$ 882,913	\$	\$ 341,960
Highway Cash	1,406,094	2,060,412	2,383,363		1,083,143
Sheriff Service Fees	33,163	73,210	69,421		36,952
Resale Property	110,072	72,981	59,014		124,039
Assessor's Revolving	54,283	3,155	5,649		51,789
County Clerk Lien Fee	7,124	6,378	6,601		6,901
County Clerk Record's Preservation	18,380	20,190	7,394		31,176
Treasurer's Mortgage Cert. Fees	2,703	5,070	6,033		1,740
Schools	32,163	4,287,613	4,281,057		38,719
Official Depository	368,357	1,727,168	1,765,787	6,781	336,519
County Health	118,965	145,703	127,317		137,351
Individual Redemption	3,789	10,910	12,447		2,252
Tax Refunds		4,293	3,893		400
Sheriff Training	444		65		379
HMPG Grant		10,000	10,000		
Drug Task Force	399				399
Tribal Prisoners	59,571	119,773	126,137		53,207
Record Owners	34,918	404			35,322
Court Clerk Cash Fund	33,885	703			34,588
OG&E Sooner Lake	26,316	21,287	10,757		36,846
Corp. of Engineers	1,526	18,409			19,935
Ralston Deputy	519		519		
Jennings Deputy	1,980		1,980		
Spellman Trust	6,238	131			6,369
Harvey & Maude Trust	598	798	798		598
DARE 2	2,392		2,392		
Black Bear	22	2,421	2,443		
Red Rock		498	498		
CDBG	2,933	99,926	102,859		
Crook Est. Trust	11,295	272			11,567
Sheriff Grant		13,998	4,584		9,414
LEPC Grant	5,355	2,595	19		7,931
Trash Cop Grant	8,800		8,800		
Fisher CD Trust		20,000			20,000
911 Collections	1,254	15,380	15,345		1,289
EOP Grant		7,408			7,408
Taylor Trust	18,449	472			18,921
Sales Tax	1,021,476	685,940	594,101		1,113,315
Cities and Towns	14,217	102,009	102,799		13,427
Free Fair	6,318	12,559	10,539		8,338
Protest Taxes	85,787	58			85,845
Cash in Office	121				121
Total County Funds	<u>\$ 3,830,763</u>	<u>\$ 10,446,140</u>	<u>\$ 10,605,524</u>	<u>\$ 6,781</u>	<u>\$ 3,678,160</u>

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

**PAWNEE 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	\$ 330,857	\$ 330,857	\$ 330,857	\$ -
Less: Prior Year Outstanding Warrants	(71,526)	(71,526)	(71,506)	20
Less: Prior Year Encumbrances	(11,300)	(11,300)	(10,744)	556
Beginning Cash Balances, Budgetary Basis	<u>248,031</u>	<u>248,031</u>	<u>248,607</u>	<u>576</u>
Receipts:				
Ad Valorem Taxes	535,549	535,549	548,039	12,490
Charges for Services	56,758	56,758	61,434	4,676
Intergovernmental Revenues	169,120	171,820	221,489	49,669
Miscellaneous Revenues	60,810	60,810	63,054	2,244
Total Receipts, Budgetary Basis	<u>822,237</u>	<u>824,937</u>	<u>894,016</u>	<u>69,079</u>
Expenditures:				
Total District Attorney	8,400	8,400	2,050	6,350
Total County Sheriff	214,975	214,975	210,429	4,546
Total County Treasurer	68,904	69,354	69,214	140
County Clerk	107,191	108,530	107,262	1,268
Capital Outlay	1,000	550		550
Total County Clerk	108,191	109,080	107,262	1,818
Total Court Clerk	51,716	52,245	52,229	16
Total County Assessor	57,416	57,416	55,370	2,046
Total Revaluation of Real Property	112,855	112,855	98,987	13,868
Total General Government	396,649	395,765	236,078	159,687
Total Excise - Equalization Board	4,100	4,100	3,104	996
County Election Board	37,939	41,255	41,061	194
Capital Outlay	2,000	400	350	50
Total County Election Board	39,939	41,655	41,411	244
Total Charity	500	500		500
Total County Audit	<u>5,623</u>	<u>5,623</u>	<u>5,623</u>	<u>-</u>

continued on next page

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

**PAWNEE 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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Provision for Interest on Warrants	\$ 1,000	\$ 1,000	\$	\$ 1,000
Total Expenditures, Budgetary Basis	1,070,268	1,072,968	881,757	191,211
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	260,866	\$ 260,866
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			17,334	
Add: Current Year Outstanding Warrants			63,760	
Ending Cash Balance			\$ 341,960	

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

**PAWNEE COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL -
COUNTY HEALTH DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2003**

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 118,965	\$ 118,965	\$ 118,965	\$ -
Less: Prior Year Outstanding Warrants	(10,142)	(10,142)	(10,142)	
Less: Prior Year Encumbrances	(3,172)	(3,172)	(2,332)	840
Beginning Cash Balances, Budgetary Basis	<u>105,651</u>	<u>105,651</u>	<u>106,491</u>	<u>840</u>
Receipts:				
Ad Valorem Taxes	107,110	107,110	109,608	2,498
Charges		31,922	31,922	
Intergovernmental			569	569
Miscellaneous Revenue		3,567	3,604	37
Total Receipts, Budgetary Basis	<u>107,110</u>	<u>142,599</u>	<u>145,703</u>	<u>3,104</u>
Expenditures:				
Health and Welfare	150,000	160,525	106,193	54,332
Capital Outlay	62,761	87,725	19,739	67,986
Total Expenditures, Budgetary Basis	<u>212,761</u>	<u>248,250</u>	<u>125,932</u>	<u>122,318</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	126,262	<u>\$ 126,262</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			8,695	
Add: Current Year Outstanding Warrants			2,394	
Ending Cash Balance			<u>\$ 137,351</u>	

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

**PAWNEE 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
Treasurer - General	\$ 4,539	\$ 994	\$	\$	\$ 5,533
Treasurer's Refunds	7,654	84,966	84,967	1,722	9,375
Treasurer - Trust	23,632	38,592	37,354	2	24,872
Treasurer - M-V Stamps	28	410	438		
Treasurer - Farm Stamps		198	198		
County Clerk - General	9,855	111,080	110,584		10,351
County Clerk B	1,494				1,494
Sheriff Civil	15	27,014	27,014	500	515
Reserve Deputies	5,376	2,826	7,367	223	1,058
Election Board	785	22,351	22,018	180	1,298
Health Dept.		35,642	35,642		
Court Clerk	163,000	770,052	803,557	820	130,315
Court Fund	85,657	450,817	462,900	2,587	76,161
Law Library	9,651	21,438	28,249		2,840
Bogus Check	4,475	77,142	76,519	37	5,135
DA Drug Enforcement	22,892	9,530	14,627		17,795
State Witness Fee	244		238		6
DA Substance Abuse		30			30
Victim Restitution Fund	24,045	57,629	50,508	710	31,876
Court Clerk Revolving Fund	5,015	16,457	3,607		17,865
Total Official Depository Accounts	\$ 368,357	\$ 1,727,168	\$ 1,765,787	\$ 6,781	\$ 336,519

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 Pawnee 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, 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	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.)	

PAWNEE 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>
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 participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed authorized deductibles, the County would have surcharges assessed to pay the excess claims.

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.

OPEH&WP - The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. The pool has assessed additional premiums to be paid by its members in the current fiscal year.

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and may be accumulated.

Vacation benefits are earned at the following rates:

<u>Years of Service</u>	<u>Hours Earned Per Year</u>
1-5 Years	80 Hours
6-10 Years	120 Hours
11-20 Years	144 Hours
21 Years & Over	160 Hours

The County does not accumulate sick leave. An employee earns up to 6 days per year and may accumulate up to 40 days. There is no history of sick leave usage from which to project future usage; hence, no liability for such has been recorded.

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 \$3,678,160 and the bank balance was \$3,692,556. 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.

Detailed Notes on Account Balances (continued)

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

- 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.

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

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.

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

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

Detailed Notes on Account Balances (continued)

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

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

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.

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.

Tax Refund – tax money was applied to the wrong taxpayer. Treasurer's check is applied to correct overpayment.

Sheriff Training B-6 – accounts for local collections disbursed to train deputies in public safety procedures.

HMPG Grant – accounts for grant monies received from the Department of Civil Emergency Management for projects relating to hazardous materials and mitigating the risk associated with those hazards.

Drug Task Force – accounts for District Attorney Council collections and for fighting drugs.

Tribal Prisoner – sheriff's account used for tribal prisoners' housing and travel expenses.

Record Owners – collections over the amount a piece of property that would sell at resale.

Court Clerk Cash Fund – court clerk revolving fund used for office repairs, training expenses, Kellpro, membership dues, etc.

OG&E Sooner Lake – accounts for OG&E's collections used to pay a deputy's salary.

Corp. of Engineers – accounts for Corp. of Engineers collections used to pay a deputy's salary.

Ralston Deputy – accounts for collections from a town to pay a deputy's salary.

Detailed Notes on Account Balances (continued)

Jennings Deputy – accounts for collections from a town to pay a deputy's salary.

Spellman Trust – court clerk savings account held to draw interest; money is divided between heirs.

Harvey & Maude Trust – accounts for stock market earnings donated to the county fair.

DARE 2 (Drug Awareness Program) – accounts for state collections disbursed to educate children about drug abuse.

Black Bear – account used to build water sheds to keep Black Bear from flooding onto properties.

Red Rock – account used to build water shed to keep land from flooding.

CDBG – accounts for state grant monies received from the State Department of Commerce for economic development.

Crook Estate Trust – court clerk savings account used to hold money until rightful owners claim it.

Sheriff Grant – accounts for state grants the Sheriff's office disburses for public safety.

LEPC Grant – accounts for grant monies received from ODCEM for hazardous materials.

Trash Cop Grant – accounts for grant collections disbursed to enforce trash dumping laws.

Fisher CD Trust – court clerk account used to hold money until it was claimed by heirs.

Emergency 911 – accounts for the engineering, installation, administration, and other recurring costs necessary to implement, administer, operate, and maintain the emergency 911 county system.

EOP Grant – accounts for grant monies received from Department of Civil Emergency Management for environmental operations projects for the County.

Taylor Trust – accounts for court clerk collections held until disbursed by court order.

Sales Tax – accounts for sales tax collections disbursed for general government, highways, and public safety.

Detailed Notes on Account Balances (continued)

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.

Free Fair – accounts for fees collected and disbursed by the county fair board.

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

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

The following narrative details the official depository accounts.

County Treasurer – holding account for fees transferred to the county general fund.

Treasurer Refunds – holding account used to reimburse taxpayers for overpayments.

Treasurer's Trust – holding account used for mobile home taxes paid in advance.

Motor Vehicle Stamps – holding account for motor vehicle stamps transferred to the county general fund.

Farm Implement Stamps – holding account for farm implement stamps transferred to the county general fund.

County Clerk – holding account for fees transferred to the county general fund.

County Clerk B – holding account for fees transferred to the county general fund.

Sheriff Civil – holding account for fees transferred to the county general fund.

Reserve Deputies – sheriff funds raised and disbursed by county reserve deputies.

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.

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

Detailed Notes on Account Balances (continued)

Court Fund – accounts for fees transferred from the court clerk account and interest earnings. Disbursements are for operating expense of the District Court.

Law Library – fund used to account for fees collected and disbursed by the county law library board.

Bogus Check – fund used for the collection of fees for bogus checks.

DA Drug Enforcement - account used to draw cash for informant drug buys.

State Witness Fee – State funding to pay for witnesses in court.

DA Substance Abuse – fund used to fight illegal drug distribution.

Victim Restitution Fund – fund for criminal restitution fees.

Court Clerk's Revolving Fund – accounts for fees disbursed for the operation of the 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, 2002, was approximately \$56,232,661.

The County levied 10 mills (the legal maximum) for general fund operations and 2 mills for the county health department.

In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

Detailed Notes on Account Balances (continued)

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 98 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. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired.

F. Fuel Tax

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

4. Contingent Liabilities

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.

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

5. Sales Tax

Beginning March 1, 1994, a one-cent sales tax went into effect for Pawnee County. The one-cent sales tax was limited to five years in duration and allocated for the following purposes:

County Sheriff's Office	30.0%
City & Rural Fire Protection	5.0%
County 911	2.0%
Senior Citizens	2.0%
County Juvenile Detention	1.0%
County Emergency Management 2	2.0%
County OSU Extension	5.0%
County Roads & Bridges	10.0%
County Free Fair	3.0%
County Buildings	8.0%
County Economic Development	4.0%
County General Use	28.0%

In February 1998, a special election was held and Pawnee County voted to extend this sales tax for five years beginning February 1999.

**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
PAWNEE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Pawnee County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated August 23, 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 Pawnee County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 Pawnee 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 special-purpose financial statements. The reportable condition is described in the accompanying schedule of findings as item 98-1.

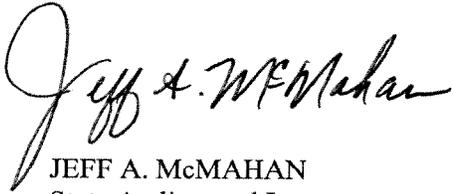
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected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

August 23, 2004

**PAWNEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003**

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: Demonstration of accountability and stewardship are goals used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

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

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

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

**Statistical Data
(Unaudited)**

**PAWNEE 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>
OG&E	\$ 4,485,609	7.98%
Southwestern Bell	2,351,819	4.18%
Cimarron Telephone	1,074,704	1.91%
Kansas Pipeline Co.	1,061,104	1.89%
Osage Pipeline Co.	942,443	1.68%
Burlington Northern & SF RR	752,800	1.34%
Equilon Pipeline	399,317	0.71%
Wal-Mart	366,969	0.65%
BP Pipeline	324,916	0.58%
Duke Energy (All Systems)	306,310	0.54%
Total	<u>\$ 12,065,991</u>	<u>21.46%</u>

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

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

Total net assessed value as of January 1, 2002		<u>\$ 56,232,661</u>
Debt limit - 5% of total assessed value		2,811,633
Total bonds outstanding	-	
Total judgments outstanding	-	
Cash in sinking fund	<u>\$ -</u>	<u>-</u>
Legal debt margin		<u>\$2,811,633</u>

**PAWNEE 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)**

	2003
Estimated population	16,612
Net assessed value as of January 1, 2002	\$ 56,232,661
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	-
Net bonded debt per capita	\$ -

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

<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	\$6,882,830	\$14,054,804	\$39,416,055	\$4,121,028	\$56,232,661	\$468,605,508