

COUNTY AUDIT

POTTAWATOMIE COUNTY

For the fiscal year ended June 30, 2006



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**POTTAWATOMIE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

November 16, 2011

TO THE CITIZENS OF
POTTAWATOMIE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pottawatomie County, Oklahoma for the fiscal year ended June 30, 2006. A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**POTTAWATOMIE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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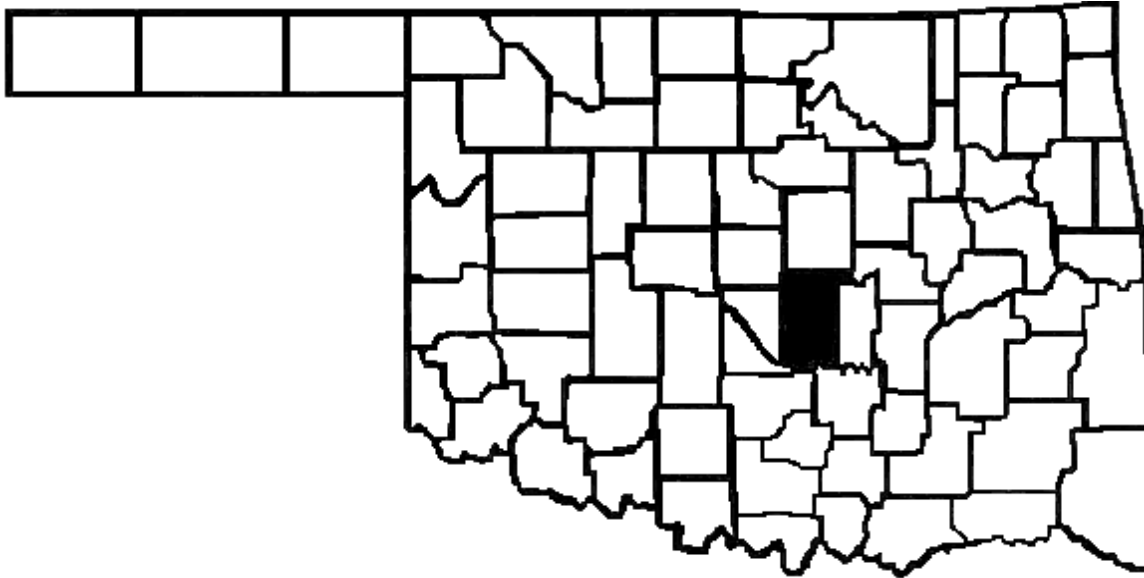
**POTTAWATOMIE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**REPORT TO THE CITIZENS
OF
POTTAWATOMIE COUNTY, OKLAHOMA**



Settled by Seminole, Creek, Citizen Band Potawatomi, Absentee Shawnee, Kickapoo, and Sac and Fox Indian Tribes, this area was opened to white settlement in the land run on September 22, 1891, and was designated County "B." The county name was changed by vote in 1892 to honor the Pottawatomi Indians and means "people of the place of fire."

Tecumseh, originally the county seat, soon lost to the fast growing community of Shawnee, which was also in competition for the state capitol. City fathers even went so far as to build a proposed governor's mansion. The oil and railroad industries were vital to the development of some Pottawatomie County towns and the decline of others, but agriculture has remained a mainstay of the county's economy.

History comes to life in annual celebrations such as Frontier Days in Tecumseh and the Heritage Fest in Shawnee. The historic Santa Fe depot, built in 1903, still stands in Shawnee along with other early structures. Pottawatomie County is the site of the Shawnee Indian Reservation and has sixty-three "Ghost Towns."

Pottawatomie County has two institutions of higher education. Offices of the Shawnee, Potawatomi, and Sac and Fox tribes are located in the county. For more information, call the county clerk's office at (405) 273-8222.

County Seat – Shawnee

Area – 793.26 Square Miles

County Population – 67,111
(2004 est.)

Farms – 1,663

Land in Farms – 343,119 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

**POTTAWATOMIE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

COUNTY ASSESSOR
Troyce King

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
Nancy Bryce

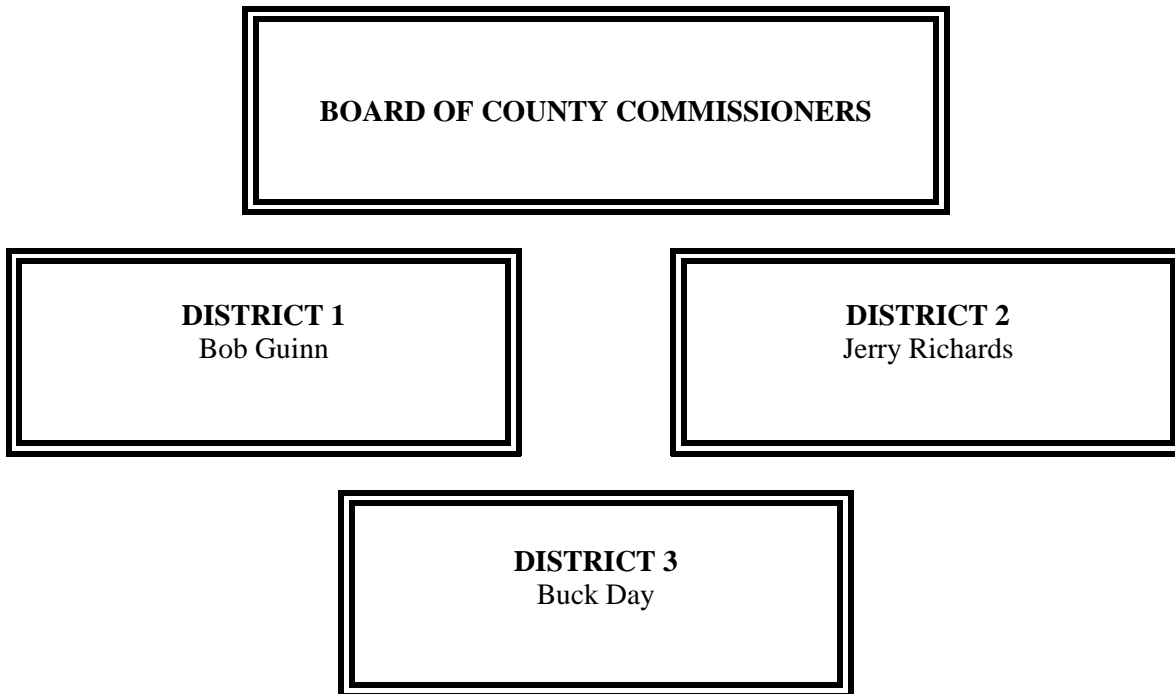
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**POTTAWATOMIE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**



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.

**POTTAWATOMIE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

COUNTY SHERIFF
Kurt C. Shirey

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
Michelle Pecore

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.

See independent auditor's report.

**POTTAWATOMIE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

COURT CLERK
Reta Head

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.

DISTRICT ATTORNEY
Richard Smothermon

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.

**POTTAWATOMIE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

ELECTION BOARD SECRETARY Diana Knight

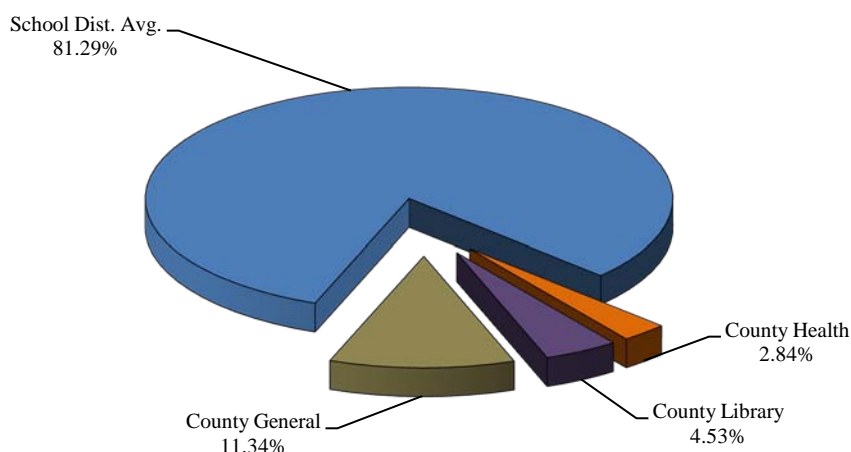
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

**POTTAWATOMIE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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	Career Tech Bldg	Career Tech Sinking	Common	Total
County General	10.15										
County Health	2.54	McCloud	I-1	35.66	5.09	10.96	10.12	5.06		4.06	70.95
County Library	4.06	Dale	I-2	35.82	5.12	14.22	10.12	5.06		4.06	74.40
		Bethel	I-3	35.77	5.11	15.25	10.12	5.06		4.06	75.37
		Macomb	I-4	35.94	5.13		10.12	5.06		4.06	60.31
<u>Cities and Towns</u>											
Shawnee	0.82	Earlsboro	I-5	35.88	5.13		10.12	5.06		4.06	60.25
		Tecumseh	I-92	35.71	5.10	14.78	10.12	5.06		4.06	74.83
		Shawnee	I-93	35.31	5.04	16.37	10.12	5.06		4.06	75.96
		Asher	I-112	36.16	5.17	28.85	10.12	5.06		4.06	89.42
		Wanette	I-115	36.17	5.17	12.76	10.27	1.03		4.06	69.46
		Maud	I-117	35.94	5.13	23.96	10.12	5.06		4.06	84.27
		North Rock Creek	C-10	35.20	5.03	11.85	10.12	5.06		4.06	71.32
		Grove	C-27	35.48	5.07	16.93	10.12	5.06		4.06	76.72
		Pleasant Grove	C-29	35.46	5.07		10.12	5.06		4.06	59.77
		South Rock Creek	C-32	35.77	5.11	8.20	10.12	5.06		4.06	68.32
		Seminole County	JT-4	36.17	5.17	12.65				4.06	58.05
		Oklahoma County	JT-7	35.93	5.13	16.06	10.27	5.13	0.80	4.06	77.38
		Seminole County	JT-14	35.81	5.12	10.72	10.12	5.06		4.06	70.89
		Cleveland County	JT-70	35.32	5.05	19.39	10.27	1.03		4.06	75.12
		Lincoln County	JT-95	36.28	5.18	17.60	10.12	5.06		4.06	78.30
		Lincoln County	JT-103	36.62	5.23	22.98	10.12	5.06		4.06	84.07

See independent auditor's report.

**POTTAWATOMIE COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Total net assessed value as of January 1, 2005		<u>\$ 241,066,796</u>
Debt limit - 5% of total assessed value		12,053,340
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>46,742</u>	<u>-</u>
Legal debt margin		<u>\$ 12,053,340</u>

See independent auditor's report.

**POTTAWATOMIE COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

	2006
Estimated population	67,111
Net assessed value as of January 1, 2005	\$ 241,066,796
Gross bonded debt	-
Less available sinking fund cash balance	46,742
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**POTTAWATOMIE COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2005	\$45,312,019	\$34,564,508	\$176,189,921	\$14,999,652	\$241,066,796	\$1,997,116,493

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report

TO THE OFFICERS OF POTTAWATOMIE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2006, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Pottawatomie County's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Pottawatomie County as of June 30, 2006 or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Pottawatomie County, for the year ended June 30, 2006, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2011, on our consideration of Pottawatomie County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

November 1, 2011

Basic Financial Statement

**POTTAWATOMIE COUNTY, OKLAHOMA
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 (WITH COMBINING INFORMATION)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Beginning Cash Balances July 1, 2005	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2006
Combining Information:				
General Fund	\$ 690,911	\$ 3,208,050	\$ 3,219,379	\$ 679,582
County Highway	2,186,659	4,053,540	3,716,392	2,523,807
Restricted Highway	3,914			3,914
County Health	754,724	629,742	874,181	510,285
Resale Property	359,917	164,261	132,431	391,747
Courthouse Renovation	3,960			3,960
Community Service Grant	687		659	28
County Assessor Fees	7,406	10,747	15,588	2,565
County Clerk Lien Fee	22,359	29,629	32,298	19,690
County Treasurer Mortgage Tax	42,820	20,249	41,233	21,836
Child Abuse Prevention	10,281	855		11,136
Self-Insurance	1,407		370	1,037
Sheriff Service Fee	244,077	184,482	263,284	165,275
Sheriff Training	603			603
Sheriff Drug Buy	380			380
Board of Prisoners		800	400	400
Social Services Cash	28,429	1,154		29,583
Circuit Engineering Cash	462			462
Birdie Lane Road Improvement District	2,720	110		2,830
Westgate Road Improvement District	14,987	4,753		19,740
Romburg #13 Road Improvements	55,842	2,268		58,110
Sales Tax Maintenance/Repair/Improvements	1,932,000	4,310,438	3,389,719	2,852,719
Sales Tax Pottawatomie County Fire Department	576,040	464,002	370,970	669,072
Sales Tax Emergency Services	420,414	238,096	104,709	553,801
Sales Tax Economic Development	688,988	154,825		843,813
Sales Tax OSU Extension Center	361,328	170,415	443,208	88,535
Sales Tax Soil Conservation	40,022	64,038	54,522	49,538
Sales Tax Pottawatomie County Free Fair	111,872	67,252	49,508	129,616
Sales Tax Senior Citizens	19,494	280,347	116,513	183,328
Use Tax Courthouse Capital Improvements	680,756	495,740	430,956	745,540
County Clerk Preservation Fee	182,794	91,868	75,800	198,862
CDBG (93-73) Bathroom	90			90
Community Sentencing	1,134	2,178	1,987	1,325
Pottawatomie County Drug Court	24,697	111,355	104,655	31,397
Law Enforcement Grant	53			53
County Sinking	46,730	12		46,742

continued on next page

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

**POTTAWATOMIE COUNTY, OKLAHOMA
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 (WITH COMBINING INFORMATION)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

continued from previous page

	Beginning Cash Balances July 1, 2005	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2006
Combining Information:				
Town of St. Louis	97,215		97,215	
Town of Johnson	292			292
CDBG Rural Water #3		2,455	2,455	
Sales Tax Pottawatomie County Public Safety	96,570	1,248,424	1,133,894	211,100
Sales Tax Capital Improvements Jail/Highway	24,143	312,106	283,474	52,775
CDBG Tribbey	72,750			72,750
CDBG 59B	142,847	5,850	146,350	2,347
Local Law Enforcement #LE04-09	3,395		3,395	
CDBG #11876		54,162	54,162	
Combined Total--All County Funds	<u>\$ 9,956,169</u>	<u>\$ 16,384,203</u>	<u>\$ 15,159,707</u>	<u>\$ 11,180,665</u>

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

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Pottawatomie County, Oklahoma. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds 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 County 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.

Following are descriptions of the funds included as supplementary information within the financial statement:

General Fund - accounts for the general operations of the government.

County Highway - accounts for state, local and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

Restricted Highway - accounts for state, local and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

County Health - accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

Resale Property - accounts for the collection of interest and penalties on delinquent taxes and the disposition of same as restricted by statute.

Courthouse Renovation - accounts for monies used for the renovation and remodeling of courthouse property.

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Community Service Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

County Assessor Fees – accounts for the collection of fees for copies as restricted by state statute.

County Clerk Lien Fee – accounts for lien collections and disbursements of sheriff process service fees as restricted by statutes.

County Treasurer Mortgage Tax – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statutes.

Child Abuse Prevention – accounts for monies from donated juror's fees to be disbursed in accordance with state statutes.

Self-Insurance – accounts for appropriations to be disbursed for repairs to vehicles that may be damaged on county roads.

Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

Sheriff Training – accounts for forfeiture monies and disbursed for training purposes only.

Sheriff Drug Buy – accounts for forfeiture monies and disbursed as drug buy money.

Board of Prisoners – accounts for the monies received from the State of Oklahoma for the boarding and feeding of the Department of Corrections' prisoners.

Social Services Cash – accounts for rent paid to County by DHS for the general upkeep of the property.

Circuit Engineering Cash – accounts for monies received from the circuit engineering district as reimbursement for salaries.

Birdie Lane Road Improvement District – accounts for monies collected from property owners to pay off bonds that were obtained for road improvements.

Westgate Road Improvement District – accounts for monies collected from property owners to pay off bonds that were obtained for road improvements.

Romburg #13 Road Improvements – accounts for monies collected from property owners to pay off bonds that were obtained for road improvements.

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Sales Tax Maintenance/Repair/Improvements – accounts for the collection of sales tax to be disbursed for the maintenance, repair, and improvement of county roads and bridges.

Sales Tax Pottawatomie County Fire Department – accounts for the collection of sales tax to be disbursed for the Pottawatomie County Fire Department.

Sales Tax Emergency Services – accounts for the collection of sales tax to be disbursed for the emergency services.

Sales Tax Economic Development – accounts for the collection of sales tax to be disbursed for economic development.

Sales Tax OSU Extension Center – accounts for the collection of sales tax to be disbursed for the OSU Extension Center.

Sales Tax Soil Conservation – accounts for the collection of sales tax to be disbursed for the soil conservation service.

Sales Tax Pottawatomie County Free Fair – accounts for the collection of sales tax to be disbursed for the Pottawatomie County Free Fair/Junior Livestock Show.

Sales Tax Senior Citizens – accounts for the collection of sales tax to be disbursed for the Senior Citizens Center.

Use Tax Courthouse Capital Improvements – accounts for the collection of sales tax to be disbursed for capital improvements.

County Clerk Preservation Fee – accounts for fees collected for instruments filed in the County Clerk's office as restricted by statute for preservation of records.

CDBG (93-73) Bathroom – accounts for grant monies to be disbursed as restricted by grant agreement.

Community Sentencing – accounts for reimbursement of monies for community service workers from the Department of Corrections to be disbursed for the general operation of the office.

Pottawatomie County Drug Court – accounts for monies from payments for drug testing to be disbursed for the general upkeep of the office.

Law Enforcement Grant – accounts for grant monies received and used to purchase equipment as restricted by the grant agreement.

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

County Sinking – accounts for the payments of interest and principal on the matured portion of 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 of cash not immediately required for debt service payments. There is currently no long-term debt. The remaining balance will be transferred to the general fund.

Town of St. Louis – accounts for federal funds to be used for road improvements.

Town of Johnson – accounts for federal funds to be used for road improvements.

CDBG Rural Water #3 – accounts for federal funds to be used for construction and maintenance of water lines in Rural Water District #3.

Sales Tax Pottawatomie County Public Safety – accounts for sales tax revenue to build and operate the jail.

Sales Tax Capital Improvements Jail/Highway – accounts for sales tax revenue to be used for capital improvements for the Public Safety Center (Jail) and county roads and bridges.

CDBG Tribbey – accounts for federal funds to be used for road improvements.

CDBG 59B – accounts for federal funds to be used for road improvements.

Local Law Enforcement #LE04-09 – accounts for grant monies received and used to purchase equipment as restricted by the grant agreement.

CDBG #11876 – accounts for federal funds to be used to make repairs to low income homeowners' dwellings.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including school districts, cities and towns, and county library. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

C. Basis of Accounting

The basic financial statement is 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. This cash

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

basis financial presentation is not a comprehensive measure of economic condition or changes therein.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. 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 for the respective fund by 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.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

E. Cash

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

F. Investments

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

- 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

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may not be accumulated. Employees with 1 to 5 service years earn 10 days per year, employees with 6 to 15 service years earn 15 days per year, and employees with years exceeding 15 years earn 20 days per year. Vacation leave is accrued monthly and must be earned before it is taken. Vacation leave is not carried over from one year to the next. Upon termination, annual leave is paid for the balance of accrued annual leave up to the accumulation limit.

Sick leave benefits are accrued at the rate of 8 hours per month and employees may accumulate up to 130 days. Sick leave is not paid upon termination.

2. 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, 2005, was approximately \$241,066,796.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.15 mills for general fund operations, 2.54 mills for county health department, and 4.06 mills for county library. In addition, the County 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.

Current year tax collections for the year ended June 30, 2006, were approximately 96.76 percent of the tax levy.

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

3. 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. Risk Management

ACCO-SIG—The County is exposed to the various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. 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.

5. Long-term Obligations

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, but have a one-time fee of 3% on all pieces of machinery acquired.

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 6.5% and 11.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 11.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2006, 2005, and 2004, were \$353,690, \$303,517, and \$298,575, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

7. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

8. 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 County expects such amounts, if any, to be immaterial.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

9. Sales Tax

The voters of Pottawatomie County approved a 1% sales tax on July 1, 2003. The sales tax will end June 30, 2013. The sales tax was established to provide revenue for: 56%, maintenance, repair, and improvement of county roads and bridges; 20%, constructing, furnishing, operating, and maintaining the Pottawatomie County Public Safety Center jail facility; 7%, Pottawatomie County Fire Department; 3.5%, emergency services (sheriff, ambulance, and other); 2% economic development; 2.5%, OSU Extension Center; 1%, soil conservation services; 1%, Pottawatomie County Free Fair/Junior Livestock Show; 2%, senior citizens; and 5%, capital improvements.

OTHER SUPPLEMENTARY INFORMATION

POTTAWATOMIE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 690,911	\$ 690,911	\$ 690,911	\$ -
Less: Prior Year Outstanding Warrants	(215,214)	(215,214)	(215,214)	
Less: Prior Year Encumbrances	(91,356)	(91,356)	(53,104)	38,252
Beginning Cash Balances, Budgetary Basis	<u>384,341</u>	<u>384,341</u>	<u>422,593</u>	<u>38,252</u>
Receipts:				
Ad Valorem Taxes	2,219,889	2,219,889	2,314,520	94,631
Charges for Services	273,942	275,402	286,423	11,021
Intergovernmental Revenues	379,766	379,766	466,340	86,574
Miscellaneous Revenues	42,472	42,472	140,767	98,295
Total Receipts, Budgetary Basis	<u>2,916,069</u>	<u>2,917,529</u>	<u>3,208,050</u>	<u>290,521</u>
Expenditures:				
District Attorney	26,821	26,821	26,821	
Total District Attorney	<u>26,821</u>	<u>26,821</u>	<u>26,821</u>	<u>-</u>
County Sheriff	720,000	720,000	719,909	91
Total County Sheriff	<u>720,000</u>	<u>720,000</u>	<u>719,909</u>	<u>91</u>
County Treasurer	160,378	160,566	156,703	3,863
Total County Treasurer	<u>160,378</u>	<u>160,566</u>	<u>156,703</u>	<u>3,863</u>
County Clerk	267,508	267,508	262,780	4,728
Total County Clerk	<u>267,508</u>	<u>267,508</u>	<u>262,780</u>	<u>4,728</u>
Court Clerk	279,100	279,100	279,096	4
Total Court Clerk	<u>279,100</u>	<u>279,100</u>	<u>279,096</u>	<u>4</u>
County Assessor	192,500	192,500	192,344	156
Total County Assessor	<u>192,500</u>	<u>192,500</u>	<u>192,344</u>	<u>156</u>
Revaluation of Real Property	205,364	206,636	206,458	178
Capital Outlay	2,636	2,636	1,364	1,272
Total Revaluation of Real Property	<u>208,000</u>	<u>209,272</u>	<u>207,822</u>	<u>1,450</u>
Juvenile Shelter Bureau	75,750	75,750	75,485	265
Total Juvenile Shelter Bureau	<u>75,750</u>	<u>75,750</u>	<u>75,485</u>	<u>265</u>

continued on next page

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

POTTAWATOMIE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

continued from previous page

	Original Budget	Final Budget	Actual	Variance
General Government	579,692	579,692	442,282	137,410
Capital Outlay	35,000	35,000	29,843	5,157
Total General Government	<u>614,692</u>	<u>614,692</u>	<u>472,125</u>	<u>142,567</u>
Excise-Equalization Board	3,800	3,800	2,824	976
Total Excise-Equalization Board	<u>3,800</u>	<u>3,800</u>	<u>2,824</u>	<u>976</u>
County Election Board	124,894	124,894	124,894	
Capital Outlay	5,538	5,538	5,538	
Total County Election Board	<u>130,432</u>	<u>130,432</u>	<u>130,432</u>	-
Soil Conservation District	5,000	5,000	5,000	
Total Soil Conservation District	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	-
School Treasurer Budget	35,000	35,000	33,947	1,053
Total School Treasurer Budget	<u>35,000</u>	<u>35,000</u>	<u>33,947</u>	<u>1,053</u>
Community Service	26,500	26,500	26,402	98
Total Community Service Budget	<u>26,500</u>	<u>26,500</u>	<u>26,402</u>	<u>98</u>
Jail Budget	500,000	500,000	500,000	
Total Jail Budget	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	-
County Audit Budget Account	44,929	44,929	23,903	21,026
Total County Audit Budget Account	<u>44,929</u>	<u>44,929</u>	<u>23,903</u>	<u>21,026</u>
Provision for Interest on Warrants	10,000	10,000	15,297	(5,297)
Total Expenditures, Budgetary Basis	<u>3,300,410</u>	<u>3,301,870</u>	<u>3,130,890</u>	<u>170,980</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	499,753	<u>499,753</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			89,403	
Add: Current Year Outstanding Warrants			90,426	
Ending Cash Balance			<u>\$ 679,582</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

**POTTAWATOMIE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 754,724	\$ 754,724	\$ 754,724	\$ -
Less: Prior Year Outstanding Warrants	(6,098)	(6,098)	(6,098)	
Less: Prior Year Encumbrances	(50,919)	(50,919)	(39,609)	11,310
Beginning Cash Balances, Budgetary Basis	<u>697,707</u>	<u>697,707</u>	<u>709,017</u>	<u>11,310</u>
Receipts:				
Ad Valorem Taxes	555,519	555,519	579,200	23,681
Charges for Services		24,206	24,206	
Intergovernmental			7,075	7,075
Miscellaneous Revenues			19,261	19,261
Total Receipts, Budgetary Basis	<u>555,519</u>	<u>579,725</u>	<u>629,742</u>	<u>50,017</u>
Expenditures:				
Health and Welfare	753,000	777,206	478,078	299,128
Capital Outlay	500,226	500,226	452,088	48,138
Total Expenditures, Budgetary Basis	<u>1,253,226</u>	<u>1,277,432</u>	<u>930,166</u>	<u>347,266</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	408,593	<u>\$ 408,593</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			44,656	
Add: Current Year Outstanding Warrants			57,036	
Ending Cash Balance			<u>\$ 510,285</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

**POTTAWATOMIE COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Beginning Cash Balance	<u>\$ 46,730</u>
Receipts:	<u>12</u>
Total Receipts	<u>12</u>
Disbursements:	<u> </u>
Total Disbursements	<u>-</u>
Ending Cash Balance	<u>\$ 46,742</u>

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the 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 Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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 these funds. At the end of the year, unencumbered appropriations lapse.

2. Sinking Fund Schedule

Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments. There is currently no long-term debt. The remaining balance will be transferred to the General Fund.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

TO THE OFFICERS OF
POTTAWATOMIE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2006, which comprises Pottawatomie County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 1, 2011. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pottawatomie County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2006-1, 2006-3, 2006-5 and 2006-6 as described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2006-1 and 2006-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pottawatomie County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to the management of Pottawatomie County, which is included in Section 2 of the schedule of findings and responses contained in this report.

Pottawatomie County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Pottawatomie County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management of Pottawatomie County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

November 1, 2011

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2006-1 - Segregation of Duties (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Condition: We noted instances in which a single person could be responsible for the recording, authorization, custody, and execution of revenue transactions. The following are concerns we noted within the county offices:

The Treasurer has one deputy that prepares the deposit, makes the deposit, receives the bank statement, and prepares the reconciliation.

Within the County Clerk's office, the purchasing agent and the payroll clerk perform most of the functions of the County Clerk's office. The purchasing agent encumbers, processes, and verifies disbursement information into the purchasing system and then prints and mails the warrants for payment. The purchasing agent then reconciles accounts with the County Treasurer. The payroll clerk enrolls new employees, enters payroll deductions, prints payments related to payroll, direct deposits the employee payroll, prints payroll verification report and reconciles reports.

Effect: A single person who has the opportunity to perform more than one area of recording, authorizing, custody of assets, and execution of transactions could result in not timely detecting unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends management be aware of these conditions 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 overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and management review and approval of accounting functions.

Management Response: County Treasurer will review all bank statements, and now initial my reviews for documentation. County Clerk will attend any classes that address segregation of duties for small offices. I now have one employee encumbering, one paying bills, and one payroll clerk. I have two people sign and check purchase orders when they are encumbered.

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Finding 2006-3 - Time Records

Criteria: Effective internal controls include timesheets be maintained, prepared, reviewed for accuracy, and filed with the payroll department prior to payroll checks being issued. In addition, the Fair Labor Standards Act requires that employers maintain accurate records of time worked by employees.

Condition: During fiscal year 2006, records reflect that two employees received excessive compensatory time payments:

Employee One

- Per leave balance records, employee accrued 135.38 hours and used 158.50 hours of compensatory time.
- Per Wage Sheet, employee was paid for 284 compensatory hours for a total of \$3,249.64.
- Hours were not always deducted from leave balances or were not deducted in the correct amounts.

Employee Two

- Per leave balance records, employee accrued 81 hours and used 60 hours of compensatory time.
- Per Wage Sheet, employee was paid for 141.51 compensatory hours for a total of \$1,255.03.
- Ending leave balance for December 2005 was 27.73 hours; the beginning balance for January 2006 was 43.63 hours, an increase of 16 hours.
- Leave balances were not updated after March 2006.

Timesheets could not be located for the calendar years of 2005 and 2006. Because we had no prior year time sheets/records, only leave balance summaries, we were unable to determine that overtime payments made were accurate.

Effect: This condition could result in a violation of law or regulation and misappropriation of assets.

Recommendation: OSAI recommends that timesheets be maintained, prepared and reviewed for accuracy before payroll checks are issued. We further recommend that records of leave balances for vacation, sick and comp time be maintained to ensure that employees do not use leave in excess of that which is accrued.

Management Response: County Clerk has stated that the two employees involved in this situation no longer work here. I no longer pay for overtime, I give time off and any overtime worked has to be approved by me.

Finding 2006-5 - County Clerk Disaster Recovery Plan

Criteria: CobiT 4.1 DS4.1 states:

Develop a framework for IT continuity to support enterprise-wide business continuity management using a consistent process. The objective of the framework should be to

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

assist in determining the required resilience of the infrastructure and to drive the development of disaster recovery and IT contingency plans. The framework should address the organizational structure for continuity management, covering the roles, tasks, and responsibilities of internal and external service providers, their management and their customers, and the planning processes that create the rules and structures to document, test and execute the disaster recovery and IT contingency plans. The plan should also address items such as the identification of critical resources, noting key dependencies, the monitoring and reporting of the availability of critical resources, alternative processing, and the principles of backup and recovery.

In addition, CobiT 4.1 DS4.2 states:

Develop IT continuity plans based on the framework and designed to reduce the impact of a major disruption on key business functions and processes. The plans should be based on risk understanding of potential business impacts and address requirements for resilience, alternative processing and recovery capability of all critical IT services. They should also cover usage guidelines, roles and responsibilities, procedures, communication processes, and the testing approach.

Condition: The County Clerk does not have a Disaster Recovery Plan that addresses how critical information and systems would be restored in the event of a disaster.

Effect: The failure to have a current Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a procedure addressing how critical information and or systems would be restored could cause significant problems in ensuring that County business could continue uninterrupted.

Recommendation: OSAI recommends the County develop a Disaster Recovery Plan that has a procedure addressing how critical information and or systems would be restored in the event of a disaster.

Management Response: County Clerk now has a Disaster Recovery Plan in place.

Finding 2006-6 - County Treasurer Disaster Recovery Plan

Criteria: CobiT 4.1 DS4.1 states:

Develop a framework for IT continuity to support enterprise-wide business continuity management using a consistent process. The objective of the framework should be to assist in determining the required resilience of the infrastructure and to drive the development of disaster recovery and IT contingency plans. The framework should address the organizational structure for continuity management, covering the roles, tasks, and responsibilities of internal and external service providers, their management and their customers, and the planning processes that create the rules and structures to document, test and execute the disaster recovery and IT contingency plans. The plan should also address items such as the identification of critical resources, noting key dependencies, the

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monitoring and reporting of the availability of critical resources, alternative processing, and the principles of backup and recovery.

In addition CobiT 4.1 DS4.2 states:

Develop IT continuity plans based on the framework and designed to reduce the impact of a major disruption on key business functions and processes. The plans should be based on risk understanding of potential business impacts and address requirements for resilience, alternative processing and recovery capability of all critical IT services. They should also cover usage guidelines, roles and responsibilities, procedures, communication processes, and the testing approach.

Condition: The County Treasurer does not have a Disaster Recovery Plan that addresses how critical information and systems would be restored in the event of a disaster.

Effect: The failure to have a current Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a procedure addressing how critical information and or systems would be restored could cause significant problems in ensuring that County business could continue uninterrupted.

Recommendation: OSAI recommends the County develop a Disaster Recovery Plan that has a procedure addressing how critical information and or systems would be restored in the event of a disaster.

Management Response: County Treasurer will review the County Clerk's Disaster Recovery Plan and contact the County Treasurer's Association to see if they have a model plan that I can adopt.

SECTION 2— This section contains a certain matter not required to be reported in accordance with *Government Auditing Standards*. However, we believe this matter is significant enough to bring to management's attention. We recommend that management consider this matter and take appropriate corrective action.

Finding 2006-4 - Fixed Assets Inventory (Repeat Finding)

Criteria: Title 19 O.S. § 178.1 states in part:

The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased or otherwise coming

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into the custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased or let where authorized by statute, junked, strayed or stolen, and biennially thereafter...

Condition: None of the offices, except the County Treasurer and the County Assessor perform a biennial verification of the fixed assets inventory.

Effect: This condition could lead to misappropriation of fixed assets inventory, violation of law, regulation or legislative intent.

Recommendation: We recommend the Board of County Commissioners cause a biennial inventory to be taken of all working tools, apparatus, machinery, and equipment belonging to the County. We also recommend that these inventories be documented on form #3512.

Management Response: County Commissioner District 1 will be implementing procedures to see that the fixed assets inventory will be properly checked and documented.

County Commissioner District 2 currently performs a yearly inventory of equipment and gas and diesel is done weekly. County Clerk will check the inventory every year.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV