

**POTTAWATOMIE COUNTY, OKLAHOMA
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

April 17, 2003

TO THE CITIZENS OF
POTTAWATOMIE COUNTY, OKLAHOMA

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Pottawatomie Countyii
County Officials and Responsibilities iii
Ad Valorem Tax Distribution..... viii

FINANCIAL SECTION

Report of State Auditor and Inspector.....1

Primary Government Financial Statements:

 Combined Balance Sheet - All Fund Types and Account Group 3
 Combined Statement of Revenues, Expenditures, and Changes
 in Fund Balances - All Governmental Fund Types4
 Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Budget and Actual - General and
 Special Revenue (County Health Department only) Funds5
 Notes to the Financial Statements..... 6

Supplementary Schedule:

 Schedule of Expenditures of Federal Awards..... 17
 Notes to the Schedule of Expenditures of Federal Awards 18

COMPLIANCE/INTERNAL CONTROL SECTION

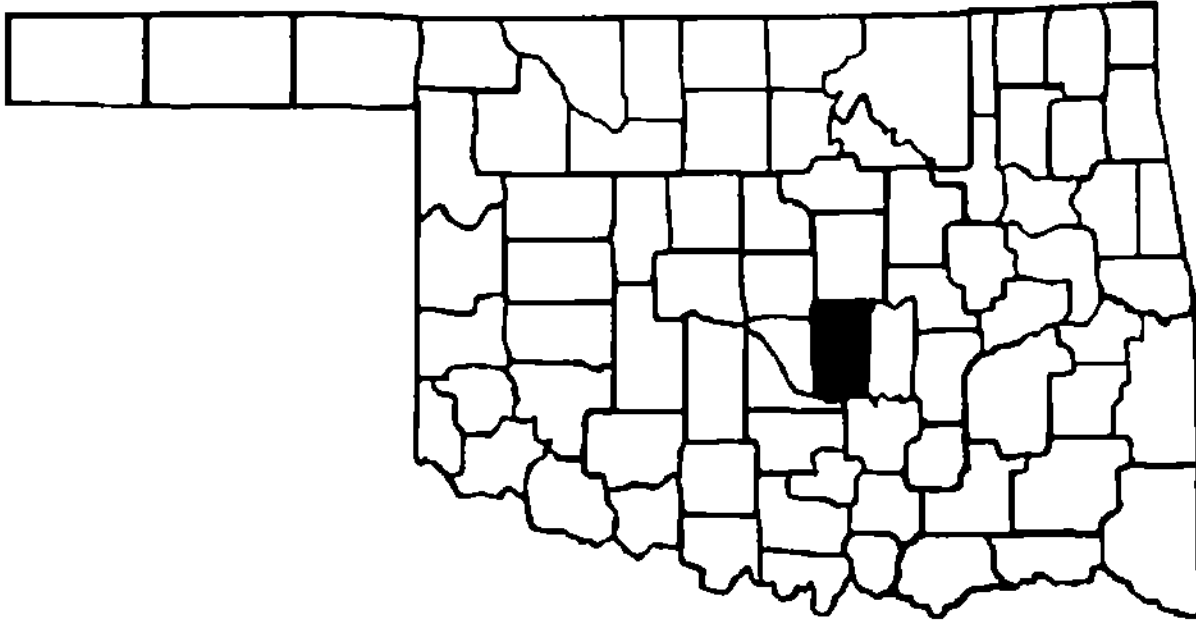
Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards* 19

Report on Compliance With Requirements Applicable to Each
Major Program and Internal Control Over Compliance
in Accordance With OMB Circular A-13321

Schedule of Findings and Questioned Costs23

Corrective Action Plan.....25

REPORT TO THE CITIZENS
OF
POTTAWATOMIE COUNTY, OKLAHOMA



Settled by Seminole, Creek, Citizen Band Pottawatomi, Absentee Shawnee, Kickapoo, and Sac and Fox Indian tribes, this area was opened to white settlement in the Land Run of 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 63 "Ghost Towns."

Pottawatomie County has two institutions of higher education. Offices of the Shawnee, Pottawatomi, 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 - 787 Square Miles

County Population - 62,654
(1999 est.)

Farms - 1,448

Land in Farms - 336,486 Acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR

Joy Anderson
(D) Shawnee

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
(D) Shawnee

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

The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

BOARD OF COUNTY COMMISSIONERS

DISTRICT #1
Bob Guinn
(D) Meeker

DISTRICT #2
Jerry Richards
(D) Waynette

DISTRICT #3
Buck Day
(D) Maud

The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Kurt Shirley
(D) Tecumseh

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
(D) Tecumseh

All revenues received by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county revenues and expenditures, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Cecil Dunlap
(D) Shawnee

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
Kay Christiansen
(D) Shawnee

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.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

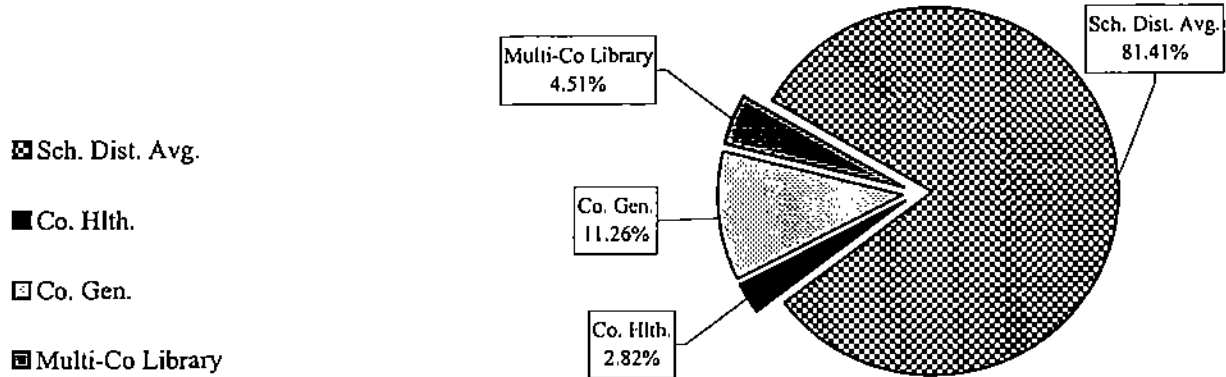
Diana Knight
(D) Shawnee

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

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

**AD VALOREM TAX DISTRIBUTION
POTTAWATOMIE COUNTY, OKLAHOMA
SHARE OF THE AVERAGE MILLAGE**

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages:

Co. General Fund	10.15
Co. Health	2.54
Multi-Co Library	4.06

Cities and Towns:

Okla. City (Pott. & Okla.)	15.34
Shawnee	1.84

School District Millages:

	Gen.	Bldg.	Skg.	Vo-Tech	Common	Total
I-1 McLoud	35.66	5.09	15.30	15.18	4.06	75.29
I-2 Dale	35.82	5.12	14.12	15.18	4.06	74.30
I-3 Bethel	35.77	5.11		15.18	4.06	60.12
I-4 Macomb	35.94	5.13	12.65	15.18	4.06	72.96
I-5 Earlsboro	35.88	5.13		15.18	4.06	60.25
I-92 Tecumseh	35.71	5.10	15.76	15.18	4.06	75.81
I-93 Shawnee	35.31	5.04	18.75	15.18	4.06	78.34
I-112 Asher	36.16	5.17	22.82	15.18	4.06	83.39
I-115 Wanette	36.17	5.17	16.63	11.30	4.06	73.33
I-117 Maud	35.94	5.13	23.63	15.18	4.06	83.94
C-10 North Rock Creek	35.20	5.03		15.18	4.06	59.47
C-27 Grove	35.48	5.07	10.11	15.18	4.06	69.90
C-29 Pleasant Grove	35.46	5.07	9.81	15.18	4.06	69.58
C-32 South Rock Creek	35.77	5.11	13.45	15.18	4.06	73.57
JT-4 Seminole County	36.17	5.17	14.34	15.18	4.06	74.92
JT-7 Oklahoma County	35.93	5.13	19.72	16.98	4.06	81.82
JT-14 Seminole County	35.81	5.12	9.41	15.18	4.06	69.58
JT-70 Cleveland County	35.32	5.05	17.31	11.30	4.06	73.04
JT-95 Lincoln County	36.28	5.18	22.80	15.18	4.06	83.50
JT-103 Lincoln County	36.62	5.23	13.16	15.18	4.06	74.25

See independent auditor's report.

Primary Government Financial Statements



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
POTTAWATOMIE COUNTY, OKLAHOMA

We have audited the accompanying primary government financial statements of Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of Pottawatomie 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.

As discussed in Note 1 (A), the financial statements referred to above do not include the financial data of the Pottawatomie County Home Finance Authority, a component unit, which should be included in order to conform with accounting principles generally accepted in the United States of America. The financial statements of the Authority are prepared by other auditors on an incompatible basis of accounting.

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

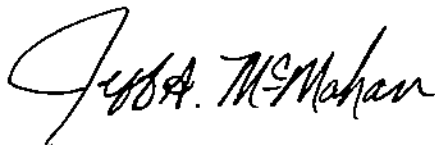
A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, except for the effect on the financial statements of the omission of general fixed assets account group described in the preceding paragraph, the primary government financial statements present fairly, in all material respects, the financial position of the primary government of Pottawatomie County, Oklahoma, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include financial data of the component units of Pottawatomie County, do not purport to, and do not, present fairly the financial position of Pottawatomie County, Oklahoma, as of June 30, 2002, and the result of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the primary government financial statements of Pottawatomie County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the primary government financial statements taken as a whole. The other information listed in the table of contents under *Introductory Section* has not been audited by us and accordingly, we express no opinion on such data.

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

March 24, 2003

**POTTAWATOMIE COUNTY, OKLAHOMA
COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 2002**

	Governmental Fund Types			Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Trust and Agency	General Long-Term Debt	
ASSETS						
Cash	\$ 1,522,732	\$ 8,856,242	\$ 46,716	\$ 11,983,307	\$	\$ 22,408,997
Ad valorem taxes receivable	23,547	5,892		184,228		213,668
Sales tax receivable		459,776				459,776
Due from other governments	6,693	461,075		180,999		648,767
Accrued interest receivable	2,234	8,036		13,062		23,332
Inventories		77,652				77,652
Amount to be provided for capitalized lease agreements					425,251	425,251
Total assets	\$ 1,555,206	\$ 9,868,673	\$ 46,717	\$ 12,361,596	\$ 425,251	\$ 24,257,443
LIABILITIES AND FUND BALANCES						
Liabilities:						
Warrants payable	\$ 72,073	\$ 468,943	\$	\$	\$	\$ 541,016
Accounts payable	43,897	728,891				772,788
Due to other taxing units				11,345,991		11,345,991
Due to others				1,015,605		1,015,605
Capitalized lease obligations payable					425,251	425,251
Total liabilities	115,970	1,197,834	-	12,361,596	425,251	14,100,651
Fund balances:						
Reserved for encumbrances	33,203	175,565				208,768
Reserved for inventories		77,652				77,652
Unreserved:						
Undesignated	1,406,033	8,417,622	46,717			9,870,372
Total fund balances	1,439,236	8,670,839	46,717	-	-	10,156,792
Total liabilities and fund balances	\$ 1,555,206	\$ 9,868,673	\$ 46,717	\$ 12,361,596	\$ 425,251	\$ 24,257,443

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

POTTAWATOMIE COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Revenues:				
Ad valorem taxes	\$ 2,066,075	\$ 515,181	\$ 22	\$ 2,581,278
Sales tax		5,187,577		5,187,577
Charges for services	338,563	416,470		755,033
Intergovernmental revenues	355,300	5,090,514		5,445,814
Miscellaneous revenues	90,419	421,793		512,212
Total revenues	<u>2,850,357</u>	<u>11,631,535</u>	<u>22</u>	<u>14,481,914</u>
Expenditures:				
Current operating:				
General government	1,917,718	237,618		2,155,336
Public safety	910,906	1,288,221		2,199,127
Education	2,153	29,100		204,072
Health and welfare	10	1,306,310		1,306,320
Culture and recreation		172,819		201,919
Roads and highways		7,935,537		7,935,537
Total expenditures	<u>2,830,787</u>	<u>10,969,605</u>	<u>-</u>	<u>14,002,311</u>
Excess of revenues over (under) expenditures	<u>19,570</u>	<u>661,930</u>	<u>22</u>	<u>479,603</u>
Other financing sources (uses)				
Transfer in (out)	10,000	(30,000)		(20,000)
Capitalized lease agreements		155,198		155,198
Total other financing sources (uses)	<u>10,000</u>	<u>125,198</u>	<u>-</u>	<u>135,198</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>29,570</u>	<u>787,128</u>	<u>22</u>	<u>614,801</u>
Beginning fund balances	<u>1,409,666</u>	<u>7,883,711</u>	<u>46,695</u>	<u>9,340,072</u>
Ending fund balances	<u>\$ 1,439,236</u>	<u>\$ 8,670,839</u>	<u>\$ 46,717</u>	<u>\$ 10,156,792</u>

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

POTTAWATOMIE COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL AND SPECIAL REVENUE
(COUNTY HEALTH DEPARTMENT ONLY) FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	General			Special Revenue Funds County Health Department		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 1,182,968	\$ 1,335,783	\$ 152,815	\$ 501,845	\$ 465,967	\$ (35,878)
Revenues:						
Ad valorem taxes	2,012,260	2,061,638	49,378	490,670	514,071	23,401
Charges for services	276,100	338,563	62,463	8,260	13,026	4,766
Intergovernmental revenues	440,650	355,799	(84,851)	15,511	5,995	(9,516)
Miscellaneous revenues	130,100	91,945	(38,155)	20,291	13,786	(6,505)
Total revenues, budgetary basis	<u>2,859,110</u>	<u>2,847,945</u>	<u>(11,165)</u>	<u>534,732</u>	<u>546,878</u>	<u>12,146</u>
Expenditures:						
Current operating:						
General government	3,072,078	1,902,169	1,169,909			
Public safety	960,000	915,918	44,082			
Education	5,000	2,072	2,928			
Health and welfare	5,000	10	4,990	1,036,577	409,460	627,117
Total expenditures, budgetary basis	<u>4,042,078</u>	<u>2,820,169</u>	<u>1,221,909</u>	<u>1,036,577</u>	<u>409,460</u>	<u>627,117</u>
Excess of revenues and beginning fund balances over (under) expenditures, budgetary basis	<u>-</u>	<u>1,363,559</u>	<u>1,363,559</u>	<u>-</u>	<u>603,385</u>	<u>603,385</u>
Other financing sources (uses)						
Operating transfer in		10,000	10,000			
Total other financing sources (uses)	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and beginning fund balances over (under) expenditures, budgetary basis	<u>\$ -</u>	<u>1,373,559</u>	<u>\$ 1,373,559</u>	<u>\$ -</u>	<u>603,385</u>	<u>\$ 603,385</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem taxes receivable		23,547			5,892	
Accrued interest receivable		2,234			839	
Due from other governments		6,693				
Reserved for encumbrances		<u>33,203</u>			<u>535</u>	
Ending fund balances		<u>\$ 1,439,236</u>			<u>\$ 610,651</u>	

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

Notes to the Financial Statements

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

1. Summary of Significant Accounting Policies

The financial statements of the County are required to be presented in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies and practices are described below.

A. Financial Reporting Entity

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

In accordance with accounting principles generally accepted in the United States of America, the financial statements of the reporting entity are required to include those of Pottawatomie County (the primary government) and its legally separate component units.

Excluded Component Unit

The following component unit should have been presented as a discretely presented component unit.

Pottawatomie County Home Finance Authority – Pottawatomie County Home Finance Authority, a public trust and agency of the State of Oklahoma, was created by a Trust Indenture dated November 13, 1978, under the provisions of 60 O.S. §176 to 180.3 (the Oklahoma Trust Act) and other statutes and laws of the State of Oklahoma. The primary government is financially accountable and is able to impose its will on the Authority. For the year ended June 30, 2002, the financial statements were prepared on the cash basis, which is an incompatible basis of accounting. Therefore, the financial statements are not included in the financial statements of the County. The financial statements may be obtained from the County Clerk's office.

Related Organizations Excluded from the Reporting Entity

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

Pottawatomie County Development Authority
Pottawatomie County Economic Development Authority
Pottawatomie County Hospital Authority
Pottawatomie County Public Facilities Authority
Pottawatomie County Growth and Development Authority
Central Oklahoma Housing Development Authority
Oklahoma Public Facilities Authority

Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into two major categories: governmental and fiduciary.

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for the activities of the general government not accounted for in some other fund.

Fiduciary Funds

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

Account Groups

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

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

Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these fund types present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be quantified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if collected within 60 days after year-end. Expenditures are recorded when incurred and the related fund liability is expected to be paid from available spendable resources. Principal and interest on general long-term debt are recorded as fund expenditures when paid or when amounts for principal and interest have been accumulated in the debt service fund for payments to be made early in the following year.

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

D. Budgetary Policies and Procedures

Under current Oklahoma Statutes, the general fund and the County Health Department fund are the only funds required to adopt a formal budget. The budget presented for the general and special revenue (County Health Department only) funds includes the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other cash funds are made on a monthly basis, according to the funds then available.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general and special revenue funds.

Any encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. At the end of the year, unencumbered appropriations are lapsed.

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue (County Health Department only) Funds presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Revenues,

Summary of Significant Accounting Policies (continued)

Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

E. Cash

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.

F. Receivables

All receivables are reported at their gross value.

G. Interest Receivable

Interest on deposits is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

H. Inventories

Inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

The costs of governmental fund type inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of their respective funds. Reported inventories in these funds are equally offset by a fund balance reserve.

I. Fixed Assets

The County presently maintains some individual records of personal property; however, the County does not keep similar records for land, buildings, and improvements. Because the County does not maintain detailed records of its land, buildings, and improvements, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not presented on the Combined Balance Sheet - All Fund Types and Account Group.

J. Risk Management

The County is exposed to various risks of loss as follows:

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

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle	The County participates in a public entity risk pool – Association of County Commissioners of Oklahoma – Self-Insured Group. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool. (See ACCO Self-Insured Fund ACCO-SIF.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of risk.	None

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county will pay a deductible amount (\$1,000 to \$10,000; the County has a \$2,500 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

ACCO-SIF - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. ACCO-SIF was set up in 1984 and will pay legitimate worker's compensation claims up to \$500,000 per incident. A reinsurance policy, with no limit, pays claims that exceed \$500,000 for a particular incident. The pool has not assessed additional premiums to be paid by its members in the past three years.

The County continues to carry commercial insurance for employees' health and accident insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2002 fiscal year.

Summary of Significant Accounting Policies (continued)

K. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and must be taken during the year earned. Employees with 1 to 5 years of service earn 80 hours per year; employees with 6 to 15 years of service earn 120 hours per year; and employees with over 15 years of service earn 160 hours per year. Management feels that any accrued vacation benefits would not be material to the financial statements for the fiscal year ending June 30, 2002.

The County does not record any liability for sick leave. An employee earns up to 8 days per year and may accumulate a maximum of 19 days. There is no history of sick leave usage from which to project future usage; hence, no liability for such has been recorded. Such an amount, if recorded, would not be material to the financial statements.

L. Long-Term Obligations

The County reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

M. Interfund Transactions

Operating transfers consist of \$30,000 transferred from the special revenue fund for resale property to the general fund (\$10,000) and agency funds (\$20,000) for schools, cities, and towns. Total transfers do not balance because revenues and expenditures are not presented for agency funds.

N. Memorandum Only - Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Interfund transactions have not been eliminated from the total column of each financial statement.

O. Grant Revenue

Revenues from federal grants are recognized when expenditures are incurred.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before May 31 of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office or department, and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or

Stewardship, Compliance, and Accountability

department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

3. Detailed Notes on Account Balances

Title 62 O.S. § 348.3 authorizes the County Treasurer to invest in:

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

Public trusts that have the state or a county as beneficiary must only invest in certificates of deposit or other evidences of deposit.

A. Deposits

At year-end, the carrying amount of the County's deposits was \$22,408,997 and the bank balance was \$22,698,010. 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.

B. Receivables

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once every four (4) years."

The net assessed property value as of January 1, 2001, was \$210,290,257.

The County levied 10.15 mills for general fund operations, 2.54 mills for the County Health Department, and 4.06 mills for the county library. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions the ad valorem taxes collected to the appropriate taxing units.

Detailed Notes on Account Balances (continued)

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year. Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2002, were approximately 97 percent of the tax levy.

C. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2000, 2001, and 2002, were \$275,288, \$287,651, and \$302,441, respectively, equal to the required contributions for each year.

D. 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. Oklahoma Statutes prohibit the County from entering into contracts of this nature longer than one year. For this reason, these lease-purchase agreements do not qualify for capitalization until the year the lease-purchase agreements are completed and title to the equipment is transferred to the County. However, it is the County's intent to exercise its right to purchase this property; accordingly, the lease-purchase agreements have been capitalized to conform with accounting principles generally accepted in the United States of America. The unpaid portions of these agreements have been reflected as capitalized lease obligations within the general long-term debt account group.

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

Detailed Notes on Account Balances (continued)

Providing all capital leases are renewed each year by resolution of the Board of Commissioners, minimum lease commitments under capitalized lease-purchase agreements as of June 30, 2002, are as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 192,615	\$ 19,103	\$ 211,718
2004	156,912	8,799	165,711
2005	53,268	2,324	55,592
2006	22,456	593	23,049
Total	<u>\$ 425,251</u>	<u>\$ 30,819</u>	<u>\$ 456,070</u>

During the year, the County capitalized leases totaling \$155,198 and paid \$250,954 on the outstanding balances of lease-purchase agreements.

E. Judgments Payable

All judgments payable were retired during the fiscal year ending June 30, 1997. The balance of \$46,717 in the debt service fund will be transferred to the general fund during the fiscal year ending June 30, 2003.

F. Long-Term Debt

Changes in Long-Term Liabilities

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002
Capital leases	\$ 521,007	\$ 155,198	\$ 250,954	\$ 425,251
Total	<u>\$ 521,007</u>	<u>\$ 155,198</u>	<u>\$ 250,954</u>	<u>\$ 425,251</u>

Detailed Notes on Account Balances (continued)

G. Fund Equity

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below:

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

Reserved for Inventories – The reserve for inventories represents the balance of inventories on hand as of June 30, 2002. This amount is presented as reserved to indicate that it is not an available, spendable resource.

H. Sales Tax

Pottawatomie County voters approved a 1% sales tax effective July 1, 1998. This sales tax will expire June 30, 2003. The sales tax was established to provide revenue for: 75%, maintenance, repair, and improvement of County roads and bridges; 8%, County fire departments; 4%, emergency services (sheriff, ambulance, and other); 4%, economic development; 3%, OSU Extension Center; 1%, soil conservation services; 1% Pottawatomie County Free Fair/Junior Livestock Show; 2%, senior citizens; and 2%, capital improvements.

I. Fuel Taxes

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

4. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the government expects such amounts, if any, to be immaterial.

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

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

5. Subsequent Events

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

Supplementary Schedule

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grant	14.228	9373CDBG00	21,563
Community Development Block Grant	14.228	8752CDBG98	641,906
Total U.S. Department of Housing and Urban Development			<u>663,469</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma State Department of Civil Emergency Management			
Public Assistance Grants	83.544	1355DR	477,310
Hazard Mitigation	83.548	1272DR HMPG	12,000
Total Federal Emergency Management Agency			<u>489,310</u>
Total Expenditures of Federal Awards			<u>\$ 1,152,779</u>

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pottawatomie County, Oklahoma, and is presented on the *modified accrual basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

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
POTTAWATOMIE COUNTY, OKLAHOMA

We have audited the primary government financial statements of Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated March 24, 2003. We qualified our opinion because the general fixed assets account group was not included in the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Pottawatomie County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 Pottawatomie County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 97-1 and 2002-01.

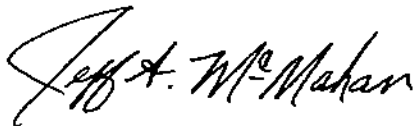
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 items 97-1 and 2002-01 to be material weaknesses.

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

March 24, 2003

**Report on Compliance With Requirements Applicable to Each
Major Program and Internal Control Over Compliance in Accordance With
OMB Circular A-133**



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance With Requirements Applicable to Each
Major Program and Internal Control Over Compliance in Accordance With
OMB Circular A-133**

TO THE OFFICERS OF
POTTAWATOMIE COUNTY, OKLAHOMA

We have audited the compliance of Pottawatomie County, Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. Pottawatomie County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pottawatomie County's management. Our responsibility is to express an opinion on Pottawatomie County's compliance based on our audit.

We conducted our audit of compliance in accordance with accounting standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pottawatomie County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Pottawatomie County's compliance with those requirements.

In our opinion, Pottawatomie County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Pottawatomie County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pottawatomie County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

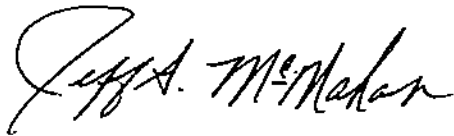
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

March 24, 2003

Schedule of Findings and Questioned Costs

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified - Primary Government Adverse- Reporting Entity
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of Major Programs

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

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

SECTION 2 - Financial Statement Findings

Finding 97-1 - General Fixed Assets

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

Title 19 O.S. 1991, § 178.1 requires the County to maintain necessary information regarding land, buildings, and improvements.

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

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

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

Finding 2002-01-Component Unit

Criteria: GASB 14 requires that a component unit's financial position and activity be included with the financial statements of the reporting entity.

Condition: Financial statements for the Pottawatomie County Home Finance Authority were not compatible for inclusion with the primary government financial statements.

Effect: The financial position or activity of the component unit could not be included in the financial statements of the County.

Recommendation: We recommend the County require the financial preparer of the above component unit to prepare and present their financial statements compatible for inclusion with the financial statements of the County, on the accrual basis of accounting, so they may be included in accordance with GASB 14.

SECTION 3 – Federal Award Findings and Questioned Costs

No matters were reported.

Corrective Action Plan



Office of County Commissioners

Pottawatomie County
14101 Acme Road • Shawnee, OK 74804
(405) 273-4305 • Fax (405) 273-6207

DISTRICT 1
Bob Gulnn

DISTRICT 2
Jerry Richards

DISTRICT 3
Buck Day

Office of the State Auditor and Inspector
Attention: Jeff A. McMahan
State Capitol Building – Room 100
Oklahoma City, OK 73105

Gentlemen:

SUBJECT: CORRECTIVE ACTION PLAN

General Fixed Assets – Finding 97-1

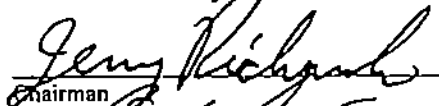
We agree that cost values and control totals are required by Generally Accepted Accounting Principles; however, we do not think the statutes require such information. We may not have the time to accumulate the information needed during the next year.

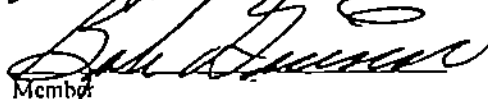
During the current fiscal year, we will try to update the inventory records required by 19 O.S. 1991, § 178.1 which include an inventory card for each item with a complete description of the item, the serial number, and location.

Component Unit – Finding 2002-1

Authority audits will be completed in accordance with GASB 14 so they can be included in the County's financial statements in future years.

Pottawatomie County
Board of County Commissioners


Chairman


Member


Member