

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

October 14, 2004

TO THE CITIZENS OF
POTTAWATOMIE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pottawatomie County, Oklahoma, for the fiscal year ended June 30, 2003. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

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

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

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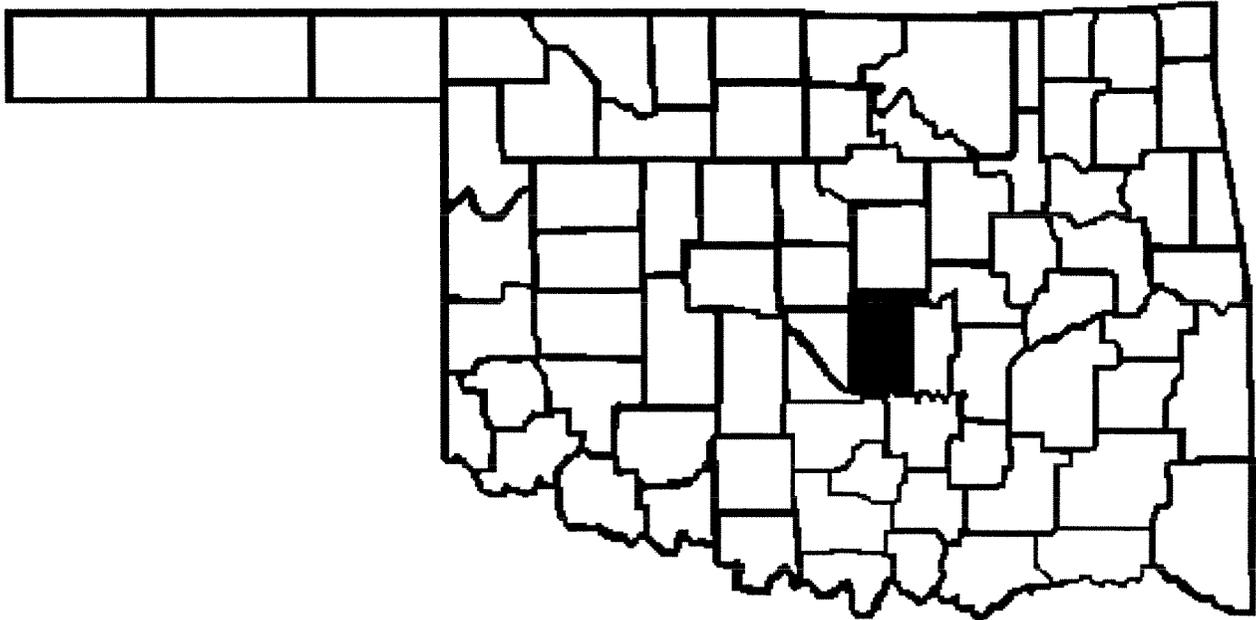
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REPORT TO THE CITIZENS
OF
POTTAWATOMIE COUNTY, OKLAHOMA



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 – 787.9 Square Miles

County Population - 65,521 (2000 est.)

Farms – 1,448

Land in Farms - 336,486 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor’s report.

**POTTAWATOMIE 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

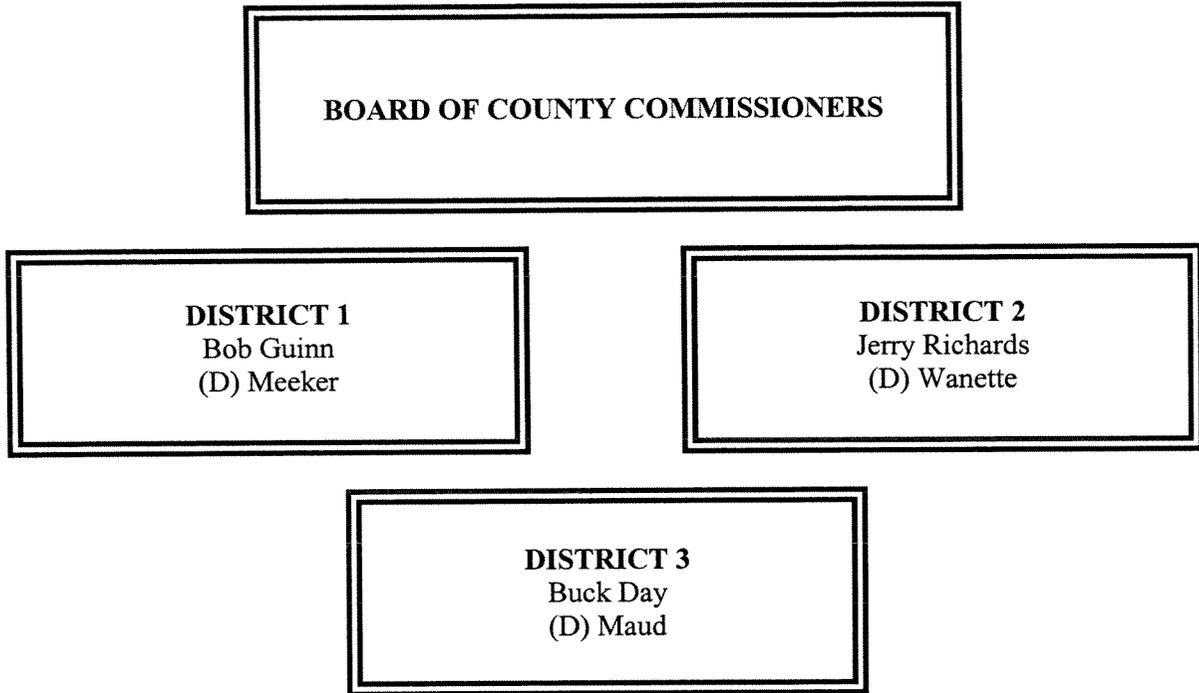
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**POTTAWATOMIE COUNTY OFFICIALS
AND RESPONSIBILITIES**



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

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

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

See independent auditor's report.

**POTTAWATOMIE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF

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

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

See independent auditor's report.

**POTTAWATOMIE 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 (1/2003)
Richard Smothermon (1/2003 to present)
(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.

**POTTAWATOMIE COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

Diana Knight
(D) Shawnee

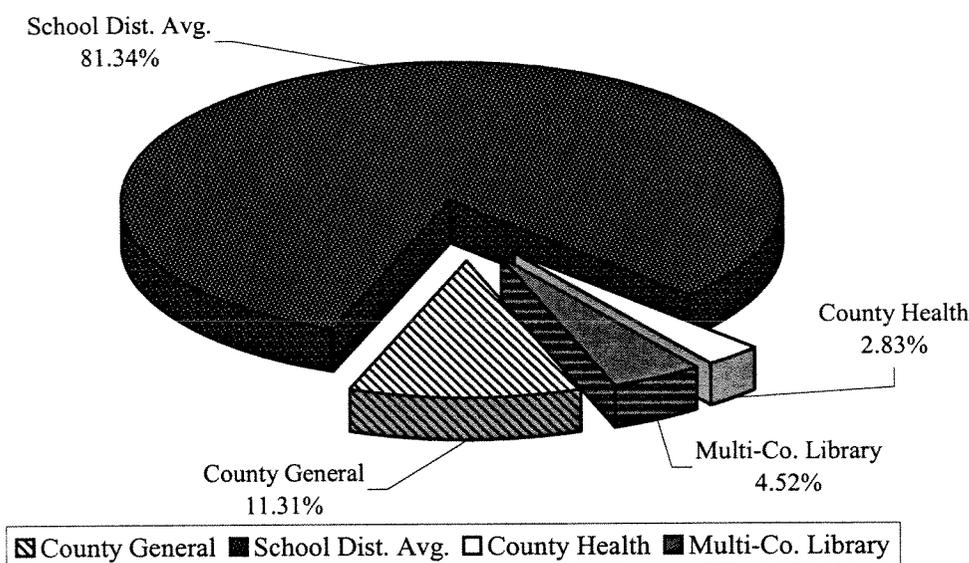
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

To finance the 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**

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.	Tech Cntr.	Common	Total
Co. General	10.15	McLoud	I-1	35.66	5.09	14.45	15.18	4.06	74.44
County Health	2.54	Dale	I-2	35.82	5.12	12.51	15.18	4.06	72.69
Multi-Co. Library	4.06	Bethel	I-3	35.77	5.11	16.61	15.18	4.06	76.73
		Macomb	I-4	35.94	5.13	10.52	15.18	4.06	70.83
		Earlsboro	I-5	35.88	5.13		15.18	4.06	60.25
		Tecumseh	I-92	35.71	5.10	14.70	15.18	4.06	74.75
Okla. City (Pott. & Okla.)	15.89	Shawnee	I-93	35.31	5.04	18.88	15.18	4.06	78.47
Shawnee	0.56	Asher	I-112	36.16	5.17	23.12	15.18	4.06	83.69
		Wanette	I-115	36.17	5.17	15.27	11.30	4.06	71.97
		Maud	I-117	35.94	5.13	22.08	15.18	4.06	82.39
		North Rock Creek	C-10	35.20	5.03		15.18	4.06	59.47
		Grove	C-27	35.48	5.07	9.04	15.18	4.06	68.83
		Pleasant Grove	C-29	35.46	5.07	9.53	15.18	4.06	69.30
		South Rock Creek	C-32	35.77	5.11	11.25	15.18	4.06	71.37
		Seminole County	JT-4	35.45	5.06	12.35	15.18	4.06	72.10
		Oklahoma County	JT-7	35.93	5.13	18.43	16.72	4.06	80.27
		Seminole County	JT-14	35.81	5.12	7.67	15.18	4.06	67.84
		Cleveland County	JT-70	35.32	5.05	16.22	11.30	4.06	71.95
		Lincoln County	JT-95	36.28	5.18	19.96	15.18	4.06	80.66
		Lincoln County	JT-103	36.62	5.23	11.37	15.18	4.06	72.46

See independent auditor's report.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
POTTAWATOMIE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose financial statements are the responsibility of 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.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Pottawatomie County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Pottawatomie County in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Pottawatomie County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department fund of the County, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2004, 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.

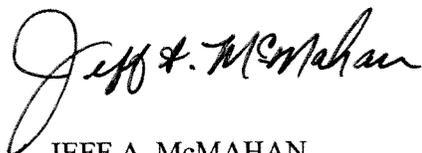
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Pottawatomie County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits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

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

September 1, 2004

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2003
General Fund	\$ 1,521,326	\$ 2,932,353	\$ 3,295,627	\$ 1,158,052
County Highway	1,581,566	3,182,620	3,166,305	1,597,881
Restricted Highway	3,914			3,914
County Health	695,179	561,313	532,365	724,127
Cities and Towns	54,689	526,404	541,630	39,463
Independent Schools	94,290	9,998,634	9,945,606	147,318
General Schools - Current	10,071,465	34,040,409	32,198,479	11,913,395
General Schools - Back	247,608		123,882	123,726
District Attorney Drug Court	13			13
Individual Redemption	16,927	90,604	97,471	10,060
Common Schools		58,567	58,567	
Resale Property	162,543	173,692	58,616	277,619
District Attorney IV-D	7,176		6,770	406
District Attorney Seizure	19,379	16,211	12,625	22,965
District Attorney Copy Fees	810	68		878
Narcotics Control Assistance	5,997	225,333	228,878	2,452
County Law Library	29,203	52,668	52,040	29,831
Courthouse Renovation	3,960			3,960
Crime Victim Assistance	499	34,836	35,335	
Violence Against Women	4,387	23,896	25,947	2,336
Community Service Grant	9,644	28,263	24,448	13,459
Multi-County Library	6,141	853,879	851,084	8,936
County Assessor Fees	8,400	12,161	2,737	17,824
County Assessor State Reimbursement	3			3
Visual Inspection	1			1
Oak Grove Cemetery	10,026	388	388	10,026
District Attorney Incarceration Fees	7,237	3,772		11,009
County Clerk Lien Fee	13,284	20,424	4,408	29,300
County Treasurer Mortgage Tax	54,089	20,413	8,772	65,730
Juvenile Transportation	30,559	13,782	24,107	20,234
Juvenile Detention	94,062	217,420	306,075	5,407
Child Abuse Prevention	7,848	765		8,613
Self-Insurance	1,407			1,407
Sheriff Service Fee	173,739	215,460	251,769	137,430
Sheriff Training	3,580	293	505	3,368
Sheriff Drug Buy	380			380
Board of Prisoners	37,019	99,504	127,424	9,099
Pottawatomie County Jail Study		1,200	1,200	
Social Services Cash	28,337	565		28,902
Circuit Engineering Cash		42,000	26,717	15,283
Revolving Drug Forfeiture	15,897	29,351	38,219	7,029

continued on next page

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

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

continued from previous page

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2003
Birdie Lane Road Improvement District	2,590	52		2,642
Westgate Road Improvement District	840	6,297	1,055	6,082
Romburg #13 Road Improvement	53,187	1,060		54,247
District Attorney Diversion Program	1,500	549	390	1,659
Sales Tax Maintenance/Repair/Improvements	3,023,325	4,457,218	4,662,293	2,818,250
Sales Tax Pottawatomie County Fire Departments	466,507	407,009	424,863	448,653
Sales Tax Emergency Services	245,968	201,570	248,954	198,584
Sales Tax Economic Development	594,706	210,497	98,942	706,261
Sales Tax OSU Extension Center	283,430	154,753	129,192	308,991
Sales Tax Soil Conservation	40,379	50,439	54,919	35,899
Sales Tax Pottawatomie County Free Fair	99,700	51,883	29,359	122,224
Sales Tax Senior Citizens	156,913	102,452	84,751	174,614
Sales Tax Capital Improvements	979,660	376,721		1,356,381
County Clerk Preservation Fee	55,442	86,084	27,821	113,705
CDBG (93-73) Bathroom	90			90
CDBG Rural Water	906		906	
Local Workforce Grant		47,310	43,759	3,551
Community Sentencing	1,056	1,735	2,117	674
Pottawatomie County Drug Court	42,388	30,650	45,200	27,838
Protest Tax	249	239,512		239,761
Official Depository	796,866	8,340,932	8,348,036	789,762
Law Enforcement	53			53
School District Sinking	493,942	884,131	818,240	559,833
County Sinking	46,716	3		46,719
Total County Funds	<u>\$ 22,408,997</u>	<u>\$ 69,128,105</u>	<u>\$ 67,068,793</u>	<u>\$ 24,468,309</u>

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

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,521,326	\$ 1,521,326	\$ 1,521,326	\$
Less: Prior Year Outstanding Warrants	(87,808)	(87,808)	(87,808)	
Less: Prior Year Encumbrances	(147,898)	(147,898)	(74,822)	73,076
Beginning Cash Balances, Budgetary Basis	<u>1,285,620</u>	<u>1,285,620</u>	<u>1,358,696</u>	<u>73,076</u>
Receipts:				
Ad Valorem Taxes	2,050,500	2,050,500	2,099,145	48,645
Charges for Services	309,475	309,475	279,992	(29,483)
Intergovernmental Revenues	439,800	439,800	432,008	(7,792)
Miscellaneous Revenues	75,650	75,650	121,208	45,558
Total Receipts, Budgetary Basis	<u>2,875,425</u>	<u>2,875,425</u>	<u>2,932,353</u>	<u>56,928</u>
Expenditures:				
District Attorney	48,123	48,123	43,417	4,706
Total District Attorney	<u>48,123</u>	<u>48,123</u>	<u>43,417</u>	<u>4,706</u>
County Sheriff	1,171,000	1,171,000	1,170,959	41
Total County Sheriff	<u>1,171,000</u>	<u>1,171,000</u>	<u>1,170,959</u>	<u>41</u>
County Treasurer	230,000	230,000	213,243	16,757
Total County Treasurer	<u>230,000</u>	<u>230,000</u>	<u>213,243</u>	<u>16,757</u>
Juvenile Detention	140,000	140,000	83,809	56,191
Total Juvenile Detention	<u>140,000</u>	<u>140,000</u>	<u>83,809</u>	<u>56,191</u>
County Clerk	328,000	328,000	326,952	1,048
Capital Outlay	3,700	3,700	3,638	62
Total County Clerk	<u>331,700</u>	<u>331,700</u>	<u>330,590</u>	<u>1,110</u>
Court Clerk	252,000	252,000	243,570	8,430
Total Court Clerk	<u>252,000</u>	<u>252,000</u>	<u>243,570</u>	<u>8,430</u>
County Assessor	140,286	140,286	139,831	455
Capital Outlay	5,714	5,714	5,710	4
Total County Assessor	<u>146,000</u>	<u>146,000</u>	<u>145,541</u>	<u>459</u>

continued on next page

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	237,394	237,394	236,492	902
Capital Outlay	12,606	12,606	12,516	90
Total Revaluation of Real Property	<u>250,000</u>	<u>250,000</u>	<u>249,008</u>	<u>992</u>
General Government	1,260,904	1,260,904	771,224	489,680
Capital Outlay	50,000	50,000	4,355	45,645
Total General Government	<u>1,310,904</u>	<u>1,310,904</u>	<u>775,579</u>	<u>535,325</u>
Excise-Equalization Board	3,225	3,225	2,658	567
Total Excise-Equalization Board	<u>3,225</u>	<u>3,225</u>	<u>2,658</u>	<u>567</u>
County Election Board	119,997	119,997	118,275	1,722
Capital Outlay	4,050	4,050	4,007	43
Total County Election Board	<u>124,047</u>	<u>124,047</u>	<u>122,282</u>	<u>1,765</u>
Insurance	38,317	38,317	28,317	10 000
Total Insurance	<u>38,317</u>	<u>38,317</u>	<u>28,317</u>	<u>10,000</u>
Charity	5,000	5,000	200	4 800
Total Charity	<u>5,000</u>	<u>5,000</u>	<u>200</u>	<u>4,800</u>
Soil Conservation District	3,750	3,750	3,750	
Capital Outlay	1,250	1,250	1,224	26
Total Soil Conservation District	<u>5,000</u>	<u>5,000</u>	<u>4,974</u>	<u>26</u>
County School Treasurer	35,000	35,000	27,332	7 668
Total County School Treasurer	<u>35,000</u>	<u>35,000</u>	<u>27,332</u>	<u>7,668</u>
Community Sentencing	25,729	25,729	25,729	
Total Community Sentencing	<u>25,729</u>	<u>25,729</u>	<u>25,729</u>	<u>-</u>
County Audit	45,000	45,000	24,429	20 571
Total County Audit	<u>45,000</u>	<u>45,000</u>	<u>24,429</u>	<u>20,571</u>

continued on next page

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

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

continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Expenditures, Budgetary Basis	<u>4,161,045</u>	<u>4,161,045</u>	<u>3,491,637</u>	<u>408</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	799,412	<u>\$ 799,412</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			234,745	
Add: Current Year Outstanding Warrants			123,895	
Ending Cash Balance			<u>\$ 1,158,052</u>	

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

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

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 695,179	\$ 695,179	\$ 695,179	\$
Less: Prior Year Outstanding Warrants	(20,605)	(20,605)	(20,605)	
Less: Prior Year Encumbrances	(34,998)	(34,998)	(30,141)	4,857
Beginning Cash Balances, Budgetary Basis	<u>639,576</u>	<u>639,576</u>	<u>644,433</u>	<u>4,857</u>
Receipts:				
Ad Valorem Taxes	506,096	506,096	525,303	19,207
Charges for Services	11,723	11,723	19,879	8,156
Intergovernmental	8,310	8,310	8,880	570
Miscellaneous Revenues	5,183	5,183	7,251	2,068
Total Receipts, Budgetary Basis	<u>531,312</u>	<u>531,312</u>	<u>561,313</u>	<u>30,001</u>
Expenditures:				
Health and Welfare	660,000	660,000	586,152	73,848
Capital Outlay	510,888	510,888	7,354	503,534
Total Expenditures, Budgetary Basis	<u>1,170,888</u>	<u>1,170,888</u>	<u>593,506</u>	<u>577,382</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	612,240	<u>\$ 612,240</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			111,573	
Add: Current Year Outstanding Warrants			314	
Ending Cash Balance			<u>\$ 724,127</u>	

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

**POTTAWATOMIE COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2003**

Beginning Cash Balance	<u>\$ 46,716</u>
Receipts:	
Ad Valorem Tax	<u>3</u>
Total Receipts	<u>3</u>
Disbursements:	
G.O. Bonds	
Interest Paid	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u><u>\$ 46,719</u></u>

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

**POTTAWATOMIE COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2003**

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
County Treasurer	\$ 53,886	\$ 2,572,059	\$ 2,662,121	\$ 66,731	\$ 30,555
Resale Property 2000	135		135		
Resale Property 2002	1,280		2,495	1,250	35
Resale Property 2003		3,615	150		3,465
Paul Way Estate	30,147	818			30,965
County Clerk	31,090	490,240	486,877	24	34,477
Lien Bond Fund "A"	3,205	39			3,244
Lien Bond Fund "D"	1,034	13			1,047
Lien Bond Fund "H"	6,061	73			6,134
Lien Bond Fund "I"	4,689	57			4,746
Lien Bond Fund "J"	1,925	16	1,941		
State Judicial Fund	42,000				42,000
Court Clerk Revolving Fund	77,883	59,292	38,995		98,180
Sheriff	7,150	263,643	270,993	200	
Sheriff Tax Warrant	385				385
District Attorney Bogus Check	70,112	469,709	476,824	1,061	64,058
State Witness Fee	740	7,651	6,454	268	2,205
County Election Board	866	57,846	58,657	1,045	1,100
County Health Department		32,311	32,311		
District Court	265,894	3,098,623	3,218,556	108,061	254,022
Court Fund	172,548	1,013,043	986,463	1,201	200,329
County Assessor Fees	327	13,456	11,950		1,833
Resale Property 2001	223				223
District Attorney Fees Account	25,286	256,544	272,955		8,875
District Attorney Restitution and Diversion Fees		1,884			1,884
Total Official Depository Accounts	\$ 796,866	\$ 8,340,932	\$ 8,527,877	\$ 179,841	\$ 789,762

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Pottawatomie County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County. The funds presented are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

The government uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

C. Basis of Accounting

The financial statements are prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgetary Policies

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. The budget presented for the general fund and county health department fund includes the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other funds are made on a monthly basis, according to the funds then available.

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

Summary of Significant Accounting Policies (continued)

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

The Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund and County Health Department presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, county or city-county health departments, school districts and cities and towns. These other budgetary entities produce and file their own financial statements and estimates of needs (budgets). These related cash receipts and disbursements of other budgetary entities are not included in the County's Estimate of Needs.

E. Cash and Investments

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. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2003.

F. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	The County participates	If claims exceed authorized
- Torts	in a public entity risk pool;	deductibles, the County would
- Errors and Omissions	Association of County	have to pay its share of the pool
- Law Enforcement	Commissioners of	deficit.
Officers Liability	Oklahoma-Self-Insurance	
- Vehicle	Group. (See ACCO-SIG.)	

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

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed authorized deductibles, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Fund. (See ACCO-SIF.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The County 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 \$100,000; the County has a \$50,000 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

The County continues to carry commercial insurance for employees' health and life insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2003 fiscal year.

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

All full-time Pottawatomie County employees shall be entitled to vacation leave that is accrued on a monthly basis. Employees may accrue 10 to 20 days per year depending on years of service. Vacation must be earned before it is taken.

Sick leave is accrued on a monthly basis. Sick leave shall accumulate at the rate of 8 hours for each calendar month of service and may be accrued up to a maximum of 19 days.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$24,468,309 and the bank balance was \$24,507,031. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements

Detailed Notes on Funds and Account Balances (continued)

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

B. Description of Funds

General Fund - 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.

Cities and Towns – accounts for monies collected on behalf of the cities and towns in Pottawatomie County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Independent Schools – accounts for monies collected on behalf of the public schools in Pottawatomie from ad valorem taxes, state and local revenues, and remitted to them monthly.

General Schools - Current – accounts for monies collected on behalf of the public schools in Pottawatomie from ad valorem taxes, state and local revenues, and remitted to them monthly.

General Schools - Back – accounts for monies collected on behalf of the public schools in Pottawatomie from ad valorem taxes, state and local revenues, and remitted to them monthly.

District Attorney Drug Court – accounts for fees collected by court order. Money is disbursed for drug testing and supplies.

Individual Redemption – accounts for the monies collected and due to individuals from property tax sales in delinquent taxes.

Common Schools – accounts for monies collected on behalf of the public schools in Pottawatomie from ad valorem taxes, state and local revenues, and remitted to them monthly.

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

POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

District Attorney IV-D – accounts for child support incentive money, disbursements are made for the general operation of the office.

District Attorney Seizure – accounts for the collection of asset forfeitures, disbursements as restricted by court order.

District Attorney Copy Fees – accounts for the collection of fees for copies and disbursements as restricted by statute.

Narcotics Control Assistance – accounts for grant monies, disbursements are made as restricted by grant agreement.

County Law Library – accounts for monies received for disbursement from the state for the law library board.

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

Crime Victim Assistance – accounts for the collection of restitution and disbursements to crime victims.

Violence Against Women – accounts for grant monies received and disbursed as restricted by the grant agreement.

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

Multi-County Library – accounts for monies collected on behalf of the multi-county library from ad valorem taxes and remitted monthly.

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

County Assessor State Reimbursement – accounts for reimbursements for a percentage of monies used for assessor equipment purchases.

Visual Inspection – accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

Oak Grove Cemetery – accounts for monies invested by the County on behalf of the independent cemetery.

Detailed Notes on Funds and Account Balances (continued)

District Attorney Incarceration Fees – accounts for the collection of fees from defendants and disbursed as restricted by 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 disbursements of the funds restricted by statutes.

Juvenile Transportation – accounts for monies collected from the State of Oklahoma to be used for the transport of juveniles.

Juvenile Detention – accounts for monies collected; 85% from state and 15% from the county in which the juvenile resides, and disbursed for the general operation of the office.

Child Abuse Prevention – accounts for monies donated by jurors 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 disbursements 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.

Pottawatomie County Jail Study – accounts for grant monies to be disbursed as restricted by grant agreement.

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 forfeitures and disbursement of funds by court order and state statutes.

Revolving Drug Forfeiture – accounts for collections from forfeitures and disbursement of funds by court order and state statutes.

POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

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.

District Attorney Diversion Program – accounts for collections from defendants entering into a deferred prosecution agreement (DPA) with the District Attorney to pay restitution to the victim. Disbursements are paid to the victim or the merchant.

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

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

County Clerk Preservation Fee – accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute for preservation of records.

Detailed Notes on Funds and Account Balances (continued)

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

CDBG Rural Water – accounts for grant monies to be disbursed as restricted by grant agreement.

Local Workforce Grant – accounts for governor discretionary funds to be used 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.

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

Official Depository - accounts for the collection and distribution of officer and board fees held in trust until the end of the month.

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

School District 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.

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.

The following narrative details the official depository accounts.

County Treasurer – accounts for miscellaneous collections held in trust for disbursement.

Resale Property 2000 – accounts for excess collections from the sale of property and money is disbursed after a period of time to resale.

Resale Property 2002 – accounts for excess collections from the sale of property and money is disbursed after a period of time to resale.

Detailed Notes on Funds and Account Balances (continued)

Resale Property 2003 – accounts for excess collections from the sale of property and money is disbursed after a period of time to resale.

Paul Way Estate – accounts for interest earned on a probate case in which the heirs were all minors and the money was ordered to be put on the depository.

County Clerk – accounts for the collection of filing fees and disbursed to the Oklahoma Tax Commission and general fund.

Lien Bond Fund “A” – accounts for liens held in trust.

Lien Bond Fund “D” – accounts for liens held in trust.

Lien Bond Fund “H” – accounts for liens held in trust.

Lien Bond Fund “I” – accounts for liens held in trust.

Lien Bond Fund “J” – accounts for liens held in trust.

State Judicial Fund – accounts for encumbrance in October 1999 from AOC to purchase computers for OCIS.

Court Clerk Revolving Fund – accounts for a charge of \$5.00 for each warrant. Money is disbursed in the same manner as court fund.

Sheriff – accounts for all collections of foreign services fees. Monies are disbursed at the end of the month to the sheriff service fee account.

Sheriff Tax Warrant – accounts for the collection of tax warrants and disbursements are for the purpose of tax warrant collection distribution.

District Attorney Bogus Check – accounts for the collection of bogus checks and District Attorney fees to be disbursed to the merchant and the district attorney fee account.

State Witness Fee – accounts for the collections received from the state to reimburse the County for witness expenses.

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

POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

County Health Department – accounts for the collection of state funds and charges for services. Money is disbursed on a monthly basis to be transferred to the county health department cash account.

District Court – accounts for the collection of bond money, court fines, and fees. Money is disbursed for fees and restitution.

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

County Assessor Fees – accounts for the collections for copies and proceeds from the sale of ownership books to be disbursed at the end of the month and deposited in the assessor's revolving fund.

Resale Property 2001 – accounts for excess collections from the sale of property and money is disbursed after a period of time to resale.

District Attorney Fees Account – accounts for the collection of district attorney fees transferred from the bogus check restitution account and disbursement of funds restricted by state statutes.

District Attorney Restitution and Diversion Fees – collections are from defendants that entered into a DPA with the District Attorney to pay a district attorney fee of \$134 if case would have been filed as a felony, and \$114 if case would have been filed as a misdemeanor. Disbursements are for the operation of the District Attorney's office.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2002, was approximately \$209,213,093.

POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.15 mills for the general fund operations, 2.54 mills for the county health department, and 4.06 mills for the multi-county library. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2003, were approximately 97 percent of the tax levy.

D. Pension Plan

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

E. Capital Leases

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

F. Judgments Payable

All judgments payable were retired during the fiscal year ending June 30, 1997. The balance of \$46,719 in the debt service fund will be transferred to the general fund.

Detailed Notes on Funds and Account Balances (continued)

G. Sales Tax

Pottawatomie County voters approved a 1% sales tax on July 1, 1998. The sales tax ended 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 department; 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.

H. Fuel Tax

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

4. Contingent Liabilities

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

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

5. Subsequent Events

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.

Schedule of Expenditures of Federal Awards

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
State Criminal Alien Assistance Program 2001	16.606	2001-F0419-OK-AP	\$ 3,193
State Criminal Alien Assistance Program 2002	16.606	2002-F0532-OK-AP	5,930
Total U.S. Department of Justice			<u>9,123</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed Through the Oklahoma Employment Security Commission:			
Workforce Investment Act Youth Activities	17.259	95571-EC-12-OSSS	7,600
Workforce Investment Act Youth Activities	17.259	95522-ES-12-SHAWNEE	39,592
Total Department of Labor			<u>47,192</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through the Oklahoma Highway Safety Office:			
Highway Planning and Construction	20.205	AGB00010017	300,897
Total Department of Transportation			<u>300,897</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through State Department of Civil Emergency Management:			
Public Assistance Grants	83.544	DR-1355	198,472
Total Federal Emergency Management Agency			<u>198,472</u>
Total Expenditures of Federal Awards			<u>\$ 555,684</u>

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

Basis of Presentation

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

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
POTTAWATOMIE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated September 1, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Pottawatomie County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance, which we have reported to management and is included in Section 4 of the schedule of findings and questioned costs, contained within this report.

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 special-purpose 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 2003-1, 2003-2, 2003-3, and 2003-4

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, of the reportable conditions described above, we consider item 2003-1 to be a material weakness.

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

September 1, 2004

**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

Compliance

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, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

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

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

September 1, 2004

Schedule of Findings and Questioned Costs

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

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified? Yes

• Reportable condition(s) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? No

• Reportable condition(s) identified that are not considered to be material weakness(es)? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of Major Programs

CFDA Number(s)
20.205

Name of Federal Program or Cluster
Highway Planning and Constructing

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

SECTION 2 - Findings related to the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Finding 2003-1 - Segregation of Duties

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

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

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

Management's Response: We concur with the auditor's findings. Management does have knowledge of County operations and will perform a periodic review of these operations.

Finding 2003-2 – Disaster Recovery Plan

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT) Delivery and Support Control Objectives (DS4), management should have procedures in place to ensure continuous computer services. Plans should be developed and tested to minimize business disruption during times of disaster or hardware failure. The Disaster Recovery Plan should include all of the following:

- Guidelines on how to use the Recovery Plan,
- Emergency procedures to ensure the safety of all affected staff members,
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel,
- Listing of systems requiring alternatives (hardware, peripherals, software),
- Listing of highest to lowest priority applications, required recovery times and expected performance norms,
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution,
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defined,
- Training and/or awareness of individual and group roles in continuity plan,
- Listing of contracted service providers,

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

- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation,
- Current names, addresses, telephone/pager numbers of key personnel,
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

Condition: The County does not have a written Disaster Recovery Plan.

Recommendation: We recommend the County establish a Disaster Recovery Plan to ensure the safekeeping and integrity of the County's financial and non-financial data.

Management's Response: Each office will work to implement a formal Disaster Recovery Plan.

Finding 2003-3 – System Security

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT Delivery and Support 5), management should ensure that system security is sufficient to safeguard information against unauthorized use, disclosure or modification, damage or loss. User ID's and passwords should ensure that access to information is restricted to authorized users.

Condition: It was found through our information security review that the County:

- Has log on identification that is the ID assigned to a PC and not a specific user. The ID does not restrict the users access within the system nor does it allow for identifying which employee posted the information to the system;
- Does not log system and application activity by user ID.

Recommendation: We recommend the County establish Information Security policies to address the log on access controls needed to safeguard their system and information. These controls should be implemented to adequately secure the information and to log activity within the system.

Management's Response: The County officials will work to prepare and implement policies and procedures for the information systems.

Finding 2003-4 – Policies, Procedures, and Awareness Training

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT Delivery and Support 7), management should educate and train users to ensure that users are making effective use of technology and are aware of their risks and responsibilities.

Condition: The County does not have a written policies and procedures addressing information security or provide adequate awareness training.

Recommendation: We recommend the County establish Information Security policies and procedures. A security awareness training program should be established and all employees using computers required to participate.

Management's Response: The County officials will work to prepare and implement policies and procedures for the information systems.

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

No matters were reported.

SECTION 4 - Other Audit Findings - This section contains audit findings not required to be reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, but which we believed were significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action.

Finding 2003-5 – Fixed Assets Inventory

Criteria: Title 19 O.S. 2001, § 178.1 states, "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 Two Hundred Fifty Dollars (\$250.00), 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 into 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: All offices do not perform a biennial verification of the fixed assets inventory.

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

Recommendation: We recommend that 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's Response: All officers are currently updating inventory records and will complete form #3512.

**Statistical Data
(Unaudited)**

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

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
OG&E	\$ 8,442,835	4.04%
TDK Ferrites Corp.	7,627,678	3.65%
Southwestern Bell	6,172,569	2.95%
ONG/ONEOK	4,441,133	2.12%
Eaton Hydraulics Inc.	4,154,688	1.99%
Wolverine Tube Inc.	2,893,442	1.38%
Central Plastics Co.	2,709,758	1.29%
Enogex Inc.	2,400,264	1.15%
WXI/Z Southwest Malls	1,983,600	0.95%
Mobile Oil Corp.	1,828,843	0.87%
Total	<u>\$ 42,654,810</u>	<u>20.39%</u>

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

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

Total net assessed value as of January 1, 2002		<u>\$ 209,213,093</u>
Debt limit - 5% of total assessed value		10,460,655
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>46,719</u>	<u>-</u>
Legal debt margin		<u>\$ 10,460,655</u>

**POTTAWATOMIE COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

	2003
Estimated population	65,521
Net assessed value as of January 1, 2002	\$ 209,213,093
Gross bonded debt	-
Less available sinking fund cash balance	46,719
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2002	\$37,151,891	\$34,197,177	\$152,563,242	\$14,699,217	\$209,213,093	\$1,692,172,714