

COUNTY AUDIT

# POTTAWATOMIE COUNTY

For the fiscal year ended June 30, 2013



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



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

**POTTAWATOMIE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



# Oklahoma State Auditor & Inspector

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

June 29, 2015

TO THE CITIZENS OF  
POTTAWATOMIE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pottawatomie County, Oklahoma for the fiscal year ended June 30, 2013. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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

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

Sincerely,

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

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

**POTTAWATOMIE COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**POTTAWATOMIE COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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INTERNAL CONTROL AND COMPLIANCE SECTION

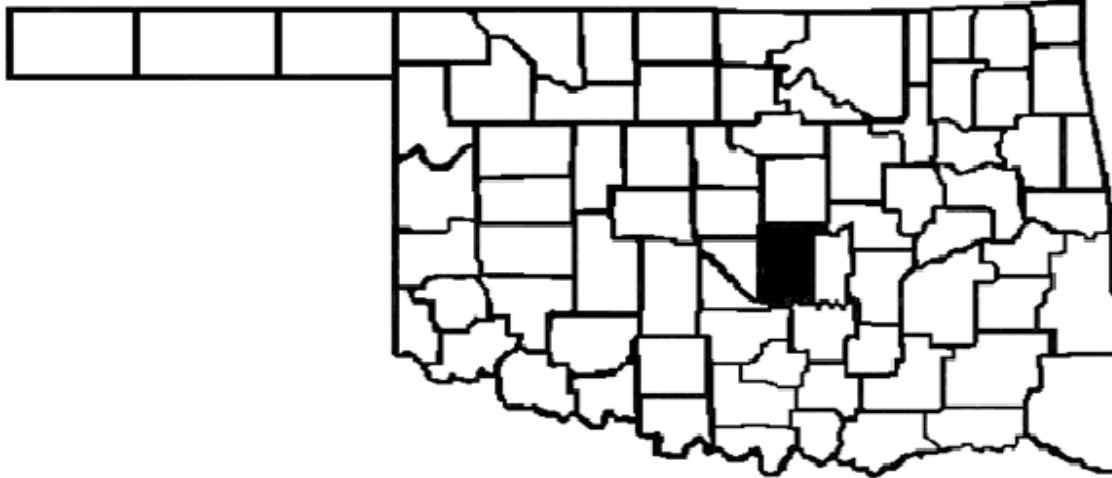
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**POTTAWATOMIE COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Settled by Seminole, Creek, Citizen Band Potawatomi, Absentee Shawnee, Kickapoo, and Sac and Fox Indian tribes, this area was opened to white settlement in the land run on September 22, 1891, and was designated County “B.” The county name was changed by vote in 1892 to honor the Pottawatomie 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. And the historic Santa Fe depot, built in 1903, still stands in Shawnee along with other early structures. Pottawatomie County is the site of the Shawnee Indian Reservation and has sixty-three “Ghost Towns.”

Pottawatomie County has two institutions of higher education. Offices of the Shawnee, Potawatomi, and Sac and Fox tribes are located in the county.

For more information, call the county clerk’s office at 405/273-8222.

County Seat –Shawnee

Area – 793.26 Square Miles

County Population – 70,760  
(2012 est.)

Farms – 1,777

Land in Farms – 395,065 Acres

Primary Source: Oklahoma Almanac 2013-2014

**POTTAWATOMIE COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Board of County Commissioners**

District 1 – Melissa Dennis  
District 2 – Randy Thomas  
District 3 – Eddie Stackhouse

**County Assessor**

Troyce King

**County Clerk**

Raeshel Flewallen

**County Sheriff**

Mike Booth

**County Treasurer**

Wendy Magnus

**Court Clerk**

Reta Head

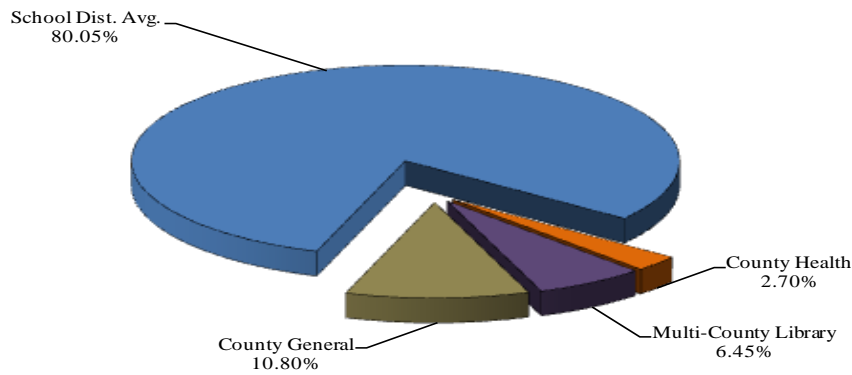
**District Attorney**

Richard Smothermon



**POTTAWATOMIE COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

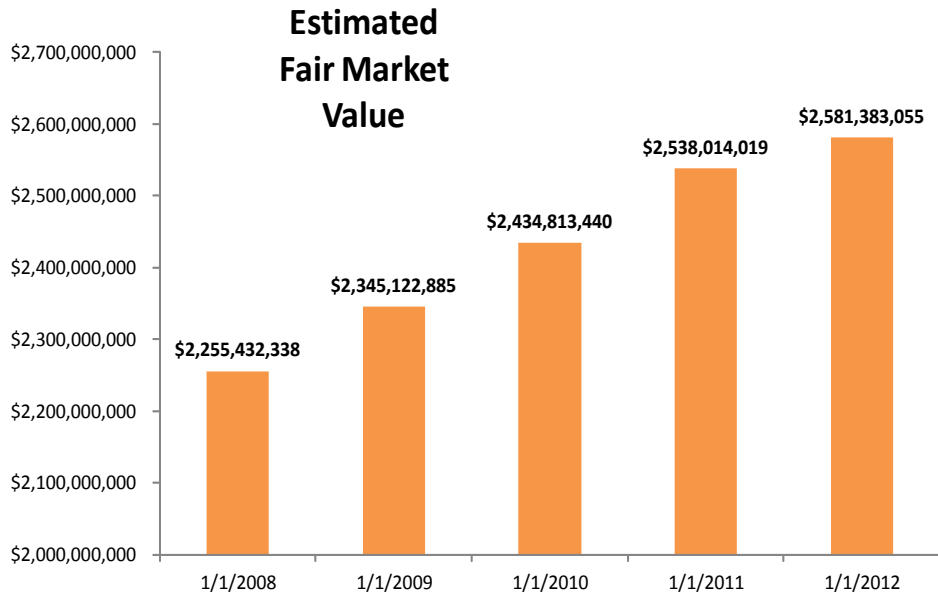
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



| County-Wide Millages |       | School District Millages |        |       |       |       |        |        |       |
|----------------------|-------|--------------------------|--------|-------|-------|-------|--------|--------|-------|
|                      |       |                          |        | Gen.  | Bldg. | Skg.  | Career |        | Total |
|                      |       |                          |        |       |       |       | Tech   | Common |       |
| County General       | 10.15 |                          |        |       |       |       |        |        |       |
| County Health        | 2.54  | McLoud                   | I-1    | 35.66 | 5.09  | 10.59 | 15.18  | 4.06   | 70.58 |
| Multi-County Library | 6.06  | Dale                     | I-2    | 35.82 | 5.12  | 18.51 | 15.18  | 4.06   | 78.69 |
|                      |       | Bethel                   | I-3    | 35.77 | 5.11  | 23.01 | 15.18  | 4.06   | 83.13 |
|                      |       | Macomb                   | I-4    | 35.94 | 5.13  | -     | 15.18  | 4.06   | 60.31 |
|                      |       | Earlsboro                | I-5    | 35.88 | 5.13  | -     | 15.18  | 4.06   | 60.25 |
|                      |       | Tecumseh                 | I-92   | 35.71 | 5.10  | 17.07 | 15.18  | 4.06   | 77.12 |
| Other                |       | Shawnee                  | I-93   | 35.31 | 5.04  | 22.17 | 15.18  | 4.06   | 81.76 |
| City Sinking - OKC   | 16.00 | Asher                    | I-112  | 36.16 | 5.17  | 32.15 | 15.18  | 4.06   | 92.72 |
|                      |       | Wannette                 | I-115  | 36.17 | 5.17  | 15.15 | 11.30  | 4.06   | 71.85 |
|                      |       | Maud                     | I-117  | 35.94 | 5.13  | 16.71 | 15.18  | 4.06   | 77.02 |
|                      |       | North Rock Creek         | C-10   | 35.20 | 5.03  | 16.85 | 15.18  | 4.06   | 76.32 |
|                      |       | Grove                    | C-27   | 35.48 | 5.07  | 6.67  | 15.18  | 4.06   | 66.46 |
|                      |       | Pleasant Grove           | C-29   | 35.46 | 5.07  | 12.58 | 15.18  | 4.06   | 72.35 |
|                      |       | South Rock Creek         | C-32   | 35.77 | 5.11  | 19.07 | 15.18  | 4.06   | 79.19 |
|                      |       | Seminole County          | JT-4   | 36.17 | 5.17  | 11.14 | 15.18  | 4.06   | 71.72 |
|                      |       | Oklahoma County          | JT-7   | 35.93 | 5.13  | 22.58 | 15.92  | 4.06   | 83.62 |
|                      |       | Seminole County          | JT-14  | 35.91 | 5.12  | 4.81  | 15.18  | 4.06   | 65.08 |
|                      |       | Cleveland County         | JT-70  | 35.32 | 5.05  | 23.07 | 11.30  | 4.06   | 78.80 |
|                      |       | Lincoln County           | JT-95  | 36.26 | 5.18  | 12.23 | 15.18  | 4.06   | 72.91 |
|                      |       | Lincoln County           | JT-103 | 36.62 | 5.23  | 24.16 | 15.18  | 4.06   | 85.25 |

**POTTAWATOMIE COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

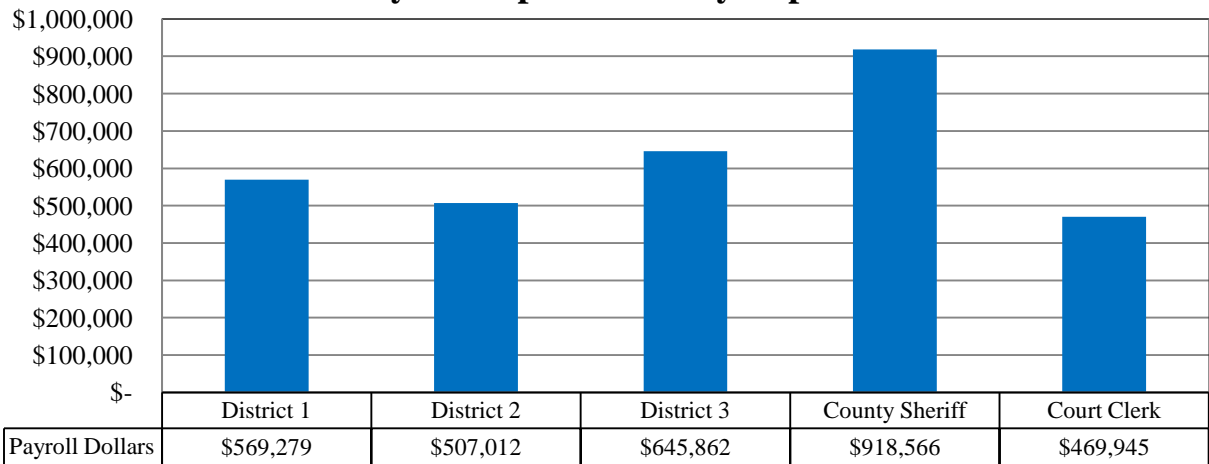
| Valuation Date | Personal     | Public Service | Real Estate   | Homestead Exemption | Net Value     | Estimated Fair Market Value |
|----------------|--------------|----------------|---------------|---------------------|---------------|-----------------------------|
| 1/1/2012       | \$49,932,785 | \$34,668,965   | \$248,056,092 | \$18,409,839        | \$314,248,003 | \$2,581,383,055             |
| 1/1/2011       | \$44,386,668 | \$36,160,614   | \$240,451,043 | \$18,316,308        | \$302,682,017 | \$2,538,014,019             |
| 1/1/2010       | \$47,428,284 | \$33,019,378   | \$226,738,759 | \$17,526,002        | \$289,660,419 | \$2,434,813,440             |
| 1/1/2009       | \$46,513,976 | \$31,782,073   | \$217,565,094 | \$17,301,023        | \$278,560,120 | \$2,345,122,885             |
| 1/1/2008       | \$45,599,668 | \$30,544,768   | \$208,391,430 | \$17,076,045        | \$267,459,821 | \$2,255,432,338             |



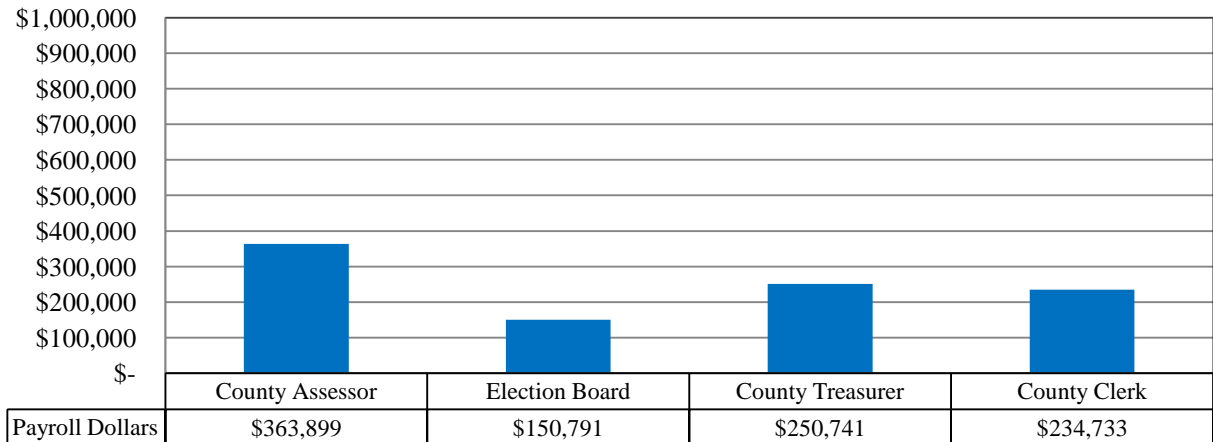
**POTTAWATOMIE COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2013.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

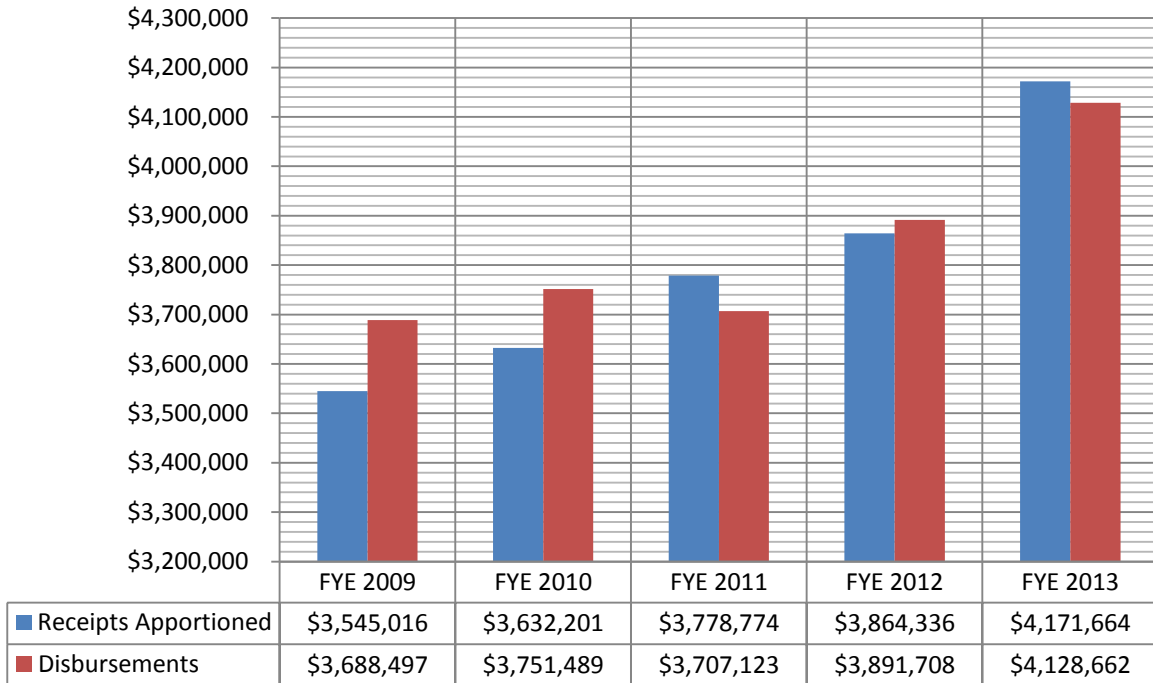


**POTTAWATOMIE COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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## County General Fund

The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.

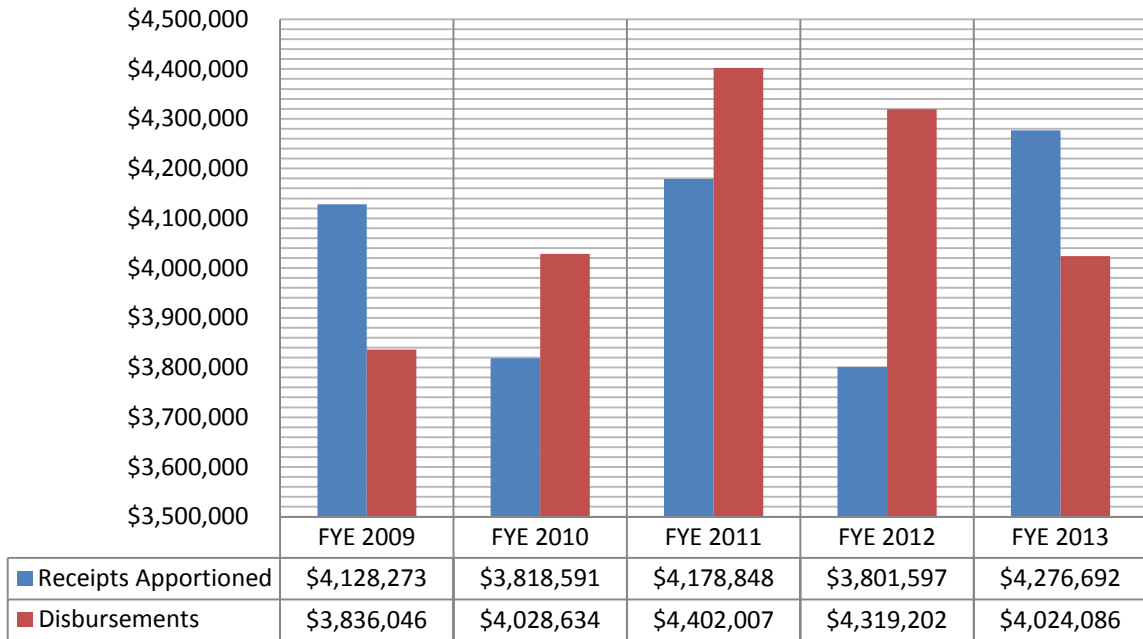


**POTTAWATOMIE COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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## County Highway Fund

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. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



**FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

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

## Independent Auditor's Report

TO THE OFFICERS OF  
POTTAWATOMIE COUNTY, OKLAHOMA

### *Report on the Financial Statement*

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 1 of the financial statement, the financial statement is prepared by Pottawatomie County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of

accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Pottawatomie County as of June 30, 2013, or changes in its financial position for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Pottawatomie County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2015, on our consideration of Pottawatomie County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in



accordance with *Government Auditing Standards* and in considering Pottawatomie County's internal control over financial reporting and compliance.

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

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

June 22, 2015

**REGULATORY BASIS FINANCIAL STATEMENT**

**POTTAWATOMIE COUNTY, OKLAHOMA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES—REGULATORY BASIS  
(WITH COMBINING INFORMATION)—MAJOR FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

|   | Beginning<br>Cash Balances<br>July 1, 2012 | Receipts<br>Apportioned | Transfers<br>In     | Transfers<br>Out    | Disbursements        | Ending<br>Cash Balances<br>June 30, 2013 |
|---|--|-------------------------|---------------------|---------------------|----------------------|--|
| Combining Information:                                  |  |                         |                     |                     |                      |  |
| Major Funds:  |  |                         |                     |                     |                      |  |
| County General Fund                                     | \$ 671,608                                 | \$ 4,171,664            | \$ 1,200,000        | \$ 1,200,000        | \$ 4,128,662         | \$ 714,610                               |
| County Highway  | 1,881,662                                  | 4,276,692               | 1,200,000           | 1,200,000           | 4,024,086            | 2,134,268                                |
| County Health   | 1,063,285                                  | 807,557                 | -                   | -                   | 702,727              | 1,168,115                                |
| County Sinking  | 46,759                                     | 5                       | -                   | -                   | -                    | 46,764                                   |
| Sales Tax Maintenance/Repair/Improvements               | 4,368,113                                  | 5,269,950               | -                   | -                   | 4,796,678            | 4,841,385                                |
| Sales Tax Pottawatomie County Fire Department           | 912,396                                    | 540,994                 | -                   | -                   | 337,836              | 1,115,554                                |
| Sales Tax Emergency Services                            | 363,593                                    | 269,473                 | -                   | -                   | 354,690              | 278,376                                  |
| Sales Tax Economic Development                          | 733,583                                    | 244,458                 | -                   | -                   | -                    | 978,041                                  |
| Sales Tax OSU Extension Center                          | 256,341                                    | 192,655                 | -                   | -                   | 125,260              | 323,736                                  |
| Sales Tax Soil Conservation                             | 125,528                                    | 77,074                  | -                   | -                   | 145,186              | 57,416                                   |
| Sales Tax Pottawatomie County Free Fair                 | 129,207                                    | 77,997                  | -                   | -                   | 65,796               | 141,408                                  |
| Sales Tax Senior Citizens                               | 225,228                                    | 154,458                 | -                   | -                   | 119,906              | 259,780                                  |
| Use Tax Capital Improvements (Courthouse Capital Impr.) | 3,341,721                                  | 1,054,452               | -                   | -                   | 453,978              | 3,942,195                                |
| Sales Tax Pottawatomie County Public Safety             | 247,064                                    | 1,528,916               | -                   | -                   | 1,543,296            | 232,684                                  |
| Sales Tax Capital Improvements Jail/Highway             | 61,766                                     | 382,029                 | -                   | -                   | 385,624              | 58,171                                   |
| Remaining Aggregate Funds                               | 1,807,129                                  | 1,861,921               | 6,763               | 37,786              | 1,739,312            | 1,898,715                                |
| <b>Combined Total - All County Funds As Restated</b>    | <b>\$ 16,234,983</b>                       | <b>\$ 20,910,295</b>    | <b>\$ 2,406,763</b> | <b>\$ 2,437,786</b> | <b>\$ 18,923,037</b> | <b>\$ 18,191,218</b>                     |

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

**POTTAWATOMIE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Pottawatomie County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. 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, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

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

**B. Fund Accounting**

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

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

County 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.

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

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

**POTTAWATOMIE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

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

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

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

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

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

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

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

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

**C. Basis of Accounting**

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United

**POTTAWATOMIE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

**D. Budget**

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**E. Cash and Investments**

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County’s books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

The County Treasurer has been authorized by the County’s governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

**2. Ad Valorem Tax**

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed

**POTTAWATOMIE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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."

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.

**3. Other Information**

**A. 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.

**B. Other Post Employment Benefits (OPEB)**

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

**C. Contingent Liabilities**

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

**POTTAWATOMIE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**D. Sales Tax**

The voters of Pottawatomie County approved a 1% sales tax on July 1, 2003. The sales tax expired 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; 5%, capital improvements to be used solely for Public Safety Center jail facility and county roads and bridges; 7%, Pottawatomie County Fire Department; 3.5%, emergency services (sheriff, ambulance, 911, and other); 2% economic development; 2.5%, OSU Extension Center; 2%, senior citizens; 1%, soil conservation services; and 1%, Pottawatomie County Free Fair/Junior Livestock Show. These funds are accounted for in separate sales tax funds.

**E. Interfund Transfers**

During the fiscal year, the County made the following transfers between cash funds.

- \$6,763 was transferred from the Excess Resale Account, a trust and agency fund, to Resale Property for excess funds that were unclaimed from June 2009 and June 2008 Resale in accordance with 68 O.S. § 3131 (C).
- \$37,786 was transferred from County Bridge and Road Improvement Fund account, a county fund, to ETR1 Account, a trust and agency fund.
- \$1,200,000 to the County General Fund from the County Highway fund to cover non-payable warrants issued from the County General Fund.
- \$1,200,000 from the County General Fund to reimburse the County Highway fund after adequate ad valorem tax collections were apportioned to the County General Fund.

**F. Reclassification**

Due to the reclassification of funds for fiscal year ending June 30, 2013, the beginning balance as reported is different than the June 30, 2012 ending balance. The difference is due to three funds being reported as County funds in fiscal year 2012 that should have been classified as trust and agency funds, resulting in a decrease of \$183,014.



**POTTAWATOMIE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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|   |                     |
|---|---------------------|
| Prior year ending, as reported  | \$16,417,997        |
| Reclassify Emergency Transportation Revolving (ETR) funds<br>from County funds to Trust and Agency funds: |                     |
| ETR1  | (\$52,214)          |
| ETR2  | (\$65,400)          |
| ETR3  | <u>(\$65,400)</u>   |
| Prior year ending balance, as restated  | <u>\$16,234,983</u> |

**G. Subsequent Events**

The voters of Pottawatomie County approved a permanent one percent (1%) sales tax effective July 1, 2013. This sales tax was established to provide revenue for: 60%, 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; 1.0625% sheriff's office emergency services; 1.0625% County ambulance service; 1.0625%, County E-911; 1.0625% additional County emergency service; 2%, economic development; 2.75% OSU Extension Center; 2%, senior citizens; 1% soil conservation services; and 1% Pottawatomie County Free Fair/Junior Livestock Show. These funds will be accounted for in separate sales tax funds.

**OTHER SUPPLEMENTARY INFORMATION**

**POTTAWATOMIE COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

|  | General Fund     |                  |                |
|--|------------------|------------------|----------------|
|  | Budget           | Actual           | Variance       |
| Beginning Cash Balances                  | \$ 669,227       | \$ 671,608       | \$ 2,381       |
| Less: Prior Year Outstanding Warrants    | (108,176)        | (110,557)        | (2,381)        |
| Less: Prior Year Reserves                | (123,435)        | (123,435)        | -              |
| Beginning Cash Balances, Budgetary Basis | <u>437,616</u>   | <u>437,616</u>   | <u>-</u>       |
| Receipts:                                |                  |                  |                |
| Ad Valorem Taxes                         | 2,792,930        | 3,095,265        | 302,335        |
| Charges for Services                     | 251,746          | 301,094          | 49,348         |
| Intergovernmental Revenues               | 693,711          | 728,896          | 35,185         |
| Miscellaneous Revenues                   | 34,821           | 46,409           | 11,588         |
| Total Receipts, Budgetary Basis          | <u>3,773,208</u> | <u>4,171,664</u> | <u>398,456</u> |
| Expenditures:                            |                  |                  |                |
| District Attorney                        | 44,717           | 44,717           | -              |
| County Sheriff                           | 1,001,978        | 1,001,877        | 101            |
| County Treasurer                         | 178,344          | 178,299          | 45             |
| County Clerk                             | 353,275          | 353,090          | 185            |
| Court Clerk                              | 386,300          | 385,668          | 632            |
| County Assessor                          | 241,000          | 240,993          | 7              |
| Revaluation of Real Property             | 500,750          | 500,363          | 387            |
| Juvenile Shelter Bureau                  | 69,000           | 53,906           | 15,094         |
| General Government                       | 644,116          | 594,581          | 49,535         |
| Excise-Equalization Board                | 3,000            | 2,669            | 331            |
| County Election Board                    | 176,415          | 176,169          | 246            |
| Treasurer School                         | 20,000           | 19,999           | 1              |
| Community Service                        | 30,000           | 29,946           | 54             |
| Gen. Govt. Pott Co. Trust                | 456,751          | 456,750          | 1              |
| County Audit Budget Acct                 | 100,178          | 64,930           | 35,248         |
| Free Fair Budget Acct                    | 5,000            | 5,000            | -              |
| Total Expenditures, Budgetary Basis      | <u>4,210,824</u> | <u>4,108,957</u> | <u>101,867</u> |

Continued on next page

**POTTAWATOMIE COUNTY, OKLAHOMA  
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
 GENERAL FUND - CONTINUED  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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|   | General Fund |             |            |
|---|--------------|-------------|------------|
|   | Budget       | Actual      | Variance   |
| Continued from previous page  |              |             |            |
| Excess of Receipts and Beginning Cash<br>Balances Over Expenditures, Budgetary Basis    | \$ -         | 500,323     | \$ 500,323 |
| Operating Transfers:  |              |             |            |
| Operating Transfers In  |              | 1,200,000   |            |
| Operating Transfers out   |              | (1,200,000) |            |
| Net Operating Transfers   |              | -           |            |
| Reconciliation to Statement of Receipts,<br>Disbursements, and Changes in Cash Balances |              |             |            |
| Add: Current Year Outstanding Warrants  |              | 122,032     |            |
| Add: Current Year Reserves  |              | 92,255      |            |
| Ending Cash Balance   |              | \$ 714,610  |            |

**POTTAWATOMIE COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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| County Health Department Fund   |              |              |            |
|---|--------------|--------------|------------|
|   | Budget       | Actual       | Variance   |
| Beginning Cash Balances   | \$ 1,063,284 | \$ 1,063,285 | \$ 1       |
| Less: Prior Year Outstanding Warrants   | (53,698)     | (53,698)     | -          |
| Less: Prior Year Reserves   | (14,131)     | (11,191)     | 2,940      |
| Beginning Cash Balances, Budgetary Basis  | 995,455      | 998,396      | 2,941      |
| Receipts:   |              |              |            |
| Ad Valorem Taxes  | 698,921      | 774,579      | 75,658     |
| Charges for Services  | 19,470       | 19,374       | (96)       |
| Intergovernmental   | -            | 5,293        | 5,293      |
| Miscellaneous Revenues  | -            | 8,311        | 8,311      |
| Total Receipts, Budgetary Basis   | 718,391      | 807,557      | 89,166     |
| Expenditures:   |              |              |            |
| Health and Welfare  | 1,713,846    | 988,893      | 724,953    |
| Total Expenditures, Budgetary Basis   | 1,713,846    | 988,893      | 724,953    |
| Excess of Receipts and Beginning Cash<br>Balances Over Expenditures,<br>Budgetary Basis | \$ -         | 817,060      | \$ 817,060 |
| Reconciliation to Statement of Receipts,<br>Disbursements, and Changes in Cash Balances |              |              |            |
| Add: Current Year Reserves  |              | 349,569      |            |
| Add: Current Year Outstanding Warrants  |              | 1,486        |            |
| Ending Cash Balance   |              | \$ 1,168,115 |            |

**POTTAWATOMIE COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

|   | Beginning<br>Cash Balances<br>July 1, 2012 | Receipts<br>Apportioned | Transfers<br>In | Transfers<br>Out | Disbursements       | Ending<br>Cash Balances<br>June 30, 2013 |
|---|--|-------------------------|-----------------|------------------|---------------------|--|
| Remaining Aggregate Funds:                        |  |                         |                 |                  |                     |  |
| Restricted Highway                                | \$ 3,914                                   | \$ -                    | \$ -            | \$ -             | \$ -                | \$ 3,914                                 |
| Resale Property                                   | 465,424                                    | 421,789                 | 6,763           | -                | 274,935             | 619,041                                  |
| Courthouse Renovation                             | 3,960                                      | -                       | -               | -                | -                   | 3,960                                    |
| Community Service Grant                           | 14   | -                       | -               | -                | -                   | 14                                       |
| County Assessor Fee                               | 11,494                                     | 4,015                   | -               | -                | 5,798               | 9,711                                    |
| County Clerk Lien Fee                             | 17,601                                     | 39,518                  | -               | -                | 30,149              | 26,970                                   |
| County Treasurer Mortgage Tax                     | 10,862                                     | 12,383                  | -               | -                | 9,971               | 13,274                                   |
| Child Abuse Prevention                            | 3,429                                      | 1,368                   | -               | -                | -                   | 4,797                                    |
| Self Insurance                                    | 1,037                                      | -                       | -               | -                | -                   | 1,037                                    |
| Sheriff Service Fee                               | 58,223                                     | 259,829                 | -               | -                | 266,393             | 51,659                                   |
| Sheriff Training                                  | 51   | -                       | -               | -                | -                   | 51                                       |
| Sheriff Drug Buy                                  | 380  | -                       | -               | -                | -                   | 380                                      |
| Social Services Cash                              | 2,124                                      | 14                      | -               | -                | -                   | 2,138                                    |
| Birdie Lane Road Improvement District             | 3,252                                      | 21                      | -               | -                | -                   | 3,273                                    |
| County Clerk Preservation Fee                     | 53,159                                     | 111,507                 | -               | -                | 75,437              | 89,229                                   |
| CDBG (97-73) Bathroom                             | 90   | -                       | -               | -                | -                   | 90                                       |
| Community Sentencing                              | 3,299                                      | -                       | -               | -                | -                   | 3,299                                    |
| Pottawatomie County Drug Court                    | 44,987                                     | 174,583                 | -               | -                | 187,192             | 32,378                                   |
| Law Enforcement Grant                             | 53   | -                       | -               | -                | -                   | 53                                       |
| Town of Johnson                                   | 293  | -                       | -               | -                | -                   | 293                                      |
| Trash Cops Grant                                  | 123  | -                       | -               | -                | -                   | 123                                      |
| Acme Road Building Maintenance                    | 50,594                                     | 11,045                  | -               | -                | 10,666              | 50,973                                   |
| Sheriff Courthouse Security                       | 23,127                                     | 33,600                  | -               | -                | 43,816              | 12,911                                   |
| Pottawatomie County 911 System                    | 12,324                                     | 129,414                 | -               | -                | 130,443             | 11,295                                   |
| Pottawatomie County Wireless 911 System           | 14,117                                     | 180,608                 | -               | -                | 178,812             | 15,913                                   |
| County Rewards Revolving Fund                     | 693  | 100                     | -               | -                | -                   | 793                                      |
| Pottawatomie County Hazard Mitigation Fund        | 24,000                                     | -                       | -               | -                | 24,000              | -  |
| County Bridge and Road Improvement Fund           | 998,505                                    | 459,627                 | -               | 37,786           | 485,482             | 934,864                                  |
| Sheriff Reserve Officers Program                  | -  | 20,500                  | -               | -                | 16,218              | 4,282                                    |
| Carter Hall Building Maintenance                  | -  | 2,000                   | -               | -                | -                   | 2,000                                    |
| <b>Combined Total - Remaining Aggregate Funds</b> | <b>\$ 1,807,129</b>                        | <b>\$ 1,861,921</b>     | <b>\$ 6,763</b> | <b>\$ 37,786</b> | <b>\$ 1,739,312</b> | <b>\$ 1,898,715</b>                      |

**POTTAWATOMIE COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**1. Budgetary Schedules**

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The “actual” data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

**2. Remaining County Funds**

Remaining aggregate funds as presented on the financial statement are as follows:

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

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

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

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

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

County Clerk Lien Fee – accounts for lien collections and disbursements as restricted by statute.

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

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

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

**POTTAWATOMIE COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

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

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

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

CDBG (97-73) Bathroom – accounts for grant monies to be disbursed as restricted by grant agreement.

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

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

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

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

Trash Cops Grant – accounts for monies received by the Sheriff’s office for a grant.

Acme Road Building Maintenance – accounts for rental monies received and used for maintenance of the building.

Sheriff Courthouse Security – accounts for fees received to provide security at the county courthouse.

Pottawatomie County 911 System – accounts for fees received to maintain the 911 system.

Pottawatomie County Wireless 911 System – accounts for fees received to maintain the 911 system.



**POTTAWATOMIE COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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County Rewards Revolving Fund – accounts for fees received by the Court Clerk to pay littering rewards.

Pottawatomie County Hazard Mitigation Fund – accounts for grant monies for County Commissioners to hire a company to prepare a Hazard Mitigation Plan for the County.

County Bridge and Road Improvement Fund – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

Sheriff Reserve Officers Program – accounts for monies used for two Sheriff Reserve Officers in public schools. The officers are responsible for providing counseling and support for the Asher, Macomb, Dale, Earlsboro, and Bethel schools.

Carter Hall Building Maintenance – accounts for monies used for maintenance of the juvenile detention building.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

TO THE OFFICERS OF  
POTTAWATOMIE COUNTY, OKLAHOMA

We have audited, in accordance with the 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, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Pottawatomie County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 22, 2015.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered Pottawatomie County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Pottawatomie County's internal control. Accordingly, we do not express an opinion on the effectiveness of Pottawatomie County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1 and 2013-5.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pottawatomie County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-5.

We noted certain matters regarding statutory compliance that we reported to the management of Pottawatomie County, which are included in Section 2 of the schedule of findings and responses contained in this report.

## **Pottawatomie County's Responses to Findings**

Pottawatomie County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Pottawatomie County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

June 22, 2015

**POTTAWATOMIE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**Finding 2013-1 – Inadequate County-Wide Controls - Risk Assessment and Monitoring (Repeat Finding)**

**Condition:** County-wide controls regarding Risk Assessment and Monitoring have not been designed.

**Cause of Condition:** Procedures have not been designed to address risks of the County.

**Effect of Condition:** This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

**Management Response:**

**BOCC Chairman, County Clerk, and County Treasurer:** We will set up quarterly meetings, during the County Commissioners’ meeting, with all elected officials to discuss and take action regarding risk management and monitoring.

**Criteria:** Internal control is an integral component of an organization’s management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring

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that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

**Finding 2013-5 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)**

**Condition:** We noted the following weakness regarding the disbursement process:

- The duties of processing payroll are not adequately segregated. The County Clerk/Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, and prepares end of month payroll reports.

While testing 65 total disbursements, including five individually significant items, we noted the following:

- 52 purchase orders had signatures indicating the BOCC approval, but no date of the approval on the purchase orders.
- 3 purchase orders did not have receiving reports.
- 9 blanket purchase orders did not have the blanket purchase order certification sections completed.
- 2 purchase orders were not timely encumbered.
- 1 purchase order was paid for an amount other than that appearing on the invoice.
- 1 purchase order requiring a bid, was not bid.

While testing 5 cash voucher claims, we noted the following:

- 3 disbursements were not supported by adequate documentation (invoice).
- 5 disbursements had no receiving report or approval that items/services were received.
- 1 disbursement did not have the County Clerk's authorization or approval.

Additionally, the County is remitting the sales tax to the Pottawatomie County Public Safety Center Trust on purchase orders without documentation of how the funds are expended.

**Cause of Condition:** Policies and procedures have not been designed to adequately segregate key accounting functions regarding the purchasing and payroll processes to ensure compliance with state statutes.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

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OSAI also recommends the following key account functions of the payroll process be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system.
- Maintaining personnel files.
- Preparing end of month payroll reports.

Further, OSAI recommends County officials implement procedures to ensure that purchases comply with Title 19 O.S. § 1500-1505, and that sales tax is apportioned and expended in accordance with Title 68 O.S. § 1370E.

**Management Response:**

**County Clerk:** Compensating controls over payroll will be implemented. The key payroll processes will be separated where possible. All reviews will be documented and dated. To become more compliant with the statutes, I will send out a memo to all entities to ensure that proper procedures are followed when purchasing. Receiving reports, purchase orders being encumbered initially, requisitioning and receiving officers, have all been stressed in following proper procedures.

**Board of County Commissioners:** The Board of County Commissioners is going to begin adding the sales tax apportionments to the BOCC meeting agenda once a month. The approval of the sales tax apportionments will be documented in the BOCC meeting minutes. The Board of County Commissioners will require that all sales tax expenditures be made on purchase orders with proper documentation.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated. Additionally, compliance with state statutes regarding purchasing procedures should be followed.

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

**Finding 2013-6 – Inadequate Internal Controls Over the Court Clerk Revolving Fund and Court Fund Expenditure Processes (Repeat Finding)**

**Condition:** Upon inquiry and observation of the Court Clerk Revolving Fund and the Court Fund expenditure process, it was noted that the Court Clerk solely performs key duties with no independent verification of accuracy. The Court Clerk initiates and prepares the claim, attaches and verifies supporting documentation to the claim, certifies that goods/services were received, signs the claim along with the District Judge, and prepares and signs checks.

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**Cause of Condition:** Policies and procedures have not been designed to adequately segregate the duties regarding expenditures of the Court Clerk Revolving Fund and Court Fund expenditures process.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, misappropriation of funds, or clerical errors that are not detected in a timely manner.

**Recommendation:** OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

The following key accounting functions of the Court Clerk's office should be adequately segregated:

- Preparing claims
- Reviewing and authorizing claims
- Distributing vouchers

**Management Response:**

**Court Clerk:** In response to this finding, I will now have my First Deputy verify the claims. I will have the Treasurer sign and date the end of month report.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of preparing the claim, attaching and agreeing supporting documentation, certifying receipt of goods/services, signing the claim, and preparing and signing the checks should be segregated.

**Finding 2013-9 – Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)**

**Condition:** Upon inquiry and observation of fixed assets records, the following weaknesses were noted:

The County has not designed internal controls to provide adequate segregation of duties over the inventory process.

The following offices have not implemented a formal annual fixed asset inventory verification/physical count:

- County Assessor
- County Clerk
- County Sheriff
- County Treasurer
- Court Clerk



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- District 1
- District 2
- District 3

We judgmentally selected a sample of fixed assets from the inventory listings provided to test compliance with 19 O.S. § 178.1. The following exceptions were noted:

- 3 inventory items were disposed from inventory prior to BOCC approval:

| Date of<br>BOCC Approval | Description of Item           | Date of Disposal | County Office |
|--------------------------|-------------------------------|------------------|---------------|
| 11/26/2012               | Cat Bat 18 Broom Attachment   | 11/12/2012       | District 2    |
| 11/26/2012               | Cat Broom for Skid Steer      | 11/12/2012       | District 2    |
| 11/26/2012               | Cat Tree shear for skid steer | 11/12/2012       | District 2    |

**Cause of Condition:** Policies and procedures have not been designed and implemented by county officers for the accurate reporting of fixed assets, as well as procedures to ensure proper marking of equipment.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. Opportunities for loss and misappropriation of county assets may be more likely to occur when the County does not have procedures in place to account for fixed assets.

**Recommendation:** OSAI recommends the County comply with 19 O.S. § 178.1 by maintaining inventory records and properly marking assets with county identification numbers, and performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process.

**Management Response:**

**County Assessor:** We will perform an annual inventory count and retain documentation.

**County Clerk:** We will perform an annual inventory count and retain documentation.

**County Sheriff:** We will perform an annual inventory count and retain documentation.

**County Treasurer:** We will maintain documentation of the physical inventory in the future.

**Court Clerk:** We will maintain documentation of the physical inventory in the future.

**District 1 County Commissioner:** We do perform an annual inventory count and will retain documentation. We will make sure all new equipment is marked with the inventory numbers and we will periodically make sure that identification numbers are affixed to equipment.

**District 2 County Commissioner:** We will perform an annual inventory count and retain documentation.

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**District 3 County Commissioner:** We will perform an annual inventory count and retain documentation. We will make sure all new equipment is marked with the inventory numbers and we will periodically make sure that identification numbers are affixed to equipment.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. Additionally, Title 19 O.S. § 178.1 provides guidance for accounting of fixed assets.



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