

**ROGERS COUNTY, OKLAHOMA
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2001**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

CLIFTON H. SCOTT
STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BLVD.
100 STATE CAPITOL
OKLAHOMA CITY, OK 73105-4896
405/521-3495

October 3, 2002

TO THE CITIZENS OF
ROGERS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Rogers County, Oklahoma, for the fiscal year ended June 30, 2001. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Clifton H. Scott".

CLIFTON H. SCOTT
State Auditor and Inspector

**ROGERS COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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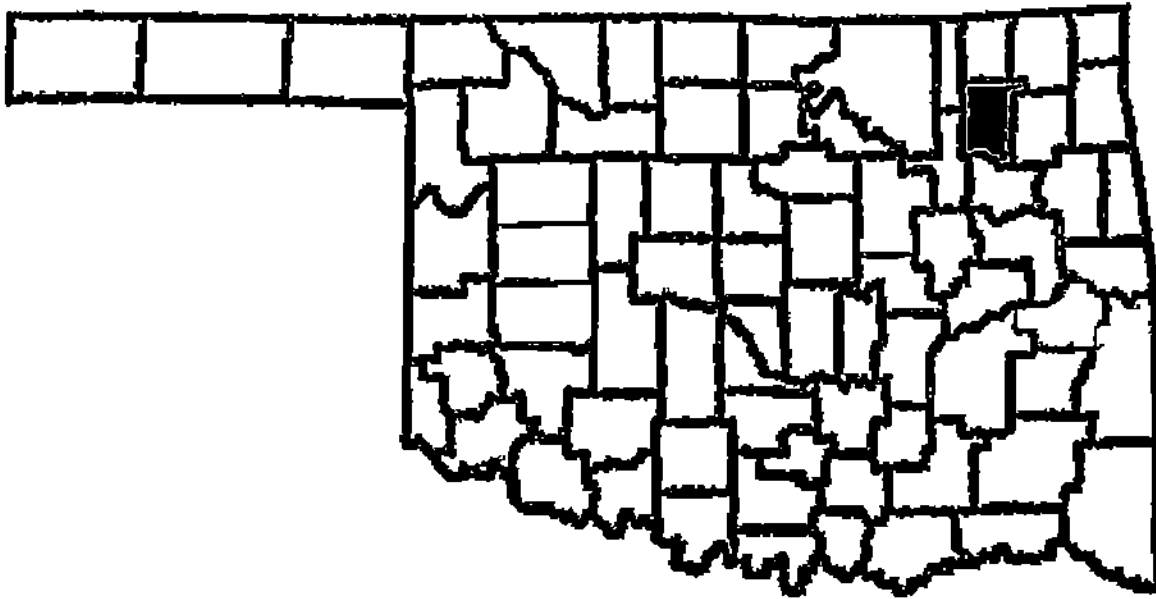
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REPORT TO THE CITIZENS
OF
ROGERS COUNTY, OKLAHOMA



Rogers County was created in 1907 from part of the old Cherokee Nation. The name honored Clem V. Rogers, member of the Constitutional Convention and father of Will Rogers.

The county seat, Claremore, was founded in 1874 and named for the noted Osage leader, Clermont. Prior to statehood, Claremore served as the Record Town of Recording District 4.

County Seat - Claremore

Area - 675 Square Miles

County Population - 70,567
(1999 est.)

Farms - 1,408

Land in Farms - 312,870 Acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Fred T. Morgan
(R) Owasso (through 12/31/2000)

Kathy Hill
(D) Claremore (since 1/1/2001)

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
Andrea L. Willis
(D) Claremore

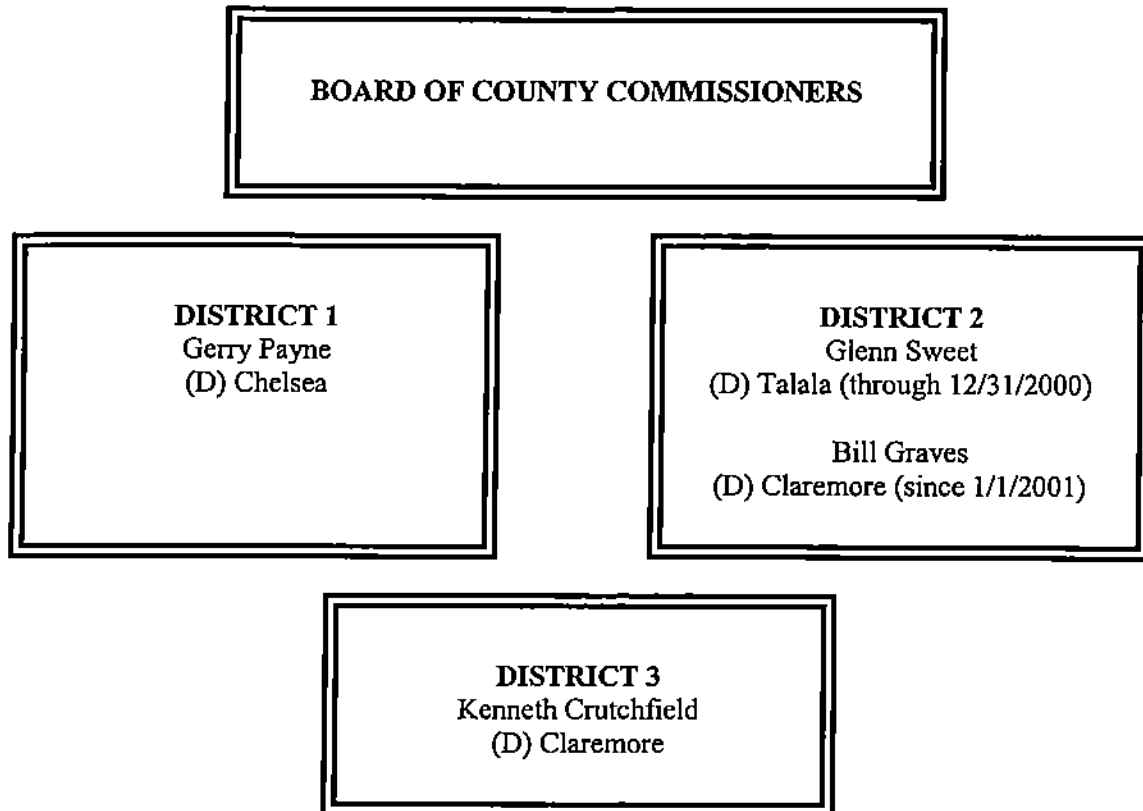
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

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

See independent auditor's report

**COUNTY ELECTED 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.

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Jerry W. Prather
(D) Foyil

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
Cathy Pinkerton Baker
(D) Claremore

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

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

See independent auditor's report

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Candi Czpansky
(D) Chelsea

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
Gene Haynes
(D) Claremore

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.

**COUNTY ELECTED OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

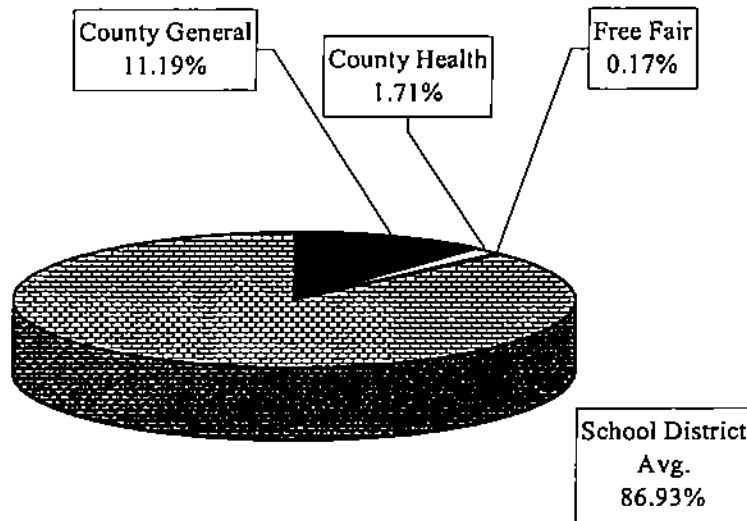
Terri Thomas
(D) Claremore

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

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

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

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of 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 General
 County Health
 Free Fair
 School District Avg.

County-Wide Millages		School District Millages						
			Gen.	Bldg.	Skg.	Vo-Tech	Common	Total
Co. General	10.09	Claremore	35.97	5.14	29.75	10.27	4.099	85.229
Co. Health	1.54	Catoosa	35.46	5.06	18.34	13.18	4.099	76.139
Free Fair	0.154	Chelsea	36.51	5.22	22.99	10.27	4.099	79.089
		Oologah-Talala	35.38	5.05	11.29	10.27	4.099	66.089
		Inola	36.33	5.19	35.23	10.27	4.099	91.119
		Sequoyah	36.69	5.24	25.95	10.27	4.099	82.249
		Foyil	36.42	5.20	22.84	10.27	4.099	78.829
		Verdigris	35.65	5.09	25.02	10.27	4.099	80.129
		Justus-Tiawah	36.48	5.21	14.49	10.27	4.099	70.549
		Tulsa-	36.47	5.26	17.46	10.27	4.099	73.559
		Collinsville						
		Tulsa-Owasso	36.81	5.26	33.81	10.27	4.099	90.249
		Mayes	36.84	5.26	10.67	10.27	4.099	67.139

See independent auditor's report

Independent Auditor's Report



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

CLIFTON H. SCOTT
STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BLVD.
100 STATE CAPITOL
OKLAHOMA CITY, OK 73105-4896
405/521-3495

Independent Auditor's Report

TO THE OFFICERS OF
ROGERS COUNTY, OKLAHOMA

We have audited the accompanying general-purpose financial statements of Rogers County, Oklahoma, as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of Rogers County's management. Our responsibility is to express an opinion on these financial statements based on our audit. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the Rogers County Criminal Justice Authority, which represents 100% of the assets and 100% of the revenues of the discretely presented component unit column. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for that component unit, is based on the reports of the other auditors.

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 and the report of the other auditors provide a reasonable basis for our opinion.

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

In our opinion, based on our audit and the reports of the other auditors, and except for the effect on the general-purpose financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Rogers County, Oklahoma, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2002, on our consideration of Rogers 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.

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

Sincerely,


CLIFTON H. SCOTT
State Auditor and Inspector

June 26, 2002

General-Purpose Financial Statements

ROGERS COUNTY, OKLAHOMA
COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUP
AND DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2001

	Governmental Fund Types			Fiduciary Fund Types	Account Group	Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Trust and Agency	General Long Term Debt	Primary Government		Reporting Entity
ASSETS								
Cash and investments	\$ 3,719,060	\$ 3,479,994	\$ 29,193	\$ 2,162,557	\$	\$ 9,390,804	\$ 531,289	\$ 9,922,093
Ad valorem taxes receivable	81,966	13,761	3	679,420		775,150		775,150
Sales tax receivable	376,129					376,129	188,065	564,194
Accrued interest receivable	5,827	23,041				28,868	3,514	32,382
Due from other governments	8,842	247,179		25,716		281,737		281,737
Amount to be provided for capitalized lease agreements					83,714	83,714		83,714
Funds held by Trustee							356,975	356,975
Net bond issuance costs							278,850	278,850
Net property and equipment							8,750,489	8,750,489
Prepaid sheriff's fund							1,145,453	1,145,453
Total assets	\$ 4,191,824	\$ 3,763,975	\$ 29,196	\$ 2,867,693	\$ 83,714	\$ 10,936,402	\$ 11,254,635	\$ 22,191,037
LIABILITIES AND FUND EQUITY								
Liabilities:								
Warrants payable	\$ 287,874	\$ 282,790	\$	\$	\$	\$ 570,664	\$	\$ 570,664
Accounts payable	655,827	145,054				800,881	1,246	802,127
Due to other taxing units				913,291		913,291		913,291
Due to others				1,954,402		1,954,402		1,954,402
Accrued interest payable							123,275	123,275
Net bonds outstanding							5,128,882	5,128,882
Capitalized lease obligations payable					83,714	83,714		83,714
Total liabilities	943,701	427,844	-	2,867,693	83,714	4,322,952	5,253,403	9,576,355
Fund equity:								
Reserved for encumbrances	415,963	34,686				450,649		450,649
Unreserved:								
Undesignated	2,832,160	3,301,445	29,196			6,162,801	6,001,232	12,164,033
Total fund equity	3,248,123	3,336,131	29,196	-	-	6,613,450	6,001,232	12,614,682
Total liabilities and fund equity	\$ 4,191,824	\$ 3,763,975	\$ 29,196	\$ 2,867,693	\$ 83,714	\$ 10,936,402	\$ 11,254,635	\$ 22,191,037

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

ROGERS COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Revenues:				
Ad valorem taxes	\$ 3,553,721	\$ 771,666	\$	\$ 4,325,387
Sales tax	4,181,793	1,258,782		5,440,575
Charges for services	618,551	377,954		996,505
Intergovernmental revenues	458,943	3,232,974		3,691,917
Miscellaneous revenues	175,191	186,371	50	361,612
Total revenues	<u>8,988,199</u>	<u>5,827,747</u>	<u>50</u>	<u>14,815,996</u>
Expenditures:				
Current operating:				
General government	4,105,649	586,036		4,691,685
Public safety	850,759	1,371,762		2,222,521
Culture and recreation		66,500		66,500
Education	93,988			93,988
Health and welfare	2,418	611,081		613,499
Roads and highways	4,347,889	3,014,364		7,362,253
Total expenditures	<u>9,400,703</u>	<u>5,649,743</u>	<u>-</u>	<u>15,050,446</u>
Excess of revenue over (under) expenditures	<u>(412,504)</u>	<u>178,004</u>	<u>50</u>	<u>(234,450)</u>
Other financing sources:				
Capitalized lease agreements		83,714		83,714
Total other financing sources	<u>-</u>	<u>83,714</u>	<u>-</u>	<u>83,714</u>
Excess of revenues and other sources over (under) expenditures	<u>(412,504)</u>	<u>261,718</u>	<u>50</u>	<u>(150,736)</u>
Beginning fund balances	<u>3,660,627</u>	<u>3,074,413</u>	<u>29,146</u>	<u>6,764,186</u>
Ending fund balances	<u>\$ 3,248,123</u>	<u>\$ 3,336,131</u>	<u>\$ 29,196</u>	<u>\$ 6,613,450</u>

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

ROGERS COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
-BUDGET AND ACTUAL-GENERAL AND SPECIAL REVENUE
(COUNTY HEALTH DEPARTMENT ONLY) FUNDS
FOR THE YEAR ENDED JUNE 30, 2001

	General			County Health Department		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balance, budgetary basis	\$ 2,413,479	\$ 2,457,086	\$ 43,607	\$ 426,416	\$ 430,587	\$ 4,171
Revenues:						
Ad valorem taxes	3,251,973	3,501,139	249,166	496,337	534,352	38,015
Sales tax	3,503,398	4,154,751	651,353			
Charges for services	572,926	618,551	45,625		102,303	102,303
Intergovernmental revenues	343,274	458,943	115,669		909	909
Miscellaneous revenues	82,728	175,021	92,293	116,408	13,195	(103,213)
Total revenues, budgetary basis	<u>7,754,299</u>	<u>8,908,405</u>	<u>1,154,106</u>	<u>612,745</u>	<u>650,759</u>	<u>38,014</u>
Expenditures:						
Current operating:						
General government	4,532,615	3,590,812	941,803			
Public safety	906,701	852,826	53,875			
Health and welfare	14,820	2,802	12,018	1,039,161	600,421	438,740
Education	109,532	92,274	17,258			
Roads and highways	4,604,110	4,467,394	136,716			
Total expenditures, budgetary basis	<u>10,167,778</u>	<u>9,006,108</u>	<u>1,161,670</u>	<u>1,039,161</u>	<u>600,421</u>	<u>438,740</u>
Excess of revenues, other sources, and beginning fund balance over expenditures and other uses	<u>\$ -</u>	<u>2,359,383</u>	<u>\$ 2,359,383</u>	<u>\$ -</u>	<u>480,925</u>	<u>\$ 480,925</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance						
Add: Ad valorem tax receivable		81,966			12,510	
Sales tax receivable		376,129				
Due from other governments		8,842				
Accrued interest		5,827				
Reserve for encumbrances		415,963				
Additional Reserves		<u>13</u>				
Ending Fund Balances		<u>\$ 3,248,123</u>			<u>\$ 493,435</u>	

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

ROGERS COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY -
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2001

	<u>Rogers County Criminal Justice Authority</u>
Revenues:	
Sales tax revenue	\$ 2,090,897
Interest Income	61,935
Total Revenues	<u>2,152,832</u>
Expenses:	
Sheriff's fund maintenance & operations	1,145,453
Professional fees	9,356
Interest expense	123,275
Maintenance & operation	26,616
Insurance	16,329
Amortization	60,872
Depreciation	177,570
Total Expenses	<u>1,559,471</u>
Excess of revenues over expenses	593,361
Fund equity at July 1, 2000	<u>5,407,871</u>
Fund equity at June 30, 2001	<u>\$ 6,001,232</u>

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

**ROGERS COUNTY, OKLAHOMA
STATEMENT OF CASH FLOWS -
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2001**

		<u>Rogers County Criminal Justice Authority</u>
Cash flows from operating activities:		
Excess of revenues over expenses		\$ 593,361
Adjustments to reconcile excess of revenues over expenditures to net cash provided by operating activities:		
Depreciation	\$ 177,570	
Amortization of bond issuance cost	16,244	
Amortization of bond discount	1,349	
Amortization of deferred amount on refunding	43,279	
Change in assets and liabilities:		
Decrease in accrued interest receivable	14,011	
Increase in sales tax receivable	(13,522)	
Increase in prepaid expenses	(111,168)	
Decrease in accounts payable	(621,329)	
Increase in accrued interest payable	83,991	
Total Adjustments	<u>(409,575)</u>	<u>(409,575)</u>
Net cash provided used by operations		<u>183,786</u>
Sale of U.S. Treasury investments	2,937,673	
Leasehold construction costs paid	(436,285)	
Purchased furniture & equipment	(172,883)	
Net cash provided by investing activities		<u>2,328,505</u>
Cash flows from capital financing activities:		<u>-</u>
Cash flows from non-capital financing activities:		
Increase in unamortized bond discount	(24,510)	
Increase in bond issuance cost	(295,094)	
Proceeds of refunding bonds issued	5,895,000	
Payment to refunded bond escrow agent	(9,526,034)	
Net cash used in non-capital financing activities		<u>(3,950,638)</u>
Net decrease in cash and cash equivalents		<u>(1,438,347)</u>
Cash and cash equivalents at June 30, 2000		<u>1,969,636</u>
Cash and cash equivalents at June 30, 2001		<u>\$ 531,289</u>
Interest paid during the year (capitalized)		<u>\$ 235,704</u>

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

Notes to the Financial Statements

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

In accordance with accounting principles generally accepted in the United States of America the financial statements of the reporting entity include those of Rogers County (the primary government) and its legally separate component unit.

Discretely Presented Component Unit

The component unit column in the combined financial statements includes the financial data of the County's discretely presented component unit. It is reported in a separate column to distinguish between the financial data of the primary government and those of the discretely presented component unit. The following component unit was included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organization.

Rogers County Criminal Justice Authority

The Rogers County Criminal Justice Authority (Authority) is a public trust created by a declaration of Trust dated May 1, 1997, pursuant to the laws of the State of Oklahoma, Title 60, Oklahoma statutes 1991, Sections 176-180.3, inclusive, and the Oklahoma Trust Act. The purpose of the Authority is to acquire and construct a county jail and/or other detention facilities within the territorial limits of Rogers County, Oklahoma and for providing and conducting criminal justice intervention and prevention programs.

Complete financial statements of this individual discretely presented component unit can be requested from the Rogers County Clerk's office at 219 S. Missouri, Claremore, Oklahoma 74017.

Summary of Significant Accounting Policies (continued)

Related Organizations Excluded from the Reporting Entity

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

Rogers County Industrial Development Authority
Rogers County Housing Finance Authority
Rogers County Health Facilities Authority
Rogers County Public Facilities Authority
Rogers County Exposition Trust Authority

B. Fund Accounting

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

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

Funds are classified into the following categories: governmental, proprietary, and fiduciary.

Governmental Funds

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

Proprietary Funds – Discretely Presented Component Unit

Proprietary funds are used to account for activities similar to those found in the private sector, when the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001**

Summary of Significant Accounting Policies (continued)

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) except for those that conflict with GASB pronouncement.

Proprietary Funds – Fund and Account Descriptions – Rogers County Criminal Justice Authority

Cost of Issuance Fund: Monies in the Cost of Issuance Fund are to be used to pay the costs of issuance of the Series 2001 Bonds and to pay the bond issuance policy premium.

Bond Service Reserve Account: The Bond Service Reserve Account was established and maintained by funds received from the proceeds of the sale of bonds and periodic payments to such fund as accrued from revenues of the Authority. The balance of the Bond Service Account at June 30, 2001, was \$205,542, which consisted of investments in U.S. Treasury obligations.

Bond Interest Account: The Bond Interest Account was established to account for the accrued interest from the sale of the bonds and to segregate interest earned from bond proceeds. The balance of the Bond Interest Account at June 30, 2001, was \$124,054, which consisted of investments in U.S. Treasury obligations.

Rebate Fund: The Rebate Fund was established to pay any rebate cost associated with the Series 1997 Bonds. The balance of the Rebate Fund at June 30, 2001, was \$23,873, which consisted of investments in U.S. Treasury obligations.

Reserve and Contingency Fund: The Authority may establish pursuant to its annual budget a reserve and contingency fund requirement. No amounts have been established as of June 30, 2001.

Prepaid Sheriff's Fund: Prepaid sheriff's fund consists of operation, maintenance and administration expenses for the Criminal Justice System that were approved by the annual budget for the year ended June 30, 2002.

Fiduciary Funds

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

Summary of Significant Accounting Policies (continued)

Account Groups

General Fixed Assets Account Group (GFAAG) - Generally accepted accounting principles (GAAP) require that those fixed assets of a government not reported in a proprietary fund or a trust fund be reported in a general fixed assets account group (GFAAG). This account group is not a fund. It does not have a balance sheet as such, nor does it report operations. Instead, the GFAAG serves as a list of the government's fixed assets and is designed to ensure accountability.

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

C. Measurement Focus and Basis of Accounting

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

All proprietary funds (discretely presented component unit) are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is utilized by proprietary fund types (discretely presented component unit). Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The modified-accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified-accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available).

Summary of Significant Accounting Policies (continued)

“Measurable” means the amount of the transaction can be quantified, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if collected within 60 days after year-end. Expenditures are recorded when incurred and the related fund liability is expected to be paid from available spendable resources.

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

D. Budgetary Policies and Procedures

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

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

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

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue (County Health Department only) Funds presents comparisons of the legally adopted budget with actual data. The “actual” data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

Summary of Significant Accounting Policies (continued)

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, 2001.

F. Receivables

All receivables are reported at their gross value.

G. Interest Receivable

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

H. Fixed Assets

Primary Government

While the County presently maintains some individual records of personal property, it does not keep similar records for land, buildings, and improvements. For this reason, a Statement of General Fixed Assets, required by generally accepted accounting principles, is not presented on the Combined Balance Sheet - All Fund Types and Account Group.

Discretely Presented Component Unit

Leasehold improvements in progress

As of June 30, 2001, leasehold improvement costs included the acquisitions of land and design costs. Also included are interest costs net of investment earnings during construction and the amortization expense of bond issuance costs and bond discount.

Property and Equipment

Property and equipment are stated at cost and include expenditures for major renewals and betterment. Repairs and maintenance are expenses as incurred.

The Authority depreciates the cost less estimated residual value of property assets over the following useful lives.

	<u>Method</u>	<u>Years</u>
Leasehold improvements	Straight-line	15-40
Furniture & equipment	Straight-line	5-15
Automobiles	Straight-line	5

Summary of Significant Accounting Policies (continued)

I. Risk Management

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

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Errors and Omissions - Law Enforcement - Vehicle	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage
Health and Life - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of risk.	None.

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. No significant reductions in insurance coverage occurred during the fiscal year ended June 30, 2001.

J. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and may be accumulated. In management's opinion, the amount of accumulated unpaid vacation benefits is not material to the financial statements for the fiscal year ending June 30, 2001.

Summary of Significant Accounting Policies (continued)

The County does not accumulate sick leave. An employee earns up to 10 days per year and may accumulate up to 60 days. When more than 60 days are accumulated, the amount over 60 is put into a sick leave bank and will be used by the employee for retirement purposes only. There is no history of sick leave usage from which to project future usage; hence, no liability for such has been recorded.

K. Bond Issuance Costs – Discretely Presented Component Unit

Costs related to issuance of the Refunding Series 2001 First Mortgage Sales Tax Revenue Bond consist of legal expenses and other related fees. Total costs of \$295,094 are being amortized on a straight-line basis over the term of the bond. The amount of \$16,244 has been amortized to date.

L. Memorandum Only - Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows (proprietary fund) in conformity with accounting principles generally accepted in the United States of America.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Account Balances

A. Deposits

Title 62 O.S. 1996 Supp., § 348.1 authorizes the County Treasurer to invest in:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- General-obligation 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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001**

Detailed Notes on Account Balances (continued)

At year-end, the carrying amount of the County's deposits was \$9,390,804 and the bank balance was \$10,023,911. 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.

The cash balance of Rogers County Criminal Justice Authority at June 30, 2001, was \$531,289. This balance was secured by federal depository insurance or by collateral held by the pledging bank in the County's name.

Primary government cash	\$9,390,804
Funds held by the Criminal Justice Authority	<u>531,289</u>
Total cash	<u>\$9,922,093</u>

Discretely Presented Component Unit

The total investments maintained by the Rogers County Criminal Justice Authority at June 30, 2001, of \$356,975 are held in U.S. Treasury funds. The bond indenture limits the Authority's investment in securities as follows:

1. Cash (insured at all times by FDIC insurance or otherwise collateralized with obligations described in (2) or
2. Direct obligations of the Department of the Treasury of the United States.
3. Obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including:
 - Farmers Home Administration;
 - General Services Administration;
 - U.S. Maritime Administration;
 - Government National Mortgage Association;
 - U.S. Department of Housing & Urban Development
 - Federal Housing Administration
 - Bonds, notes, or other evidence of indebtedness;
 - Investments in money market funds;
 - Pre-refunded Municipal obligations;
 - Repurchase Agreements with banks;
 - Certificates of deposits issued by any bank or trust company;
 - Obligations of or investment contracts with any national or state banking institution or any other qualified institution.

Detailed Notes on Account Balances (continued)

B. Receivables

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

The net assessed property value as of January 1, 2000, was approximately \$354,526,337. The County levied 10.09 mills for general fund operations, 1.54 mills for the County Health Department, and .154 mills for Free Fair Board. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions the ad valorem taxes collected to the appropriate taxing units.

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, 2001, were approximately 96 percent of the tax levy.

C. Pension Plan

Plan Description. Rogers 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.

ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

Detailed Notes on Account Balances (continued)

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation, which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributed between 5% and 10% of earned compensation for fiscal year 2001. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributed 10% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2001, 2000, and 1999, were \$488,599, \$412,579, and \$473,592, respectively, equal to the required contributions for each year.

D. Lease Agreement – Discretely Presented Component Unit

The Criminal Justice Authority has entered into a lease agreement with the Rogers County Board of Commissioners of Rogers County, Oklahoma, and the Authority has agreed to build certain improvements on a portion of such property and to use the 1/3% County Sales Tax proceeds received by the Authority for the payment of costs of construction of such improvements, payment of any indebtedness incurred by or on behalf of the Rogers County Board of Commissioners by the Authority and to pay for the operation and maintenance expenses of the criminal justice system.

The lease term is from June 1, 1997 to May 31, 2017, and continued thereafter if any indebtedness incurred by the Authority and secured by the leased property or its revenues remains unpaid.

E. Operating Leases

The government is committed under various operating leases for road machinery and equipment. Lease expenditures for the year ended June 30, 2001, amounted to \$172,180. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2002	\$224,280
2003	224,280
Thereafter	<u>132,720</u>
Total	<u>\$581,280</u>

ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

Detailed Notes on Account Balances (continued)

E. Capital Leases

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

Providing all capital leases are renewed each year by resolution of the Board of County Commissioners, minimum lease commitments under capitalized lease-purchase agreements as of June 30, 2001, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$83,714	\$ 0	\$ 83,714
2003	0	0	0
2004	0	0	0
2005	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$83,714</u>	<u>\$ 0</u>	<u>\$ 83,714</u>

During the year, the County capitalized leases totaling \$83,714.

F. Long-Term Debt

Defeasance of Debt

On January 1, 2001, the Authority issued \$5,895,000 Refunding Series 2001 First Mortgage Sales Tax Revenue Bonds with an average interest rate of 4.16 percent to advance refund \$9,115,000 of outstanding Series 1997 First Mortgage Sales Tax Revenue Bonds with an average interest rate of 5.09 percent. The net proceeds of \$5,572,052 (after payment of \$322,948 in underwriting fees, insurance, and other issuance costs) plus an additional \$3,953,982 of Series 1997 bond fund monies were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1997 Bonds.

As a result, the Series 1997 Bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001**

Detailed Notes on Account Balances (continued)

The Authority advance refunded the Series 1997 Bonds to reduce its total debt service payments over the next 15 years by almost \$2.5 million which resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) of almost \$540,000.

Revenue Bonds – Discretely Presented Component Unit

On January 1, 2001, the Board of Trustees of the Authority approved a Bond Trust Indenture between the Authority and Bank of Oklahoma, National Association providing for issuance of the Rogers County Criminal Justice Authority First Mortgage Sales Tax Revenue Bonds, Refunding Series 2001 in the aggregate principal amount of \$5,895,000.

The proceeds of the Refunding Series 2001 Bonds were used as follows:

1. To pay the related costs of issuance.
2. To establish and create an irrevocable escrow trust fund known as “Rogers County Criminal Justice Authority First Mortgage Sales Revenue Bonds, Series 1997 Escrow Trust Fund” used for the sole purpose of satisfying scheduled payments of both interest and principal on the Series 1997 Bonds.

The Series 2001 bonds shall mature and bear interest at the rates as follows:

<u>Date Maturing</u>	<u>Interest Rate (Per Annum)</u>	<u>Amount Maturing</u>
1/1/2002	3.95%	450,000
1/1/2003	4.05%	540,000
1/1/2004	4.10%	580,000
1/1/2005	4.10%	615,000
1/1/2006	4.15%	650,000
1/1/2007	4.20%	695,000
1/1/2008	4.25%	740,000
1/1/2009	4.30%	785,000
1/1/2010	4.35%	<u>840,000</u>
Bonds outstanding		5,895,000
Less: unamortized bond discount and deferred amount on refunding		<u>(766,118)</u>
Balance as of June 30, 2001		<u>\$5,128,882</u>

Interest on the Bonds shall be computed on the basis of a three hundred sixty (360) day year, consisting of twelve (12) thirty (30) day months.

Interest on the 2001 Bonds is due semi-annually on January 1 and July 1, each year until maturity. At June 30, 2001, accrued interest payable is \$123,275.

ROGERS COUNTY, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2001

Detailed Notes on Account Balances (continued)

Revenues generated from a 1/3% County sales tax approved by Rogers County voters effective May 1, 1997, will be used for repayment of bonds.

The \$24,510 discount from the sale of the Series 2001 bonds is amortized using the straight-line method over the term of the bond. The deferred amount on refunding the Series 1997 Bond of \$786,236 is amortized using the straight-line method over the term of the Series 2001 bonds.

Bond issue costs related to issuance of the Refunding Series 2001 First Mortgage Sales Tax Revenue Bond consist of legal expenses and other fees. Total costs of \$295,094 are being amortized on a straight-line basis over the term of the bond.

Changes in Long-Term Debt – Primary Government

During the year ended June 30, 2001, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2001</u>
Capital Leases	\$ <u>0</u>	\$ <u>83,714</u>	\$ <u>0</u>	\$ <u>83,714</u>
Total	\$ <u>0</u>	\$ <u>83,714</u>	\$ <u>0</u>	\$ <u>83,714</u>

G. Fund Equity

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

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

H. Sales Tax

The voters of Rogers County approved an extension of a 1% sales tax effective March 10, 1998. This sales tax will expire in 2003. The sales tax was established to provide revenue for the construction, operation, and maintenance of the county road and bridge system.

ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

Detailed Notes on Account Balances (continued)

The voters of Rogers County approved a ½% sales tax effective May 1, 1997, continuing thereafter, but reducing to 1/3% by 2015 or by the date of the payment of all indebtedness. The sales tax was established to provide revenue for acquiring a site and erecting, furnishing, equipping, operating, and maintaining a county jail.

Upon establishing the Rogers County Criminal Justice Authority, sales tax revenue received by Rogers County is paid to the Criminal Justice Authority who maintains responsibility for the administration of such revenue for operating and maintaining the county jail.

The following is a summary of the sales tax revenue and how it was appropriated to the Highway Department and paid to the Rogers County Criminal Justice Authority for the fiscal year ended June 30, 2001:

Roads and Bridges	\$4,154,750
Jail (RCCJA)	<u>2,077,375</u>
TOTAL	<u>\$6,232,126</u>

I. Fuel Taxes

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

4. Contingent Liabilities

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

The government is a defendant in various lawsuits. The government attorney is unaware of any potential or pending legal action against Rogers County, which would have a material adverse effect on the financial condition of the government.

ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

5. Related Party Transactions

The County has entered into a lease agreement with the Criminal Justice Authority. The Board of County Commissioners also serves on the Board of the Criminal Justice Authority. The Authority has agreed to build improvements and use sales tax proceeds to pay for the construction and/or indebtedness of the criminal justice system.

Schedule of Expenditures of Federal Awards

ROGERS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed through Oklahoma Civil Emergency Management:			
Public Assistance Grant	83.544	-	\$ 316,575
Hazard Mitigation Grant	83.548	-	<u>130,000</u>
Total Federal Emergency Management Agency			\$ <u>446,575</u>
 <u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed through Oklahoma Department of Commerce			
Community Development Block Grant (CDBG) Port of Catoosa	14.228	-	<u>250,000</u>
Total U.S. Dept. of Housing & Urban Development			\$ <u>250,000</u>
Total Expenditures of Federal Awards			<u>\$ 696,575</u>

**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

OKLAHOMA CITY

CLIFTON H. SCOTT
State Auditor and Inspector

2300 N. Lincoln Blvd.
100 State Capitol
Oklahoma City, OK 73105-4896
405/521-3495

**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
ROGERS COUNTY, OKLAHOMA

We have audited the financial statements of Rogers County, Oklahoma, as of and for the year ended June 30, 2001, and have issued our report thereon dated June 26, 2002. We did not audit the financial statements of the Rogers County Criminal Justice Authority, which represents 100% of the assets and 100% of the revenues of the discretely presented component unit column. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for that component unit column, is based on the reports of the other auditors. 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. We qualified our opinion because the general fixed assets account group was not included in the general-purpose financial statements.

Compliance

As part of obtaining reasonable assurance about whether Rogers County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rogers County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-1, 98-2, 2000-01, and 2001-01.

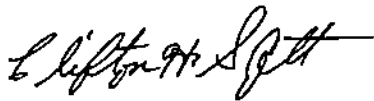
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 98-1 and 98-2 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,



CLIFTON H. SCOTT
State Auditor and Inspector

June 26, 2002

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR
OKLAHOMA CITY

CLIFTON H. SCOTT
State Auditor and Inspector

2300 N. Lincoln Blvd.
100 State Capitol
Oklahoma City, OK 73105-4896
405/521-3495

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

TO THE OFFICERS OF
ROGERS COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Rogers 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, 2001. Rogers 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 Rogers County's management. Our responsibility is to express an opinion on Rogers County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rogers 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 Rogers County's compliance with those requirements.

In our opinion, Rogers County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of Rogers 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 Rogers 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 the internal control over compliance in accordance with OMB Circular A-133.

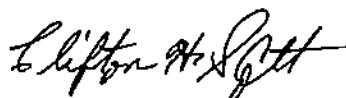
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the 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:

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Sincerely,



CLIFTON H. SCOTT
State Auditor and Inspector

June 26, 2002

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001**

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:.....QUALIFIED

Internal Control over financial reporting:

- ❖ Material weakness(es) identified? YES
- ❖ Reportable condition(s) identified that are not considered to be material weakness(es)?..... 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 auditors report issued on compliance for major programs: UNQUALIFIED

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

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
83.544	Public Assistance Grant
83.548	Hazard Mitigation Grant

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

Auditee qualified as low-risk auditee? NO

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001**

SECTION II – Financial Statement Findings

Finding 98-1 (Repeat Finding)

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

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

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

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

Management's Corrective Action Plan -

Contact Persons: Gerry Payne, Bill Graves and Kenneth Crutchfield, Commissioners

Anticipated Completion Date: Not Applicable

Corrective Action Planned: We agree that cost values and control totals are required by accounting principals generally accepted in the United States of America; however, we do not believe the statutes require such information. We may not have the time to accumulate the information needed during the next year. During the current fiscal year, we will attempt to update the inventory records required by 19 O.S. 1991, § 178.1, which includes an inventory card for each item with a complete description of the item, serial number, and location.

Finding 98-2 (Repeat Finding)

Criteria: The overall goal of accounting principles generally accepted in the United States of America as they relate to governmental entities is to demonstrate accountability and stewardship in management's accounting for funds. To ensure proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

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

Cause: This lack of segregation of duties is caused by the limited number of employees.

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

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001**

Recommendation: Management should be aware of these conditions and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of County operations and periodic review of those operations.

Management's Corrective Action Plan -

Contact Person: Gerry Payne, Bill Graves, and Kenneth Crutchfield, Commissioners

Anticipated Completion Date: Not applicable

Corrective Action Planned: We agree the duties of receiving, receipting, recording, and depositing cash and checks should be segregated. The County acknowledges this condition and understands the risks associated with it. Due to budgetary limitations, creating such an environment would not be cost effective. Management is aware of County operations and will be making periodic reviews of those operations.

Finding 2000-01 (Repeat Finding)

Criteria: The overall goal of accounting principles generally accepted in the United States of America for governmental entities is to demonstrate accountability and stewardship to be used in evaluating management's accounting for funds. 62 O.S. 1999 Supp., § 310.98, requires that every invoice submitted for payment of an architect, contractor, engineer, or supplier of materials of \$1,000.00 or more be accompanied by sworn statement of non-collusion.

Condition: During our test work for expenditures, we noted several instances where expenditures of \$1,000.00 or more did not have a non-collusion affidavit on file with the County Clerk's office as required by state statutes.

Effect: This condition results in noncompliance with state statutes and could result in the misappropriation of funds.

Recommendation: We recommend that invoices of \$1,000.00 or more will not be paid unless an affidavit of non-collusion is on file.

Management's Corrective Action Plan -

Contact Person: Andrea Willis, County Clerk

Anticipated Completion Date: Immediately

Corrective Action Planned: All invoices of \$1,000.00 or more will not be paid unless an affidavit of non-collusion is on file.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001**

Finding 2001-01

Criteria: 19 O.S. 2001 § 1505 B.2, requires that the County Clerk certify the notice of bids ten days prior to the bid opening date.

Condition: During our test work for expenditures, we noted one of eight instances in which the notice of bid was not certified to the vendors ten days prior to the opening of bids.

Effect: This condition results in noncompliance with state statutes.

Recommendation: We recommend that all bid notices be certified to the vendors ten days prior to the opening of bids.

Management's Corrective Action Plan -

Contact Person: Andrea Willis, County Clerk

Anticipated Completion Date: Immediately

Corrective Action Planned: All bid notices will be certified to the vendors ten days prior to the opening of the bid.