

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 23, 2003

TO THE CITIZENS OF
SEMINOLE COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

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

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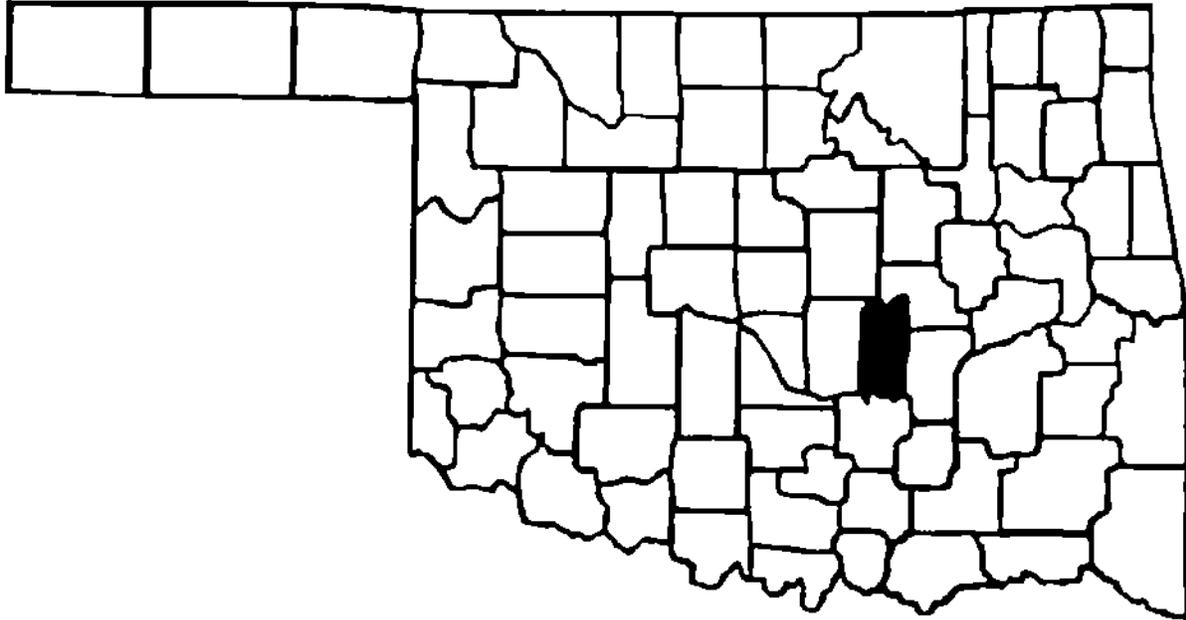
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REPORT TO THE CITIZENS
OF
SEMINOLE COUNTY, OKLAHOMA



Taking its name from a Creek word meaning “runaway” or “those who camp at a distance,” this county was originally part of the Seminole Nation, Indian Territory. As a result of a treaty with the Creeks in 1856, the Seminoles received an estimated 2,169,080 acres of land in the Indian Territory where they could establish their own government and laws. They were the last of the Five Civilized Tribes to organize their government in this region.

Although oil exploration began near Wewoka as early as 1902, it was not until 1923 and the discovery of the Greater Seminole field that the county experienced an economic boom. By September 1929, this became the premier high-gravity oil field in the United States. Now, agriculture and manufacturing also contribute to the economy.

Businesses engaged in the production of clothing, oil field chemicals and tanks, and air blasting equipment are located in this area. Seminole State College continues the tradition first exemplified by the founding of the Mekasukey Academy for Seminole boys in 1891 and the Emahaka Boarding School for Seminole girls in 1893.

Sources of recreational activities include area lakes, as well as public golf courses in Seminole and Wewoka. For more information, call the county clerk’s office at 405/257-2501.

County Seat – Wewoka

Area – 632.5 Square Miles

County Population – 24,546
(1999 est.)

Farms – 1,018

Land in Farms – 277,535 Acres

Source: Oklahoma Almanac 2001 - 2002
See independent auditor’s report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR

Sharon Butler
(D) Wewoka

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

Tim Anderson
(D) Wewoka

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

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

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

BOARD OF COUNTY COMMISSIONERS

DISTRICT #1
Herb Williams
(D) Seminole

DISTRICT #2
Orvel Malone
(D) Seminole

DISTRICT #3
Ray Stafford
(D) Wewoka

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

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

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF

Joe Craig
(D) Seminole

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

Jim Hardin
(D) Seminole

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

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Darla Blocker
(D) Seminole

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
Bill Peterson
(D) Ada

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

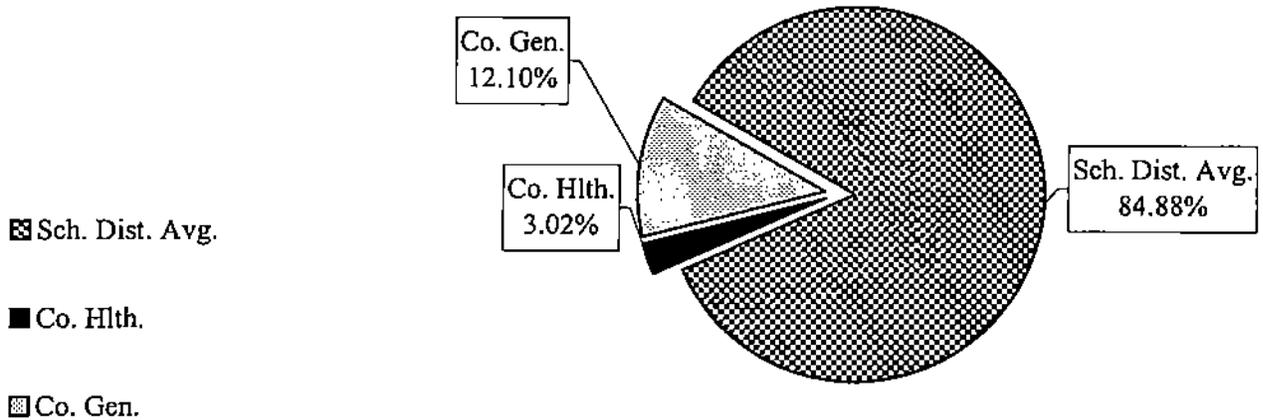
Joseph Cully
(D) Konawa

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
SEMINOLE COUNTY, OKLAHOMA
SHARE OF THE AVERAGE MILLAGE**

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



<u>County-Wide Millages:</u>		<u>School District Millages:</u>						
			<u>Gen.</u>	<u>Bldg.</u>	<u>Skp.</u>	<u>Vo-Tech</u>	<u>Common</u>	<u>Total</u>
Co. General Fund	10.44	I-1 Seminole	36.17	5.17	17.10	15.75	4.18	78.37
Co. Health	2.61	I-2 Wewoka	36.99	5.28	8.15	15.75	4.18	70.35
		I-3 Bowlegs	37.57	5.37	18.83	15.75	4.18	81.70
		I-4 Konawa	35.45	5.06	14.34		4.18	59.03
<u>Cities Sinking</u>		I-5 Pl Grove	37.83	5.40		15.75	4.18	63.16
		I-6 New Lima	37.59	5.37	20.39	15.75	4.18	83.28
Seminole	12.99	I-7 Varnum	38.33	5.48		15.75	4.18	63.74
Wewoka	15.56	I-10 Sasakwa	37.91	5.42	15.82	12.83	4.18	76.16
Konawa	20.61	I-14 Strother	39.28	5.61	9.41	15.75	4.18	74.23
		I-15 Butner	38.11	5.44	15.20	15.75	4.18	78.68
		I-54 Justice	38.16	5.45		15.75	4.18	63.54
		I-117 Maud	37.83	5.40	23.63	15.75	4.18	86.79

See independent auditor's report.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
SEMINOLE COUNTY, OKLAHOMA

We have audited the accompanying general-purpose financial statements of Seminole County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of Seminole County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

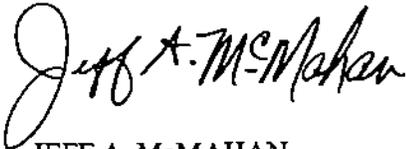
As explained in Note 1(I), the general-purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in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

In our opinion, 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 Seminole County, Oklahoma, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2003, on our consideration of Seminole County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Seminole County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the 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,

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

JEFF A. McMAHAN
State Auditor and Inspector

June 16, 2003

General-Purpose Financial Statements

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Group</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	<u>General Long-Term Debt</u>	
ASSETS					
Cash	\$ 412,951	\$ 2,181,972	\$ 1,732,381	\$ -	\$ 4,327,304
Ad valorem taxes receivable	25,514	6,379	192,827	-	224,720
Sales tax receivable	-	50,950	-	-	50,950
Due from other governments	3,318	217,607	11,353	-	232,278
Accrued interest receivable	4,476	1,243	77	-	5,796
Consumable inventory	-	68,991	-	-	68,991
Amount to be provided for capitalized lease agreements	-	-	-	1,282,057	1,282,057
Total assets	\$ 446,259	\$ 2,527,142	\$ 1,936,638	\$ 1,282,057	\$ 6,192,096
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	\$ 81,283	\$ 212,330	\$ -	\$ -	\$ 293,613
Accounts payable	19,457	124,271	-	-	143,728
Due to other taxing units	-	-	1,536,236	-	1,536,236
Due to others	-	-	400,402	-	400,402
Capitalized lease obligations payable	-	-	-	1,282,057	1,282,057
Total liabilities	100,740	336,601	1,936,638	1,282,057	3,656,036
Fund balances:					
Reserved for consumable inventory	-	68,991	-	-	68,991
Reserved for encumbrances	841	17,158	-	-	17,999
Unreserved:					
Undesignated	344,678	2,104,392	-	-	2,449,070
Total fund balances	345,519	2,190,541	-	-	2,536,060
Total liabilities and fund balances	\$ 446,259	\$ 2,527,142	\$ 1,936,638	\$ 1,282,057	\$ 6,192,096

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

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

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Revenues:			
Ad valorem taxes	\$ 931,219	\$ 232,806	\$ 1,164,025
Sales tax		736,572	736,572
Charges for services	116,587	396,992	513,579
Intergovernmental revenues	39,697	2,797,299	2,836,996
Miscellaneous revenues	321,956	409,111	731,067
Total revenues	<u>1,409,459</u>	<u>4,572,780</u>	<u>5,982,239</u>
Expenditures:			
Current operating:			
General government	1,195,760	945,431	2,141,191
Public safety	289,630	1,045,630	1,335,260
Education	74,695		74,695
Culture and recreation	8,346		8,346
Health and welfare		233,573	233,573
Roads and highways	23,788	3,219,039	3,242,827
Total expenditures	<u>1,592,219</u>	<u>5,443,673</u>	<u>7,035,892</u>
Excess of revenues over (under) expenditures	<u>(182,760)</u>	<u>(870,893)</u>	<u>(1,053,653)</u>
Other financing sources (uses):			
Capitalized lease agreements		456,504	456,504
Total other financing sources (uses)	<u>-</u>	<u>456,504</u>	<u>456,504</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(182,760)</u>	<u>(414,389)</u>	<u>(597,149)</u>
Beginning fund balances	<u>528,279</u>	<u>2,604,930</u>	<u>3,133,209</u>
Ending fund balances	<u>\$ 345,519</u>	<u>\$ 2,190,541</u>	<u>\$ 2,536,060</u>

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

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

	General			Special Revenue Funds County Health Department		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 485,418	\$ 492,723	\$ 7,305	\$ 342,104	\$ 347,608	\$ 5,504
Revenues:						
Ad valorem taxes	844,451	929,093	84,642	211,113	232,274	21,161
Charges for services	131,939	116,587	(15,352)			
Intergovernmental revenues	215,806	39,944	(175,862)		3,098	3,098
Miscellaneous revenues	117,437	327,733	210,296	16,391	21,629	5,238
Total revenues, budgetary basis	<u>1,309,633</u>	<u>1,413,357</u>	<u>103,724</u>	<u>227,504</u>	<u>257,001</u>	<u>29,497</u>
Expenditures:						
Current operating:						
General government	1,387,501	1,198,322	189,179			
Public safety	295,289	289,630	5,659			
Education	78,768	74,846	3,922			
Culture and recreation	8,800	8,184	616			
Health and welfare				569,608	243,405	326,203
Roads and highways	24,693	23,728	965			
Total expenditures, budgetary basis	<u>1,795,051</u>	<u>1,594,710</u>	<u>200,341</u>	<u>569,608</u>	<u>243,405</u>	<u>326,203</u>
Excess of revenues and beginning fund balances over (under) expenditures, budgetary basis	<u>\$ -</u>	<u>311,370</u>	<u>\$ 311,370</u>	<u>\$ -</u>	<u>361,204</u>	<u>\$ 361,204</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem taxes receivable		25,514			6,379	
Accrued interest receivable		4,476			732	
Due from other governments		3,318				
Reserved for encumbrances		841			9,431	
Ending fund balances		<u>\$ 345,519</u>			<u>\$ 377,746</u>	

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

In accordance with accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of Seminole County (the primary government) and its legally separate component units. The County has no component units.

Related Organizations Excluded from the Reporting Entity

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

Seminole Economic Development Council

B. Fund Accounting

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

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

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

Summary of Significant Accounting Policies (continued)

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 the activities of the general government not accounted for in some other fund.

Fiduciary Funds

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

Account Groups

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

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

C. Measurement Focus and Basis of Accounting

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

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

Summary of Significant Accounting Policies (continued)

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

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

D. Budgetary Policies and Procedures

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

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

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

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

E. Cash

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

Summary of Significant Accounting Policies (continued)

F. Receivables

All receivables are reported at their gross value.

G. Interest Receivable

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

H. Inventories

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

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

I. Fixed Assets

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

J. Risk Management

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

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

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

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insured Fund. (See ACCO-SIF.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of risk.	None

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

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

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

K. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and may be accumulated. Management feels that any accumulated unpaid vacation benefits are not material to the financial statements for the fiscal year ending June 30, 2002.

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

Summary of Significant Accounting Policies (continued)

All full-time Seminole County employees shall be entitled to annual leave that is accrued on an annual basis in accordance with the schedule outlined below:

ACCRUAL RATES

<u>Years of Service</u>	<u>Annual Leave</u>
1-5 years	80 hours
Over 5 years	120 hours

The County does not record any liability for sick leave. An employee earns up to 12 days per year and may accumulate up to 60 days. There is no history of sick leave usage from which to project future usage; hence, no liability for such has been recorded. Such an amount, if recorded, would not be material to the financial statements.

L. Long-Term Obligations

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

M. Memorandum Only - Total Columns

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

N. Grant Revenue

Revenues from federal grants are recognized when expenditures are incurred.

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

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

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

A. Deposits

At year-end, the carrying amount of the County's deposits was \$4,327,304 and the bank balance was \$4,767,113. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

B. Receivables

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

The net assessed property value as of January 1, 2001, was \$88,974,753.

The County levied 10.44 mills for general fund operations and 2.61 mills for the county health department. 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, 2002, were approximately 95 percent of the tax levy.

Detailed Notes on Account Balances (continued)

C. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2000, 2001, and 2002, were \$161,011, \$192,208, and \$234,236, respectively, equal to the required contributions for each year.

D. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired. Oklahoma Statutes prohibit the County from entering into contracts of this nature longer than one year. For this reason, these lease-purchase agreements do not qualify for capitalization until the year the lease-purchase agreements are completed and title to the equipment is transferred to the County. However, it is the County's intent to exercise its right to purchase this property; accordingly, the lease-purchase agreements have been capitalized to conform with accounting principles generally accepted in the United States of America. The unpaid portions of these agreements have been reflected as capitalized lease obligations within the general long-term debt account group.

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

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

Detailed Notes on Account Balances (continued)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 381,464	\$33,408	\$ 414,872
2004	355,384	22,944	378,328
2005	271,099	12,791	283,890
2006	135,426	4,842	140,268
2007	72,969	1,913	74,882
2008-2009	65,715	1,972	67,687
Total	<u>\$1,282,057</u>	<u>\$77,870</u>	<u>\$1,359,927</u>

During the year, the County capitalized leases totaling \$456,504 and paid \$351,219 on the outstanding balances of lease-purchase agreements.

E. Long-Term Debt

Changes in Long-Term Liabilities

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

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2002</u>
Capital leases	<u>\$1,176,772</u>	<u>\$456,504</u>	<u>\$351,219</u>	<u>\$1,282,057</u>
Total	<u>\$1,176,772</u>	<u>\$456,504</u>	<u>\$351,219</u>	<u>\$1,282,057</u>

F. Fund Balance

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.

Detailed Notes on Account Balances (continued)

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

G. Sales Tax

On August 22, 2000, the Seminole County voters approved a ½ of one percent sales tax for a period of five years to begin September 1, 2000. Proceeds of the tax are designated as follows:

60% - County road fund for repair or replacement of county roads, bridges, and equipment.

20% - County sheriff

20% - County general government for maintenance and operations on county property and operating expenses.

H. Fuel Taxes

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

4. Contingent Liabilities

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

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

Supplementary Schedule

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grant	14.228	9176 CDBG-99	\$ 172,482
Community Development Block Grant	14.228		3,350
Total U.S. Department of Housing and Urban Development			<u>175,832</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through District Attorney Council:			
Violence Against Women Formula Grants	16.588	V01-329	14,790
Violence Against Women Formula Grants	16.588	V00-240	24,672
Violence Against Women Formula Grants	16.588	V01-302	6,974
Direct Grant:			
Grants to Encourage Arrest Policies	16.590	97-WEVX0092	407,144
Local Law Enforcement Block Grant	16.592	2001-LB-BX-3630	5,000
Local Law Enforcement Block Grant	16.592	2001-LB-BX-0554	5,000
Community Oriented Policing Services (COPS)	16.710	2000SHW0284	121,127
Community Oriented Policing Services (COPS in School)	16.710	98UWX2593	38,636
Total U.S. Department of Justice			<u>623,343</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through Bureau of Indian Affairs:			
Highway planning and construction	20.205		50,400
Total U.S. Department of Transportation			<u>50,400</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma State Department of Civil Emergency Management:			
Public Assistance Grants	83.544		289,874
Hazard Mitigation	83.548		4,720
Total Federal Emergency Management Agency			<u>294,594</u>
Total Expenditures of Federal Awards			<u>\$ 1,144,169</u>

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

Basis of Presentation

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

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
SEMINOLE COUNTY, OKLAHOMA

We have audited the financial statements of Seminole County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated June 16, 2003. We qualified our opinion because the general fixed assets account group was not included in the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Seminole 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 Seminole 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 condition is described in the accompanying Schedule of Findings and Questioned Costs as item 97-1.

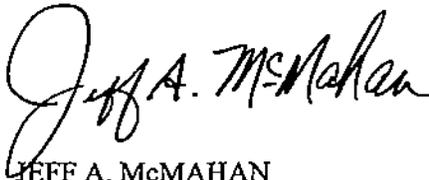
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 97-1 to be a material weakness.

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

June 16, 2003

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
SEMINOLE COUNTY, OKLAHOMA

We have audited the compliance of Seminole County, Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. Seminole 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 Seminole County's management. Our responsibility is to express an opinion on Seminole County's compliance based on our audit.

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

In our opinion, Seminole County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2002-1, 2002-2, 2002-3, and 2002-4.

Internal Control Over Compliance

The management of Seminole 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 Seminole County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

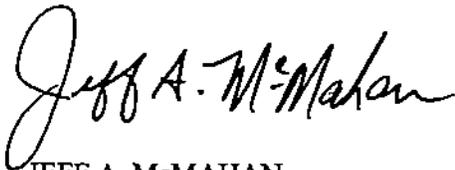
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively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

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

June 16, 2003

Schedule of Findings and Questioned Costs

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

SECTION 1 - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
16.590	Grants to Encourage Arrest Policies

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

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

SECTION 2 - Financial Statement Findings

Finding 97-1 - General Fixed Assets

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

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

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

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

SECTION 3 – Federal Award Findings and Questioned Costs

Finding 2002-1, 2002-2, 2002-3, and 2002-4, are directly related to the "Grant to Encourage Arrest Policies," CFDA #16.590. This grant was administered for Seminole County by the 22nd Judicial District Court (District). These findings are presented with the County audit and addressed to the Board of County Commissioners because Seminole County was the grantee.

Finding 2002-1-Cash Management

Federal Program: Grants to Encourage Arrest Policies, CFDA #16.590

Funding Agency: U.S. Department of Justice

Criteria: Treasury regulations as codified in 31 CFR 205 require recipients to follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursements.

Condition: During testwork it was noted that excess cash was on hand during the audit period.

Effect: Noncompliance with a program requirement.

Recommendation: As the grantee, the County should require the District to establish procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

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

Finding 2002-2-Allowable Costs/Allowable Activities

Federal Program: Grants to Encourage Arrest Policies, CFDA #16.590

Funding Agency: U.S. Department of Justice

Criteria: OMB Circular A-102 Subpart D, § .52(a) states, "Any funds paid to a grantee in excess of the amount to which the grantee is finally determined to be entitled under the terms of the award constitute a debt to the federal government."

Condition: During testwork it was noted that the Judicial District paid the Phoenix House for substance abuse treatment \$12,500 in monthly payments. During a review of monitoring visits we noted that the Department of Justice stated these payments were for rent and were not included in the approved award, and should be promptly returned to the Office of Justice Programs. In addition, it was noted that the Phoenix House refunded the sum of \$12,500 back to the District Court on September 26, 2002. Per a review of supporting documentation it was noted that the District Court used the funds for operating expenses and did not return the monies to the Office of Justice Programs as instructed.

Effect: Noncompliance with a program requirement. We have questioned the \$12,500.

Recommendation: We recommend that all disallowed expenditures be promptly returned to the Office of Justice Programs.

Finding 2002-3-Procurement

Federal Program: Grants to Encourage Arrest Policies, CFDA #16.590

Funding Agency: U.S. Department of Justice

Criteria: OMB Circular A-102 Common Rule, Subpart C, § .36, requires grantee's to use their own procurement procedure of federal funds. The County procurement procedures are coded in 19 O.S. 2001, § 1500-1505; 62 O.S. 2001, § 310.9; 19 O.S. 2001, § 163; and 74 O.S. 2001, § 3109.

Condition: The following exceptions to purchasing laws were noted:

- Travel claims were not properly itemized
- Lodging and per diem rates exceeded the maximum allowed
- An American Express card is being used for travel expense
- Employees were reimbursed for expenses
- Several claims did not have an itemized invoice attached
- Contracts are not used to define the services to be provided
- Employee time sheets do not adequately document the time charged to the grant

Effect: Noncompliance with procurement procedures.

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

Recommendation: As the grantee, the County should require the District to adhere to all purchasing procedures of the County as presented in 19 O.S. 2001, § 1500-1505; 62 O.S. 2001, § 310.8-9; 19 O.S. 2001, § 163; and 74 O.S. 2001, § 3109.

Finding 2002-4-Reporting

Federal Program: Grants to Encourage Arrest Policies, CFDA #16.590

Funding Agency: U.S. Department of Justice

Criteria: The OJP Financial Guide, Chapter 11, requires submission of financial status reports, "within 45 days of the end of the most recently past quarterly period." These reports should "contain the actual expenditures and unliquidated obligations as incurred."

Condition: Financial status reports were not submitted in a timely manner.

Effect: Noncompliance with a program requirement and inaccurate reporting. The Department of Justice can deny new discretionary awards or payments on existing awards if the reports are not filed timely.

Recommendation: As the grantee, the County should require the District to take steps to insure the timely submission of accurate reports to assure continued funding of programs..

Schedule of Prior Year Audit Findings and Questioned Costs

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

Finding 2001-1, 2001-2, 2001-3, and 2001-4, are directly related to the "Grant to Encourage Arrest Policies," CFDA #16.590. This grant was administered for Seminole County by the 22nd Judicial District Court (District). These findings are presented with the County audit and addressed to the Board of County Commissioners because Seminole County was the grantee.

Finding 2001-1-Cash Management

Federal Program: Grants to Encourage Arrest Policies, CFDA #16.590

Funding Agency: U.S. Department of Justice

Condition: At June 30, 2001, the 22nd Judicial District had federal cash on hand of \$67,081.

Corrective Action Plan: No corrective action plan was taken. A similar finding has been noted as 2002-1.

Finding 2001-2-Allowable Costs

Federal Program: Grants to Encourage Arrest Policies, CFDA #16.590

Funding Agency: U.S. Department of Justice

Condition: During February 2001, the District received \$68,988 to be used for grant purposes. Of this amount, \$5,988 was deposited to the grant fund and \$63,000 was deposited to the "Family Resources Mental Health Account." This \$63,000 was co-mingled with other funds and we were unable to determine that it was used for grant purposes.

Corrective Action Plan: Management stated that the County is currently working with the Office of Justice Programs to correct this problem.

Finding 2001-3-Procurement

Federal Program: Grants to Encourage Arrest Policies, CFDA #16.590

Funding Agency: U.S. Department of Justice

Condition: The following exceptions to purchasing laws were noted:

- Travel claims were not properly itemized
- Lodging and per diem rates exceeded the maximum allowed
- Travel expenses were advanced to employees
- An American Express card is being used for travel expense
- Purchases in excess of \$1,000 did not have non-collusion affidavits

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

- Employees were reimbursed for expenses
- Several claims did not have an itemized invoice attached
- Bids were not solicited
- Contracts are not used to define the services to be provided
- Employee time sheets do not adequately document the time charged to the grant

Corrective Action Plan: No corrective action was taken. A similar finding has been noted as 2002-3.

Finding 2001-4-Reporting

Federal Program: Grants to Encourage Arrest Policies, CFDA #16.590

Funding Agency: U.S. Department of Justice

Condition: Financial Status Reports were submitted an average of 24 days late. These reports also contained amounts based on "draw downs" of federal funds instead of the actual expenditures.

Corrective Action Plan: No corrective action was taken. A similar finding has been noted as 2002-4.

Corrective Action Plan

HERB WILLIAMS
District No. 1
301 E. 6th St.
Konawa, OK 74849
(405) 925-3692
FAX (405) 925-3133

ORVEL MALONE
District No. 2
1005 E. Strother
Seminole, OK 74868
(405) 382-4035
FAX (405) 382-3363

RAY STAFFORD
District No. 3
Rt. 2, Box 262B
Wewoka, OK 74884
(405) 257-3652
FAX (405) 257-3560

OFFICE OF
The Board of County Commissioners

Seminole County, Oklahoma
110 S. Wewoka Ave. Suite 103
WEWOKA, OKLAHOMA 74884
(405) 257-2450 FAX (405) 257-5166

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

Gentlemen:

SUBJECT: CORRECTIVE ACTION PLAN

General Fixed Assets – Finding 97-1

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

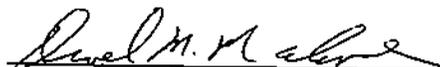
During the current fiscal year, we will try to update the inventory records required by 19 O.S. 1991, § 178.1 which include an inventory card for each item with a complete description of the item, the serial number, and location.

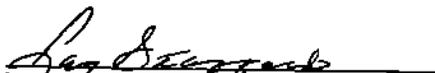
Cash Management – Finding 2002-1, Activities Allowed-2002-2, Procurement-2002-3, and Reporting-2002-4

We are currently working with the Office of Justice Programs to correct these issues.

Seminole County
Board of County Commissioners


Chairman


Member


Member