

**SEQUOYAH 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 23, 2002

TO THE OFFICERS OF  
SEQUOYAH COUNTY, OKLAHOMA

Transmitted herewith is the audit of Sequoyah 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

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

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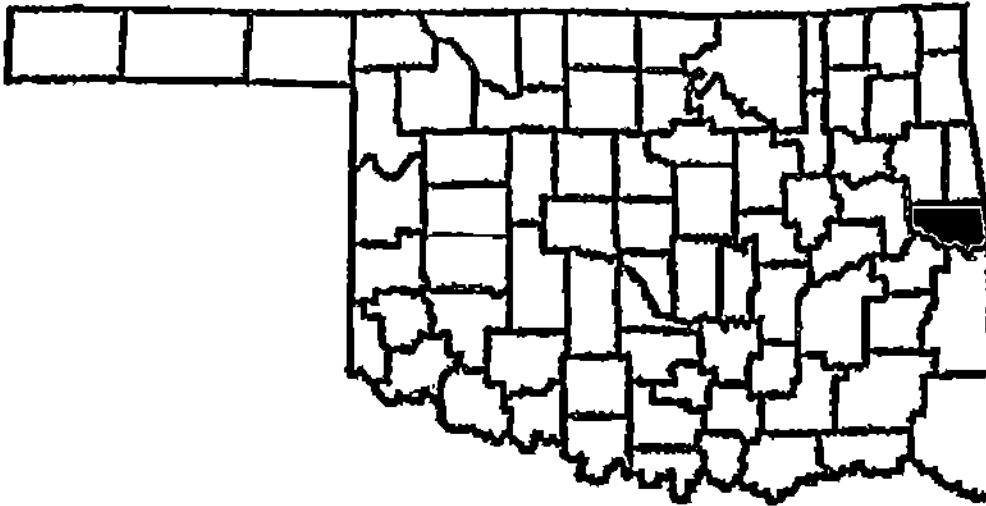
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REPORT TO THE CITIZENS  
OF  
SEQUOYAH COUNTY, OKLAHOMA

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Sequoyah County was created at statehood. It was named for the Sequoyah District of the Cherokee Nation, Indian Territory, which was named in turn for Sequoyah, the Cherokee linguist who developed an alphabet for his people.

County Seat - Sallisaw

Area - 678 Square Miles

County Population – 38,972  
(1995 est.)

Farms – 913

Land in Farms – 215,468 Acres

Source: Oklahoma Almanac 2000-2001

See independent auditor's report.

**COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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**BOARD OF COUNTY COMMISSIONERS**

**DISTRICT 1**  
Bruce Tabor  
(D) Muldrow

**DISTRICT 2**  
Clayton McEver 7-1-00 to 12-31-00  
(D) Vian  
Lewis Warren 1-1-01 to Present  
(D) Vian

**DISTRICT 3**  
Cleon Harrell  
(D) Sallisaw

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 ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY SHERIFF**

Johnny Philpot

(D) Sallisaw

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**

Martha Taylor

(D) Sallisaw

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**

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**COURT CLERK**  
Bernell Edwards  
(D) Sallisaw

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**  
Dianne Barker Harrold  
(D) Fort Gibson

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 ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY ASSESSOR**  
Jack O'Neal  
(D) Roland

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**  
Donna Jamison  
(D) Sallisaw

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**

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**ELECTION BOARD SECRETARY**

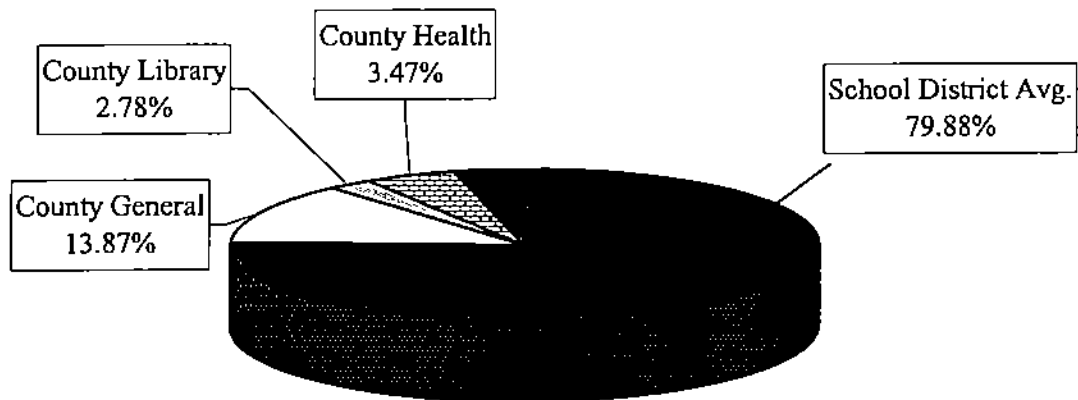
Dorothy Harvell  
(D) Roland

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  
SEQUOYAH 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.



School District Avg.  
  County General  
  County Health  
  County Library

County-Wide Millages		School District Millages						
			Gen.	Bldg.	Skg.	Vo-Tech	Common	Total
Co. General	10.00	Sallisaw	35.00	5.00	-	10.00	4.00	54.00
Co. Health	2.50	Vian	35.00	5.00	7.14	10.00	4.00	61.14
Co. Library	2.00	Muldrow	35.00	5.00	-	10.00	4.00	54.00
		Gans	35.00	5.00	11.85	10.00	4.00	65.85
		Roland	35.00	5.00	5.89	10.00	4.00	59.89
		Gore	35.00	5.00	20.24	10.00	4.00	74.24
		Cent. Sallisaw	35.00	5.00	6.51	10.00	4.00	60.51
		Liberty	35.00	5.00	10.02	10.00	4.00	64.02
		Marble City	35.00	5.00	-	10.00	4.00	54.00
		Brushy	35.00	5.00	9.76	10.00	4.00	63.76
		Belfonte	35.00	5.00	-	10.00	4.00	54.00
		Moffett	35.00	5.00	12.87	10.00	4.00	66.87
		Braggs	35.00	5.00	14.29	10.00	4.00	68.29

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.  
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OKLAHOMA CITY, OK 73105-4896  
405/521-3495

**Independent Auditor's Report**

TO THE OFFICERS OF  
SEQUOYAH COUNTY, OKLAHOMA

We have audited the accompanying primary government financial statements of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2001, as listed in the table of contents. These primary government financial statements are the responsibility of Sequoyah County's management. Our responsibility is to express an opinion on these primary government financial statements based on our audit.

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

As discussed in Note 1(A), the primary government financial statements referred to above do not include the financial statements of the Sequoyah County Criminal Justice Authority, a component unit of Sequoyah County, which should be included in order to conform with accounting principles generally accepted in the United States of America. Sequoyah County did not obtain services of an outside auditor for this Authority.

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

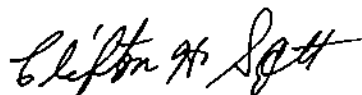
A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, except for the effect on the primary government financial statements of the omission described in the preceding paragraph, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the primary government of Sequoyah County, as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include financial data of the component units of Sequoyah County, do not purport to, and do not, present fairly the financial position of Sequoyah County, Oklahoma, as of June 30, 2001, and the results of its operations for the year 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 February 28, 2002, on our consideration of Sequoyah County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Sincerely,



CLIFTON H. SCOTT  
State Auditor and Inspector

February 28, 2002

**Primary Government Financial Statements**

**SEQUOYAH COUNTY, OKLAHOMA**  
**COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUP**  
**JUNE 30, 2001**

	Governmental Fund Types			Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service		General Long-Term Debt	
<b>ASSETS</b>						
Cash and investments	\$ 628,133	\$ 3,665,257	\$ 4,939	\$ 5,614,166	\$	\$ 9,912,495
Ad valorem taxes receivable	24,024	6,006		140,686		170,716
Sales tax receivable		165,536				165,536
Accrued interest receivable	3,725	631		6,468		10,824
Due from other governments	16,498	211,952		14,948		243,398
Amount available in debt service fund					4,939	4,939
Amount to be provided for capitalized lease agreements					661,598	661,598
<b>Total assets</b>	<b>\$ 672,380</b>	<b>\$ 4,049,382</b>	<b>\$ 4,939</b>	<b>\$ 5,776,268</b>	<b>\$ 666,537</b>	<b>\$ 11,169,506</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Warrants payable	\$ 117,188	\$ 183,166	\$	\$	\$	\$ 300,354
Accounts payable	6,177	19,687				25,864
Due to other taxing units				4,663,782		4,663,782
Due to others				1,112,486		1,112,486
Judgments payable					4,939	4,939
Capitalized lease obligations payable					661,598	661,598
<b>Total liabilities</b>	<b>123,365</b>	<b>202,853</b>	<b>-</b>	<b>5,776,268</b>	<b>666,537</b>	<b>6,769,023</b>
<b>Fund balances:</b>						
Reserved for encumbrances	17,856	224,366				242,222
Reserved for debt service			4,939			4,939
<b>Unreserved:</b>						
Undesignated	531,159	3,622,163				4,153,322
<b>Total fund balances</b>	<b>549,015</b>	<b>3,846,529</b>	<b>4,939</b>	<b>-</b>	<b>-</b>	<b>4,400,483</b>
<b>Total liabilities and fund balances</b>	<b>\$ 672,380</b>	<b>\$ 4,049,382</b>	<b>\$ 4,939</b>	<b>\$ 5,776,268</b>	<b>\$ 666,537</b>	<b>\$ 11,169,506</b>

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

**SEQUOYAH COUNTY, OKLAHOMA**  
**COMBINED STATEMENT OF REVENUE, 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	
<b>Revenues:</b>				
Ad valorem taxes	\$ 952,962	\$ 319,274	\$ 13	\$ 1,272,249
Sales tax		1,889,457		1,889,457
Charges for services	160,717	206,507		367,224
Intergovernmental revenues	293,624	4,200,124		4,493,748
Miscellaneous revenues	233,466	231,639		465,105
<b>Total revenues</b>	<u>1,640,769</u>	<u>6,847,001</u>	<u>13</u>	<u>8,487,783</u>
<b>Expenditures:</b>				
<b>Current operating:</b>				
General government	1,137,363	180,430		1,317,793
Public safety	506,534	1,073,308		1,579,842
Education	24,935			24,935
Health and welfare		220,793		220,793
Roads and highways	4,719	3,986,054		3,990,773
<b>Total expenditures</b>	<u>1,673,551</u>	<u>5,460,585</u>	<u>-</u>	<u>7,134,136</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(32,782)</u>	<u>1,386,416</u>	<u>13</u>	<u>1,353,647</u>
<b>Other financing sources (uses):</b>				
Capitalized lease agreements		274,470		274,470
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>274,470</u>	<u>-</u>	<u>274,470</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<u>(32,782)</u>	<u>1,660,886</u>	<u>13</u>	<u>1,628,117</u>
<b>Beginning fund balances</b>	<u>581,797</u>	<u>2,185,643</u>	<u>4,926</u>	<u>2,772,366</u>
<b>Ending fund balances</b>	<u>\$ 549,015</u>	<u>\$ 3,846,529</u>	<u>\$ 4,939</u>	<u>\$ 4,400,483</u>

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



**SEQUOYAH 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			Special Revenue Fund County Health Department		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 482,498	\$ 487,164	\$ 4,666	\$ 156,501	\$ 156,904	\$ 403
Revenues:						
Ad valorem taxes	901,553	954,121	52,568	225,388	238,536	13,148
Charges for services	156,955	160,717	3,762		15,562	15,562
Intergovernmental revenues	301,643	294,333	(7,310)			
Miscellaneous revenues	123,720	234,274	110,554	15,562	3,058	(12,504)
Total revenues, budgetary basis	<u>1,483,871</u>	<u>1,643,445</u>	<u>159,574</u>	<u>240,950</u>	<u>257,156</u>	<u>16,206</u>
Expenditures:						
Current operating:						
General government	1,396,581	1,103,917	292,664			
Public safety	532,420	514,780	17,640			
Education	32,368	20,255	12,113			
Health and welfare				397,451	238,353	159,098
Roads and highways	5,000	4,745	255			
Total expenditures, budgetary basis	<u>1,966,369</u>	<u>1,643,697</u>	<u>322,672</u>	<u>397,451</u>	<u>238,353</u>	<u>159,098</u>
Excess of revenues, other sources, and beginning fund balances over expenditures and other uses	<u>\$ -</u>	486,912	<u>\$ 486,912</u>	<u>\$ -</u>	175,707	<u>\$ 175,707</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem taxes receivable		24,024			6,006	
Accrued interest		3,725			319	
Due from other governments		16,498				
Reserved for encumbrances		17,856			18,873	
Ending fund balances		<u>\$ 549,015</u>			<u>\$ 200,905</u>	

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

**Notes to the Financial Statements**

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

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I. Summary of Significant Accounting Policies

The financial statements of Sequoyah 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 the GASB Statement No. 14, *The Financial Reporting Entity*, the County is required to present the entities that comprise the primary government and its legally separate component units in the fiscal year 2001 financial statements.

Component Unit

The Sequoyah County Criminal Justice Authority is an active component unit of Sequoyah County because the governing body is substantially the same as the board of the primary government, and the primary government is able to impose its will on the component unit. The financial statements, as presented, do not include financial data of the Sequoyah County Criminal Justice Authority. The Sequoyah County Criminal Justice Authority was excluded because its financial statements were not available for inclusion with financial statements of the County at the close of the primary government's financial reporting period. The services of an auditor were not obtained for this Authority.

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 appointments. These active organizations are not included in the financial statements of the reporting entity.

Sequoyah County/City of Sallisaw Hospital Authority  
Sequoyah County 911 Trust Authority

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

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Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 and fiduciary. Each category in turn is divided into separate fund types.

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.

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) - 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.

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

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Summary of Significant Accounting Policies (continued)

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., capitalized lease-purchase obligations and compensated absences).

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.

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). "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.

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

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Summary of Significant Accounting Policies (continued)

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 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, 2000.

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

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.

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

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Summary of Significant Accounting Policies (continued)

I. 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.
Worker's Compensation -Employees' Injuries	The County participates in a public entity risk pool. (See ACCO Self-Insured Fund ACCO-SIF).	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life -Medical -Disability -Dental -Life	The County carries commercial insurance for these types of risk.	None

ACCO-SIG: The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county pays a deductible amount (\$1,000 to \$10,000; Sequoyah County has a \$5,000 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool pays 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 pays 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.

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

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Summary of Significant Accounting Policies (continued)

The County continues to carry commercial insurance for employees' health and accident insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. 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. The amount of accumulated unpaid vacation benefits is not material to the financial statements for the fiscal year ending June 30, 2001.

K. 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.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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 state grants are recognized when expenditures are incurred.



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

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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

At year-end, the carrying amount of the County's deposits was \$9,912,495, and the bank balance was \$10,506,316. 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 each four (4) years."

The net assessed property value as of January 1, 2000, was approximately \$99,170,794. The County levied 10 mills for general fund operations, 2.5 mills for the County Health Department, and 2 mills for library. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions the ad valorem taxes collected to the appropriate taxing units.

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

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Detailed Notes on Account Balances (continued)

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

Current year tax collections for the year ended June 30, 2001, were approximately 98 percent of the tax levy.

C. Pension Plan

Plan Description. Sequoyah 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 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 \$193,890, \$175,149, and \$204,854, respectively, equal to the required contributions for each year.

D. 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 \$106,950. Future minimum lease payments for these leases are as follows:

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

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Detailed Notes on Account Balances (continued)

<u>Year Ending</u>	<u>Amount</u>
2002	\$ 80,100
2003	72,000
2004	<u>6,000</u>
Total	<u>\$158,100</u>

E. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. 1991, § 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. The one-time fee is reported as interest. 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 generally accepted accounting principles. 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	\$ 186,394	\$ 16,156	\$ 202,550
2003	156,242	10,418	166,660
2004	129,836	5,962	135,798
2005	88,100	3,481	91,581
2006	64,812	1,128	65,940
Thereafter	<u>36,214</u>	<u>0</u>	<u>36,214</u>
Totals	<u>\$ 661,598</u>	<u>\$ 37,145</u>	<u>\$ 698,743</u>

During the year, the County capitalized leases totaling \$274,470 and paid \$199,936 on the outstanding balances of lease-purchase agreements.

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

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Detailed Notes on Account Balances (continued)

F. Long-Term Debt

Changes in Long-Term Debt

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>
Claims and Judgments	\$ 4,926	\$ 13	\$ -	\$ 4,939
Capital Leases	<u>587,064</u>	<u>274,470</u>	<u>199,936</u>	<u>661,598</u>
Total	<u>\$ 591,990</u>	<u>\$ 274,483</u>	<u>\$ 199,936</u>	<u>\$ 666,537</u>

G. 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 appropriate for future expenditures. Specific reservations of the fund balance accounts are summarized below.

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

Reserved for Debt Service - The reserve for debt service was established to indicate that the fund balance or portion thereof is required by law to be used for the payment of any outstanding bonds, interest, or judgments against the County.

H. Sales Tax

On February 10, 1998, Sequoyah County voters approved a one half-cent sales tax. The sales tax is for a period of 5 years. Proceeds of the sales tax are to be used for roads and highways.

On January 11, 2000, Sequoyah County voters approved a one-cent sales tax. The exclusive purpose of said tax shall be the construction, maintenance, and operation of the Sequoyah County Criminal Justice Authority. Two-thirds of said tax shall be used for construction and one-third shall be used for operation and maintenance. The duration of the portion of the tax pledged to construction is 7 years. The duration of the portion pledged to maintenance and operation shall be unlimited.

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

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Detailed Notes on Account Balances (continued)

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

5. Subsequent Events

On February 5, 2002, a special audit was requested by the District Attorney's office. The procedures performed included an investigation of a former employee of the Sequoyah County Court Clerk's office who possibly "embezzled or stole funds" during the period October 2001 through January 2002. This special audit report can be obtained from the State Auditor and Inspector's office.

**Schedule of Expenditures of Federal Awards**

SEQUOYAH COUNTY, OKLAHOMA  
 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>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed through Oklahoma Civil Emergency Management:			
Public Assistance Grants	83.544		\$1,828,820
Emergency Management Performance	83.522		<u>8,704</u>
<b>Total Federal Emergency Management Agency</b>			<u>1,837,524</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed through Oklahoma Department of Commerce:			
Community Development Block Grant/State's Program	14.228		<u>41,425</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>41,425</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,878,949</u>

The accompanying notes are an integral part of this schedule.

**SEQUOYAH COUNTY, OKLAHOMA  
NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2001**

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1. Basis of Presentation

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



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



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

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  
SEQUOYAH COUNTY, OKLAHOMA

We have audited the primary government financial statements of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2001, and have issued our report thereon dated February 28, 2002. 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. Our opinion includes an explanatory paragraph concerning a component unit of Sequoyah County, which was not included in the primary government financial statements.

Compliance

As part of obtaining reasonable assurance about whether Sequoyah 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 Sequoyah 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 1997-1, 1998-1, and 2001-3.

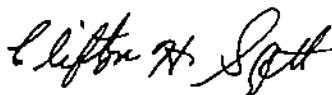
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 1997-1, 1998-1, and 2001-3 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

February 28, 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

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  
SEQUOYAH COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Sequoyah 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. Sequoyah 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 Sequoyah County's management. Our responsibility is to express an opinion on Sequoyah 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 Sequoyah 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 Sequoyah County's compliance with those requirements.

In our opinion, Sequoyah 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which 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 2001-1 and 2001-2.

### Internal Control Over Compliance

The management of Sequoyah 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 Sequoyah 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.

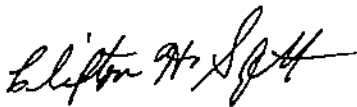
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively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



CLIFTON H. SCOTT  
State Auditor and Inspector

February 28, 2002

**Schedule of Findings and Questioned Costs**

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

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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)? ..... 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 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? ..... YES

Identification of Major Programs

CFDA Number(s)

Name of Federal Program or Cluster

83.544

Public Assistance Grants

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

Auditee qualified as low-risk auditee? ..... NO



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

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SECTION 2 - Financial Statement Findings

**1997-1 – (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. The County does not maintain a summary listing with the required information for land, buildings, and improvements. 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.

**Management's Corrective Action Plan:**

**Contact Person:** Donna Jamison, County Clerk

**Anticipated Completion Date:** None

**Corrective Action Planned:** No planned corrective action is anticipated to obtain fixed assets records in such a manner that general fixed assets could be reported in accordance with accounting principles generally accepted in the United States of America.

**Finding 1998-1 (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 help ensure a 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.

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

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**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:** Martha Taylor, County Treasurer

**Anticipated Completion Date:** Unknown

**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. We plan to discuss this situation during the budget process and will comply if it is cost effective and feasible. Management is aware of County operations and will be making periodic reviews of those operations.

**Finding 2001-3**

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

**Condition:** At the close of our audit, the Sequoyah County Criminal Justice Authority financial statements were not available for inclusion with the primary government financial statements. Sequoyah County is financially accountable for this Authority.

**Effect:** Exclusion of component unit financial statements could result in the financial statements of the County being materially misstated.

**Recommendation:** We recommend the County require financial preparers of their component units to prepare and present their financial statements compatible for inclusion with the financial statements of the County in a timely manner.

**Management's Corrective Action Plan:**

No response available

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

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**SECTION 3 - Federal Award Findings and Questioned Costs**

**REF NO:** 2001-1  
**FEDERAL AGENCY:** Federal Emergency Management Assistance (FEMA)  
**PASS-THROUGH ENTITY:** Oklahoma Department of Civil Emergency Management  
**CFDA NO:** 83.544  
**FEDERAL PROGRAM NAME:** Public Assistance Grants  
**CONTROL CATEGORY:** Cash Management  
**QUESTIONED COSTS:** N/A

**Criteria:** OMB Circular A-133 Compliance Supplement, Part 3-C requires that interest earned on cash advances be submitted promptly, but at least quarterly, to the appropriate agency except that \$100 per year may be kept for administrative expenses.

**Condition:** Sequoyah County has deposited FEMA funds into the T2 highway fund and the general fund. These federal funds were not separated from county funds. Therefore, interest accrued on federal funds was not identified separately from county funds.

**Effect:** Interest on federal funds could be accrued in excess of \$100 per year and not returned to the appropriate agency as required by OMB Circular A-133.

**Recommendation:** We recommend the County establish a cash fund for each federal grant in order to segregate federal and county funds and maintain records in enough detail to identify the source and use of those funds. We further recommend the County monitor interest on federal funds and return any interest exceeding \$100 to the appropriate agency.

**Management's Corrective Action Plan –**

**Contact Person:** Donna Jamison, County Clerk

**Anticipated Completion Date:** Immediately

**Corrective Action Planned:** We will separate federal funds in future grants.

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

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**REF NO:** 2001-2  
**FEDERAL AGENCY:** Federal Emergency Management Assistance (FEMA)  
**PASS-THROUGH ENTITY:** Oklahoma Department of Civil Emergency Management  
**CFDA NO:** 83.544  
**FEDERAL PROGRAM NAME:** Public Assistance Grants  
**CONTROL CATEGORY:** Allowable Costs/Cost principles  
**QUESTIONED COSTS:** \$16,065

**Criteria:** FEMA Compliance Supplement, Part B-4 states that amounts from insurance settlements, salvage, or other sources must be considered in determining allowable costs because allowable costs must be net of applicable credits.

**Condition:** Sequoyah County received funding for a piece of equipment that had already been purchased through ACCO funding.

**Effect:** This condition results in questioned costs of \$16,065 and a duplication of benefits for equipment purchases.

**Recommendation:** We recommend the county reimburse the Oklahoma Emergency Management office \$16,065 for the cost of equipment paid/reimbursed with two funding sources.

**Management's Corrective Action Plan –**

**Contact Person:** Cleon Harrell, County Commissioner, District 3

**Anticipated Completion Date:** Immediately

**Corrective Action Planned:** I agree to reimburse OEM the amount mentioned above.