

**PAWNEE COUNTY, OKLAHOMA  
SPECIAL-PURPOSE FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2004**

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September 16, 2005

TO THE CITIZENS OF  
PAWNEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pawnee County, Oklahoma, for the fiscal year ended June 30, 2004. 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 "Jeff A. McMahon". The signature is written in dark ink and is positioned above the printed name.

JEFF A. McMAHAN  
State Auditor and Inspector

**PAWNEE COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**PAWNEE COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

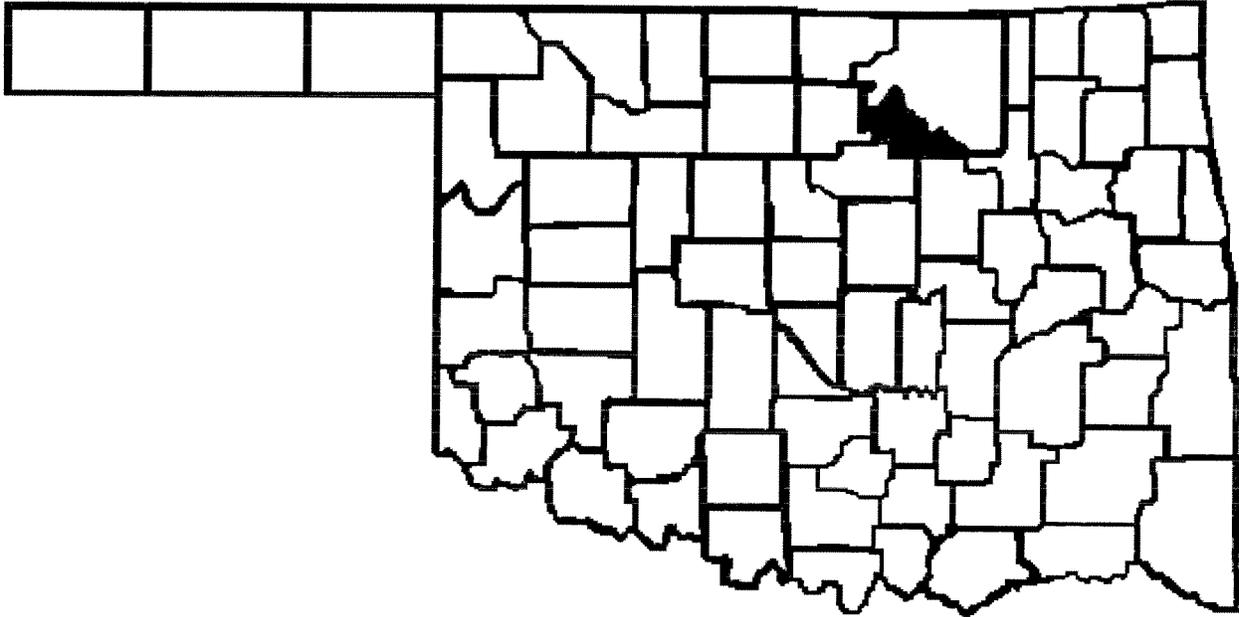
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REPORT TO THE CITIZENS  
OF  
PAWNEE COUNTY, OKLAHOMA

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Originally part of the Cherokee Outlet, Pawnee County lies between the Cimarron River on the south and the Arkansas River on the north. The lands were opened to settlement by lottery in 1892, and the County was designated County “Q”. Later the name was changed to honor the Skidi Pawnee Indians who located here in the 19<sup>th</sup> century. The County is primarily noted for agriculture and cattle. Today, Keystone Lake and the Pawnee Bill Museum in Pawnee, the County seat, are major tourist attractions along with Lone Chimney Lake south of Pawnee.

County Seat – Pawnee

Area – 569.5 Square Miles

County Population – 16,612  
(2000 est.)

Farms – 671

Land in Farms – 263,369 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor’s report.

**PAWNEE COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY ASSESSOR**

Wayne Spears

(D) Pawnee

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**

Marcelee Welch

(D) Pawnee

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.

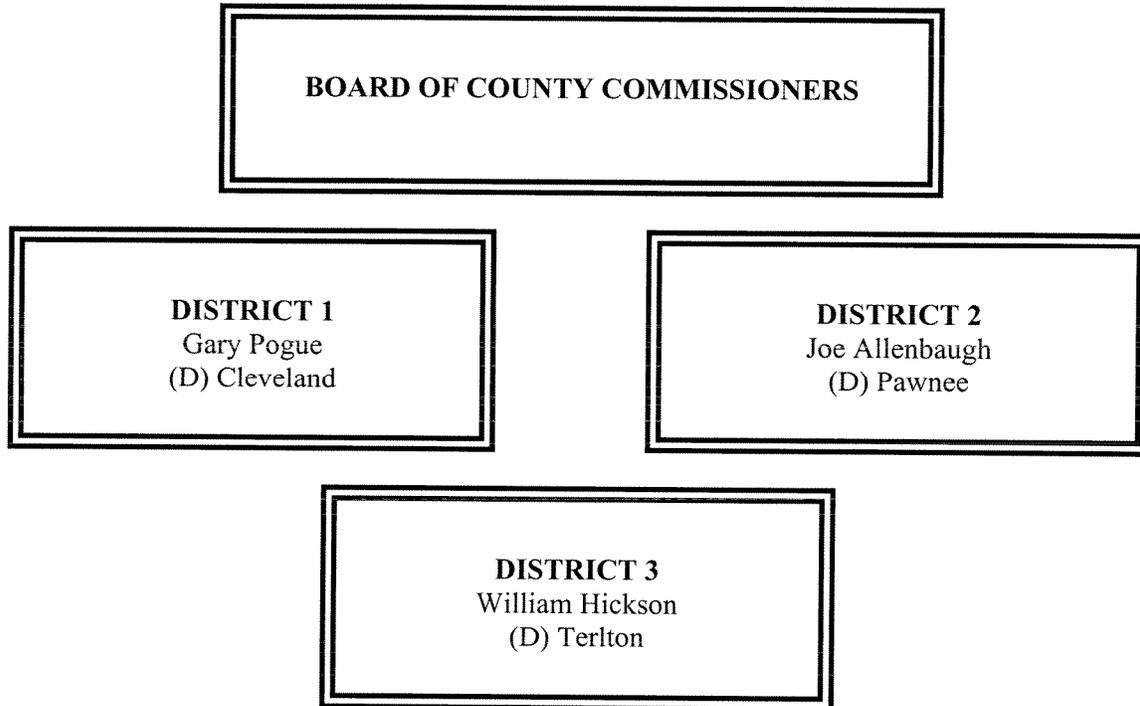
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. 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.

**PAWNEE COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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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.

**PAWNEE COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY SHERIFF**  
Wesley Don Sweger  
(D) Cleveland

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**  
Anita Jo Harris  
(D) Pawnee

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

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

See independent auditor's report.

**PAWNEE COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COURT CLERK**  
Elaine Tannahill  
(D) Cleveland

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**  
Larry D. Stuart  
(D) Hominy

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.

**PAWNEE COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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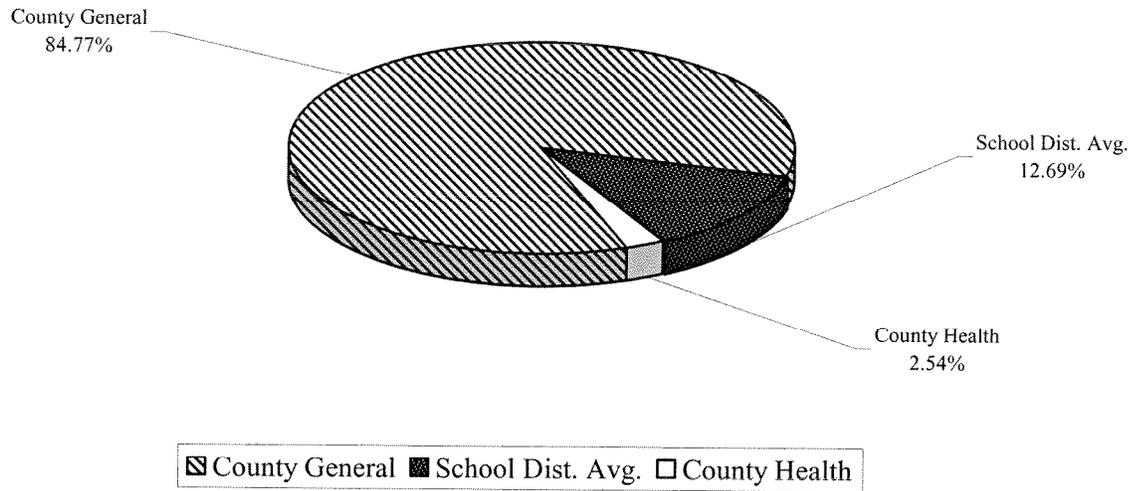
**ELECTION BOARD SECRETARY**  
Tonda Miner  
(D) Pawnee

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

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

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

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



County-Wide Millages	
Co. General	10.00
County Health	2.00

		School District Millages						
		Gen.	Bldg.	Skg.	Career-Tech	Common	Total	
Pawnee (V-16)	I-1	35.00	5.00	11.16	15.00	4.00	70.16	
Cleveland	I-6	35.00	5.00	31.59	13.00	4.00	88.59	
Jennings	O-2	35.00	5.00		13.00	4.00	57.00	
Woodland	JI-90	35.00	5.00	7.04		4.00	51.04	
Glencoe (V-16)	JI-101	35.00	5.00	18.32	15.00	4.00	77.32	
Yale (V-3)	J-103	35.00	5.00	0.41	13.00	4.00	57.41	
Morrison (V-16)	J-6	35.00	5.00	10.69	15.00	4.00	69.69	
Frontier	J-14	35.00	5.00	10.32		4.00	54.32	
Keystone	J-15	35.00	5.00	8.85	13.00	4.00	65.85	
Mannford (V-3)	J-3B	35.00	5.00	19.46	13.00	4.00	76.46	

See independent auditor's report.

**FINANCIAL SECTION**

## **Independent Auditor's Report**

TO THE OFFICERS OF  
PAWNEE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Pawnee County, Oklahoma, as of and for the year ended June 30, 2004, as listed in the table of contents. These special-purpose financial statements are the responsibility of Pawnee County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

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

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Pawnee County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department fund of the County, as of and for the year ended June 30, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2005, on our consideration of Pawnee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Pawnee County, Oklahoma, taken as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements. The information listed in the table of contents under *Introductory Section* and *Statistical Section* has not been audited by us, and accordingly, we express no opinion on it.

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 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

January 24, 2005

**Special-Purpose Financial Statements**

**PAWNEE COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES - ALL FUNDS**  
**FOR THE YEAR ENDED, JUNE 30, 2004**

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
General Fund	\$ 341,960	\$ 1,026,031	\$ 1,003,799	\$	\$ 364,192
Highway Cash	1,083,143	2,045,500	2,056,645		1,071,998
Sheriff Service Fees	36,952	71,155	74,034		34,073
Resale Property	124,039	86,629	68,516		142,152
Assessor's Revolving	51,789	4,914	4,886		51,817
County Clerk Lien Fee	6,901	4,274	5,028		6,147
County Clerk Records Preservation	31,176	21,370	16,269		36,277
Treasurer's Mortgage Cert. Fees	1,740	6,567	4,162		4,145
Schools	38,719	4,510,226	4,517,233		31,712
Official Depository	336,519	2,338,976	2,272,338	3,388	406,545
County Health	137,351	168,663	182,089		123,925
Individual Redemption	2,252	46,607	45,315		3,544
Tax Refunds	400	53,620	53,620		400
Sheriff Training	379	900			1,279
HMPG Grant		50,546	14,604		35,942
Drug Task Force	399				399
Tribal Prisoners	53,207	67,953	96,576		24,584
Record Owners	35,322	4,546			39,868
Court Clerk Cash Fund	34,588	23,656	58,244		
OG&E Sooner Lake	36,846	21,287	23,805		34,328
Corp of Engineers	19,935	14,723	10,625		24,033
Spellman Trust	6,369	53			6,422
Harvey & Maude Trust	598	998	998		598
Black Bear		2,521	2,521		
Red Rock		543	498		45
CDBG		21,880	21,880		
Crook Estate Trust	11,567	141			11,708
Sheriff Grant	9,414	6,433	15,376		471
LEPC Grant	7,931	1,870			9,801
Fisher CD Trust	20,000	101	20,101		
911 Collections	1,289	15,826	15,760		1,355
EOP Grant	7,408	4,000	11,408		
Taylor Trust	18,921	165			19,086
Sales Tax	1,113,315	713,046	595,684		1,230,677
Cities and Towns	13,427	104,054	105,781		11,700
Free Fair	8,338	17,203	19,123		6,418
Protest Taxes	85,845		85,845		
Cash in Office	121				121
<b>Total County Funds</b>	<u>\$ 3,678,160</u>	<u>\$ 11,456,977</u>	<u>\$ 11,402,763</u>	<u>\$ 3,388</u>	<u>\$ 3,735,762</u>

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

**PAWNEE COUNTY, OKLAHOMA**  
**COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,**  
**AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 341,960	\$ 341,960	\$ 341,960	\$ -
Less: Prior Year Outstanding Warrants	(63,760)	(63,760)	(63,760)	
Less: Prior Year Encumbrances	(17,334)	(17,334)	(16,285)	1,049
Beginning Cash Balances, Budgetary Basis	<u>260,866</u>	<u>260,866</u>	<u>261,915</u>	<u>1,049</u>
Receipts:				
Ad Valorem Taxes	542,851	542,851	580,798	37,947
Charges for Services	55,192	55,192	71,385	16,193
Intergovernmental Revenues	169,990	276,529	310,403	33,874
Miscellaneous Revenues	55,607	55,607	63,445	7,838
Total Receipts, Budgetary Basis	<u>823,640</u>	<u>930,179</u>	<u>1,026,031</u>	<u>95,852</u>
Expenditures:				
Total District Attorney	8,400	8,400	1,821	6,579
County Sheriff	211,973	211,973	208,439	3,534
Capital Outlay	10,000	10,000	9,118	882
Total County Sheriff	<u>221,973</u>	<u>221,973</u>	<u>217,557</u>	<u>4,416</u>
Total County Treasurer	69,755	69,755	69,745	10
County Clerk	108,155	102,650	100,927	1,723
Capital Outlay	1,000	6,700	6,337	363
Total County Clerk	<u>109,155</u>	<u>109,350</u>	<u>107,264</u>	<u>2,086</u>
Total Court Clerk	52,855	127,624	126,729	895
Total County Assessor	57,355	57,355	57,112	243
Total Revaluation of Real Property	115,570	115,570	111,437	4,133
Total General Government	<u>395,500</u>	<u>426,815</u>	<u>268,673</u>	<u>158,142</u>
Total Excise-Equalization Board	<u>4,200</u>	<u>4,200</u>	<u>2,475</u>	<u>1,725</u>

continued on next page

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

**PAWNEE COUNTY, OKLAHOMA  
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,  
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2004**

continued from previous page

	General Fund			
	Original Budget	Final Budget	Actual	Variance
County Election Board	40,488	40,748	39,425	1,323
Capital Outlay	2,000	2,000	1,845	155
Total County Election Board	42,488	42,748	41,270	1,478
Total Charity	500	500	-	500
Total County Audit Budget	5,755	5,755	5,755	-
 Provision for Interest on Warrants	 1,000	 1,000		 1,000
 Total Expenditures, Budgetary Basis	 <u>1,084,506</u>	 <u>1,191,045</u>	 <u>1,009,838</u>	 <u>181,207</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 <u>\$ -</u>	 278,108	 <u>\$ 278,108</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			12,471	
Add: Current Year Outstanding Warrants			73,613	
Ending Cash Balance			<u>\$ 364,192</u>	

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

**PAWNEE COUNTY, OKLAHOMA  
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,  
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2004**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 137,351	\$ 137,351	\$ 137,351	\$ -
Less: Prior Year Outstanding Warrants	(2,394)	(2,394)	(2,394)	
Less: Prior Year Encumbrances	(8,695)	(8,695)	(6,715)	1,980
Beginning Cash Balances, Budgetary Basis	<u>126,262</u>	<u>126,262</u>	<u>128,242</u>	<u>1,980</u>
Receipts:				
Ad Valorem Taxes	108,570	108,570	116,092	7,522
Charges for Services		51,713	51,713	
Miscellaneous Revenues		2,182	858	(1,324)
Total Receipts, Budgetary Basis	<u>108,570</u>	<u>162,465</u>	<u>168,663</u>	<u>6,198</u>
Expenditures:				
Health and Welfare	196,293	223,918	159,264	64,654
Capital Outlay	38,539	64,809	24,014	40,795
Total Expenditures, Budgetary Basis	<u>234,832</u>	<u>288,727</u>	<u>183,278</u>	<u>105,449</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	113,627	<u>\$ 113,627</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			4,273	
Add: Current Year Outstanding Warrants			6,025	
Ending Cash Balance			<u>\$ 123,925</u>	

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

**PAWNEE COUNTY, OKLAHOMA  
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2004**

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
Treasurer - General	\$ 5,533	\$ 632	\$	\$	\$ 6,165
Treasurer - Refunds	9,375	241,983	242,900	1,754	10,212
Treasurer - Trust	24,872	43,725	43,348		25,249
Treasurer - MV Stamps		550	550		
County Clerk - General	10,351	122,228	121,738	763	11,604
County Clerk B	1,494	2,119			3,613
Sheriff Civil	515	22,371	22,371		515
Reserve Deputies	1,058	3,540	1,659		2,939
Election Board	1,298	15,834	15,407	89	1,814
Health Department		54,612	54,612		
Court Clerk	130,315	1,065,720	1,073,460		122,575
Court Fund	76,161	563,082	508,860	154	130,537
Law Library	2,840	21,059	21,983		1,916
Bogus Check	5,135	65,396	64,989	445	5,987
DA Drug Enforcement	17,795	15,432	7,806		25,421
State Witness Fee	6	150	117		39
DA Substance Abuse	30	592			622
Victim Restitution Fund	31,876	62,102	66,125	183	28,036
Court Clerk Revolving Fund	17,865	37,849	26,413		29,301
<b>Total Official Depository Accounts</b>	<u>\$ 336,519</u>	<u>\$ 2,338,976</u>	<u>\$ 2,272,338</u>	<u>\$ 3,388</u>	<u>\$ 406,545</u>

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

**PAWNEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash

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, 2004.

F. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - 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-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant - Theft - Damage to Assets - Natural Disasters		

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 carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed authorized deductibles, the County would have surcharges assessed to pay the excess claims.

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 chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$50,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate worker's compensation claims. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

OPEH&WP - The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. The pool has assessed additional premiums to be paid by its members in the current fiscal year.

Management believes coverage is sufficient to preclude any significant uninsured losses to the County.

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

Summary of Significant Accounting Policies (continued)

the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$3,735,762 and the bank balance was \$3,742,673. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

B. Description of Funds

General Fund – revenues are from ad valorem taxes, officers' fees, interest earnings and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Highway Cash – revenues are from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

Sheriff Service Fees – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

Resale Property – revenues are from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

**PAWNEE COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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Detailed Notes on Funds and Account Balances (continued)

Assessor's Revolving – revenues are from fees charged by the County Assessor (copies, etc.). Disbursements are for any legal expense of the Assessor's office.

County Clerk Lien Fee – revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's office.

County Clerk Records Preservation – revenues are from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Treasurer's Mortgage Certification Fees – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

Schools – All funds collected on behalf of the county schools are recorded in this fund and remitted to the individual schools monthly.

Official Depository – All officers and agencies collecting fees deposit those fees to this account daily. At the end of each month the fees are distributed to the appropriate fund or agency.

County Health – revenues are from ad valorem taxes, miscellaneous fees charged by the health department and state and federal funds. Disbursements are for the operation of the county health department.

Individual Redemption – revenues are from taxpayers who redeem tax certificates previously sold on their property. Disbursements are to reimburse the certificate holders for taxes paid, interest, penalties, and cost.

Tax Refunds – deposits are from overpayments of ad valorem taxes. Disbursements are made to refund these amounts to the payers.

Sheriff Training – accounts for local collections disbursed to train deputies in public safety procedures.

HMPG Grant – accounts for grant monies received from the Department of Civil Emergency Management for projects relating to hazardous materials and mitigating the risk associated with those hazards.

Drug Task Force – accounts for District Attorney Council collections and for fighting drugs.

Tribal Prisoners – sheriff's account used for tribal prisoners' housing and travel expenses.

Record Owners – revenues are from collections in excess of the total taxes due when property is sold by the county for taxes. The funds are held in escrow for the original landowner for two years and if unclaimed, they are transferred to the resale property fund.

**PAWNEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

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Detailed Notes on Funds and Account Balances (continued)

Court Clerk Cash Fund – court clerk revolving fund used for office repairs, training expenses, Kellpro, membership dues, etc.

OG&E Sooner Lake – accounts for OG&E’s collections used to pay a deputy’s salary.

Corp of Engineers – accounts for Corp. of Engineers collections used to pay a deputy’s salary.

Spellman Trust – court clerk savings account held to draw interest; money is divided between heirs.

Harvey & Maude Trust – accounts for stock market earnings donated to the county fair.

Black Bear – account used to build water sheds to keep Black Bear Creek from flooding onto properties.

Red Rock – account used to build water shed to keep land from flooding.

CDBG – accounts for state grant monies received from the State Department of Commerce for economic development.

Crook Estate Trust – court clerk savings account used to hold money until rightful owners claim it.

Sheriff Grant – accounts for state grants the Sheriff’s office disburses for public safety.

LEPC Grant – accounts for grant monies received from ODCEM for hazardous materials.

Fisher CD Trust – court clerk account used to hold money until it was claimed by heirs.

911 Collections – accounts for the engineering, installation, administration, and other recurring costs necessary to implement, administer, operate, and maintain the emergency 911 county system.

EOP Grant – accounts for grant monies received from Department of Civil Emergency Management for environmental operations projects for the County.

Taylor Trust – accounts for court clerk collections held until disbursed by court order.

Sales Tax – accounts for sales tax collections disbursed for general government, highways, and public safety.

Detailed Notes on Funds and Account Balances (continued)

Cities and Towns – All funds collected on behalf of cities and towns are recorded in this fund and remitted to the individual cities and towns monthly.

Free Fair – accounts for fees collected and disbursed by the county fair board.

Protest Taxes – ad valorem taxes paid under protest are held in this account until a court order is issued for their dispersal.

Cash in Office – accounts for change funds held by various county offices.

The following narrative details the official depository accounts.

Treasurer - General – holding account for fees transferred to the county general fund.

Treasurer - Refunds – holding account used to reimburse taxpayers for overpayments.

Treasurer - Trust – holding account used for mobile home taxes paid in advance.

Treasurer - MV Stamps – holding account for motor vehicle stamps transferred to the county general fund.

County Clerk - General – holding account for fees transferred to the county general fund.

County Clerk B – holding account for fees transferred to the county general fund.

Sheriff Civil – holding account for fees transferred to the county general fund.

Reserve Deputies – sheriff funds raised and disbursed by county reserve deputies.

Election Board – accounts for reimbursements for election cost and is disbursed for election board operations.

Health Department – accounts for fees charged by the county health department. Disbursements are to the county health department budget account monthly.

Court Clerk – accounts for the collection of bonds, fines, and fees. Money is disbursed for fees and restitution.

Court Fund – accounts for fees transferred from the court clerk account and interest earnings. Disbursements are for operating expense of the District Court.

Law Library – fund used to account for fees collected and disbursed by the county law library board.

Detailed Notes on Funds and Account Balances (continued)

Bogus Check – fund used for the collection of fees for bogus checks.

DA Drug Enforcement - account used to draw cash for informant drug buys.

State Witness Fee – State funding to pay for witnesses in court.

DA Substance Abuse – fund used to fight illegal drug distribution.

Victim Restitution Fund – fund for criminal restitution fees.

Court Clerk Revolving Fund – accounts for fees disbursed for the operation of the office.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2003, was approximately \$57,542,172.

The County levied 10 mills (the legal maximum) for general fund operations and 2 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 remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2004, were approximately 98 percent of the tax levy.

Detailed Notes on Funds and Account Balances (continued)

D. Pension Plan

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

E. Capital Leases

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

F. Fuel Tax

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

4. Contingent Liabilities

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.

**PAWNEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

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5. Sales Tax

Beginning March 1, 1994, a one-cent sales tax went into effect for Pawnee County. The one-cent sales tax was limited to five years in duration and allocated for the following purposes:

County Sheriff's Office	30.0%
City & Rural Fire Protection	5.0%
County 911	2.0%
Senior Citizens	2.0%
County Juvenile Detention	1.0%
County Emergency Management	2.0%
County OSU Extension	5.0%
County Roads & Bridges	10.0%
County Free Fair	3.0%
County Buildings	8.0%
County Economic Development	4.0%
County General Use	28.0%

In February 1998, a special election was held and Pawnee County voters extended this sales tax for five years beginning March 1, 1999.

On November 5, 2002, an election was held and Pawnee County voters extended this sales tax for five years, beginning March 1, 2004.

The current tax is set to expire February 28, 2009.

**INTERNAL CONTROL AND COMPLIANCE SECTION**

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

TO THE OFFICERS OF  
PAWNEE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Pawnee County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated January 24, 2005. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pawnee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide an opinion 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 special-purpose financial statements. The reportable condition is described in the accompanying schedule of findings as item 98-1.

A material weakness is a reportable 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 caused by error or fraud 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 98-1 to be a material weakness.

Compliance and Other Matters

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

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 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

January 24, 2005

**PAWNEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2004**

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

**Finding 98-1 - Segregation of Duties (Repeat Finding)**

Criteria: Demonstration of accountability and stewardship are goals used in evaluating 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. Payroll preparation, review and distribution are not adequately segregated.

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

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

**STATISTICAL SECTION**  
**(Unaudited)**

**PAWNEE COUNTY, OKLAHOMA  
TOP TEN TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2004  
(UNAUDITED)**

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
OG&E	\$ 4,378,987	7.61%
Southwestern Bell Telephone	1,592,721	2.77%
Enbridge Pipeline	1,215,974	2.11%
Cimarron Telephone	1,094,476	1.90%
Osage Pipeline Co.	1,006,164	1.75%
Enogex Inc.	965,301	1.68%
Burlington Northern & SF RR	795,706	1.38%
Duke Energy Field Services	463,366	0.80%
Wal-Mart	384,101	0.67%
Shell Pipeline	359,783	0.63%
Total	<u>\$ 12,256,579</u>	<u>21.30%</u>

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

**PAWNEE COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED JUNE 30, 2004  
(UNAUDITED)**

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Total net assessed value as of January 1, 2003		<u>\$ 57,542,172</u>
Debt limit - 5% of total assessed value		2,877,109
Total bonds outstanding	-	
Total judgments outstanding	-	
Cash in sinking fund	<u>\$ -</u>	<u>-</u>
Legal debt margin		<u>\$2,877,109</u>

**PAWNEE COUNTY, OKLAHOMA  
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA  
FOR THE YEAR ENDED JUNE 30, 2004  
(UNAUDITED)**

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	2004
Estimated population	16,612
Net assessed value as of January 1, 2003	\$ 57,542,172
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

**PAWNEE COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE YEAR ENDED JUNE 30, 2004  
(UNAUDITED)**

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<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2003	\$7,180,702	\$14,074,053	\$40,405,438	\$4,118,021	\$57,542,172	\$479,518,100