

**ALFALFA COUNTY, OKLAHOMA  
SPECIAL-PURPOSE FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2003**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

March 11, 2005

TO THE CITIZENS OF  
ALFALFA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Alfalfa County, Oklahoma, for the fiscal year ended June 30, 2003. 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. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

**ALFALFA COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

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**ALFALFA COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

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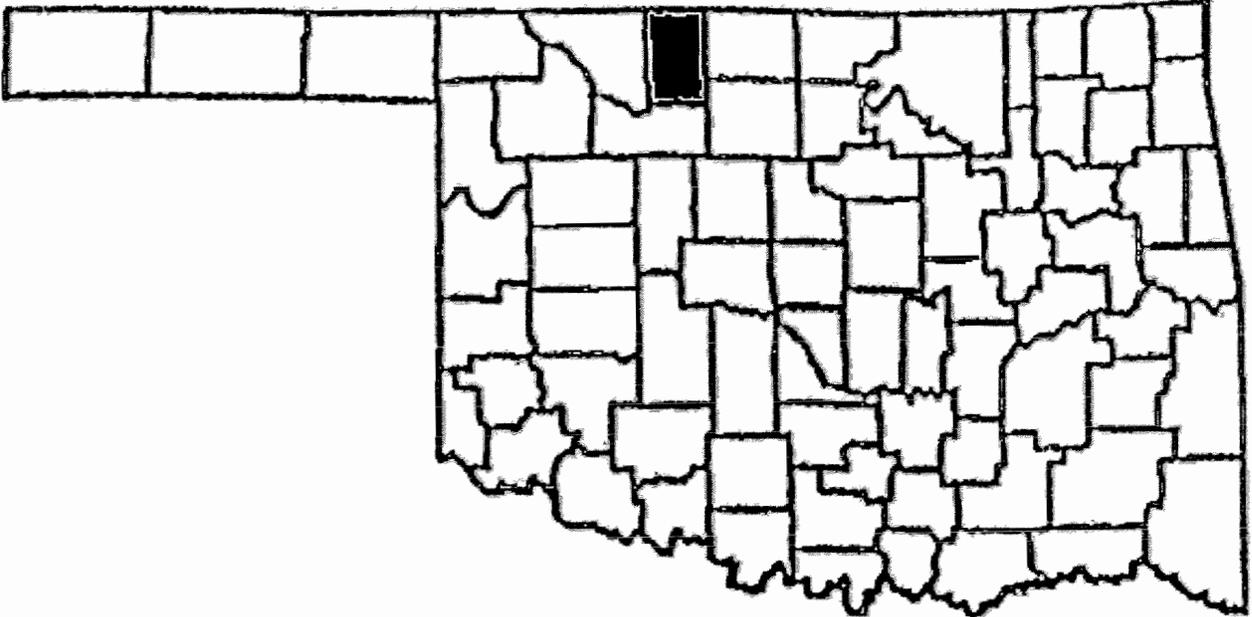
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REPORT TO THE CITIZENS  
OF  
ALFALFA COUNTY, OKLAHOMA

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Alfalfa County is named for William H. "Alfalfa Bill" Murray, president of the Oklahoma Constitutional Convention and ninth governor of the State of Oklahoma. Principal contributions to the county's economy are wheat and grain sorghums, cattle raising, and oil production. Alfalfa County boasts such attractions as the Cherokee Salt Plains, located on the Salt Fork of the Arkansas River east of Cherokee; the Great Salt Plains Recreation Area, famous for its camping facilities, fishing, boating and crystal digs; the Sod House Museum in Aline; and the Game Reserve, noted for its Canadian geese, whooping cranes and other waterfowl.

County Seat - Cherokee

Area – 866.7 Square Miles

County Population - 6,105  
(2000 est.)

Farms - 709

Land in Farms - 502,045 acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**ALFALFA COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY ASSESSOR**  
Sonya Booher  
(R) Burlington

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**  
Bruce Martin  
(R) Aline

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.

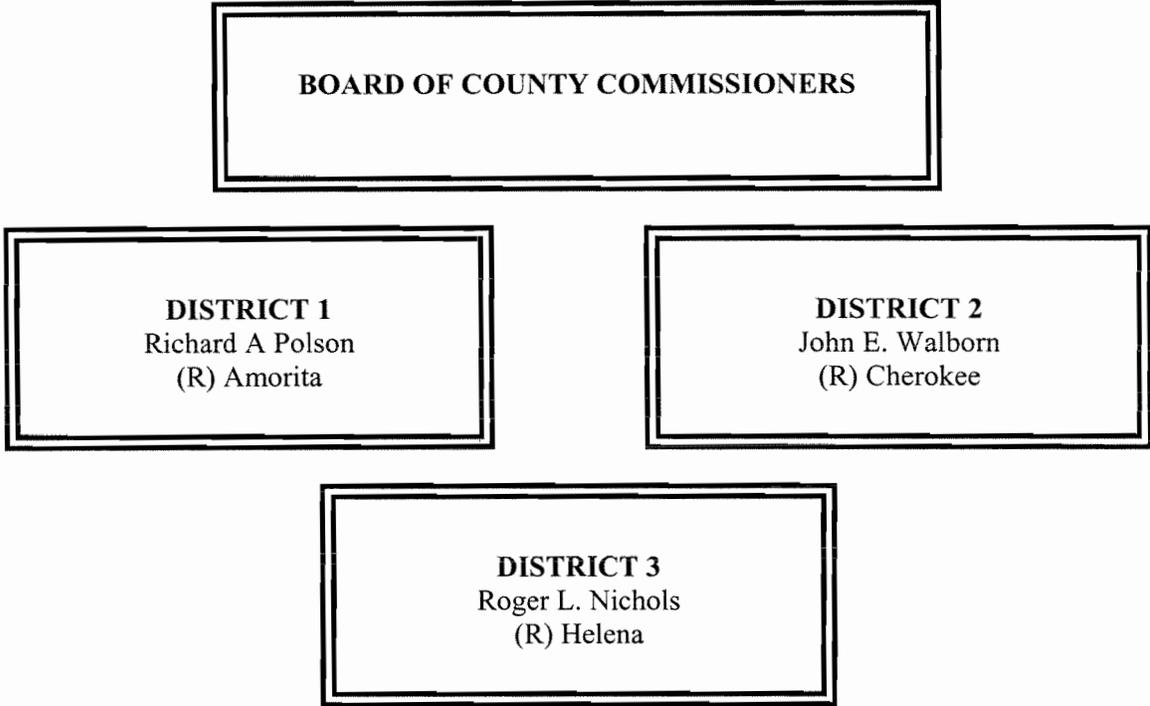
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county.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

**ALFALFA 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.

**ALFALFA COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY SHERIFF**

Charles Tucker  
(R) Cherokee

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**

Carolyn Stands  
(R) Cherokee

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.

**ALFALFA COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COURT CLERK**

Lori Irwin  
(R) Aline

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**

Ray Don Jackson  
(D) Woodward

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.

**ELECTION BOARD SECRETARY**

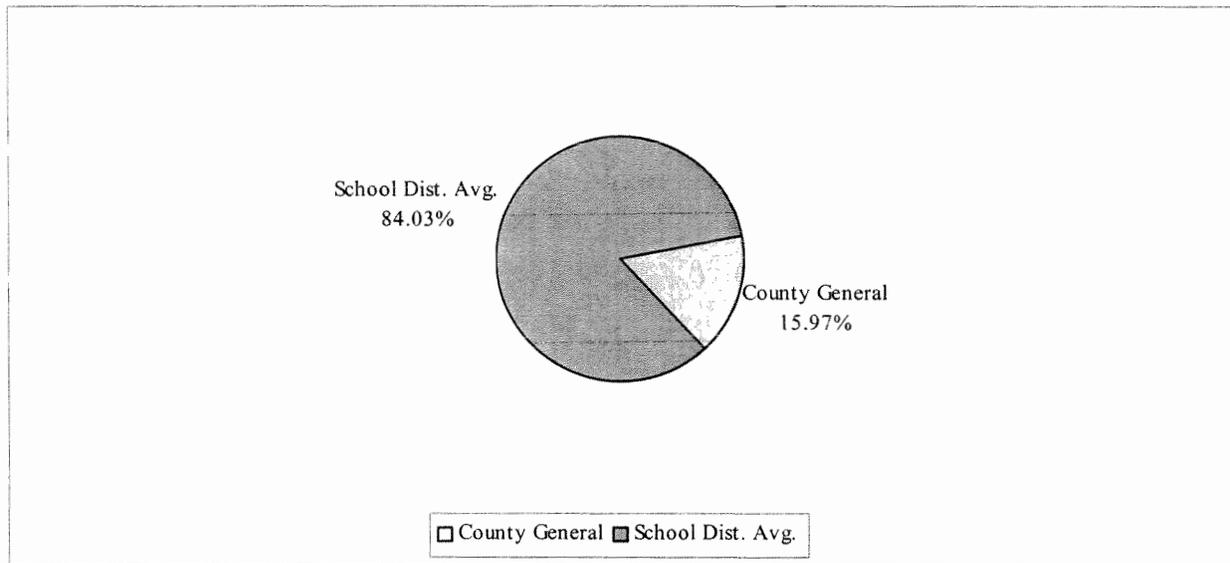
Joyce Thornburgh  
(D) Helena

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.

**ALFALFA 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		School District Millages							
Co. General						Technology Center General	Technology Center Building	Total	
	10.00		Gen.	Bldg.	Skg.				
		Byron, Amorita, Burlington	I-1	35.00	5.00	9.01			49.01
		Cherokee	I-46	35.00	5.00	9.76			49.76
		Helena, Jet, Goltry, Nash	I-93	35.00	5.00	5.36			45.36
		Ringwood	JT-1	35.00	5.00	10.52	10.00	3.00	63.52
		Carmen/Alva	JT-1	35.00	5.00	7.22	10.00	3.00	60.22
		Aline/Cleo	JT-4	35.00	5.00	5.84	10.00	3.00	58.84
		Wakita	JT-33	35.00	5.00	5.97			45.97
		Chisholm	JT-42	35.00	5.00	8.17			48.17

See independent auditor's report.

## **Financial Section**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
ALFALFA COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Alfalfa County, Oklahoma, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose financial statements are the responsibility of Alfalfa 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.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Alfalfa County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general 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 Alfalfa 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 Alfalfa County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund of the County, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2005, on our consideration of Alfalfa County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 special-purpose financial statements of Alfalfa County, Oklahoma, taken as a whole. 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 such data.

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,

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

JEFF A. McMAHAN  
State Auditor and Inspector

February 22, 2005

**Special-Purpose Financial Statements**

**ALFALFA COUNTY, OKLAHOMA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - ALL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2003**

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
County General	\$ 699,848	\$ 964,923	\$ 878,539	\$	\$ 786,232
Highway Cash	4,832,133	2,325,599	2,139,700		5,018,032
Resale Property	18,910	13,543	13,480		18,973
Sheriff Service Fee	19,388	21,206	32,614		7,980
Sheriff Department of Corrections	40,478	70,651	37,680		73,449
Treasurer Mortgage Tax Certification Fee	971	1,410	1,471		910
County Clerk Lien Fee	6,468	3,585	1,864		8,189
County Clerk Records Preservation Fee	7,700	10,880	3,815		14,765
Community Service Sentencing Program	15,696	7,585	10,655		12,626
Assessor Visual Inspection	28,172	174	8,634		19,712
Assessor Revolving Fund	734	1,079	426		1,387
Insurance Cash Fund	38,035	38,993			77,028
Courthouse Improvement		19,765			19,765
Lambert Creek Conservancy		1,131	1,131		
Schools	618,332	3,356,764	3,412,192		562,904
Cities and Towns	13,203	80,235	81,085		12,353
Official Depository	148,133	688,569	615,681	157	221,178
Tax Refund Account	270				270
<b>Total County Funds</b>	<u>\$ 6,488,471</u>	<u>\$ 7,606,092</u>	<u>\$ 7,238,967</u>	<u>\$ 157</u>	<u>\$ 6,855,753</u>

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

**ALFALFA COUNTY, OKLAHOMA**  
**COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,**  
**AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 699,811	\$ 699,811	\$ 699,848	\$ (37)
Less: Prior Year Outstanding Warrants	(111,128)	(111,128)	(111,165)	37
Less: Prior Year Encumbrances	(15,191)	(15,191)	(10,336)	4,855
Beginning Cash Balances, Budgetary Basis	<u>573,492</u>	<u>573,492</u>	<u>578,347</u>	<u>4,855</u>
Receipts:				
Ad Valorem Taxes	426,421	426,421	463,715	37,294
Sales Tax	190,965	190,965	195,804	4,839
Charges for Services	32,042	32,042	37,131	5,089
Intergovernmental Revenues	96,903	125,095	180,338	55,243
Miscellaneous Revenues	98,248	98,248	87,935	(10,313)
Total Receipts, Budgetary Basis	<u>844,579</u>	<u>872,771</u>	<u>964,923</u>	<u>92,152</u>
Expenditures:				
District Attorney	6,100	6,100	5,281	819
Capital Outlay				
Total District Attorney	<u>6,100</u>	<u>6,100</u>	<u>5,281</u>	<u>819</u>
County Sheriff	156,400	156,400	156,162	238
Capital Outlay	1	1		1
Total County Sheriff	<u>156,401</u>	<u>156,401</u>	<u>156,162</u>	<u>239</u>
County Treasurer	62,563	62,563	62,259	304
Capital Outlay	1	1		1
Total County Treasurer	<u>62,564</u>	<u>62,564</u>	<u>62,259</u>	<u>305</u>
County Commissioners OSU Extension	16,400	16,400	16,329	71
Capital Outlay	100	100		100
Total County Commissioners OSU Extension	<u>16,500</u>	<u>16,500</u>	<u>16,329</u>	<u>171</u>
County Clerk	67,126	67,126	66,980	146
Capital Outlay	1	1		1
Total County Clerk	<u>67,127</u>	<u>67,127</u>	<u>66,980</u>	<u>147</u>
Court Clerk	52,762	52,762	52,067	695
Capital Outlay				
Total Court Clerk	<u>52,762</u>	<u>52,762</u>	<u>52,067</u>	<u>695</u>
County Assessor	46,660	46,660	46,635	25
Capital Outlay	1	1		1
Total County Assessor	<u>46,661</u>	<u>46,661</u>	<u>46,635</u>	<u>26</u>
Revaluation of Real Property	44,800	44,865	41,530	3,335
Capital Outlay	500	500	81	419
Total Revaluation of Real Property	<u>45,300</u>	<u>45,365</u>	<u>41,611</u>	<u>3,754</u>
General Government	120,801	125,277	118,610	6,667
Capital Outlay	10,902	10,902	1,628	9,274
Total General Government	<u>131,703</u>	<u>136,179</u>	<u>120,238</u>	<u>15,941</u>
Excise-Equalization Board	3,000	3,000	2,433	567
Capital Outlay				
Total Excise-Equalization Board	<u>3,000</u>	<u>3,000</u>	<u>2,433</u>	<u>567</u>

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

**ALFALFA COUNTY, OKLAHOMA**  
**COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,**  
**AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2003**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Election Board	\$ 34,830	\$ 32,371	\$ 31,723	\$ 648
Capital Outlay	1	2,601	2,582	19
Total County Election Board	34,831	34,972	34,305	667
Insurance - Benefits	160,000	160,000	152,301	7,699
Capital Outlay				
Total Insurance - Benefits	160,000	160,000	152,301	7,699
Charity	600	600		600
Capital Outlay				
Total Charity	600	600	-	600
County Supt. of Health	1	1		1
Capital Outlay				
Total County Supt. of Health	1	1	-	1
Library	6,320	6,320	5,974	346
Capital Outlay				
Total Library	6,320	6,320	5,974	346
County Audit Budget	4,691	4,691	4,691	
Capital Outlay				
Total County Audit Budget	4,691	4,691	4,691	-
Free Fair Budget	6,990	30,025	30,025	
Capital Outlay	10	10		10
Total Free Fair Budget	7,000	30,035	30,025	10
County Hospital Budget	88,767	88,767	7,751	81,016
Capital Outlay	408	408		408
Total County Hospital Budget	89,175	89,175	7,751	81,424
Fire Fighting Services	1,000	1,000	128	872
Capital Outlay	50	50		50
Total Fire Fighting Services	1,050	1,050	128	922
Sales Tax - Jet Responder	1,581	3,586	399	3,187
Capital Outlay	8,910	8,910	1,409	7,501
Total Sales Tax - Jet Responder	10,491	12,496	1,808	10,688
Sales Tax - Carmen Responder	1,442	1,542	1,487	55
Capital Outlay	24,342	24,242		24,242
Total Sales Tax - Carmen Responder	25,784	25,784	1,487	24,297
Sales Tax - Aline Responder	3,646	3,646	650	2,996
Capital Outlay	7,326	7,326		7,326
Total Sales Tax - Aline Responder	10,972	10,972	650	10,322
Sales Tax - Cherokee Rescue	3,140	3,140		3,140
Capital Outlay	6,356	6,356	560	5,796
Total Sales Tax - Cherokee Rescue	9,496	9,496	560	8,936
Sales Tax - Helena Rescue	5,016	5,016	1,217	3,799
Capital Outlay	11,495	11,495	5,582	5,913
Total Sales Tax - Helena Rescue	16,511	16,511	6,799	9,712

continued on next page

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

**ALFALFA COUNTY, OKLAHOMA  
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,  
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Sales Tax - Goltry Rescue	\$ 1,108	\$ 1,108	\$ 326	\$ 782
Capital Outlay	7,994	7,994		7,994
Total Sales Tax - Goltry Rescue	9,102	9,102	326	8,776
Sales Tax - Amorita-Bryon Rescue	1,337	5,337	4,840	497
Capital Outlay	6,468	2,468		2,468
Total Sales Tax - Amorita-Bryon Rescue	7,805	7,805	4,840	2,965
Sales Tax - Nescatunga Responder	2,095	8,695	8,121	574
Capital Outlay	3,024	474		474
Total Sales Tax - Nescatunga Responder	5,119	9,169	8,121	1,048
Sales Tax - Burlington Responder	1,424	1,424		1,424
Capital Outlay	3,057	3,057		3,057
Total Sales Tax - Burlington Responder	4,481	4,481	-	4,481
Sales Tax - Emergency Reserve	149,102	145,052	2,000	143,052
Capital Outlay				
Total Sales Tax - Emergency Reserve	149,102	145,052	2,000	143,052
Sales Tax - Cherokee Ambulance	6,093	6,092	5,846	246
Capital Outlay	28,704	28,704	25,644	3,060
Total Sales Tax - Cherokee Ambulance	34,797	34,796	31,490	3,306
Sales Tax - Helena Ambulance	8,529	25,055	15,528	9,527
Capital Outlay	40,252	23,752	1,936	21,816
Total Sales Tax - Helena Ambulance	48,781	48,807	17,464	31,343
Sales Tax - Fairgrounds Improvement	114,497	114,497		114,497
Capital Outlay				
Total Sales Tax - Fairgrounds Improvement	114,497	114,497	-	114,497
Sales Tax - Courthouse Improvement	77,347	77,792	12,763	65,029
Capital Outlay				
Total Sales Tax - Courthouse Improvement	77,347	77,792	12,763	65,029
Total Expenditures, Budgetary Basis	1,418,071	1,446,263	893,478	552,785
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	649,792	\$ 649,792
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			17,932	
Add: Current Year Outstanding Warrants			118,508	
Ending Cash Balance			<u>\$ 786,232</u>	

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

**ALFALFA COUNTY, OKLAHOMA  
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2003**

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
District Court Clerk	\$ 73,726	\$ 435,993	\$ 375,871	\$ 71	\$ 133,919
County Clerk		58,232	58,237	5	
County Treasurer Miscellaneous		521	521		
County Sheriff Cash Bonds		4,061	4,061		
County Election Board	400	18,225	18,679	67	13
Court Fund	49,484	98,346	86,907		60,923
County Treasurer Motor Vehicle Stamps		2,107	2,107		
County Treasurer Trust Deposits	3,599	60,964	57,902	14	6,675
Court Clerk Judicial Administration	12,158				12,158
Sheriff Service Fee		2,140	2,140		
Court Clerk Revolving Cash	5,508	4,141	4,268		5,381
District Attorney	3,258	3,839	4,988		2,109
<b>Total Official Depository Accounts</b>	<b>\$ 148,133</b>	<b>\$ 688,569</b>	<b>\$ 615,681</b>	<b>\$ 157</b>	<b>\$ 221,178</b>

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 Alfalfa County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund of the County. 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. Funds presented are established by statute, and their operations are under the control of the County officials.

B. Fund Accounting

A government entity 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 is the only fund required to adopt a formal budget. The budget presented for the general 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.

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 Statement of Receipts, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund 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 Statement of Receipts, Disbursements, and Changes in Fund 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 receipts and disbursements of other budgetary entities are not included in the County's Estimate of Needs.

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, 2003.

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 Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Group (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.

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 carries commercial insurance for these types of coverage.	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 chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$10,000 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 and employees' insurance. 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.

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

G. Compensated Absences

The County's policy for leave benefits reads as follows:

Annual Leave - 80 hours of vacation benefits are earned by the employee on their anniversary date of employment. The employees have one full year to use their annual. No balances may be carried over from one year to the next.

Sick Leave - accrues at the rate of 8 hours for each full calendar month worked for the County. Each employee may accumulate up to a maximum of 30 days of sick leave.

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 Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$6,855,753 and the bank balance was \$6,437,336. 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

County General - accounts for the general operations of the government.

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

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

Detailed Notes on Funds and Account Balances (continued)

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

Sheriff Department of Corrections – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

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

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

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute for preservation of records.

Community Service Sentencing Program – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Assessor Visual Inspection - accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

Assessor Revolving Fund - accounts for the collection of fees for copies restricted by state statute.

Insurance Cash Fund – accounts for the receipt and disbursements of insurance proceeds.

Courthouse Improvements – accounts for the insurance reimbursement for the County courthouse roof.

Lambert Creek Conservancy – accounts for the collection and distribution of special assessment taxes on behalf of other entities.

Schools - accounts for monies collected on behalf of the public schools in Alfalfa County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Cities and Towns – accounts for Oklahoma Tax Commission collections distributed to the cities and towns of the County.

Official Depository - accounts for the collection and distribution of officer and board fees, held in trust until the end of the month.

Tax Refund Account – accounts for tax collected in excess of the amount owed and for the refunding of said overpayments.

Detailed Notes on Account Balances (continued)

Additionally, the following official depository accounts are described as follows:

District Court Clerk – The “court clerk” or “district court” trust account is for money received from attorneys, defendants, plaintiffs, estates, or others. These deposits are for court fees, cash bonds, judgments, fines, etc. The Court Clerk acts as custodian in a fiduciary capacity for these deposits until the court fees are assessed, fines imposed, judgments rendered, etc. Disbursements are made to transfer funds to the court fund, the court clerk revolving fund, the Oklahoma Supreme Court, other state agencies, for refunds of excess deposits, or for other distributions as ordered by the court.

County Clerk – Deposits include collections for recording fees, fax and copy fees, etc. Disbursements are made for transfers to the general fund and other county funds, to the Oklahoma Tax Commission, and for any refunds.

County Treasurer Miscellaneous – accounts for fees from copies and redemption fees collected and disbursed to the general fund at the end of each month.

County Sheriff Cash Bonds – accounts for the collection of bond monies. Bonds are disbursed to the individual cases within the district court account.

County Election Board – accounts for reimbursement of election cost by entities within the County and disbursed for refunds of election fees and cost of election.

Court Fund – accounts for fees transferred from District Court and interest. Money is disbursed for the purpose of fees for various entities, salaries, and operations of the Court Clerk’s office.

County Treasurer Motor Vehicle Stamps – accounts for the collection for the sale of Motor Vehicle Stamps. Disbursements are made to the Oklahoma Tax Commission and to the Treasurer’s Mortgage Certification Fee Account.

County Treasurer Trust Deposits – accounts for all collections of pre-paid ad valorem, and pre-paid mobile homes. Disbursements are for the purpose of refunds and payment of taxes.

Court Clerk Judicial Administration – accounts for money set aside by the AOC for the purchase of computers.

Sheriff Service Fee – accounts for service fees, tax warrants, and copies. Disbursements are made to transfer funds collected to the Court Clerk, the County Treasurer for apportionment to the general ledger and other county funds, the Oklahoma Tax Commission or other state agencies, as required.

Detailed Notes on Account Balances (continued)

Court Clerk Revolving Cash – This account was established for the collection of administrative fees collected by the Court Clerk to be used to defray costs incurred for the operation of the Court Clerk's office.

District Attorney – accounts for the fees collected on behalf of the District Attorney's office and disbursements are for the general operations 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, 2002, was approximately \$46,906,309.

The County levied 10 mills (the legal maximum) for general fund operations. 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, 2003, were approximately 98 percent of the tax levy.

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

Detailed Notes on Funds and Account Balances (continued)

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 percent on all subsequent pieces of machinery acquired.

F. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

G. 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

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.

5.     Sales Tax

On November 7, 2000, the citizens of Alfalfa County voted on and approved two separate sales tax questions. The first for a  $\frac{3}{4}$  cent sales tax,  $\frac{1}{2}$  cent for the purpose pertaining to the health and well-being of the people and  $\frac{1}{4}$  cent for the purpose of general operations and improvements of the government. This is a continuation of a previous sales tax. The second sales tax proposition was a  $\frac{1}{4}$  cent sales tax pertaining to the construction and maintenance/repair of the fairgrounds. The sales tax is apportioned to the general fund, and for the year ended June 30, 2003, \$195,804 in sales tax was distributed. The purpose of the fund is for the rescue and ambulance services and for the purposes pertaining to the health and well being of the people and capital improvements of the government of Alfalfa County, Oklahoma.

**Compliance and Internal Control Section**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
ALFALFA COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Alfalfa County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated February 22, 2005. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Alfalfa County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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*. However, we noted certain matters that we reported to management of Alfalfa County and are included in Section 2 of the schedule of findings, contained within this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Alfalfa 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 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. Reportable conditions are described in the accompanying schedule of findings as items 2002-1 and 2003-1.

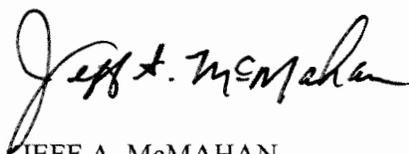
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002-1 to be a material weakness.

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

This report is intended solely for the information and use of the management of the County 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

February 22, 2005

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

**Finding 2002-1 - Segregation of Duties (Repeat Finding)**

Criteria: Accountability and stewardship are overall goals 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: One deputy in the County Sheriff's office performs the following tasks:

1. Opens mail and totals remittances
2. Writes official depository receipts
3. Balances the receipts as to cash and checks received
4. Prepares the deposit slip
5. Deposits with the County Treasurer

Effect: This condition 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 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 office operations and periodic review of those operations.

Management Response: A lack of funds requires that the duties of the office be shared by all employees. At this time, measures have been taken to ensure proper accounting of funds by segregating the duties of receiving, receipting, recording, and depositing cash and checks.

**Finding 2003-1 - Leave Balances**

Criteria: Effective internal controls include updated and accurate documentation of employee's annual, sick, and comp time accrued balances.

Condition: Leave balances were not maintained by some of the County officers and the officers that were maintaining leave balances were doing so in a manner that was inconsistently applied.

Recommendation: We recommend that the County officers implement policies and procedures to maintain updated and accurate leave balance records for all employees. We further recommend the County officers adopt a standardized form that is consistently applied in accordance with policy and procedures.

Management Response: The County officers will develop and implement a standardized form that documents annual, sick, and comp time balances on a basis consistent with policy and procedures for each employee.

**SECTION 2 - Other Findings - This section contains findings not required to be reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, but which we believed were significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action.**

**Finding 2003-2 - Fixed Assets Inventory**

Criteria: Title 19 O.S. 2001, § 178.3 states, "The county clerk shall be custodian and repository of all inventory records, files and reports.

Condition: The County's inventory lists were not maintained on a current basis and were not accurate.

Recommendation: We recommend the County implement policies and procedures to comply with Title 19 O.S. 2001, § 178.3 and that the records, files, and reports be accurately updated and maintained.

Management Response: The County Clerk is in the process of updating inventory records.

**Finding 2003-3 - Fixed Assets Identification Numbers**

Criteria: Title 19 O.S. 2001, § 645 states in part, "The board of county commissioners shall cause each piece of county-owned, rented or leased road machinery and equipment, and each automobile and truck, to be conspicuously and legibly marked with the county's name on each side in upper case letters, on a background of sharply contrasting color."

Condition: County officials did not consistently mark equipment inventory with county identification numbers. It was also noted that some of the County officers did not have any identification numbers labeled on equipment.

Recommendation: We recommend the Commissioners implement policies and procedures to comply with Title 19 O.S. 2001, § 645.

Management Response: The County Commissioners are in the process of updating fixed assets inventory records to reflect proper identification numbers on inventory items.

**Statistical Section  
(Unaudited)**

**ALFALFA COUNTY, OKLAHOMA  
TOP TEN TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2003  
(UNAUDITED)**

<b>TAXPAYER</b>	<b>JANUARY 1, 2002 NET ASSESSED ASSESSED VALUE</b>	<b>% OF TOTAL NET VALUATION</b>
Western Gas	\$ 1,519,604	3.24%
Burlington Northern RR	891,459	1.90%
Continental Gas Inc.	891,169	1.90%
Duke Energy Field Services	813,666	1.73%
Kanokla Telephone	726,920	1.55%
Southwestern Bell Telephone	723,838	1.54%
Williams Gas Pipe Central	680,411	1.45%
Panhandle Eastern Pipeline	559,106	1.19%
ONG - Division of Oneok	525,643	1.12%
Koch Pipeline	513,726	1.10%
Total	<u>\$ 7,845,542</u>	<u>16.72%</u>

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

**ALFALFA COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED JUNE 30, 2003  
(UNAUDITED)**

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Total net assessed value as of January 1, 2002		<u>\$ 46,906,309</u>
Debt limit - 5% of total assessed value		\$ 2,345,315
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 2,345,315</u>

**ALFALFA COUNTY, OKLAHOMA  
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA  
FOR THE YEAR ENDED JUNE 30, 2003  
(UNAUDITED)**

	2003
Estimated population	6,105
Net assessed value as of January 1, 2002	\$ 46,906,309
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	\$ -

**ALFALFA COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE YEAR ENDED JUNE 30, 2003  
(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>
1/1/2002	\$11,828,364	\$6,471,034	\$30,131,298	\$1,524,387	\$46,906,309	\$355,744,612