

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

September 8, 2005

TO THE CITIZENS OF
BEAVER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Beaver 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. McMahán".

JEFF A. McMAHAN
State Auditor and Inspector

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

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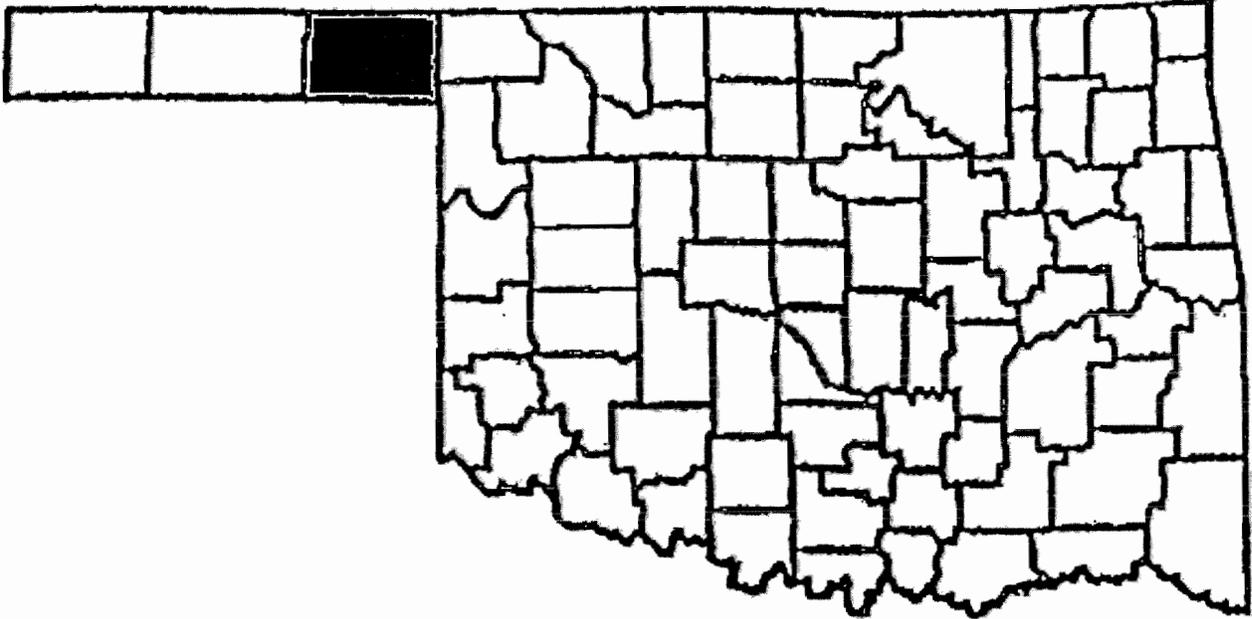
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**BEAVER COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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REPORT TO THE CITIZENS
OF
BEAVER COUNTY, OKLAHOMA



Located in the Oklahoma Panhandle, present-day Beaver County was created from the eastern one-third of that area. Named for Beaver River, this county comprised the entire panhandle prior to statehood.

Bordered on the north by Kansas and the south by Texas, Beaver County was crossed by the Jones and Plummer Trail. Established around 1874, this trail served first as a supply route and then a cattle trail between Texas and Kansas.

The local economy is based on agriculture and cattle and is supplemented by the oil and gas industry.

County Seat - Beaver

Area - 1814.5 Square Miles

County Population - 5,857
(2000 est.)

Farms - 738

Land in Farms - 1,047,970 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**BEAVER COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Maxine Elston
(D) Forgan

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
Karen Schell
(D) Beaver

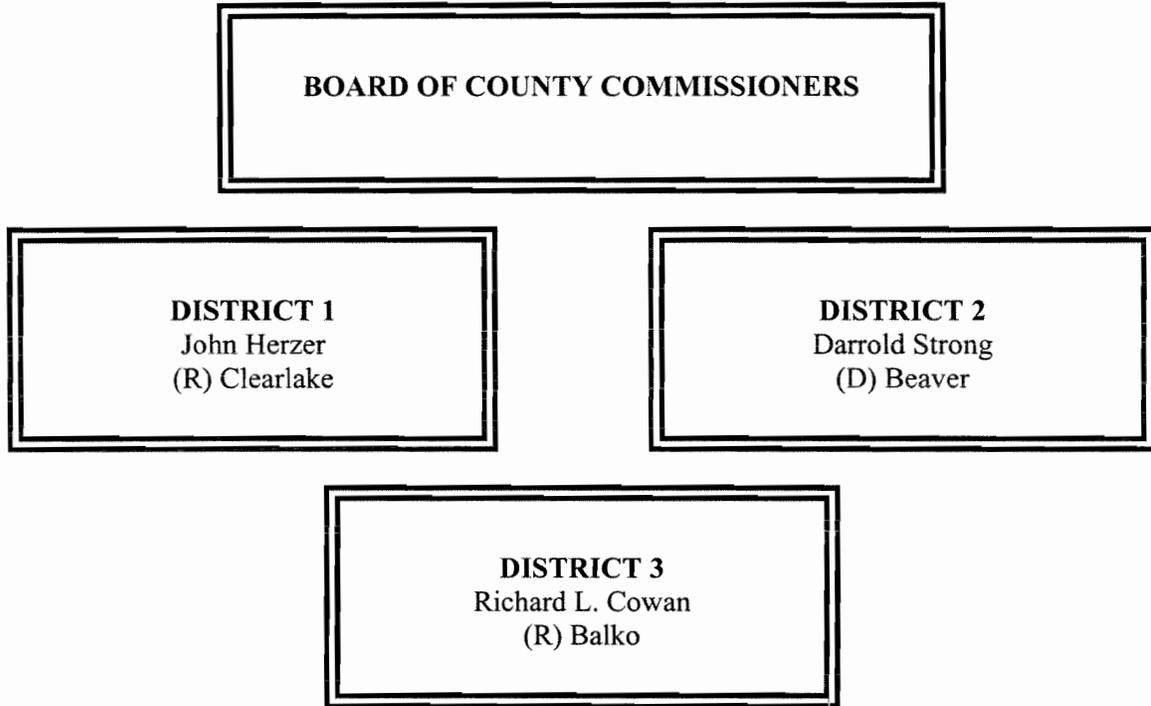
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**BEAVER COUNTY OFFICIALS
AND RESPONSIBILITIES**



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

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

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

See independent auditor's report.

**BEAVER COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Billy E. Cassingham
(R) Forgan

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

COUNTY TREASURER
Jim Stafford
(R) Beaver

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.

**BEAVER COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Sharon Raven
(D) Beaver

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
James M. Boring
(R) Guymon

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.

**BEAVER COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY
Vera Floyd
(D) Beaver

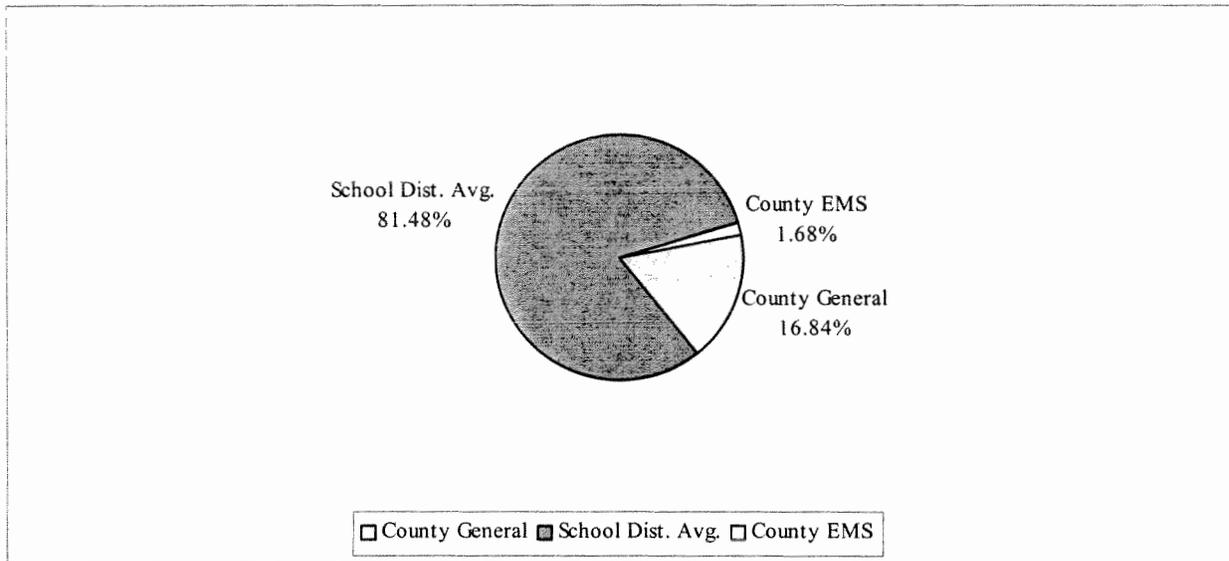
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

See independent auditor's report.

**BEAVER 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 EMS	1.00

		School District Millages					
		Gen.	Bldg.	Skg.	Common	Total	
Beaver	I-22	35.00	5.00	6.60	4.00	50.60	
Balko	I-75	35.00	5.00		4.00	44.00	
Forgan/Knowles	I-123	35.00	5.00	3.87	4.00	47.87	
Trupin	I-128	35.00	5.00	10.58	4.00	54.58	
Laverne	Jt-1	35.00	5.00		4.00	44.00	
Shattuck	Jt-42	35.00	5.00	5.17	4.00	49.17	

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
BEAVER COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Beaver 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 Beaver 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 Beaver 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 Beaver 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 Beaver 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, 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 August 22, 2005, on our consideration of Beaver County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

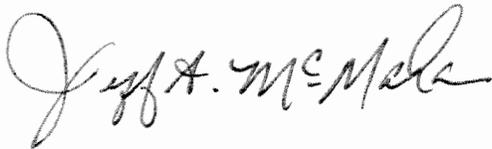
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Beaver County, Oklahoma, taken as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the special-purpose 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 such information.

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, appearing to read "Jeff A. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

August 22, 2005

Special-Purpose Financial Statements

**BEAVER 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
County General Fund	\$ 1,242,636	\$ 1,666,180	\$ 1,768,914	\$	\$ 1,139,902
Highway Cash	2,575,220	6,079,492	6,028,436		2,626,276
Resale Property	12,457	17,225	7,484		22,198
Excess Resale	223		223		
Health Cash Fund	51,087	3,553	20,110		34,530
County Clerk Lien Fee	16,321	18,308	18,423		16,206
County Clerk Lien Fee Investments	5,034	65	5,099		
County Clerk Records Preservation Fee	31,065	18,611	1,213		48,463
Treasurer's Mortgage Tax Certification Fee	8,607	1,470	4,666		5,411
Assessor Visual Inspection	327				327
Sheriff Service Fee	47,829	80,962	62,558		66,233
Library Hispanic Resource	2,000				2,000
Community Improvement Fund	37,314	447	2,000		35,761
Local Emergency Planning Committee Grant	7,355	3,465			10,820
Library Gates Training Grant	36		36		
Library State Aid Grant	1,017	2,812	3,829		
Library Continuing Education Grant		1,000	1,000		
Emergency Management Warning System	26,694	3,046	2,961		26,779
Knowles REAP Grant					
General Use Tax	28,307	85,049			113,356
County Hospital Sales Tax	31,379	419,414	413,291		37,502
Court Clerk Trust Encumbrance	4,376	22			4,398
Schools	478,723	5,276,561	5,155,223		600,061
Cities and Towns	123,411	209,741	214,291		118,861
County Federal Tax Withholding	38,442	465,767	464,317		39,892
Balko Federal Tax Withholding		85,031	85,031		
Law Library	1,872	11,042	6,558		6,356
Emergency Medical Service	264	92,833	92,421		676
Turpin Fire Truck REAP Grant		29,999	29,999		
Slapout Fire REAP Grant		29,999	29,999		
Balko Fire Department REAP Grant		24,999	24,999		
Official Depository	204,054	2,251,586	2,359,894	3,503	99,249
2003 Protest Tax		101,902	90,246		11,656
2001 Protest Tax	23,600	77	23,677		
Cash in Office	125				125
Total County Funds	<u>\$ 4,999,775</u>	<u>\$ 16,980,658</u>	<u>\$ 16,916,898</u>	<u>\$ 3,503</u>	<u>\$ 5,067,038</u>

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

**BEAVER 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	\$ 1,242,636	\$ 1,242,636	\$ 1,242,636	\$ -
Less: Prior Year Outstanding Warrants	(113,284)	(113,284)	(113,284)	
Less: Prior Year Encumbrances	(74,112)	(74,112)	(70,442)	3,670
Beginning Cash Balances, Budgetary Basis	<u>1,055,240</u>	<u>1,055,240</u>	<u>1,058,910</u>	<u>3,670</u>
Receipts:				
Ad Valorem Taxes	839,003	839,003	918,321	79,318
Sales Tax	309,426	309,426	419,303	109,877
Charges for Services	94,733	94,733	113,236	18,503
Intergovernmental Revenues	81,274	123,022	142,821	19,799
Miscellaneous Revenues	41,496	41,496	72,499	31,003
Total Receipts, Budgetary Basis	<u>1,365,932</u>	<u>1,407,680</u>	<u>1,666,180</u>	<u>258,500</u>
Expenditures:				
District Attorney	5,000	5,032	4,479	553
Capital Outlay				
Total District Attorney	<u>5,000</u>	<u>5,032</u>	<u>4,479</u>	<u>553</u>
County Sheriff	341,679	342,816	342,386	430
Capital Outlay	2,220	2,220	2,220	
Total County Sheriff	<u>343,899</u>	<u>345,036</u>	<u>344,606</u>	<u>430</u>
County Treasurer	114,915	114,915	114,559	356
Capital Outlay				
Total County Treasurer	<u>114,915</u>	<u>114,915</u>	<u>114,559</u>	<u>356</u>
County Commissioners	15,000	15,000	954	14,046
Capital Outlay				
Total County Commissioners	<u>15,000</u>	<u>15,000</u>	<u>954</u>	<u>14,046</u>
OSU Extension	68,069	68,069	43,288	24,781
Capital Outlay	149,086	149,086	2,410	146,676
Total OSU Extension	<u>217,155</u>	<u>217,155</u>	<u>45,698</u>	<u>171,457</u>
County Clerk	161,067	161,067	148,661	12,406
Capital Outlay				
Total County Clerk	<u>161,067</u>	<u>161,067</u>	<u>148,661</u>	<u>12,406</u>
Court Clerk	105,801	105,801	105,801	
Capital Outlay				
Total Court Clerk	<u>105,801</u>	<u>105,801</u>	<u>105,801</u>	<u>-</u>
County Assessor	92,307	92,307	88,029	4,278
Capital Outlay				
Total County Assessor	<u>92,307</u>	<u>92,307</u>	<u>88,029</u>	<u>4,278</u>
Revaluation of Real Property	69,103	67,103	60,166	6,937
Capital Outlay	1,000	3,000	2,374	626
Total Revaluation of Real Property	<u>70,103</u>	<u>70,103</u>	<u>62,540</u>	<u>7,563</u>
General Government	262,673	339,869	339,051	818
Capital Outlay	30,980	60,213	30,980	29,233
Total General Government	<u>293,653</u>	<u>400,082</u>	<u>370,031</u>	<u>30,051</u>

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

BEAVER 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

	Original Budget	Final Budget	Actual	Variance
Excise-Equalization Board	3,050	3,050	2,404	646
Capital Outlay				
Total Excise-Equalization Board	3,050	3,050	2,404	646
County Election Board	43,292	43,539	40,612	2,927
Capital Outlay	100	100		100
Total County Election Board	43,392	43,639	40,612	3,027
Charity	4,000	4,000	2,575	1,425
Capital Outlay				
Total Charity	4,000	4,000	2,575	1,425
Library General	9,412	9,455	9,318	137
Capital Outlay				
Total Library General	9,412	9,455	9,318	137
County Audit Budget	16,485	13,680	13,680	
Capital Outlay				
Total County Audit Budget	16,485	13,680	13,680	-
Senior Citizens Centers	54,454	54,504	23,339	31,165
Capital Outlay				
Total Senior Citizens Center	54,454	54,504	23,339	31,165
Fire Departments	101,419	101,475	31,238	70,237
Capital Outlay				
Total Fire Departments	101,419	101,475	31,238	70,237
Rural Economic Development	4,446	4,446	4,440	6
Capital Outlay				
Total Rural Economic Development	4,446	4,446	4,440	6
Beaver City Bus Transit	13,618	13,618	9,917	3,701
Capital Outlay				
Total Beaver City Bus Transit	13,618	13,618	9,917	3,701
Free Fair Budget	90,483	99,770	97,643	2,127
Capital Outlay	5,655	3,655	141	3,514
Total Free Fair Budget	96,138	103,425	97,784	5,641
Emergency Management	47,263	47,263	41,716	5,547
Capital Outlay	2,000	2,000	931	1,069
Total Emergency Management	49,263	49,263	42,647	6,616
General Government Sales Tax	424,053	352,053	45,130	306,923
Capital Outlay				
Total General Government Sales Tax	424,053	352,053	45,130	306,923
Library Budget Sales Tax	36,095	39,315	39,120	195
Capital Outlay	7,346	4,246	4,229	17
Total Library Budget Sales Tax	43,441	43,561	43,349	212

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

**BEAVER 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

	Original Budget	Final Budget	Actual	Variance
Public Health	85,331	91,984	82,426	9,558
Capital Outlay	30,697	25,196	3,330	21,866
Total Public Health	116,028	117,180	85,756	31,424
County Hospital Budget	23,073	23,073	23,073	
Capital Outlay				
Total County Hospital Budget	23,073	23,073	23,073	-
 Total Expenditures, Budgetary Basis	 2,421,172	 2,462,920	 1,760,620	 702,300
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 \$ -	 964,470	 \$ 964,470
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			42,558	
Add: Current Year Outstanding Warrants			132,874	
Ending Cash Balance			<u>\$ 1,139,902</u>	

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

**BEAVER 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
District Court Clerk	\$ 69,010	\$ 947,732	\$ 1,010,271	\$ 208	\$ 6,679
District Court Fund	85,333	262,010	310,305	156	37,194
Court Clerk Revolving	12,406	7,924	4,757		15,573
District Attorney Bogus Check Restitution	585	202	483		304
District Attorney Criminal Restitution	57	6,465	6,522	45	45
District Attorney Drug Fund	2,588	1,964	4,333		219
District Attorney State Witness Fee	1,152	280	1,036		396
District Attorney Probation		140			140
County Sheriff		585,628	586,378	750	
County Sheriff Estray Cattle	362				362
County Sheriff Training	1				1
County Sheriff Drug Prevention	161				161
County Clerk	11,707	133,768	133,336	506	12,645
County Election Board	208	9,837	9,398	201	848
County Assessor Revolving	965	2,418	2,901		482
County Treasurer	5,180	275,602	273,215	757	8,324
County Health Department		6,018	5,501		517
Free Fair	9,339	11,598	11,458	880	10,359
First Security Bank Official Depository	5,000				5,000
Total Official Depository Accounts	\$ 204,054	\$ 2,251,586	\$ 2,359,894	\$ 3,503	\$ 99,249

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 Beaver 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 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 Comparative Statement of Receipts, Expenditures, and Changes in Fund Balances - Budget and Actual - for the 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, 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	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.
- Torts		
- Errors and Omissions		
- Law Enforcement Officers Liability		
- Vehicle		
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.
Employees - Medical - Disability - Dental - Life	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed pool assets, the members 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 \$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. 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. 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

Vacation benefits are earned by the employee during the year and may be accumulated. Employees must work one full year before being entitled to annual leave. Employees with 1 to 10 years of service are granted 10 days of vacation leave. Employees with 11 to 25 years of service are granted 12 days of vacation leave. Employees with 26 years of service are granted 15 days of vacation leave.

Summary of Significant Accounting Policies (continued)

The County does not accrue any liability for sick leave. An employee earns up to 5 days per year not to exceed 25 days. After an employee has reached the maximum accumulated sick leave of 25 days, the employee may use a portion of sick leave for annual leave, not to exceed 5 days. At retirement, any accumulation of sick leave may be taken as annual 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 \$5,067,038 and the bank balance was \$5,236,035. 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

Detailed Notes on Funds and Account Balances (continued)

B. Description of Funds

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

Highway Cash - accounts for state, local and miscellaneous receipts and disbursements are 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.

Excess Resale – accounts for monies received from the sale of resale property that brought more than the taxes owed.

Health Cash Fund - accounts for monies collected as fees for health related programs for the citizens of the County. Beaver County received no ad valorem taxes.

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

County Clerk Lien Fee Investments - accounts for interest earned and disbursements on funds held by the County Clerk by court order.

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

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

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

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

Library Hispanic Resource – accounts for grant funds used for county library programs.

Community Improvement Fund – accounts for funds restricted for county building improvement, with interest apportioned to the fund as the investment matures.

Local Emergency Planning Committee Grant – accounts for money collected from dues paid by oil companies for local emergency planning and related issues.

Detailed Notes on Funds and Account Balances (continued)

Slapout Fire REAP Grant – accounts for monies received from state for purchase of equipment.

Balko Fire Department REAP Grant – accounts for monies received from state for purchase of equipment.

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

Protest Tax – accounts for ad valorem tax collected under protest and held until the issue is resolved and then apportioned or refunded as decided.

Cash in Office – accounts for County officers cash change funds.

Additionally, the following accounts are included in the official depository account.

District Court Clerk – accounts for the collection of bond money, court fines and fees. Money is disbursed for overpayment of fees and restitution with a portion transferred to the District Court.

District Court Fund – accounts for fees transferred from District Court and interest earned on those funds. Funds are disbursed for the salaries, equipment and the operation of the Court Clerk's office.

Court Clerk Revolving – accounts for the charge of \$5 for each warrant. Money is disbursed in the same manner as the court fund.

District Attorney Bogus Check Restitution – accounts for the collection of restitution payments by defendants and disbursed to vendors for the restitution of false and bogus checks.

District Attorney Criminal Restitution – accounts for the collection of restitution payments from defendants and disbursed to an individual for restitution of destruction of property.

District Attorney Drug Fund - accounts for the collection of money on drug forfeitures. Disbursements are made to defray the cost of the drug control enforcement act.

District Attorney State Witness Fee – accounts for collections received from the state to reimburse the District Attorney for state witness expense.

District Attorney Probation – accounts for collections of fees from misdemeanor probations.

County Sheriff – accounts for all collection of foreign service fees and bonds. Monies are disbursed at the end of the month to the Sheriff Service Fee Fund and District Court Clerk Account.

Detailed Notes on Funds and Account Balances (continued)

County Sheriff Estray Cattle – accounts for the proceeds from the sale of estray cattle, and is disbursed for the expenses related to the care of the cattle.

County Sheriff Training – accounts for the collection of miscellaneous receipts and disbursements for the training of Sheriff's deputies.

County Sheriff Drug Prevention – accounts for money received from the District Attorney Drug Fund and used for drug education.

County Clerk – accounts for the collection of filing fees and disbursed to Oklahoma Tax Commission and the County Clerk Lien Fee Account.

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

County Assessor Revolving – accounts for the collection of copy fees and disbursed to the County Assessor Revolving Fund Account.

County Treasurer – accounts for all collections of pre-paid ad valorem taxes, pre-paid mobile homes, and the sale of motor vehicle stamps. Disbursements are for refunds and vehicle collections disbursed to the Oklahoma Tax Commission, schools, and the County Treasurer Mortgage Certification Fee Account.

County Health Department – accounts for the fees for services performed by the county health department and transferred to the special revenue fund for general operations.

Free Fair – accounts for the collection of Free Fair Building rental and disbursements are for the refund of deposits and transfer to operations of the Free Fair.

First Security Bank Official Depository – an account used to transfer surplus funds from other bank accounts when collateral is insufficient to cover deposits.

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."

Detailed Notes on Funds and Account Balances (continued)

The assessed property value as of January 1, 2003, was approximately \$92,290,348.

The County levied 10.00 mills (the legal maximum) for general fund operations and 1 mill for the emergency medical service. 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 98.51 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 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.

Detailed Notes on Funds and Account Balances (continued)

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

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

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

5. Sales Tax

The voters of Beaver County approved a one-cent sales tax effective April 1, 1997. This sales tax expired April 1, 2003. The sales tax was distributed among the following entities; OSU Extension office (12%), Free Fair (15%), Health Department (15%), County Library (10%), City Transit Bus (1.3%), Rural Fire (10.4%), general use (19.3%), Rural Economic Development (1%), Courthouse Maintenance and Operation (10%), and Senior Citizens (6%). For the fiscal year ended June 30, 2004, the County received and apportioned \$419,303 in sales tax revenue to the above entities.

The voters of Beaver County approved a continuation of an existing 1% sales tax effective February 1, 2004. This sales tax will expire February 1, 2011. The sales tax was approved for the general support of Beaver County Memorial Hospital Authority. During fiscal year 2004, the County received and apportioned \$419,303 in sales tax revenue and \$101 in prior year sales tax revenue for the Authority.

INTERNAL CONTROL AND COMPLIANCE SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**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
BEAVER COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Beaver County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 22, 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 Beaver 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 financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-1.

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 2001-1 to be a material weakness.

Compliance and Other Matters

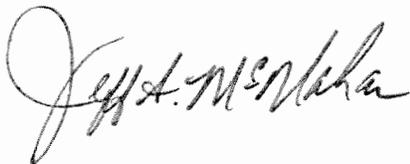
As part of obtaining reasonable assurance about whether Beaver County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we reported to management of Beaver County and is included in Section 2 of the schedule of findings, contained within this report.

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

August 22, 2005

SECTION 1 - 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 2001-1 – 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: The limited number of office personnel within the County Sheriff, County Assessor, and Election Board offices prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

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 desirable 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 these operations.

Views of responsible officials and planned corrective actions: The County is aware of this condition and will make every effort to ensure the segregation of duties in these offices.

SECTION 2 - Other Findings - This section contains findings not required to be reported in 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*, 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 2004-1 – Local Emergency Planning Committee

Criteria: According to the fiscal year 2004 LEPC Assistance Grant Agreement,

- 2.2 No grant funds may be expended after that date (period of performance) except with the express written authorization of DOT.
- 6.2.2 Expenditures made by the Grantee shall be reimbursable as allowable costs to the extent that they meet all requirements set forth below:
 - 6.2.2.3 Be reasonable in amount for the goods or services purchased;
 - 6.2.2.4 Be actual net costs to Grantee;
 - 6.2.2.5 Be incurred (and be for work performed) after the date of this Grant;
- 6.3 All costs charged to the program...shall be supported by properly executed payrolls, time records, invoices, contracts or vouchers evidencing in detail the nature and propriety of the charges.

BEAVER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2004

Condition: Since February 2001, the County Emergency Management Office had received \$10,820 in Local Emergency Planning Committee (LEPC) funds at June 30, 2004. The funds have accumulated in the LEPC Grant Fund and had not been expended. The period of performance for the fiscal year 2004 contract expired on September 30, 2004.

Recommendation: We recommend the unexpended grant funds be returned to the Oklahoma Department of Emergency Management. The County has until September 30, 2005, to expend an additional \$2,666 of LEPC funds received in fiscal year 2005.

Views of responsible officials and planned corrective actions: We concur with the Auditor's comments and are implementing the following procedural changes:

We will make every effort to ensure grant funds are expended before the expiration of the contract and are making every effort to expend the LEPC Grant Fund.

STATISTICAL SECTION
(Unaudited)

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

TAXPAYER	JANUARY 1, 2003 NET ASSESSED VALUATION	% OF TOTAL NET VALUATION
Northern Natural Gas	\$ 7,133,495	7.73%
Duke Energy Field Services Inc.	5,431,636	5.88%
Natural Gas Pipeline Company	4,315,936	4.68%
Seaboard Funding	3,706,084	4.02%
Colorado Interstate Gas Co.	3,571,187	3.87%
Quarter M Farms	2,042,403	2.21%
CMS Gas	2,001,010	2.17%
Mid America Pipeline	1,430,151	1.55%
Panhandle Field Services	1,419,766	1.54%
Tri-State Feeders	1,089,712	1.18%
Total	<u>\$ 32,141,380</u>	<u>34.83%</u>

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

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

Total net assessed value as of January 1, 2003		<u>\$ 92,290,348</u>
Debt limit - 5% of total assessed value		\$ 4,614,517
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 4,614,517</u>

**BEAVER 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)**

	2004
Estimated population	5,857
Net assessed value as of January 1, 2003	\$ 92,290,348
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	\$ -

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

<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	\$30,858,090	\$26,514,728	\$36,313,677	\$1,396,147	\$92,290,348	\$720,665,346