

**BLAINE 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

April 26, 2004

TO THE CITIZENS OF
BLAINE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Blaine 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 black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

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

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

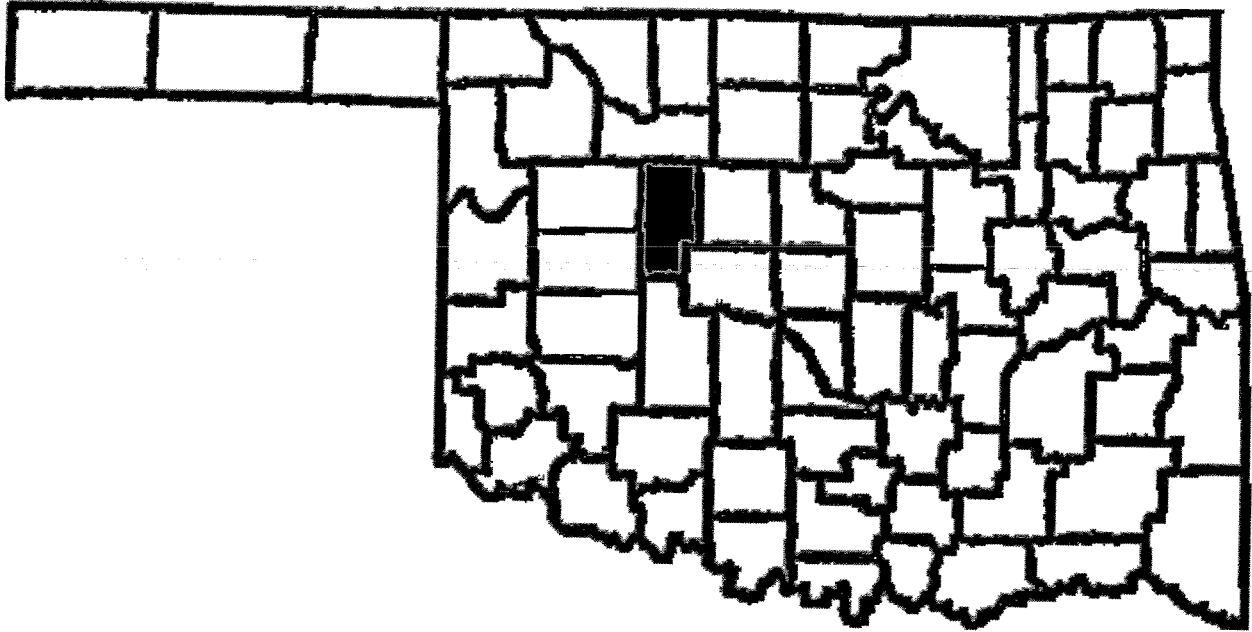
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REPORT TO THE CITIZENS
OF
BLAINE COUNTY, OKLAHOMA



Originally designated as "C" County in 1890, Blaine was adopted as the county name in November 1892, in honor of James G. Blaine, U.S. Senator, House Speaker, and Republican presidential candidate in 1884.

Blaine County is the site of the first gypsum mill in Oklahoma Territory, the Ruby Stucco Mill. Southard, located in the north central part of the county, is the site of one of the purest gypsum deposits in the United States. The U.S. Gypsum Company is the largest industrial plant in the county.

The International Association of Rattlesnake Hunters has headquarters in Okeene, which is also the site of its Jaycees Annual Rattlesnake Hunt. The Canton Lake Walleye Pike Rodeo and Fishing Derby occur annually. Roman Nose State Park is located seven miles north of Watonga.

County Seat - Watonga

Area – 928.6 Square Miles

County Population - 11,976
(2000 est.)

Farms – 841

Land in Farms - 546,677 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**BLAINE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Rosemary Neely
(D) Geary

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
Sharon R. Gates
(D) Watonga

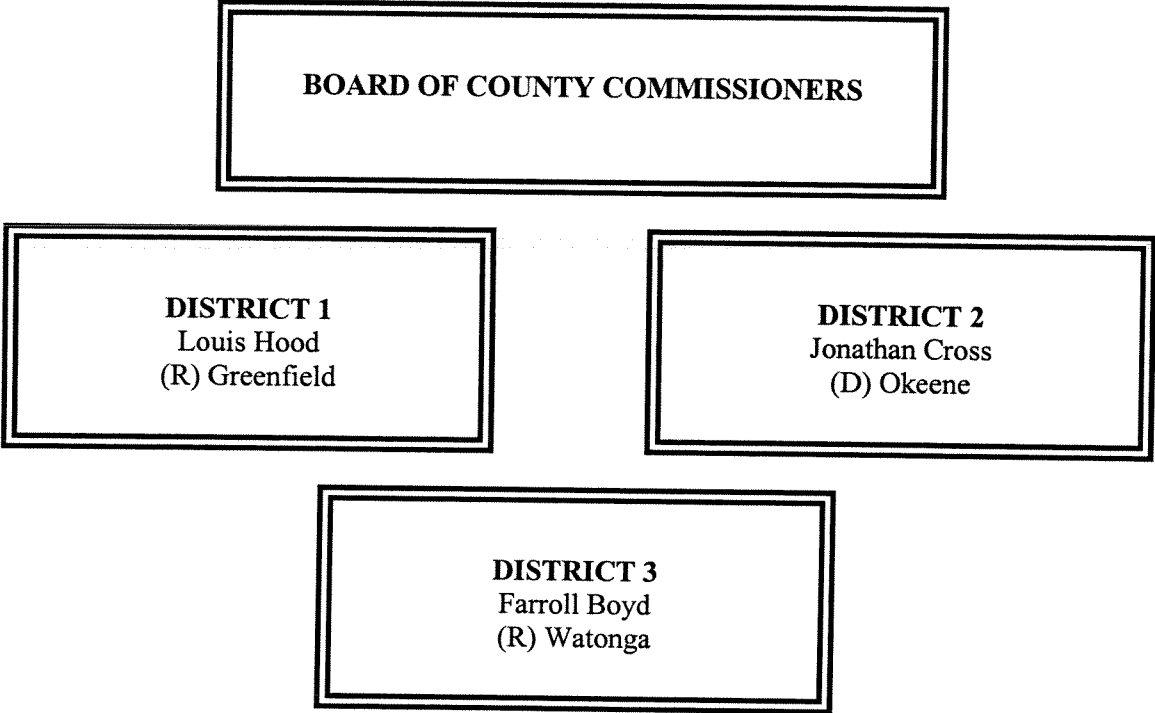
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**BLAINE 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.

**BLAINE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Rick Ainsworth
(R) Watonga

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
Donna Hoskins
(R) Watonga

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.

**BLAINE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Rebekah Haney
(R) Hitchcock

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
Cathy Stocker
(R) Enid

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.

**BLAINE COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

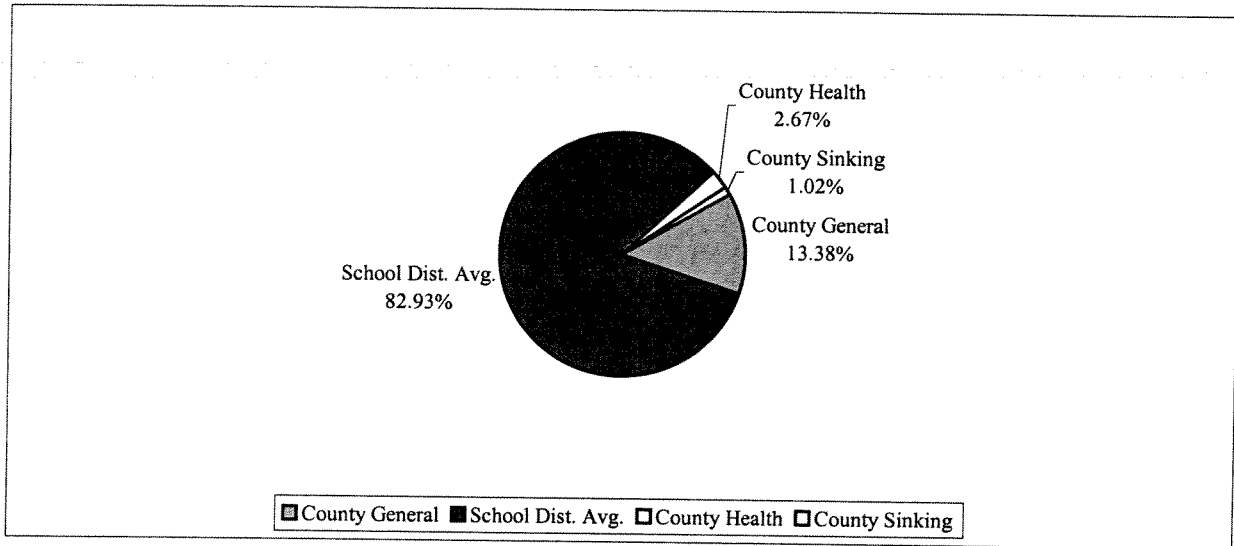
Jane Crawford
(D) Watonga

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.

**BLAINE 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							Total
Co. General		Gen.	Bldg.	Skg.	Tech Cntr.	Tech Cntr. Bldg.	Common		
Co. General	10.62								
County Health	2.12	Okeene	36.89	5.27	7.54		4.25	53.95	
County Sinking	0.81	Okeene HR	36.89	5.27	7.54	10.53	2.00	66.48	
		Watonga	63.82	5.26	11.06	10.53	2.00	96.92	
		Geary	38.31	5.47	0.06		4.25	48.09	
		Canton	37.03	5.29	9.06	10.58	3.17	69.38	
		Major	36.88	5.27	9.75	10.58	3.17	69.90	
		Major	35.00	5.00	8.79	10.00	5.00	68.04	
		Kingfisher	37.37	5.34	9.99	10.53	2.00	69.48	
		Custer	37.03	5.29	21.08		4.25	67.65	
		Caddo	37.68	5.38	20.93	10.74	1.07	80.05	
		Caddo	35.17	5.02	5.14	10.74	1.07	61.39	

See independent auditor's report.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
BLAINE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Blaine 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 Blaine 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.

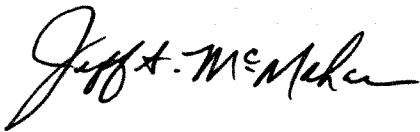
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Blaine County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Blaine 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 Blaine County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department 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 April 12, 2004, on our consideration of Blaine County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMAHAN". The signature is written in a cursive style with a large initial "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

April 12, 2004

Special-Purpose Financial Statements

**BLAINE 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 Fund	\$ 721,333	\$ 1,051,386	\$ 1,060,492	\$	\$ 712,227
Highway Cash	2,696,457	3,228,555	3,635,663		2,289,349
County Highway Investment	200,000				200,000
Emergency Management	6,303	14,174	1,429		19,048
County Clerk Record's Management and Preservation	16,356	24,185	17,639		22,902
County Clerk Lien Fee	7,587	11,762	7,743		11,606
County Treasurer's Mortgage Tax Certification Fee	15,634	2,655	1,734		16,555
Sheriff Service Fee	18,281	49,694	48,805		19,170
Sheriff Prisoner Revolving	51,505	156,380	179,230		28,655
County Health Department	96,168	136,483	148,362		84,289
Assessor Visual Inspection	6,079		514		5,565
Resale Property	28,071	23,793	21,919		29,945
Assessor Revolving	2,585	3,439	2,850		3,174
Canton Lake Patrol	3,406	14,885	15,342		2,949
District Attorney Drug Enforcement		3,089	1,361		1,728
Sheriff Seizure	1,903				1,903
General Obligation Bond Sinking	54,794	54,231	47,200		61,825
Schools	2,669,092	12,379,873	12,259,586		2,789,379
Cities & Towns	49,316	271,173	276,985		43,504
Law Library	1,665	15,292	15,569		1,388
Official Depository	179,465	1,054,058	1,069,318	2,266	166,471
Depository Investment #2	6,006	119			6,125
Depository Investment #3	4,434	28			4,462
Depository Investment #4	66,425	5,367	71,792		
Protest Tax	490,842	143,538	386,495		247,885
Cash on Hand	300				300
Total County Funds	<u>\$ 7,394,007</u>	<u>\$ 18,644,159</u>	<u>\$ 19,270,028</u>	<u>\$ 2,266</u>	<u>\$ 6,770,404</u>

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

BLAINE 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	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 721,333	\$ 721,333	\$ 721,333	\$ -
Less: Prior Year Outstanding Warrants	(42,772)	(42,772)	(42,772)	
Less: Prior Year Encumbrances	(16,086)	(16,086)	(14,455)	1,631
Beginning Cash Balances, Budgetary Basis	<u>662,475</u>	<u>662,475</u>	<u>664,106</u>	<u>1,631</u>
Receipts:				
Ad Valorem Taxes	596,184	596,184	673,614	77,430
Charges for Services	67,586	67,586	77,942	10,356
Intergovernmental Revenues	113,337	113,337	166,414	53,077
Miscellaneous Revenues	57,095	57,999	133,416	75,417
Total Receipts, Budgetary Basis	<u>834,202</u>	<u>835,106</u>	<u>1,051,386</u>	<u>216,280</u>
Expenditures:				
District Attorney	10,269	9,857	9,573	284
Capital Outlay	500	200		200
Total District Attorney	<u>10,769</u>	<u>10,057</u>	<u>9,573</u>	<u>484</u>
County Sheriff	215,971	215,971	215,855	116
Capital Outlay	1	5,001	5,000	1
Total County Sheriff	<u>215,972</u>	<u>220,972</u>	<u>220,855</u>	<u>117</u>
County Treasurer	66,488	66,488	66,486	2
Capital Outlay	1	1		1
Total County Treasurer	<u>66,489</u>	<u>66,489</u>	<u>66,486</u>	<u>3</u>
County Commissioners	60,002	58,631		58,631
Capital Outlay	107,078	107,078		107,078
Total County Commissioners	<u>167,080</u>	<u>165,709</u>	<u>-</u>	<u>165,709</u>
OSU Extension	19,819	19,819	17,481	2,338
Capital Outlay	1	1		1
Total OSU Extension	<u>19,820</u>	<u>19,820</u>	<u>17,481</u>	<u>2,339</u>
County Clerk	96,756	96,755	96,721	34
Capital Outlay	1	1		1
Total County Clerk	<u>96,757</u>	<u>96,756</u>	<u>96,721</u>	<u>35</u>
Court Clerk	69,917	69,917	69,817	100
Capital Outlay	1	1		1
Total Court Clerk	<u>69,918</u>	<u>69,918</u>	<u>69,817</u>	<u>101</u>
County Assessor	82,910	82,910	82,398	512
Capital Outlay	1	1		1
Total County Assessor	<u>82,911</u>	<u>82,911</u>	<u>82,398</u>	<u>513</u>

continued on next page

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

BLAINE 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
Revaluation of Real Property	145,600	145,600	100,963	44,637
Capital Outlay	500	500	439	61
Total Revaluation of Real Property	146,100	146,100	101,402	44,698
Juvenile	23,800	23,800	12,978	10,822
Capital Outlay				
Total Juvenile	23,800	23,800	12,978	10,822
General Government	154,001	153,894	106,662	47,232
Capital Outlay	40,000	35,000	10,620	24,380
Total General Government	194,001	188,894	117,282	71,612
Excise-Equalization Board	5,850	5,850	3,831	2,019
Capital Outlay				
Total Excise-Equalization Board	5,850	5,850	3,831	2,019
County Election Board	47,994	51,022	48,715	2,307
Capital Outlay	1	1		1
Total County Election Board	47,995	51,023	48,715	2,308
Insurance	328,541	328,605	195,293	133,312
Capital Outlay				
Total Insurance	328,541	328,605	195,293	133,312
Charity	3,500	3,500		3,500
Capital Outlay				
Total Charity	3,500	3,500	-	3,500
Civil Defense	10,499	10,502	10,500	2
Capital Outlay				
Total Civil Defense	10,499	10,502	10,500	2
County Audit Budget	6,175	6,175	6,175	
Capital Outlay				
Total County Audit Budget	6,175	6,175	6,175	-
Provision for Interest on Warrants	500	500		500
Total Expenditures, Budgetary Basis	1,496,677	1,497,581	1,059,507	438,074
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 \$ -	 655,985	 \$ 655,985
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			13,653	
Add: Current Year Outstanding Warrants			42,589	
Ending Cash Balance			<u>\$ 712,227</u>	

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

**BLAINE COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES – BUDGET AND ACTUAL
COUNTY HEALTH DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2003**

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 96,168	\$ 96,168	\$ 96,168	\$ -
Less: Prior Year Outstanding Warrants	(11,128)	(11,128)	(11,128)	
Less: Prior Year Encumbrances	(9,803)	(9,803)	(8,859)	944
Beginning Cash Balances, Budgetary Basis	<u>75,237</u>	<u>75,237</u>	<u>76,181</u>	<u>944</u>
Receipts:				
Ad Valorem Taxes	119,012	119,012	125,748	6,736
Miscellaneous Revenues			10,735	10,735
Total Receipts, Budgetary Basis	<u>119,012</u>	<u>119,012</u>	<u>136,483</u>	<u>17,471</u>
Expenditures:				
Health and Welfare	173,000	173,000	152,919	20,081
Capital Outlay	21,249	21,249	678	20,571
Total Expenditures, Budgetary Basis	<u>194,249</u>	<u>194,249</u>	<u>153,597</u>	<u>40,652</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	59,067	<u>\$ 59,067</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			24,995	
Add: Current Year Outstanding Warrants			227	
Ending Cash Balance			<u>\$ 84,289</u>	

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

**BLAINE COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2003**

Beginning Cash Balance	<u>\$ 54,794</u>
Receipts:	
Ad Valorem Tax	54,224
Miscellaneous	<u>7</u>
Total Receipts	<u>54,231</u>
Disbursements:	
G.O. Bonds	<u>47,200</u>
Total Disbursements	<u>47,200</u>
Ending Cash Balance	<u>\$ 61,825</u>

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

**BLAINE 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	\$ 78,421	\$ 592,144	\$ 586,551	\$ 1,911	\$ 85,925
County Clerk	9,602	128,503	127,352	133	10,886
County Treasurer	4,873	17,247	17,465		4,655
County Sheriff	1,659	22,017	20,595		3,081
Sheriff Reserve	757	1,741	1,493		1,005
Election Board	599	19,350	19,613	67	403
District Attorney	12,224		12,332	108	
District Attorney Controlled Substance	736	2,353	3,089		
District Attorney Witness	154	650	480	27	351
County Health Department		4,065	3,874		191
Assessor Revolving	280	3,935	3,439		776
Court Fund	59,242	254,920	269,761	20	44,421
Court Clerk Revolving	10,918	7,133	3,274		14,777
Total Official Depository Accounts	\$ 179,465	\$ 1,054,058	\$ 1,069,318	\$ 2,266	\$ 166,471

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

Notes to the Financial Statements

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

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

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 Cash Balances - Budget and Actual - General Fund and County Health Department 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 Cash Balances - All Funds because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

E. Cash 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	The County participates	If claims exceed authorized
- Torts	in a public entity risk pool;	deductibles, the County would
- Errors and Omissions	Association of County	have to pay its share of the pool
- Law Enforcement	Commissioners of	deficit.
Officers Liability	Oklahoma-Self-Insurance	
- Vehicle	Group. (See ACCO-SIG.)	

Summary of Significant Accounting Policies (continued)

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

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating County will pay a deductible amount (\$1,000 to \$100,000; the County has 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 amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

The County continues to carry commercial insurance for employees' health and life insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2003 fiscal year.

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

All full-time employees are entitled to annual leave that is accrued on a monthly basis. After 1 year of service, the employee is entitled to 5 days of vacation. Employees with 2 years to 9 years of service are entitled to 10 days of vacation. Those with 10 to 14 years of service are entitled to 20 days of vacation. No more than 2 vacation days are allowed as carry-over, any additional time shall be forfeited.

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 \$6,770,404, and the bank balance was \$6,730,104. 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 authorizes the County Treasurer to invest in:

- 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

B. Description of Funds

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

Detailed Notes on Funds and Account Balances (continued)

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

County Highway Investment - accounts for the portion of highway funds that are invested and the interest it earns.

Emergency Management - accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

County Clerk Record's Management and Preservation - accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statutes for preservation of records.

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

County 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.

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

Sheriff Prisoner Revolving - accounts for Department of Corrections' receipts and the expenses incurred for the care of prisoners.

County Health Department - accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

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

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

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

Canton Lake Patrol - accounts for the monies used to pay to have the Canton Lake area patrolled.

District Attorney Drug Enforcement - accounts for property forfeited to the Sheriff from the arrest involving illegal use of drugs.

Sheriff Seizure - accounts for property forfeited to the Sheriff from the arrest involving illegal use of drugs.

Detailed Notes on Funds and Account Balances (continued)

General Obligation Bond Sinking - accounts for the payment of interest and principal on the matured portion of long-term bonded debt. Receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

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

Cities and Towns - accounts for monies collected on behalf of the cities and towns in Blaine County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Law Library - accounts for monies received for disbursement from the state for the law library board.

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

Depository Investments - accounts for the collection and distribution of interest on court ordered investments held until decided by the court system.

Protest Tax - accounts for collections of ad valorem taxes which have been protested.

Cash on Hand - accounts for cash held by County officers to make change for cash received.

The following narrative details the official depository accounts.

Court Clerk - accounts for collection of bond money, court fines, and fees. Money is disbursed for fees and restitution.

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

District Attorney - accounts for the bogus check fees and restitution within the County. Funds are now handled at the district central office, and all funds have been transferred to Canadian County.

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

Sheriff - accounts for the collections of foreign fees, bond money, and concealed weapon fees. Monies are disbursed to the Sheriff Service Fee Account and to the Court Clerk.

Detailed Notes on Funds and Account Balances (continued)

Sheriff Reserves – accounts for the funds collected from the vending machine in the Sheriff's office. Disbursements are for the cost incurred and for any special items that the reserve deputies require.

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

Election Board – accounts for the reimbursement of election expenses and is disbursed for refunds of election filing fees and maintenance and operations of the office.

County Health Department – accounts for collections of charges for services performed by the health department. Disbursements are made to the health department fund for budgeting purposes.

District Attorney Controlled Substance – accounts for property forfeited in drug related cases.

District Attorney Witness – accounts for fees paid to witnesses.

Assessor Revolving – accounts for monies received from copies made. Disbursements are made to the County Assessor Visual Inspection Fund.

Court Clerk Revolving – accounts for the fee charged for each warrant issued on court cases. Money is disbursed in the same manner as the Court Fund.

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 \$61,751,647.

Detailed Notes on Funds and Account Balances (continued)

Per Article 10, § 8A, with the repeal of personal property tax, the millage with the adjustment factor is 10.62 mills (the legal maximum) for general fund operations, 2.12 mills for the county health department, and .81 mills for the sinking fund. 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 96.1 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% 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.

BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

Blaine County General Obligation Limited Tax Bonds, Series 1997 - The bonds in the amount of \$300,000 were issued April 1, 1997, to provide funds to Prestige Cedar Products, Inc. During the fiscal year ending June 30, 1999, Prestige Cedar Products, Inc. voluntarily returned collateral to Blaine County Industrial Authority (BCIA). A public auction was held in December 1998 and proceeds were deposited to the Blaine County Sinking Fund. Funds were inadequate to retire the General Obligation Bonds, but BCIA utilized the proceeds from the sale of the collateral to retire debt on the General Obligation Bonds as scheduled until funds depleted.

Prestige Cedar Product, Inc. filed for bankruptcy Chapter 13 (case no. 00-40295 M) Eastern and Western Districts of Arkansas. The case was dismissed without the debtors receiving a discharge on March 22, 2000. Authority attorneys are pursuing necessary legal action to secure the Authority's interest in remaining assets of Prestige Cedar shareholders. The Blaine County Commissioners passed a resolution on August 7, 2000, allowing the remaining debt to be added to the tax rolls until paid.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 25 years from the date of issue. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Blaine County General Obligation Limited Tax Refunding Bonds of 1997	6%	<u>\$203,000</u>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$31,950, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$ 36,000	\$ 11,100	\$47,100
2005	38,000	8,800	46,880
2006	40,000	6,540	46,540
2007	43,000	4,050	47,050
2008	46,000	1,380	47,380
Total	\$203,000	\$31,950	\$234,950

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.

Schedule of Expenditures of Federal Awards

BLAINE COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT AGENCY</u>		
Passed through the Oklahoma Department of Civil Emergency Management:		
Public Assistance Grant Program	83.544	\$ 848,994
Hazardous Materials Emergency Preparedness Sector Planning Grant (LEPC)	20.703	<u>1,429</u>
Total Federal Emergency Management Agency		<u>850,423</u>
 Total Expenditures of Federal Awards		 <u>\$ 850,423</u>

BLAINE COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Basis of Presentation

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

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

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
BLAINE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Blaine County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated April 12, 2004. 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 Blaine County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management and are included in Section 4 of the schedule of findings and questioned costs, contained within this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Blaine 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. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2002-1, 2003-1, and 2003-2.

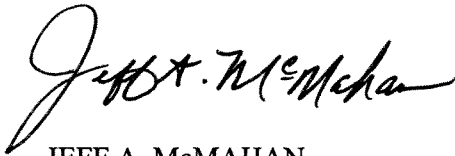
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

April 12, 2004

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
BLAINE COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Blaine County, Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

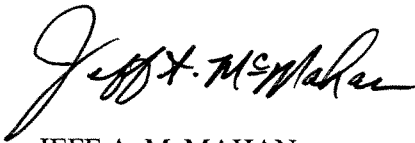
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively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

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

April 12, 2004

Schedule of Findings and Questioned Costs

**BLAINE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003**

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified? Yes

• Reportable condition(s) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? No

• Reportable condition(s) identified that are not considered to be material weakness(es)? None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of Major Programs

CFDA Number(s)

83.544

Name of Federal Program or Cluster

Federal Emergency Management Agency (FEMA)
Public Assistance Grant Program

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

Auditee qualified as low-risk auditee? No

SECTION 2 - 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: Effective internal controls include employees who process cash transactions be segregated from the duties of depositing funds, posting bookkeeping records, and reconciling reports of collection activity.

Condition: In some county offices, one employee performs all the duties of balancing and posting receipts and processing disbursement transactions.

Recommendation: We recommend management be aware of the possibility of weakened internal controls when all collection activity duties are the responsibility of one employee. Although it may not be feasible to divide these duties to the extent described above, it is desirable for management to review transactions and cross train employees to perform these duties to provide adequate control over funds collected in each office.

Management Response: We make every effort to assure that all funds received are accounted for in the proper manner. All County Clerk, County Sheriff and Election Board employees know how to accept fees, balance books and make deposits.

Finding 2003-1 – Disaster Recovery Plan

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT) Delivery and Support Control Objectives (DS4), management should have procedures in place to ensure continuous computer services. Plans should be developed and tested to minimize business disruption during times of disaster or hardware failure. The Disaster Recovery Plan should include all of the following:

- Guidelines on how to use the recovery plan
- Emergency procedures to ensure the safety of all affected staff members
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel
- Listing of systems requiring alternatives (hardware, peripherals, software)
- Listing of highest to lowest priority applications, required recovery times and expected performance norms
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc., and a source and alternative source defined
- Training and/or awareness of individual and group roles in continuity plan
- Listing of contracted service providers

BLAINE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals, and program/system/user documentation
- Current names, addresses, telephone/pager numbers of key personnel
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available

Condition: Our review of the Treasurer's system backups and plans for ensuring continuous computer service found no offsite storage of the backup tapes and no written disaster recovery plan.

Effect: The lack of an effective and adequate Disaster Recovery Plan could result in potential loss of the County's:

- Ad valorem information
- Taxpayer and land information
- State and federal reporting data
- Financial information.

Recommendation: We recommend the County establish a Disaster Recovery Plan to ensure the safekeeping and integrity of the County's financial and non-financial data. Adequate backups of the data and programs are an essential part of any Recovery Plan. The file server should be backed up every workday. One day a week the backup tape should be stored offsite at a location away from the courthouse. Other tapes used during the week should be stored in a fireproof container in the County office. There should be complete month end backup tapes for at least three months of prior work, giving the County officer the ability to restore data and programs if the need arises.

Management Response: A rough draft written by hand is being developed and will soon be completed.

Finding 2003-2 - Computer Security Policies and Procedures

Criteria: According to the standards of the Information Systems Audit and Control Association's COBIT DS7, management should educate and train users to ensure that users are making effective use of technology and are aware of their risks and responsibilities.

Condition: Our review of the Treasurer office found that no policies and procedures existed for addressing computer security and no security awareness training has been provided to the employees.

Effect: County employees are not aware of their responsibilities and potential risks involved when using the County's computer systems.

Recommendation: We recommend the County establish Information Security Policies and Procedures that define the acceptable and unacceptable uses for the office computers. A security awareness-training program should be established requiring all the employees using computers to participate.

BLAINE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Management Response: The County has implemented a "Computer Use Policy" dated March 15, 2004.

SECTION 3 – Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.

No matters were reported.

SECTION 4 - Other Audit Findings - This section contains audit 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.

2003-3 - Consumable Inventories

Criteria: According to 19 O.S. 2001, § 1502 (A) and (B), the county is required to implement an inventory system for all supplies and materials purchased in lots of \$500 or more. Title 19 O.S. 2001, § 1505 (G) (2) indicates that the highway districts are to file a "monthly report" with the county clerk detailing road and bridge materials used on projects.

Condition: Some road and bridge consumable items purchased in lots of \$500 or more, such as fuel, sign posts, etc., were not recorded on Consumable Stock Records (Form 1-9004) or included in the value of consumable inventory reported.

Effect: Consumable inventory records and reports were not available for testing for compliance purposes for District 3.

Recommendation: We recommend the inventory records of District 3 be brought up to date in order to comply with Title 19 O.S. 2001, § 1502.

Management Response: The District 3 Commissioner will obtain the proper forms and record consumable items as advised.

2003-4 - Summary Reports and Disposal of Inventory Items

Criteria: In accordance with 19 O.S. 2001, § 178.1 through 178.5, "the board of county commissioners shall take an inventory of all working tools, apparatus, machinery, and equipment belonging to the county or leased or otherwise let to it or to any department thereof in excess of \$250, and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery, and equipment purchased, leased, or otherwise coming into the custody of the county or any office, board, department and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter..."

BLAINE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Condition: The County offices are not submitting to the County Clerk the Summary Report Form #3512.

Additionally, of the 58 items disposed of during fiscal year 2002-03, 39 were not marked as such on the inventory cards.

Recommendation: We recommend that all County officers submit the Summary Report Form #3512 biennially in order to be in compliance with 19 O.S. 2001, § 178.1 through 178.5, and state the date and reason for the disposal of inventory items on inventory cards to provide control over inventory records.

Management Response: The officers will submit the Summary Report to the County Clerk and record disposals as advised.

2003-5 - Blaine County Employee Policy Manual

Criteria: The Blaine County Employee Manual states on page 10 "All full-time Blaine County employees shall be entitled to vacation leave that is accrued on a monthly basis in accordance with the schedule. Vacation time must be earned before it is taken."

Additionally, Title 19 § 1301, states any leave plan adopted by a county shall not extend benefits to any employee in excess of leave benefits available to a regular state employee.

Title 74 O.S. 2001, § 840, the "Oklahoma Personnel Act," requires leave to be earned prior to being accrued and subsequently taken.

Condition: The test of 43 employees revealed some offices allow for vacation time to be posted at the beginning of the calendar year, rather than posted as accrued on a month-to-month basis.

Additionally, some district employees have been allowed to have negative balances in vacation, sick and/or comp time.

Recommendation: We recommend the County officers abide by policy guidelines with regard to leave accruals and the use of leave time only after it is earned, to avoid negative balances in all leave categories and provide proper control over timekeeping records in accordance with 19 O.S. 2001, § 1301 and 74 O.S. 2001, § 840.

Management Response: The County officers will discuss the County Policy and make appropriate changes regarding accruals.

**Statistical Data
(Unaudited)**

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

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Oneok Gas Processing	\$ 20,887,384	33.83%
Duke Energy Field Service	3,652,485	5.92%
United State Gypsum Co.	2,402,381	3.89%
Enogex Gas Gathering LLC	1,993,527	3.23%
Enogex Inc.	1,610,669	2.61%
OG&E	1,361,271	2.20%
Oneok Gas Transportation LLC	562,252	0.91%
Centerpoint Energy Gas Trans	520,379	0.84%
Eott Energy Pipeline LP	471,964	0.76%
Pioneer Telephone Coop Inc.	210,695	0.34%
Total	<u>\$ 33,673,007</u>	<u>54.53%</u>

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

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

Total net assessed value as of January 1, 2002		<u>\$ 61,751,647</u>
Debt limit - 5% of total assessed value		\$ 3,087,573
Total bonds outstanding	203,000	
Less cash in sinking fund	<u>(61,825)</u>	<u>141,175</u>
Legal debt margin		<u>\$ 2,946,398</u>

**BLAINE 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	11,976
Net assessed value	\$ 61,751,647
Gross bonded debt	203,000
Less available sinking fund cash balance	(61,825)
Net bonded debt	\$ 141,175
Ratio of net bonded debt to assessed value	0.23%
Net bonded debt per capita	\$ 11.79

**BLAINE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 FOR THE YEAR ENDED JUNE 30, 2003
 (UNAUDITED)**

Tax Year	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
2002	\$18,517,802	\$7,914,098	\$37,812,705	\$2,492,958	\$61,751,647	\$524,067,266