

BLAINE COUNTY

JULY 1, 2006 THROUGH JUNE 30, 2007



COUNTY AUDIT



Jeff A. McMahan

Oklahoma State Auditor
& Inspector

**BLAINE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

January 30, 2008

TO THE CITIZENS OF
BLAINE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Blaine County, Oklahoma, for the fiscal year ended June 30, 2007. 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 serving the public interest by providing independent oversight and by issuing 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 "Michelle R. Day".

MICHELLE R. DAY, Esq.
Deputy State Auditor and Inspector

**BLAINE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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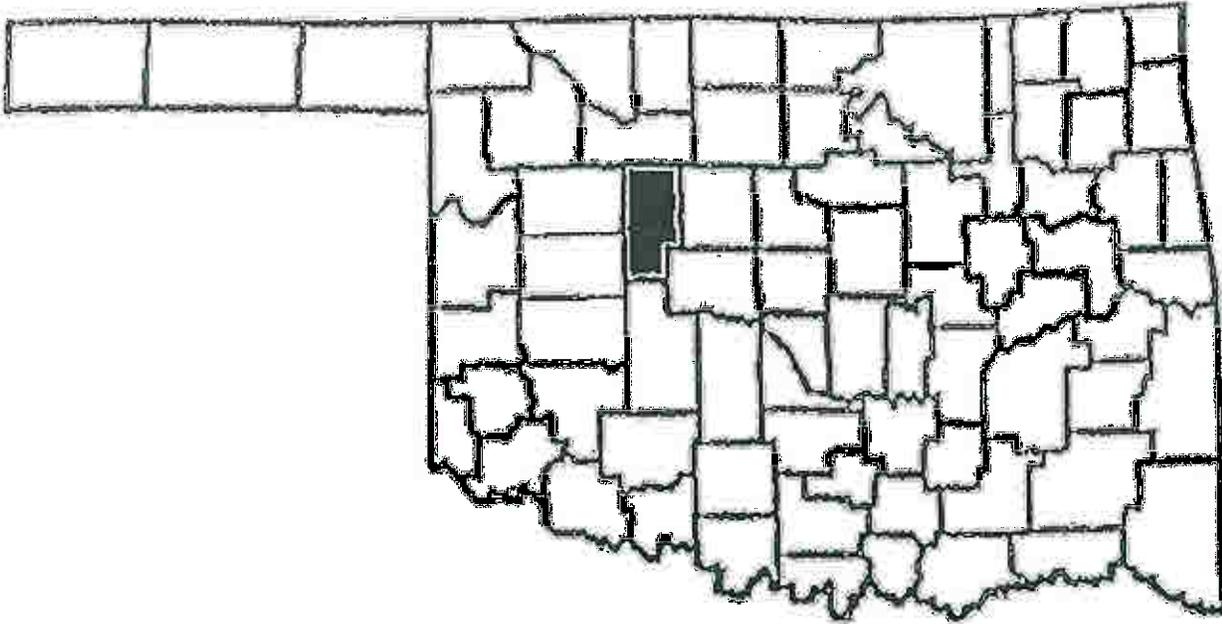
**BLAINE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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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 – 938.88 Square Miles

County Population – 12,859
(2005 est.)

Farms – 825

Land in Farms – 537,314 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor’s report.

**BLAINE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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
Linda McPherson
(R) Watonga

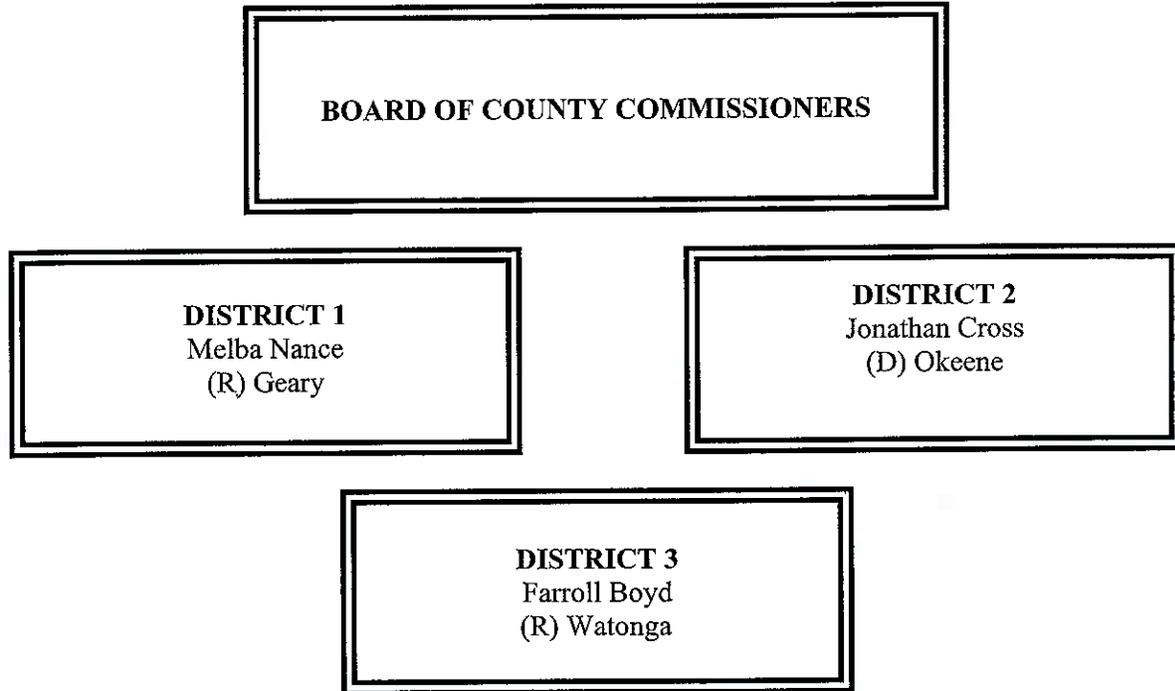
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**



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
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COUNTY SHERIFF
Rick Ainsworth
(D) 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COURT CLERK
Rebekah Martin
(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
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

ELECTION BOARD SECRETARY

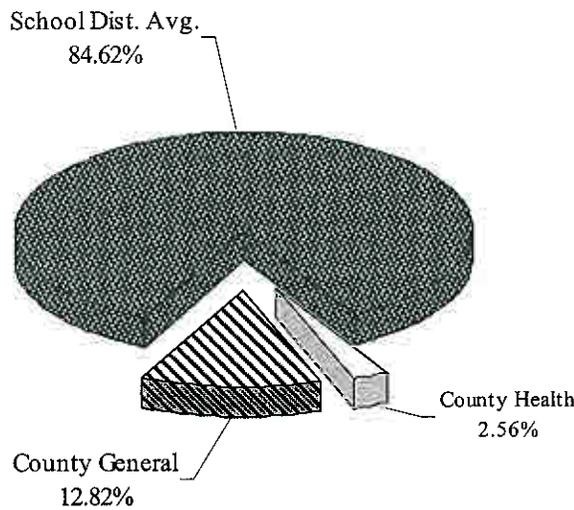
Jane Crawford
(D) Watonga

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 General
 School Dist. Avg.
 County Health

| <u>County-Wide Millages</u> | | <u>School District Millages</u> | | | | | | | | |
|-----------------------------|-------|---------------------------------|-------|-------|-------|----------------|----------------|----------|--------|-------|
| | | | | | | Career Tech | Career Tech | | | |
| County General | 10.62 | | | Gen. | Bldg. | Skg. | General | Building | Common | Total |
| County Health | 2.12 | Okeene | I-9 | 36.89 | 5.27 | 18.77 | | 3.16 | 4.25 | 68.34 |
| | | Okeene HR | I-9 | 36.89 | 5.27 | 18.77 | 12.53 | 3.16 | 4.25 | 80.87 |
| | | Watonga | I-42 | 36.82 | 5.26 | 7.46 | 12.53 | | 4.25 | 66.32 |
| | | Geary | I-80 | 38.31 | 5.47 | | | 3.28 | 4.25 | 51.31 |
| | | Canton | I-105 | 37.03 | 5.29 | 10.81 | 13.75 | 3.17 | 4.25 | 74.30 |
| | | Major | I-84 | 36.88 | 5.27 | 9.38 | 13.75 | | 4.25 | 69.53 |
| | | Major | I-92 | 35.00 | 5.00 | 8.83 | 15.00 | | 4.25 | 68.08 |
| | | Kingfisher | J-3 | 37.37 | 5.34 | 5.22 | 12.53 | | 4.25 | 64.71 |
| | | Custer | J-7 | 37.03 | 5.29 | 19.88 | | | 4.25 | 66.45 |
| | | Caddo | J-1 | 37.68 | 5.38 | 19.06 | 11.81 | | 4.25 | 78.18 |
| | | Caddo | J-3 | 35.17 | 5.02 | 23.56 | 11.81 | 3.08 | 4.25 | 82.89 |

See independent auditor's report.

**BLAINE COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

| | | |
|---|--------------|----------------------|
| Total net assessed value as of January 1, 2006 | | <u>\$ 69,129,969</u> |
| Debt limit - 5% of total assessed value | | 3,456,498 |
| Total bonds outstanding | - | |
| Total judgments outstanding | - | |
| Less cash in sinking fund | <u>2,868</u> | <u>-</u> |
| Legal debt margin | | <u>\$ 3,456,498</u> |

See independent auditor's report.

**BLAINE COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

| | 2007 |
|---|---------------|
| Estimated population | 12,859 |
| Net assessed value as of January 1, 2006 | \$ 69,129,969 |
| Gross bonded debt | - |
| Less available sinking fund cash balance | 2,868 |
| Net bonded debt | \$ - |
| Ratio of net bonded debt to assessed value | 0.00% |
| Net bonded debt per capita | \$ - |

See independent auditor's report.

**BLAINE COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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> |
|---------------------------|-----------------|---------------------------|------------------------|--------------------------------|------------------|--|
| 1/1/2006 | \$22,357,618 | \$8,100,370 | \$41,019,281 | \$2,347,300 | \$69,129,969 | \$590,264,773 |

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
BLAINE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Blaine County, Oklahoma, as of and for the year ended June 30, 2007, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Blaine County's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Blaine County as of June 30, 2007, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Blaine County, for the year ended June 30, 2007, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2008, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Michelle R. Day". The signature is written in a cursive, flowing style.

MICHELLE R. DAY, Esq.
Deputy State Auditor and Inspector

January 22, 2008

Basic Financial Statement

**BLAINE COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

| | Beginning Cash Balances July 1, 2006 | Receipts Apportioned | Disbursements | Ending Cash Balances June 30, 2007 |
|--|--|-------------------------|---------------------|--|
| Combining Information: | | | | |
| County General Fund | \$ 1,016,831 | \$ 1,721,220 | \$ 1,551,100 | \$ 1,186,951 |
| County Highway Cash | 2,473,609 | 3,479,412 | 3,934,698 | 2,018,323 |
| County Health Department | 112,705 | 146,238 | 105,053 | 153,890 |
| Emergency Management | 19,675 | 17,759 | 12,111 | 25,323 |
| Records Management and Preservation Fee | 32,988 | 21,975 | 43,486 | 11,477 |
| County Clerk Lien Fee | 14,293 | 15,815 | 6,647 | 23,461 |
| Treasurer Mortgage Tax Certification Fee | 9,447 | 2,503 | 6,743 | 5,207 |
| Sheriff Service Fee | 12,271 | 77,492 | 61,956 | 27,807 |
| Sheriff Prisoner Revolving | 51,491 | 86,990 | 131,403 | 7,078 |
| Assessor Visual Inspection | 5,565 | | 3,844 | 1,721 |
| Resale Property | 21,412 | 28,552 | 18,540 | 31,424 |
| Assessor Revolving | 2,756 | 2,305 | 3,507 | 1,554 |
| Canton Lake Patrol | 6,597 | 14,748 | 15,702 | 5,643 |
| Sheriff Seizure | 2,961 | | 1,772 | 1,189 |
| Crossing Permit Fund | 4,022 | 8,000 | 10,500 | 1,522 |
| County Building Fund | 20,250 | 9,000 | | 29,250 |
| Lodging Tax | 28,637 | 40,594 | 9,362 | 59,869 |
| Northern Oklahoma Development Authority | | 195,173 | 195,173 | |
| General Obligation Bond Sinking | 1,843 | 1,025 | | 2,868 |
| Combined Total--All County Funds | \$ 3,837,353 | \$ 5,868,801 | \$ 6,111,597 | \$ 3,594,557 |

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

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Blaine County, Oklahoma. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds 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 County 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.

Following are descriptions of the funds included as supplementary information within the financial statement:

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

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

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

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

Records Management and Preservation Fee - accounts for fees collected for instruments filed in 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.

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Sheriff Service Fee - accounts for the collection and disbursement 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.

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.

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

Crossing Permit Fund - accounts for collection for road crossing permits from oil and utility companies.

County Building Fund - accounts for collections of rent on a county owned building.

Lodging Tax - accounts for a 5% hotel/motel tax used only for maintenance of the fairgrounds.

Northern Oklahoma Development Authority (NODA) - accounts for grant funds received and disbursed according to the guidelines.

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.

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. The cash receipts and

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations.

C. Basis of Accounting

The basic financial statement is 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. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

D. Budget

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. 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.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

E. Cash

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC). However, at June 30, 2007, \$13,639.96 of the County's deposits were uninsured and undercollateralized.

F. Investments

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

- U.S. Government obligations
- Certificates of deposit

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

- 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

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

G. Compensated Absences

All full-time Blaine County employees shall be entitled to vacation leave that is accrued on a monthly basis in accordance with the schedule outlined below:

| <u>Years of Service</u> | <u>Vacation Leave</u> | <u>Accumulation Limits</u> |
|-------------------------|-------------------------------|----------------------------|
| 0 - 7 Years | 10 Days (6.67 hrs per month) | 5 Days |
| 7 + Years | 15 Days (10.00 hrs per month) | 5 Days |

Sick leave benefits are accrued at the rate of 8 hours for each full calendar month of service to the County. Sick leave may be accrued up to a maximum of 130 days. Sick leave is not paid upon termination.

2. 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, 2006, was approximately \$69,129,969.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.62 mills (the legal maximum) for general fund operations and 2.12 mills for county

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

health department. In addition, the County 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, 2007, were approximately 96.65 percent of the tax levy.

3. 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. Risk Management

The County is exposed to the various risks of loss shown in the following table:

| Types of Loss | Method of Management | Risk of Loss Retained |
|--|---|--|
| General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle | The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.) | If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits. |
| Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters | | |
| Workers' Compensation <ul style="list-style-type: none"> • Employees' Injuries | The County carries commercial insurance. | A judgment could be assessed for claims in excess of coverage. |

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

| Types of Loss | Method of Management | Risk of Loss Retained |
|--|--|------------------------------|
| Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life | The County carries commercial insurance. | None |

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

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

5. Long-term Obligations

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 pieces of machinery subsequently acquired.

6. 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

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006 and 2005 were \$221,753, \$176,131, and \$153,910, respectively, equal to the required contributions for each year.

7. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

8. 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 County expects such amounts, if any, to be immaterial.

The County 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 County.

9. Sales Tax

A special election was held on February 24, 2004. The citizens of Blaine County approved a five percent (5%) lodging tax to be collected for the period beginning April 1, 2004, for an unspecified length of time. The lodging tax is for maintenance, capital improvement, and promotions of the Blaine County Fairgrounds. Blaine County received \$40,594 in lodging tax for the year ending June 30, 2007.

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Additionally; the County passed a countywide one percent (1%) sales tax to be collected beginning April 1, 2004, with an unspecified length of time. The sales tax is apportioned to the County General fund for maintenance and operations. Blaine County received \$469,708 for the year ending June 30, 2007.

10. Subsequent Events

A \$1 million lawsuit was dismissed in October of 2006. It was re-filed in September of 2007. This case is still pending. However, the County has commercial insurance to cover claims that exceed the pool's risk retention limits.

OTHER SUPPLEMENTARY INFORMATION

BLAINE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| | General Fund | | | |
|--|--------------------|------------------|------------------|----------------|
| | Original Budget | Final Budget | Actual | Variance |
| Beginning Cash Balances | \$ 1,016,831 | \$ 1,016,831 | \$ 1,016,831 | \$ - |
| Less: Prior Year Warrants | (48,074) | (48,074) | (48,074) | |
| Less: Prior Year Encumbrances | (56,883) | (56,883) | (54,301) | 2,582 |
| Beginning Cash Balances, Budgetary Basis | <u>911,874</u> | <u>911,874</u> | <u>914,456</u> | <u>2,582</u> |
| Receipts: | | | | |
| Ad Valorem Taxes | 667,418 | 667,418 | 716,450 | 49,032 |
| Sales Tax | 390,854 | 390,854 | 469,708 | 78,854 |
| Charges for Services | 66,080 | 66,080 | 88,898 | 22,818 |
| Intergovernmental Revenues | 83,221 | 83,221 | 225,497 | 142,276 |
| Miscellaneous Revenues | 44,960 | 44,960 | 220,667 | 175,707 |
| Total Receipts, Budgetary Basis | <u>1,252,533</u> | <u>1,252,533</u> | <u>1,721,220</u> | <u>468,687</u> |
| Expenditures: | | | | |
| District Attorney | 13,279 | 13,279 | 12,816 | 463 |
| County Sheriff | 310,310 | 397,926 | 375,291 | 22,635 |
| County Treasurer | 92,018 | 92,018 | 89,452 | 2,566 |
| County Commissioners | 586,890 | 482,147 | 94,876 | 387,271 |
| OSU Extension | 15,520 | 15,520 | 15,394 | 126 |
| County Clerk | 122,156 | 122,156 | 121,582 | 574 |
| Court Clerk | 83,018 | 83,018 | 82,617 | 401 |
| County Assessor | 95,611 | 95,611 | 95,562 | 49 |
| Revaluation of Real Property | 169,439 | 169,439 | 139,369 | 30,070 |
| Juvenile Shelter Bureau | 23,800 | 23,800 | 6,056 | 17,744 |
| General Government | 194,006 | 192,537 | 126,069 | 66,468 |
| Excise-Equalization Board | 5,850 | 5,850 | 2,857 | 2,993 |
| County Election Board | 58,885 | 70,534 | 64,640 | 5,894 |
| Insurance | 386,213 | 393,160 | 308,361 | 84,799 |

continued on next page

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

BLAINE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

continued from previous page

| | Original Budget | Final Budget | Actual | Variance |
|---|--------------------|------------------|---------------------|---------------------|
| County Audit Budget | <u>6,912</u> | <u>6,912</u> | <u>6,912</u> | <u>-</u> |
| Provision for Interest on Warrants | <u>500</u> | <u>500</u> | <u>-</u> | <u>500</u> |
| Total Expenditures, Budgetary Basis | <u>2,164,407</u> | <u>2,164,407</u> | <u>1,541,854</u> | <u>622,553</u> |
| Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis | <u>\$ -</u> | <u>\$ -</u> | 1,093,822 | <u>\$ 1,093,822</u> |
| Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances | | | | |
| Add: Current Year Encumbrances | | | 45,459 | |
| Add: Current Year Outstanding Warrants | | | <u>47,670</u> | |
| Ending Cash Balance | | | <u>\$ 1,186,951</u> | |

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

BLAINE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| | County Health Department Fund | | | |
|---|-------------------------------|-----------------|-------------------|------------------|
| | Original Budget | Final Budget | Actual | Variance |
| Beginning Cash Balances | \$ 112,705 | \$ 112,705 | \$ 112,705 | \$ - |
| Less: Prior Year Outstanding Warrants | (1,066) | (1,066) | (1,066) | |
| Less: Prior Year Encumbrances | (994) | (994) | (721) | 273 |
| Beginning Cash Balances, Budgetary Basis | <u>110,645</u> | <u>110,645</u> | <u>110,918</u> | <u>273</u> |
| Receipts: | | | | |
| Ad Valorem Taxes | 133,232 | 133,232 | 143,019 | 9,787 |
| Charges for Services | | | 1,377 | 1,377 |
| Intergovernmental Revenues | | | 1,842 | 1,842 |
| Total Receipts, Budgetary Basis | <u>133,232</u> | <u>133,232</u> | <u>146,238</u> | <u>13,006</u> |
| Expenditures: | | | | |
| Health and Welfare | 208,800 | 208,800 | 154,558 | 54,242 |
| Capital Outlay | 35,077 | 35,077 | 17,694 | 17,383 |
| Total Expenditures, Budgetary Basis | <u>243,877</u> | <u>243,877</u> | <u>172,252</u> | <u>71,625</u> |
| Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis | <u>\$ -</u> | <u>\$ -</u> | 84,904 | <u>\$ 84,904</u> |
| Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances | | | | |
| Add: Current Year Encumbrances | | | 29,868 | |
| Add: Current Year Outstanding Warrants | | | 39,118 | |
| Ending Cash Balance | | | <u>\$ 153,890</u> | |

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

**BLAINE COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

| | |
|------------------------|------------------------|
| Beginning Cash Balance | <u>\$ 1,843</u> |
| Receipts: | |
| Ad Valorem Tax | <u>1,025</u> |
| Total Receipts | <u>1,025</u> |
| Disbursements: | |
| Interest Paid | <u>-</u> |
| Total Disbursements | <u>-</u> |
| Ending Cash Balance | <u><u>\$ 2,868</u></u> |

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

**BLAINE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. Budgetary Schedules

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

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 these funds. At the end of the year, unencumbered appropriations lapse.

2. Sinking Fund Schedule

Debt service 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.

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
BLAINE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Blaine County, Oklahoma, as of and for the year ended June 30, 2007, which comprises Blaine County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 22, 2008. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report 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 Blaine County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. 2007-1

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Blaine County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standard*, which is described in the accompanying schedule of findings and responses as item 2007-2.

Blaine County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Blaine County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Blaine County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



MICHELLE R. DAY, Esq.
Deputy State Auditor and Inspector

January 22, 2008

**BLAINE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Financial Statement Findings

Finding 2007-1 – Segregation of Duties (Repeat Finding)

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

Condition: Based on inquiries and observation of the County Sheriff's office, it was noted that the duties of receipting, recording and depositing collections were not adequately segregated.

Effect: This lack of separation of duties could result in bookkeeping errors.

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 periodic review of those operations.

Views of responsible officials and planned corrective actions: The Sheriff's office is aware of this condition and will make every effort to ensure the segregation of duties in the office.

Finding 2007-2—Pledged Securities (Repeat Finding)

Criteria: Title 19 O.S. § 121 states "... before the deposit of any such funds the county treasurer shall take from each of such banks security in a sum equal to the largest approximate amount that may be deposited in each bank respectively at any one time. Such security is required to be pledged, taken, approved, held and withdrawn under the provisions of the Security for Local Public Deposits Act..."

Condition: The County did not have adequate pledged securities during the month of June 2007.

Community State Bank – Canton

| <u>Date</u> | <u>General Ledger</u> | <u>Pledged Collateral</u> | <u>Variance</u> |
|------------------|-----------------------|---------------------------|-----------------|
| June 29-30, 2007 | \$513,500.00 | \$499,860.04 | (\$13,639.96) |

Effect: The County would not have recovered the full amount in the bank if the bank would have failed at these times.

Recommendation: We recommend the Treasurer comply with 19 O.S. § 121 and ensure that the County's money that is deposited in each bank is adequately secured by implementing policies and procedures to closely monitor the market value of the pledged collateral.

**BLAINE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Views of responsible officials and planned corrective actions: The Treasurer now moves money from banks that can't pledge adequate securities and checks frequently with the banks to make sure the County is adequately pledged.



**OFFICE OF THE STATE AUDITOR AND INSPECTOR
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OKLAHOMA CITY, OK 73105-4896**

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