

COTTON COUNTY

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

COUNTY AUDIT



Oklahoma State Auditor
& Inspector

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

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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November 15, 2010

TO THE CITIZENS OF
COTTON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cotton 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 blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

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

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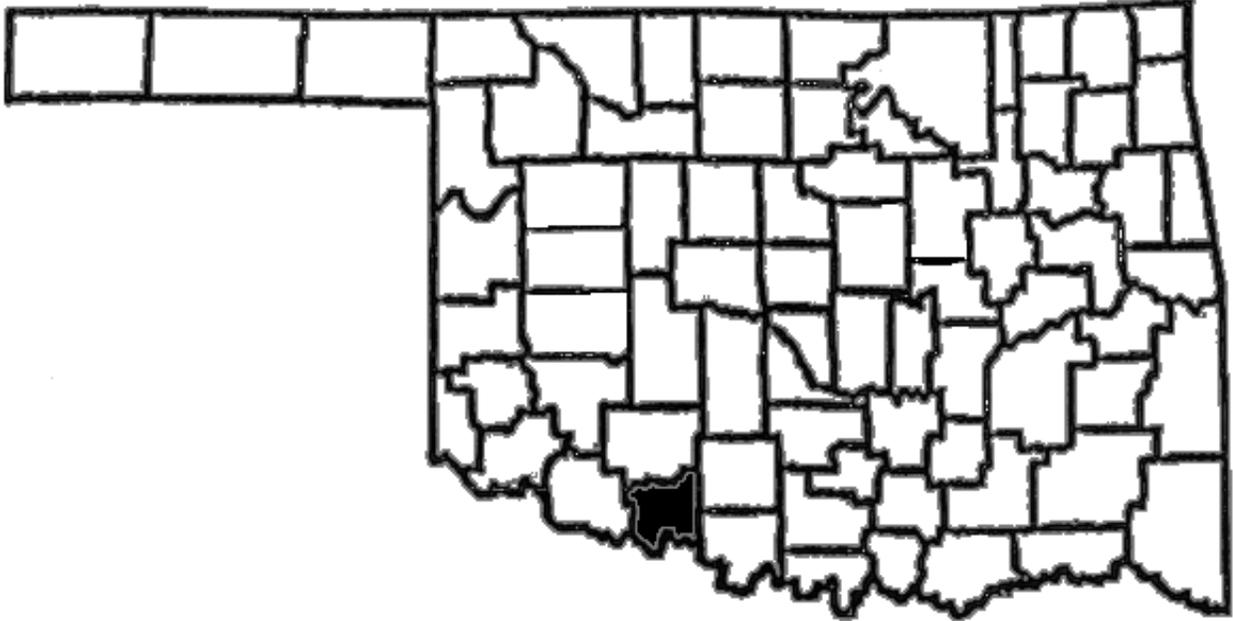
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**REPORT TO THE CITIZENS
OF
COTTON COUNTY, OKLAHOMA**



Cotton County is composed of land belonging at one time to Quapaws, Choctaws and Chickasaws, the Comanche Reservation, and the Big Pasture. Part of it was created from the southern portion of Comanche County, and was formed as a result of a vote of its residents on August 22, 1912, after statehood.

Principal crops include wheat and cotton. Livestock is also considered significant. Oil and gas production, begun in 1917, rose to nearly 800 producing wells by 1952, when it ranked ninth in the state in oil production.

Annual events include the Walters Round-Up Club Rodeo, the Cotton County Free Fair, and the Gallery on the Green Art Show.

County Seat – Walters

Area – 641.94 Square Miles

County Population – 6,589
(2005 est.)

Farms - 488

Land in Farms – 334,328 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

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

COUNTY ASSESSOR

Mark Anderson

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 Thompson

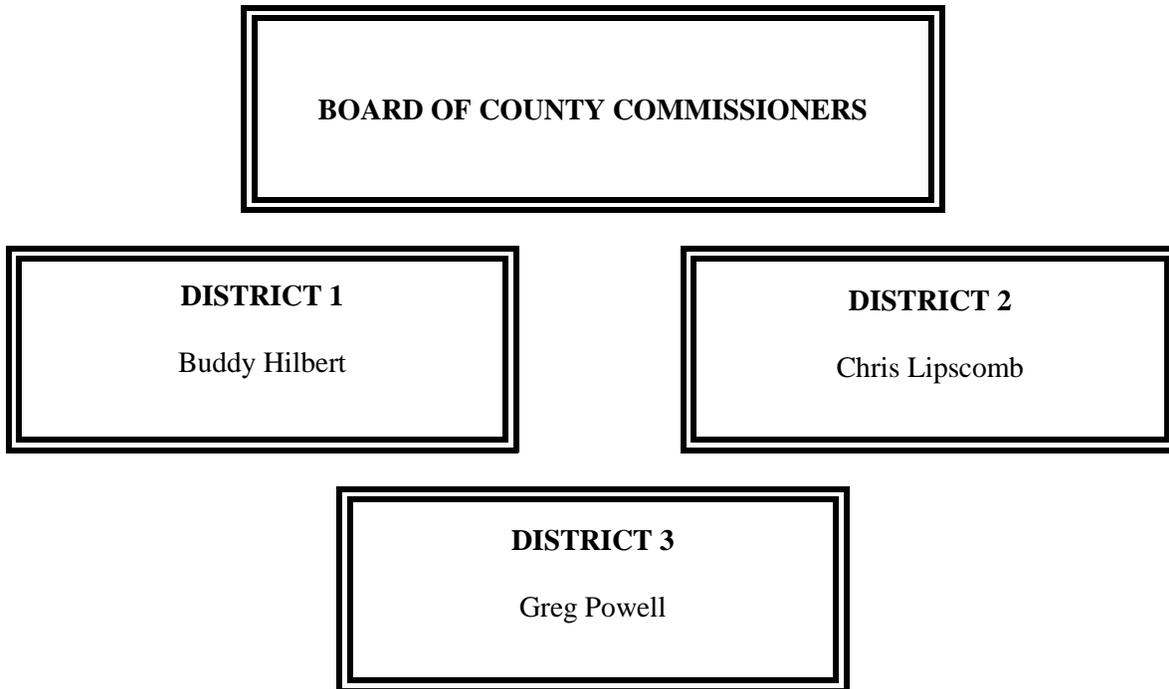
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**COTTON 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.

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

COUNTY SHERIFF

Paul Jeffrey

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

Tammy Spence

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.

See independent auditor's report.

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

COURT CLERK

Debbie Hodnefield

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.

DISTRICT ATTORNEY

Robert Schulte

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.

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

ELECTION BOARD SECRETARY

Leta Coats

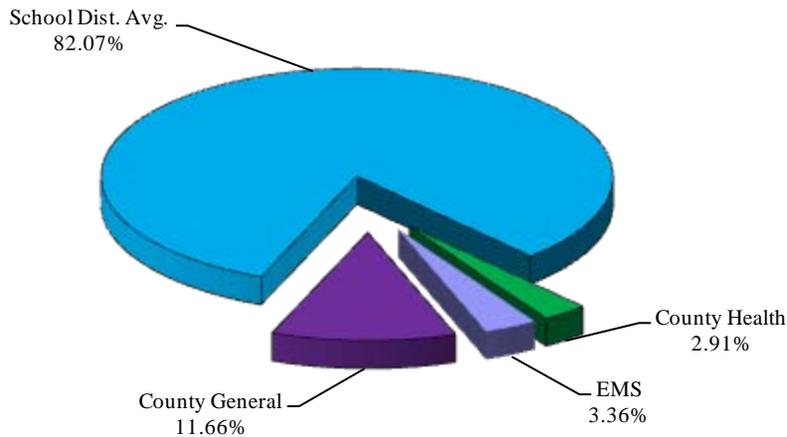
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

**COTTON 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-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.40								
County Health	2.60	Walters	I-1	36.42	5.20		12.49	4.16	58.27
County EMS	3.00	Temple	I-101	36.62	5.23	13.41	12.49	4.16	71.91
		Big Pasture	Jt I-333	36.43	5.20		11.44	4.16	57.23
		Comanche/Geronimo	Jt I-4	35.75	5.11	3.36	11.44	4.16	59.82
		Stephens/Empire	Jt I-21	36.54	5.22	20.72	12.49	4.16	79.13
		Jefferson/Waurika	Jt I-23	36.62	5.23		12.49	4.16	58.50
		Comanche/Chattanooga	Jt I-132	35.42	5.06	5.76	11.44	4.16	61.84
		Tillman/Grandfield	Jt I-249	36.38	5.20	8.74	11.44	4.16	65.92

See independent auditor's report.

**COTTON 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>\$ 30,188,231</u>
Debt limit - 5% of total assessed value		1,509,412
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 1,509,412</u>

See independent auditor's report.

**COTTON 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	6,589
Net assessed value as of January 1, 2006	\$ 30,188,231
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**COTTON COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2006	\$2,729,297	\$6,355,036	\$22,565,182	\$1,461,284	\$30,188,231	\$247,763,965

See independent auditor's report.

FINANCIAL SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Independent Auditor's Report

TO THE OFFICERS OF COTTON COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Cotton 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 Cotton 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.

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 Cotton 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 Cotton 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 August 16, 2010, on our consideration of Cotton 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.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

August 16, 2010

Basic Financial Statement

**COTTON 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	\$ 173,652	\$ 906,001	\$ 793,815	\$ 285,838
County Highway	1,566,264	1,771,995	1,735,336	1,602,923
County Health Department	44,730	77,809	93,812	28,727
Assessor Visual Inspection	2,171	17		2,188
Sheriff Reserves	53	2,500	1,305	1,248
Sheriff Service Fee	10,563	48,927	39,864	19,626
Sheriff Board of Prisoner	47,433	187,418	151,653	83,198
Resale Property	26,732	24,997	24,625	27,104
Treasurer Mortgage Tax Certification Fee	3,317	1,985	1,760	3,542
County Clerk Lien Fee	3,342	2,953	1,022	5,273
Glessner Fund	53,502	8,703	6,276	55,929
Assessor Revolving	6,912	3,248	4,268	5,892
Sheriff Commissary	4,337	8,654	9,835	3,156
Free Fair Donations	3,177	7,000	6,629	3,548
Sheriff Drug Fund	24			24
Sheriff Donations	18	2,500	2,500	18
County Clerk Records Preservation Fee	13,840	8,700	13,963	8,577
Trash Cop Grant	1,084	1,600	2,648	36
Sheriff Law Enforcement Grant	3			3
Sheriff Equipment and Training	42			42
Sheriff DARE Fund		3,177	3,159	18
REAP Grant		25,028	25,000	28
Estray Cattle		599		599
Combined Total--All County Funds	\$ 1,961,196	\$ 3,093,811	\$ 2,917,470	\$ 2,137,537

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

**COTTON 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 Cotton County, Oklahoma. The financial statement referred to includes only the primary government of Cotton County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. 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 - accounts for state, local, and miscellaneous receipts and disbursements are 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.

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

Sheriff Reserves - accounts for the collection and disbursement of donations to the Sheriff reserve deputies.

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

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

Sheriff Board of Prisoner - accounts for the collection of state miscellaneous receipts and disbursements for the purpose of maintaining the jail.

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

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

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

Glessner Fund - accounts for the collection of rental revenue of farms donated to the County and disbursements for the needy of the County as determined by the Board of County Commissioners.

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

Sheriff Commissary - accounts for the collection from the sale of items to inmates and disbursements to purchase commissary goods from the vendor and can be used for maintenance and operation of the jail.

Free Fair Donations - accounts for the collection of donations and rentals of the Expo building and the disbursements associated with maintaining the Expo building.

Sheriff Drug Fund - accounts for the collection of drug forfeitures and disbursements for the purpose of equipment and training.

Sheriff Donations – accounts for collection of donations used for training, equipment, and supplies.

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

Trash Cop Grant – accounts for the receipt of donations for deputies to patrol roads to control illegal trash dumping.

Sheriff Law Enforcement Grant - accounts for grant funds for the purchase of law enforcement equipment.

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

Sheriff Equipment and Training - accounts for the collection of donations for the purchase of special equipment.

Sheriff DARE Fund – accounts for donations disbursed for the purpose of drug education and drug awareness.

REAP Grant – accounts for state grants for the purpose of installing an elevator.

Estray Cattle – accounts for funds derived from the sale of stray cattle that were left unclaimed.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts and school districts. The cash receipts and 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. Any trust or agency funds maintained by the County are not included in this presentation.

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, a general fund and a 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 for the respective fund by 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.

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

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).

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
- 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 County employees earn vacation benefits on a monthly basis that may be accumulated in accordance with the following schedule. Upon separation, an employee will be paid for the balance of accrued annual leave.

Years of Service	Annual Leave	Accrual Limits
0-5 years	14 days 6.67 hrs/month	No carry over from one year to next
5 years or more	21 days 10 hrs/month	No carry over from one year to next

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

Sick leave shall accumulate at a rate of 8 hours for each full calendar month of service. Sick leave may be accrued up to a maximum of 480 hours. When terminating employment with Cotton County, an employee may not collect pay for accrued sick leave.

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 \$30,188,231.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.40 mills for general fund operations, 2.60 mills for county health department, and 3.00 mills for emergency medical service. In addition, the County collects the ad valorem taxes assessed by 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.

Current year tax collections for the year ended June 30, 2007, were approximately 97.6 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.

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

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 		

ACCO-SIG – The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating member chooses a deductible amount (\$10,000, \$25,000, or \$50,000). 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 County's deductible amount. The pool has acquired specific excess insurance with retention limits of \$250,000 for property claims and \$500,000 for general liability claims. The pool has acquired reinsurance in the amount of \$2,000,000 for general liability and \$50,000,000 per occurrence for property to cover claims that exceed the pool's retention limits. If claims exceed pool assets, the County could be liable for its share of the pool's deficit. 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, but have a one-time fee of 3% on all pieces of machinery acquired.

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

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 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 \$139,042, \$124,986, and \$102,390, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option to elect to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

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.

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

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

9. Sales Tax

Cotton County voters approved a 1.25 percent sales tax effective July 1, 1998. One percent of the sales tax provides revenue for the county general fund, and .25 percent of the sales tax provides revenue for the operation of the OSU Extension. The sales tax for the county general fund is indefinite and the sales tax for OSU Extension expires July 1, 2008.

OTHER SUPPLEMENTARY INFORMATION

**COTTON 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	\$ 173,652	\$ 173,652	\$ 173,652	\$ -
Less: Prior Year Outstanding Warrants	(53,334)	(53,334)	(53,297)	37
Less: Prior Year Encumbrances	(16,500)	(16,500)	(15,330)	1,170
Beginning Cash Balances, Budgetary Basis	<u>103,818</u>	<u>103,818</u>	<u>105,025</u>	<u>1,207</u>
Receipts:				
Ad Valorem Taxes	285,416	285,416	307,822	22,406
Sales Tax	184,617	184,617	231,153	46,536
Charges for Services	25,713	25,713	29,316	3,603
Intergovernmental Revenues	170,828	206,345	219,125	12,780
Miscellaneous Revenues	49,968	49,968	118,585	68,617
Total Receipts, Budgetary Basis	<u>716,542</u>	<u>752,059</u>	<u>906,001</u>	<u>153,942</u>
Expenditures:				
District Attorney	8,000	8,000	-	8,000
County Sheriff	191,030	207,484	207,091	393
County Treasurer	62,541	62,753	62,314	439
OSU Extension	62,827	62,827	43,898	18,929
County Clerk	48,491	48,703	47,700	1,003
Court Clerk	51,460	51,710	51,710	-
County Assessor	54,211	54,423	52,451	1,972
Revaluation of Real Property	66,521	66,749	57,127	9,622
General Government	32,168	48,377	45,435	2,942
Excise-Equalization Board	2,650	2,650	2,028	622
County Election Board	42,734	44,231	43,107	1,124

continued on next page

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

**COTTON 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
Insurance	190,532	190,775	180,560	10,215
Recording Account	1	1	-	1
County Audit Budget Account	5,944	5,944	5,944	-
Free Fair	1,000	1,000	996	4
Provision for Interest	250	250	1	249
Total Expenditures, Budgetary Basis	820,360	855,877	800,362	55,515
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	210,664	\$ 210,664
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			20,432	
Add: Current Year Outstanding Warrants			54,742	
Ending Cash Balance			<u>\$ 285,838</u>	

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

**COTTON 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	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 44,730	\$ 44,730	\$ 44,730	\$ -
Less: Prior Year Encumbrances	(8,592)	(8,592)	(8,417)	175
Beginning Cash Balances, Budgetary Basis	<u>36,138</u>	<u>36,138</u>	<u>36,313</u>	<u>175</u>
Receipts:				
Ad Valorem Taxes	71,353	71,353	76,917	5,564
Charges for Services			515	515
Intergovernmental Revenue		930	48	(882)
Miscellaneous Revenues			329	329
Total Receipts, Budgetary Basis	<u>71,353</u>	<u>72,283</u>	<u>77,809</u>	<u>5,526</u>
Expenditures:				
Health and Welfare	107,491	108,421	86,292	22,129
Total Expenditures, Budgetary Basis	<u>107,491</u>	<u>108,421</u>	<u>86,292</u>	<u>22,129</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	27,830	<u>\$ 27,830</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			897	
Ending Cash Balance			<u>\$ 28,727</u>	

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

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

Budgetary Schedule

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.

INTERNAL CONTROL AND COMPLIANCE SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

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
COTTON COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Cotton County, Oklahoma, as of and for the year ended June 30, 2007, which comprises Cotton County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 16, 2010. 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. 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 Cotton 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 deficiencies 2007-5, 2007-9, and 2007-10 as described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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, of the significant deficiencies described above, we consider items 2007-9 and 2007-10 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cotton 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 Standards*, which is described in the accompanying schedule of findings and responses as item 2007-2.

We also noted certain matters that we reported to the management of Cotton County, which are included in Section 2 of the schedule of findings and responses contained in this report.

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

This report is intended solely for the information and use of Cotton 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. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

August 16, 2010

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

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

Finding 2007-2 – Allocation of Official Depository Funds by Sheriff to Sheriff Service Fees

Criteria: Title 19 O.S. § 684 states in part:

All monies that shall be received during any calendar month by any county officer...shall be paid into the county treasury...from the official account of the officer...to the fund or funds of the county...on or before the second Monday following the close of the calendar month in which such monies have been received...

Condition: The audit of Sheriff depository receipts revealed the County Sheriff did not pay official depository funds received for service fees to the County Treasurer on a monthly basis. During the 2006-2007 fiscal year the County Sheriff only allocated official depository funds to the County Treasurer two times.

- The first allocation was made on January 17, 2007, for monies received June 25, 2006 through January 16, 2007.
- The second allocation was made March 27, 2007, for monies received January 28, 2007 through March 26, 2007.
- At June 30, 2007, the amount of \$1,205.83 should have been transferred to the sheriff service fee fund.

Effect: Monies were not allocated to the county fund in a timely manner. This may result in an understatement of available county funds.

Recommendation: OSAI recommends the County Sheriff allocate service fees money received under the color of office to the County Treasurer on or before the second Monday following the close of the calendar month in which the service fee money was received as set forth in 19 O.S. § 684.

Views of responsible officials and planned corrective actions: The Sheriff will transfer the funds on a monthly basis to the Sheriff Service Fee Cash Fund.

Finding 2007-5 – Timely Encumbrances

Criteria: Statutory control requirements have been established for county government for the timely encumbrance of purchases.

Title 19 O.S. § 1505.C states in part:

After selection of a vendor, the procedure for the purchase, lease-purchase, or rental of supplies, materials, and equipment used by a county shall be as follows: 1. The county purchasing agent

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

shall prepare a purchase order in quadruplicate and submit it with a copy of the requisition to the county clerk; 2. The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order...

Condition: The test of 40 purchase orders revealed four instances with the Sheriff, and one instance with the Highway District, in which goods or services were received prior to funds being encumbered.

Effect: This condition could result in amounts being expended greater than that set forth by the budget.

Recommendation: OSAI recommends the County place an emphasis on encumbering funds prior to receiving goods or services.

Views of responsible officials and planned corrective action: The Sheriff and Highway District will strive to encumber funds in a timely manner.

Finding 2007-9 – Segregation of Duties—Accounting for Funds

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Condition: The County Treasurer has two full-time deputies; however, one deputy performs the duties of recording transactions on the daily report, the general ledger, and reconciles the General Fund bank account at the end of each month.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: We concur with the auditor's comments and will conduct periodic reviews of office operations.

Finding 2007-10 – Segregation of Duties – Receipting

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

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

Condition: The County Treasurer has two full-time deputies in her office. The duties of opening the mail, issuing receipts, posting receipts, and making deposits are performed by the Treasurer and both deputies. Duties are not segregated with regard to each function.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: We concur with the auditor's comments and will conduct periodic reviews of office operations.

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2007-1 – Segregation of Duties – Official Depository Accounts

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Condition: Official depository accounts are not reported on the basic financial statement; however, a lack of segregation of duties exists with regards to the management of the following accounts:

In the County Treasurer's office, with respect to official depository accounts, two full time deputies perform most of the collection duties. Both deputies have the duties of opening the mail, issuing receipts and endorsing the checks that are receipted, and balancing the cash drawer to daily receipts. The first deputy primarily prepares the daily deposit slips and takes deposits to the Treasurer; however, the second deputy can perform these duties in her absence.

In the County Election Board office, with respect to official depository accounts, staff consists of the Board Secretary and one assistant. Both individuals open mail, issue receipts, endorse checks, balance the cash drawer to daily receipts, prepare deposit slips, and take deposits to the Treasurer. The duties are not formally segregated.

In the County Assessor's office, with respect to official depository accounts, staff consists of the Official and one deputy. Both individuals open mail, issue receipts, endorse checks, balance the cash drawer to

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

daily receipts, prepare deposit slips, and take deposits to the Treasurer. The duties are not formally segregated.

In the County Sheriff's office, with respect to official depository accounts, two deputies perform most of the collection duties. One deputy opens the mail, balances the cash drawer to daily receipts, prepares the daily deposit slips, and takes deposits to the Treasurer. The other deputy and dispatchers issue receipts and endorse the checks that are received. The duties are not formally segregated.

In the County Clerk's office, with respect to official depository accounts, two full time deputies and the County Commissioners' secretary perform all receipting duties. The mail is opened by the County Clerk or the Commissioners' secretary. Pre-numbered receipts are issued and checks received are endorsed by the County Clerk, the Commissioners' secretary, and/or the other two deputies. The two County Clerk deputies perform the duties of daily balancing, preparing deposit slips, and taking the deposit slip to the County Treasurer. These duties are not formally segregated, and often times the same deputy performs all duties.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: The County officials are aware of this condition and will make every effort to ensure segregation of duties within each office, with the limited funds available to them.

Finding 2007-3 – Sheriff Official Depository Monthly Report

Criteria: Title 19 O.S. § 684 states in part:

...and it shall be the further duty of all such officers, boards, commissions, and members and employees of either thereof, to make and file with the county clerk on or before the second Monday of each month, a verified report in writing showing the several sources, classes, and amounts of money received by virtue or under color of office during the preceding calendar month, together with an itemized statement of the amount and purpose of all vouchers issued in disbursement, distribution and transfer thereof.

Condition: The County Sheriff did not file monthly official depository reports in a timely manner for 6 of the 12 months audited.

- July 2006 through October 2006 monthly reports were filed in December 2006.
- May 2007 and June 2007 reports were filed in August 2007.

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

Effect: Lack of accountability for Official Depository funds.

Recommendation: OSAI recommends the County Sheriff file monthly reports in a timely manner as set forth in 19 O.S. § 684

Views of responsible officials and planned corrective action: The Sheriff will submit the monthly report at each meeting in a timely manner.

Finding 2007-4 – Daily Depositing and Receipting of Sheriff Depository Funds

Criteria: Title 19 O.S. § 682 states in part:

It shall be the duty of each and every county officer...to deposit daily in the official depository all monies...received or collected by virtue or under color of office...

Title 28 O.S. § 9 states:

Every officer charging fees shall give a receipt therefor.

Condition: The audit of officer depository collections revealed the following:

- The County Sheriff did not deposit on a daily basis.
- Receipt #3590 issued for \$236.92 and receipt #3622 issued for \$232.50, were not deposited in the depository account.
- A total amount of \$29,749.70 was deposited but not receipted by the County Sheriff.
- The receipts issued by the County Sheriff do not reflect the mode of payment.

Effect: Lack of accountability for Sheriff Depository funds.

Recommendation: OSAI recommends the County Sheriff issue receipts for all money received under the color of office as set forth in 28 O.S. § 9 and the County Sheriff deposit all funds on a daily basis as set forth in 19 O.S. § 682. Additionally, the County Sheriff should reflect the mode of payment as to cash or check on each receipt. The original voided receipts should be maintained and attached to the carbon copy with “void” clearly written on them.

Views of responsible officials and planned corrective action: The Sheriff will deposit daily and write receipts for each collection.

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

Finding 2007-6 – Prior Year Obligations

Criteria: Title 68 O.S. § 3019 states in part:

...The several items of the estimate as made and approved by the excise board for each fiscal year shall constitute and are hereby declared to be an appropriation of funds for the several and specific purposes named in such estimate, and the appropriations thus made shall not be used for any other fiscal year or purposes whatsoever..." At the end of a fiscal year, unencumbered appropriations are lapsed.

Condition: The following purchase orders were issued during the fiscal year 2006-2007 for unencumbered obligations from the 2005-2006 fiscal year that should have lapsed:

<u>Account</u>	<u>PO #</u>	<u>Warrant #</u>	<u>Invoice Date</u>	<u>Encumbrance</u>
Election Board	65	1	6/15/2006	7/5/2006
T-Highway	144	43	3/9 thru 6/28	7/10/06
Sheriff BOP	66	2	6/4/06	7/5/06

Effect: This condition could result in amounts being expended in the current fiscal year greater than that appropriated.

Recommendation: OSAI recommends that obligations be encumbered and paid in the appropriate fiscal year as set forth in 68 O.S. § 3019.

Views of responsible officials and planned corrective action: The County officers will strive to encumber funds in the correct fiscal year.

Finding 2007-7– Daily Depositing – Sheriff Inmate Trust Funds

Criteria: Title 19 O.S. § 531.A states:

Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account", to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the State Auditor and Inspector. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.

Effective accounting practices with regard to funds received by the county official include a receipt be issued for funds collected, that these funds be deposited daily.

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

Condition: The County Sheriff did not deposit inmate trust money into the inmate trust bank account on a daily basis. The audit of 165 receipts issued for the months of January 2007, April 2007, and May 2007, resulted in 122 receipts totaling \$8,612.02 in which funds were not deposited daily.

Effect: This condition could result in unrecorded transactions and misappropriation of trust fund cash.

Recommendation: OSAI recommends the County Sheriff deposit all funds on a daily basis.

Views of responsible officials and planned corrective action: The Sheriff will strive to deposit daily inmate trust funds collected.

Finding 2007-8 – Inmate Trust Fund Expenditures

Criteria: Title 19 O.S. § 531.A states:

Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account," to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the State Auditor and Inspector. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.

Condition: Four instances were noted in which the original check was not retained but was marked as void on the check register.

Additionally, the County Sheriff purchased tobacco items twice (checks #1847 and #1843) from the Inmate Trust Fund (named the "Inmate General Fund") within the Tiger Commissary System. The County Sheriff also purchased from the "Inmate General Fund" food for a "Super Bowl Party for the inmates." The check #1820 was not issued through the Tiger Commissary System, but was handwritten.

Effect: These conditions could result in unallowed transactions and misappropriation of the inmate trust fund.

Recommendation: OSAI recommends the County Sheriff retain voided checks and clearly mark the checks "void." OSAI also recommends funds for inmate purchases be transferred to the Sheriff's Commissary Cash Fund and that all disbursements be made on purchase orders approved by the Board of County Commissioners.

Views of responsible officials and planned corrective action: The Sheriff will make corrections, so that tobacco or party items will not be purchased from the inmate trust fund, and ensure voided checks are retained.



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