

COTTON COUNTY

FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

COUNTY AUDIT



Oklahoma State Auditor
& Inspector

**COTTON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

This publication is printed and issued by the State Auditor and Inspector as authorized by 19 O.S. § 171. Pursuant to 74 O.S. § 3105.B, twelve (12) copies have been prepared and distributed at a cost of \$37.29. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

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

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, 2008. 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, 2008**

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Cotton County.....	ii
County Officials and Responsibilities.....	iii
Ad Valorem Tax Distribution	viii
Computation of Legal Debt Margin.....	ix
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita.....	x
Assessed Value of Property	xi

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Basic Financial Statement:	
Combined Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information)	3
Notes to the Financial Statement.....	4

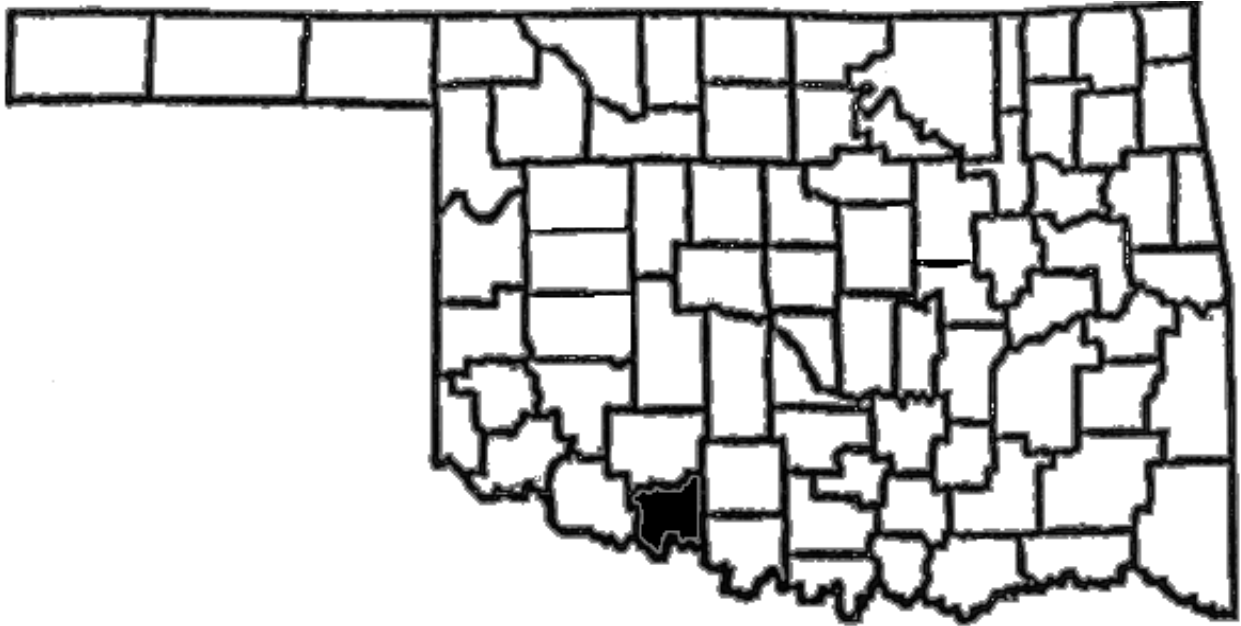
OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	12
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	14
Notes to Other Supplementary Information	15

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	16
Schedule of Findings and Responses.....	18

**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, 2008**

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

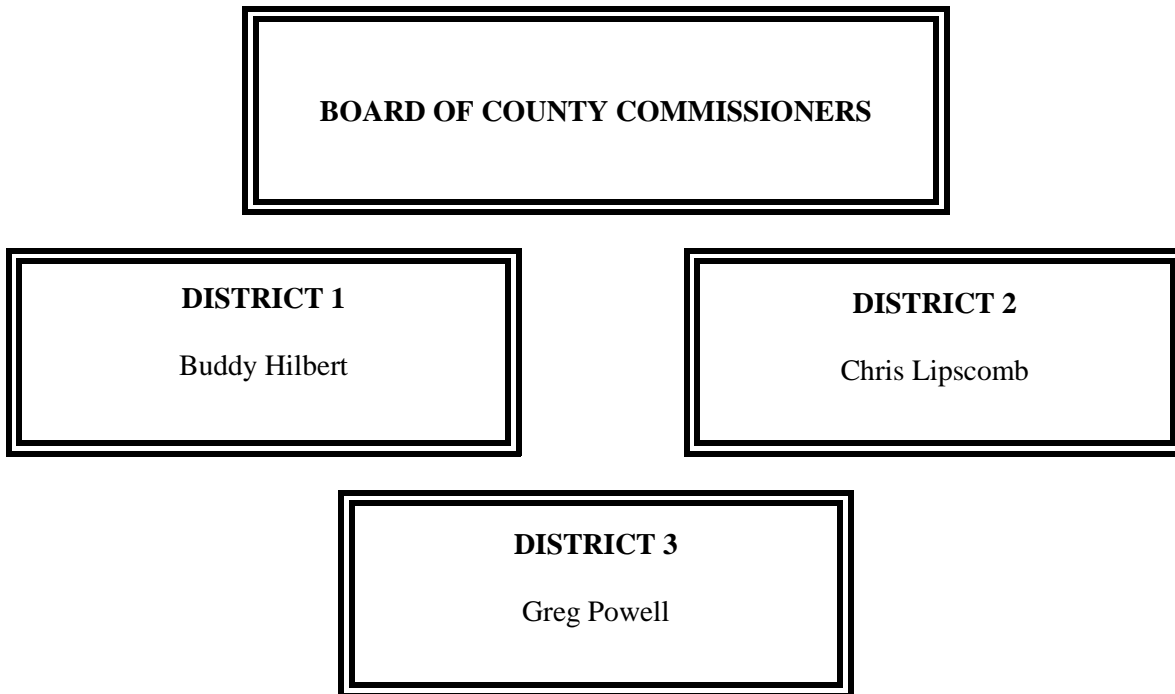
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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, 2008**



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, 2008**

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, 2008**

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, 2008**

ELECTION BOARD SECRETARY

Leta Coats

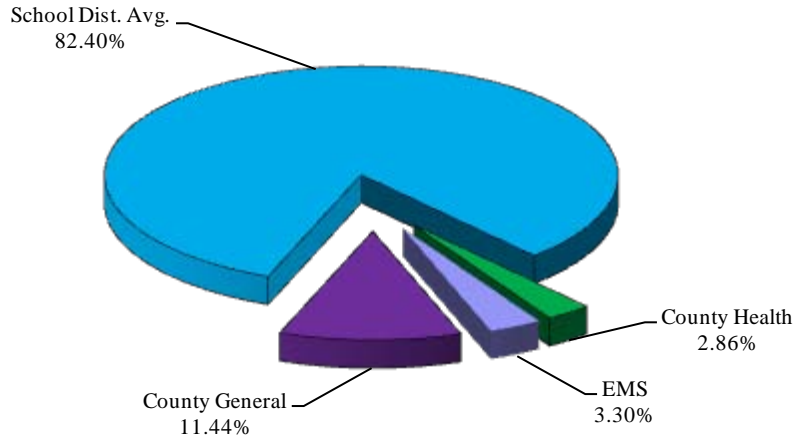
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within 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, 2008**

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	12.75	12.49	4.16	71.25
		Big Pasture	Jt I-333	36.43	5.20		14.44	4.16	60.23
		Comanche/Geronimo	Jt I-4	35.75	5.11	28.13	14.44	4.16	87.59
		Stephens/Empire	Jt I-21	36.54	5.22	12.60	12.49	4.16	71.01
		Jefferson/Waurika	Jt I-23	35.00	5.00		12.49	4.16	56.65
		Comanche/Chattanooga	Jt I-132	35.42	5.06		14.44	4.16	59.08
		Tillman/Grandfield	Jt I-249	36.38	5.20		14.44	4.16	60.18

See independent auditor's report.

**COTTON COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Total net assessed value as of January 1, 2007		<u>\$ 30,787,562</u>
Debt limit - 5% of total assessed value		1,539,378
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		<u>\$ 1,539,378</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, 2008
(UNAUDITED)**

	2008
Estimated population	6,589
Net assessed value as of January 1, 2007	\$ 30,787,562
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, 2008
(UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2007	\$2,733,115	\$5,952,300	\$23,749,538	\$1,647,391	\$30,787,562	\$256,333,392

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, 2008, 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, 2008, 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, 2008, 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, 2008**

	Beginning Cash Balances July 1, 2007	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2008
Combining Information:				
County General Fund	\$ 285,838	\$ 924,033	\$ 907,763	\$ 302,108
County Highway	1,602,923	2,432,493	2,184,122	1,851,294
County Health Department	28,727	82,469	61,210	49,986
Assessor Visual Inspection	2,188	19		2,207
Sheriff Reserves	1,248		73	1,175
Sheriff Service Fee	19,626	54,508	46,368	27,766
Sheriff Board of Prisoner	83,198	199,383	217,683	64,898
Resale Property	27,104	22,429	23,366	26,167
Treasurer Mortgage Tax Certification Fee	3,542	1,880	2,916	2,506
County Clerk Lien Fee	5,273	2,626	800	7,099
Glessner Fund	55,929	17,407	9,355	63,981
Assessor Revolving	5,892	1,718	3,820	3,790
Sheriff Commissary	3,156	19,389	17,585	4,960
Free Fair Donations	3,548	5,525	7,228	1,845
Sheriff Drug Fund	24			24
Sheriff Donations	18	10,000		10,018
County Clerk Records Preservation Fee	8,577	8,725	6,794	10,508
Trash Cop Grant	36		35	1
Sheriff Law Enforcement Grant	3			3
Sheriff Equipment and Training	42			42
Sheriff DARE Fund	18	855	726	147
REAP Grant	28	17,414	17,400	42
Estray Cattle	599		599	
Free Fair Building Fund		62,141	39,853	22,288
Sheriff Forfeiture		2,672	1,955	717
Combined Total--All County Funds	<u>\$ 2,137,537</u>	<u>\$ 3,865,686</u>	<u>\$ 3,549,651</u>	<u>\$ 2,453,572</u>

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, 2008**

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, 2008**

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, 2008**

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.

Free Fair Building Fund – accounts for insurance reimbursements, federal funds, and other miscellaneous revenue to repair the Free Fair building.

Sheriff Forfeiture – accounts for money seized and forfeited as a result of drug enforcement.

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.

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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).

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.

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Years of Service	Annual Leave	Accrual Limits
0-5 years	10 days 6.67 hrs/month	81 hours
5 years or more	15 days 10 hrs/month	120 hours

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, 2007, was approximately \$30,787,562.

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, 2008, 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, 2008**

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, 2008**

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 8.5% and 13.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 13.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2008, 2007, and 2006, were \$169,754, \$139,042, and \$124,986, 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, 2008**

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, 2008**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 285,838	\$ 285,838	\$ 285,838	\$ -
Less: Prior Year Outstanding Warrants	(54,742)	(54,742)	(54,742)	
Less: Prior Year Encumbrances	(20,432)	(20,432)	(17,042)	3,390
Beginning Cash Balances, Budgetary Basis	210,664	210,664	214,054	3,390
Receipts:				
Ad Valorem Taxes	291,082	291,082	325,621	34,539
Sales Tax	242,514	242,514	286,179	43,665
Charges for Services	26,384	26,384	30,026	3,642
Intergovernmental Revenues	137,140	165,509	147,629	(17,880)
Miscellaneous Revenues	67,868	67,868	134,578	66,710
Total Receipts, Budgetary Basis	764,988	793,357	924,033	130,676
Expenditures:				
County Sheriff	213,842	237,664	236,197	1,467
County Treasurer	73,533	73,533	73,257	276
OSU Extension	94,356	94,356	53,956	40,400
County Clerk	79,931	79,931	76,622	3,309
Court Clerk	57,301	57,301	57,300	1
County Assessor	62,052	62,052	60,907	1,145
Revaluation of Real Property	75,541	75,541	71,733	3,808
General Government	46,519	47,119	44,637	2,482
Excise-Equalization Board	2,650	2,650	2,478	172
County Election Board	46,744	48,912	48,519	393

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, 2008

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Insurance	217,853	219,632	195,888	23,744
Recording Account	1	1	-	1
County Audit Budget Account	3,079	3,079	-	3,079
Free Fair	2,000	2,000	1,994	6
Provision for Interest on Warrants	250	250	-	250
 Total Expenditures, Budgetary Basis	 975,652	 1,004,021	 923,488	 80,533
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 \$ -	 214,599	 \$ 214,599
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			15,665	
Add: Current Year Outstanding Warrants			71,844	
Ending Cash Balance			<u>\$ 302,108</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, 2008**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 28,727	\$ 28,727	\$ 28,727	\$ -
Less: Prior Year Encumbrances	(897)	(897)	(705)	192
Beginning Cash Balances, Budgetary Basis	27,830	27,830	28,022	192
Receipts:				
Ad Valorem Taxes	72,770	72,770	80,869	8,099
Charges for Services			1,015	1,015
Intergovernmental Revenue		1,169	157	(1,012)
Miscellaneous Revenues			428	428
Total Receipts, Budgetary Basis	72,770	73,939	82,469	8,530
Expenditures:				
Health and Welfare	600	101,769	64,828	36,941
Total Expenditures, Budgetary Basis	600	101,769	64,828	36,941
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	45,663	\$ 45,663
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			1,300	
Add: Current Outstanding Warrants			3,023	
Ending Cash Balance			\$ 49,986	

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, 2008**

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, 2008, 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 2008-5, 2008-10, and 2008-11 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 2008-10 and 2008-11 to be material weaknesses.

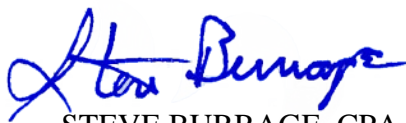
Compliance and Other Matters

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2008-2 and 2008-9.

We 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, 2008**

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 2008-2 – Allocation of Official Depository Funds by Sheriff to Sheriff Service Fees (Repeat Finding)

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

All monies that shall be received during any calendar month by any county officer, county board, county commission or the members or employees of either thereof, accruing as a part of the funds of the county or municipal subdivision thereof, shall be paid into the county treasury, - that is, transferred from the official account of the officer, board, commission or employee of either thereof depositing the same, to the fund or funds of the county or municipal subdivision thereof to which the same belongs, - by the authority so receiving the same on or before the second Monday following the close of the calendar month in which such monies shall 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.

- The first allocation was made on August 9, 2007, for monies received April 1, 2007 through July 31, 2007.
- The second allocation was made April 9, 2008, for monies received August 1, 2007 through March 31, 2008.
- At June 30, 2008, the amount of \$400 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 fee 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 2008-5 – Timely Encumbrances (Repeat Finding)

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

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Criteria: 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 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 two instances with the Sheriff and three instances 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 actions: The Sheriff and Highway District will strive to encumber funds in a timely manner.

Finding 2008-9 – Appropriations and Expenditures

Criteria: With regard to budget appropriations approved by the excise board, 68 O.S. § 3010 requires the items of appropriation to be categorized to the level of "personal services," "travel," "maintenance and operation," and/or "capital outlay."

Condition: The County operates with numerous funds, 20 of which were not appropriated to a specific account category.

Fund	Acct	Account Name
0005	Glessner	Glessner
0010	Resale	Resale Property Fund
0013	CCLF	Co Clerk Lien Fee Fund
0014	CCR	Cotton County Reserves
0017	SEF	Sheriff Equip-Training Fund
0018	ARF	Assessor Revolving Fund
0022	FFD	Free Fair Donations & Rental
0023	CCRCF	Court Clerk Revolving Fund
0026	SDF	Sheriff Drug Fund
0028	RESALE EXC	Resale Excess
0029	LEG	Law Enforcement Grant
0032	CCDA-JUVEN	C.C.D.A. Juveniles
0033	SCA	Sheriff Commissary Fund
0034	SD-2	Sheriff Donations
0040	DARE	Sheriff DARE Fund

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

0041	REAP	Rural Economic Action Plan
0043	FFBF	Free Fair Building Fund
0044	FFP	Free Fair Premium
0045	SFF	Sheriff Forfeiture Fund
0046	CDBG	Comm Develop Block Grant

Effect: Expenditures for personal services, travel, maintenance and operation, and capital outlay are not identified as such in the County's appropriation ledger.

Recommendation: OSAI recommends the County revise the chart of funds and accounts to reflect the actual category of the appropriations and expenditures as set forth in 68 O.S. § 3010.

Views of responsible officials and planned corrective actions: The County Clerk will set up accounts for each cash fund to detail each category in accordance with state statutes.

Finding 2008-10 – Segregation of Duties—Accounting for Funds (Repeat Finding)

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 2008-11 – Segregation of Duties – Receipting (Repeat Finding)

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, 2008**

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 2008-1 – Segregation of Duties – Official Depository Accounts (Repeat Finding)

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: 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.

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 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 receipted. 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 receipted 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 2008-3 – Sheriff Official Depository Monthly Report (Repeat Finding)

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

All monies that shall be received during any calendar month by any county officer, county board, county commission or the members or employees of either thereof, accruing as a part of the funds of the county or municipal subdivision thereof, shall be paid into the county treasury, - that is, transferred from the official account of the officer, board, commission or employee of either thereof depositing the same, to the fund or funds of the county or municipal subdivision thereof to which the same belongs, - by the authority so receiving the same on or before the second Monday following the close of the calendar month in which such monies shall have been received...

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Condition: The County Sheriff did not file monthly official depository reports with the Board of County Commissioners in a timely manner.

- August 2007 through February of 2008 monthly reports were filed with the Board of County Commissioners during April 2008.
- May 2008 and June 2008 were filed with the Board of County Commissioners in August 2008.

Effect: Lack of accountability for Official Depository funds.

Recommendation: OSAI recommends the County Sheriff file a monthly report with the County Commissioners 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 2008-4 – Daily Depositing and Receipting of Sheriff Depository Funds (Repeat Finding)

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 exceptions:

- The County Sheriff did not deposit on a daily basis.
- The receipts issued by the County Sheriff do not reflect the mode of payment.
- Receipt #3926 was voided but the original was not maintained in the receipt book.
- Receipt #3791 issued for \$355 was not deposited in the depository account.
- A total amount of \$22,059.73 was deposited but not receipted by the County Sheriff.

Effect: Lack of accountability for Sheriff Depository funds.

Recommendation: OSAI recommends the County Sheriff deposit all funds on a daily basis, and issue receipts for all money received as set forth in 19 O.S. § 682 and 28 O.S. §9, respectively. 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 actions: 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, 2008**

Finding 2008-6 – Daily Depositing – Sheriff Inmate Trust Funds (Repeat Finding)

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.

Condition: The County Sheriff did not deposit inmate trust money into the inmate trust bank account on a daily basis. The audit of receipts issued for February, March, and April 2008, revealed that deposits were made once or twice per month for receipts issued throughout that time period.

Date of Receipts	Total Receipts	Date of Deposit
02/01/2008 to 02/06/2008	\$590.00	02/08/2008
02/13/2008 to 02/26/2008	\$1,470.62	03/05/2008
03/10/2008 to 03/14/2008	\$1,551.05	03/18/2008
03/19/2008 to 03/28/2008	\$1,196.50	04/03/2008
04/08/2008 to 04/16/2008	\$1,704.04	04/18/2008
04/17/2008 to 04/29/2008	\$1,157.56	05/02/2008

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 actions: The Sheriff will strive to deposit daily inmate trust fund collections.

Finding 2008-7 – Inmate Trust Fund Expenditures (Repeat Finding)

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

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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: The County Sheriff purchased food from the Inmate Trust Fund (named the "Inmate General Fund") for "Inmate Day" with check #1981.

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

Recommendation: OSAI 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 actions: The Sheriff will monitor inmate trust fund expenditures to ensure that funds are not spent on party items.

Finding 2008-8 –Endorsement of Checks for Sheriff Inmate Trust Fund

Criteria: Effective internal controls include restrictive endorsements ("For deposit only by Cotton County Sheriff") be a standard procedure at the time of the receiving of a cashier's check, check or money order.

Condition: The Sheriff's staff members signed their personal names as endorsements without restrictively endorsing the cashier's checks, money orders and checks.

Effect: Cashier's checks, checks, and money orders for inmate trust funds could be misappropriated without a restrictive endorsement.

Recommendation: OSAI recommends the County Sheriff obtain a restrictively worded stamp for endorsing cashier's checks, checks and money orders and using the stamp immediately upon receiving the money item.

Views of responsible officials and planned corrective actions: The Sheriff is now aware of the need to restrictively endorse checks and will instruct employees to adhere to using a restrictive endorsement on all checks received by the Cotton County Sheriff.



**OFFICE OF THE STATE AUDITOR AND INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896**

WWW.SAI.OK.GOV