

**COTTON COUNTY, OKLAHOMA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

October 8, 2004

TO THE CITIZENS OF
COTTON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cotton County, Oklahoma, for the fiscal year ended June 30, 2003. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our audit.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahhan".

JEFF A. McMAHAN
State Auditor and Inspector

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

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

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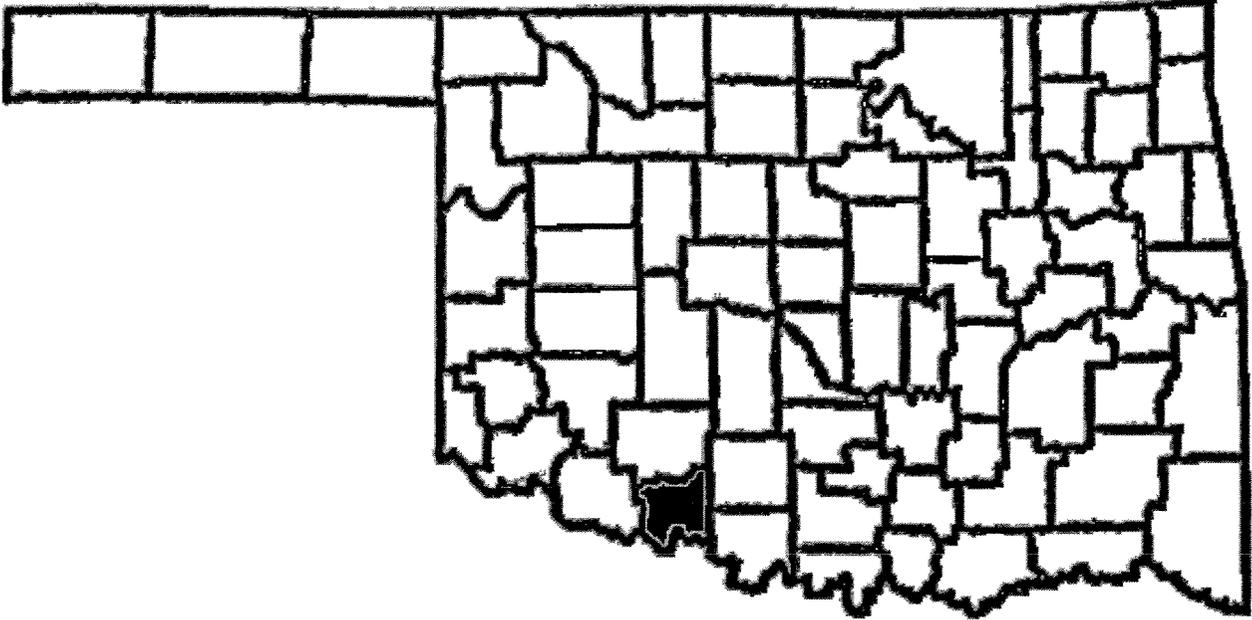
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REPORT TO THE CITIZENS
OF
COTTON COUNTY, OKLAHOMA



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 National Wheat Harvest Festival.

County Seat – Walters

Area – 636.7 Square Miles

County Population – 6,614
(2000 est.)

Farms – 512

Land in Farms – 350,016 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**COTTON COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Shelly Sehrt
(D) Walters

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
(D) Walters

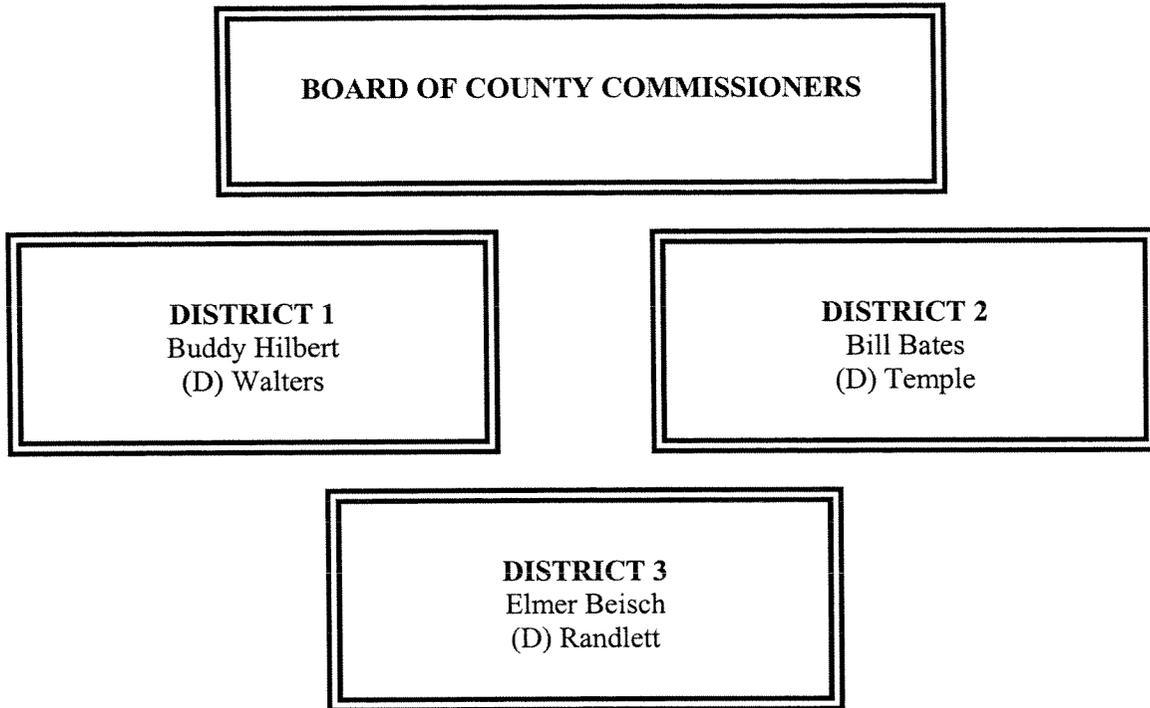
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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**



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**

COUNTY SHERIFF
Paul Jeffrey
(D) Hastings

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
Geneva Hawkins
(D) Walters

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report.

**COTTON COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Lana Spake
(D) Temple

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government. Court Clerks use forms and follow procedures prescribed by the Court Administrator's Office, the Oklahoma Supreme Court, and the State Auditor and Inspector.

DISTRICT ATTORNEY
Robert Schulte
(D) Lawton

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.

ELECTION BOARD SECRETARY

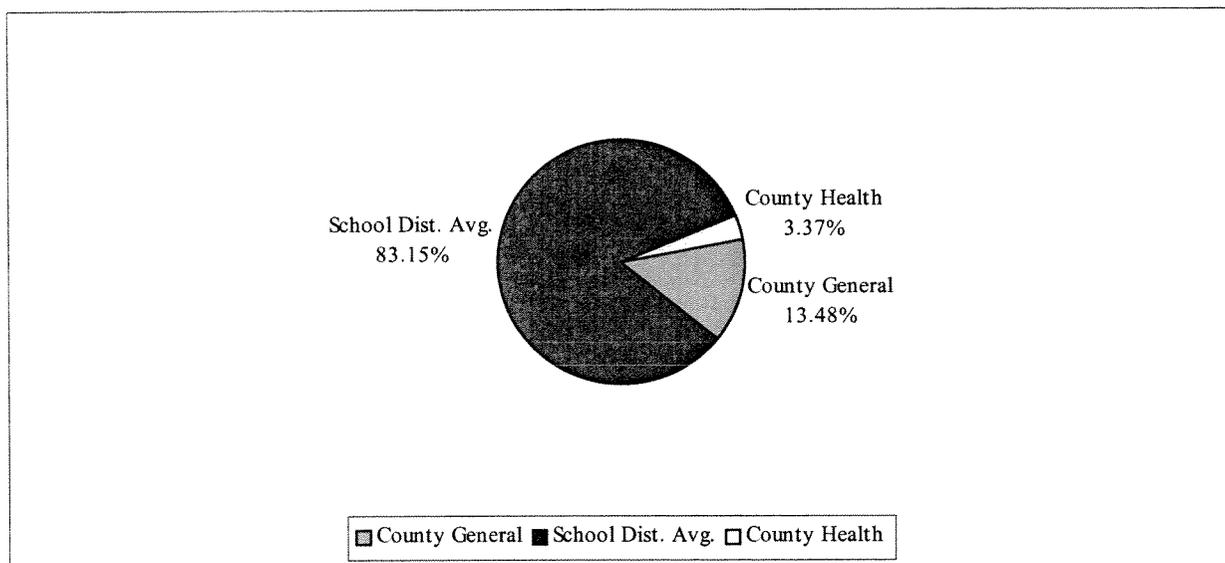
Leta Coats
(D) Randlett

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.

**COTTON COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE**

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Tech Cntr.	Common	Total
Co. General	10.00								
County Health	2.50	Walters	I-1	35.00	5.00	3.44	12.00	4.00	59.44
		Temple	I-101	35.00	5.00	16.32	12.00	4.00	84.32
		Big Pasture	Jt I-333	35.00	5.00		12.00	4.00	56.00
		Comanche/Geronimo	Jt I-4	35.00	5.00		12.00	4.00	56.00
		Stephens/Empire	Jt I-21	35.00	5.00	11.74	12.00	4.00	67.74
		Jefferson/Waurika	Jt I-23	35.00	5.00		12.00	4.00	56.00
		Comanche/Chattanooga	Jt I-132	35.00	5.00	7.65	12.00	4.00	63.65
		Tillman/Grandfield	Jt I-249	35.00	5.00	10.42	12.00	4.00	66.42

See independent auditor's report.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
COTTON COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Cotton County, Oklahoma, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose financial statements are the responsibility of Cotton County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Cotton County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Cotton County in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Cotton County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department fund of the County, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

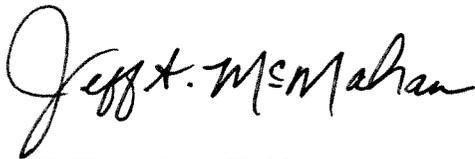
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Cotton County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits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

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

October 4, 2004

Special-Purpose Financial Statements

**COTTON COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2003**

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
County General Fund	\$ 136,848	\$ 712,520	\$ 705,980	\$	\$ 143,388
County Highway	1,851,100	2,393,048	2,186,910		2,057,238
Juvenile Grant	6,554	403	6,354		603
County Health Department	56,184	69,669	46,123		79,730
Schools	6,323	1,646,012	1,636,563		15,772
Cities and Towns	5,246	75,094	75,604		4,736
Assessor Visual Inspection	2,601	15	370		2,246
Sheriff Reserves	296	128	399		25
Sheriff Service Fee	32,429	34,151	57,129		9,451
Sheriff Board of Prisoner	48,522	118,637	144,533		22,626
Resale Property	21,402	21,280	16,947		25,735
Law Library	7,342	13,112	18,450		2,004
Treasurer Mortgage Tax Certification Fee	5,262	2,025	2,715		4,572
County Clerk Lien Fee	5,397	1,381	2,030		4,748
Glessner Fund	51,607	8,911	6,304		54,214
Assessor Revolving	1,788	1,527	357		2,958
Sheriff Equipment and Training	384		342		42
Sheriff Commissary		1,978			1,978
Trash Cop Grant	6,870		1,235		5,635
Free Fair Donations	7,389	8,179	10,347		5,221
Sheriff Law Enforcement Grant	2,443	8,017	10,041		419
Protest Tax Interest		43			43
Sheriff Drug Fund	1,028	17,000	17,268		760
Excess Resale	817	2	774		45
County Clerk Records Preservation Fee	8,094	8,761	454		16,401
Official Depository	214,585	1,309,798	1,324,227	4,738	204,894
Insufficient Checks		3,197	3,197		
Refunds		2,495	2,495		
Protest Tax		33,393			33,393
Total County Funds	\$ 2,480,511	\$ 6,490,776	\$ 6,277,148	\$ 4,738	\$ 2,698,877

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

COTTON COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 136,848	\$ 136,848	\$ 136,848	\$ -
Less: Prior Year Outstanding Warrants	(38,788)	(38,788)	(38,788)	
Less: Prior Year Encumbrances	(18,104)	(18,104)	(17,177)	927
Beginning Cash Balances, Budgetary Basis	<u>79,956</u>	<u>79,956</u>	<u>80,883</u>	<u>927</u>
Receipts:				
Ad Valorem Taxes	240,210	240,210	259,991	19,781
Sales Tax	179,335	179,335	205,809	26,474
Charges for Services	26,253	26,253	32,377	6,124
Intergovernmental Revenues	115,680	115,680	130,942	15,262
Miscellaneous Revenues	62,615	79,664	83,401	3,737
Total Receipts, Budgetary Basis	<u>624,093</u>	<u>641,142</u>	<u>712,520</u>	<u>71,378</u>
Expenditures:				
District Attorney	8,000	9,000	7,135	1,865
Capital Outlay				
Total District Attorney	<u>8,000</u>	<u>9,000</u>	<u>7,135</u>	<u>1,865</u>
County Sheriff	170,282	181,615	181,453	162
Capital Outlay	1,000	4,791	4,789	2
Total County Sheriff	<u>171,282</u>	<u>186,406</u>	<u>186,242</u>	<u>164</u>
County Treasurer	53,640	53,640	53,629	11
Capital Outlay	1	1		1
Total County Treasurer	<u>53,641</u>	<u>53,641</u>	<u>53,629</u>	<u>12</u>
OSU Extension	38,775	37,084	36,755	329
Capital Outlay	1,072			
Total OSU Extension	<u>39,847</u>	<u>37,084</u>	<u>36,755</u>	<u>329</u>
County Clerk	46,571	46,571	46,508	63
Capital Outlay	1	1		1
Total County Clerk	<u>46,572</u>	<u>46,572</u>	<u>46,508</u>	<u>64</u>
Court Clerk	43,908	43,908	43,797	111
Capital Outlay				
Total Court Clerk	<u>43,908</u>	<u>43,908</u>	<u>43,797</u>	<u>111</u>
County Assessor	45,722	45,722	45,009	713
Capital Outlay	1	1		1
Total County Assessor	<u>45,723</u>	<u>45,723</u>	<u>45,009</u>	<u>714</u>
Revaluation of Real Property	54,558	54,558	51,428	3,130
Capital Outlay	5,000	5,000	4,058	942
Total Revaluation of Real Property	<u>59,558</u>	<u>59,558</u>	<u>55,486</u>	<u>4,072</u>
General Government	41,633	44,544	41,136	3,408
Capital Outlay	818	818		818
Total General Government	<u>42,451</u>	<u>45,362</u>	<u>41,136</u>	<u>4,226</u>

continued on next page

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

COTTON COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Excise-Equalization Board	2,551	2,551	2,070	481
Capital Outlay				
Total Excise-Equalization Board	2,551	2,551	2,070	481
County Election Board	36,276	37,040	36,467	573
Capital Outlay				
Total County Election Board	36,276	37,040	36,467	573
Total Insurance	149,544	149,557	140,032	9,525
Recording Account	999	999	576	423
Capital Outlay	1	1		1
Total County Recording Account	1,000	1,000	576	424
County Audit Budget	2,696	2,696	2,696	
Total County Audit Budget	2,696	2,696	2,696	
Free Fair Budget	990	990	912	78
Capital Outlay	10	10		10
Total Free Fair Budget	1,000	1,000	912	88
Total Expenditures, Budgetary Basis	704,049	721,098	698,450	22,648
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	94,953	\$ 94,953
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			9,189	
Add: Current Year Outstanding Warrants			39,246	
Ending Cash Balance			<u>\$ 143,388</u>	

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

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

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 56,184	\$ 56,184	\$ 56,184	\$ -
Less: Prior Year Outstanding Warrants	(950)	(950)	(950)	
Less: Prior Year Encumbrances	(618)	(618)	(608)	10
Beginning Cash Balances, Budgetary Basis	<u>54,616</u>	<u>54,616</u>	<u>54,626</u>	<u>10</u>
Receipts:				
Ad Valorem Taxes	60,052	60,052	64,914	4,862
Intergovernmental Revenue		3,154	3,956	802
Miscellaneous Revenues			799	799
Total Receipts, Budgetary Basis	<u>60,052</u>	<u>63,206</u>	<u>69,669</u>	<u>6,463</u>
Expenditures:				
Health and Welfare	104,668	107,822	46,884	60,938
Capital Outlay	10,000	10,000	139	9,861
Total Expenditures, Budgetary Basis	<u>114,668</u>	<u>117,822</u>	<u>47,023</u>	<u>70,799</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	77,272	<u>\$ 77,272</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			1,983	
Add: Current Year Outstanding Warrants			475	
Ending Cash Balance			<u>\$ 79,730</u>	

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

**COTTON COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2003**

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
District Court Clerk	\$ 102,710	\$ 793,432	\$ 801,230	\$ 191	\$ 95,103
Court Fund	43,722	280,595	268,018	19	56,318
Court Clerk Revolving	6,845	6,629	1,381		12,093
District Attorney Fee	36,786	16,996	31,135		22,647
District Attorney Graduated Sanction		2,501	2,501		
District Attorney State Witness Fee	207	73	326	301	255
District Attorney Merchant Account	3,517	14,009	11,051	416	6,891
District Attorney Forfeiture	55				55
County Clerk	13,783	47,657	58,565	6	2,881
Sheriff		62,388	65,329	2,941	
County Treasurer	5,041	63,136	63,137	406	5,446
County Assessor	93	1,470	1,512		51
County Election Board	385	14,413	14,852	440	386
County Health Department		5,184	4,366		818
Department of Human Services	1,216	1,315	824	18	1,725
Cash In Office	225				225
Total Official Depository Accounts	<u>\$ 214,585</u>	<u>\$ 1,309,798</u>	<u>\$ 1,324,227</u>	<u>\$ 4,738</u>	<u>\$ 204,894</u>

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Cotton County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes. Funds presented are established by statute, and their operations are under the control of the County officials.

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

Any encumbrances outstanding at year-end are included as reservations of cash balances, budgetary basis, since they do not constitute expenditures or liabilities. At the end of the year, unencumbered appropriations are lapsed.

The Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund and County Health Department presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2003.

F. Risk Management

The County is exposed to various risks of loss as follows:

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	The County participates	If claims exceed authorized
- Torts	in a public entity risk pool;	deductibles, the County would
- Errors and Omissions	Association of County	have to pay its share of the pool
- Law Enforcement	Commissioners of	deficit.
Officers Liability	Oklahoma-Self-Insurance	
- Vehicle	Group. (See ACCO-SIG.)	

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

Summary of Significant Accounting Policies (continued)

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

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating County will pay a deductible amount (\$1,000 to \$10,000; the County has a \$25,000 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

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

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

The County does not accrue any liability for future vacation benefits. All full time County employees earn vacation benefits on a monthly basis that may be accumulated in accordance with the following schedule.

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

The County does not accumulate sick leave. All full-time employees shall be entitled to leave with pay that is accrued on a monthly basis. 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.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$2,698,877 and the bank balance was \$2,778,568. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

Title 62 O.S. § 348.1 and § 348.3 allow the following types of investments:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district

Detailed Notes on Funds and Account Balances (continued)

- 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

B. Description of Funds

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

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

Juvenile Grant - accounts for funds used to support the programs and services provided at the juvenile detention facility.

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

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

Cities and Towns - accounts for Oklahoma Tax Commission collections distributed to the cities of the County.

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 disbursements of donations to the Sheriff reserve deputies.

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

Sheriff Board of Prisoner - accounts for the collections 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.

Detailed Notes on Account Balances (continued)

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

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

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

Sheriff Commissary - accounts for the collection of 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.

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

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

Protest Tax Interest - accounts for interest earned on protest tax held until a decision is made on taxes and released as directed by the courts.

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

Excess Resale - accounts for the proceeds of sale of property in excess of tax against property to be held in trust for a two-year period.

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

Detailed Notes on Account Balances (continued)

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

Insufficient Checks - accounts for the payment of insufficient checks to the bank.

Refunds - accounts for the monies collected in overpayment and due to other individuals or entities.

Protest Tax - accounts for collections of ad valorem taxes, which have been protested and are held until a decision is made on tax cases filed and released as directed by the courts.

Additionally the following official depository accounts are described as follows:

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

Court Fund - accounts for fees transferred from district court and interest. Money is disbursed for the purpose of fees for various entities, salaries, and the operation of the office.

Court Clerk Revolving - accounts for a charge of \$5.00 for each warrant. Money is disbursed in the same manner as court fund.

District Attorney Fee - accounts for the collection of district attorney fees transferred from the merchant account and disbursements of funds restricted by state statute.

District Attorney Graduated Sanction - accounts for grant funds and disbursed to the Graduated Sanction coordinator to disburse monies in accordance with the grant contract.

District Attorney State Witness Fee - accounts for state receipts to reimburse the County for witness expenses.

District Attorney Merchant Account - accounts for the collection of bogus checks and district attorney fees to be disbursed to the merchant and the District Attorney Fee Account.

District Attorney Forfeiture - accounts for the collection from fines, fees, and forfeitures and disbursements of funds restricted by court orders and state statutes.

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

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

Detailed Notes on Account Balances (continued)

County Treasurer - accounts for the collection of taxes, pre-paid mobile homes, and motor vehicle stamps. Disbursements are for the purpose of refunding overpayment of taxes and motor vehicle collection distribution.

County Assessor - accounts for the collection for copies and proceeds from sale of ownership books to be disbursed at the end of the month and deposited in the Assessor Revolving Fund.

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

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

Department of Human Services - accounts for collections received from the state and disbursed for maintenance and operation.

Cash in Office - accounts for cash held by county officers to make change for cash received.

C. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

The assessed property value as of January 1, 2002, was approximately \$26,423,106.

Per Article 10, § 8A, with the repeal of personal property tax, the millage with the adjustment factor is 10.00 mills (the legal maximum) for general fund operations and 2.50 mills for the county health department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Detailed Notes on Funds and Account Balances (continued)

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2003, were approximately 96.51 percent of the tax levy.

D. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

E. Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired.

F. Fuel Tax

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County highway fund.

4. Contingent Liabilities

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

Contingent Liabilities (continued)

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

5. Sales Tax

The voters of Cotton County approved a 1.25 percent sales tax effective July 1, 1998. One percent is to be budgeted for the county general fund, and .25 percent will provide revenue for operation of the OSU Extension. The sales tax for the county general fund is definite and the sales tax for OSU Extension will expire July 1, 2003. The total sales tax apportioned for the fiscal year ending June 30, 2003, was \$205,809 with county general receiving \$164,647 and OSU Extension receiving \$41,162.

6. Subsequent Events

The voters of Cotton County approved a .25 percent sales tax to provide revenue for the operation of the OSU Extension to become effective July 1, 2003, and expire July 1, 2008.

The voters of Cotton County approved a county-wide 3 mill levy to provide ambulance service for Cotton County. The ad valorem taxes from the levy will be collected beginning November 1, 2003.

Schedule of Expenditures of Federal Awards

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

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>		
Passed through the District Attorneys Council: Local Law Enforcement Block Grant	16.592	\$ 7,987
Total U.S. Department of Justice		<u>7,987</u>
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT AGENCY</u>		
Passed through the Oklahoma Department of Civil Emergency Management: Public Assistance Grant	83.544	\$ 631,206
Total U.S. Department of Federal Emergency Management Agency		<u>631,206</u>
Total Expenditures of Federal Awards		<u>\$ 639,193</u>

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

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Cotton County and is presented on the *cash basis of accounting*. Grant expenditures reported were paid or incurred as of June 30, 2003. The information in this schedule is presented in accordance with the contractual requirements of Cotton County.

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
COTTON COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Cotton County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 4, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Cotton County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cotton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2000-2.

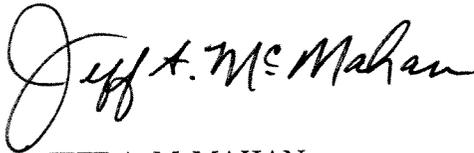
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2000-2 to be a material weakness.

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

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahán". The signature is written in black ink and is positioned above the printed name and title.

JEFF A. McMAHAN
State Auditor and Inspector

October 4, 2004

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
COTTON COUNTY, OKLAHOMA

Compliance

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

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

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

Internal Control Over Compliance

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

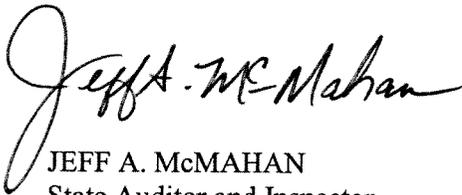
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively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

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive style with a large, looping initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

October 4, 2004

Schedule of Findings and Questioned Costs

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

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

<u>CFDA Number(s)</u> 83.544	<u>Name of Federal Program or Cluster</u> FEMA Public Assistance Grant
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

SECTION 2 - Findings related to the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2000-2 – Segregation of Duties (Repeat Finding)

Criteria: Demonstration of accountability and stewardship are goals in the evaluation of management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: Due to the limited number of employees in the offices, there are individuals who are primarily responsible for all or most of the calculating, reviewing, approving, disbursing and reporting of disbursements from official depository accounts.

Recommendation: We recommend management be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. It is desirable to review transactions and cross train employees to perform various duties, and then periodically change the division of the duties. This would provide some level of segregation of duties and increase the possibility for the detection of irregularities.

Management Response: Management is aware of the situation, and will conduct periodic reviews of operations.

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

No matters were reported.

**Statistical Data
(Unaudited)**

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

<u>TAXPAYER NAME</u>	<u>JANUARY 1, 2002 NET ASSESSED VALUATION</u>	<u>% OF TOTAL NET VALUATION</u>
Southwestern Bell	\$ 1,107,616	4.20%
Public Service Co. of Oklahoma	680,436	2.58%
Union Pacific Railroad Company	339,338	1.28%
Conoco Inc. DBA Conoco PL Co.	299,428	1.14%
Pioneer Telephone Coop Inc.	299,323	1.13%
Teppco Crude Pipeline LLC	230,893	0.87%
Santa Rosa Telephone Coop Inc.	204,126	0.77%
Oklahoma Natural Gas	187,551	0.71%
Southwest PCS LLC	180,372	0.68%
Oktex Pipeline Co.	170,002	0.64%
Total	<u>\$ 3,699,085</u>	<u>14.00%</u>

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

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

Total net assessed value as of January 1, 2002		<u>\$ 26,423,106</u>
Debt limit - 5% of total assessed value		\$ 1,321,155
Total bonds outstanding	0	
Total judgments outstanding	0	
Less cash in sinking fund	<u>0</u>	<u>-</u>
Legal debt margin		<u>\$ 1,321,155</u>

**COTTON COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

	2003
Estimated population	6,614
Net assessed value as of January 1, 2002	\$ 26,423,106
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0%
Net bonded debt per capita	\$ -

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

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/02	\$3,463,115	\$4,560,775	\$20,109,349	\$1,710,133	\$26,423,106	\$3,556,305