

**COTTON COUNTY, OKLAHOMA  
SPECIAL-PURPOSE FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2004**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

September 22, 2005

TO THE CITIZENS OF  
COTTON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cotton County, Oklahoma, for the fiscal year ended June 30, 2004. 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 cursive script that reads "Jeff A. McMahon".

JEFF A. McMAHAN  
State Auditor and Inspector

**COTTON COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**COTTON COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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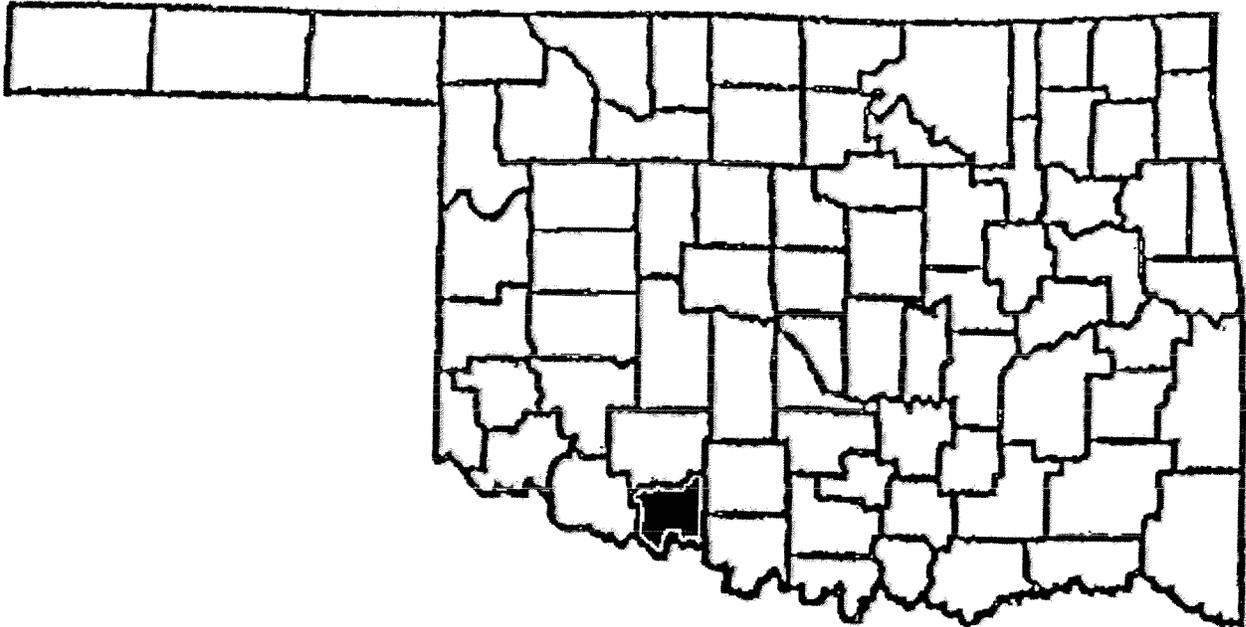
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REPORT TO THE CITIZENS  
OF  
COTTON COUNTY, OKLAHOMA

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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**

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**COUNTY ASSESSOR**

Shelly Sehart  
(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.

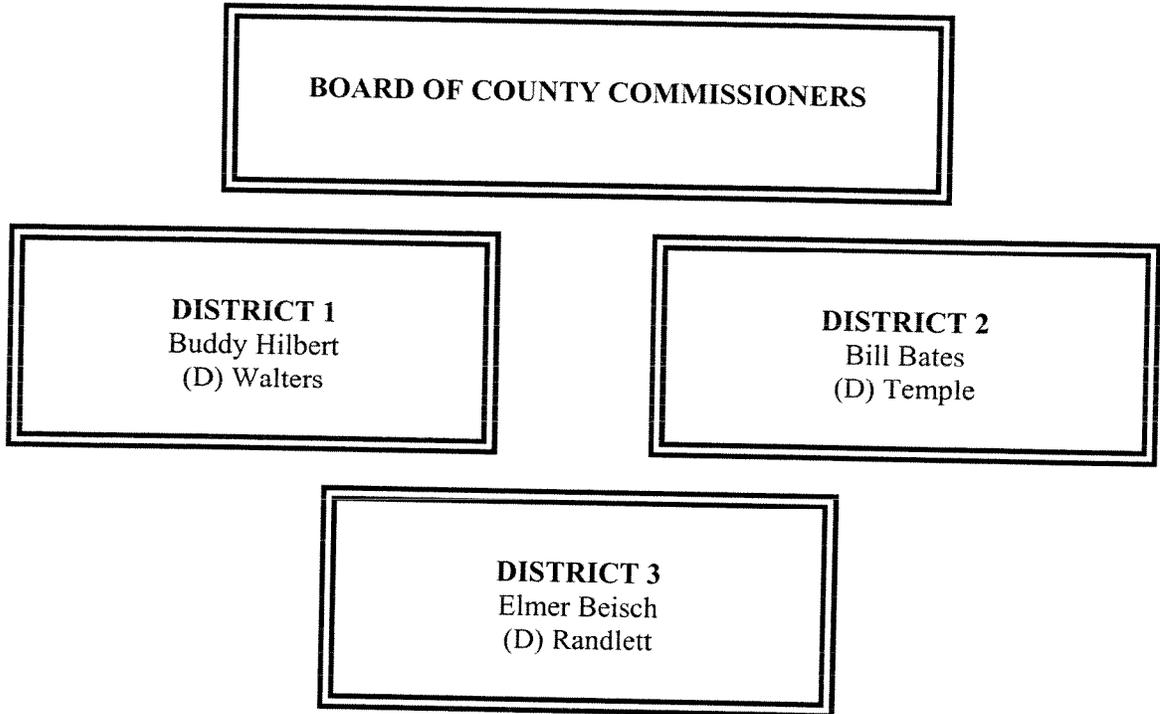
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. 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**

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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**

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**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**

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**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.

**COTTON COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**ELECTION BOARD SECRETARY**

Leta Coats  
(D) Randlett

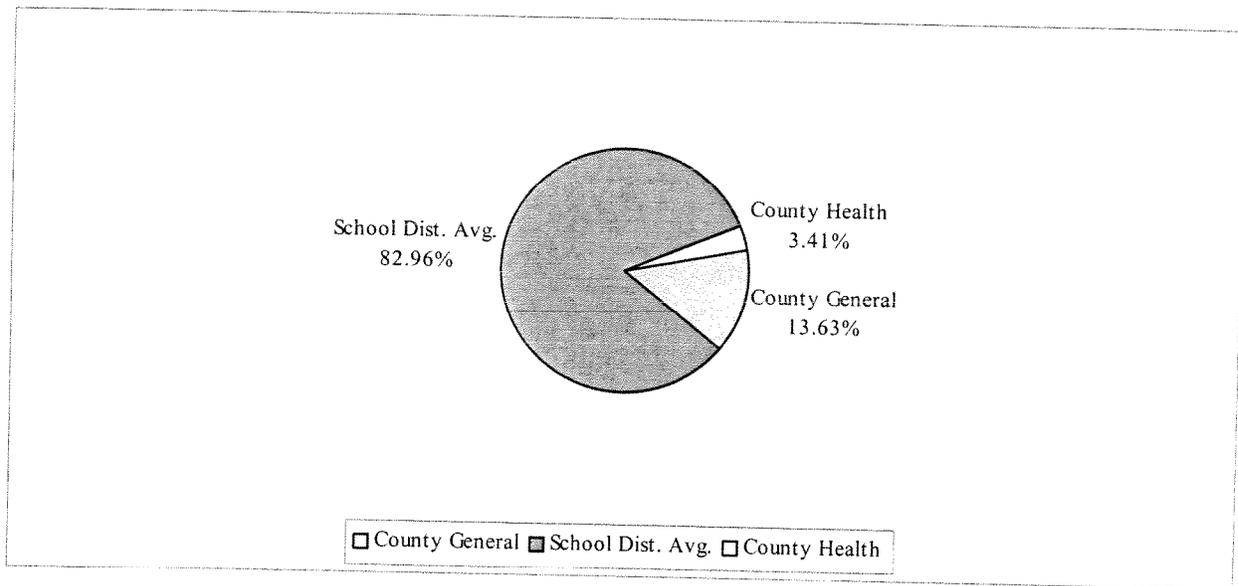
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

See independent auditor's report.

**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	10.40								
County Health	2.60	Walters	I-1	36.42	5.20	3.28	12.49	4.16	61.55
		Temple	I-101	36.62	5.23	14.45	12.49	4.16	84.95
		Big Pasture	Jt I-333	36.43	5.20		11.44	4.16	57.23
		Comanche/Geronimo	Jt I-4	35.75	5.11		11.44	4.16	56.46
		Stephens/Empire	Jt I-21	36.54	5.22	16.78	12.49	4.16	75.19
		Jefferson/Waurika	Jt I-23	35.00	5.00		12.00	4.16	56.16
		Comanche/Chattanooga	Jt I-132	35.42	5.06	7.28	11.44	4.16	63.36
		Tillman/Grandfield	Jt I-249	36.38	5.20	10.45	11.44	4.16	67.63

See independent auditor's report.

**FINANCIAL SECTION**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
COTTON COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Cotton County, Oklahoma, as of and for the year ended June 30, 2004, 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

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 and county health department funds 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 county health department fund of the County, as of and for the year ended June 30, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2005, 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.

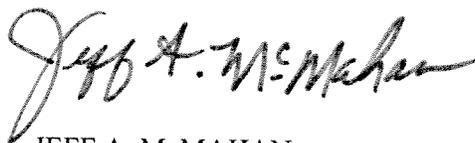
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Cotton County, Oklahoma, taken as a whole. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements. The information listed in the table of contents under *Introductory Section* and *Statistical Section* has not been audited by us, and accordingly, we express no opinion on such information.

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 and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

August 29, 2005

## **Special-Purpose Financial Statements**

**COTTON COUNTY, OKLAHOMA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - ALL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
County General Fund	\$ 143,388	\$ 709,009	\$ 710,881	\$	\$ 141,516
County Highway	2,057,238	1,655,289	2,011,508		1,701,019
Juvenile Grant	603	1,340	454		1,489
County Health Department	79,730	71,453	58,532		92,651
Schools	15,772	1,701,310	1,704,157		12,925
Cities and Towns	4,736	77,085	75,620		6,201
Assessor Visual Inspection	2,246	30	148		2,128
Sheriff Reserves	25	1,110	417		718
Sheriff Service Fee	9,451	44,792	43,198		11,045
Sheriff Board of Prisoner	22,626	163,041	122,514		63,153
Resale Property	25,735	19,622	22,580		22,777
Law Library	2,004	13,001	12,785		2,220
Treasurer Mortgage Tax Certification Fee	4,572	1,980	1,822		4,730
County Clerk Lien Fee	4,748	1,904	861		5,791
Glessner Fund	54,214	8,562	10,480		52,296
Assessor Revolving	2,958	2,441	1,332		4,067
Sheriff Equipment and Training	42				42
Sheriff Commissary	1,978	3,565	4,363		1,180
Trash Cop Grant	5,635		1,610		4,025
Free Fair Donations	5,221	8,075	7,014		6,282
Sheriff Law Enforcement Grant	419	9,454	414		9,459
Protest Tax Interest	43	69	112		
Sheriff Drug Fund	760		732		28
Sheriff Donations		1,000			1,000
Excess Resale	45				45
County Clerk Records Preservation Fee	16,401	8,450	7,479		17,372
Official Depository	204,894	1,287,662	1,336,606	73,212	229,162
Insufficient Checks		5,805	5,805		
Refunds		803	803		
Protest Tax	33,393	18,197	51,590		
Rural Water Grant		70,863	43,272		27,591
<b>Total County Funds</b>	<u>\$ 2,698,877</u>	<u>\$ 5,885,912</u>	<u>\$ 6,237,089</u>	<u>\$ 73,212</u>	<u>\$ 2,420,912</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**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 143,388	\$ 143,388	\$ 143,388	\$ -
Less: Prior Year Outstanding Warrants	(39,246)	(39,246)	(39,246)	
Less: Prior Year Encumbrances	(9,189)	(9,189)	(8,744)	445
Beginning Cash Balances, Budgetary Basis	<u>94,953</u>	<u>94,953</u>	<u>95,398</u>	<u>445</u>
Receipts:				
Ad Valorem Taxes	257,594	257,594	274,854	17,260
Sales Tax	148,182	148,182	176,513	28,331
Charges for Services	29,139	29,139	27,240	(1,899)
Intergovernmental Revenues	157,548	157,549	160,150	2,601
Miscellaneous Revenues	44,544	66,972	70,252	3,280
Total Receipts, Budgetary Basis	<u>637,007</u>	<u>659,436</u>	<u>709,009</u>	<u>49,573</u>
Expenditures:				
District Attorney	8,000	8,000	7,989	11
Capital Outlay				
Total District Attorney	<u>8,000</u>	<u>8,000</u>	<u>7,989</u>	<u>11</u>
County Sheriff	173,894	193,297	192,173	1,124
Capital Outlay	1,000	260	256	4
Total County Sheriff	<u>174,894</u>	<u>193,557</u>	<u>192,429</u>	<u>1,128</u>
County Treasurer	54,636	54,636	54,631	5
Capital Outlay	1	1		1
Total County Treasurer	<u>54,637</u>	<u>54,637</u>	<u>54,631</u>	<u>6</u>
OSU Extension	42,500	37,134	34,840	2,294
Capital Outlay	170	5,536	5,114	422
Total OSU Extension	<u>42,670</u>	<u>42,670</u>	<u>39,954</u>	<u>2,716</u>
County Clerk	48,911	48,911	48,693	218
Capital Outlay	1	1		1
Total County Clerk	<u>48,912</u>	<u>48,912</u>	<u>48,693</u>	<u>219</u>
Court Clerk	46,212	45,716	45,716	
Capital Outlay				
Total Court Clerk	<u>46,212</u>	<u>45,716</u>	<u>45,716</u>	<u>-</u>
County Assessor	47,462	47,462	47,223	239
Capital Outlay	1	1		1
Total County Assessor	<u>47,463</u>	<u>47,463</u>	<u>47,223</u>	<u>240</u>
Revaluation of Real Property	56,243	56,243	55,072	1,171
Capital Outlay	5,000	5,000	3,536	1,464
Total Revaluation of Real Property	<u>61,243</u>	<u>61,243</u>	<u>58,608</u>	<u>2,635</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, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
General Government	40,354	41,793	35,887	5,906
Capital Outlay	2,500	2,500	500	2,000
Total General Government	<u>42,854</u>	<u>44,293</u>	<u>36,387</u>	<u>7,906</u>
Excise-Equalization Board	2,550	2,550	2,246	304
Capital Outlay				
Total Excise-Equalization Board	<u>2,550</u>	<u>2,550</u>	<u>2,246</u>	<u>304</u>
County Election Board	37,536	37,439	37,322	117
Capital Outlay	100	1,681	1,681	
Total County Election Board	<u>37,636</u>	<u>39,120</u>	<u>39,003</u>	<u>117</u>
Total Insurance	160,643	160,682	148,738	11,944
Recording Account	500	500		500
Capital Outlay				
Total County Recording Account	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
County Audit Budget	2,746	4,046	2,033	2,013
Capital Outlay				
Total County Audit Budget	<u>2,746</u>	<u>4,046</u>	<u>2,033</u>	<u>2,013</u>
Free Fair Budget	990	1,000	999	1
Capital Outlay	10			
Total Free Fair Budget	<u>1,000</u>	<u>1,000</u>	<u>999</u>	<u>1</u>
Total Expenditures, Budgetary Basis	<u>731,960</u>	<u>754,389</u>	<u>724,649</u>	<u>29,740</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	79,758	<u>\$ 79,758</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			15,913	
Add: Current Year Outstanding Warrants			45,845	
Ending Cash Balance			<u>\$ 141,516</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 FUND  
FOR THE YEAR ENDED JUNE 30, 2004**

	County Health Department			
	Original	Final		Variance
	Budget	Budget	Actual	
Beginning Cash Balances	\$ 79,730	\$ 79,730	\$ 79,730	\$ -
Less: Prior Year Outstanding Warrants	(475)	(475)	(475)	
Less: Prior Year Encumbrances	(1,983)	(1,983)	(1,275)	708
Beginning Cash Balances, Budgetary Basis	<u>77,272</u>	<u>77,272</u>	<u>77,980</u>	<u>708</u>
Receipts:				
Ad Valorem Taxes	64,399	64,398	68,917	4,519
Intergovernmental Revenue			160	160
Miscellaneous Revenues		2,168	2,376	208
Total Receipts, Budgetary Basis	<u>64,399</u>	<u>66,566</u>	<u>71,453</u>	<u>4,887</u>
Expenditures:				
Health and Welfare	132,671	134,838	58,058	76,780
Capital Outlay	9,000	9,000	1,050	7,950
Total Expenditures, Budgetary Basis	<u>141,671</u>	<u>143,838</u>	<u>59,108</u>	<u>84,730</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	90,325	<u>\$ 90,325</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			2,326	
Ending Cash Balance			<u>\$ 92,651</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, 2004**

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
District Court Clerk	\$ 95,103	\$ 711,823	\$ 758,364	\$ 70,953	\$ 119,515
Court Fund	56,318	349,075	342,916	250	62,727
Court Clerk Revolving	12,093	6,751	8,638	50	10,256
District Attorney Fee	22,647	21,574	31,176		13,045
District Attorney Graduated Sanction					
District Attorney State Witness Fee	255	88	342	114	115
District Attorney Merchant Account	6,891	14,887	12,720		9,058
District Attorney Forfeiture	55				55
County Clerk	2,881	46,319	45,542		3,658
Sheriff		70,363	69,998		365
County Treasurer	5,446	41,749	43,089	50	4,156
County Assessor	51	2,439	2,441		49
County Election Board	386	17,055	16,958	903	1,386
County Health Department	818	2,347	2,876		289
Department of Human Services	1,725	3,192	1,546	892	4,263
Cash In Office	225				225
<b>Total Official Depository Accounts</b>	<u>\$ 204,894</u>	<u>\$ 1,287,662</u>	<u>\$ 1,336,606</u>	<u>\$ 73,212</u>	<u>\$ 229,162</u>

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

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 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 Comparative Statements of Receipts, Expenditures, and Changes in Fund Balances - Budget and Actual - 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 Statement of Receipts, Disbursements, and Changes in Fund 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 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, 2004.

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 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.
- Torts		
- Errors and Omissions		
- Law Enforcement Officers Liability		
- Vehicle		
Physical Plant		
- Theft		
- Damage to Assets		
- Natural Disasters		

**COTTON COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of coverage.	None

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

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

Management believes such coverage is sufficient to preclude any significant uninsured losses to the County.

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.

<b>Years of Service</b>	<b>Annual Leave</b>	<b>Accrual Limits</b>
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

Summary of Significant Accounting Policies (continued)

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 \$2,420,912 and the bank balance was \$2,430,184. 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
- 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.

Detailed Notes on Funds and Account Balances (continued)

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 disbursement of donations to the Sheriff reserve deputies.

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.

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 disbursement of the funds as restricted by statute.

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

Glensner 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.

Detailed Notes on Funds and Account Balances (continued)

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

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.

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.

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

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 in the Registrar of Deeds as restricted by statute for preservation of records.

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 collection 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.

Detailed Notes on Funds and Account Balances (continued)

Rural Water Grant – accounts for federal funds collected and disbursed for sandblasting and painting rural water tanks.

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 disbursement 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 disbursement 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.

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.

Detailed Notes on Funds and Account Balances (continued)

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, 2003, was approximately \$27,245,545.

Per Article 10, § 8A, with the repeal of personal property tax, the millage with the adjustment factor is 10.40 mills (the legal maximum) for general fund operations and 2.60 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.

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, 2004, were approximately 97 percent of the tax levy.

Detailed Notes on Funds and Account Balances (continued)

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 percent 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.

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.

**COTTON COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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5. Sales Tax

The voters of Cotton County approved a 1.25 percent sales tax effective July 1, 1998. One percent of the sales tax is to be budgeted for the county general fund, and .25 percent of the sales tax 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 expired July 1, 2003. On February 11, 2003, a special election was held and voters approved continuing the sales tax for the OSU Extension for the period of July 1, 2003 through July 1, 2008. The total sales tax apportioned for the fiscal year ending June 30, 2004, was \$220,641 with county general receiving \$176,513 and OSU Extension receiving \$44,128.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
COTTON COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Cotton County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 29, 2005. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion 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 as item 2001-2. We also noted other matters involving the internal control over financial reporting, which we have reported to management of Cotton County and is included in Section 2 of the schedule of findings, contained within this report.

A material weakness is a reportable 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 caused by error or fraud 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 2001-2 to be a material weakness.

Compliance and Other Matters

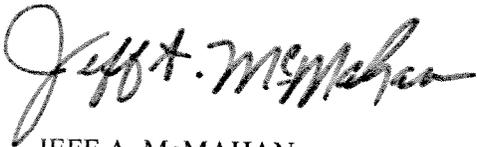
As part of obtaining reasonable assurance about whether Cotton County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we reported to management of Cotton County and is included in Section 2 of the schedule of findings, contained within this report.

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 and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

August 29, 2005

**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 2001-2 – 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 Election Board office, 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.

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

**SECTION 2 - Other Findings - This section contains findings not required to be reported in 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*, but which we believed were significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action.**

**Finding 2004-1 – Sheriff's Official Depository – Receipt of Funds**

Criteria: Title 28 O.S. 2001, § 9 states that every officer charging a fee, shall give a receipt. Additionally, 19 O.S. 2001, § 684 provides that these fees be transferred on a monthly basis from the official depository fund to the appropriate cash fund.

“All monies that shall be received during the calendar month by any officer, county board, county commission, or the members or employees of either thereof, accruing as part of the funds of the county or municipal subdivision thereof, shall be paid in the county treasurer,--that is, transferred from the official account of the officer, board, commission or employee thereof depositing the same, to the fund or funds of the county or municipal subdivision thereof to which same belongs.”

**COTTON COUNTY, OKLAHOMA**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2004**

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Condition: Our audit of the Sheriff's Official Depository receipts issued during fiscal year 2004, revealed seven exceptions where receipts were not issued for money deposited and seven exceptions were noted where a receipt was written in the official depository account but the check was taken directly to the Treasurer and a miscellaneous receipt was issued.

Recommendation: We recommend officers issue a receipt for all monies received in accordance with 28 O.S. 2001, § 9. We further recommend that all money receipted by the Sheriff be deposited in the official depository account and a voucher be written out to the Treasurer at the end of each month in accordance with 19 O.S. 2001, § 684.

Views of responsible officials and planned corrective actions: Management chose not to respond.

**Finding 2004-2 – Documentation of Seized Cash Funds**

Criteria: Effective internal controls require that funds seized be counted and documented by at least two individuals. Additionally, those funds should be safeguarded from possible misappropriation in a safe with limited access, or in a safety deposit box.

Condition: While performing tests of internal control within the Cotton County Sheriff's Office, we became aware of a certain case of seized cash funds in which \$997.10 was alleged to be missing from a total seizure of \$34,125.51. These funds were seized by the Cotton County Sheriff's Office on August 28, 2004.

Upon reviewing documents provided by the Cotton County Sheriff's Office associated with this seizure, it appears that two errors were made in the original documentation of the counting of cash funds. The document reflects that a \$500.00 error in counting \$100.00 bills was made and that an (.10) error in addition was made. The document reflects that \$33,625.61 was seized, while the addition of the funds on the document reflects that \$34,125.51 was seized, making a difference of \$499.90.

Through inquiry of the Sheriff's office, we learned that these funds were put into a safety deposit box sometime after the date of seizure, August 28, 2004. Two deputies and the Sheriff had access to the safety deposit box. The Sheriff's policy was that two deputies should be present prior to taking funds from the safety deposit box.

On the date of the hearing, May 26, 2005, the seized cash funds were brought to the courthouse by the Sheriff's department and counted in the presence of the defendant and the defendant's attorney. At that time, the count revealed that \$33,128.41 in seized cash was present. The difference between the original seized total of \$34,125.51 and the amount of \$33,128.41 counted on May 26, 2005, was \$997.10.

The Cotton County Sheriff subsequently requested that a corrected court order reflect that \$1,000.00 less had been received by the Sheriff's department, rather than the original documented amount. The defendant recovered the original amount agreed to plus the difference of \$2.90 from the \$1,000.00 amount corrected and the alleged missing funds of \$997.10.

**COTTON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2004**

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Because the chain of custody for the original seized cash was not clear, and the documentation of funds seized was not properly recorded, we are unable to determine if funds were actually missing.

Recommendation: We recommend the Sheriff establish formal policy and procedures detailing the manner in which seized funds are to be documented at the time of seizure. Additionally, we recommend that the seized funds be taken directly to a safety deposit box and that the documentation detailing the funds seized be accurate. Further, we recommend that the Sheriff's department exercise greater control in the counting, accounting and safeguarding of funds seized by the department to prevent discrepancies.

Views of responsible officials and planned corrective actions: Management chose not to respond.

**STATISTICAL SECTION**  
**(Unaudited)**

**COTTON COUNTY, OKLAHOMA  
TOP TEN TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2004  
(UNAUDITED)**

<b>TAXPAYER</b>	<b>JANUARY 1, 2003 NET ASSESSED VALUATION</b>	<b>% OF TOTAL NET VALUATION</b>
Southwestern Bell	\$ 789,632	2.90%
All American Pipeline LP	729,996	2.68%
Teppco Crude Pipeline LLC	680,685	2.50%
Public Service Co. of Oklahoma	562,366	2.06%
Union Pacific Railroad Company	371,942	1.37%
Conoco Inc. dba Conoco P.L. Co.	299,273	1.10%
Texahoma Cellular Ltd Partnership	252,005	0.92%
Santa Rosa Telephone Coop Inc.	246,025	0.90%
Pioneer Telephone Coop Inc.	239,267	0.88%
Oklahoma Natural Gas	209,032	0.77%
Total	<u>\$ 4,380,223</u>	<u>16.08%</u>

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

**COTTON COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED JUNE 30, 2004  
(UNAUDITED)**

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Total net assessed value as of January 1, 2003		<u>\$ 27,245,545</u>
Debt limit - 5% of total assessed value		\$ 1,362,277
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		<u>\$ 1,362,277</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, 2004**  
**(UNAUDITED)**

	2004
Estimated population	6,614
Net assessed value as of January 1, 2003	\$ 27,245,545
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	\$ -

**COTTON COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE YEAR ENDED JUNE 30, 2004  
(UNAUDITED)**

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<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>
1/1/2003	\$2,442,801	\$5,586,037	\$20,880,684	\$1,663,977	\$27,245,545	\$3,958,701