

**DELAWARE 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

April 28, 2005

TO THE CITIZENS OF  
DELAWARE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Delaware 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. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

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

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

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

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Located on the Oklahoma-Arkansas border, Delaware County takes pride in its lakes and recreation areas. Grove, situated on the northern edge of the Old Cherokee Nation, is a resort center for the eastern shore of Grand Lake, which covers 46,500 acres, and includes 1,300 miles of shoreline.

Jay, the county seat of Delaware County, was named for Jay Washburn, the grandson of an early-day missionary. The principal industry is the raising and processing of chickens. Green beans and soybeans are raised throughout the area, as well as cattle.

Annual events in Delaware County include the Pelican Festival held in Grove every autumn, and the Huckleberry Festival located in Jay during July.

County Seat – Jay

Area – 740.7 Square Miles

County Population – 37,077  
(2000 est.)

Farms – 1,303

Land in Farms – 264,620 Acres

Source: Oklahoma Almanac – 2003-2004

See independent auditor's report.

**DELAWARE COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY ASSESSOR**  
Sharon Lane  
(D) Jay

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**  
Carol Fortner  
(R) Grove

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.

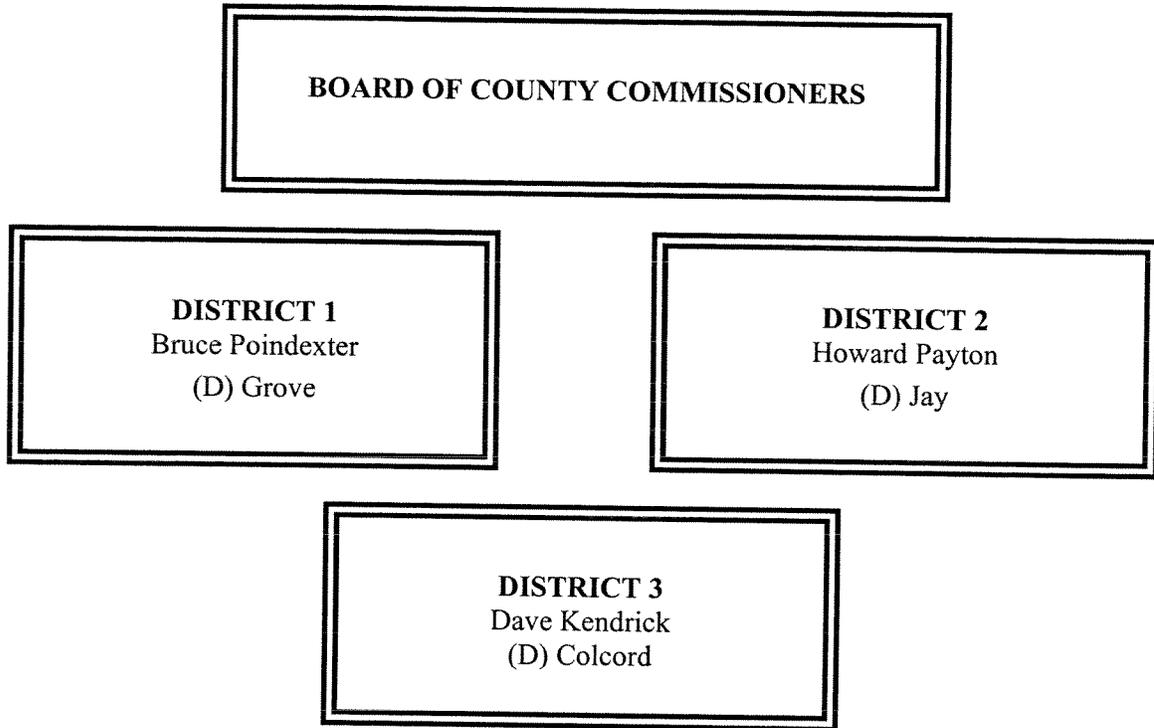
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county.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

**DELAWARE 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.

**DELAWARE COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY SHERIFF**  
Lenden Woodruff  
(R) Jay

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**  
Mary Jane Law  
(D) Jay

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.

**DELAWARE COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COURT CLERK**  
Caroline M. Weaver  
(D) Jay

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**  
Eddie Wyant  
(D) Miami

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.

**DELAWARE COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**ELECTION BOARD SECRETARY**

Earlene Bradford

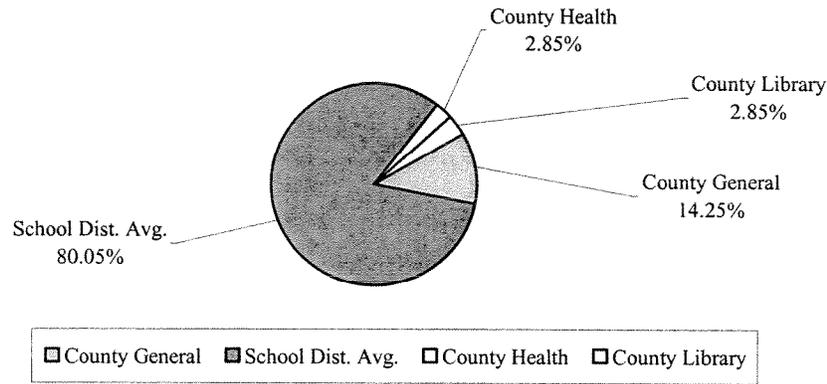
(D) Grove

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.

**AD VALOREM TAX DISTRIBUTION  
DELAWARE COUNTY, OKLAHOMA  
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.	Career Tech	Common	Total
Co. General	10.45	Jay	I-1	36.61	5.23	1.93	10.45	4.18	58.40
County Health	2.09	Grove	I-2	36.40	5.20	9.07	10.45	4.18	65.30
County Library	2.09	Kansas	I-3	37.06	5.29	21.51	10.45	4.18	78.49
Other		Colcord	I-4	37.74	5.39	19.59	10.45	4.18	77.35
Grove EMS	2.20	Oaks Mission	I-5	37.05	5.29		10.45	4.18	56.97
		Cleora	D-6	36.77	5.26		10.45	4.18	56.66
		Leach	D-14	37.77	5.40		10.45	4.18	57.80
		Kenwood	D-30	37.19	5.31		10.45	4.18	57.13
		Moseley	D-34	36.77	5.25		10.45	4.18	56.65
		Skelly	J-01	35.00	5.00			4.18	44.18
		Ketchum	J-06	36.74	5.25	8.44		4.18	54.61
		Turkeyford	J-10	36.27	5.18	9.21		4.18	54.84
		Spavinaw	J-21	38.00	5.43			4.18	47.61
		Afton	J-26	35.95	5.14		10.45	4.18	55.72

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  
DELAWARE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Delaware 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 Delaware 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 Delaware 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 Delaware 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 Delaware 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, 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 February 15, 2005, on our consideration of Delaware County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 Delaware County, Oklahoma, taken as a whole. 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 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 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. McMahen". The signature is written in a cursive style with a large, looping initial "J".

JEFF A. McMAHAN  
State Auditor and Inspector

February 15, 2005

**Special-Purpose Financial Statements**

**DELAWARE 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
General Fund	\$ 318,363	\$ 3,002,703	\$ 2,850,313	\$	\$ 470,753
Highway Cash	825,659	2,872,300	2,944,638		753,321
County Health	636,787	428,214	299,982		765,019
Resale Property	214,461	240,546	193,268		261,739
Treasurer's Mort Cert Fee	20,250	16,615	5,567		31,298
County Clerk Lien Fee	13,539	8,631	11,793		10,377
County Clerk Record's Preservation	30,186	69,013	41,462		57,737
Sheriff Service Fee	63,641	186,494	175,513		74,622
Sheriff DOC	37,473	125,389	134,961		27,901
Sheriff Grant Fund	280	15,488	15,768		
Assessor Revolving	31,364	6,723			38,087
Trash Cop Fine	709				709
Community Center Cash	7,115	14,350	17,643		3,822
County Clerk Investments	19,226	6,993	19,334		6,885
Courthouse M&O	259				259
Court Clerk Revolving	7,706	160,581	146,670		21,617
County Commissioners	792	1,000			1,792
Use Tax	7,080	64,588	52,305		19,363
Emergency Management	3,496	14,095	753		16,838
Zena Community Center Grant		74,500	72,362		2,138
Zena Community Center Flooring		1,400	1,400		
1/2 cent Courthouse Sales Tax	226,724	228,577	107,098		348,203
1/2 cent Solid Waste Sales Tax	374,301	1,604,322	1,355,635		622,988
Schools	143,967	12,690,119	12,626,282		207,804
Cities and Towns	11,736	162,038	162,078		11,696
Official Depository	732,796	6,167,197	6,061,368	52,930	891,555
EFTPS	34,426	703,335	737,761		
Protest Tax		300,641			300,641
Child Abuse	2,070	909			2,979
Law Library	33,286	35,452	38,640		30,098
Alternative to Juvenile Detention	1,997	15,898	16,083		1,812
Court Clerk Investments	55,940	365	36,854		19,451
Refunds	1,484	17,433	9,374		9,543
Multi County Library	7,650	401,930	406,549		3,031
Delaware Co. Flood Planning	76	100	84		92
EMS	1,126	231,268	230,921		1,473
Foreign Mortgage Tax	80		80		
Fire Districts	565,889	906,722	544,765		927,846
Emergency 911	208,333	93,733	159,125		142,941
<b>Total County Funds</b>	<b>\$ 4,640,267</b>	<b>\$ 30,869,662</b>	<b>\$ 29,476,429</b>	<b>\$ 52,930</b>	<b>\$ 6,086,430</b>

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

**DELAWARE 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	\$ 318,363	\$ 318,363	\$ 318,363	\$ -
Less: Prior Year Encumbrances	(14,264)	(14,264)	(14,004)	260
Less: Prior Year Outstanding Warrants	(130,560)	(130,560)	(130,560)	
Beginning Cash Balances, Budgetary Basis	<u>173,539</u>	<u>173,539</u>	<u>173,799</u>	<u>260</u>
Receipts:				
Ad Valorem Taxes	1,871,527	1,871,527	1,908,220	36,693
Charges for Services	283,402	357,907	357,907	
Intergovernmental Revenues	606,645	590,149	590,149	
Miscellaneous Revenues	176,211	118,720	146,427	27,707
Total Receipts, Budgetary Basis	<u>2,937,785</u>	<u>2,938,303</u>	<u>3,002,703</u>	<u>64,400</u>
Expenditures:				
Total District Attorney	12,000	12,000	8,489	3,511
County Sheriff	454,352	478,143	478,054	89
Capital Outlay	30,000	6,209	6,209	
Total County Sheriff	<u>484,352</u>	<u>484,352</u>	<u>484,263</u>	<u>89</u>
County Treasurer	175,529	175,529	175,444	85
Capital Outlay	2,500	2,500	368	2,132
Total County Treasurer	<u>178,029</u>	<u>178,029</u>	<u>175,812</u>	<u>2,217</u>
Total County Commissioners	<u>158,010</u>	<u>158,411</u>	<u>155,882</u>	<u>2,529</u>
OSU Extension	43,530	41,635	31,599	10,036
Capital Outlay	2,561	4,456	4,456	
Total OSU Extension	<u>46,091</u>	<u>46,091</u>	<u>36,055</u>	<u>10,036</u>
County Clerk	260,155	260,827	260,732	95
Capital Outlay	6,660	5,987	5,987	
Total County Clerk	<u>266,815</u>	<u>266,814</u>	<u>266,719</u>	<u>95</u>
Total Court Clerk	<u>126,719</u>	<u>126,719</u>	<u>126,471</u>	<u>248</u>
County Assessor	124,474	124,474	123,201	1,273
Capital Outlay	3,000	3,000	1,176	1,824
Total County Assessor	<u>127,474</u>	<u>127,474</u>	<u>124,377</u>	<u>3,097</u>

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

**DELAWARE 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
Revaluation of Real Property	418,316	425,316	402,849	22,467
Capital Outlay	14,500	7,500	4,589	2,911
Total Revaluation of Real Property	432,816	432,816	407,438	25,378
General Government	900,084	898,854	813,938	84,916
Capital Outlay	120,000	120,000		120,000
Total General Government	1,020,084	1,018,854	813,938	204,916
Total Excise-Equalization Board	4,881	4,881	3,980	901
County Election Board	95,872	94,125	89,771	4,354
Capital Outlay	1,658	3,924	3,708	216
Total County Election Board	97,530	98,049	93,479	4,570
Total Charity	1,000	200	200	-
Civil Defense	91,551	93,180	92,241	939
Capital Outlay	1,000	1,000	442	558
Total Civil Defense	92,551	94,180	92,683	1,497
Total County Audit	50,472	50,472	49,870	602
Total Free Fair	11,000	11,000	11,000	-
Provision for Interest on Warrants	1,500	1,500		1,500
Total Expenditures, Budgetary Basis	<u>3,111,324</u>	<u>3,111,842</u>	<u>2,850,656</u>	<u>261,186</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	325,846	<u>\$ 325,846</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			13,385	
Add: Current Year Warrants Payable			<u>131,522</u>	
Ending Cash Balance			<u>\$ 470,753</u>	

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

**DELAWARE 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, 2003**

	County Health Department			
	Original	Final		Variance
	Budget	Budget	Actual	
Beginning Cash Balances	\$ 636,787	\$ 636,787	\$ 636,787	\$ -
Less: Prior Year Encumbrances	(6,946)	(6,946)	(6,946)	
Less: Prior Year Outstanding Warrants	(22,750)	(22,750)	(18,368)	4,382
Beginning Cash Balances, Budgetary Basis	<u>607,091</u>	<u>607,091</u>	<u>611,473</u>	<u>4,382</u>
Receipts:				
Ad Valorem Taxes	374,305	374,306	401,893	27,587
Miscellaneous Revenues		26,321	26,321	
Total Receipts, Budgetary Basis	<u>374,305</u>	<u>400,627</u>	<u>428,214</u>	<u>27,587</u>
Expenditures:				
Health and Welfare	350,503	726,825	677,966	48,859
Capital Outlay	630,893	280,893	41,278	239,615
Total Expenditures, Budgetary Basis	<u>981,396</u>	<u>1,007,718</u>	<u>719,244</u>	<u>288,474</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	320,443	<u>\$ 320,443</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			212,729	
Add: Current Year Outstanding Warrants			231,847	
Ending Cash Balance			<u>\$ 765,019</u>	

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

**DELAWARE 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
Court Clerk	\$ 239,934	\$ 2,868,196	\$ 2,635,243	\$ 40,801	\$ 513,688
Court Fund	189,026	804,389	863,943	1,364	130,836
Court Clerk Revolving	32,417	25,969	22,676		35,710
Court Clerk Trust	117,064	514	55,524		62,054
District Attorney	39,036	558,799	568,971	3,328	32,192
County Sheriff	14,062	180,801	195,989	3,942	2,816
County Treasurer	100,528	1,113,053	1,102,213	2,278	113,646
County Election Board	729	42,330	43,663	1,217	613
County Health Department		32,204	32,204		
County Assessor		6,723	6,723		
County Clerk		534,219	534,219		
 Total Official Depository Accounts	 <u>\$ 732,796</u>	 <u>\$ 6,167,197</u>	 <u>\$ 6,061,368</u>	 <u>\$ 52,930</u>	 <u>\$ 891,555</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 Delaware 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 funds presented are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

The government 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.

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

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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 Statements of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - for the General Fund and the County Health Department Fund 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 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 the county health department, 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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle Physical Plant - Theft - Damage to Assets - Natural Disasters	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.

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 will pay a deductible amount (\$1,000 to \$100,000; 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. 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 coverage is sufficient to preclude any significant uninsured losses to the County.

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 Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$6,086,430 and the bank balance was \$6,162,983. 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 acceptances 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

General Fund – revenues are from ad valorem taxes, officers' fees, interest earnings and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Highway Cash – revenues are from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

County Health – revenues are from ad valorem taxes, miscellaneous fees charged by the health department and state and federal funds. Disbursements are for the operation of the county health department.

Resale Property – revenues are from interest and penalties on ad valorem tax collections. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Treasurer's Mortgage Certification Fees – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

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

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Detailed Notes on Account Balances (continued)

County Clerk Lien Fee – revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the Clerk's office.

County Clerk Record's Preservation – revenues are from a fee charged by the Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Sheriff Service Fee – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

Sheriff DOC – revenues are from fees charged for boarding prisoners of non-county entities in the County jail. Disbursements are for feeding and housing inmates of the County jail.

Sheriff Grant Fund – revenues are from the sale of property forfeited in drug cases. Disbursements are for officer training, equipment, and crime prevention.

Assessor Revolving – revenues are from any and all fees collected by the County Assessor. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office.

Trash Cop Fine – accounts for the collection of fines for the dumping of trash in the County.

Community Center Cash – accounts for monies donated from the City of Jay and Delaware County for the Jay Community Center.

County Clerk Investments – accounts for the investment of unexpended lien fee collections.

Courthouse M&O – balance of an account for the maintenance and operation of the County courthouse.

Court Clerk Revolving – accounts for the charge of \$5 for each warrant. Money is disbursed in the same manner as the Court Fund.

County Commissioners – balance of various donations and copy funds.

Use Tax – revenues are from sales tax charged by out-of-county vendors on in-county sales. Disbursements are for any legal expense of the County.

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

Zena Community Center Grant – accounts for the receipt and disbursement of grant monies for the development of the Zena Community Center.

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

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Detailed Notes on Account Balances (continued)

Zena Community Center Flooring – accounts for the receipt and disbursement of grant monies for the replacement of damaged flooring in the Zena Community Center.

1\2 Cent Courthouse Sales Tax – accounts for collection of a percentage of sales tax revenue to be used for renovation of the courthouse.

1\2 Cent Solid Waste Sales Tax – accounts for collection of a percentage of sales tax revenue to be used for solid waste services for the County.

Schools – all funds collected on behalf of the County schools are recorded in this fund and remitted to the individual schools monthly.

Cities and Towns – all funds collected on behalf of cities and towns are recorded in this fund and remitted to the individual cities and towns monthly.

Official Depository – all officers and agencies collecting fees deposit those fees to this account daily. At the end of each month the fees are distributed to the appropriate fund or agency.

EFTPS – this fund is used to account for the electronic transfer of payroll taxes to the federal government monthly.

Protest Tax – ad valorem taxes paid under protest are held in this account pending the outcome of the protest.

Child Abuse – accounts for the collection of court fines in child abuse cases.

Law Library – revenues are from an annual payment from the courts. Disbursements are for the operation of the County law library.

Alternative to Juvenile Detention – accounts for grants for programs to aid in developing alternates to detention of juveniles.

Court Clerk Investments – accounts for the investment of unexpended funds from the Court Clerk Revolving Fund.

Refunds – deposits are from overpayments of ad valorem taxes. Disbursements are made to refund these amounts to the payers.

Multi County Library – accounts for monies collected on behalf of the Multi County Library from ad valorem taxes, and state and local revenue.

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

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Detailed Notes on Account Balances (continued)

Delaware County Flood Planning – fees collected by the Delaware County Flood Planning Commission.

EMS – revenues are from ad valorem taxes collected for the EMS. These collections are remitted to the EMS monthly.

Foreign Mortgage Tax – accounts for the collection of foreign mortgage fees from other counties for monthly distribution.

Fire Districts – accounts for collections of a percentage of sales tax revenue to be used for the various fire districts within the County.

Emergency 911 – revenues are from a tariff charged to telephone customers. Disbursements are to offset the expense of the 911 emergency service.

The following narrative details the official depository accounts.

Court Clerk - accounts for the collection of bonds, fines, and fees. Money is disbursed for fees and restitution.

Court Fund - accounts for fees transferred from the Court Clerk account and interest earnings and disbursements are for the purpose of fees for various entities, salaries and operation of the Court Clerk's office.

Court Clerk Revolving – Court Clerk Revolving Fund collections are deposited to this account daily and transferred to the revolving cash fund monthly.

Court Clerk Trust – revenues are from the state courts and disbursements are for remodeling courtrooms.

District Attorney - accounts for the collection of district attorney fees and the subsequent remittance to the injured party or proper fund.

County Sheriff – accounts for all collections of foreign service fees and bonds. Monies are disbursed to the Sheriff's Service Fee Fund and the District Court.

County Treasurer - accounts for all collections of pre-paid ad valorem taxes, pre-paid mobile homes, and the sale of motor vehicle tax stamps. Disbursements are for the purpose of refunds, tax payments, Oklahoma Tax Commission and Treasurer's Mortgage Tax Certification Fees.

County Election Board - accounts for reimbursements for election cost and is disbursed for election board operations.

Detailed Notes on Account Balances (continued)

County Health Department - accounts for fees charged by the county health department. Disbursements are to the county health department budget account monthly.

County Assessor - accounts for fees charged by the County Assessor and remitted to the Assessor's Revolving Fund monthly.

County Clerk - accounts for the collection of filing fees and is transferred to the appropriate entity monthly.

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 \$197,002,807.

The County voted to repeal the personal property tax. The initiative provided that real property tax levies would be increased to make up for the loss of taxable personal property; therefore, the levy is now 10.45 mills (the legal maximum) for general fund operations, 2.09 mills for the county health department, and 2.09 mills for the multi county library. 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, 2003, were approximately 92.64 percent of the tax levy.

Detailed Notes on 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

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 Delaware County voted a permanent ½ cent sales tax, which became effective April 1, 1988. The purpose of the sales tax is to provide revenue to be used only for the acquisition, establishment and operation of Solid Waste Services for the people of Delaware County.

On June 1, 2001, voters enacted a sales tax of 1/10 of 1 cent to continue until May 31, 2006, with all of the income from said sales tax to be allocated for the exclusive purpose of funding the maintenance, operation and continued improvement of the courthouse and county offices. The sales tax of 1/10 of 1 cent shall be voted on every five years to determine if it shall be continued for another five years.

On May 8, 2001, the voters of Delaware County approved, in addition to all other city, county, and state excise taxes, a four tenths of one percent (.4%) sales tax to become effective July 1, 2001. The .4% sales tax is for the purpose of construction or improving fire stations, purchase of equipment, training, education, general maintenance and operation of 19 fire departments in Delaware County, Oklahoma. The sales tax may be terminated at any time after 5 years from its implementation, by a simple majority vote of the voters of Delaware County.

**Compliance and Internal Control Section**



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  
DELAWARE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Delaware County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated February 15, 2005. Our report includes 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 Delaware County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of special-purpose 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 Delaware 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 special-purpose financial statements. The reportable condition is described in the accompanying schedule of findings as item 98-1.

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 98-1 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 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 the 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

February 15, 2005

**DELAWARE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2003**

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**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 98-1 - Segregation of Duties (Repeat Finding)**

Criteria: Demonstration of accountability and stewardship are goals used in evaluating 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: Based on inquiries of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated. Payroll preparation, review and distribution are not adequately segregated.

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

Recommendation: We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of office operations and a periodic review of operations.

**Statistical Section  
(Unaudited)**

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

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Southwestern Bell Telephone Company	\$ 3,736,833	1.90%
Public Service Company of Oklahoma	2,962,411	1.50%
Wal-Mart Properties	1,476,761	0.75%
Precision Machine and Manufacturing Co.	920,403	0.47%
KL Shangri-La Owners LP	869,836	0.44%
American Cellular Wireless	820,629	0.42%
Grand Telephone Company, Inc.	804,663	0.41%
Century Telephone of NW Arkansas LLC	755,849	0.38%
Southwestern Bell Wireless LLC	568,786	0.29%
Explorer Pipeline Company	531,669	0.27%
Total	<u>\$ 13,447,840</u>	<u>6.83%</u>

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

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

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Total net assessed value as of January 1, 2002		<u>\$ 197,002,807</u>
Debt limit - 5% of total assessed value		9,850,140
Total bonds outstanding	-	
Total judgments outstanding	-	
Cash in sinking fund	<u>\$ -</u>	<u>-</u>
Legal debt margin		<u>\$9,850,140</u>

**DELAWARE 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)**

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	2003
Estimated population	37,077
Net assessed value as of January 1, 2002	\$ 197,002,807
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	\$ -

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

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/02	\$15,464,984	\$12,033,640	\$178,491,064	\$8,986,881	\$197,002,807	\$1,641,690,058