

**ELLIS 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

August 10, 2004

TO THE CITIZENS OF
ELLIS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Ellis 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. McMahen". The signature is written in a cursive style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

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

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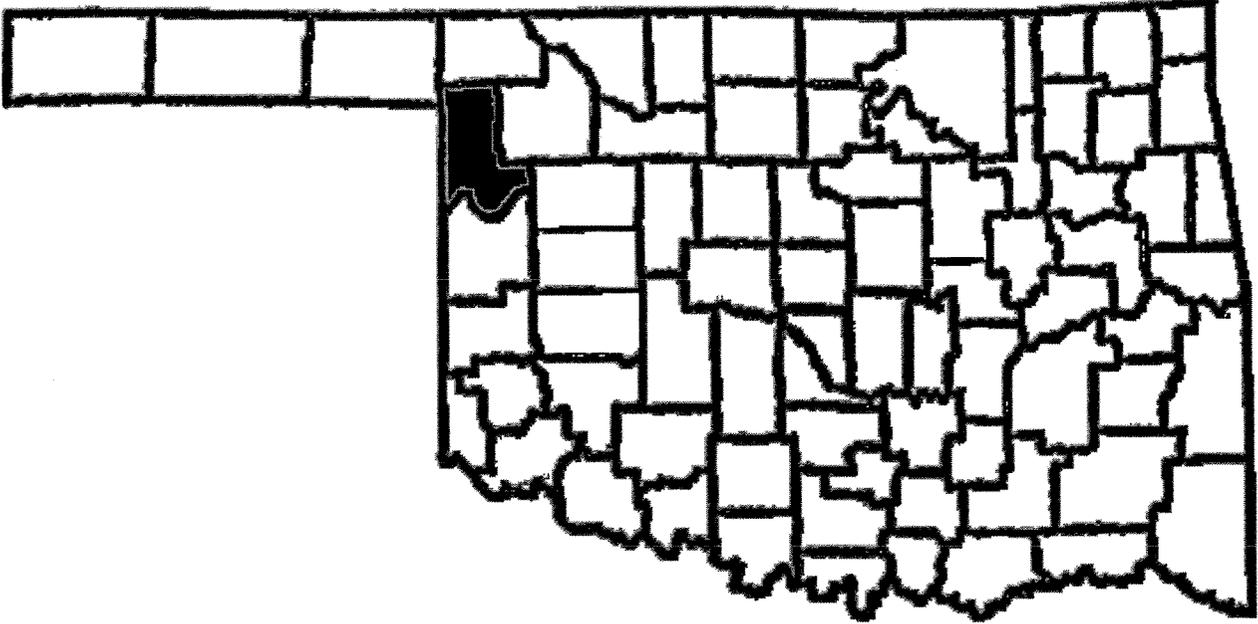
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**ELLIS COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

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REPORT TO THE CITIZENS
OF
ELLIS COUNTY, OKLAHOMA



Located in western Oklahoma and created at statehood from portions of Roger Mills and Woodward counties, Ellis County was named for Albert H. Ellis, vice president of the Oklahoma Constitutional Convention.

The site of several Indian battles, Ellis County was crossed by Fort Elliott-Fort Supply Military Crossing, a major thoroughfare to military camps and posts in the Indian Territory.

Ellis County was once a dairy and oil producer. It now hosts primarily an agricultural and ranching industry.

County Seat - Arnett

Area - 1229.2 Square Miles

County Population - 4,074
(2000 est.)

Farms - 622

Land in Farms - 669,922 acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**ELLIS COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Karen Mackey Perkins
(D) Gage

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
Peggy Schoenhals
(D) Arnett

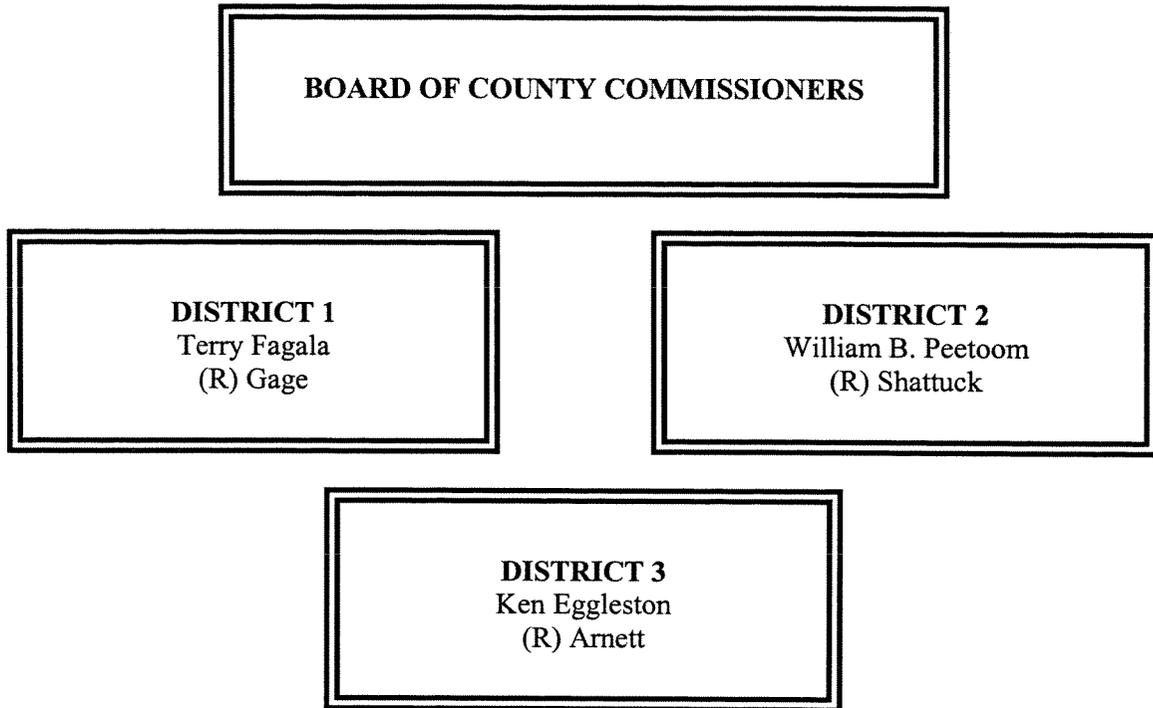
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**ELLIS COUNTY OFFICIALS
AND RESPONSIBILITIES**



The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.

**ELLIS COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF

Dewayne Miller
(R) Gage

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

Cynthia Davis Hunter
(D) Arnett

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.

**ELLIS COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Donna Slavin Folks
(D) Arnett

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
Dennis Smith
(D) Clinton

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

ELECTION BOARD SECRETARY

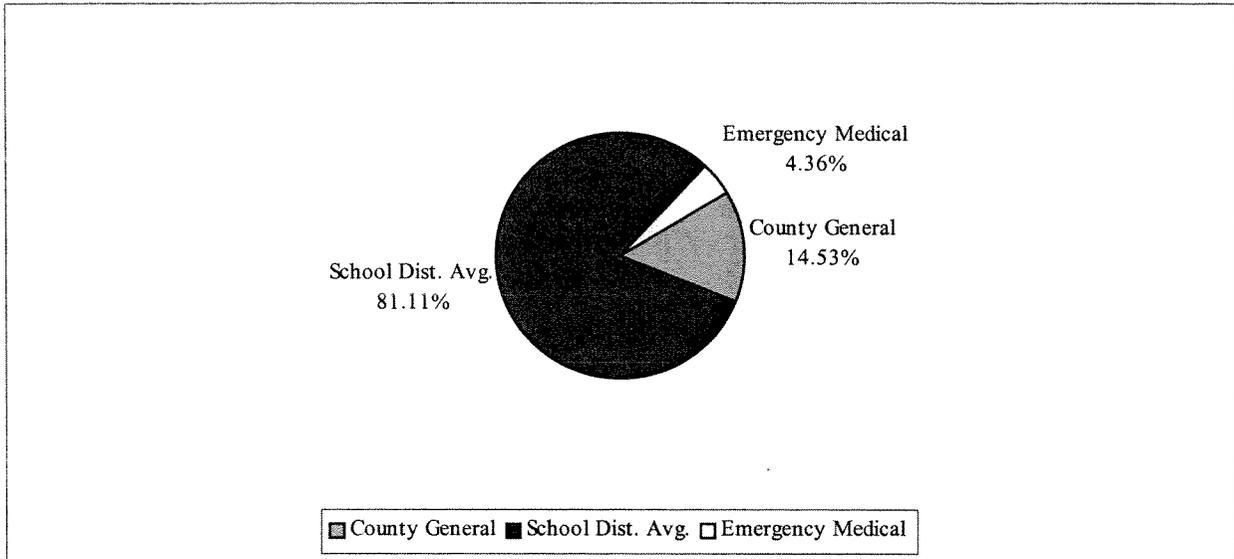
Glenda Martin
(D) Arnett

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.

**ELLIS COUNTY, OKLAHOMA
AD VALOREM 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								
Co. General				Gen.	Bldg.	Skg.	Tech Cntr.	Tech Cntr. Bldg.	Common	Total
Co. General	10.00									
Emergency Medical Service	3.00	Fargo	I-2	35.00	5.00	5.05	10.00	2.00	4.00	61.05
		Arnett	I-3	35.00	5.00	6.85			4.00	50.85
		Gage	I-39	35.00	5.00	7.01	10.00	2.00	4.00	63.01
		Shattuck	I-42	35.00	5.00	6.92			4.00	50.92
		Vici	I-5	35.00	5.00	10.98			4.00	54.98
		Laverne	I-1	35.00	5.00				4.00	44.00
		Ft. Supply	J-5	35.00	5.00	10.04	10.00	2.00	4.00	66.04

See independent auditor's report.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
ELLIS COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Ellis 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 Ellis 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 Ellis County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general 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 Ellis 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 Ellis County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general 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 August 2, 2004, on our consideration of Ellis County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Ellis County, Oklahoma, taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

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

This report is intended solely for the information and use of the management of the County 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. McMAHAN". The signature is written in a cursive style with a large, looping initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

August 2, 2004

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
County General Fund	\$ 746,120	\$ 906,509	\$ 959,408	\$	\$ 693,221
Highway Cash	1,499,234	3,056,771	2,914,666		1,641,339
Resale Property	17,063	13,569	10,174		20,458
County Clerk Lien Fee	23,608	11,649	9,560		25,697
County Clerk Cash Voucher	15,805	106	15,911		
County Clerk Record's Management and Preservation Fee	11,619	16,607	5,068		23,158
Sheriff Service Fee	7,197	14,093	18,053		3,237
Board of Prisoners	28,006	22,296	40,524		9,778
DARE Reimbursement	1,329				1,329
Sheriff Forfeiture	1,989		363		1,626
Treasurer Mortgage Tax Certification Fee	7,808	1,202	568		8,442
Assessor Revolving	3,716	2,361	447		5,630
Assessor Visual Inspection	1,763				1,763
Court Clerk Revolving	5,125	2,592			7,717
DHS Reimbursement	3,760		3,736		24
Newman Memorial Hospital	16,648	288,167	273,454		31,361
Senior Citizen Transportation		1,324	752		572
Law Library	916	3,300	3,351		865
Emergency Medical Service	1,224	112,287	111,888		1,623
Schools	16,846	2,036,253	2,047,811		5,288
Cities and Towns	5,901	91,342	92,324		4,919
EFTPS	1	200,992	200,992		1
Individual Redemption	25	1,151	1,151		25
Hot Check Account		489	489		
Protest Tax	368	789			1,157
Official Depository	123,034	416,414	423,146	24,203	140,505
Total County Funds	<u>\$ 2,539,105</u>	<u>\$ 7,200,263</u>	<u>\$ 7,133,836</u>	<u>\$ 24,203</u>	<u>\$ 2,629,735</u>

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

ELLIS 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	\$ 746,120	\$ 746,120	\$ 746,120	\$ -
Less: Prior Year Outstanding Warrants	(56,682)	(56,682)	(56,682)	
Less: Prior Year Encumbrances	(12,487)	(12,487)	(11,420)	1,067
Beginning Cash Balances, Budgetary Basis	<u>676,951</u>	<u>676,951</u>	<u>678,018</u>	<u>1,067</u>
Receipts:				
Ad Valorem Taxes	337,877	337,877	372,554	34,677
Sales Tax	60,062	297,494	286,843	(10,651)
Charges for Services	44,288	44,288	46,711	2,423
Intergovernmental Revenues	92,450	92,450	104,690	12,240
Miscellaneous Revenues	76,664	76,664	95,711	19,047
Total Receipts, Budgetary Basis	<u>611,341</u>	<u>848,773</u>	<u>906,509</u>	<u>57,736</u>
Expenditures:				
District Attorney	1,500	1,500	1,102	398
Capital Outlay				
Total District Attorney	<u>1,500</u>	<u>1,500</u>	<u>1,102</u>	<u>398</u>
County Sheriff	241,001	247,078	240,936	6,142
Capital Outlay	16,500	18,700	18,381	319
Total County Sheriff	<u>257,501</u>	<u>265,778</u>	<u>259,317</u>	<u>6,461</u>
County Treasurer	48,978	48,978	18,978	30,000
Capital Outlay				
Total County Treasurer	<u>48,978</u>	<u>48,978</u>	<u>18,978</u>	<u>30,000</u>
OSU Extension	7,790	24,105	18,304	5,801
Capital Outlay	331,242	366,892	1,798	365,094
Total OSU Extension	<u>339,032</u>	<u>390,997</u>	<u>20,102</u>	<u>370,895</u>
County Clerk	69,157	69,157	69,156	1
Capital Outlay	1	1		1
Total County Clerk	<u>69,158</u>	<u>69,158</u>	<u>69,156</u>	<u>2</u>
Court Clerk	49,078	49,118	49,118	
Capital Outlay				
Total Court Clerk	<u>49,078</u>	<u>49,118</u>	<u>49,118</u>	<u>-</u>
County Assessor	51,578	52,884	52,653	231
Capital Outlay	1	1		1
Total County Assessor	<u>51,579</u>	<u>52,885</u>	<u>52,653</u>	<u>232</u>
Revaluation of Real Property	73,722	76,996	69,351	7,645
Capital Outlay	1,000	1,000		1,000
Total Revaluation of Real Property	<u>74,722</u>	<u>77,996</u>	<u>69,351</u>	<u>8,645</u>
General Government	310,354	421,920	280,540	141,380
Capital Outlay	1	1		1
Total General Government	<u>310,355</u>	<u>421,921</u>	<u>280,540</u>	<u>141,381</u>
Excise Equalization Board	2,850	2,850	2,487	363
Capital Outlay				
Total Excise Equalization Board	<u>2,850</u>	<u>2,850</u>	<u>2,487</u>	<u>363</u>

continued on next page

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

ELLIS 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
County Election Board	\$ 49,179	\$ 49,499	\$ 45,789	\$ 3,710
Capital Outlay	1	519	518	1
Total County Election Board	49,180	50,018	46,307	3,711
Charity	1	1		1
Capital Outlay				
Total Charity	1	1	-	1
Fire Fighting	1,999	41,875	41,874	1
Capital Outlay				
Total Fire Fighting	1,999	41,875	41,874	1
County Audit Budget	3,717	3,717	3,717	
Capital Outlay				
Total County Audit Budget	3,717	3,717	3,717	
Free Fair Budget	20,804	35,212	13,201	22,011
Capital Outlay	1,720	1,720		1,720
Total Free Fair Budget	22,524	36,932	13,201	23,731
Recording Account	6,000	12,000	11,027	973
Capital Outlay				
Total Recording Account	6,000	12,000	11,027	973
Provision for Interest on Warrants	100			
Total Expenditures, Budgetary Basis	1,288,292	1,525,724	968,930	556,794
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	615,597	\$ 615,597
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			15,005	
Add: Current Year Outstanding Warrants			62,619	
Ending Cash Balance			<u>\$ 693,221</u>	

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

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

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
District Court Clerk	\$ 48,220	\$ 159,087	\$ 146,707	\$ 4,526	\$ 65,126
District Court Fund	28,322	81,056	78,837	18,743	49,284
Court Clerk Revolving	10,843	159			11,002
Victim Compensation	21,250	14,096	34,585	23	784
State Witness Fee	18	100	62		56
County Sheriff		36,489	36,489		
Sheriff Donation	626	1,065	1,289		402
Cash Bond		6,349	6,349		
County Clerk		80,351	80,810	459	
County Treasurer	3,310	17,894	18,085	3	3,122
County Election Board	202	17,255	17,506	449	400
Industrial Development Trust	10,243	152	66		10,329
County Assessor		2,361	2,361		
Total Official Depository Accounts	<u>\$ 123,034</u>	<u>\$ 416,414</u>	<u>\$ 423,146</u>	<u>\$ 24,203</u>	<u>\$ 140,505</u>

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Ellis County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general 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 is the only fund required to adopt a formal budget. The budget presented for the general 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.

Summary of Significant Accounting Policies (continued)

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

The Statement of Receipts, Expenditures, and Changes in Fund Balances - Budget and Actual - General 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 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, 2003.

F. Risk Management

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

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

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed authorized deductibles, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Fund. (See ACCO-SIF.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed authorized deductibles, the County would have surcharges assessed to pay the excess claims.

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating County will pay a deductible amount (\$1,000 to \$10,000; the County has a \$7,500 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

OPEH&WP - The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. The pool has assessed additional premiums to be paid by its members in the current fiscal year.

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may be accumulated from 5 to 20 days depending on the number of years of service. The County has no established policy regarding compensated sick pay.

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 \$2,629,735 and the bank balance was \$2,520,563. 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

Detailed Notes on Funds and Account Balances (continued)

B. Description of Funds

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

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

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

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

County Clerk Cash Voucher – accounts for funds used to write refunds for taxes.

County Clerk Record's Management and Preservation Fee – accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute for preservation of records.

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

Board of Prisoners – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

DARE Reimbursement - accounts for funds used for donations for the DARE program; however, it is now inactive.

Sheriff Forfeiture – accounts for any monies seized in a drug raid. It is used to further support operations used for drug raids.

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

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

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

Court Clerk Revolving - account was established for the collection of administrative fees collected by the Court Clerk to be used to defray costs incurred for the operation of the Court Clerk's office.

Detailed Notes on Funds and Account Balances (continued)

DHS Reimbursement – accounts for reimbursement of County expense incurred by the Department of Human Services.

Newman Memorial Hospital – accounts for sales tax received for the general operation of the Hospital.

Senior Citizen Transportation – accounts for sales tax received for the van used to transport senior citizens.

Law Library - accounts for monies received for disbursement from the state for the Law Library Board.

Emergency Medical Service – accounts for charges for services, ad valorem monies and miscellaneous collections apportioned and amounts disbursed for the expenses of the Ellis County Emergency Medical Service District.

Schools - account for monies collected on behalf of the public schools in Ellis 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.

EFTPS – accounts for federal withholdings maintained until the IRS electronically transfers the funds.

Individual Redemption – accounts for the monies collected and due to individuals from property tax sales on delinquent taxes.

Hot Check Account – accounts for fees collected for bogus checks written and used to defray cost incurred in the District Attorney's office.

Protest Tax – accounts for ad valorem collected under protest and held until issue is resolved and then apportioned or refunded as decided.

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

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 with a portion transferred to the District Court Fund.

Detailed Notes on Funds and Account Balances (continued)

District Court Fund – accounts for fees transferred from District Court Clerk Account and interest. Money is disbursed for the purpose of fees for various entities, salaries, and the operation of the office.

Court Clerk Revolving – This account was established for the collection of administrative fees collected by the Court Clerk to be used to defray costs incurred for the operation of the Court Clerk's office.

Victim Compensation – accounts for monies on deposit by defendants to be remitted to the plaintiff or victim.

State Witness Fee – accounts for the appropriated money from District Attorneys Council for witness fees.

County Sheriff – accounts for all collection of foreign service fees and bonds. Monies are vouched out at the end of the month to the Sheriff Service Fee Fund and District Court Clerk Account.

Sheriff Donation - Donated monies received by the County Sheriff's office.

Cash Bond – accounts for cash bond monies received from inmates to pay their cash bonds.

County Clerk – accounts for the collection for filing fees and disbursed to the Oklahoma Tax Commission and general fund.

County Treasurer – accounts for collection of taxes paid in advance.

County Election Board – accounts for reimbursement of election cost by entities within the County and disbursed for refund of election fees and cost of election.

Industrial Development Trust – accounts for interest earned on the proceeds of bond proceeds.

County Assessor – accounts for all 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.

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

Detailed Notes on Funds and Account Balances (continued)

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 \$37,166,515.

The County levied 10 mills (the legal maximum) for general fund operations and 3 mills for emergency medical service. 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 98.64 percent of the tax levy.

D. Pension Plan

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

E. Capital Leases

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

Detailed Notes on Funds and Account Balances (continued)

F. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

G. 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.

5. Sales Tax

On August 27, 2002, a renewal of an existing one-cent sales tax was passed by the citizens of Ellis County beginning on January 1, 2003 and ending December 31, 2008. Sales tax revenue was allocated in the general fund to the Ellis County OSU Extension 12%; Ellis County Free Fair 5%; Ellis County Rural Fire Departments 16%; Ellis County Senior Citizens 1%; Restoration and Maintenance of Ellis County Courthouse 16%; and 50% for general government purposes. Total sales tax collections in the general fund for fiscal year 2002-2003 were \$288,167.

On August 22, 2000, an additional one-cent five-year sales tax was passed by the citizens of Ellis County beginning on August 23, 2000, for funding of the Shattuck Hospital Authority, a Municipal Trust, to be used for the operations and maintenance of the Newman Memorial Hospital. Total sales tax collections for the Newman Memorial Hospital for the fiscal year 2002-2003 were \$288,167.

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
ELLIS COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Ellis County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated August 2, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Ellis County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance, which we have reported to management and is included in Section 2 of the schedule of findings, contained within this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ellis 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 conditions are described in the accompanying schedule of findings as items 2002-1, 2003-1 and 2003-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002-1 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 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. McMAHAN". The signature is written in a cursive style with a large initial "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

August 2, 2004

SECTION 1 – 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 2002-1 – Segregation of Duties (Repeat Finding)

Criteria: The overall goal of accounting principles generally accepted in the United States of America is to demonstrate accountability and stewardship to be 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: The limited number of office personnel within all of the Ellis County offices prevents a proper separation of accounting functions, which is necessary to assure adequate internal control structure.

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. Under these conditions, the most effective controls lie in management's knowledge of County operations and periodic review of those operations.

Management Corrective Action Plan: The County concurs with the auditors' findings and will strive to implement procedural changes and take necessary action to comply with recommendations.

Finding 2003-1 - Disaster Recovery Plan

Criteria: According to the standards of the Information Systems Audit and Control Association (COBIT Delivery & Support 4.3), management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the Recovery Plan;
- Emergency procedures to insure the safety of all effected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution;
- Specific equipment and supply needs are identified such as high-speed printers, signatures, forms, communications equipment, telephones, etc., and a source and alternative source defined;
- Training and/or awareness of individual and group roles in continuity plan;
- Listing of contracted service providers;

- Logistical information on location of key resources, including back-up sites for recovery operating system, applications, data files, operating manuals and program/system/user documentation;
- Current names, addresses, telephone/pager numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

Condition: Our review of the County Clerk's system backups and plans for ensuring continuous computer service found no written Disaster Recovery Plan for either office. The Clerk's office does not store any of the backup tapes offsite.

Effect: The lack of an effective and adequate Disaster Recovery Plan could result in potential loss of:

- Ad Valorem information;
- Taxpayer and land information;
- State and Federal Reporting Data;
- Financial information;

Recommendation: We recommend the County establish a Disaster Recovery Plan to ensure the safekeeping and integrity of the County's financial and non-financial data. Adequate backups of the data and programs are an essential part of any Recovery Plan. The file server should be backed up every workday. One day a week the backup tape should be stored offsite at a location away from the courthouse. Other tapes used during the week should be stored in a fireproof container in the County office. There should be complete month end backup tapes for at least three months of prior work, giving the County officer the ability to restore data and programs if the need arises.

Management Corrective Action Plan: The County Clerk is working on a Disaster Recovery Plan and has implemented an offsite backup site since the audit.

Finding 2003-2 – Computer Security Policies and Procedures

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT) Delivery and Support Control Objectives (DS7), management should educate and train users to ensure that users are making effective use of technology and are aware of their risks and responsibilities.

Condition: The County Clerk's office did not have policies and procedures addressing computer security and has not provided security awareness training to employees.

Effect: County employees are not aware of their responsibilities and potential risks involved when using the County's computer systems.

Recommendation: We recommend the County establish Information Security Policies and Procedures that define the acceptable and unacceptable use for the office computers. A security awareness-training program should be established requiring all the employees using computers to participate.

Management Corrective Action Plan: The County Clerk will begin work on policy and procedures for proper computer usage.

SECTION 2 - Other Audit Findings - This section contains audit findings not required to be reported in 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*, 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 2003-3 – Timely Encumbrance of Funds

Criteria: Title 62 O.S. 2001, §310.2, requires that encumbrances be made prior to ordering or receiving the goods.

Condition: Of the 50 purchase orders tested, 11 purchase orders revealed goods were ordered before purchase orders were requested for encumbering funds.

Recommendation: We recommend that encumbrances be made prior to ordering or receiving goods in compliance with Title 62 O.S. 2001, §310.2.

Management Corrective Action Plan: The County officers will strive to adhere to Title 62 O.S. 2001, §310.2.

**Statistical Data
(Unaudited)**

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

TAXPAYER	JANUARY 1, 2002 NET ASSESSED ASSESSED VALUE	% OF TOTAL NET VALUATION
Murphy Family Farms	\$ 3,098,336	8.34%
Duke Energy Field Service Inc.	2,349,601	6.32%
BN & SF Railway Co.	1,882,297	5.06%
Pioneer Telephone Coop Inc.	931,002	2.51%
Northern Natural Gas Co.	850,159	2.29%
Panhandle Field Services LLC	847,255	2.28%
Oneok Gas Processing, LLC	776,337	2.09%
OG&E	743,117	2.00%
Oneok Gas Transmission, LLC	647,400	1.74%
Mewborne Oil Company	424,069	1.14%
Total	<u>\$ 12,549,573</u>	<u>33.77%</u>

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

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

Total net assessed value as of January 1, 2002		<u>\$ 37,166,515</u>
Debt limit - 5% of total assessed value		\$ 1,858,326
Total bonds outstanding	0	
Total judgments outstanding	<u>0</u>	<u> </u>
Legal debt margin		<u>\$ 1,858,326</u>

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

	2003
Estimated population	4,074
Net assessed value	\$ 37,166,515
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	\$ -

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

<u>Tax Year</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>
2002	\$11,606,370	\$6,814,569	\$19,968,041	\$1,222,465	\$37,166,515	\$282,755,942