

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

May 16, 2005

TO THE CITIZENS OF
ELLIS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Ellis County, Oklahoma, for the fiscal year ended June 30, 2004. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

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

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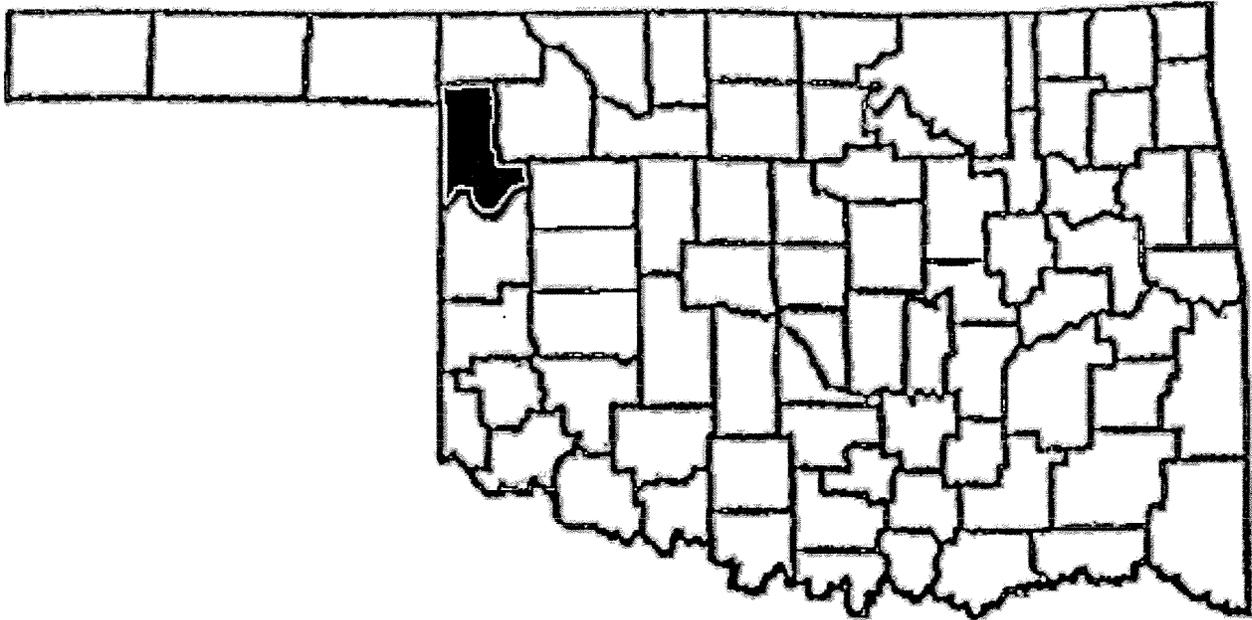
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**ELLIS COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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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 Supply Road, a major thoroughfare to military camps and posts in the Indian Territory and the Great Western Cattle Trail.

Ellis County was once a leading 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

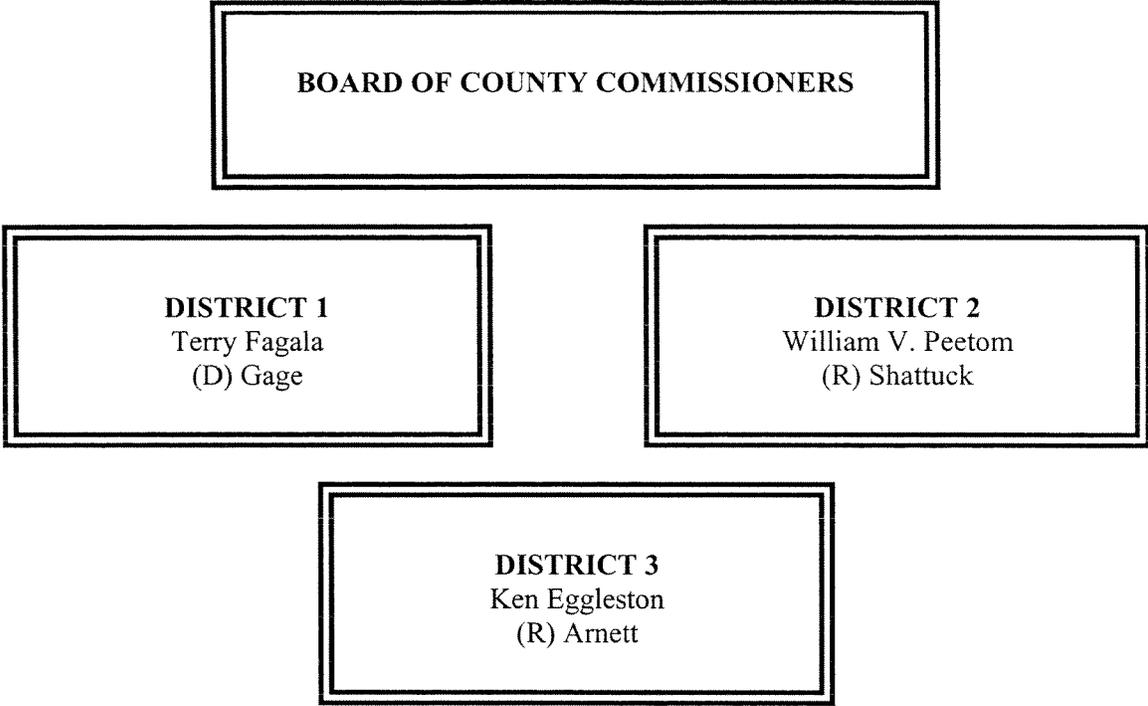
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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) Arapaho

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.

**ELLIS COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

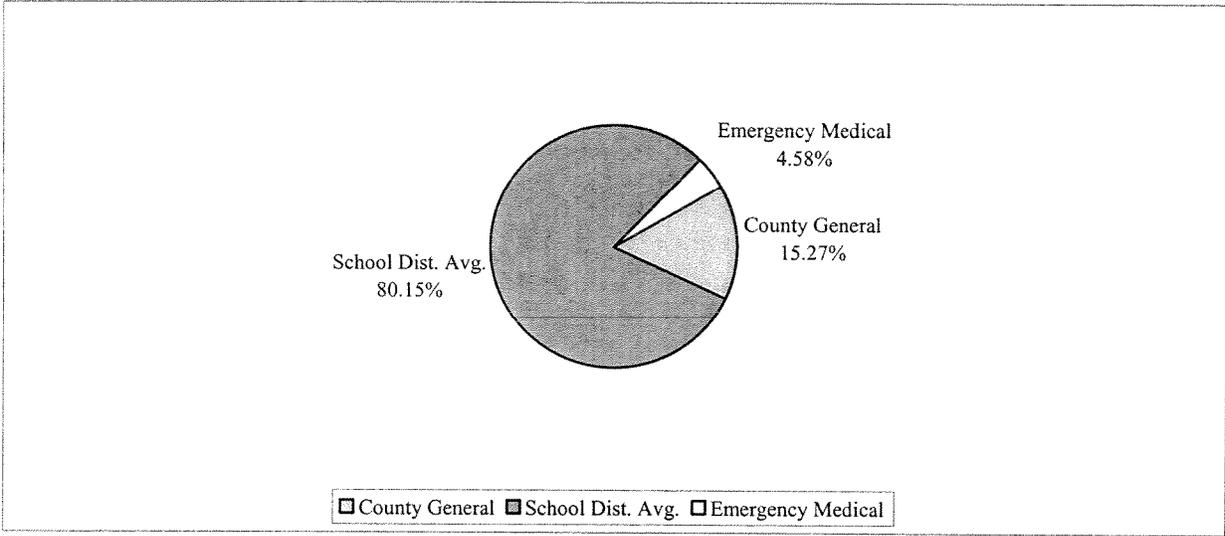
Glenda Martin
(D) Arnett

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 TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE**

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



County-Wide Millages		School District Millages								
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	4.92	10.00	2.00	4.00	60.92
		Arnett	I-3	35.00	5.00				4.00	44.00
		Gage	I-39	35.00	5.00	10.49	10.00	2.00	4.00	66.49
		Shattuck	I-42	35.00	5.00	5.17			4.00	49.17
		Vici	I-5	35.00	5.00	13.89			4.00	57.89
		Laverne	I-1	35.00	5.00				4.00	44.00
		Ft. Supply	J-5	35.00	5.00	8.89	10.00	2.00	4.00	64.89

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
ELLIS COUNTY, OKLAHOMA

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

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of 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, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2005, 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 other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance

and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

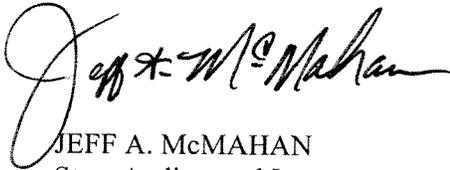
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Ellis County, Oklahoma, taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Section* has not been audited by us, and accordingly, we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

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

This report is intended solely for the information and use of the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff A. McMahhan". The signature is written in a cursive style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

May 9, 2005

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
County General Fund	\$ 693,221	\$ 1,145,712	\$ 1,040,145	\$	\$ 798,788
Highway Cash	1,641,339	3,134,815	2,891,527		1,884,627
Resale Property	20,459	15,202	8,368		27,293
County Clerk Lien Fee	25,697	15,044	15,049		25,692
Clerk's Cash Voucher		456	456		
Records Management and Preservation Fee	23,158	19,896	7,365		35,689
Sheriff Service Fee	3,237	12,973	11,654		4,556
Board of Prisoners	9,778	12,403	19,538		2,643
Sheriff DARE	1,329				1,329
Sheriff Forfeiture	1,626	1,894	1,385		2,135
Treasurer's Mortgage Tax Certification Fee	8,442	1,100	691		8,851
Assessor Revolving	5,629	2,114	3,520		4,223
Assessor Visual Inspection	1,763		768		995
Court Clerk Revolving	7,717	20,298			28,015
DHS Reimbursement	24				24
Newman Memorial Hospital	31,361	492,227	482,965		40,623
Senior Citizen Transportation	573	4,922	5,089		406
Law Library	866	3,288	3,303		851
Emergency Medical Service	1,623	129,801	131,240		184
Schools	5,288	2,272,871	2,272,726		5,433
Cities and Towns	4,919	93,884	92,195		6,608
EFTPS	1	262,047	262,047		1
Individual Redemption	25	372	362		35
Protest Tax	1,157		789		368
Official Depository	140,505	520,492	513,764	2,040	149,273
Total County Funds	<u>\$ 2,629,737</u>	<u>\$ 8,161,811</u>	<u>\$ 7,764,946</u>	<u>\$ 2,040</u>	<u>\$ 3,028,642</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, 2004

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 693,221	\$ 693,221	\$ 693,221	\$ -
Less: Prior Year Outstanding Warrants	(62,619)	(62,619)	(62,619)	
Less: Prior Year Encumbrances	(15,005)	(15,005)	(14,473)	532
Beginning Cash Balances, Budgetary Basis	<u>615,597</u>	<u>615,597</u>	<u>616,129</u>	<u>532</u>
Receipts:				
Ad Valorem Taxes	374,774	374,774	431,377	56,603
Sales Tax	200,000	484,220	484,220	
Charges for Services	41,724	41,724	63,266	21,542
Intergovernmental Revenues	73,810	73,810	79,520	5,710
Miscellaneous Revenues	68,699	84,522	87,329	2,807
Total Receipts, Budgetary Basis	<u>759,007</u>	<u>1,059,050</u>	<u>1,145,712</u>	<u>86,662</u>
Expenditures:				
District Attorney	1,500	1,500	1,378	122
Capital Outlay				
Total District Attorney	<u>1,500</u>	<u>1,500</u>	<u>1,378</u>	<u>122</u>
County Sheriff	246,936	249,548	240,573	8,975
Capital Outlay	18,381	32,751	32,750	1
Total County Sheriff	<u>265,317</u>	<u>282,299</u>	<u>273,323</u>	<u>8,976</u>
County Treasurer	50,178	50,178	50,178	
Capital Outlay				
Total County Treasurer	<u>50,178</u>	<u>50,178</u>	<u>50,178</u>	<u>-</u>
OSU Extension	20,000	37,177	33,190	3,987
Capital Outlay	350,895	377,418	3,672	373,746
Total OSU Extension	<u>370,895</u>	<u>414,595</u>	<u>36,862</u>	<u>377,733</u>
County Clerk	70,955	70,957	70,956	1
Capital Outlay	1	1		1
Total County Clerk	<u>70,956</u>	<u>70,958</u>	<u>70,956</u>	<u>2</u>
Court Clerk	50,318	50,422	50,422	
Capital Outlay				
Total Court Clerk	<u>50,318</u>	<u>50,422</u>	<u>50,422</u>	<u>-</u>
County Assessor	57,942	60,541	59,952	589
Capital Outlay	1	1		1
Total County Assessor	<u>57,943</u>	<u>60,542</u>	<u>59,952</u>	<u>590</u>
Revaluation of Real Property	59,278	59,278	55,344	3,934
Capital Outlay	1,000	1,000		1,000
Total Revaluation of Real Property	<u>60,278</u>	<u>60,278</u>	<u>55,344</u>	<u>4,934</u>
General Government	359,277	491,835	289,658	202,177
Capital Outlay	1	1		1
Total General Government	<u>359,278</u>	<u>491,836</u>	<u>289,658</u>	<u>202,178</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, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Excise-Equalization Board	2,750	2,750	2,534	216
Capital Outlay				
Total Excise-Equalization Board	2,750	2,750	2,534	216
County Election Board	46,306	47,037	41,351	5,686
Capital Outlay	1	1		1
Total County Election Board	46,307	47,038	41,351	5,687
Charity	1	1		1
Capital Outlay				
Total Charity	1	1	-	1
Fire Fighting Services	1	78,757	78,756	1
Capital Outlay				
Total Fire Fighting Services	1	78,757	78,756	1
Recording Account	11,028	11,028	10,440	588
Capital Outlay				
Total Recording Account	11,028	11,028	10,440	588
County Audit Budget	4,123	4,123	4,123	
Capital Outlay				
Total County Audit Budget	4,123	4,123	4,123	-
Free Fair Budget	22,731	47,342	13,112	34,230
Capital Outlay	1,000	1,000		1,000
Total Free Fair Budget	23,731	48,342	13,112	35,230
 Total Expenditures, Budgetary Basis	 1,374,604	 1,674,647	 1,038,389	 636,258
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	723,452	<u>\$ 723,452</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			12,943	
Add: Current Year Outstanding Warrants			62,393	
Ending Cash Balance			<u>\$ 798,788</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, 2004**

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
District Court Clerk	\$ 65,126	\$ 171,889	\$ 159,572	\$ 128	\$ 77,571
District Court Fund	49,284	121,394	123,497	1,661	48,842
Court Clerk Trust	11,002	71	11,073		
Victim Compensation	784	4,699	5,108		375
State Witness Fee	56	250	245		61
County Sheriff		40,923	40,923		
Sheriff Color	402	615	482		535
Cash Bond		14,947	13,001		1,946
County Clerk		104,830	104,851	21	
County Treasurer	3,122	42,876	41,225	36	4,809
County Election Board	400	15,790	11,673	194	4,711
Industrial Trust	10,329	94			10,423
County Assessor		2,114	2,114		
Total Official Depository Accounts	\$ 140,505	\$ 520,492	\$ 513,764	\$ 2,040	\$ 149,273

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

F. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
- Torts		
- Errors and Omissions		
- Law Enforcement Officers Liability		
- Vehicle		
Physical Plant		
- Theft		
- Damage to Assets		
- Natural Disasters		

ELLIS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employees - Medical - Disability - Dental - Life	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed pool assets, the members 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 chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$10,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate worker's compensation claims. 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.

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. 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.

G. Compensated Absences

All full time employees are entitled to vacation leave that is accrued on a monthly basis. From 0 to 2 years of service the employee is entitled to 12 days of vacation, with a maximum of 30 days accumulated. Employees with 2 to 5 years of service are entitled to 15 days of vacation, with a maximum of 60 days accumulation. Those with 5 to 20 years of service are entitled to 18 days vacation with a maximum of 60 days accumulation. Employees with 20 or more years of service are entitled to 20 days of vacation with a maximum of 60 days accumulation.

Summary of Significant Accounting Policies (continued)

All full-time Ellis County employees shall be entitled to sick leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at the rate of 8 hours for each full calendar month of service to the County. Sick leave may be accumulated up to a maximum of 130 days.

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 \$3,028,642 and the bank balance was \$2,828,278. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

B. Description of Funds

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

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

Detailed Notes on Funds and Account Balances (continued)

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.

Clerk's Cash Voucher - accounts used to write refunds for taxes.

Records 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 disbursement 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.

Sheriff DARE – this account is inactive.

Sheriff Forfeiture - accounts for any monies seized in a drug bust. It is used to further support operations used for drug busting.

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

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 established July 1, 1991, by Oklahoma Statute Title 19 § 220 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.

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.

Detailed Notes on Funds and Account Balances (continued)

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.

Schools - accounts 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 and for cemetery investments.

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.

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.

The accounts within the Official Depository Fund are described as follows:

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

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 Trust – accounts for monies held in trust until a settlement has been determined.

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.

Detailed Notes on Funds and Account Balances (continued)

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

Sheriff Color – accounts for donated monies received by the County Sheriff's office for the general operation of the 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 Trust – accounts for the ad valorem tax and interest earned but not necessary to pay the proceeds of a bond issue.

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 program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

The assessed property value as of January 1, 2003, was approximately \$43,069,022.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.00 mills (the legal maximum) for general fund operations and 3.00 mills for the 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.

ELLIS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

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

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

Current year tax collections for the year ended June 30, 2004, were approximately 98.51 percent of the tax levy.

D. Pension Plan

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

E. Capital Leases

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

F. Fuel Tax

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

4. Contingent Liabilities

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

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

5. Sales Tax

On August 12, 1997, a renewal of a one-cent sales tax was passed by the citizens of Ellis County beginning on January 1, 1998 and ending December 31, 2002. On August 27, 2002, a renewal of a 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 the fiscal year was \$492,227.

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 was \$492,227.

Internal Control and Compliance Section



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
ELLIS COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Ellis County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated May 9, 2005. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-2.

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

Compliance and Other Matters

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, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we reported to management of Ellis County and is included in Section 2 of the schedule of findings, contained within this report.

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

This report is intended solely for the information and use of the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

May 9, 2005

SECTION 1 - Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

Criteria: Accountability and stewardship are overall goals 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 the County Sheriff's office and the County Clerk's office prevents a proper segregation of accounting functions, which is necessary to assure an adequate internal control structure.

Cause: This lack of segregation of duties is caused by the limited number of employees.

Effect: This condition 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 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 office operations and periodic review of those operations.

Management Response: We concur with the auditor's comments and will conduct periodic reviews of office operations. Additionally, the County Clerk's office now segregates this duty between two of the deputies

SECTION 2 - Other Findings - This section contains findings not required to be reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, but which we believed were significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action.

Finding 2004-1 - Pledged Collateral

Criteria: According to Title 62 O.S. 2001, § 511, the county is required to secure public deposits with collateral to insure the safety of all public funds.

Condition: The County did not have adequate pledged securities for funds deposited on December 31, 2003 or March 31, 2004.

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

Recommendation: We recommend during the heavy tax collection season, the County ensure the securities pledged will adequately cover the collected taxes deposited in accordance with Title 62 O.S. 2001, § 511.

Management Response: Management is aware of the situation, although the bank will not allow the Treasurer to take out anymore collateral.

**Statistical Section
(Unaudited)**

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

<u>TAXPAYER</u>	<u>JANUARY 1, 2003 NET ASSESSED VALUATION</u>	<u>% OF TOTAL NET VALUATION</u>
Duke Energy Field Services	\$ 4,317,807	10.02%
Murphy Family Farms LLC	3,078,049	7.15%
BN & SF Railway Co.	1,989,578	4.62%
Panhandle Field Service LLC	1,320,001	3.06%
Pioneer Telephone Coop Inc.	1,040,733	2.42%
Northern Natural Gas	853,402	1.98%
Oneok Gas Processing LLC	766,688	1.78%
OG&E	739,602	1.72%
Oneok Gas Trans LLC	636,900	1.48%
Nabors Drilling USA, LLC	503,859	1.17%
Total	<u>\$ 15,246,619</u>	<u>35.40%</u>

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

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

Total net assessed value as of January 1, 2003		<u>\$ 43,069,022</u>
Debt limit - 5% of total assessed value		\$ 2,153,451
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 2,153,451</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, 2004
(UNAUDITED)

	2004
Estimated population	4,074
Net assessed value as of January 1, 2003	\$ 43,069,022
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, 2004
(UNAUDITED)**

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2003	\$15,985,215	\$7,067,386	\$21,250,170	\$1,233,749	\$43,069,022	\$341,224,354