

**HUGHES 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

November 15, 2004

TO THE CITIZENS OF  
HUGHES COUNTY, OKLAHOMA

Transmitted herewith is the audit of Hughes 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 cursive script that reads "Jeff A. McMahon".

JEFF A. McMAHAN  
State Auditor and Inspector

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

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

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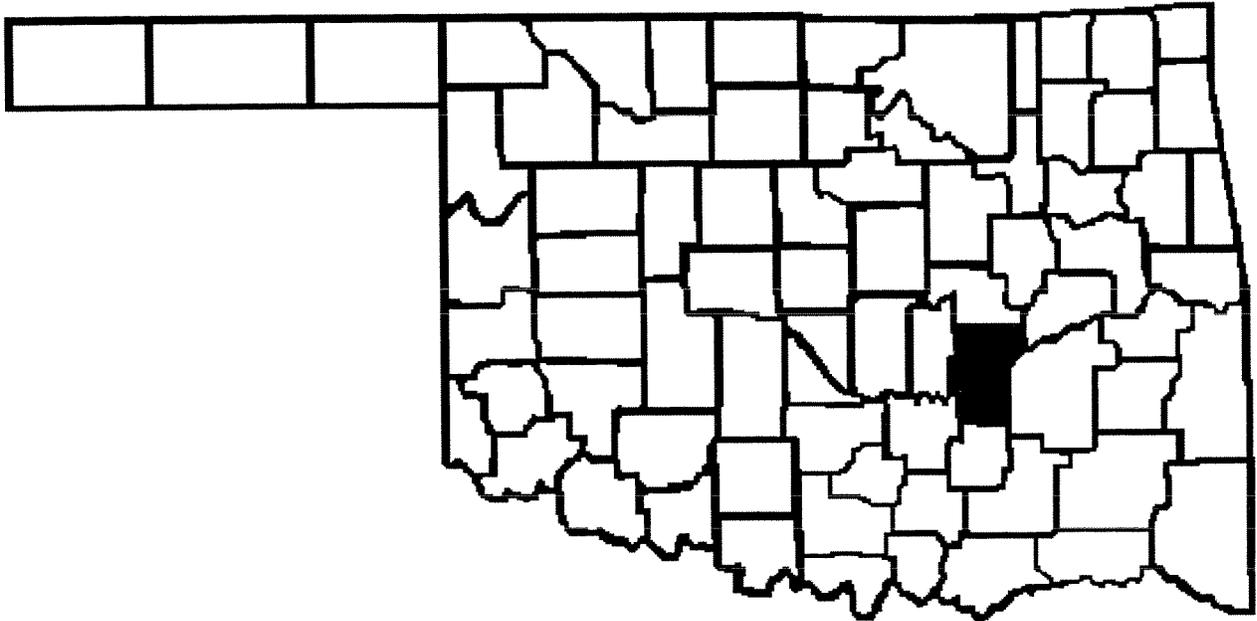
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**REPORT TO THE CITIZENS  
OF  
HUGHES COUNTY, OKLAHOMA**

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Located in southeastern Oklahoma, Hughes County was created at statehood and named for W.C. Hughes, a member of the Oklahoma Constitutional Convention. Holdenville is the county seat.

Holdenville and Wetumka lakes provide recreational opportunities for the county, while other areas are available for hunting deer, dove, quail, duck, rabbit, and squirrel.

Annual events of interest include the IRA Rodeo and the Hog Wild Days in Holdenville, Sorghum Days in Wewoka, and Suckers Days in Wetumka.

The Hughes County Historical Society in Holdenville serves the area. For more information, call the county clerk's office at 405-379-5487.

County Seat – Holdenville

Area – 806.8 Square Miles

County Population - 14,154 (2000 est.)

Farms – 897

Land in Farms - 355,192 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**HUGHES COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY ASSESSOR**

Kathi D. Mask  
(D) Holdenville

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**

Cindy Barksdale  
(D) Holdenville

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.

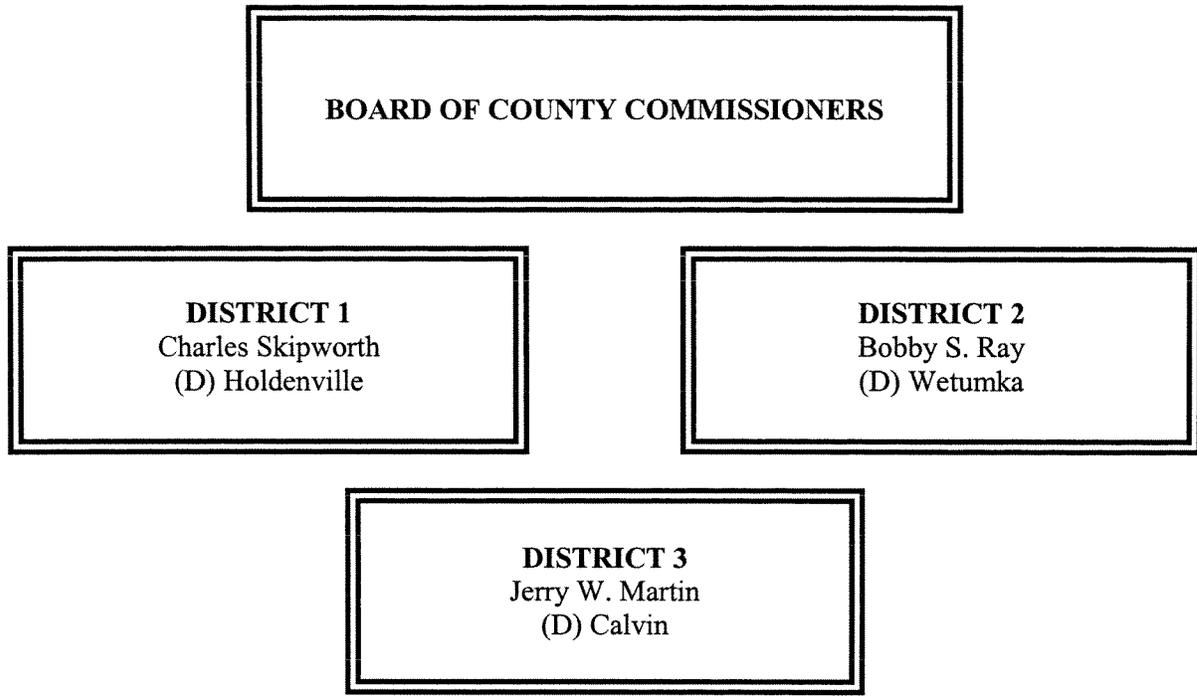
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county.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

**HUGHES COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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

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

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

See independent auditor's report.

**HUGHES COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY SHERIFF**  
Houston Yeager  
(D) Holdenville

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**  
Bobby Smith  
(D) Holdenville

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.

**HUGHES COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COURT CLERK**  
Shirley Harkey  
(D) Holdenville

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**  
William N. Peterson  
(D) Ada

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.

**HUGHES COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**ELECTION BOARD SECRETARY**

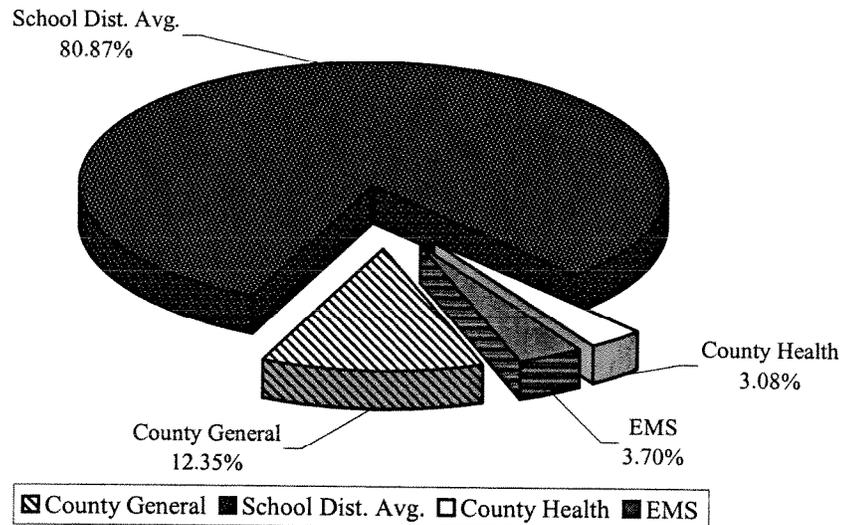
Gail Collis  
(D) Holdenville

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.

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

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Tech Cntr.	Common	Total
Co. General	10.39								
County Health	2.59	Moss	I-1	36.15	5.26	3.09	5.23	4.15	53.88
EMS	3.11	Wetumka	I-5	36.41	5.20	28.32	5.23	4.15	79.31
		Dustin	I-9	36.80	5.26	12.22	5.23	4.15	63.66
		Holdenville	I-35	37.20	5.31		5.23	4.15	51.89
		Calvin	I-48	36.58	5.22	15.93	5.23	4.15	67.11
		Stuart	I-54	35.46	5.06	5.61	5.23	4.15	55.51
		Allen	J-1	35.98	5.14	13.01	12.35	4.15	70.63
		Wewoka	J-2	47.60	6.80	27.47	15.90	4.15	101.92
		Sasakwa	J-10	36.83	5.26	14.30	12.35	4.15	72.89
		Butner	J-15	37.09	5.30	19.19	15.90	4.15	81.63
		Weleetka	J-31	35.62	5.09		5.23	4.15	50.09

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  
HUGHES COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Hughes 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 Hughes 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 Hughes County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Hughes 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 Hughes County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department fund of the County, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2004, on our consideration of Hughes 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 Hughes County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

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

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

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

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

September 22, 2004

**Special-Purpose Financial Statements**

**HUGHES 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	Ending Cash Balances June 30, 2003
County General Fund	\$ 178,153	\$ 951,666	\$ 942,497	\$ 187,322
T-Highway	933,322	3,186,200	3,058,685	1,060,837
Resale Property	26,506	35,312	28,447	33,371
County Health	419,956	196,106	164,960	451,102
M&M Lien Fee	10,878	7,226	4,247	13,857
Mortgage Certification Fee	11,053	3,270	815	13,508
Sheriff's Fees	49,616	51,355	81,484	19,487
Sheriff's Special Fund	187,846	85,046	141,323	131,569
County Assessor's Fund	5,126	1,586	863	5,849
Community Service Sentencing Program	9,231	400	7,000	2,631
Teen Court	1,380	5,388	6,024	744
Emergency 911	109,810	47,295	48,346	108,759
Trash Cop	189			189
Trash Cop Reward	310			310
Department of Justice Comp	10,267			10,267
Family Resources Center Grant	267	1		268
Family Resources Cash Fund	640			640
COPS Fast	1,091			1,091
Workforce WIA Grant	3,074	48,703	49,663	2,114
Home Grant 8936	101,364	109,739	211,103	
CDBG 9982		49,250	46,912	2,338
CDBG 9625		25,793	25,793	
CDBG 10501		52,433	49,833	2,600
CDBG 10502		24,538	1,750	22,788
CDBG 10503		58,465	58,086	379
CDBG 8950 99		6,000	6,000	
CDBG 8950 01		150,000	147,861	2,139
Graduated Sanction		8,020	7,039	981
Non F.D. Reap		19,000		19,000
Yeager		24,913	24,913	
FEMA 1355 DR OK		10,000	10,000	
Civil Defense Cash Fund	1,000	216		1,216
Civil Defense Grant		9,171		9,171
County Clerk DPA	23,245	23,960	2,897	44,308
Official Depository	198,004	1,405,974	1,386,594	217,384
Schools	55,690	4,317,927	4,357,790	15,827
Cities and Towns	10,214	115,863	116,405	9,672
Individual Redemption	962	5,180	5,158	984
Court Clerk Fund	5,363	9,196	2,170	12,389
Law Library	3,720	10,310	11,445	2,585

continued on next page

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

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

continued from previous page

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2003
Free Fair	2,490	4,480	2,820	4,150
Emergency Medical Service	2,600	214,513	216,512	601
96 Protest Tax	8,820	224		9,044
01 Protest Tax	54,964	928	55,892	
02 Protest Tax		103,347		103,347
Industrial Development Authority		30,000		30,000
County Sinking	1,232			1,232
<b>Total County Funds</b>	<u>\$2,428,383</u>	<u>\$11,408,994</u>	<u>\$11,281,327</u>	<u>\$2,556,050</u>

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

**HUGHES 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 Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 178,153	\$ 178,153	\$ 178,153	\$ -
Less: Prior Year Outstanding Warrants	(58,697)	(58,697)	(58,697)	
Less: Prior Year Encumbrances	(8,464)	(8,464)	(6,589)	1,875
Beginning Cash Balances, Budgetary Basis	<u>110,992</u>	<u>110,992</u>	<u>112,867</u>	<u>1,875</u>
Receipts:				
Ad Valorem Taxes	734,904	734,904	716,666	(18,238)
Continued From Other Funds	27,041	27,041		(27,041)
Charges for Services	75,555	75,555	72,470	(3,085)
Intergovernmental Revenues	130,895	130,895	131,889	994
Miscellaneous Revenues	21,207	21,207	30,641	9,434
Total Receipts, Budgetary Basis	<u>989,602</u>	<u>989,602</u>	<u>951,666</u>	<u>(37,936)</u>
Expenditures:				
District Attorney	1,538	1,538	1,538	
Total District Attorney	<u>1,538</u>	<u>1,538</u>	<u>1,538</u>	<u>-</u>
County Sheriff	277,284	277,284	277,103	181
Total County Sheriff	<u>277,284</u>	<u>277,284</u>	<u>277,103</u>	<u>181</u>
County Treasurer	80,000	80,000	74,236	5,764
Total County Treasurer	<u>80,000</u>	<u>80,000</u>	<u>74,236</u>	<u>5,764</u>
County Commissioners	6,800	6,800	3,141	3,659
Total County Commissioners	<u>6,800</u>	<u>6,800</u>	<u>3,141</u>	<u>3,659</u>
OSU Extension	6,500	6,500	4,679	1,821
Total OSU Extension	<u>6,500</u>	<u>6,500</u>	<u>4,679</u>	<u>1,821</u>
County Clerk	107,968	107,968	105,812	2,156
Total County Clerk	<u>107,968</u>	<u>107,968</u>	<u>105,812</u>	<u>2,156</u>
Court Clerk	70,975	70,975	68,101	2,874
Total Court Clerk	<u>70,975</u>	<u>70,975</u>	<u>68,101</u>	<u>2,874</u>

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

**HUGHES 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 Assessor	44,450	44,450	44,097	353
Total County Assessor	44,450	44,450	44,097	353
Revaluation of Real Property	88,000	88,000	87,021	979
Total Revaluation of Real Property	88,000	88,000	87,021	979
Juvenile Shelter Bureau	10,100	10,100	9,466	634
Total Juvenile Shelter Bureau	10,100	10,100	9,466	634
General Government	223,248	223,248	122,760	100,488
Capital Outlay	67,306	67,306	1,480	65,826
Total General Government	290,554	290,554	124,240	166,314
Excise-Equalization Board	3,726	3,726	2,755	971
Total Excise-Equalization Board	3,726	3,726	2,755	971
County Election Board	58,165	58,165	57,753	412
Total County Election Board	58,165	58,165	57,753	412
Insurance	31,240	31,240	30,893	347
Total Insurance	31,240	31,240	30,893	347
Civil Defense	2,400	2,400	1,509	891
Total Civil Defense	2,400	2,400	1,509	891
County Audit Budget Account	7,605	7,605	7,605	
Total County Audit Budget Account	7,605	7,605	7,605	-
Free Fair Budget	10,789	10,789	10,230	559
Total Free Fair Budget	10,789	10,789	10,230	559
Provision for Interest on Warrants	2,500	2,500	2,183	317
Total Expenditures, Budgetary Basis	1,100,594	1,100,594	912,362	188,232

continued on next page

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

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

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	Original Budget	Final Budget	Actual	Variance
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	152,171	\$ 152,171
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			8,207	
Add: Current Year Outstanding Warrants			26,944	
Ending Cash Balance			\$ 187,322	

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

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

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 419,643	\$ 419,643	\$ 419,956	\$ 313
Less: Prior Year Outstanding Warrants	(6,803)	(6,803)	(6,803)	
Less: Prior Year Encumbrances	(12,077)	(12,077)	(11,218)	859
Beginning Cash Balances, Budgetary Basis	<u>400,763</u>	<u>400,763</u>	<u>401,935</u>	<u>1,172</u>
Receipts:				
Ad Valorem Taxes	166,541	166,541	178,648	12,107
Miscellaneous Revenues		7,268	17,458	10,190
Total Receipts, Budgetary Basis	<u>166,541</u>	<u>173,809</u>	<u>196,106</u>	<u>22,297</u>
Expenditures:				
Health and Welfare	417,304	424,572	234,852	189,720
Capital Outlay	150,000	150,000		150,000
Total Expenditures, Budgetary Basis	<u>567,304</u>	<u>574,572</u>	<u>234,852</u>	<u>339,720</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	363,189	<u>\$ 363,189</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			86,036	
Add: Current Year Outstanding Warrants			1,877	
Ending Cash Balance			<u>\$ 451,102</u>	

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

**HUGHES COUNTY, OKLAHOMA  
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - SINKING FUND  
FOR THE YEAR ENDED JUNE 30, 2003**

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Beginning Cash Balance	<u>\$ 1,232</u>
Receipts:	
Total Receipts	<u>-</u>
Disbursements:	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u><u>\$ 1,232</u></u>

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

**HUGHES 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	\$ 80,607	\$ 463,836	\$ 423,610	\$ 2,163	\$ 122,996
District Court Fund	53,166	278,355	278,087	1,560	54,994
District Attorney	26,146	75,327	81,192	708	20,989
County Clerk	1,360	115,353	115,350		1,363
County Sheriff	1,167	125,988	126,688	700	1,167
County Treasurer 1	7,528	25,566	25,296		7,798
County EFTPS		262,496	262,496		
County Treasurer 3A	2,719	232	232		2,719
County Assessor		1,585	1,585		
County Election Board	270	25,615	26,319	838	404
County Health		10,833	10,833		
Vehicle Stamps	248	2,380	2,184		444
District Attorney 4A	21,566	1,525	20,989		2,102
District Attorney 4B	38				38
District Attorney 4C	3,189	15,871	17,898	196	1,358
District Attorney 4D		1,012			1,012
<b>Total Official Depository Accounts</b>	<u>\$ 198,004</u>	<u>\$ 1,405,974</u>	<u>\$ 1,392,759</u>	<u>\$ 6,165</u>	<u>\$ 217,384</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 Hughes County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County. The funds presented are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

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

F. Risk Management

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

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

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

Summary of Significant Accounting Policies (continued)

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

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county will pay a deductible amount (\$1,000 to \$100,000; the County has a \$50,000 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

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

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may not be accumulated. Employees with service years up to 10 years earn 10 days per year. Employees with service years exceeding 10 years earn 15 days per year. Vacation leave is accrued monthly.

Sick leave benefits are accrued at the rate of 10 hours per month and employees may accumulate up to 30 days. Sick leave is not paid upon termination.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before May 31 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. Within weeks, the County Budget Board 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 \$2,556,050 and the bank balance was \$2,258,614. 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

Detailed Notes on Funds and Account Balances (continued)

- 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.

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

M&M Lien Fee – accounts for lien collections and disbursements as restricted by statute.

Mortgage Certification Fee – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds restricted by statutes.

Sheriff's Fees – accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

Sheriff's Special Fund – accounts for the monies received from the State of Oklahoma for the boarding and feeding of DOC prisoners and for service fees received for transportation of inmates and juvenile.

County Assessor's Fund – accounts for the collection of fees for copies restricted by state statute.

Community Service Sentencing Program – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Teen Court – accounts for the federal grant funds for the operation of a juvenile court.

Emergency 911 – accounts for monies received from private telephone companies for the operations of emergency 911 services.

Trash Cop – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

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

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Detailed Notes on Funds and Account Balances (continued)

Trash Cop Reward – accounts for fines collected for illegal dumping and is disbursed as rewards for information on illegal dumping.

Department of Justice Comp – accounts for grant monies received from the U.S. Department of Justice Local Law Enforcement Block Grant Program used for the Sheriff's office.

Family Resources Center Grant – accounts for the federal funds to be used for the prevention of domestic violence.

Family Resources Cash Fund – accounts for the donations to be used for the prevention of domestic violence.

COPS Fast – accounts for grant monies received from the U.S. Department of Justice Community Oriented Policing Services Program used for deputies' salaries in the Sheriff's office.

Workforce WIA Grant – accounts for funds received from Oklahoma Employment Security Commission for the salary and equipment for local workforce system coordinator.

Home Grant 8936 – accounts for the federal funds passed through the Oklahoma Housing Finance Agency to be used for the construction of homes for low-income residents.

CDBG 9982 – accounts for the federal funds passed through the Oklahoma Department of Commerce to be used for the construction of the Horntown Fire Department buildings.

CDBG 9625 – accounts for the federal funds passed through the Oklahoma Department of Commerce to be used for the construction of lines for Rural Water District #3.

CDBG 10501 – accounts for the federal funds passed through the Oklahoma Department of Commerce to be used for the construction of a county barn.

CDBG 10502 – accounts for the federal funds passed through the Oklahoma Department of Commerce to be used for equipment for the Spaulding Fire Department and lighting for the Community Park.

CDBG 10503 – accounts for the federal funds passed through the Oklahoma Department of Commerce to be used for equipment for the Atwood Fire Department.

CDBG 8950 99 – accounts for the federal funds passed through the Oklahoma Department of Commerce to be used for construction of homes for low-income residents.

CDBG 8950 01 – accounts for the federal funds passed through the Oklahoma Department of Commerce to be used for construction of homes for low-income residents.

Detailed Notes on Funds and Account Balances (continued)

Graduated Sanction – accounts for federal funds received from the Office of Juvenile Affairs to be used for the supervision of juveniles.

Non F.D. Reap – accounts for state grant funds received for equipment for the Non Fire Department.

Yeager – accounts for state funds received for equipment for the Yeager Fire Department.

FEMA 1355 DR OK – accounts for the receipt and disbursement of federal funds passed through the Oklahoma Department of Civil Emergency Management for disaster relief.

Civil Defense Cash Fund – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

Civil Defense Grant – accounts for federal grant funds passed through the Oklahoma Department of Civil Emergency Management to be used for state and local supplemental planning.

County Clerk DPA – accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute for preservation of records.

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

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

Cities and Towns – accounts for monies collected on behalf of the cities and towns in Hughes County from ad valorem taxes, state and local revenues, and remitted to them monthly.

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

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

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

Free Fair – accounts for rental revenues from the fair park and is used for the maintenance and operation of the fair park.

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

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Detailed Notes on Funds and Account Balances (continued)

Emergency Medical Services – accounts for the monies collected on behalf of the EMS from ad valorem taxes and remitted to them monthly.

96 Protest Tax – accounts for tax collections that have been paid under protest by the taxpayer. These funds will be held in trust until the court case has been settled.

01 Protest Tax – accounts for tax collections that have been paid under protest by the taxpayer. These funds will be held in trust until the court case has been settled.

02 Protest Tax – accounts for tax collections that have been paid under protest by the taxpayer. These funds will be held in trust until the court case has been settled.

Industrial Development Authority – accounts for funds held in trust for expenditures for the renovations to an industrial building in Wetumka.

County Sinking – accounts for the payment of interest and principal on the matured portion of long-term bonded debt and civil judgments. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

The following narrative details the official depository accounts.

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 and interest. Money is disbursed for the purpose of fees for various entities, salaries, and the operation of the office.

District Attorney – accounts for the collection of District Attorney fees transferred from the Merchant account and disbursements of funds restricted by state statute.

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

County Sheriff – accounts for all collections of foreign service fees and cash bond monies. Monies are disbursed at the end of the month and deposited in the assessor's revolving fund.

County Treasurer 1 – accounts for the overpayments of ad valorem taxes, tax payments made under protest, and the collection of pre-paid mobile homes taxes.

County EFTPS – accounts for the temporary holdings of employer and employee payroll taxes.

Detailed Notes on Funds and Account Balances (continued)

County Treasurer 3A – accounts for monies held in trust from resale property. This will be transferred to the Resale Property cash fund.

County Assessor – accounts for the collections for copies and proceeds from the sale of ownership books to be disbursed at the end of the month and deposited in the assessor's revolving fund.

Election Board – accounts for reimbursement of elections and is disbursed for refunds or election fees and maintenance and operation of the office.

Health Department – accounts for the collection of state funds and charges for services. Money is disbursed on a monthly basis to be transferred to the county health department cash account.

Vehicle Stamps – accounts for collection of motor vehicle stamps.

District Attorney 4A – accounts for monies collected from the disposition of property seized during drug abuse cases.

District Attorney 4B – accounts for collections received from the state to reimburse the County for witness expenses and fees paid by defendants for the purpose of presenting evidence for jury trials.

District Attorney 4C – accounts for collections received by court orders to reimburse victims.

District Attorney 4D – accounts for the fees collected or restitution payments.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2002, was approximately \$70,731,748.

Detailed Notes on Funds and Account Balances (continued)

Per Article 10, § 8A, with the repeal of personal property tax, the mileages with the adjustment factor are 10.39 mills for the general fund operations, 2.59 mills for the county health department, and 3.11 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.

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 96.71 percent of the tax levy.

D. Pension Plan

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

E. Capital Leases

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

Detailed Notes on Funds and Account Balances (continued)

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.

**Schedule of Expenditures of Federal Awards**

**HUGHES COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2003**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through State Department of Commerce:			
Community Development Block Grant	14.228	9625 CDBG 00	\$ 25,793
Community Development Block Grant	14.228	10503 CDBG 02	50,000
Community Development Block Grant	14.228	10501 CDBG 02	52,433
Community Development Block Grant	14.228	9982 CDBG 01	49,250
Community Development Block Grant	14.228	10502 CDBG 02	24,538
Total CFDA #14.228			<u>202,014</u>
Passed Through Oklahoma Housing Finance Agency:			
Home Investment Partnership Program	14.239	8950 HOME 99	6,000
Home Investment Partnership Program	14.239	8950 HOME 01	150,000
Home Investment Partnership Program	14.239	8936 HOME 01	171,372
Total CFDA #14.239			<u>327,372</u>
Total U. S. Department of Housing and Urban Development			<u>529,386</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed Through Oklahoma Employment Security Commission:			
WIA Title I-15% Statewide Activities	17.259	95562-EC-26-Holdenville	49,383
Total U.S. Department of Labor			<u>49,383</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through the Office of Juvenile Affairs:			
Juvenile Justice and Delinquency Prevention Act	16.54		5,955
Juvenile Accountability Incentive Block Grant	16.523	Z058039-Graduated Sanctions	12,509
Total U.S. Department of Justice			<u>18,464</u>
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT</u>			
Passed Through State Department of Civil Emergency Management:			
Public Assistance Grant	83.544		171,308
Hazard Mitigation	83.552	DR1355	10,000
Total U.S. Department of Federal Emergency Management			<u>181,308</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 778,541</u>

**HUGHES COUNTY, OKLAHOMA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2003**

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Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Hughes County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**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  
HUGHES COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Hughes County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated September 22, 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 Hughes 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2003-6. We also noted a certain immaterial instance of noncompliance, which we have reported to management and is included in Section 4 of the schedule of findings and questioned costs, contained within this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hughes 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 and questioned costs as items 2003-1, 2003-2, 2003-3, 2003-4, and 2003-5.

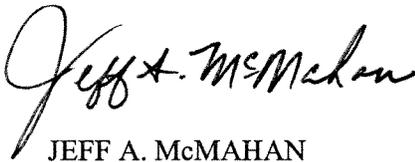
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 2003-1 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, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

September 22, 2004

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



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
HUGHES COUNTY, OKLAHOMA

Compliance

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

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

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

Internal Control Over Compliance

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

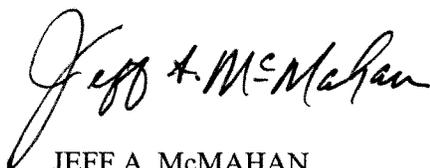
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively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

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

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

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

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

September 22, 2004

**Schedule of Findings and Questioned Costs**

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

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**SECTION 1 - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified? Yes

• Reportable condition(s) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? No

• Reportable condition(s) identified that are not considered to be material weakness(es)? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of Major Programs

CFDA Number(s)

83.544

14.239

Name of Federal Program or Cluster

Public Assistance

HOME Investment Partnerships Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

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

**Finding 2003-1 - Segregation of Duties**

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources.

Condition: The limited number of office personnel within several County offices prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

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

Management's Response: We concur with the auditor's findings. Management does have knowledge of County operations and will perform a periodic review of these operations.

**Finding 2003-2 - Timesheets and Accumulated Leave Balances**

Criteria: Effective internal controls include that timesheets be prepared, reviewed for accuracy, signed and approved by a supervisor, and filed with the payroll department prior to payroll checks being issued. The Fair Labor Standards Act requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid.

Condition: County employees do not prepare timesheets and/or records which are signed and approved by the officials. It was further noted that some employees in District #1 and District #2 were allowed to accrue negative balances of annual leave and comp time rather than taking leave without pay.

Recommendation: We recommend that all employees' timesheets be signed and approved by the appropriate official. Also, employees' paychecks should be reduced for time off when leave balances have been exhausted.

Management's Response: We concur with the auditor's findings. We have started the process of implementing procedures for the accountability of employee time records.

**Finding 2003-3 - Written Disaster Recovery Plan**

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

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

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- Guidelines on how to use the Recovery Plan,
- Emergency procedures to ensure the safety of all affected 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 site 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: The County does not have a written Disaster Recovery Plan.

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.

Management's Response: Each office will work to implement a formal Disaster Recovery Plan.

**Finding 2003-4 - Written Policies and Procedures**

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT Delivery and Support 7), 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 does not have a written policies and procedures addressing information security or provide adequate awareness training.

Recommendation: We recommend the County establish Information Security policies and procedures. A security awareness training program should be established and all employees using computers required to participate.

Management's Response: The County officials will work to prepare and implement policies and procedures for the information systems.

**Finding 2003-5 - Sheriff's Citations**

Criteria: Effective internal controls include that traffic citations be issued in triplicate form and that a control log be kept of all traffic citation books issued to employees of the Sheriff's Office. Also, tickets should be accounted for by properly voiding citations, remitting active citations to the Court Clerk's Office, and maintaining all carbon copies of citations.

Condition: While testing tickets issued by the Sheriff's Office the following exceptions were noted:

1. All tickets are not accounted for or turned into the Court Clerk.
2. Tickets are not properly voided.
3. Some tickets could not be located.
4. Carbon copies of tickets are not kept by the Sheriff's Office.

Recommendation: We recommend that the Sheriff's Office submit one copy of traffic citations to the Court Clerk, that all carbon copies of the tickets be maintained by the Sheriff's Office for audit purposes, and that citations be properly voided with the originals attached to carbon copies in the book.

Management's Response: We concur with the auditor's findings. We have started the process of implementing procedures for the accountability of Sheriff's traffic citations.

**Finding 2003-6 - Financial Statements**

Criteria: For counties who have adopted the County Budget Act per Title 19 O.S. 2001, § 1403 and Title 19 O.S. 2001, § 1405 states, "The accounting records of each county shall be established and maintained and financial statements prepared therefore in conformity with generally accepted accounting principles promulgated from time to time by authoritative bodies of the United States..."

Condition: The County has adopted the County Budget Act, however, does not prepare financial statements in conformity with generally accepted accounting principles as provided by that Act.

Recommendation: We recommend the County prepare financial statements in conformity with generally accepted accounting principles as required by counties who have adopted the County Budget Act.

Management's Response: Management is aware of this situation, however, due to financial situations we are unable to comply with this statute at this time. We are currently in the process of correcting this situation to comply with state statutes.

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

No matters were reported.

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

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**SECTION 4 - 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 2003-7 – General Fixed Assets**

Criteria: Title 19 O.S. 2001, § 178.1 states, “The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Two Hundred Fifty Dollars (\$250.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter....”

Condition: All offices do not perform a biennial verification of the fixed assets inventory.

Recommendation: We recommend that the Board of County Commissioners cause a biennial inventory to be taken of all working tools, apparatus, machinery, and equipment belonging to the County. We also recommend that these inventories be documented on form #3512.

Management’s Response: All officers will work together to compile a complete listing of County inventory. We will also try to conduct a physical inventory of all items once every two years.

**Statistical Data  
(Unaudited)**

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

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<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Enogex, Inc.	\$ 17,035,372	24.08%
Corrections Corp of America	3,680,638	5.20%
Southwestern Bell	3,154,379	4.46%
OG&E	2,997,484	4.24%
Central Oklahoma Oil & Gas	2,829,922	4.00%
Tyson Foods	2,582,137	3.65%
Explorer Pipeline	2,069,120	2.93%
Dynegy Marketing & Trading	1,143,342	1.62%
Tenaska Gas Storage	1,092,826	1.54%
Burlington Northern Railroad	877,380	1.24%
Total	<u>\$ 37,462,600</u>	<u>52.96%</u>

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

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

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Total net assessed value as of January 1, 2002		<u>\$ 70,731,748</u>
Debt limit - 5% of total assessed value		3,536,587
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>1,232</u>	<u>-</u>
Legal debt margin		<u>\$ 3,536,587</u>

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

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	2003
Estimated population	14,154
Net assessed value as of January 1, 2002	\$ 70,731,748
Gross bonded debt	-
Less available sinking fund cash balance	1,232
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

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

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<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2002	\$11,756,270	\$31,636,271	\$30,828,583	\$3,489,376	\$70,731,748	\$530,936,259