

# HUGHES COUNTY

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2007

# COUNTY AUDIT



Oklahoma State Auditor  
& Inspector

**HUGHES COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**STATE OF OKLAHOMA**  
**OFFICE OF THE AUDITOR AND INSPECTOR**

Steve Burrage, CPA  
State Auditor and Inspector

August 27, 2008

TO THE CITIZENS OF  
HUGHES COUNTY, OKLAHOMA

Transmitted herewith is the audit of Hughes County, Oklahoma, for the fiscal year ended June 30, 2007. 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 serving the public interest by providing independent oversight and by issuing 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 blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

A handwritten signature in blue ink that reads "Michelle R. Day".

MICHELLE R. DAY, ESQ.  
DEPUTY STATE AUDITOR & INSPECTOR

**HUGHES COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**HUGHES COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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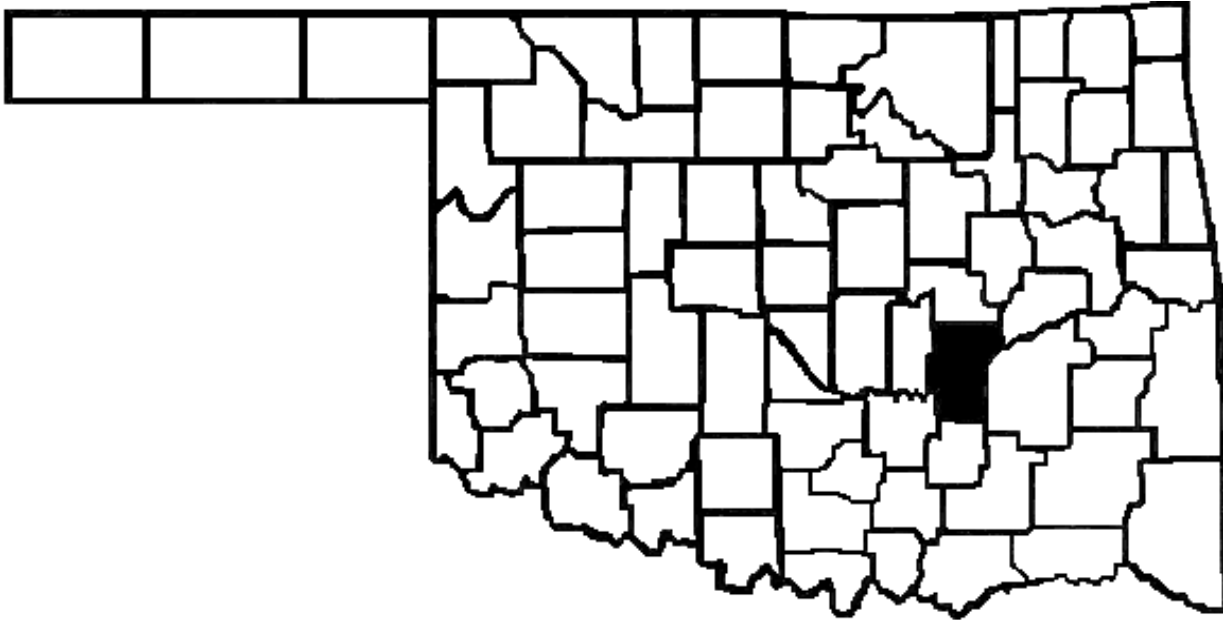
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**REPORT TO THE CITIZENS  
OF  
HUGHES COUNTY, OKLAHOMA**

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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 – 814.64 Square Miles

County Population – 13,835  
(2005 est.)

Farms – 955

Land in Farms – 374,192 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

**HUGHES COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**COUNTY ASSESSOR**  
Kathi D. Mask

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**  
Joquita Walton

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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**BOARD OF COUNTY COMMISSIONERS**

**DISTRICT 1**

Charles Skipworth (through September  
2006)  
Clyde Collis (September 2006 to  
present)

**DISTRICT 2**

Gary Gray

**DISTRICT 3**

Jerry W. Martin (through January  
2007)  
Jim Searcy (January 2007 to present)

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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**COUNTY SHERIFF**  
Houston Yeager

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

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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**COURT CLERK**  
Sandy Moss

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

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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**ELECTION BOARD SECRETARY**  
Brandy West

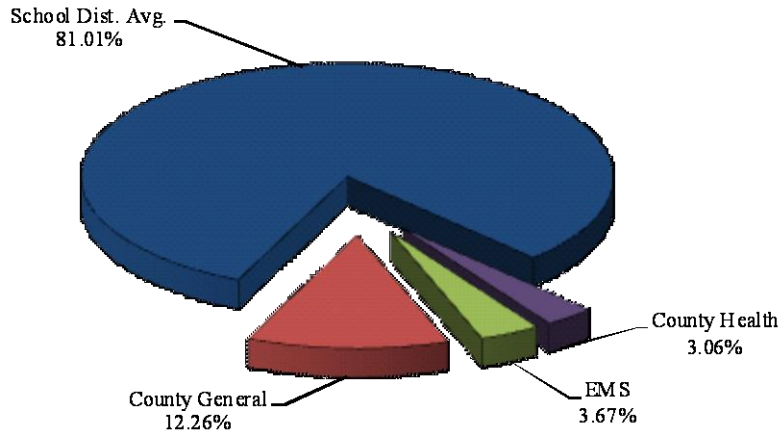
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.

**HUGHES COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Career Tech	Tech Building	Common	Total
County General	10.39									
County Health	2.59	Moss	I-1	36.15	5.26	1.98	5.23		4.15	52.77
EMS	3.11	Wetumka	I-54	36.41	5.20	25.56	5.23		4.15	76.55
		Dustin	I-9	36.80	5.26	12.34	5.23		4.15	63.78
		Holdenville	I-35	37.20	5.31		5.23		4.15	51.89
		Calvin	I-48	36.58	5.22	8.78	10.26	2.06	4.15	67.05
		Stuart	I-54	35.46	5.06	7.69	10.26	2.06	4.15	64.68
		Allen	J-1	35.98	5.14	12.27	10.29	2.00	4.15	69.83
		Wewoka	J-2	47.60	6.80	27.51	10.60	5.30	4.15	101.96
		Sasakwa	J-10	36.83	5.26	25.58	10.29	2.00	4.15	84.11
		Butner	J-15	37.09	5.30	10.01	10.60	5.30	4.15	72.45
		Weleetka	J-31	35.62	5.09		5.23		4.15	50.09

See independent auditor's report.

**HUGHES COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

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Total net assessed value as of January 1, 2006		<u>\$ 84,497,546</u>
Debt limit - 5% of total assessed value		4,224,877
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 4,224,877</u>

See independent auditor's report.

**HUGHES COUNTY, OKLAHOMA  
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

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	2006
Estimated population	13,835
Net assessed value as of January 1, 2006	\$ 84,497,546
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	\$ -

See independent auditor's report.

**HUGHES COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2006	\$16,969,332	\$36,452,841	\$34,695,637	\$3,620,264	\$84,497,546	\$629,212,570

See independent auditor's report.

**FINANCIAL SECTION**





**STATE OF OKLAHOMA**  
**OFFICE OF THE AUDITOR AND INSPECTOR**

Steve Burrage, CPA  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
HUGHES COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Hughes County, Oklahoma, as of and for the year ended June 30, 2007, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Hughes County's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Hughes County as of June 30, 2007, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Hughes County, for the year ended June 30, 2007, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2008, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. Hughes County has not presented the budgetary comparison information for the Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances – Budget and Actual – Budgetary Basis – General Fund. Although not a part of the basic financial statement, such information is an integral part of the regulatory presentation for county government. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.



STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR



MICHELLE R. DAY, ESQ.  
DEPUTY STATE AUDITOR & INSPECTOR

August 11, 2008

## **Basic Financial Statement**

**HUGHES COUNTY, OKLAHOMA  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 (WITH COMBINING INFORMATION)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2007
Combining Information:				
County General Fund	\$ 273,801	\$ 1,215,595	\$ 1,178,122	\$ 311,274
T-Highway	790,059	2,476,281	2,472,062	794,278
Resale Property	99,534	37,900	33,916	103,518
County Health	284,376	223,529	291,533	216,372
M&M Lien Fee	101,069	136,246	71,421	165,894
Mortgage Certification Fee	15,656	3,285	75	18,866
Sheriff's Fees	11,238	71,858	16,252	66,844
Sheriff's Special Fund	87,169	102,241	62,436	126,974
County Assessor's Fund	5,348	3,964	3,573	5,739
Community Service Sentencing Program	2,631			2,631
County Clerk DPA	49,038	66,120	48,671	66,487
Free Fair	4,338	1,862	3,719	2,481
Family Resources Center Grant	268			268
Family Resources Cash Fund	640			640
COPS SRO	7,507	44,600	52,106	1
Civil Defense Cash Fund	1,536			1,536
EMS Reap Grant	25,000		25,000	
Emergency 911	92,419	44,634	54,366	82,687
Drug Court	7,770	41,244	42,345	6,669
05 Home Grant 1057	827	13,628	14,455	
Hughes County SRO		55,835	52,029	3,806
<b>Combined Total -- All County Funds</b>	<b>\$ 1,860,224</b>	<b>\$ 4,538,822</b>	<b>\$ 4,422,081</b>	<b>\$ 1,976,965</b>

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

**HUGHES COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**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 basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Hughes County, Oklahoma. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds 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 County 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.

Following are descriptions of the funds included as supplementary information within the financial statement:

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 as restricted by statutes.

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

**HUGHES COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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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 juveniles.

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.

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

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

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 SRO – 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.

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

EMS REAP Grant – accounts for grant funds received and disbursements are restricted by the grant agreement.

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

Drug Court – accounts for state funds received from the State Department of Mental Health and Substance Abuse and is used for the operation of the Drug Court office.

05 Home Grant 1057 – accounts for Home Investment Partnership Program funds used for housing and development.

Hughes County SRO – 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.

**HUGHES COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, school districts and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations.

**C. Basis of Accounting**

The basic financial statement is 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. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

**D. Budget**

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. On or before May 31 of each year, each officer or department head is required to submit an estimate of needs (budget) to the governing body. The budget is required to be approved for the respective fund by office, or department and object. The County Budget Board may approve changes of appropriations within the fund by office or department and object.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

**E. Cash**

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

**F. Investments**

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

**HUGHES COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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- 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

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

**G. Compensated Absences**

Vacation benefits are earned by the employee during the year. Employees with service from 1 to 10 years earn 10 days per year. Employees with service years exceeding 10 years earn 15 days per year. An employee may accumulate up to 5 days. Upon separation, an employee is paid for accrued vacation leave.

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. 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, 2006, was approximately \$84,497,546.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.39 mills for general fund operations, 2.59 mills for county health department, and 3.11 mills for emergency medical service. In addition, the County collects the ad valorem taxes



**HUGHES COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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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, 2007, were approximately 97.69 percent of the tax levy.

**3. 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. Risk Management**

The County is exposed to the various risks of loss shown in the following table:

<b>Types of Loss</b>	<b>Method of Management</b>	<b>Risk of Loss Retained</b>
General Liability <ul style="list-style-type: none"> <li>• Torts</li> <li>• Errors and Omissions</li> <li>• Law Enforcement Officers Liability</li> <li>• Vehicle</li> </ul>	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.
Physical Plant <ul style="list-style-type: none"> <li>• Theft</li> <li>• Damage to Assets</li> <li>• Natural Disasters</li> </ul>		
Workers' Compensation <ul style="list-style-type: none"> <li>• Employees' Injuries</li> </ul>	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.

**HUGHES COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Types of Loss	Method of Management	Risk of Loss Retained
Employee <ul style="list-style-type: none"> <li>• Medical</li> <li>• Disability</li> <li>• Dental</li> <li>• Life</li> </ul>	The County carries commercial insurance.	None

ACCO-SIG – The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$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 workers’ compensation claims and employees’ insurance. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

**5. Long-term Obligations**

**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 pieces of machinery subsequently acquired.

**6. 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

**HUGHES COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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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.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006, and 2005, were \$190,769, \$178,953, and \$155,842, respectively, equal to the required contributions for each year.

**7. Other Post Employment Benefits (OPEB)**

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

**8. 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 County expects such amounts, if any, to be immaterial.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

**OTHER SUPPLEMENTARY INFORMATION**

**HUGHES COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 284,376	\$ 284,376	\$ 284,376	\$ -
Less: Prior Year Outstanding Warrants	(25,064)	(25,064)	(25,064)	
Less: Prior Year Encumbrances	<u>(1,520)</u>	<u>(1,520)</u>	<u>(479)</u>	<u>1,041</u>
Beginning Cash Balances, Budgetary Basis	<u>257,792</u>	<u>257,792</u>	<u>258,833</u>	<u>1,041</u>
Receipts:				
Ad Valorem Taxes	198,954	198,954	212,187	13,233
Miscellaneous Revenues	<u>        </u>	<u>6,492</u>	<u>11,342</u>	<u>4,850</u>
Total Receipts, Budgetary Basis	<u>198,954</u>	<u>205,446</u>	<u>223,529</u>	<u>18,083</u>
Expenditures:				
Health and Welfare	323,000	329,492	280,968	48,524
Capital Outlay	<u>133,746</u>	<u>133,746</u>	<u>120,096</u>	<u>13,650</u>
Total Expenditures, Budgetary Basis	<u>456,746</u>	<u>463,238</u>	<u>401,064</u>	<u>62,174</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	81,298	<u>\$ 81,298</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			132,953	
Add: Current Year Outstanding Warrants			<u>2,121</u>	
Ending Cash Balance			<u>\$ 216,372</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**HUGHES COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**Budgetary Schedules**

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis, for the General Fund has not been presented. Therefore, the legally adopted budget cannot be compared with actual data for the General Fund. The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis, for the County Health Department Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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 these funds. At the end of the year, unencumbered appropriations lapse.

See independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



**STATE OF OKLAHOMA**  
**OFFICE OF THE AUDITOR AND INSPECTOR**

Steve Burrage, CPA  
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  
HUGHES COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Hughes County, Oklahoma, as of and for the year ended June 30, 2007, which comprises Hughes County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 11, 2008. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Further, Hughes County has not presented budgetary comparison information for the general fund that should have been included as supplementary information. Also, our report 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 Hughes County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2007-1 and 2007-4 as described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider 2007-1 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hughes County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2007-2 and 2007-3.

Hughes County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Hughes County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management of the County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR



MICHELLE R. DAY, ESQ.  
DEPUTY STATE AUDITOR & INSPECTOR

August 11, 2008

**HUGHES COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**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 2007-1—Segregation of Duties (Repeat Finding)**

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation are important elements 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.

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 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 office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. Management does have knowledge of office operations and will perform a periodic review of these operations.

**Finding 2007-2—Financial Statements (Repeat Finding)**

Criteria: For counties who have adopted the County Budget Act per Title 19 O.S. § 1403 and Title 19 O.S. § 1405 which 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.

Effect: This condition could result in noncompliance to state statutes and legislative intent.

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.

Views of responsible officials and planned corrective actions: Management is aware of this situation; however, due to financial situations we are unable to comply with this statute at this time.

**HUGHES COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**Finding 2007-3—Estimate of Needs**

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent. Effective internal controls as they relate to government entities financial reporting should assist in fulfilling government’s duty to be publicly accountable and should enable users access to that accountability by demonstrating whether resources were obtained and used in accordance with the entity’s adopted budget.

Title 19 O.S. § 1413.C. states, “The adopted budgets shall be in effect on and after the first day of the fiscal year to which they apply. The budgets as adopted and filed with the excise board shall constitute an appropriation for each fund, subject to final approval of the county excise board as provided in this act, and the appropriation thus made shall not be used for any other purpose except as provided by law.”

Title 19 O.S. § 1414.B. states, “At the time required by law, the county excise board shall compute the appropriations and levy the taxes necessary for the county for the budget year in accordance with this act and Section 3017 of Title 68 of the Oklahoma Statutes.”

Title 68 O.S. § 3017 states in part, “Third: Deduct from the remainder thus ascertained the estimated probable income from sources other than ad valorem taxation; however, in no event shall the amount of such estimated income exceed ninety percent (90%) of the actual collections from such sources for the previous fiscal year. Provided, that the amount of such estimated income for a school district may be the amount that is chargeable as minimum program income of the district for the purpose of receiving state equalization aid. Also, deduct the estimated probable revenue to be derived from additional collection from taxes in the process of collection of the immediately preceding taxable year; provided that the amount so estimated shall be cash fund balance as hereinafter defined, and shall include none of that portion of the reserve added at the beginning of such year for delinquent tax, and shall not exceed ninety percent (90%) of the actual collections of additional back taxes legally accrued to and credited to the same fund account of the immediately preceding fiscal year. Fourth: Add to the remainder a reserve for delinquent taxes, the amount of which reserve shall be determined by the excise board, except for any municipality which has opted by resolution to come under the provisions of Section 17-201 et seq. of Title 11 of the Oklahoma Statutes, in which case the governing body of such municipality shall determine the needs of the municipality for sinking fund purposes, after taking into consideration the amount of uncollected taxes for the previous year or years; provided that the reserve so added shall not exceed twenty percent (20%) or be less than five percent (5%); and provided, further, that the reserve so added shall not be subject to review.”

Condition: The 2007-2008 Estimate of Needs filed by the Budget Board reflected the following errors and/or omissions:

- Funds were budgeted for the “County Commissioners” account in the general fund; however, expenditures from this account were made for “OSU Travel.”
- A reserve for delinquent ad valorem taxes was not budgeted in the general fund.
- Budgeted miscellaneous revenues for the general fund were in excess of 90% of prior year actual collections.

**HUGHES COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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- No funds were appropriated for the “Insurance-Benefits” account within the general fund, but \$48,634.50 in warrants was issued from this account.
- Original appropriations for the general fund did not agree to the amounts approved by the Excise Board on the 2006-2007 Estimate of Needs.

Effect: This condition results in an incomplete and/or incorrect Estimate of Needs being approved by the Budget Board and results in the County being unable to present a Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances – Budget and Actual – Budgetary Basis – General Fund.

Recommendation: We recommend that the Budget Board review the Estimate of Needs prior to approval to ensure that all exhibits are accurately presented.

Views of responsible officials and planned corrective actions: We concur with the State Auditor’s findings. Management will place more emphasis on reviewing the Estimate of Needs prior to approval.

**Finding 2007-4—Fixed Assets Inventory (Repeat Finding)**

Criteria: Statutory requirements have been established for inventory control in county government. Title 19 O.S. § 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 Five Hundred Dollars (\$500.00), 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.

Effect: This condition could result in unrecorded transactions and misappropriation of assets.

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.

Views of responsible officials and planned corrective actions: 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.



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