

**MARSHALL COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

December 21, 2005

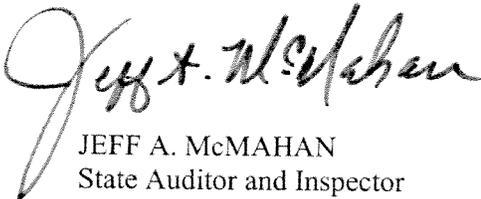
TO THE CITIZENS OF  
MARSHALL COUNTY, OKLAHOMA

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

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

The Office of the State Auditor and Inspector is committed to 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,

  
JEFF A. McMAHAN  
State Auditor and Inspector

MARSHALL COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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MARSHALL COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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INTERNAL CONTROL AND COMPLIANCE SECTION

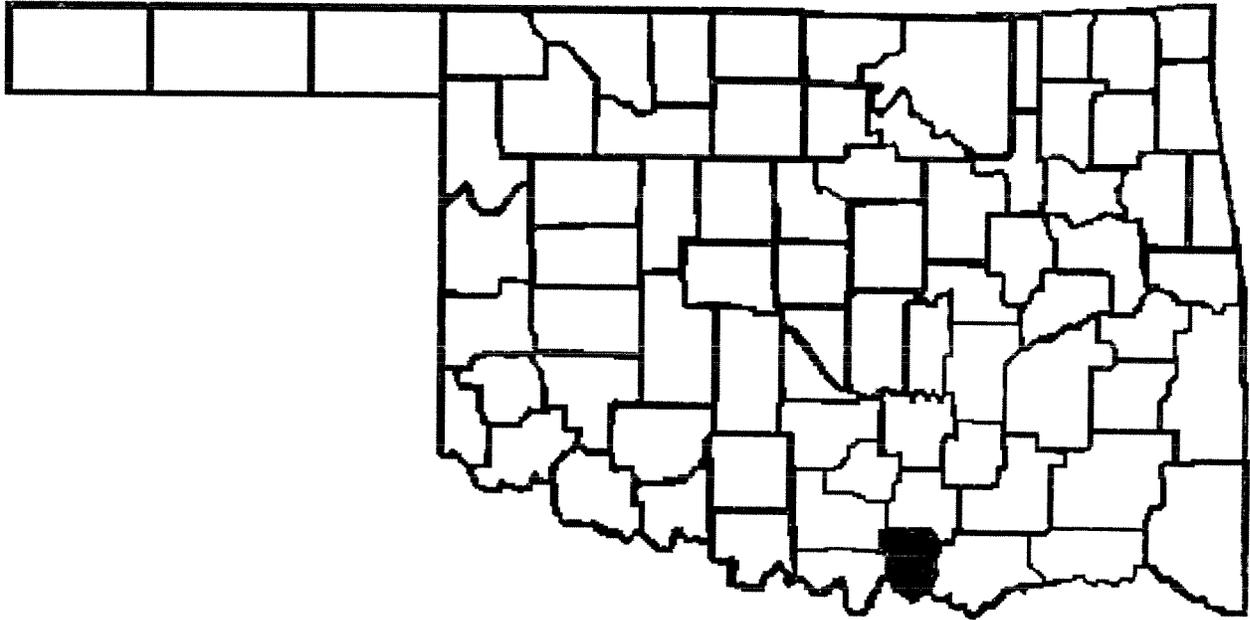
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REPORT TO THE CITIZENS  
OF  
MARSHALL COUNTY, OKLAHOMA

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Created at statehood from Pickens County in the Chickasaw Nation, Indian Territory, this smallest county in the state was settled by the Chickasaws beginning in 1837 with the removal from their eastern homes. A member of the Constitutional Convention, George A. Henshaw of Madill, succeeded in giving the county his mother's maiden name, Marshall. The county seat, Madill, is named for George A. Madill of St. Louis, an attorney for the railroad.

Oil has played a colorful part in the county's history. Leases along the Red River led to the Supreme Court's final decision in the boundary dispute with Texas. Principal industries in the county are: Oklahoma Steel and Wire, W.W. Trailer, Clint Williams – Texoma Peanut Co., Madill Manufacturing, S&H Trailer, J&I Manufacturing, and Contract Manufacturing. Also important are oil, agriculture, livestock, and tourism.

The Denison Dam, completed in 1944, created Lake Texoma with 91,200 acres of water. This lake attracts some 500,000 visitors annually and has made tourism a major industry in the county.

Native son, Raymond D. Gary of Madill, brought the spotlight of attention to the county when he became the 15<sup>th</sup> governor of Oklahoma during the years 1955-1959. For more county information, call the county clerk's office at 580-795-3220.

County Seat - Madill

Area – 371.1 Square Miles

County Population - 13,184 (2000 est.)

Farms - 414

Land in Farms - 163,584 Acres

Primary Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**MARSHALL COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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**COUNTY ASSESSOR**  
Debbie Croasdale  
(D) Kingston

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**  
Ann Hartin  
(D) Madill

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.

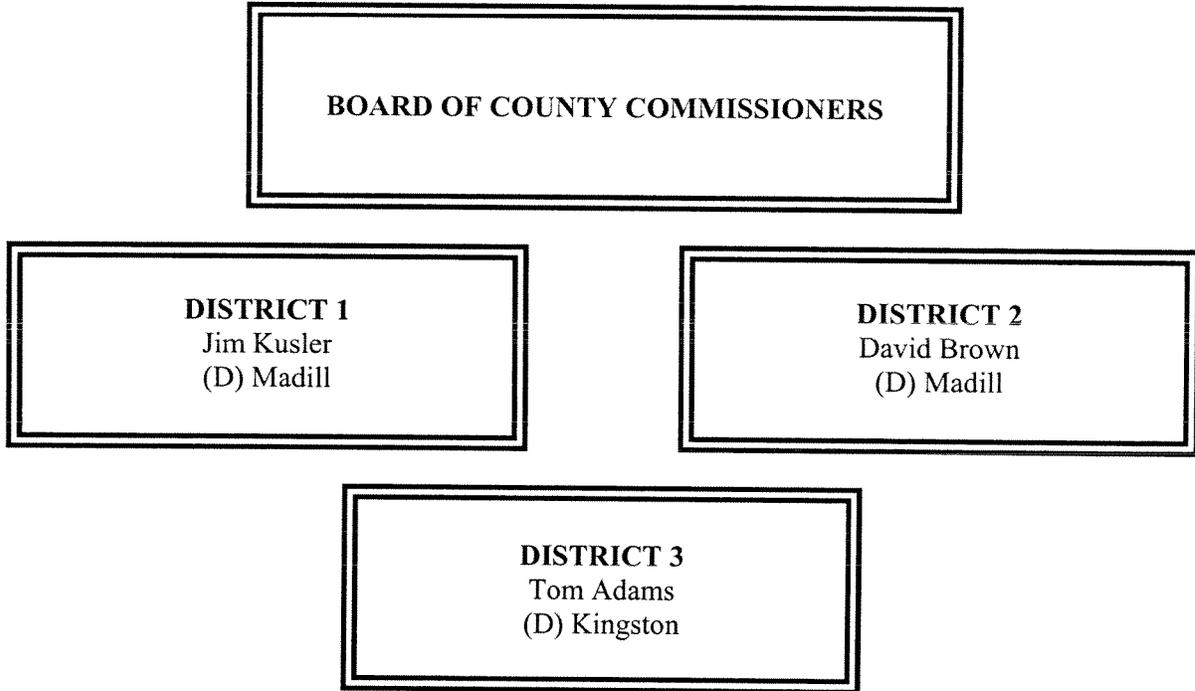
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county.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

**MARSHALL COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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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.

**MARSHALL COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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**COUNTY SHERIFF**

Robert Wilder  
(D) Kingston

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**

Loyce Eldridge  
(D) Madill

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.

**MARSHALL COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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**COURT CLERK**  
Wanda Pearce  
(D) Madill

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**  
Mitch Sperry  
(R) Ardmore

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.

**MARSHALL COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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**ELECTION BOARD SECRETARY**

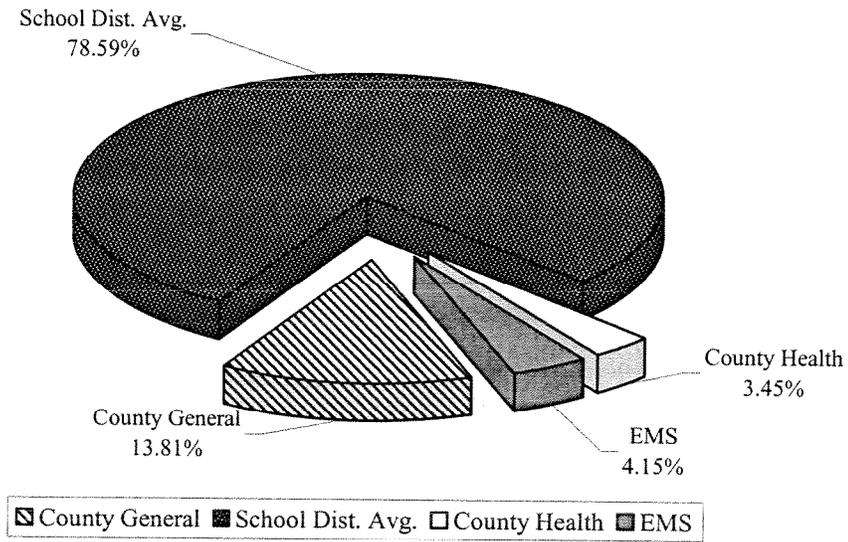
LaRue Wilhite  
(D) Madill

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.

**MARSHALL COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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.	Common	Total
Co. General	10.33		36.08	5.15	20.07	4.13	65.43
County Health	2.58	Madill	36.26	5.18	6.55	4.13	52.12
EMS	3.10	Kingston					

See independent auditor's report.

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

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Total net assessed value as of January 1, 2003		<u>\$ 56,633,576</u>
Debt limit - 5% of total assessed value		2,831,679
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 2,831,679</u>

See independent auditor's report.

**MARSHALL COUNTY, OKLAHOMA  
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(UNAUDITED)**

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	2004
Estimated population	13,184
Net assessed value as of January 1, 2003	\$ 56,633,576
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.

**MARSHALL COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(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>
1/1/2003	\$9,013,691	\$6,911,136	\$44,081,308	\$3,372,559	\$56,633,576	\$514,096,064

See independent auditor's report.

**FINANCIAL SECTION**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
MARSHALL COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Marshall County, Oklahoma, as of and for the year ended June 30, 2004, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Marshall 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.

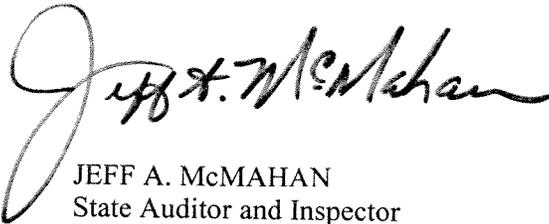
As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between 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 Marshall County as of June 30, 2004, 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 Marshall County, for the year ended June 30, 2004, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2005, on our consideration of Marshall 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. Finally, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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. 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.



JEFF A. McMAHAN  
State Auditor and Inspector

November 22, 2005

**Basic Financial Statement**

**MARSHALL COUNTY, OKLAHOMA  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
(WITH COMBINING INFORMATION)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Beginning Cash Balances July 1, 2003	Receipts Appportioned	Disbursements	Ending Cash Balances June 30, 2004
Combining Information:				
County General Fund	\$ 210,164	\$ 1,052,255	\$ 986,965	\$ 275,454
T-Highway	454,253	1,585,367	1,674,262	365,358
Sheriff Prisoner	33,458	264,460	273,845	24,073
County Health	58,015	152,036	124,751	85,300
Resale Property	41,719	43,255	39,000	45,974
Sheriff Service Fee	23,492	27,229	46,617	4,104
Sheriff City Reimbursement	45,952	85,760	117,896	13,816
Community Service	11,771	7,347	18,716	402
Illegal Dumping Reward	10,000			10,000
Emergency 911	6,897	33,201	32,887	7,211
County Clerk Lien Fee	8,689	6,774	4,087	11,376
Treasurer's Mortgage Certification Fee	5,356	4,421	4,126	5,651
Preservation Fund	14,469	23,500	6,979	30,990
County Assessor Visual Inspection	29,293	5,958	1,938	33,313
Lake Texoma Law	19,761	19,152	38,688	225
Flood Plain	2,905	200	183	2,922
Juvenile Attendant	140			140
Law Enforcement Grant	10,000	19,916	10,000	19,916
Z-CEG	2,198	52	2,250	
Tourism Revolving	7,675	24,546	9,940	22,281
County General Revolving	32,700	98,182	66,162	64,720
REAP Grants (all)	14,689	82	14,771	
EMS Grant		104,800	104,800	
Court Fund Payroll		48,513	37,783	10,730
CDBG-Water		189,635	185,594	4,041
Rural Water M-J Water Project		500,000	462,531	37,469
Sheriff Dispatch Grant		19,480	19,423	57
Sheriff Commissary		785		785
Marshall County Search and Rescue Grant		517	517	
<b>Combined Total--All County Funds</b>	<u>\$ 1,043,596</u>	<u>\$ 4,317,423</u>	<u>\$ 4,284,711</u>	<u>\$ 1,076,308</u>

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

MARSHALL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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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 Marshall 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.

Sheriff Prisoner – accounts for funds from contracts received for housing inmates.

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

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

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

Sheriff City Reimbursement – accounts for collections from the cities of Madill and Kingston for housing city prisoners.

**MARSHALL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

Illegal Dumping Reward – accounts for monies set aside to pay rewards to persons reporting illegal dumping.

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

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

Treasurer's 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 statute.

Preservation Fund – accounts for fees collected for instruments filed in the Registrar of Deeds as restricted by statute for preservation of records.

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

Lake Texoma Law – accounts for monies received from the Corps of Engineers for patrolling services.

Flood Plain – accounts for monies received from the U.S. Department of Defense for flood plain management.

Juvenile Attendant – accounts for all grants to support the programs and services provided at the juvenile detention facility.

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

Z-CEG – accounts for grant monies received from the U.S. Department of Housing and Urban Development and passed through the Oklahoma Department of Commerce for the renovations for handicap accessibility.

Tourism Revolving – accounts for 20% of the lodging sales tax to be used for the promotion of tourism in Marshall County.

County General Revolving – accounts for 80% of the lodging sales tax to be used for the maintenance and operation of Marshall County.

REAP Grants (all) – accounts for state grant funds received for various projects.

**MARSHALL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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EMS Grant – accounts for the federal funds passed through the Oklahoma Department of Commerce to be used for the purchase of an ambulance.

Court Fund Payroll – accounts for funds allocated from the court administrator’s office for court fund employees’ payroll.

CDBG-Water – accounts for the federal funds passed through the Oklahoma Department of Commerce to be used for the relocation of water lines.

Rural Water M-J Water Project – accounts for the federal funds passed through the Oklahoma Department of Commerce to be used for the construction of a check value station and other water line improvements.

Sheriff Dispatch Grant – accounts for state funds to be used for the incorporation of 911 dispatch for Marshall County.

Sheriff Commissary – accounts for profits received for the operation of an inmate commissary.

Marshall County Search and Rescue Grant – accounts for state funds to be used for the purchase of search and rescue equipment for volunteer fire departments.

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 submits an estimate of needs (budget) to the governing body. The budget is

**MARSHALL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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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.

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:

- 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 and may accumulate five to ten days depending on the number of years of service. Vacation must be earned before it is taken. Employees must work one year before using vacation leave.

**MARSHALL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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Sick leave benefits are accrued at the rate of one day per month and employees may accumulate up to a maximum of six months.

The County does not record any liability for sick leave.

**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, 2003, was approximately \$56,633,576.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.33 mills (the legal maximum) for general fund operations, 2.58 mills for county health department, and 3.10 mills for emergency medical service. In addition, the County 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, 2004, were approximately 96.78 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.

**MARSHALL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**4. Risk Management**

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

Types of Loss	Method of Management	Risk of Loss Retained
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>		
Worker's 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.
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 worker's compensation claims and employees' insurance. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

**MARSHALL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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**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 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 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2004, 2003, and 2002 were \$112,018, \$111,225, and \$114,156, 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.

The County 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 County.

**OTHER SUPPLEMENTARY INFORMATION**

**MARSHALL COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 210,164	\$ 210,164	\$ 210,164	\$ -
Less: Prior Year Outstanding Warrants	(41,299)	(41,299)	(41,299)	
Less: Prior Year Encumbrances	(37,157)	(37,157)	(37,093)	64
Beginning Cash Balances, Budgetary Basis	<u>131,708</u>	<u>131,708</u>	<u>131,772</u>	<u>64</u>
Receipts:				
Ad Valorem Taxes	566,667	566,667	583,787	17,120
Charges for Services	78,550	78,550	85,676	7,126
Intergovernmental Revenues	279,538	279,538	363,116	83,578
Miscellaneous Revenues	15,095	15,095	19,676	4,581
Total Receipts, Budgetary Basis	<u>939,850</u>	<u>939,850</u>	<u>1,052,255</u>	<u>112,405</u>
Expenditures:				
District Attorney	8,000	8,000	7,942	58
Total District Attorney	<u>8,000</u>	<u>8,000</u>	<u>7,942</u>	<u>58</u>
County Sheriff	165,550	165,550	165,520	30
Capital Outlay	19,451	19,451	19,451	
Total County Sheriff	<u>185,001</u>	<u>185,001</u>	<u>184,971</u>	<u>30</u>
County Treasurer	85,187	85,187	85,065	122
Capital Outlay	1	1		1
Total County Treasurer	<u>85,188</u>	<u>85,188</u>	<u>85,065</u>	<u>123</u>
County Commissioners	4,800	4,800	4,800	
Total County Commissioners	<u>4,800</u>	<u>4,800</u>	<u>4,800</u>	<u>-</u>
OSU Extension	12,720	12,720	12,718	2
Capital Outlay	4,280	4,280	4,275	5
Total OSU Extension	<u>17,000</u>	<u>17,000</u>	<u>16,993</u>	<u>7</u>
County Clerk	94,087	94,087	93,933	154
Capital Outlay	1	1		1
Total County Clerk	<u>94,088</u>	<u>94,088</u>	<u>93,933</u>	<u>155</u>
Superintendent	6,500	6,500	5,723	777
Capital Outlay	1	1		1
Total Superintendent	<u>6,501</u>	<u>6,501</u>	<u>5,723</u>	<u>778</u>
Court Clerk	58,058	58,058	57,872	186
Total Court Clerk	<u>58,058</u>	<u>58,058</u>	<u>57,872</u>	<u>186</u>

continued on next page

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

**MARSHALL COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	64,558	64,558	63,028	1,530
Capital Outlay	1	1		1
Total County Assessor	<u>64,559</u>	<u>64,559</u>	<u>63,028</u>	<u>1,531</u>
Revaluation of Real Property	102,021	102,021	101,901	120
Capital Outlay	17,140	17,140	17,140	
Total Revaluation of Real Property	<u>119,161</u>	<u>119,161</u>	<u>119,041</u>	<u>120</u>
General Government	285,985	285,985	278,127	7,858
Capital Outlay	86,953	86,953		86,953
Total General Government	<u>372,938</u>	<u>372,938</u>	<u>278,127</u>	<u>94,811</u>
Excise-Equalization Board	2,650	2,650	2,287	363
Total Excise-Equalization Board	<u>2,650</u>	<u>2,650</u>	<u>2,287</u>	<u>363</u>
County Election Board	44,700	44,700	44,101	599
Capital Outlay	1	1		1
Total County Election Board	<u>44,701</u>	<u>44,701</u>	<u>44,101</u>	<u>600</u>
County Audit Budget Account	5,663	5,663	5,663	
Total County Audit Budget Account	<u>5,663</u>	<u>5,663</u>	<u>5,663</u>	<u>-</u>
Free Fair Budget	3,250	3,250	3,247	3
Total Free Fair Budget	<u>3,250</u>	<u>3,250</u>	<u>3,247</u>	<u>3</u>
Provision for Interest on Warrants			552	(552)
Total Expenditures, Budgetary Basis	<u>1,071,558</u>	<u>1,071,558</u>	<u>973,345</u>	<u>98,213</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	210,682	<u>\$ 210,682</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			34,032	
Add: Current Year Outstanding Warrants			30,740	
Ending Cash Balance			<u>\$ 275,454</u>	

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

**MARSHALL 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, 2004**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 58,015	\$ 58,015	\$ 58,015	\$ -
Less: Prior Year Encumbrances	(7,079)	(7,079)	(7,079)	
Beginning Cash Balances, Budgetary Basis	<u>50,936</u>	<u>50,936</u>	<u>50,936</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	132,833	132,833	139,332	6,499
Miscellaneous Revenues			12,704	12,704
Total Receipts, Budgetary Basis	<u>132,833</u>	<u>132,833</u>	<u>152,036</u>	<u>19,203</u>
Expenditures:				
Health and Welfare	177,769	177,769	119,524	58,245
Capital Outlay	6,000	6,000	2,367	3,633
Total Expenditures, Budgetary Basis	<u>183,769</u>	<u>183,769</u>	<u>121,891</u>	<u>61,878</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	81,081	<u>\$ 81,081</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Outstanding Warrants			4,219	
Ending Cash Balance			<u>\$ 85,300</u>	

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

**MARSHALL COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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**1. Budgetary Schedules**

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis, for the General Fund and the County Health Department Fund present 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.

**MARSHALL COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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	10208 CDBG 01	\$ 2,250
Community Development Block Grant	14.228	10563 CDBG 02	189,635
Community Development Block Grant	14.228	10702 CDBG 02	500,000
Community Development Block Grant	14.228	10772 CDBG 02	200,000
Community Development Block Grant	14.228	11112 CDBG 01	32,249
Total U.S. Department of Housing and Urban Development			<u>924,134</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through the Oklahoma District Attorneys Council:			
Local Law Enforcement Block Grants Program	16.592	LE03-078	10,000
Bulletproof Vest Partnership Program	16.607	2003 BUBX 03017088	577
Total U.S. Department of Justice			<u>10,577</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		83,447
Total U.S. Department of Interior			<u>83,447</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed Through Oklahoma State Treasurer:			
Payments to States in Lieu of Real Estate Taxes - Flood Control	12.112		112,520
Total U.S. Department of Defense			<u>112,520</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through the Bureau of Indian Affairs			
State and Community Highway Safety	20.600	AL-03-03-01-01	2,050
State and Community Highway Safety	20.600	AL-04-03-02-02	33,548
Total U.S. Department of Transportation			<u>35,598</u>
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT</u>			
Passed Through State Department of Civil Emergency Management:			
Hazard Mitigation Grant	83.548/97.039	FEMA-1355-DR-OK	7,000
Total U.S. Department of Federal Emergency Management			<u>7,000</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,173,276</u></u>

The accompanying notes are an integral part of this schedule.  
See independent auditor's report.

**MARSHALL COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Marshall 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*.

See independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
MARSHALL COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Marshall County, Oklahoma, as of and for the year ended June 30, 2004, which comprises Marshall County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 22, 2005. 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. 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

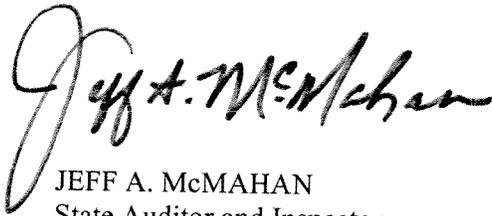
In planning and performing our audit, we considered Marshall County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. 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 Marshall County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings as items 2004-1, 2004-2, and 2004-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement 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 2004-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 2004-4. We also noted certain matters that we reported to the management of Marshall County, which are included in Section 4 of the schedule of findings contained 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 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.

A handwritten signature in black ink that reads "Jeff A. McMAHAN". The signature is written in a cursive style with a large, looping initial "J".

JEFF A. McMAHAN  
State Auditor and Inspector

November 22, 2005



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  
MARSHALL COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Marshall 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, 2004. Marshall 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 Marshall County's management. Our responsibility is to express an opinion on Marshall County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Marshall 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 Marshall County's compliance with those requirements.

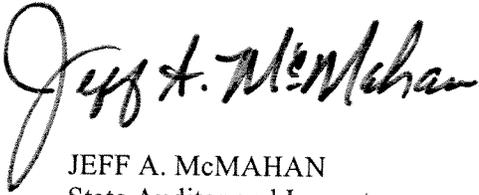
In our opinion, Marshall County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Marshall 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 Marshall 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 the 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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.

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities 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.

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive, flowing style with a large initial "J".

JEFF A. McMAHAN  
State Auditor and Inspector

November 22, 2005

MARSHALL COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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**SECTION I—Summary of Auditor’s Results**

Financial Statements

Type of auditor's report issued: ..... Adverse as to GAAP; unqualified as to statutory presentation

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) ..... Name of Federal Program or Cluster  
14.228 ..... Community Development Block Grant

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

Auditee qualified as low-risk auditee? ..... No

MARSHALL COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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**SECTION 2—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 2004-1 – Segregation of Duties (Repeat Finding)**

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 office operations and a periodic review of operations.

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

**Finding 2004-2 – Written Policies and Procedures (Repeat Finding)**

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 written policies and procedures addressing information security or provide adequate awareness-training to their employees.

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

Views of responsible officials and planned corrective actions: The County Officials will work to prepare and implement policies and procedures for the information systems.

**MARSHALL COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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**Finding 2004-3 – Sheriff Inmate Trust Account (Repeat Finding)**

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations, not prepared, or timely prepared are deficiencies in internal control. Further, bank statements should be maintained and reconciliations should be performed on a monthly basis.

Condition: Bank statements and reconciliations could not be located for the fiscal year.

Recommendation: We recommend that a reconciliation of the Sheriff Inmate Trust Account, containing documentation of reconciling items and balances, be performed monthly.

Views of responsible officials and planned corrective actions: We concur with the auditor's findings. Management has implemented procedures to correct this issue.

**Finding 2004-4 – Financial Statements (Repeat Finding)**

Criteria: For counties who have adopted the County Budget Act per 19 O.S. § 1403, 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 its 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. 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 on Internal Control Over Compliance in Accordance With OMB Circular A-133.**

No matters were reported.

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**SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards* or OMB A-133. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.**

**2004-5 - General Fixed Assets (Repeat Finding)**

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: District 1, 2, and 3 Commissioners, the Sheriff, and the Health Department 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.

Views of responsible officials and planned corrective actions: All Officers are currently updating inventory records and will complete form #3512.

**2004-6 – Sheriff’s Official Depository Receipts (Repeat Finding)**

Criteria: Title 19 O.S. 2001, § 682 states, "It shall be the duty of each and every county officer...to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, property, fees, fines, forfeitures, and public charges of every kind received or collected by virtue or under color of office."

Condition: While performing cash compositions for the Sheriff’s Official Depository Account, the following was noted:

1. Receipts are not issued for all monies received.
2. Receipts are not issued in sequential order.
3. Receipts do not indicate mode of payment.
4. Receipts are not deposited daily.
5. All receipts could not be traced to a deposit.

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6. Deposit ticket number 1053 had a variance of \$30.00 in cash deposited.

Recommendation: We recommend that receipts be issued for all monies received in the Sheriff's office. Receipts should be issued in sequential order and should be deposited daily with the County Treasurer.

Views of responsible officials and planned corrective actions: We concur with the auditor's findings. We will work to implement procedures to correct these problems.

**2004-7 – Expenditures (Repeat Finding)**

Criteria: Title 19 O.S. 2001, § 1500-1505 states the procedures that shall be used by counties for the requisition, purchase, lease-purchase, rental, and receipt of supplies, materials, and equipment for the maintenance, operation, and capital expenditures of county government.

Condition: Of 30 purchase orders tested, it was noted that 10 of the expenditures were not timely encumbered.

Recommendation: We recommend that all expenditures be encumbered prior to making purchases.

Views of responsible officials and planned corrective actions: County officials will make a greater effort to adhere to purchasing procedures outlined in state statutes.

**Finding 2004-8 – Sheriff Inmate Trust Account – Receipts and Deposits**

Criteria: Effective accounting procedures are necessary to ensure stewardship and accountability of public funds. Title 19 O.S. 2001, § 531 states in part that the county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into the Inmate Trust Fund Checking Account. In addition, 28 O.S. 2001, § 9 states, "Every officer charging fees shall give a receipt therefore."

Condition: Receipt and deposit books could not be located for the Sheriff's commissary fund.

Recommendation: We recommend that all monies collected under the color of office be receipted and deposited daily.

Views of responsible officials and planned corrective actions: We concur with the auditor's findings. Management has implemented procedures to correct this issue.