

**MARSHALL COUNTY, OKLAHOMA  
SPECIAL-PURPOSE FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

September 23, 2003

TO THE CITIZENS OF  
MARSHALL COUNTY, OKLAHOMA

Transmitted herewith is the audit of Marshall County, Oklahoma, for the fiscal year ended June 30, 2002. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

**MARSHALL COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**MARSHALL COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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COMPLIANCE/INTERNAL CONTROL SECTION

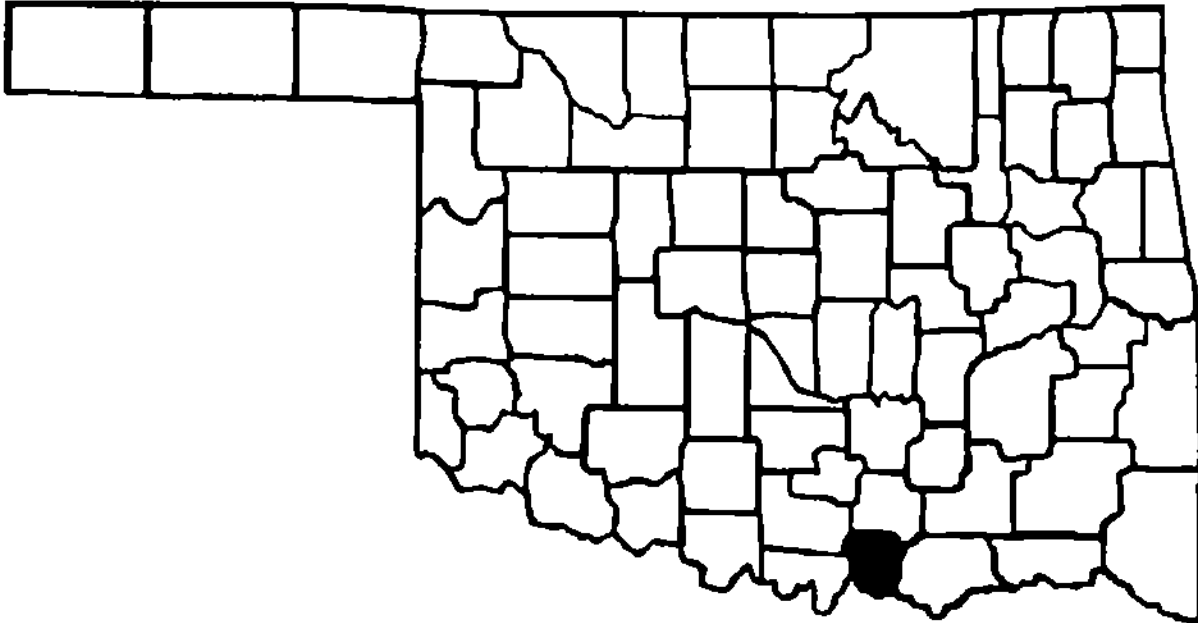
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REPORT TO THE CITIZENS  
OF  
MARSHALL COUNTY, OKLAHOMA

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Created at statehood from Pickens County in the Chickasaw Nation 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 Dension 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 1955-59. For more information, call the county clerk's office at 580-795-3220.

County Seat - Madill

Area - 371.1 Square Miles

County Population - 12,377  
(1999 est.)

Farms - 414

Land in Farms - 163,584 Acres

Source: Oklahoma Almanac 2001-2002

See independent auditor's report.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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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.

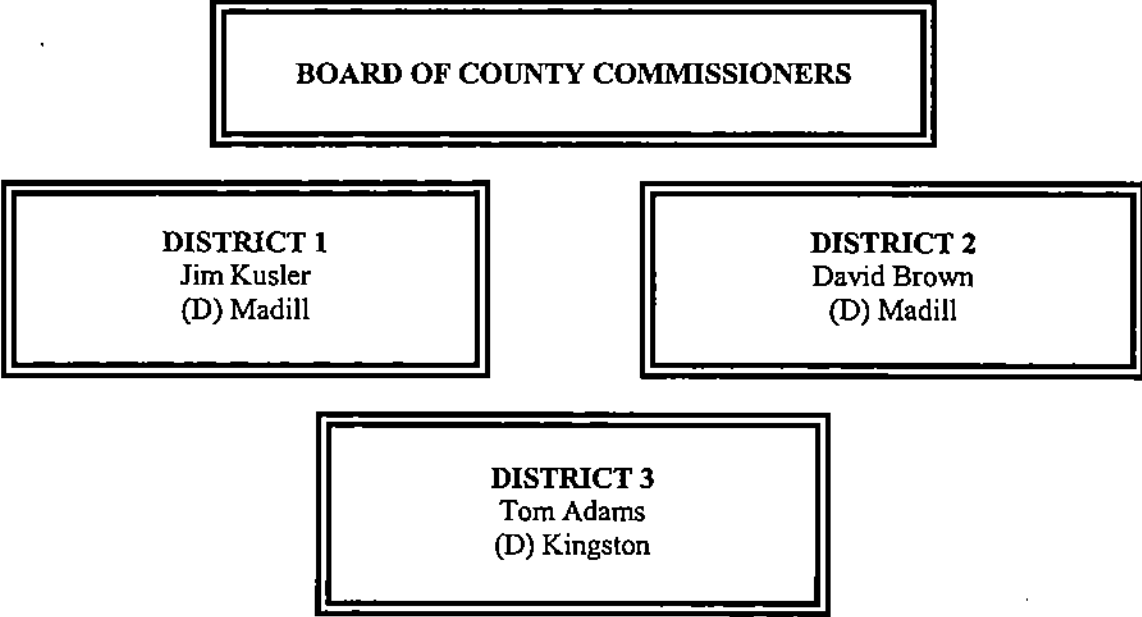
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county.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

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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

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

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

See independent auditor's report.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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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.



**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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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.

**COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**ELECTION BOARD SECRETARY**

LaRue Wilhite

(D) Madill

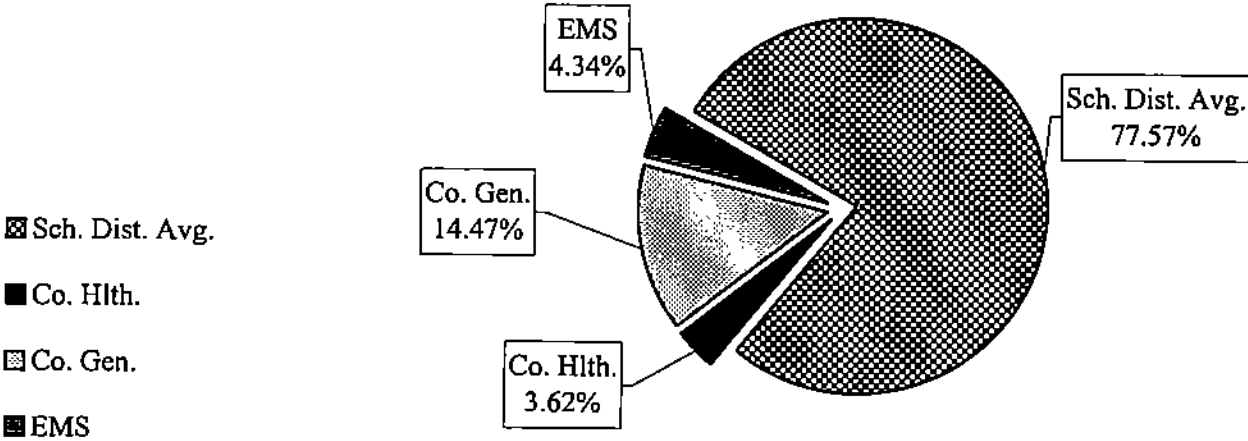
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

See independent auditor's report.

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

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



County-Wide Millages		School District Millages						
Co. General	10.00			Gen.	Bldg.	Skg.	Common	Total
County Health	2.50	Madill	I-2	35.00	5.00	11.69	4.00	55.69
EMS	3.00	Kingston	I-3	35.00	5.00	7.54	4.00	51.54

See independent auditor's report.

## **Independent Auditor's Report**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Independent Auditor's Report**

TO THE OFFICERS OF  
MARSHALL COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Marshall County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These special-purpose financial statements are the responsibility of Marshall County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Marshall County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Marshall County in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Marshall County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, as of and for the year ended June 30, 2002, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

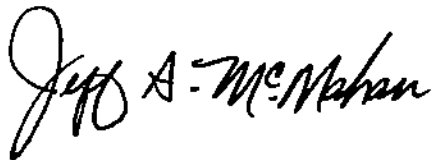
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Marshall County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

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

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

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

Sincerely,

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

JEFF A. McMAHAN  
State Auditor and Inspector

July 15, 2003

## **Special-Purpose Financial Statements**

**MARSHALL COUNTY, OKLAHOMA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - ALL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2002**

All County Funds	Beginning Cash Balances July 1, 2001	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2002
County General Fund	\$ 213,899	\$ 987,222	\$ 945,565	\$ 255,556
T-Highway	588,703	1,576,383	1,706,111	458,975
Sheriff Prisoner	68,822	243,260	273,402	38,680
County Health	87,021	131,956	138,962	80,015
Resale Property	22,128	46,417	40,326	28,219
Sheriff Service Fee	8,254	33,737	23,801	18,190
Sheriff City Reimbursement	18,610	84,042	55,630	47,022
Community Service	16,543	33,022	36,890	12,675
Illegal Dumping Reward	10,000			10,000
Emergency 911	6,698	34,196	33,921	6,973
County Clerk Lien Fee	7,425	4,746	2,684	9,487
Treasurer Mort. Cert. Fee	3,114	3,790	2,944	3,960
Preservation Fund		19,169	95	19,074
Co. Assessor Visual Inspection	23,665	5,364	1,066	27,963
Nutrition Center	48		48	
Court Clerk Revolving	2,927	4,154	300	6,781
BLE 97-211 Grant	32			32
Excess Resale	1,087			1,087
LE 01-755 Grant		10,556		10,556
CIP-ODOT		16,000	16,000	
Lake Texoma Law	787	21,456	6,285	15,958
Schools	18,206	2,800,818	2,791,458	27,566
Cities and Towns	5,033	75,962	75,470	5,525
Official Depository	406,011	3,233,241	3,238,144	401,108
Protest Tax	25,888	536		26,424
Law Library	9,318	14,878	21,721	2,475
Unapportioned Tax	10,739	20,167	17,768	13,138
Hospital Fund	63,764	846,098	840,933	68,929
Flood Plain	2,545	200		2,745
Ambulance Fund	844	150,620	151,082	382
Juvenile Attendant		770	630	140
Individual Redemption	10,519	50,076	53,162	7,433
<b>Total County Funds</b>	<u>\$ 1,632,630</u>	<u>\$ 10,448,836</u>	<u>\$ 10,474,398</u>	<u>\$ 1,607,068</u>

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



**MARSHALL COUNTY, OKLAHOMA  
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,  
AND CHANGES IN CASH BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 213,899	\$ 213,899	\$ 213,899	\$ -
Less: Prior Year Outstanding Warrants	(36,372)	(36,372)	(36,372)	
Less: Prior Year Encumbrances	(12,415)	(12,415)	(33,831)	21,416
Beginning Cash Balances, Budgetary Basis	<u>165,112</u>	<u>165,112</u>	<u>143,696</u>	<u>21,416</u>
<b>Receipts:</b>				
Ad Valorem Taxes	478,588	478,588	499,537	20,949
Charges for Services	76,000	76,000	79,936	3,936
Intergovernmental Revenues	307,300	307,300	365,534	58,234
Miscellaneous Revenues	52,000	52,000	42,215	(9,785)
Total Receipts, Budgetary Basis	<u>913,888</u>	<u>913,888</u>	<u>987,222</u>	<u>73,334</u>
<b>Expenditures:</b>				
District Attorney	8,000	8,000	7,512	488
Total District Attorney	<u>8,000</u>	<u>8,000</u>	<u>7,512</u>	<u>488</u>
County Sheriff	165,000	165,000	164,847	153
Capital Outlay	23,198	23,198	23,198	
Total County Sheriff	<u>188,198</u>	<u>188,198</u>	<u>188,045</u>	<u>153</u>
County Treasurer	84,987	84,987	84,979	8
Capital Outlay	1	1		1
Total County Treasurer	<u>84,988</u>	<u>84,988</u>	<u>84,979</u>	<u>9</u>
County Commissioners	26,300	26,300	26,296	4
Total County Commissioners	<u>26,300</u>	<u>26,300</u>	<u>26,296</u>	<u>4</u>
OSU Extension	14,500	14,500	14,500	
Capital Outlay	2,500	2,500	2,494	6
Total OSU Extension	<u>17,000</u>	<u>17,000</u>	<u>16,994</u>	<u>6</u>
County Clerk	94,534	94,534	94,233	301
Capital Outlay	5,853	5,853	5,853	
Total County Clerk	<u>100,387</u>	<u>100,387</u>	<u>100,086</u>	<u>301</u>

continued on next page

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

**MARSHALL COUNTY, OKLAHOMA  
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,  
AND CHANGES IN CASH BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2002**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Court Clerk	58,558	58,558	58,502	56
Total Court Clerk	<u>58,558</u>	<u>58,558</u>	<u>58,502</u>	<u>56</u>
County Assessor	64,558	64,558	64,544	14
Capital Outlay	1	1		1
Total County Assessor	<u>64,559</u>	<u>64,559</u>	<u>64,544</u>	<u>15</u>
Revaluation of Real Property	103,647	103,647	103,224	423
Capital Outlay	1,154	1,154	1,154	
Total Revaluation of Real Property	<u>104,801</u>	<u>104,801</u>	<u>104,378</u>	<u>423</u>
General Government	292,454	292,454	261,483	30,971
Capital Outlay	69,200	69,200	230	68,970
Total General Government	<u>361,654</u>	<u>361,654</u>	<u>261,713</u>	<u>99,941</u>
Excise-Equalization Board	2,216	2,216	1,610	606
Total Excise-Equalization Board	<u>2,216</u>	<u>2,216</u>	<u>1,610</u>	<u>606</u>
County Election Board	46,607	46,607	37,767	8,840
Capital Outlay	1,000	1,000	714	286
Total County Election Board	<u>47,607</u>	<u>47,607</u>	<u>38,481</u>	<u>9,126</u>
Superintendent	6,500	6,500	5,731	769
Total County Superintendent Budget	<u>6,500</u>	<u>6,500</u>	<u>5,731</u>	<u>769</u>
County Audit Budget	4,982	4,982	4,982	
Total County Audit Budget	<u>4,982</u>	<u>4,982</u>	<u>4,982</u>	<u>-</u>
Free Fair Budget	3,250	3,250	3,250	
Total Free Fair Budget	<u>3,250</u>	<u>3,250</u>	<u>3,250</u>	<u>-</u>
<b>Total Expenditures, Budgetary Basis</b>	<u>1,079,000</u>	<u>1,079,000</u>	<u>967,103</u>	<u>111,897</u>
<b>Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis</b>	<u>\$ -</u>	<u>\$ -</u>	163,815	<u>\$ 163,815</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			53,515	
Add: Current Year Outstanding Warrants			<u>38,226</u>	
Ending Cash Balance			<u>\$ 255,556</u>	

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

**MARSHALL COUNTY, OKLAHOMA  
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,  
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL -  
COUNTY HEALTH DEPARTMENT  
FOR THE YEAR ENDED JUNE 30, 2002**

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 87,021	\$ 87,021	\$ 87,021	\$ -
Less: Prior Year Outstanding Warrants	(11,844)	(11,844)	(11,844)	
Beginning Cash Balances, Budgetary Basis	<u>75,177</u>	<u>75,177</u>	<u>75,177</u>	<u>-</u>
<b>Receipts:</b>				
Ad Valorem Taxes	113,217	113,217	124,886	11,669
Miscellaneous Revenues			<u>7,070</u>	<u>7,070</u>
Total Receipts, Budgetary Basis	<u>113,217</u>	<u>113,217</u>	<u>131,956</u>	<u>18,739</u>
<b>Expenditures:</b>				
Health and Welfare	167,894	167,894	138,275	29,619
Capital Outlay	<u>20,500</u>	<u>20,500</u>	<u>3,155</u>	<u>17,345</u>
Total Expenditures, Budgetary Basis	<u>188,394</u>	<u>188,394</u>	<u>141,430</u>	<u>46,964</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	65,703	<u>\$ 65,703</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Outstanding Warrants			<u>14,312</u>	
Ending Cash Balance			<u>\$ 80,015</u>	

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

**MARSHALL COUNTY, OKLAHOMA  
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2002**

Official Depository Accounts	Beginning Cash Balances July 1, 2001	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2002
District Court Clerk	\$ 353,694	\$ 1,521,101	\$ 1,549,188	\$ 474	\$ 326,081
District Court Fund	14,955	347,017	324,368	1,236	38,840
District Attorney Drug Enforcement	3,476				3,476
District Attorney Witness	78	501	355		224
Restitution		50	50		
County Sheriff		1,216,836	1,216,836		
County Clerk	8,798	113,444	114,685		7,557
County Treasurer	629	10,231	10,516		344
County Election Board	130	10,342	10,476	134	130
County Health Department		8,779	8,779		
Court Clerk Trust Fund	10,430				10,430
County Assessor		4,846	4,846		
Court Ordered Investment	10,547	94			10,641
Mobile Home Trust	3,274			111	3,385
<b>Total Official Depository Accounts</b>	<b>\$ 406,011</b>	<b>\$ 3,233,241</b>	<b>\$ 3,240,099</b>	<b>\$ 1,955</b>	<b>\$ 401,108</b>

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

**Notes to the Financial Statements**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Marshall County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County. The funds presented are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

**MARSHALL COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2002.

F. Risk Management

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

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

**MARSHALL COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

Summary of Significant Accounting Policies (continued)

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

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

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

The County continues to carry commercial insurance for employees' health and life insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2002 fiscal year.



Summary of Significant Accounting Policies (continued)

G. Compensated Absences

All full-time Marshall County employees shall be entitled to vacation leave that is accrued on a monthly basis. Employees 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.

Sick leave is accrued on a monthly basis. Sick leave shall accumulate at the rate of one day for each calendar month of service and may be accrued up to a maximum of six months.

The County does not record any liability for sick leave.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

3. Detailed Notes on Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$1,607,068 and the bank balance was \$1,654,869. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

Title 62 O.S. § 348.1 authorizes the County Treasurer to invest in:

- 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

Detailed Notes on Account Balances (continued)

B. Description of Funds

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

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

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.

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

Preservation Fund - accounts for fees collected for instruments filed with 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.

Nutrition Center - accounts for funds set aside to assist with the operations of the nutrition facility.

**MARSHALL COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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Detailed Notes on Account Balances (continued)

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

BLE 97-211 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.

Excess Resale - accounts for the proceeds of sale of property in excess of tax against property to be held in trust for a two-year period.

LE 01-755 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.

CIP ODOT – accounts for funds received from the Oklahoma Department of Transportation for highway projects.

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

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

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

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

Protest Tax – accounts for ad valorem collections held in protest.

Law Library - accounts for monies received for disbursement from the state for the law library board.

Unapportioned Tax – accounts for taxes collected and being held for apportionment to various government entities.

Hospital Fund – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

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

**MARSHALL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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Detailed Notes on Account Balances (continued)

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

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

Additionally, the following official depository accounts are described below:

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

District Court Fund - accounts for fees transferred from district court and interest. Money is disbursed for the purpose of fees for various entities, salaries, and the operation of the office.

District Attorney Witness – accounts for collection received from the state to reimburse the County for witness expenses.

District Attorney Drug Enforcement – accounts for collection from fines, fees, and forfeitures and disbursements of funds restricted by court orders and states statutes.

Restitution – accounts for collection received by court orders to reimburse victims.

County Sheriff - accounts for all collection of foreign service fees and bonds. Monies are vouchered out at the end of the month to the sheriff service fee account and Court Clerk.

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

County Treasurer – accounts for all collection of taxes, pre-paid mobile homes, and motor vehicle stamps. Disbursements are for the purpose of refunding overpayment of taxes and motor vehicle collection distribution.

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

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

Court Clerk Trust Fund – accounts for collections from court cases. Disbursements are restricted by court order.

**MARSHALL COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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Detailed Notes on Account Balances (continued)

County Assessor - accounts for the collection for copies and proceeds from sale of ownership books to be disbursed at the end of the month and deposited in the Assessor revolving fund.

Court Ordered Investment – accounts for collection from cash bonds for civil case. Disbursements of funds are restricted by court orders.

Mobile Home Trust – accounts for prepaid mobile home taxes.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2001, was approximately \$49,815,583.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.50 mills for the county health department, and 3.00 mills for the emergency medical service. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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, 2002, were approximately 96.38 percent of the tax levy.

Detailed Notes on Account Balances (continued)

D. Pension Plan

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

E. Capital Leases

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

F. Fuel Tax

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

4. Contingent Liabilities

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

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

**MARSHALL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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5. Sales Tax

A special election was held on September 15, 1998. The citizens of Marshall County approved a one percent (1%) sales tax to be collected for the period of ten (10) years from and after April 1, 1999. The proceeds from such tax shall be used by the Board of Control of Marshall Memorial Hospital for capital expenditures and general operations of the Hospital.

**Schedule of Expenditures of Federal Awards**



**MARSHALL COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>			
Passed Through Oklahoma State Treasurer:			
Flood Control	12.112		\$ 84,544
Total U.S. Department of Defense			<u>84,544</u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Passed Through Oklahoma Housing Finance Agency:			
Community Development Block Grant	14.228	9832 CDBG-CIP-01	8,000
Community Development Block Grant	14.228	9833 CDBG-CIP-01	8,000
Total U.S. Department of Housing and Urban Development			<u>16,000</u>
<b><u>U.S. DEPARTMENT OF INTERIOR</u></b>			
Passed Through Bureau of Land Management:			
Payment In Lieu of Taxes	15.226		138,595
Total U.S. Department of Interior			<u>138,595</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
Direct Grant:			
Local Law Enforcement Block Grant	16.592	LE01-755	9,500
Total U.S. Department of Justice			<u>9,500</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
Passed Through Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	PT-01-03-07-03	8,681
Total U.S. Department of Transportation			<u>8,681</u>
<b><u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u></b>			
Passed Through Oklahoma State Department of Civil Emergency Management:			
Public Assistance Grants	83.544		215,418
Total Federal Emergency Management Agency			<u>215,418</u>
Total Expenditures of Federal Awards			<u>\$ 472,738</u>

**MARSHALL COUNTY, OKLAHOMA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

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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*.

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



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
MARSHALL COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Marshall County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated July 15, 2003. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marshall County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2002-2.

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 special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2002-1 and 2002-3.

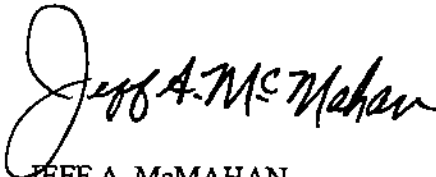
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 2002-1 and 2002-3 to be material weaknesses.

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

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

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

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

July 15, 2003

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



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
MARSHALL COUNTY, OKLAHOMA

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 its major federal programs for the year ended June 30, 2002. 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 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 of Marshall County's compliance with those requirements.

In our opinion, Marshall County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

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 internal control over compliance in accordance with OMB Circular A-133.

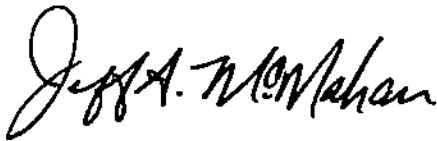
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively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

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahen". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN  
State Auditor and Inspector

July 15, 2003



**Schedule of Findings and Questioned Costs**

**MARSHALL COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Internal control over financial reporting:	Unqualified
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
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
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Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
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Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

15.226	Payment in Lieu of Taxes
83.544	Public Assistance Grants

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk auditee?	No
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**MARSHALL COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**SECTION 2 - Financial Statement Findings**

**Finding 2002-1 – General Fixed Assets**

**Criteria:** An aspect of effective internal control is safeguarding of assets. Internal controls over safeguarding of assets constitute a process, effected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguard assets from loss, damage, or misappropriation. Further, 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 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), 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 the custody of the county, or any office, board, department, commission or any either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter..."

**Condition:** The County does not perform a biennial verification of the fixed asset inventory. In addition, we were unable to locate a M-14 rifle in the Sheriff's office.

**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. Further, we recommend that the County Sheriff determine the disposition or location of all unlocated equipment and update their records as necessary.

**Management's Response:** All officers are currently updating inventory records and will complete form 3512.

**2002-2 – Financial Statements**

**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.

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

#### 2002-3 – Expenditures

**Criteria:** Good accounting procedures are necessary to ensure stewardship and accountability of public funds. Further, 19 O.S. 2001, § 1505 prescribes procedures for encumbering funds.

**Condition:** Of 60 purchase orders tested, it was noted that 18 purchase orders were not properly encumbered.

**Recommendation:** We recommend that all items purchased be properly encumbered.

**Management's Response:** County officials will make a greater effort to adhere to purchasing procedures outlined in state statutes.

#### SECTION 3 – Federal Award Findings and Questioned Costs

No matters were reported.

**Statistical Data  
(Unaudited)**

**MARSHALL COUNTY, OKLAHOMA  
TOP 10 TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2002  
(UNAUDITED)**

TAXPAYER	JANUARY 1, 2001 NET ASSESSED VALUATION	% OF TOTAL NET VALUATION
1 Southwestern Bell	\$ 2,882,594	5.78%
2 OG&E	1,274,628	2.56%
3 Oklahoma Steel & Wire Company	935,381	1.88%
4 Contract Manufacturing	894,638	1.80%
5 Texoma Peanut Company	738,055	1.48%
6 Burlington Northern RR	586,622	1.18%
7 WW Trailer Manufacturing	446,477	0.89%
8 J&I Manufacturing	378,465	0.76%
9 Oklahoma RSA 9&10	328,889	0.66%
10 Wal-Mart	321,625	0.65%
Total	<u>\$ 8,787,374</u>	<u>17.64%</u>

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

**MARSHALL COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED JUNE 30, 2002  
(UNAUDITED)**

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Total net assessed value as of January 1, 2001		<u>\$ 49,815,583</u>
Debt Limit - 5% of total assessed value		2,490,779
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal Debt Margin		<u>\$ 2,490,779</u>

**MARSHALL COUNTY, OKLAHOMA  
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA  
FOR THE YEAR ENDED JUNE 30, 2002  
(UNAUDITED)**

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	2002
Estimated population	12,377
Net assessed value	\$ 49,815,583
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	\$ -



**MARSHALL COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE YEAR ENDED JUNE 30, 2002  
(UNAUDITED)**

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<u>Tax Year</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
2001	\$ 8,013,766	\$ 5,991,222	\$ 39,193,596	\$ 3,383,001	\$ 49,815,583	\$ 456,390,664