

**NOWATA COUNTY, OKLAHOMA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

September 14, 2004

TO THE CITIZENS OF
NOWATA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Nowata County, Oklahoma, for the fiscal year ended June 30, 2003. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

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

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

STATISTICAL DATA (Unaudited)

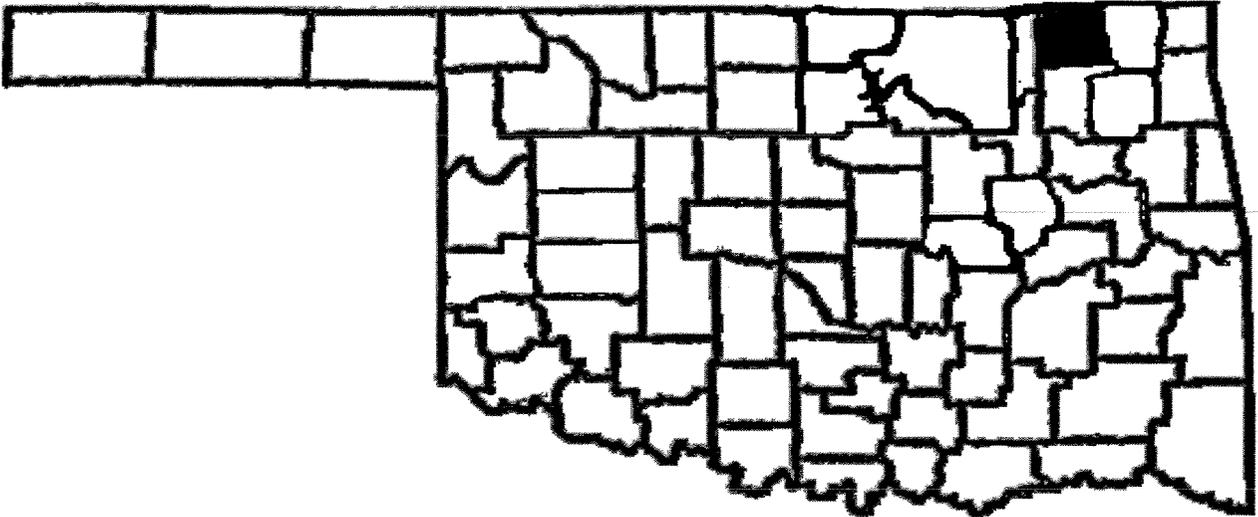
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**REPORT TO THE CITIZENS
OF
NOWATA COUNTY, OKLAHOMA**



Stories abound as to the origin of the name Nowata. One opinion is that two railroad surveyors took the suggestion of Roberta Campbell Lawson, an educated Delaware Indian woman, "Noweta" meaning "welcome." Others say a Georgian exploring the area found no water at some springs and posted a sign "No Wata" to warn other travelers. Created at statehood, Nowata County took its name from the county seat of Nowata.

In 1904, when oil and gas were discovered, Nowata County became known as the world's largest shallow oil field, and some are still producing. Today, the county is principally ranching.

The Nowata County Courthouse is a historic site and the Verdigris River and Oologah Lake Double Creek Cove provide recreational and fishing opportunities.

County Seat – Nowata

Area – 565 Square Miles

County Population – 10,569
(2000 est.)

Farms – 764

Land in Farms – 309,446 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**NOWATA COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Sandra Stanley
(D) Nowata

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
Teresa Jackson
(D) Nowata

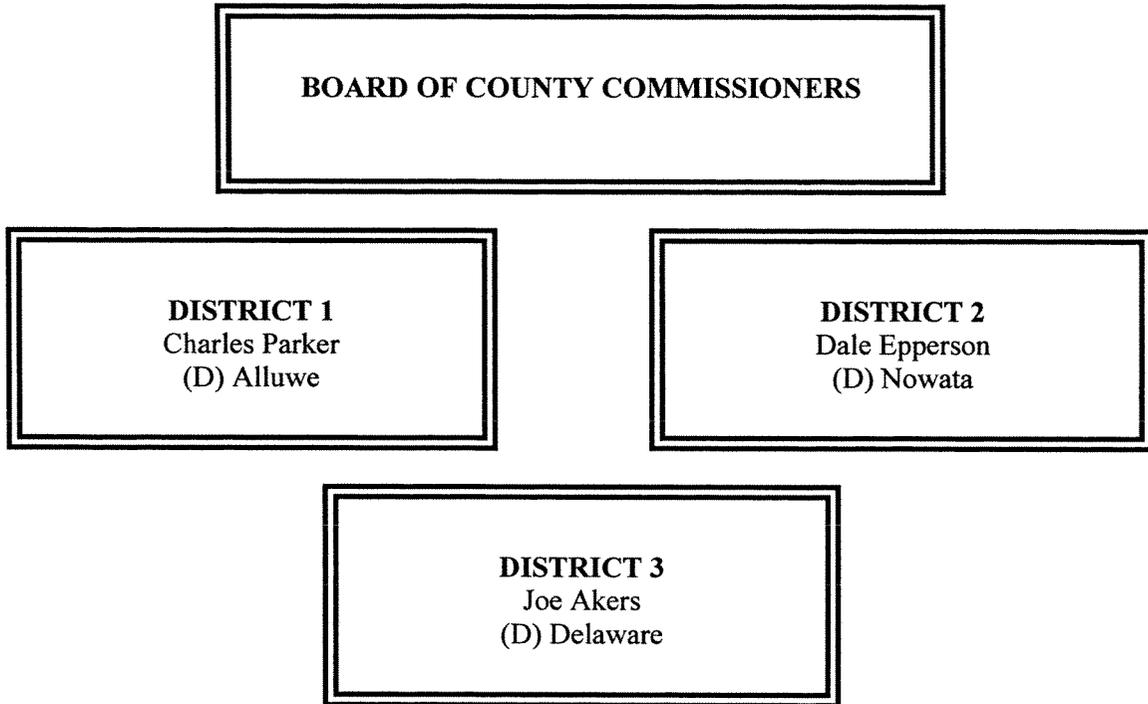
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**NOWATA COUNTY OFFICIALS
AND RESPONSIBILITIES**



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

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

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

See independent auditor's report.

**NOWATA COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF

James Hallet
(D) Nowata

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

Naydean Wesson
(D) Delaware

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.

**NOWATA COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Beverly McKee
(D) Nowata

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
Frederick Esser
(R) Bartlesville

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.

**NOWATA COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY
Barbara Dawson
(D) Nowata

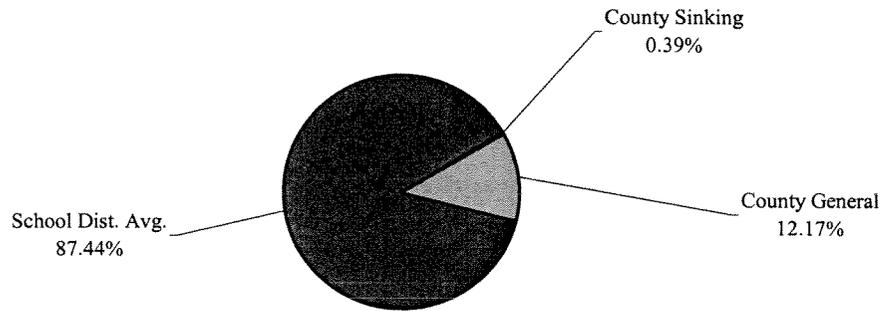
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

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



County General
 School Dist. Avg.
 County Sinking

County-Wide Millages		School District Millages						
			Gen.	Bldg.	Skg.	Career-Tech	Common	Total
Co. General	10.00	Nowata I-40	35.00	5.00	21.95	15.00	4.00	80.95
Co. Sinking	0.32	Oklahoma Union I-3	35.00	5.00	15.33	15.00	4.00	74.33
		So. Coffeyville I-51	35.00	5.00	6.02	15.00	4.00	65.02
		Copan I-4	35.00	5.00	5.55	15.00	4.00	64.55
		Chelsea I-3	35.00	5.00	20.48	10.00	4.00	74.48

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
NOWATA COUNTY, OKLAHOMA

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2004, on our consideration of Nowata County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. 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.

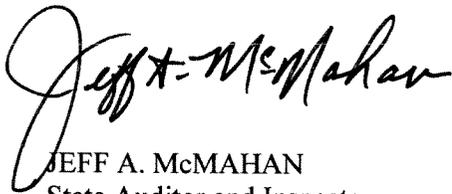
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Nowata County, Oklahoma, taken as a whole. The other information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, 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 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. McMAHAN". The signature is written in a cursive style with a large initial "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

June 18, 2004

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
General Fund	\$ 73,253	\$ 676,716	\$ 676,046	\$	\$ 73,923
Highway Cash	1,245,760	1,719,120	1,738,082		1,226,798
Sales Tax	362,744	393,508	400,871		355,381
Assessor's Revolving	5,568	1,977	886		6,659
Clerk Lien Fees	7,324	4,176	8,008		3,492
CCRP	1,916				1,916
Prisoner Boarding	152,341	534,344	499,850		186,835
Resale Property	43,339	26,233	25,444		44,128
Sheriff Fees	58,307	38,255	81,895		14,667
Sheriff Donations	1,009	200			1,209
Treasurer Fees	14,082	3,355	228		17,209
Visual Inspection	144				144
Preservation Fees	12,357	14,410	2,562		24,205
Animal Damage	397				397
Estray Cattle		566	445		121
Cemetery Fund	7,589	9,000	10,020		6,569
County Use Tax		13,199			13,199
LLE Grant	5,749	6,584	12,333		
Solid Waste		10,000	9,542		458
CDBG		750			750
County Sinking	65,351	13,647	39,240		39,758
Workers Compensation	5,367	11,135	12,841		3,661
Cities and Towns	6,047	84,509	84,646		5,910
Official Depository	129,324	1,944,252	1,983,125	2,734	93,185
Protest Tax		64,519			64,519
Alluwe Property	34,371	304	33,133		1,542
CSSP	3,709	3,485	2,571		4,623
Fairboard	296	7,923	7,638		581
Law Library	1,133	5,469	5,187		1,415
DA Evidence Account	1,933				1,933
Excess Resale	2,641	249	654		2,236
DHS	491				491
Civil Defense	19				19
Individual Redemption	261	5,155	5,416		
Fairboard Property	7,300		7,300		
Refunds		974	974		
Basic 911		20,000	19,560		440
Wann Matching		3,000			3,000
Schools	37,505	2,347,284	2,338,372		46,417
Tri-Tech	6,487	544,568	543,330		7,725
Total County Funds	\$ 2,294,114	\$ 8,508,866	\$ 8,550,199	\$ 2,734	\$ 2,255,515

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

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

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 73,253	\$ 73,253	\$ 73,253	\$
Less: Prior Year Outstanding Warrants	(41,268)	(41,268)	(41,268)	
Less: Prior Year Encumbrances	(6,881)	(6,881)	(6,520)	361
Beginning Cash Balances, Budgetary Basis	<u>25,104</u>	<u>25,104</u>	<u>25,465</u>	<u>361</u>
Receipts:				
Ad Valorem Taxes	351,572	351,572	364,213	12,641
Charges for Services	66,673	66,673	71,544	4,871
Intergovernmental Revenues	197,284	197,284	203,687	6,403
Miscellaneous Revenues	56,488	58,469	37,271	(21,198)
Total Receipts, Budgetary Basis	<u>672,017</u>	<u>673,998</u>	<u>676,715</u>	<u>2,717</u>
Expenditures:				
District Attorney	10,000	10,000	4,859	5,141
Capital Outlay	3,000	3,000	2,730	270
Total District Attorney	<u>13,000</u>	<u>13,000</u>	<u>7,589</u>	<u>5,411</u>
Total County Sheriff	<u>110,562</u>	<u>110,562</u>	<u>110,490</u>	<u>72</u>
County Treasurer	57,188	57,228	57,228	
Capital Outlay	300	260	260	
Total County Treasurer	<u>57,488</u>	<u>57,488</u>	<u>57,488</u>	<u>-</u>
County Clerk	79,108	78,707	78,707	
Capital Outlay	6,678	7,079	7,079	
Total County Clerk	<u>85,786</u>	<u>85,786</u>	<u>85,786</u>	<u>-</u>
Total Court Clerk	<u>42,913</u>	<u>42,913</u>	<u>42,413</u>	<u>500</u>
County Assessor	50,537	50,537	48,824	1,713
Capital Outlay	2,000	2,000	1,888	112
Total County Assessor	<u>52,537</u>	<u>52,537</u>	<u>50,712</u>	<u>1,825</u>

continued on next page

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

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

continued from previous page

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	\$ 115,018	\$ 114,806	\$ 111,117	\$ 3,689
Capital Outlay	3,000	3,212	3,212	
Total Revaluation of Real Property	118,018	118,018	114,329	3,689
Total General Government	18,803	18,803	11,562	7,241
Total Excise-Equalization Board	4,200	4,200	2,492	1,708
Total County Election Board	40,826	42,525	42,524	1
Total Insurance	149,178	149,460	146,697	2,763
Total Audit Budget	3,810	3,810	3,810	-
Provision for Interest on Warrants			942	(942)
Total Expenditures, Budgetary Basis	\$ 697,121	\$ 699,102	\$ 676,834	\$ 22,268
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	25,346	\$ 25,346
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			8,870	
Add: Current Year Outstanding Warrants			39,707	
Ending Cash Balance			\$ 73,923	

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

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

Beginning Cash Balance	<u>\$ 65,351</u>
Receipts:	
Ad Valorem Taxes	12,652
Miscellaneous	995
Total Receipts	<u>13,647</u>
Disbursements:	
G.O. Bonds	36,000
Interest Paid	3,240
Total Disbursements	<u>39,240</u>
Ending Cash Balance	<u>\$ 39,758</u>

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

**NOWATA COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2003**

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
Court Clerk	\$ 62,352	\$ 560,143	\$ 607,622	\$ 163	\$ 15,036
Court Clerk Fund	10,218	5,905	7,211		8,912
Court Fund	15,804	219,586	203,063	464	32,791
Court Clerk Trust	12,000		12,000		
County Clerk	511	358,102	358,266	68	415
County Treasurer	6,809	72,412	73,698	1,293	6,816
County Sheriff		668,616	668,616		
Sheriff Training Fund	4,828	3,014	2,636	4	5,210
Sheriff Service Fees		2,585	2,585		
Drug Account	349	9,619			9,968
Bogus Check	16,173	23,596	26,049	75	13,795
DA Copy Account	120	42			162
Election Board	160	18,825	19,572	667	80
County Assessor		1,807	1,807		
Total Official Depository Accounts	<u>\$ 129,324</u>	<u>\$ 1,944,252</u>	<u>\$ 1,983,125</u>	<u>\$ 2,734</u>	<u>\$ 93,185</u>

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Nowata County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general 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 is the only fund required to adopt a formal budget. The budget presented for the general fund includes the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other funds are made on a monthly basis, according to the funds then available. The county has a health department fund, but it is not supported by ad valorem taxes and no budget is required.

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.

NOWATA COUNTY, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2003

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, 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 school districts and cities and towns. These other budgetary entities produce and file their own financial statements and estimates of needs (budgets). These related cash receipts and disbursements of other budgetary entities are not included in the County's Estimate of Needs.

E. Cash and Investments

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

F. Risk Management

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

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

NOWATA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Fund. (See ACCO-SIF.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed authorized deductibles, the County would have surcharges assessed to pay the excess claims.

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating County will pay a deductible amount (\$1,000 to \$10,000; the County has a \$2,500 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.

OPEH&WP - The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. The pool has assessed additional premiums to be paid by its members in the current fiscal year.

G. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and must be taken during the year earned.

Summary of Significant Accounting Policies (continued)

Annual leave is accrued at the following rates:	<u>Years of Service</u>	<u>Amount of Leave</u>
	0-6 Months	1 Week
	6 Months-5 Years	2 Weeks
	5 Years and Over	3 Weeks

This amount of accumulated unpaid vacation benefits is not material to the financial statements for the year ended June 30, 2003.

Sick leave is earned at the rate of 10 hours per month. Employees are not paid for accumulated sick leave at termination. All benefits for sick leave are based on occurrences outside the County's or employee's control which have not yet occurred; hence, no liability exists at June 30, 2003.

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 \$2,255,515 and the bank balance was \$2,402,800. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

- U. S. government obligations
- Certificates of deposit
- Saving 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

Detailed Notes on Account Balances (continued)

- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

B. Description of Funds

General Fund – revenues are from ad valorem taxes, officers' fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Highway Cash – revenues are from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

Sales Tax – accounts for sales tax collections used for the Sheriff's office and road repair.

Assessor's Revolving – accounts for assessor fee collections disbursed for any legal expense of the Assessor's office.

Clerk Lien Fees – revenues are from a fee charged by the Clerk for filing liens. Disbursements are for any lawful expense of the Clerk's office.

CCRP – accounts for court clerk collections. Disbursements are to renovate the court rooms and offices.

Prisoner Boarding – accounts for state collections. Disbursed to house and feed county prisoners.

Resale Property – revenues are from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Sheriff Fees – accounts for fee collections. Disbursements are for any legal expense of the Sheriff's office.

Sheriff Donations – accounts for donations received. Disbursed by the Sheriff's office.

Treasurer Fees – account for the collection of fees by the Treasurer and the disbursement of the funds as restricted by statute.

Visual Inspection – accounts for state collections and disbursed as restricted by statute.

Preservation Fees – accounts for fee collections and disbursed as restricted by statute.

Animal Damage – accounts for state collections. Disbursed to control wildlife damaging local property.

Detailed Notes on Account Balances (continued)

Estray Cattle – accounts for the sale of unclaimed livestock. Disbursed when ownership is established.

Cemetery Fund – accounts for local collections. Disbursed to maintain community cemeteries.

County Use Tax – accounts for receipts of Oklahoma Tax Commission collections of county use tax. Disbursements are made for the construction, purchase, and/or maintenance of county buildings.

LLE Grant – accounts for Department of Justice Grant. Disbursed to hire more deputies.

Solid Waste – accounts for state grant collections. Disbursed to dispose of trash.

CDBG – accounts for state grant collections. Disbursed to improve local economic development.

County Sinking – accounts for payment of interest and principal on the matured portion of long-term bonded debt. Receipts are generally derived from a special ad valorem levy and interest earned on investments.

Workers Compensation – accounts for county collections. Disbursed to pay injured worker insurance premiums.

Cities and Towns – All funds collected on behalf of cities and towns are recorded in this fund and remitted to the individual cities and towns monthly.

Official Depository – All officers and agencies collecting fees deposit those fees to this account daily. At the end of each month the fees are distributed to the appropriate fund or agency.

Protest Tax – used to account for collection and disbursement of ad valorem taxes collected and held under protest.

Alluwe Property – accounts for rental collections from county owned property. Disbursements for benefit of the County.

CSSP - (Community Service Sentencing Program) – revenues are from state funds for reimbursement of administrative expenses for people sentenced to community service.

Fairboard – accounts for fees collected and disbursed by the county fairboard.

Law Library – revenues are from an annual payment from the courts. Disbursements are for the operation of the county law library.

Detailed Notes on Account Balances (continued)

DA Evidence Account – accounts for the collection of evidence used in crimes and the disbursement of the evidence per court order.

Excess Resale – revenues are from amounts received above the amount of tax due when property is sold for taxes. Disbursements are to the original owner of the property.

DHS – accounts for state collections due the Department of Human Services.

Civil Defense – accounts for state collections. Disbursed for emergency management services.

Individual Redemption – revenues are from taxpayers who redeem tax certificates previously sold on their property. Disbursements are to reimburse the certificate holders for taxes paid, interest, penalties, and cost.

Fairboard Property – accounts for local collections. Disbursed by the county fairboard.

Refunds – accounts for overpayments on taxes. Reimbursed back to the taxpayers.

Basic 911 – accounts for the collection of fees charged on telephone bills for the county's emergency 911 system. Disbursements are for expenditures related to providing these services.

Wann Matching – accounts for local collections. Disbursements to provide economic development grant matching.

Schools – All funds collected on behalf of the county schools are recorded in this fund and remitted to the individual schools monthly.

Tri-Tech – accounts for ad valorem tax, state, and local collections. Disbursed to vo-tech schools each month.

The following narrative details the official depository accounts.

Court Clerk– accounts for the collection of bonds, fines, and fees. Money is disbursed for fees and restitution.

Court Clerk Fund – accounts for fees collected by the Court Clerk and disbursed for any lawful expense of the Court Clerk.

Court Fund – accounts for fees transferred from the court monthly. Disbursements are for the operation of the district court.

Court Clerk Trust – fund used to hold money as mandated by court cases.

Detailed Notes on Account Balances (continued)

County Clerk – holding account for fees transferred to the county general fund.

County Treasurer – holding account for fees transferred to the county general fund.

County Sheriff – holding account for fees transferred to the county general fund.

Sheriff Training Fund – fund used to account for the collection and disbursement of training funds.

Sheriff Service Fees – holding account for fees transferred to the sheriff's cash fund.

Drug Account – account used to draw cash for informant drug buys.

Bogus Check – fund used for the collection of fees for bogus checks.

D.A. Copy Account – transfer fund for copy fees authorized by the statutes.

Election Board – fund used to account for the collection and disbursement of fees from the election board.

County Assessor – holding account for fees transferred to the county general fund.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2002, was approximately \$37,618,233.

The County levied 10.00 mills (the legal maximum) for general fund operations and .32 mills for the sinking fund. 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.

Detailed Notes on Account Balances (continued)

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

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

Current year tax collections for the year ended June 30, 2003, were approximately 95 percent of the tax levy.

D. Pension Plan

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

E. Capital Leases

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

F. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 25 years from the date of issue. General obligation bonds currently outstanding are as follows:

NOWATA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Account Balances (continued)

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Nowata County General Obligation Limited Tax Bonds of 1993	6%	<u>\$36,000</u>
Total		<u>\$36,000</u>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$1,080, are as follows:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	<u>\$36,000</u>	<u>\$1,080</u>	<u>\$37,080</u>
Total	<u>\$36,000</u>	<u>\$1,080</u>	<u>\$37,080</u>

G. 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

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

5. Sales Tax

On September 15, 1992, Nowata County voters approved a one-cent sales tax. The tax ran for four years, and on October 21, 1996, was permanently modified to one-half cent effective November 1, 1996. The purpose of the tax is the construction, maintenance and operation of a modern jail facility, and operation of the Nowata County Sheriff's Department. The one-half cent sales tax is apportioned to the sales tax fund for the operation of the Sheriff's Department.

Sales Tax (continued)

On November 3, 1998, Nowata County voters approved a one-half cent sales tax effective January 1, 1999, for the construction, operation and maintenance of the county road and bridge system of Nowata County, Oklahoma. The one-half cent sales tax is apportioned to the county sales tax fund for the designated purpose.

**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
NOWATA COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Nowata County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated June 18, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Nowata County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nowata 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying schedule of findings as item 98-2.

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 item 98-2 to be a material weakness.

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

This report is intended solely for the information and use of the management of the County 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 the 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. McMAHAN". The signature is written in a cursive style with a large, looping initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

June 18, 2004

NOWATA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003

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

Finding 98-2 - 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 County operations and a periodic review of operations.

**Statistical Data
(Unaudited)**

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

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Union Pacific Railroad	\$ 2,932,400	7.80%
Public Service Co.	1,855,906	4.93%
Southwestern Bell	1,727,453	4.59%
Nowata Publishing Co.	631,268	1.68%
First National Bank of Nowata	291,102	0.77%
Jensen International	268,026	0.71%
Oklahoma Natural Gas	267,362	0.71%
Nowata Machine Works	265,897	0.71%
Tall Grass Gas Services	250,580	0.67%
Williams Gas Pipeline Central	246,932	0.66%
Total	<u>\$ 8,736,926</u>	<u>23.23%</u>

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

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

Total net assessed value as of January 1, 2002		<u>\$ 37,618,233</u>
Debt limit - 5% of total assessed value		1,880,912
Total bonds outstanding	36,000	
Total judgments outstanding	-	
Cash in sinking fund	<u>39,758</u>	<u>-</u>
Legal debt margin		<u>\$1,880,912</u>

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

	2003
Estimated population	10,569
Net assessed value as of January 1, 2002	\$ 37,618,233
Gross bonded debt	36,000
Less available sinking fund cash balance	39,758
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0%
Net bonded debt per capita	\$ -

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

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/02	\$6,565,775	\$8,041,200	\$26,115,274	\$3,104,016	\$37,618,233	\$313,459,417