

**OTTAWA 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

March 30, 2005

TO THE CITIZENS OF
OTTAWA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Ottawa 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. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Ottawa County.....	iii
County Officials and Responsibilities	iv
Ad Valorem Tax Distribution.....	ix

FINANCIAL SECTION

Report of State Auditor and Inspector.....	1
Special-Purpose Financial Statements:	
Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds.....	3
Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund	4
Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - County Health Department Fund.....	6
Detailed Statement of Receipts, Disbursements, and Changes in Cash Balances - Sinking Fund.....	7
Detailed Statement of Receipts, Disbursements, and Changes in Cash Balances - Official Depository Accounts	8
Notes to the Financial Statements.....	9

COMPLIANCE AND INTERNAL CONTROL SECTION

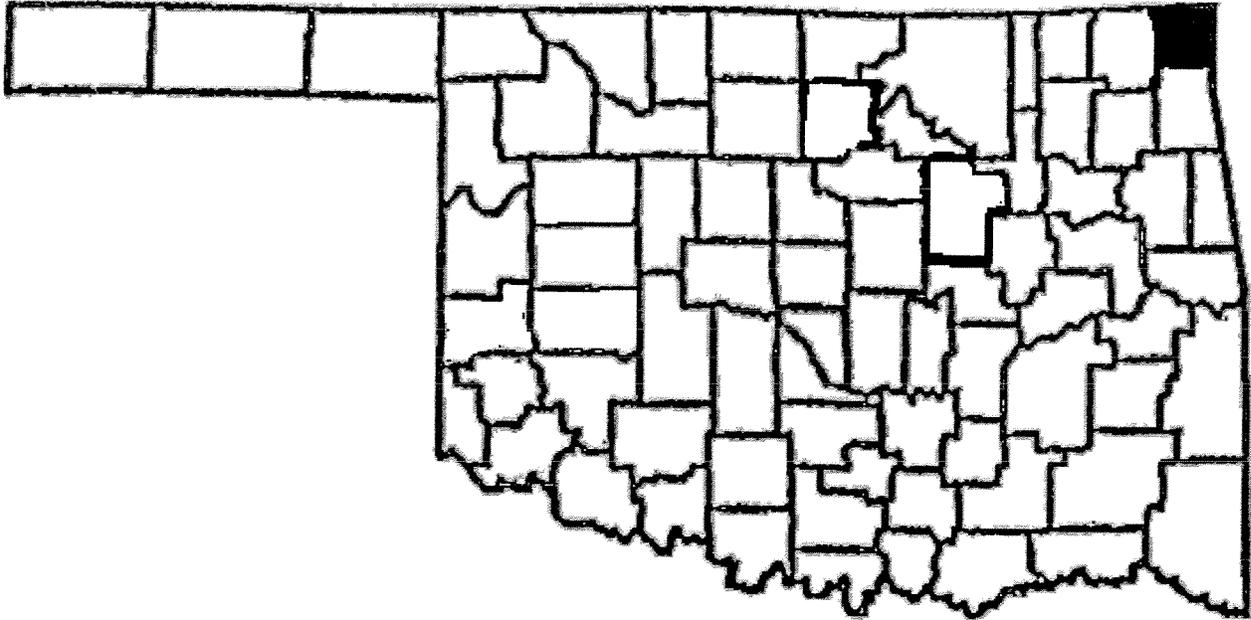
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	20
Schedule of Findings.....	22

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

STATISTICAL SECTION (Unaudited)

Top Ten Taxpayers.....	23
Computation of Legal Debt Margin	24
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	25
Assessed Value of Property	26

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



The extreme northeastern county of Oklahoma, bordering Kansas and Missouri, is named for the Ottawa Indians. This county has been the home to members of a greater number of Indian tribes than any other county in the United States. With 71 percent of the total land area in farms, as much as 60 percent of the county's agriculture income is from livestock and dairy products. Northeastern Oklahoma A&M College is located at Miami, the county seat. Various industries are represented throughout Ottawa County.

County Seat – Miami

Area – 471.4 Square Miles

County Population – 33,194
(2000 est.)

Farms – 972

Land in Farms – 214,870

Source: Oklahoma Almanac – 2003-2004

See independent auditor's report.

**OTTAWA COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR

Linda Kelly
(D) Quapaw

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

Reba G. Sill
(D) Miami

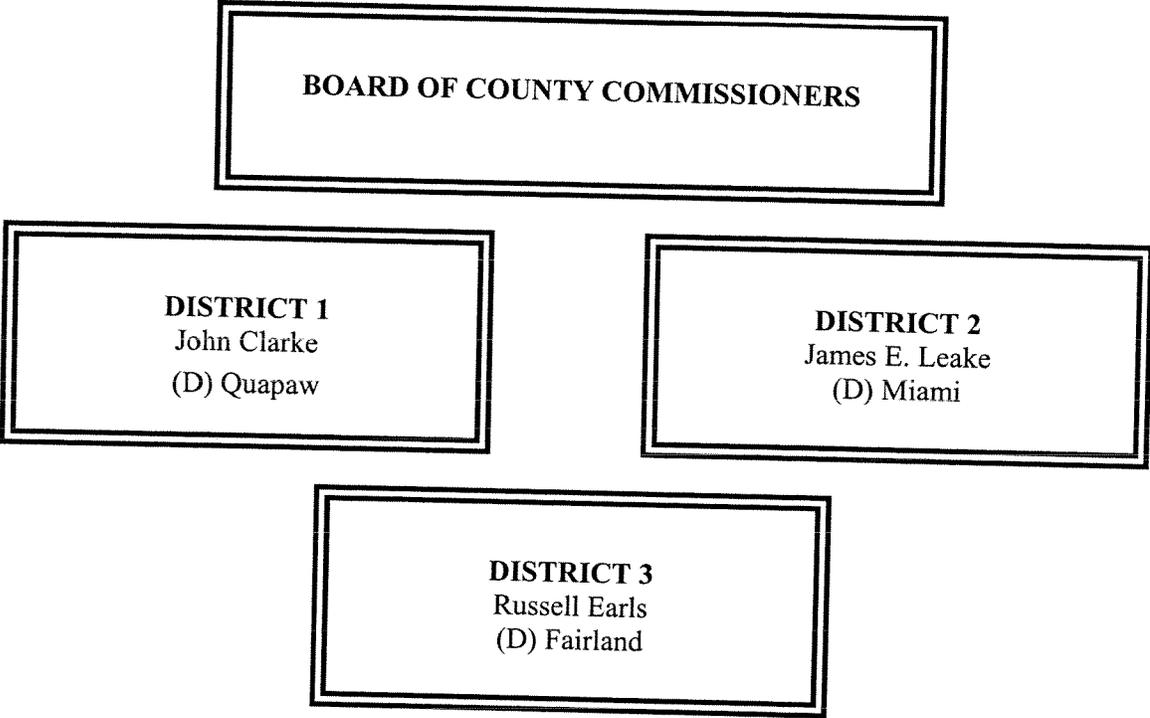
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**OTTAWA 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.

**OTTAWA COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Dennis King
(D) Miami

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
Brenda Conner
(D) Commerce

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.

**OTTAWA COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK

Beverly Stepp
(D) Pitcher

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

Thomas H. May (7/2002-12/2002)

(D) Afton

Eddie Wyant (1/2003-6/2003)

(D) Miami

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.

ELECTION BOARD SECRETARY

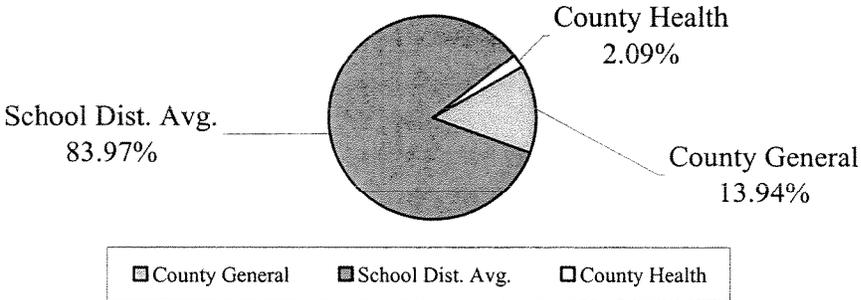
Dave E. Charloe
(D) Miami

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.

**AD VALOREM TAX DISTRIBUTION
OTTAWA 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							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
Co. General	10.00	Turkey Ford	D-10	35.00	5.00	9.21	10.00	4.00	63.21
County Health	1.50	Wyandotte	I-1	35.00	5.00	11.97	10.00	4.00	65.97
Co. Sinking	0.43	Quapaw	I-14	35.00	5.00		10.00	4.00	54.00
Other		Picher	I-15	35.00	5.00	10.26	10.00	4.00	64.26
S.D. I-23 EMS	3.00	Commerce	I-18	35.00	5.00	3.01	10.00	4.00	57.01
		Miami	I-23	35.00	5.00	5.57	10.00	4.00	59.57
		Afton	I-26	35.00	5.00		10.00	4.00	54.00
		Fairland	I-31	35.00	5.00	12.35	10.00	4.00	66.35
		Neosho Valley		35.00	5.00	7.01	10.00	4.00	61.01
		Miami	I-18	35.00	5.00	3.01	10.00	4.00	57.01

See independent auditor's report.

Financial Section



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
OTTAWA COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Ottawa 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 Ottawa 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 Ottawa 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 Ottawa 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 Ottawa 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, 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 November 3, 2004, on our consideration of Ottawa 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.

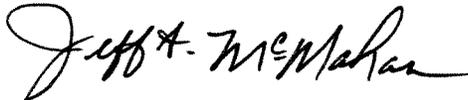
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Ottawa County, Oklahoma, taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Section* has not been audited by us, and accordingly, we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

JEFF A. McMAHAN
State Auditor and Inspector

November 3, 2004

Special-Purpose Financial Statements

**OTTAWA 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	\$ 711,959	\$ 2,449,103	\$ 2,571,463	\$	\$ 589,599
Highway Cash	929,380	1,937,983	1,939,872		927,491
Highway Sales Tax	642,602	1,052,040	780,035		914,607
County Sales Tax	120,351	913	19,250		102,014
County Health	154,705	489,175	532,951		110,929
Resale Property	101,105	74,337	99,645		75,797
Assessor's Revolving	7,611				7,611
County Clerk Lien Fee	5,565	8,765	8,212		6,118
Treasurer's Mortgage Certification Fee	8,120	8,845	9,663		7,302
Sheriff Service Fee	33,340	224,386	99,723		158,003
Sheriff DARE	1,344	9,764	5,858		5,250
Sheriff DFCF	15,805	14,420	17,210		13,015
Sheriff Fast Cop		34,812	15,729		19,083
County Clerk Preservation	21,248	34,708	22,894		33,062
Dist. 1 D.E.Q. Settlement	1,127,544	19,494	198,798		948,240
CDBG Fire		42,057	39,123		2,934
Community Crisis Grant Fund		12,120	12,120		
Sheriff Commissary	11,775	66,112	65,426		12,461
Sheriff Drug Buy	2,350		1,500		850
Child Abuse Prevention	4,245	430			4,675
Board of Prisoners	190,309	389,329	479,429		100,209
Sheriff LEBG	30				30
Ins. Recovery Cash Fund	8				8
Protest Tax		122,004			122,004
Tax Refunds	59		59		
Sinking Fund	37,968	39,233	39,068		38,133
Excess Resale	2,485	106			2,591
Law Library	8,373	35,685	35,175		8,883
Municipal	22,096	240,479	244,672		17,903
County EMS	605	118,011	114,926		3,690
Schools	48,094	5,695,884	5,624,497		119,481
Individual Redemption	2,421	20,068	19,172		3,317
Individual Redemption Fee		205	205		
Official Depository	668,068	4,106,501	4,160,491	93,137	707,215
Total County Funds	<u>\$ 4,879,565</u>	<u>\$ 17,246,969</u>	<u>\$ 17,157,166</u>	<u>\$ 93,137</u>	<u>\$ 5,062,505</u>

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

**OTTAWA 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	\$ 711,959	\$ 711,959	\$ 711,959	\$ -
Less: Prior Year Outstanding Warrants	(96,033)	(96,033)	(95,957)	76
Less: Prior Year Encumbrances	(134,397)	(134,397)	(133,484)	913
Beginning Cash Balances, Budgetary Basis	<u>481,529</u>	<u>481,529</u>	<u>482,518</u>	<u>989</u>
Receipts:				
Ad Valorem Taxes	850,337	850,337	891,984	41,647
Sales Tax	813,847	813,847	888,222	74,375
Charges for Services	313,070	313,070	353,769	40,699
Intergovernmental Revenues	245,955	283,012	273,747	(9,265)
Miscellaneous Revenues	53,103	53,103	41,381	(11,722)
Total Receipts, Budgetary Basis	<u>2,276,312</u>	<u>2,313,369</u>	<u>2,449,103</u>	<u>135,734</u>
Expenditures:				
Total District Attorney	<u>7,000</u>	<u>7,000</u>	<u>1,298</u>	<u>5,702</u>
County Sheriff	906,726	921,827	921,776	51
Capital Outlay	<u>50,000</u>	<u>34,899</u>	<u>34,899</u>	<u></u>
Total County Sheriff	<u>956,726</u>	<u>956,726</u>	<u>956,675</u>	<u>51</u>
County Treasurer	82,724	83,371	74,370	9,001
Capital Outlay	<u>1</u>	<u>1</u>	<u></u>	<u>1</u>
Total County Treasurer	<u>82,725</u>	<u>83,372</u>	<u>74,370</u>	<u>9,002</u>
Total County Commissioners	<u>152,178</u>	<u>153,330</u>	<u>152,915</u>	<u>415</u>
Total OSU Extension	<u>41,640</u>	<u>43,040</u>	<u>42,864</u>	<u>176</u>
County Clerk	204,160	204,517	204,396	121
Capital Outlay	<u>1,250</u>	<u>1,550</u>	<u>1,520</u>	<u>30</u>
Total County Clerk	<u>205,410</u>	<u>206,067</u>	<u>205,916</u>	<u>151</u>
Total Court Clerk	<u>357,699</u>	<u>370,362</u>	<u>369,419</u>	<u>943</u>
Total County Assessor	<u>130,885</u>	<u>132,653</u>	<u>131,211</u>	<u>1,442</u>
Total Revaluation of Real Property	<u>90,905</u>	<u>91,752</u>	<u>89,686</u>	<u>2,066</u>
General Government	409,541	408,309	299,391	108,918
Capital Outlay	<u>200,000</u>	<u>217,955</u>	<u>42,652</u>	<u>175,303</u>
Total General Government	<u>609,541</u>	<u>626,264</u>	<u>342,043</u>	<u>284,221</u>

continued on next page

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Total Excise-Equalization Board	\$ 1,964	\$ 1,964	\$ 1,874	\$ 90
County Election Board	99,132	99,132	97,294	1,838
Capital Outlay	400	400	390	10
Total County Election Board	99,532	99,532	97,684	1,848
Total County Audit Budget	10,135	10,135	10,135	-
Total County Cemetery	1	1,201	1,200	1
Total Free Fair Budget	9,500	9,500	9,209	291
Provision for Interest on Warrants	2,000	2,000		2,000
Total Expenditures, Budgetary Basis	<u>2,757,841</u>	<u>2,794,898</u>	<u>2,486,499</u>	<u>308,399</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	445,122	<u>\$ 445,122</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			28,567	
Add: Current Year Outstanding Warrants			<u>115,910</u>	
Ending Cash Balance			<u>\$ 589,599</u>	

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

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

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 154,705	\$ 154,705	\$ 154,705	\$ -
Less: Prior Year Outstanding Warrants	(705)	(705)	(312)	393
Less: Prior Year Encumbrances	(66,495)	(66,495)	(64,544)	1,951
Beginning Cash Balances, Budgetary Basis	<u>87,505</u>	<u>87,505</u>	<u>89,849</u>	<u>2,344</u>
Receipts:				
Ad Valorem Taxes	127,550	127,790	133,798	6,008
Charges for Services		155,672	155,672	
Intergovernmental Revenue		199,705	199,705	
Total Receipts, Budgetary Basis	<u>127,550</u>	<u>483,167</u>	<u>489,175</u>	<u>6,008</u>
Expenditures:				
Health and Welfare	214,055	569,672	488,109	81,563
Capital Outlay	1,000	1,000		1,000
Total Expenditures, Budgetary Basis	<u>215,055</u>	<u>570,672</u>	<u>488,109</u>	<u>82,563</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	90,915	<u>\$ 90,915</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			10,143	
Add: Current Year Outstanding Warrants			9,871	
Ending Cash Balance			<u>\$ 110,929</u>	

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

**OTTAWA 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>\$ 37,968</u>
Receipts:	
Ad Valorem Taxes	38,033
Miscellaneous	1,200
Total Receipts	<u>39,233</u>
Disbursements:	
G.O. Bonds	15,000
County Judgments	9,570
Interest Paid	14,498
Total Disbursements	<u>39,068</u>
Ending Cash Balance	<u><u>\$ 38,133</u></u>

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

**OTTAWA 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 Balance July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balance June 30, 2003
Court Clerk	\$ 278,315	\$ 1,636,859	\$ 1,545,148	\$ 7,403	\$ 377,429
Court Clerk Revolving Fund	22,730	40,113	16,802		46,041
Court Fund	207,845	930,493	958,813	104	179,629
Treasurer	15,640	132,708	133,838	427	14,937
Election Board	1,909	34,613	35,188	575	1,909
County Sheriff	10,220	190,894	273,341	79,303	7,076
Health	997	182,712	160,581		23,128
County Assessor		7,696	7,696		
County Clerk Recorder	16,850	195,036	195,202	1,200	17,884
District Attorney	113,562	755,377	833,882	4,125	39,182
Total Official Depository Accounts	\$ 668,068	\$ 4,106,501	\$ 4,160,491	\$ 93,137	\$ 707,215

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

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

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

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

The Statements of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual – for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the 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 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 the county health department, 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 Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Group (See ACCO-SIG).	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

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 carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of coverage.	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 \$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. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate worker's compensation claims and employees' insurance. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Management believes coverage is sufficient to preclude any significant uninsured losses to the County.

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 \$5,062,505 and the bank balance was \$5,049,668. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities, or school districts
- Money judgments against counties, municipalities, or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality, or school district
- Negotiable certificates of deposit
- Prime bankers acceptances which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments.

B. Description of Funds

General Fund – revenues are from ad valorem taxes, sales tax, 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.

Highway Sales Tax – revenues are from a county sales tax and disbursements are for the construction of county roads and bridges.

County Sales Tax – revenues are from a ½ cent sales tax passed by the voters. Disbursements are for the operation of the Sheriff's office and jail.

County Health – revenues are from ad valorem taxes, miscellaneous fees charged by the health department and state and federal funds. Disbursements are for the operation of the county health department.

Detailed Notes on Account Balances (continued)

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

Assessor's Revolving – revenues are from any and all fees collected by the County Assessor. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office.

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

Treasurer's Mortgage Certification Fees – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

Sheriff Service Fee – revenues are from fees charged for serving summonses and notices. Disbursements are for any lawful expense of the Sheriff's office.

Sheriff DARE – revenues are from a federal grant and donations for drug education. Disbursements are for payroll of drug officers who go into schools and teach Drug Abuse Resistance Education.

Sheriff DFCF – revenues are from monies seized and forfeited to the Sheriff's office. Disbursements are for the maintenance and operation of the Sheriff's Drug Task Force.

Sheriff Fast Cop – revenues are from the Quapaw Indian Tribe. Disbursements are for the salary of a school resource officer.

County Clerk Preservation – revenues are from a fee charged by the Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Dist. 1 D.E.Q. Settlement – revenues are from reimbursements from the E.P.A. and are disbursed for the rebuilding of roads damaged in District 1.

CDBG Fire – revenues are from a federal grant. Disbursements are for the purchase of firefighting equipment.

Community Crisis Grant Fund – revenues are from a federal grant. Disbursements are to provide family preservation and family support services.

Sheriff Commissary – revenues are from profits on commissary sales in the county jail. Disbursements are for jail improvements.

Detailed Notes on Account Balances (continued)

Sheriff Drug Buy – revenues are from the sale of seized and forfeited property sold at auction. Disbursements are for the purchase of illegal substances.

Child Abuse Prevention – revenues are from a federal grant. Disbursements are for child abuse prevention.

Board of Prisoners – revenues are from fees charged for boarding prisoners of non-county entities in the County jail. Disbursements are for feeding and housing inmates of the County jail.

Sheriff LEBG – revenues are from a federal grant and are used to pay for the salaries of deputies.

Insurance Recovery Cash Fund – revenues are from insurance claims filed by the County. Disbursements are for the replacement of items damaged in the courthouse.

Protest Tax – Ad valorem taxes paid under protest are held in this account pending the outcome of the protest.

Tax Refunds – Deposits are from overpayments of ad valorem taxes. Disbursements are made to refund these amounts to the payers.

Sinking Fund – revenues are from ad valorem taxes and interest earnings. Disbursements are for the payment of principal and interest on bonds and judgments against the County.

Excess Resale – revenues are the amount collected in excess of taxes due when property is sold for taxes. The amount is held for the landowner for two years and if unclaimed, is transferred to the county sinking fund.

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

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

County EMS – revenues are from ad valorem taxes collected for the EMS. These collections are remitted to the EMS monthly.

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

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.

Detailed Notes on Account Balances (continued)

Individual Redemption Fee – revenues are from fees received from individual redemptions. Disbursements are to the general fund.

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.

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 Revolving Fund – revenues are from fees charged by the Court Clerk. Disbursements are for any legal expense of the Court Clerk's office.

Court Fund - accounts for fees transferred from the Court Clerk account and interest earnings and disbursements are for the purpose of fees for various entities, salaries and operation of the Court Clerk's office.

Treasurer - accounts for all collections of pre-paid ad valorem taxes, pre-paid mobile homes, and the sale of motor vehicle tax stamps. Disbursements are for the purpose of refunds, tax payments, Oklahoma Tax Commission and Treasurer's Mortgage Tax Certification Fees.

Election Board - accounts for reimbursements for election cost and is disbursed for election board operations.

County Sheriff – accounts for collections of all service fees, cash bonds and contributions. Monies are remitted to the proper agency or fund monthly.

Health - accounts for fees charged by the county health department. Disbursements are to the county health department budget account monthly.

County Assessor - accounts for fees charged by the County Assessor and remitted to the Assessor's Revolving Fund monthly.

County Clerk Recorder – accounts for the collection of recording fees, copy fees, and record preservation fees. Funds are remitted to the proper fund monthly.

District Attorney – revenues are from bogus check collections, restitution, state reimbursements, grants, confiscated funds and property. Disbursements are for various operating expense of the District Attorney's office and remittances to the proper recipient.

Detailed Notes on Account Balances (continued)

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 \$93,537,058.

The County levied 10 mills (the legal maximum) for general fund operations, 1.5 mills for the county health department, and 0.43 mill for county sinking. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2003, were approximately 96.19 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.

Detailed Notes on Account Balances (continued)

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. General Obligation Bonds

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

County General Obligation Limited Tax Bonds of 1987 – Bonds in the amount of \$400,000 were issued July 1, 1987, to provide funds for the purpose of securing and developing industry within Ottawa County.

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:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Ottawa County General Obligation Bonds of 1987	6.00%	\$220,000
	Total	<u>\$220,000</u>

During the fiscal year ended June 30, 2003, principal payments of \$15,000 and interest payments of \$13,650 were made on this issue.

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

Detailed Notes on Account Balances (continued)

Annual debt service requirements to maturity for general obligation bonds, including interest of 6.00% are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2004	\$15,000	\$12,750	\$27,750
2005	15,000	11,850	\$26,850
2006	15,000	10,950	\$25,950
2007	15,000	10,050	\$25,050
2008	15,000	9,150	\$24,150
2009-2013	75,000	32,250	\$107,250
2014-2018	70,000	9,900	\$79,900
Total	\$220,000	\$96,900	\$316,900

G. Judgments

The County has a judgment which is being retired by a tax levy. The County was obligated to pay the judgment over a three-year period, and the judgment was paid in full during the fiscal year ended June 30, 2003.

H. 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, Ottawa County voters approved a permanent one-half cent sales tax. The purpose of the tax is the construction, maintenance, and operation of a modern jail facility and operation of the Ottawa County Sheriff's Department. The one-half cent sales tax is apportioned to the general fund for the operation of the Sheriff's Department.

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

Compliance and Internal Control Section



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
OTTAWA COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Ottawa County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated November 3, 2004. Our report includes 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 Ottawa 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 special-purpose 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 Ottawa 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 2003-1.

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 2003-1 to be a material weakness.

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

This report is intended solely for the information and use of the management of the County 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. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

November 3, 2004

**OTTAWA 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 2003-1 - Segregation of Duties

Criteria: Demonstration of accountability and stewardship are goals used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: Based on inquiries of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated. Payroll preparation, review, and distribution are not adequately segregated.

Effect: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

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

Management Response: It is the desire of Ottawa County to perform all duties as prescribed by the State Auditor & Inspector. However, due to lack of funds, it is not possible to totally segregate all the duties required. We are cognizant of the problem and will manage it to the best of our ability.

**Statistical Section
(Unaudited)**

**OTTAWA 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>
Bayliner Marine Corp.	\$ 10,455,332	11.18%
Southwestern Bell	3,870,879	4.14%
Eagle Picher Technologies	3,848,889	4.11%
Empire District Electric	2,458,034	2.63%
Blitz	2,438,509	2.61%
Wal-Mart	2,055,371	2.20%
Burlington & Santa Fe RR	1,508,576	1.61%
Explorer Pipeline Co.	967,821	1.03%
ONG	916,196	0.98%
Goodyear Tire & Rubber Co.	836,791	0.89%
Total	<u>\$ 29,356,398</u>	<u>31.38%</u>

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

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

Total net assessed value as of January 1, 2002		<u>\$ 93,537,058</u>
Debt limit - 5% of total assessed value		4,676,853
Total bonds outstanding	220,000	
Total judgments outstanding	-	
Cash in sinking fund	<u>\$ 38,133</u>	<u>181,867</u>
Legal debt margin		<u>\$4,494,986</u>

OTTAWA 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	33,194
Net assessed value as of January 1, 2002	\$ 93,537,058
Gross bonded debt	220,000
Less available sinking fund cash balance	38,133
Net bonded debt	\$ 181,867
Ratio of net bonded debt to assessed value	0.19%
Net bonded debt per capita	\$ 5.48

**OTTAWA 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	\$18,167,322	\$14,677,188	\$68,502,277	\$7,809,729	\$93,537,058	\$779,475,483