

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

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

December 7, 2005

TO THE CITIZENS OF  
OTTAWA COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

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

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

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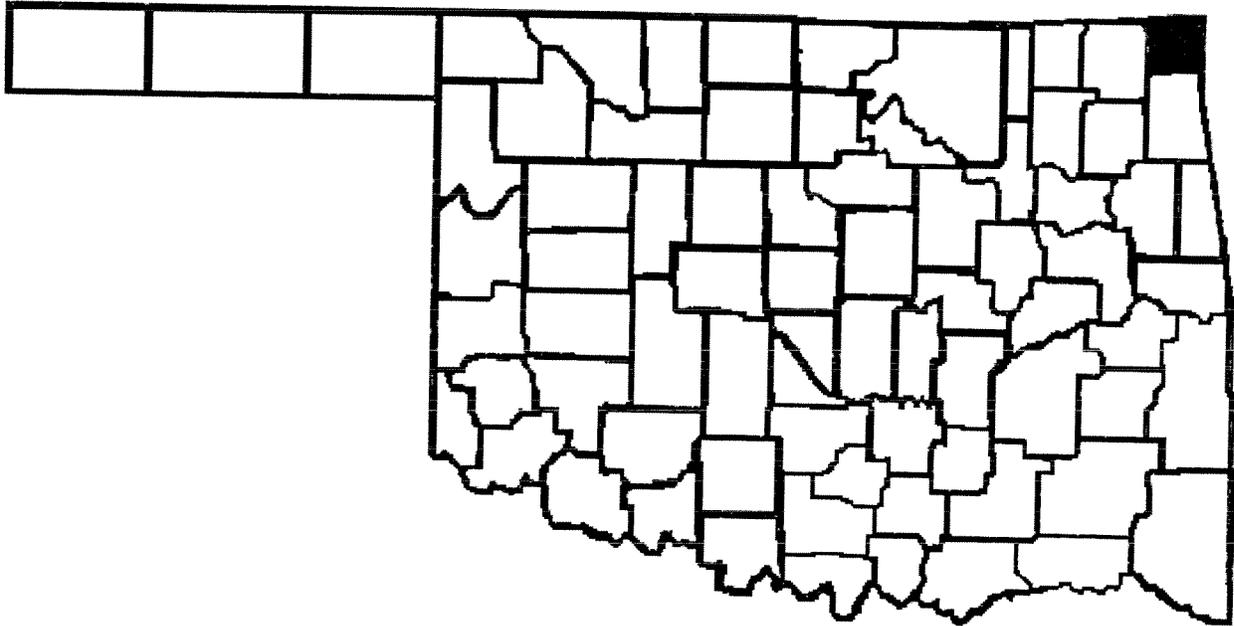
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REPORT TO THE CITIZENS  
OF  
OTTAWA COUNTY, OKLAHOMA

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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 Acres

Primary Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

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

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**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.

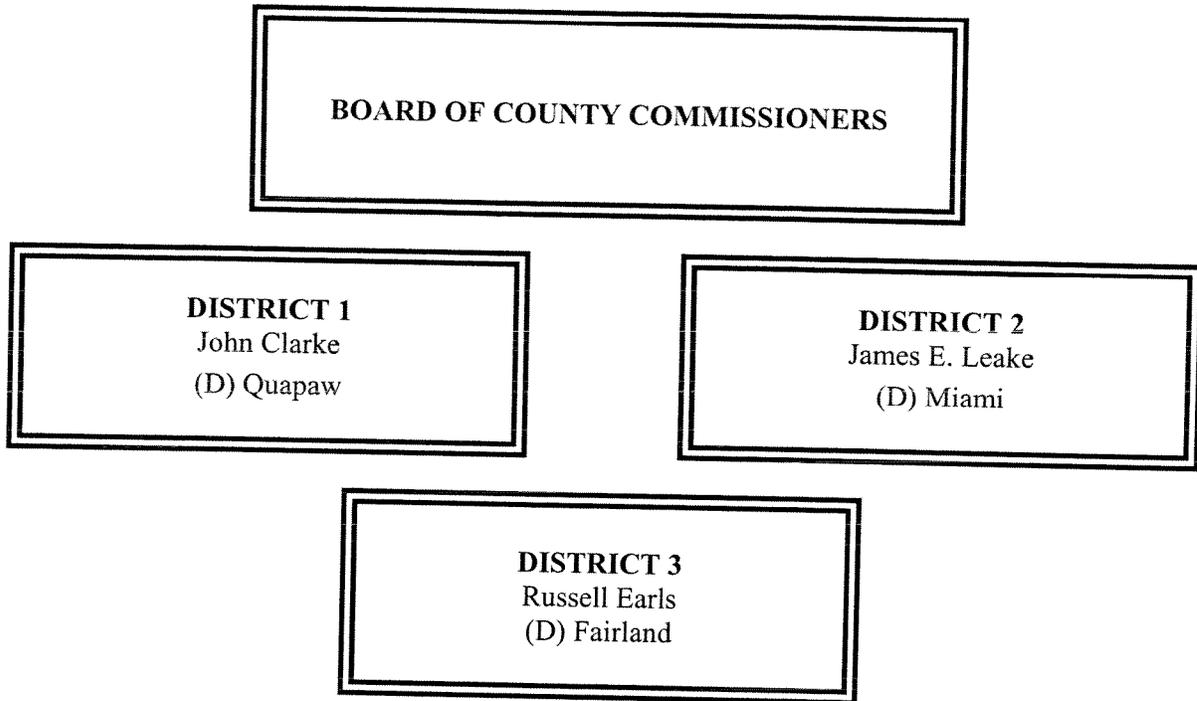
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. 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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

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

See independent auditor's report.

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

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**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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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**COURT CLERK**  
Cathy Williams  
(D) Miami

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**  
Eddie Wyant  
(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.

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

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**ELECTION BOARD SECRETARY**

Dave E. Charloe

(D) Miami

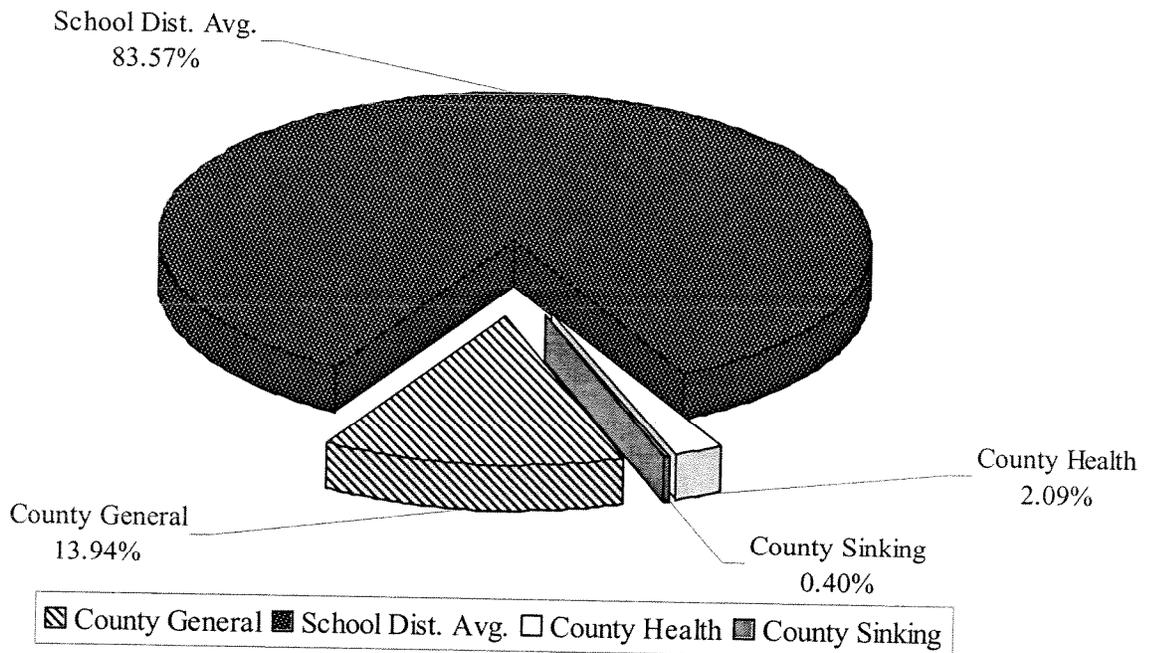
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

See independent auditor's report.

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

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career		
							Tech	Common	Total
Co. General	10.00								
County Health	1.50	Turkey Ford	D-10	35.00	5.00	7.35	10.00	4.00	61.35
Co. Sinking	0.29	Wyandotte	I-1	35.00	5.00	11.17	10.00	4.00	65.17
		Quapaw	I-14	35.00	5.00		10.00	4.00	54.00
<u>Cities and Towns</u>		Picher	I-15	35.00	5.00	10.57	10.00	4.00	64.57
Miami	8.04	Commerce	I-18	35.00	5.00		10.00	4.00	54.00
		Miami	I-23	35.00	5.00	5.82	10.00	4.00	59.82
<u>Other</u>		Afton	I-26	35.00	5.00		10.00	4.00	54.00
S.D. 23 EMS	3.00	Fairland	I-31	35.00	5.00	11.51	10.00	4.00	65.51
		Neosho Valley	I-47	35.00	5.00	7.16	10.00	4.00	61.16

See independent auditor's report.

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

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Total net assessed value as of January 1, 2003		<u>\$ 96,579,846</u>
Debt limit - 5% of total assessed value		4,828,992
Total bonds outstanding	205,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>39,381</u>	<u>165,619</u>
Legal debt margin		<u>\$ 4,663,373</u>

See independent auditor's report.

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

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	2004
Estimated population	33,194
Net assessed value as of January 1, 2003	\$ 96,579,846
Gross bonded debt	205,000
Less available sinking fund cash balance	39,381
Net bonded debt	\$ 165,619
Ratio of net bonded debt to assessed value	0.17%
Net bonded debt per capita	\$ 4.99

See independent auditor's report.

**OTTAWA COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
 (UNAUDITED)**

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	\$19,112,739	\$14,027,377	\$71,089,129	\$7,649,399	\$96,579,846	\$804,832,050

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 combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Ottawa County, Oklahoma, as of and for the year ended June 30, 2004, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Ottawa County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

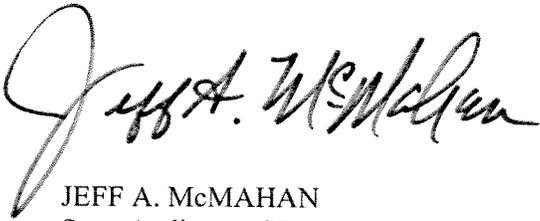
As described in Note 1, this financial statement was prepared using accounting practices prescribed by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Ottawa County as of June 30, 2004, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Ottawa County, for the year ended June 30, 2004, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2005, 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, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

JEFF A. McMAHAN  
State Auditor and Inspector

November 10, 2005

## **Basic Financial Statement**

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

	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
Combining Information:				
General Fund	\$ 589,599	\$ 2,676,238	\$ 2,559,813	\$ 706,024
County Health	110,929	446,827	411,793	145,963
County Sales Tax	102,014	3,064		105,078
Highway Cash	927,491	1,951,740	1,913,474	965,757
Highway Sales Tax	914,607	1,140,112	853,304	1,201,415
Dist. 1 DEQ Settlement	948,240	3,350	294,759	656,831
Resale Property	75,797	54,200	86,472	43,525
FEMA All-Hazard Mit.		10,000	10,000	
Paradise Point CDBG			45,445	(45,445)
CDBG Fire	2,934		2,934	
Sheriff Service Fee	158,003	219,871	322,168	55,706
Sheriff DARE	5,250	3,321	3,132	5,439
Sheriff DFCF	13,015	7,308	5,560	14,763
Sheriff Fast Cop	19,083		19,083	
County Clerk Lien Fee	6,118	8,814	6,923	8,009
Treasurer's Mort. Cert. Fees	7,302	9,234	10,128	6,408
County Clerk Preservation	33,062	36,483	17,586	51,959
Sinking Fund	38,133	29,000	27,752	39,381
Sheriff Drug Buy	850	2,900	500	3,250
Sheriff Bullet Proof Vest		2,527	2,527	
Child Abuse Prevention	4,675	411		5,086
Board of Prisoners	100,209	490,894	340,839	250,264
Assessor Revolving	7,611	10,450	4,781	13,280
Sheriff LEBG	30		30	
Ins. Recovery Cash Fund	8			8
<b>Combined Total—All County Funds</b>	<b>\$ 4,064,960</b>	<b>\$ 7,106,744</b>	<b>\$ 6,939,003</b>	<b>\$ 4,232,701</b>

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

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

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1. **Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Ottawa County, Oklahoma. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

**B. Fund Accounting**

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

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

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.

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.

County Sales Tax – revenues are from interest earnings. This is the residual balance of sales tax collected for the construction of the County jail. Disbursements are for capital improvements to the jail.

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.

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

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Dist. 1 DEQ Settlement – revenues are from reimbursements from the Environmental Protection Agency and are disbursed for the rebuilding of roads damaged in District #1.

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.

FEMA All-Hazard Mitigation – revenues are from a federal grant. Disbursements are for hazard mitigation.

Paradise Point CDBG – revenues will be from a federal grant. The County is currently using a “letter of intent” to disperse funds which have not yet been received (Per O.S. 68 § 3003 C.) This has resulted in a temporary negative cash balance.

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

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

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

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

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.

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

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

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Sheriff Bullet Proof Vest – revenues are from donations. Disbursements are for the purchase of bullet proof vests by the Sheriff's office.

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.

Assessor 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.

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.

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

**C. Basis of Accounting**

The basic financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

**D. Budget**

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. On or before 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.

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

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

**E. Cash**

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

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

**F. Investments**

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

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

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

**G. Compensated Absences**

All full-time Ottawa County employees shall be entitled to annual leave that is accrued on a monthly basis in accordance with the schedule out-lined below:

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

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First year	1 week
Second year	2 weeks
Third year	2 weeks
Fourth year	2 weeks
Fifth year	3 weeks
Tenth year and over	4 weeks

Vacation must be earned before it is taken. No vacation will be longer than 10 consecutive working days without permission of the appropriate elected official. Vacation schedules are subject to the elected official approval. Employees may not carry over more than 10 days of annual leave per year.

Sick leave benefits are accrued at the rate of 8 hours per month and employees may accumulate up to 36 days. Sick leave is not paid upon termination.

**2. Ad Valorem Tax**

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

The assessed property value as of January 1, 2003, was approximately \$96,579,846.

The County levied 10.00 mills (the legal maximum) for general fund operations, 1.5 mills for county health department, and .29 mill for county sinking. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2004, were approximately 93.59 percent of the tax levy.

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

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**3. Fuel Tax**

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

**4. Risk Management**

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

<b>Types of Loss</b>	<b>Method of Management</b>	<b>Risk of Loss Retained</b>
General Liability <ul style="list-style-type: none"> <li>• Torts</li> <li>• Errors and Omissions</li> <li>• Law Enforcement Officers Liability</li> <li>• Vehicle</li> </ul>	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none"> <li>• Theft</li> <li>• Damage to Assets</li> <li>• Natural Disasters</li> </ul>		
Worker's Compensation <ul style="list-style-type: none"> <li>• Employees' Injuries</li> </ul>	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"> <li>• Medical</li> <li>• Disability</li> <li>• Dental</li> <li>• Life</li> </ul>	The County carries commercial insurance.	None

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$10,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled

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

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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.

**5. Long-term Obligations**

**Capital Leases**

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

**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%	\$205,000

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

During the fiscal year ended June 30, 2004, principal payments of \$15,000 and interest payments of \$12,750 were made on this issue.

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
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	15,000	8,250	23,250
2010-2014	60,000	24,000	84,000
2015-2018	70,000	9,900	79,900
Total	\$ 205,000	\$ 84,150	\$ 289,150

**6. Pension Plan**

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

Funding Policy

The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the plan for the years ending June 30, 2004, 2003, and 2002 were \$325,372, \$333,814, and \$332,256, respectively, equal to the required contributions for each year.

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

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

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

**8. Contingent Liabilities**

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

**9. 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 County Sales Tax 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 Highway Sales Tax fund for the designated purpose.

**OTHER SUPPLEMENTARY INFORMATION**

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 589,599	\$ 589,599	\$ 589,599	\$ -
Less: Prior Year Outstanding Warrants	(115,910)	(115,910)	(115,889)	21
Less: Prior Year Encumbrances	(28,567)	(28,567)	(22,139)	6,428
Beginning Cash Balances, Budgetary Basis	<u>445,122</u>	<u>445,122</u>	<u>451,571</u>	<u>6,449</u>
Receipts:				
Ad Valorem Taxes	877,999	877,999	927,971	49,972
Sales Tax	799,399	799,399	947,491	148,092
Charges for Services	342,876	342,876	486,239	143,363
Intergovernmental Revenues	265,868	408,777	292,125	(116,652)
Miscellaneous Revenues	37,243	37,243	22,412	(14,831)
Total Receipts, Budgetary Basis	<u>2,323,385</u>	<u>2,466,294</u>	<u>2,676,238</u>	<u>209,944</u>
Expenditures:				
District Attorney	4,000	4,000	4,000	
Total District Attorney	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
County Sheriff	838,825	858,051	858,014	37
Capital Outlay	35,000	15,800	15,800	
Total County Sheriff	<u>873,825</u>	<u>873,851</u>	<u>873,814</u>	<u>37</u>
County Treasurer	100,761	101,453	101,453	
Capital Outlay	1	1		1
Total County Treasurer	<u>100,762</u>	<u>101,454</u>	<u>101,453</u>	<u>1</u>
County Commissioners	154,181	154,239	153,998	241
Capital Outlay	1	1		1
Total County Commissioners	<u>154,182</u>	<u>154,240</u>	<u>153,998</u>	<u>242</u>
OSU Extension	42,624	44,424	44,406	18
Total OSU Extension	<u>42,624</u>	<u>44,424</u>	<u>44,406</u>	<u>18</u>
County Clerk	189,809	190,972	190,972	
Total County Clerk	<u>189,809</u>	<u>190,972</u>	<u>190,972</u>	<u>-</u>
Court Clerk	364,108	386,444	385,971	473
Total Court Clerk	<u>364,108</u>	<u>386,444</u>	<u>385,971</u>	<u>473</u>

continued on next page

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	132,848	133,649	132,741	908
Total County Assessor	<u>132,848</u>	<u>133,649</u>	<u>132,741</u>	<u>908</u>
Revaluation of Real Property	93,987	93,987	92,916	1,071
Total Revaluation of Real Property	<u>93,987</u>	<u>93,987</u>	<u>92,916</u>	<u>1,071</u>
General Government	691,450	797,830	467,454	330,376
Total General Government	<u>691,450</u>	<u>797,830</u>	<u>467,454</u>	<u>330,376</u>
Excise-Equalization Board	1,964	1,964	1,899	65
Total Excise-Equalization Board	<u>1,964</u>	<u>1,964</u>	<u>1,899</u>	<u>65</u>
County Election Board	94,625	104,278	102,849	1,429
Capital Outlay	400	400		400
Total County Election Board	<u>95,025</u>	<u>104,678</u>	<u>102,849</u>	<u>1,829</u>
County Cemetery	2,000	2,000	1,250	750
Total County Cemetery	<u>2,000</u>	<u>2,000</u>	<u>1,250</u>	<u>750</u>
County Audit Budget Account	10,423	10,423	10,423	
Total County Audit Budget Account	<u>10,423</u>	<u>10,423</u>	<u>10,423</u>	<u>-</u>
Free Fair Budget	9,500	9,500	7,619	1,881
Total Free Fair Budget	<u>9,500</u>	<u>9,500</u>	<u>7,619</u>	<u>1,881</u>
Provision for Interest on Warrants	2,000	2,000	455	1,545
Total Expenditures, Budgetary Basis	<u>2,768,507</u>	<u>2,911,416</u>	<u>2,572,220</u>	<u>339,196</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	555,589	<u>\$ 555,589</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			6,896	
Add: Current Year Outstanding Warrants			143,539	
Ending Cash Balance			<u>\$ 706,024</u>	

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

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

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 110,929	\$ 110,929	\$ 110,929	\$ -
Less: Prior Year Outstanding Warrants	(9,871)	(9,871)	(9,871)	
Less: Prior Year Encumbrances	(10,143)	(10,143)	(8,776)	1,367
Beginning Cash Balances, Budgetary Basis	<u>90,915</u>	<u>90,915</u>	<u>92,282</u>	<u>1,367</u>
Receipts:				
Ad Valorem Taxes	131,700	131,700	139,196	7,496
Charges for Service		304,264	307,631	3,367
Total Receipts, Budgetary Basis	<u>131,700</u>	<u>435,964</u>	<u>446,827</u>	<u>10,863</u>
Expenditures:				
Health and Welfare	219,615	523,879	430,704	93,175
Capital Outlay	3,000	3,000	1,850	1,150
Total Expenditures, Budgetary Basis	<u>222,615</u>	<u>526,879</u>	<u>432,554</u>	<u>94,325</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	106,555	<u>\$ 106,555</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			26,941	
Add: Current Year Outstanding Warrants			12,467	
Ending Cash Balance			<u>\$ 145,963</u>	

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

**OTTAWA COUNTY, OKLAHOMA  
 DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES—SINKING FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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Beginning Cash Balance		\$ 38,133
Receipts:		
Ad Valorem Tax		27,289
Miscellaneous		1,711
Total Receipts		<u>29,000</u>
Disbursements:		
G.O. Bonds		15,000
Interest Paid		12,752
Total Disbursements		<u>27,752</u>
Ending Cash Balance		<u>\$ 39,381</u>

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

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

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**1. Budgetary Schedules**

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis, for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year, unencumbered appropriations lapse.

**2. Sinking Fund Schedule**

Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

See independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
OTTAWA COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Ottawa County, Oklahoma, as of and for the year ended June 30, 2004, which comprises Ottawa County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 10, 2005. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ottawa County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted 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 Ottawa County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of findings as item 2003-1.

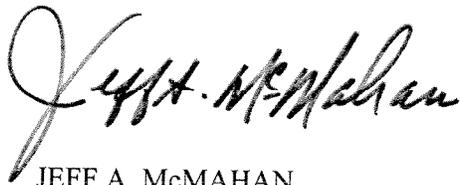
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being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

Compliance and Other Matters

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

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

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.



JEFF A. McMAHAN  
State Auditor and Inspector

November 10, 2005

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

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

**Finding 2003-1—Segregation of Duties (Repeat Finding)**

**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.

**Views of responsible officials and planned corrective actions:** 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.