

**TILLMAN COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

February 18, 2003

TO THE CITIZENS OF  
TILLMAN COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in black ink, reading "Jeff A. McMahon".

JEFF A. McMAHAN  
State Auditor and Inspector

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

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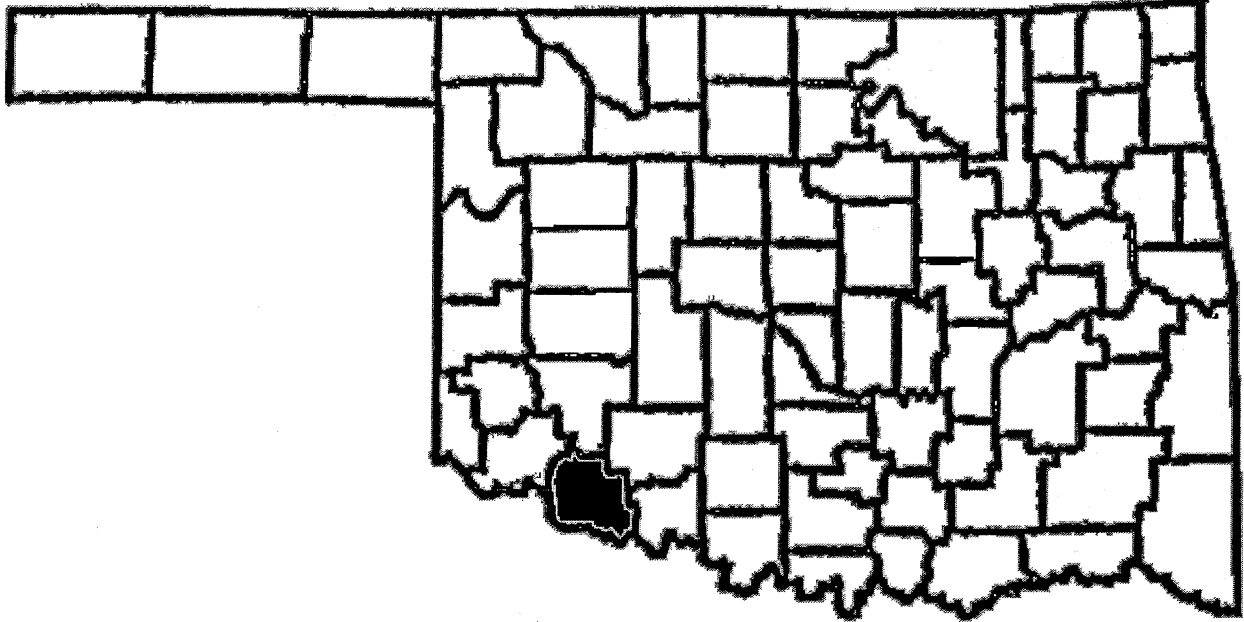
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REPORT TO THE CITIZENS  
OF  
TILLMAN COUNTY, OKLAHOMA

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Bordering Texas at the Red River, part of Tillman County was in Comanche, Kiowa and Apache grazing lands opened for settlement by lottery June 9 to August 6, 1901. The southeastern part, in Big Pasture, was opened by sealed bids in December 1906. These lands became part of Comanche County, Oklahoma Territory, until statehood, when Tillman County was organized and given the name of the famous U.S. Senator Benjamin Tillman of South Carolina.

County Seat – Frederick

Area – 872.4 Square Miles

County Population – 9,419  
(1999 est.)

Farms - 638

Land in Farms – 465,731 acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report

**COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY ASSESSOR**

Charles Edwards  
(D) Frederick

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**

Mary Albrecht  
(D) Frederick

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

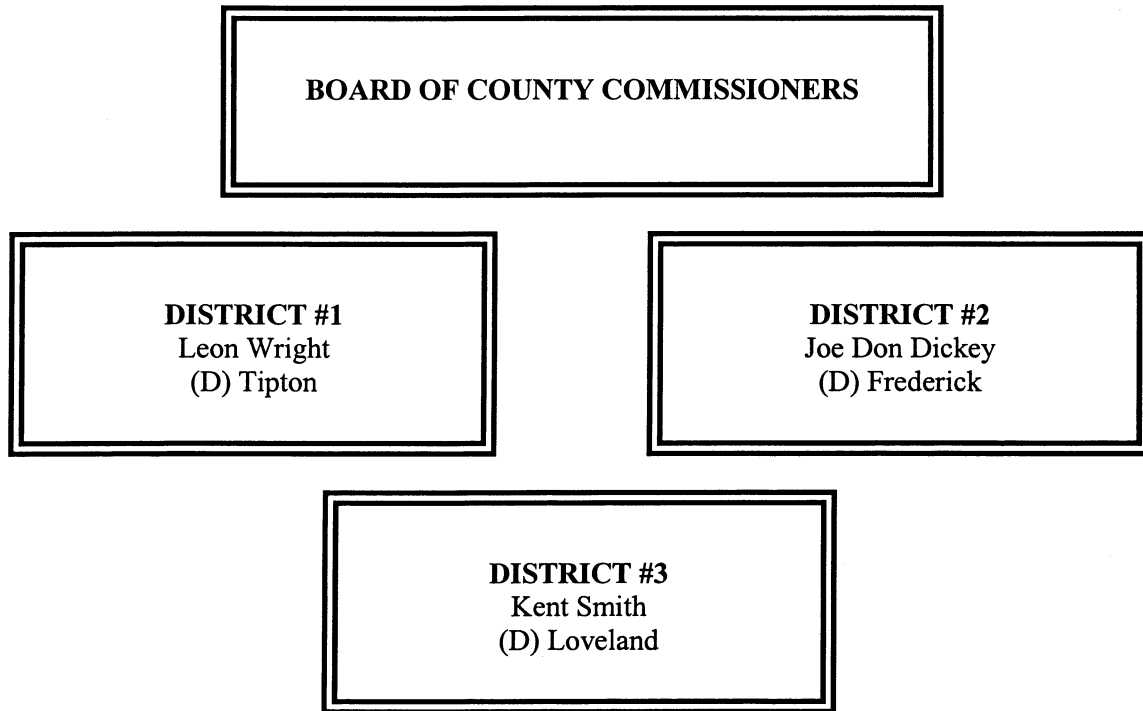
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report

**COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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

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

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

**COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY SHERIFF**

Billy Hanes  
(D) Frederick

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**

Kim Lamb  
(D) Davidson

All revenues received 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 revenues and expenditures, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report

**COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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**COURT CLERK**

Watha Shanks  
(D) Frederick

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**

John Wampler  
(D) Duke

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.



**COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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**ELECTION BOARD SECRETARY**

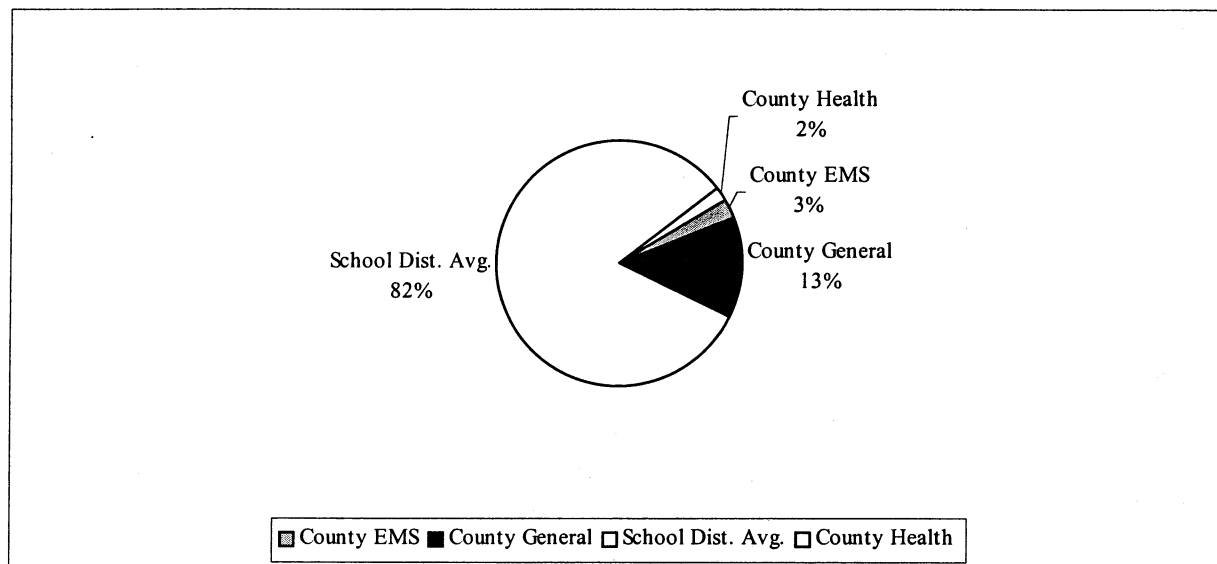
Wynell Jackson  
(D) Frederick

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 operating expenses 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  
TILLMAN COUNTY, OKLAHOMA  
SHARE OF THE AVERAGE MILLAGE**

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



County-Wide Millages		School District Millages						
Co. General	10.46		Gen.	Bldg.	Skg.	Vo-Tech	Common	Total
County Health	1.57	Tipton I8	36.75	5.25	30.45	11.51	4.19	88.15
County EMS	2.09	Davidson I9	36.31	5.19	13.24	11.51	4.19	70.44
		Frederick I158	36.49	5.21	11.68	11.51	4.19	69.08
		Grandfield I249	36.86	5.27	10.53	11.51	4.19	68.36
		Hollister I158	36.49	5.21	11.68	11.51	4.19	69.08
		Hollister I132	37.19	5.31		11.51	4.19	58.20
		Kiowa Jt.4	36.60	5.23		11.51	4.19	57.53
		Cotton Co. Jt.333	35.17	5.02		11.51	4.19	55.89
		Comanche Co. Jt.2	35.94	5.13	14.19	11.51	4.19	70.96
		Comanche Co. Jt.132	37.19	5.31		11.51	4.19	58.20

See independent auditor's report



**STATE OF OKLAHOMA**  
**OFFICE OF THE AUDITOR AND INSPECTOR**

**JEFF A. McMAHAN**  
State Auditor and Inspector

**Independent Auditor's Report**

**TO THE OFFICERS OF  
TILLMAN COUNTY, OKLAHOMA**

We have audited the accompanying general-purpose financial statements of Tillman County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of Tillman County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Tillman County Industrial Authority, which represents 100 percent of the assets and 100 percent of the revenues of the proprietary fund type component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Tillman County Industrial Authority is based solely on the report of the other auditors.

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 and the report of the other auditors provide a reasonable basis for our opinion.

As explained in Note (1G), the financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, based on our audit and the report of the other auditors, except for the effect on the general-purpose financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Tillman County, Oklahoma, as of June 30, 2002, and the results of its operations and the cash flows of its nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2003, on our consideration of Tillman County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Sincerely,

A handwritten signature in black ink, reading "Jeff A. McMahen". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

JEFF A. McMAHAN  
State Auditor and Inspector

January 13, 2003

## **General-Purpose Financial Statements**

**TILLMAN COUNTY, OKLAHOMA**  
**COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUP**  
**AND DISCRETELY PRESENTED COMPONENT UNIT**  
**JUNE 30, 2002**

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTAL		TOTAL REPORTING ENTITY
	GENERAL	SPECIAL REVENUE	AGENCY	GENERAL LONG - TERM DEBT	(MEMORANDUM ONLY)	COMPONENT UNIT	(MEMORANDUM ONLY)
<b>ASSETS</b>							
Cash and investments	\$ 216,817	\$ 2,819,978	\$ 262,510	\$	\$ 3,299,305	\$ 292,724	\$ 3,592,029
Ad valorem taxes receivable	3,829	575	27,999		32,403		32,403
Sales tax receivable	22,506	4,610			27,116		27,116
Due from other governments	908	190,613	7,740		199,261		199,261
Accrued interest receivable	2,739				2,739		2,739
Accounts receivable						28,582	28,582
Short term capital lease receivable - restricted						166,962	166,962
Sinking funds - restricted						550,108	550,108
Long term capital lease receivable - restricted						1,938,883	1,938,883
Unamortized discount on bonds						117,027	117,027
Land, building, and equipment						3,185,897	3,185,897
Intangible cost						165,945	165,945
Accumulated amortization						(12,644)	(12,644)
Construction in progress						43,402	43,402
Construction account						9,175	9,175
Repair and replacement fund						10,576	10,576
Amount to be provided for payment of compensated absences				50,533	50,533		50,533
Amount to be provided for capitalized lease purchase agreements				1,004,630	1,004,630		1,004,630
Total assets	<u>\$ 246,799</u>	<u>\$ 3,015,776</u>	<u>\$ 298,249</u>	<u>\$ 1,055,163</u>	<u>\$ 4,615,987</u>	<u>\$ 6,496,637</u>	<u>\$ 11,112,624</u>
<b>LIABILITIES AND FUND EQUITY</b>							
<b>Liabilities:</b>							
Warrants payable	\$ 52,666	\$ 267,049	\$ 150	\$	\$ 319,865	\$	\$ 319,865
Accounts payable		25			25		25
Interest payable						66,382	66,382
Due to other taxing units			87,833		87,833		87,833
Due to others			210,266		210,266		210,266
Long-term liabilities - revenue bonds						4,360,000	4,360,000
Long-term liabilities - capital lease						530,562	530,562
Notes payable						912,622	912,622
Compensated absences payable				50,533	50,533		50,533
Capitalized lease obligations payable				1,004,630	1,004,630		1,004,630
Total liabilities	<u>52,666</u>	<u>267,074</u>	<u>298,249</u>	<u>1,055,163</u>	<u>1,673,152</u>	<u>5,869,566</u>	<u>7,542,718</u>
<b>Fund equity:</b>							
Contributed capital						144,720	144,720
Retained earnings:							
Unreserved						482,351	482,351
<b>Fund balances:</b>							
Reserved for encumbrances	131	3,712			3,843		3,843
Unreserved:							
Undesignated	194,002	2,744,990			2,938,992		2,938,992
Total fund equity	<u>194,133</u>	<u>2,748,702</u>	<u>-</u>	<u>-</u>	<u>2,942,835</u>	<u>627,071</u>	<u>3,569,906</u>
Total liabilities and fund equity	<u>\$ 246,799</u>	<u>\$ 3,015,776</u>	<u>\$ 298,249</u>	<u>\$ 1,055,163</u>	<u>\$ 4,615,987</u>	<u>\$ 6,496,637</u>	<u>\$ 11,112,624</u>

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

**TILLMAN COUNTY, OKLAHOMA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL	SPECIAL REVENUE	(MEMORANDUM ONLY)
Revenues:			
Ad valorem taxes	\$ 365,744	\$ 83,090	\$ 448,834
Sales tax	243,591	49,892	293,483
Charges for services	36,316	218,242	254,558
Intergovernmental revenues	149,521	2,900,033	3,049,554
Miscellaneous revenues	110,879	73,571	184,450
Total revenues	<u>906,051</u>	<u>3,324,828</u>	<u>4,230,879</u>
Expenditures:			
Current operating:			
General government	668,464	41,308	709,772
Public safety	260,983	642,344	903,327
Health and welfare		171,704	171,704
Culture and recreation		23,834	23,834
Education		34,870	34,870
Roads and highways		3,417,527	3,417,527
Total expenditures	<u>929,447</u>	<u>4,331,587</u>	<u>5,261,034</u>
Excess revenues (under) expenditures	<u>(23,396)</u>	<u>(1,006,759)</u>	<u>(1,030,155)</u>
Other financing sources:			
Capitalized lease agreements		395,972	395,972
Total other financing sources	<u>-</u>	<u>395,972</u>	<u>395,972</u>
Excess revenues and other sources (under) expenditures	(23,396)	(610,787)	(634,183)
Beginning fund balances	217,529	3,359,489	3,577,018
Ending fund balances	<u>\$ 194,133</u>	<u>\$ 2,748,702</u>	<u>\$ 2,942,835</u>

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

**TILLMAN COUNTY, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**-BUDGET AND ACTUAL-GENERAL AND SPECIAL REVENUE**  
**(COUNTY HEALTH DEPARTMENT ONLY) FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 188,584	\$ 188,584	\$ -	\$ 18,030	\$ 18,030	\$ -
Revenues:						
Ad valorem taxes	331,752	366,888	35,136	49,795	55,068	5,273
Sales tax	223,605	240,090	16,485			
Charges for services	33,865	36,316	2,451	128,346	128,159	(187)
Intergovernmental revenues	158,988	149,589	(9,399)		396	396
Miscellaneous revenues	73,559	112,131	38,572		127	127
Total revenue, budgetary basis	821,769	905,014	83,245	178,141	183,750	5,609
Expenditures:						
General government	723,066	668,595	54,471			
Public safety	286,787	260,983	25,804			
Health and welfare	500	500	500	196,171	171,781	24,390
Total expenditures, budgetary basis	1,010,353	929,578	80,775	196,171	171,781	24,390
Excess of revenues and beginning fund balances over expenditures, budgetary basis	\$ -	164,020	\$ 164,020	\$ -	29,999	\$ 29,999
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances						
Add: Ad valorem receivable		3,829			575	
Sales tax receivable		22,506				
Accrued interest		2,739				
Due from other governments		908				
Reserved for encumbrances		131				
Ending fund balances		\$ 194,133			\$ 30,574	

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



**TILLMAN COUNTY, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND EQUITY- PROPRIETARY FUND TYPE  
DISCRETELY PRESENTED COMPONENT UNIT  
FOR THE YEAR ENDED JUNE 30, 2002**

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	Tillman County Industrial Authority
<u>Operating Revenues:</u>	
Audit reimbursals	\$ 6,500
Interest on investments	87,023
Correctional Facility lease	209,100
Miscellaneous income	<u>1,080</u>
Total operating revenues	<u>303,703</u>
<u>Operating Expenses:</u>	
Interest expense	329,995
Professional fees	6,500
Trustee fees	3,000
Depreciation	72,826
Amortizaton	<u>9,289</u>
Total operating expenses	<u>421,610</u>
Excess of revenues over (under) expenses	(117,907)
Beginning retained earnings	<u>600,258</u>
Ending retained earnings	<u><u>\$ 482,351</u></u>

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

**TILLMAN COUNTY, OKLAHOMA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	Tillman County Industrial Authority
<u>Cash flows from operating activities:</u>	
Net income (loss)	\$ (117,907)
Adjustments required to reconcile net income (loss) to cash provided by operating activities:	
Depreciation and amortization	82,115
(Increase) decrease in accounts receivable	(27,502)
(Increase) decrease in interest receivable	24,770
Increase (decrease) in interest payable	<u>(5,030)</u>
Net cash used by operating activities	<u>(43,554)</u>
<u>Cash flows from investing activities:</u>	
Investment in capital lease less cost and unearned interest	683,147
Purchases of property and equipment	(37,556)
Construction fund (restricted)	(377,298)
Sinking funds (restricted)	<u>58,616</u>
Net cash provided by investing activities	<u>326,909</u>
<u>Cash flows from financing activities:</u>	
Debt reduction	<u>(286,807)</u>
Net cash used by financing activities	<u>(286,807)</u>
Net increase (decrease) in cash	(3,452)
Cash at beginning of year	296,176
Cash at end of year	<u><u>\$ 292,724</u></u>
Reconciliation of cash and equivalents:	
Cash - unrestricted	\$ 1,284
Short term investments - unrestricted	<u>291,440</u>
Total	<u><u>\$ 292,724</u></u>

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

## **Notes to the Financial Statements**

TILLMAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002

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1. Summary of Significant Accounting Policies

The financial statements of Tillman County are required to be presented in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies and practices are described below.

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.

In accordance with the GASB Statement No. 14, *The Financial Reporting Entity*, the County is required to present the entities that comprise the primary government and its legally separate component units in the fiscal year 2002 general-purpose financial statements.

Discretely Presented Component Unit

The component unit column in the combined financial statements includes the financial data of the County's discretely presented component unit. The following component unit is included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organization. It is reported in a separate column to distinguish its financial activity from that of the primary government.

Tillman County Industrial Authority is a public trust created under Title 60 of the Oklahoma statutes. The Authority was created by action of the trustees of the Tillman County Industrial Authority on June 30, 1968. Its purposes are to furnish utility services and facilities, to promote local industry and industrial manufacturing, cultural and educational activities, and to provide, or aid in providing funds for financing, acquiring and constructing physical properties and facilities, or aid in providing to the beneficiary any needed facilities or services. The Authority is empowered to borrow money for the purpose of fulfilling its functions and to pledge the above properties and the revenue therefrom as security for money borrowed, so long as the borrowing is approved by a vote of the electorate of Tillman County. The Trustees are appointed by the Tillman County Commissioners for terms ranging from one to three years. The Commissioners ratify any issuances of debt and the governing board of the Authority is appointed by the Tillman County Commissioners. The Tillman County Industrial Authority is reported as a proprietary fund type in the County's financial statements. The Authority report may be obtained from the Tillman County Clerk.

TILLMAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002

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Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into the following categories: governmental, proprietary, and fiduciary. Each category in turn is divided into separate fund types.

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, when the determination of net income is necessary for useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily with the government (internal service funds).

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB), in which case, GASB prevails.

TILLMAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002

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Summary of Significant Accounting Policies (continued)

In accordance with Generally Accepted Governmental Accounting Standards, the Tillman County Industrial Authority has maintained its financial records on the accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recorded when the related fund liability is incurred.

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund, or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds are generally used to account for assets that the government holds on behalf of others as their agent.

Account Groups

General Fixed Assets Account Group (GFAAG) - Generally accepted accounting principles (GAAP) require that those fixed assets of a government not reported in a proprietary fund or a trust fund be reported in a general fixed assets account group (GFAAG). This account group is not a fund. It does not have a balance sheet as such, nor does it report operations. Instead, the GFAAG serves as a list of the government's fixed assets and is designed to ensure accountability.

General Long-Term Debt Account Group (GLTDAG) — The general long-term debt account group (GLTDAG) is used to account for a government's unmatured long-term indebtedness that has not been identified as a specific fund liability of a proprietary or trust fund. In addition to general obligation debt instruments (e.g., bonds, notes, warrants), the GLTDAG is also used to report revenue bonds that will be repaid from general government resources, special assessment debt when the government is "obligated in some manner," special revenue bonds, and certain liabilities that are normally not expected to be liquidated with expendable available financial resources (e.g., capitalized lease-purchase obligations and compensated absences).

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these fund types present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Summary of Significant Accounting Policies (continued)

All proprietary funds, nonexpendable trust funds, and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is utilized by proprietary fund types, pension trust funds, and nonexpendable trust funds. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The modified-accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified-accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be quantified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if collected within 60 days after year-end. Expenditures are recorded when incurred and the related fund liability is expected to be paid from available spendable resources. Principal and interest on general long-term debt are recorded as fund expenditures when paid or when amounts for principal and interest have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, sales tax, interest revenue, and other taxes collected and held by the Oklahoma Tax Commission at year-end on behalf of the government. Charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

D. Budgetary Policies and Procedures

Under current Oklahoma Statutes, the general fund is required to adopt a formal budget. The budget presented for the general fund includes the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other cash 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 and special revenue funds.

TILLMAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
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Summary of Significant Accounting Policies (continued)

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

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue (County Health Department only) Funds presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

E. Cash and Investments

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

F. Receivables

All receivables are reported at their gross value.

G. Fixed Assets

While the County presently maintains some individual records of personal property; it does not keep similar records for land, buildings, and improvements. For this reason, a Statement of General Fixed Assets, required by accounting principles generally accepted in the United States of America, is not presented on the Combined Balance Sheet - All Fund Types and Account Group.

Tillman County Industrial Authority

Property and equipment are recorded at cost, including capitalized interest, less depreciation. Depreciation is accounted for on the straight-line method based on estimated useful lives. Betterments and large renewals which extend the life of the asset are capitalized whereas maintenance and repairs and small renewals are expenses as incurred.

H. Risk Management

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



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

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Summary of Significant Accounting Policies (continued)

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

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 pays a deductible amount (\$1,000 to \$10,000; Tillman County has a \$10,000 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool pays legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

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

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Summary of Significant Accounting Policies (continued)

The County continues to carry commercial insurance for employees' health and accident insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. No significant reductions in insurance coverage occurred during the fiscal year ended June 30, 2002.

I. Risk Management – Component Unit

Tillman County, as beneficiary of Tillman County Industrial Authority, participates in the Association of County Commissioners of Oklahoma Self Insurance Group to provide general liability and property insurance on buildings owned by the Tillman County Industrial Authority. The County, along with other participating entities, contribute annual amounts determined by the "Association".

As of June 30, 2002, the County Health Department building was insured for a total value of \$1,218,000, the Correctional Facility insured for a total value of \$2,700,000, and the Tipton Public Schools Gymnasium for a total value of \$1,436,500.

J. Compensated Absences

All full-time employees are entitled to annual leave that is accrued on a monthly basis. After 1 year of service, the employee is entitled to 5 days of vacation. Employees with 2 years to 9 years of service are entitled to 10 days of vacation. Those with 10 to 14 years of service are entitled to 15 days vacation. Employees with 15 years or more years of service are entitled to 20 days of vacation. No more than 2 vacation days are allowed as carry-over, any additional time shall be forfeited. The vested amount reported for fiscal year 2002, was \$50,533.

The County does not record any liability for sick leave. An employee earns up to 12 days per year and may accumulate up to 60 days. There is no history of sick leave usage from which to project future usage; hence, no liability for such has been recorded. Such an amount, if recorded, would not be material to the financial statements.

K. Memorandum Only - Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Interfund transactions, if any, have not been eliminated from the total column of each financial statement.

Summary of Significant Accounting Policies (continued)

L. Grant Revenue

Revenues from federal and state grants are recognized when expenditures are incurred.

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 Tillman County Board of County 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

Title 62 O.S. 2001, § 348.1 authorizes the County Treasurer to invest in:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- General obligation 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.

At year-end, the carrying amount of the County's deposits was \$3,299,305, and the bank balance was \$3,322,454. 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.

TILLMAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002

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Detailed Notes on Account Balances (continued)

Investments – Component Unit

Tillman County Industrial Authority investments are categorized to give an indication of the level of risk assumed by the Authority at fiscal year end. The standardized categories for risk purposes are as follows:

Category 1 – Insured, registered, or securities held by the Authority or its agents in the Authority's name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the Authority's name.

Investments of the Tillman County Industrial Authority consisted of the following at June 30, 2002:

Short Term amounts (cash equivalents)	<u>Cost Basis</u>	<u>Fair Value</u>
American Performance Treasurer Fund	\$233,175	\$233,175
Goldman Sachs FST Government Fund	<u>58,265</u>	<u>58,265</u>
Total Short Term	<u>\$291,440</u>	<u>\$291,440</u>

Investments in American Performance Treasury Fund and Goldman Sachs FST Government Fund are held in trust accounts and administered by Banc First Oklahoma Trust Department and Bank of Oklahoma Trust Department, respectively. These approved investments are carried at cost, which approximates market and may be liquidated as needed. These investment pools have not been assigned a risk category since Tillman County Industrial Authority is not issued securities, but rather owns an undivided beneficial interest in the assets of these pools.

Total component unit cash and investments were \$292,724.

Total cash and investments for the reporting entity were \$3,592,029.

TILLMAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002

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Detailed Notes on Account Balances (continued)

B. Receivables

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 net assessed property value as of January 1, 2001, was \$34,887,941.

The County levied 10.46 mills for general fund operations, 1.57 mills for the County Health Department, and 2.09 mills for the emergency medical service. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and apportions 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 before January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year. Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2002, were approximately 97 percent of the levy for tax year 2001.

C. Pension Plan

Plan Description. Tillman 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.

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

Detailed Notes on Account Balances (continued)

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation that is performed to determine the adequacy of contribution rates. County employees are required to contribute from 3.5% to 8.5% of earned compensation. Tillman County contributed from 5.0% to 10% of earned compensation for fiscal year 2002. Elected officials may contribute from 4.5% to 10% of their entire compensation. The County contributed 10% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2002, 2001, and 2000, were \$127,339, \$122,791, and \$118,334, respectively, equal to the required contributions for each year.

D. Property and Equipment – Component Unit

A summary of changes in property and equipment follows:

	Balance, July 1, 2001	Additions	Reductions	Balance, June 30, 2002
Land – Jail Site	\$ 37,761	\$ -	\$ -	\$ 37,761
Building – Correction Facility	-	3,063,263	-	3,063,263
Equipment – Correction Facility	-	157,699	-	157,699
Total	<u>\$ 37,761</u>	<u>\$3,220,962</u>	<u>\$ -</u>	<u>\$3,258,723</u>

During the year ended June 30, 2002, the lease arrangement between the Tillman County Industrial Authority and Tillman County, Oklahoma for facilities housing the Tillman County Health Department was properly reclassified as a “direct financing lease” whereby the Tillman County Industrial Authority treats the lease as a financing arrangement. For the year ended June 30, 2002, the above referenced lease was improperly treated as an “operating lease” whereby the Tillman County Industrial Authority recognized rental income from the facilities and the associated depreciation and expenses in its accounting records.

Construction in progress in the amount of \$43,402, as of June 30, 2002, represents costs incurred to date in the construction of an annex to the correctional facility in Frederick, Oklahoma. The costs so reflected include construction period interest and amortizable intangible costs associated with the financing of the facilities.

The construction accounts in the amount of \$9,175 are restricted to financing the completion of the correctional facility and gymnasium or reserved for debt service of the Revenue Bonds issuance to finance the projects. Such funds are maintained by Banc First Oklahoma Trust Department in Federated Treasury Obligations Fund Issue #68 as un-categorized pooled investments as follows:

Frederick, Oklahoma Correctional Facility	\$6,369
Tipton, Oklahoma School Gymnasium	\$2,806

TILLMAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002

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Detailed Notes on Account Balances (continued)

E. Direct Financing Leases – Component Unit

Tillman County Industrial Authority's direct financing leases consists of the following at June 30, 2002:

Building and equipment to Tillman County, Oklahoma to house the Tillman County Health Department. This lease is classified as a direct financing lease which expires December 1, 2012, or upon retirement of related debt, at which time ownership of the property will revert to the lessee.

Components of the net investment in the lease as of June 30, 2002 are:

Total minimum lease payments to be received	\$1,302,651
Less: unearned income	<u>414,512</u>
Net investment in direct financing leases	<u>\$ 888,139</u>

Minimum lease payments do not include contingent rentals which may be received as reimbursals of operating expenses such as insurance on the leased premises and audit fees allocable to the lease as stipulated in the lease agreement. Contingent rentals amount to \$1,700 for the year ended June 30, 2002. Minimum lease payments are \$10,339 per month to and including the first day of December 2012.

Building and equipment of Independent Public School District No. 8 (Tipton, Oklahoma) to be used as a educational, recreational and gymnasium. This lease is classified as a direct financing lease which expires August 1, 2010, or upon retirement of the related debt, at which time ownership of the property will revert to the lessee.

Components of the net investment in the lease as of June 30, 2002 are:

Total minimum lease payments to be received	\$ 803,194
Less: unearned income	<u>116,050</u>
Net investment in direct financing leases	<u>\$ 687,144</u>

Minimum lease payments do not include contingent rentals which may be received as reimbursals of operating expenses such as insurance on the leased premises and audit fees allocable to the lease as stipulated in the lease agreement. Contingent rentals amount to \$1,800 for pro-rata audit fees and \$1,080 in expense reimbursal for the year ended June 30, 2002.

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

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Detailed Notes on Account Balances (continued)

Minimum Lease payments are scheduled as follows:

7/15/02	\$ 21,450
1/15/03	21,450
7/15/03	331,450
1/15/04	12,925
7/15/04	12,925
1/15/05	12,925
7/15/05	482,925

As of June 30, 2002, restricted funds relating to the building totaling \$110,487 that will be used for debt service will offset the minimum lease payments scheduled above.

**F. Promissory Note – Component Unit**

The Tillman County Industrial Authority issued its promissory note dated November 24, 1997, to First Southwest Bank in the principal amount of \$1,150,000.00 bearing interest at the rate of seven percent per annum payable in 180 equal monthly installments of \$10,338.50 each, beginning January 1, 1998, to and including the first day of December 2012.

The Note was issued to finance the construction of a building to house the Tillman County Health Department and is subject to a lease between the Tillman County Industrial Authority as lessor and the Board of County Commissioners of Tillman County, Oklahoma as lessee.

The note is not an indebtedness of the State of Oklahoma, nor of the Board of County Commissioners of Tillman County, Oklahoma, nor is it a personal obligation of the Trustees of the Tillman County Industrial Authority. The note is a limited and special obligation of the Authority payable solely and only from the proceeds of the leasing and/or sale of the property aforementioned. No recourse shall be had against the Authority or its Trustees or any other assets or revenues of the Authority for payment of principal interest on this note.

The outstanding balance of the note on June 30, 2002, is \$912,622.

**G. Revenue Bonds, Series 1999 – Component Unit**

On December 6, 1999, the Trustees of Tillman County Industrial Authority authorized the incurring of indebtedness in the aggregate principal amount of not to exceed \$3,580,000, in order to provide a portion of the funds required to provide funds for constructing, acquiring and equipping a correctional facility in Tillman County, Oklahoma. The authorization of the indebtedness and the associated lease of the facilities to the County were concurrently consented to by the Board of County Commissioners of Tillman County, Oklahoma.



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

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Detailed Notes on Account Balances (continued)

The Bonds issued mature serially with the first maturity being November 1, 2002, in the principal amount of \$30,000, and the last maturity November 1, 2034, in the principal amount of \$275,000. The Bonds bear interest at annual rates of 6.625 % to 7.5%.

Debt service requirements of the Bond Indenture specify required monthly deposits to the "Bond Account" in amounts ranging from \$21,156 to \$24,635 over the life of the bonds. The initial debt service requirements have been funded with capitalized interest set aside from the bond proceeds.

The facilities to be constructed have been leased to Tillman County on an annual term with renewal options continuing until all the indebtedness of Tillman County Industrial Authority secured by the real property or its revenues have been paid. These lease payments commence November 1, 2001, and are due the first of each succeeding month in the minimum amount of \$25,500, additionally, the minimum lease payments do not include contingent rentals which may be received as reimbursals of operating expenses such as insurance on the leased premises and audit fees allocable to the lease as stipulated in the lease agreement. Contingent rentals amounted to \$3,000 for the year ended June 30, 2002.

H. Revenue Bonds, Series 2000 – Component Unit

On July 3, 2000, the Trustees of Tillman County Industrial Authority authorized the incurring of indebtedness in the aggregate principal amount of not to exceed \$1,000,000, in order to provide a portion of the funds for construction, acquiring and equipping a public building to be used as an educational, recreational and gymnasium facility within Tillman County, Oklahoma. The authorization of the indebtedness was concurrently consented to by the Board of County Commissioners of Tillman County, Oklahoma.

The \$5,000 denomination bonds mature on August 1, 2005, however, they are subject to a mandatory sinking fund redemption and payment prior to maturity on August 1, 2001, August 1, 2003, and August 1, 2005, at the principal amount thereof, plus accrued interest at an annual rate of 5.5%.

I. 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. 2001, § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest-free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all subsequent pieces of machinery acquired. The one-time fee is reported as interest. Oklahoma statutes prohibit the County from entering into contracts of this nature longer than one year. For this reason, these lease-purchase agreements do not qualify for capitalization until the year the lease-purchase

TILLMAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002

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Detailed Notes on Account Balances (continued)

agreements are completed and title to the equipment is transferred to the County. However, because it is the County's intent to exercise its right to purchase this property, the lease-purchase agreements have been capitalized to conform to generally accepted accounting principles. The unpaid portions of these agreements have been reflected as capitalized lease obligations within the general long-term debt account group.

Providing all capital leases are renewed each year by resolution of the Board of County Commissioners, minimum lease commitments under capitalized lease-purchase agreements as of June 30, 2002, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 244,971	\$ 35,008	\$ 279,979
2004	208,907	22,276	231,183
2005	188,189	16,085	204,274
2006	221,235	3,891	225,126
2007-2012	<u>141,328</u>	<u>4,208</u>	<u>145,536</u>
Totals	<u>\$1,004,630</u>	<u>\$81,468</u>	<u>\$1,086,098</u>

During the year, the County capitalized leases totaling \$395,972 and paid \$269,611 on the outstanding balances of lease-purchase agreements.

J. Changes in Long-Term Liabilities

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2002</u>
Compensated Absences	\$ 44,974	\$ 5,559	\$ -	\$ 50,533
Capital leases	<u>878,269</u>	<u>395,972</u>	<u>269,611</u>	<u>1,004,630</u>
Total	<u>\$923,243</u>	<u>\$401,531</u>	<u>\$269,611</u>	<u>\$ 10,055,163</u>

K. Fund Equity

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Designations of fund balances represent tentative plans for future use of financial resources, which are available for appropriation. Specific reservations and designations of the fund balance accounts are summarized below.

TILLMAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
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Detailed Notes on Account Balances (continued)

Reserved for Encumbrances - The reserve for encumbrances represents encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the County but not completed as of the close of the fiscal year.

4. Contingent Liabilities

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

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

5. Sales Tax

The voters of Tillman County approved a 1% sales tax effective April 1, 1997. This sales tax will expire March 31, 2003. On August 27, 2002, the voters of Tillman County approved a permanent 1% sales tax effective April 1, 2003. The sales tax was established to provide revenue for the support of various county entities in the following proportion: OSU Cooperative Extension, 12%; County General, 83%; and Free Fair, 5%. Tillman County received \$293,483 in sales tax for the year ending June 30, 2002.

**Schedule of Expenditures of Federal Awards**

TILLMAN COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2002

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<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY:		
Passed through the Oklahoma Department of Civil Emergency Management		
Public Assistance Grant Program	83.544	\$ 160,985
Public Assistance Grant Program	83.544	<u>1,269,244</u>
Total Federal Emergency Management Agency		<u>1,430,229</u>
Total Expenditures of Federal Awards		\$ <u><u>1,430,229</u></u>

1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Tillman County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

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



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

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

TO THE OFFICERS OF  
TILLMAN COUNTY, OKLAHOMA

We have audited the financial statements of Tillman County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated January 13, 2003. We qualified our opinion because the general fixed assets account group was not included. We did not audit the financial statements of Tillman County Industrial Authority, which represents 100 percent of the assets and 100 percent of the revenues of the proprietary fund type component unit. Those financial statements were audited by other auditors, whose report thereon has been furnished to us. 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 Tillman County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed a certain instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2002-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tillman County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 1996-2 and 2001-1.

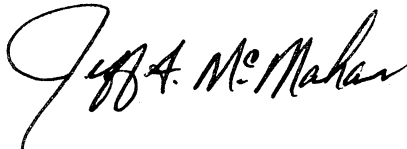
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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, of the reportable conditions described above, we consider item 1996-2 to be a material weaknesses.

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

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

JEFF A. McMAHAN  
State Auditor and Inspector

January 13, 2003



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



**STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR**

**JEFF A. McMAHAN**  
State Auditor and Inspector

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

TO THE OFFICERS OF  
TILLMAN COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Tillman County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis of our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

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

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahen". The signature is written in dark ink and is positioned above the printed name and title.

JEFF A. McMAHAN  
State Auditor and Inspector

January 13, 2003

### **Schedule of Findings and Questioned Costs**

TILLMAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2002

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SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified  
Internal control over financial reporting:

• Material weakness(es) identified? Yes

• Reportable condition(s) identified  
that are not considered to be  
material weaknesses? Yes

Noncompliance material to financial  
statements noted? Yes

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? No

• Reportable condition(s) identified  
that are not considered to be  
material weakness(es)? None Reported

Type of auditor's report issued on  
compliance for major programs: Unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510(a) of Circular A-133? No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
83.544	Federal Emergency Management Agency (FEMA) Public Assistance Grant Program

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

Auditee qualified as low-risk auditee? No

**TILLMAN COUNTY, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2002**

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**SECTION 2 - Financial Statement Findings**

**Finding 1996 - 2 - General Fixed Assets**

Criteria: Generally accepted accounting principles for a governmental entity using governmental fund types require the presentation of the general fixed assets account group (GFAAG) in the financial statements.

Title 19 O.S. 2001, § 178.1 requires the County to maintain necessary information regarding land, buildings, and improvements.

Condition: Information is not available for reporting general fixed assets in accordance with generally accepted accounting principles for a government entity. The general fixed assets control account is not accurate.

Effect: This component of internal control is not effective. Accordingly, there is a greater risk that a fixed asset may not be properly accounted for and safeguarded against loss.

Recommendation: We recommend records include acquisition cost, a complete description, purchase date, location of such assets, and that a control total of cost of these assets be maintained and reconciled annually in accordance with 19 O.S. 2001, § 178.1.

**Finding 2001-1 -Segregation of Duties**

Criteria: The overall goal of accounting principles generally accepted in the United States of America is to demonstrate accountability and stewardship to be 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.

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

**Finding 2002-1 – Bid Solicitation**

Criteria: In accordance with Title 19 O.S. 2001, § 1501, purchases requiring bid solicitation should be prepared by a designated purchasing agent in the County Clerk's Office.

**TILLMAN COUNTY, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2002**

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Condition: In our test of purchase orders, we noted that the Commissioner's secretary prepares all bid solicitations, including six months bids for road materials, and all other highway equipment bid solicitation.

Effect: Title 19 O.S. 2001, § 1501 has been violated and proper segregation of purchasing guidelines have been violated.

Recommendation: We recommend that all bid solicitations be prepared by a designated purchasing agent in the County Clerk's office in accordance with Title 19 O.S. 2001, § 1501, to provide for proper segregation of duties with regard to county purchasing guidelines.

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

No matters reported.

**Schedule of Prior Year Findings and Questioned Costs**



TILLMAN COUNTY, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2002

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**FINDING:** 2001-3  
**FEDERAL AGENCY:** U.S. Dept. of Justice  
Passed through Oklahoma State Dept. of Corrections  
**FEDERAL PROGRAM:** Violent Offender Incarceration/Truth in Sentencing  
**CFDA NO.:** 16.586  
**QUESTIONED COSTS** \$81,900  
**GRANTOR AWARD NO:** LP-97-015  
**CONTROL CATEGORY:** Part B – Allowable Costs/Cost Principles.

Criteria: OMB A-133 Compliance Supplement, Part B indicates that grant expenditures should be “Supported by appropriate documentation, such as approved purchase orders, receiving reports, *vendor invoices*, canceled checks, and time and attendance records, and correctly charged as to account, amount, and period.”

**Condition:** Three purchase orders were not supported by invoices from the vendor:

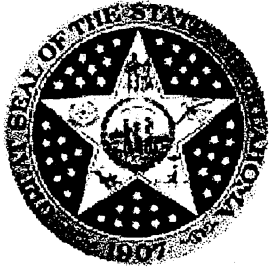
<u>P.O. #</u>	<u>Warrant #</u>	<u>Vendor</u>	<u>Amount</u>	<u>Description</u>
662	1	Intergrator Co., Inc	\$ 65,900	Equipment
803	2	Intergrator Co., Inc	\$ 7,400	Equipment
1540	3	Intergrator Co., Inc	\$ 8,600	Labor – Software

**Effect:** Federal expenditures were not adequately documented.

**Recommendation:** The County should obtain and file all necessary documentation for federal expenditures.

**Corrective Action Taken:** The County responded, “The document that was presented for payment of the three purchase orders was deemed by the Auditors, to not be a proper invoice to pay. We were under the understanding that it was an invoice. We will be more cautious on the type of statement that we pay.”

## **Management Response**



**TILLMAN COUNTY COMMISSIONERS**

**P.O. BOX 992 - COURTHOUSE**

**FREDERICK, OKLAHOMA 73542**

**PH: (580) 335-2156**

January 15, 2003

Jeff McMahan  
State Auditor and Inspector  
Weatherford District  
1401 Lera, Suite 9  
Weatherford, OK 73096

SUBJECT: Response to audit of 2002

FINDING 1996-2 General Fixed Assets

We currently have a list of land, buildings and improvements the county has acquired over the years which a set value has not been determined. The county commissioners are in the process of making this determination.

FINDING 2001-1 Segregation of Duties

Because of funds, the duties of the office must be shared by all employees. At this time measures have been taken to ensure proper accounting of funds by segregating the duties of receiving, receipting, recording and depositing cash and checks.

FINDING 2002-1 Bid Solicitation

In accordance with O.S. 2001, Title 19§1501 purchases requireing bid solicitation will be prepared by the purchasing agent.

Tillman County Board of Commissioners

  
Leon Wright, Chairman