

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

February 20, 2004

TO THE CITIZENS OF
TILLMAN COUNTY, OKLAHOMA

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

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

FINANCIAL SECTION

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

SUPPLEMENTARY SCHEDULE

Schedule of Expenditures of Federal Awards	18
Notes to the Schedule of Expenditures of Federal Awards.....	19

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

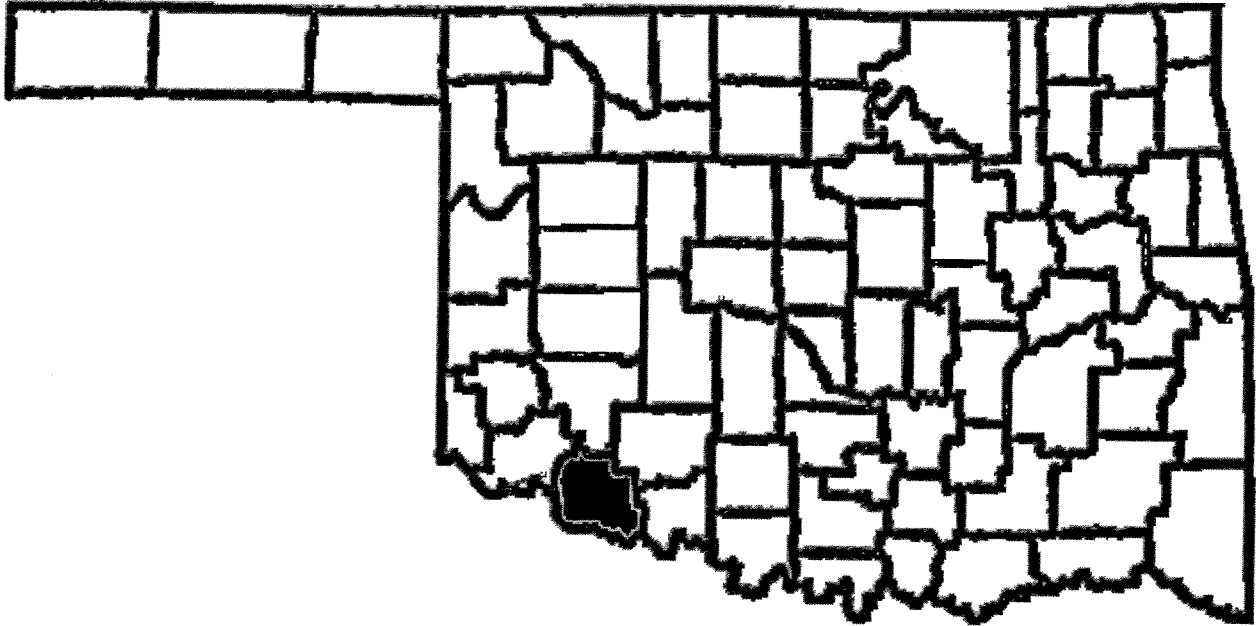
COMPLIANCE/INTERNAL CONTROL SECTION

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	20
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	22
Schedule of Findings and Questioned Costs	24

STATISTICAL DATA (Unaudited)

Top Ten Taxpayers.....	31
Computation of Legal Debt Margin	32
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	33
Assessed Value of Property	34

REPORT TO THE CITIZENS
OF
TILLMAN COUNTY, OKLAHOMA



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 named for South Carolina Senator Benjamin Tillman.

County Seat – Frederick

Area – 872.4 Square Miles

County Population – 9,287
(2000 est.)

Farms - 638

Land in Farms – 465,731 acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

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
Jeri Boyd
(D) Frederick

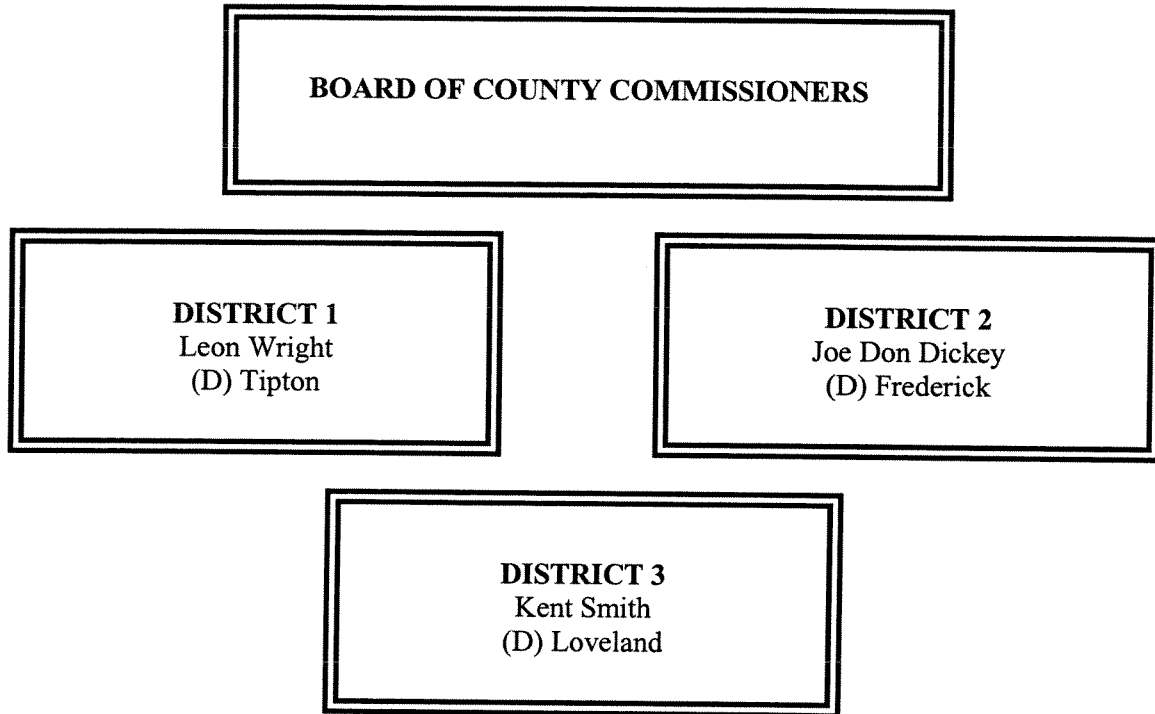
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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 OFFICIALS
AND RESPONSIBILITIES**



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

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

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

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 collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

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.

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

Wynell Jackson
(D) Frederick

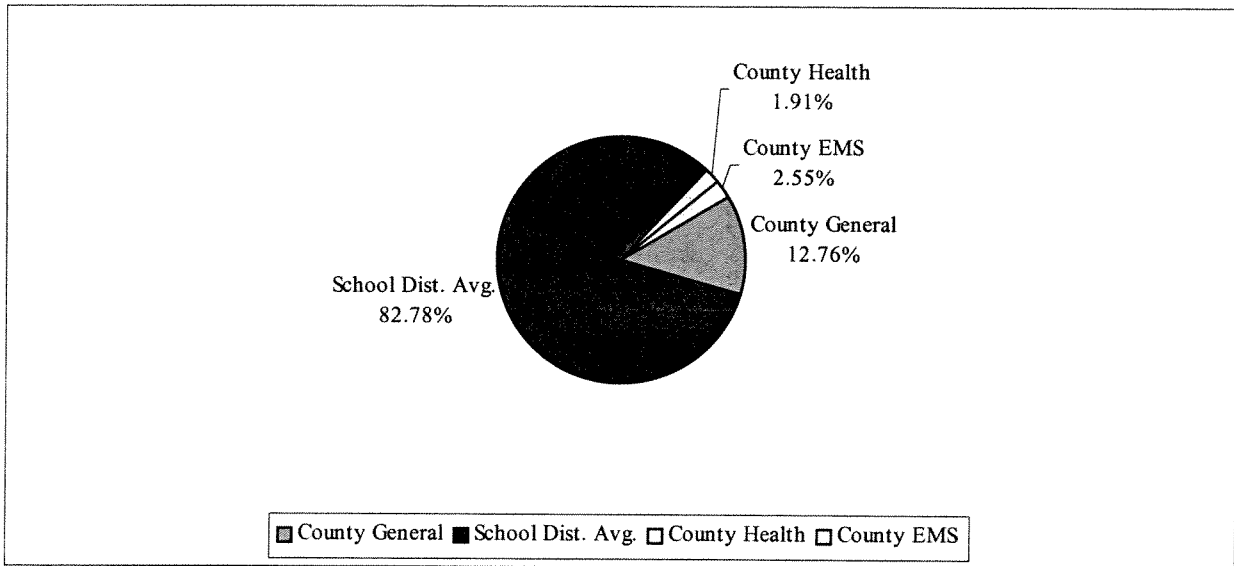
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

To finance the 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.

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

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Vo-Tech	Common	Total
Co. General	10.46								
County Health	1.57	Tipton	18	36.75	5.25	31.26	11.51	4.19	88.96
County EMS	2.09	Davidson	19	36.31	5.19	13.89	11.51	4.19	71.09
		Frederick	1158	36.49	5.21	10.38	11.51	4.19	67.78
		Grandfield	1249	36.86	5.27	10.42	11.51	4.19	68.25
		Hollister	1158	36.46	5.21	10.38	11.51	4.19	67.75
		Hollister	1132	37.19	5.31	7.65	11.51	4.19	65.85
		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	12.99	11.51	4.19	69.76
		Comanche Co.	Jt.132	37.19	5.31	7.65	11.51	4.19	65.85

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 special-purpose financial statements of Tillman County, Oklahoma, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose financial statements are the responsibility of Tillman County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Tillman County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department of the County, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2004, 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 special-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*. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

February 2, 2004

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Cancelled Vouchers	Transfers In	Transfers Out	Ending Cash Balances June 30, 2003
County General Fund	\$ 216,817	\$ 863,061	\$ 917,091	\$	\$	\$	\$ 162,787
T-Highway	2,127,440	2,352,594	2,965,857		276,845		1,791,022
County Road Fund	268,345	8,500				276,845	
County Health Department	32,374	176,553	159,712				49,215
Health Eldercare	160						160
Resale Property	45,840	27,149	34,766				38,223
Treasurer Mortgage Tax Certification Fee	32,889	2,800	2,864				32,825
Assessor Visual Inspection	17,178	88	1,907				15,359
Assessor Revolving	4,652	1,027	3,048				2,631
Sheriff Service Fee	9,019	48,735	42,447				15,307
Sheriff Department of Corrections	99,980	528,325	529,985				98,320
Sheriff Commissary	8,016	17,478	19,618				5,876
Sheriff Reserve Deputy	930	3,000	3,344				586
Sheriff Drug Fund	588						588
Trash COP	3,687	400	3,887				200
E911	73,221	134,013	104,209				103,025
Detention Attendant Care	80		80				
Juvenile Detention Accountability Grant	6,667		6,667				
Community Service Sentencing Program	13,257	1,085	3,257				11,085
OSU Extension	37,462	30,947	19,093				49,316
Free Fair	9,355	14,765	15,909				8,211
Insurance Deductible	10,568	1,850	4,740				7,678
County Clerk Lien Fee	7,911	2,505	692				9,724
County Clerk Records Preservation	10,359	11,729	1,596				20,492
Community Development Block Grant		421,695	348,136				73,559
Schools	21,688	2,531,522	2,529,909				23,301
Cities & Towns	8,004	112,623	113,257				7,370
Official Depository	199,919	821,247	795,836	1,349			226,679
Protest Tax	1,820	820					2,640
Law Library	1,206	10,589	9,213				2,582
Emergency Medical Service	582	73,656	73,869				369
Individual Redemption	41	128	35				134
Court Clerk Savings	244	5					249
Court Clerk Trust	20,000		20,000				
Unemployment Fund	9,006		555				8,451
Total County Funds	\$ 3,299,305	\$ 8,198,889	\$ 8,731,579	\$ 1,349	\$ 276,845	\$ 276,845	\$ 2,767,964

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

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

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 216,817	\$ 216,817	\$ 216,817	\$ -
Less: Prior Year Outstanding Warrants	(52,666)	(52,666)	(52,666)	
Less: Prior Year Encumbrances	(131)	(131)	(131)	
Beginning Cash Balances, Budgetary Basis	<u>164,020</u>	<u>164,020</u>	<u>164,020</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	335,632	335,632	365,550	29,918
Sales Tax	216,081	216,081	245,092	29,011
Charges for Services	30,592	30,592	37,862	7,270
Intergovernmental Revenues	153,219	172,212	165,539	(6,673)
Miscellaneous Revenues	80,193	80,193	49,018	(31,175)
Total Receipts, Budgetary Basis	<u>815,717</u>	<u>834,710</u>	<u>863,061</u>	<u>28,351</u>
Expenditures:				
County Sheriff	259,375	50,070	50,070	
Capital Outlay	8,985	220,535	220,535	
Total County Sheriff	<u>268,360</u>	<u>270,605</u>	<u>270,605</u>	<u>-</u>
County Treasurer	55,356	55,356	55,069	287
Capital Outlay	1,800	1,800	1,800	
Total County Treasurer	<u>57,156</u>	<u>57,156</u>	<u>56,869</u>	<u>287</u>
County Clerk	90,425	90,425	87,445	2,980
Capital Outlay	1,250	1,250	1,250	1,250
Total County Clerk	<u>91,675</u>	<u>91,675</u>	<u>87,445</u>	<u>4,230</u>
Court Clerk	59,796	59,796	58,569	1,227
Capital Outlay				
Total Court Clerk	<u>59,796</u>	<u>59,796</u>	<u>58,569</u>	<u>1,227</u>
County Assessor	66,013	66,013	65,779	234
Capital Outlay	650	650	171	479
Total County Assessor	<u>66,663</u>	<u>66,663</u>	<u>65,950</u>	<u>713</u>
Revaluation of Real Property	80,818	99,536	76,984	22,552
Capital Outlay	1,650	1,650	1,500	150
Total Revaluation of Real Property	<u>82,468</u>	<u>101,186</u>	<u>78,484</u>	<u>22,702</u>
General Government	97,612	98,340	89,031	9,309
Capital Outlay	70,000	68,960	34,733	34,227
Total General Government	<u>167,612</u>	<u>167,300</u>	<u>123,764</u>	<u>43,536</u>
Excise-Equalization Board	3,100	3,100	2,105	995
Capital Outlay				
Total Excise-Equalization Board	<u>3,100</u>	<u>3,100</u>	<u>2,105</u>	<u>995</u>
County Election Board	38,752	39,292	37,828	1,464
Capital Outlay	500	500	500	500
Total County Election Board	<u>39,252</u>	<u>39,792</u>	<u>37,828</u>	<u>1,964</u>

continued on next page

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Total Insurance	139,647	137,449	129,105	8,344
Charity	500	500	39	461
Capital Outlay				
Total Charity	500	500	39	461
County Audit Budget	3,508	3,508	3,508	
Capital Outlay				
Total County Audit Budget	3,508	3,508	3,508	-
Total Expenditures, Budgetary Basis	979,737	998,730	914,271	84,459
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	112,810	\$ 112,810
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Outstanding Warrants			49,977	
Ending Cash Balance			\$ 162,787	

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

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

	County Health Department			
	Original	Final		Variance
	Budget	Budget	Actual	
Beginning Cash Balances	\$ 32,374	\$ 32,374	\$ 32,374	\$ -
Less: Prior Year Outstanding Warrants	(2,375)	(2,375)	(2,375)	
Beginning Cash Balances, Budgetary Basis	<u>29,999</u>	<u>29,999</u>	<u>29,999</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	50,377	50,377	54,868	4,491
Charges for Services			98,465	98,465
Intergovernmental		121,208	23,093	(98,115)
Miscellaneous Revenues			127	127
Total Receipts, Budgetary Basis	<u>50,377</u>	<u>171,585</u>	<u>176,553</u>	<u>4,968</u>
Expenditures:				
Health and Welfare	75,376	196,584	158,315	38,269
Capital Outlay	5,000	5,000	2,833	2,167
Total Expenditures, Budgetary Basis	<u>80,376</u>	<u>201,584</u>	<u>161,148</u>	<u>40,436</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	45,404	<u>\$ 45,404</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			604	
Add: Current Year Outstanding Warrants			3,207	
Ending Cash Balance			<u>\$ 49,215</u>	

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

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

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
District Court Clerk	\$ 148,970	\$ 357,543	\$ 351,714	\$ 372	\$ 155,171
District Court Fund	31,790	229,330	213,368	153	47,905
District Court Revolving	9,698	8,872	1,626		16,944
District Attorney Property Forfeiture	1,056				1,056
District Attorney Witness Fee	412	700	969		143
County Sheriff		2,230	2,230		
County Clerk		63,653	63,992	339	
County Treasurer	7,743	22,069	24,730	128	5,210
County Election Board	150	16,014	16,371	357	150
County Health Department		119,798	119,798		
Change Fund	100				100
County Assessor Revolving		1,038	1,038		
Total Official Depository Accounts	<u>\$ 199,919</u>	<u>\$ 821,247</u>	<u>\$ 795,836</u>	<u>\$ 1,349</u>	<u>\$ 226,679</u>

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

**TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

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

F. Risk Management

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

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

**TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Summary of Significant Accounting Policies (continued)

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

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating County will pay a deductible amount (\$1,000 to \$100,000; the County has a \$10,000 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

The County continues to carry commercial insurance for employees' health and life insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2003 fiscal year.

Summary of Significant Accounting Policies (continued)

G. 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 20 days of vacation. No more than 2 vacation days are allowed as carry-over, any additional time shall be forfeited.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$2,767,964, and the bank balance was \$2,759,270. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district

B. Description of Funds

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

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

Detailed Notes on Funds and Account Balances (continued)

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

County Road Fund - accounts for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

County Health Department - accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

Health Eldercare - accounts for donations collected and disbursed to subsidize the eldercare program.

Resale Property - accounts for the collection of interest and penalties on delinquent taxes and the disposition of same as restricted by statute.

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

Assessor Visual Inspection - accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

Assessor Revolving – accounts for the collection of fees for copies restricted by state statute.

Sheriff Service Fee - accounts for the collection and disbursements of sheriff process service fees as restricted by statute.

Sheriff Department of Corrections – accounts for state receipts and disbursements for the purpose of maintaining the Department of Correction inmates.

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor and can be used for maintenance and operation of the jail.

Sheriff Reserve Deputy – accounts for donations and disbursements for equipment for the reserve deputies.

Sheriff Drug Fund – accounts for forfeitures and disbursements for drug enforcement.

Trash Cop – accounts for the trash cop grant and disbursed for the purpose of trash patrol.

Detailed Notes on Funds and Account Balances (continued)

E-911 – accounts for the collection of fees imposed on the residents within the boundaries of Tillman County from the phone company and disbursements are made to maintain an emergency telephone system.

Detention Attendant Care – accounts for collection of state funds to provide housing for juveniles.

Juvenile Detention Accountability Grant – accounts for grants used to support the programs and services provided at the juvenile detention facility.

Community Service Sentencing Program – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

O.S.U. Extension – accounts for the collection of sales tax monies and disbursements for the maintenance and operation of the O.S.U. Extension.

Free Fair – accounts for the collection of sales tax monies and disbursements for the maintenance and operation of the free fair.

Insurance Deductible – accounts for collection of insurance reimbursements and disbursements to cover deductibles on future claims.

County Clerk Lien Fee – accounts for lien fee collections and disbursements as restricted by statute.

County Clerk Record's Preservation – accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute for preservation of records.

Community Development Block Grant – accounts for monies received from federal grant funds and disbursements for water lines to dairies in Tillman County.

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

Cities and Towns – accounts for monies collected on behalf of the cities and towns from state and local revenues and remitted to them monthly.

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

Detailed Notes on Funds and Account Balances (continued)

Protest Tax - accounts for deposits made by the Treasurer for taxes paid under protest by the taxpayer and disbursements are made to transfer to the general fund or refund back to the taxpayer.

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

Emergency Medical Service - accounts for monies collected on behalf of the ambulance service from ad valorem taxes and remitted to them monthly.

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

Court Clerk Savings - accounts for money held in trust to be disbursed through a court order.

Court Clerk Trust - accounts for money held in trust and disbursements for the purchase of computer hardware and software for the Court Clerk's office.

Unemployment Fund - accounts for money transferred from the general fund to establish a separate account to pay unemployment claims.

The following narrative details the official depository accounts.

District Court Clerk - accounts for the collection of fees, fines, and forfeitures and disbursed in accordance with state statutes and court orders.

District Court Fund - accounts for fees transferred from the Court Clerk account in accordance with state statutes. Disbursements are made in accordance with state statutes to defray the expense of the court.

Court Revolving - accounts for the collection of service fees for each warrant issued. Disbursements are made in accordance with state statutes to defray the expense of the court.

District Attorney Property Forfeiture - accounts for monies from forfeitures and disbursements to defray the cost of the District Attorney Drug Task Force.

District Attorney Witness Fee - accounts for state receipts to reimburse the County for witness expenses.

Detailed Notes on Funds and Account Balances (continued)

County Sheriff - accounts for the collection of fees, tax warrants, and copies. Disbursements are made to transfer funds collected to the County Treasurer for apportionment to the Sheriff's Service Fee Account or the Sheriff Board of Prisoner Account. Disbursements are also made to the Oklahoma Tax Commission or other state agencies.

County Clerk - accounts for collections of recording and fax and copy fees. Disbursements are made for the transfers to the general fund, Oklahoma Tax Commission, and refunds.

County Treasurer - accounts for fees collected by the Treasurer and disbursements made to the general fund and Oklahoma Tax Commission.

County Election Board - accounts for state receipts and local entities for the purpose of offsetting election cost. Disbursements are made for election workers, printing, and operating cost.

County Health Department - accounts for money collected for services provided and disbursed to the State Health Department.

Change Fund - accounts for the changes used by officers in cash drawers

County Assessor Revolving - accounts for collections from copies and plat maps. Disbursements are made to transfer funds to the Assessor's cash fund for operating expenses.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2002 was approximately \$35,295,916.

Per Article 10, § 8A, with the repeal of personal property tax, the millage with the adjustment factor is 10.46 mills (the legal maximum) 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 remits the ad valorem taxes collected to the appropriate taxing units.

Detailed Notes on Funds and Account Balances (continued)

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

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

Current year tax collections for the year ended June 30, 2003, were approximately 97 percent of the tax levy.

D. Pension Plan

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

E. Capital Leases

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

F. 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.

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

4. Contingent Liabilities

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

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

5. Sales Tax

The voters of Tillman County approved a 1% sales tax effective April 1, 1997. The sales tax expired March 31, 2003, and was approved again on August 27, 2002, and will be assessed and collected until repealed by election or other action of law to repeal. The sales tax was established to provide revenue for the support of various entities in the following proportion: O.S.U. Cooperative Extension, 12%; County General, 83%; and Free Fair, 5%. Tillman County received \$ 295,291 in sales tax for the year ending June 30, 2003.

Schedule of Expenditures of Federal Awards

TILLMAN COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
 <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Passed through the Oklahoma Department of Commerce:		
Community Development Block Grant	14.228	\$ 179,800
Community Development Block Grant	14.228	178,988
Total U.S. Department of Housing and Urban Development		358,788
 <u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT AGENCY</u>		
Passed through the Oklahoma Department of Civil Emergency Management:		
Public Assistance Grant Program	83.544	13,834
Public Assistance Grant Program	83.544	148,473
Public Assistance Grant Program	83.544	357,205
Total Federal Emergency Management Agency		519,512
Total Expenditures of Federal Awards		\$ 878,300

TILLMAN COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

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 special-purpose financial statements of Tillman County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated February 2, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Tillman County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we believe are significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action. The following findings, 2003-3, 2003-4, 2003-5, 2003-6, 2003-7, 2003-8 and 2003-9, are included in Section 4 of the schedule of findings and questioned costs, contained within this report.

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 special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2001-1, 2003-1 and 2003-2.

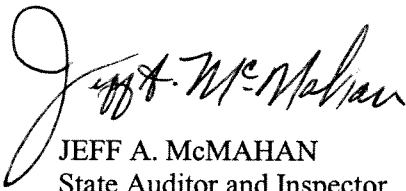
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2001-1 to be a material weakness.

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

February 2, 2004

**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, Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. 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 each of 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 for 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, 2003.

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.

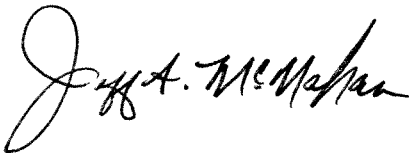
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively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

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

February 2, 2004

TILLMAN COUNTY, OKLAHOMA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2003

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
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?	No

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)?	No
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>
14.228	Community Development Block Grant (CDBG)
83.544	Federal Emergency Management Agency (FEMA) Public Assistance Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

Schedule of Findings and Questioned Costs

SECTION 2 - Findings related to the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Finding 2001-1 – Segregation of Duties (Repeat Finding)

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: One deputy in the County Sheriff's office performs the following tasks:

1. Opens mail and totals remittances,
2. Writes official depository receipts,
3. Balances the receipts as to cash and checks received,
4. Prepares the deposit slip,
5. Deposits with the County Treasurer.

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.

Management Corrective Action Plan: A lack of funds requires that the duties of the office 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 2003-1 – Computer Security Policies and Procedures

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT) Delivery and Support Control Objectives (DS7), management should educate and train users to ensure that users are making effective use of technology and are aware of their risks and responsibilities.

Condition: Our review of the Treasurer's and Clerk's office found that they did not have policies and procedures addressing computer security and have not provided security awareness training to their employees.

Effect: County employees are not aware of their responsibilities and potential risks involved when using the County's computer systems.

Recommendation: We recommend the County establish Information Security Policies and Procedures that define the acceptable and unacceptable use for the office computers. A security awareness-training program should be established requiring all the employees using computers to participate.

TILLMAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Management Corrective Action Plan: The County Treasurer and County Clerk will begin work on policy and procedures for proper computer usage.

Finding 2003-2 - Disaster Recovery Plan

Criteria: According to the standards of the Information Systems Audit and Control Association (COBIT Delivery & Support 4.3), management should ensure that a written disaster recovery plan is documented and contains the following:

- Guidelines on how to use the recovery plan;
- Emergency procedures to insure the safety of all effected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution;
- Specific equipment and supply needs are identified such as high-speed printers, signatures, forms, communications equipment, telephones, etc., and a source and alternative source defined;
- Training and/or awareness of individual and group roles in continuity plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up sites for recovery operating system, applications, data files, operating manuals and program/system/user documentation;
- Current names, addresses, telephone/pager numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

Condition: Our review of the Treasurer's and Clerk's system backups and plans for ensuring continuous computer service found no written Disaster Recovery Plan for either office. The Clerk's office does not store any of the backup tapes offsite.

Effect: The lack of an effective and adequate Disaster Recovery Plan could result in potential loss of:

- Ad Valorem information;
- County residents information;
- State and Federal Reporting Data

Recommendation: We recommend the County establish a Disaster Recovery Plan to ensure the safekeeping and integrity of the County's financial and non-financial data. This comment will be considered reportable if noted again in the next fiscal year.

TILLMAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Management Corrective Action Plan: The County Treasurer and Clerk are working on a Disaster Recovery Plan and have implemented an offsite backup site since the audit.

SECTION 3 – Findings related to the *Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.*

No matters were reported.

SECTION 4 - Other Audit Findings - This section contains audit findings not required to be reported in the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*, but which we believed were significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action.

Finding 2003-3 – Purchasing

Criteria: Title 62 O.S. 2001, § 310.2 requires that purchase orders be encumbered prior to the receipt of goods or services. No statutory provision allows the Board of County Commissioners to purchase decorations for the courthouse lawn.

Condition: Our test of 40 purchase orders revealed 4 exceptions. An additional purchase was made for decoration of the courthouse lawn.

Recommendation: We recommend management implement policies and procedures to comply with 62 O.S. 2001, § 310.2 in that the purchase order reflects that the expenditure was encumbered and approved prior to receiving goods or services. Furthermore, there is no provision in the statutes that allows counties to purchase decorations for the courthouse lawn.

Management Corrective Action Plan: County officials will strive to comply with 62 O.S. 2001, §310.2 with regard to encumbrance of funds prior to receipt of services or goods and the purchase of decorations will not be made with County funds.

Finding 2003-4 – Leased Equipment

Criteria: In accordance with 68 O.S. 2001, § 500.6B.1, funds apportioned to counties from gasoline tax shall be sent to the respective County Treasurers and deposited in the County highway fund to be used by the County Commissioners for the purpose of constructing and maintaining county highways and bridges.

Condition: The County Commissioners leased a 2001 Dodge Ram Wagon (s/n 2B5WB35Z71557557) for the use of the County Sheriff. However, the vehicle is being paid from the T-Highway account.

TILLMAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Recommendation: We recommend the County Commissioners cease paying for sheriff machinery and equipment from the T-Highway Cash Fund, as it appears to be a violation of 68 O.S. 2001, § 500.6B.1.

Management Corrective Action Plan: The Board of County Commissioners has been advised of this situation and will take appropriate action. The County Sheriff now makes a partial payment for the lease-purchase of the Dodge Ram Wagon from the Service Fee Account. The Commissioners use the vehicle to transport prisoners to work sites on the County roads.

Finding 2003-5 – Financing and Lease Purchase Agreements

Criteria: Title 19 O.S. 2001, § 1505.B.1. details the bid procedure for selecting a vendor for the purchase, lease-purchase, or rental of supplies, materials, and equipment used by the County. Additionally, for lease-purchase agreements, Form 120(b) “Lease-Purchase Agreement For Equipment” meets the statutory criteria for the obligation of funds not to exceed more than one fiscal year with renewal options.

Condition: The Board of County Commissioners lease-purchased nine pieces of equipment/machinery. The lease-purchase agreements were not completed using Form 120(b) for the “financing” of the equipment. The financing institution remitted the “loan proceeds” to pay the vendor. All documents available at the County reflect that the County entered into a “loan” or agreement with the financing institution rather than a lease-purchase agreement with the vendor.

Recommendation: We recommend the County adhere to purchasing laws as provided by 19 O.S. 2001, §1505.B.1. and select vendors for lease-purchased equipment using the bidding process. Furthermore, we recommend the County not enter into financing agreements with financing institutions and use Form 120(b) for future lease-purchase agreements.

Management Corrective Action Plan: The County Clerk and Board of County Commissioners are now aware of this situation and will strive to use the Form 120(b) and use the bid process to select vendors for lease-purchase items.

Finding 2003-6 – Consumable Inventory

Criteria: Title 19 O.S. 2001, § 1502.A.&B. requires the County Commissioners to create and administer an inventory system of consumable items for all supplies purchased in lots of \$500 or more.

Condition: The audit of consumable inventory cards (#1-9004) for District 3 County Commissioners revealed three instances where the amount reported on the inventory cards varied from the amount actually counted on hand.

Consumable inventory records and reports were not accurate for testing for financial statement and/or compliance purposes.

TILLMAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Recommendation: We recommend the County Commissioner adhere to 19 O.S. 2001, § 1502.A.&B. and implement a consumable inventory system to be updated for items transferred in or out, resulting in accurate records.

Management Corrective Action Plan: The County Commissioner will strive to maintain current and accurate records of consumable inventories.

Finding 2003-7 – Equipment Inventory

Criteria: According to 69 O.S. 2001, § 645, county-owned automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked PROPERTY OF (name of county) COUNTY, and leased automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked LEASED BY (name of county) COUNTY, **on EACH SIDE**, in upper case letters, on a background of sharply contrasting color. (Emphasis added)

Condition: Numerous pieces of road equipment and machinery were marked on one side only or not marked on either side.

Effect: The purpose of the statute is to make it easier for the public to identify county owned equipment and to permit the public to make judgments concerning the appropriate location and use of the equipment. The lack of marking diminishes this control intended by the legislature.

Recommendation: The Board of County Commissioners should evaluate its policies and procedures for marking its equipment and make the necessary changes to improve its compliance with the above statute.

Management Corrective Action Plan: The County Commissioners will strive to adhere to 69 O.S. 2001, §645.

Finding 2003-8 – Inmate Trust Checking Account

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over inmate assets and resources.

Title 19 O.S. 2001, § 682 states, “It shall be the duty of each and every county officer, ... to deposit daily... all monies, ... received or collected by virtue or under color of office...”

Effective internal controls require two signatures on checks issued from the inmate trust fund checking account as an important element for the protection of inmate assets and resources.

Condition: The audit of the Inmate Trust Fund checking account, revealed one individual performs the following tasks:

1. Opens mail and totals remittances,
2. Writes official depository receipts,

TILLMAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

3. Balances the receipts as to cash and checks received,
4. Prepares the deposit slip,
5. Delivers deposit to the bank.

The employee designated to operate the Inmate Trust Fund checking account, deposited monies received approximately four (4) times per month. Receipts were not written daily nor were monies deposited daily or posted to inmate trust ledger accounts on a daily basis.

The employee designated to operate the Inmate Trust Fund checking account was the same employee that signed checks for disbursement from the inmate trust checking account.

Recommendation: We recommend the County Sheriff segregate the duties by designating employees to receipt, balance, prepare the deposit slip, and deposit the monies into the Inmate Trust Fund checking account to insure the safeguarding of assets. It is also recommended, all monies received be receipted and deposited on a daily basis as required by 19 O.S. 2001, § 682. Finally, for the protection of inmate assets and resources, we recommend two signatures be required on checks issued from the Inmate Trust Fund checking account.

Management Corrective Action Plan: The Sheriff has implemented policy and procedures with regard to separating activities. He has implemented software for County Sheriff's Commissary accounting.

Finding 2003-9 – Annual Report on Commissary Account

Criteria: Title 19 O.S. 2001, § 180.43 E, requires the County Sheriff to file an annual report on his commissary account with the Board of County Commissioners no later than January 15 of each year.

Condition: The Sheriff had not filed an annual report pertaining to his commissary account activity as of January 15, 2003.

Recommendation: We recommend the County Sheriff adhere to 19 O.S. 2001, § 180.43.E. and file an annual report pertaining to his commissary account with the Board of County Commissioners.

Management Corrective Action Plan: The County Sheriff was unaware of this statute. He will adhere to state statutes as recommended by the State Auditor's Office.

**Statistical Data
(Unaudited)**

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

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Pioneer Telephone Coop Inc.	\$ 1,800,199	5.10%
Metzeler Auto Pro Sys Okla Inc.	1,517,866	4.30%
Public Service Co. of Ok	1,047,287	2.97%
Oklahoma Natural Gas Co.	566,666	1.60%
Tillman Producers Coop	534,848	1.52%
Cassidy, John Jr.	430,723	1.22%
General Motors Corp	361,635	1.02%
Skelly-Belvieu Pipeline	352,909	1.00%
Texahoma Cellular LP	280,946	0.80%
Cassidy Grain Co.	226,831	0.64%
Total	<u>\$ 7,119,910</u>	<u>20.17%</u>

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

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

Total net assessed value as of January 1, 2002		<u>\$ 35,295,916</u>
Debt limit - 5% of total assessed value		\$ 1,764,796
Total bonds outstanding	0	
Total judgments outstanding	0	
Less cash in sinking fund	<u>0</u>	<u>-</u>
Legal debt margin		<u>\$ 1,764,796</u>

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

	2003
Estimated population	9,287
Net assessed value	\$ 35,295,916
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0%
Net bonded debt per capita	\$ -

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

<u>Tax Year</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
2002	\$7,047,772	\$4,391,641	\$26,296,505	\$2,440,002	\$35,295,916	\$5,004,803