

**TILLMAN COUNTY, OKLAHOMA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2004**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

February 3, 2005

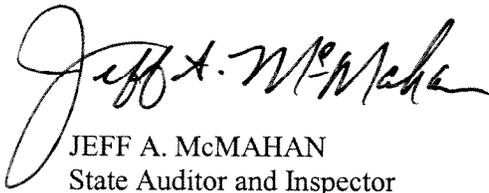
TO THE CITIZENS OF
TILLMAN COUNTY, OKLAHOMA

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

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

The Office of the State Auditor and Inspector is committed to 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,


JEFF A. McMAHAN
State Auditor and Inspector

**TILLMAN COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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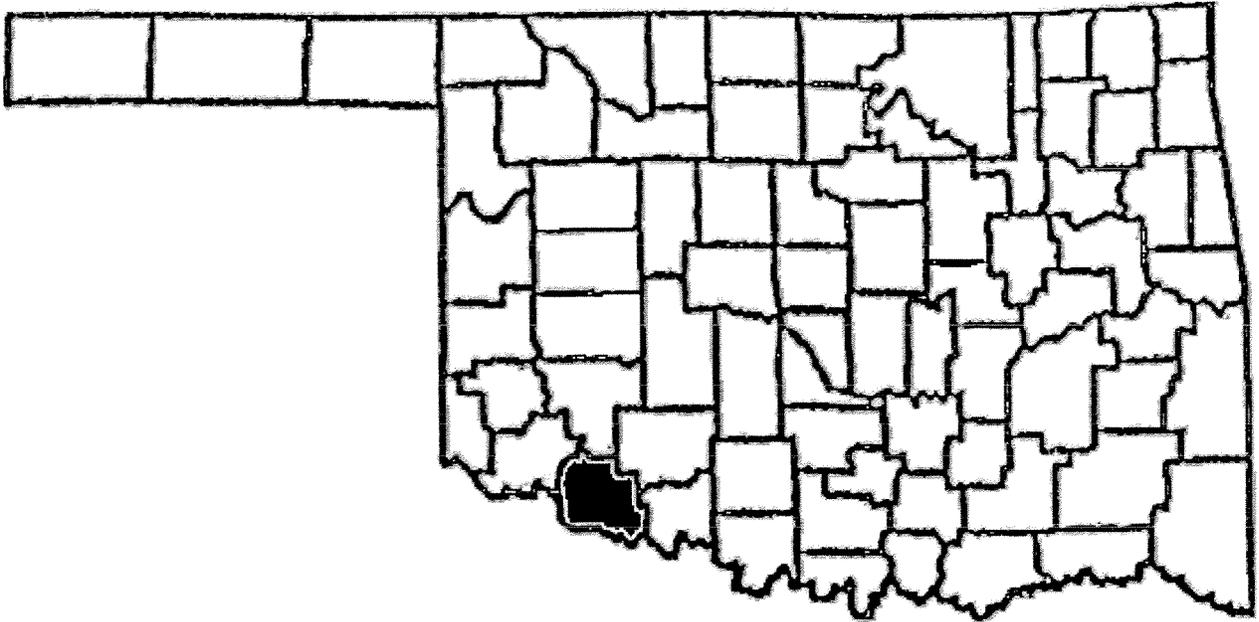
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**TILLMAN COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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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 given the name of the famous U.S. Senator Benjamin Tillman of South Carolina.

County Seat - Frederick

Area – 872.4 Square Miles

County Population – 9,287
(2000 est.)

Farms - 638

Land in Farms – 465,731 acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**TILLMAN 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

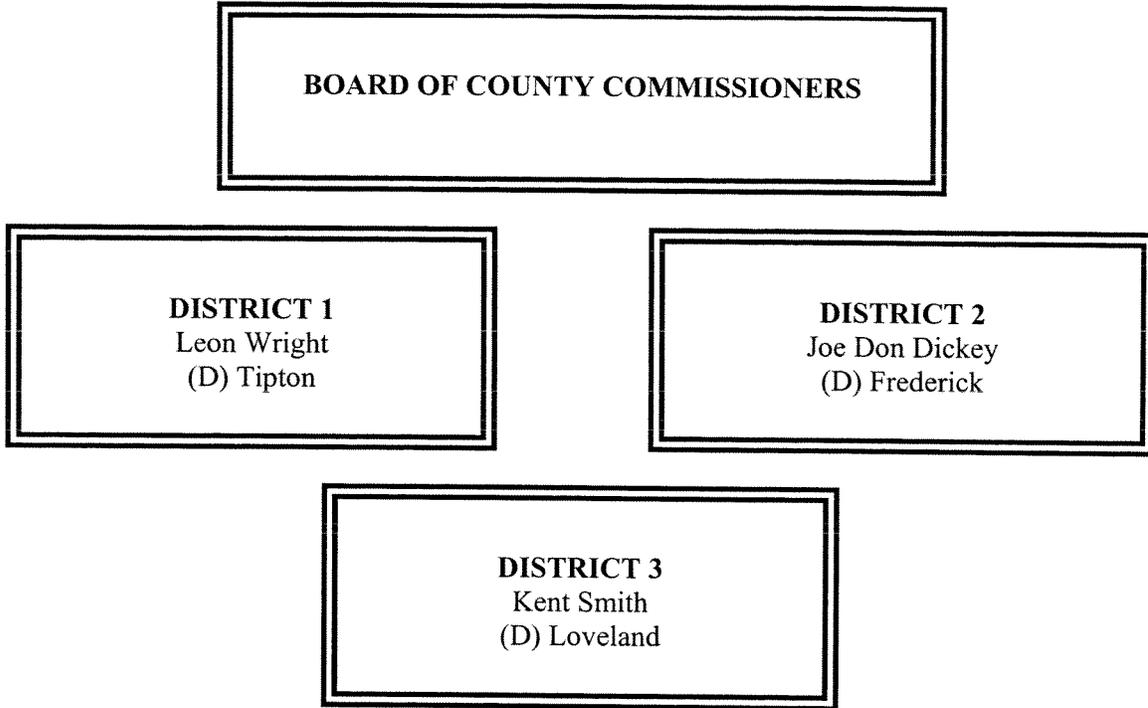
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**TILLMAN 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.

**TILLMAN 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.

**TILLMAN 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.

**TILLMAN COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

Wynell Jackson
(D) Frederick

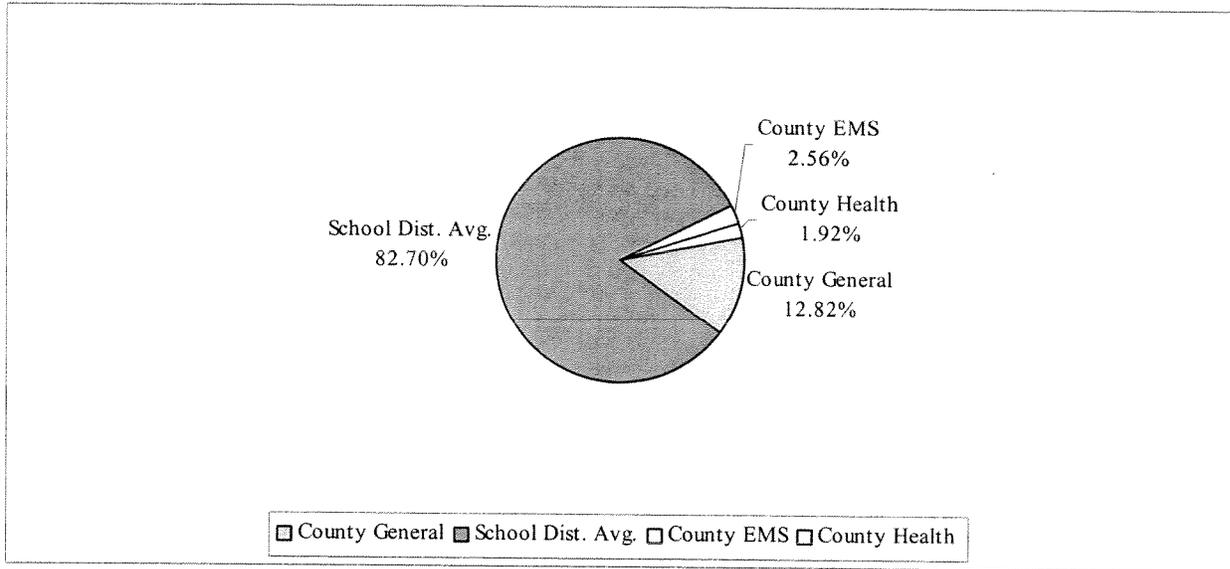
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within 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								
Co. General				Gen.	Bldg.	Skg.	Tech Center	Tech Center Building	Common	Total
Co. General	10.46									
County Health	1.57	Tipton	I-8	36.75	5.25	30.66	10.46	1.05	4.19	88.36
County EMS	2.09	Davidson	I-9	36.31	5.19	12.22	10.46	1.05	4.19	69.42
		Frederick	I-158	36.49	5.21	9.87	10.46	1.05	4.19	67.27
		Grandfield	I-249	36.86	5.27	10.45	10.46	1.05	4.19	68.28
		Hollister	I-158	36.49	5.21	9.87	10.46	1.05	4.19	67.27
		Hollister	I-132	37.19	5.31	7.28	10.46	1.05	4.19	65.48
		Kiowa	JT-4	36.60	5.23		10.46	1.05	4.19	57.53
		Cotton Co.	JT-333	35.17	5.02		10.46	1.05	4.19	55.89
		Comanche Co.	JT-2	35.94	5.13	12.68	10.46	1.05	4.19	69.45
		Comanche Co.	JT-132	37.19	5.31	7.28	10.46	1.05	4.19	65.48

See independent auditor's report.

Financial Section



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
TILLMAN COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Tillman County, Oklahoma, as of and for the year ended June 30, 2004, 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

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 and county health department funds 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 county health department fund of the County, as of and for the year ended June 30, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

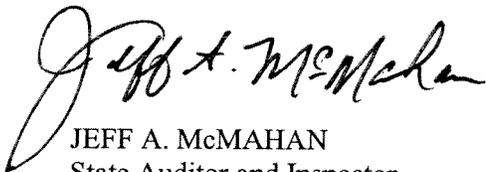
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Tillman County, Oklahoma, taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Section* has not been audited by us, and accordingly, we express no opinion on such information.

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,



JEFF A. McMAHAN
State Auditor and Inspector

January 24, 2005

Special-Purpose Financial Statements

**TILLMAN COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
County General Fund	\$ 162,787	\$ 841,380	\$ 841,501	\$	\$ 162,666
Highway Cash	1,791,021	2,915,067	2,950,255		1,755,833
County Health Department	49,215	171,668	179,894		40,989
Health Eldercare	160				160
Resale Property	38,222	32,748	13,650		57,320
Treasurer's Mortgage Tax Certification Fee	32,825	2,855	9,422		26,258
Assessor Visual Inspection	15,360	33	1,558		13,835
Assessor Revolving	2,631	3,575	103		6,103
Sheriff Service Fee	15,307	61,333	65,067		11,573
Sheriff Department of Corrections	98,320	566,573	566,125		98,768
Sheriff Commissary	5,876	26,855	24,310		8,421
Sheriff Reserve Deputy	586	5,565	2,337		3,814
Sheriff Drug Fund	588				588
Trash Cop	200		157		43
E-911 Account	103,025	131,608	115,781		118,852
Community Service Sentencing Program	11,085	1,209	3,443		8,851
OSU Extension	49,316	35,573	34,304		50,585
Free Fair	8,211	14,822	13,137		9,896
Insurance Deductible	7,678	4,540	3,907		8,311
County Clerk Lien Fee	9,724	1,881	1,838		9,767
County Clerk Records Management Fee	20,491	11,600	4,903		27,188
CDBG Grant	73,560	33,850	107,410		
REAP Grant		9,225	9,225		
Schools	23,301	2,560,622	2,559,052		24,871
Cities and Towns	7,369	114,737	113,443		8,663
Official Depository	226,679	1,050,175	1,110,758	1,339	167,435
Protest Tax	2,640	56,268			58,908
Law Library	2,582	10,599	10,672		2,509
Emergency Medical Service	370	74,889	74,579		680
Individual Redemption	134				134
Court Clerk Savings	249	2			251
Court Clerk Salaries		15,760	7,880		7,880
Unemployment Fund	8,452		2,961		5,491
Total County Funds	<u>\$ 2,767,964</u>	<u>\$ 8,755,012</u>	<u>\$ 8,827,672</u>	<u>\$ 1,339</u>	<u>\$ 2,696,643</u>

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, 2004**

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 162,787	\$ 162,787	\$ 162,787	\$ -
Less: Prior Year Outstanding Warrants	(49,977)	(49,977)	(49,977)	
Beginning Cash Balances, Budgetary Basis	<u>112,810</u>	<u>112,810</u>	<u>112,810</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	346,641	346,641	373,773	27,132
Sales Tax	220,583	220,583	246,044	25,461
Charges for Services	34,076	34,076	34,738	662
Intergovernmental Revenues	160,335	160,813	155,467	(5,346)
Miscellaneous Revenues	47,720	47,720	31,358	(16,362)
Total Receipts, Budgetary Basis	<u>809,355</u>	<u>809,833</u>	<u>841,380</u>	<u>31,547</u>
Expenditures:				
County Sheriff	2,457	2,457	2,457	
Capital Outlay	306,150	306,150	282,743	23,407
Total County Sheriff	<u>308,607</u>	<u>308,607</u>	<u>285,200</u>	<u>23,407</u>
County Treasurer	53,825	55,289	54,591	698
Capital Outlay	1,000	1,000	1,000	
Total County Treasurer	<u>54,825</u>	<u>56,289</u>	<u>55,591</u>	<u>698</u>
County Clerk	71,650	74,227	73,287	940
Capital Outlay				
Total County Clerk	<u>71,650</u>	<u>74,227</u>	<u>73,287</u>	<u>940</u>
Court Clerk	52,356	55,017	54,660	357
Capital Outlay				
Total Court Clerk	<u>52,356</u>	<u>55,017</u>	<u>54,660</u>	<u>357</u>
County Assessor	65,400	68,144	68,052	92
Capital Outlay	200	200	200	200
Total County Assessor	<u>65,600</u>	<u>68,344</u>	<u>68,052</u>	<u>292</u>
Revaluation of Real Property	64,863	64,863	62,105	2,758
Capital Outlay	1,650	1,650	1,610	40
Total Revaluation of Real Property	<u>66,513</u>	<u>66,513</u>	<u>63,715</u>	<u>2,798</u>
General Government	92,738	101,755	86,726	15,029
Capital Outlay	42,000	42,000	16,530	25,470
Total General Government	<u>134,738</u>	<u>143,755</u>	<u>103,256</u>	<u>40,499</u>
Excise-Equalization Board	2,443	2,462	2,204	258
Capital Outlay				
Total Excise-Equalization Board	<u>2,443</u>	<u>2,462</u>	<u>2,204</u>	<u>258</u>
Charity	200	200	165	35
Capital Outlay				
Total Charity	<u>200</u>	<u>200</u>	<u>165</u>	<u>35</u>
County Audit Budget	3,579	3,579	3,579	
Capital Outlay				
Total County Audit Budget	<u>3,579</u>	<u>3,579</u>	<u>3,579</u>	<u>-</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, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Total Expenditures, Budgetary Basis	<u>922,165</u>	<u>922,643</u>	<u>834,741</u>	<u>87,902</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	119,449	<u>\$ 119,449</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			265	
Add: Current Year Outstanding Warrants			<u>42,952</u>	
Ending Cash Balance			<u>\$ 162,666</u>	

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 FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 49,215	\$ 49,215	\$ 49,215	\$ -
Less: Prior Year Outstanding Warrants	(3,207)	(3,207)	(3,207)	
Less: Prior Year Encumbrances	(604)	(604)	(604)	
Beginning Cash Balances, Budgetary Basis	<u>45,404</u>	<u>45,404</u>	<u>45,404</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	52,029	52,029	56,101	4,072
Intergovernmental Revenue	124,062	124,062	115,492	(8,570)
Miscellaneous Revenues			75	75
Total Receipts, Budgetary Basis	<u>176,091</u>	<u>176,091</u>	<u>171,668</u>	<u>(4,423)</u>
Expenditures:				
Health and Welfare	211,495	211,495	174,931	36,564
Capital Outlay	10,000	10,000	2,799	10,000
Total Expenditures Budgetary Basis	<u>221,495</u>	<u>221,495</u>	<u>177,730</u>	<u>43,765</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	39,342	<u>\$ 39,342</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			<u>1,647</u>	
Ending Cash Balance			<u>\$ 40,989</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, 2004**

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
District Court Clerk	\$ 155,171	\$ 402,893	\$ 485,616	\$ 1,026	\$ 73,474
District Court Fund	47,905	268,397	273,893	80	42,489
Court Clerk Revolving	16,944	21,878	7,731		31,091
District Attorney Property Forfeiture	1,056	585	1,641		
District Attorney Witness Fee	143	1,250	1,103	20	310
County Sheriff		2,382	2,382		
County Clerk		68,529	68,529		
County Treasurer	5,210	142,420	130,653	2	16,979
County Election Board	150	11,656	9,025	211	2,992
County Health Department		126,608	126,608		
County Assessor Revolving		3,577	3,577		
County Clerk Change Fund	100				100
Total Official Depository Accounts	<u>\$ 226,679</u>	<u>\$ 1,050,175</u>	<u>\$ 1,110,758</u>	<u>\$ 1,339</u>	<u>\$ 167,435</u>

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of 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. 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. Funds presented are established by statute, and their operations are under the control of the County officials.

B. Fund Accounting

A government entity 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 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, 2004**

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 Comparative Statements of Receipts, Expenditures, and Changes in Fund Balances - Budget and Actual - for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Fund 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 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, 2004.

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
- Torts	in a public entity risk	the authorized
- Errors and Omissions	pool; Association of	deductibles, the
- Law Enforcement	County Commissioners of	County could have to
Officers Liability	Oklahoma-Self-Insurance	pay its share of any
- Vehicle	Group (ACCO-SIG).	pool deficit. A
Physical Plant		judgment could be
- Theft		assessed for claims in
- Damage to Assets		excess of the pool's
- Natural Disasters		limits.

**TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of coverage.	None

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$10,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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

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

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 15 days vacation. Employees with 15 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.

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 \$2,696,643 and the bank balance was \$2,670,213. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

B. Description of Funds

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

Highway Cash - accounts for state, local and miscellaneous receipts and disbursements are 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.

TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

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

Assessor's 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 disbursement 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 Corrections' 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.

E-911 Account - 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.

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

OSU Extension – accounts for the collection of sales tax monies and disbursements are for the maintenance and operation of the OSU Extension.

TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

Free Fair – accounts for the collection of sales tax monies and disbursements are 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 collections and disbursements as restricted by statute.

County Clerk Records Management Preservation Fee - 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 are for water lines to dairies in Tillman County.

REAP Grant – accounts for state grant funds received to be used for rural development.

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 Oklahoma Tax Commission collections distributed to the cities of the County and for cemetery investments.

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

Protest Tax – accounts for ad valorem collected under protest and held until the court decision is made to release or distribute taxes.

Law Library - accounts for monies received for disbursement from the state for the Law Library Board.

Emergency Medical Service District – 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 Salaries – accounts for money transferred every quarter from the District Court Fund account to pay District Court Fund salaries.

TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

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

The accounts within the Official Depository Fund are described as follows:

District Court Clerk – accounts for the collection of bond money, court fines and fees. Money is disbursed for fees and restitution.

District Court Fund – accounts for fees transferred from District Court Clerk Account and interest. Money is disbursed for the purpose of fees for various entities, salaries, and the operation of the office.

Court Clerk 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.

County Sheriff – accounts for all collections 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 the collection of filing fees and disbursed to OTC and the County Clerk Lien Fee Fund.

County Treasurer – accounts for all collections of pre-paid ad valorem taxes, pre-paid mobile homes, and the sale of motor vehicle stamps. Disbursements are for the purpose of refunds and vehicle collection vouchers to OTC, schools, and the County Treasurer Mortgage Tax Certification Fee Fund.

County Election Board – accounts for reimbursement of election cost by entities within the County and is disbursed for refunds of election fees and cost of election.

County Health Department – accounts for the collection of charges for services performed by the health department. Disbursements are made to the health department fund for budgeting purposes.

TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

County Assessor Revolving – accounts for monies received from copies and plat maps. Disbursements are made to the county assessor's revolving fund for operating expenses.

County Clerk Change Fund – accounts for change held in the County Clerk's cash drawer.

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, 2003, was approximately \$36,453,601.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 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.

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

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

Current year tax collections for the year ended June 30, 2004, were approximately 95.6 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

Detailed Notes on Funds and Account Balances (continued)

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 percent 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.

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:

**TILLMAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

Sales Tax (continued)

OSU Cooperative Extension, 12%
County General, 83%
Free Fair, 5%.

Tillman County received \$296,439 in sales tax for the year ending June 30, 2004.

Internal Control and Compliance Section



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
TILLMAN COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Tillman County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated January 24, 2005. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-1.

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

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a matter that we reported to management of Tillman County and is included in Section 2 of the schedule of findings, contained within this report.

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,



JEFF A. McMAHAN
State Auditor and Inspector

January 24, 2005

SECTION 1 - Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

Criteria: Demonstration of accountability and stewardship are overall goals 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 and observation of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated for the Sheriff's office, with regard to handling cash transactions.

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

Recommendation: We recommend management be aware of this condition and realize 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 office operations and periodic review of those operations.

Management Response: We concur with the auditor's comments, and will conduct periodic reviews of office operations.

SECTION 2 - Other Findings - This section contains findings not required to be reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, 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 2003-9 - Annual Report on Commissary Account (Repeat Finding)

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 Response: The County will adhere to state statutes as recommended by the State Auditor's Office.

**Statistical Section
(Unaudited)**

**TILLMAN COUNTY, OKLAHOMA
TOP TEN TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

TAXPAYER	JANUARY 1, 2003 NET ASSESSED VALUATION	% OF TOTAL NET VALUATION
Pioneer Telephone Coop Inc.	\$ 1,640,126	4.50%
Metzeler Auto Pro Sys Okla. Inc.	1,427,466	3.92%
Public Service Company of Okla.	935,314	2.57%
Skelly-Belvieu Pipeline LLC	613,469	1.68%
General Motors Corp.	601,138	1.65%
Oklahoma Natural Gas	559,933	1.54%
Tillman Producers Coop	451,515	1.24%
Cassidy, John Jr.	442,842	1.21%
Shamrock Pipeline Corp.	412,703	1.13%
Teppco Crude Pipeline LLC	355,292	0.97%
Total	<u>\$ 7,439,798</u>	<u>20.41%</u>

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

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

Total net assessed value as of January 1, 2003		<u>\$ 36,453,601</u>
Debt limit - 5% of total assessed value		\$ 1,822,680
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		<u>\$ 1,822,680</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, 2004
(UNAUDITED)**

	2004
Estimated population	9,287
Net assessed value as of January 1, 2003	\$ 36,453,601
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

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

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2003	\$7,160,854	\$5,007,764	\$26,684,839	\$2,399,856	\$36,453,601	\$491,777,451