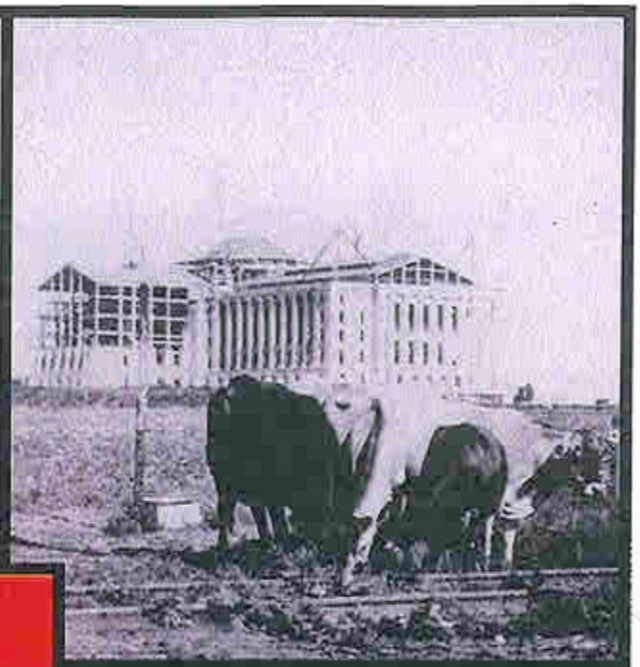
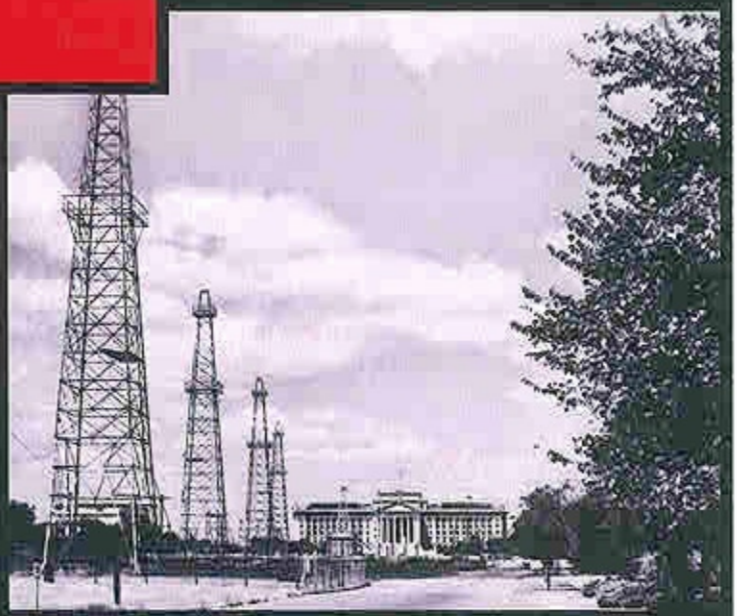


County Audit

Tillman County, Oklahoma

For The Fiscal Year Ended
June 30, 2006



Office of the Oklahoma State Auditor and Inspector
Jeff A. McMahan, CFE

TILLMAN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

This publication is printed and issued by the State Auditor and Inspector as authorized by 19 O.S. § 171. Pursuant to 74 O.S. § 3105.B, thirty-five (35) copies have been prepared and distributed at a cost of $91.19. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

September 7, 2007

TO THE CITIZENS OF
TILLMAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Tillman County, Oklahoma, for the fiscal year ended June 30, 2006. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

Jeff A. McMahan

JEFF A. McMAHAN
State Auditor and Inspector

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Tillman County ii
County Officials and Responsibilities iii
Ad Valorem Tax Distribution viii
Computation of Legal Debt Margin ix
Ratio of Net General Bonded Debt to Assessed Value and
Net Bonded Debt Per Capita x
Assessed Value of Property xi

FINANCIAL SECTION

Report of State Auditor and Inspector 1

Basic Financial Statement:

Combined Statement of Receipts, Disbursements, and Changes in Cash Balances
(with Combining Information) 3

Notes to the Financial Statement 4

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in
Cash Balances—Budget and Actual—Budgetary Basis—General Fund 11

Comparative Statement of Receipts, Expenditures, and Changes in
Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund 13

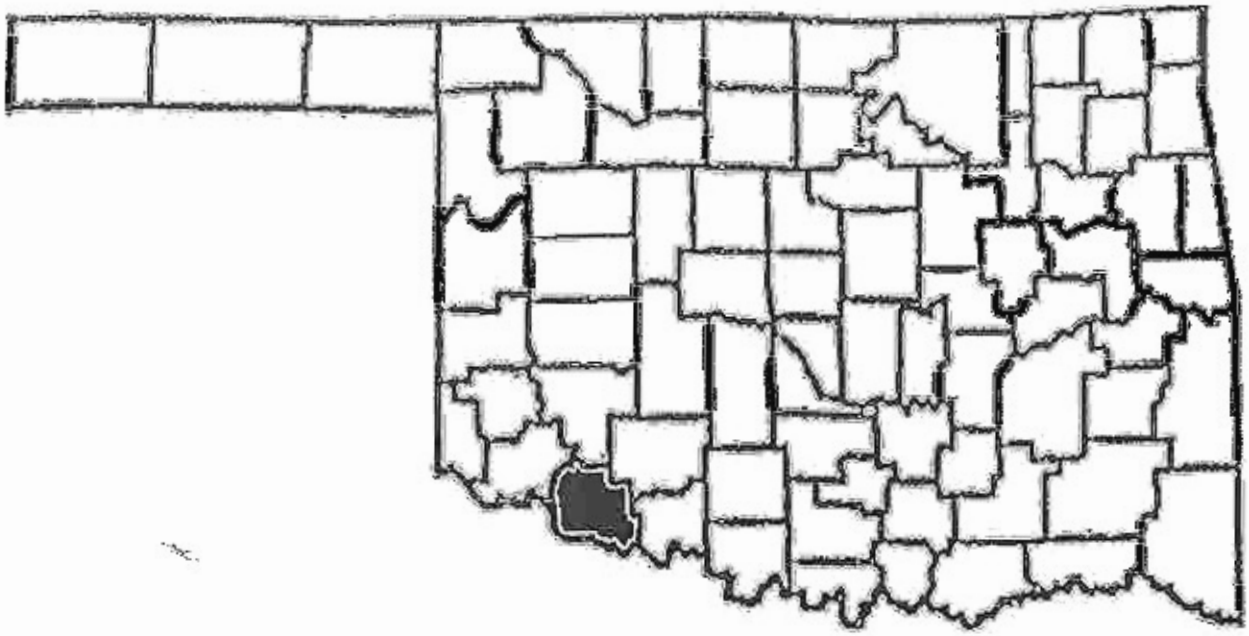
Notes to Other Supplementary Information 14

INTERNAL CONTROL AND COMPLIANCE SECTION

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 15

Schedule of Findings and Responses 17

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 – 879.21 Square Miles

County Population – 8,785
(2004 est.)

Farms – 592

Land in Farms – 484,533 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

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
Jerri Boyd
(D) Frederick

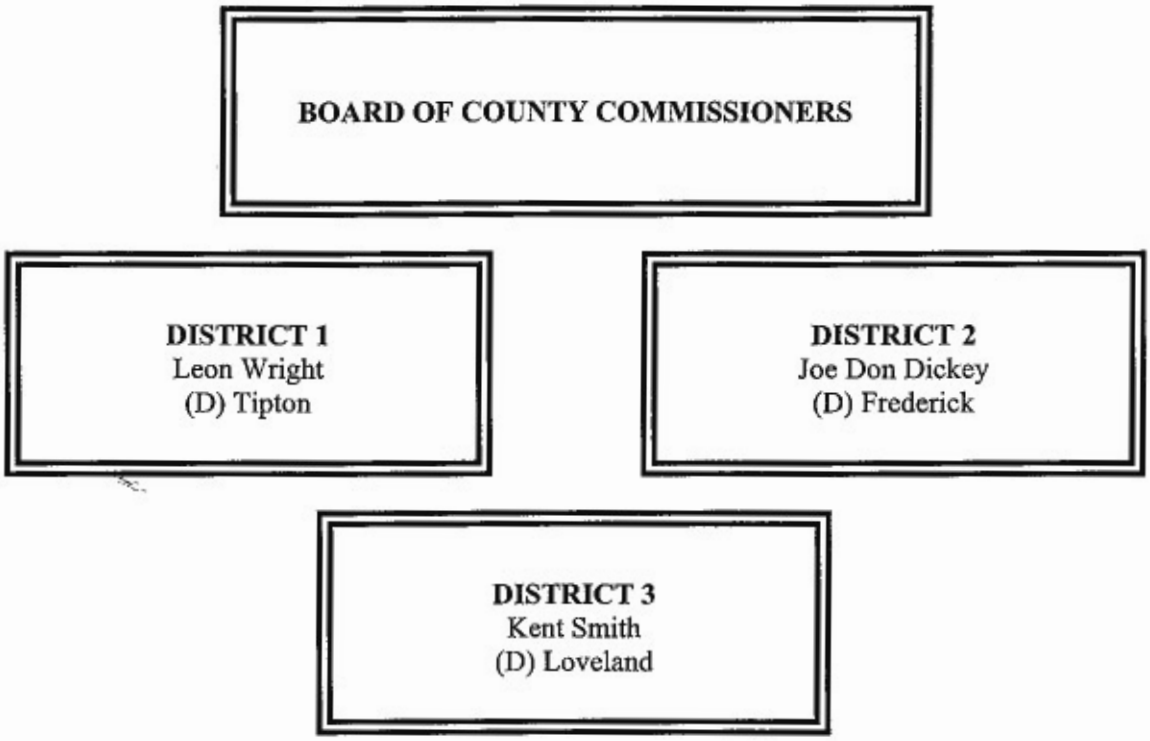
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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 FOR THE FISCAL YEAR ENDED JUNE 30, 2006



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 SHERIFF
Billy Hanes – until January 2006
(D) Frederick
Bobby Whittington – January 2006 to present
(R) Grandfield

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.

COURT CLERK
Daralene Kidwell
(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.

ELECTION BOARD SECRETARY
Wynnell Jackson
(D) Frederick

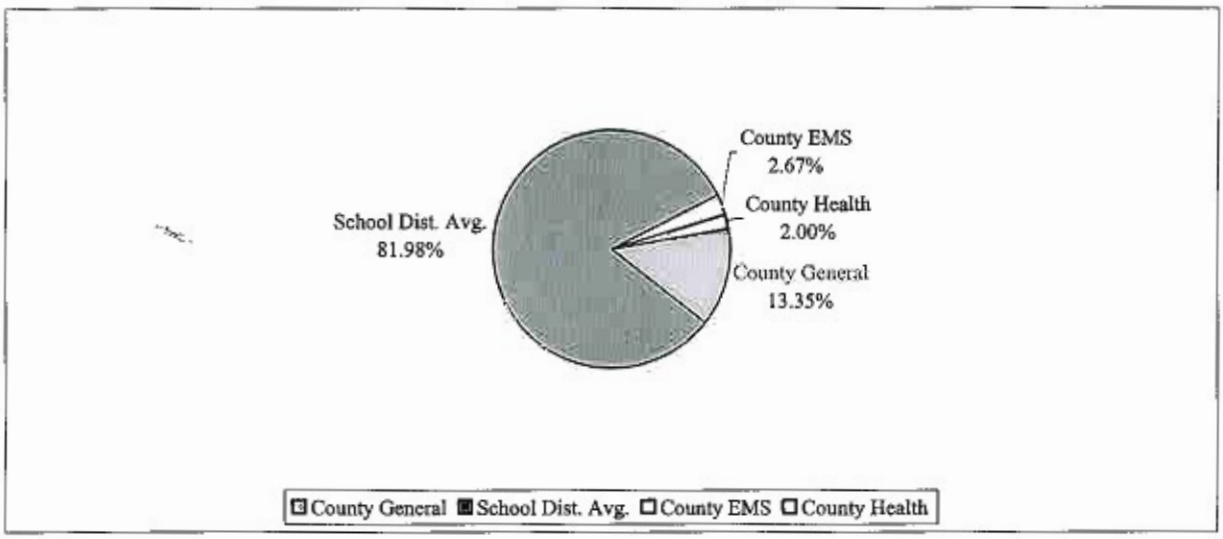
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Co. General	10.46
County Health	1.57
EMS	2.09

School District Millages

		Gen.	Bldg.	Skg.	Career Tech	Common	Total
Tipton	I-8	36.75	5.25	24.74	11.51	4.19	82.44
Davidson	I-9	36.31	5.19	11.29	11.51	4.19	68.49
Frederick	I-158	36.49	5.21		11.51	4.19	57.40
Grandfield	I-249	36.86	5.27	8.95	11.51	4.19	66.78
Hollister	I-158	36.49	5.21		11.51	4.19	57.40
Hollister	I-132	37.19	5.31	6.18	11.51	4.19	64.38
Snyder	JT-4	36.60	5.23		11.51	4.19	57.53
Indiahoma	JT-2	35.94	5.13	11.06	11.51	4.19	67.83
Chattanooga	JT-132	37.19	5.31	6.18	11.51	4.19	64.38
Big Pasture	JT-133	35.17	5.02		11.51	4.19	55.89

See independent auditor's report.

TILLMAN COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

Total net assessed value as of January 1, 2005		$ 37,581,172
Debt limit - 5% of total assessed value		1,879,059
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		$ 1,879,059

See independent auditor's report.

TILLMAN COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

	2006
Estimated population	8,785
Net assessed value as of January 1, 2005	$ 37,581,172
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	$ -

See independent auditor's report.

TILLMAN COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2005	$7,367,413	$5,177,763	$27,325,299	$2,289,303	$37,581,172	$311,765,728

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 combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Tillman County, Oklahoma, as of and for the year ended June 30, 2006, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Tillman County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Tillman County as of June 30, 2006, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Tillman County, for the year ended June 30, 2006, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2007, 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 conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

JEFF A. McMAHAN
State Auditor and Inspector

September 4, 2007

Basic Financial Statement

TILLMAN COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Beginning Cash Balances July 1, 2005	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2006
Combining Information:				
County General Fund	$ 251,334	$ 913,269	$ 854,032	$ 310,571
Highway Cash	1,362,939	2,399,377	2,550,216	1,212,100
County Health Department	60,990	192,993	181,278	72,705
Resale Property	79,084	26,730	16,706	89,108
Treasurer Mortgage Tax Certification Fee	27,718	2,460	360	29,818
Assessor Visual Inspection	12,414	18	1,466	10,966
Assessor Revolving Fee	6,957	1,033	564	7,426
Sheriff Service Fee	9,319	71,403	56,035	24,687
Sheriff Prisoner Revolving	111,447	480,971	504,120	88,298
Sheriff Commissary	7,724	22,368	21,832	8,260
Sheriff Reserve Deputy	1,358		532	826
Sheriff Drug Fund	438			438
Trash Cop	43			43
Hazard Mitigation		15,000	15,000	
E-911 Account	96,050	125,378	109,716	111,712
Community Service Sentencing Program	5,699		422	5,277
OSU Extension	59,818	39,121	36,353	62,586
Free Fair	11,515	16,224	16,187	11,552
Insurance Deductible	8,281	4,554	6,250	6,585
County Clerk Lien Fee	9,108	2,429	2,206	9,331
County Clerk Records Management Preservation Fee	27,831	11,270	3,979	35,122
REAP Grant		14,000	14,000	
Combined Total--All County Funds	$ 2,150,067	$ 4,338,598	$ 4,391,254	$ 2,097,411

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

B. Fund Accounting

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

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

County 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 state and local revenues and accounts for ad valorem taxes collected by the County for the health department.

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 disbursement of the funds as restricted by statute.

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

Assessor Revolving Fee - 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 Prisoner Revolving – 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 the 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.

Hazard Mitigation – accounts for grant funds received from the Federal Emergency Management Agency. Disbursements are made for hazard mitigation plans.

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.

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 the 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 state statute.

County Clerk Records Management Preservation Fee - accounts for fees collected for instruments filed in the Registrar of Deeds as restricted by statute for preservation of records.

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

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

C. Basis of Accounting

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

D. Budget

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

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

E. Cash

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

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

F. Investments

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

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

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

G. Compensated Absences

All full time 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.

Sick leave shall accumulate at the rate of 1 day for each calendar month of service to the County. Sick leave may be accrued up to a maximum of 60 days.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2005, was approximately $37,581,172.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.46 mills for general fund operations, 1.57 mills for county health department, and 2.09 mills for emergency medical service. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2006, were approximately 96 percent of the tax levy.

3. Fuel Tax

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

4. Risk Management

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

Types of Loss	Method of Management	Risk of Loss Retained
General Liability • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle Physical Plant • Theft • Damage to Assets • Natural Disasters	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

Types of Loss	Method of Management	Risk of Loss Retained
Workers' Compensation • Employees' Injuries	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee • Medical • Disability • Dental • Life	The County carries commercial insurance.	None

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

5. Long-term Obligations

Capital Leases

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

6. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 6.5% and 11.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 11.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2006, 2005, and 2004 were $151,226, $130,983 and $123,442, respectively, equal to the required contributions for each year.

7. Other Post Employment Benefits (OPEB)

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

8. Contingent Liabilities

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 County expects such amounts, if any, to be immaterial.

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

OTHER SUPPLEMENTARY INFORMATION

TILLMAN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	$ 251,334	$ 251,334	$ 251,334	$ -
Less: Prior Year Outstanding Warrants	(41,666)	(41,666)	(41,646)	20
Beginning Cash Balances, Budgetary Basis	209,668	209,668	209,688	20
Receipts:				
Ad Valorem Taxes	357,363	357,363	385,317	27,954
Sales Tax	239,233	239,233	270,218	30,985
Charges for Services	31,789	31,789	34,745	2,956
Intergovernmental Revenues	137,762	138,516	153,514	14,998
Miscellaneous Revenues	36,936	36,936	69,475	32,539
Total Receipts, Budgetary Basis	803,083	803,837	913,269	109,432
Expenditures:				
County Sheriff	278,097	278,097	277,828	269
County Treasurer	60,805	60,805	58,897	1,908
County Clerk	80,938	80,938	79,942	996
Court Clerk	57,130	57,130	57,130	-
County Assessor	66,905	66,905	66,613	292
Revaluation of Real Property	69,996	69,996	66,260	3,736
General Government	228,126	228,726	96,569	132,157
Excise-Equalization Board	2,800	2,800	2,462	338
County Election Board	44,764	45,459	40,845	4,614
Insurance	118,925	118,384	109,046	9,338

continued on next page

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

TILLMAN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Charity	500	500	100	400
County Audit Budget	3,765	3,765	3,758	7
Total Expenditures, Budgetary Basis	1,012,751	1,013,505	859,450	154,055
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	$ -	$ -	263,507	$ 263,507
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			150	
Add: Current Year Outstanding Warrants			46,914	
Ending Cash Balance			$ 310,571	

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

TILLMAN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS— COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	$ 60,830	$ 60,830	$ 60,990	$ 160
Less: Prior Year Warrants	(3,671)	(3,671)	(3,671)	
Less: Prior Year Encumbrances	(970)	(970)	(970)	
Beginning Cash Balances, Budgetary Basis	56,189	56,189	56,349	160
Receipts:				
Ad Valorem Taxes	53,639	53,639	57,843	4,204
Intergovernmental Revenue	116,159	116,480	134,911	18,431
Miscellaneous Revenues			239	239
Total Receipts, Budgetary Basis	169,798	170,119	192,993	22,874
Expenditures:				
Health and Welfare	225,987	226,308	190,855	35,453
Total Expenditures, Budgetary Basis	225,987	226,308	190,855	35,453
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	$ -	$ -	58,487	$ 58,487
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			920	
Add: Current Year Outstanding Warrants			13,298	
Ending Cash Balance			$ 72,705	

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

Budgetary Schedules

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

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
TILLMAN COUNTY, OKLAHOMA

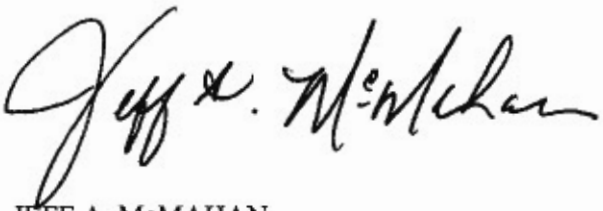
We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Tillman County, Oklahoma, as of and for the year ended June 30, 2006, which comprises Tillman County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 4, 2007. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tillman County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Tillman County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of findings and responses 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 statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

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



JEFF A. McMAHAN
State Auditor and Inspector

September 4, 2007

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.

Cause: This lack of segregation of duties is caused by the limited number of available personnel to perform these functions.

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.

Views of responsible officials and planned corrective actions: We concur with the auditor's comments and will conduct periodic reviews of office operations.

Finding 2006-1 – Pledged Securities

Criteria: In accordance with 62 O.S. § 517.4, a Treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities, or instruments to be pledged for the security of deposits shall be established by the Treasurer of the public entity consistent with the provision of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.

Condition: On December 30, 2005, the total amount deposited in Banc First was $3,085,133 and the amount of pledged collateral was $ 2,678,114, leaving an underpledged amount of $407,019.

Effect: Public deposits were not adequately safeguarded for possible loss; a violation of 62 O.S. § 517.4.

Recommendation: We recommend the County Treasurer comply with 62 O.S. § 517.4 that requires that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity at an amount of the deposit to be secured.

Views of responsible officials and planned corrective actions: As Treasurer of Tillman County, I will make sure that adequate pledged securities are obtained during the peak tax season for next fiscal year.