

CANADIAN COUNTY

FOR THE FISCAL YEAR ENDED
JUNE 30, 2008



COUNTY AUDIT



Oklahoma State Auditor
& Inspector

**CANADIAN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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, thirteen (13) copies have been prepared and distributed at a cost of \$43.14. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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June 1, 2010

TO THE CITIZENS OF
CANADIAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Canadian County, Oklahoma for the fiscal year ended June 30, 2008. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

**CANADIAN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

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

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 Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	13
Notes to Other Supplementary Information	14
Schedule of Expenditures of Federal Awards	15
Note to the Schedule of Expenditures of Federal Awards	16

**CANADIAN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Schedule of Expenditures of State Awards17

Note to the Schedule of Expenditures of State Awards 18

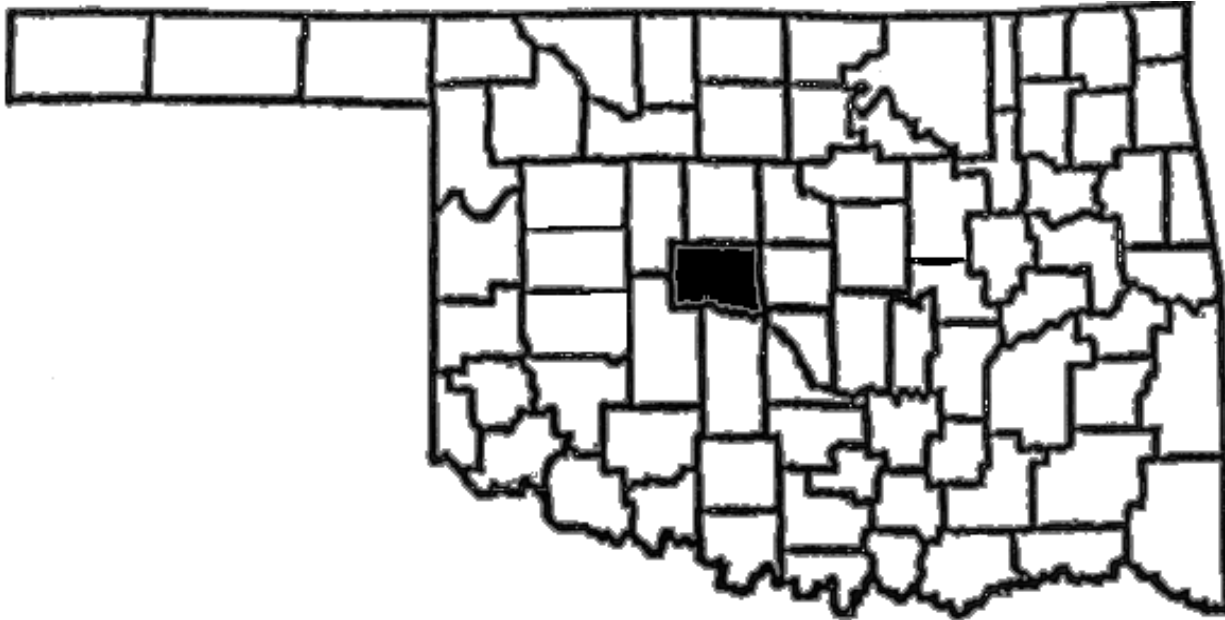
INTERNAL CONTROL AND COMPLIANCE SECTION

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..... 19

Report on Compliance With Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance With OMB Circular A-133 21

Schedule of Findings and Questioned Costs 23

**REPORT TO THE CITIZENS
OF
CANADIAN COUNTY, OKLAHOMA**



This county was once part of the Cheyenne and Arapaho reservation, administered by the Darlington Agency. It was opened by the Run of '89 and the Run of '92, but the southwest corner of the county, part of the Caddo Reservation, was opened by lottery in 1901.

Fort Reno, established in 1874 to maintain order on the reservation, later served as a cavalry remount station. During World War II, it served as a prisoner-of-war camp.

The economy of Canadian County is based largely on agriculture.

County Seat – El Reno

Area – 905.17 Square Miles

County Population – 98,701
(2005 est.)

Farms – 1,360

Land in Farms – 500,872 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

**CANADIAN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COUNTY ASSESSOR

Ron Funck

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

Phyllis Blair

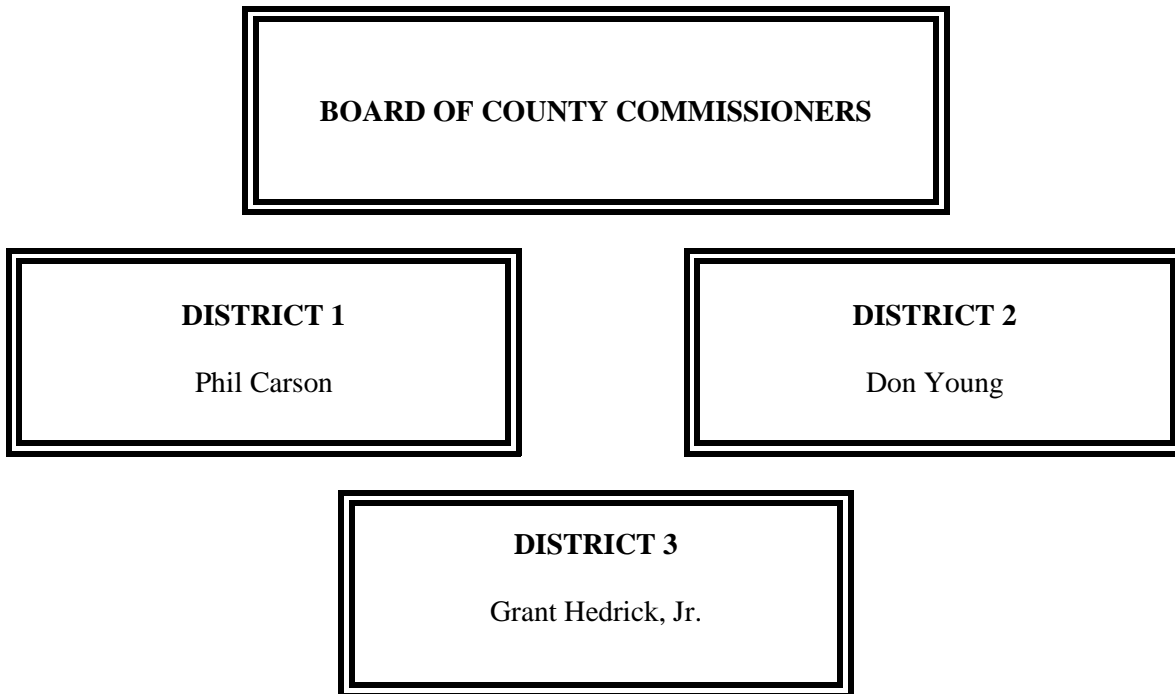
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**CANADIAN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**



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.

**CANADIAN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COUNTY SHERIFF

Lewis Hawkins

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

David Radcliff

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.

**CANADIAN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COURT CLERK

Dee Ray

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

Cathy Stocker

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.

**CANADIAN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

ELECTION BOARD SECRETARY

Dorothy C. Riley

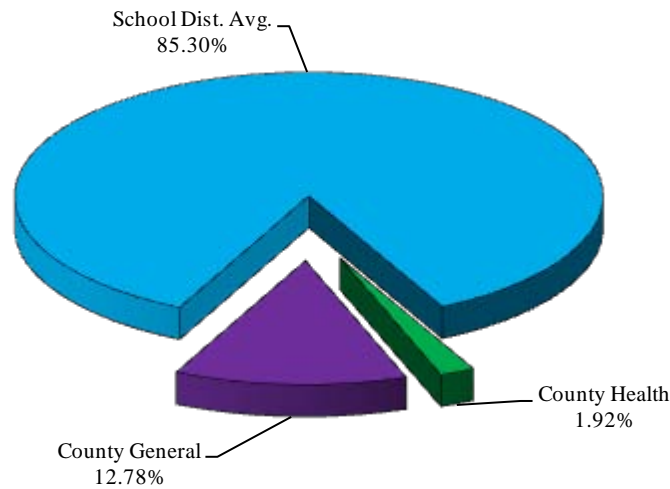
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

**CANADIAN COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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



County-Wide Millages		School District Millages										
				Gen.	Bldg.	Skg.	Career Tech	Common	EMS	City Sinking	Rural Fire Dept.	Total
County General	10.39											
County Health	1.56											
		Minco	JI-2	38.46	5.49	24.86	15.60	4.16				88.57
		Deer Creek	JI-6	35.38	5.05	30.89	15.16	4.16				90.64
		Lookeba-Sickles	JI-12	42.96	6.14	11.86	11.47	4.16	3.08			79.67
		Piedmont	JI-22	36.75	5.25	32.51	15.60	4.16			7.00	101.27
		Yukon	I-27	36.53	5.22	26.65	15.60	4.16			7.00	95.16
		Yukon/City	I-27	36.53	5.22	26.65	15.60	4.16		15.43		103.59
		Riverside	D-29	36.01	5.14		15.60	4.16			7.00	67.91
		Banner	D-31	36.12	5.16	3.29	15.60	4.16				64.33
		El Reno	I-34	36.01	5.14	25.07	15.60	4.16				85.98
		El Reno	I-34	36.01	5.14	25.07	15.60	4.16		2.23		88.21
		Union City	I-57	36.17	5.17	14.00	15.60	4.16				75.10
		Mustang	I-69	36.31	5.19	25.30	15.60	4.16				86.56
		Darlington	D-70	36.65	5.24		15.60	4.16				61.65
		Calumet	I-76	36.37	5.20	15.64	15.60	4.16				76.97
		Geary	JI-80	36.24	5.18			4.16	3.11			48.69
		Cashion	JI-89	37.03	5.29	10.57		4.16	3.00			60.05
		Okarche	JI-105	36.19	5.17	5.84		4.16				51.36
		Hinton	JI-161	36.41	5.20	21.09	11.47	4.16	3.08			81.41
		Maple	D-162	36.98	5.28		15.60	4.16				62.02

See independent auditor's report.

**CANADIAN COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Total net assessed value as of January 1, 2007		<u>\$ 650,910,967</u>
Debt limit - 5% of total assessed value		32,545,548
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 32,545,548</u>

See independent auditor's report.

**CANADIAN COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

	2008
Estimated population	98,701
Net assessed value as of January 1, 2006	\$ 650,910,967
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.

**CANADIAN COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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>
1/1/2007	\$91,936,175	\$49,009,531	\$535,020,782	\$25,055,521	\$650,910,967	\$3,515,995,174

See independent auditor's report.

FINANCIAL SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Independent Auditor's Report

TO THE OFFICERS OF CANADIAN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Canadian County, Oklahoma, as of and for the year ended June 30, 2008, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Canadian 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.


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 Canadian County as of June 30, 2008, 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 Canadian County, for the year ended June 30, 2008, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2010, on our consideration of Canadian 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

January 25, 2010

Basic Financial Statement

**CANADIAN COUNTY, OKLAHOMA
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 (WITH COMBINING INFORMATION)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Beginning Cash Balances July 1, 2007	Receipts Apportioned	Transfer In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2008
Combining Information:						
County General Fund	\$ 2,576,651	\$ 8,784,569	\$ 41,687	\$	\$ 8,713,572	\$ 2,689,335
Highway Cash	3,172,460	7,069,714			6,476,244	3,765,930
County Health Department	1,737,909	1,049,614			1,625,640	1,161,883
Resale Property	726,022	326,832		125,061	205,102	722,691
Assessor Visual Inspection Investment	79,682	2,425				82,107
Assessor Revolving	39,203	15,332				54,535
Sheriff Service Fee	365,228	589,813			321,257	633,784
Sheriff Training	28,493				1,135	27,358
Sheriff Commissary	44,781	16,336			3,296	57,821
Sheriff Prisoner Care	60,906	119,920			89,708	91,118
Sheriff Reward Fund/Trash Cop	9,548	39				9,587
Sheriff Federal Equitable Sharing	11,531	6,446			13,511	4,466
Sheriff Benefit	4,229					4,229
Grant Cash Voucher Fund	33,615	3,000			33,615	3,000
Youth and Family		20,000			20,000	
Treasurer Mortgage Tax Certification Fee	157,544	36,846			16,876	177,514
County Clerk Lien Fee	49,284	94,276			32,290	111,270
County Clerk Records Preservation Fee	193,027	164,700			170,742	186,985
Insurance Reimbursement		105			105	
Emergency Management	6,364	33,481			13,911	25,934
Flood Plain	3,516	5,865			4,012	5,369
County River Bridge Improvement	240,862	7,331				248,193
Juvenile Justice Detention Facility	569,999	5,723,397			5,485,849	807,547
Combined Total--All County Funds	<u>\$ 10,110,854</u>	<u>\$ 24,070,041</u>	<u>\$ 41,687</u>	<u>\$ 125,061</u>	<u>\$ 23,226,865</u>	<u>\$ 10,870,656</u>

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

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 Canadian 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.

County Highway - 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.

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

Assessor Visual Inspection Investment - 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.

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Sheriff Training - accounts for the collection of forfeitures and disbursed for training and equipment.

Sheriff Commissary - accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor. Excess funds are used for maintenance and operation of the jail.

Sheriff Prisoner Care - accounts for state receipts and disbursements for the purpose of housing and feeding Department of Correction inmates.

Sheriff Reward Fund/Trash Cop - accounts for federal funds collected and disbursed for the purpose of trash patrol.

Sheriff Federal Equitable Sharing - accounts for monies received from federal grants and disbursed for law enforcement purposes.

Sheriff Benefit - accounts for donations to be used for the lawful expenditures of the office.

Grant Cash Voucher Fund - accounts for monies received from state grants to be transferred to the REAP account.

Youth and Family - accounts for the receipts and disbursements of federal funds for emergency shelter.

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.

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

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

Insurance Reimbursement - accounts for insurance settlements for damaged vehicles and disbursed to repair the vehicles.

Emergency Management - accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

Flood Plain - accounts for the collection of flood plain permits. Money is disbursed for computer software in relation to flood mapping.

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

County River Bridge Improvement - accounts for state, local and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county bridges.

Juvenile Justice Detention Facility - accounts for the receipt and disbursement of funds for the purpose of construction and operations of the Canadian County Juvenile Justice Detention Facility.

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

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, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by 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.

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Vacation benefits are earned by the employee during the year and may accumulate up to a maximum of 120 hours. Employees are paid for vacation leave upon separation of employment from the County. Sick leave shall accumulate at the rate of 10 hours for each calendar month of service and may be accrued up to a maximum of 130 days. Accrued sick leave is not paid upon an employees' termination of employment with the County.

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

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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, 2007, was approximately \$650,910,967.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.39 mills for general fund operations and 1.56 mills for county health department. In addition, the County collects the ad valorem taxes assessed by cities and towns, school districts and emergency medical service, 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.

Current year tax collections for the year ended June 30, 2008, were approximately 96.3 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 <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers' Liability • Vehicle 	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

ACCO-SIG – The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating member chooses a deductible amount (\$10,000, \$25,000, or \$50,000). The County has chosen a \$50,000 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 County’s deductible amount. The pool has acquired specific excess insurance with retention limits of \$250,000 for property claims and \$500,000 for general liability claims. The pool has acquired reinsurance in the amount of \$2,000,000 for general liability and \$50,000,000 per occurrence for property to cover claims that exceed the pool's retention limits. If claims exceed pool assets, the County could be liable for its share of the pool’s deficit. 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, but have a one-time fee of 3% on all pieces of machinery 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 8.5% and 13.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 13.5% of earned compensation for elected officials. The

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

County's contributions to the Plan for the years ending June 30, 2008, 2007, and 2006, were \$1,127,651, \$989,618, and \$881,804, 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.

9. Sales Tax

On August 27, 1996, a .35% sales tax was passed by voters to extend for an unlimited period to provide revenues for financing, construction and equipment and operations of a Juvenile Delinquent Detention Facility and Juvenile Justice Facility in Canadian County. For the fiscal year ended June 30, 2008, the County apportioned \$3,890,893 to the Juvenile Justice Detention Facility.

10. Interfund Transactions

Operating transfers consist of \$125,061 transferred from resale property to the general fund (\$41,687), schools (\$41,687), and cities and towns (\$41,687). Transfers are presented solely for county funds and exclude transfers between trust and agency funds.

OTHER SUPPLEMENTARY INFORMATION

**CANADIAN 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, 2008**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 2,576,651	\$ 2,576,651	\$ 2,576,651	\$ -
Less: Prior Year Warrants	(318,003)	(318,003)	(317,902)	101
Less: Prior Year Encumbrances	(193,187)	(193,187)	(148,342)	44,845
Beginning Cash Balances, Budgetary Basis	<u>2,065,461</u>	<u>2,065,461</u>	<u>2,110,407</u>	<u>44,946</u>
Receipts:				
Ad Valorem Taxes	6,148,150	6,148,150	6,752,502	604,352
Charges for Services	747,284	747,284	919,567	172,283
Intergovernmental Revenues	536,314	571,869	597,730	25,861
Miscellaneous Revenues	514,197	573,404	514,770	(58,634)
Total Receipts, Budgetary Basis	<u>7,945,945</u>	<u>8,040,707</u>	<u>8,784,569</u>	<u>743,862</u>
Expenditures:				
District Attorney	19,663	19,663	11,931	7,732
County Sheriff	2,470,896	2,470,896	2,416,816	54,080
County Treasurer	352,245	352,319	349,234	3,085
County Commissioners	183,893	183,893	181,847	2,046
OSU Extension	269,138	270,463	267,891	2,572
County Clerk	511,771	511,711	482,888	28,823
Court Clerk	591,414	591,414	575,382	16,032
County Assessor	567,221	566,105	518,234	47,871
Revaluation of Real Property	370,216	403,771	340,518	63,253
General Government	859,730	906,487	677,207	229,280
Excise-Equalization Board	12,350	12,350	8,770	3,580
County Election Board	272,444	279,887	261,534	18,353

continued on next page

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

**CANADIAN 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, 2008**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Insurance	1,678,196	1,682,429	1,631,068	51,361
County Purchasing Agent	70,878	70,878	70,613	265
Data Processing	58,571	58,571	51,726	6,845
Charity	1,000	1,000	800	200
Emergency Management	47,970	47,970	44,877	3,093
Highway Budget	1,358,505	1,338,947	717,334	621,613
County Audit Budget	96,787	96,787	43,322	53,465
Free Fair	149,724	163,097	152,828	10,269
School Film	62,794	71,530	68,238	3,292
Provision for Interest on Warrants	6,000	6,000	1,056	4,944
Total Expenditures, Budgetary Basis	10,011,406	10,106,168	8,874,114	1,232,054
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	2,020,862	\$ 2,020,862
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Transfer In			41,687	
Add: Current Year Encumbrances			251,118	
Add: Current Year Outstanding Warrants			375,668	
Ending Cash Balance			<u>\$ 2,689,335</u>	

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

**CANADIAN 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, 2008**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,737,909	\$ 1,737,909	\$ 1,737,909	\$ -
Less: Prior Year Outstanding Warrants	(111,364)	(111,364)	(111,364)	
Less: Prior Year Encumbrances	(167,343)	(167,343)	(165,243)	2,100
Beginning Cash Balances, Budgetary Basis	<u>1,459,202</u>	<u>1,459,202</u>	<u>1,461,302</u>	<u>2,100</u>
Receipts:				
Ad Valorem Taxes	923,110	923,110	1,013,846	90,736
Charges for Services			10,636	10,636
Intergovernmental Revenue			3	3
Miscellaneous Revenues			25,129	25,129
Total Receipts, Budgetary Basis	<u>923,110</u>	<u>923,110</u>	<u>1,049,614</u>	<u>126,504</u>
Expenditures:				
Health and Welfare	<u>2,382,312</u>	<u>2,382,312</u>	<u>1,501,130</u>	<u>881,182</u>
Total Expenditures, Budgetary Basis	<u>2,382,312</u>	<u>2,382,312</u>	<u>1,501,130</u>	<u>881,182</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	1,009,786	<u>\$ 1,009,786</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			95,489	
Add: Current Year Outstanding Warrants			56,608	
Ending Cash Balance			<u>\$ 1,161,883</u>	

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

**CANADIAN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Budgetary Schedules

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

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

See independent auditor's report.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the State Department of Education			
Child Nutrition Cluster:			
School Breakfast Program (SBP)	10.553	N/A	\$ 21,130
National School Lunch Program (NSLP)	* 10.555	N/A	29,067
Total U.S. Department of Agriculture			<u>50,197</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed through the Department of Commerce:			
Emergency Shelter Grants Program	14.231	12716ESG07	20,000
Total U.S. Department of Housing and Urban Development			<u>20,000</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payment in Lieu of Taxes	15.226	N/A	231
Total U.S. Department of Interior			<u>231</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through the Department of Human Services:			
Foster Care - Title IV-E	93.658	N/A	21,167
Total Department of Health and Human Services			<u>21,167</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance	97.036	PA 1678	4,586
Disaster Grants - Public Assistance	97.036	PA 1707	20,315
Disaster Grants - Public Assistance	97.036	PA 1712	104,221
Disaster Grants - Public Assistance	97.036	PA 1718	759,299
Disaster Grants - Public Assistance	97.036	PA 1735	6,248
Total CFDA #97.036			<u>894,669</u>
Emergency Management Performance Grants	97.042	N/A	3,000
Total U.S. Department Of Homeland Security			<u>897,669</u>
Total Expenditures of Federal Awards			<u>\$ 989,264</u>

* Partially Noncash Assistance

See independent auditor's report.

**CANADIAN COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Basis of Presentation

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

Department of Agriculture – National School Lunch Program CFDA #10.555

Non-cash assistance in the form of commodities was received from the Oklahoma State Department of Education. The federal value of \$580 is included in the Schedule of Expenditures of Federal Awards.

See independent auditor's report.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>State Grantor/Grant Program Title</u>	<u>State Contract Number</u>	<u>State Expenditures</u>
<u>STATE OFFICE OF JUVENILE AFFAIRS</u>		
Regional Secure Detention Contract	4009001765	\$ 17,350
Regional Secure Detention Contract	4009005029	400,587
Sanction Detention Program	4009010629	480,704
State Juvenile Accountability Block Grant	CRL2008-507	<u>2,637</u>
Total State Office of Juvenile Affairs		<u>901,278</u>
<u>STATE DEPARTMENT OF HUMAN SERVICES</u>		
Passed through OCMHC/North Care Center:		
Comprehensive Home Based Services (prior contract)	N/A	58,649
Comprehensive Home Based Services	N/A	<u>278,857</u>
Total State Department of Human Services		<u>337,506</u>
<u>STATE DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES</u>		
Residential Treatment (Adolescent)	4529020229	<u>1,080,650</u>
Total State Department of Mental Health and Substance Abuse Services		<u>1,080,650</u>
Total Expenditures of State Awards		<u>\$ 2,319,434</u>

See independent auditor's report.

**CANADIAN COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Basis of Presentation

The schedule of expenditures of state awards includes the state grant activity of Canadian County and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with provisions of the contract between Canadian County and the State Office of Juvenile Affairs.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

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
CANADIAN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Canadian County, Oklahoma, as of and for the year ended June 30, 2008, which comprises Canadian County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 25, 2010. 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. 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 Canadian County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2008-2, 2008-3, 2008-4, 2008-8, and 2008-9 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Canadian County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2008-6.

We noted certain matters that we reported to the management of Canadian County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

Canadian County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Canadian County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of Canadian 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. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

January 25, 2010

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

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

TO THE OFFICERS OF
CANADIAN COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Canadian County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Canadian County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Canadian County's management. Our responsibility is to express an opinion on Canadian County's compliance based on our audit.

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

In our opinion, Canadian County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Canadian County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency and a material weakness.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-11 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a material weakness.

Canadian County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Canadian County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Canadian 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. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

January 25, 2010

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unqualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

<u>CFDA Number(s)</u> 97.036	<u>Name of Federal Program or Cluster</u> Disaster Grants - Public Assistance
---------------------------------	--

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

Auditee qualified as low-risk auditee?..... No

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SECTION 2 - 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 2008-2 – Bank Reconciliations Approval

Criteria: Accountability is an overall goal of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of reconciling the county financial general ledger to the bank statements should be adequately segregated and approved by the officer.

Condition: Based on inquiries and observation of the reconciliations performed, it was noted that the duties of reconciling the county books to the monthly bank statements was not adequately documented as to the review and approval of the reconciliation.

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

Recommendation: OSAI recommends management ensure reconciliations are reviewed and approved by someone other than the preparer. Under these conditions, the most effective controls lie in management's overseeing of office operations and periodic review of those operations.

Views of responsible officials and planned corrective actions: The County Treasurer was requested by auditors to sign off on the bank report. Noted and implemented. It then goes to the County Clerk for verification.

Finding 2008-3 – Reconciliation of General Ledger Activity Report to Bank Reconciliation Report

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the Treasurer should reconcile monthly activity on the general ledger to activity on the bank reconciliation.

Condition: The County Treasurer's office completed the monthly report each month. The monthly report reflects the Bank's Summary of Activity as well as the General Ledger Activity of all funds. These summaries are reconciled on the monthly report. The month of August 2007 reflected a difference in the General Ledger and the bank's ending balance of \$375,174.09. This variance was not identified on the August monthly report, but was attributed to "programming issues due to the adjudication of released protest accounts."

Effect: The August 2007 monthly report activity was in error in the amount of \$375,174.09 due to a programming error in the documentation of the release of protested ad valorem taxes. This issue led to a misstated monthly financial report and could lead to undetected errors.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Recommendation: OSAI recommends differences in the Summary of General Ledger Activity and the Bank Reconciliation Report on the Treasurer's Monthly Report be investigated to provide accurate reporting of the collection and disbursement of County funds.

Views of responsible officials and planned corrective actions: This was an in-house discovery concerning a one-time "glitch" in a new program that occurred at the end of the month. No actual "money" was involved – only "figures." All documentation providing balance error and program correction were kept.

Finding 2008-4 – Segregation of Duties for "Lock Box" Transactions

Criteria: Effective internal controls indicate oversight and approval for the review, adjustment, and refunds of ad valorem taxes rejected for complete processing through the Bank of Oklahoma "Lock Box" be properly segregated.

Condition: The County has an agreement with one of the depository banks to provide collection and deposit services for ad valorem taxes for the period of November through January each year. This service is referred to as "Lock Box." Ad valorem tax payments made at the bank are receipted and deposited at the bank. The County Treasurer receives a disc and "batch report" of collections after the bank makes each deposit. One Treasurer's deputy performs all duties associated with the lock box activity that includes the review, adjustment and refund of collections in which the tax payment and the reported tax amount do not agree. There is no oversight or approval of these adjustments and/or refunds of ad valorem taxes.

Effect: This condition could result in undetected errors, misstated financial reports, or misappropriation of ad valorem tax collections.

Recommendation: OSAI recommends the Treasurer's office establish policy and procedures to segregate the duties of lock box collections and provide adequate oversight and approval of refunds and adjustments to insure adequate controls over collection of lock box tax collections.

Views of responsible officials and planned corrective actions: The mail is sent to the bank via courier. It is opened and processed thru the program, deposits made, and posting media is created at the bank. It is returned via courier. One employee enters the media disk and balances the information transferred thru a compatible program. The reports of the bank's posting and deposit is then given to the head cashier for balance verification. Refunds for wrong amounts or previously paid accounts are written by any deputy that has a few spare minutes. The "Lock Box" is only used for a few weeks during heavy tax collections. Most final "in house reports" were initialed by the supervisor/deputy. If the program for the complete computer audit is used it is apparent who does what and when because it shows the log in of the Person doing the work.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Finding 2008-6 – County Office Building Remodeling Carpet Bid

Criteria: Title 19 O.S. §1505.B.4 states in part:

The board of county commissioners shall select the lowest and best bid based upon availability of material and transportation cost to the job site within thirty (30) days of the meeting. The board of county commissioners shall keep a written record of the meeting as required by law, and anytime the lowest bid was not considered to be the lowest and best bid, the reason for such conclusion shall be recorded.

Condition: Flooring for the County Office Building remodel project was originally bid solely for carpet, although not part of the bid, ceramic tile and grout were also purchased from this vendor.

Date	P.O. #	Warr #	Price Paid	Item Description
7/21/2008	7701	3276	\$ 15,329.05	Carpet
7/21/2008	7702	3277	\$ 4,805.04	Tile and Grout
7/28/2008	473	75	\$ 260.00	Tile
7/28/2008	736	85	\$ 191.70	Grout and Sealer
			\$ 20,585.79	

Additionally, we noted the selected vendor was not the low bidder. The reason for selection was not noted in the minutes of the Board of County Commissioners.

Effect: Competitive bidding laws may have been circumvented.

Recommendation: OSAI recommends that items be purchased from the lowest and best bidder, and any time items are not purchased from the lowest bidder, that the reason be documented in the minutes in accordance with 19 O.S. § 1505.B.4.

Views of responsible officials and planned corrective actions: The County Commissioners will document specifically in the minutes the reason the low bid was not accepted in the future.

Finding 2008-8 – Treasurer’s Signature Stamps for Disbursements

Criteria: Effective internal controls require that elected officials account for all signature stamps and that stamps are secured at all times to ensure there is no unauthorized use.

Condition: During inquiry of disbursement control activities, we noted that nine signature stamps were issued to employees in the Treasurer’s office for processing checks and vouchers. The stamps were left on desks unattended and unsecured.

Effect: Internal controls have been compromised and could result in unauthorized issuance of checks, warrants, or vouchers.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Recommendation: OSAI recommends that the County Treasurer implement policies and procedures to secure signature stamps when not being used, so as to provide effective internal control.

Views of responsible officials and planned corrective actions: By circumstance, the audit took place during our heavy tax collection time and the employees did have officer signature stamps on their desks. This office is secured by a combination lock on the main hallway door that is kept closed. The stamps were never accessible to the public.

OSAI Response: The County Treasurer should implement proper controls over signature stamps to prevent any unauthorized use by the public or by employees for unauthorized purposes. Proper controls would provide management with documentation of authorized users and uses, as well as provide documentation that would allow for the early detection of unauthorized use.

Finding 2008-9 – Disbursement – Purchase Order Numbers

Criteria: Effective internal controls require that the computer system used for the disbursement of county funds provide source documentation (purchase orders) that is issued in a numerical sequence and that sequence is unalterable.

Condition: The test of internal controls over disbursements revealed that the purchase order numbers could be manually input, and could also be altered at any time after the purchase orders were created.

Effect: Controls over purchase orders may be compromised when the number can be altered manually, and could lead to misappropriation of funds.

Recommendation: OSAI recommends that the County Clerk contact their software provider and request that the software be changed to prevent the manual input of purchase order numbers.

Views of responsible officials and planned corrective actions: The County Clerk contacted the purchase order software vendor to initiate a change in the program. The purchase order number can no longer be changed after the purchase order is encumbered.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Finding 2008-11 – Public Assistance Grants

PASS-THROUGH GRANTOR: Oklahoma Department of Civil Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: A. Activities Allowed or Unallowed, B: Allowable Costs/Cost Principles, L: Reporting

QUESTIONED COSTS: \$-0-

Criteria: OMB Circular A-133, §_300 Auditee responsibilities states in part:

(a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass through entity.

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Condition: The County has not designed and implemented formal internal controls for the reporting and other compliance requirements of its major program Disaster Grants Public Assistance received for the ice storm and flood disasters incurred in 2007, as required by OMB Circular A-133. In particular, the County has not designed an accounting system to accumulate and report its “in-kind” labor and equipment charges in a timely manner. Extended substantive testing of disaster related expenditures and visual verification of damage site repairs did not indicate any questioned costs. Confirmation from Oklahoma Emergency Management indicated the County deposited \$973,979.60 of FEMA grant revenue. The County was unable to determine the specific account in which \$45,106.86 was deposited.

Effect: Lack of internal controls over Federal major program expenditures could lead to erroneous reporting and/or material misstatement of the County’s Schedule of Expenditures of Federal Awards, and increases the potential for material noncompliance.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Recommendation: OSAI recommends that the County's system of internal control for identifying, recording and reporting federal grant expenditures include internal controls designed and implemented to insure compliance with applicable provisions of OMB Circular A-133 and any material compliance requirements.

Views of responsible officials and planned corrective actions: The Board of County Commissioners will implement policies and procedures to account for "in-kind" labor and equipment charges for each project so as to comply with federal requirements, and to code the receipt of FEMA funds to individual accounts so as to properly account for these funds.

SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards* or OMB A-133. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2008-1 – Segregation of Duties – Official Depository Accounts

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated. The duties of distributing funds and calculating payouts should also be segregated.

Condition: In the Juvenile Detention Center, one deputy (employee) performs the duties of receiving, receipting, posting, and depositing funds for the official depository accounts. The same deputy also reconciles the monthly report with the Treasurer. The same deputy also issues the vouchers based on amounts the deputy has calculated and mails these vouchers to other funds and agencies.

The Sheriff's office has one deputy that calculates amounts to be disbursed, issues vouchers, and mails these payments to other funds and agencies without any indications that they are reviewed or reconciled by a separate authorized person.

The Election Board office has one official and one deputy that perform the financial activities associated with the depository account. The officer performs the duties of opening the mail, balancing the cash drawer, and preparing deposits. She also reconciles the monthly report with the Treasurer's balance. There is no indication that the deposits and reconciliations are reviewed by separate personnel.

Effect: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: The officials concur with this finding and are aware that the lack of adequate segregation of duties is not desirable. They will continue to conduct reviews of office operations.

Finding 2008-7 – County Office Building Remodel Payroll Expense

Criteria: Title 69 O.S. § 1503(a) states:

All monies raised for use on the county highways in each county, or apportioned to each county for road purposes, from any source, including all funds and monies derived by law, levy taxation, or apportionment, shall unless otherwise provided by law, be placed in the county treasury in a fund to be known as the county highway fund, to be expended on order of the board of county commissioners on county highways as defined herein, or on state highways within their respective counties including the lighting thereof, if, in the judgment of the board of county commissioners, such expenditure would be just and equitable and for the best interest of the county.

Condition: The audit of the County Assessor's office building remodel, revealed Highway funds totaling \$35,645.76 were used to pay for a District 1 employee to supervise the remodel of the Assessor's office building. The payroll expenses were neither tracked nor reimbursed from the County General Fund for the time period of August 2007 to October 2007.

Effect: It appears highway funds have not been used as provided by 69 O.S. § 1503(a).

Recommendation: OSAI recommends the County General Fund reimburse the Highway Fund for the payroll expenses used to remodel the Assessor's office, in accordance with 69 O.S. § 1503(a).

Views of responsible officials and planned corrective actions: The County reimbursed \$26,745.32 to the General Fund from the Highway Fund and will reimburse the remaining \$8,900.43 from the Highway Fund to properly account for the payroll expense.



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