

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 29, 2005

TO THE CITIZENS OF
CANADIAN COUNTY, OKLAHOMA

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

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

FINANCIAL SECTION

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

SUPPLEMENTARY SCHEDULE

Schedule of Expenditures of State Awards	19
Note to the Schedule of Expenditures of State Awards.....	20
Schedule of Expenditures of Federal Awards	21
Note to the Schedule of Expenditures of Federal Awards.....	22

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

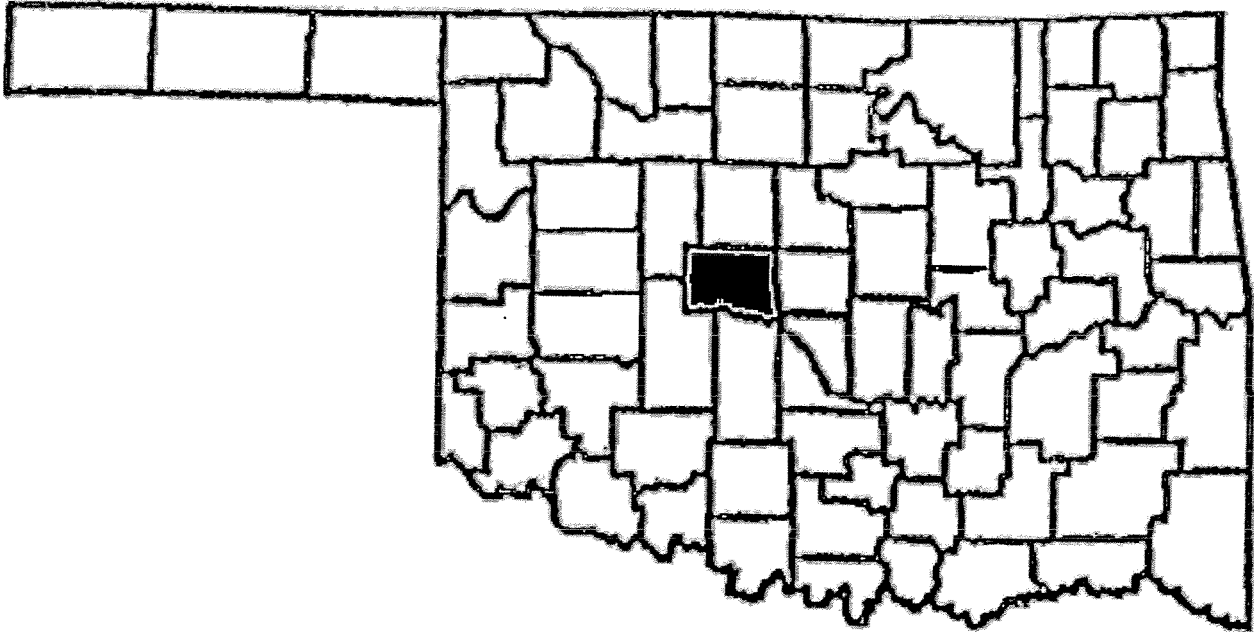
INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	23
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	25
Schedule of Findings and Questioned Costs	27

STATISTICAL SECTION (Unaudited)

Top Ten Taxpayers.....	30
Computation of Legal Debt Margin	31
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	32
Assessed Value of Property	33

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 – 899.9 Square Miles

County Population - 87,697
(2000 est.)

Farms - 1,165

Land in Farms - 466,874 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**CANADIAN COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Ron Funck
(R) El Reno

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
(R) El Reno

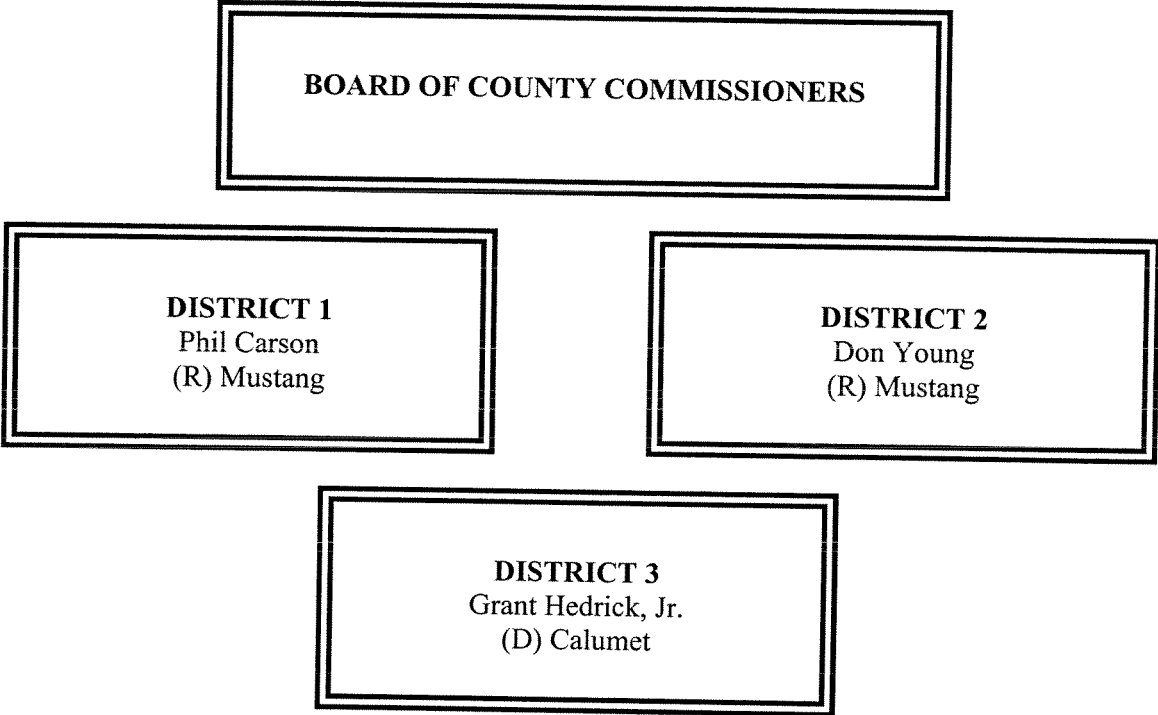
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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**



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**

COUNTY SHERIFF
Lewis Hawkins
(R) Yukon

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
(R) El Reno

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**

COURT CLERK
Dee Ray
(R) Union City

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
(R) Enid

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**

ELECTION BOARD SECRETARY

Dorothy C. Riley
(D) El Reno

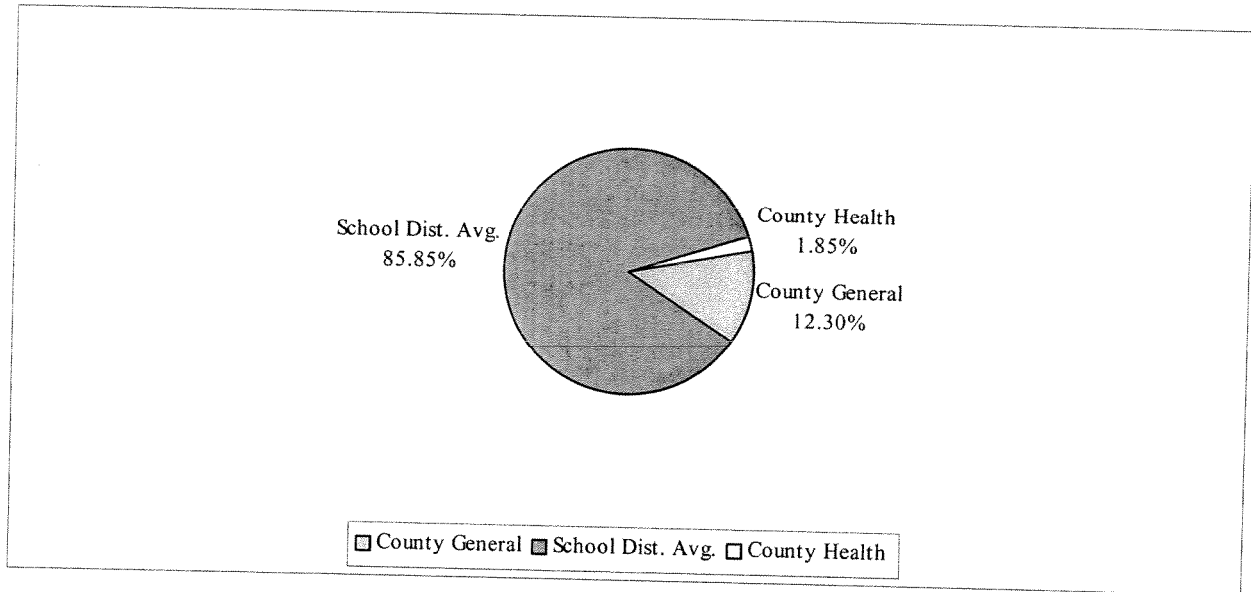
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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



County-Wide Millages		School District Millages							
Co. General	County Health			Gen.	Bldg.	Skg.	Technology Center	Common	Total
10.39	1.56	Minco	J1-2	38.46	5.49	20.16	15.60	4.16	83.87
		Deer Creek	J1-6	35.38	5.05	34.21	14.61	4.16	93.41
		Lookeba-Sickles	J1-12	42.96	6.14	8.64	11.47	4.16	73.37
		Piedmont	J1-22	36.75	5.25	22.68	15.60	4.16	84.44
		Yukon	I-27	36.53	5.22	23.10	15.60	4.16	84.61
		Riverside	D-29	36.01	5.14		15.60	4.16	60.91
		Banner	D-31	36.12	5.16		15.60	4.16	61.04
		El Reno	I-34	36.01	5.14	26.57	15.60	4.16	87.48
		Union City	I-57	36.17	5.17	18.64	15.60	4.16	79.74
		Mustang	I-69	36.31	5.19	24.14	15.60	4.16	85.40
		Darlington	D-70	36.65	5.24		15.60	4.16	61.65
		Calumet	I-76	36.37	5.20	21.10	15.60	4.16	82.43
		Geary	J1-80	36.24	5.18			4.16	45.58
		Cashion	J1-89	37.03	5.29	6.20		4.16	52.68
		Okarche	J1-105	36.19	5.17	6.80		4.16	52.32
		Hinton	J1-161	36.41	5.20	16.74	11.47	4.16	73.98
		Maple	D-162	36.98	5.28	7.92	15.60	4.16	69.94

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
CANADIAN COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Canadian County, Oklahoma, as of and for the year ended June 30, 2004, as listed in the table of contents. These special-purpose financial statements are the responsibility of Canadian County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Canadian County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, as of and for the year ended June 30, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2005, 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.

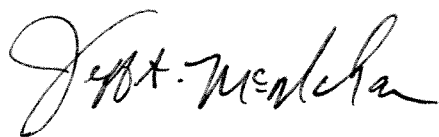
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Canadian County, Oklahoma, taken as a whole. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the special-purpose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

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

June 20, 2005

Special-Purpose Financial Statements

**CANADIAN COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Transfers In	Transfers Out	Cancelled Vouchers	Ending Cash Balances June 30, 2004
County General Fund	\$ 2,193,903	\$ 6,336,145	\$ 6,223,977	\$ 83,287			\$ 2,389,358
County Highway	2,962,501	4,708,661	5,138,830				2,532,332
County Health Department	708,880	763,815	565,071				907,624
Resale Property	574,329	429,070	84,176		(249,861)		669,362
Community Service Sentencing Program	67,578		25,790				41,788
Assessor Visual Inspection	73,148	744	879				73,013
Assessor Revolving	11,376	3,477					14,853
Flood Plain	100	300					400
Sheriff Service Fee	105,675	894,029	521,603				478,101
Sheriff Training	3,351	7,325	50				10,626
Sheriff Commissary	41,367	52,553	48,975				44,945
Sheriff Prisoner Care	98,099	314,885	327,531				85,453
Sheriff Reward Fund/Trash Cop	13,995	317	2,184				12,128
REAP	184		184				
Sheriff Federal Equitable Sharing	667,864	205,324	854,632				18,556
Grant Cash Voucher Fund	16,782	236,339	250,178				2,943
Juvenile Salary	20						20
County Treasurer Mortgage Tax Certification Fee	101,405	52,220	20,839				132,786
County Clerk Lien Fee	5,994	24,416	17,149				13,261
County Clerk Records Preservation	127,501	191,095	108,241				210,355
Insurance Reimbursement	866						866
Emergency Management	15,099	15,906	97				30,908
Bank of Oklahoma Lock Box	209	5	6				208
County Bridge Improvement	214,753	4,380					219,133
Judgment Sinking		95,773	95,389				384
Schools	4,243,865	50,945,695	50,887,377	83,287			4,385,470
Official Depository	994,589	29,928,498	29,128,094			60,290	1,855,283
Juvenile Justice Detention Facility	406,283	3,071,728	3,070,307				407,704
Youth and Family		19,500	19,500				
County Sales Tax		2,540,445	2,540,445				
Municipal	56,672	3,630,002	3,704,107	83,287			65,854
Canadian County Free Fair	420	20,941	20,386				975
Law Library	6,747	51,574	47,181				11,140
Individual Redemption	21,289	750,038	724,499				46,828
Richland Fire District		11,190	11,078				112
Geary EMS	1	10,889	10,604				286
Caddo EMS		13,320	12,976				344
Unapportioned Tax	37,623	48,584	38,219				47,988
Bogus Check Fee Account	857,741	481,138	789,836				549,043
Mortgage Tax Refund		1,309	1,309				
Weed and Trash		384	384				
District Attorney Evidence	2,787						2,787
Victim Witness	3,556						3,556
State Treasurer Protest Tax	742,044	923,232	522,724				1,142,552
District Attorney Controlled							372,265
Dangerous Substance	372,265	91,173	18,096				73,127
Child Abuse Prevention	50	166					11,911
Postage Account	11,745	52,717	35,032				17,685
Miscellaneous Receipts		5,000	5,000				
Treasurer Cash Drawer	40						40
Total County Funds	<u>\$ 15,762,696</u>	<u>\$ 106,934,302</u>	<u>\$ 105,872,935</u>	<u>\$ 249,861</u>	<u>\$ (249,861)</u>	<u>\$ 60,290</u>	<u>\$ 16,884,353</u>

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

**CANADIAN COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 2,193,904	\$ 2,193,904	\$ 2,193,903	\$ (1)
Less: Prior Year Outstanding Warrants	(296,743)	(296,743)	(262,638)	34,105
Less: Prior Year Encumbrances	(162,066)	(162,066)	(162,066)	
Beginning Cash Balances, Budgetary Basis	<u>1,735,095</u>	<u>1,735,095</u>	<u>1,769,199</u>	<u>34,104</u>
Receipts:				
Ad Valorem Taxes	4,350,032	4,350,032	4,775,887	425,855
Charges for Services	672,396	672,396	865,203	192,807
Intergovernmental Revenues	435,722	435,722	466,997	31,275
Miscellaneous Revenues	88,804	96,812	228,058	131,246
Total Receipts, Budgetary Basis	<u>5,546,954</u>	<u>5,554,962</u>	<u>6,336,145</u>	<u>781,183</u>
Expenditures:				
District Attorney	19,316	19,316	13,493	5,823
Capital Outlay	2,000	2,000	1,989	11
Total District Attorney	<u>21,316</u>	<u>21,316</u>	<u>15,482</u>	<u>5,834</u>
County Sheriff	1,444,931	1,457,065	1,455,975	1,090
Capital Outlay	37,000	24,866	24,866	
Total County Sheriff	<u>1,481,931</u>	<u>1,481,931</u>	<u>1,480,841</u>	<u>1,090</u>
County Treasurer	320,400	320,400	305,530	14,870
Capital Outlay				
Total County Treasurer	<u>320,400</u>	<u>320,400</u>	<u>305,530</u>	<u>14,870</u>
County Commissioners	154,987	152,487	143,596	8,891
Capital Outlay	6,000	8,500	6,394	2,106
Total County Commissioners	<u>160,987</u>	<u>160,987</u>	<u>149,990</u>	<u>10,997</u>
OSU Extension	209,926	206,026	205,392	634
Capital Outlay	500	4,400	4,384	16
Total OSU Extension	<u>210,426</u>	<u>210,426</u>	<u>209,776</u>	<u>650</u>
County Clerk	378,100	355,100	353,540	1,560
Capital Outlay		23,000	6,250	16,750
Total County Clerk	<u>378,100</u>	<u>378,100</u>	<u>359,790</u>	<u>18,310</u>
Court Clerk	436,060	436,060	408,316	27,744
Capital Outlay				
Total Court Clerk	<u>436,060</u>	<u>436,060</u>	<u>408,316</u>	<u>27,744</u>
County Assessor	387,450	368,420	364,270	4,150
Capital Outlay	20,000	15,000	13,753	1,247
Total County Assessor	<u>407,450</u>	<u>383,420</u>	<u>378,023</u>	<u>5,397</u>
Revaluation of Real Property	250,117	267,947	243,368	24,579
Capital Outlay	15,000	3,500	2,582	918
Total Revaluation of Real Property	<u>265,117</u>	<u>271,447</u>	<u>245,950</u>	<u>25,497</u>
General Government	741,375	708,934	648,151	60,783
Capital Outlay	47,000	72,186	51,700	20,486
Total General Government	<u>788,375</u>	<u>781,120</u>	<u>699,851</u>	<u>81,269</u>

continued on next page

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

**CANADIAN COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Excise-Equalization Board	12,250	12,250	8,308	3,942
Capital Outlay				
Total Excise-Equalization Board	12,250	12,250	8,308	3,942
County Election Board	180,600	166,465	162,657	3,808
Capital Outlay	5,000	23,450	18,179	5,271
Total County Election Board	185,600	189,915	180,836	9,079
Total Insurance	1,125,237	1,156,688	1,106,396	50,292
County Purchasing Agent	45,500	45,500	44,356	1,144
Capital Outlay				
Total County Purchasing Agent	45,500	45,500	44,356	1,144
Data Processing	103,500	100,995	74,991	26,004
Capital Outlay	10,000	10,000	4,580	5,420
Total Data Processing	113,500	110,995	79,571	31,424
Charity	1,000	1,000	800	200
Capital Outlay				
Total Charity	1,000	1,000	800	200
Emergency Management	24,327	25,827	23,771	2,056
Capital Outlay	3,000	2,000	2,000	
Total Emergency Management	27,327	27,827	25,771	2,056
Highway Budget	1,085,146	1,084,916	412,193	672,723
Capital Outlay				
Total Highway Budget	1,085,146	1,084,916	412,193	672,723
County Audit Budget	46,054	46,054	46,054	
Capital Outlay				
Total County Audit Budget	46,054	46,054	46,054	-
Free Fair Budget	105,308	110,808	109,854	954
Capital Outlay	6,300	800	748	52
Total Free Fair Budget	111,608	111,608	110,602	1,006
School Film	55,795	56,097	49,528	6,569
Capital Outlay	600			
Total School Film	56,395	56,097	49,528	6,569
Provision for Interest on Warrants	2,000	2,000	372	1,628
Total Expenditures, Budgetary Basis	7,282,049	7,290,057	6,318,336	971,721
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	1,787,008	\$ 1,787,008
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			241,453	
Add: Current Year Outstanding Warrants			277,610	
Add: Transfers In			83,287	
Ending Cash Balance			\$ 2,389,358	

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

**CANADIAN COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES – BUDGET AND ACTUAL
COUNTY HEALTH DEPARTMENT FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 708,880	\$ 708,880	\$ 708,880	\$ -
Less: Prior Year Outstanding Warrants	(1,533)	(1,533)	(65,900)	(64,367)
Less: Prior Year Encumbrances	(106,029)	(106,029)	(106,029)	
Beginning Cash Balances, Budgetary Basis	<u>601,318</u>	<u>601,318</u>	<u>536,951</u>	<u>(64,367)</u>
Receipts:				
Ad Valorem Taxes	653,133	653,133	717,544	64,411
Charges for Services			22,543	22,543
Miscellaneous Revenues			23,728	23,728
Total Receipts, Budgetary Basis	<u>653,133</u>	<u>653,133</u>	<u>763,815</u>	<u>110,682</u>
Expenditures:				
Health and Welfare	714,451	714,451	341,072	373,379
Capital Outlay	540,000	540,000	67,535	472,465
Total Expenditures, Budgetary Basis	<u>1,254,451</u>	<u>1,254,451</u>	<u>408,607</u>	<u>845,844</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	892,159	<u>\$ 892,159</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			10,700	
Add: Current Year Outstanding Warrants			4,765	
Ending Cash Balance			<u>\$ 907,624</u>	

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

**CANADIAN COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2004**

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
District Attorney Witness Fee	\$ 33	\$ 10,969	\$ 10,850	\$ 188	\$ 340
District Attorney Bogus Check Restitution Program	37,398	927,772	944,268	15,935	36,837
Assessor Revolving	190	5,166	3,477		1,879
County Sheriff	9,470	765,079	728,803		45,746
County Sheriff Estray Cattle	2,279	451	7		2,723
County Sheriff Benefit	3,243				3,243
County Treasurer Trust	64,562	2,463,257	2,468,714	2,591	61,696
Motor Vehicle Stamp	5,144	60,634	60,349		5,429
Insufficient Check Fee	340	440	780		
County Treasurer Miscellaneous	18		18		
Mobile Home Trust	109,649	165,749	174,636	4,835	105,597
Tax Warrant	45,584	64,775	79,256	287	31,390
Plat Map	5,616	6,871	16,505	7,499	3,481
Juvenile Detention		1,318,139	1,318,139		
County Clerk	132,725	1,502,696	1,489,421	240	146,240
County Clerk Lien Fee	21,469	250,288	159,290		112,467
Court Clerk	416,432	8,446,346	7,873,081	13,333	1,003,030
Court Fund	45,942	1,331,655	1,206,050	1,824	173,371
Court Clerk Revolving	77,964	44,433	37,058		85,339
County Election	1,015	91,915	80,553	1,712	14,089
County Film Co-op	9,315	9,522	11,074		7,763
County Health Department	2,838	48,443	48,917		2,364
Bankrupt Trust	3,363	11,956	14,907	1,595	2,007
County Treasurer Mortgage		12,401,942	12,401,941	10,251	10,252
Total Official Depository Accounts	<u>\$ 994,589</u>	<u>\$ 29,928,498</u>	<u>\$ 29,128,094</u>	<u>\$ 60,290</u>	<u>\$ 1,855,283</u>

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2004.

F. Risk Management

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

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

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County has contracted with Employees Mutual Casualty Company to provide insurance coverage.	If claims exceed authorized deductibles, the County would have to pay the balance of the claim.
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of coverage.	None

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

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

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

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may accumulate up to a maximum of 120 hours. 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.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$16,884,353 and the bank balance was \$15,918,258. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

B. Description of Funds

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

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

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

Detailed Notes on Funds and Account Balances (continued)

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

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

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

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

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

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

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.

REAP - accounts for monies received from state grants and disbursed for various pre-approved projects in the County in towns of 10,000 population or less.

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

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

Juvenile Salary - accounts for the reimbursement of salaries paid by the office of Juvenile Affairs, used to provide guardians for juveniles in the court system.

Detailed Notes on Funds and Account Balances (continued)

County 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 - 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.

Bank of Oklahoma Lock Box - accounts for overpayment or underpayment of ad valorem tax payments collected by the Bank of Oklahoma.

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

Judgment Sinking – accounts for the receipt and disbursement of monies to pay for the judgment levied against the public school in Canadian County.

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

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

Juvenile Justice Detention Facility - accounts for funds collected from the County sales tax to support the programs and services provided at the Juvenile Detention facility.

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

County Sales Tax - accounts for the collection of sales tax to be transferred to the Juvenile Justice Center.

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

Detailed Notes on Funds and Account Balances (continued)

Canadian County Free Fair - accounts for collection of rental fees on the free fair building and disbursed for maintenance and operation of the building.

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

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

Richland Fire District - accounts for monies collected on behalf of the fire district from ad valorem taxes and remitted to them monthly.

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

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

Unapportioned Tax - accounts for taxes collected and being held for apportionment to various government entities.

Bogus Check Fee Account - accounts for the collection of bogus checks and district attorney fees to be disbursed to the merchants and District Attorney Fee Account.

Mortgage Tax Refund - accounts for monies collected for overpayment and due to other individuals and entities.

Weed and Trash - accounts for monies collected and distributed for special assessments by other entities of the County.

District Attorney Evidence - accounts for seized property forfeitures and disbursed for the purpose of maintenance and operation of the District Attorney's office.

Victim Witness - accounts for restitution from defendants and disbursed to defray the cost of the victim witness program.

State Treasurer Protest Tax - accounts for taxes collected in protest by the State Treasurer and disbursed as per court order.

District Attorney Controlled Dangerous Substance - accounts for collection of seized property drug forfeitures and disbursed for the maintenance and operation of the District Attorney's office.

Detailed Notes on Funds and Account Balances (continued)

Child Abuse Prevention - accounts for the collection of jurors waiving the juror fees and disbursed for child abuse prevention.

Postage Account - accounts for funds reimbursed by county offices for postage meters shared by each office.

Miscellaneous Receipts – accounts for funds used to establish the postage account.

Treasurer Cash Drawer – accounts for cash used to make change.

The following accounts are part of the official depository accounts:

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

District Attorney Bogus Check Restitution Program - This account is for the bogus check reimbursements to retailers and fees collected for the use by the District Attorney in collections.

Assessor Revolving - accounts for the collection of copies and proceeds from the sale of ownership books to be disbursed at the end of the month and deposited in the Assessor Revolving Fund.

County Sheriff - accounts for the collection of cash bonds and sheriff service fees that are deposited before being transferred to courts or the Sheriff Service Fee Account.

County Sheriff Estray Cattle - accounts for the deposits of funds from unclaimed cattle and disbursements are for the care of livestock until sold. Remaining funds are then transferred to the general fund.

County Sheriff Benefit - accounts for donations and disbursements for the reserve officers.

County Treasurer Trust - accounts for the collections of taxes paid in advance.

Motor Vehicle Stamp - accounts for the collection of fees from farm implement dealerships for farm equipment tags. Forty-nine percent of monies are transferred to the school districts, 49 percent transferred to county general and the remaining 2 percent is transferred to the state.

Insufficient Check Fee - accounts for insufficient check fees collected on tax payments that are reimbursed to the proper fund.

County Treasurer Miscellaneous - accounts for the collection of copy fees and disbursements for the operation of the office.

Detailed Notes on Funds and Account Balances (continued)

Mobile Home Trust - accounts for the collection and distribution of mobile home taxes collected in advance by the Treasurer.

Tax Warrant - accounts for the collection of monies from outstanding taxes when the Sheriff serves warrants for collections.

Plat Map - accounts for fees collected by the Assessor's office for copies. Disbursements are used for the operation of the office.

Juvenile Detention - accounts for monies collected from other agencies for housing of juvenile inmates and disbursed to the Juvenile Detention Center.

County Clerk - accounts for collection of fees for recording instruments filed in the office.

County Clerk Lien Fee - accounts for fees collected for filing documents and disbursements to the County Clerk Lien Fee Account.

Court Clerk - accounts for the collection of bond money, court fines, and fees. Money is disbursed for overpayment of fees and restitution with a portion transferred to the District Court Fund.

Court Fund - accounts for fees transferred from the Court Clerk account and interest earned on deposits. Funds are disbursed for the purpose of fees for various entities, salaries and maintenance and operation of the office.

Court Clerk Revolving - accounts for the \$5.00 fee collected for issuing warrants and disbursements used for the maintenance and operation of the office.

County Election - accounts for reimbursement of election cost by entities within the County and is disbursed for refund of election fees and cost of election.

County Film Co-op - accounts for the county-wide collection of fees from schools for rental of film media.

County Health Department - accounts for fees collected for health related services provided to the citizens of the County.

Bankrupt Trust - accounts for advance taxes collected when properties are in bankruptcy.

County Treasurer Mortgage - accounts for the fees collected for mortgage taxes and disbursed to the County Treasurer Mortgage Certification Fee Fund.

Detailed Notes on Funds and Account Balances (continued)

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2004, was approximately \$460,542,325.

Per Article 10, § 8A, with the repeal of personal property tax, the millage with the adjustment factor is 10.39 mills for general fund operations and 1.56 mills for the county health department. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2004, were approximately 96.03 percent of the tax levy.

D. Pension Plan

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

Detailed Notes on Funds and Account Balances (continued)

E. Capital Leases

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

F. Fuel Tax

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

4. Contingent Liabilities

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

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

5. Sales Tax

The voters of Canadian County approved a .35% sales tax effective August 27, 1996. This sales tax, which was in effect for the year ended June 30, 2004, will expire upon vote of the citizens. The sales tax was established to provide revenue for construction, operation, and maintenance of juvenile delinquency detention and justice facilities.

Schedule of Expenditures of State Awards

CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF STATE AWARDS
JUNE 30, 2004

<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	Z001427	\$ 311,100
Sanction Detention Program (state appropriations)	Y010295	406,420
Total State Office of Juvenile Affairs		<u>717,520</u>
<u>STATE DEPARTMENT OF HUMAN SERVICES</u>		
Passed through OCMHC/North Care Center: Comprehensive Home Based Services		\$ 275,966
Total State Department of Human Services		<u>275,966</u>
Total Expenditures of State Awards		<u>\$ 993,486</u>

The accompanying note is an integral part of this schedule.

CANADIAN COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
JUNE 30, 2004

Basis of Presentation

The schedule of expenditures of state awards includes the state grant activity of Canadian County and is presented on the *modified accrual basis of accounting*. Grant expenditures reported were paid or incurred as of June 30, 2004. The information in this schedule is presented in accordance with the contractual requirements of Canadian County.

Schedule of Expenditures of Federal Awards

CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Passed through the State Department of Education: School Breakfast/School Lunch Programs	10.553/555	\$ 23,336
Passed through the State Department of Transportation: Urban and Community Forestry Program	10.675	6,300
Urban and Community Forestry Program	10.675	1,587
Total U.S. Department of Agriculture		<u>31,223</u>
<u>U.S. DEPARTMENT OF COMMERCE</u>		
Passed through the State Department of Commerce: Community Development Block Grants	14.228	174,995
Emergency Shelter Grants Program	14.231	20,000
Total U.S. Department of Agriculture		<u>194,995</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>		
Federal Equitable Sharing	16.000	535,112
Passed through State Office of Juvenile Affairs: Juvenile Accountability Incentive Block Grants	16.523	10,796
Title V - Delinquency Prevention Program	16.548	25,700
Total U.S. Department of Justice		<u>571,608</u>
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT AGENCY</u>		
Passed through the Oklahoma Department of Civil Emergency Management: Hazard Mitigation Grant Program	83.548	50,461
State and Local Hazards Emergency Planning	83.562	16,618
Total Federal Emergency Management Agency		<u>67,079</u>
Total Expenditures of Federal Awards		<u>\$ 864,905</u>

The accompanying note is an integral part of this schedule.

CANADIAN COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004

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*.

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
CANADIAN COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Canadian County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated June 20, 2005. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Canadian County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

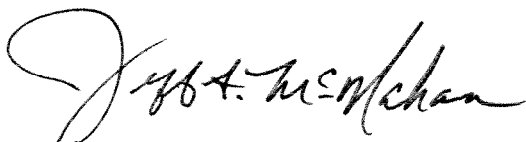
As part of obtaining reasonable assurance about whether Canadian County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of Canadian County and are included in Section 4 of the schedule of findings and questioned costs, contained within this report.

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahhan". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

June 20, 2005



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance With Requirements Applicable to Each Major Program
and 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, 2004. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

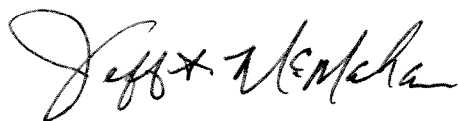
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce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

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff A. McMAHAN". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

June 20, 2005

CANADIAN COUNTY, OKLAHOMA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2004

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Internal control over financial reporting:	Unqualified
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported

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

Unqualified

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

No

Identification of Major Programs

CFDA Number(s)

16.000 (CFDA # not assigned)

Name of Federal Program or Cluster

USDOJ Federal Equitable Sharing Agreement

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

No

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*

No matters were reported.

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

No matters were reported.

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

Finding 2004-1 - Consumable Inventories

Criteria: According to 19 O.S. §1502.A and B, the county is required to implement and maintain an inventory system for all supplies and materials purchased in lots of \$500 or more.

Condition: District 1 did not maintain an inventory of consumable items that was accurate or current.

Recommendation: We recommend that consumable items be properly recorded as provided by 19 O.S. §1502.A and B.

Views of responsible officials and planned corrective actions: The District 1 County Commissioners will update and maintain current records of consumable inventories.

Finding 2004-2 - Inventory

Criteria: Title 19 O.S. 2001, § 178.1 states, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Two Hundred Fifty Dollars (\$250.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter...."

Condition: Several new purchases of items required to be inventoried were not properly identified on form #3512 in the County Sheriff, Juvenile Detention, Treasurer, OSU Extension, Election Board, County Health, and County Commissioners' offices.

Recommendation: We recommend that the Board of County Commissioners cause a biennial inventory to be taken of all working tools, apparatus, machinery, and equipment belonging to the County and these inventories be documented on form #3512.

Views of responsible officials and planned corrective actions: The County officials will endeavor to properly identify inventory on form #3512.

STATISTICAL SECTION
(Unaudited)

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

<u>TAXPAYER NAME</u>	<u>JANUARY 1, 2003 NET ASSESSED VALUATION</u>	<u>% OF TOTAL NET VALUATION</u>
Oklahoma Gas & Electric Co.	\$ 21,560,445	4.68%
Xerox Corp	9,319,685	2.02%
Duke Energy Field Services Inc.	9,272,492	2.01%
CMI Corporation	8,786,910	1.91%
Southwestern Bell Telephone LP	7,698,598	1.67%
Normac/Lopez Foods	3,904,854	0.85%
Enogex Gas Gathering LLC	3,724,257	0.81%
Wal-Mart	3,452,726	0.75%
Oklahoma Natural Gas	2,840,616	0.62%
Oneok Gas Producing LLC	2,689,458	0.58%
Total	<u>\$ 73,250,041</u>	<u>15.90%</u>

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

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

Total net assessed value as of January 1, 2003		<u>\$ 460,542,325</u>
Debt limit - 5% of total assessed value		\$ 23,027,116
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		<u>\$ 23,027,116</u>

CANADIAN COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)

	2004
Estimated population	87,697
Net assessed value as of January 1, 2003	\$ 460,542,325
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	\$ -

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

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2003	\$67,706,767	\$45,450,102	\$369,694,193	\$22,308,737	\$460,542,325	\$3,843,914,354