

**BLAINE 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

May 27, 2005

TO THE CITIZENS OF
BLAINE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Blaine 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 black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

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

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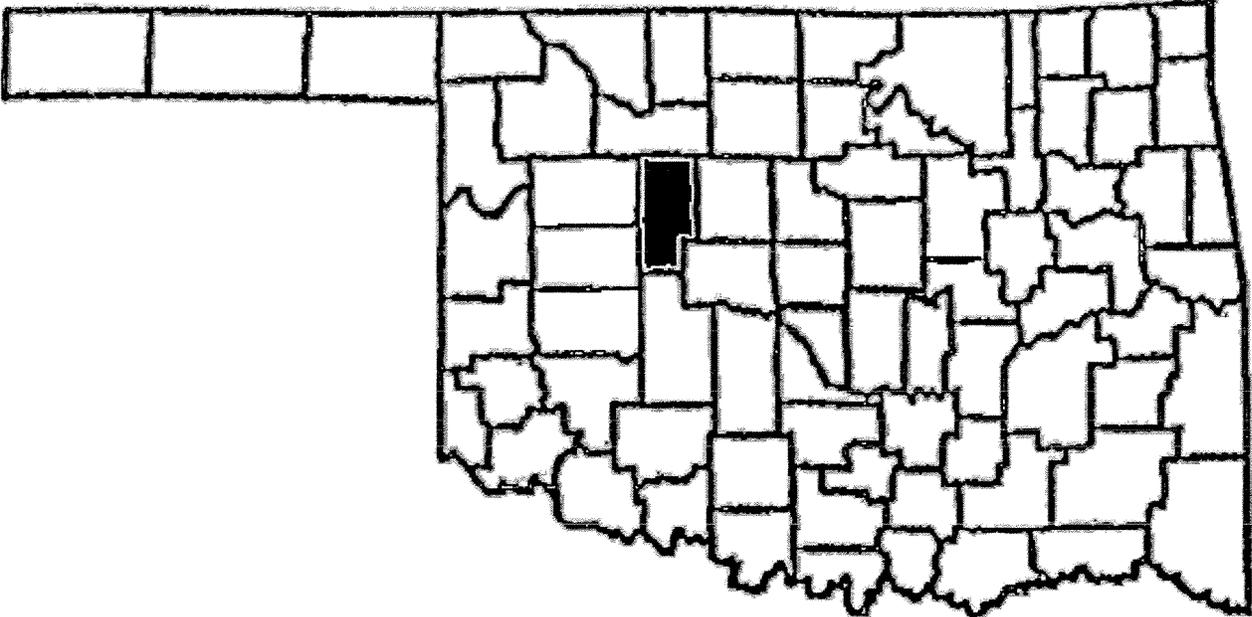
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**BLAINE COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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REPORT TO THE CITIZENS
OF
BLAINE COUNTY, OKLAHOMA



Originally designated as “C” County in 1890, Blaine was adopted as the county name in November 1892, in honor of James G. Blaine, U.S. Senator, House Speaker, and Republican presidential candidate in 1884.

Blaine County is the site of the first gypsum mill in Oklahoma Territory, the Ruby Stucco Mill. Southard, located in the north central part of the county, is the site of one of the purest gypsum deposits in the United States. The U.S. Gypsum Company is the largest industrial plant in the county.

The International Association of Rattlesnake Hunters has headquarters in Okeene, which is also the site of its Jaycees Annual Rattlesnake Hunt. The Canton Lake Walleye Pike Rodeo and Fishing Derby occur annually. Roman Nose State Park is located seven miles north of Watonga.

County Seat - Watonga

Area – 928.6 Square Miles

County Population - 11,976
(2000 est.)

Farms – 841

Land in Farms - 546,677 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor’s report.

**BLAINE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Rosemary Neely
(D) Geary

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
Sharon R. Gates
(R) Watonga

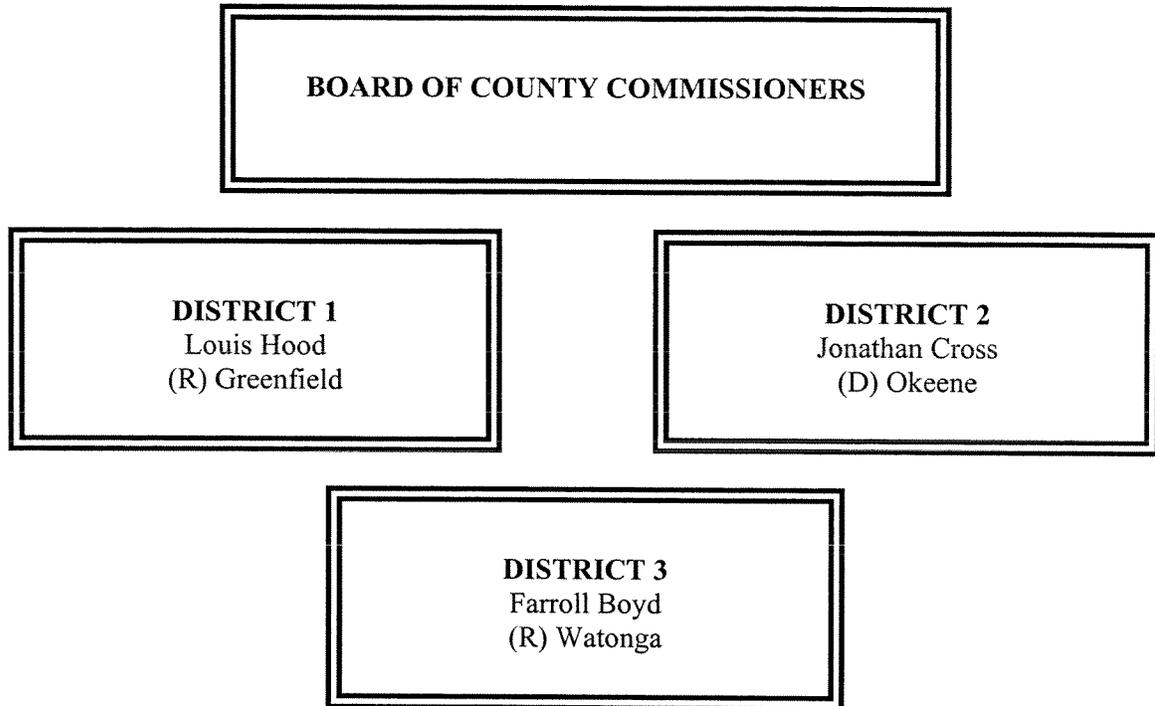
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**BLAINE 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.

**BLAINE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Rick Ainsworth
(D) Watonga

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
Donna Hoskins
(R) Watonga

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.

**BLAINE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Rebekah Haney
(R) Hitchcock

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.

**BLAINE COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

Jane Crawford
(D) Watonga

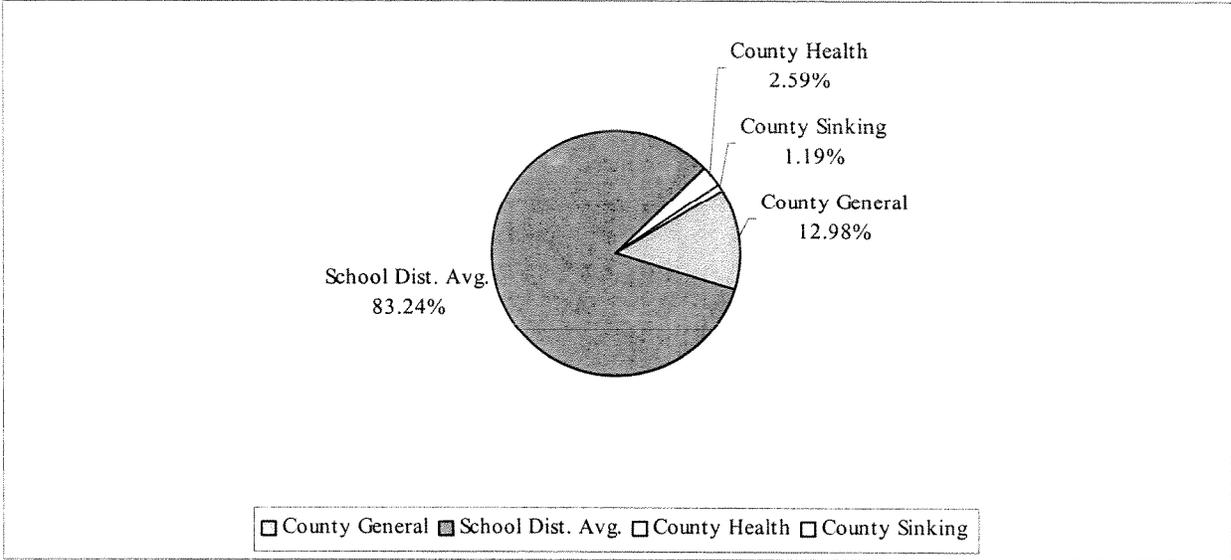
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

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



County-Wide Millages		School District Millages							
Co. General			Gen.	Bldg.	Skg.	Tech Cntr.	Tech Cntr.		Total
							Bldg.	Common	
Co. General	10.62	Okeene	36.89	5.27	14.53			4.25	60.94
County Health	2.12	Okeene HR	36.89	5.27	14.53	10.53	2.00	4.25	73.47
County Sinking	0.97	Watonga	36.82	5.26	9.56	10.53	2.00	4.25	68.42
		Geary	38.31	5.47				4.25	48.03
		Canton	37.03	5.29	8.73	10.58	3.17	4.25	69.05
		Major	36.88	5.27	10.49	10.58	3.17	4.25	70.64
		Major	35.00	5.00	8.90	10.00	5.00	4.25	68.15
		Kingfisher	37.37	5.34	10.63	10.53	2.00	4.25	70.12
		Custer	37.03	5.29	18.70			4.25	65.27
		Caddo	37.68	5.38	22.81	10.74	1.07	4.25	81.93
		Caddo	35.17	5.02	16.74	10.74	1.07	4.25	72.99

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
BLAINE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Blaine 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 Blaine 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 Blaine County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general and county health department funds of the County, and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Blaine 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 Blaine 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 May 16, 2005, on our consideration of Blaine 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.

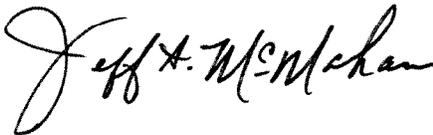
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Blaine County, Oklahoma, taken as a whole. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements. The information listed in the table of contents under *Introductory Section* and *Statistical Section* has not been audited by us, and accordingly, we express no opinion on such information.

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

This report is intended solely for the information and use of the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

May 16, 2005

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
County General Fund	\$ 712,227	\$ 1,085,546	\$ 1,130,733	\$	\$ 667,040
Highway Cash	2,289,349	3,368,685	3,656,502		2,001,532
Crossing Permit Fund		17,122	10,500		6,622
County Highway Investment	200,000				200,000
Emergency Management	19,048	21,124	21,697		18,475
Records Management and Preservation Fee	22,902	23,100	23,499		22,503
County Clerk Lien Fee	11,606	10,759	6,088		16,277
County Treasurer Mortgage Tax Certification Fee	16,555	2,455	7,300		11,710
Sheriff Service Fee	19,170	61,898	58,101		22,967
Sheriff Prisoner Revolving	28,655	174,439	162,743		40,351
County Health Department	84,289	139,024	134,645		88,668
Assessor Visual Inspection	5,565				5,565
Resale Property	29,945	26,543	26,327		30,161
Assessor Revolving	3,174	3,677	3,044		3,807
Canton Lake Patrol	2,949	18,173	4,298		16,824
District Attorney Drug Enforcement	1,728				1,728
Sheriff Seizure	1,903	1,361			3,264
General Obligation Bond Sinking	61,825	66,747	47,100		81,472
Schools	2,789,379	10,259,931	9,738,593		3,310,717
Cities and Towns	43,504	259,464	252,938		50,030
Law Library	1,388	16,998	16,968		1,418
Official Depository	166,471	1,123,181	1,039,979	515	250,188
Depository #2 Court Ordered Investment	6,125	82			6,207
Depository #3 Court Ordered Investment	4,462	191			4,653
Protest Tax	247,885	56,660	245,976		58,569
Cash on Hand	300				300
Court Clerk Payroll		48,395	33,377		15,018
County Building Fund		3,000			3,000
Lodging Tax		3,011			3,011
Total County Funds	<u>\$ 6,770,404</u>	<u>\$ 16,791,566</u>	<u>\$ 16,620,408</u>	<u>\$ 515</u>	<u>\$ 6,942,077</u>

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

BLAINE 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 Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 712,227	\$ 712,227	\$ 712,227	\$ -
Less: Prior Year Outstanding Warrants	(42,589)	(42,589)	(42,589)	
Less: Prior Year Encumbrances	(13,653)	(13,653)	(11,788)	1,865
Beginning Cash Balances, Budgetary Basis	<u>655,985</u>	<u>655,985</u>	<u>657,850</u>	<u>1,865</u>
Receipts:				
Ad Valorem Taxes	620,125	620,125	694,572	74,447
Charges for Services	70,148	70,148	69,743	(405)
Intergovernmental Revenues	96,334	96,764	169,246	72,482
Miscellaneous Revenues	37,233	37,233	151,985	114,752
Total Receipts, Budgetary Basis	<u>823,840</u>	<u>824,270</u>	<u>1,085,546</u>	<u>261,276</u>
Expenditures:				
District Attorney	10,570	10,305	8,568	1,737
Capital Outlay	200	465	465	
Total District Attorney	<u>10,770</u>	<u>10,770</u>	<u>9,033</u>	<u>1,737</u>
County Sheriff	225,971	212,855	211,804	1,051
Capital Outlay	7,000	8,116	7,959	157
Total County Sheriff	<u>232,971</u>	<u>220,971</u>	<u>219,763</u>	<u>1,208</u>
County Treasurer	66,488	66,488	66,486	2
Capital Outlay	1	1	1	1
Total County Treasurer	<u>66,489</u>	<u>66,489</u>	<u>66,486</u>	<u>3</u>
County Commissioners	60,003	69,659	60,839	8,820
Capital Outlay	78,572	78,572	1,523	77,049
Total County Commissioners	<u>138,575</u>	<u>148,231</u>	<u>62,362</u>	<u>85,869</u>
OSU Extension	13,299	12,099	11,894	205
Capital Outlay	1	1,201	999	202
Total OSU Extension	<u>13,300</u>	<u>13,300</u>	<u>12,893</u>	<u>407</u>
County Clerk	96,754	96,754	94,867	1,887
Capital Outlay	1	1	1	1
Total County Clerk	<u>96,755</u>	<u>96,755</u>	<u>94,867</u>	<u>1,888</u>
Court Clerk	69,917	69,917	69,817	100
Capital Outlay	1	1	1	1
Total Court Clerk	<u>69,918</u>	<u>69,918</u>	<u>69,817</u>	<u>101</u>
County Assessor	82,910	82,910	82,385	525
Capital Outlay	1	1	1	1
Total County Assessor	<u>82,911</u>	<u>82,911</u>	<u>82,385</u>	<u>526</u>
Revaluation of Real Property	147,747	147,746	91,201	56,545
Capital Outlay	500	500	225	275
Total Revaluation of Real Property	<u>148,247</u>	<u>148,246</u>	<u>91,426</u>	<u>56,820</u>
Juvenile	23,800	23,800	11,067	12,733
Capital Outlay	23,800	23,800	11,067	12,733
Total Juvenile	<u>23,800</u>	<u>23,800</u>	<u>11,067</u>	<u>12,733</u>
General Government	153,999	153,398	146,515	6,883
Capital Outlay	40,000	40,000	24,717	15,283
Total General Government	<u>193,999</u>	<u>193,398</u>	<u>171,232</u>	<u>22,166</u>

continued on next page

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

BLAINE 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	5,850	5,850	3,384	2,466
Capital Outlay				
Total Excise Equalization Board	5,850	5,850	3,384	2,466
County Election Board	46,434	49,780	49,686	94
Capital Outlay	1	1		1
Total County Election Board	46,435	49,781	49,686	95
Insurance	335,380	335,410	215,007	120,403
Capital Outlay				
Total Insurance	335,380	335,410	215,007	120,403
Charity	3,500	3,500		3,500
Capital Outlay				
Total Charity	3,500	3,500	-	3,500
Civil Defense	4,002	4,002		4,002
Capital Outlay				
Total Civil Defense	4,002	4,002	-	4,002
Total County Audit Budget	6,423	6,423	6,423	-
Provision for Interest on Warrants	500	500		500
 Total Expenditures, Budgetary Basis	 1,479,825	 1,480,255	 1,165,831	 314,424
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	577,565	<u>\$ 577,565</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			29,662	
Add: Current Year Outstanding Warrants			59,813	
Ending Cash Balance			<u>\$ 667,040</u>	

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

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

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 84,288	\$ 84,288	\$ 84,289	\$ 1
Less: Prior Year Outstanding Warrants	(227)	(227)	(227)	
Less: Prior Year Encumbrances	(24,993)	(24,993)	(24,828)	165
Beginning Cash Balances, Budgetary Basis	<u>59,068</u>	<u>59,068</u>	<u>59,234</u>	<u>166</u>
Receipts:				
Ad Valorem Taxes	123,792	123,792	138,656	14,864
Miscellaneous Revenues			368	368
Total Receipts, Budgetary Basis	<u>123,792</u>	<u>123,792</u>	<u>139,024</u>	<u>15,232</u>
Expenditures:				
Health and Welfare	173,000	173,000	111,257	61,743
Capital Outlay	9,860	9,860		9,860
Total Expenditures Budgetary Basis	<u>182,860</u>	<u>182,860</u>	<u>111,257</u>	<u>71,603</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	87,001	<u>\$ 87,001</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			52	
Add: Current Year Outstanding Warrants			1,615	
Ending Cash Balance			<u>\$ 88,668</u>	

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

**BLAINE COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2004**

Beginning Cash Balance	<u>\$ 61,825</u>
Receipts:	
Ad Valorem Tax	62,923
Miscellaneous	<u>3,824</u>
Total Receipts	<u>66,747</u>
Disbursements:	
G.O. Bonds	36,000
Interest Paid	<u>11,100</u>
Total Disbursements	<u>47,100</u>
Ending Cash Balance	<u><u>\$ 81,472</u></u>

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

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

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
District Court Clerk	\$ 85,925	\$ 589,040	\$ 517,963	\$ 57	\$ 157,059
County Clerk	10,886	116,710	117,705	182	10,073
County Treasurer	4,655	12,277	11,805		5,127
County Sheriff	3,081	36,470	36,376	7	3,182
Sheriff Reserve	1,005	1,664	2,193		476
Election Board	403	21,635	17,484	201	4,755
District Attorney Witness Fee	351	1,550	1,687	30	244
County Health Department	190	3,136	3,226		100
Assessor Revolving	776	2,942	3,677		41
Court Fund	44,421	323,895	310,845	38	57,509
Court Clerk Revolving	14,778	13,862	17,018		11,622
Total Official Depository Accounts	<u>\$ 166,471</u>	<u>\$ 1,123,181</u>	<u>\$ 1,039,979</u>	<u>\$ 515</u>	<u>\$ 250,188</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 Blaine County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes. Funds presented are established by statute, and their operations are under the control of the County officials.

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

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

F. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Group (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.
- Torts		
- Errors and Omissions		
- Law Enforcement Officers Liability		
- Vehicle		
Physical Plant		
- Theft		
- Damage to Assets		
- Natural Disasters		

Summary of Significant Accounting Policies (continued)

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

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

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

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

G. Compensated Absences

All full-time employees are entitled to annual leave that is accrued on a monthly basis. After 1 year of service, the employee is entitled to 5 days of vacation. Employees with 2 years to 9 years of service are entitled to 10 days of vacation. Those with 10 to 14 years of service are entitled to 20 days of vacation. No more than 2 vacation days are allowed as carry-over, any additional time shall be forfeited.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$6,942,077 and the bank balance was \$6,941,369. 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.

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

Crossing Permit Fund – accounts for collections for road crossings from oil and utility companies.

Detailed Notes on Funds and Account Balances (continued)

County Highway Investment – accounts for the portion of highway funds that are invested and the interest it earns.

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

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

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

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

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

Sheriff Prisoner Revolving - accounts for Department of Corrections' receipts and the expenses incurred for the care of prisoners.

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

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

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

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

Canton Lake Patrol - accounts for the monies used to pay to have the Canton Lake area patrolled.

District Attorney Drug Enforcement - accounts for property forfeited to the Sheriff from the arrest involving illegal use of drugs.

Sheriff Seizure - accounts for property forfeited to the Sheriff from the arrest involving illegal use of drugs.

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

Detailed Notes on Funds and Account Balances (continued)

General Obligation Bond Sinking - accounts for the payment of interest and principal on the matured portion of long-term bonded debt. Receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

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

Cities and Towns – accounts for Oklahoma Tax Commission collections distributed to the cities of the County and for cemetery investments.

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

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

Depository #2 and #3 Court Ordered Investments – accounts for the collections in court cases that are invested by the Blaine County Treasurer as ordered by the court system.

Protest Tax - accounts for collections of ad valorem taxes which have been protested.

Cash on Hand - accounts for cash held by County officers to make change for cash received.

Court Clerk Payroll – accounts for Court Clerk deputies' salaries.

County Building Fund – accounts for collections of rent on a county owned building.

Lodging Tax – accounts for a 5% hotel/motel tax used only for maintenance of the fair grounds.

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

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

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

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

Detailed Notes on Funds and Account Balances (continued)

County Sheriff - accounts for the collection of miscellaneous receipts and disbursements for the training of sheriff deputies.

Sheriff Reserve – accounts for the funds collected from the vending machine in the Sheriff's office. Disbursements are for the cost incurred and for any special items that the reserve deputies require.

Election Board – accounts for reimbursements of election and is disbursed for refunds of election fees and maintenance and operations of the office.

District Attorney Witness Fee – accounts for collections received from the state to reimburse for witness expense.

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

Assessor Revolving – accounts for the collection of copy fees and disbursed to the County Assessor Revolving Fund Account.

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

Court Clerk Revolving – accounts for the charge of \$5 for each warrant. Money is disbursed in the same manner as the court fund.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2003, was approximately \$64,231,445.

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

Detailed Notes on Funds and Account Balances (continued)

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.62 mills (the legal maximum) for general fund operations, 2.12 mills for the county health department, and .97 mill for the county sinking fund. 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 96.7 percent of the tax levy.

D. Pension Plan

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

E. Capital Leases

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

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

Detailed Notes on Funds and Account Balances (continued)

F. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

Blaine County General Obligation Limited Tax Bonds, Series 1997 - The bonds in the amount of \$300,000 were issued April 1, 1997, to provide funds to Prestige Cedar Products, Inc. During the fiscal year ending June 30, 1999, Prestige Cedar Products, Inc. voluntarily returned collateral to Blaine County Industrial Authority (BCIA). A public auction was held in December 1998 and proceeds were deposited to the Blaine County Sinking Fund. Funds were inadequate to retire the General Obligation Bonds, but BCIA utilized the proceeds from the sale of the collateral to retire debt on the General Obligation Bonds as scheduled until funds depleted.

Prestige Cedar Product, Inc. filed for bankruptcy Chapter 13 (case no. 00-40295 M) Eastern and Western Districts of Arkansas. The case was dismissed without the debtors receiving a discharge on March 22, 2000. Authority attorneys are pursuing necessary legal action to secure the Authority's interest in remaining assets of Prestige Cedar shareholders. The Blaine County Commissioners passed a resolution on August 7, 2000, allowing the remaining debt to be added to the tax rolls until paid.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 25 years from the date of issue. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Blaine County General Obligation Limited Tax Refunding Bonds of 1997	6%	<u>\$167,000</u>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$20,770, are as follows:

<u>Fiscal Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 38,000	\$ 8,800	\$ 46,800
2006	40,000	6,540	46,540
2007	43,000	4,050	47,050
2008	<u>46,000</u>	<u>1,380</u>	<u>47,380</u>
Total	<u>\$167,000</u>	<u>\$20,770</u>	<u>\$187,770</u>

Detailed Notes on Funds and Account Balances (continued)

G. 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

A special election was held on February 24, 2004. The citizens of Blaine County approved a five percent (5%) lodging tax to be collected for the period beginning April 1, 2004, for an unspecified length of time. The lodging tax is for maintenance, capital improvement, and promotions of the Blaine County Fairgrounds. Blaine County received \$3,011 in lodging tax for the year ending June 30, 2004.

INTERNAL CONTROL AND COMPLIANCE SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
BLAINE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Blaine County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated May 16, 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 Blaine County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2002-1 to be a material weakness.

Compliance and Other Matters

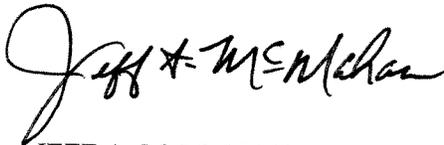
As part of obtaining reasonable assurance about whether Blaine County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

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

This report is intended solely for the information and use of the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

May 16, 2005

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 2002-1 - Segregation of Duties

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: The limited number of office personnel within the County Sheriff's office prevents a proper segregation of accounting functions, which is necessary to assure an adequate internal control structure.

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

Recommendation: We recommend management be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of office operations and periodic review of those operations.

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

**STATISTICAL SECTION
(Unaudited)**

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

<u>TAXPAYER</u>	<u>JANUARY 1, 2003 NET ASSESSED VALUATION</u>	<u>% OF TOTAL NET VALUATION</u>
CCA Properties of America LLC	\$ 6,011,979	9.36%
Duke Energy Field Service	3,861,484	6.01%
United States Gypsum Co.	2,554,329	3.98%
Pioneer Telephone Coop Inc.	2,351,238	3.66%
Enogex Gas Gathering LLC	2,149,888	3.35%
Enogex Inc.	1,575,208	2.45%
OG&E	1,431,942	2.23%
Oneok Gas Processing LLC	1,203,910	1.87%
Mustang Gas Products	878,232	1.37%
Patterson UTI Energy LP	861,248	1.34%
Total	<u>\$ 22,879,458</u>	<u>35.62%</u>

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

**BLAINE 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>\$ 64,231,445</u>
Debt limit - 5% of total assessed value		\$ 3,211,572
Total bonds outstanding	167,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>(81,472)</u>	<u>85,528</u>
Legal debt margin		<u>\$ 3,126,044</u>

**BLAINE 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	11,976
Net assessed value as of January 1, 2003	\$ 64,231,445
Gross bonded debt	167,000
Less available sinking fund cash balance	81,472
Net bonded debt	\$ 85,528
Ratio of net bonded debt to assessed value	0.13%
Net bonded debt per capita	\$ 7.14

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	\$20,050,040	\$8,205,612	\$38,433,042	\$2,457,249	\$64,231,445	\$45,236,529