

**CANADIAN COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

April 9, 2003

TO THE CITIZENS OF  
CANADIAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Canadian County, Oklahoma, for the fiscal year ended June 30, 2002. 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

CANADIAN COUNTY, OKLAHOMA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

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**TABLE OF CONTENTS**

INTRODUCTORY SECTION (Unaudited)

|  |      |
|--|------|
| Report to the Citizens of Canadian County.....     | ii   |
| County Elected Officials and Responsibilities..... | iii  |
| Ad Valorem Tax Distribution.....                   | viii |

FINANCIAL SECTION

|  |   |
|--|---|
| Report of State Auditor and Inspector..... | 1 |
|--|---|

General-Purpose Financial Statements:

|  |   |
|--|---|
| Combined Balance Sheet - All Fund Types and Account Groups<br>and Blended Component Units..... | 3 |
|--|---|

|   |   |
|---|---|
| Combined Statement of Revenues, Expenditures, and Changes<br>in Fund Balances - All Governmental Fund Types ..... | 4 |
|---|---|

|   |   |
|---|---|
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -<br>General and Special Revenue (County Health Department only) Funds..... | 5 |
|---|---|

|   |   |
|---|---|
| Combined Statement of Revenues, Expenses, and Changes in Fund Balances -<br>Fiduciary Fund Type – Nonexpendable Trust Funds ..... | 6 |
|---|---|

|   |   |
|---|---|
| Combined Statement of Cash Flows – Nonexpendable Trust Funds..... | 7 |
|---|---|

|  |   |
|--|---|
| Notes to the Financial Statements..... | 8 |
|--|---|

|  |    |
|--|----|
| Schedule of Expenditures of State Awards ..... | 39 |
|--|----|

|  |    |
|--|----|
| Schedule of Expenditures of Federal Awards ..... | 40 |
|--|----|

COMPLIANCE/INTERNAL CONTROL SECTION

|  |    |
|--|----|
| Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit<br>of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> ..... | 41 |
|--|----|

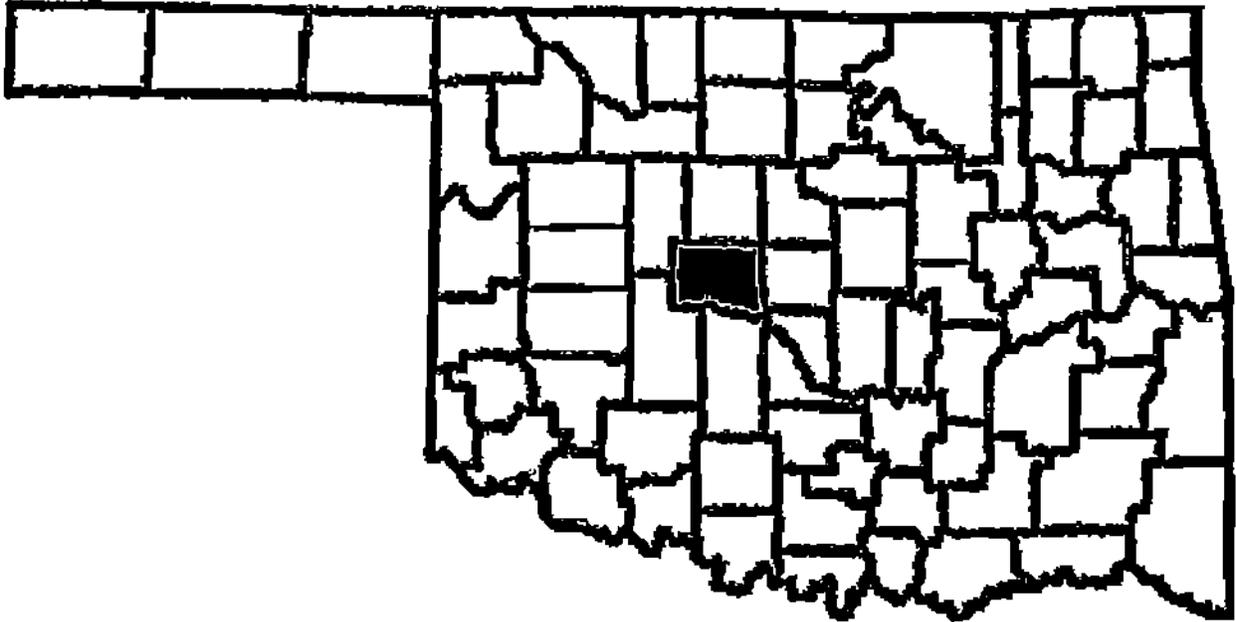
|   |    |
|---|----|
| Report on Compliance With Requirements Applicable to Each Major Program<br>and Internal Control Over Compliance in Accordance With OMB Circular A-133 ..... | 43 |
|---|----|

|   |    |
|---|----|
| Schedule of Findings and Questioned Costs ..... | 45 |
|---|----|

|                           |    |
|---------------------------|----|
| Management Response ..... | 47 |
|---------------------------|----|

REPORT TO THE CITIZENS  
OF  
CANADIAN COUNTY, OKLAHOMA

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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, and Yukon served for a number of years as a major regional milling center.

County Seat - El Reno

Area – 899.9 Square Miles

County Population - 86,498  
(1999 est.)

Farms - 1,165

Land in Farms - 466,874 Acres

Source: Oklahoma Almanac 2001 - 2002

See independent auditor's report

**COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY ASSESSOR**  
Charles Gill  
(D) 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**  
Mark Mishoe  
(D) Yukon

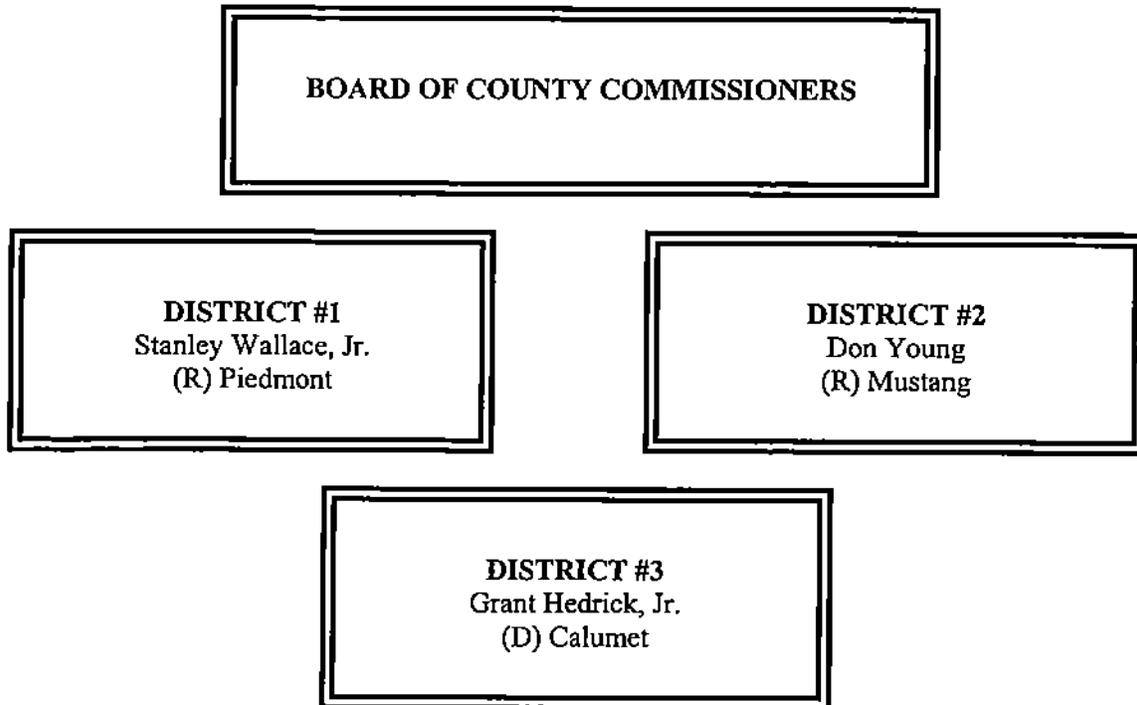
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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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.

**COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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**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 revenues received 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 revenues and expenditures, 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

**COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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**COURT CLERK**  
Sharon Dill  
(D) El Reno

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

**COUNTY ELECTED OFFICIALS  
AND RESPONSIBILITIES**

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**ELECTION BOARD SECRETARY**

Dorothy C. Riley

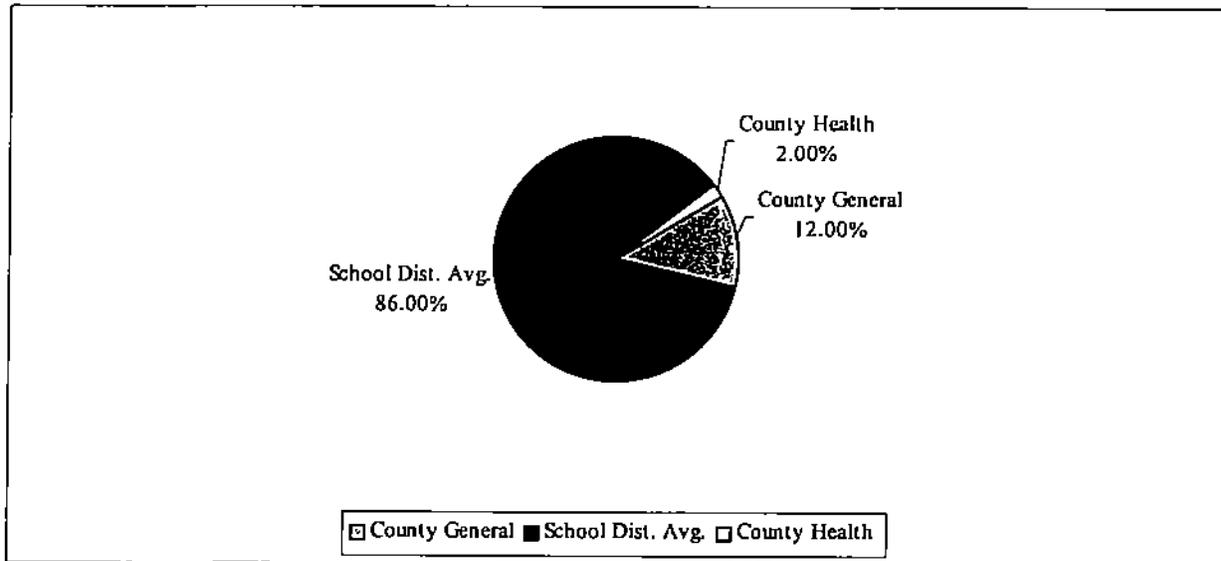
(D) El Reno

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 operating expenses 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.

**AD VALOREM TAX DISTRIBUTION  
CANADIAN COUNTY, OKLAHOMA  
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**

|             |       |
|-------------|-------|
| Co. General | 10.39 |
| Co. Health  | 1.56  |

**City Millages**

|           |       |
|-----------|-------|
| El Reno   | 5.55  |
| Geary EMS | 3.11  |
| Mustang   | 6.83  |
| Oklahoma  | 15.34 |
| Yukon     | 2.18  |

**School District Millages**

|                 |        | Gen.  | Bldg. | Skg.  | Vo-Tech | Common | Total |
|-----------------|--------|-------|-------|-------|---------|--------|-------|
| Minco           | J1-2   | 38.46 | 5.49  | 15.10 | 15.60   | 4.16   | 78.81 |
| Deer Creek      | J1-2   | 35.38 | 5.05  | 34.35 | 15.16   | 4.16   | 94.10 |
| Lookeba-Sickles | J1-12  | 42.96 | 6.14  | 8.88  | 11.47   | 4.16   | 73.61 |
| Piedmont        | J1-22  | 36.75 | 5.25  | 24.31 | 15.60   | 4.16   | 86.07 |
| Yukon           | I-27   | 36.53 | 5.22  | 24.04 | 15.60   | 4.16   | 85.55 |
| 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  | 30.76 | 15.60   | 4.16   | 91.67 |
| Union City      | I-57   | 36.17 | 5.17  | 11.41 | 15.60   | 4.16   | 72.51 |
| Mustang         | I-69   | 36.31 | 5.19  | 24.57 | 15.60   | 4.16   | 85.83 |
| Darlington      | D-70   | 36.65 | 5.24  |       | 15.60   | 4.16   | 61.65 |
| Calumet         | I-76   | 36.37 | 5.20  |       | 15.60   | 4.16   | 61.33 |
| Geary           | J1-80  | 36.24 | 5.18  | 0.09  |         | 4.16   | 45.67 |
| Cashion         | J1-89  | 37.03 | 5.29  | 11.70 |         | 4.16   | 58.18 |
| Okarche         | J1-105 | 36.19 | 5.17  | 9.08  |         | 4.16   | 54.60 |
| Hinton          | J1-161 | 36.41 | 5.20  | 5.38  | 11.47   | 4.16   | 62.62 |
| Maple           | D-162  | 36.98 | 5.28  | 8.88  | 15.60   | 4.16   | 70.90 |

See independent auditor's report



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 accompanying general-purpose financial statements of Canadian County, Oklahoma, as of and for the year ended June 30, 2002, as listed in the table of contents. These 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 did not audit the financial statements of Canadian County Public Facilities Authority and Canadian County Home Finance Authority, blended component units of Canadian County. The Authorities represent 100% of the assets and revenues reported in the expendable and nonexpendable trust fund columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Canadian County Public Facilities Authority and the Canadian County Home Finance Authority is based solely on the reports of the other auditors.

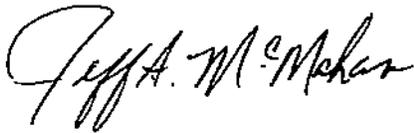
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Canadian County, Oklahoma, as of June 30, 2002, and the results of its operations and the cash flows of its nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Canadian County, Oklahoma, taken as a whole. 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*. The accompanying schedule of expenditures of state awards is presented as requested by the awarding agencies. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole. The other information listed in the table of contents under *Introductory Section* has not been audited by us and accordingly, we express no opinion on such data.

Sincerely,

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

JEFF A. McMAHAN  
State Auditor and Inspector

March 10, 2003

## **General-Purpose Financial Statements**

**CANADIAN COUNTY, OKLAHOMA  
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS  
AND BLENDED COMPONENT UNITS  
JUNE 30, 2002**

|  | GOVERNMENTAL<br>FUND TYPES |                     |                     | FIDUCIARY FUND TYPES |                      | ACCOUNT GROUPS      |                      | TOTAL                |
|--|----------------------------|---------------------|---------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
|  | GENERAL                    | SPECIAL<br>REVENUE  | AGENCY              | EXPENDABLE           | NONEXPENDABLE        | GENERAL             | GENERAL              | (MEMORANDUM<br>ONLY) |
|  |                            |                     |                     | TRUST                | TRUST                | LONG - TERM<br>DEBT | FIXED<br>ASSETS      |                      |
| <b>ASSETS</b>  |                            |                     |                     |                      |                      |                     |                      |                      |
| Cash and investments   | \$ 2,098,075               | \$ 4,888,841        | \$ 7,600,313        | \$ 285,158           | \$ 853,309           | \$                  | \$                   | \$ 15,725,696        |
| Restricted cash and investments                                    |                            |                     |                     | 238,701              | 359,817              |                     |                      | 598,518              |
| Investments  |                            |                     |                     |                      | 24,607,400           |                     |                      | 24,607,400           |
| Ad valorem taxes receivable  | 56,915                     | 71,263              | 405,553             |                      |                      |                     |                      | 533,731              |
| Sales tax receivable   |                            |                     |                     |                      | 439,580              |                     |                      | 439,580              |
| Due from other governments   | 9,184                      | 326,504             | 92,360              | 43,839               |                      |                     |                      | 471,887              |
| Accrued interest receivable  | 11,750                     | 688                 | 5,138               |                      | 180,485              |                     |                      | 198,061              |
| Mortgage loans receivable  |                            |                     |                     |                      | 864,321              |                     |                      | 864,321              |
| Other receivables - restricted                                     |                            |                     |                     | 16,569               | 13,595               |                     |                      | 30,164               |
| Prepaid expenses   |                            |                     |                     | 20,000               |                      |                     |                      | 20,000               |
| General fixed assets   |                            |                     |                     |                      |                      |                     | 13,386,368           | 13,386,368           |
| Trust fund assets, net of depreciation                             |                            |                     |                     | 616,465              | 6,303,312            |                     |                      | 6,919,777            |
| Construction in progress   |                            |                     |                     | 518,745              |                      |                     |                      | 518,745              |
| Unrestricted assets  |                            |                     |                     |                      | 1,469                |                     |                      | 1,469                |
| Other assets:  |                            |                     |                     |                      |                      |                     |                      |                      |
| Amount to be provided<br>compensated absences                      |                            |                     |                     |                      |                      | 353,289             |                      | 353,289              |
| Amount to be provided for capitalized<br>lease purchase agreements |                            |                     |                     |                      |                      | 680,732             |                      | 680,732              |
| <b>Total assets</b>  | <u>\$ 2,175,924</u>        | <u>\$ 5,287,296</u> | <u>\$ 8,103,364</u> | <u>\$ 1,739,477</u>  | <u>\$ 33,623,288</u> | <u>\$ 1,034,021</u> | <u>\$ 13,386,368</u> | <u>\$ 65,349,738</u> |
| <b>LIABILITIES AND FUND EQUITY</b>                                 |                            |                     |                     |                      |                      |                     |                      |                      |
| <b>Liabilities:</b>  |                            |                     |                     |                      |                      |                     |                      |                      |
| Warrants payable   | \$ 236,746                 | \$ 175,846          | \$ 132,795          | \$                   | \$                   | \$                  | \$                   | \$ 545,387           |
| Accounts payable   | 55,646                     | 977,601             | 39,602              |                      |                      |                     |                      | 1,072,849            |
| Accrued interest   |                            |                     |                     |                      | 416,632              |                     |                      | 416,632              |
| Due to other taxing units  |                            |                     | 5,520,233           | 43,839               |                      |                     |                      | 5,564,072            |
| Due to others  |                            |                     | 2,410,734           |                      |                      |                     |                      | 2,410,734            |
| Deferred rental revenue  |                            |                     |                     | 170,052              |                      |                     |                      | 170,052              |
| Due to Canadian County Health Department                           |                            |                     |                     | 133,101              |                      |                     |                      | 133,101              |
| Revenue notes payable  |                            |                     |                     | 767,743              |                      |                     |                      | 767,743              |
| Revenue bonds payable  |                            |                     |                     |                      | 29,034,253           |                     |                      | 29,034,253           |
| Less bond discounts  |                            |                     |                     |                      | (658,687)            |                     |                      | (658,687)            |
| Add bond premiums  |                            |                     |                     |                      | 619,905              |                     |                      | 619,905              |
| Compensated absences payable                                       |                            |                     |                     |                      |                      | 353,289             |                      | 353,289              |
| Capitalized lease obligations payable                              |                            |                     |                     |                      |                      | 680,732             |                      | 680,732              |
| <b>Total liabilities</b>   | <u>292,392</u>             | <u>1,153,447</u>    | <u>8,103,364</u>    | <u>1,114,735</u>     | <u>29,412,103</u>    | <u>1,034,021</u>    | <u>-</u>             | <u>41,110,062</u>    |
| <b>Fund equity:</b>  |                            |                     |                     |                      |                      |                     |                      |                      |
| Investment in general fixed assets                                 |                            |                     |                     |                      |                      |                     | 13,386,368           | 13,386,368           |
| Contributed capital  |                            |                     |                     | 3,000                |                      |                     |                      | 3,000                |
| <b>Fund balances:</b>  |                            |                     |                     |                      |                      |                     |                      |                      |
| Reserved for encumbrances  | 128,634                    | 341,787             |                     |                      |                      |                     |                      | 470,421              |
| Reserved for trust fund<br>restricted resources                    |                            |                     |                     | 621,742              | 4,211,185            |                     |                      | 4,832,927            |
| Unreserved:  |                            |                     |                     |                      |                      |                     |                      |                      |
| Undesignated   | 1,754,898                  | 3,792,062           |                     |                      |                      |                     |                      | 5,546,960            |
| <b>Total fund equity</b>   | <u>1,883,532</u>           | <u>4,133,849</u>    | <u>-</u>            | <u>624,742</u>       | <u>4,211,185</u>     | <u>-</u>            | <u>13,386,368</u>    | <u>24,239,676</u>    |
| <b>Total liabilities and fund equity</b>                           | <u>\$ 2,175,924</u>        | <u>\$ 5,287,296</u> | <u>\$ 8,103,364</u> | <u>\$ 1,739,477</u>  | <u>\$ 33,623,288</u> | <u>\$ 1,034,021</u> | <u>\$ 13,386,368</u> | <u>\$ 65,349,738</u> |

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

**CANADIAN COUNTY, OKLAHOMA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES**  
**AND EXPENDABLE TRUST FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

|   | GOVERNMENTAL FUND TYPES |                     | FIDUCIARY                     | TOTAL               |
|---|-------------------------|---------------------|-------------------------------|---------------------|
|   | GENERAL                 | SPECIAL REVENUE     | FUND TYPE<br>EXPENDABLE TRUST | (MEMORANDUM ONLY)   |
| <b>Revenues:</b>  |                         |                     |                               |                     |
| Ad valorem taxes  | \$ 4,121,682            | \$ 800,627          | \$                            | \$ 4,922,309        |
| Charges for services  | 657,407                 | 575,780             |                               | 1,233,187           |
| Intergovernmental revenues  | 355,890                 | 4,321,094           | 63,700                        | 4,740,684           |
| Miscellaneous revenues  | 350,323                 | 959,902             | 115,813                       | 1,426,038           |
| <b>Total revenues</b>   | <u>5,485,302</u>        | <u>6,657,403</u>    | <u>179,513</u>                | <u>12,322,218</u>   |
| <b>Expenditures:</b>  |                         |                     |                               |                     |
| Current operating:  |                         |                     |                               |                     |
| General government  | 3,175,366               | 962,848             | 110,466                       | 4,248,680           |
| Public safety   | 1,421,394               | 868,104             |                               | 2,289,498           |
| Health and welfare  | 250                     | 767,003             |                               | 767,253             |
| Culture and recreation  | 97,607                  |                     |                               | 97,607              |
| Education   | 205,484                 |                     |                               | 205,484             |
| Roads and highways  | 516,112                 | 5,840,340           |                               | 6,356,452           |
| Legal, audit, and other professional fees   |                         |                     | 130,747                       | 130,747             |
| Interest expense  |                         |                     | 17,595                        | 17,595              |
| Depreciation  |                         |                     | 20,633                        | 20,633              |
| <b>Total expenditures</b>   | <u>5,416,213</u>        | <u>8,438,295</u>    | <u>279,441</u>                | <u>14,133,949</u>   |
| Excess revenues over (under) expenditures   | <u>69,089</u>           | <u>(1,780,892)</u>  | <u>(99,928)</u>               | <u>(1,811,731)</u>  |
| <b>Other financing sources and uses:</b>  |                         |                     |                               |                     |
| Operating transfers in  | 43,099                  |                     | 24,325                        | 67,424              |
| Operating transfers out   |                         | (43,099)            |                               | (43,099)            |
| Sale of equipment   | 1,755                   | 1,927               |                               | 3,682               |
| Capitalized lease agreements  |                         | 671,435             |                               | 671,435             |
| <b>Total other financing sources</b>  | <u>44,854</u>           | <u>630,263</u>      | <u>24,325</u>                 | <u>699,442</u>      |
| <b>Excess revenues and other sources over (under) expenditures and other uses</b> | <u>113,943</u>          | <u>(1,150,629)</u>  | <u>(75,603)</u>               | <u>(1,112,289)</u>  |
| Beginning fund balances   | <u>1,769,589</u>        | <u>5,284,478</u>    | <u>697,345</u>                | <u>7,751,412</u>    |
| Ending fund balances  | <u>\$ 1,883,532</u>     | <u>\$ 4,133,849</u> | <u>\$ 621,742</u>             | <u>\$ 6,639,123</u> |

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

**CANADIAN COUNTY, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL-GENERAL AND SPECIAL REVENUE**  
**(COUNTY HEALTH DEPARTMENT ONLY) FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

|   | General Fund     |                     |                     | Special Revenue Fund |                   |                   |
|---|------------------|---------------------|---------------------|----------------------|-------------------|-------------------|
|   | Budget           | Actual              | Variance            | Budget               | Actual            | Variance          |
| Beginning fund balances, budgetary basis  | \$ 1,586,716     | \$ 1,609,599        | \$ 22,883           | \$ 586,439           | \$ 604,179        | \$ 17,740         |
| Revenues:   |                  |                     |                     |                      |                   |                   |
| Ad valorem taxes  | 3,785,437        | 4,131,326           | 345,889             | 568,362              | 620,291           | 51,929            |
| Charges for services  | 477,480          | 657,407             | 179,927             |                      | 77,990            | 77,990            |
| Intergovernmental revenues  | 351,627          | 356,575             | 4,948               |                      | 1,550             | 1,550             |
| Miscellaneous revenues  | 319,556          | 372,149             | 52,593              |                      |                   |                   |
| Total revenue, budgetary basis  | <u>4,934,100</u> | <u>5,517,457</u>    | <u>583,357</u>      | <u>568,362</u>       | <u>699,831</u>    | <u>131,469</u>    |
| Expenditures:   |                  |                     |                     |                      |                   |                   |
| General government  | 3,643,069        | 3,268,397           | 374,672             |                      |                   |                   |
| Public safety   | 1,439,744        | 1,422,804           | 16,940              |                      |                   |                   |
| Health and welfare  | 1,000            | 250                 | 1,000               | 1,154,801            | 722,510           | 432,291           |
| Culture and recreation  | 103,220          | 102,284             | 936                 |                      |                   |                   |
| Education   | 206,541          | 201,163             | 5,378               |                      |                   |                   |
| Roads and highway   | 1,127,242        | 456,266             | 670,976             |                      |                   |                   |
| Total expenditures, budgetary basis   | <u>6,520,816</u> | <u>5,451,164</u>    | <u>1,069,652</u>    | <u>1,154,801</u>     | <u>722,510</u>    | <u>432,291</u>    |
| Excess of revenues and beginning fund balances over expenditures, budgetary basis   | <u>-</u>         | <u>1,675,892</u>    | <u>\$ 1,675,892</u> | <u>\$ -</u>          | <u>581,500</u>    | <u>\$ 581,500</u> |
| Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances |                  |                     |                     |                      |                   |                   |
| Add: Ad valorem receivable  |                  | 56,915              |                     |                      | 7,135             |                   |
| Accrued interest  |                  | 11,750              |                     |                      | 90                |                   |
| Due from other governments  |                  | 9,184               |                     |                      |                   |                   |
| Reserved for encumbrances   |                  | 128,634             |                     |                      | 50,221            |                   |
| Adjustment to prior year reserved for encumbrances                                  |                  | 1,157               |                     |                      | (1,798)           |                   |
| Ending fund balances  |                  | <u>\$ 1,883,532</u> |                     |                      | <u>\$ 637,148</u> |                   |

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

**CANADIAN COUNTY, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES**  
**FIDUCIARY FUND TYPE -NONEXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

|   | <u>Nonexpendable Trust Funds</u>                               |   |  |
|---|--|---|--|
|   | <u>Canadian<br/>County Public<br/>Facilities<br/>Authority</u> | <u>Canadian<br/>County Home<br/>Finance<br/>Authority</u> | <u>Total<br/>(Memorandum<br/>Only)</u> |
| Operating revenues:                       |  |   |  |
| Sales tax                                 | \$ 2,571,324   | \$  | \$ 2,571,324                           |
| Interest and dividend income              | 10,863   | 1,589,973   | 1,600,836                              |
| Net change in fair value of investments   |  | 237,274   | 237,274                                |
| Mortgage interest income                  |  | 102,762   | 102,762                                |
| Rental income                             |  | 121,727   | 121,727                                |
| Total operating revenues                  | <u>2,582,187</u>   | <u>2,051,736</u>  | <u>4,633,923</u>                       |
| Operating expenses:                       |  |   |  |
| General and administrative                | 1,473,332  |   | 1,473,332                              |
| Legal, audit, and other professional fees | 44,285   | 15,022  | 59,307                                 |
| Interest expense                          | 181,909  | 1,667,496   | 1,849,405                              |
| Bond issuance costs                       | 2,500  | 28,040  | 30,540                                 |
| Depreciation                              | 236,353  | 21,720  | 258,073                                |
| Miscellaneous                             | 1,602  | 1,742   | 3,344                                  |
| Total operating expenses                  | <u>1,939,981</u>   | <u>1,734,020</u>  | <u>3,674,001</u>                       |
| Excess of revenues over expenses          | <u>642,206</u>   | <u>317,716</u>  | <u>959,922</u>                         |
| Transfers (to) from other funds:          |  |   |  |
| Operating transfers in                    | 371,632  |   | 371,632                                |
| Operating transfers out                   | (395,347)  | (610)   | (395,957)                              |
| Net operating transfers                   | <u>(23,715)</u>  | <u>(610)</u>  | <u>(24,325)</u>                        |
| Net income                                | 618,491  | 317,106   | 935,597                                |
| Fund balance, July 1, 2001                | <u>3,984,393</u>   | <u>(708,805)</u>  | <u>3,275,588</u>                       |
| Fund balance, June 30, 2002               | <u>\$ 4,602,884</u>  | <u>\$ (391,699)</u>                                       | <u>\$ 4,211,185</u>                    |

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

**CANADIAN COUNTY, OKLAHOMA  
COMBINED STATEMENT OF CASH FLOWS - NONEXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2002**

|  | Nonexpendable Trust Funds                            |   |                               |
|--|--|---|-------------------------------|
|  | Canadian<br>County Public<br>Facilities<br>Authority | Canadian<br>County Home<br>Finance<br>Authority | Total<br>(Memorandum<br>Only) |
| <b>Cash flows from operating activities:</b>                         |  |   |                               |
| Net income   | \$ 618,491   | \$ 317,106                                      | \$ 935,597                    |
| Depreciation expense   | 236,353  | 21,720  | 258,073                       |
| Sales tax receivable   | (37,829)   |   | (37,829)                      |
| Accretion of bond discount   |  | 37,831  | 37,831                        |
| Amortization of deferred amount on refunding                         |  | 4,606   | 4,606                         |
| Mortgage loans receivable  |  | 263,081   | 263,081                       |
| Interest receivable  |  | (15,041)  | (15,041)                      |
| Rent receivable  |  | (11,216)  | (11,216)                      |
| Interest payable   | (3,354)  | 128,662   | 125,308                       |
| Net cash provided (used) by operating activities                     | <u>813,661</u>                                       | <u>746,749</u>                                  | <u>1,560,410</u>              |
| <b>Cash flows from capital and related financing activities:</b>     |  |   |                               |
| Proceeds from bonds issued for refunding                             |  | 3,555,000                                       | 3,555,000                     |
| Reimbursement for Juvenile Detention Facility                        | 53,690   |   | 53,690                        |
| Purchase of property   | (42,040)   |   | (42,040)                      |
| Payments on bonds payable  | (140,000)  | (1,738,285)                                     | (1,878,285)                   |
| Net cash provided (used) by investing activities                     | <u>(128,350)</u>                                     | <u>1,816,715</u>                                | <u>1,688,365</u>              |
| <b>Cash flows from investing activities:</b>                         |  |   |                               |
| Contractual maturities of GNMA certificates                          |  | 1,584,350                                       | 1,584,350                     |
| Purchase of GNMA certificates  |  | (5,954,294)                                     | (5,954,294)                   |
| Proceeds from withdrawals of investment agreements                   |  | 7,693,360                                       | 7,693,360                     |
| Investment in investment agreements                                  |  | (5,968,196)                                     | (5,968,196)                   |
| Net cash provided (used) by capital and related financing activities | <u>-</u>   | <u>(2,644,780)</u>                              | <u>(2,644,780)</u>            |
| Net increase (decrease) in cash                                      | 685,311  | (81,316)  | 603,995                       |
| Cash at beginning of year July 1, 2001                               | 527,815  | 441,969   | 969,784                       |
| Cash at end of year June 30, 2002                                    | <u>\$ 1,213,126</u>                                  | <u>\$ 360,653</u>                               | <u>\$ 1,573,779</u>           |
| <b>Reconciliation of cash and equivalents:</b>                       |  |   |                               |
| Cash and equivalents   | \$ 853,309   | \$  | \$ 853,309                    |
| Restricted cash and equivalents                                      | 359,817  | 360,653   | 720,470                       |
| Total cash and equivalents   | <u>\$ 1,213,126</u>                                  | <u>\$ 360,653</u>                               | <u>\$ 1,573,779</u>           |

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

## **Notes to the Financial Statements**

1. Summary of Significant Accounting Policies

The financial statements of Canadian County are required to be presented in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies and practices are described below.

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.

In accordance with the GASB Statement No. 14, *The Financial Reporting Entity*, the County is required to present the entities that comprise the primary government and its legally separate component units in the fiscal year 2002 general-purpose financial statements.

Blended Component Units

The following blended component units have been presented as expendable and nonexpendable trust funds because the component unit's governing body is the same as the governing body of the County, or the component unit provides services almost entirely to the primary government.

Canadian County Public Facilities Authority was formed in December 1984, as a public trust under the Oklahoma Statutes. The trust was formed principally to serve as a vehicle for financing the purchase or construction of buildings or other facilities, which are to be used directly or indirectly by Canadian County. The Canadian County Board of Commissioners is also the Board of Trustees for the Authority. It is considered a component unit of Canadian County as defined by Governmental Accounting Standards Board Statement No. 14. In August 1996, the voters of Canadian County passed a .35 cent sales tax for the construction, operation and maintenance of juvenile delinquency detention and justice facilities. These facilities were constructed and are operated by the Authority. The Authority has also obtained financing for other buildings located in Canadian County. The Authority is presented as an expendable and nonexpendable trust in the general-purpose financial statements. The operating fund of the Canadian County Public Facilities Authority is an expendable trust fund used to account for the day-to-day operating activities of the Authority. The Juvenile Detention Facility Fund is a nonexpendable trust fund used to account for the collection of sales taxes pledged to financing and construction of the juvenile detention facility. Copies of the Authority's financial statements may be obtained from the County Clerk of Canadian County, El Reno, Oklahoma.

CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002

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Summary of Significant Accounting Policies (continued)

Canadian County Home Finance Authority is also a component unit of Canadian County. The trust was formed principally to promote the development of adequate housing to low and moderate income residents of Canadian County. To ensure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts of the Authority are maintained in accordance with the principles of fund accounting, whereby the resources of various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. The Operating Fund of the Canadian County Home Finance Authority is an expendable trust fund used to account for the day-to-day operating activities of the Authority. The remaining bond funds are separate and restricted in accordance with each individual bond indenture. The bond funds are classified as nonexpendable trust funds used to account for revenues pledged toward repayment of the bonds. The Authority achieves its purpose through the issuance of revenue bonds. The bonds are not general obligations of Canadian County, the State of Oklahoma, Canadian County Home Finance Authority, or any other political corporation, subdivision or agency thereof. These bonds are special and limited obligations payable by the Authority solely, and only, from mortgage loan payments and servicer fees received from the lenders, the revenues derived from any repossessed properties, the certificates of deposit issued to the Authority, the revenues and funds derived from the GNMA securities, and rental revenue from rental property, depending on the respective bond issue.

The net proceeds are invested primarily in the following: (1) deposit, whereby the financial institutions agree to lend the amounts deposited to qualifying borrowers; (2) GNMA certificates, whereby various third parties make loans to qualifying borrowers, pool the loans, exchange the loan pool for participation certificates issued by GNMA, and sell the GNMA certificates to the Authority; (3) mortgage loans, whereby the loans are insured by a private mortgage insurer; (4) short term investing agreements; and (5) rental properties owned and operated for the benefit of the Authority.

Related Organizations Excluded from the Reporting Entity

The Canadian County Industries Authority is separately constituted and, accordingly, its financial position and results of operations have not been presented in the accompanying financial statements. Board members are all-authoritative. The County is not responsible for approving budgets, contracts, key personnel, fiscal matters, or day-to-day operations of the Authority.

The Canadian County Solid Waste Disposal Authority is separately constituted and, accordingly, its financial position and results of operations have not been presented in the accompanying financial statements. Board members are all-authoritative. The County is not responsible for approving budgets, contracts, key personnel, fiscal matters, or day-to-day operations of the Authority.

Summary of Significant Accounting Policies (continued)

Joint Venture

The County is a participant in a joint venture, Oklahoma Environmental Management Authority, (formerly Canadian County Solid Waste Disposal Authority), in which it retains an ongoing financial interest. The Oklahoma Environmental Management authority (OEMA) was established March 9, 1971, under provisions of Title 60 O.S. §176 to 180.4 and other applicable statutes of the State of Oklahoma. The trust is not organized for profit and no part of its income or property shall inure to the benefit of any private person. Canadian County retains an ongoing financial interest with regard to the operation of the OEMA solid waste facility. Located in the southern part of Canadian County, Canadian County, the Town of Calumet, the City of El Reno, the City of Mustang, the Town of Piedmont, the Town of Okarche, the Town of Union City, and City of Yukon jointly operate the facility. Canadian County is the beneficiary of the trust.

B. Fund Accounting

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into the following categories: governmental and fiduciary. Each category in turn is divided into separate fund types.

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Summary of Significant Accounting Policies (continued)

Fiduciary Funds

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund, or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds are generally used to account for assets that the government holds on behalf of others as their agent.

Nonexpendable Trust Fund

To ensure observance of limitations and restrictions placed on the use of resources available to Canadian County Public Facilities Authority and Canadian County Home Finance Authority, the restricted accounts of the Authorities are maintained in accordance with the principles of fund accounting for a nonexpendable trust fund. Proprietary fund types and nonexpendable trust funds are used to account for activities when the determination of net income is necessary or useful to sound financial administration. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) except for those that conflict with GASB pronouncements.

Account Groups

General Fixed Assets Account Group (GFAAG) - Generally accepted accounting principles (GAAP) require that those fixed assets of a government not reported in a proprietary fund or a trust fund be reported in a general fixed assets account group (GFAAG). This account group is not a fund. It does not have a balance sheet as such, nor does it report operations. Instead, the GFAAG serves as a list of the government's fixed assets and is designed to ensure accountability.

General Long-Term Debt Account Group (GLTDAG) - The general long-term debt account group (GLTDAG) is used to account for a government's unmatured long-term indebtedness that has not been identified as a specific fund liability of a proprietary or trust fund. In addition to general obligation debt instruments (e.g., bonds, notes, warrants), the GLTDAG is also used to report revenue bonds that will be repaid from general government resources, special assessment debt when the government is "obligated in some manner," special revenue bonds, and certain liabilities that are normally not expected to be liquidated with expendable available financial resources (e.g., capitalized lease-purchase obligations and compensated absences).

Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these fund types present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds, nonexpendable trust funds, and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is utilized by proprietary fund types, pension trust funds, and nonexpendable trust funds. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The modified-accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified-accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be quantified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if collected within 60 days after year-end. Expenditures are recorded when incurred and the related fund liability is expected to be paid from available spendable resources. Principal and interest on general long-term debt are recorded as fund expenditures when paid or when amounts for principal and interest have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, sales tax, interest revenue, and other taxes collected and held by the Oklahoma Tax Commission at year-end on behalf of the government. Charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

Summary of Significant Accounting Policies (continued)

D. Budgetary Policies and Procedures

Under current Oklahoma Statutes, the general fund and the County Health Department are the only funds required to adopt a formal budget. The budget presented for the general and special revenue (County Health Department only) funds include the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other cash 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 and special revenue funds.

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

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue (County Health Department only) Funds presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

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, 2002.

The Canadian County Home Finance Authority and the Canadian County Public Facilities Authority cash and cash equivalents are considered to be demand deposits and short-term investments worth original maturities of three months or less from the date of acquisition.

F. Receivables

All receivables are reported at their gross value.

Summary of Significant Accounting Policies (continued)

G. Interest Receivable

Interest on deposits and investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period

H. Fixed Assets

General Fixed Assets Account Group

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, and drainage systems are not capitalized since these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated.

I. Property, Plant, and Equipment – Expendable Trust Fund

Trust Fund property and equipment are recorded at cost.

Fixed assets associated with trust funds are accounted for through those funds. This assists in assuring compliance with terms of the trust instrument, provides a deterrent to mismanagement of trust assets, and facilitates accounting where the trust principle must be maintained intact.

J. Risk Management

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

Summary of Significant Accounting Policies (continued)

| <u>Types of Loss</u>   | <u>Method Managed</u>  | <u>Risk of Loss Retained</u>  |
|--|--|---|
| General Liability<br>- Torts<br>- Errors and Omissions<br>- Law Enforcement<br>Officers Liability<br>- Vehicle | The County participates in a public entity risk pool - Association of County Commissioners of Oklahoma - Self-Insured Group. (See ACCO-SIG.) | If claims exceed pool assets, the County would have to pay its share of the pool deficit. |
| Physical Plant<br>- Theft<br>- Damage to Assets<br>- Natural Disasters   | The County participates in a public entity risk pool. (See ACCO-SIG.)  | If claims exceed pool assets, the County would have to pay its share of the pool deficit. |
| Worker's Compensation<br>- Employees' Injuries   | The County participates in a public entity risk pool. (See ACCO-SIF)   | If claims exceed pool assets, the County would have to pay its share of the pool deficit. |
| Health and Life<br>- Medical<br>- Disability<br>- Dental<br>- Life   | The County carries commercial insurance for these types of risk.   | 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 pays a deductible amount (\$1,000 to \$10,000; Canadian County has a \$25,000 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool pays legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

ACCO-SIF - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. ACCO-SIF was set up in 1984 and pays legitimate worker's compensation claims up to \$500,000 per incident. A reinsurance policy, with no limit, pays claims that exceed \$500,000 for a particular incident. The pool has not assessed additional premiums to be paid by its members in the past three years.

Summary of Significant Accounting Policies (continued)

The County continues to carry commercial insurance for employees' health and accident insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. No significant reductions in insurance coverage occurred during the fiscal year ended June 30, 2002.

K. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that is not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County reported \$353,289 in compensated absences for the fiscal year ended June 30, 2002.

L. Long-Term Obligations

The County reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

M. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund equity represents tentative plans for future use of appropriable financial resources.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Summary of Significant Accounting Policies (continued)

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring and nonroutine permanent transfers of equity are reported as residual equity transfers. All other transfers are reported as operating transfers. A transfer of \$43,099 was made from the Special Revenue Fund to the General Fund for transfer of resale property proceeds. Net operating transfers of \$23,715 occurred within the Canadian County Public Facilities Authority between the Juvenile Detention Center Fund and the operating fund of the Authority.

In addition, operating transfers of \$610 occurred within the Canadian County Home Finance Authority and the operating fund of the Authority. Total operating transfers between the Expendable and Nonexpendable Trusts were \$24,325.

Revenues and expenditures are not presented for agency funds, therefore transfers to/from the Sales Tax Fund are not reflected.

O. Memorandum Only - Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Interfund transactions, if any, have not been eliminated from the total column of each financial statement.

P. Grant Revenue

Revenues from federal and state grants are recognized when expenditures are incurred.

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 Canadian County Board of County 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.

CANADIAN COUNTY, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2002

3. Detailed Notes on Account Balances

A. Deposits

Title 62 O.S. § 348.1 authorizes the County Treasurer to invest in:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- General obligation 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 acceptances 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.

At year-end, the carrying amount of the County's deposits was \$14,587,229 and the bank balance was \$14,656,517. 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.

Canadian County Public Facilities Authority – The Authority had \$1,135,000 million on deposit at a county bank at June 30, 2002. FDIC insurance plus securities pledged by the bank to secure these deposits exceeded the amount in these accounts. However, the Authority's deposits in another county bank exceeded the FDIC insured deposit coverage of \$100,000. At June 30, 2002, those deposits of \$216,044 exceeded insurance coverage by \$116,044.

Canadian County Home Finance Authority - Cash and cash equivalents of \$386,585 are covered by the Federal Depository Insurance or qualified collateral (pledges) held by a third party trust department in the Authority's name.

At June 30, 2002, investments consisted of the following:

|                            | Category            |                     |             | Total               |
|----------------------------|---------------------|---------------------|-------------|---------------------|
|                            | 1                   | 2                   | 3           |                     |
| Investment agreements      | \$ -                | \$ 8,774,150        | \$ -        | \$ 8,774,150        |
| Mortgage-backed securities | <u>15,472,597</u>   | <u>-</u>            | <u>-</u>    | <u>15,472,597</u>   |
| Total                      | <u>\$15,472,597</u> | <u>\$ 8,774,150</u> | <u>\$ -</u> | <u>\$24,246,747</u> |

CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002

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Detailed Notes on Account Balances (continued)

Investments are designated into three categories of credit risk:

- (1) Insured or registered, with securities held by the Authority or its agent in the Authority's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Authority's name.

The certificates of deposit are held at area financial institutions with maturities within one year. Investment agreements are held by Mercadian Funding L.P., MBIA and CDC FDG. The investment agreements are non-participating contracts recorded at cost. The funds invested in the agreements are available on demand. The mortgage-backed securities are recorded at fair value based on quoted market values. The GNMA certificates mature according to the mortgages backing them, which is through the year 2032. The expected maturities of these certificates differ from contractual maturities because borrowers have the right to prepay their obligations.

**B. Joint Venture**

Oklahoma Environmental Management Authority: Pursuant to an interlocal agreement authorized by Oklahoma Statutes, the County, and seven of its incorporated cities and towns formed a joint venture to operate a regional landfill for solid waste disposal. Eight trustees govern the Authority, one selected from and by the Board of County Commissioners and one each appointed by the governing board of the seven municipalities.

Summary financial information as of, and for the fiscal year ended June 30, 2001, the latest report available is as follows:

|                              | <u>OEMA</u>         |
|------------------------------|---------------------|
| Current assets               | \$ 1,029,143        |
| Property and equipment (net) | 3,039,848           |
| Other assets                 | <u>1,540,109</u>    |
| Total assets                 | \$ <u>5,609,100</u> |
| <br>                         |                     |
| Total liabilities            | \$ 3,472,965        |
| Retained earnings            | <u>2,136,135</u>    |
| Total liabilities and equity | \$ <u>5,609,100</u> |
| <br>                         |                     |
| Total revenues               | \$ 2,186,760        |
| Total expenses               | <u>(2,227,540)</u>  |
| Net decrease in equity       | \$ <u>(40,780)</u>  |

CANADIAN COUNTY, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2002

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Detailed Notes on Account Balances (continued)

Separate financial statements are available from the County Clerk of Canadian County.

C. Receivables

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 net assessed property value as of January 1, 2001, was \$400,768,150.

The County levied 10.39 mills (the legal maximum) 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 apportions 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 before 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, 2002, were approximately 97 percent of the levy for tax year 2001.

D. Fixed Assets

General Fixed Assets Account Group

The following is a summary of the changes and adjustments to the general fixed assets account group during fiscal 2002:

|                         | <u>Balance</u><br><u>July 1, 2001</u> | <u>Adjustments</u>  | <u>Retirements</u> | <u>Balance</u><br><u>June 30, 2002</u> |
|-------------------------|---------------------------------------|---------------------|--------------------|--|
| Land and machinery      | \$ 4,250,132                          | \$ 125,000          | \$ -               | \$ 4,375,132                           |
| Machinery and equipment | <u>8,817,748</u>                      | <u>1,531,531</u>    | <u>1,338,043</u>   | <u>9,011,236</u>                       |
| Total                   | <u>\$13,067,880</u>                   | <u>\$ 1,656,531</u> | <u>\$1,338,043</u> | <u>\$13,386,368</u>                    |

CANADIAN COUNTY, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2002

Detailed Notes on Account Balances (continued)

Trust Fund Fixed Assets include:

|                             | Expendable Trust                            | Non-Expendable Trusts                       |  | Total Non-Expendable Trust Fund Assets | Total Trust Fund Assets Net of Depreciation |
|-----------------------------|---|---|--|--|---|
|                             | Canadian County Public Facilities Authority | Canadian County Public Facilities Authority | Canadian County Home Finance Authority |  |   |
| Unrestricted assets:        |   |   |  |  |   |
| Land                        | \$ 262,842                                  |   |  |  | \$ 262,842                                  |
| Buildings                   | <u>562,078</u>                              |   |  |  | <u>562,078</u>                              |
| Total                       | 824,920                                     |   |  |  | 824,920                                     |
| Less depreciation           | <u>(208,455)</u>                            |   |  |  | <u>(208,455)</u>                            |
| Net unrestricted assets     | <u>\$ 616,465</u>                           |   |  |  | <u>\$ 616,465</u>                           |
| Restricted assets:          |   |   |  |  |   |
| Land                        |   | \$ 356,740                                  | \$ 17,000                              | \$ 373,740                             | \$ 373,740                                  |
| Buildings & improvements    |   | 5,850,496                                   | 543,004                                | 6,393,500                              | 6,393,500                                   |
| Furniture & fixtures        |   | <u>276,073</u>                              |  | <u>276,073</u>                         | <u>276,073</u>                              |
| Total                       |   | 6,483,309                                   | 560,004                                | 7,043,313                              | 7,043,313                                   |
| Less depreciation           |   | <u>(548,140)</u>                            | <u>(191,861)</u>                       | <u>(740,001)</u>                       | <u>(740,001)</u>                            |
| Net restricted assets       |   | <u>5,935,169</u>                            | <u>368,143</u>                         | <u>6,303,312</u>                       | <u>6,303,312</u>                            |
| Net Trust Fund Fixed Assets | <u>\$ 616,465</u>                           | <u>\$ 5,935,169</u>                         | <u>\$ 368,143</u>                      | <u>\$ 6,303,312</u>                    | <u>\$ 6,919,777</u>                         |

E. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation that is performed to determine the adequacy of contribution rates. County employees are required to contribute from 3.5% to 8.5% of earned compensation. Canadian County contributed from 5.0% to 10% of earned compensation for fiscal year 2002. Elected officials may contribute from 4.5% to 10% of their entire

CANADIAN COUNTY, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2002

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Detailed Notes on Account Balances (continued)

compensation. The County contributed 10% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2002, 2001, and 2000, were \$579,669, \$510,013, and \$420,524, respectively, equal to the required contributions for each year.

F. 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. The one-time fee is reported as interest.

Oklahoma Statutes prohibit the County from entering into contracts of this nature longer than one year. For this reason, these lease-purchase agreements do not qualify for capitalization until the year the lease-purchase agreements are completed and title to the equipment is transferred to the County. However, because it is the County's intent to exercise its right to purchase this property, the lease-purchase agreements have been capitalized to conform to generally accepted accounting principles. The unpaid portions of these agreements have been reflected as capitalized lease obligations within the general long-term debt account group.

Providing all capital leases are renewed each year by resolution of the Board of County Commissioners, minimum lease commitments under capitalized lease-purchase agreements as of June 30, 2002, are as follows:

| <u>Year Ending</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|--------------------|-------------------|------------------|-------------------|
| 2003               | \$ 242,389        | \$ 30,962        | \$ 273,351        |
| 2004               | 199,579           | 18,442           | 218,021           |
| 2005               | 112,163           | 9,686            | 121,849           |
| 2006               | 72,303            | 5,070            | 77,373            |
| 2007               | <u>54,298</u>     | <u>1,594</u>     | <u>55,892</u>     |
| Totals             | <u>\$ 680,732</u> | <u>\$ 65,754</u> | <u>\$ 746,486</u> |

During the year, the County paid \$271,025 on the outstanding balances of lease-purchase agreements and capitalized leases totaling \$671,435.

G. Revenue Note – Canadian County Home Finance Authority

The Canadian County Home Finance Authority entered a loan agreement whereas the Authority would issue bonds; the proceeds of which would be loaned for financing the construction of a residential facility for the elderly and the handicapped. The stated interest rate was 9% and the

CANADIAN COUNTY, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2002

Detailed Notes on Account Balances (continued)

loan was collateralized by a mortgage on the real and personal property of the project. In September 1993, after bankruptcy proceedings, the court awarded title of the property to the former Boatmen's Trust Company (US Bank is the current trustee) as trustees for the Authority. Since that time, receipts from residents of the project and from the U.S. Department of Housing and Urban Development, pursuant to Housing Assistance Payment Contracts are being used to cover expenses of the facilities and for sinking fund requirements.

The Canadian County Home Finance Authority has the following bond issues outstanding at June 30, 2002:

|                   |                     |
|-------------------|---------------------|
| Series 1987       | \$ 630,000          |
| Series 1991A      | 1,215,000           |
| Series 1992       | 1,050,000           |
| Series 1995       | 5,325,000           |
| Series 1999       | 1,624,253           |
| Series 2000 A,B,C | 12,180,000          |
| Series 2000 A     | 4,095,000           |
| Total             | <u>\$26,119,253</u> |

Multifamily Housing Revenue Bonds

Multifamily Housing Revenue Bonds Series 1987

The Authority entered into a bond indenture with the former Boatmen's Trust Company to serve as bond trustee providing for issuance of \$1.3 million of Multifamily Housing Revenue Bonds (Heritage Park Apartments Project) Series 1987. U.S. Bank of St. Paul was the trustee for the bonds as of June 30, 2002. Interest is payable semiannually on February 1 and August 1. The maturities and interest rates of the Series 1987 bonds are as follows:

| <u>Maturity Date</u> | <u>Principal Outstanding</u><br><u>June 30, 2002</u> | <u>Interest Rate</u> |
|----------------------|--|----------------------|
| August 1, 2002       | \$630,000  | 9.00%                |

The bonds, pursuant to mandatory redemption prior to maturity, are subject to the following sinking fund requirements.

| <u>Date</u>    | <u>Amount</u>    |
|----------------|------------------|
| Prior          | \$480,000        |
| August 1, 2002 | <u>\$150,000</u> |
|                | <u>\$630,000</u> |

CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002

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Detailed Notes on Account Balances (continued)

As of June 30, 2002, the Multifamily Housing Revenue Bonds Series 1987 is in default and has been since 1992. Currently, the bondholder is actively involved with the project and is directing the Trustee as to the action to remedy default. Interest payments have been kept current through the period of default. Mandatory redemption amounts of \$480,000 are in arrears. Debt service reserve and maintenance account balances were inadequate as of June 30, 2002.

Single Family Mortgage Revenue Bonds

Revenue Refunding Bonds Series 1991A

In 1991, the Authority entered into a bond indenture with Bank One Trust Company, NA (formerly Liberty Bank and Trust Company, NA) as bond trustee providing for the issuance of \$11.535 million of Single Family Mortgage Revenue Refunding Bonds 1991 Series A and \$103,205 of Subordinate Single Family Mortgage Revenue Refunding Bonds 1991 Series B. The Subordinate Single Family Mortgage Refunding Bonds 1991 Series B were refunded in November 1992 by issuance of the Taxable Subordinate Single Family Mortgage Revenue Refunding Bonds Series 1992.

The Series 1991A bonds were issued in order to advance refund \$13.725 million in Single Family Mortgage Revenue Bonds 1980 Series B. The issuance of these bonds allowed the Authority to reduce interest rates paid by homeowners to 10.75%. The maturities and interest rates of the Series 1991A bonds are as follows:

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|----------------------|-------------------------|----------------------|
| November 1, 2011     | \$1,215,000             | 7.05%                |

As set forth in the bond indentures, the bonds are secured by the pledge of all mortgage loans purchased by the Authority, all moneys and investments in the funds established by the bond indentures, and all revenues and loan payments received by the Authority. The bonds are subject to early redemption provisions as described in the bond indentures. Principal and interest on the bonds are insured by the FGIC (Financial Guaranty Insurance Company). Premiums for this insurance are paid annually and the policy is noncancellable.

Revenue Refunding Bonds Series 1992

In 1992, the Authority entered into a bond indenture with Bank One Trust Company, NA (formerly Liberty Bank and Trust Company, NA) as bond trustee providing for the issuance of \$226,800 of Subordinate Single Family Mortgage Revenue Refunding Bonds Series 1992 maturing on November 1, 2011, for \$1,050,000 with accretion of interest at 8.25% compounded semi-annually. At June 30, 2002, the discount on bonds payable is \$562,883 and bonds payable net of the discount is \$487,117. These bonds were issued in order to advance refund the

CANADIAN COUNTY, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2002

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Detailed Notes on Account Balances (continued)

Subordinate Single Family Mortgage Revenue Refunding Bonds 1991 Series B. These Series 1992 bonds are subordinate only to the Series 1991A funds.

GNMA Mortgage – Backed Securities Program Series 1995

In 1995, the Authority entered into a bond indenture with Bank One Trust Company, NA (formerly Liberty Bank and Trust Company, NA) as bond trustee providing for the issuance of \$12 million of Single Family Mortgage Revenue Bonds (GNMA Mortgage – Backed Securities Program) Series 1995. The bond proceeds were used by the Authority to provide mortgage pass-through certificates, guaranteed as to timely payment of principal and interest by the GNMA and backed by pools of mortgage loans made by participating lenders to qualified persons in order to finance the purchase of single family residential housing located in the County of Canadian, Oklahoma.

The sale of bonds occurred on June 19, 1995, and resulted in proceeds of \$12,000,000 being deposited into investment agreements. Four lending institutions agreed to originate and service the mortgage loans, which are to be pooled in GNMA pools pursuant to existing law.

There were Series 1995 bonds redeemed in excess of those due to mature during the year in the amount of \$725,000 in 2002. Interest is payable semi-annually on June 1 and December 1. The remaining bonds mature as follows:

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|----------------------|-------------------------|----------------------|
| <u>Serial Bonds</u>  |                         |                      |
| December 1, 2002     | \$ 60,000               | 5.45%                |
| June 1, 2003         | 65,000                  | 5.55%                |
| December 1, 2003     | 65,000                  | 5.55%                |
| June 1, 2004         | 70,000                  | 5.65%                |
| December 1, 2004     | 70,000                  | 5.65%                |
| June 1, 2005         | 85,000                  | 5.75%                |
| December 1, 2005     | 85,000                  | 5.75%                |
| June 1, 2006         | 85,000                  | 5.85%                |
| December 1, 2006     | 85,000                  | 5.85%                |
| June 1, 2007         | 90,000                  | 5.95%                |
| December 1, 2007     | 90,000                  | 5.95%                |
| June 1, 2008         | 95,000                  | 6.00%                |
| December 1, 2008     | 95,000                  | 6.00%                |
| <u>Term Bonds</u>    |                         |                      |
| December 1, 2014     | 1,615,000               | 6.10%                |
| December 1, 2020     | <u>2,670,000</u>        | 6.20%                |
|                      | <u>\$5,325,000</u>      |                      |

CANADIAN COUNTY, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2002

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Detailed Notes on Account Balances (continued)

The bonds stated to mature on December 1, 2014 and December 1, 2020, are subject to mandatory redemption in part through Sinking Fund Payments together with interest accrued thereon to the redemption date in the amounts set forth below:

| <u>Sinking Fund<br/>Redemption Date</u> | <u>Sinking Fund<br/>Redemption Amount</u> |
|---|---|
| June 1, 2009                            | \$ 115,000                                |
| December 1, 2009                        | 115,000                                   |
| June 1, 2010                            | 120,000                                   |
| December 1, 2010                        | 125,000                                   |
| June 1, 2011                            | 125,000                                   |
| December 1, 2011                        | 130,000                                   |
| June 1, 2012                            | 135,000                                   |
| December 1, 2012                        | 140,000                                   |
| June 1, 2013                            | 145,000                                   |
| December 1, 2013                        | 150,000                                   |
| June 1, 2014                            | 155,000                                   |
| December 1, 2014                        | <u>160,000</u>                            |
|   | <u>\$1,615,000</u>                        |
| June 1, 2015                            | \$ 210,000                                |
| December 1, 2015                        | 215,000                                   |
| June 1, 2016                            | 225,000                                   |
| December 1, 2016                        | 230,000                                   |
| June 1, 2017                            | 235,000                                   |
| December 1, 2017                        | 245,000                                   |
| June 1, 2018                            | 250,000                                   |
| December 1, 2018                        | 260,000                                   |
| June 1, 2019                            | 265,000                                   |
| December 1, 2019                        | 275,000                                   |
| June 1, 2020                            | <u>260,000</u>                            |
|   | <u>\$2,670,000</u>                        |

GNMA – Collateralized Single Family Mortgage Refunding Revenue Bonds Series 1999

In 1999, the Authority entered into a bond indenture with Bank One Trust Company, NA as bond trustee providing for the issuance of \$3,774,098 of GNMA – Collateralized Single Family Mortgage Refunding Revenue Bonds Series 1999 to provide funds to refund the Series 1989 bond issue.

The maturities and interest rates of the Series 1999 bonds are as follows:

CANADIAN COUNTY, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2002

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Detailed Notes on Account Balances (continued)

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|----------------------|-------------------------|----------------------|
| August 1, 2023       | \$1,624,253             | 6.31%                |

As set forth in the bond indenture, the bonds are secured by the pledge of revenues and other amounts derived by the Authority from the Series 1999 bonds and the GNMA securities. The bonds are subject to early redemption provisions as described in the bond indenture. A custodial receipt was also issued in the amount of \$106,250. The custodial receipt holder receives interest at a rate of 1.75% on the outstanding bonds.

Single Family Mortgage Revenue Bonds Series 2000 A, B, and C

The Authority entered into an Interlocal Governmental Cooperation Agreement for the benefit of Canadian County, Oklahoma and Cleveland County, Oklahoma, and then on October 1, 2000, entered into a bond indenture with Bank One Trust Company, NA as bond trustee providing for the issuance of \$12,180,000 Single Family Mortgage Revenue Bonds 2000 Series A, B, and C to provide funds to redeem the Canadian County Home Finance Authority \$15,000,000 Single Family Mortgage Revenue Refunding Bonds Draw Down Series 1998A. As of June 30, 2002, bonds in an aggregate principal amount of \$12,180,000 were outstanding. The maturities and interest rates of the Series 2000 A, B, and C bonds are as follows:

|          | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|----------|----------------------|-------------------------|----------------------|
| Series A | September 1, 2032    | \$ 9,750,000            | 6.7%                 |
| Series B | September 1, 2014    | 1,255,000               | 5.5%                 |
| Series C | September 1, 2009    | <u>1,175,000</u>        | 7.2%                 |
|          |                      | <u>\$12,180,000</u>     |                      |

As set forth in the bond indenture, the bonds are secured by the pledge of amounts to be deposited on the date of issuance of the bonds, income or interest earned and gains realized in excess of losses suffered on deposits invested and all moneys, securities and funds held by the trustee with the exception of funds held in the Rebate and Cost of Issuance accounts. The bonds are subject to mandatory redemption in part or by lot as follows:

CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002

---

Detailed Notes on Account Balances (continued)

| <u>Series C</u>   |                    |
|-------------------|--------------------|
| September 1, 2002 | \$ 35,000          |
| March 1, 2003     | 65,000             |
| September 1, 2003 | 70,000             |
| March 1, 2004     | 70,000             |
| September 1, 2004 | 75,000             |
| March 1, 2005     | 75,000             |
| September 1, 2005 | 80,000             |
| March 1, 2006     | 80,000             |
| September 1, 2006 | 85,000             |
| March 1, 2007     | 90,000             |
| September 1, 2007 | 90,000             |
| March 1, 2008     | 95,000             |
| September 1, 2008 | 100,000            |
| March 1, 2009     | 100,000            |
| September 1, 2009 | <u>65,000</u>      |
|                   | <u>\$1,175,000</u> |

| <u>Series B</u>   |                    |
|-------------------|--------------------|
| September 1, 2009 | \$ 40,000          |
| March 1, 2010     | 110,000            |
| September 1, 2010 | 110,000            |
| March 1, 2011     | 115,000            |
| September 1, 2011 | 120,000            |
| March 1, 2012     | 120,000            |
| September 1, 2012 | 125,000            |
| March 1, 2013     | 130,000            |
| September 1, 2013 | 130,000            |
| March 1, 2014     | 135,000            |
| September 1, 2014 | <u>120,000</u>     |
|                   | <u>\$1,255,000</u> |

CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002

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Detailed Notes on Account Balances (continued)

| <u>Series A</u>   |                    |
|-------------------|--------------------|
| September 1, 2014 | \$ 20,000          |
| March 1, 2015     | 145,000            |
| September 1, 2015 | 150,000            |
| March 1, 2016     | 155,000            |
| September 1, 2016 | 160,000            |
| March 1, 2017     | 165,000            |
| September 1, 2017 | 170,000            |
| March 1, 2018     | 175,000            |
| September 1, 2018 | 180,000            |
| March 1, 2019     | 185,000            |
| September 1, 2019 | 195,000            |
| March 1, 2020     | 200,000            |
| September 1, 2020 | 205,000            |
| March 1, 2021     | 215,000            |
| September 1, 2021 | 220,000            |
| March 1, 2022     | 225,000            |
| September 1, 2022 | 235,000            |
| March 1, 2023     | 245,000            |
| September 1, 2023 | 250,000            |
| March 1, 2024     | 260,000            |
| September 1, 2024 | 270,000            |
| March 1, 2025     | 275,000            |
| September 1, 2025 | 285,000            |
| March 1, 2026     | 295,000            |
| September 1, 2026 | 305,000            |
| March 1, 2027     | 315,000            |
| September 1, 2027 | 325,000            |
| March 1, 2028     | 335,000            |
| September 1, 2028 | 350,000            |
| March 1, 2029     | 360,000            |
| September 1, 2029 | 370,000            |
| March 1, 2030     | 385,000            |
| September 1, 2030 | 395,000            |
| March 1, 2031     | 410,000            |
| September 1, 2031 | 425,000            |
| March 1, 2032     | 440,000            |
| September 1, 2032 | <u>455,000</u>     |
|                   | <u>\$9,750,000</u> |

CANADIAN COUNTY, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2002

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Detailed Notes on Account Balances (continued)

Single Family Mortgage Revenue Refunding Bonds – Draw Down Series 2000A

The Authority entered into an Interlocal Governmental Cooperation Agreement for the benefit of Canadian County, Oklahoma and Cleveland County, Oklahoma, and then on October 1, 2000, entered into a bond indenture with Bank One Trust Company, NA as bond trustee providing for the issuance of up to \$25,000,000 of Single Family Mortgage Revenue Refunding Bonds – Draw Down Series 2000A in order to provide funds to refund portions of the following prior bond issues:

|  |              |
|--|--------------|
| Canadian County Home Finance Authority | Series 1991A |
| Canadian County Home Finance Authority | Series 1995  |
| Canadian County Home Finance Authority | Series 1998A |

The maturity date of the bonds is November 25, 2005, subject to mandatory redemption on November 25, 2002. Interest on the bonds is variable and is payable on the 25<sup>th</sup> of each month until maturity. A total of \$4,095,000 is outstanding at June 30, 2002, all issued to refund prior Canadian County Home Finance Authority bond issues.

H. Revenue Bonds Payable – Canadian County Public Facilities Authority

The Authority issued \$3,185,000 in Canadian County Public Facilities Refunding Revenue Bonds, Series 2000 on February 1, 2000. The bonds were issued to refund an interim note payable to a consortium of banks in Canadian County, Oklahoma. The interim note was drawn to finance construction on the juvenile detention facility. Interest on the revenue bonds is payable semi-annually on February 1 and August 1 until maturity. Interest on the bonds is 6.5%. The bonds mature as follows:

| <u>Date</u>      | <u>Amount</u>      |
|------------------|--------------------|
| February 1, 2005 | \$ 750,000         |
| February 1, 2010 | 1,030,000          |
| February 1, 2015 | <u>1,405,000</u>   |
| Total            | <u>\$3,185,000</u> |

The bonds are subject to mandatory redemption each year through the date of final maturity. The following is a schedule of mandatory principal and interest payments for each fiscal year as follows:

CANADIAN COUNTY, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2002

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Detailed Notes on Account Balances (continued)

| <u>Year</u> | <u>Mandatory Redemption</u> | <u>Interest Due</u> | <u>Totals</u>      |
|-------------|-----------------------------|---------------------|--------------------|
| 2003        | \$ 150,000                  | \$ 189,475          | \$ 339,475         |
| 2004        | 160,000                     | 179,725             | 339,725            |
| 2005        | 170,000                     | 169,325             | 339,325            |
| 2006        | 180,000                     | 158,275             | 338,275            |
| 2007        | 195,000                     | 146,575             | 341,575            |
| 2008        | 205,000                     | 133,900             | 338,900            |
| 2009        | 220,000                     | 120,575             | 340,575            |
| 2010        | 230,000                     | 106,275             | 336,275            |
| 2011        | 245,000                     | 91,325              | 336,325            |
| 2012        | 260,000                     | 75,400              | 335,400            |
| 2013        | 280,000                     | 58,500              | 338,500            |
| 2014        | 300,000                     | 40,300              | 340,300            |
| 2015        | <u>320,000</u>              | <u>20,800</u>       | <u>340,800</u>     |
| Total       | <u>\$2,915,000</u>          | <u>\$1,490,450</u>  | <u>\$4,405,450</u> |

The Authority through its trustee bank is required to establish a reserve account equal to the average annual debt service on the bonds. A balance of \$100,000 was established in the reserve account at the date of issuance of the bonds. The remainder must be deposited over a five-year period beginning one month from the date of issuance of the bonds. The balance in the reserve account at June 30, 2002, was \$220,645, which meets the indenture's requirement at June 30, 2002.

Revenue Notes Payable – Canadian County Public Facilities Authority

The Authority issued a \$730,000 Public Facilities Lease Revenue Note, Series 2001 on October 3, 2001. The note was drawn to finance the "County Health Department and Public Usage Buildings Project". The note requires monthly payments of \$5,584, which includes principal and interest and carries an interest rate of 4.5%. The note is subordinate to the revenue bonds and is secured by rents received on the property, part of which is leased to the Canadian County Health Department. The lender has the sole option to extend the note for an additional sixty months at a mutually agreed upon interest rate. Principal and interest maturities are scheduled as follows:

CANADIAN COUNTY, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2002

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Detailed Notes on Account Balances (continued)

| <u>Year</u> | Principal<br><u>Due</u> | Interest<br><u>Due</u> | <u>Totals</u>    |
|-------------|-------------------------|------------------------|------------------|
| 2003        | \$ 35,536               | \$ 31,477              | \$ 67,013        |
| 2004        | 37,168                  | 29,845                 | 67,013           |
| 2005        | 38,876                  | 28,137                 | 67,013           |
| 2006        | 40,661                  | 26,352                 | 67,013           |
| 2007        | 42,530                  | 24,483                 | 67,013           |
| 2008        | 44,484                  | 22,529                 | 67,013           |
| 2009        | 46,327                  | 20,686                 | 67,013           |
| 2010        | 48,664                  | 18,349                 | 67,013           |
| 2011        | 50,901                  | 16,112                 | 67,013           |
| 2012        | <u>335,786</u>          | <u>14,025</u>          | <u>349,811</u>   |
| Totals      | <u>\$720,933</u>        | <u>\$231,995</u>       | <u>\$952,928</u> |

During the year ended June 30, 2002, the Authority issued a \$51,125 Revenue Note, Series 2001. The note was drawn to retire an obligation to the Canadian County Health Department for prior overpayment of rents. The monthly payment is variable and is adjusted each year (August 1) to reflect changes in current interest rates. The original on the note was 4.0%, which was equal to prime at July minus three percent margin. The note is subordinate to revenue bonds and is secured by rents from Canadian County, Oklahoma on the Slane, Howarton and Lewis properties. Schedule principal and interest maturities are as follows:

CANADIAN COUNTY, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2002

Detailed Notes on Account Balances (continued)

| <u>Year</u> | <u>Principal<br/>Due</u> | <u>Interest<br/>Due</u> | <u>Totals</u>   |
|-------------|--------------------------|-------------------------|-----------------|
| 2003        | \$ 1,180                 | \$ 1,851                | \$ 3,031        |
| 2004        | 1,228                    | 1,803                   | 3,031           |
| 2005        | 1,278                    | 1,753                   | 3,031           |
| 2006        | 1,330                    | 1,701                   | 3,031           |
| 2007        | 1,385                    | 1,646                   | 3,031           |
| 2008        | 1,440                    | 1,591                   | 3,031           |
| 2009        | 1,500                    | 1,531                   | 3,031           |
| 2010        | 1,560                    | 1,471                   | 3,031           |
| 2011        | 1,625                    | 1,406                   | 3,031           |
| 2012        | 1,690                    | 1,341                   | 3,031           |
| 2013        | 1,759                    | 1,272                   | 3,031           |
| 2014        | 1,831                    | 1,200                   | 3,031           |
| 2015        | 1,905                    | 1,126                   | 3,031           |
| 2016        | 1,983                    | 1,048                   | 3,031           |
| 2017        | 2,064                    | 967                     | 3,031           |
| 2018        | 2,148                    | 883                     | 3,031           |
| 2019        | 2,235                    | 796                     | 3,031           |
| 2020        | 2,327                    | 704                     | 3,031           |
| 2021        | 2,421                    | 610                     | 3,031           |
| 2022        | 2,520                    | 511                     | 3,031           |
| 2023        | 2,623                    | 408                     | 3,031           |
| 2024        | 2,729                    | 302                     | 3,031           |
| 2025        | 2,841                    | 190                     | 3,031           |
| 2026        | 2,956                    | 75                      | 3,031           |
| 2027        | <u>252</u>               | <u>-</u>                | <u>252</u>      |
|             | <u>\$46,810</u>          | <u>\$26,186</u>         | <u>\$72,996</u> |

I. Mortgage Loans Receivable - Canadian County Home Finance Authority

Canadian County Home Finance Authority – The Series 1991A mortgage loans outstanding at June 30, 2002, were \$864,321. The loans were collateralized by 30 year mortgages on single unit owner occupied residences and are serviced by designated loan servicers. These loan servicers are responsible for collecting the loan payments from the borrowers and remitting these payments to the Trustee. The loan servicers are compensated based upon a percentage (0.5%) of the unpaid balance of the loans outstanding or loan collections.

The bond issues and the loan servicers maintain mortgage insurance to protect the bond issues from losses on foreclosures of mortgage loans. In the opinion of the Trustee, the mortgage insurance is adequate to protect the Authority from losses of uncollectible mortgage receivables.

Detailed Notes on Account Balances (continued)

J. Lease Agreements – Canadian County Public Facilities Authority

Canadian County Health Department Buildings, Yukon, Oklahoma, and El Reno, Oklahoma

On December 1, 1998, the Authority as lessor signed building leases with the Board of County Commissioners of Canadian County, Oklahoma on the Canadian County Health Department building in El Reno, Oklahoma. On October 1, 1991, the Canadian County Public Facilities Authority, as lessor, signed building leases with the Board of County Commissioners of Canadian County, Oklahoma on the Canadian County Health Department building in Yukon, Oklahoma. The lease agreements call for monthly payments of an amount, when combined with other sources of payment, sufficient to amortize the indebtedness incurred in renovating the buildings. The County accelerated payments on the lease to facilitate early retirement of the indebtedness. This resulted in what amounted to prepaid rents, and is reflected as deferred revenues on the books of the Authority in the amount of \$170,052 at June 30, 2002. The County has exercised an option to continue leasing both buildings at \$10 per annum, however, subsequent to June 30, 2002, the lease on the El Reno building was terminated and a new lease was signed by the County on the “Gold Bank” property.

Mistletoe Building, El Reno, Oklahoma

On July 1, 2001, the Authority as lessor signed a lease with the Oklahoma Department of Transportation for space in the Mistletoe Building. The lease term was for 12 months beginning July 1, 2001, and calls for monthly payments of \$954.

Agricultural Land, Canadian County, Oklahoma

On July 1, 2001, the Authority as lessor signed a lease with an individual for agricultural land in Canadian County, Oklahoma. The lease term was 12 months beginning July 1, 2001, and calls for a one time payment of \$4,000, due at the execution of the lease.

Slane, Howarton, and Lewis Properties, El Reno, OK

On June 28, 2001, the Authority as lessor signed a lease with the Board of County Commissioners of Canadian County, Oklahoma. The lease agreement calls for monthly payments of \$900, such amount when combined with other sources of payment, shall be sufficient to amortize the \$51,125 Revenue Note, Series 2001. In accordance with the lease agreement, the lessee has the option to continue leasing the property at \$100 per annum. The lease expires on July 1, 2026.

Detailed Notes on Account Balances (continued)

County Health Department and Public Usage Buildings Project, El Reno, OK

On October 3, 2002, the Authority as lessor signed a lease with the Board of County Commissioners of Canadian County, Oklahoma and the Canadian County Board of Health. The lease agreement calls for monthly payments of \$5,584, such amount, when combined with other sources of payment, shall be sufficient to amortize the \$730,000 Public Facilities Lease Revenue Note, Series 2001. The lease expires on June 30, 2012.

K. Operation and Maintenance Contracts – Canadian County Public Facilities Authority

Canadian County

The Canadian County Public Facilities Authority has entered into an agreement with Canadian County whereby the Canadian County Public Facilities Authority will transfer funds to the County in return for the County operating the facility on behalf of the Canadian County Public Facilities Authority. The amount paid to the County during 2002 totaled \$1,473,332, which was classified as intergovernmental revenue of the special revenue fund.

Canadian County Health Department Building, El Reno, Oklahoma

On December 1, 1988, the Canadian County Public Facilities Authority entered into an agreement whereby the County agrees to operate and maintain the building owned by the Canadian County Public Facilities Authority. The agreement is silent as to consideration and the term of the contract.

Canadian County Health Department Building, Yukon, Oklahoma

On October 1, 1991, the Canadian County Public Facilities Authority entered into an agreement whereby the County agrees to operate and maintain the building owned by the Canadian County Public Facilities Authority. The agreement is silent as to consideration and the term of the contract.

Department of Human Services (DHS) Building, El Reno, OK

On June 15, 2001, the Authority signed an agreement with the Department of Human Services whereby the Authority agrees to operate and maintain the building owned by DHS. The agreement calls for monthly payments of \$3,565 made to the Authority. The agreement renews annually until terminated by either party.

L. Commitments and Contingencies – Canadian County Public Facilities Authority

In May 1999, certain residents of the unincorporated community of Banner filed articles with the Secretary of State of the State of Oklahoma wherein they attempted to be certified as an existing municipality. Consequently, the Canadian County Public Facilities Authority (Authority) filed suit to block the formation of a town whose boundaries would include property owned by the Authority where the new juvenile detention facility is located as well as seeking injunctive relief

CANADIAN COUNTY, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2002

Detailed Notes on Account Balances (continued)

restraining the town from exercising municipal powers. On September 20, 1999, the Authority made an offer of settlement to Banner et al. Banner failed to respond to the offer and the settlement was withdrawn effective October 27, 1999. The lawsuit initiated by the Authority went to trial in May 2002 and a verdict was issued in favor of the Authority. Banner filed an appeal with the Oklahoma Supreme Court August 20, 2002. The Authority's legal counsel anticipates a favorable result in the appeal.

M. Related Party Transactions – Canadian County Public Facilities Authority

The Authority received an advance of \$98,839 from the Canadian County Home Finance Authority for use in renovating the Mistletoe Building in El Reno, Oklahoma and for other expenditures. A payment was made to the Home Finance Authority on March 14, 2002, in the amount of \$55,000. As of June 30, 2002, the balance of the advance is \$43,839. The Mistletoe Building was being leased by the Oklahoma Department of Transportation as of June 30, 2002. The Board of Trustees of the Authority intends to repay any advances from Canadian County Home Finance Authority with rental income from the Mistletoe Building and other revenues.

The Authority received an advance of \$230,000 from Canadian County via the Canadian County Health Department on June 19, 2002, for the purpose of renovating the "Gold Bank" building, which has been leased to the Board of County Commissioners of Canadian County, Oklahoma for occupancy by the Health Department. At June 30, 2002, \$133,101 of these funds was being held for renovations, which were to be completed subsequent to June 30, 2002. This amount is shown as a liability labeled Advance From Canadian County Health Department on the books of the Authority.

N. Changes in General Long-Term Debt Account Group

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

|                      | <u>Balance</u><br><u>July 1, 2001</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u><br><u>June 30, 2002</u> |
|----------------------|---------------------------------------|------------------|-------------------|--|
| Capital leases       | \$280,322                             | \$671,435        | \$ 271,025        | \$ 680,732                             |
| Compensated absences | <u>342,718</u>                        | <u>10,571</u>    | <u>-</u>          | <u>353,289</u>                         |
| Total                | <u>\$623,040</u>                      | <u>\$682,006</u> | <u>\$271,025</u>  | <u>\$1,034,021</u>                     |

O. Fund Equity

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Designated fund equity represents tentative plans for future use of financial resources, which are available for

Detailed Notes on Account Balances (continued)

appropriation. Specific reservations and designations of the fund balance accounts are summarized below.

Reserved for Encumbrances- The reserve for encumbrances represents encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the County but not completed as of the close of the fiscal year.

Reserved for Trust Fund Restricted Resources - This reserve represents net restricted resources reserved for a specific purpose and unavailable as a current available spendable resource.

P. Sales Tax

The voters of Canadian County approved a .35% sales tax effective August 27, 1996. This sales tax 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. The funds are accounted for in a proprietary fund – nonexpendable trust.

Following is a summary of the sales tax revenue and how it was spent for the fiscal year ended June 30, 2002.

|  |                    |
|--|--------------------|
| General operations for Juvenile Detention Facility | <u>\$2,571,324</u> |
|--|--------------------|

Q. 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. The County highway fund is reported herein as "special revenue," and the fuel tax revenue is presented as "intergovernmental."

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.

Contingent Liabilities (continued)

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

5. Subsequent Events

On December 1, 2002, the Authority issued \$5.675 million of Public Facilities Refunding Revenue Bonds, Series 2002 to provide funds for refunding the financing incurred for the constructing, equipping and improvements to the juvenile detention facility. The Bonds are a special, limited obligation payable solely from a .35 cent sales tax passed by the voters of Canadian County, Oklahoma on August 27, 1996.

On September 25, 2002, the Authority sold a parcel of land near the juvenile justice facility to Youth and Family Services, Inc. of Canadian County, Oklahoma (a non-profit corporation) for \$23,916. Youth and Family Services, Inc. plans to build a new facility on the property with grants received from a private foundation.

**Schedule of Expenditures of State Awards**

CANADIAN COUNTY, OKLAHOMA  
 SCHEDULE OF EXPENDITURES OF STATE AWARDS  
 JUNE 30, 2002

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| <u>State Grantor/Grant Program Title</u> | <u>State Contract<br/>Number</u> | <u>State<br/>Expenditures</u> |
|--|----------------------------------|-------------------------------|
| STATE OFFICE OF JUVENILE AFFAIRS         |                                  |                               |
| Regional Secure Detention Contract       | Y008148                          | \$ 310,250                    |
| Sanction Detention Program               | Y010295                          | <u>373,312</u>                |
| Total State Office of Juvenile Affairs   |                                  | <u>683,562</u>                |
| STATE DEPARTMENT OF<br>HUMAN SERVICES    |                                  |                               |
| Comprehensive Home Based Services        | 2001688                          | <u>180,940</u>                |
| Total State Department of Human Services |                                  | <u>180,940</u>                |
| Total Expenditures of State Awards       |                                  | <u>\$ 864,502</u>             |

1. Basis of Presentation

The accompanying schedule of expenditures of state awards includes the state grant activity for Canadian County Juvenile Detention Center and is presented on the *modified accrual basis of accounting*. Contract expenditures reported were paid or incurred, as of June 30, 2002. The information in this schedule is presented in accordance with contractual requirements of the Oklahoma State Office of Juvenile Affairs.

**Schedule of Expenditures of Federal Awards**

**CANADIAN COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2002**

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>CFDA Number</u> | <u>Federal Expenditures</u> |
|--|--------------------|-----------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE:</b>                               |                    |                             |
| Passed through the State Department of Education:                    |                    |                             |
| School Breakfast Program   | 10.553             | \$ 10,760                   |
| National School Lunch Program  | 10.555             | 11,976                      |
| Total U.S. Department of Agriculture                                 |                    | <u>22,736</u>               |
| <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>             |                    |                             |
| Passed through the State Department of Commerce                      |                    |                             |
| Community Development Block Grant/State's Program                    | 14.228             | 31,380                      |
| Emergency Shelter Grant Program                                      | 14.231             | 26,275                      |
| Emergency Shelter Grant Program                                      | 14.231             | 5,431                       |
| Total U.S. Department of Justice                                     |                    | <u>63,086</u>               |
| <b>U.S. DEPARTMENT OF JUSTICE:</b>                                   |                    |                             |
| Passed through the State Office of Juvenile Affairs                  |                    |                             |
| Juvenile Accountability Incentive Block Grant                        | 16.523             | 12,128                      |
| Juvenile Justice and Delinquency Prevention Act                      | 16.548             | 4,521                       |
| Juvenile Justice and Delinquency Prevention Act                      | 16.548             | 19,792                      |
| Total U.S. Department of Justice                                     |                    | <u>36,441</u>               |
| <b>FEDERAL EMERGENCY MANAGEMENT AGENCY:</b>                          |                    |                             |
| Passed through State Department of Civil Emergency Management        |                    |                             |
| Public Assistance Grant Program                                      | 83.544             | 510,788                     |
| Public Assistance Grant Program                                      | 83.544             | 1,438                       |
| Public Assistance Grant Program                                      | 83.544             |                             |
| Hazard Mitigation Grant Program (Safe Room)                          | 83.548             | 30,000                      |
| Total Federal Emergency Management Agency                            |                    | <u>542,226</u>              |
| Total Expenditures of Federal Awards                                 |                    | <u>\$ 664,489</u>           |

1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Canadian County, and is presented on the *modified accrual 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*.

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



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Report on Compliance and on Internal Control Over Financial  
Reporting 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 financial statements of Canadian County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated March 10, 2003. We did not audit the financial statements of the Canadian County Public Facilities Authority and the Canadian County Home Finance Authority, component units of Canadian County. The Authorities represent 100% of the assets and revenues reported in the expendable and nonexpendable trust fund columns. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Canadian County Public Facilities Authority and the Canadian County Home Finance Authority, is based solely on the reports of the other auditors. 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.

Compliance

As part of obtaining reasonable assurance about whether Canadian County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

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 financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 and questioned costs as item 2001-1.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2001-1 to be a material weakness.

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

March 10, 2003

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



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 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 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 its major federal programs for the year ended June 30, 2002. 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 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 generally accepted auditing standards; 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 of 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, 2002.

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.

A material weakness is a 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 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. Our consideration of the internal control over compliance 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. 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:

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. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN  
State Auditor and Inspector

March 10, 2003

**Schedule of Findings and Questioned Costs**

CANADIAN COUNTY, OKLAHOMA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 JUNE 30, 2002

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SECTION 1 - Summary of Auditor's Results

Financial Statements

|   |               |
|---|---------------|
| Type of auditor's report issued:  | Unqualified   |
| Internal control over financial reporting:  |               |
| • Material weakness(es) identified?   | Yes           |
| • 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

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u>                                     |
|-----------------------|---|
| 83.544                | Federal Emergency Management Agency (FEMA)<br>Public Assistance Grant Program |

|  |                  |
|--|------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$300,000</u> |
| Auditee qualified as low-risk auditee?                                   | No               |

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**SECTION 2 - Financial Statement Findings**

**Finding 2001-1 -Segregation of Duties**

**Criteria:** The overall goal of accounting principles generally accepted in the United States of America is to demonstrate accountability and stewardship to be used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

**Condition:** Based on inquiries of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated. This comment was noted in the offices of the County Treasurer, County Assessor, and the County Election Board.

**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 County operations and periodic review of those operations.

**SECTION 3 – Federal Award Findings and Questioned Costs**

No matters reported.

## **Management Response**

OFFICE OF  
*County Commissioners*

201 N. CHOCTAW  
CANADIAN COUNTY, OKLAHOMA  
EL RENO, OKLAHOMA 73036

Phil Carson, District No. 1  
Don Young, District No. 2  
Grant Hedrick, Jr., District No. 3

County Commissioners Office Phone  
(405) 262-1070, Ext. 200  
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April 2, 2003

State Auditor & Inspector  
Attn: Sherri Merle  
1401 Lera, Suite 9  
Weatherford, OK 73096

Dear Sherri,

In response to our recent audit regarding the above-mentioned comment, we are in the process of addressing these issues:

**Treasurer's Office:** A part time employee has been hired to provide the additional time needed to cross train full time staff to implement segregation of duties.

**Assessor's Office:** Three staff alternates collecting of money received depending on who may or may not be occupied on the phone or with another customer at the main window. Upon receiving any monies in their office, any personnel who work in the main part of their office may collect the money. They have one girl whose primary duty is handling the deposit of those funds. She would only collect money in the absence of the ladies who primarily work the customer window. They have another who handles the report for those funds collected. The Assessor cannot think of an occasion unless they had a great number out because of illness that they would have any less than three persons involved with the collection of funds received by their office.

**County Election Board** will begin a new process in relation to the Special Depository Account in order to separate the duties. Cheryl Steffen will write the receipts and Dorothy Riley will make the deposit and enter it into the computer. Wanda Arnold will disperse the money and Dorothy will sign the vouchers.

Sincerely,



Grant Hedrick, Jr., Chairman  
Board of Canadian County Commissioners



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