

**CARTER COUNTY, OKLAHOMA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 9, 2004

TO THE CITIZENS OF
CARTER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Carter County, Oklahoma, for the fiscal year ended June 30, 2003. 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

**CARTER COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

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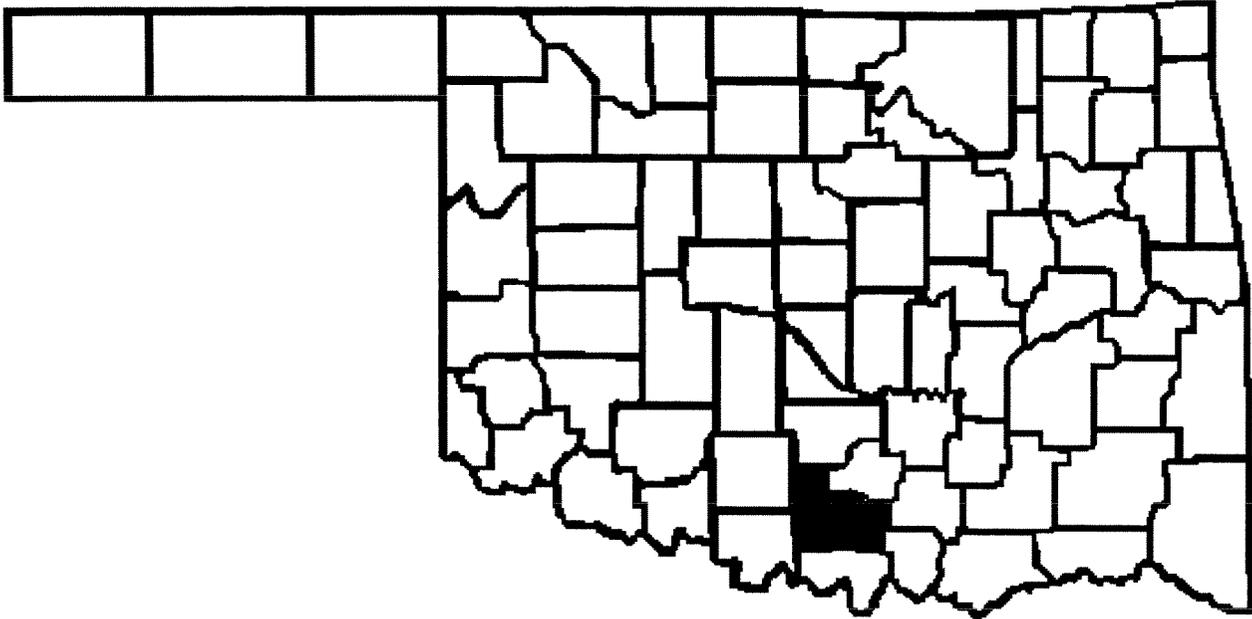
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**REPORT TO THE CITIZENS
OF
CARTER COUNTY, OKLAHOMA**



Carter County was formerly a part of Pickens County, Chickasaw Nation, Indian Territory. Named for a prominent early-day family, the county ranges from hilly, rugged terrain in the north, exemplified by the Arbuckle Mountains, to rolling plains with productive oil fields in the south.

Ardmore, the county seat, located midway between Dallas and Oklahoma City on Interstate 35, is the site of the Michelin North American Tire Plant, Ardmore Higher Education Center, Ardmore Area Vocational-Technical School, and the Noble Foundation. The Joe Brown Co., Ultimar Diamond Shamrock, Bluebonnet Milling Co., Sunshine Industries, and major distribution centers for Best Buy, Dollar General, and Circuit City are also located in Ardmore.

Healdton, located in western Carter County, was site of the Healdton field which, at its peak in 1916, produced an estimated 95,000 barrels of crude oil per day.

Lake Murray Resort, located seven miles south of Ardmore, offers recreational and conference facilities on a year-round basis. For additional county information, call the county clerk's office at 580-223-8162.

County Seat - Ardmore

Area – 823.9 Square Miles

County Population - 45,621 (2000 est.)

Farms – 1,165

Land in Farms - 382,391 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**CARTER COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Sam West
(D) Ardmore

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
Cynthia Harmon
(D) Ardmore

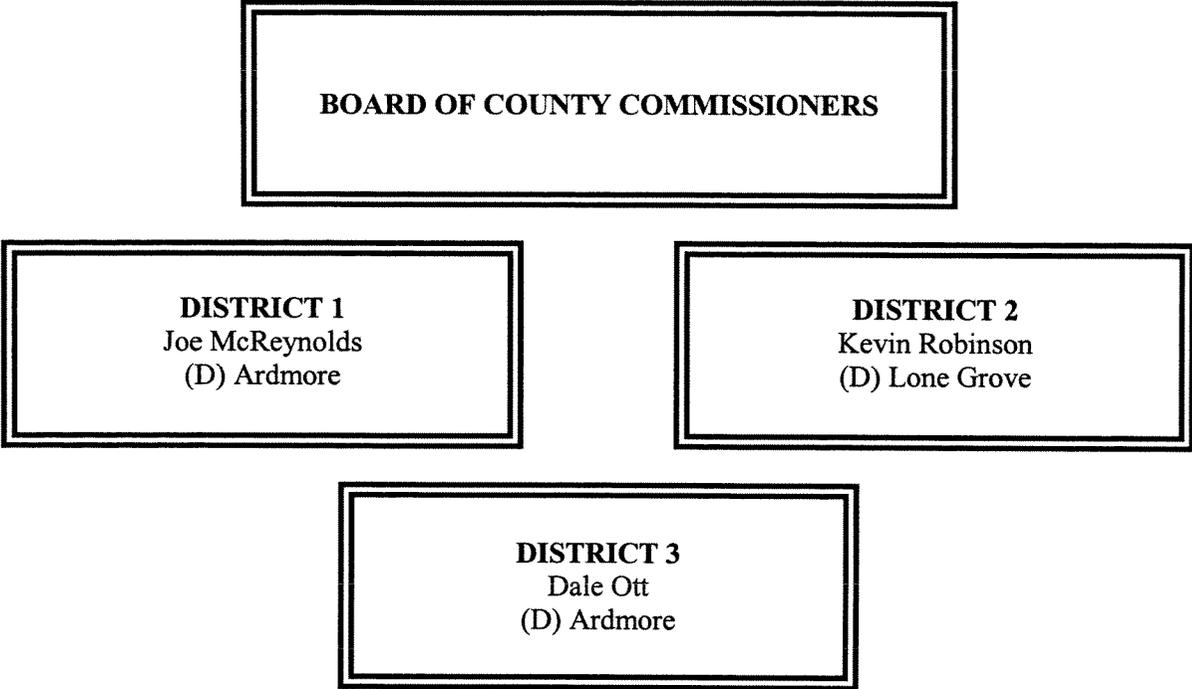
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**CARTER COUNTY OFFICIALS
AND RESPONSIBILITIES**



The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.

**CARTER COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Harvey Burkhart
(D) Ardmore

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
LaDonna Brown Miller
(D) Ardmore

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report.

**CARTER COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Karen Volino
(D) Ardmore

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
Mitch Sperry
(D) Ardmore

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.

**CARTER COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY
Mina Howard
(D) Ardmore

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

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
CARTER COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Carter County, Oklahoma, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose financial statements are the responsibility of Carter County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Carter County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department of the County, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2004, on our consideration of Carter 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 special-purpose financial statements of Carter 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*. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

April 1, 2004

Special-Purpose Financial Statements

**CARTER COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2003**

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2003
County General Fund	\$ 513,894	\$ 3,598,355	\$ 3,118,235	\$ 994,014
T-Highway	2,300,668	4,156,236	4,299,394	2,157,510
Emergency Medical Service Fund	1,029	93,413	93,291	1,151
Sales Tax Revolving	1,694,225	770,753	1,578,956	886,022
County Health	491,115	439,086	377,314	552,887
Courthouse Renovation		174,769	175,869	(1,100)
Roadside Dumping	100			100
Community Service	10,568	24,715	24,202	11,081
Assessor's Revolving	2,511	4,822	4,224	3,109
Ardmore Development Authority		497,406	31,508	465,898
Assessor's Visual Inspection	1,566			1,566
Assessor Computer Upgrade	2,523		2,393	130
Mech Liens	40,842	17,392	11,326	46,908
Sheriff Service Fee	123,526	215,106	233,863	104,769
Sheriff Deputy Ranger	119			119
Sheriff Drug Enforcement	5,040	679		5,719
Board of Prisoners	117,774	326,828	289,063	155,539
Mortgage Certification Fee	23,799	14,080	16,495	21,384
Resale Property	182,237	175,471	143,611	214,097
FEMA	7,800	2,595		10,395
Work Restitution	610	795		1,405
County Roads and Improvements	492,451	8,622		501,073
Trash Cop	797			797
Health Special Events	66,961	20,320	47,720	39,561
OSU Computer Upgrade	223			223
Enhanced 911	70,248	201,297	80,267	191,278
CC Housing Finance		1,000	1,000	
Cities and Towns	28,613	593,033	590,894	30,752
Law Library	29,710	39,614	33,119	36,205
Excess Resale		928		928
Schools	121,496	14,217,748	13,871,685	467,559
Multi-County Library	3,245	422,474	420,218	5,501
Protest Tax	662	536		1,198
Individual Redemption	16,982	98,528	67,149	48,361
Protest Monies	2,509	237,720		240,229
Official Depository	920,347	7,448,783	7,234,853	1,134,277
Unapportioned Taxes	8,123	18,343	13,950	12,516
County Clerk Preservation	57,952	68,875		126,827
Protest Tax 2002	648			648
Government Obligation Bond 2000	17,640	333		17,973
County Sinking	3,490	16,566	18,251	1,805
Total County Funds	\$ 7,362,043	\$ 33,907,221	\$ 32,778,850	\$ 8,490,414

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

**CARTER COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 513,894	\$ 513,894	\$ 513,894	\$
Less: Prior Year Outstanding Warrants	(226,649)	(226,649)	(226,649)	
Less: Prior Year Encumbrances	(57,142)	(57,142)	(55,033)	2,109
Beginning Cash Balances, Budgetary Basis	<u>230,103</u>	<u>230,103</u>	<u>232,212</u>	<u>2,109</u>
Receipts:				
Sales Tax			400,000	400,000
Ad Valorem Taxes	2,213,107	2,213,107	2,115,149	(97,958)
Charges for Services	256,219	256,219	284,203	27,984
Intergovernmental Revenues	441,478	441,478	685,847	244,369
Miscellaneous Revenues	109,133	109,133	113,156	4,023
Total Receipts, Budgetary Basis	<u>3,019,937</u>	<u>3,019,937</u>	<u>3,598,355</u>	<u>578,418</u>
Expenditures:				
District Attorney	34,000	34,000	27,496	6,504
Total District Attorney	<u>34,000</u>	<u>34,000</u>	<u>27,496</u>	<u>6,504</u>
County Sheriff	510,523	510,523	506,606	3,917
Capital Outlay	5,000	5,000	3,877	1,123
Total County Sheriff	<u>515,523</u>	<u>515,523</u>	<u>510,483</u>	<u>5,040</u>
County Treasurer	82,681	82,681	80,935	1,746
Total County Treasurer	<u>82,681</u>	<u>82,681</u>	<u>80,935</u>	<u>1,746</u>
County Commissioners	65,001	65,001	59,408	5,593
Capital Outlay	1	1		1
Total County Commissioners	<u>65,002</u>	<u>65,002</u>	<u>59,408</u>	<u>5,594</u>
OSU Extension	74,514	74,514	72,531	1,983
Total OSU Extension	<u>74,514</u>	<u>74,514</u>	<u>72,531</u>	<u>1,983</u>
County Clerk	205,146	205,146	202,993	2,153
Capital Outlay	1	1		1
Total County Clerk	<u>205,147</u>	<u>205,147</u>	<u>202,993</u>	<u>2,154</u>
Court Clerk	220,940	220,940	215,020	5,920
Total Court Clerk	<u>220,940</u>	<u>220,940</u>	<u>215,020</u>	<u>5,920</u>

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

**CARTER COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	79,501	79,501	79,367	134
Total County Assessor	79,501	79,501	79,367	134
Revaluation of Real Property	272,958	272,958	271,765	1,193
Capital Outlay	48,772	48,772	48,288	484
Total Revaluation of Real Property	321,730	321,730	320,053	1,677
General Government	777,581	777,581	635,528	142,053
Capital Outlay	1	1		1
Total General Government	777,582	777,582	635,528	142,054
Excise-Equalization Board	5,000	5,000	2,810	2 190
Total Excise-Equalization Board	5,000	5,000	2,810	2,190
County Election Board	107,671	107,671	105,225	2,446
Capital Outlay	100	100		100
Total County Election Board	107,771	107,771	105,225	2,546
Detention Center	714,067	714,067	710,886	3 181
Capital Outlay	13,965	13,965	13,965	
Total Detention Center	728,032	728,032	724,851	3,181
County Audit Budget	22,517	22,517	21,457	1 060
Total County Audit Budget	22,517	22,517	21,457	1,060
County Cemetery	2,600	2,600	2,600	
Total County Cemetery	2,600	2,600	2,600	-
Free Fair Budget	5,000	5,000	5,000	
Total Free Fair Budget	5,000	5,000	5,000	-
Provision for Interest on Warrants	2,500	2,500	2,467	33
Total Expenditures, Budgetary Basis	3,250,040	3,250,040	3,068,224	181,816

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

**CARTER COUNTY, OKLAHOMA
 COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
 AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2003**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	762,343	\$ 762,343
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			12,865	
Add: Current Year Outstanding Warrants			218,806	
Ending Cash Balance			\$ 994,014	

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

**CARTER COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
COUNTY HEALTH DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2003**

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 491,115	\$ 491,115	\$ 491,115	\$
Less: Prior Year Outstanding Warrants	(3,221)	(3,221)	(3,221)	
Less: Prior Year Encumbrances	(52,293)	(52,293)	(43,600)	8,693
Beginning Cash Balances, Budgetary Basis	<u>435,601</u>	<u>435,601</u>	<u>444,294</u>	<u>8,693</u>
Receipts:				
Ad Valorem Taxes	441,764	441,764	422,222	(19,542)
Charges for Services			7,986	7,986
Intergovernmental Revenues			266	266
Miscellaneous Revenues			8,612	8,612
Total Receipts, Budgetary Basis	<u>441,764</u>	<u>441,764</u>	<u>439,086</u>	<u>(2,678)</u>
Expenditures:				
Health and Welfare	437,642	437,642	357,731	79,911
Capital Outlay	439,723	439,723	17,636	422,087
Total Expenditures, Budgetary Basis	<u>877,365</u>	<u>877,365</u>	<u>375,367</u>	<u>501,998</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	508,013	<u>\$ 508,013</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			40,932	
Add: Current Year Outstanding Warrants			3,942	
Ending Cash Balance			<u>\$ 552,887</u>	

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

**CARTER COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2003**

Beginning Cash Balance	<u>\$ 3,490</u>
Receipts:	
Ad Valorem Tax	16,565
Miscellaneous	<u>1</u>
Total Receipts	<u>16,566</u>
Disbursements:	
County Judgments	16,667
Interest Paid	<u>1,584</u>
Total Disbursements	<u>18,251</u>
Ending Cash Balance	<u><u>\$ 1,805</u></u>

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

**CARTER COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2003**

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
County Clerk	\$ 35,183	\$ 423,588	\$ 412,087	\$ 61	\$ 46,745
Mechanic Lien	79	3,764	3,762		81
Sheriff Training Fund	879	13,544	13,544		879
Sheriff Drug Account	465		400		65
Sheriff Tax Warrant	1,508				1,508
Sheriff Foreign Service Fee	14,393	11,496	11,930	155	14,114
Sheriff Commissary		24,021	23,532		489
Sheriff Cash Bond		22,474	22,474		
Civil and Small Claims	216,301	2,923,712	2,826,439	42,797	356,371
Court Fund	132,817	954,191	897,355	4,821	194,474
Court Clerk Revolving Fund	40,614	24,768	26,314	55	39,123
Court Clerk Improvement Fund	91,373	1,881			93,254
County Treasurer	37,567	1,771,059	1,762,645	14,676	60,657
Mobile Homes	21,421	28,390	29,168		20,643
County Health		16,729	16,729		
Early Intervention		16,176	16,176		
Election Board	300	64,610	62,457	1,197	3,650
District Attorney Check Prosecution Account	269,649	381,063	416,736	1,986	235,962
District Attorney Child Support	5	127	94		38
District Attorney Drug Asset	3,990	20,466	23,035	149	1,570
District Attorney Restitution	4,771	95,867	102,835	3,419	1,222
District Attorney Bogus Check Restitution	22,835	274,249	276,203	824	21,705
District Attorney Task Force, Drug	9,922	184,758	170,977	1,268	24,971
District Attorney Witness Fee	21	8,221	8,038	60	264
Drug Task Force	15,295	145,809	163,936	2,959	127
District Attorney Restitution and Diversion		16,954	17,271	317	
District Attorney Restitution and Diversion Fee	959	2,150			3,109
Deferred Prosecution Agreements Supervisory		8,116	566		7,550
District Attorney Drug Enforcement		5,778	72		5,706
County Assessor		4,822	4,822		
Total Official Depository Accounts	\$ 920,347	\$ 7,448,783	\$ 7,309,597	\$ 74,744	\$ 1,134,277

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

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

The Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund and County Health Department 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 Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2003.

F. Risk Management

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

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

**CARTER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed authorized deductibles, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Fund. (See ACCO-SIF.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - 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 will pay a deductible amount (\$1,000 to \$100,000; the County has a \$50,000 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the 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 will pay 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 recently assessed additional premiums to be paid by its members.

The County continues to carry commercial insurance for employees' health and life 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. There have been no significant reductions in insurance coverage during the 2003 fiscal year.

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and must be taken during the year earned. Employees with 1 to 11 years of service earn 80 hours per year and employees with 12 plus year of service earn 120 hours per year.

Sick leave is accrued on a monthly basis. Sick leave shall accumulate at the rate of 8 hours each full calendar month of service and may be accrued up to a maximum of 90 days.

The County does not record any liability for sick leave.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$8,490,414 and the bank balance was \$8,556,594. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

Detailed Notes on Funds and Account Balances (continued)

- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

B. Description of Funds

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

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

Emergency Medical Service Fund – accounts for monies collected on behalf of the EMS from ad valorem taxes and remitted to them monthly.

Sales Tax Revolving – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

Courthouse Renovation – accounts for Community Development Block Grant funds received and the disbursements of funds as restricted by grant agreement.

Roadside Dumping – accounts for state monies and donations received and the disbursements of funds for the prevention of littering.

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

Assessor's Revolving – accounts for the collection of fees for copies restricted by state statute.

Ardmore Development Authority – accounts for ad valorem collected in Tax Increment Finance (TIF) districts within the County. Money is disbursed to the Ardmore Development Authority as it is collected for urban renewal and urban development.

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

Assessor Computer Upgrade – accounts for collections made within the Assessor's office for the purpose of purchasing computer equipment.

Mech Liens – accounts for lien collections and disbursements as restricted by statute.

Detailed Notes on Funds and Account Balances (continued)

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

Sheriff Deputy Ranger – accounts for the collections of state grant monies and donations for the prevention of delinquency in minors.

Sheriff Drug Enforcement – accounts for the collection of the Sheriff's percentage of drug forfeiture.

Board of Prisoners – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections' prisoners.

Mortgage Certificate Fee – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursements of the funds as restricted by statute.

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

FEMA – accounts for the collection of grant monies received from the Federal Emergency Management Agency and disbursed as restricted by the grant agreement.

Work Restitution - accounts for fines collected for tardiness at district court. Disbursements are restricted by order of the judge.

County Roads and Improvements – account for state grant monies received from the Oklahoma Department of Transportation for road and bridge projects.

Trash Cop – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

Health Special Events – account for donations received to host special health events not funded by the County.

OSU Computer Upgrade – accounts for state grant monies and donations received to purchase computer equipment for the OSU extension.

Enhanced 911 – accounts for state grant funds received for the purpose of implementing a 911 service.

CARTER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

CC Housing Finance – accounts for Home Investment Partnership Program grant funds received and the disbursements of funds as restricted by grant agreement.

Cities and Towns – account for monies collected on behalf of the cities and towns in Carter County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Law Library – accounts for monies received for disbursement from the state for the law library board.

Excess Resale – accounts for the proceeds of sale of property in excess of tax against property to be held in trust for a two-year period.

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

Multi-County Library – accounts for monies collected on behalf of the multi-county library from ad valorem taxes and remitted to them monthly.

Protest Tax – accounts for ad valorem taxes collected in protest.

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

Protest Monies – account for ad valorem taxes collected in protest from public service entities.

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

Unapportioned Taxes – account for taxes and fees collected and being held for apportionment to various government entities.

County Clerk Preservation – accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute for preservation of records.

Protest Tax 2002 – accounts for ad valorem taxes collected in protest.

Government Obligation Bond 2000 – accounts for the excess proceeds for the sale of general obligation bonds for the Ardmore Development Authority. Disbursements may be made for the retirement of the obligation.

Detailed Notes on Funds and Account Balances (continued)

County Sinking – accounts for the payment of interest and principal on the matures portion of long-term bonded debt and civil judgment. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments. Carter County currently has no long-term debt. The remaining balance in the County sinking fund will be transferred to the general fund.

The following narrative details the official depository accounts.

County Clerk – accounts for the collection of filing fees and disbursed to the Oklahoma Tax Commission and general fund.

Mechanic Lien – accounts for lien collections and disbursements as restricted by state statute.

Sheriff Training Fund – accounts for monies received from the sale of forfeited property. Disbursements are for law enforcement training.

Sheriff Drug Account – accounts for collections from asset forfeitures and disbursements are confidential in nature.

Sheriff Tax Warrant – accounts for the collection of tax warrants served by the Sheriff.

Sheriff Foreign Service Fee – account for all collection of foreign service fees. Monies are vouchered out at the end of the month to the Sheriff's service fee account.

Sheriff Commissary – accounts for monies received from inmates for purchases from the County's commissary and disbursements are to the Oklahoma Tax Commission for sales tax collected and to Carter County Board of Prisoners for profits earned.

Sheriff Cash Bond – accounts for the collection of cash bonds and disbursed by court order.

Civil and Small Claims – account for the collection of bond money, court fines, and fees. Money is disbursed for fees and restitution.

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

Court Clerk Revolving Fund – accounts for a charge of \$5.00 for each warrant. Money is disbursed in the same manner as court fund.

Court Clerk Improvement Fund – accounts for monies deposited from the Court Clerk's office for the remodeling of the Court Clerk's office. Monies are vouchered to a cash account for disbursement.

**CARTER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Detailed Notes on Funds and Account Balances (continued)

County Treasurer – accounts for miscellaneous collections held in trust for disbursements.

Mobile Homes – account for the collections of taxes and pre-paid mobile homes. Disbursements are for the purpose of refunding overpayment of taxes.

County Health – accounts for the collection of state funds and charges for services. Money is disbursed on a monthly basis to be transferred to the county health department cash account.

Early Intervention – accounts for the collections of grant money from Southern Oklahoma Memorial Foundation. Money is disbursed for equipment and maintenance of equipment for developmental delayed children.

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

District Attorney Check Prosecution Account – accounts for the collection of District Attorney fees transferred from the bogus check restitution account and disbursement of funds restricted by state statutes.

District Attorney Child Support – accounts for child support incentive money from the state. Disbursements are for the operation of the child support office.

District Attorney Drug Asset – accounts for collection from asset forfeitures. Disbursements are restricted by court order.

District Attorney Restitution – accounts for collections received by court orders to reimburse victims.

District Attorney Bogus Check Restitution – accounts for the collection of bogus checks and District Attorney fees to be disbursed to the merchant and the District Attorney fee account.

District Attorney Task Force, Drug – accounts for collections from asset forfeitures and disbursement of funds by court order and state statutes.

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

Drug Task Force – accounts for state grant monies received by the District Attorney's Training Council and disbursements are for salaries and the operation of the Drug Task Force.

Detailed Notes on Funds and Account Balances (continued)

District Attorney Restitution and Diversion – accounts for collections from defendants entering into a deferred prosecution agreement (DPA) with the District Attorney to pay restitution to the victim. Disbursements are paid to the victim and or merchant.

District Attorney Restitution and Diversion Fee – accounts for collections from defendants that enter into a DPA with the District Attorney to pay a District Attorney fee of equal to the amount which would have been assessed as court costs upon filing of the case in district court. Disbursements are for the operation of the District Attorney's office.

Deferred Prosecution Agreements Supervisory – accounts for collections derived from when a defendant enters into a DPA with the District Attorney and agrees to pay supervision fees to the District Attorney for the number of months on the agreement plus a one time administrative fee. Disbursements are for the operation of the District Attorney's office.

District Attorney Drug Enforcement – accounts for all collections for copies and proceeds from the sale of ownership books to be disbursed at the end of the month and deposited in the Assessor's revolving fund.

County Assessor – accounts for all collections for copies and proceeds from the sale of ownership books to be disbursed at the end of the month and deposited in the Assessor's revolving fund.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2002, was approximately \$225,170,809.

Per Article 10, § 8A, with the repeal of personal property tax, the millage with the adjustment factor is 10.32 mills for general fund operations, 2.06 mills for the county health department, 2.06 mills for the multi-county library, and 0.08 mill for the sinking for the retirement of judgments. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

CARTER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

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

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

Current year tax collections for the year ended June 30, 2003, were approximately 96.15 percent of the tax levy.

D. Pension Plan

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

E. Capital Leases

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

F. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The County issued general obligation bonds March 1, 2003. The general obligation bonds will be used for construction and expansion of four manufacturing businesses: Southwest Silicon, Michelin, IMTEC, and MMI. These manufacturing companies will pay rent, which will be used to pay the interest and principal of the bonds upon maturity. The County has no tax levy for the retirement of these bonds. The bond payments are set up in a bank account through Bancfirst and are not reflected on the County's general ledger; therefore, no sinking fund exists.

CARTER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

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

Purpose	Interest Rates	Amount
Carter County General Obligation Bonds of 2000	5.8% - 6.0%	\$2,100,000
Total		\$2,100,000

Annual debt service requirements to maturity for general obligation bonds, including interest of \$561,750, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$ 210,000	\$111,720	\$ 321,720
2005	210,000	99,540	309,540
2006	210,000	87,255	297,255
2007	210,000	74,970	284,970
2008	210,000	62,580	272,580
2009-2012	840,000	125,685	965,685
Total	\$1,890,000	\$561,750	\$2,451,750

G. Judgment

The County had a judgment which was being retired by a tax levy. The County was obligated to pay the judgment over a three-year period. The judgment was retired in the current fiscal year.

Case Number	Original Judgment
CJ-95-22	\$50,000

H. 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.

**CARTER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

4. Contingent Liabilities

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

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

5. Sales Tax

The voters of Carter County approved a ¼% sales tax effective November 1999. This sales tax will not expire. The sales tax was established to provide revenue for the following: County roads, Bridges, and Equipment, 33.34%; County General, 33.33%; and Law Enforcement 33.33%.

6. Subsequent Event

Four State of Oklahoma warrants totaling \$2,074.00 from the Oklahoma Department of Juvenile Affairs were altered and commingled with Home Investment Partnership Program federal funds. These warrants were altered after the fiscal year ending June 30, 2003. The District Attorney is aware of this situation and will determine necessary actions to be taken.

Schedule of Expenditures of Federal Awards

CARTER COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grant	14.228	99 CDBG 8914	\$ 30,269
Community Development Block Grant	14.228	99 CDBG 9209	144,500
Passed Through Oklahoma Housing Finance Agency:			
Home Investment Program	14.239	02 HOME 8820	<u>2,100</u>
Total U.S. Department of Housing and Urban Development			<u>176,869</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
State Criminal Alien Assistance Program	16.606	2002APBX0438	4,293
Bulletproof Vest Partnership Program	16.607		13,544
Community Oriented Policing Services	16.710	1999SHWX0418	25,969
Community Oriented Policing Services	16.710	2001UMWX0221	<u>26,500</u>
Total U.S. Department of Justice			<u>70,306</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma State Department of Civil Emergency Management:			
Public Assistance Grants	83.544		<u>138,552</u>
Total Federal Emergency Management Agency			<u>138,552</u>
Total Expenditures of Federal Awards			<u>\$ 385,727</u>

CARTER COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Basis of Presentation

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

**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
CARTER COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Carter County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated April 1, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. 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 Carter County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*. However, we noted certain immaterial instances of noncompliance, which we have reported to management and are included in Section 4 of the schedule of findings and questioned costs, contained within this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carter County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide 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 conditions are described in the accompanying schedule of findings and questioned costs as items 2003-1, 2003-2, and 2003-8.

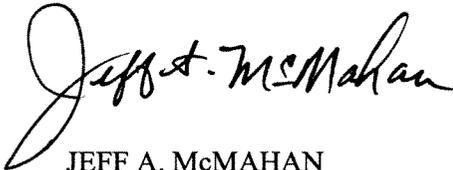
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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, of the reportable conditions described above, we consider item 2003-1 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, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

April 1, 2004

**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
CARTER COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Carter County, Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2003-3, 2003-4, and 2003-5.

Internal Control Over Compliance

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

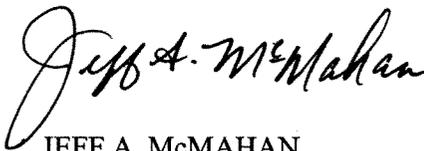
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively 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. 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,



JEFF A. McMAHAN
State Auditor and Inspector

April 1, 2004

Schedule of Findings and Questioned Costs

CARTER COUNTY, OKLAHOMA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2003

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? Yes

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? Yes

Identification of Major Programs

CFDA Number(s)

83.544
14.228

Name of Federal Program or Cluster

Public Assistance Grants
Community Development Block Grants

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

Auditee qualified as low-risk auditee? No

SECTION 2 - Findings related to the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2003-1 - Segregation of Duties

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources. The most effective controls lie in management's knowledge of County operations and a periodic review of operations.

Condition: The limited number of office personnel within several County offices prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

Recommendation: We recommend management be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view.

Management's Response: We concur with the auditor's findings. Management does have knowledge of County operations and will perform a periodic review of these operations.

Finding 2003-2 - Policies and Procedures for the IT System

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT Delivery and Support 7), management should educate and train users to ensure that users are making effective use of technology and are aware of their risks and responsibilities.

Condition: The County does not have written policies and procedures addressing information security or provide adequate awareness training.

Recommendation: We recommend the County establish Information Security policies and procedures. A security awareness-training program should be established and all employees using computers required to participate.

Management's Response: The County officials will begin work to prepare and implement policies and procedures for the information systems.

CARTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Finding 2003-8 - Inmate Trust Fund

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Condition: The Sheriff's Inmate Trust Fund and Commissary are not reconciled with the bank statements each month. Bank statements should be reconciled to the Inmate Trust Ledger.

Recommendation: We recommend the Sheriff maintain an Inmate Trust Fund Ledger and reconcile it to the bank statements monthly.

Management's Response: Management concurs with the auditors' findings and will implement procedures to correct this issue.

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

Finding 2003-3 - Cash Management

Criteria: Treasury regulations as codified in 31 CFR 205 require recipients to follow procedures to minimize the time elapsing between the transfer of fund from the U.S. Treasury and disbursement.

Condition: During testwork we noted three disbursements that were not made in a timely manner.

Recommendation: We recommend the County design and implement cash management procedures to minimize the time elapsing between the transfer of fund from the U.S. Treasury and disbursement.

Management's Response: Management concurs with the auditor's findings and is in the process of implementing procedures to correct this issue.

Finding 2003-4 - Activities Allowed, Allowable Costs, and Procurement

Criteria: Office of Management and Budget Circular A-87 states, "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received."

CARTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Condition: During testwork it was noted that purchase order 3949 for \$3,040.76 was charged to the federal award. Based on the testwork performed it appears the items purchased were for personal use and not chargeable to the federal award. Furthermore, supporting documentation was altered with the use of white out and the invoice was not legitimate. In addition, it was noted that the warrant was altered with the use of white out and disbursed to a different vendor. We question the full amount of \$3,040.76.

Recommendation: We recommend allowable activities and costs be charged to the federal award and proper documentation be maintained to support all expenditures of federal funds.

Management's Response: Management concurs with the auditors' findings and is working with the Oklahoma Department of Commerce to correct this issue.

Finding 2003-5 - Activities Allowed, Allowable Costs, and Procurement

Criteria: Office of Management and Budget Circular A-87 states, "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received."

Condition: During testwork it was noted that the County drew down \$1,100 of federal funds from the Home Investment Partnership Program for purchase order 5538 to a vendor for administrative services for the Community Development Block Grant Program. We question the full amount of \$1,100.

Recommendation: We recommend allowable activities and costs be charged to the federal award, and proper documentation be maintained to support all expenditures of federal funds.

Management's Response: Management concurs with the auditors' findings and is working with the Oklahoma Department of Commerce to correct this issue.

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

Finding 2003-6 - Fixed Assets Inventory

Criteria: Title 19 O.S. 2001, § 178.1 states, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Two Hundred Fifty Dollars (\$250.00), and therefore maintain or cause

CARTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter....”

Condition: The County does not perform a biennial verification of the fixed assets inventory.

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

Management’s Response: We concur with the auditor’s findings. All offices are currently updating inventory records and will complete the form #3512.

Finding 2003-7 - Inmate Trust Fund Deposit

Criteria: Effective accounting procedures are necessary to ensure stewardship and accountability of public funds. Further, Title 19 O.S. 2001, § 531 states, “the county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into the Inmate Trust Fund Checking Account.”

Condition: During testwork it was noted that 14 receipts totaling \$1,018.13 from the Inmate Trust Fund receipt books could not be traced to the deposit. In addition, on November 27, 2002, the cash deposit was \$200 short of receipts issued.

Recommendation: We recommend that all monies collected under the color of office be deposited daily.

Management’s Response: Management is aware of this situation and is in the process of taking appropriate action to correct this issue.

**Statistical Data
(Unaudited)**

**CARTER COUNTY, OKLAHOMA
TOP TEN TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Michelin/Uniroyal Tire	\$ 17,618,384	7.82%
Total Petroleum	14,382,566	6.39%
OG&E	13,013,760	5.78%
Ardmore-EJIW Foundry Inc.	8,504,942	3.78%
Tiffany Plaza Shopping Center	8,108,823	3.60%
Southwestern Bell	5,841,028	2.59%
DG Ardmore LLC	4,020,556	1.78%
Natural Gas Pipeline	3,366,133	1.50%
TPI Pipeline Corp	3,079,063	1.37%
Dollar General Warehouse	2,954,212	1.31%
Total	<u>\$ 80,889,467</u>	<u>35.92%</u>

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

**CARTER COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

Total net assessed value as of January 1, 2002		<u>\$ 225,170,809</u>
Debt limit - 5% of total assessed value		11,258,540
Total bonds outstanding	1,890,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>(1,805)</u>	<u>1,888,195</u>
Legal debt margin		<u>\$ 9,370,345</u>

**CARTER COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

	2003
Estimated population	45,621
Net assessed value	\$ 225,170,809
Gross bonded debt	1,890,000
Less available sinking fund cash balance	(1,805)
Net bonded debt	\$ 1,888,195
Ratio of net bonded debt to assessed value	0.84%
Net bonded debt per capita	\$ 41.390

**CARTER COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

Tax Year	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
2003	\$58,574,883	\$41,227,882	\$136,632,108	\$11,264,064	\$225,170,809	\$1,814,124,389