

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

July 21, 2005

TO THE CITIZENS OF
CARTER COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is stylized with a large, looping "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

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

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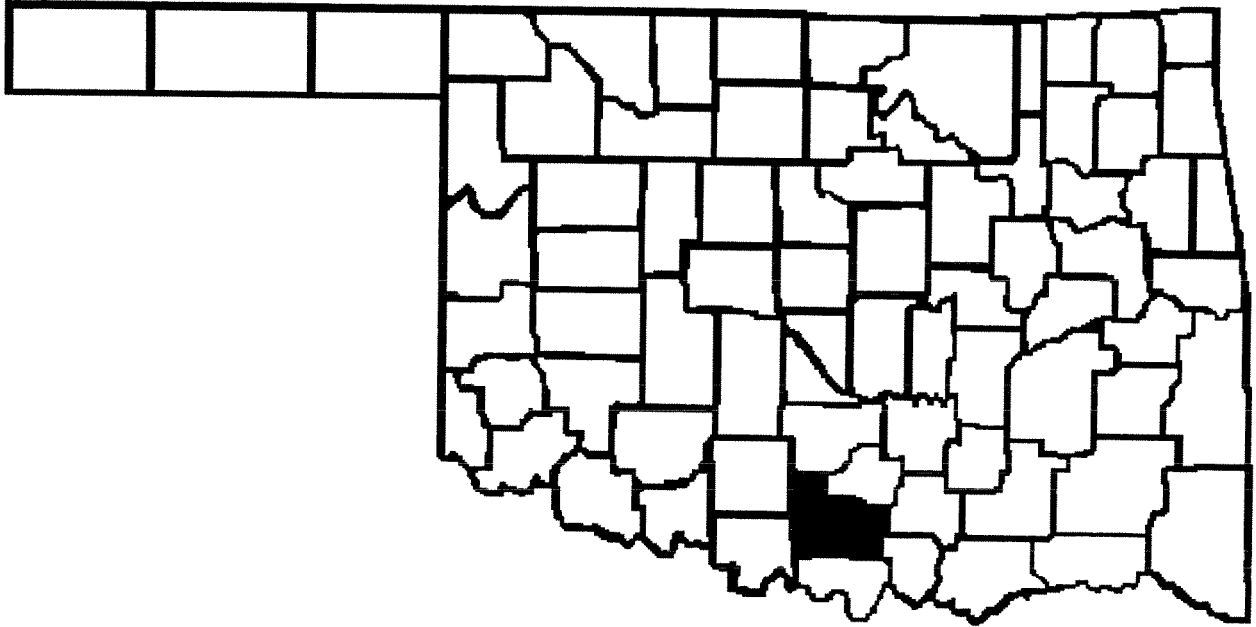
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**CARTER COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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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, Southern Oklahoma Technology Center, 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 the 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

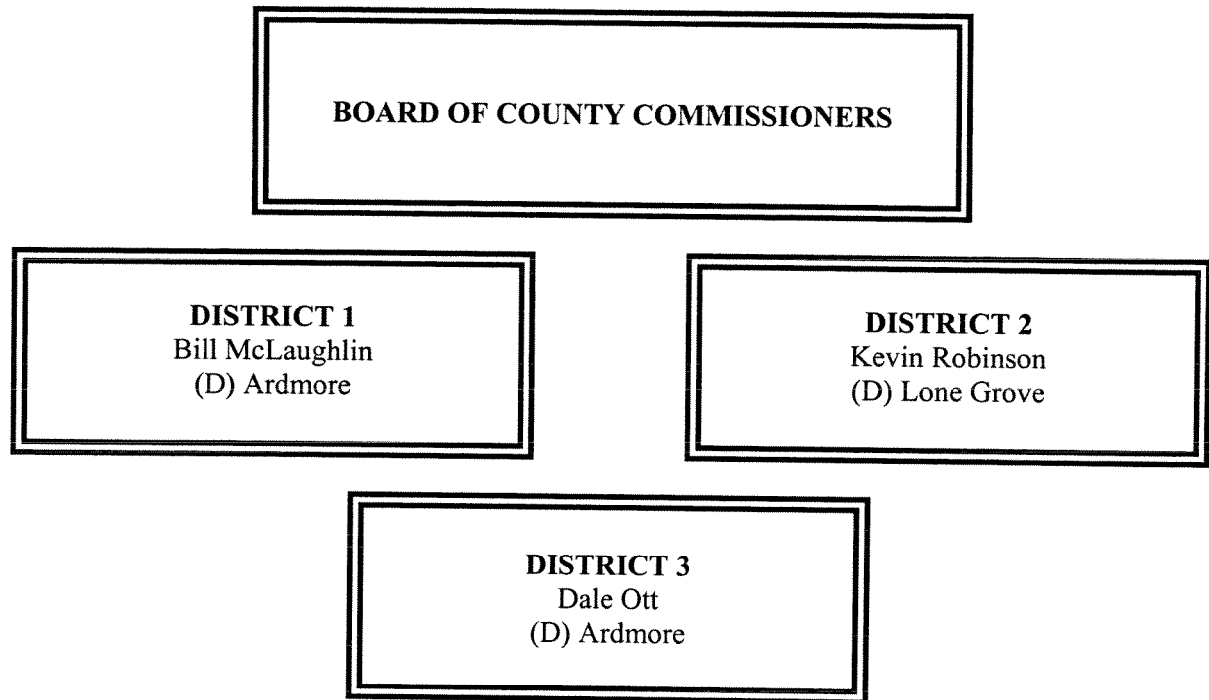
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

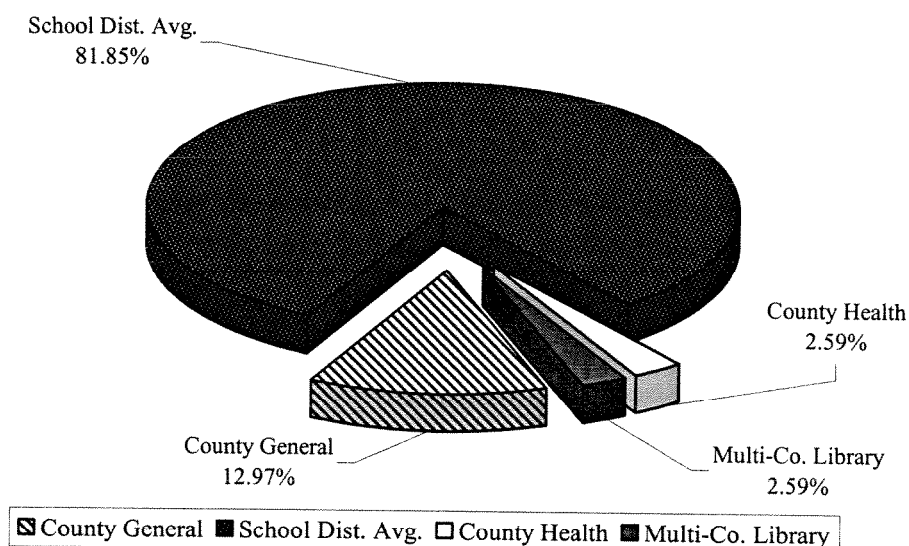
Mina Howard
(D) Ardmore

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.

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

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Tech Cntr.	Common	Total
Co. General	10.32								
County Health	2.06	Ardmore	I-19	35.83	5.12	11.43	10.32	4.13	66.83
Multi-Co. Library	2.06	Springer	I-21	36.04	5.15	4.38	10.32	4.13	60.02
		Plainview	I-27	35.80	5.11	21.35	10.32	4.13	76.71
		Lone Grove	I-32	36.82	5.26	7.92	10.32	4.13	64.45
		Wilson	I-43	37.04	5.29	7.30	10.32	4.13	64.08
Ardmore Sinking	2.17	Healdton	I-55	36.74	5.25	26.11	10.32	4.13	82.55
		Zaneis	I-72	36.42	5.20		10.32	4.13	56.07
		Fox	I-74	36.18	5.17	4.17	10.32	4.13	59.97
		Dickson	I-77	37.20	5.31	9.60	10.32	4.13	66.56
EMS SD 43, 55, 72, 74	3.00	Davis	J-10	35.94	5.13	8.04	10.32	4.13	63.56
		Mannsville	J-7	35.53	5.08		10.32	4.13	55.06
		Velma-Alma	J-15	37.33	5.33	8.54	10.32	4.13	65.65

See independent auditor's report.

FINANCIAL SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
CARTER COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Carter County, Oklahoma, as of and for the year ended June 30, 2004, as listed in the table of contents. These special-purpose financial statements are the responsibility of 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of 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 fund of the County, as of and for the year ended June 30, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

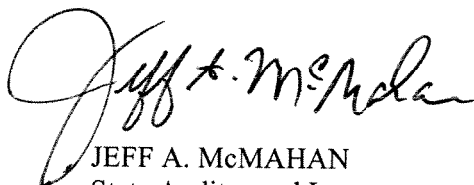
Our audit was conducted for the purpose of forming an opinion on the special-purpose financial statements of Carter County, Oklahoma, taken as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the special-purpose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

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,

A handwritten signature in black ink, reading "Jeff A. McMAHAN". The signature is stylized with a large, looping "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

May 10, 2005

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
County General Fund	\$ 994,014	\$ 3,302,244	\$ 3,306,276	\$ 989,982
T-Highway	2,157,510	4,460,184	4,166,752	2,450,942
Emergency Medical Service Fund	1,151	109,106	103,101	7,156
Sales Tax Revolving	886,022	1,520,487	1,232,457	1,174,052
County Health	552,887	475,012	503,578	524,321
Courthouse Renovation	(1100)	1,100		
Roadside Dumping	100		100	
Community Service	11,081		9,683	1,398
Assessor's Revolving	3,109	4,861	2,068	5,902
Ardmore Development Authority	465,898	452,113	589,194	328,817
Assessor's Visual Inspection	1,566			1,566
Assessor Computer Upgrade	130			130
Mech Liens	46,908	14,492	9,123	52,277
Sheriff Service Fee	104,769	237,551	223,317	119,003
Sheriff Deputy Ranger	119		119	
Sheriff Drug Enforcement	5,719	4,541	1,316	8,944
Board of Prisoners	155,539	374,431	355,942	174,028
Mortgage Certificate Fee	21,384	14,666	9,806	26,244
Resale Property	214,097	134,540	221,728	126,909
FEMA	10,395	33,820	7,261	36,954
Work Restitution	1,405	25		1,430
County Roads and Improvements	501,073	5,619		506,692
Trash Cop	797			797
Health Special Events	39,561	40,582	59,404	20,739
OSU Computer Upgrade	223			223
Enhanced 911	191,278	190,812	231,709	150,381
CC Housing Finance		152,578	151,604	974
Cities and Towns	30,752	633,261	634,457	29,556
Law Library	36,205	43,265	40,127	39,343
Excess Resale	928			928
Schools	467,559	15,368,666	15,062,287	773,938
Multi-County Library	5,501	447,215	449,435	3,281
Protest Tax	238,918	326,643	337,015	228,546
Individual Redemption	48,361	127,034	158,101	17,294
Protest Monies	2,509			2,509
Official Depository	1,134,277	6,594,029	6,542,531	1,185,775
Unapportioned Taxes	12,516	47,156	45,553	14,119

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

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

continued from previous page

<u>All County Funds</u>	<u>Beginning Cash Balances July 1, 2003</u>	<u>Receipts Apportioned</u>	<u>Disbursements</u>	<u>Ending Cash Balances June 30, 2004</u>
County Clerk Preservation	126,827	73,920	131,973	68,774
Estray Animal	648			648
Government Obligation Bond 2000	17,973	202		18,175
County Sinking	1,805	1,227		3,032
Total County Funds	<u><u>\$ 8,490,414</u></u>	<u><u>\$ 35,191,382</u></u>	<u><u>\$ 34,586,017</u></u>	<u><u>\$ 9,095,779</u></u>

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, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 994,014	\$ 994,014	\$ 994,014	\$ -
Less: Prior Year Outstanding Warrants	(218,806)	(218,806)	(218,806)	
Less: Prior Year Encumbrances	(12,865)	(12,865)	(10,711)	2,154
Beginning Cash Balances, Budgetary Basis	762,343	762,343	764,497	2,154
Receipts:				
Ad Valorem Taxes	2,135,397	2,135,397	2,239,370	103,973
Charges for Services	400,780	400,780	263,587	(137,193)
Intergovernmental Revenues	472,418	472,418	714,536	242,118
Miscellaneous Revenues	97,161	183,862	84,751	(99,111)
Total Receipts, Budgetary Basis	3,105,756	3,192,457	3,302,244	109,787
Expenditures:				
District Attorney	30,000	30,000	25,456	4,544
Total District Attorney	30,000	30,000	25,456	4,544
County Sheriff	514,847	514,847	513,395	1,452
Capital Outlay	20,000	20,000	19,039	961
Total County Sheriff	534,847	534,847	532,434	2,413
County Treasurer	95,493	95,493	92,919	2,574
Total County Treasurer	95,493	95,493	92,919	2,574
County Commissioners	44,827	44,827	39,116	5,711
Total County Commissioners	44,827	44,827	39,116	5,711
OSU Extension	74,514	74,514	69,058	5,456
Total OSU Extension	74,514	74,514	69,058	5,456
County Clerk	211,912	211,912	210,296	1,616
Total County Clerk	211,912	211,912	210,296	1,616
Court Clerk	293,742	293,742	291,211	2,531
Total Court Clerk	293,742	293,742	291,211	2,531
County Assessor	80,011	80,011	79,166	845
Total County Assessor	80,011	80,011	79,166	845

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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, 2004

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	426,156	512,857	511,363	1,494
Total Revaluation of Real Property	426,156	512,857	511,363	1,494
General Government	1,201,149	1,201,149	1,197,157	3,992
Total General Government	1,201,149	1,201,149	1,197,157	3,992
Excise-Equalization Board	4,001	4,001	3,450	551
Total Excise-Equalization Board	4,001	4,001	3,450	551
County Election Board	99,802	99,802	99,532	270
Total County Election Board	99,802	99,802	99,532	270
County Detention Sheriff	705,224	705,224	695,250	9,974
Capital Outlay	37,500	37,500	36,551	949
Total County Detention Sheriff	742,724	742,724	731,801	10,923
County Audit Budget Account	23,821	23,821	23,821	
Total County Audit Budget Account	23,821	23,821	23,821	-
County Cemetery	2,600	2,600	2,600	
Total County Cemetery	2,600	2,600	2,600	-
Provision for Interest on Warrants	2,500	2,500	2,063	437
Total Expenditures, Budgetary Basis	3,868,099	3,954,800	3,911,443	43,357
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	155,298	\$ 155,298
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			631,655	
Add: Current Year Outstanding Warrants			203,029	
Ending Cash Balance			\$ 989,982	

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 FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 552,887	\$ 552,887	\$ 552,887	\$ -
Less: Prior Year Outstanding Warrants	(3,942)	(3,942)	(3,942)	
Less: Prior Year Encumbrances	(40,932)	(40,932)	(34,796)	6,136
Beginning Cash Balances, Budgetary Basis	508,013	508,013	514,149	6,136
Receipts:				
Ad Valorem Taxes	426,252	426,252	447,011	20,759
Charges for Services	33,715	56,532	22,162	(34,370)
Intergovernmental			5,839	5,839
Total Receipts, Budgetary Basis	459,967	482,784	475,012	(7,772)
Expenditures:				
Health and Welfare	967,980	990,797	485,026	505,771
Total Expenditures, Budgetary Basis	967,980	990,797	485,026	505,771
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	504,135	\$ 504,135
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			18,912	
Add: Current Year Outstanding Warrants			1,274	
Ending Cash Balance			\$ 524,321	

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, 2004**

Beginning Cash Balance	<u>\$ 1,805</u>
Receipts:	
Ad Valorem Tax	1,138
Miscellaneous	<u>89</u>
Total Receipts	<u>1,227</u>
Disbursements:	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u><u>\$ 3,032</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, 2004

Official Depository Accounts	Beginning Cash Balances	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances
	July 1, 2003				June 30, 2004
County Clerk	\$ 46,745	\$ 455,712	\$ 457,928	\$	\$ 44,529
Mechanic Lien	81	26			107
Sheriff Training Fund	879		854		25
Sheriff Drug Account	65	85			150
Sheriff Tax Warrant	1,508				1,508
Sheriff Foreign Service Fee	14,114	16,786	4,840		26,060
Sheriff Commissary	489	24,020	24,170		339
Sheriff Cash Bond		49,179	49,179		
Civil and Small Claims	356,371	2,160,716	2,185,154	1,273	333,206
Court Fund	194,474	1,130,309	1,057,581	1,466	268,668
Court Clerk Revolving Fund	39,123	30,696	4,083		65,736
Court Clerk Improvement Fund	93,254	700			93,954
County Treasurer	60,657	1,448,739	1,493,413	24,373	40,356
Mobile Homes	20,643	33,401	28,264	302	26,082
County Health		69,285	69,285		
Early Intervention					
Election Board	3,650	39,143	35,325	563	8,031
District Attorney Check Prosecution Account	235,962	371,366	429,598	437	178,167
District Attorney Child Support	38	3	9		32
District Attorney Drug Asset	1,570	11,266	11,095		1,741
District Attorney Restitution	1,222	96,220	97,815	3,801	3,428
District Attorney Bogus Check Restitution	21,705	339,911	317,665	2,614	46,565
District Attorney Task Force, Drug	24,971	61,128	87,799	3,876	2,176
District Attorney Witness Fee	264	7,289	7,270	99	382
Drug Task Force	127	141,236	143,941	2,621	43
District Attorney Restitution and Diversion		44,314	44,486	722	550
District Attorney Restitution and Diversion Fee	3,109	1,374	150		4,333
Deferred Prosecution Agreements Supervisory	7,550	22,080	10,230		19,400
District Attorney Drug Enforcement	5,706	18,276	7,201		16,781
County Assessor		4,843	4,843		
District Attorney-VOCA		12,000	12,000		
District Attorney Payment Fee		130			130
District Attorney Victims Compensation		500	500		
District Attorney Incarceration Fee		341			341
District Attorney Unsupervised Fee		2,955			2,955
Total Official Depository Accounts	<u>\$ 1,134,277</u>	<u>\$ 6,594,029</u>	<u>\$ 6,584,678</u>	<u>\$ 42,147</u>	<u>\$ 1,185,775</u>

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of 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.

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

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

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

F. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

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

Summary of Significant Accounting Policies (continued)

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

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

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

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

G. Compensated Absences

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.

All full-time employees hired prior to December 1, 2003, shall be entitled to vacation benefits as follows:

<u>Years of Service</u>	<u>Vacation Leave</u>
01-11 years	10 days
Over 12 years	15 days

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

Summary of Significant Accounting Policies (continued)

For full-time employees hired December 1, 2003, or after, vacation benefits are as follows:

<u>Years of Service</u>	<u>Vacation Leave</u>
1 year	5 days
2 years	6 days
3 years	7 days
4 years	8 days
5 years	9 days
6-12 years	10 days
Over 12 years	15 days

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 \$9,095,779 and the bank balance was \$9,209,668. 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

Detailed Notes on Funds and Account Balances (continued)

- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

B. Description of Funds

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

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.

Detailed Notes on Funds and Account Balances (continued)

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

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

Sheriff Deputy Ranger – accounts for the collection of state grant monies and donations for the prevention of delinquency of 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 disbursement 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, 2004

Detailed Notes on Funds and Account Balances (continued)

CC Housing Finance – accounts for Home Investment Partnership Program grant funds received and the disbursement 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 – accounts 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 – accounts for taxes and fees collected and being held for apportionment to various government entities.

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

Estray Animal – accounts for the collections of selling cattle found and unclaimed. Disbursements are made to pay for the sale of cattle with excess funds being transferred to the general fund.

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.

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 – accounts 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 – accounts 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, 2004

Detailed Notes on Funds and Account Balances (continued)

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

Mobile Homes – accounts 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 developmentally delayed children.

Election Board – accounts for reimbursement of elections and is disbursed for refunds of election fees and maintenance and operation 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.

District Attorney – VOCA – accounts for grant monies received to assist the victims of crime.

District Attorney Payment Fee – accounts for the collection of bogus check processing fees and disbursements are for the operation of the District Attorney's office.

District Attorney Victims Compensation – accounts for the collection of restitution and disbursements to victims.

District Attorney Incarceration Fee – accounts for the collection of incarceration fees assessed as court costs by the Court Clerk.

District Attorney Unsupervised Fee – accounts for the collection of fees assessed for the supervision of defendants in criminal cases. Disbursements are for the operation of the District Attorney's office.

Detailed Notes on Funds and Account Balances (continued)

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2003, was approximately \$227,610,141.

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

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

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

Current year tax collections for the year ended June 30, 2004, were approximately 95 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.

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

Detailed Notes on Funds and Account Balances (continued)

E. Capital Leases

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

F. 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.

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:

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

Annual debt service requirements to maturity for general obligation bonds, including interest of \$450,030, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	210,000	50,190	260,190
2010-2012	630,000	75,495	705,495
Total	<u>\$1,680,000</u>	<u>\$450,030</u>	<u>\$2,130,030</u>

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

Detailed Notes on Funds and Account Balances (continued)

G. Sales Tax

The voters of Carter County approved a ¼% sales tax effective November 1999. This sales tax does 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%.

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.

4. Contingent Liabilities

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.

INTERNAL CONTROL AND COMPLIANCE SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
CARTER COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Carter County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated May 10, 2005. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion 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. Reportable conditions are described in the accompanying schedule of findings as items 2004-1 and 2004-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2004-1 to be a material weakness.

Compliance and Other Matters

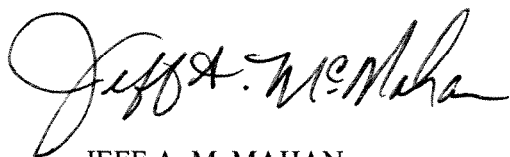
As part of obtaining reasonable assurance about whether Carter County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we reported to management of Carter County and is included in Section 2 of the schedule of findings, contained within this report.

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

This report is intended solely for the information and use of the management of the County 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, appearing to read "Jeff A. McMahon". The signature is fluid and cursive, with the first name "Jeff" being more prominent.

JEFF A. McMAHAN
State Auditor and Inspector

May 10, 2005

SECTION 1 - Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2004-1 - Segregation of Duties (Repeat Finding)

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.

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. The most effective controls lie in management's knowledge of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: We concur with the auditor's findings. Management does have knowledge of office operations and will perform a periodic review of these operations.

Finding 2004-2 - 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.

Views of responsible officials and planned corrective actions: Management concurs with the auditors' findings and will implement procedures to correct this issue.

SECTION 2 - Other Findings - This section contains findings not required to be reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, but which we believed were significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action.

Finding 2004-3 - Fixed Assets Inventory (Repeat Finding)

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

Condition: All offices do 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.

Views of responsible officials and planned corrective actions: All officers will work together to compile a complete listing of County inventory. We will also try to conduct a physical inventory of all items once every two years.

STATISTICAL SECTION
(Unaudited)

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

TAXPAYER NAME	ASSESSED VALUE	% OF TOTAL NET VALUATION
City of Ardmore	\$ 34,925,250	15.34%
Confederate Home	24,290,280	10.67%
Michelin North American Inc.	16,426,029	7.22%
TPI Petroleum Inc.	13,855,042	6.09%
OG&E	12,663,454	5.57%
Samuel Roberts Noble Fdn	8,681,138	3.81%
Ardmore Development Authority	4,597,774	2.02%
Ardmore Foundry Inc	4,168,127	1.83%
Southwestern Bell	4,081,472	1.79%
DG Ardmore LLC	4,020,556	1.77%
Total	<u>\$ 127,709,122</u>	<u>56.11%</u>

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

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

Total net assessed value as of January 1, 2003		<u>\$ 227,610,141</u>
Debt limit - 5% of total assessed value		11,380,507
Total bonds outstanding	1,680,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>(3,032)</u>	<u>1,676,968</u>
Legal debt margin		<u>\$ 9,703,539</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, 2004
(UNAUDITED)

	<u>2004</u>
Estimated population	<u>45,621</u>
Net assessed value as of January 1, 2003	<u>\$ 227,610,141</u>
Gross bonded debt	1,680,000
Less available sinking fund cash balance	<u>(3,032)</u>
Net bonded debt	<u>\$ 1,676,968</u>
Ratio of net bonded debt to assessed value	<u>0.74%</u>
Net bonded debt per capita	<u>\$ 37</u>

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	\$59,199,944	\$40,048,913	\$139,442,774	\$11,081,490	\$227,610,141	\$1,837,396,497