

**CARTER COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

January 12, 2006

TO THE CITIZENS OF  
CARTER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Carter County, Oklahoma, for the fiscal year ended June 30, 2005. 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 serving the public interest by providing independent oversight and by issuing 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,

JEFF A. McMAHAN  
State Auditor and Inspector

**CARTER COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**CARTER COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

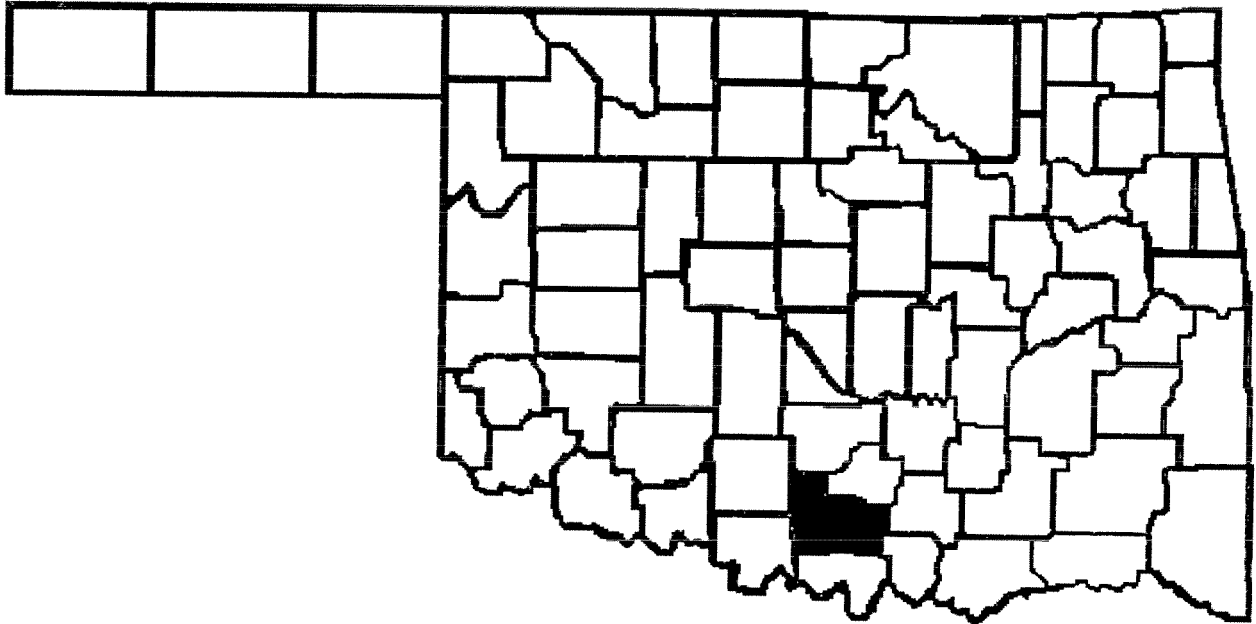
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REPORT TO THE CITIZENS  
OF  
CARTER COUNTY, OKLAHOMA

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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 America 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 – 833.72 Square Miles

County Population – 47,087  
(2004 est.)

Farms – 1,353

Land in Farms – 430,706 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

**CARTER COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**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.

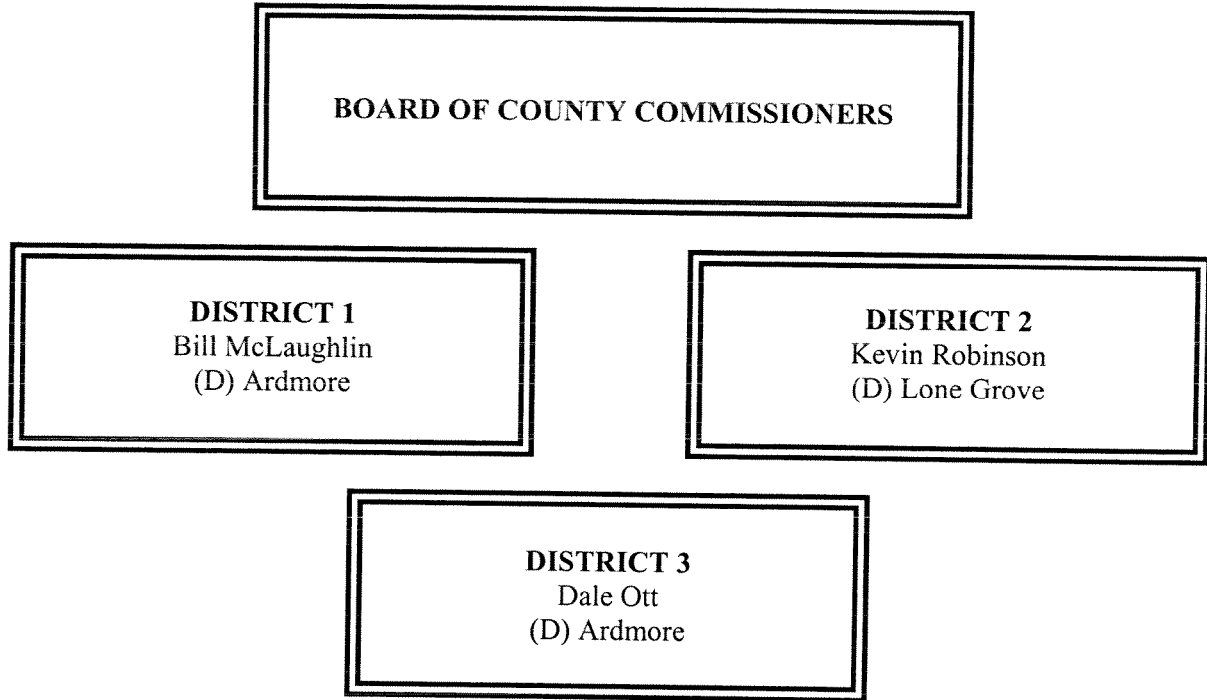
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. 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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

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

See independent auditor's report.

**CARTER COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**ELECTION BOARD SECRETARY**

Mina Howard  
(D) Ardmore

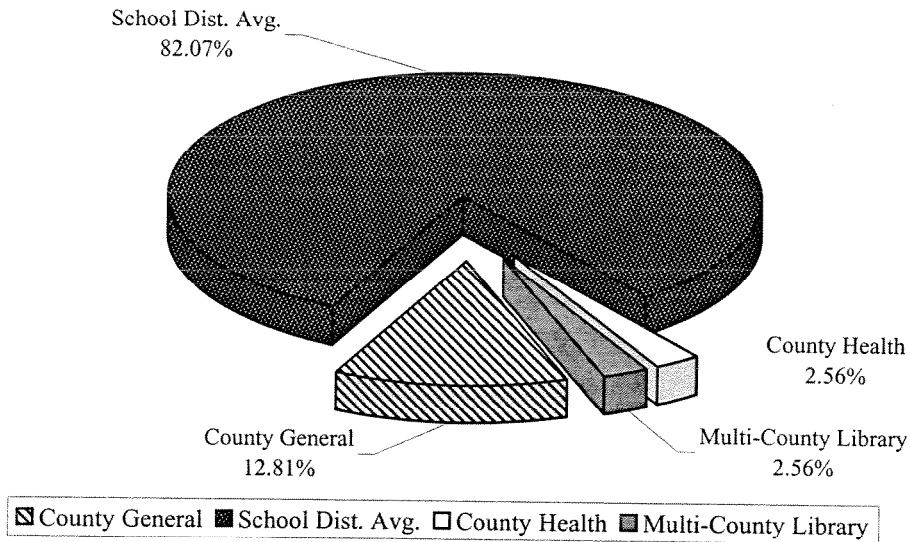
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

See independent auditor's report.

**CARTER COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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.	Career Tech	Common	Total
Co. General	10.32	Ardmore	I-19	35.83	5.12	17.12	10.32	4.13	72.52
County Health	2.06	Springer	I-21	36.04	5.15	3.54	10.32	4.13	59.18
Multi-Co. Library	2.06	Plainview	I-27	35.80	5.11	20.70	10.32	4.13	76.06
<u>Cities and Towns</u>		Lone Grove	I-32	36.82	5.26	29.70	10.32	4.13	86.23
		Wilson	I-43	37.04	5.29	4.66	10.32	4.13	61.44
Ardmore Sinking	2.03	Healdton	I-55	36.74	5.25	22.15	10.32	4.13	78.59
<u>Cities and Towns</u>		Zaneis	C-72	36.42	5.20		10.32	4.13	56.07
		Fox	I-74	36.18	5.17	3.16	10.32	4.13	58.96
		Dickson	I-77	37.20	5.31	8.88	10.32	4.13	65.84
EMS SD 43, 55, 72, 74	3.00	Davis	J-10	35.94	5.13		10.32	4.13	55.52
		Mannsville	J-7	35.53	5.08		10.32	4.13	55.06
		Velma-Alma	J-15	37.33	5.33	10.52	10.32	4.13	67.63

See independent auditor's report.

**CARTER COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(UNAUDITED)**

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Total net assessed value as of January 1, 2004		<u>\$ 236,772,802</u>
Debt limit - 5% of total assessed value		11,838,640
Total bonds outstanding	1,470,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>3,117</u>	<u>1,466,883</u>
Legal debt margin		<u>\$ 10,371,757</u>

See independent auditor's report.

**CARTER COUNTY, OKLAHOMA  
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
 VALUE AND NET BONDED DEBT PER CAPITA  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
 (UNAUDITED)**

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	2005
Estimated population	47,087
Net assessed value as of January 1, 2004	\$ 236,772,802
Gross bonded debt	1,470,000
Less available sinking fund cash balance	3,117
Net bonded debt	\$ 1,466,883
Ratio of net bonded debt to assessed value	0.62%
Net bonded debt per capita	\$ 31.15

See independent auditor's report.

**CARTER COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(UNAUDITED)**

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<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>TIF Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2004	\$65,956,368	\$42,691,271	\$148,575,798	\$11,086,872	\$9,363,763	\$236,772,802	\$1,981,819,280

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 combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Carter County, Oklahoma, as of and for the year ended June 30, 2005, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Carter County's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

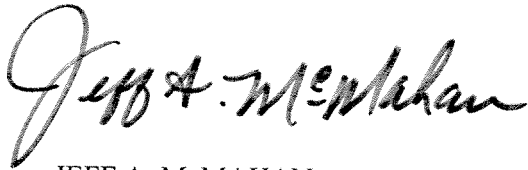
In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Carter County as of June 30, 2005, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Carter County, for the year ended June 30, 2005, on the basis of accounting described in Note 1.



In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 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 combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Finally, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Jeff A. McMahon". The signature is written in black ink and is positioned above the printed name and title.

JEFF A. McMAHAN  
State Auditor and Inspector

November 7, 2005

## **Basic Financial Statement**

**CARTER COUNTY, OKLAHOMA  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 (WITH COMBINING INFORMATION)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
Combining Information:				
County General Fund	\$ 989,982	\$ 3,220,286	\$ 3,131,888	\$ 1,078,380
T-Highway	2,450,942	5,074,240	4,479,337	3,045,845
Sales Tax Revolving	1,174,052	1,655,214	1,247,046	1,582,220
County Health	524,321	497,308	580,782	440,847
Community Service	1,398		924	474
Assessor's Revolving	5,902	6,468	8,594	3,776
Assessor's Visual Inspection	1,566			1,566
Assessor Computer Upgrade	130			130
Mech Liens	52,277	25,891	9,599	68,569
Sheriff Service Fee	119,003	204,027	226,050	96,980
Community Development Block Grant		606,476	493,510	112,966
Sheriff Drug Enforcement	8,944		481	8,463
Board of Prisoners	174,028	569,638	445,902	297,764
Mortgage Certificate Fee	26,244	13,294	5,169	34,369
Resale Property	126,909	163,210	150,156	139,963
FEMA	36,954	66,833	73,492	30,295
Work Restitution	1,430			1,430
County Roads and Improvements	506,692	5,726		512,418
Trash Cop	797			797
Health Special Events	20,739	15,073	20,018	15,794
OSU Computer Upgrade	223			223
Enhanced 911	150,381	77,035	101,428	125,988
County Clerk Preservation	68,774	70,510	56,825	82,459
Estray Animal	648	1,620		2,268
Carter County Housing Finance	974	46,662	46,662	974
General Obligation Bond Sinking	18,175	208		18,383
County Sinking	3,032	85		3,117
<b>Combined Total--All County Funds</b>	<b>\$ 6,464,517</b>	<b>\$ 12,319,804</b>	<b>\$ 11,077,863</b>	<b>\$ 7,706,458</b>

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

**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**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 basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Carter County, Oklahoma. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds 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 County 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.

Following are descriptions of the funds included as supplementary information within the financial statement:

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.

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.

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.

**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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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.

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

Community Development Block Grant – accounts for federal grant monies received from the Oklahoma Department of Commerce and disbursements as restricted by the grant agreement.

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.

**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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.

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

Government Obligation Bond Sinking – 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.

County Sinking – accounts for the payment of interest and principal on the matured 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 County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, school districts and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement, those funds play no part in the County's operations.

**C. Basis of Accounting**

The basic financial statement is 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. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

**D. Budget**

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. 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

**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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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.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

**E. Cash**

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

**F. Investments**

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

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

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

**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.

**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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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

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	11 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.

**2. Ad Valorem Tax**

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

The assessed property value as of January 1, 2004, was approximately \$236,772,802.

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 county health department, and 2.06 mills for multi-county library. In addition, the County 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.



**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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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, 2005, were approximately 96 percent of the tax levy.

**3. 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. Risk Management**

The County is exposed to the various risks of loss shown in the following table:

<b>Types of Loss</b>	<b>Method of Management</b>	<b>Risk of Loss Retained</b>
General Liability <ul style="list-style-type: none"> <li>• Torts</li> <li>• Errors and Omissions</li> <li>• Law Enforcement Officers Liability</li> <li>• Vehicle</li> </ul> Physical Plant <ul style="list-style-type: none"> <li>• Theft</li> <li>• Damage to Assets</li> <li>• Natural Disasters</li> </ul>	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.
Worker's Compensation <ul style="list-style-type: none"> <li>• Employees' Injuries</li> </ul>	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"> <li>• Medical</li> <li>• Disability</li> <li>• Dental</li> <li>• Life</li> </ul>	The County carries commercial insurance.	None

**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

**5. Long-term Obligations**

**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 pieces of machinery subsequently acquired.

**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.

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:

**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Purpose	Interest Rates	Amount
Carter County General Obligation Bonds of 2000	5.8% - 6.0%	\$1,470,000
Total		\$1,470,000

Annual debt service requirements to maturity for general obligation bonds, including interest of \$350,490, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	210,000	37,695	247,695
2011	210,000	25,200	235,200
2012	210,000	12,600	222,600
Total	\$1,470,000	\$350,490	\$1,820,490

**6. 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.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2005, 2004, and 2003 were \$364,607, \$338,892, and \$337,681, respectively, equal to the required contributions for each year.

**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**7. Other Post Employment Benefits (OPEB)**

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

**8. 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%.

**9. 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 County expects such amounts, if any, to be immaterial.

The County 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 County.

**OTHER SUPPLEMENTARY INFORMATION**

**CARTER COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 989,982	\$ 989,982	\$ 989,982	\$ -
Less: Prior Year Outstanding Warrants	(203,029)	(203,029)	(203,029)	
Less: Prior Year Encumbrances	(44,515)	(44,515)	(44,721)	(206)
Beginning Cash Balances, Budgetary Basis	<u>742,438</u>	<u>742,438</u>	<u>742,232</u>	<u>(206)</u>
Receipts:				
Ad Valorem Taxes	2,221,360	2,221,360	2,352,418	131,058
Charges for Services	365,829	365,829	256,370	(109,459)
Intergovernmental Revenues	563,119	563,119	521,260	(41,859)
Miscellaneous Revenues	76,079	76,079	90,238	14,159
Total Receipts, Budgetary Basis	<u>3,226,387</u>	<u>3,226,387</u>	<u>3,220,286</u>	<u>(6,101)</u>
Expenditures:				
District Attorney	25,000	25,000	24,808	192
Total District Attorney	<u>25,000</u>	<u>25,000</u>	<u>24,808</u>	<u>192</u>
County Sheriff	544,576	544,576	542,315	2,261
Total County Sheriff	<u>544,576</u>	<u>544,576</u>	<u>542,315</u>	<u>2,261</u>
County Treasurer	105,410	105,410	105,272	138
Total County Treasurer	<u>105,410</u>	<u>105,410</u>	<u>105,272</u>	<u>138</u>
County Commissioners	30,002	30,002	25,642	4,360
Capital Outlay	1	1		
Total County Commissioners	<u>30,003</u>	<u>30,003</u>	<u>25,642</u>	<u>4,361</u>
OSU Extension	55,637	55,637	54,848	789
Capital Outlay	16,625	16,625	16,619	6
Total OSU Extension	<u>72,262</u>	<u>72,262</u>	<u>71,467</u>	<u>795</u>
County Clerk	225,567	225,567	221,592	3,975
Capital Outlay	1	1		
Total County Clerk	<u>225,568</u>	<u>225,568</u>	<u>221,592</u>	<u>3,976</u>
Court Clerk	228,481	228,481	227,001	1,480
Total Court Clerk	<u>228,481</u>	<u>228,481</u>	<u>227,001</u>	<u>1,480</u>

continued on next page

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**CARTER COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	88,792	88,792	88,113	679
Total County Assessor	<u>88,792</u>	<u>88,792</u>	<u>88,113</u>	<u>679</u>
Revaluation of Real Property	287,671	287,671	286,890	781
Capital Outlay	81,000	81,000	80,963	37
Total Revaluation of Real Property	<u>368,671</u>	<u>368,671</u>	<u>367,853</u>	<u>818</u>
General Government	1,362,678	1,362,678	1,141,563	221,115
Capital Outlay	1	1		1
Total General Government	<u>1,362,679</u>	<u>1,362,679</u>	<u>1,141,563</u>	<u>221,116</u>
Excise-Equalization Board	4,201	4,201	3,120	1,081
Total Excise-Equalization Board	<u>4,201</u>	<u>4,201</u>	<u>3,120</u>	<u>1,081</u>
County Election Board	102,178	102,178	101,942	236
Capital Outlay	1	1		1
Total County Election Board	<u>102,179</u>	<u>102,179</u>	<u>101,942</u>	<u>237</u>
County Detention Sheriff	696,426	696,426	691,628	4,798
Capital Outlay	88,300	88,300	88,290	10
Total County Detention Sheriff	<u>784,726</u>	<u>784,726</u>	<u>779,918</u>	<u>4,808</u>
County Audit Budget Account	23,677	23,677	23,677	
Total County Audit Budget Account	<u>23,677</u>	<u>23,677</u>	<u>23,677</u>	<u>-</u>
County Cemetery	2,600	2,600	2,600	
Total County Cemetery	<u>2,600</u>	<u>2,600</u>	<u>2,600</u>	<u>-</u>
Provision for Interest on Warrants			2,256	(2,256)
Total Expenditures, Budgetary Basis	<u>3,968,825</u>	<u>3,968,825</u>	<u>3,729,139</u>	<u>239,686</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	233,379	<u>\$ 233,379</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			624,296	
Add: Current Year Outstanding Warrants			220,705	
Ending Cash Balance			<u>\$ 1,078,380</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**CARTER COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 524,321	\$ 524,321	\$ 524,321	\$ -
Less: Prior Year Outstanding Warrants	(1,274)	(1,274)	(1,274)	
Less: Prior Year Encumbrances	(18,912)	(18,912)	(10,196)	8,716
Beginning Cash Balances, Budgetary Basis	<u>504,135</u>	<u>504,135</u>	<u>512,851</u>	<u>8,716</u>
Receipts:				
Ad Valorem Taxes	443,411	443,411	469,571	26,160
Charges for Services	7,768	30,716	21,877	(8,839)
Intergovernmental			294	294
Miscellaneous Revenues			5,566	5,566
Total Receipts, Budgetary Basis	<u>451,179</u>	<u>474,127</u>	<u>497,308</u>	<u>23,181</u>
Expenditures:				
Health and Welfare	580,208	603,156	535,565	67,591
Capital Outlay	375,106	375,106	121,553	253,553
Total Expenditures, Budgetary Basis	<u>955,314</u>	<u>978,262</u>	<u>657,118</u>	<u>321,144</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	353,041	<u>\$ 353,041</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			52,998	
Add: Current Year Outstanding Warrants			34,808	
Ending Cash Balance			<u>\$ 440,847</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.



**CARTER COUNTY, OKLAHOMA  
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES—SINKING FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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Beginning Cash Balance	<u>\$ 3,032</u>
Receipts:	
Total Receipts	<u>85</u>
Disbursements:	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u>\$ 3,117</u>

The accompanying notes to the other supplementary information are an integral part of this schedule. See independent auditor's report.

**CARTER COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**1. Budgetary Schedules**

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis, 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 Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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 these funds. At the end of the year, unencumbered appropriations lapse.

**2. Sinking Fund Schedule**

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.

See independent auditor's report.

**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 State Department of Commerce:			
Community Development Block Grant - State's Program	14.228	11178 CDBG 04	\$ 117,707
Community Development Block Grant - State's Program	14.228	11260 CDBG 04	488,769
Total CFDA 14.228			<u>606,476</u>
Passed Through Oklahoma Housing Finance Agency:			
HOME Investment Partnerships Program	14.239	8999 HOME 02	46,662
Total U.S. Department of Housing and Urban Development			<u>653,138</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Local Law Enforcement Block Grants Program	16.592	2003 LBBX 0638	1,457
Total U.S. Department of Justice			<u>1,457</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through Oklahoma Department of Emergency Management:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		3,900
Total U.S. Department of Transportation			<u>3,900</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through State Department of Civil Emergency Management:			
Hazard Mitigation Grant	97.039	FEMA-1355/1465-DR-OK	46,961
Hazard Mitigation Grant	97.039	FEMA-1452-DR-OK	267
Total CFDA 97.039			<u>47,228</u>
Emergency Management Performance Grants (EMPG)	97.042		6,697
Total U.S. Department of Homeland Security			<u>53,925</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 712,420</u>

The accompanying notes are an integral part of this schedule.  
See independent auditor's report.

**CARTER COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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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*.

See independent auditor's report.

**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 combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Carter County, Oklahoma, as of and for the year ended June 30, 2005, which comprises Carter County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 7, 2005. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report 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

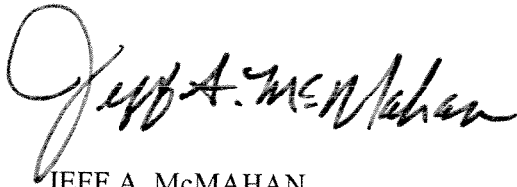
In planning and performing our audit, we considered Carter County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. 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 Carter County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings and responses as items 2005-1 and 2005-2.

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 statement 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 2005-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carter County's financial statement is 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 certain matters that we reported to the management of Carter County, which are included in Section 4 of the schedule of findings contained in this report.

This report is intended solely for the information and use of the management of Carter County, federal awarding agencies, and pass-through entities and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive style with a large initial "J".

JEFF A. McMAHAN  
State Auditor and Inspector

November 7, 2005



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**Report on Compliance with Requirements Applicable to Each Major Program  
and 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, 2005. Carter 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 Carter County's management. Our responsibility is to express an opinion on Carter County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carter 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 Carter County's compliance with those requirements.

In our opinion, Carter County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

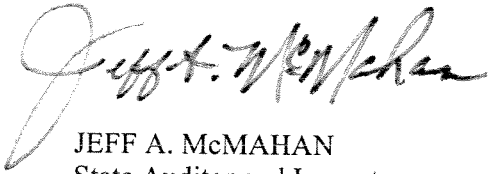
Internal Control Over Compliance

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

This report is intended solely for the information and use of the management of Carter County, federal awarding agencies, and pass-through entities and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in black ink, appearing to read "Jeff A. McMahen". The signature is written in a cursive, flowing style with a large initial "J".

JEFF A. McMAHAN  
State Auditor and Inspector

November 7, 2005

CARTER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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**SECTION I—Summary of Auditor’s Results**

Financial Statements

Type of auditor's report issued: ..... Adverse as to GAAP; unqualified as to statutory presentation

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? ..... No

Identification of Major Programs

CFDA Number(s) ..... Name of Federal Program or Cluster  
14.228 ..... Community Development Block Grant – State’s Program

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

Auditee qualified as low-risk auditee? ..... No

CARTER COUNTY, OKLAHOMA  
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**SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2005-1 - 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 2005-2 - Inmate Trust Fund (Repeat Finding)**

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 auditor's findings and will implement procedures to correct this issue.

CARTER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
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**SECTION 3—Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.**

No matters were reported.

**SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards* or OMB A-133. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2005-3 - Inmate Trust Account Receipt/Deposits**

Criteria: Effective accounting procedures are necessary to ensure stewardship and accountability of public funds. 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: The following receipts could not be traced to a deposit:

<u>RECEIPT</u>	<u>RECEIPT DATE</u>	<u>RECEIPT AMOUNT</u>	<u>PAYMENT TYPE</u>
14747	07/09/04	\$20.00	Check
14752	07/12/04	\$20.00	Check
15785	11/08/04	\$20.00	Check
15846	11/22/04	\$95.00	Cash

Recommendation: We recommend all monies received be deposited daily.

Views of responsible officials and planned corrective actions: We concur with auditor’s findings and will implement procedures to correct this issue.

**Finding 2005-4 - 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,

**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
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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.