

**DELAWARE 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

August 30, 2005

TO THE CITIZENS OF
DELAWARE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Delaware 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 cursive script that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

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

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

STATISTICAL SECTION (Unaudited)

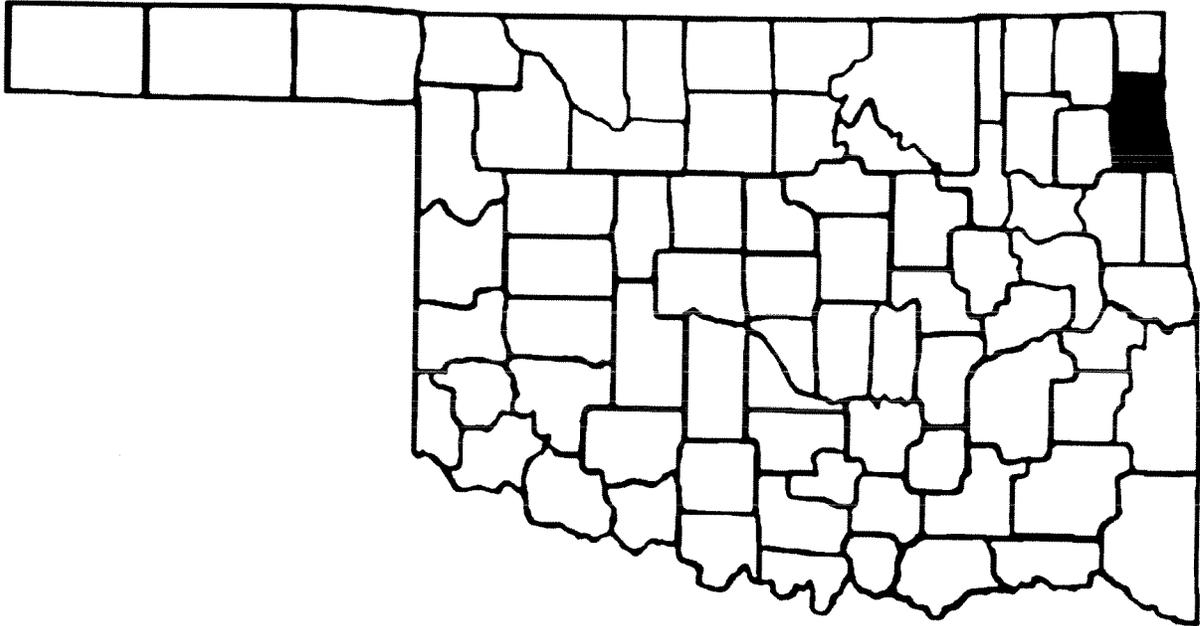
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REPORT TO THE CITIZENS
OF
DELAWARE COUNTY, OKLAHOMA



Located on the Oklahoma-Arkansas border, Delaware County takes pride in its lakes and recreation areas. Grove, situated on the northern edge of the Old Cherokee Nation, is a resort center for the eastern shore of Grand Lake, which covers 46,500 acres, and includes 1,300 miles of shoreline.

Jay, the county seat of Delaware County, was named for Jay Washburn, the grandson of an early-day missionary. The principal industry is the raising and processing of chickens. Green beans and soybeans are raised throughout the area, as well as cattle.

Annual events in Delaware County include the Pelican Festival held in Grove every autumn, and the Huckleberry Festival located in Jay during July.

County Seat – Jay

Area – 740.7 Square Miles

County Population – 37,077
(2000 est.)

Farms – 1,303

Land in Farms – 264,620 Acres

Source: Oklahoma Almanac – 2003-2004

See independent auditor's report.

**DELAWARE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Sharon Lane
(D) Jay

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
Carol Fortner
(R) Grove

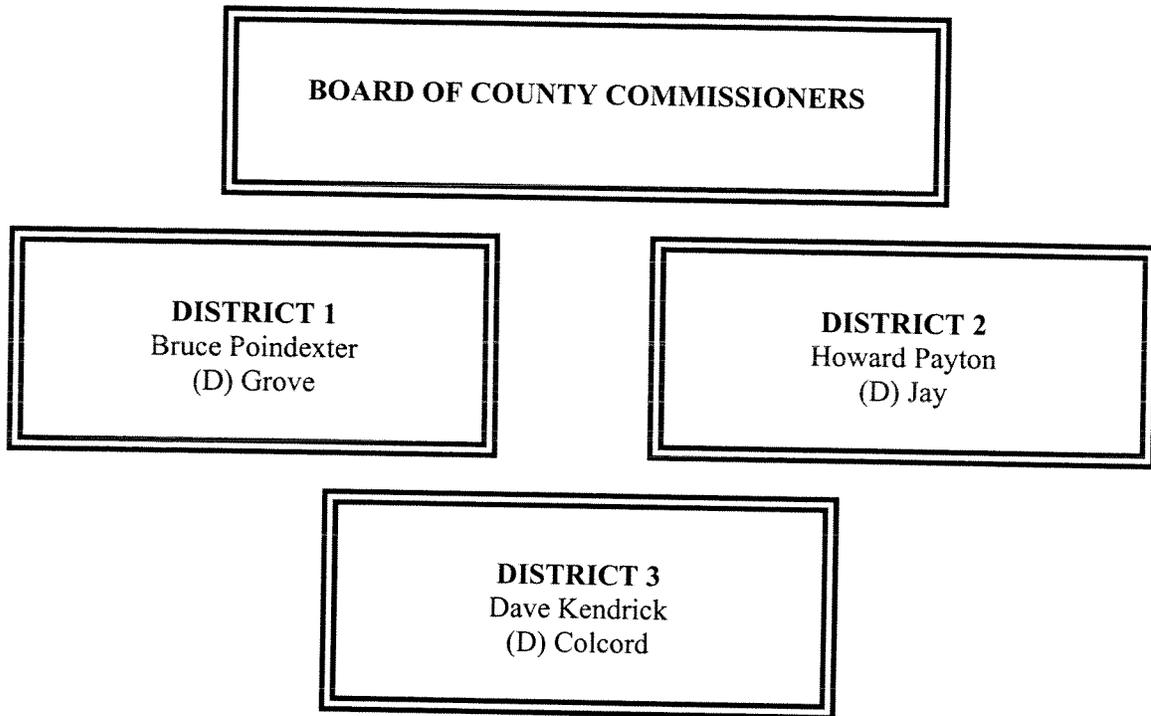
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**DELAWARE 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.

**DELAWARE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Lenden Woodruff
(R) Jay

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
Mary Jane Law
(D) Jay

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.

**DELAWARE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Caroline M. Weaver
(D) Jay

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
Eddie Wyant
(D) Miami

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.

**DELAWARE COUNTY OFFICIALS
AND RESPONSIBILITIES**

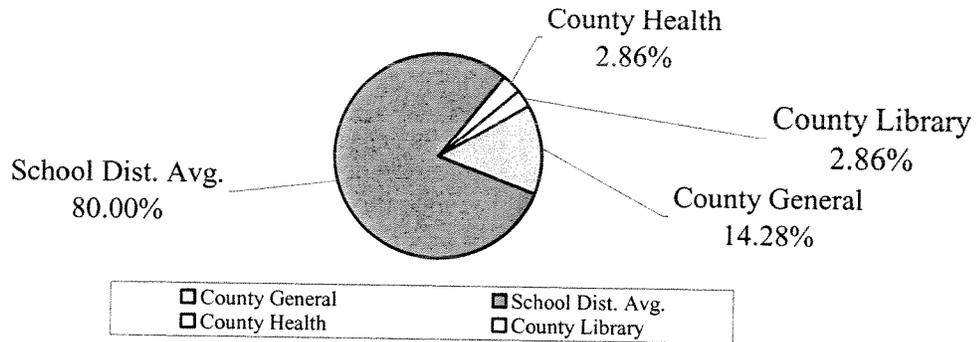
ELECTION BOARD SECRETARY
Earlene Bradford
(D) Grove

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.

**DELAWARE 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	
Co. General	10.45
County Health	2.09
County Library	2.09

			School District Millages					
			Gen.	Bldg.	Skg.	Career Tech	Common	Total
Jay	I-1		36.61	5.23	1.88	10.45	4.18	58.35
Grove	I-2		36.40	5.20	8.13	10.45	4.18	64.36
Kansas	I-3		37.06	5.29	26.02	10.45	4.18	83.00
Colcord	I-4		37.74	5.39	18.64	10.45	4.18	76.40
Oaks Mission	I-5		37.05	5.29		10.45	4.18	56.97
Cleora	D-6		36.77	5.26		10.45	4.18	56.66
Leach	D-14		37.77	5.40		10.45	4.18	57.80
Kenwood	D-30		37.19	5.31		10.45	4.18	57.13
Moseley	D-34		36.77	5.25		10.45	4.18	56.65
Skelly	J-01		35.00	5.00			4.18	44.18
Ketchum	J-06		36.74	5.25	5.73		4.18	51.90
Turkeyford	J-10		36.27	5.18	7.35		4.18	52.98
Spavinaw	J-21		38.00	5.43			4.18	47.61
Afton	J-26		35.95	5.14		10.45	4.18	55.72

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
DELAWARE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Delaware 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 Delaware 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 Delaware 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 Delaware 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 Delaware 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 February 15, 2005, on our consideration of Delaware County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

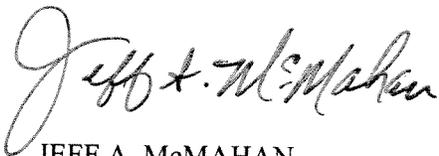
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Delaware County, Oklahoma, taken as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the special-purpose 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 such information.

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

February 15, 2005

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
General Fund	\$ 470,753	\$ 3,192,584	\$ 2,994,477	\$	\$ 668,860
Highway Cash	753,321	2,885,929	2,926,464		712,786
County Health	765,019	452,405	722,185		495,239
Resale Property	261,739	300,260	205,123		356,876
Treasurer's Mort Cert Fee	31,298	16,855	4,744		43,409
County Clerk Lien Fee	10,377	15,709	9,532		16,554
County Clerk's Records Preservation	57,737	74,785	78,472		54,050
Sheriff Service Fee	74,622	159,087	192,286		41,423
Sheriff DOC	27,901	94,787	106,930		15,758
Sheriff Grant Fund		12,254	12,169		85
Assessor Revolving	38,087	5,887	10		43,964
Trash Cop Fine	709				709
Community Center Cash	3,822	12,800	12,962		3,660
County Clerk Investments	6,885	7	6,892		
Courthouse M&O	259				259
Court Clerk Revolving	21,617	165,992	176,656		10,953
County Commissioners	1,792	71,705	45		73,452
Use Tax	19,363	105,628	38,445		86,546
Emergency Management	16,838	901	998		16,741
Zena Community Center Grant	2,138		2,138		
Sheriff Forfeiture		18,597	4,449		14,148
1/2 cent Courthouse Sales Tax	348,203	251,786	145,145		454,844
1/2 cent Solid Waste Sales Tax	622,988	1,654,032	1,686,177		590,843
Schools	207,804	13,829,237	13,867,660		169,381
Cities and Towns	11,696	165,005	162,875		13,826
Official Depository	891,555	8,941,688	9,302,524	246,617	777,336
Hazard Mitigation Grant		5,000	5,000		
Protest Tax	300,641	541	301,182		
Child Abuse	2,979	86			3,065
Law Library	30,098	37,716	2,584		65,230
Alternative to Juvenile Detention	1,812	21,017	18,478		4,351
Court Clerk Investments	19,451	4,595	4,510		19,536
Refunds	9,543	81,562	86,467		4,638
Multi County Library	3,031	444,253	444,032		3,252
Delaware Co. Flood Planning	92				92
EMS	1,473	214,763	215,403		833
Fire Districts	927,846	1,004,088	855,225		1,076,709
Emergency 911	142,941	92,196	70,972		164,165
Drug Court Grant		32,088	29,796		2,292
Emergency Management Grant		23,968	5,856		18,112
Drug Court		395	7		388
Total County Funds	\$ 6,086,430	\$ 34,390,188	\$ 34,698,870	\$ 246,617	\$ 6,024,365

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

**DELAWARE 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	\$ 469,528	\$ 469,528	\$ 470,753	\$ 1,225
Less: Prior Year Encumbrances	(131,521)	(131,521)	(131,521)	
Less: Prior Year Outstanding Warrants	(13,387)	(13,387)	(12,515)	872
Beginning Cash Balances, Budgetary Basis	<u>324,620</u>	<u>324,620</u>	<u>326,717</u>	<u>2,097</u>
Receipts:				
Ad Valorem Taxes	1,982,443	1,982,443	2,072,710	90,267
Charges for Services	322,044	322,044	433,445	111,401
Intergovernmental Revenues	578,698	578,698	598,416	19,718
Miscellaneous Revenues	44,708	48,240	88,013	39,773
Total Receipts, Budgetary Basis	<u>2,927,893</u>	<u>2,931,425</u>	<u>3,192,584</u>	<u>261,159</u>
Expenditures:				
Total District Attorney	4,000	4,000	3,257	743
County Sheriff	557,750	588,485	587,152	1,333
Capital Outlay	25,000	266	266	
Total County Sheriff	<u>582,750</u>	<u>588,751</u>	<u>587,418</u>	<u>1,333</u>
County Treasurer	172,136	172,160	170,253	1,907
Capital Outlay	2,500	2,380	2,181	199
Total County Treasurer	<u>174,636</u>	<u>174,540</u>	<u>172,434</u>	<u>2,106</u>
County Commissioners	158,477	158,477	156,029	2,448
Capital Outlay	1,000	1,000		1,000
Total County Commissioners	<u>159,477</u>	<u>159,477</u>	<u>156,029</u>	<u>3,448</u>
OSU Extension	41,105	38,907	36,506	2,401
Capital Outlay	2,000	4,198	4,043	155
Total OSU Extension	<u>43,105</u>	<u>43,105</u>	<u>40,549</u>	<u>2,556</u>
County Clerk	233,510	236,553	236,431	122
Capital Outlay	6,700	3,657	3,426	231
Total County Clerk	<u>240,210</u>	<u>240,210</u>	<u>239,857</u>	<u>353</u>
Total Court Clerk	<u>127,363</u>	<u>127,363</u>	<u>126,400</u>	<u>963</u>
County Assessor	124,470	124,470	108,821	15,649
Capital Outlay	3,000	3,000	2,774	226
Total County Assessor	<u>127,470</u>	<u>127,470</u>	<u>111,595</u>	<u>15,875</u>

continued on next page

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

**DELAWARE 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	425,316	427,316	370,700	56,616
Capital Outlay	7,500	5,500	3,715	1,785
Total Revaluation of Real Property	<u>432,816</u>	<u>432,816</u>	<u>374,415</u>	<u>58,401</u>
General Government	973,716	976,243	884,415	91,828
Capital Outlay	160,000	160,000	118,675	41,325
Total General Government	<u>1,133,716</u>	<u>1,136,243</u>	<u>1,003,090</u>	<u>133,153</u>
Total Excise-Equalization Board	<u>5,500</u>	<u>5,500</u>	<u>3,013</u>	<u>2,487</u>
County Election Board	92,990	92,390	91,508	882
Capital Outlay	1,660	2,660	2,402	258
Total County Election Board	<u>94,650</u>	<u>95,050</u>	<u>93,910</u>	<u>1,140</u>
Total Charity	<u>1,000</u>	<u>1,000</u>	<u>200</u>	<u>800</u>
Civil Defense	90,850	85,550	85,196	354
Capital Outlay	1,000	1,000	975	25
Total Civil Defense	<u>91,850</u>	<u>86,550</u>	<u>86,171</u>	<u>379</u>
Total County Audit	<u>21,470</u>	<u>21,470</u>	<u>3,721</u>	<u>17,749</u>
Total Free Fair	<u>11,000</u>	<u>11,000</u>	<u>10,683</u>	<u>317</u>
Provision for Interest on Warrants	1,500	1,500	1,408	92
Total Expenditures, Budgetary Basis	<u>3,252,513</u>	<u>3,256,045</u>	<u>3,014,150</u>	<u>241,895</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	505,151	<u>\$ 505,151</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			15,926	
Add: Current Year Warrants Payable			<u>147,783</u>	
Ending Cash Balance			<u>\$ 668,860</u>	

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

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

	County Health Department			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 765,019	\$ 765,019	\$ 765,019	\$ -
Less: Prior Year Outstanding Warrants	(231,847)	(231,847)	(231,847)	
Less: Prior Year Encumbrances	(212,729)	(212,729)	(212,560)	169
Beginning Cash Balances, Budgetary Basis	<u>320,443</u>	<u>320,443</u>	<u>320,612</u>	<u>169</u>
Receipts:				
Ad Valorem Taxes	396,489	396,489	443,023	46,534
Miscellaneous Revenues		9,373	9,382	9
Total Receipts, Budgetary Basis	<u>396,489</u>	<u>405,862</u>	<u>452,405</u>	<u>46,543</u>
Expenditures:				
Health and Welfare	395,502	404,875	270,026	134,849
Capital Outlay	321,430	321,430	75,544	245,886
Total Expenditures, Budgetary Basis	<u>716,932</u>	<u>726,305</u>	<u>345,570</u>	<u>380,735</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	427,447	<u>\$ 427,447</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			649	
Add: Current Year Outstanding Warrants			67,143	
Ending Cash Balance			<u>\$ 495,239</u>	

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

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

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
Court Clerk	\$ 513,688	\$ 4,752,468	\$ 5,191,049	\$ 216,647	\$ 291,754
Court Fund	130,836	901,575	882,808	381	149,984
Court Clerk Revolving	35,710	31,363	18,322		48,751
Court Clerk Trust	62,054		62,054		
District Attorney	32,192	1,246,386	1,156,567	9,081	131,092
County Sheriff	2,816	210,433	210,968	6,153	8,434
County Treasurer	113,646	1,149,549	1,130,400	6,272	139,067
County Election Board	613	25,940	18,823	524	8,254
County Health Department		14,012	14,679	667	
County Assessor		5,877	5,877		
County Clerk		604,085	610,977	6,892	
 Total Official Depository Accounts	 <u>\$ 891,555</u>	 <u>\$ 8,941,688</u>	 <u>\$ 9,302,524</u>	 <u>\$ 246,617</u>	 <u>\$ 777,336</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 Delaware 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.

DELAWARE 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.

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.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$6,024,365 and the bank balance was \$6,072,061. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

B. Description of Funds

General Fund – revenues are from ad valorem taxes, officers' fees, interest earnings and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Highway Cash – revenues are from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

County Health – revenues are from ad valorem taxes, miscellaneous fees charged by the health department and state and federal funds. Disbursements are for the operation of the county health department.

Resale Property – revenues are from interest and penalties on ad valorem tax collections. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Treasurer's Mortgage Certification Fee – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

County Clerk Lien Fee – revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the Clerk's office.

Detailed Notes on Funds and Account Balances (continued)

County Clerk's Records Preservation – revenues are from a fee charged by the Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Sheriff Service Fee – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

Sheriff DOC – revenues are from fees charged for boarding prisoners of non-county entities in the County jail. Disbursements are for feeding and housing inmates of the County jail.

Sheriff Grant Fund – revenues are from the sale of property forfeited in drug cases. Disbursements are for officer training, equipment, and crime prevention.

Assessor Revolving – revenues are from any and all fees collected by the County Assessor. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office.

Trash Cop Fine – accounts for the collection of fines for the dumping of trash in the County.

Community Center Cash – accounts for monies donated from the City of Jay and Delaware County for the Jay Community Center.

County Clerk Investments – accounts for the investment of unexpended lien fee collections.

Courthouse M&O – balance of an account for the maintenance and operation of the County courthouse.

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

County Commissioners – balance of various donations and copy funds.

Use Tax – revenues are from sales tax charged by out-of-county vendors on in-county sales. Disbursements are for any legal expense of the County.

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

Zena Community Center Grant – accounts for the receipt and disbursement of grant monies for the development of the Zena Community Center.

Detailed Notes on Funds and Account Balances (continued)

Sheriff Forfeiture – revenues are from forfeited assets in drug related cases. Disbursements are for drug enforcement expenses.

1/2 Cent Courthouse Sales Tax – revenues are from a county sales tax. Disbursements are for renovation of the courthouse.

1/2 Cent Solid Waste Sales Tax – revenues are from a county sales tax. Disbursements are for solid waste services for the County.

Schools – all funds collected on behalf of the County schools are recorded in this fund and remitted to the individual schools monthly.

Cities and Towns – all funds collected on behalf of cities and towns are recorded in this fund and remitted to the individual cities and towns monthly.

Official Depository – all officers and agencies collecting fees deposit those fees to this account daily. At the end of each month the fees are distributed to the appropriate fund or agency.

Hazard Mitigation Grant – revenues are from a federal grant. Disbursements are for emergency planning.

Protest Tax – ad valorem taxes paid under protest are held in this account pending the outcome of the protest.

Child Abuse – accounts for the collection of court fines in child abuse cases.

Law Library – revenues are from an annual payment from the courts. Disbursements are for the operation of the County law library.

Alternative to Juvenile Detention – accounts for grants for programs to aid in developing alternates to detention of juveniles.

Court Clerk Investments – accounts for the investment of unexpended funds from the Court Clerk Revolving Fund.

Refunds – deposits are from overpayments of ad valorem taxes. Disbursements are made to refund these amounts to the payers.

Multi County Library – accounts for monies collected on behalf of the Multi County Library from ad valorem taxes, and state and local revenue.

Delaware County Flood Planning – fees collected by the Delaware County Flood Planning Commission.

Detailed Notes on Funds and Account Balances (continued)

EMS – revenues are from ad valorem taxes collected for the EMS. These collections are remitted to the EMS monthly.

Fire Districts – accounts for collections of a percentage of sales tax revenue to be used for the various fire districts within the County.

Emergency 911 – revenues are from a tariff charged to telephone customers. Disbursements are to offset the expense of the 911 emergency service.

Drug Court Grant – revenues are from a federal grant. Disbursements are for expenses relating to the drug court.

Emergency Management Grant – revenues are from a federal grant. Disbursements are for emergency management services.

Drug Court – revenues are from fees charged to drug court defendants. Disbursements are for drug court expenses.

The following narrative details the official depository accounts.

Court Clerk - accounts for the collection of bonds, fines, and fees. Money is disbursed for fees and restitution.

Court Fund - accounts for fees transferred from the Court Clerk account and interest earnings and disbursements are for the purpose of fees for various entities, salaries and operation of the Court Clerk's office.

Court Clerk Revolving – Court Clerk Revolving Fund collections are deposited to this account daily and transferred to the revolving cash fund monthly.

Court Clerk Trust – revenues are from the state courts and disbursements are for remodeling courtrooms.

District Attorney - accounts for the collection of district attorney fees and the subsequent remittance to the injured party or proper fund.

County Sheriff – accounts for all collections of foreign service fees and bonds. Monies are disbursed to the Sheriff's Service Fee Fund and the District Court.

County Treasurer - accounts for all collections of pre-paid ad valorem taxes, pre-paid mobile homes, and the sale of motor vehicle tax stamps. Disbursements are for the purpose of refunds, tax payments, Oklahoma Tax Commission and Treasurer's Mortgage Tax Certification Fees.

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

Detailed Notes on Funds and Account Balances (continued)

County Election Board - accounts for reimbursements for election cost and is disbursed for election board operations.

County Health Department - accounts for fees charged by the county health department. Disbursements are to the county health department budget account monthly.

County Assessor - accounts for fees charged by the County Assessor and remitted to the Assessor's Revolving Fund monthly.

County Clerk - accounts for the collection of filing fees and is transferred to the appropriate entity monthly.

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 \$208,678,247.

Per Article 10, § 8A, the County voted to repeal the personal property tax. The initiative provided that real property tax levies would be increased to make up for the loss of taxable personal property; therefore, the levy is now 10.45 mills (the legal maximum) for general fund operations, 2.09 mills for the county health department, and 2.09 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 95.53 percent of the tax levy.

Detailed Notes on Funds and Account Balances (continued)

D. Pension Plan

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

E. Capital Leases

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

F. 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.

5. Sales Tax

The voters of Delaware County voted a permanent ½ cent sales tax, which became effective April 1, 1988. The purpose of the sales tax is to provide revenue to be used only for the acquisition, establishment and operation of Solid Waste Services for the people of Delaware County.

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

Sales Tax (continued)

On June 1, 2001, voters enacted a sales tax of 1/10 of one percent to continue until May 31, 2006, with all of the income from said sales tax to be allocated for the exclusive purpose of funding the maintenance, operation and continued improvement of the courthouse and county offices. The sales tax of 1/10 of one-cent shall be voted on every five years to determine if it shall be continued for another five years.

On May 8, 2001, the voters of Delaware County approved, in addition to all other city, county, and state excise taxes, a four tenths of one percent (.4%) sales tax to become effective July 1, 2001. The .4% sales tax is for the purpose of constructing or improving fire stations, purchase of equipment, training, education, general maintenance and operation of 19 fire departments in Delaware County, Oklahoma. The sales tax may be terminated at any time after 5 years from its implementation, by a simple majority vote of the voters of Delaware County.

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
DELAWARE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Delaware County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 15, 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 Delaware County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying schedule of findings as item 1998-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 1998-1 to be a material weakness.

Compliance and Other Matters

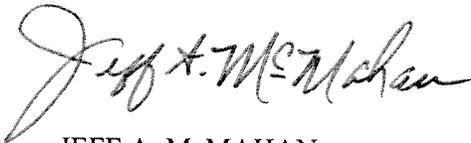
As part of obtaining reasonable assurance about whether Delaware County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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*.

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

February 15, 2005

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004**

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 1998-1 - 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.

STATISTICAL SECTION
(Unaudited)

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

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Public Service Company of Oklahoma	\$ 3,140,890	1.50%
Southwestern Bell Telephone Co.	2,709,559	1.30%
Wal-Mart Properties	1,501,840	0.72%
Grand Telephone Company, Inc.	1,351,783	0.65%
Precision Machine and Manufacturing Co.	1,040,641	0.50%
Century Telephone of NW Arkansas LLC	709,709	0.34%
KL Shangri-La Owners LP	681,060	0.32%
American Cellular Wireless	669,059	0.32%
Explorer Pipeline Company	539,073	0.26%
SBC Wireless LLC	519,569	0.25%
Total	<u>\$ 12,863,183</u>	<u>6.16%</u>

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

**DELAWARE 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>\$ 208,678,247</u>
Debt limit - 5% of total assessed value		10,433,912
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 10,433,912</u>

**DELAWARE COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

	2004
Estimated population	37,077
Net assessed value as of January 1, 2003	\$ 208,678,247
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

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

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2003	\$16,089,034	\$12,466,263	\$189,144,144	\$9,021,194	\$208,678,247	\$1,897,074,973