MAJOR 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

December 22, 2004

TO THE CITIZENS OF
MAJOR COUNTY, OKLAHOMA

Transmitted herewith is the audit of Major 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,

Jeff A. McMahan

JEFF A. McMAHAN
State Auditor and Inspector

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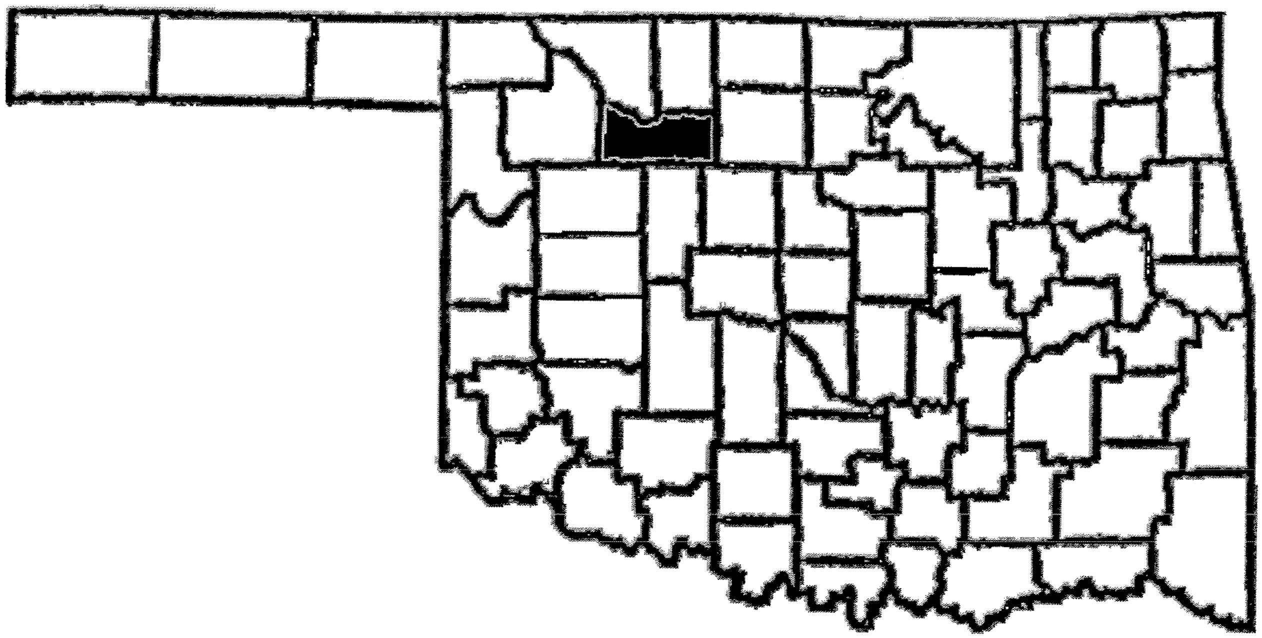
STATISTICAL DATA (Unaudited)

REPORT TO THE CITIZENS
OF
MAJOR COUNTY, OKLAHOMA



Major County was created at statehood from the southern portion of Woods County, Oklahoma Territory, and named for John C. Major, a member of the Oklahoma Constitutional Convention.

Several companies manufacture products ranging from oil drilling equipment to industrial loaders and steel truck bodies.

Annual events of interest include Fairview Follies, Wranglers Rodeo, National John Deere Two Cylinder Show, Major County Fair, and an Old Time Threshing Bee.

County Seat - Fairview

Area – 956.8 Square Miles

County Population – 7,545
(2000 est.)

Farms - 877

Land in Farms - 490,911 acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

COUNTY ASSESSOR
Ralph Wilson
(R) Fairview

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
Janie Cravens
(R) Fairview

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.

BOARD OF COUNTY COMMISSIONERS

DISTRICT 1
Skip Wood
(D) Ames

DISTRICT 2
Kelly D. Wahl
(R) Fairview

DISTRICT 3
Bruce Elwell
(D) Fairview

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

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

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

COUNTY SHERIFF
Tom Shaffer
(R) Ringwood

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
Reba Hiebert
(R) Ringwood

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.

COURT CLERK
Shauna Hoffman
(R) Fairview

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
Ray Don Jackson
(D) Woodward

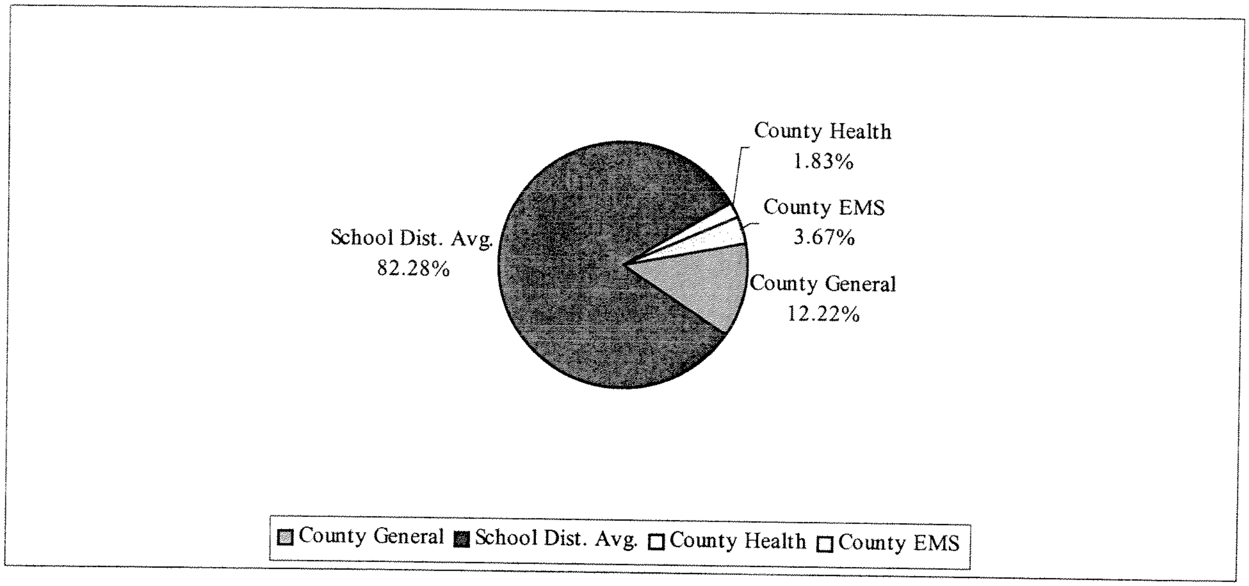
As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

ELECTION BOARD SECRETARY
Mary Ann Lynch
(D) Fairview

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.

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	10.00
County Health	1.50
County EMS	3.00

School District Millages

		Gen.	Bldg.	Skg.	Tech Cntr.	Common	Total
Ringwood	I-1	35.00	5.00	24.85	13.00	4.00	81.85
Cimarron	I-92	35.00	5.00	8.90	15.00	4.00	67.90
Aline-Cleo	I-4	35.00	5.00	3.96	13.00	4.00	60.96
Fairview	I-84	35.00	5.00	10.49	13.00	4.00	67.49
Mooreland	J-2W	35.00	5.00	8.21	13.00	4.00	65.21
Waynoka	J-3W	35.00	5.00	10.78	13.00	4.00	67.78
Seiling	J-8D	35.00	5.00	4.09	13.00	4.00	61.09
Okeene	J-9B	35.00	5.00	14.53	13.00	4.00	71.53
Hennessey	J-16K	35.00	5.00	12.80	13.00	4.00	69.80
Chisolm	J-42G	35.00	5.00	6.40	15.00	4.00	65.40
Drummond	J-85G	35.00	5.00	9.61	15.00	4.00	68.61
Timberlake	J-93A	35.00	5.00	4.98	13.00	4.00	61.98
Canton	J-105B	35.00	5.00	8.73	13.00	4.00	65.73

See independent auditor's report.

Independent Auditor's Report

STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
MAJOR COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Major 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 Major 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 Major County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general and county health department funds 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 Major 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 Major County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and 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 December 13, 2004, on our consideration of Major 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

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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 read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Major County, Oklahoma, taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

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

> This report is intended solely for the information and use of the management of the County 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

JEFF A. McMAHAN
State Auditor and Inspector

December 13, 2004

Special-Purpose Financial Statements

MAJOR 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
County General Fund	$ 270,221	$ 967,366	$ 1,088,468	$	$ 149,119
Highway Cash	1,394,508	3,645,786	3,790,529		1,249,765
Civil Emergency Management	5,263	1,230	6,493		
County Health Department	87,426	93,226	62,050		118,602
Rural Fire	44,933	12,676	20,516		37,093
Resale Property	48,000	14,673	20,704		41,969
Community Service Sentencing Program	1,225	19	1,172		72
Sheriff Service Fee	15,718	63,966	66,989		12,695
County Clerk Lien Fee	19,342	10,322	10,573		19,091
Treasurer's Mortgage Tax Certification Fee	3,822	2,040	2,911		2,951
Contract Board of Prisoners		19,065	6,340		12,725
Contract Board of Prisoner Revolving	103		103		
Board of Prisoners	15,985	68,829	84,814		
Assessor Visual Inspection	3,385	31			3,416
Grants	2,527	198,704	194,941		6,290
County Clerk Records Preservation Fee	31,410	18,215	6,788		42,837
Assessor Revolving Fund	4,304	2,371	1,286		5,389
Individual Redemption		593	593		
Emergency Medical Service	115,691	308,794	229,489		194,996
Schools	11,126	3,525,437	3,523,677		12,886
Vo-Tech 10	1,903	691,687	691,527		2,063
J-105 EMS		3,248	3,248		
Cities and Towns	5,201	91,370	89,948		6,623
Law Library	2,418	11,880	6,668		7,630
Vo-Tech 15	207	134,437	134,235		409
Unapportioned Tax	2,500				2,500
Court Clerk Trust Voucher Cash	12,000		12,000		
Official Depository	155,292	1,050,852	1,014,349	580	192,375
Protest Tax	41,708	111	41,817		2
Cash in Office	520				520
Total County Funds	$ 2,296,738	$ 10,936,928	$ 11,112,228	$ 580	$ 2,122,018

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

MAJOR 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	$ 270,136	$ 270,136	$ 270,221	$ 85
Less: Prior Year Outstanding Warrants	(51,886)	(51,886)	(51,886)	
Less: Prior Year Encumbrances	(7,418)	(7,418)	(7,418)	
Beginning Cash Balances, Budgetary Basis	210,832	210,832	210,917	85
Receipts:				
Ad Valorem Taxes	563,030	563,030	620,814	57,784
Charges for Services	52,575	52,575	55,939	3,364
Intergovernmental Revenues	163,053	217,945	207,246	(10,699)
Miscellaneous Revenues	48,321	73,488	83,367	9,879
Total Receipts, Budgetary Basis	826,979	907,038	967,366	60,328
Expenditures:				
District Attorney	7,100	7,100	5,751	1,349
Capital Outlay				
Total District Attorney	7,100	7,100	5,751	1,349
County Sheriff	151,709	165,073	165,073	
Capital Outlay				
Total County Sheriff	151,709	165,073	165,073	-
County Treasurer	65,864	65,864	65,836	28
Capital Outlay				
Total County Treasurer	65,864	65,864	65,836	28
County OSU Extension	33,303	33,103	31,808	1,295
Capital Outlay	2,300	2,500	2,490	10
Total County OSU Extension	35,603	35,603	34,298	1,305
County Clerk	113,298	113,298	95,815	17,483
Capital Outlay	100	100		100
Total County Clerk	113,398	113,398	95,815	17,583
Court Clerk	69,922	91,113	90,421	692
Capital Outlay				
Total Court Clerk	69,922	91,113	90,421	692
County Assessor	60,033	60,033	59,980	53
Capital Outlay				
Total County Assessor	60,033	60,033	59,980	53
Revaluation of Real Property	122,923	122,923	122,767	156
Capital Outlay				
Total Revaluation of Real Property	122,923	122,923	122,767	156
General Government	65,000	97,851	95,233	2,618
Capital Outlay	60,699	61,550	61,550	
Total General Government	125,699	159,401	156,783	2,618
Excise-Equalization Board	4,100	4,100	2,451	1,649
Capital Outlay				
Total Excise-Equalization Board	4,100	4,100	2,451	1,649
County Election Board	48,460	48,460	47,153	1,307
Capital Outlay	5	5		5
Total County Election Board	48,465	48,465	47,153	1,312
Insurance	153,000	164,802	163,698	1,104
Capital Outlay				
Total Insurance	153,000	164,802	163,698	1,104

continued on next page

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

MAJOR 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
Early Settlement	$ 56,802	$ 56,802	$ 51,147	$ 5,655
Capital Outlay				
Total Early Settlement	56,802	56,802	51,147	5,655
County Audit Budget	6,193	6,193	6,193	
Capital Outlay				
Total County Audit Budget	6,193	6,193	6,193	-
Free Fair Budget	11,998	11,998	11,815	183
Capital Outlay	2	2		2
Total Free Fair Budget	12,000	12,000	11,815	185
Provision for Interest on Warrants	5,000	5,000	527	4,473
Total Expenditures, Budgetary Basis	1,037,811	1,117,870	1,079,708	38,162
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	$ -	$ -	98,575	$ 98,575
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			9,890	
Add: Current Year Outstanding Warrants			40,654	
Ending Cash Balance			$ 149,119	

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

MAJOR 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 Budget	Final Budget	Actual	Variance
Beginning Cash Balances	$ 87,426	$ 87,426	$ 87,426	$ -
Less: Prior Year Outstanding Warrants	(942)	(942)	(942)	
Less: Prior Year Encumbrances	(227)	(227)	(186)	41
Beginning Cash Balances, Budgetary Basis	86,257	86,257	86,298	41
Receipts:				
Ad Valorem Taxes	84,455	84,455	93,121	8,666
Miscellaneous Revenues			105	105
Total Receipts, Budgetary Basis	84,455	84,455	93,226	8,771
Expenditures:				
Health and Welfare	145,712	145,712	64,491	81,221
Capital Outlay	25,000	25,000	1,710	23,290
Total Expenditures Budgetary Basis	170,712	170,712	66,201	104,511
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	$ -	$ -	113,323	$ 113,323
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			4,978	
Add: Current Year Outstanding Warrants			301	
Ending Cash Balance			$ 118,602	

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

MAJOR 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
District Court Clerk	$ 71,387	$ 446,846	$ 429,936	$ 321	$ 88,618
District Court Fund	51,543	280,817	257,793		74,567
Court Clerk Revolving	8,896	9,248	1,894		16,250
County Clerk		97,908	97,986	78	
County Sheriff		141,048	141,048		
County Treasurer	22,819	46,468	61,787	7	7,507
County Election Board		22,522	18,364	30	4,188
County Health Department	216	2,653	1,995	144	1,018
Dispute Mediation	220	970	1,175		15
Sheriff DARE	20				20
Assessor Revolving		2,371	2,371		
Sheriff Revolving	191	1			192
Total Official Depository Accounts	$ 155,292	$ 1,050,852	$ 1,014,349	$ 580	$ 192,375

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Major 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 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. Funds presented are established by statute, and their operations are under the control of the County officials.

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

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

The Comparative Statements of Receipts, Expenditures, and Changes in Fund Balances - Budget and Actual - for the General Fund and 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 Fund 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 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:

Types of Loss	Method Managed	Risk of Loss Retained
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-Insured Group (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)

Types of Loss	Method Managed	Risk of Loss Retained
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 $10,000 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 to cover claims that exceed the pool's risk retention limits up to $1,000,000. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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

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

G. Compensated Absences

The County's employee personnel policy handbook, dated 2003, sets forth the following for annual leave benefits:

Years of Service	Accrual Rate	Accrual Limits
1 Year	5 Days Vacation	Must be used before the next anniversary date.
2-9 Years	10 Days Vacation	
10-19 Years	15 Days Vacation	
20 or More	20 Days Vacation	

Summary of Significant Accounting Policies (continued)

All full-time Major County employees shall be entitled to sick leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at the rate of 10 hours for each full calendar month of service to the County. Sick leave may be accrued up to a maximum of 130 days.

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 $2,122,018 and the bank balance was $2,121,408. 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

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

Detailed Notes on Funds and Account Balances (continued)

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

Civil Emergency Management – accounts for funds collected by the State Department of Civil Emergency Management for county civil defense purposes.

County Health Department – accounts for the fees collected for services received by clients of the facility and transferred to the cash fund each month.

Rural Fire - accounts for monies collected on behalf of the fire district from ad valorem taxes and remitted to them monthly.

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

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

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

County Clerk Lien Fee - accounts for lien collections and disbursements as restricted by statute.

Treasurer's Mortgage Tax Certification Fee - accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursements of the funds as restricted by statute.

Contract Board of Prisoners - accounts for the contracted amount with the Department of Corrections to be used for the maintenance and operations of the county jail to offset the cost of housing state prisoners.

Contract Board of Prisoner Revolving - accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

Board of Prisoners – accounts for the collection of reimbursements from other entities such as state and city for the board of their prisoners.

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

Grants – account for federal grants received and expended based on the agreement with the awarding agency.

Detailed Notes on Funds and Account Balances (continued)

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

Assessor Revolving Fund - accounts for the collection of fees for copies restricted by state statute.

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

Emergency Medical Service – accounts for charges for services, ad valorem monies and miscellaneous collections apportioned and amounts disbursed for the expenses of the Major County Emergency Medical Service.

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

Vo-Tech 10 – accounts for monies collected on behalf of the Vo-Tech 10 within the County from ad valorem taxes, state and local revenues, and remitted to them monthly.

J-105 EMS - accounts for charges for services, ad valorem monies and miscellaneous collections apportioned and amounts disbursed for the expenses of the Canton-Longdale Emergency Medical Service.

Cities and Towns – accounts for Oklahoma Tax Commission collections distributed to the cities and towns of Major County.

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

Vo-Tech 15 - accounts for monies collected on behalf of the Vo-Tech 15 within the County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Unapportioned Tax – accounts for the $2,500 used to keep the bank account balance active.

Court Clerk Trust Voucher Cash – accounts for funds held in trust by the Court Clerk to be distributed by court order.

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

Protest Tax – accounts for collection of ad valorem taxes that have been protested.

Cash in Office – accounts for cash used to make change for citizens making transactions in cash.

Detailed Notes on Funds and Account Balances (continued)

Additionally, the following official depository accounts are described as follows:

District Court Clerk – accounts for the collection of bond money, court fines and fees. Money is disbursed for fees and restitution.

District Court Fund – accounts for fees transferred from District Court and interest earned. Money is disbursed for the purpose of fees for various entities, salaries and operation of the Court Clerk's office.

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

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

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

County Treasurer – accounts for collection of taxes paid in advance.

County Election Board – accounts for reimbursement of election expense and disbursements are for refunds of election fees and maintenance and operation of the office.

County Health Department – accounts for the fees collected for services received by clients of the facility and transferred to the cash fund each month.

Dispute Mediation – accounts for fees collected for services provided for dispute mediation in the County.

Sheriff DARE – accounts for balance remaining in the DARE account.

Assessor Revolving – accounts for all collections of copy fees and proceeds from the sale of ownership books to be disbursed at the end of the month and deposited in the Assessor Revolving Fund.

Sheriff Revolving – accounts for interest earned on the remaining balance of a COPS grant.

Detailed Notes on Funds and Account Balances (continued)

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2003, was approximately $61,933,274.

Per Article 10, § 8A, with the repeal of personal property tax, the millage with the adjustment factor is 10 mills (the legal maximum) for general fund operations, 1.5 mills for the county health department and 3 mills for the countywide EMS. 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 98.9 percent of the tax levy.

D. Pension Plan

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

Detailed Notes on Funds and Account Balances (continued)

E. Capital Leases

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

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

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

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*

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
MAJOR COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Major County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 13, 2004. 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 Major 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 financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-1.

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 2002-1 to be a material weakness.

Compliance and Other Matters

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

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

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

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

Sincerely,

Jeff A. McMahan

JEFF A. McMAHAN
State Auditor and Inspector

December 13, 2004

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

Finding 2002-1 - Segregation of Duties (Repeat Finding)

Criteria: Management's accounting for funds should demonstrate accountability and stewardship. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: One deputy in the County Sheriff's office performs the following tasks:

1. Opens mail and totals remittances,
2. Writes official depository receipts,
3. Balances the receipts as to cash and checks received,
4. Prepares the deposit slip.

Recommendation: We recommend management be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of office operations and periodic review of those operations.

Management Response: A lack of funds requires that the duties of the office be shared by all employees. At this time, measures have been taken to ensure proper accounting of funds by segregating the duties of receiving, receipting, recording, and depositing cash and checks.

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

Finding 2004-1 - Credit Card Purchases

Criteria: Title 19 O.S. 2001, § 1506 states that the sheriff is authorized to make certain travel purchases by credit card. The purchases shall be limited to actual expenses for travel out of the county by the sheriff or deputies to perform their official duties; provided, such credit cards may be used to purchase fuel, within the county, on weekends, nights or holidays when fuel cannot be obtained from the vendor to whom a bid for such fuel purchases has been rewarded. "Actual expenses for travel" shall mean expenses for travel by public or private railroads, airplanes, buses, rental cars or other public or private conveyances, fuel, oil, meals, lodging, parking fees and telephone expenses.

Condition: Upon visually verifying new purchases made from capital outlay accounts, it was noted some purchases were made with the Sheriff credit card that were not for travel expenses. The Sheriff bought drug dog supplies at Atwoods and while out of town, the Sheriff purchased a 308 Rifle at Bass Pro Shop in Oklahoma City.

Recommendation: We recommend that the Sheriff only make purchases for travel and emergency fuel with the Sheriff credit card in accordance with Title 19 O.S. 2001, § 1506.

Management Response: The Sheriff no longer has a credit card for travel expense.

Statistical Data
(Unaudited)

TAXPAYER	JANUARY 1, 2003 NET ASSESSED ASSESSED VALUE	% OF TOTAL NET VALUATION
Duke Energy Field Services	$ 5,174,681	8.36%
Western Gas Resources	3,104,695	5.01%
Oneok Gas Processing LLC	1,649,989	2.66%
Kronseder Farms Inc.	1,627,883	2.63%
Mission Funding LLC	1,538,213	2.48%
Pioneer Telephone Corp.	1,263,612	2.04%
Southwestern Bell Telephone	1,208,789	1.95%
OG&E	999,868	1.62%
Seaboard Farms	756,396	1.22%
Clean Harbors	754,811	1.22%
Total	$ 18,078,937	29.19%

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

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

Total net assessed value as of January 1, 2003		$ 61,933,274
Debt limit - 5% of total assessed value		$ 3,096,664
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		$ 3,096,664

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	7,545
Net assessed value as of January 1, 2003	$ 61,933,274
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	$ -

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/03	$25,443,493	$6,831,214	$31,856,269	$2,197,702	$61,933,274	$583,008,873