

**CRAIG 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

February 1, 2006

TO THE CITIZENS OF
CRAIG COUNTY, OKLAHOMA

Transmitted herewith is the audit of Craig 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. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Craig County	iii
County Officials and Responsibilities	iv
Ad Valorem Tax Distribution.....	ix

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Special-Purpose Financial Statements:	
Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds	3
Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund.....	4
Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - County Health Department Fund	7
Detailed Statement of Receipts, Disbursements, and Changes in Cash Balances - Sinking Fund	8
Detailed Statement of Receipts, Disbursements, and Changes in Cash Balances - Official Depository Accounts.....	9
Notes to the Financial Statements	10

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19
Schedule of Findings	21

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

STATISTICAL SECTION (Unaudited)

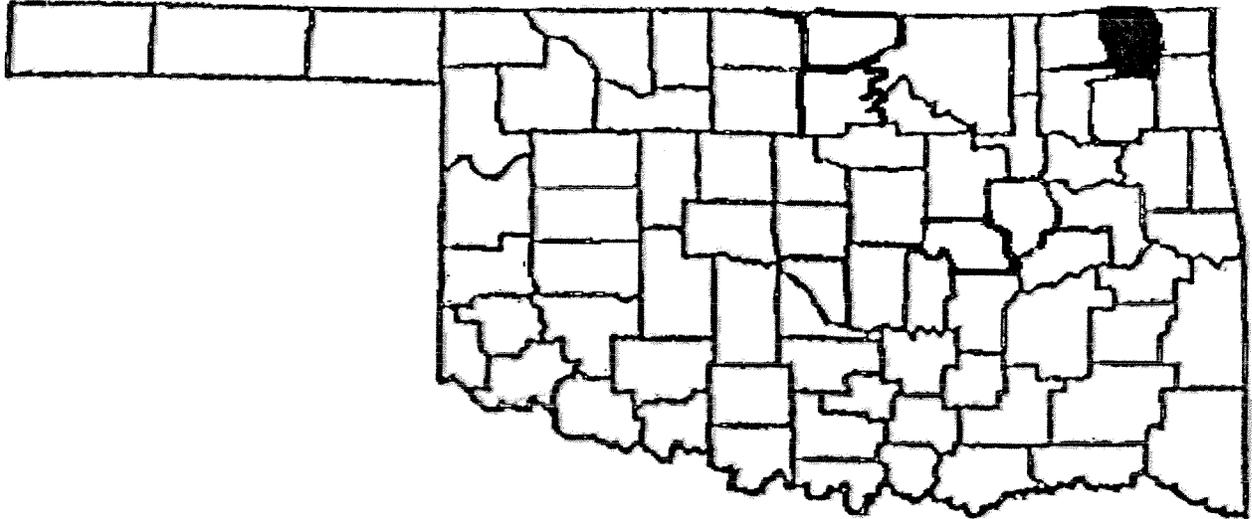
Top Ten Taxpayers.....22

Computation of Legal Debt Margin23

Ratio of Net General Bonded Debt to Assessed Value and
Net Bonded Debt Per Capita24

Assessed Value of Property.....25

REPORT TO THE CITIZENS
OF
CRAIG COUNTY, OKLAHOMA



Craig County was created at statehood. Named for Granville Craig, a prominent Cherokee, this area was part of the Cherokee Nation. Vinita, the county seat, was established in 1891 at the junction of the Missouri, Kansas, and Texas Railroad ((KATY) and the Atlantic and Pacific Railroad, (later the Frisco), the first rail lines to enter Oklahoma.

County Seat – Vinita

Area – 761.1 Square Miles

County Population – 14,950
(2000 est.)

Farms – 1,120

Land in Farms – 418,352 Acres

Primary Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**CRAIG COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Kelli Beisly Minson
(D) Vinita

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
Tammy Malone
(D) Vinita

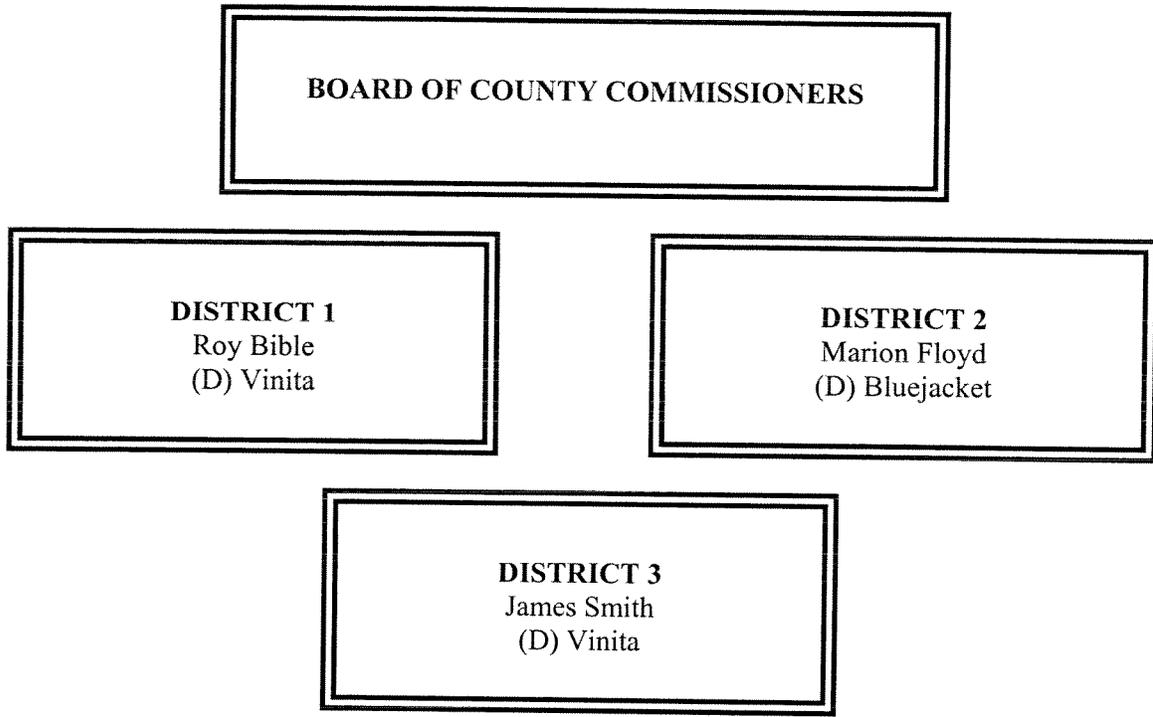
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**CRAIG 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.

**CRAIG COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Jimmie Sooter
(D) Vinita

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
Joan Barnett
(D) Vinita

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.

**CRAIG COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Patricia Byers
(D) Welch

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
Earnest "Gene" Haynes
(D) Claremore

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.

**CRAIG COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

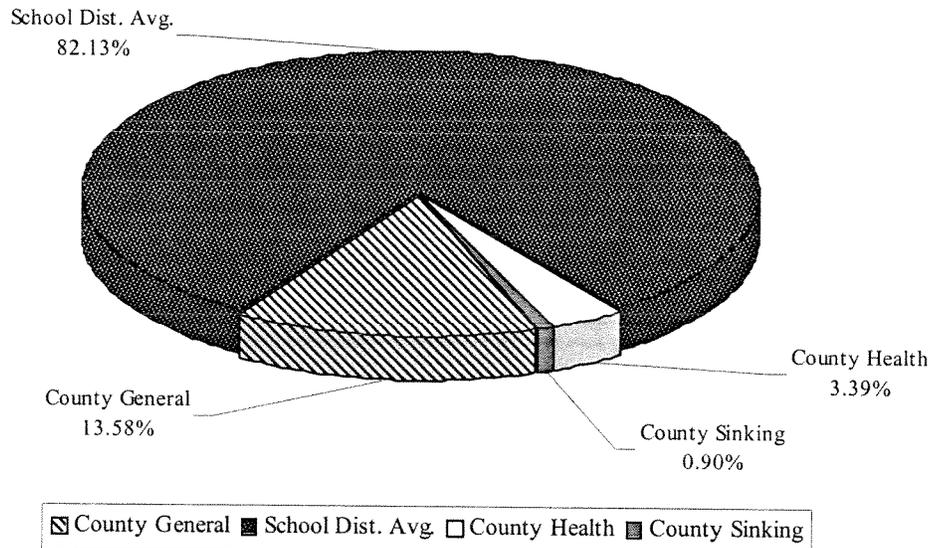
Debbie Davenport
(D) Centralia

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.

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

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



County-Wide Millages		School District Millages							
Co. General				Gen.	Bldg.	Sk.	Career-Tech	Common	Total
Co. General	10.37	White Oak	I-1	38.45	5.49		10.37	4.15	58.46
County Health	2.59	Chelsea	I-32	37.14	5.31	23.11	10.37	4.15	80.08
County Sinking	0.69	Cleora	D-6	35.44	5.06		10.37	4.15	55.02
		Ketchum	I-6	36.01	5.14	5.73	10.37	4.15	61.40
		Welch	I-17	35.66	5.09	7.16	10.37	4.15	62.43
		Bluejacket	I-20	36.99	5.28		10.37	4.15	56.79
		Afton	I-26	36.82	5.26		10.37	4.15	56.60
		Vinita	I-65	36.08	5.15	15.27	10.37	4.15	71.02

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
CRAIG COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Craig 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 Craig 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 Craig 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 Craig 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 Craig 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 April 12, 2005, on our consideration of Craig 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 Craig 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 it.

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

April 12, 2005

Special-Purpose Financial Statements

**CRAIG 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	\$ 791,432	\$ 2,363,177	\$ 2,306,752	\$	\$ 847,857
Highway Cash	582,078	1,938,317	2,006,008		514,387
Sheriff Service Fees	10,147	198,769	179,581		29,335
Resale Property	56,108	38,242	16,668		77,682
Assessor's Revolving	105				105
Visual Inspection	11,986	364	118		12,232
CSSP		30,310	20,855		9,455
County Clerk Lien Fee	703	1,496	1,018		1,181
County Clerk Records Preservation	33,575	20,715	9,271		45,019
Treasurer's Mortgage Cert. Fees	20,925	5,075	1,091		24,909
Sinking Fund	52,651	45,222	97,042		831
Schools	121,195	4,474,315	4,476,650		118,860
Official Depository	373,707	2,640,642	2,293,583	1,508	722,274
County Health	388,128	224,759	219,067		393,820
Law Library	3,955	22,056	22,493		3,518
Individual Redemption	277	34,215	32,608		1,884
Excess Resale	1,636	1,449			3,085
Board of Prisoners	3,527	35,328	28,137		10,718
County Fair Board	10,117	11,820	504		21,433
Sheriff Drug Buy	525		525		
Sheriff Drug Enforcement	230	4,980	5,194		16
Boiling Springs	5		5		
Ambulance Grant		35,000	17,500		17,500
ST Building	83,966	1,051,502	1,045,378		90,090
Cities and Towns	7,549	117,282	115,924		8,907
Juvenile Transport	1,909	5,979	4,349		3,539
Protest 2002	137,475	2,080	139,555		
Total County Funds	<u>\$ 2,693,911</u>	<u>\$ 13,303,094</u>	<u>\$ 13,039,876</u>	<u>\$ 1,508</u>	<u>\$ 2,958,637</u>

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

**CRAIG 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	\$ 791,432	\$ 791,432	\$ 791,432	\$ -
Less: Prior Year Outstanding Warrants	(89,361)	(89,361)	(89,312)	49
Less: Prior Year Encumbrances	(6,604)	(6,604)	(6,430)	174
Beginning Cash Balances, Budgetary Basis	<u>695,467</u>	<u>695,467</u>	<u>695,690</u>	<u>223</u>
Receipts:				
Ad Valorem Taxes	647,453	647,453	629,259	(18,194)
Sales Tax	762,266	762,266	893,776	131,510
Charges for Services	219,722	219,722	127,128	(92,594)
Intergovernmental Revenues	392,590	623,164	640,220	17,056
Miscellaneous Revenues	91,217	91,217	72,794	(18,423)
Total Receipts, Budgetary Basis	<u>2,113,248</u>	<u>2,343,822</u>	<u>2,363,177</u>	<u>19,355</u>
Expenditures:				
District Attorney	1,000	1,321	1,321	
Total District Attorney	<u>1,000</u>	<u>1,321</u>	<u>1,321</u>	<u>-</u>
County Sheriff	381,261	385,033	385,017	16
Total County Sheriff	<u>381,261</u>	<u>385,033</u>	<u>385,017</u>	<u>16</u>
County Treasurer	93,040	93,040	92,647	393
Total County Treasurer	<u>93,040</u>	<u>93,040</u>	<u>92,647</u>	<u>393</u>
OSU Extension	34,569	32,569	31,449	1,120
Capital Outlay	431	2,431	2,065	366
Total OSU Extension	<u>35,000</u>	<u>35,000</u>	<u>33,514</u>	<u>1,486</u>
County Clerk	80,820	80,820	79,004	1,816
Total County Clerk	<u>80,820</u>	<u>80,820</u>	<u>79,004</u>	<u>1,816</u>
Court Clerk	92,940	92,940	92,444	496
Total Court Clerk	<u>92,940</u>	<u>92,940</u>	<u>92,444</u>	<u>496</u>
County Assessor	39,600	39,600	39,597	3
Total County Assessor	<u>39,600</u>	<u>39,600</u>	<u>39,597</u>	<u>3</u>

continued on next page

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

CRAIG 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	107,817	104,992	92,625	12,367
Capital Outlay		2,825	2,825	
Total Revaluation of Real Property	<u>107,817</u>	<u>107,817</u>	<u>95,450</u>	<u>12,367</u>
General Government	209,852	232,765	223,035	9,730
Total General Government	<u>209,852</u>	<u>232,765</u>	<u>223,035</u>	<u>9,730</u>
Excise-Equalization Board	1,850	1,850	1,543	307
Total Excise-Equalization Board	<u>1,850</u>	<u>1,850</u>	<u>1,543</u>	<u>307</u>
County Election Board	47,145	47,386	46,403	983
Total County Election Board	<u>47,145</u>	<u>47,386</u>	<u>46,403</u>	<u>983</u>
Insurance	205,900	202,480	173,359	29,121
Total Insurance	<u>205,900</u>	<u>202,480</u>	<u>173,359</u>	<u>29,121</u>
Juvenile Shelter Bureau	10,000	10,000	7,662	2,338
Total Juvenile Shelter Bureau	<u>10,000</u>	<u>10,000</u>	<u>7,662</u>	<u>2,338</u>
County Audit Budget	6,879	6,879	6,879	
Total County Audit Budget	<u>6,879</u>	<u>6,879</u>	<u>6,879</u>	<u>-</u>
Highway Account	1,448,386	1,655,133	990,898	664,235
Total Highway Account	<u>1,448,386</u>	<u>1,655,133</u>	<u>990,898</u>	<u>664,235</u>
Free Fair	25,000	25,000	24,967	33
Total Free Fair	<u>25,000</u>	<u>25,000</u>	<u>24,967</u>	<u>33</u>
Charity	1,000	1,000	278	722
Total Charity	<u>1,000</u>	<u>1,000</u>	<u>278</u>	<u>722</u>
Recording Account	3,000	3,000	2,943	57
Total Recording Account	<u>3,000</u>	<u>3,000</u>	<u>2,943</u>	<u>57</u>
Welfare	1,500	1,500		1,500
Total Welfare	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>

continued on next page

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

**CRAIG 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
County Hospital	16,224	16,224	16,224	
Total County Hospital	<u>16,224</u>	<u>16,224</u>	<u>16,224</u>	<u>-</u>
Civil Defense	501	501	156	345
Total Civil Defense	<u>501</u>	<u>501</u>	<u>156</u>	<u>345</u>
Total Expenditures, Budgetary Basis	<u>2,808,715</u>	<u>3,039,289</u>	<u>2,313,341</u>	<u>725,948</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	745,526	<u>\$ 745,526</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			92,224	
Add: Current Year Outstanding Warrants			10,107	
Ending Cash Balance			<u>\$ 847,857</u>	

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

**CRAIG 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	\$ 388,128	\$ 388,128	\$ 388,128	\$ -
Less: Prior Year Outstanding Warrants	(39,062)	(39,062)	(39,062)	
Less: Prior Year Encumbrances	(35,707)	(35,707)	(35,508)	199
Beginning Cash Balances, Budgetary Basis	<u>313,359</u>	<u>313,359</u>	<u>313,558</u>	<u>199</u>
Receipts:				
Ad Valorem Taxes	153,665	153,665	165,459	11,794
Miscellaneous Revenues		49,966	59,300	9,334
Total Receipts, Budgetary Basis	<u>153,665</u>	<u>203,631</u>	<u>224,759</u>	<u>21,128</u>
Expenditures:				
Health and Welfare	383,409	433,375	157,433	275,942
Capital Outlay	83,615	83,615	7,500	76,115
Total Expenditures, Budgetary Basis	<u>467,024</u>	<u>516,990</u>	<u>164,933</u>	<u>352,057</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	373,384	<u>\$ 373,384</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			5,520	
Add: Current Year Outstanding Warrants			14,916	
Ending Cash Balance			<u>\$ 393,820</u>	

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

**CRAIG COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2004**

Beginning Cash Balances	\$ 52,651
Receipts:	
Ad Valorem Taxes	45,222
Total Receipts	<u>45,222</u>
Disbursements:	
County Judgments	72,596
Interest Paid	24,446
Total Disbursements	<u>97,042</u>
Ending Cash Balance	<u>\$ 831</u>

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

**CRAIG 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	\$ 112,309	\$ 1,182,206	\$ 923,201	\$ 325	\$ 371,639
Court Fund	125,599	600,371	576,071		149,899
District Attorney	121,335	275,928	214,599	271	182,935
County Clerk		136,815	136,845	30	
County Sheriff	2,875	242,866	245,741		
County Treasurer	9,229	115,815	116,381	70	8,733
County Health		57,577	57,577		
County Assessor	1,655	1,171			2,826
Election Board	400	27,893	23,168	812	5,937
Cash in Office	305				305
Total Official Depository Accounts	<u>\$ 373,707</u>	<u>\$ 2,640,642</u>	<u>\$ 2,293,583</u>	<u>\$ 1,508</u>	<u>\$ 722,274</u>

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

I. 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 Craig County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County. The funds presented are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

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

The 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 participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed authorized deductibles, the County would have surcharges assessed to pay the excess claims.

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. 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.

OPEH&WP - The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. The pool has assessed additional premiums to be paid by its members in the current fiscal year.

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 \$2,958,637 and the bank balance was \$2,999,741. 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, sales tax, 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.

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

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

Assessor's Revolving – revenues are from fees charged by the County Assessor (copies, etc.). Disbursements are for any legal expenses of the Assessor's office.

Visual Inspection – revenues are from fees charged to all entities receiving ad valorem taxes. Disbursements are for the re-evaluation of all county property for ad valorem purposes.

Detailed Notes on Funds and Account Balances (continued)

CSSP - (Community Service Sentencing Program) – revenues are from state funds reimbursing the administrative expenses of people sentenced to community service.

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

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

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

Sinking Fund – revenues are from flood control funds from the state. Disbursements are for the payment of principal and interest on judgments against the County.

Schools – All funds collected on behalf of the county schools are recorded in this fund and remitted to the individual schools 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.

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.

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

Individual Redemption – revenues are from taxpayers who redeem tax certificates previously sold on their property. Disbursements are to reimburse the certificate holders for taxes paid, interest, penalties, and cost.

Excess Resale – revenues are from amounts received above the amount of tax due when property is sold for taxes. Disbursements are to the original owner of the property.

Board of Prisoners – accounts for the Department of Corrections' funds spent for housing and maintaining state prisoners in the jail.

County Fair Board – accounts for donations and rental fees collected at the fairgrounds. Funds are spent on premiums and improvements.

Sheriff Drug Buy – accounts for drug forfeiture money returned by the District Attorney and used by informants to purchase illegal drugs for possible convictions.

Detailed Notes on Funds and Account Balances (continued)

Sheriff Drug Enforcement – accounts for donations spent to fight illegal drug possession and use.

Boiling Springs – accounts for grant funds received by a local fire fighters district and spent on public safety.

Ambulance Grant – revenues are from a state grant. Disbursements were for the purchase of an ambulance.

ST Building – accounts for the one-cent sales tax collected to build a new courthouse. The funds are paid to the Craig County Governmental Building Authority.

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.

Juvenile Transport – accounts for money paid by the State Juvenile Division to the Sheriff's office for deputies transporting juveniles within the state.

Protest 2002 – accounts for ad valorem taxes paid by taxpayers who take exception to the amount and/or assessment of the taxes. These taxes are apportioned to county and schools when the protest is resolved.

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. Disbursements are for operating expense of the District Court.

District Attorney – accounts for the collection of controlled substance forfeitures, restitution, witness fees, and miscellaneous collections of the District Attorney's office. Disbursements are for the transfer of funds to the proper fund or recipient.

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

County Sheriff – accounts for cash bonds, tax warrants, drug forfeiture, reserve officer donations, reimbursements, and inmate commissary funds. Disbursements are made to the proper recipient or fund monthly.

County Treasurer – accounts for all collections of pre-paid ad valorem taxes, pre-paid mobile home taxes, and the sale of motor vehicle tax stamps. Disbursements are to the proper recipient monthly.

Detailed Notes on Funds and Account Balances (continued)

County Health – 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.

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

Cash in Office – accounts for the change used by officers in cash drawers.

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 \$64,896,552.

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 10.37 mills (the legal maximum) for general fund operations, 2.59 mills for the county health department, and .69 mill for the sinking fund. 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 97 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% 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.

G. Judgments

The County has a judgment which is being retired by a tax levy. The County is obligated to pay this judgment over a three-year period.

<u>Case Number</u>	<u>Original Judgment</u>
CJ-99-4349	\$108,895

During the year ended June 30, 2004, the County made two payments on the judgment totaling \$72,596 (principal).

**CRAIG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

Detailed Notes on Funds and Account Balances (continued)

Future principal and interest payments that will become due on the existing judgment are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 36,299	\$ 6,338	\$ 42,637
Totals	<u>\$ 36,299</u>	<u>\$6,338</u>	<u>\$ 42,637</u>

4. Sales Tax

On May 11, 2004, Craig County voters approved the renewal of a one percent (1%) sales tax, which originally began on May 1, 1999. The sales tax was renewed for a period of five years. However, collections did not begin until the following quarter – October 1, 2004. Proceeds of the sales tax are to be apportioned as follows:

County Roads	62.50%
Ambulance Services	12.50%
Law Enforcement	10.00%
General Fund	15.00%

The voters of Craig County approved an additional one percent (1%) sales tax effective January 1, 2003, to be administered by the Craig County Governmental Building Authority for the purposes of acquiring, constructing, equipping, repairing, renovating, operating and maintaining the Craig County courthouse and jail facilities. One-fourth of the sales tax shall be levied until repealed by a majority of voters. The remaining three-fourths of the sales tax shall expire on January 1, 2023.

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
CRAIG COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Craig County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated April 12, 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 Craig 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 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

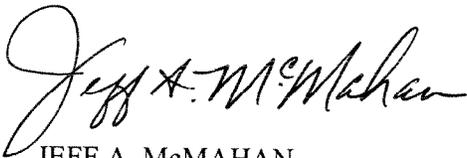
As part of obtaining reasonable assurance about whether Craig County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

April 12, 2005

**CRAIG 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 2002-1 - 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)**

**CRAIG 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>
Southwestern Bell	\$ 2,399,830	3.70%
General Mills Operation	1,936,267	2.98%
Public Service Co. of Oklahoma	1,921,120	2.96%
AT&T Communications Inc	1,821,522	2.81%
Dana/Eaton Aerquip, Inc	1,781,727	2.75%
Cinch Connector Div of Labinal	1,437,111	2.21%
Atlas Telephone Co. Inc	1,392,956	2.15%
Wal-Mart Stores	1,097,398	1.69%
Union Pacific RR	1,038,206	1.60%
Burlington Northern RR	775,853	1.19%
Total	<u>\$ 15,601,990</u>	<u>24.04%</u>

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

**CRAIG 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>\$ 64,896,552</u>
Debt limit - 5% of total assessed value		3,244,828
Total bonds outstanding	-	
Total judgments outstanding	36,299	
Cash in sinking fund	<u>\$ 831</u>	<u>35,468</u>
Legal debt margin		<u>\$3,209,360</u>

CRAIG 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	14,950
Net assessed value as of January 1, 2003	\$ 64,896,552
Gross bonded debt	-
Less available sinking fund cash balance	831
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	\$8,771,147	\$13,887,634	\$46,134,622	\$3,896,851	\$64,896,552	\$564,317,843