

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

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May 18, 2006

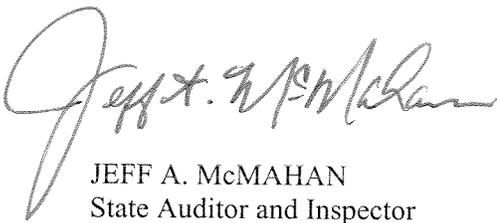
TO THE CITIZENS OF
CRAIG COUNTY, OKLAHOMA

Transmitted herewith is the audit of Craig County, Oklahoma, for the fiscal year ended June 30, 2005. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Craig County	iii
County Officials and Responsibilities	iv
Ad Valorem Tax Distribution.....	ix
Computation of Legal Debt Margin	x
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	xi
Assessed Value of Property	xii

FINANCIAL SECTION

Report of State Auditor and Inspector.....	1
Basic Financial Statement:	
Combined Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information).....	3
Notes to the Financial Statement	4

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund	12
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	15
Detailed Schedule of Receipts, Disbursements, and Changes in Cash Balances—Sinking Fund	16
Notes to Other Supplementary Information.....	17

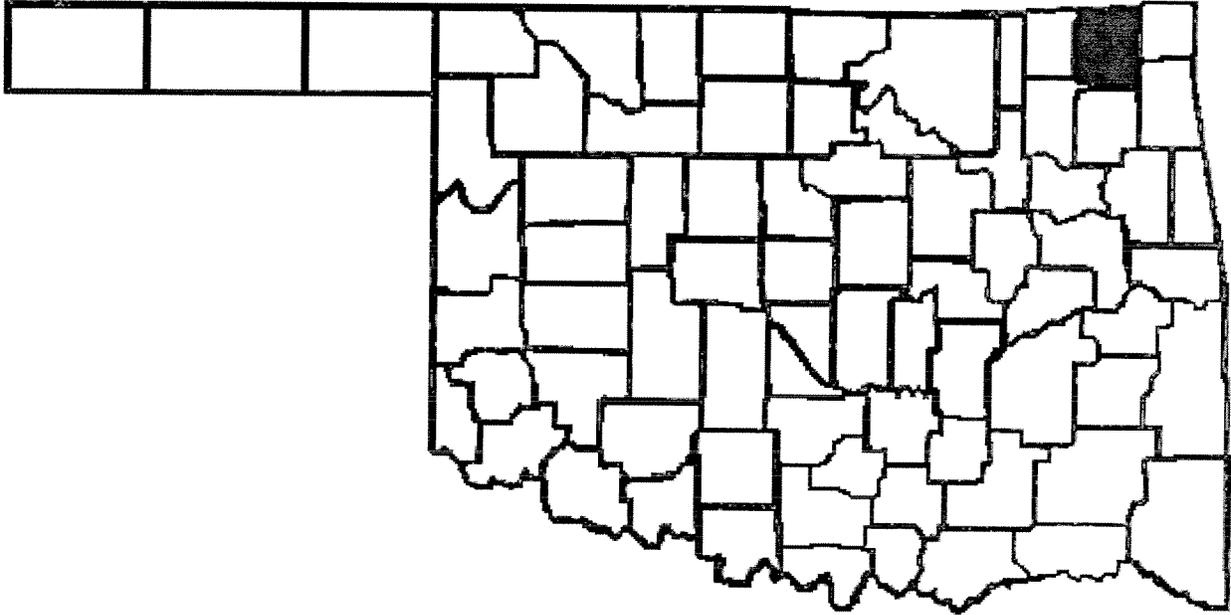
**CRAIG COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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
Government Auditing Standards 18

Schedule of Findings and Responses.....20

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 – 762.71 Square Miles

County Population – 14,873
(2004 est.)

Farms – 1,289

Land in Farms – 435,804 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

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

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

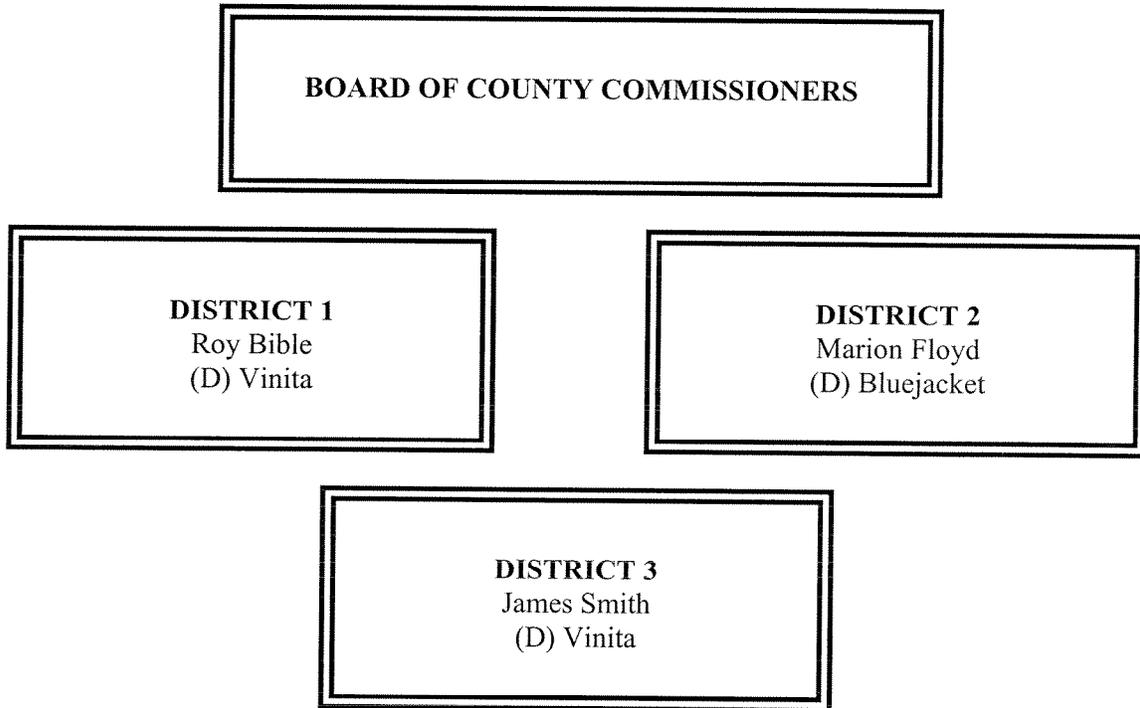
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**



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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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.

See independent auditor's report.

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

ELECTION BOARD SECRETARY

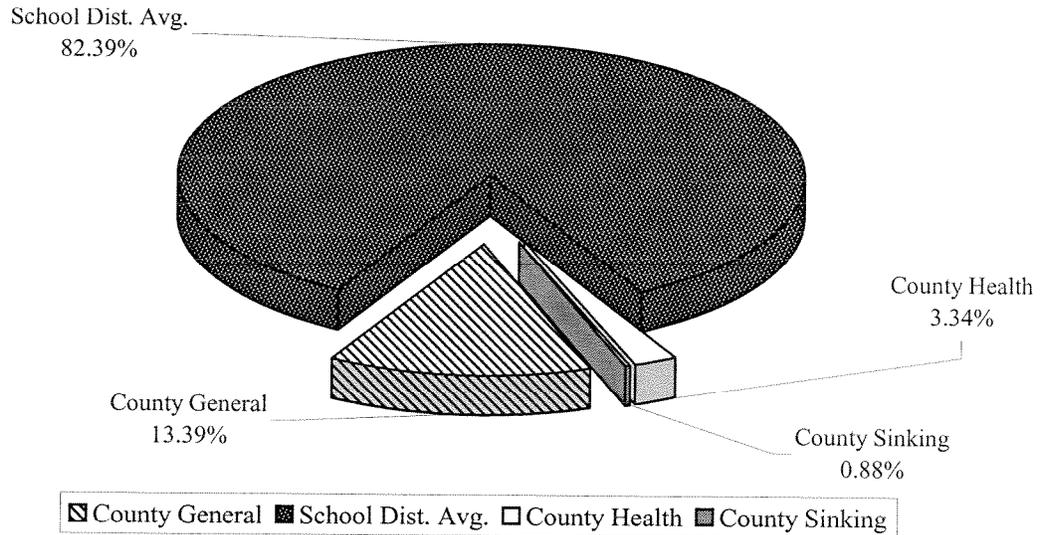
Debbie Davenport
(D) Centralia

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career-Tech	Common	Total
Co. General	10.37	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	21.48	10.37	4.15	78.45
County Sinking	0.68	Cleora	D-6	36.77	5.26		10.37	4.15	56.55
		Ketchum	I-6	36.01	5.14	4.68	10.37	4.15	60.35
		Welch	I-17	35.66	5.09	17.56	10.37	4.15	72.83
		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	14.73	10.37	4.15	70.48

See independent auditor's report.

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

Total net assessed value as of January 1, 2004		<u>\$ 66,196,784</u>
Debt limit - 5% of total assessed value		3,309,839
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>1,432</u>	<u>-</u>
Legal debt margin		<u>\$ 3,309,839</u>

See independent auditor's report.

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

	2005
Estimated population	14,873
Net assessed value as of January 1, 2004	\$ 66,196,784
Gross bonded debt	-
Less available sinking fund cash balance	1,432
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

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

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2004	\$10,383,249	\$12,310,807	\$47,363,654	\$3,860,926	\$66,196,784	\$551,639,867

See independent auditor's report.

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
CRAIG COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Craig County, Oklahoma, as of and for the year ended June 30, 2005, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Craig County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

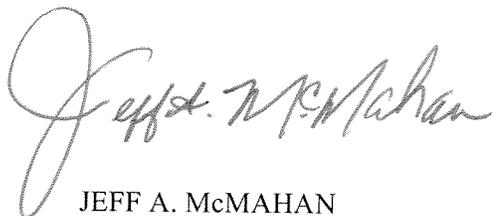
As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2006, 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 conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.



JEFF A. McMAHAN
State Auditor and Inspector

March 6, 2006

Basic Financial Statement

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

	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
Combining Information:				
General Fund	\$ 847,857	\$ 1,859,086	\$ 2,093,266	\$ 613,677
Highway Cash	514,387	2,023,797	2,152,976	385,208
County Health	393,820	220,311	186,877	427,254
Resale Property	77,682	35,085	45,605	67,162
Board of Prisoners	10,718	16,454	25,392	1,780
CSSP	9,455	32,820	22,356	19,919
Sheriff Service Fees	29,335	176,325	169,272	36,388
County Clerk Lien Fee	1,181	1,631	539	2,273
County Fair Board	21,433	5,110	642	25,901
Visual Inspection	12,232	370	132	12,470
Assessor's Revolving	105	5,753	2,886	2,972
Sheriff Drug Buy		537	300	237
Sheriff Drug Enforcement	16	10,815	8,297	2,534
County Clerk Records Preservation	45,019	19,545	32,705	31,859
Treasurer's Mortgage Certification Fees	24,909	4,755	3,019	26,645
Sales Tax - Bldg	90,090	1,153,621	1,151,075	92,636
Ambulance Grant	17,500		17,331	169
Court Clerk Revolving		90,944	4,143	86,801
Sinking Fund	831	43,615	43,014	1,432
Combined Total—All County Funds	\$ 2,096,570	\$ 5,700,574	\$ 5,959,827	\$ 1,837,317

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Craig County, Oklahoma. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

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

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.

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

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

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

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

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

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

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

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.

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.

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

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

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

Sales Tax 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.

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

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

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.

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

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

C. Basis of Accounting

The basic financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

D. Budget

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

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

E. Cash

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

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

F. Investments

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

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

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

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

G. Compensated Absences

All full-time Craig County employees shall be entitled to annual leave that is accrued on a monthly basis in accordance with the schedule out-lined below:

<u>Years of Service</u>	<u>Annual Leave</u>	<u>Accumulation Limit</u>
First year	2 weeks	30 days
Second year	2 weeks	30 days
Third year	2 weeks	30 days
Fourth year	2 weeks	30 days
Fifth year	3 weeks	60 days
Tenth year and over	4 weeks	60 days

Vacation must be earned before it is taken. No vacation will be longer than 10 consecutive working days without permission of the appropriate elected official. Vacation schedules are subject to the elected official approval. No vacation leave shall be accumulated beyond the accumulation limit.

Sick leave benefits are accrued at the rate of 8 hours per month and employees may accumulate up to 130 days. Sick leave is not paid upon termination.

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title

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

68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

The assessed property value as of January 1, 2004, was approximately \$66,196,784.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.37 mills (the legal maximum) for general fund operations, 2.59 mills for the county health department, and .68 mill for the sinking fund. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2005, were approximately 96.88 percent of the tax levy.

3. Fuel Tax

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.

4. Risk Management

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

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

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle 	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.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		
Workers' Compensation <ul style="list-style-type: none"> • Employees' Injuries 	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life 	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP)	If claims exceed pool assets, the members 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 \$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 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 workers' 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

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

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.

5. Long-term Obligations

Capital Leases

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

Judgments

The County had a judgment which was being retired by a tax levy. The County was 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, 2005, the County made the final payment on the judgment totaling \$36,299 principal and \$6,715 interest for a total of \$43,014.

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire

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

compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2005, 2004, and 2003 were \$192,482, \$189,372, and \$184,220, respectively, equal to the required contributions for each year.

7. Other Post Employment Benefits (OPEB)

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

8. Contingent Liabilities

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

9. 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.

OTHER SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 847,857	\$ 847,857	\$ 847,857	\$ -
Less: Prior Year Outstanding Warrants	(92,224)	(92,224)	(92,147)	77
Less: Prior Year Encumbrances	(10,107)	(10,107)	(10,038)	69
Beginning Cash Balances, Budgetary Basis	<u>745,526</u>	<u>745,526</u>	<u>745,672</u>	<u>146</u>
Receipts:				
Ad Valorem Taxes	678,138	678,138	632,450	(45,688)
Sales Tax	993,669	993,669	698,684	(294,985)
Charges for Services	137,454	149,126	108,936	(40,190)
Intergovernmental Revenues	263,912	263,912	334,556	70,644
Miscellaneous Revenues	65,515	235,759	84,460	(151,299)
Total Receipts, Budgetary Basis	<u>2,138,688</u>	<u>2,320,604</u>	<u>1,859,086</u>	<u>(461,518)</u>
Expenditures:				
District Attorney	1,000	1,246	1,246	
Total District Attorney	<u>1,000</u>	<u>1,246</u>	<u>1,246</u>	<u>-</u>
County Sheriff	393,593	422,285	421,945	340
Total County Sheriff	<u>393,593</u>	<u>422,285</u>	<u>421,945</u>	<u>340</u>
OSU Extension	35,000	35,000	28,088	6,912
Total OSU Extension	<u>35,000</u>	<u>35,000</u>	<u>28,088</u>	<u>6,912</u>
County Treasurer	91,840	91,840	91,837	3
Total County Treasurer	<u>91,840</u>	<u>91,840</u>	<u>91,837</u>	<u>3</u>
County Clerk	80,840	80,840	79,299	1,541
Total County Clerk	<u>80,840</u>	<u>80,840</u>	<u>79,299</u>	<u>1,541</u>
Court Clerk	93,600	93,600	91,259	2,341
Total Court Clerk	<u>93,600</u>	<u>93,600</u>	<u>91,259</u>	<u>2,341</u>
County Assessor	33,600	33,600	33,600	
Total County Assessor	<u>33,600</u>	<u>33,600</u>	<u>33,600</u>	<u>-</u>
Revaluation of Real Property	121,610	118,440	114,730	3,710
Capital Outlay		3,170	3,070	100
Total Revaluation of Real Property	<u>121,610</u>	<u>121,610</u>	<u>117,800</u>	<u>3,810</u>

continued on next page

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Juvenile Shelter Bureau	12,500	12,500	6,470	6,030
Total Juvenile Shelter Bureau	12,500	12,500	6,470	6,030
General Government	229,183	227,593	181,056	46,537
Total General Government	229,183	227,593	181,056	46,537
Excise-Equalization Board	1,850	1,850	1,531	319
Total Excise-Equalization Board	1,850	1,850	1,531	319
County Election Board	50,840	50,107	40,915	9,192
Capital Outlay		980	980	
Total County Election Board	50,840	51,087	41,895	9,192
Insurance	197,300	197,336	177,094	20,242
Total Insurance	197,300	197,336	177,094	20,242
Welfare Agencies	1,500	1,500	1,375	125
Total Welfare Agencies	1,500	1,500	1,375	125
Charity	1,000	1,000	961	39
Total Charity	1,000	1,000	961	39
Recording Account	3,000	3,000	2,731	269
Total Recording Account	3,000	3,000	2,731	269
Civil Defense	2,500	9,450	7,018	2,432
Total Civil Defense	2,500	9,450	7,018	2,432
Highway Account	1,484,903	1,505,903	620,692	885,211
Capital Outlay		39,000	39,000	
Total Highway Account	1,484,903	1,544,903	659,692	885,211
Free Fair Account	25,000	19,968	19,964	4
Capital Outlay		5,032	5,032	
Total Free Fair Account	25,000	25,000	24,996	4

continued on next page

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

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

continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
County Hospital Account	16,549	16,549	16,549	
Total County Hospital Account	<u>16,549</u>	<u>16,549</u>	<u>16,549</u>	<u>-</u>
Ambulance - Sales Tax		87,335	87,335	
Total Ambulance - Sales Tax	<u>-</u>	<u>87,335</u>	<u>87,335</u>	<u>-</u>
County Audit Budget	7,006	7,006	7,006	
Total County Audit Budget	<u>7,006</u>	<u>7,006</u>	<u>7,006</u>	<u>-</u>
Provision for Interest on Warrants	-	-	712	(712)
Total Expenditures, Budgetary Basis	<u>2,884,214</u>	<u>3,066,130</u>	<u>2,081,495</u>	<u>984,635</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	523,263	<u>\$ 523,263</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			6,228	
Add: Current Year Outstanding Warrants			84,186	
Ending Cash Balance			<u>\$ 613,677</u>	

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

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

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 393,820	\$ 393,820	\$ 393,820	\$ -
Less: Prior Year Outstanding Warrants	(14,916)	(14,916)	(14,916)	
Less: Prior Year Encumbrances	(5,520)	(5,520)	(3,475)	2,045
Beginning Cash Balances, Budgetary Basis	<u>373,384</u>	<u>373,384</u>	<u>375,429</u>	<u>2,045</u>
Receipts:				
Ad Valorem Taxes	155,863	155,863	163,087	7,224
Charges for Services		44,699	57,224	12,525
Total Receipts, Budgetary Basis	<u>155,863</u>	<u>200,562</u>	<u>220,311</u>	<u>19,749</u>
Expenditures:				
Health and Welfare	408,499	453,198	174,674	278,524
Capital Outlay	120,748	120,748	22,997	97,751
Total Expenditures, Budgetary Basis	<u>529,247</u>	<u>573,946</u>	<u>197,671</u>	<u>376,275</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	398,069	<u>\$ 398,069</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			13,915	
Add: Current Year Outstanding Warrants			15,270	
Ending Cash Balance			<u>\$ 427,254</u>	

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

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

Beginning Cash Balance	<u>\$ 831</u>
Receipts:	
Ad Valorem Tax	42,821
Miscellaneous	<u>794</u>
Total Receipts	<u>43,615</u>
Disbursements:	
County Judgments	36,299
Interest Paid	<u>6,715</u>
Total Disbursements	<u>43,014</u>
Ending Cash Balance	<u><u>\$ 1,432</u></u>

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

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

1. Budgetary Schedules

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year, unencumbered appropriations lapse.

2. Sinking Fund Schedule

Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

See independent auditor's report.

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
*Government Auditing Standards***

TO THE OFFICERS OF
CRAIG COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Craig County, Oklahoma, as of and for the year ended June 30, 2005, which comprises Craig County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 6, 2006. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Craig County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted 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 Craig County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of findings and responses 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 statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

Compliance and Other Matters

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

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

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

JEFF A. McMAHAN
State Auditor and Inspector

March 6, 2006

**CRAIG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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: Demonstration of accountability and stewardship are goals used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: Based on inquiries of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated. Payroll preparation, review and distribution are not adequately segregated.

Effect: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

Recommendation: We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Under these conditions, 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: It is the desire of Craig County to perform all duties as prescribed by the State Auditor and Inspector. However, due to lack of funds, it is not possible to totally segregate all the duties required. We are cognizant of the problem and will manage it to the best of our ability.