

**CHOCTAW COUNTY, OKLAHOMA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

August 25, 2004

TO THE CITIZENS OF
CHOCTAW COUNTY, OKLAHOMA

Transmitted herewith is the audit of Choctaw County, Oklahoma, for the fiscal year ended June 30, 2003. 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 black ink that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

**CHOCTAW COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

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**CHOCTAW COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

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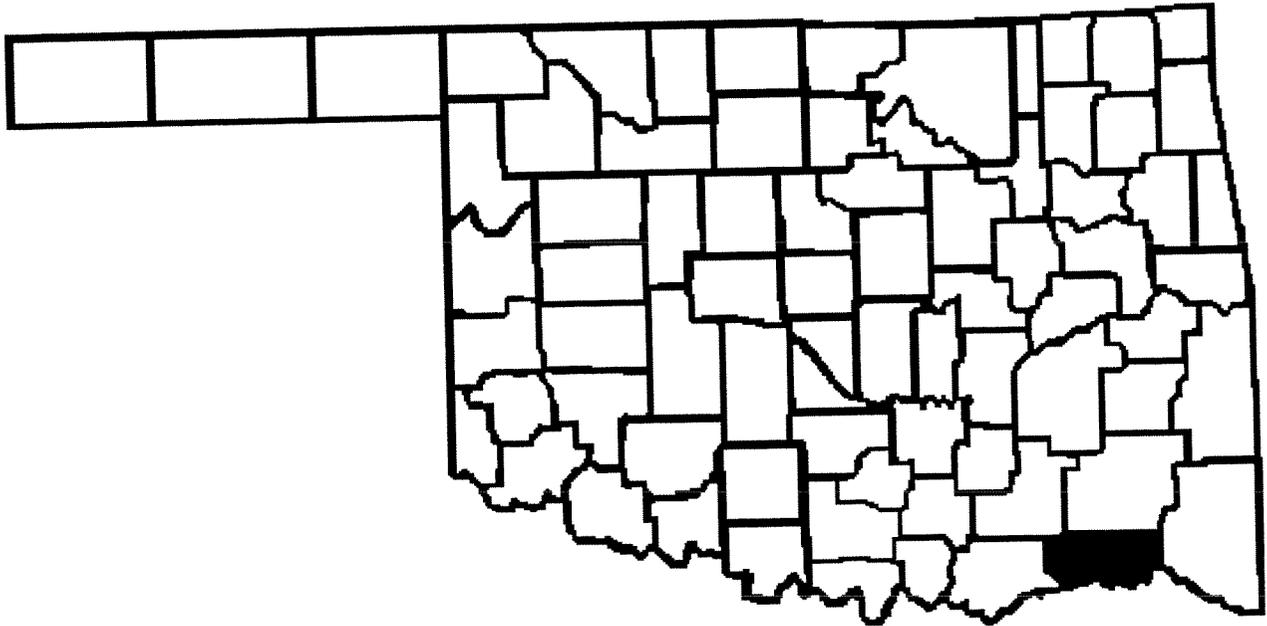
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REPORT TO THE CITIZENS
OF
CHOCTAW COUNTY, OKLAHOMA



Choctaw County was created at the time of statehood and named for the Choctaw Nation of Indians whose tribal name is *Chahta*.

Early industry in the area was limited to patch farming, but agriculture became more established with the advent of the railroad and resulting increase of immigrants to the area.

Hugo, the county seat, is the winter quarters for the Carson and Barnes Circus, the largest truck-drawn circus under the big top in the United States. A campus of the Kiamichi Technology Center and the Western Farmers Electric Cooperative are also located in Hugo.

The PRCA Professional Rodeo and Grant's Bluegrass Festival are held annually in June and August, respectively. Hugo Lake and Lake Raymond Gary State Park provide additional recreational outlets for the county.

Additional county information can be obtained from the Choctaw County Historical Society. *Smoke Signals* is a history book about the county. For more information, call the county clerk's office at 580/326/3778.

County Seat – Hugo

Area – 774 Square Miles

County Population – 15,342
(2000 est.)

Farms – 991

Land in Farms - 337,961 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**CHOCTAW COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Shirley Bryant
(D) Hugo

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
Emily Van Worth
(D) Hugo

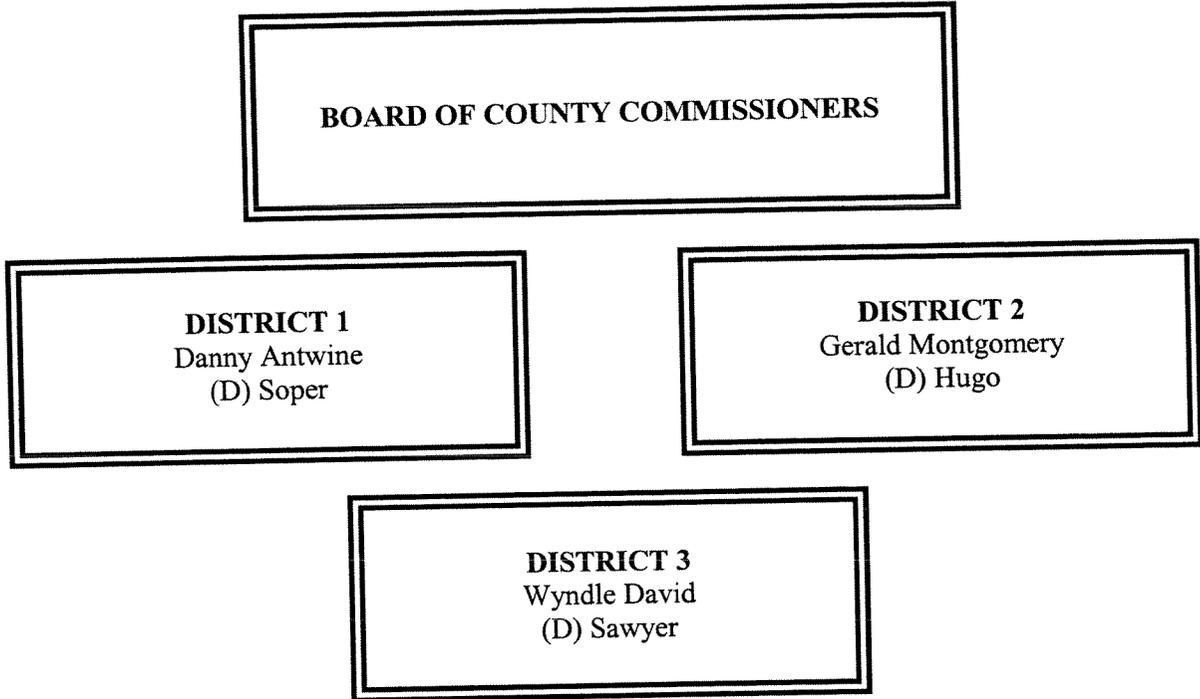
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**CHOCTAW 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.

**CHOCTAW COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF

Lewis Collins
(D) Hugo

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

Kelly Nelms
(D) Soper

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.

**CHOCTAW COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Jimmy L. Walker
(D) Hugo

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
Virginia Sanders
(D) Idabel

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.

**CHOCTAW COUNTY OFFICIALS
AND RESPONSIBILITIES**

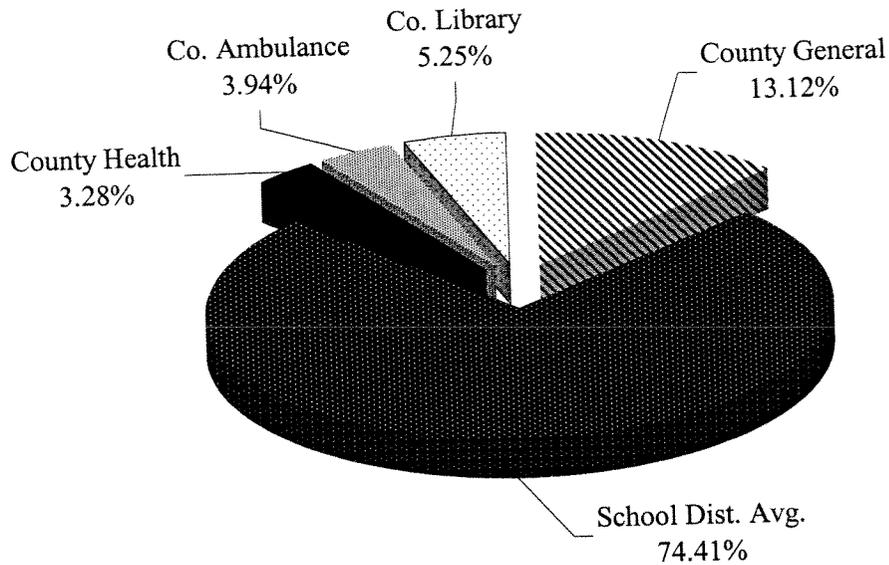
ELECTION BOARD SECRETARY
Darlene Rickman
(D) Soper

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.

**CHOCTAW 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 General
 School Dist. Avg.
 County Health
 Co. Ambulance
 Co. Library

County-Wide Millages			School District Millages							
			Gen.	Bldg.	Skg.	Tech Cntr.	Tech Cntr. Bldg.	Common	Total	
Co. General	10.00									
County Health	2.50	Boswell I-1	35.00	5.00		10.00	2.00	4.00	56.00	
Co. Ambulance	3.00	Ft. Towson I-21	35.00	5.00	6.06	10.00	2.00	4.00	62.06	
Co. Library	4.00	Grant I-3	35.00	5.00		10.00	2.00	4.00	56.00	
		Soper I-4	35.00	5.00		10.00	2.00	4.00	56.00	
		Hugo I-39	35.00	5.00		10.00	2.00	4.00	56.00	
		Goodland D-13	35.00	5.00		10.00	2.00	4.00	56.00	
		Swink D-21	35.00	5.00		10.00	2.00	4.00	56.00	
		Rattan I-1	35.00	5.00		10.00	2.00	4.00	56.00	
		Valliant I-1	35.00	5.00		10.00	2.00	4.00	56.00	

See independent auditor's report.

Independent Auditor's Report



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
CHOCTAW COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Choctaw County, Oklahoma, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose financial statements are the responsibility of Choctaw 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.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Choctaw 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 Choctaw 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 Choctaw 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, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2004, on our consideration of Choctaw County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

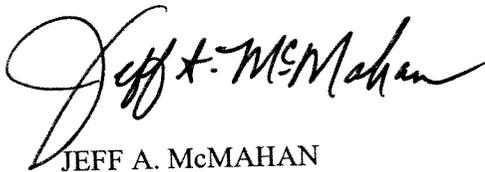
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Choctaw County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities 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

June 28, 2004

Special-Purpose Financial Statements

CHOCTAW COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2003

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Transfer In	Transfer Out	Ending Cash Balances June 30, 2003
General Fund	\$ 689,872	\$ 1,716,273	\$ 1,570,041	\$	\$	\$ 836,104
County Highway	568,562	2,575,626	2,535,745			608,443
T-2 Highway	288,011	130,810	177,384			241,437
State Election	75					75
Resale Property	62,946	68,694	81,686			49,954
County Health	49,998	168,697	189,645			29,050
Sheriff Service Fee	60,269	68,009	42,719			85,559
Sheriff's Lake Patrol	3,934	13,410	15,826			1,518
County Clerk's Lien Fee	845	3,747	2,872	1,391		3,111
Treasurer's Mortgage Certification Fee	8,987	3,810	1,713			11,084
Sheriff's Training	68		68			
Community Service Sentencing	1,448	300	305			1,443
Assessor Fees	11,302	316				11,618
Sheriff Drug Enforcement	103,742	120,415	105,671			118,486
REAP	45,045	199,277	214,970			29,352
Department of Corrections Boarding	671,158	594,339	359,786			905,711
Insurance Recovery	923	14,866	15,518			271
E-911	376,725	60,415	82,273			354,867
Sheriff's Commissary	43,468	40,000	29,863			53,605
County Clerk's Preservation Fund	14,852	15,928	20,242			10,538
Truancy Account		32,129	18,755			13,374
CDBG-GP		42,747	42,747			
Emergency Management		13,815				13,815
Debt Service - County Sinking	1,391				1,391	
CDBG-EC	43,616	15,625	21,477			37,764
Schools	398,785	2,783,099	2,914,473			267,411
Individual Redemption	1,550					1,550
Official Depository	262,112	1,725,734	1,765,522			222,324
Protest Tax	46,142	244,960				291,102
Ambulance	5,135	115,005	114,571			5,569
Law Library	10,979	15,924	24,210			2,693
Industrial Development Authority	12,852	24,915	29,359			8,408
County Library	4,513	153,028	152,458			5,083
Municipal	17,906	113,829	114,122			17,613
Frogville		5,804	5,804			
EFTPS	27,380	313,328	340,703			5
Total County Funds	\$ 3,834,591	\$ 11,394,874	\$ 10,990,528	\$ 1,391	\$ 1,391	\$ 4,238,937

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

CHOCTAW COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 689,872	\$ 689,872	\$ 689,872	\$
Less: Prior Year Outstanding Warrants	(131,537)	(131,537)	(131,743)	(206)
Less: Prior Year Encumbrances	(18,348)	(18,348)	(20,313)	(1,965)
Beginning Cash Balances, Budgetary Basis	<u>539,987</u>	<u>539,987</u>	<u>537,816</u>	<u>(2,171)</u>
Receipts:				
Ad Valorem Taxes	373,215	373,215	422,880	49,665
Sales Tax	750,500	750,500	918,523	168,023
Charges for Services	48,600	48,600	56,946	8,346
Intergovernmental Revenues	175,490	177,268	267,796	90,528
Miscellaneous Revenues	20,000	20,000	50,128	30,128
Total Receipts, Budgetary Basis	<u>1,367,805</u>	<u>1,369,583</u>	<u>1,716,273</u>	<u>346,690</u>
Expenditures:				
District Attorney	10,000	10,000	8,999	1,001
Total District Attorney	<u>10,000</u>	<u>10,000</u>	<u>8,999</u>	<u>1,001</u>
County Sheriff	98,375	98,375	98,282	93
Total County Sheriff	<u>98,375</u>	<u>98,375</u>	<u>98,282</u>	<u>93</u>
County Treasurer	63,600	63,600	63,482	118
Total County Treasurer	<u>63,600</u>	<u>63,600</u>	<u>63,482</u>	<u>118</u>
County Commissioners	9,014	7,943	7,942	1
Capital Outlay	173	1,396	1,396	
Total County Commissioners	<u>9,187</u>	<u>9,339</u>	<u>9,338</u>	<u>1</u>
County Clerk	72,730	72,730	72,727	3
Total County Clerk	<u>72,730</u>	<u>72,730</u>	<u>72,727</u>	<u>3</u>
Court Clerk	50,230	53,110	53,107	3
Total Court Clerk	<u>50,230</u>	<u>53,110</u>	<u>53,107</u>	<u>3</u>
County Assessor	40,800	40,800	38,857	1,943
Total County Assessor	<u>40,800</u>	<u>40,800</u>	<u>38,857</u>	<u>1,943</u>

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

CHOCTAW COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	147,700	152,700	139,967	12,733
Capital Outlay	5,000			
Total Revaluation of Real Property	<u>152,700</u>	<u>152,700</u>	<u>139,967</u>	<u>12,733</u>
General Government	183,418	175,855	151,058	24,797
Capital Outlay	30,000	30,000		30,000
Total General Government	<u>213,418</u>	<u>205,855</u>	<u>151,058</u>	<u>54,797</u>
Excise-Equalization Board	5,250	5,250	4,523	727
Total Excise-Equalization Board	<u>5,250</u>	<u>5,250</u>	<u>4,523</u>	<u>727</u>
County Election Board	48,106	54,097	54,097	
Total County Election Board	<u>48,106</u>	<u>54,097</u>	<u>54,097</u>	<u>-</u>
Civil Defense	7,500	7,818	7,818	
Total Civil Defense	<u>7,500</u>	<u>7,818</u>	<u>7,818</u>	<u>-</u>
Xerox	3,300	3,300	2,609	691
Total Xerox	<u>3,300</u>	<u>3,300</u>	<u>2,609</u>	<u>691</u>
Sales Tax - 8% County Development	175,540	175,540	16,060	159,480
Total Sales Tax - 8% County Development	<u>175,540</u>	<u>175,540</u>	<u>16,060</u>	<u>159,480</u>
Sales Tax - 15% Law	144,432	144,432	141,425	3,007
Total Sales Tax - 15% Law	<u>144,432</u>	<u>144,432</u>	<u>141,425</u>	<u>3,007</u>
Sales Tax - 18% Ambulance	172,556	172,556	172,556	
Total Sales Tax - 18% Ambulance	<u>172,556</u>	<u>172,556</u>	<u>172,556</u>	<u>-</u>
Sales Tax - 36% Roads	359,794	359,794	333,125	26,669
Total Sales Tax - 36% Roads	<u>359,794</u>	<u>359,794</u>	<u>333,125</u>	<u>26,669</u>
County Audit Budget	4,105	4,105	4,105	
Total County Audit Budget	<u>4,105</u>	<u>4,105</u>	<u>4,105</u>	<u>-</u>

continued on next page

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

**CHOCTAW COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Free Fair Budget	3,500	3,500	3,496	4
Total Free Fair Budget	3,500	3,500	3,496	4
Sales Tax - 1% Libraries	9,736	9,736	9,653	83
Total Sales Tax - 1% Libraries	9,736	9,736	9,653	83
Sales Tax - 18% General Government	224,111	224,111	173,880	50,231
Total Sales Tax - 18% General Government	224,111	224,111	173,880	50,231
Sales Tax - 4% Extension	38,822	38,822	38,722	100
Total Sales Tax - 4% Extension	38,822	38,822	38,722	100
Total Expenditures, Budgetary Basis	1,907,792	1,909,570	1,597,886	311,684
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	656,203	\$ 656,203
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			60,933	
Add: Current Year Encumbrances			118,968	
Add: Current Year Outstanding Warrants			\$ 836,104	
Ending Cash Balance			<u>836,104</u>	

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

**CHOCTAW COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
COUNTY HEALTH DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2003**

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 49,998	\$ 49,998	\$ 49,998	\$
Less: Prior Year Outstanding Warrants	(11,796)	(11,796)	(11,796)	
Less: Prior Year Encumbrances	(6,585)	(6,585)	(3,084)	3,501
Beginning Cash Balances, Budgetary Basis	<u>31,617</u>	<u>31,617</u>	<u>35,118</u>	<u>3,501</u>
Receipts:				
Ad Valorem Taxes	93,304	93,304	94,234	930
Miscellaneous Revenues		73,184	74,463	1,279
Total Receipts, Budgetary Basis	<u>93,304</u>	<u>166,488</u>	<u>168,697</u>	<u>2,209</u>
Expenditures:				
Health and Welfare	109,921	190,805	176,031	14,774
Capital Outlay	15,000	7,300	6,011	1,289
Total Expenditures, Budgetary Basis	<u>124,921</u>	<u>198,105</u>	<u>182,042</u>	<u>16,063</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	21,773	<u>\$ 21,773</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			270	
Add: Current Year Encumbrances			7,007	
Add: Current Year Outstanding Warrants			<u>\$ 29,050</u>	
Ending Cash Balance				

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

**CHOCTAW COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2003**

Beginning Cash Balance	<u>\$ 1,391</u>
Receipts:	<u> </u>
Total Receipts	<u> -</u>
Disbursements:	
Transfer to County Clerk	
Lien Fee	<u>1,391</u>
Total Disbursements	<u>1,391</u>
Ending Cash Balance	<u><u>\$ -</u></u>

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

**CHOCTAW COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2003**

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
Court Clerk CSPAC	\$	\$ 1,055	\$ 1,033	\$	\$ 22
Court Clerk Revolving Fund	4,398	6,268	1,311		9,355
Special Trust	28,000				28,000
Sheriff's Inmate Trust	14,963	57,911	63,504	168	9,538
District Court Clerk	108,661	603,800	666,243	256	46,474
District Court Fund	30,509	275,251	270,556	245	35,449
Attorney Bogus Check	35,999	110,007	99,017		46,989
County Clerk	7,629	103,243	101,922		8,950
County Sheriff		43,160	43,160		
County Treasurer Trust	17,388	103,878	98,103	18	23,181
County Health Department		73,387	73,387		
County Treasurer Fee	460	370			830
County Assessor		184	184		
District Attorney Restitution	1,722		140		1,582
District Attorney Witness Fee	542	1,380	1,442	5	485
Treasurer Motor Vehicle Stamp	609	4,750	4,988		371
Excess Resale	10,581				10,581
County Election Board	651	27,762	27,896		517
EFTPS		313,328	313,328		
Total Official Depository Accounts	<u>\$ 262,112</u>	<u>\$ 1,725,734</u>	<u>\$ 1,766,214</u>	<u>\$ 692</u>	<u>\$ 222,324</u>

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Choctaw 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.

CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

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 Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund and County Health Department presents 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, 2003.

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	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed authorized deductibles, the County would have to pay its share of the pool deficit.
- Torts		
- Errors and Omissions		
- Law Enforcement Officers Liability		
- Vehicle		

CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool. (See ACCO-SIG.)	If claims exceed authorized deductibles, the County would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Fund. (See ACCO-SIF.)	If claims exceed pool assets, the County would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of risk.	None

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating County will pay a deductible amount (\$1,000 to \$100,000; the County has 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 amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

ACCO-SIF - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. ACCO-SIF was set up in 1984 and will pay legitimate worker's compensation claims up to \$500,000 per incident. A reinsurance policy, with no limit, pays claims that exceed \$500,000 for a particular incident. The pool has not recently assessed additional premiums to be paid by its members.

The County continues to carry commercial insurance for employees' health and life insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2003 fiscal year.

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and must be taken during the year earned. Employees with 0 to 5 years of service earn 120 hours per year, employees with 5 to 20 years of service earn 144 hours per year, and employees with 20 plus years of service earn 160 hours per year.

The County does not record any liability for sick leave. An employee earns up to 120 hours per year and may accumulate up to 130 days.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$4,238,937 and the bank balance was \$4,190,175. 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

CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

- 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 - accounts for the general operations of the government.

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

T-2 Highway - accounts for state, local and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

State Election Board - accounts for reimbursements from the State Election Board for refunds of election fees and disbursements as restricted by statutes.

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

County Health - accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

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

Sheriff's Lake Patrol - accounts for contract services with the Corps of Engineers for patrolling lake areas.

County Clerk's Lien Fee - accounts for lien collections and disbursements of Sheriff process service fees as restricted by statutes.

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

Sheriff's Training - accounts for the funds collected from the disposition of unclaimed property for the purpose of purchasing equipment, materials or supplies that may be used in crime prevention.

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

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

Detailed Notes on Funds and Account Balances (continued)

Sheriff Drug Enforcement – accounts for monies collected from the disposition of property seized during drug abuse cases.

REAP – accounts for state grant funds received for various projects.

Department of Corrections Boarding – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections' prisoners.

Insurance Recovery – established to administer the County's self insurance and accounts for insurance receipts and disbursements.

E-911 – accounts for monies received from private telephone companies for the operations of emergency 911 services.

Sheriff's Commissary – accounts for the collection of fees transferred from the inmate trust money for commissary items and disbursements of funds are restricted by state statute.

County Clerk's Preservation Fund – accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute for preservation of records.

Truancy Account – accounts for payments from school districts to provide salary and expenses for a truancy officer.

CDBG-GP – accounts for the federal funds passed through the Oklahoma Department of Commerce to be used for the construction of a new county barn.

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

Debt Service - County Sinking – accounts for the payment of interest and principal on the matures portion of long-term bonded debt and civil judgment. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

CDBG-EC – accounts for payments from incubator companies on a revolving loan fund established with federal funds from the Department of Commerce for the economic development of Choctaw County.

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

CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

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

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

Protest Tax – accounts for ad valorem taxes collected in protest.

Ambulance – accounts for monies collected on behalf of the EMS from ad valorem taxes and remitted to them monthly.

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

Industrial Development Authority – accounts for rental revenues from real estate owned by the Authority and disbursements are for promotion of industrial development in Choctaw County.

County Library – accounts for monies collected on behalf of the multi-county library from ad valorem taxes and remitted to them monthly.

Municipal – account for monies collected on behalf of the cities and towns in Choctaw County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Frogville – accounts for the collection and distribution of special assessment taxes on behalf of other entities.

EFTPS – accounts for the temporary holdings of employer and employee payroll taxes.

The following narrative details the official depository accounts.

Court Clerk CSPAC – accounts for state revenues for the implementation of a Community Sentencing Program.

Court Clerk Revolving Fund – accounts for a charge of \$5.00 for each warrant. Money is disbursed in the same manner as court fund.

Special Trust – accounts for court fund revenue held in capital improvements to the court fund computer system.

Sheriff's Inmate Trust – accounts for money held in trust for inmates to be used for commissary purposes.

CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

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

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

District Attorney Bogus Check – accounts for the collection of District Attorney fees transferred from the Merchant account and disbursements of funds restricted by state statute.

County Clerk – accounts for the collection of filing fees and copy fees. Disbursements are made to the Oklahoma Tax Commission and general fund.

County Sheriff – accounts for all collection of foreign service fees. Monies are vouchered out at the end of the month to the Sheriff service fee account and Court Clerk.

County Treasurer Trust – accounts for the collection of pre-paid mobile home taxes.

County Health Department – accounts for the collection of state funds and charges for services. Money is disbursed on a monthly basis to be transferred to the county health department cash account.

County Treasurer Fee – accounts for overpayments of ad valorem taxes, tax payments made under protest, and the collection of motor vehicle stamps.

County Assessor – accounts for the collection of fees that is transferred to the Assessor's cash account.

District Attorney Restitution – accounts for collections received by court orders to reimburse victims.

District Attorney Witness Fee – accounts for collections received from the state to reimburse the County for witness expenses.

Treasurer Motor Vehicle Stamp – accounts for the proceeds of sale of property in excess of tax against property to be held in trust for a two-year period.

Excess Resale – accounts for reimbursement of elections and is disbursed for refunds of election fees and maintenance and operation of the office.

County Election Board – accounts for reimbursement of election and is disbursed for refunds of election fees and maintenance and operations of the office.

CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Detailed Notes on Funds and Account Balances (continued)

EFTPS – accounts for the temporary holdings of employer and employee payroll taxes.

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, 2002, was approximately \$41,053,619.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.50 mills for the county health department, 4.00 mills for the multi-county library, and 3.00 mills for the emergency medical service. 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, 2003, were approximately 90.95 percent of the tax levy.

D. Pension Plan

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

Detailed Notes on Funds and Account Balances (continued)

E. Capital Leases

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

H. 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. Sales Tax

The voters of Choctaw County approved a 1% sales tax effective June 1, 2000. This sales tax will expire June 1, 2005. The sales tax was established to provide revenue for the County Ambulance (18%), County Road Improvement (36%), County Law Enforcement (15%), County General (18%), County Economic Development (8%), County Extension Service (4%), and County Libraries (1%).

Schedule of Expenditures of Federal Awards

**CHOCTAW COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Oklahoma State Treasurer:			\$ 40,127
Schools and Roads	10.665		<u>40,127</u>
Total U.S. Department of Agriculture			
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed Through Oklahoma State Treasurer:			435
Flood Control	12.112		<u>435</u>
Total U.S. Department of Defense			
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grant	14.228	8261 CDBG EC 97	1,390
Community Development Block Grant	14.228	8465 CDBG EC 98	10,044
Community Development Block Grant	14.228	10250 CDBG 01	<u>42,747</u>
Total U.S. Department of Housing and Urban Development			<u>54,181</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			45,948
Payment in Lieu of Taxes	15.226		<u>45,948</u>
Total U.S. Department of Interior			
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Local Law Enforcement Block Grant	16.592	2000 LBBX 2911	1,501
Local Law Enforcement Block Grant	16.592	2001 LBBY 3665	4,674
Local Law Enforcement Block Grant	16.592	2002 LBBX 2196	6,363
Bulletproof Vest Partnership Program	16.607	02-011080	1,734
Byrne Formula Grant Program	16.579	D 02-1097	<u>119,357</u>
Total U.S. Department of Justice			<u>133,629</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through State Department of Indian Affairs:			
Highway Planning and Construction	20.205	CM GOO 1213 01	39,154
Highway Planning and Construction	20.205	CM GOO 1216 01	160,721
Highway Planning and Construction	20.205	CM GOO 1217 01	342,727
Highway Planning and Construction	20.205	CM GOO 1235 02	<u>360,000</u>
Total Department of Transportation			<u>902,602</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through State Department of Civil Emergency Management:			
Hazard Mitigation	83.548		753
Emergency Management Performance Grants	83.552		<u>5,249</u>
Total Federal Emergency Management Agency			<u>6,002</u>
Total Expenditures of Federal Awards			<u>\$ 1,182,924</u>

CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Choctaw County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

TO THE OFFICERS OF
CHOCTAW COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Choctaw County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated June 28, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. 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.

Compliance

As part of obtaining reasonable assurance about whether Choctaw 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 grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management and are included in Section 4 of the schedule of findings and questioned costs, contained within this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Choctaw 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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-1, 2003-2, 2003-3, 2003-4, and 2003-5.

A material weakness is a 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 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, of the reportable conditions described above, we consider items 2003-1 and 2003-4 to be material weaknesses.

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, federal awarding agencies, and pass-through entities 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

June 28, 2004

**Report on Compliance With Requirements Applicable to Each Major Program
and Internal Control Over Compliance in Accordance With
OMB Circular A-133**



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance With Requirements Applicable to Each Major Program
and Internal Control Over Compliance in Accordance With
OMB Circular A-133**

TO THE OFFICERS OF
CHOCTAW COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Choctaw County, Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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, federal awarding agencies, and pass-through entities 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

June 28, 2004

Schedule of Findings and Questioned Costs

CHOCTAW COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 • Material weakness(es) identified? Yes

• Reportable condition(s) identified
 that are not considered to be
 material weaknesses? Yes

Noncompliance material to financial
 statements noted? No

Federal Awards

Internal control over major programs:
 • Material weakness(es) identified? No

• Reportable condition(s) identified
 that are not considered to be
 material weakness(es)? None Reported

Type of auditor's report issued on
 compliance for major programs: Unqualified

Any audit findings disclosed that are
 required to be reported in accordance
 with section 510(a) of Circular A-133? No

Identification of Major Programs

CFDA Number(s)
 20.205

Name of Federal Program or Cluster
 Highway Planning and Construction

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

Auditee qualified as low-risk auditee? No

SECTION 2 - Findings related to the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Finding 2003-1 - Segregation of Duties

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. The most effective controls lie in management's knowledge of County operations and a periodic review of operations.

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.

Management's Response: We concur with the auditor's findings. Management does have knowledge of County operations and will perform a periodic review of these operations.

Finding 2003-2 – Timesheets and Accumulated Leave Balances

Criteria: Effective internal controls include all County officers and employees following the most up-to-date policy and procedures manual approved by the Board of County Commissioners. The County Personnel Policy Handbook requires each elected official to submit records of employees' leave balances to the County Clerk on a monthly basis. The Fair Labor Standards Act requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid.

Condition: County employees do not prepare timesheets and/or records which reflect accumulated leave balances. It was further noted that all officers are not using the most currently adopted Policy and Procedures Manual.

Recommendation: We recommend that all employees prepare timesheets with information of time worked, any leave taken during the month, overtime worked, and accumulated leave balances, in order to comply with the Fair Labor Standards Act. The officer should sign and approve each timesheet and file in the County Clerk's office. Also, all officers and employees should follow the most currently adopted Policy and Procedures Manual.

Management's Response: We concur with the auditors' findings. We have started the process of implementing procedures for the accountability of employee time records.

CHOCTAW COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Finding 2003-3 – Bank Reconciliations

Criteria: Effective internal controls include the monthly reconciliation of bank accounts, and that all variances be investigated and corrected.

Condition: The County Treasurer's office is not properly reconciling bank account balances to the general ledger.

Recommendation: We recommend that the County Treasurer reconcile all bank accounts monthly to the general ledger. All unknown variances should be properly investigated and reconciled.

Management's Response: We concur with the auditors' findings. We are currently working to reconcile bank account balances to the general ledger

Finding 2003-4 – Written Disaster Recovery Plan

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT Delivery & Support 4.3), management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the Recovery Plan,
- Emergency procedures to ensure the safety of all affected staff members,
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel,
- Listing of systems requiring alternatives (hardware, peripherals, software),
- Listing of highest to lowest priority applications, required recovery times and expected performance norms,
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution,
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defined,
- Training and/or awareness of individual and group roles in continuity plan,
- Listing of contracted service providers,
- Logistical information on location of keys resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation,
- Current names, addresses, telephone/pager numbers of key personnel,
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

CHOCTAW COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Condition: The County does not have a written Disaster Recovery Plan.

Recommendation: We recommend the County establish a Disaster Recovery Plan to ensure the safekeeping and integrity of the County's financial and non-financial data.

Management's Response: Each office will work to implement a formal Disaster Recovery Plan.

Finding 2003-5 – Written Policies and Procedures

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT Delivery and Support 7), management should educate and train users to ensure that users are making effective use of technology and are aware of their risks and responsibilities.

Condition: The County does not have written policies and procedures addressing information security or provide adequate awareness training.

Recommendation: We recommend the County establish Information Security policies and procedures. A security awareness-training program should be established and all employees using computers required to participate.

Management's Response: The County officials will begin work to prepare and implement policies and procedures for the information systems.

SECTION 3 - Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.

No matters were reported.

CHOCTAW COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

SECTION 4 - Other Audit Findings - This section contains audit findings not required to be reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, but which we believed were significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action.

Finding 2003-6 – General Fixed Assets

Criteria: Title 19 O.S. 2001, § 178.1 states, “The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Two Hundred Fifty Dollars (\$250.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter....”

Condition: All offices do not perform a biennial verification of the fixed assets inventory.

Recommendation: We recommend that the Board of County Commissioners cause a biennial inventory to be taken of all working tools, apparatus, machinery, and equipment belonging to the County. We also recommend that these inventories be documented on form #3512.

Management’s Response: All officers will work together to compile a complete listing of County inventory. We will also try to conduct a physical inventory of all items once every two years.

Finding 2003-7 – Transfer of Sinking Fund Balance

Criteria: Title 62 O.S. 2001, § 445 states, “Where any county... has accumulated a surplus in the sinking fund thereof, represented by actual cash on hand in excess of all outstanding bond or judgment indebtedness... the county excise board on application of the proper offices thereof is hereby authorized to approve the transfer of said surplus in the sinking fund of said county... to be used for general fund purposes of the same county...”

Condition: The surplus balance of \$1,390.98 of the county sinking fund was transferred to the County Clerk lien fee fund.

Recommendation: We recommend that the surplus balance of sinking fund be transferred to the general fund.

Management’s Response: We concur with the auditors’ findings. In the future we will comply with state statutes regarding transfers of surplus funds.

**Statistical Data
(Unaudited)**

**CHOCTAW COUNTY, OKLAHOMA
TOP TEN TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Southwestern Bell	\$ 4,166,652	10.15%
WFEC Railroad	2,211,440	5.39%
Public Service Co. of OK	1,931,916	4.70%
Meridian Aggregates Co.	1,468,980	3.58%
Wal-Mart	1,003,953	2.44%
Destiny: Futurequest	721,050	1.76%
ONG	672,494	1.64%
Choctaw Nation of OK	397,399	0.97%
Kiamichi Railroad	354,007	0.86%
Hugo Manor Care	332,750	0.81%
Total	<u>\$ 13,260,641</u>	<u>32.30%</u>

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

**CHOCTAW COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

Total net assessed value as of January 1, 2002		<u>\$ 41,053,619</u>
Debt limit - 5% of total assessed value		2,052,681
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 2,052,681</u>

**CHOCTAW COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE YEAR ENDED JUNE 30, 2003
(UNAUDITED)**

	2003
Estimated population	15,342
Net assessed value as of January 1, 2002	\$ 41,053,619
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

**CHOCTAW COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 FOR THE YEAR ENDED JUNE 30, 2003
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/02	\$6,996,037	\$9,675,745	\$28,561,987	\$4,180,150	\$41,053,619	\$367,235,423