CHOCTAW COUNTY, OKLAHOMA
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2004

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October 12, 2005

TO THE CITIZENS OF
CHOCTAW COUNTY, OKLAHOMA

Transmitted herewith is the audit of Choctaw County, Oklahoma, for the fiscal year ended June 30, 2004. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

Jeff A. McMahan

JEFF A. McMAHAN
State Auditor and Inspector

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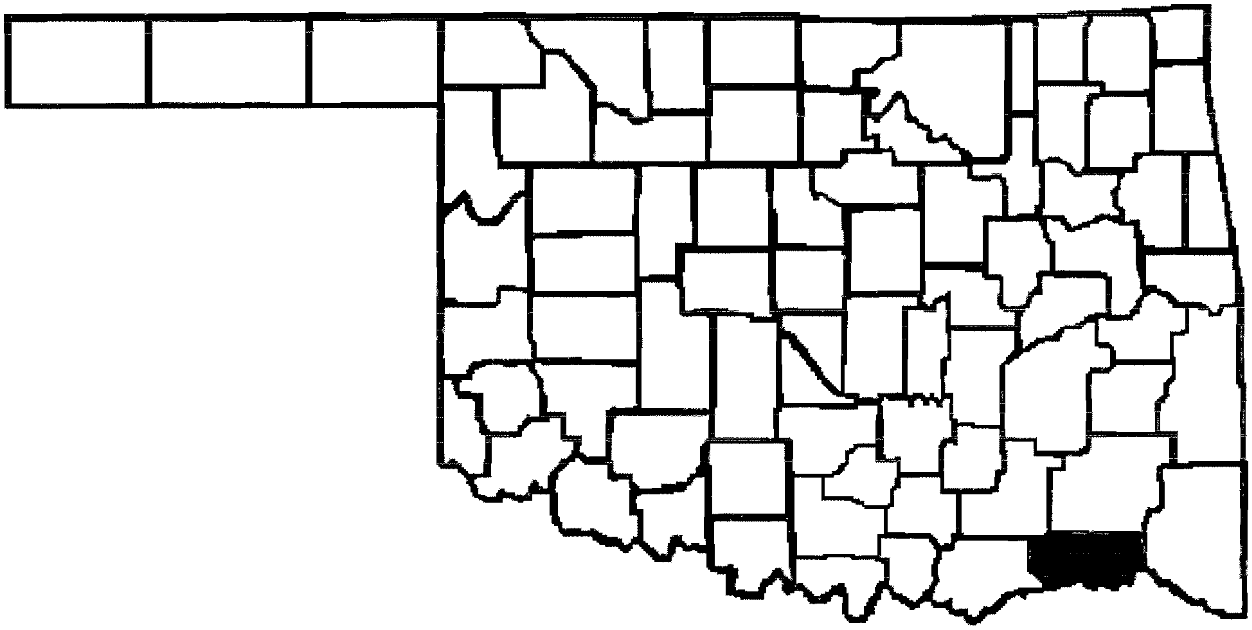
REPORT TO THE CITIZENS
OF
CHOCTAW COUNTY, OKLAHOMA



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 Unites 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

Primary Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

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.

BOARD OF COUNTY COMMISSIONERS

DISTRICT 1
Danny Antwine
(D) Soper

DISTRICT 2
Gerald Montgomery
(D) Hugo

DISTRICT 3
Wyndle David
(D) Sawyer

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

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

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

COUNTY SHERIFF
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.

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

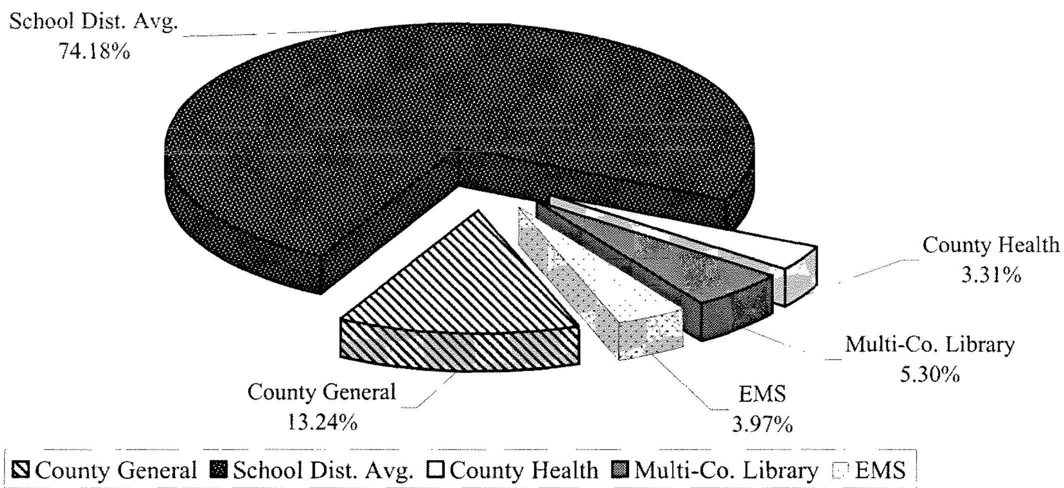
As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an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

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.

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.	Tech Center	Tech Center Bldg.	Common	Total
Co. General	10.00	Boswell	I-1	35.00	5.00		10.00	2.00	4.00	56.00
County Health	2.50	Ft. Towson	I-21	35.00	5.00	0.11	10.00	2.00	4.00	56.11
Co. Ambulance	3.00	Grant	I-3	35.00	5.00		10.00	2.00	4.00	56.00
Co. Library	4.00	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.

FINANCIAL SECTION

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, 2004, 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of 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, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Choctaw County, Oklahoma, taken as a whole. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements. 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,* and is also not a required part of the special-purpose financial statements of Choctaw County, Oklahoma. 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 Section* has not been audited by us, and accordingly, we express no opinion on such information.

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

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

JEFF A. McMAHAN
State Auditor and Inspector

August 31, 2005

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
General Fund	$ 836,104	$ 1,654,439	$ 1,603,312	$ 887,231
County Highway	608,443	2,173,068	2,228,521	552,990
T-2 Highway	241,437	130,174	108,983	262,628
State Election Board	75			75
Resale Property	49,954	89,256	96,128	43,082
County Health	29,050	155,832	131,683	53,199
Sheriff Service Fee	85,559	52,619	36,900	101,278
Sheriff's Lake Patrol	1,518	11,115	11,810	823
County Clerk's Lien Fee	3,111	1,753	3,042	1,822
Treasurer's Mortgage Certification Fee	11,084	4,410	4,772	10,722
Community Service Sentencing Program	1,443		274	1,169
Assessor Fees	11,618	1,426		13,044
Sheriff Drug Enforcement	118,486	124,034	182,588	59,932
REAP	29,352	134,881	140,593	23,640
Department of Corrections Boarding	905,711	494,210	413,193	986,728
Insurance Recovery	271	13,437	13,708	
E-911	354,867	58,274	67,651	345,490
Sheriff's Commissary	53,605	42,000	31,909	63,696
County Clerk's Preservation Fund	10,538	17,439	10,000	17,977
Truancy Account	13,374	48	13,422	
CDBG-GP		21,843	21,843	
Emergency Management	13,815	2,188	15,603	400
CDBG-EC	37,764	124,424	76,477	85,711
Schools	267,411	3,001,279	3,072,370	196,320
Individual Redemption	1,550			1,550
Official Depository	222,324	1,811,353	1,796,964	236,713
Protest Tax	291,102	126	244,777	46,451
Ambulance	5,569	128,222	130,095	3,696
Law Library	2,693	16,596	15,693	3,596
Industrial Development Authority	8,408	237,917	23,729	222,596
County Library	5,083	170,699	164,881	10,901
Municipal	17,613	115,976	124,109	9,480
Frogville		5,959	5,959	
EFTPS	5	333,194	305,754	27,445
Court Clerk Payroll		45,818	38,178	7,640
County Library Fund		281,898		281,898
Court Clerk Revolving Fund		8,691	8,691	
Total County Funds	$ 4,238,937	$ 11,464,598	$ 11,143,612	$ 4,559,923

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, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	$ 829,001	$ 829,001	$ 836,104	$ 7,103
Less: Prior Year Outstanding Warrants	(118,368)	(118,368)	(118,968)	(600)
Less: Prior Year Encumbrances	(53,829)	(53,829)	(60,933)	(7,104)
Beginning Cash Balances, Budgetary Basis	656,804	656,804	656,203	(601)
Receipts:				
Ad Valorem Taxes	371,702	371,702	425,615	53,913
Sales Tax	780,740	780,740	854,907	74,167
Charges for Services	50,434	50,434	51,702	1,268
Intergovernmental Revenues	178,003	178,727	291,722	112,995
Miscellaneous Revenues	20,000	20,000	30,493	10,493
Total Receipts, Budgetary Basis	1,400,879	1,401,603	1,654,439	252,836
Expenditures:				
District Attorney	10,000	10,000	10,000	
Total District Attorney	10,000	10,000	10,000	-
County Sheriff	98,975	98,975	96,874	2,101
Total County Sheriff	98,975	98,975	96,874	2,101
County Treasurer	63,600	63,600	63,525	75
Total County Treasurer	63,600	63,600	63,525	75
County Commissioners OSU Extension	10,271	9,791	9,773	18
Capital Outlay	100	580	580	
Total County Commissioners OSU Extension	10,371	10,371	10,353	18
County Clerk	72,730	72,730	72,647	83
Total County Clerk	72,730	72,730	72,647	83
Court Clerk	50,230	50,230	50,230	
Total Court Clerk	50,230	50,230	50,230	-
County Assessor	40,800	40,800	40,712	88
Total County Assessor	40,800	40,800	40,712	88

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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, 2004

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	147,700	151,121	150,846	275
Capital Outlay	5,000	1,579	1,579	
Total Revaluation of Real Property	152,700	152,700	152,425	275
General Government	257,506	257,506	168,948	88,558
Capital Outlay	30,000	30,000		30,000
Total General Government	287,506	287,506	168,948	118,558
Excise-Equalization Board	5,250	5,250	4,375	875
Total Excise-Equalization Board	5,250	5,250	4,375	875
County Election Board	48,106	48,420	48,420	
Total County Election Board	48,106	48,420	48,420	-
Civil Defense	7,500	7,500	6,906	594
Total Civil Defense	7,500	7,500	6,906	594
Xerox	3,300	3,300	2,846	454
Total Xerox	3,300	3,300	2,846	454
Sales Tax - 8% County Development	235,382	235,382	55,730	179 652
Total Sales Tax - 8% County Development	235,382	235,382	55,730	179,652
Sales Tax - 15% Law	145,321	145,321	144,555	766
Total Sales Tax - 15% Law	145,321	145,321	144,555	766
Sales Tax - 18% Ambulance	170,777	170,777	170,777	
Total Sales Tax - 18% Ambulance	170,777	170,777	170,777	-
Sales Tax - 36% Roads	370,710	370,710	281,602	89 108
Total Sales Tax - 36% Roads	370,710	370,710	281,602	89,108
Sales Tax - 1% Libraries	9,571	9,571	9,571	
Total Sales Tax - 1% Libraries	9,571	9,571	9,571	-

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Sales Tax - 18% General Government	228,521	228,521	122,520	106,001
Total Sales Tax - 18% General Government	228,521	228,521	122,520	106,001
Sales Tax - 4% Extension	37,538	37,313	37,257	56
Capital Outlay	100	325	325	
Total Sales Tax - 4% Extension	37,638	37,638	37,582	56
County Audit Budget	3,695	4,105	4,088	17
Total County Audit Budget	3,695	4,105	4,088	17
Free Fair Budget	5,000	5,000	4,968	32
Total Free Fair Budget	5,000	5,000	4,968	32
Total Expenditures, Budgetary Basis	2,057,683	2,058,407	1,559,654	498,753
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	$ -	$ -	750,988	$ 750,988
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			22,686	
Add: Current Year Outstanding Warrants			113,557	
Ending Cash Balance			$ 887,231	

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 FUND
FOR THE YEAR ENDED JUNE 30, 2004

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	$ 29,050	$ 29,050	$ 29,050	$ -
Less: Prior Year Outstanding Warrants	(7,007)	(7,007)	(7,007)	
Less: Prior Year Encumbrances	(270)	(270)	(270)	
Beginning Cash Balances, Budgetary Basis	21,773	21,773	21,773	-
Receipts:				
Ad Valorem Taxes	92,925	92,925	106,688	13,763
Miscellaneous Revenues		52,404	49,144	(3,260)
Total Receipts, Budgetary Basis	92,925	145,329	155,832	10,503
Expenditures:				
Health and Welfare	114,698	166,304	146,599	19,705
Capital Outlay		798	798	
Total Expenditures, Budgetary Basis	114,698	167,102	147,397	19,705
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	$ -	$ -	30,208	$ 30,208
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			10	
Add: Current Year Outstanding Warrants			22,981	
Ending Cash Balance			$ 53,199	

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, 2004

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
Court Clerk CSPAC	$ 22	$ 2,250	$ 907	$	$ 1,365
Court Clerk Revolving Fund	9,355	14,847	13,151		11,051
Special Trust	28,000				28,000
Sheriff's Inmate Trust	9,538	60,450	58,733	127	11,382
District Court Clerk	46,474	562,223	570,126	4,772	43,343
District Court Fund	35,449	308,986	289,628	655	55,462
District Attorney Bogus Check	46,989	115,610	113,366	185	49,418
County Clerk	8,950	92,012	93,430		7,532
County Sheriff		31,348	31,348		
County Treasurer Trust	23,181	181,954	184,276	641	21,500
County Health Department		49,891	49,891		
County Treasurer Fee	830	700	1,530		
County Assessor		1,348	1,328		20
District Attorney Restitution	1,582				1,582
District Attorney Witness Fee	485	420	840	41	106
Treasurer Motor Vehicle Stamp	371	5,456	5,208		619
Excess Resale	10,581		10,581		
County Election Board	517	20,591	16,437	662	5,333
EFTPS		363,267	363,267		
Total Official Depository Accounts	$ 222,324	$ 1,811,353	$ 1,804,047	$ 7,083	$ 236,713

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Summary of Significant Accounting Policies (continued)

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

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

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, county or city-county health departments, school districts and cities and towns. These other budgetary entities produce and file their own financial statements and estimates of needs (budgets). These related cash receipts and disbursements of other budgetary entities are not included in the County's Estimate of Needs.

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2004.

F. Risk Management

The County is exposed to various risks of loss as follows:

Types of Loss	Method Managed	Risk of Loss Retained
General Liability - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

Summary of Significant Accounting Policies (continued)

Types of Loss	Method Managed	Risk of Loss Retained
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of coverage.	None

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a $10,000, $25,000, or a $50,000 deductible amount. The County has chosen a $50,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to $100,000 for property, and up to $500,000 for general liability. The pool has acquired commercial reinsurance in the amount of $1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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

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

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may accumulate from 10 to 30 days depending on the number of years of service. The County has no established policy regarding compensated sick pay.

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 $4,559,923 and the bank balance was $3,957,345. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

B. Description of Funds

General Fund - 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.

Detailed Notes on Funds and Account Balances (continued)

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 disbursement 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 disbursement of the funds restricted by statutes.

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

Assessor Fees – accounts for the collection of fees for copies restricted by state statute.

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 in the Registrar of Deeds as restricted by statute for preservation of records.

Detailed Notes on Funds and Account Balances (continued)

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.

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 - accounts 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.

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 – accounts 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 withholding of employer and employee payroll taxes.

Detailed Notes on Funds and Account Balances (continued)

Court Clerk Payroll – accounts for the temporary withholding of employer and employee payroll taxes.

County Library Fund – accounts for sales tax monies to be used for the construction of a new library.

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

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 for 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.

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 disbursement 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.

Detailed Notes on Funds and Account Balances (continued)

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 elections and is disbursed for refunds of election fees and maintenance and operations of the office.

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, 2003, was approximately $40,570,537.

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.

Detailed Notes on Funds and Account Balances (continued)

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

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

Current year tax collections for the year ended June 30, 2004, were approximately 92.27 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.

E. Capital Leases

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

F. Fuel Tax

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

4. Contingent Liabilities

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

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

5. 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%).

The voters of Choctaw County approved a ¼% sales tax effective January 1, 2003. This sales tax will expire June 1, 2005. The sales tax was established to provide revenue for the construction of the new Choctaw County Library.

SUPPLEMENTARY SCHEDULE

CHOCTAW COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through State Department of Commerce:			
Community Development Block Grant - State's Program	14.228	8261 CDBG 97	$ 61,183
Community Development Block Grant - State's Program	14.228	10665 CDBG 02	42,740
Total U.S. Department of Housing and Urban Development			103,923
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payment in Lieu of Taxes	15.226		47,127
Total U.S. Department of Interior			47,127
U.S. DEPARTMENT OF JUSTICE			
Direct Grants:			
Local Law Enforcement Block Grants Program	16.592	2001 LBBY 3665	1,439
Local Law Enforcement Block Grants Program	16.592	2002 LBBX 2196	349
Total CFDA #16.592			1,788
Byrne Formula Grant Program	16.579	D 02-1097	117,690
Total U.S. Department of Justice			119,478
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through State Department of Indian Affairs:			
Highway Planning and Construction	20.205	CM GOO 1213 01	6,090
Highway Planning and Construction	20.205	CM GOO 1217 01	296,104
Highway Planning and Construction	20.205	CM GOO 1263 03	70,000
Highway Planning and Construction	20.205	CM GOO 1265 03	100,000
Highway Planning and Construction	20.205	CM GOO 1274 04	31,589
Total U.S. Department of Transportation			503,783
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed Through State Department of Civil Emergency Management:			
Emergency Management Performance Grants	83.552/97.042		4,000
State and Local All Hazards Emergency Operations Planning	83.562/97.051		5,503
Total Federal Emergency Management Agency			9,503
Total Expenditures of Federal Awards			$ 783,814

The accompanying note is an integral part of this schedule.

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*.

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
CHOCTAW COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Choctaw County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 31, 2005. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion 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. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-1, 2004-2, 2004-3, 2004-4, and 2004-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2004-1 to be a material weakness.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we reported to management of Choctaw County and is included in Section 4 of the schedule of findings and questioned costs, contained within this report.

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

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

JEFF A. McMAHAN
State Auditor and Inspector

August 31, 2005

Report on Compliance With Requirements Applicable to Each Major Program and on 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, 2004. 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 auditing standards generally accepted in the United States of America; 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, 2004.

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 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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

JEFF A. McMAHAN
State Auditor and Inspector

August 31, 2005

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)	Name of Federal Program or Cluster
20.205	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 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 2004-1 – Segregation of Duties (Repeat Finding)

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources.

Condition: The limited number of office personnel within several County offices prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

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

Views of responsible officials and planned corrective actions: We concur with the auditor's findings. Management does have knowledge of office operations and will perform a periodic review of these operations.

Finding 2004-2 – Timesheets and Accumulated Leave Balances (Repeat Finding)

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.

Views of responsible officials and planned corrective actions: We concur with the auditors' findings. We have started the process of implementing procedures for the accountability of employee time records.

Finding 2004-3 – Bank Reconciliations (Repeat Finding)

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.

Views of responsible officials and planned corrective actions: We concur with the auditors' findings. We are currently working to reconcile bank account balances to the general ledger

Finding 2004-4 – Written Disaster Recovery Plan (Repeat Finding)

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT) Delivery and Support Control Objectives (DS4), management should have procedures in place to ensure continuous computer services. Plans should be developed and tested to minimize business disruption during times of disaster or hardware failure. The Disaster Recovery Plan should include all of 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 key 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.

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.

Views of responsible officials and planned corrective actions: Each office will work to implement a formal Disaster Recovery Plan.

Finding 2004-5 – Written Policies and Procedures (Repeat Finding)

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.

Views of responsible officials and planned corrective actions: The County officials will 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 on Internal Control Over Compliance in Accordance With OMB Circular A-133.

No matters were reported.

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

Finding 2004-6 – General Fixed Assets (Repeat Finding)

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: The County does 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.

Views of responsible officials and planned corrective actions: 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.

STATISTICAL SECTION
(Unaudited)

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

TAXPAYER NAME		ASSESSED VALUE	% OF TOTAL NET VALUATION
WFEC Railroad	$	2,084,156	5.14%
PSO		1,961,641	4.84%
Southwestern Bell		1,720,949	4.24%
Wal-Mart		1,024,878	2.53%
Kiamichi Railroad		993,667	2.45%
Meridian Aggregates		728,884	1.79%
Destiny: Futurequest		721,050	1.78%
ONG & Oneok		666,761	1.64%
Choctaw Nation of Oklahoma		396,024	0.97%
Hugo Manor Care		332,750	0.82%
Total	$	10,630,760	26.20%

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

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

Total net assessed value as of January 1, 2003		$ 40,570,537
Debt limit - 5% of total assessed value		2,028,527
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		$ 2,028,527

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

	2004
Estimated population	15,342
Net assessed value as of January 1, 2003	$ 40,570,537
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, 2004
(UNAUDITED)

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	$6,064,480	$9,258,115	$29,359,281	$4,111,339	$40,570,537	$364,116,531