

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

This publication is printed and issued by the State Auditor and Inspector as authorized by 19 O.S. § 171. Pursuant to 74 O.S. § 3105, 35 copies have been prepared and distributed at a cost of \$96.28. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

February 14, 2007

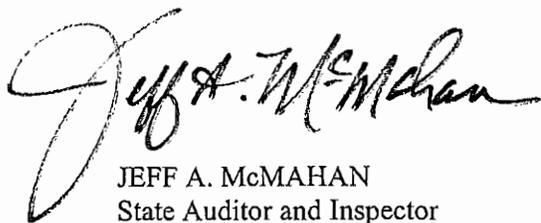
TO THE CITIZENS OF
CHOCTAW COUNTY, OKLAHOMA

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

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

FINANCIAL SECTION

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

OTHER SUPPLEMENTARY INFORMATION

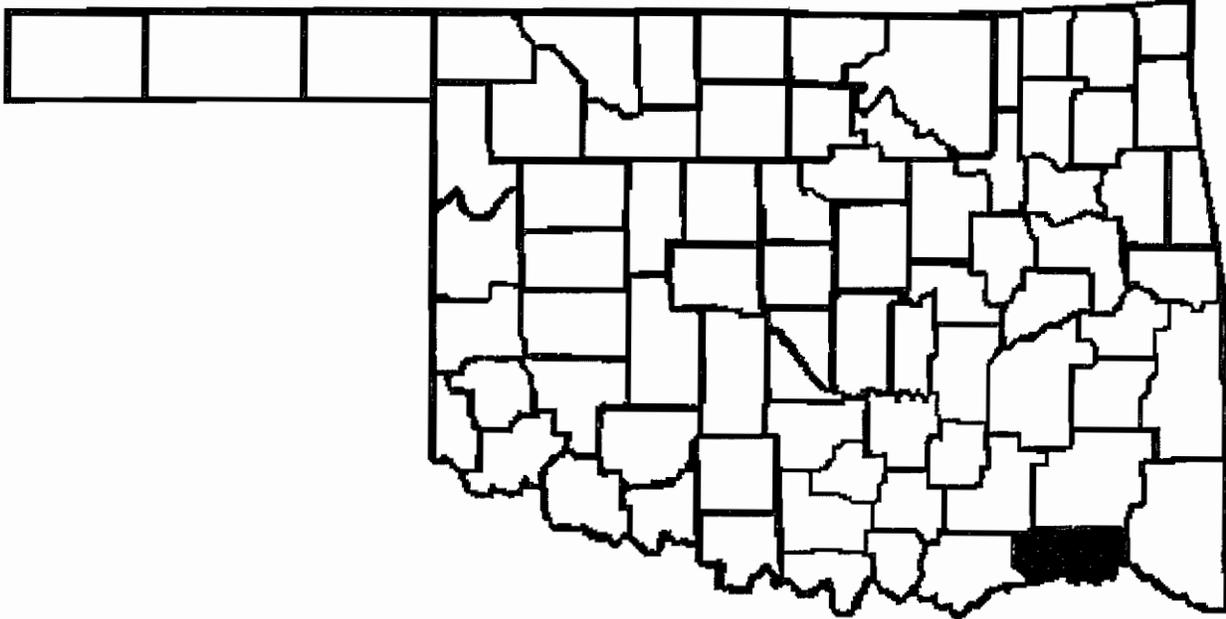
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund	12
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	15
Notes to Other Supplementary Information	16
Schedule of Expenditures of Federal Awards	17
Note to the Schedule of Expenditures of Federal Awards	18

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

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	21
Schedule of Findings and Questioned Costs	23

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 – 800.68 Square Miles

County Population – 15,451
(2004 est.)

Farms – 1,095

Land in Farms – 337,443 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

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

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

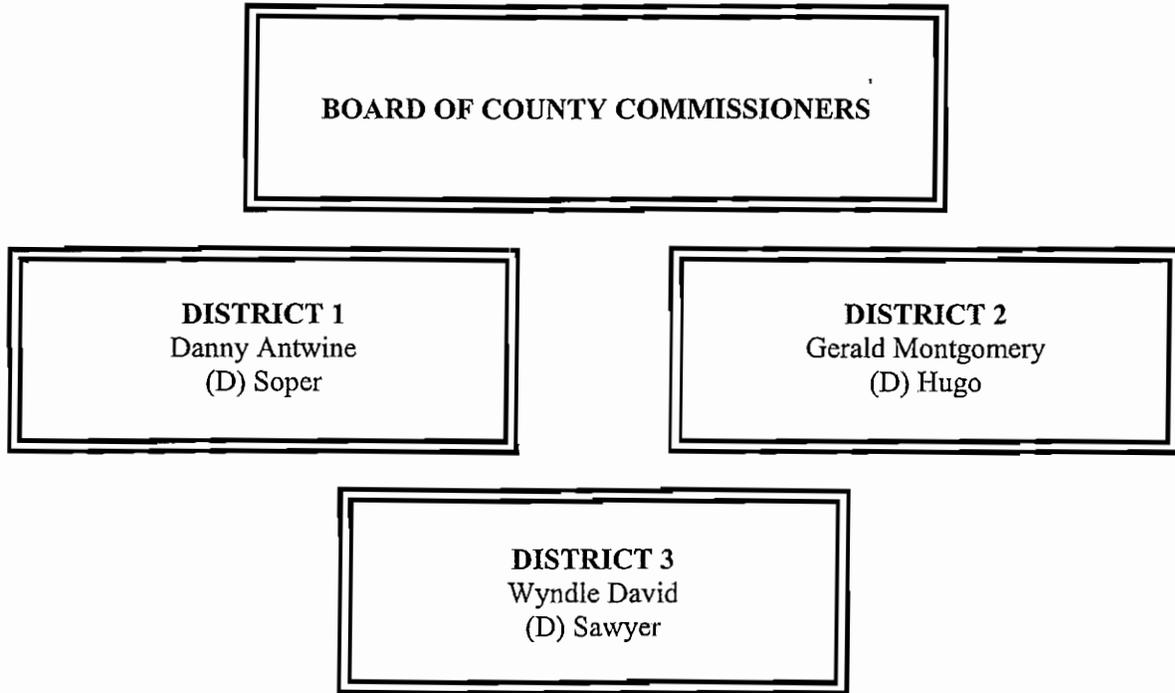
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**



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

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

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

See independent auditor's report.

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

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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.

See independent auditor's report.

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

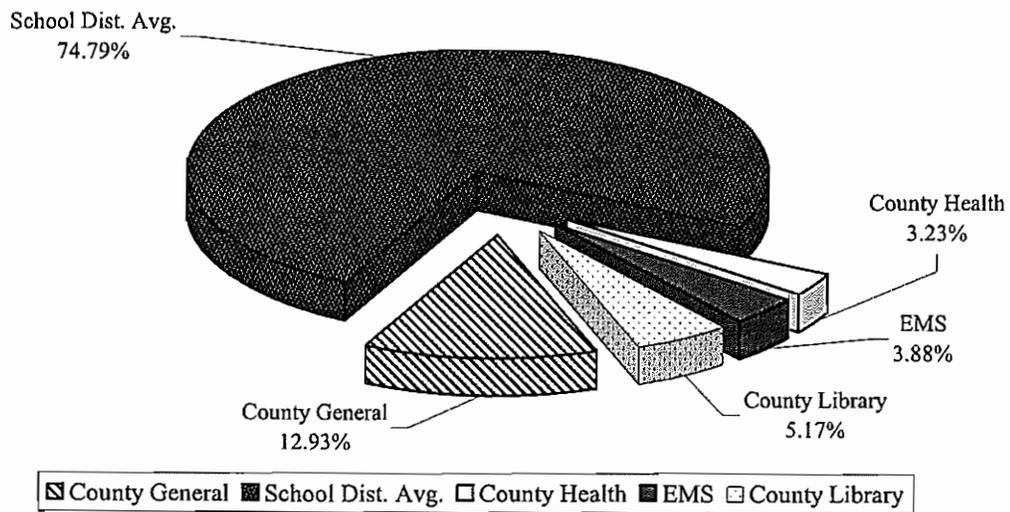
ELECTION BOARD SECRETARY Darlene Rickman (D) Soper

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Career Tech	Career Tech Building	Common	Total
Co. General	10.00			35.00	5.00		10.00	2.00	4.00	56.00
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		10.00	2.00	4.00	56.00
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	16.58	10.00	2.00	4.00	72.58
		Valliant	I-1	35.00	5.00	0.02	10.00	2.00	4.00	56.02

See independent auditor's report.

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

Total net assessed value as of January 1, 2004		<u>\$ 42,440,689</u>
Debt limit - 5% of total assessed value		2,122,034
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 2,122,034</u>

See independent auditor's report.

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

	2005
Estimated population	15,451
Net assessed value as of January 1, 2004	\$ 42,440,689
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	\$ -

See independent auditor's report.

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

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2004	\$6,406,676	\$9,652,227	\$30,455,385	\$4,073,599	\$42,440,689	\$378,983,404

See independent auditor's report.

FINANCIAL SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
CHOCTAW COUNTY, OKLAHOMA

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2006, 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 conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.



JEFF A. McMAHAN
State Auditor and Inspector

December 11, 2006

Basic Financial Statement

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

	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
Combining Information:				
General Fund	\$ 887,231	\$ 1,725,559	\$ 1,685,627	\$ 927,163
County Highway	552,990	1,980,774	1,979,352	554,412
T-2 Highway	262,628	130,042	73,520	319,150
Resale Property	43,082	82,436	84,369	41,149
County Health	53,199	159,953	147,182	65,970
Sheriff Service Fee	101,278	109,397	47,817	162,858
Sheriff's Lake Patrol	823	15,915	15,108	1,630
County Clerk's Lien Fee	1,822	3,652	3,249	2,225
Treasurer's Mortgage Certification Fee	10,722	4,085	8,464	6,343
Community Service Sentencing Program	1,169		1,169	
Assessor Fees	13,044	2,772	476	15,340
Sheriff Drug Enforcement	59,932	266	29,093	31,105
REAP	23,640	29,979	53,619	
Department of Corrections Boarding	986,728	581,692	466,971	1,101,449
E-911	345,490	54,161	23,488	376,163
Sheriff's Commissary	63,696	54,000	33,451	84,245
County Clerk's Preservation Fund	17,977	18,943	12,117	24,803
CDBG-GP		150,000	97,999	52,001
Emergency Management	400			400
CDBG-EC	85,711	13,902	10,896	88,717
Combined Total--All County Funds	\$ 3,511,562	\$ 5,117,528	\$ 4,773,967	\$ 3,855,123

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

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

General Fund - 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.

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.

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

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 as 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.

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

Sheriff's Commissary – accounts for the collection of fees transferred from the inmate trust money for commissary items and disbursement 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.

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.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, school districts, and cities and towns. The cash receipts and disbursements attributable to those other

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

entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations.

C. Basis of Accounting

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

D. Budget

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

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

E. Cash

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

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

F. Investments

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

- U.S. Government obligations
- Certificates of deposit
- Savings accounts

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

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

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

G. Compensated Absences

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. Vacation leave is accrued monthly. Vacation leave is not paid upon termination.

Sick leave benefits are accrued at the rate of 4 to 20 hours per month and employees may accumulate up to 30 days. Sick leave is not paid upon termination.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2004, was approximately \$42,440,689.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.50 mills for county health department, 4.00 for the county library, and 3.00 mills for emergency medical service. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

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

Current year tax collections for the year ended June 30, 2005, were approximately 91.56 percent of the tax levy.

3. Fuel Tax

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

4. Risk Management

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

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle 	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		
Workers' Compensation <ul style="list-style-type: none"> • Employees' Injuries 	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.

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

Types of Loss	Method of Management	Risk of Loss Retained
Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life 	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed pool assets, the members would have surcharges assessed to pay the excess claims.

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

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

OPEH&WP - The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. 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.

5. Long-term Obligations

Capital Leases

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

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

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2005, 2004, and 2003 were \$139,706, \$132,465, and \$118,857, respectively, equal to the required contributions for each year.

7. Other Post Employment Benefits (OPEB)

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

8. Contingent Liabilities

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 County expects such amounts, if any, to be immaterial.

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

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

9. Sales Tax

The voters of Choctaw County approved a 1% sales tax effective June 1, 2000. This sales tax expired 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 expired June 1, 2005. The sales tax was established to provide revenue for the construction of the new Choctaw County Library.

The voters of Choctaw County approved a 1% sales tax effective June 1, 2005. This sales tax will expire June 1, 2010. 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%).

OTHER SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 887,231	\$ 887,231	\$ 887,231	\$ -
Less: Prior Year Outstanding Warrants	(112,288)	(112,288)	(113,557)	(1,269)
Less: Prior Year Encumbrances	(22,686)	(22,686)	(22,686)	
Beginning Cash Balances, Budgetary Basis	<u>752,257</u>	<u>752,257</u>	<u>750,988</u>	<u>(1,269)</u>
Receipts:				
Ad Valorem Taxes	385,824	385,824	375,090	(10,734)
Sales Tax	769,416	769,416	954,047	184,631
Charges for Services	46,511	46,511	57,871	11,360
Intergovernmental Revenues	210,849	210,849	309,361	98,512
Miscellaneous Revenues	19,500	17,477	29,190	11,713
Total Receipts, Budgetary Basis	<u>1,432,100</u>	<u>1,430,077</u>	<u>1,725,559</u>	<u>295,482</u>
Expenditures:				
District Attorney	10,000	10,000	10,000	
Total District Attorney	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
County Sheriff	100,775	101,175	101,173	2
Total County Sheriff	<u>100,775</u>	<u>101,175</u>	<u>101,173</u>	<u>2</u>
County Treasurer	66,000	66,000	65,994	6
Total County Treasurer	<u>66,000</u>	<u>66,000</u>	<u>65,994</u>	<u>6</u>
OSU Extension	14,201	8,413	8,413	
Capital Outlay		5,788	5,781	7
Total OSU Extension	<u>14,201</u>	<u>14,201</u>	<u>14,194</u>	<u>7</u>
County Clerk	77,530	77,585	77,584	1
Total County Clerk	<u>77,530</u>	<u>77,585</u>	<u>77,584</u>	<u>1</u>
Court Clerk	53,830	55,105	55,105	
Total Court Clerk	<u>53,830</u>	<u>55,105</u>	<u>55,105</u>	<u>-</u>
County Assessor	43,200	40,800	40,785	15
Total County Assessor	<u>43,200</u>	<u>40,800</u>	<u>40,785</u>	<u>15</u>

continued on next page

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	157,700	162,700	162,600	100
Capital Outlay	5,000			
Total Revaluation of Real Property	<u>162,700</u>	<u>162,700</u>	<u>162,600</u>	<u>100</u>
General Government	275,800	264,836	172,362	92,474
Capital Outlay	87,507	87,507		87,507
Total General Government	<u>363,307</u>	<u>352,343</u>	<u>172,362</u>	<u>179,981</u>
Excise-Equalization Board	5,250	5,250	5,243	7
Total Excise-Equalization Board	<u>5,250</u>	<u>5,250</u>	<u>5,243</u>	<u>7</u>
County Election Board	48,106	57,616	57,612	4
Total County Election Board	<u>48,106</u>	<u>57,616</u>	<u>57,612</u>	<u>4</u>
Civil Defense	7,500	7,500	6,930	570
Total Civil Defense	<u>7,500</u>	<u>7,500</u>	<u>6,930</u>	<u>570</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	247,138	247,138	176,097	71,041
Total Sales Tax - 8% County Development	<u>247,138</u>	<u>247,138</u>	<u>176,097</u>	<u>71,041</u>
Sales Tax - 15% Law	127,304	127,304	127,263	41
Total Sales Tax - 15% Law	<u>127,304</u>	<u>127,304</u>	<u>127,263</u>	<u>41</u>
Sales Tax - 18% Ambulance	151,845	151,845	151,845	
Total Sales Tax - 18% Ambulance	<u>151,845</u>	<u>151,845</u>	<u>151,845</u>	<u>-</u>
Sales Tax - 36% Roads	393,047	393,047	352,470	40,577
Total Sales Tax - 36% Roads	<u>393,047</u>	<u>393,047</u>	<u>352,470</u>	<u>40,577</u>
Sales Tax - 1% Libraries	8,436	8,436	8,501	(65)
Total Sales Tax - 1% Libraries	<u>8,436</u>	<u>8,436</u>	<u>8,501</u>	<u>(65)</u>
Sales Tax - 18% General Government	257,845	257,846	173,386	84,460
Total Sales Tax - 18% General Government	<u>257,845</u>	<u>257,846</u>	<u>173,386</u>	<u>84,460</u>

continued on next page

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Sales Tax - 4% Extension Service	33,699	28,604	28,604	
Capital Outlay	100	5,295	5,292	3
Total Sales Tax - 4% Extension Service	<u>33,799</u>	<u>33,899</u>	<u>33,896</u>	<u>3</u>
County Audit Budget Account	4,244	4,244	1,694	2,550
Total County Audit Budget Account	<u>4,244</u>	<u>4,244</u>	<u>1,694</u>	<u>2,550</u>
Free Fair Budget	5,000	5,000	4,989	11
Total Free Fair Budget	<u>5,000</u>	<u>5,000</u>	<u>4,989</u>	<u>11</u>
Total Expenditures, Budgetary Basis	<u>2,184,357</u>	<u>2,182,334</u>	<u>1,802,332</u>	<u>380,002</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	674,215	<u>\$ 674,215</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			7,943	
Add: Current Year Outstanding Warrants			245,005	
Ending Cash Balance			<u>\$ 927,163</u>	

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

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

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 53,199	\$ 53,199	\$ 53,199	\$ -
Less: Prior Year Outstanding Warrants	(23,237)	(23,237)	(22,981)	256
Less: Prior Year Encumbrances	(10)	(10)		10
Beginning Cash Balances, Budgetary Basis	<u>29,952</u>	<u>29,952</u>	<u>30,218</u>	<u>266</u>
Receipts:				
Ad Valorem Taxes	96,456	96,456	93,785	(2,671)
Miscellaneous Revenues		66,177	66,168	(9)
Total Receipts, Budgetary Basis	<u>96,456</u>	<u>162,633</u>	<u>159,953</u>	<u>(2,680)</u>
Expenditures:				
Health and Welfare	121,408	187,585	138,692	48,893
Capital Outlay	5,000	5,000		5,000
Total Expenditures, Budgetary Basis	<u>126,408</u>	<u>192,585</u>	<u>138,692</u>	<u>53,893</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	51,479	<u>\$ 51,479</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			1,360	
Add: Current Year Outstanding Warrants			13,131	
Ending Cash Balance			<u>\$ 65,970</u>	

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

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

Budgetary Schedules

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

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

See independent auditor's report.

**CHOCTAW COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed Through Oklahoma State Treasurer:			
Payments to States in Lieu of Real Estate Taxes	12.112		\$ 868
Total U.S. Department of Defense			<u>868</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through State Department of Commerce:			
Community Development Block Grants/States Program	14.228	8261 CDBG 97	5,292
Community Development Block Grants/States Program	14.228	11239 CDBG 04	150,000
Total U.S. Department of Housing and Urban Development			<u>155,292</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		48,074
Total U.S. Department of Interior			<u>48,074</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Local Law Enforcement Block Grant Program	16.592	2002 LBBX 2196	1,084
Local Law Enforcement Block Grant Program	16.592	LE04-026	7,998
Total U.S. Department of Justice			<u>9,082</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	9,992
Highway Planning and Construction	20.205	CM GOO 1217 01	45,586
Highway Planning and Construction	20.205	CM GOO 1266 03	75,000
Highway Planning and Construction	20.205	CM GOO 1274 03	41,782
Highway Planning and Construction	20.205	CM GOO 1282 03	24,030
Highway Planning and Construction	20.205	CM GOO 1312 04	50,132
Highway Planning and Construction	20.205	CM GOO 1313 04	15,498
Highway Planning and Construction	20.205	CM GOO 1314 04	41,314
Highway Planning and Construction	20.205	CM GOO 1321 04	19,837
Total U.S. Department of Transportation			<u>323,171</u>
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT</u>			
Passed Through State Department of Civil Emergency Management:			
Hazard Mitigation Grant	97.039		20,800
Emergency Management Performance Grants	97.042		5,000
Total U.S. Department of Federal Emergency Management			<u>25,800</u>
Total Expenditures of Federal Awards			<u>\$ 562,287</u>

The accompanying notes are an integral part of this schedule.
See independent auditor's report.

**CHOCTAW COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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*.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
CHOCTAW COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Choctaw County, Oklahoma, as of and for the year ended June 30, 2005, which comprises Choctaw County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated December 11, 2006. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Choctaw County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted 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 Choctaw County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1 and 2005-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2005-1 to be a material weakness.

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Jeff A. McMahen". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

December 11, 2006



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 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, 2005. Choctaw 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 Choctaw County's management. Our responsibility is to express an opinion on Choctaw 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 Choctaw 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 Choctaw County's compliance with those requirements.

In our opinion, Choctaw County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Choctaw 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 Choctaw 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 the 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.

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

A handwritten signature in black ink, reading "Jeff A. McMAHAN". The signature is written in a cursive style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

December 11, 2006

**CHOCTAW COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued: Adverse as to GAAP; unqualified as to statutory presentation

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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

**CHOCTAW COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 2005-1 — 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 State Auditor's findings. Management does have knowledge of office operations and will perform a periodic review of these operations.

Finding 2005-2 — Treasurer's Bank Reconciliation

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failures to perform tasks that are part of internal controls such as reconciliations not prepared or not timely prepared, are deficiencies in internal control. Further, account reconciliations should be performed on a monthly basis.

Condition: The County Treasurer's office is not properly reconciling bank account balances to the general ledger. Unknown errors are included in the reconciling of the bank statement to the general ledger. Also, the list of outstanding vouchers used for reconciliation purposes included several vouchers that were previously paid.

Recommendation: We recommend that the County Treasurer perform timely reconciliations of bank statements and ensure all reconciling items are accurate and reasonable.

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

**CHOCTAW COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards* or OMB A-133. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2005-3 — Fixed Asset Inventory (Repeat Finding)

Criteria: Title 19 O.S. § 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 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 thereafter 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 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 asset inventory.

Recommendation: We recommend 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.

Finding 2005-4 — Encumbrances Exceeded Appropriations

Criteria: Title 62 O.S. § 310.2 states, “The clerk of each county or encumbering officer of the municipality shall keep a record in such form as prescribed by the State Auditor and Inspector in which shall be kept an exact account of each appropriation as made by the county excise board as departmentalized for each department of government or as made by the municipal governing body as authorized by law. The amount and purpose of each purchase order or contract shall be charged against the appropriation as made by the excise board or governing body at the time purchase is made or contract

**CHOCTAW COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

let and the balance in the appropriation account after such charges are deducted shall constitute the unencumbered balance available. No purchase order shall be paid until approved by the officer, board or commission having charge of the office or department for which the appropriation is available and from which such payment is proposed to be made, provided that no indebtedness for any purpose shall be incurred in excess of the appropriation for that purpose and provided that the county and municipal officers referred to herein are made responsible on their official bond for any and all indebtedness incurred by them. Each county or municipal officer in charge of a department or appropriation account shall be allowed to incur indebtedness against all appropriations within his department under the regulations as provided for herein, except when otherwise provided by law; and provided further, that only those municipal officers and employees designated by the governing board shall have authority to obligate the municipality.

Condition: Encumbrances exceeded net appropriations by \$65.00 for the Library 1% Sales Tax account within the General Fund.

Recommendation: We recommend that no indebtedness be incurred in excess of allowed appropriations as set forth in 62 § 310.2.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's finding. The County Clerk stated that this was an error. The purchase order should have been charged against the R-L Library account within the General Fund. She states that they would try to avoid error of this nature in the future.