

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

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February 5, 2004

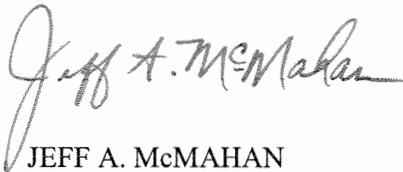
TO THE CITIZENS OF
LATIMER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Latimer County, Oklahoma, for the fiscal year ended June 30, 2003. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

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

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

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**REPORT TO THE CITIZENS
OF
LATIMER COUNTY, OKLAHOMA**



Located in the mountains of southeastern Oklahoma, Latimer County was created at statehood and named for James S. Latimer, a member of the Constitutional Convention.

The Butterfield Overland Mail Route, extending from St. Louis to San Francisco, cut through the county at four stops which are now open to visitors. During the Civil War, outlaws roamed the area, and in 1875, Issac Parker, a Federal Judge at Fort Smith, Arkansas, became known as the hanging judge because of his efforts to restore order.

A coal boom in 1870 brought a great influx of people, and by 1907 many people had settled in Wilburton. A tragic explosion in 1926 forced the mines to close and since that time cattle raising and agriculture have become the principle ways of life.

Wilburton, the county seat, is the home of industry as well as Eastern Oklahoma State College, begun in 1908 as the Oklahoma School of Mines. Latimer County has five reservoirs and is rich in minerals as well as forests, ranch land, and recreational opportunities.

For more information, call the county clerk's office at 918-465-3543 or the Chamber of Commerce at 918-465-2759.

County Seat – Wilburton

Area – 722.2 Square Miles

County Population – 10,692
(2000 est.)

Farms – 643

Land in Farms – 202,174 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR

Linda Jordan
(D) Wilburton

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

Jane Brinkley
(D) Wilburton

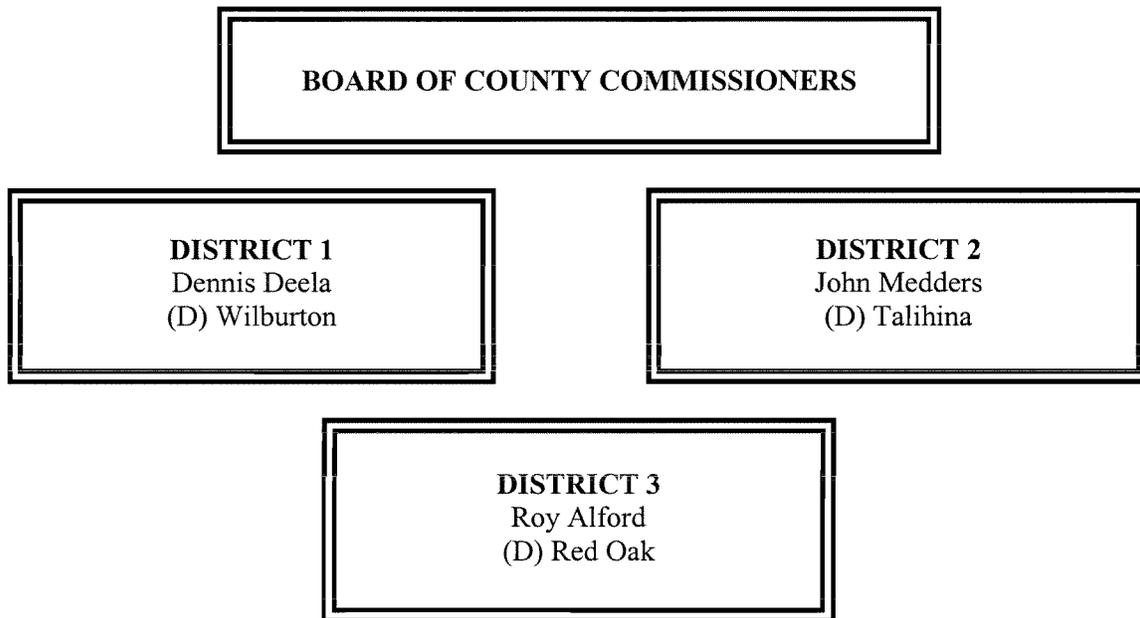
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**



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

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

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

See independent auditor's report.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF

Melvin Holly
(D) Red Oak

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

Sue Chester
(D) Wilburton

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.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Melody Littlejohn
(D) Wilburton

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
Rob Wallace
(D) Poteau

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.

**COUNTY OFFICIALS
AND RESPONSIBILITIES**

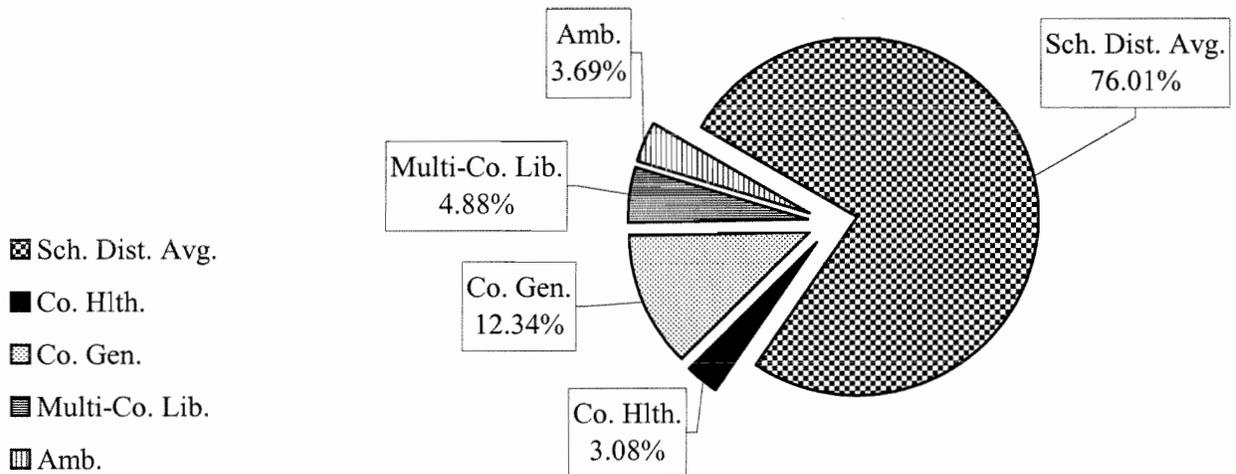
ELECTION BOARD SECRETARY
Barbara Helmert
(D) Wilburton

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.

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

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



County-Wide Millages		School District Millages								
Co. General				Gen.	Bldg.	Skg.	Vo-Tech	Vo-Tech Bldg	Common	Total
County Health	2.55	Wilburton	I1	35.49	5.07	6.03	10.23	2.05	4.09	62.96
Multi-Co. Library	4.04	Red Oak	I2	35.65	5.09	17.05	10.23	2.05	4.09	74.16
Ambulance	3.06	Buffalo Valley	I3	36.31	5.19	11.66	10.23	2.05	4.09	69.53
		Panola	I4	36.19	5.17		10.23	2.05	4.09	57.73
		LeFlore	I6	36.87	5.27		10.23	2.05	4.09	58.51
		J39	J39	39.86	5.69		10.23	2.05	4.09	61.92
		Talihina	J52	36.10	6.10	11.15	10.23	2.05	4.09	69.72
		Hartshorne	J1	36.71	5.24	6.04	10.23	2.05	4.09	64.36
		Crowder	J28	35.00	5.00	8.48	10.23	2.05	4.09	64.85
		Albion	J28	35.75	5.11	4.77	10.23	2.05	4.09	62.00
		Tuskahoma	J4	36.27	5.18		10.23	2.05	4.09	57.82

See independent auditor's report.

Independent Auditor's Report

Independent Auditor's Report

TO THE OFFICERS OF
LATIMER COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Latimer County, Oklahoma, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose financial statements are the responsibility of Latimer County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Latimer 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 Latimer 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 Latimer County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2003, on our consideration of Latimer County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

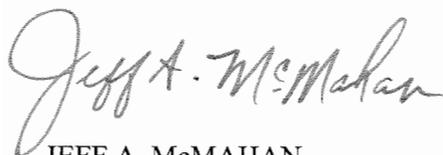
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Latimer County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits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

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

December 15, 2003

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2003
County General Fund	\$ 471,340	\$ 701,639	\$1,868	\$	\$ 834,632	\$ 340,215
T-Highway	1,504,416	3,996,275			3,466,603	2,034,088
County Health	118,927	100,678			165,961	53,644
Civil Defense	28,481	64,114			62,259	30,336
Sheriff's Cash Account	17,684	33,238			33,059	17,863
County Clerk's Cash Account	42,547	35,004			13,427	64,124
County Treasurer's Cash Account	4,477	2,325			1,223	5,579
Department of Corrections Cash Account	4,987	14,400			14,142	5,245
Community Service Sentencing Program	5,537	5,653			6,864	4,326
DARE Cash Account	29			29		
Drug Buy Cash Account	1,000					1,000
Sales Tax Cash Account	309,386	1,277,165			1,189,225	397,326
Assessor Cash Account	4,723	5,626			4,200	6,149
County Insurance Fund	11,036	7,180			6,000	12,216
Trash Cop Program	614					614
Solid Waste Trash Cop		5,000				5,000
REAP Grants		195,684			195,456	228
COPS/UHP	38,789	88,000			126,015	774
County Sheriff's Vest Fund	2,000				827	1,173
Resale Property	22,541	8,447			12,617	18,371
Solid Waste Cash Account	387,521	362,390			251,917	497,994
Special Interest Money		5,000			5,000	
Juvenile Incentive Block Grant	5,000				5,000	
Rural Water Reap Grant	5,000	10,000			15,000	
Department of Commerce Grant		42,747			42,747	
Hazard Mitigation Grant		15,000			15,000	
Ren., Maintenance, and Preservation Account	18,751	25,805			18,133	26,423
County Sinking	1,839			1,839		
Individual Redemption	381	11,586			10,354	1,613
Schools	2,638,891	9,981,363			10,102,951	2,517,303
Towns	5,230	77,925			78,564	4,591
County Library	319	147,667			147,737	249
Law Library	2,887	8,583			8,607	2,863
Conservation District #10		2,182			2,182	
County Hospital	21	9,503			9,508	16
Emergency Medical Services	119,263	108,200			72,625	154,838
District Attorney Controlled Substance Account	6,212	2,625			3,201	5,636
District Attorney Council Grant	206				206	
Protest Tax	161,743	65,276				227,019
Official Depository	1,158,017	6,906,950			7,008,433	1,056,534
Total County Funds	<u>\$7,099,795</u>	<u>\$24,323,230</u>	<u>\$1,868</u>	<u>\$1,868</u>	<u>\$23,929,675</u>	<u>\$ 7,493,350</u>

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

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 471,340	\$ 471,340	\$ 471,340	\$ -
Less: Prior Year Encumbrances	(1,244)	(1,244)	(1,244)	
Residual Equity Transfers In			1,868	1,868
Beginning Cash Balances, Budgetary Basis	<u>470,096</u>	<u>470,096</u>	<u>471,964</u>	<u>1,868</u>
Receipts:				
Ad Valorem Taxes	321,003	321,003	344,250	23,247
Charges for Services	94,457	94,457	197,665	103,208
Intergovernmental Revenues	64,706	64,706	103,367	38,661
Miscellaneous Revenues	28,445	28,445	56,357	27,912
Total Receipts, Budgetary Basis	<u>508,611</u>	<u>508,611</u>	<u>701,639</u>	<u>193,028</u>
Expenditures:				
District Attorney	7,000	7,000	7,000	
Total District Attorney	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
County Sheriff	131,576	131,576	114,425	17,151
Total County Sheriff	<u>131,576</u>	<u>131,576</u>	<u>114,425</u>	<u>17,151</u>
County Treasurer	81,425	81,425	75,078	6,347
Total County Treasurer	<u>81,425</u>	<u>81,425</u>	<u>75,078</u>	<u>6,347</u>
County Clerk	97,625	97,625	97,025	600
Total County Clerk	<u>97,625</u>	<u>97,625</u>	<u>97,025</u>	<u>600</u>
Court Clerk	65,225	65,225	65,225	
Total Court Clerk	<u>65,225</u>	<u>65,225</u>	<u>65,225</u>	<u>-</u>
County Assessor	82,625	82,625	79,714	2,911
Total County Assessor	<u>82,625</u>	<u>82,625</u>	<u>79,714</u>	<u>2,911</u>
Revaluation of Real Property	78,624	78,385	59,896	18,489
Capital Outlay	1,500	1,500	1,500	
Total Revaluation of Real Property	<u>80,124</u>	<u>79,885</u>	<u>61,396</u>	<u>18,489</u>

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
General Government	309,119	309,358	213,474	95,884
Capital Outlay	75,000	75,000	75,000	
Total General Government	<u>384,119</u>	<u>384,358</u>	<u>288,474</u>	<u>95,884</u>
Excise-Equalization Board	8,255	8,255	5,811	2,444
Total Excise-Equalization Board	<u>8,255</u>	<u>8,255</u>	<u>5,811</u>	<u>2,444</u>
County Election Board	37,188	37,188	36,388	800
Total County Election Board	<u>37,188</u>	<u>37,188</u>	<u>36,388</u>	<u>800</u>
County Audit	3,545	3,545	3,545	
Total County Audit	<u>3,545</u>	<u>3,545</u>	<u>3,545</u>	<u>-</u>
Total Expenditures, Budgetary Basis	<u>978,707</u>	<u>978,707</u>	<u>834,081</u>	<u>144,626</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	339,522	<u>\$ 339,522</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			693	
Ending Cash Balance			<u>\$ 340,215</u>	

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

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

	County Health Department			
	Original	Final		
	Budget	Budget	Actual	Variance
Beginning Cash Balances	\$ 117,094	\$ 117,094	\$ 118,927	\$ 1,833
Less: Prior Year Encumbrances			(1,833)	(1,833)
Beginning Cash Balances, Budgetary Basis	<u>117,094</u>	<u>117,094</u>	<u>117,094</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	82,184	82,184	82,184	
Charges for Services			18,494	18,494
Total Receipts, Budgetary Basis	<u>82,184</u>	<u>82,184</u>	<u>100,678</u>	<u>18,494</u>
Expenditures:				
Health and Welfare	197,278	197,278	164,568	32,710
Capital Outlay	2,000	2,000		2,000
Total Expenditures, Budgetary Basis	<u>199,278</u>	<u>199,278</u>	<u>164,568</u>	<u>34,710</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	53,204	<u>\$ 53,204</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			<u>440</u>	
Ending Cash Balance			<u>\$ 53,644</u>	

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

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

Beginning Cash Balance	\$	<u>1,839</u>
Receipts:		
Total Receipts		<u>-</u>
Disbursements:		
Residual Equity Transfer to General Fund		<u>1,839</u>
Total Disbursements		<u>1,839</u>
Ending Cash Balance	\$	<u><u>-</u></u>

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

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

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
Court Clerk	\$ 315,494	\$ 745,569	\$ 926,681	\$ 2,142	\$ 136,524
Court Fund Encumbrance	109,730	319,050	327,635	139	101,284
County Clerk		148,029	148,029		
County Sheriff	600	69,842	69,842		600
County Solid Waste		362,390	362,390		
County Health Department		12,844	12,844		
County Treasurer	20,904	24,682	25,590	212	20,208
County Hospital	700,589	5,177,999	5,099,939	2,855	781,504
Election Board	19	31,496	31,883	387	19
District Attorney State Witness Fee	245	1,418	1,243	48	468
County Assessor		6,299	5,626		673
Court Clerk Revolving Fund	10,436	7,332	2,514		15,254
Total Official Depository Accounts	<u>\$ 1,158,017</u>	<u>\$ 6,906,950</u>	<u>\$ 7,014,216</u>	<u>\$ 5,783</u>	<u>\$ 1,056,534</u>

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

Notes to the Financial Statements

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

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 Latimer 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.

**LATIMER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2003.

F. Risk Management

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

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

**LATIMER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Summary of Significant Accounting Policies (continued)

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

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating County will pay a deductible amount (\$1,000 to \$10,000; the County has 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 amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

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

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

Vacation benefits are earned by the employee during the year at the rate of five days every six months. Employees may accumulate a maximum of ten days.

An employee earns sick leave up to ten days per year and a maximum of ten days may be accumulated. Employees cannot collect payment for sick leave balances upon termination of employment.

H. Residual Equity Transfers

Residual equity transfers consist of \$1,839 transferred from the County Sinking to the general fund, and \$29 from the DARE Cash Account to the general fund to close out discontinued funds.

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 Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$7,493,350 and the bank balance was \$7,959,727. 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 authorizes the County Treasurer to invest in:

- 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

Detailed Notes on Account Balances (continued)

B. Description of Funds

County General Fund - accounts for the general operations of the government.

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

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

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

Sheriff's Cash Account – accounts for the collection and disbursements of sheriff process service fees as restricted by statute.

County Clerk's Cash Account - accounts for lien collections and disbursements as restricted by statute.

County Treasurer's Cash Account - accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursements of the funds as restricted by statute.

Department of Corrections Cash Account – accounts for the monies received from the State of Oklahoma for the boarding and feeding of DOC prisoners.

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

DARE Cash Account – accounts for donations received by the Sheriff's office to administer the DARE program.

Drug Buy Cash Account – accounts for monies set aside for law enforcement sting operations.

Sales Tax Cash Account – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

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

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

Detailed Notes on Account Balances (continued)

Trash Cop Program – accounts for monies set aside to pay rewards to persons reporting illegal dumping.

Solid Waste Trash Cop – accounts for monies set aside to pay rewards to persons reporting illegal dumping.

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

COPS/UHP – accounts for grant monies received from the U.S. Department of Justice Community Oriented Policing Services Program used for deputies' salaries in the Sheriff's office.

County Sheriff's Vest Fund – accounts for the donations from citizens made to the Sheriff's Department for bullet-proof vests.

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

Solid Waste Cash Account – accounts for the sales tax monies collected for the operation of a disposition of same as restricted by statute.

Special Interest Money – accounts for the reap funds designated for the Cupco Cemetery.

Juvenile Incentive Block Grant – accounts for grants to support the programs and services provided at the juvenile detention facility.

Rural Water Reap Grant – accounts for the state funds designated for the rural water district.

Department of Commerce Grant – accounts for the federal funds passed through the Oklahoma Department of Commerce to be used for the purchase of trucks for the solid waste system.

Hazard Mitigation Grant – accounts for the federal funds passed through the Oklahoma Department of Civil Emergency Management for the purpose of avoiding or limiting the impact of natural hazards.

Renovation, Maintenance, and Preservation Fund - accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute for preservation of records.

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

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

Detailed Notes on Account Balances (continued)

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

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

Towns – accounts from monies collected on behalf of the cities and towns in Latimer County from ad valorem taxes, state and local revenues, and remitted to them monthly.

County Library - accounts for monies collected on behalf of the County library 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.

Conservation District #10 – accounts for the collection and distribution of special assessment taxes collected for the construction and maintenance of watersheds.

County Hospital – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

District Attorney Controlled Substance Account – accounts for the collection of the District Attorney's percentage of drug forfeitures.

District Attorney Council Grant – accounts for grant monies received from the U.S. Department of Justice Local Law Enforcement Block Grant Program used for the Sheriff's office.

Protest Tax – accounts for ad valorem collections held in protest.

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

Additionally, the following official depository accounts are described below:

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

Court Fund Encumbrances - 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.

Detailed Notes on Account Balances (continued)

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 and bonds. Monies are vouchered out at the end of the month to the Sheriff's Service Fees account and Court Clerk.

County Solid Waste – accounts for the fees collected for the operation of a solid waste system.

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

County Treasurer - accounts for all collection of taxes, pre-paid mobile homes, and motor vehicle stamps. Disbursements are for the purpose of refunding overpayment of taxes and motor vehicle collection distribution.

County Hospital – accounts for daily collections of the hospital. Money is disbursed back to the hospital.

Election Board - accounts for reimbursement of elections and is disbursed for refunds of election fees and maintenance and operation of the office.

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

County Assessor - accounts for the collection for copies and proceeds from sale of ownership books to be disbursed at the end of the month and deposited in the Assessor revolving fund.

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

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2002, was approximately \$35,452,112.

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

Detailed Notes on Account Balances (continued)

Per Article 10, § 8A, with the repeal of personal property tax, the millage with the adjustment factor is 10.22 mills for general fund operations, 2.55 mills for the county health department, 4.04 mills for the multi-county library, and 3.06 mills for the emergency medical service. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2003, were approximately 98.50 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 percent on all subsequent pieces of machinery acquired.

Detailed Notes on Account Balances (continued)

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. The outcome of these lawsuits is unpredictable at this time.

5. Sales Tax

The voters of Latimer County approved three sales tax levies to be used by the County. One tax of one-half percent is for general government. One tax of one-fourth percent is for solid waste disposal. One tax of three-fourths percent is for the Latimer County General Hospital. The taxes were originally passed on March 2, 1993, and continued for a five-year period. The same levies were approved by voters on March 10, 1998, for an additional five-year period and again on March 4, 2003, for an additional five-year period.

Schedule of Expenditures of Federal Awards

**LATIMER COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Passed Through Bureau of Indian Affairs:			
Road Maintenance - Indian Roads	15.033	GOO-1182	\$ 40,152
Payment in Lieu of Taxes	15.226		8,708
Total U.S. Department of Interior			<u>48,860</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grant	14.228	10222 CDBG 01	42,747
Total U.S. Department of Housing and Urban Development			<u>42,747</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed Through Oklahoma State Treasurer:			
Payments to States in Lieu of Real Estate Taxes	12.112		4,443
Total U.S. Department of Defense			<u>4,443</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Local Law Enforcement Block Grant	16.592	LE 98-280	206
Public Safety Partnership and Community Policing Grants	16.710	95 CF-WX-0954	123,382
Passed Through the Office of Juvenile Affairs:			
Juvenile Accountability Incentive Block Grant	16.523	00-JAIBG-72	5,000
Total U.S. Department of Justice			<u>128,588</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma State Department of Civil Emergency Management:			
Public Assistance Grants	83.544	DR-1355	50,593
Hazard Mitigation Grant	83.548		15,000
Total Federal Emergency Management Agency			<u>65,593</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through the State Department of Transportation:			
Highway Planning and Construction	20.205	ERSTP-139C	99,791
Total U.S. Department of Transportation			<u>99,791</u>
Total Expenditures of Federal Awards			<u>\$ 390,022</u>

**LATIMER COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

Basis of Presentation

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

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

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

TO THE OFFICERS OF
LATIMER COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Latimer County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 15, 2003. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Latimer County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we believe are significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action. These findings, 2003-1, 2003-3, 2003-4, and 2003-5, are included in Section 4 of the schedule of findings and questioned costs, contained within this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Latimer County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. This finding, 2003-2, is included in Section 2 of the schedule of findings and questioned costs, contained within this report.

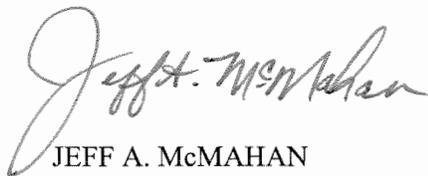
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2003-2 to be a material weakness.

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

December 15, 2003

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

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

TO THE OFFICERS OF
LATIMER COUNTY, OKLAHOMA

We have audited the compliance of Latimer County, Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. Latimer 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 its major federal programs is the responsibility of Latimer County's management. Our responsibility is to express an opinion on Latimer County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Latimer 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 of Latimer County's compliance with those requirements.

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

Internal Control Over Compliance

The management of Latimer 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 Latimer County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

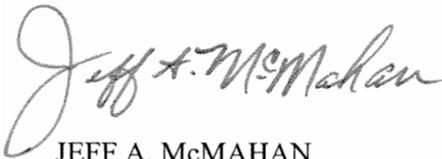
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively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

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahon". The signature is written in black ink and is positioned to the left of the typed name.

JEFF A. McMAHAN
State Auditor and Inspector

December 15, 2003

Schedule of Findings and Questioned Costs

**LATIMER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Reportable condition(s) identified that are not considered to be material weaknesses? None reported

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>
14.228	Community Development Block Grant
15.226	Payments in Lieu of Taxes
12.112	Payments to States in Lieu of Real Estate Taxes
20.205	Highway Planning and Construction
83.544	Public Assistance Grants

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

Auditee qualified as low-risk auditee? No

**LATIMER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

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

Finding 2003-2 - Segregation of Duties

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping, and reconciliation is an important element of effective internal control over public assets and resources. The most effective controls lie in management's knowledge of County operations and a periodic review of operations.

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

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

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

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

No matters were reported.

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

Finding 2003-1 – General Fixed Assets

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

**LATIMER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

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.

Management's Response: All officers are currently updating inventory records and will complete the form #3512.

Finding 2003-3 – Sheriff's Official Depository

Criteria: Title 19 O.S. 2001, § 682 states, "It shall be the duty of each and every county officer... to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, property, fees, fines, forfeitures, and public charges of every kind received or collected by virtue or under color of office."

Condition: While performing cash compositions for the Sheriff's Official Depository Account, the following was noted:

- 1) Receipts are not issued for all monies received,
- 2) Receipts are not issued in sequential order,
- 3) Before one receipt book is completed, receipts from another book are being used,
- 4) Receipts do not indicate mode of payment,
- 5) Receipts appear to have been skipped with the original missing, and
- 6) Generic receipts are being used.

Recommendation: We recommend that duplicate, pre-numbered receipts headed with "Latimer County Sheriff's Department" be issued for all monies received in the Sheriff's Office. Receipts should be issued in sequential order and should indicate mode of payment received. Also, the original copy of skipped and voided receipts should be retained in the receipt book and be properly marked "void".

Management's Response: We concur with the auditors' findings and are implementing procedures to correct this problem.

Finding 2003-4 – Overpayments to Excise Board

Criteria: Title 68 O.S. 2001, § 3005.1.C. states, "The members of county excise boards in all counties having an assessed valuation of Two Billion Dollars (\$2,000,000,000) or more shall receive as compensation an amount not to exceed Seventy-five Dollars (\$75.00) per day. The members of county excise boards in all other counties may receive as compensation an amount not to exceed Fifty Dollars (\$50.00) per day, said amount to be established by the boards. In addition, the members of county excise boards residing outside of the county seat shall be reimbursed for each mile of travel to and from their residences to the place of meeting of the board for each session attended at the rate provided for other county officers..." Excise Board members should be reimbursed compensation and travel for official meetings.

**LATIMER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

Condition: The Latimer County Excise Board was paid a total of \$900.00 in salary and \$94.20 in travel for meetings other than Excise Board meetings.

Recommendation: We recommend Latimer County Excise Board members be paid the allowed \$50.00 per meeting plus travel for meetings attended. A schedule of Board member attendance should be maintained and should reflect the meeting dates related to specific payroll periods.

Management's Response: The County Clerk states that the Excise Board members were paid for days they were required to appear in Court for a related case, for two days they held open for reviewing assessments, and attending meetings with the District Attorney concerning a County lawsuit.

Finding 2003-5 – Purchases Not Encumbered Timely

Criteria: Title 19 O.S. 2001, § 1500-1505 states the procedures that shall be used by counties for the requisition, purchase, lease-purchase, rental, and receipt of supplies, materials, and equipment for the maintenance, operation, and capital expenditures of county government.

Condition: Purchase orders for the Sheriff's department were not encumbered in a timely manner.

Recommendation: We recommend that all expenditures of the Sheriff's office be encumbered prior to making purchases.

Management's Response: We are implementing procedures to correct this problem.

**Statistical Data
(Unaudited)**

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

TAXPAYER	JANUARY 1, 2002 NET ASSESSED VALUATION	% OF TOTAL NET VALUATION
1 Enogex Gas Gathering	\$ 1,062,061	3.08%
2 Franklin Electric	895,809	2.60%
3 F&H Pipeline Co	779,890	2.26%
4 Reliant Energy Field Service	543,912	1.58%
5 Hanover Compressor Company	385,608	1.12%
6 Potato Hills Gas System	290,378	0.84%
7 JW Operating Company	191,151	0.56%
8 Flint Energy Services	142,095	0.42%
9 Kerr-McGee Corp	103,150	0.30%
10 CMS Oklahoma Nat. Gas Gathering	100,946	0.29%
Total	<u>\$ 4,495,000</u>	<u>13.05%</u>

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

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

Total net assessed value as of January 1, 2001		<u>\$ 34,452,112</u>
Debt Limit - 5% of total assessed value		1,772,605
Total bonds outstanding	-	
Total judgments outstanding	<u>-</u>	
Legal Debt Margin		<u>\$ 1,772,605</u>

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

	2003
Estimated population	10,692
Net assessed value	\$ 35,452,112
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	\$ -

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

Tax Year	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
2003	\$ 7,268,805	\$ 15,935,141	\$ 14,944,455	\$ 2,696,289	\$ 35,452,112	\$ 267,602,169