

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

September 8, 2005

TO THE CITIZENS OF
LeFLORE COUNTY, OKLAHOMA

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

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

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

Sincerely,

JEFF A. McMAHAN
State Auditor and Inspector

**LeFLORE COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

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**LeFLORE COUNTY, OKLAHOMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

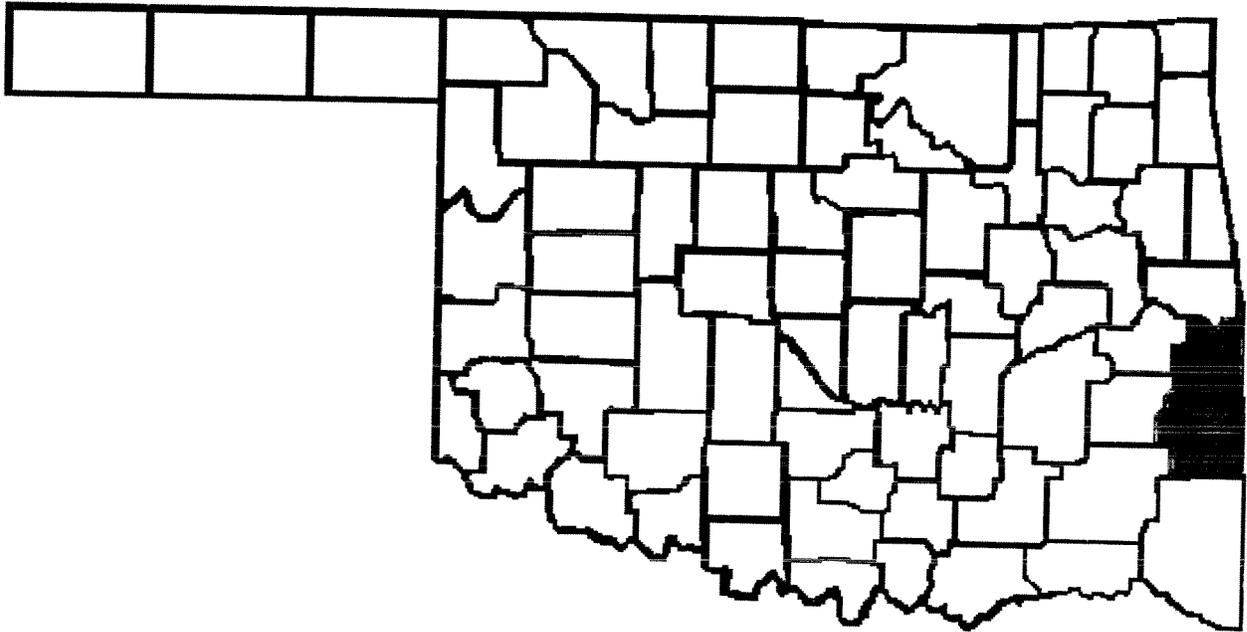
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REPORT TO THE CITIZENS
OF
LeFLORE COUNTY, OKLAHOMA



Once part of the Choctaw Nation, Indian Territory, LeFlore County is diverse in its topography. With rugged hills, narrow valleys and productive farmland, there is a gentle blending of modern days and old ways. Many of the towns were established as a result of railroad expansion.

Within its borders there are two hospitals, seven libraries, a two-year college, three vocational schools, five newspapers, a veteran's center, and numerous clinics. Manufacturing produces such items as refrigerator parts, instrument panels, crackers, and cattle feed. Carl Albert State College offers courses to more than 2,000 full and part-time students annually.

Poteau, the county seat, was home to late Senator Robert S. Kerr. Tourism is an important aspect of the LeFlore County economy. The Heavener Runestone and Spiro Mounds are well-known historic sites, as are stops on the old Butterfield Trail. Hailed as the first transcontinental link between East and West, several stops are still found in the northern part of the county. The Ouachita National Forest, including the Talimena Scenic Drive, dominates the southern half of the county.

For more information, call the county clerk's office at 918/647/5738.

County Seat – Poteau

Area – 1,586 Square Miles

County Population - 48,109 (2000 est.)

Farms – 1,744

Land in Farms - 407,359 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**LeFLORE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR

Ruth Darneal
(D) Wister

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

Alan Vickers
(D) Heavener

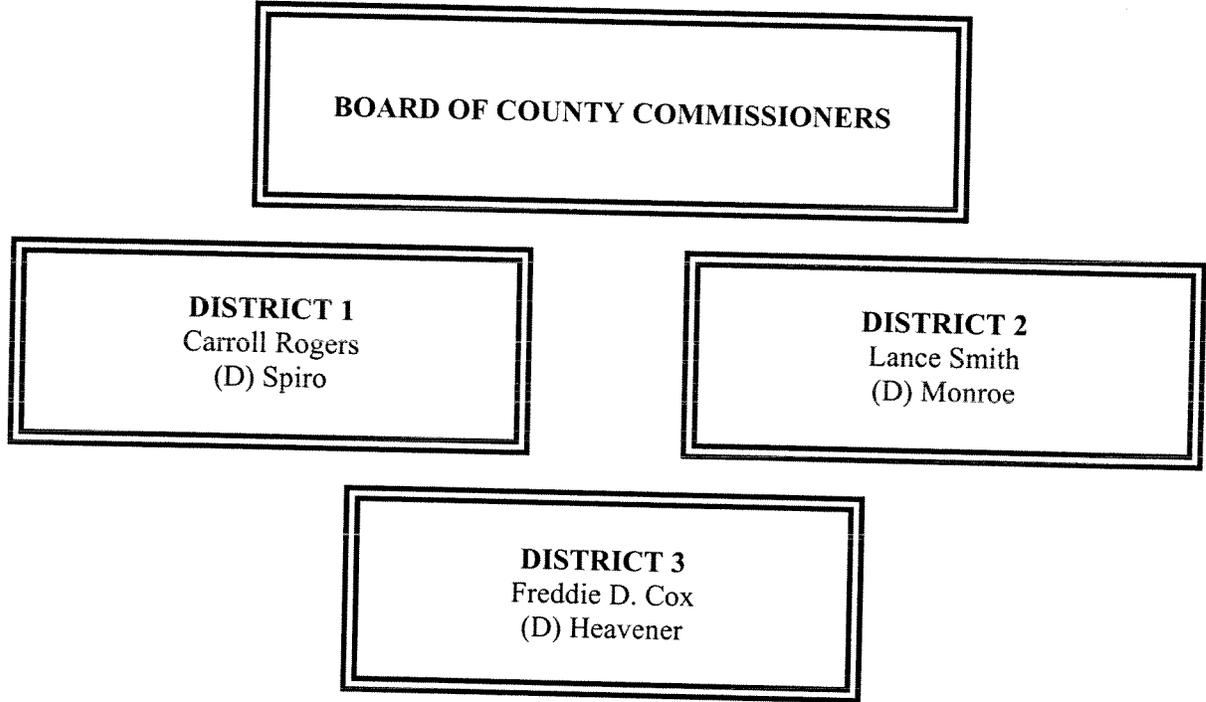
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**LeFLORE 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.

**LeFLORE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Roy Gentry
(D) Poteau

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
Stella Drury
(D) Poteau

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.

**LeFLORE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK

Melba Hall
(D) Poteau

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.

**LeFLORE COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

Phillip Zearley
(D) Poteau

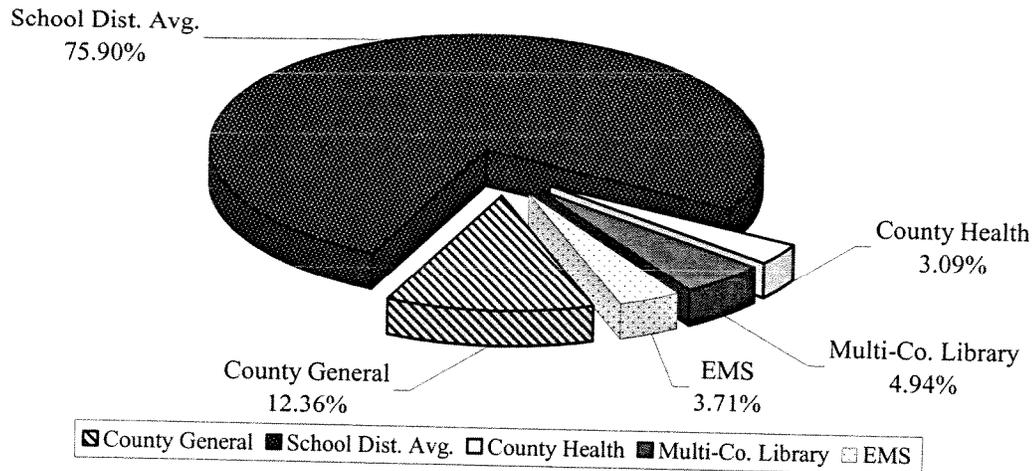
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within 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.

See independent auditor's report.

**LeFLORE 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	County Health	EMS	Library	Gen.	Bldg.	Skg.	Tech Cntr.	Tech Cntr. Bldg	Common	Total
10.00	2.50	3.00	4.00	35.00	5.00	10.55	10.00	2.00	4.00	66.55
				35.00	5.00	6.77	10.00	2.00	4.00	62.77
				35.00	5.00	8.49	10.00	2.00	4.00	65.89
				35.00	5.00		10.00	2.00	4.00	64.49
				35.00	5.00		10.00	2.00	4.00	56.00
				35.00	5.22	8.31	10.00	2.00	4.00	64.53
				35.00	5.00		10.00	2.00	4.00	56.00
				35.00	5.00		10.00	2.00	4.00	56.00
				35.00	5.00	5.54	10.00	2.00	4.00	61.54
				35.00	5.00		10.00	2.00	4.00	56.00
				35.00	5.00	10.84	10.00	2.00	4.00	66.84
				35.00	5.00		10.00	2.00	4.00	56.00
				35.00	5.00	12.73	10.00	2.00	4.00	68.73
				35.00	5.00	10.21	10.00	2.00	4.00	66.21
				35.00	5.00		10.00	2.00	4.00	56.00
				35.00	5.00	14.25	10.00	2.00	4.00	70.25
				35.00	5.00		10.00	2.00	4.00	56.00
				35.00	5.00	8.82	10.00	2.00	4.00	64.82
				35.00	5.00		10.00	2.00	4.00	56.00
				35.00	5.00	11.80	10.00	2.00	4.00	67.80
				35.00	5.00		10.00	2.00	4.00	56.00
				35.00	5.00	6.56	10.00	2.00	4.00	62.56
				35.00	5.00		10.00	2.00	4.00	56.00

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
LeFLORE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of LeFlore County, Oklahoma, as of and for the year ended June 30, 2004, as listed in the table of contents. These special-purpose financial statements are the responsibility of LeFlore County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of LeFlore 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 LeFlore 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 LeFlore County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department fund of the County, as of and for the year ended June 30, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2005, on our consideration of LeFlore County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

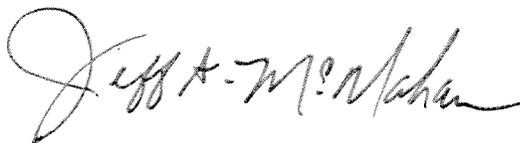
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of LeFlore County, Oklahoma, taken as a whole. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the special-purpose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

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

June 30, 2005

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
General Fund	\$ 64,074	\$ 2,844,636	\$ 2,711,750	\$ 196,960
Highway Cash	1,693,628	5,305,902	5,377,703	1,621,827
Assessor Revolving	7,486	9,260	9,614	7,132
Assessor's Visual Inspection	1			1
Commissioners CSSP	10,981	1,219	264	11,936
County Building Insurance	22			22
County Clerk's Lien Fee	22,649	27,387	24,653	25,383
County Health Department	414,242	478,405	520,316	372,331
County Library	8,629	687,635	691,254	5,010
D10 Water Tax		108	108	
DA Control FD	17,599	49,402	22,710	44,291
District Attorney Drug Court - District 16	4,234	37,017	32,072	9,179
District Attorney DT III	27,158			27,158
District Attorney DTF IV	5,294	475	5,769	
Official Depository	920,581	12,734,154	12,209,057	1,445,678
DOCCS	1,609	16,060	11,864	5,805
Election Board	119			119
Emergency Medical Services	3,973	515,727	515,944	3,756
FEMA	6,352			6,352
Individual Redemption	19,055	112,348	112,866	18,537
JDET	1,311	4,460	4,535	1,236
LeFlore County Flood Plain	300	360	34	626
LEOP Emergency Operation Plan	26,630		26,578	52
Mortgage Tax	52			52
Mortgage Tax Certification Fees	72,397	12,700	42,236	42,861
Municipal	23,130	339,583	334,967	27,746
RM&P Cash Fund	45,490	70,035	55,161	60,364
Refund Tax Account	3,281	21,651	20,960	3,972
Resale Property	133,833	163,680	142,876	154,637
Schools	106,724	11,262,297	11,278,057	90,964
Sheriff Commissary	1,419	12,924	14,282	61
Sheriff Ce Cash	33	4,320	4,120	233
Sheriff Cops Fast	10		10	
Sheriff DJ LEBG	3			3
Sheriff DOC	21,114	55,073	68,268	7,919

continued on next page

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

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

continued from previous page

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
Sheriff LEGB	1,008	11,566	12,105	469
Sheriff's Service Fee	17,301	135,635	131,388	21,548
Sheriff Special Cash	921	14,734	14,480	1,175
Sheriff Training Program	38			38
Solid Waste	826,900	1,623,821	1,491,845	958,876
Special 911 Account	143,375	526,392	578,996	90,771
Hudson Corner - K7037		13,251	13,251	
Williams - K7026		2,005	2,005	
Stapp-Zoe - K6029		2,005	2,005	
Hog Eye - K7038		7,940	7,940	
Howe - K7035		8,195	8,195	
Reichert - K7027		2,005	2,005	
District Attorney Drug Task Force V		151,659	121,323	30,336
ZAFRA - K7034		15,000	15,000	
Muse Cemetery		2,800	2,800	
CERT - Emergency Management		1,000		1,000
Hodgen - K7031		2,224	2,224	
Milton - K7033		15,000	15,000	
Panama - K7036		15,000	15,000	
Jail Bond Account		952,524	429,890	522,634
Jail Fund		338,136	315,732	22,404
Hog Eye - K8015		9,994	9,994	
Pokerbend - K8019		10,524	10,524	
OKFREP		3,822	3,822	
CDBG-9593-00		12,455	12,455	
LE03-3		5,116		5,116
Total County Funds	\$4,652,956	\$38,649,621	\$37,456,007	\$5,846,570

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

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 64,074	\$ 64,074	\$ 64,074	\$ -
Less: Prior Year Outstanding Warrants	(56,996)	(56,996)	(56,996)	
Less: Prior Year Encumbrances	(22,762)	(22,762)	(21,086)	1,676
Beginning Cash Balances, Budgetary Basis	<u>(15,684)</u>	<u>(15,684)</u>	<u>(14,008)</u>	<u>1,676</u>
Receipts:				
Ad Valorem Taxes	1,614,748	1,614,748	1,611,350	(3,398)
Charges for Services	270,383	270,383	267,756	(2,627)
Intergovernmental Revenues	554,760	554,760	630,579	75,819
Miscellaneous Revenues	142,672	374,780	334,951	(39,829)
Total Receipts, Budgetary Basis	<u>2,582,563</u>	<u>2,814,671</u>	<u>2,844,636</u>	<u>29,965</u>
Expenditures:				
District Attorney		4,049	1,753	2,296
Total District Attorney	<u>-</u>	<u>4,049</u>	<u>1,753</u>	<u>2,296</u>
County Sheriff	473,830	535,071	535,066	5
Total County Sheriff	<u>473,830</u>	<u>535,071</u>	<u>535,066</u>	<u>5</u>
County Treasurer	90,375	90,375	90,310	65
Total County Treasurer	<u>90,375</u>	<u>90,375</u>	<u>90,310</u>	<u>65</u>
County Commissioners	45,100	67,650	67,650	
Total County Commissioners	<u>45,100</u>	<u>67,650</u>	<u>67,650</u>	<u>-</u>
OSU Extension	73,014	43,324	39,139	4,185
Capital Outlay	1,500	2,400	2,400	
Total OSU Extension	<u>74,514</u>	<u>45,724</u>	<u>41,539</u>	<u>4,185</u>
County Clerk	252,462	257,094	252,771	4,323
Capital Outlay	3,000	1,418	1,418	
Total County Clerk	<u>255,462</u>	<u>258,512</u>	<u>254,189</u>	<u>4,323</u>
Court Clerk	157,125	157,125	156,916	209
Total Court Clerk	<u>157,125</u>	<u>157,125</u>	<u>156,916</u>	<u>209</u>

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	173,474	173,125	173,065	60
Capital Outlay	2,000	2,358	2,358	
Total County Assessor	<u>175,474</u>	<u>175,483</u>	<u>175,423</u>	<u>60</u>
Revaluation of Real Property	334,050	337,579	329,515	8,064
Capital Outlay	3,500	3,800	3,644	156
Total Revaluation of Real Property	<u>337,550</u>	<u>341,379</u>	<u>333,159</u>	<u>8,220</u>
General Government	785,343	907,080	871,252	35,828
Capital Outlay	5,487	6,987	5,611	1,376
Total General Government	<u>790,830</u>	<u>914,067</u>	<u>876,863</u>	<u>37,204</u>
Excise-Equalization Board	5,500	5,500	3,683	1 817
Total Excise-Equalization Board	<u>5,500</u>	<u>5,500</u>	<u>3,683</u>	<u>1,817</u>
County Election Board	96,754	131,346	128,326	3,020
Capital Outlay	1,000	1,000	390	610
Total County Election Board	<u>97,754</u>	<u>132,346</u>	<u>128,716</u>	<u>3,630</u>
Charity	1,000	1,000	935	65
Total Charity	<u>1,000</u>	<u>1,000</u>	<u>935</u>	<u>65</u>
Civil Defense	24,950	31,216	30,420	796
Capital Outlay	1,500	3,575	2,999	576
Total Civil Defense	<u>26,450</u>	<u>34,791</u>	<u>33,419</u>	<u>1,372</u>
Youth Services	1,250	1,250	1,250	
Total Youth Services	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>	<u>-</u>
County Audit	18,286	18,286	18,286	
Total County Audit	<u>18,286</u>	<u>18,286</u>	<u>18,286</u>	<u>-</u>
Free Fair Budget	2,500	2,500	838	1 662
Total Free Fair Budget	<u>2,500</u>	<u>2,500</u>	<u>838</u>	<u>1,662</u>

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

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

continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Provisions for Interest on Warrants	13,879	13,879	15,266	(1,387)
Total Expenditures, Budgetary Basis	<u>2,566,879</u>	<u>2,798,987</u>	<u>2,735,261</u>	<u>63,726</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	95,367	<u>\$ 95,367</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			29,692	
Add: Current Year Outstanding Warrants			71,901	
Ending Cash Balance			<u>\$ 196,960</u>	

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

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

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 414,242	\$ 414,242	\$ 414,242	\$ -
Less: Prior Year Outstanding Warrants	(5,878)	(5,878)	(5,878)	
Less: Prior Year Encumbrances	(131,212)	(131,212)	(130,011)	1,201
Beginning Cash Balances, Budgetary Basis	<u>277,152</u>	<u>277,152</u>	<u>278,353</u>	<u>1,201</u>
Receipts:				
Ad Valorem Taxes	389,095	389,095	425,305	36,210
Intergovernmental		47,443	49,962	2,519
Miscellaneous Revenues			3,138	3,138
Total Receipts, Budgetary Basis	<u>389,095</u>	<u>436,538</u>	<u>478,405</u>	<u>41,867</u>
Expenditures:				
Health and Welfare	656,000	703,443	431,070	272,373
Capital Outlay	10,247	10,247	1,336	8,911
Total Expenditures, Budgetary Basis	<u>666,247</u>	<u>713,690</u>	<u>432,406</u>	<u>281,284</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	324,352	<u>\$ 324,352</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			13,270	
Add: Current Year Outstanding Warrants			34,709	
Ending Cash Balance			<u>\$ 372,331</u>	

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

**LeFLORE COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2004**

Official Depository Accounts	Beginning Cash Balances		Disbursements	Cancelled Vouchers	Ending Cash Balances
	July 1, 2003	Receipts			
County Clerk	\$	\$ 431,036	\$ 431,716	\$ 680	\$
Board of County Commissioners		21,143	21,143		
Health Department		52,342	52,342		
Law Library	6,960	27,926	27,639		7,247
Eastern Oklahoma Medical Center	100	5,104,734	5,104,734		100
Court Clerk	238,776	2,976,809	2,461,133	6,186	760,638
Court Fund	223,862	1,203,195	1,148,570	563	279,050
Law Library Revolving Fund		9,000	9,000		
Court Clerk Revolving Fund	61,177	50,345	3,681		107,841
Election Board	400	51,134	50,708	1,059	1,885
County Sheriff		366,080	368,583	2,503	
Sheriff Inmate	6,487	31,432	37,015	561	1,465
District Attorney Account	75				75
District Attorney Bogus Depository	15,065	450,357	444,584	1,159	21,997
District Attorney Bogus Check Fee	117,273	241,739	258,526	282	100,768
District Attorney Corps Account	26,498	18,480	2,532		42,446
District Attorney Witness	1,572	2,813	4,002		383
District Attorney VOCA		30,698	30,698		
District Attorney Restitution & Diversion Fee Account	10,513	3,993	940		13,566
District Attorney Restitution & Diversion Restitution	273	16,333	16,332	4	278
County Assessor		9,140	9,140		
Solid Waste		301,146	301,146		
Trust Deposit	85,110	1,324,404	1,320,974	6,382	94,922
Trust Interest Excess Resale	10,804	109			10,913
Trust Interest Protest Tax	115,636	349	115,985		
County Treasurer Fee		320	320		
District Attorney Criminal Restitution Deposit		6,993	6,993		
Alec Green Trust		1,052			1,052
James Goude Trust		1,052			1,052
Total Official Depository Accounts	\$ 920,581	\$ 12,734,154	\$ 12,228,436	\$ 19,379	\$ 1,445,678

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of LeFlore County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County. The funds presented are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

C. Basis of Accounting

The financial statements are prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgetary Policies

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. The budget presented for the general fund and county health department fund includes the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other funds are made on a monthly basis, according to the funds then available.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund and county health department fund.

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

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

F. Risk Management

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

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

Summary of Significant Accounting Policies (continued)

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

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

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

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

G. Compensated Absences

Vacation benefits are earned by the employee during the year and must be taken during the year earned. Employees with 1 to 5 years of service earn 10 days per year and employees with over 5 years of service earn 15 days per year.

Employees earn up to 8 days per year of sick leave and may accumulate up to 60 days.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before May 31 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. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$5,846,570 and the bank balance was \$5,897,459. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

B. Description of Funds

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

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

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

Assessor's Visual Inspection – accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

Detailed Notes on Funds and Account Balances (continued)

Commissioners CSSP – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

County Building Insurance – accounts for rent collected from the Lowery Building.

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

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

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

D10 Water Tax – accounts for a water tax collected for the Fourche Maline Conservancy.

DA Control FD – accounts for fines and forfeitures related to controlled substance crimes.

District Attorney Drug Court - District 16 – accounts for funds from the Department of Mental Health Substance Abuse Services to implement a drug court program.

District Attorney DT III – accounts for federal funds from the Byrne Program that was passed through the District Attorney's Council to be used for the drug task force.

District Attorney DTF IV – accounts for federal funds from the Byrne Program that was passed through the District Attorney's Council to be used for the drug task force.

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

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

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

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

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

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

Detailed Notes on Funds and Account Balances (continued)

JDET – accounts for reimbursements from state for attendant care and transportation of juveniles.

LeFlore County Flood Plain – accounts for fees collected from inspections and assessments of flood plain areas and is used for the general operations of the emergency management office.

LEOP Emergency Operation Plan – accounts for federal funds received for local emergency planning.

Mortgage Tax – accounts for unapportioned mortgage tax receipts.

Mortgage Tax Certification Fees – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statutes.

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

RM&P Cash Fund – accounts for fees collected for instruments filed in the Registrar of Deeds as restricted by statute for preservation of records.

Refund Tax Account – accounts for reimbursements to taxpayers for overpayment of taxes.

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

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

Sheriff Commissary – accounts for the collection of fees transferred from the inmate trust money for commissary items and the disbursement of funds as restricted by state statute.

Sheriff Ce Cash – accounts for federal funds from the Corps of Engineers for lake patrol.

Sheriff Cops Fast – accounts for grant monies received from the U.S. Department of Justice Community Oriented Policing Services program used for deputy salaries in the Sheriff's office.

Sheriff DJ LEBG – accounts for grant monies received from the U.S. Department of Justice Local Law Enforcement Block Grant program used for the Sheriff's office.

Sheriff DOC – accounts for monies received from the State of Oklahoma for the boarding and feeding of DOC prisoners.

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

Detailed Notes on Funds and Account Balances (continued)

Sheriff's Service Fee – accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

Sheriff Special Cash – accounts for federal funds from the Corps of Engineers for lake patrol.

Sheriff Training Program – accounts for funds collected from the deposition of unclaimed property for the purpose of purchasing equipment, materials, or supplies that may be used in crime prevention.

Solid Waste – accounts for the sales tax monies collected for the operation of a solid waste system.

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

Hudson Corner - K7037 – accounts for state grant funds received to oil and chip four miles of road of Bokoshe and West of Spiro.

Williams - K7026 – accounts for state grant funds received to purchase a spraying machine for mosquito control for Williams Community.

Stapp-Zoe - K6029 – accounts for state grant funds received to renovate senior citizens center at Stapp-Zoe.

Hog Eye - K7038 – accounts for state grant funds received to oil and chip four miles of Hog Eye Road.

Howe - K7035 – accounts for state grant funds received to overlay four miles of streets in Howe.

Reichert - K7027 - accounts for state grant funds received to purchase a spraying machine for mosquito control for the Reichert Community.

District Attorney Drug Task Force V – accounts for federal funds from the Byrne Program that were passed through the District Attorney's Council to be used for the drug task force.

ZAFRA K7034 – accounts for state grant funds received to oil and chip county roads in the Zafra area.

Muse Cemetery – accounts for state grant funds received to oil and chip roads at the Muse Cemetery.

Detailed Notes on Funds and Account Balances (continued)

CERT Emergency Management – accounts for federal grant funds to be used to enhance the Citizens Corps program in making communities safer, stronger, and better prepared for responding to emergencies.

Hodgen – K7031 – accounts for state grant funds received to construct water lines and hydrants in Hodgen.

Milton – K7033 – accounts for state grant funds received to oil and chip county roads in the Milton Community.

Panama – K7036 – accounts for state grant funds received to oil and chip county roads in Milton Community.

Jail Bond Account – accounts for the sales tax revenue used to finance the new jail facility construction and renovation of the courthouse by the LeFlore County Public Buildings Authority.

Jail Fund – accounts for sales tax revenues to be used for the operation of the county jail.

Hog Eye – K8015 – accounts for state grant funds used for the purchase of equipment for the Hog Eye volunteer fire department.

Pokerbend – K8019 – accounts for state grant funds received to oil and chip Pokerbend Road.

OKFREP – accounts for federal grant funds used to purchase radios.

CDBG-9593-00 – accounts for federal grant funds used to remodel the Reicherts and Tucker Senior Citizens Centers.

LE03-3 – accounts for federal grant funds used to purchase equipment for the Sheriff's Department.

The following narrative details the official depository accounts.

County Clerk – accounts for the collection of filing fees and disbursement to the Oklahoma Tax Commission and general fund.

Board of County Commissioners – accounts for the collection of citizens' payments for tin horns and reimbursement for summer work programs.

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

Detailed Notes on Funds and Account Balances (continued)

Law Library – accounts for fees collected from court cases and is transferred to the Law Library Revolving Fund official depository to be disbursed to the state for the Law Library Board.

Eastern Oklahoma Medical Center – accounts for daily collections of the Hospital. Money is disbursed back to the Hospital.

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

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

Law Library Revolving Fund – accounts for fees remitted to the state for the Law Library Board.

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

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

County Sheriff – accounts for all collections of foreign service fees and cash bond monies. Monies are disbursed at the end of the month and deposited in the assessor's revolving fund.

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

District Attorney Account – accounts for collection of child support incentive and disbursement of funds as restricted by state statutes.

District Attorney Bogus Depository – accounts for the collection of bogus checks and district attorney fees to be disbursed to the merchant as restricted by state statutes. A voucher is used to transfer fees to the District Attorney Bogus Check Fee official depository account.

District Attorney Bogus Check Fee – accounts for the District Attorney's fees assessed for bogus checks.

District Attorney Corps Account – accounts for reimbursements from the state supervision of probation for defendants and is used for the maintenance and operation of the District Attorney's office.

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

Detailed Notes on Funds and Account Balances (continued)

District Attorney VOCA – accounts for funds received from the District Attorney's Council and is used for the salary of the victims' witness advocate and supplies to operate the program.

District Attorney Restitution and Diversion Fee Account – accounts for fees collected from defendants for restitution payments.

District Attorney Restitution and Diversion Restitution – accounts for payments and fees from defendants to be remitted to victims per court orders. Disbursements are for remittance to victims and transfer of fees to the District Attorney Restitution and Diversion Fee Account in the official depository.

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

Solid Waste – accounts for collection for dumping fees collected at sites and is transferred to the solid waste cash fund.

Trust Deposit – accounts for the overpayments of ad valorem taxes, collection of motor vehicle stamps, and the collection of pre-paid mobile home taxes.

Trust Interest Excess Resale – accounts for the proceeds of sale of property in excess of tax against property to be held in trust for a two-year period.

Trust Interest Protest Tax – accounts for tax collections that have been paid under protest by the taxpayer. These funds will be held in trust until the court case has been settled.

County Treasurer Fee - accounts for miscellaneous collections held in trust for disbursement.

District Attorney Criminal Restitution Deposit – accounts for collection of probation fees for supervision.

Alec Green Trust – accounts for money held in trust for minors.

James Goude Trust – accounts for money held in trust for minors.

Detailed Notes on Funds and Account Balances (continued)

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2003, was approximately \$171,201,861.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.50 mills for the county health department, 3.00 mills for the emergency medical service, and 4.00 mills for the multi-county library. 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, 2004, were approximately 94.44 percent of the tax levy.

D. Pension Plan

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

Detailed Notes on Funds and Account Balances (continued)

E. Capital Leases

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

F. Fuel Tax

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

4. Contingent Liabilities

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

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

5. Sales Tax

The voters of LeFlore County approved a ½% sales tax effective February 1993. This sales tax is permanent. The sales tax was established to provide revenue for solid waste purposes only.

On August 12, 2003, the voters of LeFlore County approved a ¾% sales tax to be used by the LeFlore County Public Buildings Authority for the acquisition, remodel, construction, financing, furnishing, and equipping of a county jail and criminal justice facility and courthouse renovation and annex, parking lots, streets and other capital facilities, including OSU Extension Service offices and public meeting rooms. Of this sales tax ¼% is permanent and is to be used for the continuing maintenance and operation of the facility. The remaining ½% is to be terminated after 20 years or at the date of retirement of any debt incurred related thereto, whichever occurs earlier.

SUPPLEMENTARY SCHEDULE

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

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Oklahoma State Treasurer:			
Schools and Roads - Grants to States	10.665		\$ 769,797
Total U.S. Department of Agriculture			<u>769,797</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed Through Oklahoma State Treasurer:			
Payments to States in Lieu of Real Estate Taxes	12.112		27,184
Total U.S. Department of Defense			<u>27,184</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through State Department of Commerce:			
Community Development Block Grants - State's Program	14.228	9593 CDBG 00	12,455
Total U.S. Department of Housing and Urban Development			<u>12,455</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		49,078
Total U.S. Department of Interior			<u>49,078</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Local Law Enforcement Block Grants Program	16.592	2001 LBBX 2262	1,008
Local Law Enforcement Block Grants Program	16.592	2003 LBBX 0061	11,508
Local Law Enforcement Block Grants Program	16.592	LE 03-069	5,116
Total U.S. Department of Justice			<u>17,632</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through State Department of Indian Affairs:			
Highway Planning and Construction	20.205	CM GOO 1145 99	5,000
Highway Planning and Construction	20.205	CM GOO 1209 01	36,000
Total U.S. Department of Transportation			<u>41,000</u>

continued on next page

The accompanying note is an integral part of this schedule.

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through State Department of Homeland Security:			
State and Local All Hazards Emergency Operations Planning	97.051		26,630
State Domestic Preparedness Equipment Support Program	97.004	OKFREP5.074	3,822
Emergency Management Performance Grants	97.042		8,241
Total U.S. Department of Homeland Security			<u>38,693</u>
Total Expenditures of Federal Awards			<u><u>\$955,839</u></u>

The accompanying note is an integral part of this schedule.

LeFLORE COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004

Basis of Presentation

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

INTERNAL CONTROL AND COMPLIANCE SECTION



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
LeFLORE COUNTY, OKLAHOMA

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LeFlore County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-1, 2004-2, and 2004-3.

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

Compliance and Other Matters

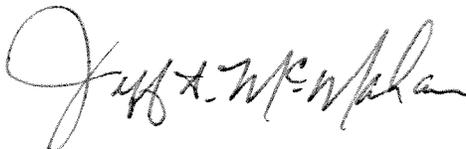
As part of obtaining reasonable assurance about whether LeFlore County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance and other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2004-4.

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

June 30, 2005



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
LeFLORE COUNTY, OKLAHOMA

Compliance

We have audited the compliance of LeFlore County, Oklahoma with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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

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

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Jeff A. McMahana".

JEFF A. McMAHAN
State Auditor and Inspector

June 30, 2005

LeFLORE COUNTY, OKLAHOMA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2004

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

CFDA Number(s)
10.665

Name of Federal Program or Cluster
Schools and Roads – Grants to States

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

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

Finding 2004-1 - Segregation of Duties (Repeat Finding)

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

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

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

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

Finding 2004-2 - Written Disaster Recovery Plan (Repeat Finding)

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

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

LeFLORE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

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

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

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

Finding 2004-3 - Written Policies and Procedures (Repeat Finding)

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

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

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

Views of responsible officials and planned corrective actions: The County officials will work to prepare and implement policies and procedures for the information systems.

Finding 2004-4 - Financial Statements (Repeat Finding)

Criteria: For counties who have adopted the County Budget Act per 19 O.S. 2001, § 1403 and 19 O.S. 2001, § 1405 states, "The accounting records of each county shall be established and maintained and financial statements prepared therefore in conformity with generally accepted accounting principles promulgated from time to time by authoritative bodies of the United States..."

Condition: The County has adopted the County Budget Act, however, does not prepare financial statements in conformity with generally accepted accounting principles as provided by that Act.

Recommendation: We recommend the County prepare financial statements in conformity with generally accepted accounting principles as required by counties who have adopted the County Budget Act.

Views of responsible officials and planned corrective actions: Management is aware of this situation, however, due to financial situations we are unable to comply with this statute at this time. We are currently in the process of correcting this situation to comply with state statutes.

LeFLORE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

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.

STATISTICAL SECTION
(Unaudited)

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

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
AES Shady Point Inc	\$ 13,976,034	8.16%
Oklahoma Alltel Inc	6,742,666	3.94%
OG&E	5,632,948	3.29%
Centerpoint Energy Gas	4,081,292	2.38%
OK Industries Inc	3,272,817	1.91%
Kansas City Southern Railroad	2,580,865	1.51%
Southwestern Bell Telephone	2,238,238	1.31%
Arkansas Oklahoma Gas Corp	2,004,290	1.17%
Wal-Mart	1,600,745	0.94%
Bremner Inc	1,551,069	0.90%
Total	<u>\$ 43,680,964</u>	<u>25.51%</u>

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

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

Total net assessed value as of January 1, 2003		<u>\$ 171,201,861</u>
Debt limit - 5% of total assessed value		8,560,093
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		<u>\$ 8,560,093</u>

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

	2004
Estimated population	48,109
Net assessed value as of January 1, 2003	\$ 171,201,861
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	\$ -

**LeFLORE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 FOR THE YEAR ENDED JUNE 30, 2004
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	\$41,354,657	\$26,387,684	\$115,111,385	\$11,651,865	\$171,201,861	\$1,436,436,536