

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

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March 23, 2006

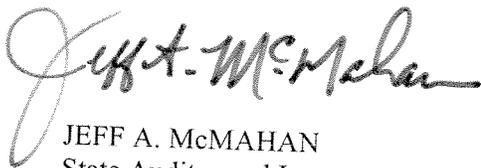
TO THE CITIZENS OF
LeFLORE COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in black ink that reads "JEFF A. McMAHAN". The signature is written in a cursive style with a large, looping initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

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

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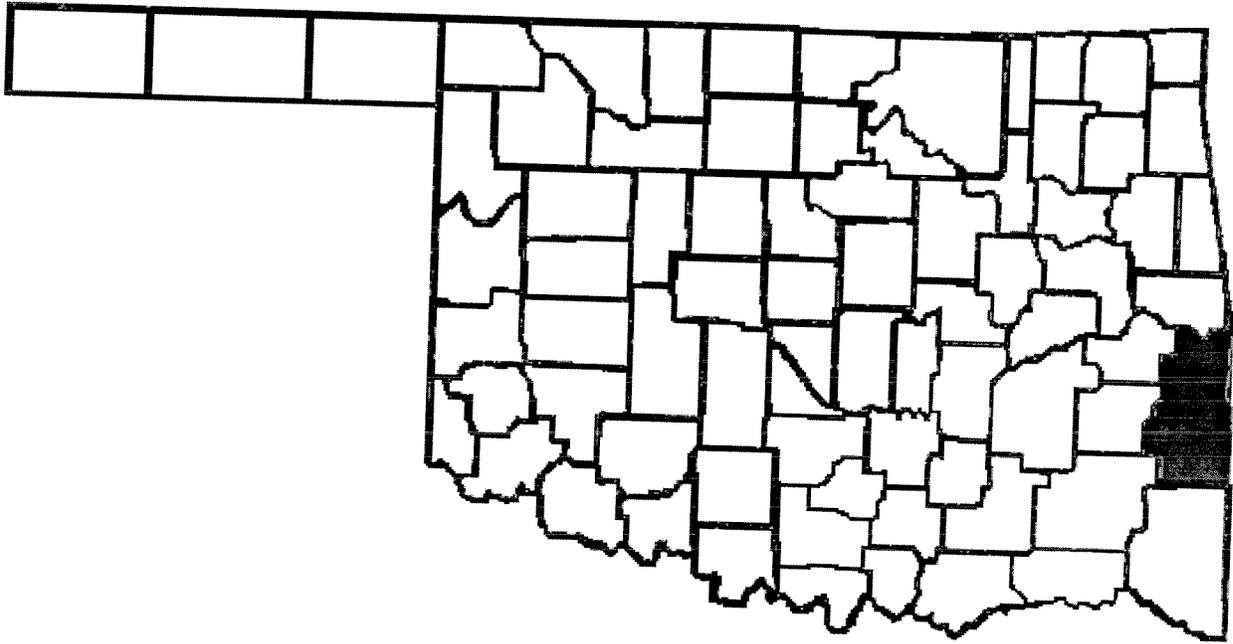
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**LeFLORE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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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
Miles

Area – 1,608.03 Square

County Population - 49,161 (2004 est.)

Farms – 1,927

Land in Farms - 410,923 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

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

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

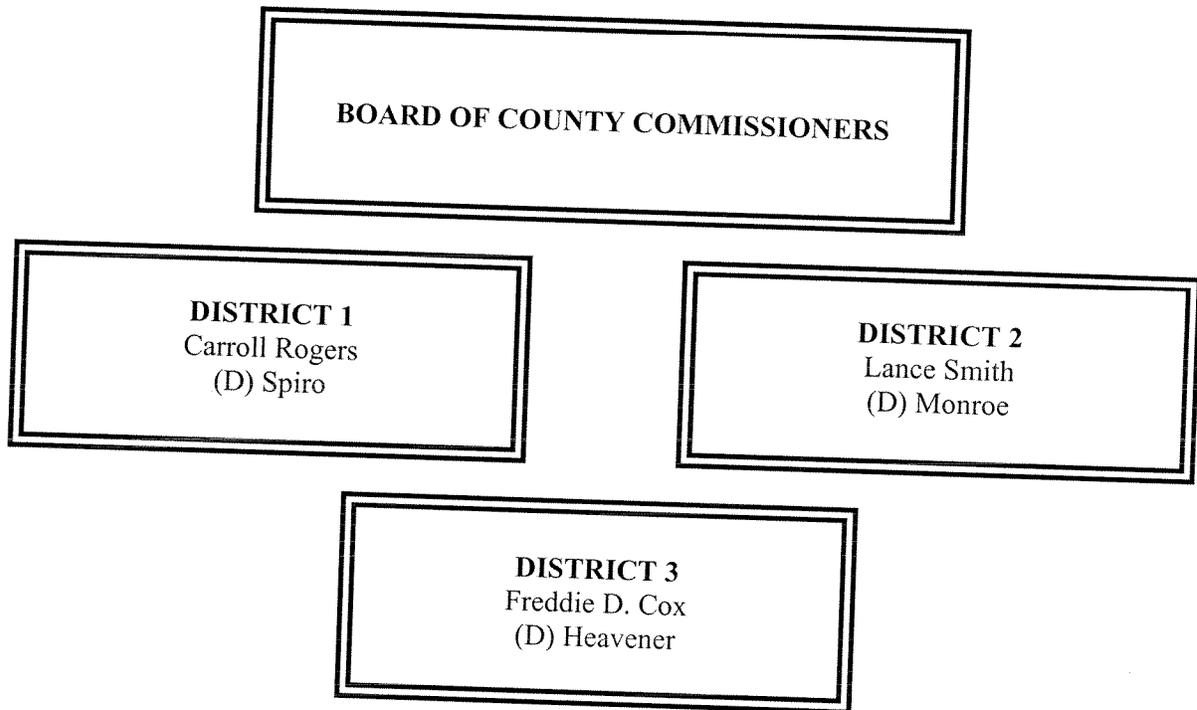
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**



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

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

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

See independent auditor's report.

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

COUNTY SHERIFF
Robert Campbell
(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
Joe Wiles
(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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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
Farley Ward
(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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

ELECTION BOARD SECRETARY

Phillip Zearley
(D) Poteau

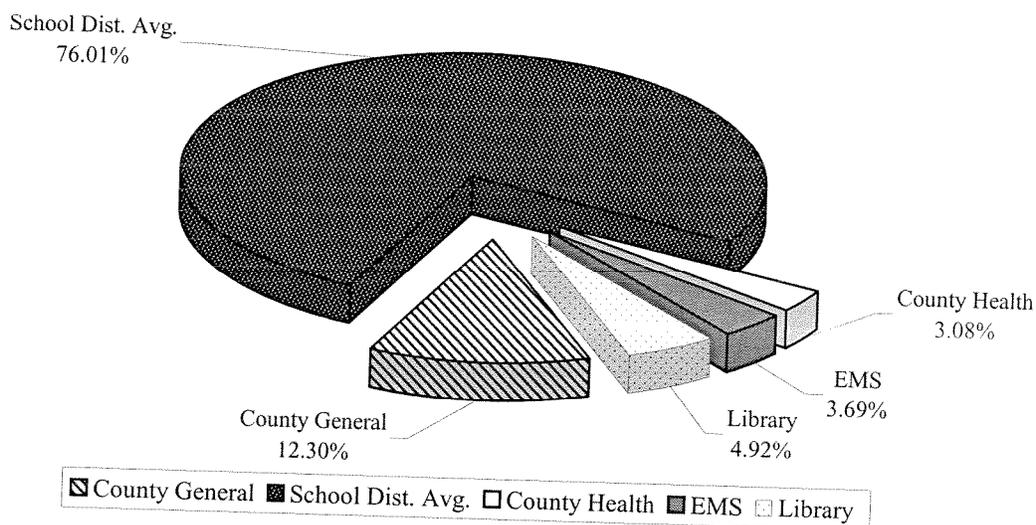
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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



County-Wide Millages		School District Millages						
Co. General	2.50	Gen.	Bldg.	Skg.	Career Tech	Common	Total	
County Health	2.50	Spiro I-2	35.00	5.00	9.99	12.00	4.00	65.99
EMS	3.00	Heavener I-3	35.00	5.00	14.72	12.00	4.00	70.72
Library	4.00	Shady Point C-4	35.00	5.00	8.65	12.00	4.00	64.65
		Pocola I-72	35.00	5.00	6.88	12.00	4.00	62.88
		Monroe C-11	35.00	5.00		12.00	4.00	56.00
		Hodgen C-14	35.00	5.00	7.63	12.00	4.00	63.63
		LeFlore I-16	35.00	5.00		12.00	4.00	56.00
		Cameron I-17	35.00	5.00		12.00	4.00	56.00
		Panama I-20	35.00	5.00	5.55	12.00	4.00	61.55
		Bokoshe I-26	35.00	5.00		12.00	4.00	56.00
		Poteau I-29	35.00	5.00		12.00	4.00	56.00
		Fanshawe C-39	35.00	5.00	10.92	12.00	4.00	66.92
		Wister I-49	35.00	5.00		12.00	4.00	56.00
		Talihina I-52	35.00	5.00	14.26	12.00	4.00	70.26
		Whitesboro I-62	35.00	5.00	9.05	12.00	4.00	65.05
		Howe I-67	35.00	5.00	20.52	12.00	4.00	56.00
		Arkoma I-91	35.00	5.00		12.00	4.00	56.00
		Smithville J-14	35.00	5.00		12.00	4.00	56.00
		McCurtain J-37	35.00	5.00		12.00	4.00	56.00
		Red Oak JT-2	35.00	5.00	10.33	12.00	4.00	66.33
		Latimer JT-16	35.00	5.00		12.00	4.00	56.00
		Keota JT-43	35.00	5.00	5.39	12.00	4.00	61.39
		Latimer JT-52	35.00	5.00	9.05	12.00	4.00	65.05

See independent auditor's report.

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

Total net assessed value as of January 1, 2004		\$ 177,510,606	
		<u>8,875,530</u>	
Debt limit - 5% of total assessed value		8,875,530	
Total bonds outstanding	-		
Total judgments outstanding	14,337		
Less cash in sinking fund	<u>6,663</u>	<u>7,674</u>	
Legal debt margin		<u>\$ 8,867,856</u>	

See independent auditor's report.

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

	2005
Estimated population	49,161
Net assessed value as of January 1, 2004	\$ 177,510,606
Gross bonded debt	-
Less available sinking fund cash balance	6,663
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2004	\$42,355,519	\$26,825,081	\$119,970,035	\$11,640,029	\$177,510,606	\$1,597,619,041

See independent auditor's report.

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
LeFLORE COUNTY, OKLAHOMA

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

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

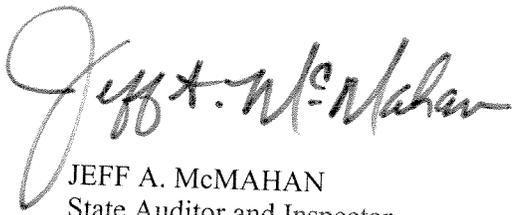
As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 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 conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Finally, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.



JEFF A. McMAHAN
State Auditor and Inspector

December 8, 2005

Basic Financial Statement

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

	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
Combining Information:				
General Fund	\$ 196,960	\$ 2,964,307	\$ 2,823,498	\$ 337,769
Highway Cash	1,621,827	5,172,768	5,373,547	1,421,048
Assessor Revolving Fund	7,132	5,369	5,621	6,880
Assessor's Visual Inspection	1			1
CDBG-9593-00		37,372	37,372	
Commissioners CSSP	11,936			11,936
County Building Insurance	22			22
County Clerk's Lien Fee	25,383	16,636	24,519	17,500
County Health Department	372,331	506,093	398,485	479,939
County Sinking		6,663		6,663
Election Board	119		119	
CERT - Emergency Management	1,000			1,000
FEMA	6,352			6,352
JDET	1,236	5,930	5,855	1,311
LeFlore County Flood Plain	626	5,175	2,301	3,500
LEOP Emergency Operation Plan	52		52	
LE03-3	5,116		5,116	
Mortgage Tax Certification Fees	42,861	12,895	15,421	40,335
RM&P Cash Fund	60,364	67,372	51,284	76,452
Resale Property	154,637	209,102	190,304	173,435
Sheriff Commissary	61	2,271	2,331	1
Sheriff Ce Cash	233	3,024	3,257	
Sheriff Control Substance		603	503	100
Sheriff DJ LEBG	3			3
Sheriff DOC	7,919	21,304	29,086	137
Sheriff LLEBG	469		95	374
Sheriff Service Fee	21,548	145,861	131,609	35,800
Sheriff Special Cash	1,175	10,123	11,298	
Sheriff Training Program	38		38	
Solid Waste	958,876	1,692,463	1,866,006	785,333
Special 911 Account	90,771	507,587	539,788	58,570
Jail Bond Account	522,634	1,409,911	1,254,876	677,669
Jail Commissary Account		8,305	5,097	3,208
Jail Department of Corrections		86,721	67,321	19,400
Jail Fund	22,404	707,813	578,658	151,559

continued on next page

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

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

continued from previous page

	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
Combining Information:				
K8017 - Octavia		13,789	13,789	
K8018 - Fan		13,789	13,789	
K8019 - Pokerbend		3,265	3,265	
K8039 - Monroe		42,740	42,740	
K9025 - Murray Spur Volunteer Fire Department		15,000	15,000	
K9026 - Tucker Community Center		4,140	4,140	
K9029 - Whitesboro Volunteer Fire Department		2,567	2,567	
K9030 - Ft Coffee Storm Center		6,680	6,680	
K9035 - Walker Mountain Road		2,906	2,906	
K9036 - Black Fork Road		1,627	1,627	
K9039 - Coles Cove Road		5,494	5,494	
K9040 - Poker Bend Road		3,876	3,876	
Monroe - CDBG 11014-03		42,740	42,740	
Combined Total--All County Funds	<u>\$4,134,086</u>	<u>\$13,764,281</u>	<u>\$13,582,070</u>	<u>\$4,316,297</u>

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

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

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

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

Assessor Revolving Fund - accounts for the collection of fees for copies 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.

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

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.

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

County Clerk's Lien Fee – accounts for lien collections and disbursements as restricted by statute.

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

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.

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

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.

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

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.

LE03-3 – accounts for federal funds received for local emergency planning.

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.

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

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

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.

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

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

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

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 LLEBG – 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'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.

Jail Bond Account – accounts for the sales tax revenue used to construct a new jail facility and renovate the courthouse.

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

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

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

K8017 - Octavia – accounts for state funds to be used for road improvements.

K8018 - Fan – accounts for state funds to be used for road improvements.

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

K8019 - Pokerbend – accounts for state funds to be used for road improvements.

K8039 - Monroe – accounts for state funds to be used for road improvements.

K9025 – Murray Spur Volunteer Fire Department – accounts for state funds to be used for the purchase of equipment for the volunteer fire department.

K9026 – Tucker Community Center – accounts for state funds to be used for the construction of a community center.

K9029 – Whitesboro Volunteer Fire Department – accounts for state funds to be used for the purchase of equipment for the volunteer fire department.

K9030 – Ft Coffee Storm Center – accounts for state funds to be used for a community storm center.

K9035 – Walker Mountain Road – accounts for state funds to be used for road improvements.

K9036 – Black Fork Road – accounts for state funds to be used for road improvements.

K9039 – Coles Cove Road - accounts for state funds to be used for road improvements.

K9040 – Poker Bend Road - accounts for state funds to be used for road improvements.

Monroe – CDBG 11014-03 - accounts for state funds to be used for road improvements.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, school districts and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement, those funds play no part in the County's operations.

C. Basis of Accounting

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

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

D. Budget

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. On or before May 31 of each year, each officer or department head submits an estimate of needs (budget) 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.

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

E. Cash

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

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

F. Investments

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

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

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

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

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may not be accumulated. Employees with service years up to 5 years earn 10 days per year. Employees with service years exceeding 5 years earn 15 days per year. Vacation leave is accrued monthly.

Sick leave benefits are accrued at the rate of 8 hours per month and employees may accumulate up to 60 days. Sick leave is not paid upon termination.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2004, was approximately \$177,510,606.

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

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

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

Current year tax collections for the year ended June 30, 2005, were approximately 93.96 percent of the tax levy.

3. Fuel Tax

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County

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

population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.

4. Risk Management

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

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle Physical Plant <ul style="list-style-type: none"> • 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.
Worker's Compensation <ul style="list-style-type: none"> • Employees' Injuries 	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life 	The County carries commercial insurance.	None

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

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

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.

5. Long-term Obligations

Capital Leases

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

Judgment

The County has a judgment which is being retired by a tax levy. The County is obligated to pay the judgment over a three-year period.

<u>Case Number</u>	<u>Original Judgment</u>
CJ-2002-782	\$14,337

Future principal and interest payments that will become due on the existing judgment are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 4,779	\$ 731	\$ 5,510
2007	4,779	487	5,266
2008	4,779	244	5,023
Total	\$ 14,337	\$ 1,462	\$ 15,799

6. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended,

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

establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2005, 2004, and 2003 were \$453,582, \$435,735, and \$404,141, respectively, equal to the required contributions for each year.

7. Other Post Employment Benefits (OPEB)

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

8. Contingent Liabilities

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

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

OTHER SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 196,960	\$ 196,960	\$ 196,960	\$ -
Less: Prior Year Outstanding Warrants	(71,901)	(71,901)	(71,901)	
Less: Prior Year Encumbrances	(29,692)	(29,692)	(29,174)	518
Beginning Cash Balances, Budgetary Basis	<u>95,367</u>	<u>95,367</u>	<u>95,885</u>	<u>518</u>
Receipts:				
Ad Valorem Taxes	1,613,733	1,613,733	1,657,258	43,525
Charges for Services	240,810	240,810	237,689	(3,121)
Intergovernmental Revenues	603,401	750,479	785,442	34,963
Miscellaneous Revenues	171,905	230,679	283,918	53,239
Total Receipts, Budgetary Basis	<u>2,629,849</u>	<u>2,835,701</u>	<u>2,964,307</u>	<u>128,606</u>
Expenditures:				
County Sheriff	370,000	416,837	416,837	
Capital Outlay		100,241	99,996	245
Total County Sheriff	<u>370,000</u>	<u>517,078</u>	<u>516,833</u>	<u>245</u>
County Treasurer	103,375	104,575	103,128	1,447
Total County Treasurer	<u>103,375</u>	<u>104,575</u>	<u>103,128</u>	<u>1,447</u>
County Commissioners	73,050	85,225	85,225	
Total County Commissioners	<u>73,050</u>	<u>85,225</u>	<u>85,225</u>	<u>-</u>
OSU Extension	73,014	61,514	51,446	10,068
Capital Outlay	1,500	13,000	11,150	1,850
Total OSU Extension	<u>74,514</u>	<u>74,514</u>	<u>62,596</u>	<u>11,918</u>
County Clerk	262,462	275,112	274,833	279
Capital Outlay	3,000	400	400	
Total County Clerk	<u>265,462</u>	<u>275,512</u>	<u>275,233</u>	<u>279</u>
Court Clerk	170,100	172,596	157,851	14,745
Total Court Clerk	<u>170,100</u>	<u>172,596</u>	<u>157,851</u>	<u>14,745</u>
County Assessor	199,900	193,844	190,533	3,311
Capital Outlay	4,900	18,052	17,709	343
Total County Assessor	<u>204,800</u>	<u>211,896</u>	<u>208,242</u>	<u>3,654</u>
Excise-Equalization Board	5,500	5,500	3,470	2,030
Total Excise-Equalization Board	<u>5,500</u>	<u>5,500</u>	<u>3,470</u>	<u>2,030</u>

continued on next page

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	352,350	347,578	339,837	7,741
Capital Outlay	3,500	8,500	8,148	352
Total Revaluation of Real Property	<u>355,850</u>	<u>356,078</u>	<u>347,985</u>	<u>8,093</u>
General Government	918,367	881,490	822,764	58,726
Capital Outlay	5,000	17,500	16,743	757
Total General Government	<u>923,367</u>	<u>898,990</u>	<u>839,507</u>	<u>59,483</u>
County Election Board	101,333	138,350	134,800	3,550
Capital Outlay	3,000	6,124	5,921	203
Total County Election Board	<u>104,333</u>	<u>144,474</u>	<u>140,721</u>	<u>3,753</u>
Charity	1,000	1,000	1,000	
Total Charity	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Civil Defense	24,950	33,876	31,709	2,167
Capital Outlay	1,500	2,331	1,546	785
Total Civil Defense	<u>26,450</u>	<u>36,207</u>	<u>33,255</u>	<u>2,952</u>
Youth Services	5,000	5,000	5,000	
Total Youth Services	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
County Audit Budget Account	18,915	18,915	18,915	
Total County Audit Budget Account	<u>18,915</u>	<u>18,915</u>	<u>18,915</u>	<u>-</u>
Free Fair Budget	8,500	8,508	8,500	8
Total Free Fair Budget	<u>8,500</u>	<u>8,508</u>	<u>8,500</u>	<u>8</u>
Provision for Interest on Warrants	15,000	15,000	11,842	3,158
Total Expenditures, Budgetary Basis	<u>2,725,216</u>	<u>2,931,068</u>	<u>2,819,303</u>	<u>111,765</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	240,889	<u>\$ 240,889</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			68,675	
Add: Current Year Outstanding Warrants			28,205	
Ending Cash Balance			<u>\$ 337,769</u>	

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

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

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 372,331	\$ 372,331	\$ 372,331	\$ -
Less: Prior Year Outstanding Warrants	(34,709)	(34,709)	(34,709)	
Less: Prior Year Encumbrances	(13,270)	(13,270)	(11,319)	1,951
Beginning Cash Balances, Budgetary Basis	<u>324,352</u>	<u>324,352</u>	<u>326,303</u>	<u>1,951</u>
Receipts:				
Ad Valorem Taxes	403,433	403,433	436,566	33,133
Miscellaneous Revenues		66,452	69,527	3,075
Total Receipts, Budgetary Basis	<u>403,433</u>	<u>469,885</u>	<u>506,093</u>	<u>36,208</u>
Expenditures:				
Health and Welfare	711,000	777,452	409,557	367,895
Capital Outlay	16,785	16,785	15,404	1,381
Total Expenditures, Budgetary Basis	<u>727,785</u>	<u>794,237</u>	<u>424,961</u>	<u>369,276</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	407,435	<u>\$ 407,435</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			35,126	
Add: Current Year Outstanding Warrants			37,378	
Ending Cash Balance			<u>\$ 479,939</u>	

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

**LeFLORE COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Beginning Cash Balance	\$ <u> -</u>
Receipts:	<u> 6,663</u>
Total Receipts	<u> 6,663</u>
Disbursements:	<u> </u>
Total Disbursements	<u> -</u>
Ending Cash Balance	<u> \$ 6,663</u>

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

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

1. Budgetary Schedules

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

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

2. Sinking Fund Schedule

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.

See independent auditor's report.

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Oklahoma State Treasurer:			
Schools and Roads - Grants to States	10.665		\$ 779,805
Total U.S. Department of Agriculture			<u>779,805</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed Through Oklahoma State Treasurer:			
Payment to States in Lieu of Real Estate Taxes	12.112		27,109
Total U.S. Department of Defense			<u>27,109</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	37,372
Community Development Block Grants - State's Program	14.228	11014 CDBG 03	42,740
Total U.S. Department of Housing and Urban Development			<u>80,112</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payment in Lieu of Taxes	15.226		51,205
Total U.S. Department of Interior			<u>51,205</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through Bureau of Indian Affairs			
Highway Planning and Construction	20.205	CM-G00-1209-01	52,341
Total U.S. Department of Transportation			<u>52,341</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through State Department of Civil Emergency Management:			
State Domestic Preparedness Equipment Support Program	97.004	OKFRE05.075	1,870
Emergency Management Performance Grants (EMPG)	97.042		9,157
Total U.S. Department of Homeland Security			<u>11,027</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,001,599</u></u>

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

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

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of 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*.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
LeFLORE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of LeFlore County, Oklahoma, as of and for the year ended June 30, 2005, which comprises LeFlore County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated December 8, 2005. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LeFlore County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect LeFlore County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1, 2005-2, and 2005-3.

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 statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2005-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LeFlore County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2005-4. We also noted certain matters that we reported to the management of LeFlore County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

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



JEFF A. McMAHAN
State Auditor and Inspector

December 8, 2005

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

As described in item 2005-5, in the accompanying schedule of findings and questioned costs, LeFlore County did not comply with requirements regarding earmarking that are applicable to its Schools and Roads-Grants to States Grant Program. Compliance with such requirements is necessary, in our opinion, for LeFlore County to comply with requirements applicable to that program.

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

Internal Control Over Compliance

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

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

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



JEFF A. McMAHAN
State Auditor and Inspector

December 8, 2005

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

SECTION I—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? 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: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Identification of Major Programs

CFDA Number(s) Name of Federal Program or Cluster

10.665 Schools and Roads – Grants to States

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

Auditee qualified as low-risk auditee? No

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

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

Finding 2005-1—Segregation of Duties (Repeat Finding)

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

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

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

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

Finding 2005-2 - 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 2005-3 – Sheriff Timesheets

Criteria: Effective internal controls include all County Officers and Employees following the most up-to-date policy and procedures manual approved by the Board of County Commissioners. The County Personnel Policy Handbook requires each elected official to submit records of employee leave balances to

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

the County Clerk on a monthly basis. The Fair Labor Standards Act requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid.

Condition: The County Sheriff does not require all employees prepare timesheets. Also, timesheets which are on file with the County Clerk do not reflect accumulated leave balances.

Recommendation: We recommend that all employees prepare timesheets with information of time worked, any leave taken during the month, overtime worked, and accumulated leave balances, in order to comply with the Fair Labor Standards Act. All timesheets should be filed with the County Clerk monthly.

Views of responsible officials and planned corrective actions: We concur with the auditor's findings and are implementing procedures for the proper recording of employees' time.

Finding 2005-4 - 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, "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.

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.

Finding 2005-5 – Forestry Receipts – Earmarking

Criteria: The Earmarking compliance requirement for the grant Schools and Roads-Grant to States in the Federal Compliance Supplement states that a county that elects to receive its share of the "Full Payment Amount" and that share is \$100,000 or more must use at least 80 percent, but not more than 85 percent of the funds, for public roads and public schools (16 USC 500 note section 102(d)). This requirement also specifies that the remaining balance may be used in any combination of the following: (1) reserved for special projects on Federal lands in which case the funds are deposited in a special account in the U.S.

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

Treasury (16 USC 500 note sections 102(d), and 202), (2) search, rescue, and emergency services; community service work camps; easement purchases; forest related educational opportunities; fire prevention and county planning; and community forestry (16 USC 500 note sections 102(d), and 302), and (3) returned to the U.S. Treasury (16 USC 500 note sections 102 (d) and 402).

Condition: It was noted that the County elected to receive its "Full Payment Amount" of \$779,804.69 and did not expend the 15 percent on special projects as required by the U.S. Department of Agriculture for the Schools and Roads-Grants to States Program. We question \$116,970.70 which is 15 percent of the total grant funds.

Recommendation: We recommend that the County comply with earmarking as required by the grant agreement. Proper documentation should be maintained to support expenditures.

Views of responsible officials and planned corrective actions: Management has contacted the Department of Agriculture regarding expenditures of this grant. Although we did not follow the procedures for earmarking the full amount of 15 percent of the total funds received, we are working with the Department of Agriculture to resolve the issue.

SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards* or OMB A-133. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2005-6 – County Sheriff's Official Depository Receipts

Criteria: Title 19 O.S. 2001, § 517.1 states that records should be maintained and not destroyed until after the expiration of seven years.

Condition: The receipt books for the Sheriff's Service Fee could not be located for the period of July 1, 2004 through July 14, 2004.

Recommendation: We recommend the Sheriff's office establish and adhere to a strict system of internal control procedures regarding the preservation of county records.

Views of responsible officials and planned corrective actions: We concur with the auditors' findings and are implementing procedures for the safeguarding of official records.

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

Finding 2005-7 – Sheriff’s Official Depository

Criteria: Effective accounting procedures are necessary for accountability and stewardship of public monies. Title 28 O.S. 2001, § 9 requires every officer charging fees shall give a receipt therefor. 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. Carbon copies of some receipts were altered,
5. Deposits are not made in a timely manner (some deposits are held up to one month), and
6. Receipt #15443 for \$5.00 could not be traced to a deposit.

Recommendation: We recommend that receipts be issued for all monies received in the Sheriff office. Receipts should be issued in sequential order and should indicate mode of payment received. All receipt books and deposit books should be safely retained. Deposits should be made in a timely manner. All cash bonds should be deposited and vouchers remitted for refunds.

Views of responsible officials and planned corrective actions: We concur with the auditors’ findings and are implementing procedures for the proper receipting and depositing of funds.