

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

March 1, 2004

TO THE CITIZENS OF
McCLAIN COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

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

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

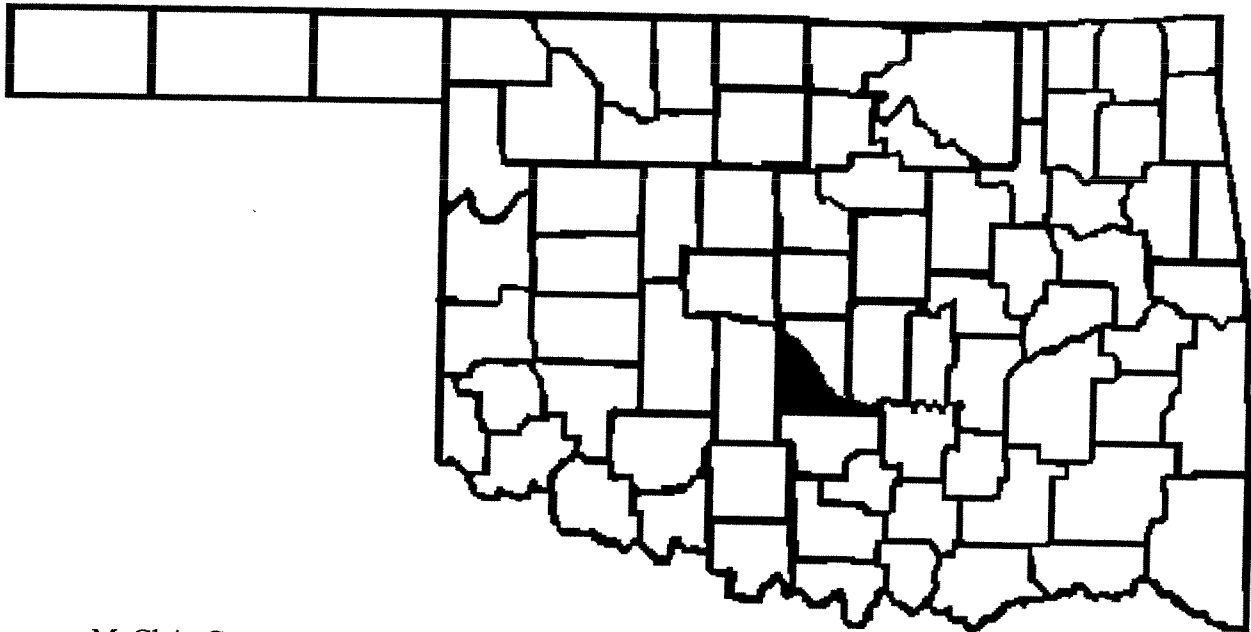
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REPORT TO THE CITIZENS
OF
McCLAIN COUNTY, OKLAHOMA



McClain County, originally part of Curtis County in the proposed state of Sequoyah, was created at statehood. The county was named for Charles M. McClain, a member of the Oklahoma Constitutional Convention and an early resident of Purcell.

Forty-niners on their way to the gold fields of California passed through southern McClain County on the California Trail that paralleled present S.H. 59. To protect travelers going west, Camp Arbuckle was established by the U.S. Army in 1850, northwest of present-day Byars. For health reasons, the camp was abandoned after a year for a site 30 miles southwest in the Arbuckles.

In the 1870s large ranching operations north of the Washita River belonged either to those of Indian blood or those related to Indians by marriage. Black slaves formerly owned by Choctaw and Chickasaw families were also eligible to own land. Cotton gins in many small towns prepared raw cotton for the cotton press in Purcell, the county seat. Broom corn growing was also productive in the 1920s and 1930s.

Today, McClain County is basically rural in nature, but I-35 enables easy access to the Oklahoma City metropolitan area. The McClain County Historical Society has published a three-volume history of the area, and sponsored the Mormon microfilming of county records in 1998. For more information, call the county clerk's office at 405-527-3360, or the McClain County Museum at 405-527-5894 weekday afternoons.

County Seat - Purcell

Area – 569.7 Square Miles

County Population - 27,740 (2000 est.)

Farms - 1,046

Land in Farms - 268,034 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**McCLAIN COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR

Glenda Cypert
(D) Purcell

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

Lois Hawkins
(D) Wayne

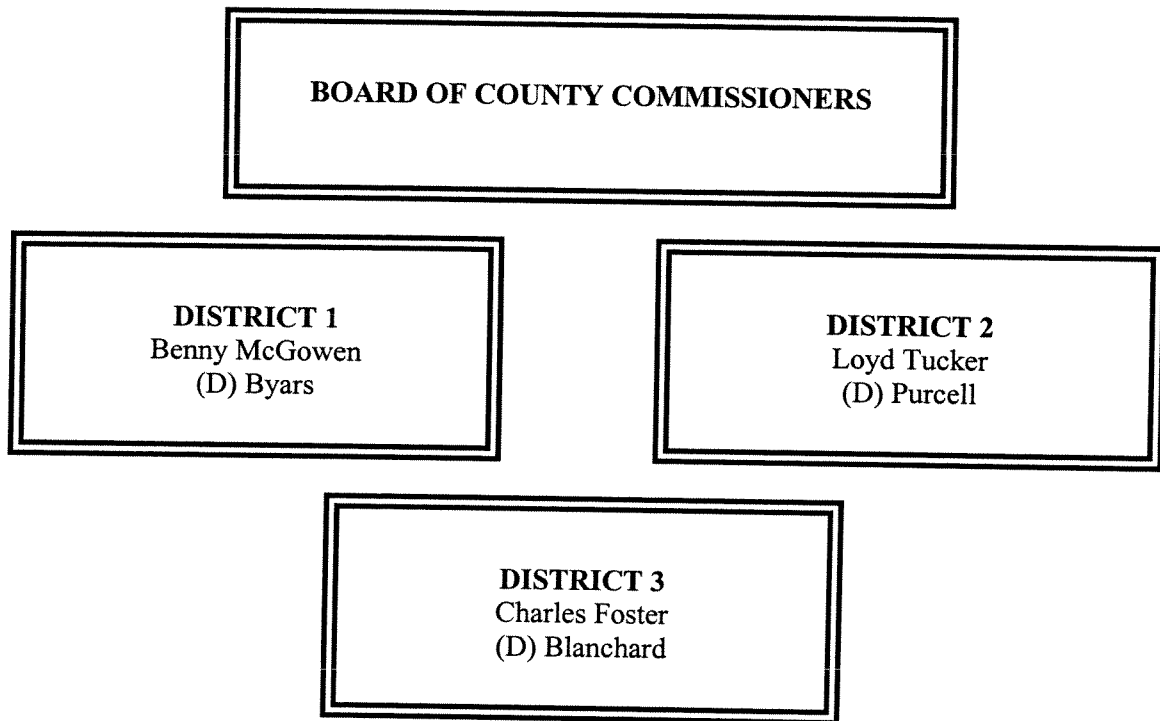
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**McCLAIN 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.

**McCLAIN COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF

Don Hewitt
(D) Washington

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

Twana Haley
(D) Purcell

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.

**McCLAIN COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK

Lynda Baker
(D) Purcell

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

Tim Kuykendall
(R) Norman

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.

**McCLAIN COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

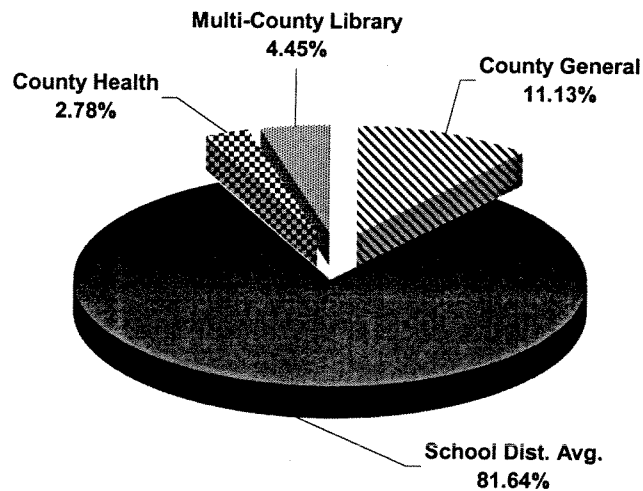
Marilyn McReynolds
(D) Purcell

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.

**McCLAIN 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 General ■ School Dist. Avg. ✕ County Health ▤ Multi-County Library

County-Wide Millages			School District Millages							
				Gen.	Bldg.	Skd.	Vo-Tech	Vo-Tech Bldg	Common	Total
Co. General	10.28	Newcastle	I-1	36.02	5.15	28.25	10.29	1.03	4.11	84.85
County Health	2.57	Dibble	I-2	36.19	5.17	29.89	10.29	1.03	4.11	86.68
Multi-County Library	4.11	Byars	D-4	36.51	5.22	15.12	10.29	1.03	4.11	72.28
		Washington	I-50	36.12	5.16	21.07	10.29	1.03	4.11	77.78
Other		Wayne	I-10	36.19	5.17	6.42	10.29	1.03	4.11	63.21
EMS (SD-I-1, I-2, and I-29)	3.09	Purcell	I-15	35.77	5.11	25.2	10.29	1.03	4.11	81.51
		Blanchard	I-29	36.02	5.15	29.65	10.29	1.03	4.11	86.25
		Paoli	J-5	35.14	5.02	4.64	10.29	1.03	4.11	60.23
		Maysville	J-7	36.37	5.20	15.31	10.29	1.03	4.11	72.31
		Lindsay	J-9	36.26	5.18	5.61	10.29	1.03	4.11	62.48
		Stratford	J2-49	35.63	5.09	5.94	10.29	1.03	4.11	62.09
		Norman	J29-32	35.39	5.06	24.55	10.11	4.04	4.11	83.26
		Alex	J-56	36.82	5.26	12.84	10.52	5.26	4.11	74.81
		Bridge Creek	J-95	36.33	5.19	23.26	10.29	1.03	4.11	80.21
		Asher	J-112	35.77	5.11	23.12	10.20	5.11	4.11	83.42

See independent auditor's report.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
MCCLAIN COUNTY, OKLAHOMA

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

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

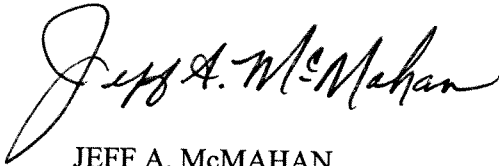
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of McClain County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2004, on our consideration of McClain County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

January 13, 2004

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2003
County General Fund	\$ 562,245	\$ 1,693,746	\$ 1,556,273	\$ 699,718
T-Highway	942,607	2,667,752	2,485,216	1,125,143
County Health	294,656	326,317	156,429	464,544
Resale Property	167,813	99,126	154,033	112,906
County Clerk Lien Fee	33,837	14,849	8,899	39,787
Treasurer's Mortgage Certification Fee	56,311	13,060	1,567	67,804
Sheriff Service Fee	169,329	346,141	442,745	72,725
Community Service Sentencing Program	15,366		422	14,944
County Assessor Visual Inspection	7,702		1,178	6,524
County 1/2 Cent Sales Tax	959,100	944,538	544,128	1,359,510
1% Sales Tax	829,588		8,675	820,913
Courthouse Building	3,100			3,100
Assessor's Fee	10,510	11,157	8,284	13,383
Law Enforcement	33			33
CDBG #9326 Goldsby-Washington	7,313	161,983	169,296	
Saferoom Rebate	4,505			4,505
Trash Cop Program	1,349			1,349
Sheriff Drug Forfeiture	1,171			1,171
Sheriff Drug Buy	300			300
County Clerk Preservation Fee	35,178	53,938	19,318	69,798
911 Reap Grant		19,875	19,875	
Sheriff VOCA Grant		12,192	9,143	3,049
Sheriff Drug Restitution		100		100
COPS School Grant		13,362		13,362
Sheriff's Commissary		2,902	1,186	1,716
Civil Emergency Management Grant		8,242		8,242
Official Depository	602,357	4,728,229	4,701,342	629,244
Schools	71,781	10,786,521	10,460,293	398,009
Cities and Towns	14,646	186,259	187,182	13,723
Protest Tax	7,570	24,759	7,603	24,726
Emergency Medical Service	1,138	191,224	136,388	55,974
Law Library	11,549	28,534	28,672	11,411
Multi-County Library	3,429	496,157	423,408	76,178
Unapportioned Taxes	2,500			2,500
Free Fair	6,246	6,475	6,575	6,146
Expo Cash Account	37,803	12,516	701	49,618
McClain/Grady Drug Court	24,670	25,538	34,545	15,663
Total County Funds	\$ 4,885,702	\$ 22,875,492	\$ 21,573,376	\$ 6,187,818

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

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 562,245	\$ 562,245	\$ 562,245	\$ -
Less: Prior Year Outstanding Warrants	(117,848)	(117,848)	(117,848)	
Less: Prior Year Encumbrances	(8,631)	(8,631)	(8,511)	120
Beginning Cash Balances, Budgetary Basis	435,766	435,766	435,886	120
Receipts:				
Ad Valorem Taxes	1,250,716	1,250,716	1,245,238	(5,478)
Charges for Services	155,128	155,128	199,100	43,972
Intergovernmental Revenues	139,723	139,723	173,765	34,042
Miscellaneous Revenues	75,471	75,471	75,643	172
Total Receipts, Budgetary Basis	1,621,038	1,621,038	1,693,746	72,708
Expenditures:				
District Attorney	7,000	7,000	7,000	
Total District Attorney	7,000	7,000	7,000	-
County Sheriff	519,274	519,274	519,113	161
Total County Sheriff	519,274	519,274	519,113	161
County Treasurer	107,471	107,471	66,045	41,426
Total County Treasurer	107,471	107,471	66,045	41,426
County Commissioners	191,780	191,780	189,831	1,949
Total County Commissioners	191,780	191,780	189,831	1,949
County Clerk	221,447	221,447	217,322	4,125
Total County Clerk	221,447	221,447	217,322	4,125
Court Clerk	145,308	145,308	144,041	1,267
Total Court Clerk	145,308	145,308	144,041	1,267
County Assessor	147,061	147,061	146,952	109
Total County Assessor	147,061	147,061	146,952	109
Revaluation of Real Property	87,441	87,441	80,697	6,744
Total Revaluation of Real Property	87,441	87,441	80,697	6,744

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
General Government	46,390	46,390	39,965	6,425
Capital Outlay	273,679	273,679		273,679
Total General Government	320,069	320,069	39,965	280,104
Excise-Equalization Board	2,975	2,975	2,677	298
Total Excise-Equalization Board	2,975	2,975	2,677	298
County Election Board	91,906	91,906	81,280	10,626
Capital Outlay	400	400	347	53
Total County Election Board	92,306	92,306	81,627	10,679
Insurance	160,524	160,524		160,524
Total Insurance	160,524	160,524	-	160,524
Civil Defense	37,648	37,648	37,028	620
Total Civil Defense	37,648	37,648	37,028	620
County Audit Budget	13,500	13,500	13,383	117
Total County Audit Budget	13,500	13,500	13,383	117
Provision for Interest on Warrants	3,000	3,000		3,000
Total Disbursements, Budgetary Basis	2,056,804	2,056,804	1,545,681	511,123
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	583,951	\$ 583,951
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			33,360	
Add: Current Year Outstanding Warrants			82,407	
Ending Cash Balance			\$ 699,718	

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

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

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 294,656	\$ 294,656	\$ 294,656	\$ -
Less: Prior Year Outstanding Warrants	(3,515)	(3,515)	(3,515)	
Less: Prior Year Encumbrances	(11,038)	(11,038)	(8,545)	2,493
Beginning Cash Balances, Budgetary Basis	280,103	280,103	282,596	2,493
Receipts:				
Ad Valorem Taxes	312,679	312,679	309,400	(3,279)
Intergovernmental			845	845
Charges for Services		12,416	12,416	
Miscellaneous			3,656	3,656
Total Receipts, Budgetary Basis	312,679	325,095	326,317	1,222
Expenditures:				
Health and Welfare	225,000	237,416	147,434	89,982
Capital Outlay	367,782	367,782	989	366,793
Total Expenditures, Budgetary Basis	592,782	605,198	148,423	456,775
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	460,490	\$ 460,490
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			2,522	
Add: Current Year Outstanding Warrants			1,532	
Ending Cash Balance			\$ 464,544	

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

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

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
County Treasurer	\$ 81,561	\$ 1,412,216	\$ 1,424,469	\$ 14,525	\$ 83,833
District Attorney Bogus Check	39,749	328,638	331,685	476	37,178
District Attorney Drug	12,951	8,974	6,528	215	15,612
District Attorney Fees	75,272	163,988	143,809		95,451
District Attorney State Witness	85	1,200	1,285	24	24
District Attorney Restitution	6,465	63,304	67,227	1,321	3,863
County Clerk	21,922	353,784	344,876		30,830
County Election Board	1,864	41,789	43,975	1,073	751
County Sheriff		308,346	308,346		
Court Clerk	234,297	1,376,874	1,407,872	443	203,742
County Health Department		18,366	18,366		
County Assessor		11,157	11,157		
District Attorney Incarceration	969	799			1,768
Court Fund	86,621	615,599	593,801	500	108,919
Court Clerk Revolving	40,601	22,393	15,721		47,273
County Sheriff Estray Cattle		802	802		
Total Official Depository Accounts	\$ 602,357	\$ 4,728,229	\$ 4,719,919	\$ 18,577	\$ 629,244

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

Notes to the Financial Statements

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 McClain 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.

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

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

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

F. Risk Management

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

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

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

Summary of Significant Accounting Policies (continued)

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

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating County will pay a deductible amount (\$1,000 to \$100,000; the County has 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 amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

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

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may accumulate from 5 to 15 days depending on the number of years of service. Vacation leave earned does not carry over from year to year and must be taken in the year in which it was earned. Sick leave is accrued on a monthly basis. Sick leave shall accumulate at the rate of 4 hours for each full calendar month of service and may be accrued up to a maximum of 29 days.

The County does not record any liability for sick leave.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$6,187,818 and the bank balance was \$8,311,546. 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. § 348.3 authorizes the County Treasurer to invest in:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- 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

Detailed Notes on Funds and Account Balances (continued)

B. Description of Funds

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

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

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

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

County Clerk Lien Fee - accounts for lien collections and disbursements as restricted by statute.

Treasurer's Mortgage Certification Fee - accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursements of the funds as restricted by statute.

Sheriff Service Fee - accounts for the collection and disbursements of sheriff process service fees as restricted by statute.

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

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

County ½ Cent Sales Tax - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by sales tax resolution.

1% Sales Tax - accounts for the collection of sales tax revenue and disbursement of funds as restricted by the sales tax resolution.

Courthouse Building - accounts for funds set aside for courthouse improvements.

Assessor's Fee - accounts for the collection of fees for copies restricted by state statute.

Law Enforcement - accounts for grant used for Sheriff's office.

CDBG #9326 Goldsby-Washington - accounts for grant funds received and the disbursements of funds as restricted by grant agreement.

Detailed Notes on Funds and Account Balances (continued)

Saferoom Rebate – accounts for grant funds received and disbursement of funds as restricted by grant agreement.

Trash Cop Program – accounts for fines collected.

Sheriff Drug Forfeiture – accounts for the collection of the Sheriff's percentage of drug forfeiture.

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

County Clerk Preservation Fund - accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute for the preservation of records.

911 REAP Grant – accounts for state grant funds received for the purpose of implementing a 911 service.

Sheriff VOCA Grant – accounts for Crime Victim Assistance Grant funds received from the U.S. Department of Justice and the disbursements of funds as restricted by grant agreement.

Sheriff Drug Restitution – accounts for collections received by court orders for the purpose of drug interdiction.

COPS School Grant – accounts for Community Oriented Policing Services Grant funds received from the U.S. Department of Justice and the disbursements of funds as restricted by grant agreement.

Sheriff's Commissary – accounts for monies received from inmates for purchase from the County's commissary and disbursements as restricted by state statutes.

Civil Emergency Management Grant – accounts for grant funds received from the Federal Emergency Management Agency and the disbursements of funds as restricted by grant agreement.

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

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

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

Detailed Notes on Funds and Account Balances (continued)

Protest Tax – accounts for ad valorem taxes collected in protested.

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

Law Library – accounts for monies received for disbursement from the state for the law library board.

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

Unapportioned Tax – accounts for taxes collected and being held for apportionment to various government entities.

Free Fair - accounts for the collection of revenue generated from building rent, booth rental, and other fees.

Expo Cash Account – accounts for the collection revenue generated from building rent.

McClain/Grady Drug Court – accounts for the collection of fees by the McClain/Grady Drug Court and the disbursement of funds to benefit the McClain/Grady Drug Court.

The following narrative details the official depository accounts.

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

District Attorney Bogus Check – accounts for the collection of bogus checks and District Attorney fees to be disbursed to the merchant and the District Attorney fee account.

District Attorney Drug – accounts for collections from fines, fees, and forfeitures and disbursements of funds restricted by court orders and states statutes.

District Attorney Fees – accounts for the collection of District Attorney fees transferred from the merchant account and disbursements of funds restricted by state statutes.

District Attorney State Witness – accounts for collections received from the state to reimburse witness expense.

District Attorney Restitution – accounts for collections received by court orders to reimburse victims.

Detailed Notes on Funds and Account Balances (continued)

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

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

County Sheriff – accounts for the collection of foreign service fees and bonds. Monies are vouchered out at the end of the month to the sheriff's service fee account and Court Clerk.

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

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

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

District Attorney Incarceration – accounts for collections received from inmates to reimburse for incarceration expense.

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.

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

County Sheriff Estray Cattle – accounts for fees and or receipts collected from the sale of strayed cattle.

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."

Detailed Notes on Funds and Account Balances (continued)

The assessed property value as of January 1, 2002, was approximately \$133,831,487.

Per Article 10, § 8A, with the repeal of personal property tax, the millage with the adjustment factor is 10.28 mills for general fund operations, 2.57 mills for the county health department, and 4.11 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, 2003, were approximately 93.52 percent of the tax levy.

D. Pension Plan

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

E. Capital Leases

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

Detailed Notes on Funds and Account Balances (continued)

F. Fuel Tax

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

4. Contingent Liabilities

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

5. Sales Tax

The voters of McClain County approved a one-half (1/2%) sales tax effective July 1, 2000. This sales tax will expire July 1, 2005. The sales tax was established to provide revenue for general government, initial implementation of 911 service, law enforcement, trash cop, extension and 4-H service, rural fire protection, senior citizens, and the county fair and livestock show.

Schedule of Expenditures of Federal Awards

McCLAIN COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

<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 HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma Housing Finance Agency:			
Community Development Block Grant	14.228	9326-CDBGF-00	\$ 161,983
Total U.S. Department of Housing and Urban Development			<u>161,983</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through the Oklahoma District Attorneys Council:			
Crime Victim Assistance	16.575	2002-VA-GX-0040	10,159
Direct Grant:			
Local Law Enforcement Block Grant	16.592	2001-LB-BX-3361	1,303
Local Law Enforcement Block Grant	16.592	2002-LB-BX-0994	6,837
Community Oriented Policing Services	16.710	2002-SHWX-0421	13,362
Total U.S. Department of Justice			<u>31,661</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through the State Department of Transportation:			
State and Community Highway Safety	20.600	AL-02-03-01-03	<u>4,735</u>
Total U.S. Department of Transportation			<u>4,735</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma State Department of Civil Emergency Management:			
Public Assistance Grants	83.544		566,267
Total Federal Emergency Management Agency			<u>566,267</u>
Total Expenditures of Federal Awards			<u>\$ 764,646</u>

McCLAIN COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Basis of Presentation

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

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
MCCLAIN COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of McClain County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated January 13, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether McClain County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance, which we believe is significant enough to bring to the County's attention. We recommend that the County consider this matter and take appropriate corrective action. The following finding, 2002-1, is included in Section 4 of the Schedule of Findings and Questioned Costs, contained within this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McClain County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted 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. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2003-1 and 2003-2.

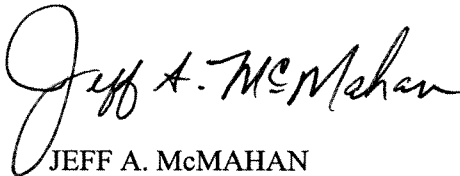
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 2003-1 and 2003-2 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 black ink that reads "Jeff A. McMahen". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

January 13, 2004

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



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 Internal Control Over Compliance in Accordance With
OMB Circular A-133**

TO THE OFFICERS OF
MCCLAIN COUNTY, OKLAHOMA

Compliance

We have audited the compliance of McClain County, Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2003.

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.

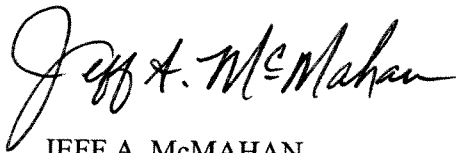
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively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

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

January 13, 2004

Schedule of Findings and Questioned Costs

McCLAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
83.544	Public Assistance Grants
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

McCLAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

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

Finding 2003-1 – Segregation of Duties

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. The most effective controls lie in management's knowledge of County operations and a periodic review of operations.

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

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

Finding 2003-2 – Inmate Trust Fund

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

Condition: The County Sheriff's Inmate Trust Fund ledger is not reconciled with the bank statements each month.

Recommendation: We recommend that a reconciliation of the Inmate Trust Fund be performed each month.

Management's Response: Steps have been taken to reconcile bank statements on a monthly basis.

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

No matters were reported.

McCLAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

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

Finding 2002-1 – General Fixed Assets

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

Condition: The County does not perform a biennial verification of the fixed assets inventory.

Recommendation: We recommend that the Board of County Commissioners cause a biennial inventory to be taken of all working tools, apparatus, machinery, and equipment belonging to the County. We also recommend that these inventories be documented on form #3512.

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

**Statistical Data
(Unaudited)**

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

TAXPAYER NAME	ASSESSED VALUE	% OF TOTAL NET VALUATION
NRG Energy Inc.	\$ 30,499,112	22.79%
Enogex Inc.	2,829,462	2.11%
Pioneer Telephone	2,478,493	1.85%
OG&E	1,928,431	1.44%
Valor Comm of Oklahoma	1,849,658	1.38%
C&S Directional Boring	1,439,226	1.08%
Oneok Gas Transp.	1,262,831	0.94%
Duke Energy Oklahoma	1,160,281	0.87%
Reliant Energy Gas Trans.	1,119,996	0.84%
ONG	1,008,264	0.75%
Total	<u>\$ 45,575,754</u>	<u>34.05%</u>

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

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

Total net assessed value as of January 1, 2002		<u>\$ 133,831,487</u>
Debt limit - 5% of total assessed value		6,691,574
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 6,691,574</u>

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

	<u>2003</u>
Estimated population	<u>27,740</u>
Net assessed value	<u>\$ 133,831,487</u>
Gross bonded debt	-
Less available sinking fund cash balance	<u>-</u>
Net bonded debt	<u>\$ -</u>
Ratio of net bonded debt to assessed value	<u>0%</u>
Net bonded debt per capita	<u>\$ -</u>

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

<u>Tax Year</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
2003	\$39,997,733	\$18,768,917	\$81,264,532	\$6,199,695	\$133,831,487	\$1,187,697,486