

COUNTY AUDIT

MCCURTAIN COUNTY

For the fiscal year ended June 30, 2007



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**McCURTAIN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Oklahoma State Auditor & Inspector

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February 7, 2011

TO THE CITIZENS OF
McCURTAIN COUNTY, OKLAHOMA

Transmitted herewith is the audit of McCurtain County, Oklahoma for the fiscal year ended June 30, 2007. 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 blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**McCURTAIN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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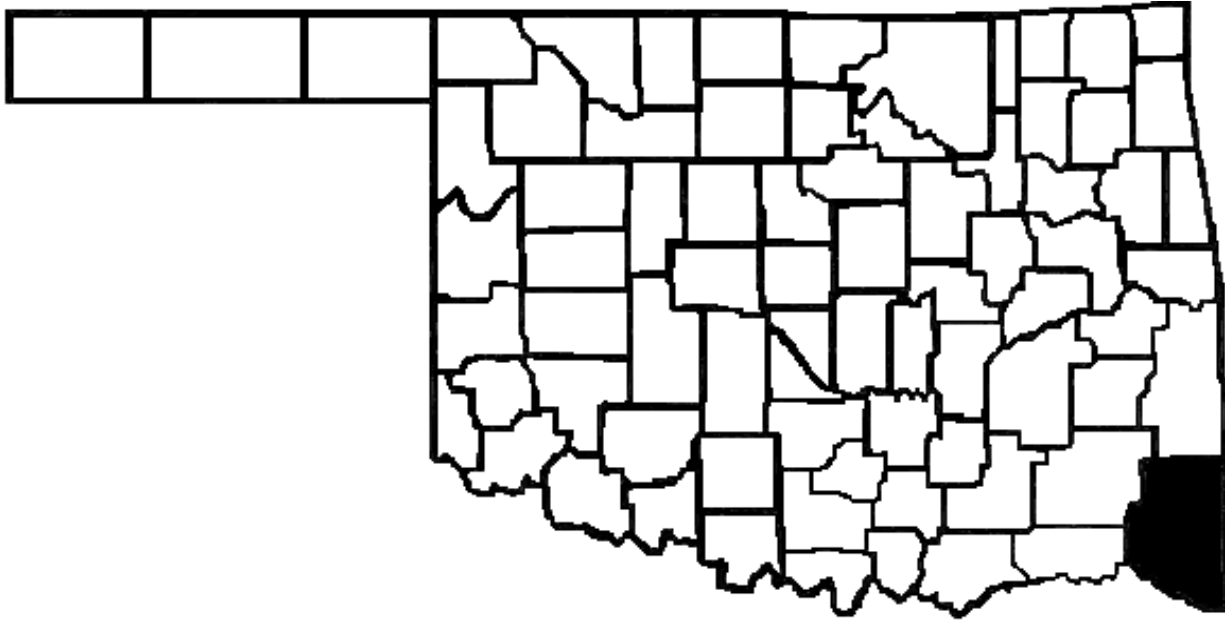
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**McCURTAIN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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



The topography of McCurtain County, in the southeastern corner of Oklahoma, varies from the rugged foothills of the Ouachita Mountains in the north to the fertile coastal plain in the south. The county has a unique heritage ranging from the Caddoan mound builders to the first white settlements in the early nineteenth century, including seventy-five years of Choctaw sovereignty, and finally statehood.

The county name is that of a prominent Choctaw family, several of whose members served as chiefs. The Choctaw period left such historic sites as the Wheelock Mission Church and Academy. The Dierks family developed large holdings beginning before the turn of the century, and sold the land to Weyerhaeuser Company in 1969.

Weyerhaeuser is the largest employer and has a paper mill in Valliant and a sawmill in Wright City. Other major employers are Tyson Foods, Inc., a poultry processing plant; Georgia-Pacific, a sawmill; SETCO, a company that builds tires for heavy equipment and ships worldwide. Tourism is also a major industry with Beavers Bend State Resort, Museum of the Red River, hunting, fishing, and historic sites.

For more information, call the county clerk's office at (580) 286-2370.

County Seat – Idabel

Area – 1,901.32 Square Miles

County Population – 33,992
(2005 est.)

Farms – 1,855

Land in Farms – 357,991 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

**McCURTAIN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COUNTY ASSESSOR
Stan Lyles

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
Karen Conaway

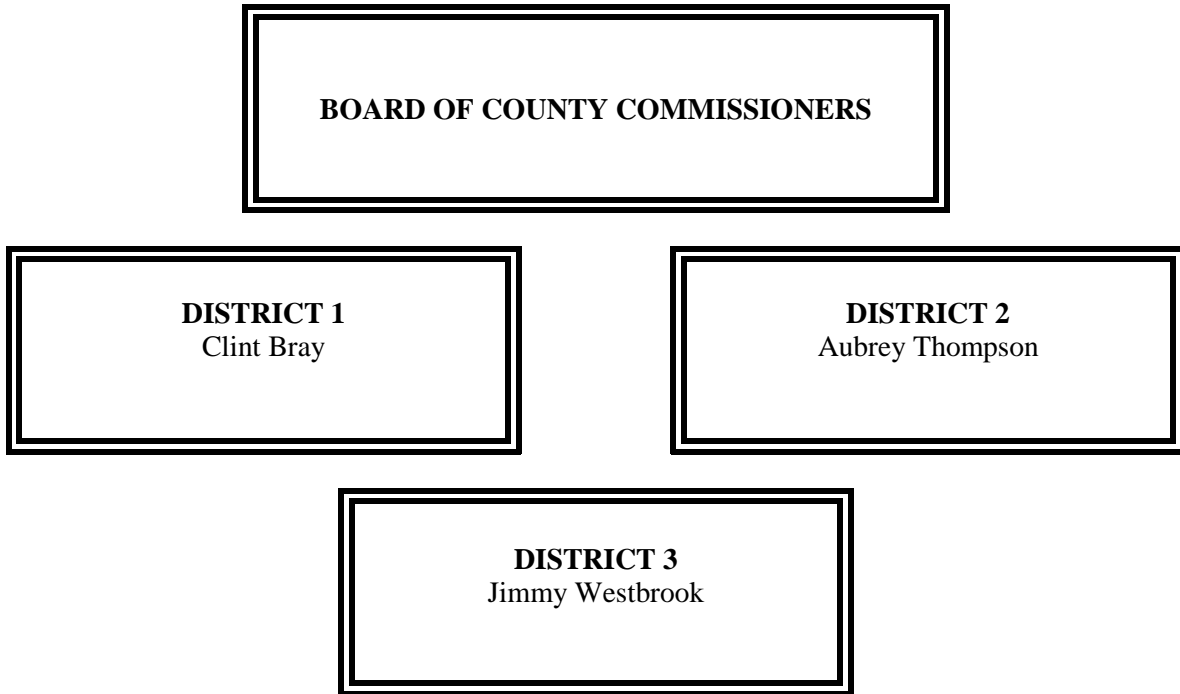
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**McCURTAIN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**



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.

**McCURTAIN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COUNTY SHERIFF
Johnny Tadlock

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
JoAnn Strawn

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.

**McCURTAIN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COURT CLERK
Vicki Justus

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
Laura Ross Wallis

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.

**McCURTAIN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

ELECTION BOARD SECRETARY
Lue Davis

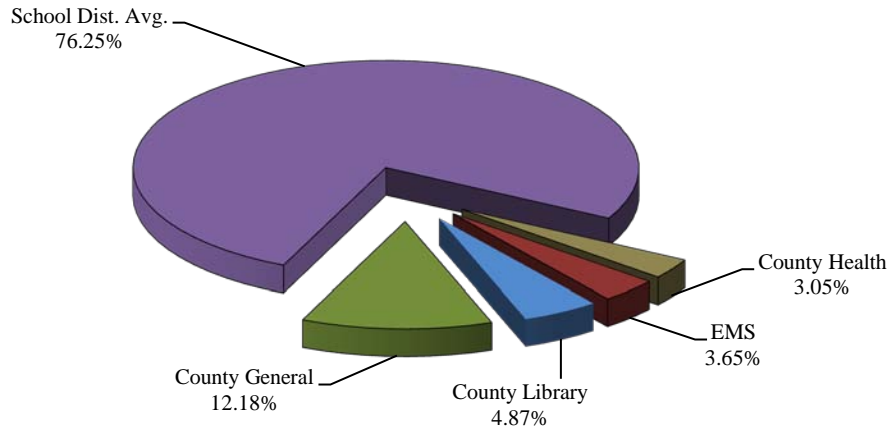
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

**McCURTAIN COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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							Total
			Gen.	Bldg.	Skg.	Career Tech	Career Tech Bldg.	Common		
County General	10.00									
County Health	2.50	Forest Grove	C-1	35.00	5.00		10.00	2.00	4.00	56.00
EMS	3.00	Idabel	I-5	35.00	5.00	30.56	10.00	2.00	4.00	86.56
County Library	4.00	Haworth	I-6	35.00	5.00	14.82	10.00	2.00	4.00	70.82
		Lukfata	C-9	35.00	5.00	8.46	10.00	2.00	4.00	64.46
		Valliant	I-11	35.00	5.00	0.02	10.00	2.00	4.00	56.02
		Eagletown	I-13	35.00	5.00		10.00	2.00	4.00	56.00
		Smithville	I-14	35.00	5.00		10.00	2.00	4.00	56.00
		Glover	C-23	35.00	5.00	15.89	10.00	2.00	4.00	71.89
		Tom	C-24	35.00	5.00		10.00	2.00	4.00	56.00
		Denison	C-37	35.00	5.00		10.00	2.00	4.00	56.00
		Wright City	I-39	35.00	5.00		10.00	2.00	4.00	56.00
		Watson	C-56	35.00	5.00	9.72	10.00	2.00	4.00	65.72
		Battiest	I-71	35.00	5.00		10.00	2.00	4.00	56.00
		Holly Creek	C-72	35.00	5.00	9.19	10.00	2.00	4.00	65.19
		Broken Bow	I-74	35.00	5.00	10.47	10.00	2.00	4.00	66.47

See independent auditor's report.

**McCURTAIN COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Total net assessed value as of January 1, 2006		<u>\$ 168,196,798</u>
Debt limit - 5% of total assessed value		8,409,840
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>16</u>	<u>-</u>
Legal debt margin		<u>\$ 8,409,840</u>

See independent auditor's report.

McCURTAIN COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

	2007
Estimated population	33,992
Net assessed value as of January 1, 2006	\$ 168,196,798
Gross bonded debt	-
Less available sinking fund cash balance	16
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**McCURTAIN COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2006	\$65,545,962	\$26,997,407	\$83,561,038	\$7,907,609	\$168,196,798	\$1,478,233,668

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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Independent Auditor's Report

TO THE OFFICERS OF
McCURTAIN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of McCurtain County, Oklahoma, as of and for the year ended June 30, 2007, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of McCurtain 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 McCurtain County as of June 30, 2007, 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 McCurtain County, for the year ended June 30, 2007, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2009, on our consideration of McCurtain County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over

financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The *Schedule of Expenditures of Federal Awards* has been restated with an accompanying explanatory footnote. The auditor's opinion on the *Schedule of Expenditures of Federal Awards* in relation to the basic financial statement dated March 24, 2009, is not to be relied upon because the previously-issued *Schedule of Expenditures of Federal Awards* was not fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The previously-issued auditor's report is replaced by this report accompanied with the restated *Schedule of Expenditures of Federal Awards*.



GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

March 24, 2009 except as to the Schedule of Expenditures
of Federal Awards, for which the date is December 13, 2010

Basic Financial Statement

McCURTAIN COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2007
Combing Information:						
County General Fund	\$ 446,881	\$ 2,320,649	\$	\$	\$ 2,443,783	\$ 323,747
Highway Cash	555,473	4,610,091		17,840	4,440,464	707,260
County Health Department	233,213	443,823			414,373	262,663
Resale Property	85,601	101,131			93,388	93,344
Treasurer Mortgage Tax Certification Fee	22,247	8,945				31,192
County Clerk Lien (F-4)	4,706	7,007			5,292	6,421
Assessor's Revolving (H-4)	4,794	5,479			6,942	3,331
Assessor Visual Inspection	369					369
Sheriff Service Fee	63,452	288,753	19,927		243,705	128,427
Pine Creek Patrol	2,188	17,136			18,966	358
McCurtain County Sheriff's Office	77,503	604,196			556,151	125,548
Solid Waste	227,686	1,276,709			1,275,808	228,587
County Clerk Preservation Fee	44,361	34,855			50,722	28,494
Capital Improvement Fund	28,475					28,475
Federal Highway Assistance	292	7				299
McCurtain County Tourism Authority	84,593	198,854			167,792	115,655
County Sinking	16					16
Federal Forest	153,203			19,927	6,174	127,102
Emergency Management Authority	416,347	227,975		78,000	97,532	468,790
Sheriff's Confiscated Drug Fund	731	1,714			360	2,085
Hospital Authority	1,525,942	1,297,008			636,994	2,185,956
Resale Payroll	23,725	60,000			71,427	12,298
CK-0043 Sherwood Wilderness Fire Dept.		1,959			1,959	
CK-0041 South Pole		5,802			5,802	
CK-0045 Hochatown	9,528				9,528	
CK-0047 North Pole		36,301			36,301	
CK-0044 Battiest		7,000				7,000
CDBG-11717-05		150,000			150,000	
CK-1036 Holly Creek		4,000			4,000	
McCurtain County Volunteer Fire Department		92,691	78,000		76,140	94,551
Combined Total -- All County Funds	\$ 4,011,326	\$ 11,802,085	\$ 97,927	\$ 115,767	\$ 10,813,603	\$ 4,981,968

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

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 McCurtain 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:

County 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.

County Health Department – 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.

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

County Clerk Lien Fee (F-4) – accounts for lien collections and disbursements as restricted by statute.

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Assessor's Revolving (H-4) – accounts for the collection of fees for copies restricted by state statute.

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

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

Pine Creek Patrol – accounts for monies received from the Corps of Engineers for patrolling services.

McCurtain County Sheriff's Office – accounts for sales tax monies received for the operation of the McCurtain County Sheriff's Office.

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

County Clerk Preservation Fee – accounts for fees collected for instruments filed in the Registrar of Deeds as restricted by statute for the preservation of records.

Capital Improvement Fund – accounts for insurance monies received on loss of building.

Federal Highway Assistance – accounts for federal funds received from the Department of Transportation for debris removal.

McCurtain County Tourism Authority – accounts for the excise tax collected on lodging to be used for the promotion and development of tourism and recreational activities for McCurtain County.

County Sinking – accounts for the payment of interest and principal on the matured portion of long-term bonded indebtedness 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. There is currently no long-term debt. The remaining balance will be transferred to the general fund.

Federal Forest – accounts for federal grant Title III forestry receipts set aside for schools and roads.

Emergency Management Authority – accounts for the use of tax funds collected by the Oklahoma Tax Commission and remitted to the County. These funds are to be used to help the County develop comprehensive emergency management.

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Sheriff's Confiscated Drug Fund – accounts for proceeds from forfeited drug cases. These funds are used for the intervention and prevention of narcotics use.

Hospital Authority – accounts for collection of sales tax to be used for the purchase of equipment and to maintain the property of McCurtain County Hospital Authority.

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

CK-0043 Sherwood Wilderness Fire Department – accounts for state funds to be used for the construction of a Fire Department at the Sherwood/Wilderness community.

CK-0041 South Pole – accounts for state funds to be used for the construction of roads.

CK-0045 Hochatown – accounts for state funds to be used for the construction of roads.

CK-0047 North Pole – accounts for state funds to be used for the construction of roads.

CK-0044 Battiest – accounts for state funds to be used for the construction of roads.

CDBG-11717-05 – accounts for federal funds to be used for the installation of a liner in the McCurtain County Landfill.

CK-1036 Holly Creek – accounts for state funds to be used for the construction of roads.

McCurtain County Volunteer Fire Department – accounts for sales tax funds to be used for the operation of the McCurtain County Volunteer Fire Departments.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, libraries, 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. Any trust or agency funds maintained by the County are not included in this presentation.

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.

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

D. Budget

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

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

E. Cash

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

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

F. Investments

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

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

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may be accumulated up to 5 days. Employees earn 10 days of annual leave per year. Upon separation, an employee will be paid for the balance of accrued annual leave up to the accumulation limit.

Sick leave benefits are accrued at the rate of 10 days per year 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, 2006, was approximately \$168,196,798.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.50 mills for county health department, 4.00 mills for multi-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, 2007, were approximately 86.98 percent of the tax levy.

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

3. Fuel Tax

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

4. Risk Management

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

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle 	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool’s limits.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		
Workers’ Compensation <ul style="list-style-type: none"> • Employees’ Injuries 	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
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 \$25,000 deductible for each insured event as stated in the County’s “Certificate of Participation.” The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool’s risk retention limits. Settled

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Commercial Insurance – The County obtains commercial insurance coverage to pay legitimate workers' compensation claims 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.

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006, and 2005, were \$518,770, \$428,390, and \$369,451, respectively, equal to the required contributions for each year.

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuits would not be determinable.

9. Sales Tax

The voters of McCurtain County approved a permanent one-half percent (1/2%) percent sales tax effective August 17, 1991. This sales tax was established to provide revenue for the maintenance of a solid waste system.

The voters of McCurtain County approved a three (3%) percent excise tax for McCurtain County Tourism Authority effective August 27, 2002, to be in effect for ten years. This sales tax is for promotion and development of tourism and recreational activities for McCurtain County.

The voters of McCurtain County approved a one-half percent (1/2%) sales tax effective July 1, 2004, to be in effect until the last day of June 2009. This sale tax is to be used for the purchase of equipment and to maintain the property of the McCurtain County Hospital Authority.

The voters of McCurtain County approved a permanent one-half percent (1/2%) sales tax effective January 1, 2000. This sales tax is to be used to operate and maintain the McCurtain County Jail.

The voters of McCurtain County approved a permanent one-quarter percent (1/4%) sales tax effective January 1, 2000. This sales tax is to be used to staff and maintain the McCurtain County Sheriff's Department.

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The voters of McCurtain County approved a permanent one-quarter percent (1/4%) sales tax effective January 1, 2007. This sales tax is to be used to provide funding for county fire departments.

10. Transfers

During the fiscal year, the County made the following transfers between cash funds.

- \$17,840 was transferred from the Highway Cash Fund to the McCurtain County Jail Trust Fund (a Trust & Agency Fund) for the payment of supervisory services for inmate crews.
- \$19,927 was transferred from the Federal Forest Fund to the Sheriff Service Fee Fund to defray expenses incurred by the Sheriff's Department for search and rescue operations on forestry land.
- \$78,000 was transferred from the Emergency Management Authority Fund to the McCurtain County Volunteer Fire Department Fund as an interfund loan. This loan was not paid back at June 30, 2007.

OTHER SUPPLEMENTARY INFORMATION

McCURTAIN 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, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 446,881	\$ 446,881	\$ 446,881	\$ -
Less: Prior Year Outstanding Warrants	(69,147)	(69,147)	(69,147)	
Less: Prior Year Encumbrances	(6,923)	(6,923)	(6,395)	528
Beginning Cash Balances, Budgetary Basis	<u>370,811</u>	<u>370,811</u>	<u>371,339</u>	<u>528</u>
Receipts:				
Ad Valorem Taxes	1,529,062	1,529,062	1,456,363	(72,699)
Charges for Services	96,167	96,167	111,930	15,763
Intergovernmental Revenues	558,866	561,228	603,366	42,138
Miscellaneous Revenues	176,149	176,149	148,990	(27,159)
Total Receipts, Budgetary Basis	<u>2,360,244</u>	<u>2,362,606</u>	<u>2,320,649</u>	<u>(41,957)</u>
Expenditures:				
District Attorney	7,500	7,500	2,672	4,828
Total District Attorney	<u>7,500</u>	<u>7,500</u>	<u>2,672</u>	<u>4,828</u>
County Sheriff	285,000	269,022	267,413	1,609
Capital Outlay		16,775	16,775	
Total County Sheriff	<u>285,000</u>	<u>285,797</u>	<u>284,188</u>	<u>1,609</u>
County Treasurer	163,697	164,631	164,275	356
Total County Treasurer	<u>163,697</u>	<u>164,631</u>	<u>164,275</u>	<u>356</u>
County Commissioners	344,294	344,294	313,260	31,034
Total County Commissioners	<u>344,294</u>	<u>344,294</u>	<u>313,260</u>	<u>31,034</u>
OSU Extension	97,168	79,963	74,120	5,843
Capital Outlay		17,205	17,159	46
Total OSU Extension	<u>97,168</u>	<u>97,168</u>	<u>91,279</u>	<u>5,889</u>
County Clerk	199,789	199,789	198,523	1,266
Total County Clerk	<u>199,789</u>	<u>199,789</u>	<u>198,523</u>	<u>1,266</u>
Court Clerk	115,502	115,502	106,432	9,070
Total Court Clerk	<u>115,502</u>	<u>115,502</u>	<u>106,432</u>	<u>9,070</u>
County Assessor	159,222	156,625	155,961	664
Total County Assessor	<u>159,222</u>	<u>156,625</u>	<u>155,961</u>	<u>664</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.

McCURTAIN 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, 2007

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	196,864	263,725	242,814	20,911
Total Revaluation of Real Property	196,864	263,725	242,814	20,911
Juvenile Shelter Bureau	32,000	32,000	31,894	106
Total Juvenile Shelter Bureau	32,000	32,000	31,894	106
District Court	32,350	35,751	34,944	807
Total District Court	32,350	35,751	34,944	807
General Government	133,319	143,491	141,566	1,925
Capital Outlay	224,302	129,861	38,040	91,821
Total General Government	357,621	273,352	179,606	93,746
Excise-Equalization Board	13,500	15,600	14,109	1,491
Total Excise-Equalization Board	13,500	15,600	14,109	1,491
County Election Board	88,891	91,275	86,802	4,473
Total County Election Board	88,891	91,275	86,802	4,473
Insurance	526,103	530,254	458,670	71,584
Total Insurance	526,103	530,254	458,670	71,584
Charity	6,000	6,000	5,897	103
Total Charity	6,000	6,000	5,897	103
County Audit Budget Account	25,554	26,554	25,554	1,000
Total County Audit Budget Account	25,554	26,554	25,554	1,000
County Cemetery Account	55,000	55,000	53,130	1,870
Total County Cemetery Account	55,000	55,000	53,130	1,870
Free Fair Budget	10,000	10,000	9,985	15
Capital Outlay	5,000	12,600	12,600	
Total Free Fair Budget	15,000	22,600	22,585	15
Provision for Interest on Warrants	10,000	10,000	-	10,000
Total Expenditures, Budgetary Basis	2,731,055	2,733,417	2,472,595	260,822
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	219,393	\$ 219,393
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			31,811	
Add: Current Year Outstanding Warrants			72,543	
Ending Cash Balance			\$ 323,747	

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

McCURTAIN 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, 2007

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 233,213	\$ 233,213	\$ 233,213	\$ -
Less: Prior Year Outstanding Warrants	(17,374)	(17,374)	(17,374)	
Less: Prior Year Encumbrances	(7,615)	(7,615)	(7,524)	91
Beginning Cash Balances, Budgetary Basis	<u>208,224</u>	<u>208,224</u>	<u>208,315</u>	<u>91</u>
Receipts:				
Ad Valorem Taxes	382,265	382,265	364,080	(18,185)
Intergovernmental		43,902	77,685	33,783
Miscellaneous Revenues	8,439	8,439	2,058	(6,381)
Total Receipts, Budgetary Basis	<u>390,704</u>	<u>434,606</u>	<u>443,823</u>	<u>9,217</u>
Expenditures:				
Health and Welfare	550,928	594,830	473,813	121,017
Capital Outlay	48,000	48,000	33,160	14,840
Total Expenditures, Budgetary Basis	<u>598,928</u>	<u>642,830</u>	<u>506,973</u>	<u>135,857</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	145,165	<u>\$ 145,165</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			79,908	
Add: Current Year Outstanding Warrants			37,590	
Ending Cash Balance			<u>\$ 262,663</u>	

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

**McCURTAIN COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Beginning Cash Balance	<u>\$ 16</u>
Receipts:	
Total Receipts	<u>-</u>
Disbursements:	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u><u>\$ 16</u></u>

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

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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		\$ 581,070
Total U.S. Department of Agriculture			<u>581,070</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through the State Department of Commerce:			
Community Development Block Grants/State's Program	14.228	11717 CDBG 05	150,000
Total U.S. Department of Housing and Urban Development			<u>150,000</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		36,589
Total U.S. Department of Interior			<u>36,589</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through State District Attorney's Council:			
Violence Against Women Formula Grants	16.588	V05-024	10,478
Violence Against Women Formula Grants	16.588	V06-024	34,401
Total U.S. Department of Justice			<u>44,879</u>
Total Expenditures of Federal Awards			<u>\$ 812,538</u>

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

**McCURTAIN COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Basis of Presentation

1. The schedule of expenditures of federal awards includes the federal grant activity of McCurtain 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*.
2. A clerical error was made in the schedule of expenditures of federal awards presented in the McCurtain County independent auditor's report dated June 12, 2009. This error caused the SEFA to be materially misstated. The corrections made to the SEFA did not have an impact on the audit and did not affect the major program determination.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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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
McCURTAIN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of McCurtain County, Oklahoma, as of and for the year ended June 30, 2007, which comprises McCurtain County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 24, 2009. 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 McCurtain County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2007-1 and 2007-2 as described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McCurtain 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2007-3, 2007-4, 2007-5, and 2007-10.

We noted certain matters that we reported to the management of McCurtain County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

McCurtain County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit McCurtain County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the County 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. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent part.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

March 24, 2009



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

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
McCURTAIN COUNTY, OKLAHOMA

Compliance

We have audited the compliance of McCurtain 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, 2007. McCurtain 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 McCurtain County's management. Our responsibility is to express an opinion on McCurtain 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 McCurtain County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of McCurtain County's compliance with those requirements.

As described in item 2007-13, in the accompanying schedule of findings and questioned costs, McCurtain County did not comply with requirements regarding Cash Management that are applicable to its Schools and Roads – Grants to States. Compliance with such requirements is necessary, in our opinion, for McCurtain County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the 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, 2007. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2007-12.

Internal Control Over Compliance

The management of McCurtain County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered McCurtain County's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of McCurtain County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-11 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned cost, we consider item 2007-11 to be a material weakness.

McCurtain County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit McCurtain County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the County 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.



GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

December 13, 2010

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified that are not considered to be material weaknesses?..... None reported

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) 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

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

**McCURTAIN COUNTY, OKLAHOMA
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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 2007-1—Segregation of Duties (Repeat Finding)

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Condition: Based on inquiries of County personnel and testwork performed, it was noted that receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization within all County offices were not properly segregated to assure adequate internal control structure.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

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

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

Finding 2007-2—Control Environment Regarding Financial Reporting

Criteria: Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management attitude, qualifications, and operating style become the foundation of all other internal control components.

Condition: As part of our financial statement audit, we tested receipts, disbursements, and cash balances. We identified several areas of concern which include:

- General Ledger balances for some funds reflected negative amounts because warrants were registered when funds were not available.
 - General Fund:
 - October 2006 (\$72,133.75)

**McCURTAIN COUNTY, OKLAHOMA
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November 2006	(\$213,650.08)
August 2007	(\$22,179.92)
September 2007	(\$152,084.16)
October 2007	(\$293,203.24)
November 2007	(\$441,130.30)
December 2007	(\$148,585.35)
• Emergency Medical Service:	
July 2006	(\$4,695.52)
• District Attorney Expense:	
April 2007	(\$994.01)
May 2007	(\$2,151.94)
June 2007	(\$2,817.67)
• School District Building Bond Account:	
February, March, April, May, August 2008	(\$262.83)
• Drug Task Force:	
November 2007	(\$4.26)
December 2007	(\$1,041.43)

- Several errors were made while posting warrants paid to the payment register.
 - Warrant #2775 was posted in two columns, one column for \$15.96 and one column for \$15.76.
 - Warrant #2904 was posted for \$90.00 and should have been \$900.00.
 - Warrant #2949 was posted in two different locations in the payment register. One as payment #65 for \$48.94 and one as payment #102 for \$26.05.
- Cash voucher #9041 was used to expend General Fund monies which circumvented purchasing procedures used for General Fund expenditures.
- Highway Fund warrant #3697 for \$3462.17 was reflected as cancelled on the County Clerk's and Treasurer's warrant registers. However, this warrant was reflected as paid on the Treasurer's payment register.
- County Clerk's records are not reconciled to the County Treasurer's records.

Effect: This condition adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably.

Recommendation: OSAI recommends the County be aware that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. Management should take action to mitigate the possibility of a misstatement. OSAI further recommends that the County Treasurer's and County Clerk's office personnel gain an understanding of the design of the internal controls process and implement these controls in an effective and efficient manner.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We will implement procedures to strengthen internal controls over the reporting process.

Finding 2007-3—Payments to Jail Trust Authority

Criteria: Title 19 O.S. § 1505 states, "The following procedures shall be used by counties for the requisition, purchase, lease-purchase, rental, and receipt of supplies, materials, and equipment for the maintenance, operation, and capital expenditures of county government unless otherwise provided for by law...

- C. After selection of a vendor, the procedure for the purchase, lease-purchase, or rental of supplies, materials, and equipment used by a county shall be as follows:
 - 1. The county purchasing agent shall prepare a purchase order in quadruplicate and submit it with a copy of the requisition to the county clerk;
 - 2. The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order."

Condition: It was noted that the County did not encumber and issue purchase orders for the payment of supervisory services for inmate crews. The County transferred \$17,840.43 from the County Highway Fund to the McCurtain County Jail Trust Fund instead of issuing purchase orders.

Effect: This could result in misstated financial reports by not properly recording disbursements and collections and noncompliance with state statutes.

Recommendation: OSAI recommends that the County issue a warrant to the Jail Trust Authority.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. In the future, we will refrain from making interfund transfers.

Finding 2007-4—Transfers Between Cash Funds Not Repaid

Criteria: Title 68 O.S. § 3021 states in part, "Fourth: If at any time during the budget year it appears to the county treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board, upon request of the county treasurer and upon notification to the county commissioners, may temporarily transfer money from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from. No transfer shall be made from the debt service fund to any other fund except as may be permitted by the terms of the bond issue or applicable law. Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the funds were transferred."

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Condition: The County made a temporary transfer of \$78,000 from the Emergency Management Authority to the McCurtain County Volunteer Fire Departments Fund. However, the funds were not transferred back to the Emergency Management Authority by June 30, 2007.

Effect: This condition results in the ending cash balances by fund being misstated and noncompliance with state statutes regarding temporary transfers. It also results in funds that are earmarked for the Emergency Management Authority being expended for the volunteer fire departments.

Recommendation: OSAI recommends that the County adhere to state statutes regarding interfund transfers.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We will implement procedures so that interfund transfers are repaid by June 30.

Finding 2007-5—Benefits for Excise Board Members

Criteria: Title 68 O.S. § 3005.1.C. states, "The members of county excise boards in all counties having an assessed valuation of Two Billion Dollars (\$2,000,000,000.00) or more shall receive as compensation an amount not to exceed Seventy-five Dollars (\$75.00) per day. The members of county excise boards in all other counties may receive as compensation an amount not to exceed Fifty Dollars (\$50.00) per day, said amount to be established by the boards."

Condition: The Excise Board members receive insurance benefits paid by the County through the County's insurance program. For the period of June 1, 2006 through August 31, 2008, the Excise Board members had received a total of \$31,590.30 in insurance premiums.

Effect: It appears that the Excise Board Members are receiving compensation above that allowed by State law. This condition could result in misstated financial reports by overstating disbursements and understating ending cash balances.

Recommendation: OSAI recommends management be aware that the Excise Board is an appointed position with no benefits. The Excise Board should receive mileage and what the state statute allows for each meeting.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We will implement procedures to adhere to state statutes regarding compensation for Excise Board members.

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Finding 2007-10—Treasurer's Resale Expenditures

Criteria: Title 68 O.S. § 3137.B. states,

The resale property fund herein created for each county is hereby declared to be a continuous fund, not subject to fiscal year limitations, and is hereby dedicated, insofar as may be necessary, to the enforcement of the tax laws of the state, and is authorized to be expended for the following purposes:

4. For all rebates allowed under authority of statute by the board of county commissioners or the tax roll correction board of the county upon taxes found to have been illegally or erroneously collected, or on sale of certificate or issue of tax deed on lands or lots on which no tax was due or as to which the sale thereof is or was illegal for any reason. Provided, however, before the owner of such invalid deed may be reimbursed as aforesaid, he shall first be required to divest himself of purported title by attaching a quitclaim deed or other disclaimer to his claim for refund, setting out the reason for invalidity of the tax deed. The same procedure for refund shall apply whether the tax deed be from the county treasurer or the chairman of the board of county commissioners. The determination of whether such property has been erroneously sold for taxes to such purchaser, shall be made by the board of county commissioners; and in event title under an invalid resale tax deed remains with the county commissioners, the board of county commissioners so finding same invalid shall execute its resolution or order of disclaimer which shall be filed in the deed records of the county clerk without fee. No fee shall be charged for recording any quitclaim deed or disclaimer from the purchaser under the provisions of this section.

Condition: It was noted that two property owners had paid their 2004 ad valorem taxes with checks by mail. The amount of the taxes paid was \$1,247.02. However, the taxes were still listed as outstanding and not paid on the Treasurer's records. When the taxpayers provided the cancelled checks to the Treasurer, she paid the taxes with Resale Funds. Collections were compared to deposits and it was determined that the deposit was shorted by \$1,247.02 in cash. It appears that the two checks noted were substituted for cash collections.

Effect: This condition resulted in misappropriation of assets and in misstated financial reports by understating ad valorem tax collections and overstating Resale Fund disbursements.

Recommendation: OSAI recommends that the County Treasurer only expend Resale Funds for the purposes designated in the state statutes. OSAI further recommends that the proper legal authority review this finding to determine what action, if any, may be required.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We will implement procedures to expend Resale Funds in accordance with state statutes.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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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 2007-11—Internal Controls Over Federal Program

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads-Grants to States

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management

QUESTIONED COSTS: \$-0-

Criteria: Circular A-133 § __.300 (b) states that the auditee shall “maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.”

Condition: During interviews with management concerning the Schools and Roads-Grants to States Program, it was noted that officials do not have a clear understanding of allowable expenditures and procedures to monitor and return interest earned on grant funds.

Effect: This condition could result in unallowed federal costs, loss of federal funds, or not meeting project objectives.

Recommendation: OSAI recommends the County gain an understanding of the requirements for this program and implement internal controls to ensure compliance with the requirements.

Views of responsible officials and planned corrective actions: We concur with the State Auditor’s findings. We will implement controls to ensure forestry receipts are maintained in compliance with grant requirements.

**McCURTAIN COUNTY, OKLAHOMA
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Finding 2007-12—Activities Allowed

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads-Grants to States

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: \$10,891.30

Criteria: 16 USC 500 § 302 outlines the limitation on county fund use and activities allowed for the Title III Forestry Receipts.

Forestry receipts shall be expended solely on projects that meet the requirements of this title. A project under this title shall be approved by the participating county only following a 45-day public comment period, at the beginning of which the county shall—

“(1) publish a description of the proposed project in the publications of local record; and

“(2) send the proposed project to the appropriate resource advisory committee established under section 205, if one exists for the county.

“(b) Authorized Uses.—

“(1) Search, rescue, and emergency services.—An eligible county or applicable sheriff’s department may use these funds as reimbursement for search and rescue and other emergency services, including fire fighting, performed on Federal lands and paid for by the county.

“(2) Community service work camps.—An eligible county may use these funds as reimbursement for all or part of the costs incurred by the county to pay the salaries and benefits of county employees who supervise adults or juveniles performing mandatory community service on Federal lands.

“(3) Easement purchases.—An eligible county may use these funds to acquire—

“(A) easements, on a willing seller basis, to provide for nonmotorized access to public lands for hunting, fishing, and other recreational purposes;

“(B) conservation easements; or

“(C) both.

“(4) Forest related educational opportunities.—A county may use these funds to establish and conduct forest-related after school programs.

**McCURTAIN COUNTY, OKLAHOMA
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“(5) Fire prevention and county planning.—A county may use these funds for—

“(A) efforts to educate homeowners in fire-sensitive ecosystems about the consequences of wildfires and techniques in home siting, home construction, and home landscaping that can increase the protection of people and property from wildfires; and

“(B) planning efforts to reduce or mitigate the impact of development on adjacent Federal lands and to increase the protection of people and property from wildfires.

“(6) Community forestry.—A county may use these funds towards non-Federal cost-share requirements of section 9 of the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2105).

Condition: McCurtain County expended \$6,147.42 for a rescue training class for a local fire department. This expenditure is not an allowable expenditure and the County did not adhere to the limitation on county fund use. It was also noted that adequate documentation could not be located for \$4,716.88 reimbursed to the Sherriff’s Department to defray the expense of search and rescue operations on forestry land. We are questioning \$10,891.30.

Effect: This condition resulted in unallowed and questioned costs of Title III Forestry Receipts.

Recommendation: OSAI recommends the County only expend Title III Forestry Receipt funds for authorized uses in accordance with grant guidelines and adhere to the limitation on county fund use.

Views of responsible officials and planned corrective actions: We concur with the State Auditor’s findings. We will implement controls to ensure the proper expenditure of forestry receipts.

Finding 2007-13—Cash Management

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads-Grants to States

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$-0-

Criteria: Circular A-133 § __.300 (b) states that the auditee shall “maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.” In addition, 16 USC 500 § 402 outlines the treatment of funds and revenues for Federal Forestry Receipts. All revenues generated from projects pursuant to Title II, any funds remitted by counties pursuant to section 102 (d) (1) (B) (iii) or section 103 (c) (1) (B) (iii), and any interest accrued from such funds shall be deposited in the Treasury of the United States.

**McCURTAIN COUNTY, OKLAHOMA
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Condition: McCurtain County does not maintain a ledger for interest earned on the Schools and Roads-Grants to States Program. The County earned approximately, \$5,363.58 on these funds during the fiscal year. The interest earned on the fund was apportioned to other funds and not deposited with the Treasury of the United States.

Effect: This condition results in the County incurring a liability to the federal government for interest earned and could hinder the County from receiving future federal funding.

Recommendation: OSAI recommends that the County implement internal controls for the oversight of interest earned on Schools and Roads-Grants to States funds.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We will implement controls to ensure the proper accounting of interest earned on forestry receipts.

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 2007-6—Treasurer's Official Depository Accounts

Criteria: Title 28 O.S. § 9 states, "Every officer charging fees shall give a receipt therefor."

Title 19 O.S. § 682 states in part, "It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, funds, rentals, penalties, costs, proceeds of sale of 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 County Treasurer's Official Depository Accounts, the following were noted:

Account #12

1. Two different receipt books are being used.
2. Generic receipts are being used.
3. One receipt could not be located for a deposit made on November 17, 2006.

Account #3

1. Receipts are not written in sequential order by the date the money was received.
2. An instance was noted where receipts dated 7/24/06 were not deposited until 7/26/06.

**McCURTAIN COUNTY, OKLAHOMA
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Effect: This condition adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably.

Recommendation: OSAI recommends that duplicate, pre-numbered receipts reflecting "McCurtain County Treasurer's Office" be issued for all monies received in the Treasurer's Office.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. The County Treasurer has taken steps to order receipts with appropriate information on them.

Finding 2007-7—Fixed Assets Inventory

Criteria: Title 19 O.S. § 178.1 states, " The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased or otherwise coming into the 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, or oftener..."

Condition: The Health Department and Districts 1, 2, and 3 are not performing a biennial verification of the fixed assets inventory.

Effect: Inventory items were not accurately accounted for and the County's assets may not be safeguarded.

Recommendation: OSAI recommends equipment inventory information be periodically reviewed, reconciled, and updated to detect errors and to maintain an accurate inventory record.

Views of responsible officials and planned corrective actions: All officers will work together to compile a listing of County inventory. We will also try to conduct a physical inventory of all items once every two years.

Finding-2007-8—Fuel Logs/Consumable Records

Criteria: Title 19 O.S. § 1502 prescribes the procedures to be used to account for supplies and materials used in the construction and maintenance of roads and bridges.

Condition: During testwork, the following exceptions were noted:

- District 1 is not keeping a fuel log for the satellite fuel tanks with a balance that can be reconciled to the actual fuel on hand.

**McCURTAIN COUNTY, OKLAHOMA
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- District 2 and District 3 are not keeping a fuel log with a balance that can be reconciled to the actual fuel on hand.
- District 3 is not preparing weekly warehouse summaries of consumable inventories. Also, consumable inventory cards were not maintained after January 2008.

Effect: This condition could result in the misappropriation of county assets.

Recommendation: OSAI recommends consumable records be updated to accurately reflect inventories on hand and these records be maintained perpetually.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We will implement procedures to account for fuel and consumable inventories.



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