

**McCURTAIN 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 4, 2004

TO THE CITIZENS OF
McCURTAIN COUNTY, OKLAHOMA

Transmitted herewith is the audit of McCurtain 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

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

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

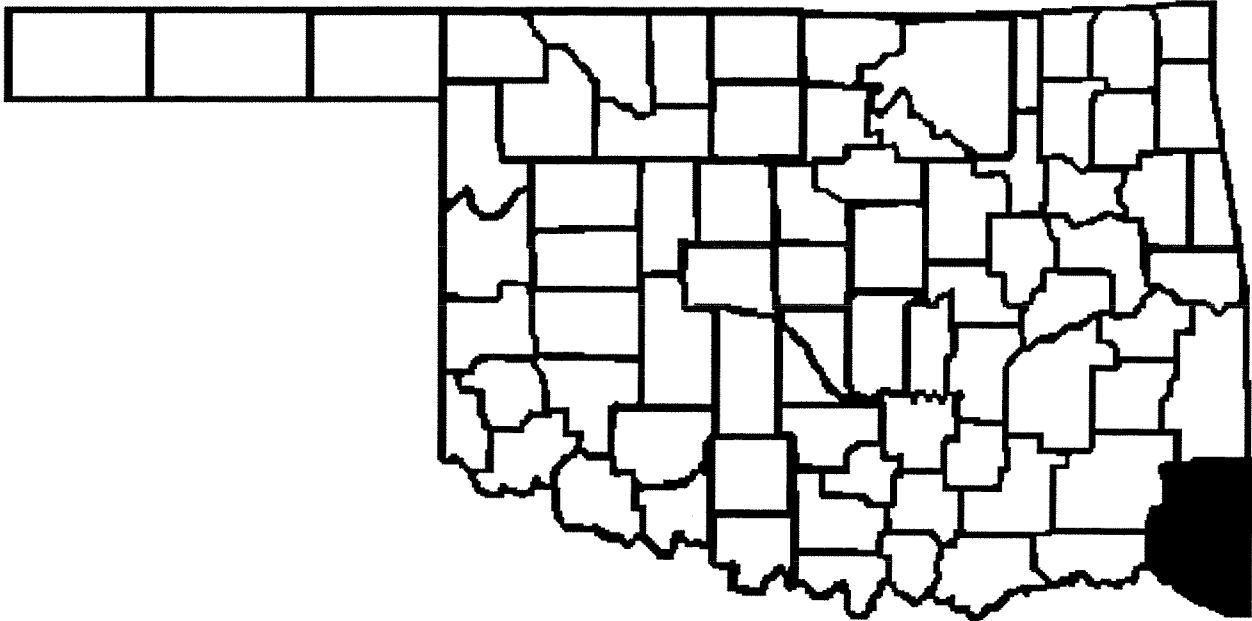
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REPORT TO THE CITIZENS
OF
McCURTAIN COUNTY, OKLAHOMA



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 19th century, including 75 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 saw mill; SETCO, a company that builds solid tires for heavy equipment and ships worldwide; and Hagle Industries, a garment manufacturing plant. 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 – 1852.4 Square Miles

County Population - 34,402
(2000 est.)

Farms - 1,573

Land in Farms - 327,524 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**McCURTAIN COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR

Tom Porton
(D) Idabel

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 Bryan Conaway
(D) Idabel

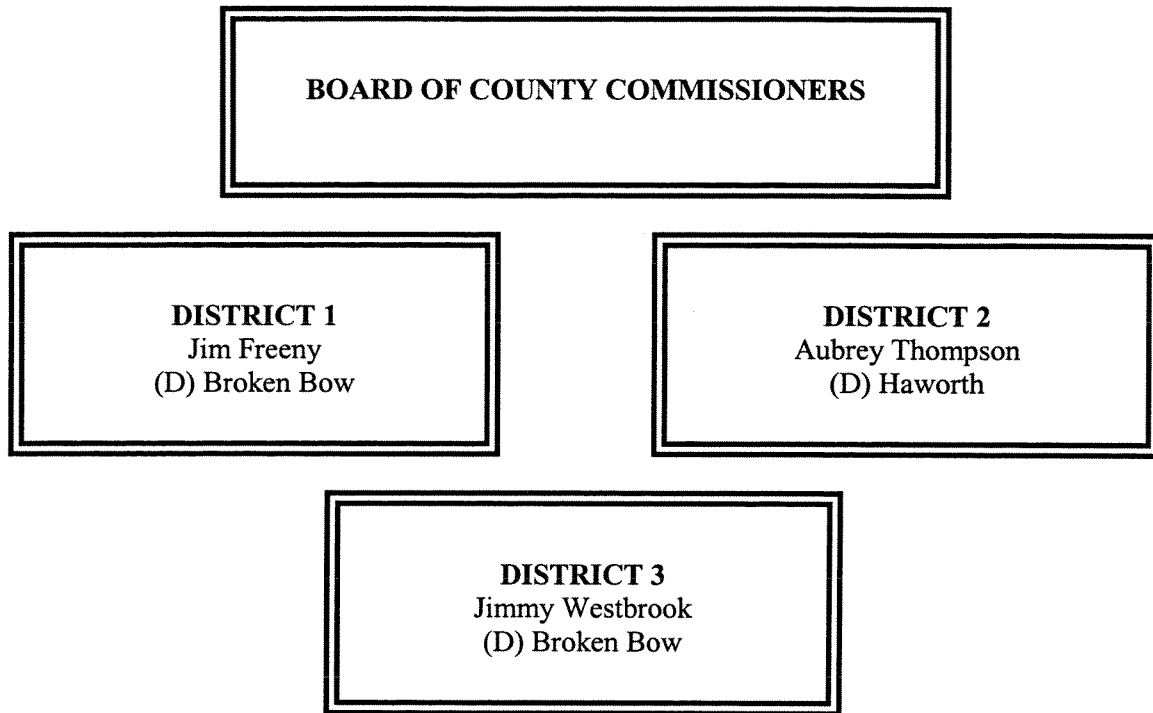
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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**



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**

COUNTY SHERIFF

Mike Willeby
(D) Haworth

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

Jo Ann Strawn
(D) Idabel

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**

COURT CLERK
Vicki Justus Garrett
(D) Idabel

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
Virginia Sanders
(D) Idabel

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**

ELECTION BOARD SECRETARY

Lue Davis
(D) Idabel

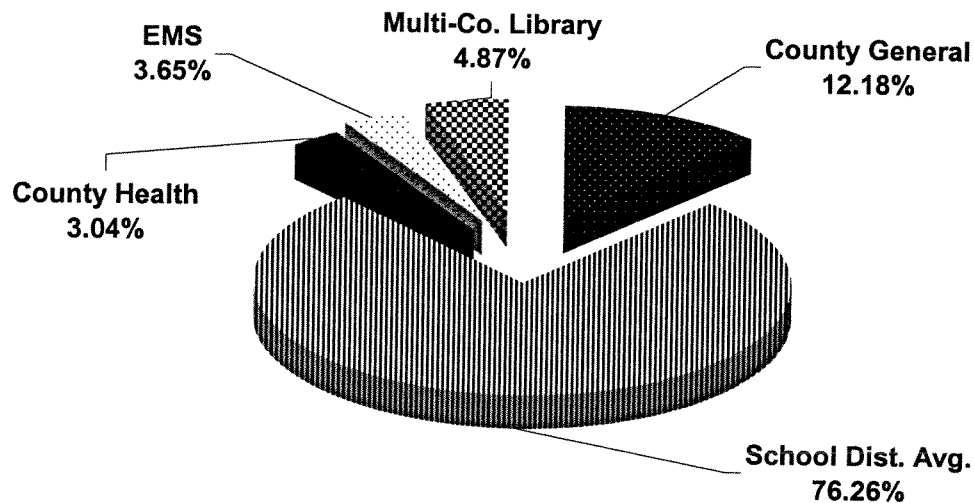
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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 : EMS x Multi-Co. Library

County-Wide Millages			School District Millages							
				Gen.	Bldg.	Sk.	Vo-Tech	Vo-Tech Bldg	Common	Total
Co. General	10.00	Forest Grove	C-1	35.00	5.00		10.00	2.00	4.00	56.00
County Health	2.50	Idabel	I-5	35.00	5.00	9.22	10.00	2.00	4.00	65.22
EMS	3.00	Haworth	I-6	35.00	5.00	17.34	10.00	2.00	4.00	73.34
Multi-Co. Library	4.00	Lukfata	C-9	35.00	5.00	10.20	10.00	2.00	4.00	66.20
		Valliant	I-11	35.00	5.00		10.00	2.00	4.00	56.00
		Eagletown	I-13	35.00	5.00	6.74	10.00	2.00	4.00	62.74
		Smithville	I-14	35.00	5.00	9.97	10.00	2.00	4.00	65.97
		Glover	C-23	35.00	5.00		10.00	2.00	4.00	56.00
		Tom	C-24	35.00	5.00		10.00	2.00	4.00	56.00
		Denson	C-37	35.00	5.00	7.26	10.00	2.00	4.00	63.26
		Wright City	I-39	35.00	5.00		10.00	2.00	4.00	56.00
		Watson	C-56	35.00	5.00	15.94	10.00	2.00	4.00	71.94
		Battiest	I-71	35.00	5.00		10.00	2.00	4.00	56.00
		Holly Creek	I-72	35.00	5.00	7.18	10.00	2.00	4.00	63.18
		Broken Bow	I-74	35.00	5.00	15.38	10.00	2.00	4.00	71.38

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
McCURTAIN COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of McCurtain 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 McCurtain 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.

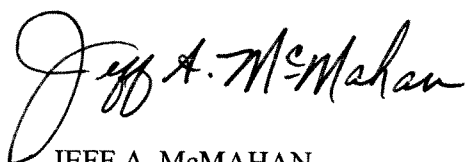
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of McCurtain County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2003, 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 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 McCurtain 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. McMahon". The signature is written in a cursive, flowing style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

December 9, 2003

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2003
County General Fund	\$ 516,249	\$ 1,996,869	\$ 5,395	\$	\$ 2,191,861	\$ 326,652
Highway Cash	541,453	4,053,488			4,138,989	455,952
County Health Department	185,264	431,641			446,379	170,526
Resale Property	251,244	75,887			71,823	255,308
Protest Tax		97,077				97,077
Treasurer Mortgage Tax Certification Fee	21,031	9,246			19,271	11,006
County Clerk Lien Fee	3,920	4,984			7,464	1,440
Assessor Revolving	1,023	7,570			3,683	4,910
Assessor Visual Inspection	6,158				4,434	1,724
Sheriff Service Fee	34,264	171,341	5,074		173,904	36,775
Pine Creek Patrol	16,440	9,968			17,797	8,611
Mountain Fork Patrol	1,189			1,189		
DARE	5,074			5,074		
McCurtain County Sheriff's Office	58,216	485,546	1,189		528,752	16,199
Alternative to Detention	996			996		
McCurtain County Jail Trust	110,933	969,124	4,765		979,527	105,295
Community Sentencing Program	4,415	10,191			11,824	2,782
McCurtain County Correctional Authority	4,765			4,765		
Department of Corrections	104,478	140,669			179,628	65,519
Revenue Sharing	283			283		
Solid Waste	791,255	1,248,869			1,454,020	586,104
County Clerk Preservation Fee	25,636	32,849			20,065	38,420
K-5051 McCurtain RWD #1	2,924					2,924
CK-5046 Harris Sub	1				1	
CK-6043 RWD #9		15,000			15,000	
CK-5047 Battiest Health	15,000				15,000	
Court Related Community Service	330	5,493			5,223	600
National Children's Alliance	14,927	14,025			18,092	10,860
Federal Emergency Management	6,700	22,320			13,953	15,067
Juvenile Accountability Incentive Grant	186				171	15
Capital Improvement Fund	33,661				5,186	28,475
K-5049 Redland Fire Department	753				541	212
Community Sentencing Council		1,055			1,055	
Federal Highway Assistance		6,293,654			6,293,372	282
McCurtain County Tourism Authority		36,405			1,250	35,155
Child Abuse Multi-Disciplinary Account		19,758			7,449	12,309
County Sinking	3,988	20		4,008		
Federal Forrest		95,113				95,113
Individual Redemption	8,947	48,179			47,540	9,586
Official Depository	388,698	3,253,404			3,204,808	437,294
Schools	2,377,694	15,830,509	3,278		15,684,120	2,527,361
Cities and Towns	12,502	239,053			240,624	10,931
Whitegrass	3,014	1,961				4,975
Law Library	15,999	37,821			29,079	24,741
Emergency Medical Service	1,330	414,381			414,247	1,464
County Library	2,446	552,484			516,703	38,227
District Attorney Expense Account	6,063	12,923			12,723	6,263
Mobile Home Trust	12,029	18,364			18,747	11,646
Mobile Home Reserve	10,402	1,805				12,207
District Attorney Forfeiture Fund	2,818	24,299			16,633	10,484
Pruitt Money Order	1,309	24				1,333
Tom Co-op	3,278			3,278		
VOCA	2	34,168			33,107	1,063
CSIF District Attorney Tuancy	8,183	42,073			40,950	9,306
CECC	108			108		
City of Smithville	62,227	3,014				65,241
Community Relation	1,265					1,265
City of Idabel	140	1,410			1,550	
Emergency Management Authority		88,425				88,425
Total County Funds	\$ 5,681,210	\$ 36,852,459	\$ 19,701	\$ 19,701	\$ 36,886,545	\$ 5,647,124

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

McCURTAIN 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	\$ 511,539	\$ 511,539	\$ 516,249	\$ 4,710
Less: Prior Year Outstanding Warrants	(55,398)	(55,398)	(55,345)	53
Less: Prior Year Encumbrances	(50,424)	(50,424)	(55,135)	(4,711)
Residual Equity Transfers In			5,395	5,395
Beginning Cash Balances, Budgetary Basis	<u>405,717</u>	<u>405,717</u>	<u>411,164</u>	<u>5,447</u>
Receipts:				
Ad Valorem Taxes	1,306,090	1,306,090	1,290,028	(16,062)
Charges for Services	97,195	97,195	92,818	(4,377)
Intergovernmental Revenues	262,499	262,499	480,472	217,973
Miscellaneous Revenues	116,833	117,151	133,551	16,400
Total Receipts, Budgetary Basis	<u>1,782,617</u>	<u>1,782,935</u>	<u>1,996,869</u>	<u>213,934</u>
Expenditures:				
District Attorney	<u>7,500</u>	<u>7,500</u>	<u>7,491</u>	<u>9</u>
Total District Attorney	<u>7,500</u>	<u>7,500</u>	<u>7,491</u>	<u>9</u>
County Sheriff	292,113	297,066	297,041	25
Capital Outlay	<u>25,000</u>	<u>20,047</u>	<u>19,881</u>	<u>166</u>
Total County Sheriff	<u>317,113</u>	<u>317,113</u>	<u>316,922</u>	<u>191</u>
County Treasurer	<u>136,897</u>	<u>137,245</u>	<u>136,849</u>	<u>396</u>
Total County Treasurer	<u>136,897</u>	<u>137,245</u>	<u>136,849</u>	<u>396</u>
County Commissioners	231,687	236,387	235,305	1,082
Capital Outlay	<u>2,500</u>	<u>499</u>	<u>499</u>	
Total County Commissioners	<u>234,187</u>	<u>236,886</u>	<u>235,804</u>	<u>1,082</u>
OSU Extension	78,384	76,862	76,210	652
Capital Outlay	<u>5,200</u>	<u>5,722</u>	<u>5,716</u>	<u>6</u>
Total OSU Extension	<u>83,584</u>	<u>82,584</u>	<u>81,926</u>	<u>658</u>
County Clerk	165,495	175,766	175,322	444
Capital Outlay		<u>3,708</u>	<u>3,544</u>	<u>164</u>
Total County Clerk	<u>165,495</u>	<u>179,474</u>	<u>178,866</u>	<u>608</u>

continued on next page

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

McCURTAIN 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
Court Clerk	103,450	101,450	101,044	406
Total Court Clerk	103,450	101,450	101,044	406
County Assessor	128,466	127,466	126,762	704
Total County Assessor	128,466	127,466	126,762	704
Revaluation of Real Property	234,712	237,752	237,344	408
Capital Outlay	1,600	1,640	1,560	80
Total Revaluation of Real Property	236,312	239,392	238,904	488
Juvenile Shelter	20,000	22,500	21,867	633
Total Juvenile Shelter	20,000	22,500	21,867	633
District Court	27,040	27,040	25,486	1,554
Total District Court	27,040	27,040	25,486	1,554
General Government	127,531	123,991	116,535	7,456
Capital Outlay	74,961	46,014	45,390	624
Total General Government	202,492	170,005	161,925	8,080
Excise-Equalization Board	7,600	4,846	4,146	700
Capital Outlay	6,000	6,000	6,000	
Total Excise-Equalization Board	13,600	10,846	10,146	700
County Election Board	84,500	84,467	83,667	800
Capital Outlay	500	500	284	216
Total County Election Board	85,000	84,967	83,951	1,016
Insurance Benefits	339,331	350,817	348,967	1,850
Total Insurance Benefits	339,331	350,817	348,967	1,850
Charity	6,000	4,500	3,630	870
Total Charity	6,000	4,500	3,630	870

continued on next page

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

McCURTAIN 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
Civil Defense	1,500	2,200	2,074	126
Capital Outlay	1,000	300		300
Total Civil Defense	2,500	2,500	2,074	426
County Audit Budget	14,367	14,367	14,367	
Total County Audit Budget	14,367	14,367	14,367	-
County Cemetery Account	40,000	47,000	46,950	50
Total County Cemetery Account	40,000	47,000	46,950	50
Free Fair Budget	10,000	15,000	15,000	
Capital Outlay	5,000			
Total Free Fair	15,000	15,000	15,000	-
Provision for Interest on Warrants	10,000	10,000		10,000
Total Disbursements, Budgetary Basis	2,188,334	2,188,652	2,158,931	29,721
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	249,102	\$ 249,102
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			17,088	
Add: Current Year Outstanding Warrants			60,462	
Ending Cash Balance			<u>\$ 326,652</u>	

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

McCURTAIN 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	\$ 184,151	\$ 184,151	\$ 185,264	\$ 1,113
Less: Prior Year Outstanding Warrants	(49,420)	(49,420)	(49,420)	
Less: Prior Year Encumbrances	(13,377)	(13,377)	(13,377)	
Beginning Cash Balances, Budgetary Basis	121,354	121,354	122,467	1,113
Receipts:				
Ad Valorem Taxes	326,522	326,522	321,199	(5,323)
Miscellaneous Revenues		86,321	110,442	24,121
Total Receipts, Budgetary Basis	326,522	412,843	431,641	18,798
Expenditures:				
Health and Welfare	427,000	501,573	423,236	78,337
Capital Outlay	20,876	32,624	6,451	26,173
Total Expenditures, Budgetary Basis	447,876	534,197	429,687	104,510
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	124,421	\$ 124,421
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			11,675	
Add: Current Year Outstanding Warrants			34,430	
Ending Cash Balance			\$ 170,526	

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

**McCURTAIN COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2003**

Beginning Cash Balance	<u>\$ 3,988</u>
Receipts:	
Miscellaneous	<u>20</u>
Total Receipts	<u>20</u>
Disbursements:	
Residual Equity Transfer to General Fund	<u>4,008</u>
Total Disbursements	<u>4,008</u>
Ending Cash Balance	<u>\$ -</u>

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

**McCURTAIN COUNTY, OKLAHOMA
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	Cancelled Vouchers	Disbursements	Ending Cash Balances June 30, 2003
District Court Clerk #5	\$ 72,141	\$ 1,507,590	\$ 1,058	\$ 1,478,233	\$ 102,556
District Court Fund #1	101,972	812,014	1,464	760,301	155,149
District Attorney #6	141,781	254,260	348	271,413	124,976
County Clerk #4	40	171,168		171,168	40
County Sheriff #16	4,062	54,302		58,174	190
County Treasurer #3	1,118	9,440	263	10,122	699
County Treasurer #12	7,000			6,900	100
County Treasurer #2	69	642		648	63
District Attorney #11	30,995	190		4,182	27,003
Election Board #8	970	41,919	1,452	42,239	2,102
Health Department #10		88,467		88,467	
County Assessor #9		7,570		7,570	
Court Clerk #13	23,280	52,763	1,401	73,414	4,030
County Sheriff #15	1,639	224,818	2,652	211,833	17,276
County Sheriff #17	411			250	161
County Sheriff #18	1,712	3,344		3,944	1,112
County Sheriff #19	962	20,961		20,961	962
District Attorney #7	546	3,956	10	3,637	875
Total Official Depository Accounts	\$ 388,698	\$ 3,253,404	\$ 8,648	\$ 3,213,456	\$ 437,294

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

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

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

The 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.)	

McCURTAIN 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

Employees receive 10 days of annual leave per year and may accumulate up to 5 days. Employees also earn 10 days of sick leave per year and may accumulate up to 60 days.

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 \$5,647,124 and the bank balance was \$5,754,972. 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.

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.

Protest Tax - accounts for collections of ad valorem taxes which have been protested.

Treasurer Mortgage Tax 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.

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

Assessor Revolving - accounts for the collection of fees for copies and disbursements as 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 disbursements of sheriff process service fees as restricted by statute.

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

Mountain Fork Patrol - accounts for monies received from the Corps of Engineers for patrolling services.

DARE - accounts for excess match funds remaining from the Drug Awareness Resistance Education Grant.

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

Alternative to Detention - accounts for the state contract funds for juvenile care.

Detailed Notes on Funds and Account Balances (continued)

McCurtain County Jail Trust – accounts for the sales tax monies collected for the operation of the McCurtain County Jail.

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

McCurtain County Correctional Authority – accounts for the sales tax monies collected for the construction of the McCurtain County Jail.

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

Revenue Sharing – accounts for interest remaining from the Revenue Sharing Fund.

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 with the Registrar of Deeds as restricted by statute for the preservation of records

K-5051 McCurtain RWD #1 – accounts for the state grant funds received for the purpose of constructing water lines for Rural Water District #1.

CK-5046 Harris Sub – accounts for the state grant funds received for the purpose of constructing a fire department substation for the Harris community.

CK-6043 RWD #9 – accounts for the state grant funds received for the purpose of constructing water lines for Rural Water District #9.

CK-5047 Battiest Health – accounts for the state grant funds received for the purpose of buying equipment for the Battiest Health Center.

Court Related Community Service – accounts for the state contract funds for juvenile care.

National Children's Alliance – accounts for the funds used for child advocacy purposes.

Federal Emergency Management – accounts for the receipts and disbursement of funds from state and local governments for civil defense purposes.

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

Detailed Notes on Funds and Account Balances (continued)

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

K-5049 Redland Fire Department – accounts for the state grant funds received for the construction of a fire department substation building for the Redland community.

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

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.

Child Abuse Multi-Disciplinary Account – accounts for the state funds to operate the child advocacy center.

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 was transferred to the General Fund.

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

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

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 McCurtain County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Cities and Towns – accounts for Oklahoma Tax Commission collections distributed to the cities and towns of McCurtain County.

Whitegrass – accounts for the collection and distribution of special assessment taxes for flood control on certain properties in the County.

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

Detailed Notes on Funds and Account Balances (continued)

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

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

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

District Attorney Expense Account – accounts for monies reimbursed for maintenance, operation, and capital improvement.

Mobile Home Trust – accounts for prepaid mobile home taxes.

Mobile Home Reserve – accounts for excess tax collections for prepaid mobile home taxes.

District Attorney Forfeiture Fund – accounts for the collection of the District Attorney's percentage of drug forfeitures.

Pruitt Money Order – accounts for taxes paid in advance before properties were assessed on the tax roll. The owner cannot be located to return money.

Tom Co-op – accounts for funds used by the Tom School District to pay for special student services.

VOCA – accounts for funds received from the state for salary, benefits, and travel for the victim services advocate.

CSIF-District Attorney Truancy – accounts for funds received from the schools to pay the truancy officer's salary, benefits, and travel.

CECC – accounts for the remaining interest from the Community Education Cash Co-op.

City of Smithville – This fund was set up by the Oklahoma Tax Commission for the City of Smithville's portion of the alcohol and beverages taxes. The City of Smithville does not have a mayor or city council.

Community Relation – accounts for payments made in lieu of fines or jail time by persons charges for crimes. This account was set up under a former district attorney. This practice was stopped and the persons paying monies have not been located for reimbursement.

Detailed Notes on Funds and Account Balances (continued)

City of Idabel – accounts for special assessments on city abatement fees for clearing and mowing property.

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.

The following narrative details the official depository accounts.

District Court Clerk #5 – accounts for the collection of bond money, court fines, and fees. Money is disbursed for fees and restitution.

District Court Fund #1 – accounts for fees transferred from District Court and interest. Money is disbursed for the purpose of fees for various entities, salaries, and operation of the office.

District Attorney #6 – accounts for the collection of bogus checks and district attorney fees to be disbursed to the merchant as restricted by state statutes.

County Clerk #4 – accounts for the collection of filing fees and disbursed to the Oklahoma Tax Commission and the County Clerk Lien Fee Account.

County Sheriff #16 – accounts for the collection of foreign service fees and bonds. Monies are vouchered out at the end of the month to the sheriff service fee account and the Court Clerk.

County Treasurer #3 – accounts for the collection of motor vehicle stamps. Disbursements are for the purposed of motor vehicle collection distribution.

County Treasurer #12 – accounts for the collection of taxes and pre-paid mobile home. Disbursements are for the purpose of refunding overpayment of taxes.

County Treasurer #2 – accounts for the collection of farm stamps. Disbursements are for the purpose of farm stamp collection distribution.

District Attorney #11 – accounts for collection of child support incentive and disbursements of funds restricted by state statutes.

Election Board #8 – accounts for reimbursement of elections and is disbursed for refunds of election fees and maintenance and operation of the office.

Health Department #10 – 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.

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

Detailed Notes on Funds and Account Balances (continued)

County Assessor #9 – accounts for the collection for copies and proceeds from sale of ownership books to be disbursed at the end of the month and deposited in the Assessor revolving fund.

Court Clerk #13 – accounts for a charge of \$5.00 for each warrant. Money is disbursed in the same manner as court fund.

County Sheriff #15 – accounts for collection of inmate trust money to be disbursed to sheriff commissary or inmate upon release.

County Sheriff #17 – accounts for the collection of forfeiture transferred from the Sheriff's forfeiture account and disbursements are for confidential expenditures.

County Sheriff #18 – accounts for the collection from forfeitures and disbursements of funds restricted by court orders and state statutes.

County Sheriff #19 – accounts for the collection of fees transferred from the inmate trust money for commissary items and disbursements of funds as restricted by state statutes.

District Attorney #7 – accounts for collections received from the state to reimburse the County for witness expenses.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2002, was approximately \$143,669,937.

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

Detailed Notes on Funds and Account Balances (continued)

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 88.36 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.

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.

Detailed Notes on Funds and Account Balances (continued)

G. Residual Equity Transfers

Residual equity transfers consist of \$5,395 transferred to the general fund from the following funds; \$4,008 from County Sinking, \$996 from Alternative to Detention, \$283 from Revenue Sharing, and \$108 from CECC. The County also transferred \$5,074 from the DARE fund to the Sheriff Service Fee, \$4,765 from the McCurtain County Correctional Authority to the McCurtain County Jail Trust, \$1,189 from Mount Fork Patrol to McCurtain County Sheriff's Office, and \$3,278 from Tom Co-op to Schools. All transfers were to close out discontinued funds.

4. Contingent Liabilities

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

The government is a defendant in various lawsuits. The outcome of these lawsuits is unpredictable at this time.

5. Sales Tax

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

The voters of McCurtain County approved a three (3%) 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.

Schedule of Expenditures of Federal Awards

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Oklahoma State Treasurer:			
Schools and Roads	10.665		\$ 640,030
Total U.S. Department of Agriculture			640,030
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payment in Lieu of Taxes	15.226		75,706
Passed Through Bureau of Indian Affairs:			
Road Maintenance - Indian Roads	15.033	CMG00-1245 02	36,885
Total U.S. Department of Interior			112,591
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed Through Oklahoma State Treasurer:			
Flood Control	12.112		1,969
Total U.S. Department of Defense			1,969
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Local Law Enforcement Block Grant	16.592	2000 LB-BX 1586	2,139
Local Law Enforcement Block Grant	16.592	2001 LB-BX 1091	25,120
Local Law Enforcement Block Grant	16.592	2002 LB-BX 1483	16,841
Community Oriented Policing Services (COPS)	16.710	95 CF-WX 6249	33,863
Community Oriented Policing Services (COPS in School)	16.710	99 SH-0576	45,920
Passed Through Oklahoma State Treasurer:			
Juvenile Accountability Incentive Block Grant	16.523	01 JAIBG-23	3,291
Total U.S. Department of Justice			127,174
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through the State Department of Transportation:			
Federal Highway Assistance	20.205	ERSTP-145C	6,293,372
Total U.S. Department of Transportation			6,293,372
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma State Department of Civil Emergency Management:			
Public Assistance Grants	83.544	1355 DR	308,198
Total Federal Emergency Management Agency			308,198
Total Expenditures of Federal Awards			\$ 7,483,334

McCURTAIN 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 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*.

**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
McCURTAIN COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of McCurtain County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 9, 2003. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether McCurtain County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we believe are significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action. These findings, 2002-1 and 2003-1, are included in Section 4 of the schedule of findings and questioned costs, contained within this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McCurtain 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 2002-2, 2003-2, 2003-3, and 2003-4.

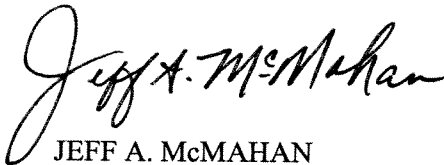
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 2002-2, 2003-2, 2003-3, and 2003-4 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. McMAHAN". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

December 9, 2003

**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
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, 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.

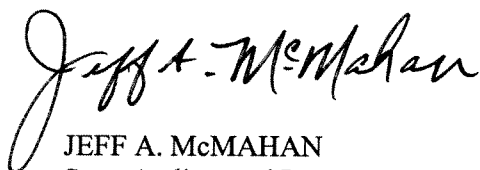
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively 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. McMahar". The signature is written in a cursive, flowing style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

December 9, 2003

Schedule of Findings and Questioned Costs

McCURTAIN 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>
10.665	Schools and Roads
20.205	Federal Highway Assistance
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

McCURTAIN 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 2002-2 – Timesheets and Compensatory Time Off (Repeat Finding)

Criteria: Effective internal controls include that timesheets be prepared, reviewed for accuracy, and filed with the payroll department prior to payroll checks being issued. The County's Personnel Policy Handbook and the Fair Labor Standards Act requires that employers keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid.

Condition: County employees do not prepare timesheets and/or records which reflect accumulated leave balances, are signed and approved by the Officer, and are filed with the County Clerk at the end of each month as required by the County's Personnel Policy Handbook.

Recommendation: We recommend that all employees prepare timesheets with information of time worked, any leave taken during the month, overtime worked, and accumulated leave balances, in order to comply with the County's Personnel Policy Handbook and the Fair Labor Standards Act. Also, the officer should sign and approve each timesheet and file in the County Clerk's office.

Management's Response: We concur with the auditors' findings. We have started the process of implementing procedures for the accountability of employee time records.

Finding 2003-2 – Segregation of Duties

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

Condition: The County Assessor's office, County Treasurer's office, County Sheriff, and Juvenile Bureau each had one employee who performed all duties of balancing, posting receipts, depositing, and reconciling funds. Additionally, the County Clerk, County Treasurer, County Assessor, and County Sheriff each had one employee who performs the calculation, posting, and signing of vouchers.

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. Under these conditions, the most effective controls lie in management's knowledge of County operations and a periodic review of operations.

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

Finding 2003-3 – Disaster Recovery Plan

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

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

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

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

Management's Response: Each office will work to implement a formal Disaster Recovery Plan.

Finding 2003-4 – Policies and Procedures for the IT System

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

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

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

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

Management's Response: The County officials will work to prepare and implement policies and procedures for the information systems.

SECTION 3 –Federal Award Findings and Questioned Costs

No matters were reported.

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

Finding 2002-1 – General Fixed Assets (Repeat Finding)

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 be 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 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 will work together to compile a complete listing of county inventory. We will also try to conduct a physical inventory of all items once every two years.

Finding 2003-1 – Expenditures

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

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

Condition: Of the 30 purchase orders examined, 17 were not properly encumbered, 12 did not have a receiving report attached, 9 did not have proper supporting documentation attached, and 1 invoice amount did not agree to the purchase order amount.

Recommendation: We recommend that all purchase orders be encumbered prior to liability being incurred and that all supporting documentation be attached to the purchase orders.

Management's Response: County officials will make a greater effort to adhere to purchasing procedures outlined in state statutes.

Schedule of Prior Year Audit Findings and Questioned Costs

McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Finding 2002-5 - Procurement

Federal Program: Public Assistance Grant, CFDA #83.544

Funding Agency: Federal Emergency Management Agency passed through the Oklahoma State Department of Civil Emergency Management

Condition: McCurtain County District #2 paid an employee a salary in addition to \$31,884.93 for contract labor. Of this amount, \$10,738.86 was paid out of grant funds for FEMA projects. We have questioned the amount paid for FEMA projects in the amount of \$10,738.86.

Corrective Action Plan: No corrective action was taken. However, no findings of this nature were noted for the fiscal year ending June 30, 2003.

Finding 2002-6 – Allowed Costs

Federal Program: Highway Planning and Construction Grant, CFDA #20.205

Funding Agency: U. S. Department of Transportation passed through the Bureau of Indian Affairs

Condition: The County received \$550,000 for a BIA Road Project. This grant was to be used to asphalt a road. Purchase order #2354 was not encumbered timely and did not have original invoices for supporting documentation. We have questioned the \$550,000 expended for this project.

Corrective Action Plan: The County officials obtained the proper documentation and filed it with the purchase order. During audit fieldwork, the documentation was verified. No findings of this nature were noted for the fiscal year ending June 30, 2003.

**Statistical Data
(Unaudited)**

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

TAXPAYER NAME	JANUARY 1, 2002 NET ASSESSED VALUATION	% OF TOTAL NET VALUATION
Weyerhaeuser Co.	\$ 54,686,316	38.06%
Public Service Co. of OK	4,737,241	3.30%
Texas Okla & Eastern RR	4,203,200	2.93%
Pine Telephone Co., Inc.	3,321,801	2.31%
Tyson Foods, Inc.	3,069,348	2.14%
Southwestern Bell	2,745,659	1.91%
Reliant Energy	2,269,573	1.58%
Valliant Telephone Co.	2,005,097	1.40%
Dominance Industries Co.	1,944,548	1.35%
Southwestern Electric Power	1,913,200	1.33%
Total	<u>\$ 80,895,983</u>	<u>56.31%</u>

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

**McCURTAIN 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>\$ 143,669,937</u>
Debt limit - 5% of total assessed value		\$ 7,183,497
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 7,183,497</u>

McCURTAIN 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>34,402</u>
Net assessed value	<u>\$ 143,669,937</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>

**McCURTAIN 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	\$55,339,772	\$24,284,675	\$72,546,599	\$8,501,109	\$143,669,937	\$1,272,988,259