

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

August 10, 2005

TO THE CITIZENS OF
McCURTAIN COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive style with a large initial "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

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

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

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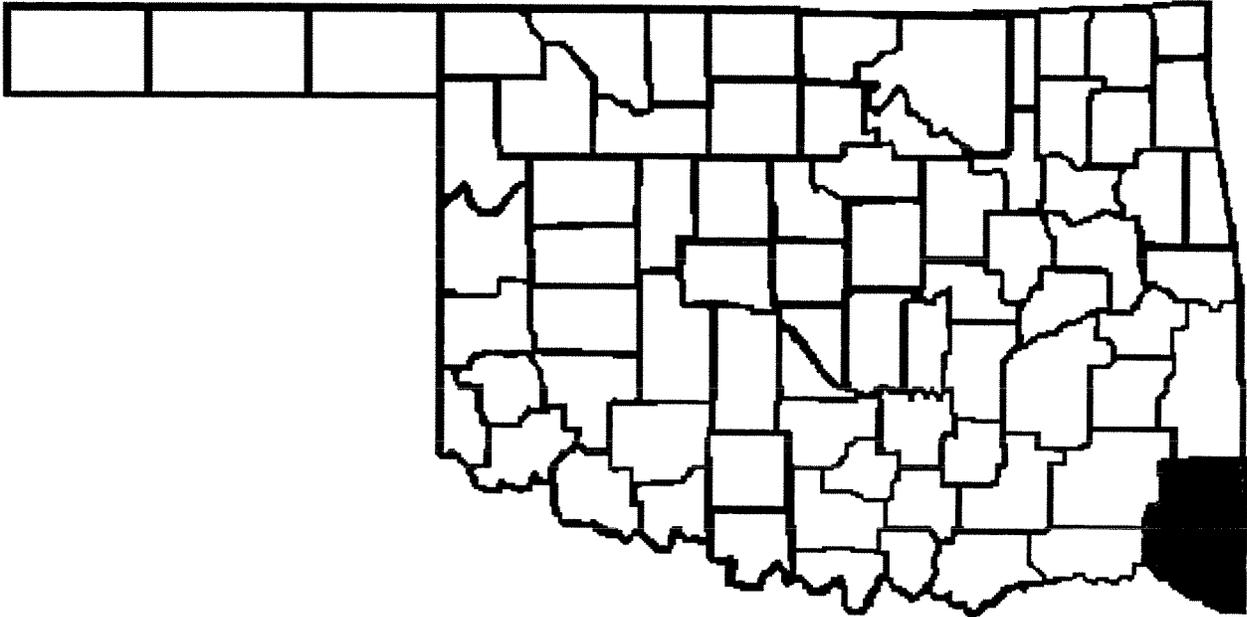
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**REPORT TO THE CITIZENS
OF
McCURTAIN COUNTY, OKLAHOMA**



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

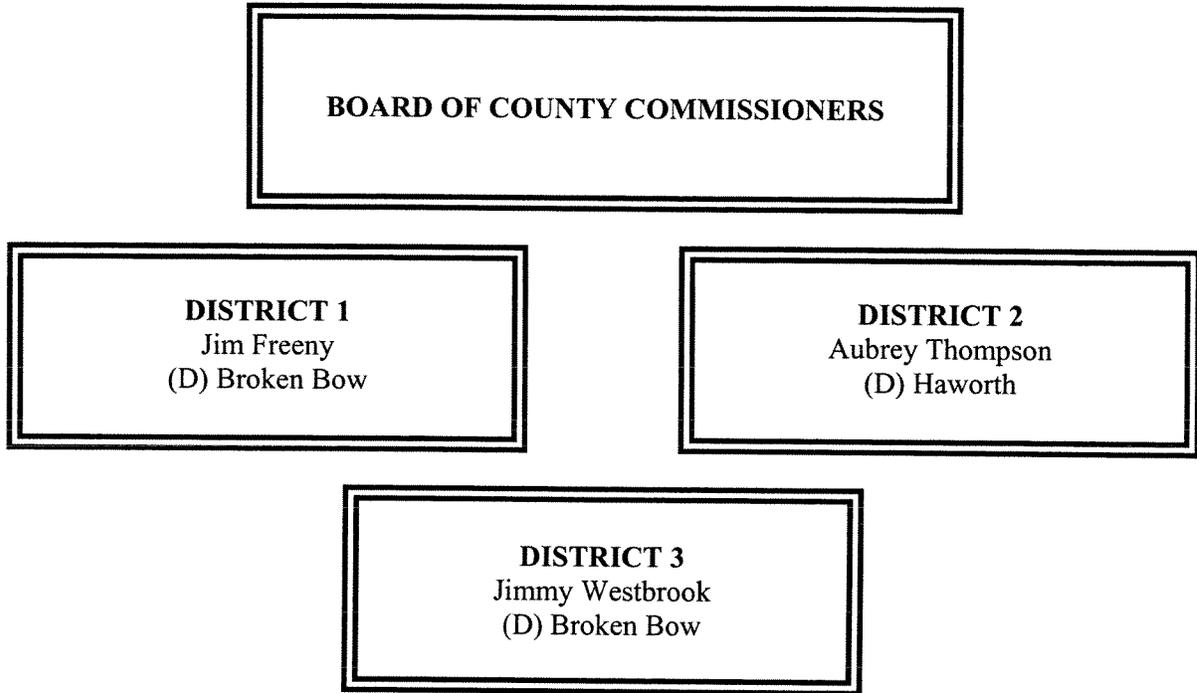
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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**

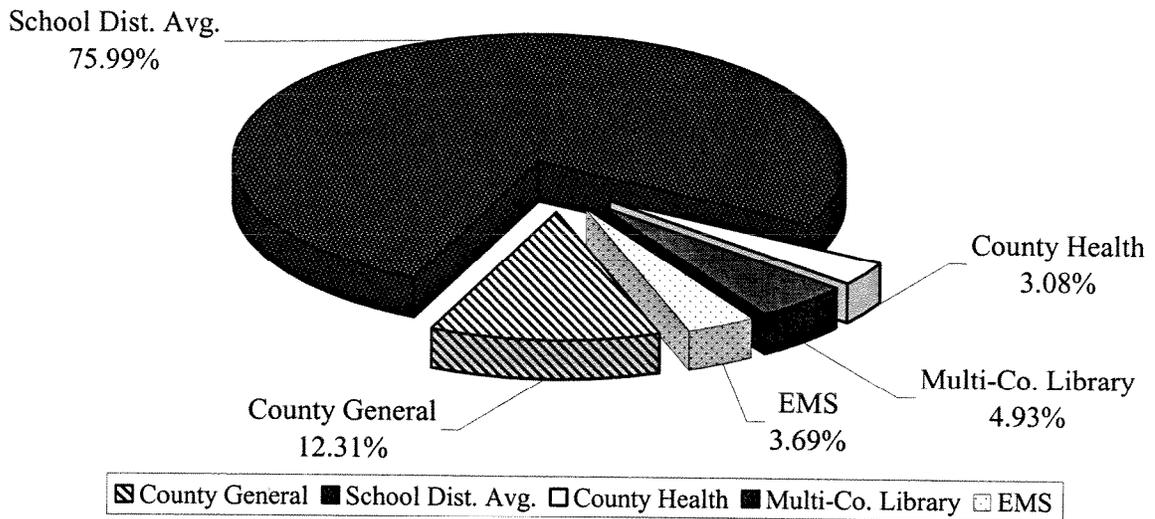
<p>ELECTION BOARD SECRETARY Lue Davis (D) Idabel</p>

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.

**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-Wide Millages		School District Millages								
Co. General				Gen.	Bldg.	Skg.	Tech Cntr.	Tech Cntr.		Total
								Bldg.	Common	
Co. 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	8.57	10.00	2.00	4.00	64.57
Multi-County Library	4.00	Haworth	I-6	35.00	5.00	17.69	10.00	2.00	4.00	73.69
		Lukfata	C-9	35.00	5.00	9.52	10.00	2.00	4.00	65.52
		Valliant	I-11	35.00	5.00		10.00	2.00	4.00	56.00
		Eagletown	I-13	35.00	5.00		10.00	2.00	4.00	56.00
		Smithville	I-14	35.00	5.00	8.82	10.00	2.00	4.00	64.82
		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	6.82	10.00	2.00	4.00	62.82
		Wright City	I-39	35.00	5.00		10.00	2.00	4.00	56.00
		Watson	C-56	35.00	5.00	12.68	10.00	2.00	4.00	68.68
		Battiest	I-71	35.00	5.00		10.00	2.00	4.00	56.00
		Holly Creek	I-72	35.00	5.00	6.91	10.00	2.00	4.00	62.91
		Broken Bow	I-74	35.00	5.00	14.95	10.00	2.00	4.00	70.95

See independent auditor's report.

FINANCIAL SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
McCURTAIN COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of McCurtain County, Oklahoma, as of and for the year ended June 30, 2004, as listed in the table of contents. These special-purpose financial statements are the responsibility of 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of 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, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2005, 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.

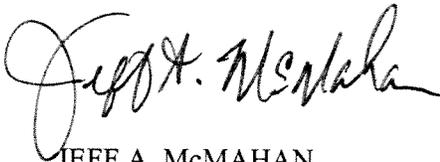
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of McCurtain County, Oklahoma, taken as a whole. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the special-purpose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

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

May 3, 2005

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
County General Fund	\$ 326,652	\$ 1,949,085	\$ 2,172,139	\$ 103,598
Highway Cash	455,952	4,104,018	4,124,854	435,116
County Health Department	170,526	411,896	315,790	266,632
Resale Property	255,308	78,850	103,482	230,676
Protest Tax	97,077		97,077	
Treasurer Mortgage Tax Certification Fee	11,006	9,430	15,013	5,423
County Clerk Lien (F-4)	1,440	4,823	3,596	2,667
Assessor's Revolving (H-4)	4,910	7,138	10,848	1,200
Assessor Visual Inspection	1,724		1,355	369
Sheriff Service Fee	36,775	133,841	129,346	41,270
Pine Creek Patrol	8,611	17,248	23,248	2,611
McCurtain County Sheriff's Office	16,199	525,578	478,980	62,797
McCurtain County Jail Trust	105,295	1,051,044	1,000,303	156,036
Community Sentencing Program	2,782	1,059	2,621	1,220
Department of Corrections	65,519	138,222	115,652	88,089
Solid Waste	586,104	1,059,683	1,346,579	299,208
County Clerk Preservation Fee	38,420	35,563	31,284	42,699
K-5051 McCurtain RWD #1	2,924			2,924
Court Related Community Service	600	4,920	4,890	630
National Children's Alliance	10,860		1,971	8,889
Federal Emergency Management	15,067	704,061	719,128	
Juvenile Accountability Incentive Grant	15			15
Capital Improvement Fund	28,475			28,475
K-5049 Redland Fire Department	212			212
Federal Highway Assistance	282	1		283
McCurtain County Tourism Authority	35,155	99,162	62,279	72,038
Child Abuse Multi-Disciplinary Account	12,309	20,263	15,187	17,385
County Sinking		13		13
Federal Forest	95,113	68,784		163,897
Individual Redemption	9,586	79,159	72,460	16,285
Official Depository	437,294	5,351,514	3,601,756	2,187,052
Schools	2,527,361	15,628,501	14,807,469	3,348,393
Cities and Towns	10,931	244,522	216,795	38,658
Whitegrass	4,975	1,644		6,619
Law Library	24,741	31,532	24,716	31,557
Emergency Medical Service	1,464	427,044	413,373	15,135
County Library	38,227	569,378	582,461	25,144
District Attorney Expense Account	6,263	13,270	11,469	8,064
Mobile Home Trust	11,646	18,604	19,010	11,240
Mobile Home Reserve	12,207	1,585		13,792
District Attorney Forfeiture Fund	10,484	10,844	7,454	13,874

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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 - ALL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2004**

continued from previous page

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
Pruitt Money Order	1,333	16		1,349
DA VOCA	1,063	31,607	32,667	3
CSIF District Attorney Truancy	9,306	34,915	38,524	5,697
City of Smithville	65,241	1,219		66,460
Community Relation	1,265			1,265
City of Idabel		1,200	1,000	200
Emergency Management Authority	88,425	158,784	23,519	223,690
Sheriff's Confiscated Drug Fund		3,625	2,321	1,304
CK-7039 Goodwater Project		14,800	14,800	
CDBG Holly Creek Senior Citizens		46,100	46,100	
CK-7041 Holly Creek Senior Citizens		46,803	46,803	
CDBG-10806		225,025	200,545	24,480
CDBG-10518		28,000	28,000	
CFP Court Fund Payroll		107,904	95,925	11,979
District Attorney's General Fund		24,914	848	24,066
CK-8022 Holly Creek		12,704	12,704	
CDBG-RWD #9		25,000	25,000	
CK-7040 RWD #9		15,000	15,000	
Drug Court Program Users Fee		60		60
Total County Funds	\$ 5,647,124	\$ 33,579,955	\$ 31,116,341	\$ 8,110,738

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, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 326,830	\$ 326,830	\$ 326,652	\$ (178)
Less: Prior Year Outstanding Warrants	(60,462)	(60,462)	(60,462)	
Less: Prior Year Encumbrances	(17,088)	(17,088)	(17,266)	(178)
Beginning Cash Balances, Budgetary Basis	<u>249,280</u>	<u>249,280</u>	<u>248,924</u>	<u>(356)</u>
Receipts:				
Ad Valorem Taxes	1,326,673	1,326,673	1,314,759	(11,914)
Charges for Services	83,536	98,905	104,207	5,302
Intergovernmental Revenues	415,824	415,824	430,589	14,765
Miscellaneous Revenues	102,112	102,112	99,530	(2,582)
Total Receipts, Budgetary Basis	<u>1,928,145</u>	<u>1,943,514</u>	<u>1,949,085</u>	<u>5,571</u>
Expenditures:				
District Attorney	7,500	7,509	7,504	5
Total District Attorney	<u>7,500</u>	<u>7,509</u>	<u>7,504</u>	<u>5</u>
County Sheriff	261,113	266,693	265,341	1,352
Capital Outlay	9,600	9,676	9,571	105
Total County Sheriff	<u>270,713</u>	<u>276,369</u>	<u>274,912</u>	<u>1,457</u>
County Treasurer	136,597	136,597	136,420	177
Total County Treasurer	<u>136,597</u>	<u>136,597</u>	<u>136,420</u>	<u>177</u>
County Commissioners	217,887	232,016	229,996	2,020
Capital Outlay	1,000	1,000	960	40
Total County Commissioners	<u>218,887</u>	<u>233,016</u>	<u>230,956</u>	<u>2,060</u>
OSU Extension	82,736	100,479	99,515	964
Capital Outlay	848	848	440	408
Total OSU Extension	<u>83,584</u>	<u>101,327</u>	<u>99,955</u>	<u>1,372</u>
County Clerk	175,291	177,291	176,563	728
Capital Outlay	2,820	2,820	2,819	1
Total County Clerk	<u>178,111</u>	<u>180,111</u>	<u>179,382</u>	<u>729</u>
Court Clerk	101,450	101,450	99,181	2,269
Total Court Clerk	<u>101,450</u>	<u>101,450</u>	<u>99,181</u>	<u>2,269</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, 2004

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	127,466	127,966	125,013	2,953
Capital Outlay	1,200	1,200	1,189	11
Total County Assessor	<u>128,666</u>	<u>129,166</u>	<u>126,202</u>	<u>2,964</u>
Revaluation of Real Property	237,752	237,752	237,614	138
Capital Outlay	1,200	1,200	1,183	17
Total Revaluation of Real Property	<u>238,952</u>	<u>238,952</u>	<u>238,797</u>	<u>155</u>
Juvenile Shelter	20,000	26,500	24,586	1,914
Total Juvenile Shelter	<u>20,000</u>	<u>26,500</u>	<u>24,586</u>	<u>1,914</u>
District Court	32,000	32,000	30,038	1,962
Total District Court	<u>32,000</u>	<u>32,000</u>	<u>30,038</u>	<u>1,962</u>
General Government	121,568	121,869	115,689	6,180
Capital Outlay	77,260	38,482	36,694	1,788
Total General Government	<u>198,828</u>	<u>160,351</u>	<u>152,383</u>	<u>7,968</u>
Excise-Equalization Board	13,600	13,900	11,819	2,081
Total Excise-Equalization Board	<u>13,600</u>	<u>13,900</u>	<u>11,819</u>	<u>2,081</u>
County Election Expense	85,000	99,794	96,389	3,405
Capital Outlay		586	586	
Total County Election Expense	<u>85,000</u>	<u>100,380</u>	<u>96,975</u>	<u>3,405</u>
Insurance Benefits	369,000	354,144	346,991	7,153
Total Insurance Benefits	<u>369,000</u>	<u>354,144</u>	<u>346,991</u>	<u>7,153</u>
Charity	6,000	6,000	3,988	2,012
Total Charity	<u>6,000</u>	<u>6,000</u>	<u>3,988</u>	<u>2,012</u>
Civil Defense	1,950	1,950	1,066	884
Total Civil Defense	<u>1,950</u>	<u>1,950</u>	<u>1,066</u>	<u>884</u>
County Audit	14,593	14,593	14,593	
Total County Audit	<u>14,593</u>	<u>14,593</u>	<u>14,593</u>	<u>-</u>
County Cemetery Account	47,000	53,485	53,485	
Total County Cemetery Account	<u>47,000</u>	<u>53,485</u>	<u>53,485</u>	<u>-</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
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Free Fair Budget	10,000	10,000	10,000	
Capital Outlay	5,000	5,000	3,339	1,661
Total Free Fair Budget	<u>15,000</u>	<u>15,000</u>	<u>13,339</u>	<u>1,661</u>
Provisions for Interest on Warrants	9,994	9,994		9,994
Total Expenditures, Budgetary Basis	<u>2,177,425</u>	<u>2,192,794</u>	<u>2,142,572</u>	<u>50,222</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	55,437	<u>\$ 55,437</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			10,273	
Add: Current Year Outstanding Warrants			37,888	
Ending Cash Balance			<u>\$ 103,598</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 FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 170,526	\$ 170,526	\$ 170,526	\$ -
Less: Prior Year Outstanding Warrants	(34,430)	(34,430)	(34,430)	
Less: Prior Year Encumbrances	(11,675)	(11,675)	(11,675)	-
Beginning Cash Balances, Budgetary Basis	<u>124,421</u>	<u>124,421</u>	<u>124,421</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	331,668	331,668	328,691	(2,977)
Miscellaneous Revenues	10,865	66,889	83,205	16,316
Total Receipts, Budgetary Basis	<u>342,533</u>	<u>398,557</u>	<u>411,896</u>	<u>13,339</u>
Expenditures:				
Health and Welfare	440,000	494,801	282,488	212,313
Capital Outlay	26,954	28,177	8,415	19,762
Total Expenditures, Budgetary Basis	<u>466,954</u>	<u>522,978</u>	<u>290,903</u>	<u>232,075</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	245,414	<u>\$ 245,414</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			12,984	
Add: Current Year Outstanding Warrants			8,234	
Ending Cash Balance			<u>\$ 266,632</u>	

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

**McCURTAIN COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2004**

Beginning Cash Balance	\$	<u>-</u>
Receipts:		
Ad Valorem Tax		13
Miscellaneous		
Total Receipts		<u>13</u>
Disbursements:		
County Judgments		
Total Disbursements		<u>-</u>
Ending Cash Balance	\$	<u>13</u>

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

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

Official Depository Accounts	Beginning Cash Balances			Cancelled Vouchers	Ending Cash Balances June 30, 2004
	July 1, 2003	Receipts	Disbursements		
District Court Clerk #5	\$ 102,556	\$ 3,335,748	\$ 1,611,946	\$ 1,795	\$ 1,828,153
District Court Fund #1	155,149	964,237	945,809	4,431	178,008
District Attorney #6	124,976	331,200	351,060	564	105,680
County Clerk #4	40	195,707	195,713	6	40
County Sheriff #16	190	45,575	58,564	19,000	6,201
County Treasurer #3	699	9,079	9,188		590
County Treasurer #12	100	4,271	194		4,177
County Treasurer #2	63	1,164	540		687
District Attorney #11	27,003	95	27,098		
Election Board #8	2,102	45,855	36,841	702	11,818
Health Department #10		58,562	58,562		
County Assessor #9		6,599	6,599		
Court Clerk #13	4,030	39,482	22,439		21,073
County Sheriff #15	17,276	219,428	220,471	7,838	24,071
County Sheriff #17	161		161		
County Sheriff #18	1,112		1,112		
County Sheriff #19	962	40,233	40,233		962
District Attorney #7	875	1,837	2,632		80
District Attorney #20		22,230	16,718		5,512
Court Clerk #21		30,212	30,212		
Total Official Depository Accounts	\$ 437,294	\$ 5,351,514	\$ 3,636,092	\$ 34,336	\$ 2,187,052

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

E. Cash and Investments

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

F. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	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.
- Torts		
- Errors and Omissions		
- Law Enforcement Officers Liability		
- Vehicle		
Physical Plant		
- Theft		
- Damage to Assets		
- Natural Disasters		

McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Summary of Significant Accounting Policies (continued)

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

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

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

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

G. Compensated Absences

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 \$8,110,738 and the bank balance was \$8,339,445. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

B. Description of Funds

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.

McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

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 disbursement of the funds as restricted by statute.

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

Assessor's 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 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.

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.

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

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

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

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

Detailed Notes on Funds and Account Balances (continued)

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

Federal Emergency Management – accounts for the receipt 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.

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.

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.

Detailed Notes on Funds and Account Balances (continued)

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

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.

DA 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.

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 charged 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.

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

Detailed Notes on Funds and Account Balances (continued)

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.

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

CK-7039 Goodwater Project – accounts for state funds to be used for the construction of roads in the Goodwater community.

CDBG Holly Creek Senior Citizens – accounts for federal funds to be used for the construction of a senior citizens center at Holly Creek.

CD-7041 Holly Creek Senior Citizens - accounts for federal funds to be used for the construction of a senior citizens center at Holly Creek.

CDBG-10806 – accounts for federal funds to be used for the construction of a rural water system in Rural Water District #9.

CDBG-10518 – accounts for federal funds to be used for the construction of a senior citizens center at Holly Creek.

CFP Court Fund Payroll – accounts for funds from the Court Fund and proceeds are used for payroll for Court Fund employees.

District Attorney's General Fund – accounts for funds collected from defendants for supervision fees and is used for the lawful operation of the District Attorney's office.

CK-8022 Holly Creek – accounts for state funds to be used for the construction of a senior citizens center at Holly Creek.

CDBG RWD #9 – accounts for federal funds to be used for the construction of a rural water system in Rural Water District #9.

CK-7040 RWD #9 – accounts for state funds to be used for the construction for a rural water system in Rural Water District #9.

Drug Court Program Users Fee – accounts for the collection of user fees from drug court participants and is used for the operation of the Drug Court Program.

McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

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.

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.

Detailed Notes on Funds and Account Balances (continued)

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 disbursement 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 disbursement of funds as restricted by state statutes.

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

District Attorney #20 – accounts for the fees collected for restitution payments.

Court Clerk #21 – accounts for drug court user fees and are used to support the McCurtain County Drug Court Program.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2003, was approximately \$145,933,988.

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

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

McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

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

Current year tax collections for the year ended June 30, 2004, were approximately 88.76 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.

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.

Contingent Liabilities (continued)

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

5. Sales Tax

The voters of 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.

SUPPLEMENTARY SCHEDULE

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Oklahoma State Treasurer:			
Schools and Roads - Grants to States	10.665		\$ 458,555
Total U.S. Department of Agriculture			<u>458,555</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass Through State Department of Commerce:			
Community Development Block Grant - State's Program	14.228	10806 CDBG 03	224,995
Community Development Block Grant - State's Program	14.228	10518 CDBG 02	50,000
Total U.S. Department of Housing and Urban Development			<u>274,995</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		34,249
Total U.S. Department of Interior			<u>34,249</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Local Law Enforcement Block Grants Programs	16.592	2001 LB-BX 1091	462
Local Law Enforcement Block Grants Programs	16.592	2002 LB-BX 1483	352
Local Law Enforcement Block Grants Programs	16.592	2003 LB-BX 1622	11,686
Total U.S. Department of Justice			<u>12,500</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through the State Department of Transportation:			
Highway Planning and Construction	20.205	CM GOO 1247 02	278,906
Total U.S. Department of Transportation			<u>278,906</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma State Department of Civil Emergency Management:			
Public Assistance Grants	83.544	1355 DR	296,548
State and Local All Hazards Emergency Operations Planning	97.051		18,343
Total Federal Emergency Management Agency			<u>314,891</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,374,096</u></u>

The accompanying note is an integral part of this schedule.

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

Basis of Presentation

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

INTERNAL CONTROL AND COMPLIANCE SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
McCURTAIN COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of McCurtain County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated May 3, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-1, 2004-2, 2004-3, and 2004-4.

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

Compliance and Other Matters

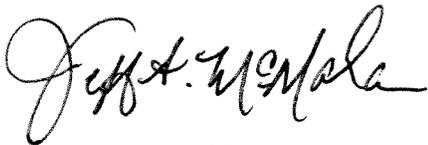
As part of obtaining reasonable assurance about whether McCurtain County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we reported to management of McCurtain County and is included in Section 4 of the schedule of findings and questioned costs, contained within this report.

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

May 3, 2005



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
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, 2004. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

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

Internal Control Over Compliance

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

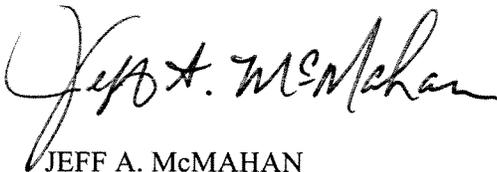
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce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

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

May 3, 2005

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

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified? Yes

• Reportable condition(s) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? 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

CFDA Number(s)

10.665
20.205

Name of Federal Program or Cluster

Schools and Roads – Grants to States
Highway Planning and Construction

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

Auditee qualified as low-risk auditee? No

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

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

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

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

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

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

Finding 2004-2 – 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;

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

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

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

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

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

Finding 2004-3 - 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.

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

Finding 2004-4 - Assessor's Payroll and Leave Records

Criteria: Effective internal controls include timesheets be prepared, reviewed for accuracy, and filed with the payroll department prior to payroll checks being issued. Payroll claims should be reviewed and signed by each officer to verify that payroll is accurate. The Fair Labor Standards Act requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid.

Condition: Timesheets were not available for one employee in the Assessor's office who was being compensated for part-time employment and County benefits. Also, timesheets of another employee in the Assessor's office reflected full-time employment, however, he only received compensation for working part-time since November 2004.

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

Recommendation: We recommend that employees prepare timesheets with information of time worked, any leave taken during the month, overtime worked, and accumulated leave balances, in order to comply with the Fair Labors Standards Act. The officer should sign and approve each timesheet and file in the County Clerk's office. Also, all payroll changes should be documented in the employee's personnel files.

Views of responsible officials and planned corrective actions: We concur with the auditor's findings. We have started the process of implementing procedures for the accountability of employee time records.

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

No matters were reported.

SECTION 4 - Other Findings - This section contains findings not required to be reported in 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*, 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 2004-5 - 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.

Views of responsible officials and planned corrective actions: 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.

STATISTICAL SECTION
(Unaudited)

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

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Weyerhaeuser Company	\$ 55,612,738	38.11%
PSO	4,898,507	3.36%
Texas Oklahoma & Eastern RR	4,274,330	2.93%
Pine Telephone Co. Inc	2,994,065	2.05%
Centerpoint Energy Gas	2,468,484	1.69%
Tyson Foods Inc	2,195,896	1.50%
Valliant Telephone Co.	2,113,653	1.45%
Southwestern Bell Telephone	1,964,900	1.35%
Dominance Industries Inc	1,944,548	1.33%
Southwestern Electric Power	1,599,317	1.09%
Total	<u>\$ 80,066,438</u>	<u>54.86%</u>

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

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

Total net assessed value as of January 1, 2003		<u>\$ 145,933,988</u>
Debt limit - 5% of total assessed value		7,296,699
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>13</u>	<u>-</u>
Legal debt margin		<u>\$ 7,296,699</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, 2004
(UNAUDITED)

	2004
Estimated population	34,402
Net assessed value as of January 1, 2003	\$ 145,933,988
Gross bonded debt	-
Less available sinking fund cash balance	13
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

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

<u>Valuation Date</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>
1/1/2003	\$55,528,999	\$24,627,740	\$74,163,375	\$8,386,126	\$145,933,988	\$1,290,965,855