

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

May 16, 2007

TO THE CITIZENS OF
McCURTAIN COUNTY, OKLAHOMA

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

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

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

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

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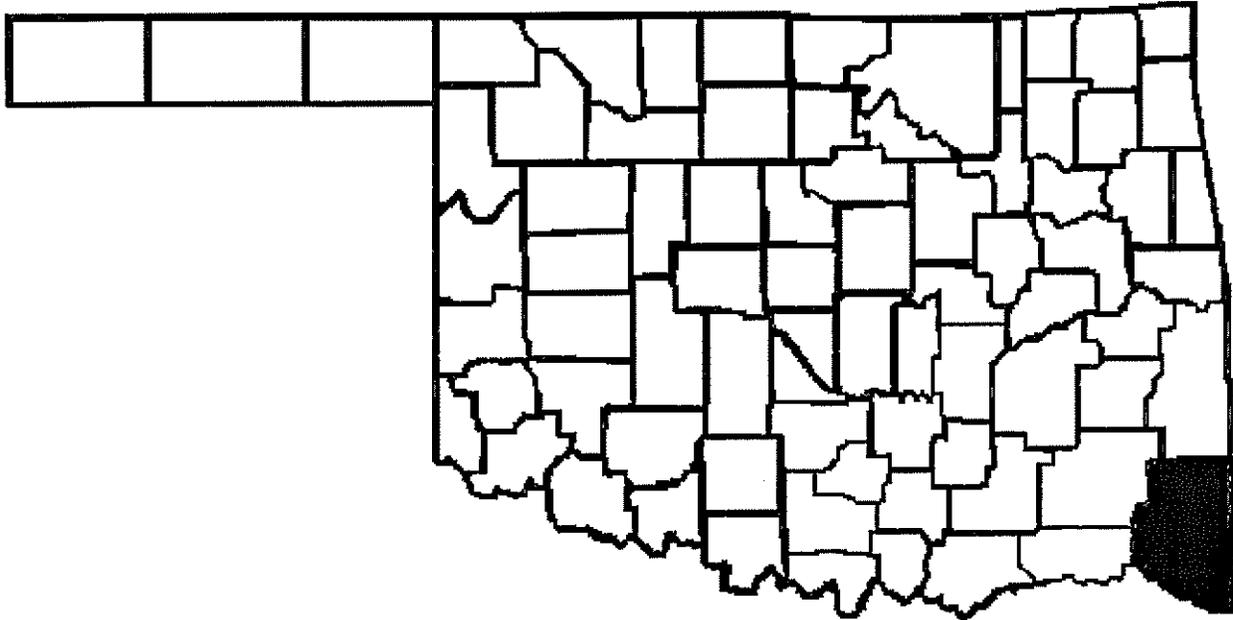
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**McCURTAIN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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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 – 1,901.32 Square Miles

County Population – 34,046
(2004 est.)

Farms – 1,855

Land in Farms – 357,991 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

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

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

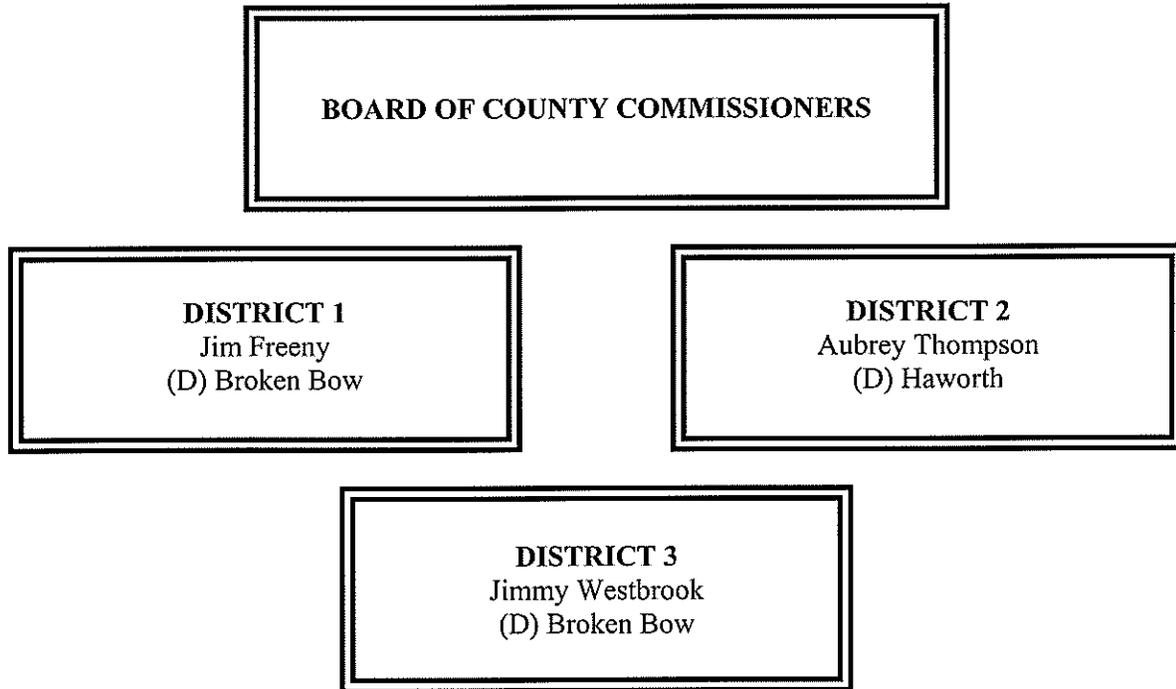
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**



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

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

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

See independent auditor's report.

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

COUNTY SHERIFF

Mike Willeby (July 1, 2004 to December 31, 2004)

(D) Haworth

Johnny Tadlock (January 1, 2005 to present)

(D) Idabel

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

COURT CLERK
Vicki Justus
(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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

ELECTION BOARD SECRETARY

Lue Davis
(D) Idabel

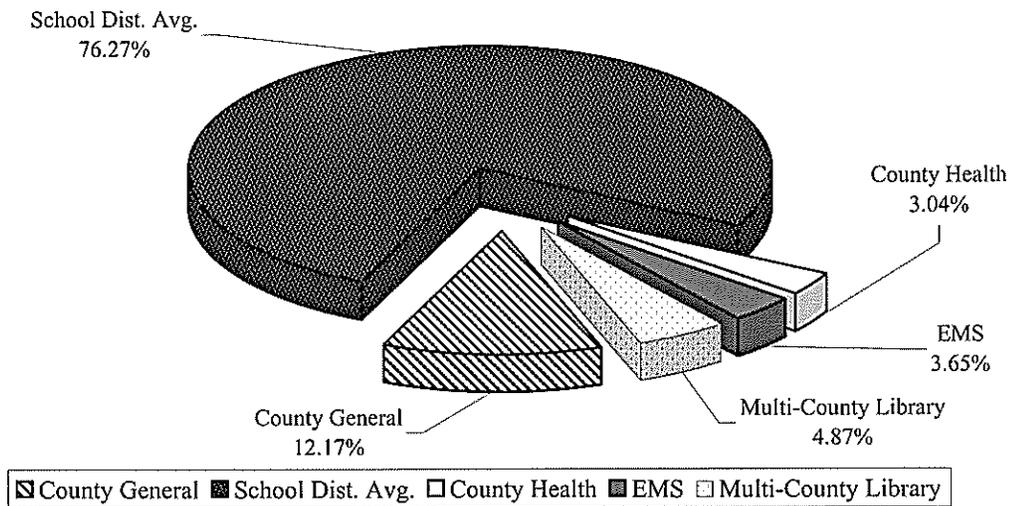
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Career Tech	Career Tech Bldg	Common	Total
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	16.10	10.00	2.00	4.00	72.10
Multi-County Library	4.00	Haworth	I-6	35.00	5.00	15.08	10.00	2.00	4.00	71.08
		Lukfata	C-9	35.00	5.00	8.32	10.00	2.00	4.00	64.32
		Valliant	I-11	35.00	5.00	0.02	10.00	2.00	4.00	56.02
		Eagletown	I-13	35.00	5.00		10.00	2.00	4.00	56.00
		Smithville	I-14	35.00	5.00		10.00	2.00	4.00	56.00
		Glover	C-23	35.00	5.00	24.58	10.00	2.00	4.00	80.58
		Tom	C-24	35.00	5.00		10.00	2.00	4.00	56.00
		Denson	C-37	35.00	5.00	5.63	10.00	2.00	4.00	61.63
		Wright City	I-39	35.00	5.00		10.00	2.00	4.00	56.00
		Watson	C-56	35.00	5.00	12.08	10.00	2.00	4.00	68.08
		Battiest	I-71	35.00	5.00		10.00	2.00	4.00	56.00
		Holly Creek	I-72	35.00	5.00	6.66	10.00	2.00	4.00	62.66
		Broken Bow	I-74	35.00	5.00	11.26	10.00	2.00	4.00	67.26

See independent auditor's report.

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

Total net assessed value as of January 1, 2004		<u>\$ 161,396,852</u>
Debt limit - 5% of total assessed value		8,069,843
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>16</u>	<u>-</u>
Legal debt margin		<u>\$ 8,069,843</u>

See independent auditor's report.

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

	2005
Estimated population	34,046
Net assessed value as of January 1, 2004	\$ 161,396,852
Gross bonded debt	-
Less available sinking fund cash balance	16
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**McCURTAIN COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(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>
1/1/2004	\$67,439,233	\$24,418,656	\$77,782,106	\$8,243,143	\$161,396,852	\$1,431,187,882

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2006, on our consideration of McCurtain County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



JEFF A. McMAHAN
State Auditor and Inspector

November 6, 2006

Basic Financial Statement

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

	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
Combining Information:				
County General Fund	\$ 103,598	\$ 2,212,964	\$ 2,016,428	\$ 300,134
Highway Cash	435,116	4,270,614	4,183,887	521,843
County Health Department	266,632	490,441	377,601	379,472
Resale Property	230,676	79,498	177,345	132,829
Treasurer Mortgage Tax Certification Fee	5,423	9,045	859	13,609
County Clerk Lien (F-4)	2,667	6,280	6,801	2,146
Assessor's Revolving (H-4)	1,200	5,918	4,183	2,935
Assessor Visual Inspection	369			369
Sheriff Service Fee	41,270	116,646	131,345	26,571
Pine Creek Patrol	2,611	14,936	15,408	2,139
McCurtain County Sheriff's Office	62,797	558,533	519,332	101,998
Solid Waste	299,208	1,114,132	1,085,704	327,636
County Clerk Preservation Fee	42,699	34,428	33,360	43,767
K-5051 McCurtain RWD #1	2,924			2,924
Juvenile Accountability Incentive Grant	15	158	173	
Capital Improvement Fund	28,475			28,475
K-5049 Redland Fire Department	212			212
Federal Highway Assistance	283	1,204,030	1,204,028	285
McCurtain County Tourism Authority	72,038	131,841	116,523	87,356
County Sinking	13	3		16
Federal Forest	163,897	69,677		233,574
Emergency Management Authority	223,690	153,034	91,183	285,541
Sheriff's Confiscated Drug Fund	1,304	255	700	859
CDBG-10806	24,480	35,010	59,490	
CK-8022 Holly Creek		429	429	
Hospital Authority		910,578	186,571	724,007
CK-9041 Hochatown		15,000	15,000	
CDBG 11246 Cost Project		5,200	5,200	
CK-9044 Eagletown Sr		1,700		1,700
CK-8020 Wilderness		21,870		21,870
Resale Payroll		80,000	67,477	12,523
CK-9046 Pinecreek		14,000	14,000	
Combined Total—All County Funds	\$ 2,011,597	\$ 11,556,220	\$ 10,313,027	\$ 3,254,790

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

County Sinking - accounts for the payment of interest and principal on the matured portion of long-term bonded indebtedness and civil judgments. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments. There is currently no long-term debt. The remaining balance will be transferred to the general fund.

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

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

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

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

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

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

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

CK-9041 Hochatown – accounts for state funds to be used for the construction of roads in the Hochatown community.

CDBG 11246 Cost Project – accounts for federal funds to be used for the construction of a senior citizens center.

CK-9044 Eagletown Sr – accounts for federal funds to be used for the construction of a senior citizens center.

CK-8020 Wilderness – accounts for state funds to be used for the construction of roads.

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

CK-9046 Pinecreek – accounts for state funds to be used for the construction of roads.

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

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

C. Basis of Accounting

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

D. Budget

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved 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.

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

E. Cash

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

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

F. Investments

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

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts

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

- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

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

G. Compensated Absences

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

Sick leave benefits are accrued at the rate of 10 days per year and employees may accumulate up to 60 days. Sick leave is not paid upon termination.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2004, was approximately \$161,396,852.

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

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

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

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

Current year tax collections for the year ended June 30, 2005, were approximately 93.26 percent of the tax levy.

3. Fuel Tax

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

4. Risk Management

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

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle 	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		
Workers' Compensation <ul style="list-style-type: none"> • Employees' Injuries 	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life 	The County carries commercial insurance.	None

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

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

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

5. Long-term Obligations

Capital Leases

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

6. Pension Plan

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

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2005, 2004, and 2003 were \$369,451, \$373,766, and \$373,697, respectively, equal to the required contributions for each year.

7. Other Post Employment Benefits (OPEB)

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

8. Contingent Liabilities

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

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

9. 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 tax is for promotion and development of tourism and recreational activities for McCurtain County.

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

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

OTHER SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 103,598	\$ 103,598	\$ 103,598	\$ -
Less: Prior Year Outstanding Warrants	(37,888)	(37,888)	(37,888)	
Less: Prior Year Encumbrances	(10,273)	(10,273)	(8,914)	1,359
Beginning Cash Balances, Budgetary Basis	<u>55,437</u>	<u>55,437</u>	<u>56,796</u>	<u>1,359</u>
Receipts:				
Ad Valorem Taxes	1,467,244	1,467,244	1,426,491	(40,753)
Charges for Services	93,786	102,157	105,372	3,215
Intergovernmental Revenues	387,530	387,530	558,889	171,359
Miscellaneous Revenues	133,849	135,449	122,212	(13,237)
Total Receipts, Budgetary Basis	<u>2,082,409</u>	<u>2,092,380</u>	<u>2,212,964</u>	<u>120,584</u>
Expenditures:				
District Attorney	7,500	7,500	7,496	4
Total District Attorney	<u>7,500</u>	<u>7,500</u>	<u>7,496</u>	<u>4</u>
County Sheriff	188,000	188,000	187,829	171
Capital Outlay	12,000	12,000	12,000	
Total County Sheriff	<u>200,000</u>	<u>200,000</u>	<u>199,829</u>	<u>171</u>
County Treasurer	119,257	119,257	119,197	60
Total County Treasurer	<u>119,257</u>	<u>119,257</u>	<u>119,197</u>	<u>60</u>
County Commissioners	235,116	235,125	232,441	2,684
Capital Outlay	1,000	1,000	100	900
Total County Commissioners	<u>236,116</u>	<u>236,125</u>	<u>232,541</u>	<u>3,584</u>
OSU Extension	93,792	93,042	92,031	1,011
Capital Outlay		750	740	10
Total OSU Extension	<u>93,792</u>	<u>93,792</u>	<u>92,771</u>	<u>1,021</u>
County Clerk	181,291	181,300	180,951	349
Capital Outlay	2,820	2,820	2,754	66
Total County Clerk	<u>184,111</u>	<u>184,120</u>	<u>183,705</u>	<u>415</u>

continued on next page

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Court Clerk	101,379	101,388	99,916	1,472
Total Court Clerk	101,379	101,388	99,916	1,472
County Assessor	132,015	137,223	135,847	1,376
Capital Outlay	3,300	1,692	1,468	224
Total County Assessor	135,315	138,915	137,315	1,600
Revaluation of Real Property	229,638	240,820	240,424	396
Capital Outlay	4,800	1,127	1,127	
Total Revaluation of Real Property	234,438	241,947	241,551	396
Juvenile Shelter Bureau	20,000	23,000	22,173	827
Total Juvenile Shelter Bureau	20,000	23,000	22,173	827
District Court	31,000	35,667	32,456	3,211
Total District Court	31,000	35,667	32,456	3,211
General Government	123,791	128,541	125,781	2,760
Capital Outlay	87,977	80,075	53,967	26,108
Total General Government	211,768	208,616	179,748	28,868
Excise-Equalization Board	13,600	13,600	10,989	2,611
Total Excise-Equalization Board	13,600	13,600	10,989	2,611
County Election Board	85,119	86,939	82,893	4,046
Total County Election Board	85,119	86,939	82,893	4,046
Insurance	370,312	357,812	339,969	17,843
Total Insurance	370,312	357,812	339,969	17,843
Charity	6,000	6,000	5,391	609
Total Charity	6,000	6,000	5,391	609
County Audit Budget Account	16,139	16,139	16,139	
Total County Audit Budget Account	16,139	16,139	16,139	-

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Cemetery Account	47,000	52,000	51,540	460
Total County Cemetery Account	<u>47,000</u>	<u>52,000</u>	<u>51,540</u>	<u>460</u>
Free Fair Budget	10,000	10,000	10,000	
Capital Outlay	5,000	5,000	5,000	
Total Free Fair Budget	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Provision for Interest on Warrants	10,000	10,000		10,000
Total Expenditures, Budgetary Basis	<u>2,137,846</u>	<u>2,147,817</u>	<u>2,070,619</u>	<u>77,198</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	199,141	<u>\$ 199,141</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			24,721	
Add: Current Year Outstanding Warrants			<u>76,272</u>	
Ending Cash Balance			<u>\$ 300,134</u>	

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

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

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 266,632	\$ 266,632	\$ 266,632	\$ -
Less: Prior Year Outstanding Warrants	(8,234)	(8,234)	(8,234)	
Less: Prior Year Encumbrances	(12,984)	(12,984)	(11,938)	1,046
Beginning Cash Balances, Budgetary Basis	<u>245,414</u>	<u>245,414</u>	<u>246,460</u>	<u>1,046</u>
Receipts:				
Ad Valorem Taxes	366,811	366,811	356,620	(10,191)
Miscellaneous Revenues	11,008	75,133	133,821	58,688
Total Receipts, Budgetary Basis	<u>377,819</u>	<u>441,944</u>	<u>490,441</u>	<u>48,497</u>
Expenditures:				
Health and Welfare	536,680	600,805	401,761	199,044
Capital Outlay	86,553	86,553	17,434	69,119
Total Expenditures, Budgetary Basis	<u>623,233</u>	<u>687,358</u>	<u>419,195</u>	<u>268,163</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	317,706	<u>\$ 317,706</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			8,184	
Add: Current Year Outstanding Warrants			53,582	
Ending Cash Balance			<u>\$ 379,472</u>	

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

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

Beginning Cash Balance	\$ <u>13</u>
Receipts:	<u>3</u>
Total Receipts	<u>3</u>
Disbursements:	<u> </u>
Total Disbursements	<u>-</u>
Ending Cash Balance	<u>\$ 16</u>

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

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

1. Budgetary Schedules

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

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

2. Sinking Fund Schedule

Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Oklahoma State Treasurer:			
Schools and Roads - Grants to States	10.665		\$ 394,839
National Forest - Dependent Rural Communities	10.670		14,900
Total U.S. Department of Agriculture			<u>409,739</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed Through Oklahoma State Treasurer:			
Payments to States in Lieu of Real Estate Taxes	12.112		9,975
Total U.S. Department of Defense			<u>9,975</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through State Department of Commerce:			
Community Development Block Grants/State's Program	14.228	11246 CDBG 04	40,210
Total U.S. Department of Housing and Urban Development			<u>40,210</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		132,184
Total U.S. Department of Interior			<u>132,184</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through Oklahoma State District Attorneys Council:			
Edward Byrne Memorial Formula Grant Program	16.579	D04-039	42,883
Direct Grant:			
Local Law Enforcement Block Grant Program	16.592	2003 LBBX 1622	2,677
Local Law Enforcement Block Grant Program	16.592	LE 04-081	8,995
Total CFDA#16.592			<u>11,672</u>
Total U.S. Department of Justice			<u>54,555</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through State Department of Transportation:			
Highway Planning and Construction	20.205	CM GOO 1247 02	81,847
Highway Planning and Construction	20.205	CM GOO 1281 03	22,931
Highway Planning and Construction	20.205	CM GOO 1285 03	237,687
Highway Planning and Construction	20.205	ERSTP-145C	2,575,629
Total U.S. Department of Transportation			<u>2,918,094</u>
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT</u>			
Passed Through State Department of Civil Emergency Management:			
Disaster Grants/Public Assistance	97.036	DR 1355	1,299,916
State Domestic Preparedness Equipment Support Program	97.004		12,000
Total U.S. Department of Federal Emergency Management			<u>1,311,916</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,876,673</u></u>

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

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

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*.

See independent auditor's report.

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 combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of McCurtain County, Oklahoma, as of and for the year ended June 30, 2005, which comprises McCurtain County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 6, 2006. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

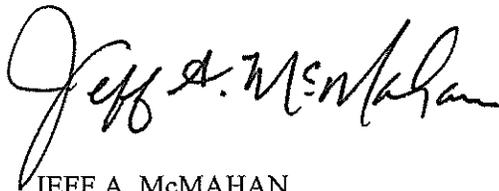
In planning and performing our audit, we considered McCurtain County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 McCurtain County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2005-1.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McCurtain County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the management of McCurtain County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

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



JEFF A. McMAHAN
State Auditor and Inspector

November 6, 2006



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, 2005. McCurtain County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of McCurtain County's management. Our responsibility is to express an opinion on McCurtain County's compliance based on our audit.

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

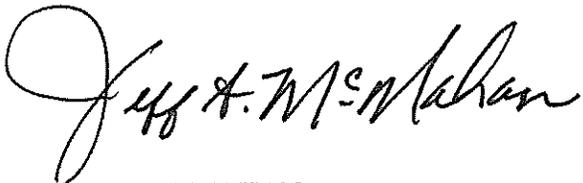
In our opinion, McCurtain County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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

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

JEFF A. McMAHAN
State Auditor and Inspector

November 6, 2006

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

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- 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> 20.205	<u>Name of Federal Program or Cluster</u> Highway Planning and Construction
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Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

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

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

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

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

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

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

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

Finding 2005-2—Consumable Inventories

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

Condition: Discrepancies were noted when comparing consumable records to the physical counts. Districts 1 and 3 are keeping fuel logs but are not reconciling logs with the balance of actual fuel on hand. District 2 is not keeping a fuel log.

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District	Item	Variance Long (Short)	Details
1	11 R 22.5 tires	12	Truck tires
1	275/80R 22.5 tires	12	Truck tires
1	1400-24 tires	5	Loader tires
2	Grader blades	(2)	Grader blades
2	15 x 26 tin horn	(1)	Tin horn
2	11 x 22.5 tires	2	Grader tires
2	11 x 22.5 tires	4	Signs
2	"15 ton weight limit" sign	2	Signs
2	"S" curve signs	5	Signs
2	"One way" signs	2	Signs
2	"Stop" signs	8	Signs

Recommendation: We recommend that the County Commissioners investigate the discrepancies between the consumable records and the physical inventory of consumable items and make appropriate adjustments. We also recommend that a physical inventory of consumable inventory items be periodically conducted to ensure the necessary accountability of inventories.

Views of responsible officials and planned corrective actions: We will work to investigate the discrepancies noted. We will implement procedures to timely detect and correct variances noted regarding consumable inventories.

Finding 2005-3—Fixed Assets Inventory

Criteria: Title 19 O.S. § 178.1 states, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the County or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made part of lands and buildings, the cost of which as to each complete working unit thereof is more than Two Hundred Fifty Dollars (\$250.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased or otherwise coming into custody of the County or 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: All offices do 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.

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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.

Finding 2005-4—Resale Property Expenditures

Criteria: Title 68 O.S. § 3137 states in part,

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

1. For the purchase of necessary records, printing, supplies and equipment, and the employment of necessary clerical personnel, either on whole or part-time basis, in connection with delinquent personal tax lists and personal tax warrants, delinquent real estate tax lists and lists of unredeemed delinquent real estate subject to tax sale or resale, such costs to be limited to those incurred by the county treasurer;
2. For payment of the cost of advertising or publication, or posting if publication cannot be had, of any such lists.”

Condition: The Treasurer expended \$1,216.44 in resale funds for the following items:

- Seven advertisements totaling \$166.54 for greetings to the public;
- Forty-eight candles totaling \$480;
- 2300 ink pens and 1672 magna-stick calendars totaling \$512.45; and
- Three fuel receipts totaling \$57.45 reimbursed to the Treasurer. On this occasion the Treasurer carpooled with an employee. The employee claimed mileage reimbursement and the Treasurer claimed the fuel receipts that reflected the employee’s credit card information.

Recommendation: We recommend that resale property funds be expended only for those purposes outlined in 68 O.S. § 3137.

Views of responsible officials and planned corrective actions: The Treasurer stated that the candles were purchased for the office before she was aware that you could not have an open flame in a public building. The amount of the candles was reimbursed to the County in full. The Treasurer plans to consult with the District Attorney to determine if any other amounts need to be reimbursed to the County. Expenditures of this nature will be avoided in the future.