

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

September 1, 2004

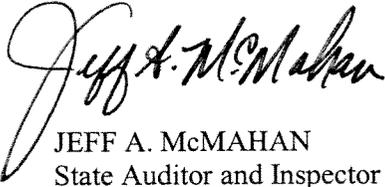
TO THE CITIZENS OF
McINTOSH COUNTY, OKLAHOMA

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

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

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

Sincerely,


JEFF A. McMAHAN
State Auditor and Inspector

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

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

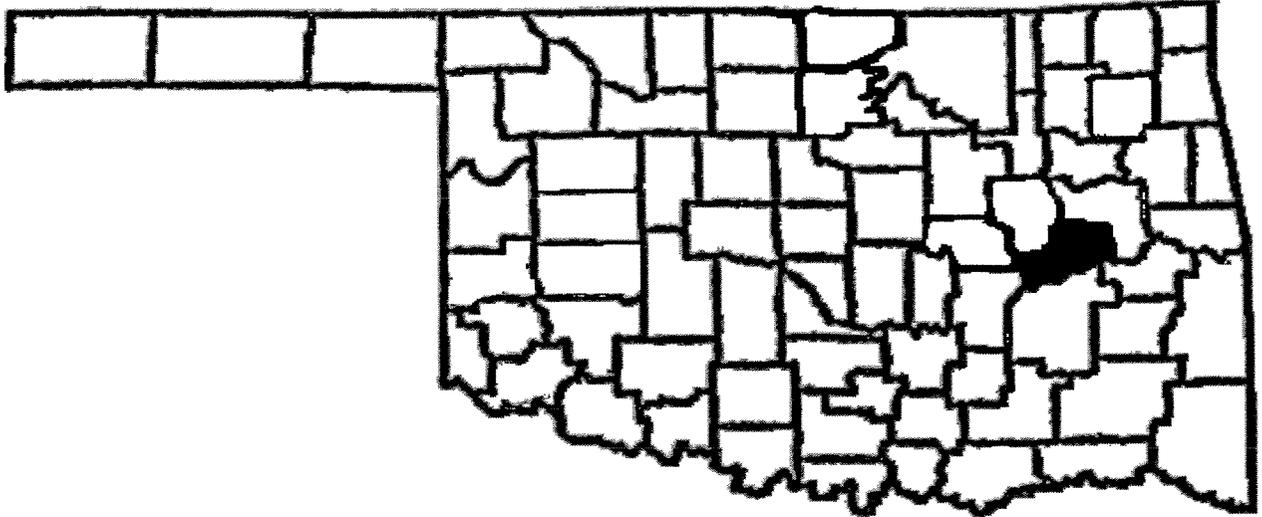
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REPORT TO THE CITIZENS
OF
McINTOSH COUNTY, OKLAHOMA



Created at statehood from lands in the southern part of the Cherokee Nation, Indian Territory, McIntosh County was named for a well-known Creek family. The chief physical feature of the county is Lake Eufaula, which is comprised of 105,000 acres and is the largest body of water in Oklahoma.

The county seat, Eufaula, is located 13 miles south of I-40 on U.S. 69. The Creek Indians migrated into the area in 1836 and their influence is seen in names such as Eufaula, which comes from an old Creek town in Alabama called *Yufala*, “they split up here and went to other places.” The Asbury Mission Boarding School was established in 1849 by the Episcopal Church under a contract with the Creek Indian Council. Today it is Eufaula Boarding School. The *Indian Journal*, founded in 1876 and published in Eufaula, is the oldest surviving newspaper in the state. Tourism is the main industry in the area.

Checotah, established by the KATY railroad station, was named for a principal chief of the Creek Indians, Samuel Checotah. The town, once a battleground where the Creek and Little Osage fought, is now a trade center for northern McIntosh and southern Muskogee counties. It has a major clothing factory and an aluminum plant, and centers for ranching are located throughout the county.

County Seat – Eufaula

Area – 620 Square Miles

County Population – 19,456
(2000 est.)

Farms – 906

Land in Farms – 253,667 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor’s report.

**McINTOSH COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Vickie Hamm
(D) Checotah

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
Shirley Irvin
(D) Checotah

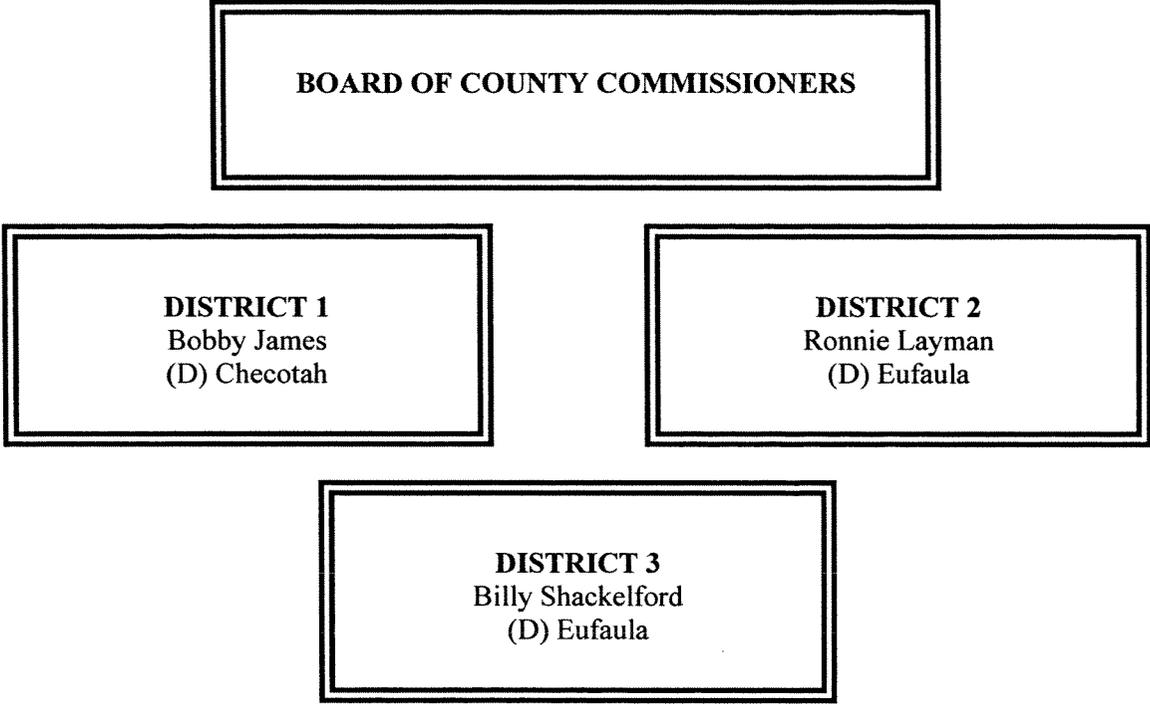
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**McINTOSH 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.

**McINTOSH COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF

Jeff Coleman
(D) Checotah

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

Carol Lindley
(D) Eufaula

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.

**McINTOSH COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Jane Johnson
(D) Checotah

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
Thomas C. Giulioli
(D) Okmulgee

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.

**McINTOSH COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

Polly Williams
(D) Checotah

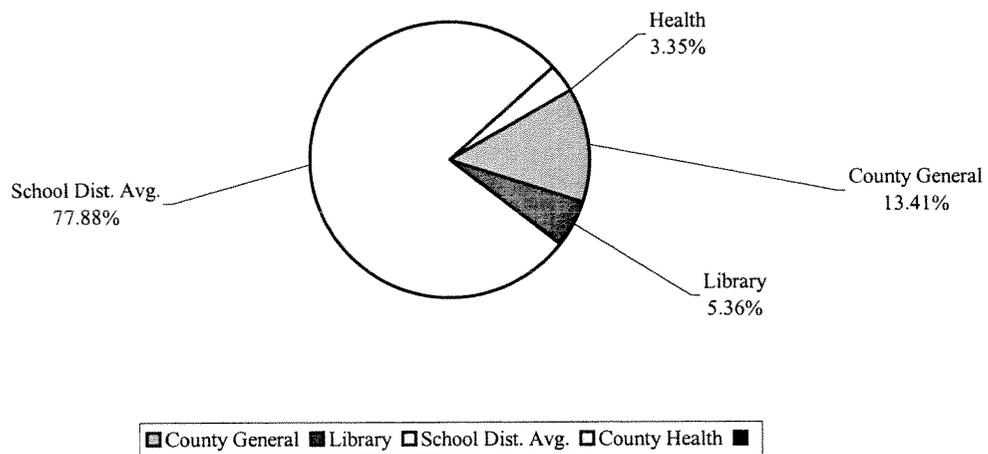
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

**McINTOSH 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							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
Co. General	10.00	Ryal	D3	35.00	5.00			4.00	44.00
County Health	2.50	Stidham	D16	35.00	5.00		12.00	4.00	56.00
Multi-Co Library	4.00	Eufaula	1	35.00	5.00	6.89	12.00	4.00	62.89
		Checotah	19A	35.00	5.00		10.00	4.00	54.00
		Midway	J-27	35.00	5.00	4.26	10.00	4.00	58.26
		Hanna	I-64	35.00	5.00		5.00	4.00	49.00
		Okmulgee	J2	35.00	5.00	13.13		4.00	57.13
		Okmulgee	J8	35.00	5.00	16.09	10.00	4.00	70.09
		Hughes	J9	35.00	5.00	12.22	5.00	4.00	61.22
		Muskogee	J74	35.00	5.00	6.96	10.00	4.00	60.96
		Okfuskee	J31	35.00	5.00		5.00	4.00	49.00
		Okfuskee	J32	35.00	5.00	25.35	5.00	4.00	74.35

See independent auditor's report.

Independent Auditor's Report



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE OFFICERS OF
McINTOSH COUNTY, OKLAHOMA

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2004, on our consideration of McIntosh County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

March 25, 2004

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2002	Receipts Apportioned	Cancelled Vouchers	Disbursements	Ending Cash Balances June 30, 2003
County General Fund	\$ 2,433,129	\$ 2,361,490	\$	\$ 2,803,304	\$ 1,991,315
Individual Redemption	5,023	21,213		21,568	4,668
County Sinking Fund	30				30
County Health	289,654	227,165		160,423	356,396
Highway Cash	1,637,629	2,207,753		2,661,544	1,183,838
School District General C-003	778,357 409	2,439,485 24,553		2,518,164 24,141	699,678 821
I-1	13,056	1,375,942		1,372,182	16,816
I-19	97,734	1,507,503		1,578,962	26,275
I-27	2,189	168,137		166,867	3,459
Joint Schools Remit	139	44,812		44,582	369
Vo-Tech Remit	25,061	706,700		727,974	3,787
D.A. Property Forfeiture	277,374	169,687		337,868	109,193
Sheriff Service Fee	145,202	92,206		117,702	119,706
Sheriff's Board of Prisoners	11,502	16,506		22,890	5,118
Sheriff's Training Fund	45				45
Sheriff's Drug Buy Cash Fund	1,804	11,704		6,800	6,708
COPS Cash Fund	4,800				4,800
Trash Cop	500				500
Lake Patrol Cash Fund	1,408	10,496		10,496	1,408
Mortgage Tax Cash Fund	19,726	6,385		4,881	21,230
Resale Cash Fund	201,376	44,957		60,561	185,772
County Clerk's M&M Cash Fund	17,605	9,243		5,117	21,731
County Assessor Fees Cash	20,164	2,912			23,076
HAVIR Cash Fund	1,592				1,592
REAP Shady Grove Fire Dept.		21,426			21,426
REAP Texanna Road Chip		16,768			16,768
Multi-County Library	12,620	266,905		278,088	1,437
Community Service Cash Fund	29,689				29,689
MCDA	3,861	46,337		46,337	3,861
Municipal	7,541	112,380		113,090	6,831
RM&P	23,826	35,162		19,813	39,175
CDBG Rural Water Dist #9	1				1
Court Clerk Trust Fund	24,000				24,000
Storm Shelter Grant	787				787
Special License Plates		15		15	
REAP Vivian Fire Department		18,631			18,631
REAP Emergency Response		18,631			18,631
Sheriff's Revolving Narcotic Cash	81,182	34,374		37,458	78,098
D.A.Revolving Cash Fund	100	4,876		192	4,784
CDBG Onapa Rural Water #2		22		22	
REAP Rentiesville	20,000			19,883	117
REAP Hickory Hills	22,000			7,265	14,735
REAP Co-Wide Fair Barn	20,000			20,000	
Official Depository	249,084	2,020,245		1,994,887	277,109
Little Okla. ODOC		8,000		8,000	
Tax Collections		71			71
Protest Tax	11	33,058		1,040	32,029
Total County Funds	\$ 6,480,210	\$ 14,085,750	\$ 2,667	\$ 15,192,116	\$ 5,376,511

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

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 2,433,129	\$ 2,433,129	\$ 2,433,129	\$ -
Less: Prior Year Outstanding Warrants	(143,893)	(143,893)	(143,444)	449
Less: Prior Year Encumbrances	(48,406)	(48,406)	(56,488)	(8,082)
Beginning Cash Balances, Budgetary Basis	<u>2,240,830</u>	<u>2,240,830</u>	<u>2,233,197</u>	<u>(7,633)</u>
Receipts:				
Ad Valorem Taxes	611,580	611,580	662,804	51,224
Sales Tax	970,851	970,851	1,079,756	108,905
Charges for Services	108,900	108,900	122,920	14,020
Intergovernmental Revenues	230,650	337,893	338,471	578
Miscellaneous Revenues	40,000	40,000	157,539	117,539
Total Receipts, Budgetary Basis	<u>1,961,981</u>	<u>2,069,224</u>	<u>2,361,490</u>	<u>292,266</u>
Expenditures:				
District Attorney	13,500	13,500	11,400	2 100
Total District Attorney	<u>13,500</u>	<u>13,500</u>	<u>11,400</u>	<u>2,100</u>
County Sheriff	383,590	383,590	371,302	12,288
Total County Sheriff	<u>383,590</u>	<u>383,590</u>	<u>371,302</u>	<u>12,288</u>
County Treasurer	99,900	99,900	99,898	2
Total County Treasurer	<u>99,900</u>	<u>99,900</u>	<u>99,898</u>	<u>2</u>
County Commissioners	6,000	6,000	5,418	582
Total County Commissioners	<u>6,000</u>	<u>6,000</u>	<u>5,418</u>	<u>582</u>
County Clerk	141,400	141,400	140,358	1,042
Total County Clerk	<u>141,400</u>	<u>141,400</u>	<u>140,358</u>	<u>1,042</u>
Court Clerk	69,900	150,900	150,900	
Total Court Clerk	<u>69,900</u>	<u>150,900</u>	<u>150,900</u>	<u>-</u>

continued on next page

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Assessor	92,612	92,612	91,448	1,164
Total County Assessor	92,612	92,612	91,448	1,164
Revaluation of Real Property	140,760	140,760	139,110	1,650
Total Revaluation of Real Property	140,760	140,760	139,110	1,650
General Government	366,345	391,950	358,315	33,635
Total General Government	366,345	391,950	358,315	33,635
Excise-Equalization Board	9,000	9,000	7,793	1,207
Total Excise-Equalization Board	9,000	9,000	7,793	1,207
County Election Board	46,695	47,332	42,142	5,190
Total County Election Board	46,695	47,332	42,142	5,190
Sales Tax Sheriff	182,000	182,000	141,265	40,735
Capital Outlay	123,942	123,942	10,147	113,795
Total Sales Tax Sheriff	305,942	305,942	151,412	154,530
Sales Tax Treasurer	25,000	25,000	17,497	7,503
Capital Outlay	104,683	104,683	6,162	98,521
Total Sales Tax Treasurer	129,683	129,683	23,659	106,024
Sales Tax County Clerk	26,000	26,000	13,944	12,056
Capital Outlay	294,486	294,486	23,576	270,910
Total Sales Tax County Clerk	320,486	320,486	37,520	282,966
Sales Tax County Assessor	25,000	25,000	11,624	13,376
Capital Outlay	65,152	65,152	5,615	59,537
Total Sales Tax County Assessor	90,152	90,152	17,239	72,913
Sales Tax Court Clerk	12,000	12,000	1,239	10,761
Capital Outlay	93,294	93,294	62,517	30,777
Total Sales Tax Court Clerk	105,294	105,294	63,756	41,538
Sales Tax OSU Extension	45,590	45,590	39,584	6,006
Capital Outlay	8,007	8,007	5,139	2,868
Total Sales Tax OSU Extension	53,597	53,597	44,723	8,874
Sales Tax General Government	376,000	374,418	348,266	26,152
Capital Outlay	216,955	196,955	5,044	191,911
Total Sales Tax General Government	592,955	571,373	353,310	218,063

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

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

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Sales Tax Courthouse	285,523	285,523	62,351	223,172
Total Sales Tax Courthouse	<u>285,523</u>	<u>285,523</u>	<u>62,351</u>	<u>223,172</u>
Sales Tax Highway	429,546	449,546	328,574	120,972
Total Sales Tax Highway	<u>429,546</u>	<u>449,546</u>	<u>328,574</u>	<u>120,972</u>
Sales Tax Library	61,264	61,264	61,264	
Total Sales Tax Library	<u>61,264</u>	<u>61,264</u>	<u>61,264</u>	<u>-</u>
Sales Tax Fair Board	42,971	42,971	35,294	7,677
Total Sales Tax Fair Board	<u>42,971</u>	<u>42,971</u>	<u>35,294</u>	<u>7,677</u>
Sales Tax EMS	6,214	7,796	6,406	1,390
Total Sales Tax EMS	<u>6,214</u>	<u>7,796</u>	<u>6,406</u>	<u>1,390</u>
Sales Tax Senior Citizens	102,874	102,875	77,282	25,593
Total Sales Tax Senior Citizens	<u>102,874</u>	<u>102,875</u>	<u>77,282</u>	<u>25,593</u>
Sales Tax Rural Fire	285,246	285,246	127,292	157,954
Total Sales Tax Rural Fire	<u>285,246</u>	<u>285,246</u>	<u>127,292</u>	<u>157,954</u>
County Audit Budget	7,362	7,362	7,362	
Total County Audit Budget	<u>7,362</u>	<u>7,362</u>	<u>7,362</u>	<u>-</u>
Free Fair Budget	14,000	14,000	13,410	590
Total Free Fair Budget	<u>14,000</u>	<u>14,000</u>	<u>13,410</u>	<u>590</u>
Total Expenditures, Budgetary Basis	<u>4,202,811</u>	<u>4,310,054</u>	<u>2,828,938</u>	<u>1,481,116</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	1,765,749	<u>\$ 1,765,749</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			69,576	
Add: Current Year Outstanding Warrants			155,990	
Ending Cash Balance			<u>\$ 1,991,315</u>	

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

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

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 289,654	\$ 289,654	\$ 289,654	\$ -
Less: Prior Year Outstanding Warrants	(6,695)	(6,695)	(4,254)	2,441
Less: Prior Year Encumbrances	(4,935)	(4,935)	(4,715)	220
Beginning Cash Balances, Budgetary Basis	<u>278,024</u>	<u>278,024</u>	<u>280,685</u>	<u>2,661</u>
Receipts:				
Ad Valorem Taxes	152,894	152,894	165,702	12,808
Charges for Services		54,956	54,956	
Intergovernmental Revenues			1,080	1,080
Miscellaneous Revenues			5,427	5,427
Total Receipts, Budgetary Basis	<u>152,894</u>	<u>207,850</u>	<u>227,165</u>	<u>19,315</u>
Expenditures:				
Health and Welfare	224,149	263,617	172,803	90,814
Capital Outlay	206,769	222,257	2,257	220,000
Total Expenditures, Budgetary Basis	<u>430,918</u>	<u>485,874</u>	<u>175,060</u>	<u>310,814</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	332,790	<u>\$ 332,790</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			18,938	
Add: Current Year Outstanding Warrants			4,668	
Ending Cash Balance			<u>\$ 356,396</u>	

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

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

Beginning Cash Balance	<u>\$ 30</u>
Receipts:	
Ad Valorem Tax	
Miscellaneous	
Total Receipts	<u>-</u>
Disbursements:	
County Judgments	
Interest Paid	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u><u>\$ 30</u></u>

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

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

Official Depository Accounts	Beginning Cash Balances July 1, 2002	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2003
Court Clerk	\$ 112,946	\$ 943,158	\$ 955,282	\$ 1,208	\$ 102,030
Court Fund	71,073	585,497	587,724	92	68,938
Court Clerk Revolving Fund	43,481	24,823	16,932		51,372
County Assessor		2,628	2,628		
County Clerk		213,382	182,829	191	30,744
Election Board	50	35,003	35,979	926	
County Health		57,195	57,195		
Sheriff		36,093	36,343	250	
Motor Vehicle		8,946	8,946		
Treasurer's Trust	21,534	113,520	111,029		24,025
Total Official Depository Accounts	<u>\$ 249,084</u>	<u>\$ 2,020,245</u>	<u>\$ 1,994,887</u>	<u>\$ 2,667</u>	<u>\$ 277,109</u>

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

C. Basis of Accounting

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

D. Budgetary Policies

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

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

Summary of Significant Accounting Policies (continued)

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

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

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

E. Cash and Investments

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

F. Risk Management

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

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

Summary of Significant Accounting Policies (continued)

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

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating County will pay a deductible amount (\$1,000 to \$100,000; the County has a \$2,500 deductible) for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

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

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

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

The County does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and must be taken during the year earned. Employees can earn up to 15 days per year.

Sick leave is accrued on a monthly basis. Sick leave may be accrued up to a maximum of 160 hours. The County does not record any liability for sick leave.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$5,376,511 and the bank balance was \$5,753,038. 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

Detailed Notes on Funds and Account Balances (continued)

- 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.

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

County Sinking Fund – accounts for monies collected from ad valorem taxes for payment of bonds or judgments against the County. The County has no long-term debt and this balance will eventually be transferred to county general.

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

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

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

C-003 – accounts for monies collected on behalf of Ryal independent public schools in the County from ad valorem taxes, state and local revenues, and remitted to them monthly.

I-1 – accounts for monies collected on behalf of Eufaula independent public schools in the County from ad valorem taxes, state and local revenues, and remitted to them monthly.

I-19 – accounts for monies collected on behalf of Checotah independent public schools in the County from ad valorem taxes, state and local revenues, and remitted to them monthly.

I-27 – accounts for monies collected on behalf of Midway independent public schools in the County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Joint Schools Remit – accounts for monies collected on behalf of the public schools in McIntosh County and at least one other county from ad valorem taxes, state and local revenues, and remitted to them monthly.

Vo-Tech Remit – accounts for monies collected on behalf of the career-techs in McIntosh County and at least one other county from ad valorem taxes, state and local revenues, and remitted to them monthly.

Detailed Notes on Funds and Account Balances (continued)

D.A. Property Forfeiture – revenues are from drug case property forfeitures.

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

Sheriff's Board of Prisoners – accounts for the collection and disbursement of money supplied to the Sheriff's office for the housing of prisoners for towns, tribes, and other counties. This money can be used for any lawful sheriff expenditure.

Sheriff's Training Fund – accounts for the collection and disbursement of money supplied to the Sheriff's office for the training of officers.

Sheriff Drug Buy Cash Fund – accounts for the collection of the Sheriff's percentage of drug forfeiture.

COPS Cash Fund – balance of a federal grant received for the payroll of Sheriff's officers.

Trash Cop – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

Lake Patrol Cash Fund – accounts for the collection of monies from the Corp. of Engineers for the payroll of a part time patrol officer.

Mortgage Tax Cash Fund – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursements of the funds as restricted by statute.

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

County Clerk's M&M Cash Fund – accounts for lien collections and disbursements for any lawful expenditure of the County Clerk's office.

County Assessor Fees Cash – accounts for the collection of fees for copies restricted by state statute.

HAVIR Cash Fund – accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

REAP Shady Grove Fire Department – accounts for monies from a State Rural Economic Action Plan Grant provided for the building of a fire station for the Shady Grove Fire Department.

Detailed Notes on Funds and Account Balances (continued)

REAP Texanna Road Chip – accounts for monies from a State Rural Economic Action Plan Grant provided for the road chipping of Texanna road.

Multi-County Library – accounts for monies collected on behalf of the Multi-County Library from ad valorem taxes and state and local revenues.

Community Service Cash Fund – accounts for the collection and disbursement of monies provided to the Sheriff's office for individuals providing community service. The expenditures consist of items used for Community Service activities.

MCDA (McIntosh County Development Authority) – accounts for the collection and disbursement of funds used to improve public works throughout the County.

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

RM&P – accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute for preservation of records.

CDBG Rural Water Dist. #9 – accounts for monies from a Community Development Block Grant provided for water system improvements for Rural Water District #9.

Court Clerk Trust Fund – accounts for funds in probate by the court that are being held in and by the County Treasurer. All interest earned is paid to the county general fund.

Storm Shelter Grant – accounts for grants monies collected and disbursed to residents of the County for the establishment of a storm shelter.

Special License Plates – accounts for monies collected from the purchase of special license plates from the Oklahoma Tax Commission. The proceeds received from the Oklahoma Tax Commission are distributed among the area fire departments.

REAP Vivian Fire Department – accounts for monies from a State Rural Economic Action Plan Grant provided for the building of an addition to the Vivian Area Fire Protection Association Fire Station.

REAP Emergency Response – accounts for monies from a State Rural Economic Action Plan Grant provided for the purchase of equipment for the McIntosh County Emergency Response Team.

Detailed Notes on Funds and Account Balances (continued)

Sheriff's Revolving Narcotic Cash – accounts for the collection of drug money seized in crimes and forfeited to the Sheriff's office via court order. Disbursements are made for any lawful expenditure of the Sheriff's office.

D.A. Revolving Cash Fund – accounts for District Attorney's funds.

CDBG Onapa Rural Water Dist #2 – accounts for monies from a Community Development Block Grant provided for water system improvements for Rural Water District #2.

REAP Rentiesville – accounts for monies from a State Rural Economic Action Plan Grant provided for the purchase of equipment for the Rentiesville Fire Department.

REAP Hickory Hills – accounts for monies from a State Rural Economic Action Plan Grant provided for a double chip and seal on Texanna Road (Hickory Hills Addition)

REAP Co-Wide Fair Barn – accounts for monies from a State Rural Economic Action Plan Grant provided for improvements to the County Fair Barn.

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

Little Oklahoma ODOC – accounts for monies from a grant from the Oklahoma Department of Commerce for improvements to county roads.

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

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

The following narrative details the official depository accounts.

Court Clerk – accounts for collections and disbursements of fines collected from violators of the law restricted by state statute.

Court Fund – accounts for a percentage of fees collected from violators of the law and disbursements made for the general maintenance to any part of the courthouse primarily used by the Judges or Court Clerk, OSBI, Cleet and Judicial Retirement Fund.

Court Clerk Revolving Fund – accounts for a percentage of the collection of fees and fines restricted by the state statute. Disbursements are made for any lawful expense of the Court Clerk's office.

Detailed Notes on Funds and Account Balances (continued)

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

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

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

County Health – 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.

Sheriff – accounts for the collection of fees for services the Sheriff's office provides. Disbursements are made for any lawful expense of the Sheriff's office.

Motor Vehicle – accounts for the collection of fees restricted by state statute for motor vehicle tax stamps. All collections are disbursed monthly to the state and all interest earned is paid into the county general fund.

Treasurer's Trust – accounts for the collection of pre-paid taxes on mobile homes. Monies are held in a trust until the current year taxes are collected. All interest is paid into the county general fund.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2002, was approximately \$67,273,804.

The County levied 10 mills for general fund operations, 2.5 mills for the county health department and 4 mills for the multi-county library. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

Detailed Notes on Funds and Account Balances (continued)

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

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

Current year tax collections for the year ended June 30, 2003, were approximately 95 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.

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

4. Contingent Liabilities

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

The government is a defendant in various lawsuits. 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 McIntosh County approved a 1% sales tax through a special election on June 11, 2002, that went into effect on August 14, 2002. This sales tax has an unlimited duration. The sales tax was established to provide revenue for the following: Senior Citizens Organizations 5.0%, Rural Fire Departments 10.0%, Office of Emergency Management 0.5%, OSU Extension Office 3.5%, McIntosh County Fair Board 2.0%, County Commissioners - M&O of Roads & Bridges 23.0%, County Clerk 5.0%, County Assessor 2.5%, County Treasurer 2.5%, Court Clerk 2.0%, County Sheriff 12.0%, County Government 19.0%, Maintenance & Repairs to McIntosh Co. Courthouse 7.0%, Library 5.0%, Collection Fee to Oklahoma Tax Commission 1.0%.

Schedule of Expenditures of Federal Awards

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grant	16.228	01 CDBG 10058	\$ 22
Total U.S. Department of Housing and Urban Development			<u>22</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payment in Lieu of Taxes	15.226		111,146
Flood Control	12.112		8,333
Total U.S. Department of Interior			<u>119,479</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma State Department of Civil Emergency Management:			
Public Assistance Grants	83.544	1355 DR	458,862
Total Federal Emergency Management Agency			<u>458,862</u>
Total Expenditures of Federal Awards			<u>\$ 578,363</u>

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

Basis of Presentation

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

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
McINTOSH COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of McIntosh County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated March 25, 2004. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether McIntosh County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McIntosh County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted 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 the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-1.

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

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

March 25, 2004

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
McINTOSH COUNTY, OKLAHOMA

Compliance

We have audited the compliance of McIntosh County, Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

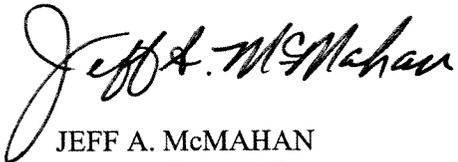
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively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

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

March 25, 2004

Schedule of Findings and Questioned Costs

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

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 • Material weakness(es) identified? No

• 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)
83.544

Name of Federal Program or Cluster
Public Assistance Grants

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

Auditee qualified as low-risk auditee? Yes

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

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

Finding 2003-1 - Segregation of Duties

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

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 County operations and a periodic review of operations.

Management's Corrective Action Plan: Management chose not to respond.

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

No matters were reported.

**Statistical Data
(Unaudited)**

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

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Southwestern Bell	\$ 2,528,267	3.76%
OG&E	2,502,246	3.72%
Valor Communication of OK	1,187,421	1.76%
ONG & Oneok	790,750	1.18%
Wabash Alloys	616,900	0.92%
Union Pacific Corp.	537,867	0.80%
Fountainhead Resort & Marina	530,256	0.79%
Nichols Super Saver	477,912	0.71%
Cross Telephone	364,595	0.54%
Enerfin Resources	304,087	0.45%
Total	<u>\$ 9,840,301</u>	<u>14.63%</u>

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

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

Total net assessed value as of January 1, 2002		<u>\$ 67,273,804</u>
Debt limit - 5% of total assessed value		3,363,690
Total bonds outstanding	-	
Total judgments outstanding	-	
Cash in sinking fund	<u>30</u>	<u>-</u>
Legal debt margin		<u>\$3,363,690</u>

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

	2003
Estimated population	19,456
Net assessed value as of January 1, 2002	\$ 67,273,804
Gross bonded debt	-
Less available sinking fund cash balance	(30)
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

**McINTOSH COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE YEAR ENDED JUNE 30, 2003
(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>
1/1/02	\$8,860,200	\$9,408,413	\$53,848,937	\$4,843,746	\$67,273,804	\$560,615,033