

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

September 22, 2005

TO THE CITIZENS OF
McINTOSH COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

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

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

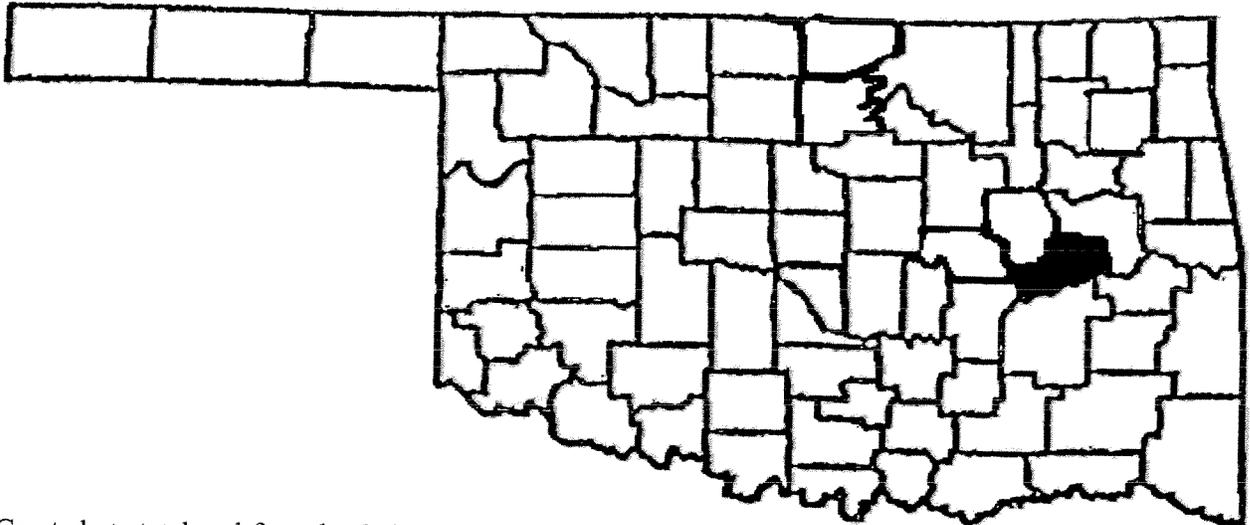
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REPORT TO THE CITIZENS
OF
McINTOSH COUNTY, OKLAHOMA



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 the 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

Primary 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

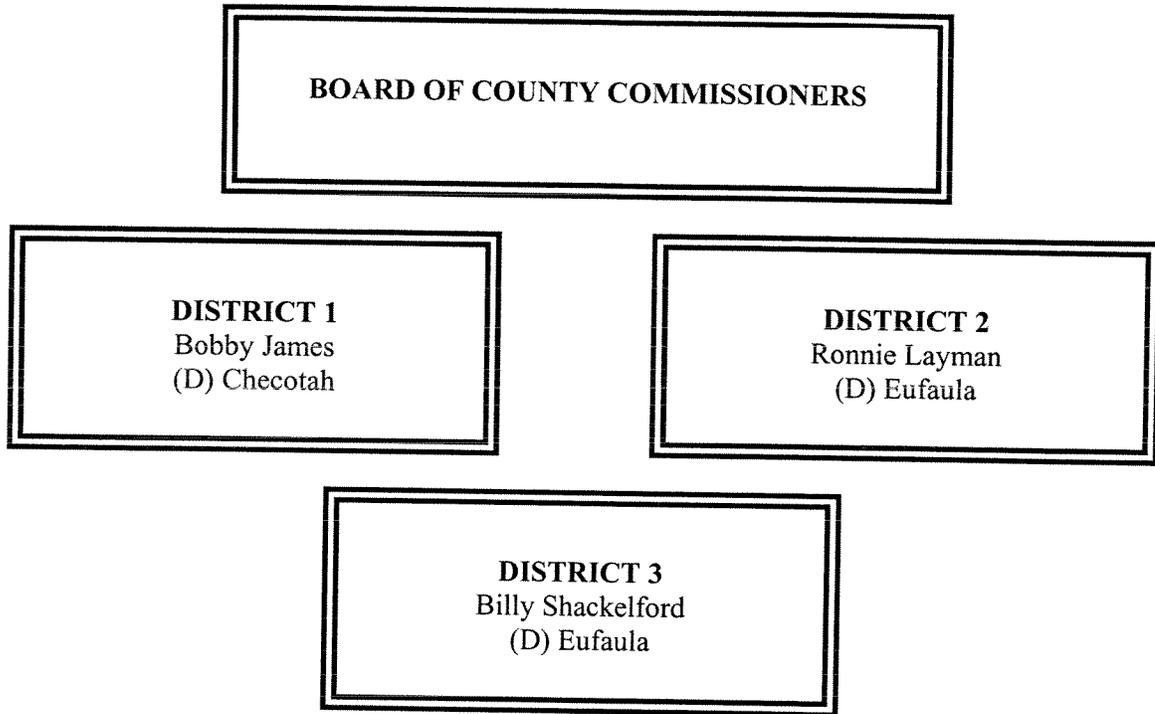
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

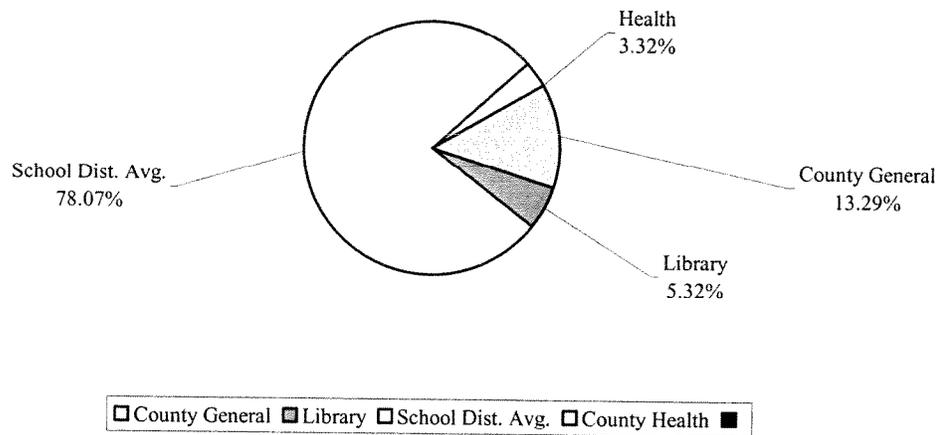
(D) Checotah

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.

**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	6.17	12.00	4.00	62.17
		Checotah	19A	35.00	5.00		10.00	4.00	54.00
		Midway	J-27	35.00	5.00	3.70	10.00	4.00	57.70
		Hanna	I-64	35.00	5.00		5.00	4.00	49.00
		Okmulgee	J2	35.00	5.00	12.67		4.00	56.67
		Okmulgee	J8	35.00	5.00	13.66	10.00	4.00	67.66
		Hughes	J9	35.00	5.00	16.07	5.00	4.00	65.07
		Muskogee	J74	35.00	5.00	15.50	10.00	4.00	69.50
		Okfuskee	J31	35.00	5.00		5.00	4.00	49.00
		Okfuskee	J32	35.00	5.00	24.94	5.00	4.00	73.94

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
McINTOSH COUNTY, OKLAHOMA

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

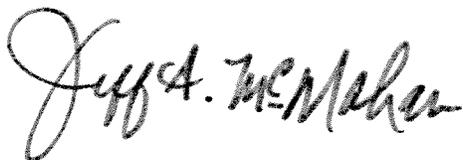
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of McIntosh County, Oklahoma, taken as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the special-purpose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

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

May 12, 2005

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
General Fund	\$ 1,991,315	\$ 2,654,665	\$ 2,969,699	\$	\$ 1,676,281
Individual Redemption	4,668	21,785	20,406		6,047
Sinking Fund	30				30
County Health	356,396	254,661	279,559		331,498
Highway Cash	1,183,838	2,956,429	3,295,806		844,461
Schools	751,205	5,782,104	5,908,357		624,952
D.A. Property Forfeiture	109,193	436,083	236,817		308,459
Sheriff Service Fee	119,706	85,927	143,028		62,605
Sheriff's Board of Prisoners	5,118	12,572	9,377		8,313
Sheriff's Training Fund	45				45
Sheriff's Drug Buy Cash Fund	6,708	4,624	7,700		3,632
COPS Cash Fund	4,800				4,800
Trash Cop	500				500
Lake Patrol Cash Fund	1,408	9,088	10,496		
Mortgage Tax Cash Fund	21,230	6,330	6,576		20,984
Resale Cash Fund	185,772	42,474	72,348		155,898
County Clerk's M&M Cash Fund	21,731	14,284	5,112		30,903
County Assessor Fees Cash	23,076	7,464	870		29,670
HAVIR Cash Fund	1,592				1,592
REAP Shady Grove Fire Dept.	21,426		21,426		
REAP Texanna Road Chip	16,768		16,349		419
Multi-County Library	1,437	274,825	275,047		1,215
Community Service Cash Fund	29,689				29,689
MCDA	3,861	46,337	46,337		3,861
Municipal	6,831	116,872	115,275		8,428
RM&P	39,175	45,690	18,850		66,015
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		17,905		726
Sheriff's Revolving Narcotic Cash	78,098	1,346	38,039		41,405
D.A. Revolving Cash Fund	4,784	8,351	13,129		6
CDBG Onapa Rural Water #2		147,802	124,987		22,815
REAP Rentiesville	117				117
REAP Hickory Hills	14,735		14,593		142
Official Depository	277,109	2,357,197	2,426,236	3,261	211,331
Tax Collections	71	48	119		
Protest Tax	32,029	82	32,111		
Hazard Mitigation		12,500	12,500		
REAP Onapa RFD		20,000			20,000
Total County Funds	<u>\$ 5,376,511</u>	<u>\$ 15,319,555</u>	<u>\$ 16,139,069</u>	<u>\$ 3,261</u>	<u>\$ 4,560,258</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
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,991,315	\$ 1,991,315	\$ 1,991,315	\$ -
Less: Prior Year Outstanding Warrants	(155,990)	(155,990)	(155,556)	434
Less: Prior Year Encumbrances	(69,576)	(69,576)	(76,895)	(7,319)
Beginning Cash Balances, Budgetary Basis	<u>1,765,749</u>	<u>1,765,749</u>	<u>1,758,864</u>	<u>(6,885)</u>
Receipts:				
Ad Valorem Taxes	635,220	635,220	687,070	51,850
Sales Tax	950,000	950,000	1,178,767	228,767
Charges for Services	97,450	97,450	326,402	228,952
Intergovernmental Revenues	238,736	238,736	238,736	
Miscellaneous Revenues	216,790	223,690	223,690	
Total Receipts, Budgetary Basis	<u>2,138,196</u>	<u>2,145,096</u>	<u>2,654,665</u>	<u>509,569</u>
Expenditures:				
Total District Attorney	12,000	13,600	12,848	752
Total County Sheriff	364,390	364,390	362,655	1,735
Total County Treasurer	83,400	83,400	80,590	2,810
Total County Commissioners	8,500	10,500	8,751	1,749
Total OSU Extension	4,000	4,000	1,630	2,370
Total County Clerk	124,050	124,050	123,196	854
Total Court Clerk	188,550	193,950	193,950	-
Total County Assessor	76,920	76,920	73,525	3,395
Total Revaluation of Real Property	140,760	140,760	135,810	4,950
General Government	300,576	340,926	339,495	1,431
Capital Outlay	42,990			
Total General Government	<u>343,566</u>	<u>340,926</u>	<u>339,495</u>	<u>1,431</u>
Total Excise-Equalization Board	9,000	9,000	8,219	781
Total County Election Board	43,988	44,528	39,727	4,801
Sales Tax Sheriff	181,500	220,653	214,647	6,006
Capital Outlay	100,980	61,827	19,569	42,258
Total Sales Tax Sheriff	<u>282,480</u>	<u>282,480</u>	<u>234,216</u>	<u>48,264</u>
Sales Tax Treasurer	57,450	67,501	62,426	5,075
Capital Outlay	75,338	65,287	16,809	48,478
Total Sales Tax Treasurer	<u>132,788</u>	<u>132,788</u>	<u>79,235</u>	<u>53,553</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, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Sales Tax County Clerk	79,500	92,500	81,700	10,800
Capital Outlay	257,040	244,040	7,002	237,038
Total Sales Tax County Clerk	336,540	336,540	88,702	247,838
Sales Tax County Assessor	79,532	79,532	45,583	33,949
Capital Outlay	20,000	20,000	12,271	7,729
Total Sales Tax County Assessor	99,532	99,532	57,854	41,678
Sales Tax Court Clerk	37,450	37,450	25,564	11,886
Capital Outlay	25,507	25,507	1,821	23,686
Total Sales Tax Court Clerk	62,957	62,957	27,385	35,572
Sales Tax OSU Extension	42,978	45,161	42,200	2,961
Capital Outlay	3,000	817		817
Total Sales Tax OSU Extension	45,978	45,978	42,200	3,778
Sales Tax General Government	345,285	359,885	355,303	4,582
Capital Outlay	73,209	58,609	6,636	51,973
Total Sales Tax General Government	418,494	418,494	361,939	56,555
Total Sales Tax Courthouse	298,109	298,109	79,409	218,700
Sales Tax Highway	328,864	328,864	327,808	1,056
Capital Outlay	40,000	40,000	25,390	14,610
Total Sales Tax Highway	368,864	368,864	353,198	15,666
Total Sales Tax Library	53,547	53,547	53,547	-
Total Sales Tax Fairboard	29,070	29,070	10,204	18,866
Total Sales Tax EMS	7,236	7,236	5,500	1,736
Total Sales Tax Senior Citizens	82,902	82,902	72,555	10,347
Total Sales Tax Rural Fire	265,337	265,337	69,691	195,646
Total County Audit Budget	6,987	6,987	6,987	-
Total Free Fair Budget	14,000	14,000	13,766	234

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, 2004**

continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Expenditures, Budgetary Basis	<u>3,903,945</u>	<u>3,910,845</u>	<u>2,936,784</u>	<u>974,061</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	1,476,745	<u>\$ 1,476,745</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			25,330	
Add: Current Year Outstanding Warrants			174,206	
Ending Cash Balance			<u>\$ 1,676,281</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 FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	County Health Department			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 356,396	\$ 356,396	\$ 356,396	\$ -
Less: Prior Year Outstanding Warrants	(4,668)	(4,668)	(4,668)	
Less: Prior Year Encumbrances	(18,938)	(18,938)	(20,238)	(1,300)
Beginning Cash Balances, Budgetary Basis	<u>332,790</u>	<u>332,790</u>	<u>331,490</u>	<u>(1,300)</u>
Receipts:				
Ad Valorem Taxes	158,800	158,800	171,767	12,967
Miscellaneous Revenues		79,515	82,894	3,379
Total Receipts, Budgetary Basis	<u>158,800</u>	<u>238,315</u>	<u>254,661</u>	<u>16,346</u>
Expenditures:				
Health and Welfare	271,590	267,002	200,953	66,049
Capital Outlay	220,000	304,103	113,809	190,294
Total Expenditures, Budgetary Basis	<u>491,590</u>	<u>571,105</u>	<u>314,762</u>	<u>256,343</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	271,389	<u>\$ 271,389</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			58,298	
Add: Current Year Outstanding Warrants			1,811	
Ending Cash Balance			<u>\$ 331,498</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, 2004**

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, 2004**

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
Court Clerk	\$ 102,030	\$ 1,119,088	\$ 1,131,070	\$ 411	\$ 90,459
Court Fund	68,938	614,160	648,152	549	35,495
Court Clerk Revolving Fund	51,372	27,237	21,192		57,417
County Assessor		6,796	6,796		
County Clerk	30,744	236,217	267,072	111	
Election Board		29,828	27,605	777	3,000
County Health		82,287	82,287		
Sheriff		29,755	30,871	1,116	
Motor Vehicle		8,508	8,508		
Treasurer's Trust	24,025	203,321	202,683	297	24,960
Total Official Depository Accounts	<u>\$ 277,109</u>	<u>\$ 2,357,197</u>	<u>\$ 2,426,236</u>	<u>\$ 3,261</u>	<u>\$ 211,331</u>

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

E. Cash and Investments

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

F. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed authorized deductibles, the County would have to pay its share of the pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
- Torts		
- Errors and Omissions		
- Law Enforcement Officers Liability		
- Vehicle		
Physical Plant		
- Theft		
- Damage to Assets		
- Natural Disasters		

Summary of Significant Accounting Policies (continued)

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

ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$10,000 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 worker's compensation claims and employees' insurance. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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

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 \$4,560,258 and the bank balance was \$4,568,640. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

B. Description of Funds

General Fund – revenues are from ad valorem taxes, sales tax, officers' fees, interest earnings and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Individual Redemption – revenues are from taxpayers who redeem tax certificates previously sold on their property. Disbursements are to reimburse the certificate holders for taxes paid, interest, penalties, and cost.

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 the general fund.

County Health – revenues are from ad valorem taxes, miscellaneous fees charged by the health department and state and federal funds. Disbursements are for the operation of the county health department.

Highway Cash – revenues are from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

Detailed Notes on Funds and Account Balances (continued)

Schools – All funds collected on behalf of the county schools are recorded in this fund and remitted to the individual schools monthly.

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

Sheriff Service Fee – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

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 expenditure of the Sheriff's office.

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

Sheriff's 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 – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

Resale Cash Fund – revenues are from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

County Clerk's M&M Cash Fund – revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's office.

County Assessor Fees Cash – revenues are from fees charged by the County Assessor. Disbursements are for any lawful expense of the Assessor's office.

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

Detailed Notes on Funds and Account Balances (continued)

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

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

Multi-County Library – revenues are from ad valorem taxes. Funds are remitted to the library monthly.

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 from state and local revenues and remitted to them monthly.

RM&P – revenues are from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public 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 probate funds of 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 grant 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. The proceeds are received from the Oklahoma Tax Commission and are distributed among the area fire departments.

REAP Vivian Fire Department – revenues are 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 – revenues are from a State Rural Economic Action Plan Grant provided for the purchase of equipment for the McIntosh County Emergency Response Team.

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

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 – revenues are from a Community Development Block Grant provided for water system improvements for Rural Water District #2.

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

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

Official Depository - All officers and agencies collecting fees deposit those fees to this account daily. At the end of each month the fees are distributed to the appropriate fund or agency.

Tax Collections – over collections of ad valorem taxes are deposited to this fund and disbursed to the payer.

Protest Tax – ad valorem taxes paid under protest are held in this account until a court order is issued for their dispersal.

Hazard Mitigation – accounts for federal grant monies received from the Oklahoma Emergency Management for reducing or eliminating future damages and losses from natural hazards.

REAP Onapa Rural Fire Department – revenues are from State Rural Economic Action Plan Grant provided for the purchase of equipment for the Onapa Rural Fire Department.

The following narrative details the official depository accounts.

Court Clerk – accounts for the collection of bonds, fines, and fees. Money is disbursed for fees and restitution.

Court Fund – accounts for fees transferred from the court clerk account and interest earnings. Disbursements are for operating expense of the District Court.

Court Clerk Revolving Fund – accounts for the \$5.00 fee collected for issuing warrants and disbursements used for the maintenance and operation of the office.

**McINTOSH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

Detailed Notes on Funds and Account Balances (continued)

County Assessor – accounts for fees charged by the County Assessor and remitted to the Assessor's Revolving Fund monthly.

County Clerk – accounts for the collection of filing fees and transferred to the appropriate entity monthly.

Election Board – accounts for reimbursements for election cost and disbursed for election board operations.

County Health – accounts for fees charged by the county health department. Disbursements are to the county health department budget account monthly.

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 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 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 \$69,874,181.

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.

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

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, 2004, 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.

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 County Courthouse 7.0%; Library 5.0%; Collection Fee to Oklahoma Tax Commission 1.0%.

SUPPLEMENTARY SCHEDULE

McINTOSH COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grants/State's Program	14.228	01 CDBG 10058	\$ 139,907
Total U.S. Department of Housing and Urban Development			<u>139,907</u>
 <u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma State Department of Civil Emergency Management:			
Hazard Mitigation Grant Program	83.548		12,500
Public Assistance Grants	83.544		450,981
State and Local All Hazards Emergency Planning	83.562		13,130
Total Federal Emergency Management Agency			<u>476,611</u>
Total Expenditures of Federal Awards			<u>\$ 616,518</u>

The accompanying note is an integral part of this schedule.

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

Basis of Presentation

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

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
McINTOSH COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of McIntosh County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated May 12, 2005. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 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 the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-1.

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 statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2003-1 to be a material weakness.

Compliance and Other Matters

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 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*.

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

May 12, 2005



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

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

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

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

Internal Control Over Compliance

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

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

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

May 12, 2005

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

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weaknesses?	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> 83.544	<u>Name of Federal Program or Cluster</u> Public Assistance Grants
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

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

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 2003-1 - Segregation of Duties (Repeat Finding)

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

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

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

Views of responsible officials and planned corrective actions: 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 SECTION
(Unaudited)

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

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
OG&E	\$ 2,438,100	3.49%
Southwestern Bell Telephone	1,551,021	2.22%
Valor Communication of OK	1,270,264	1.82%
Cross Telephone Co.	837,705	1.20%
ONG/Oneok	781,511	1.12%
Union Pacific Railroad	589,544	0.84%
Wabash Alloys	557,576	0.80%
Fountainhead Resort	530,256	0.76%
Nichols Super Saver Foods	483,772	0.69%
US Cellular Telephone	317,777	0.45%
Total	<u>\$ 9,357,526</u>	<u>13.39%</u>

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

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

Total net assessed value as of January 1, 2003		<u>\$ 69,874,181</u>
Debt limit - 5% of total assessed value		3,493,709
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>30</u>	<u>-</u>
Legal debt margin		<u><u>\$3,493,709</u></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, 2004
(UNAUDITED)

	2004
Estimated population	19,456
Net assessed value as of January 1, 2003	\$ 69,874,181
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, 2004
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	\$9,052,874	\$9,801,276	\$55,880,206	\$4,860,175	\$69,874,181	\$635,219,827