

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

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May 14, 2004

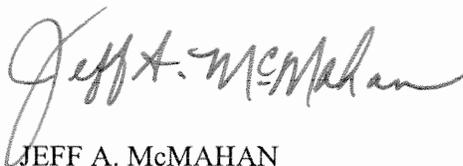
TO THE CITIZENS OF
MURRAY COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahon". The signature is written in dark ink and is positioned above the printed name and title.

JEFF A. McMAHAN
State Auditor and Inspector

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

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

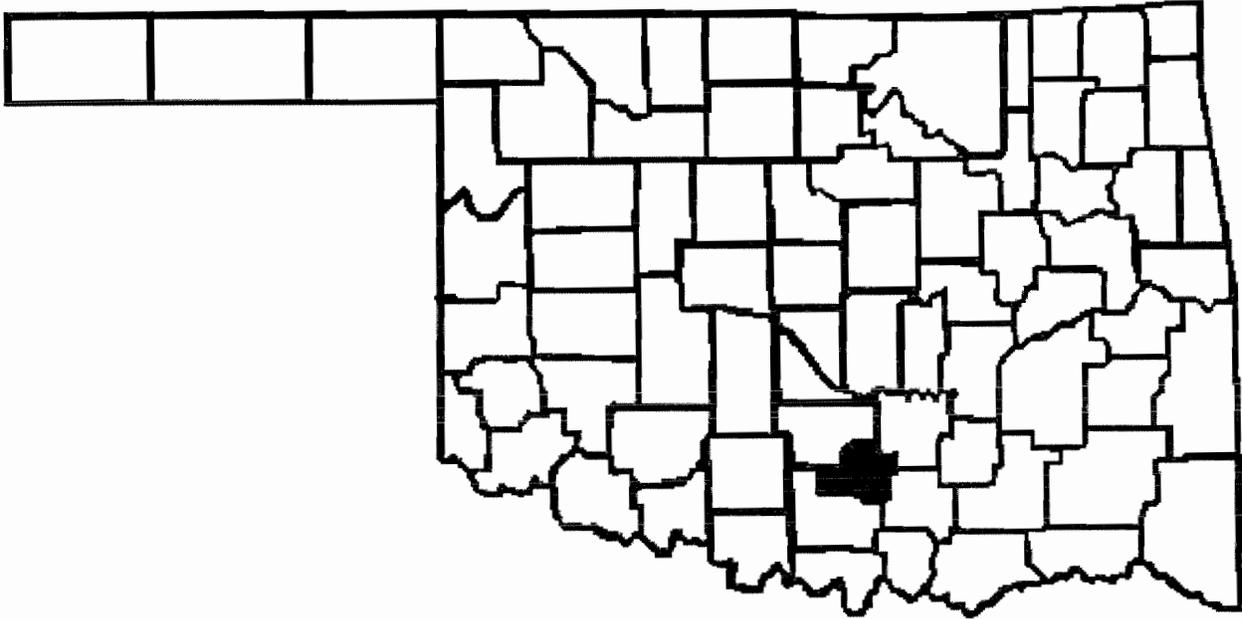
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REPORT TO THE CITIZENS
OF
MURRAY COUNTY, OKLAHOMA



Created at statehood from part of the Chickasaw Nation, Murray County was named for William H. Murray, president of the Constitutional Convention and later Governor of Oklahoma.

Sulphur, the county seat, was originally called Sulphur Springs for the bromide and sulphur waters that attracted thousands of people to the area early in the century. The Arbuckle Mountains, Turner Falls, and the Chickasaw National Recreational Area, including the 2,400-acre Lake of the Arbuckles, have made Murray County a leading tourist attraction.

Initial Point, which determines the legal description of all land in Oklahoma except for the Panhandle, is located in Murray County some six miles west of Davis. Intersecting this point, the Indian Base Line runs east and west, and the Indian Meridian runs north and south. A sandstone marker indicating the spot is located in a pasture on privately owned land.

For more information, call the county clerk's office at 580-622-3920.

County Seat - Sulphur

Area – 418.3 Square Miles

County Population - 12,623 (2000 est.)

Farms - 454

Land in Farms - 203,486 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**MURRAY COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR
Scott Kirby
(D) Sulphur

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
David Thompson
(D) Sulphur

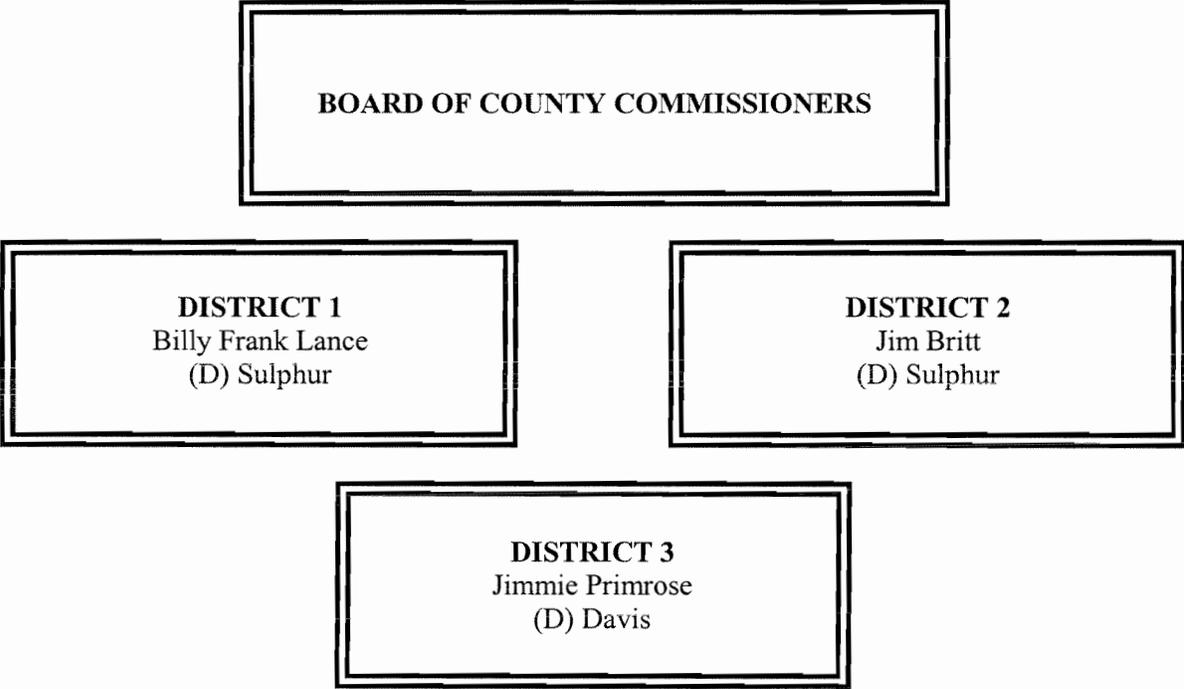
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**MURRAY 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.

**MURRAY COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Marvin McCracken
(D) Sulphur

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
Barbara Woods
(D) Sulphur

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.

**MURRAY COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Jo Freeman
(D) Sulphur

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
Mitch Sperry
(D) Ardmore

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.

**MURRAY COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY

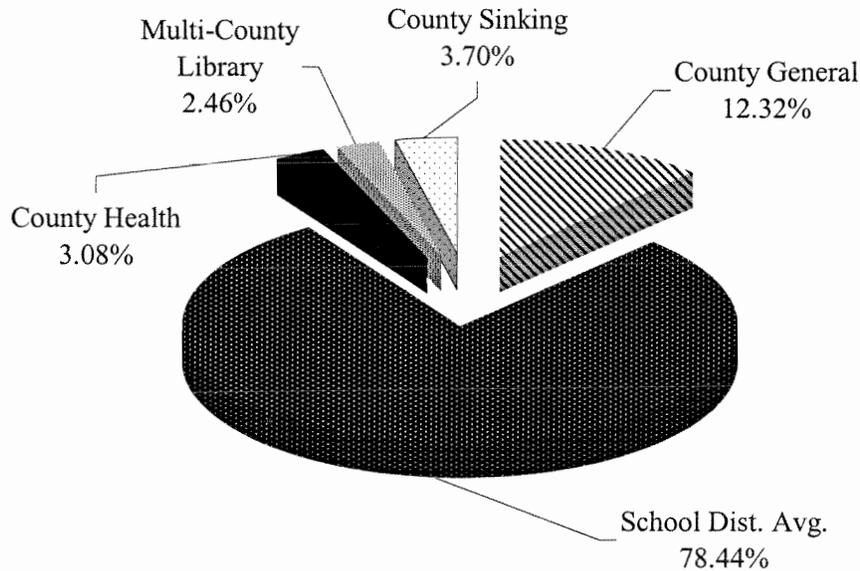
Rosa Thomas
(D) Sulphur

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.

**MURRAY COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE**

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



▨ County General ▣ School Dist. Avg. ■ County Health ▩ Multi-County Library □ County Sinking

County-Wide Millages				School District Millages						
				Gen.	Bldg.	Skg.	Tech Cntr	Tech Cntr Bldg.	Common	Total
Co. General	10.37									
County Health	2.59	Sulphur	I-1	36.12	5.16	10.61	8.16	2.03	4.14	66.22
County Ambulance	3.11	Davis	I-10	36.10	5.16	8.41	8.16	2.03	4.14	64.00
Multi-County Library	2.07	Roff	I-37	39.10	5.59	8.77	11.06	2.00	4.14	70.66
		Wynnewood	I-38	36.75	5.25	4.36	10.42	1.05	4.14	61.97
Cities and Towns		Elmore City	I-72	41.00	5.80	12.29	10.42	1.05	4.14	74.70
Davis (Sinking)	10.00	Mill Creek	JT-2	41.19	5.88	7.21			4.14	58.42

See independent auditor's report.

Independent Auditor's Report

TO THE OFFICERS OF
MURRAY COUNTY, OKLAHOMA

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

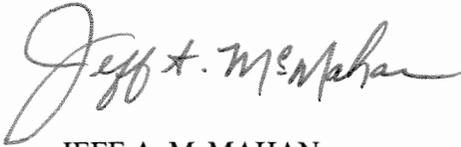
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Murray County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health 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 Murray 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 Murray County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department 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 February 5, 2004, on our consideration of Murray 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 Murray County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Data* has not been audited by us, and accordingly, we express no opinion on such data.

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMAHAN". The signature is written in dark ink and is positioned to the left of the printed name.

JEFF A. McMAHAN
State Auditor and Inspector

February 5, 2004

Special-Purpose Financial Statements

MURRAY 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	Disbursements	Ending Cash Balances June 30, 2003
County General	\$ 1,492,435	\$ 1,541,840	\$ 1,500,169	\$ 1,534,106
T-Highway	649,489	1,763,032	1,385,321	1,027,200
County Health	63,491	103,696	105,428	61,759
Resale Property	62,851	26,521	18,033	71,339
County Clerk Lien Fee	1,786	4,462	4,811	1,437
County Clerk RM&P	13,250	18,219		31,469
Sheriff Special Fee	38,827	55,366	60,181	34,012
County Treasurer Fee	8,276	3,980	2,108	10,148
Assessor Visual Inspection		642		642
Community Service Sentencing Program	655		220	435
Sheriff DOC	11,762	52,148	62,551	1,359
Sheriff Drug Forfeiture	1,277	14,160	68	15,369
Child Abuse Prevention	2,550	764		3,314
Courthouse Restoration Special	138			138
CENA - Dougherty Sr. Citizens Grant	1,099		1,099	
CENA - Murray County Nutrition	6,234		5,913	321
CENA - Murray Parking	4,569		2,129	2,440
CENA - Hickory Sr. Citizens Grant	715	10,021	715	10,021
CENA - Oak Grove Sr. Citizens Grant	750		750	
Fair Barn Renovation	5,150	256,781	261,931	
Rock Prairie Rural Fire	1,982			1,982
Court Clerk Trust Voucher	16,500			16,500
County Clerk Cash Drawer	25			25
Court Clerk Cash Drawer	101			101
Work Force Center		19,722	13,156	6,566
Sheriff's 911		18,520	18,520	
County Sinking	7,422	1		7,423
Individual Redemption		4,207	4,207	
Excess Resale	1,684	459	620	1,523
Official Depository	148,798	6,221,657	6,059,599	310,856
Schools	26,101	2,645,269	2,632,722	38,648
Cities and Towns	7,146	146,640	146,809	6,977
Law Library	2,516	10,715	10,293	2,938
County Library	407	81,581	81,404	584
Arbuckle Memorial Hospital Sales Tax	67,842	817,070	808,918	75,994
Emergency Medical Service	612	122,569	122,303	878
Fair Barn Renovation	1,250	10,375	10,625	1,000
Payroll Withholding		292,538	292,538	
Protest Tax 2002		35,492		35,492
Total County Funds	\$ 2,647,690	\$ 14,278,447	\$ 13,613,141	\$ 3,312,996

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

**MURRAY 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	\$ 1,492,435	\$ 1,492,435	\$ 1,492,435	\$ -
Less: Prior Year Outstanding Warrants	(63,825)	(63,825)	(64,025)	(200)
Less: Prior Year Encumbrances	(57,504)	(57,504)	(34,405)	23,099
Beginning Cash Balances, Budgetary Basis	<u>1,371,106</u>	<u>1,371,106</u>	<u>1,394,005</u>	<u>22,899</u>
Receipts:				
Ad Valorem Taxes	373,350	373,350	403,821	30,471
Sales Tax	400,000	394,526	817,070	422,544
Charges for Services	50,000	50,000	70,147	20,147
Intergovernmental Revenues	108,141	108,141	178,657	70,516
Miscellaneous Revenues	66,412	66,412	72,145	5,733
Total Receipts, Budgetary Basis	<u>997,903</u>	<u>992,429</u>	<u>1,541,840</u>	<u>549,411</u>
Expenditures:				
District Attorney	7,200	7,200	6,037	1,163
Total District Attorney	<u>7,200</u>	<u>7,200</u>	<u>6,037</u>	<u>1,163</u>
County Sheriff	168,072	194,777	194,768	9
Total County Sheriff	<u>168,072</u>	<u>194,777</u>	<u>194,768</u>	<u>9</u>
County Treasurer	55,350	86,826	86,821	5
Total County Treasurer	<u>55,350</u>	<u>86,826</u>	<u>86,821</u>	<u>5</u>
County Commissioners	30,408	30,408	14,475	15,933
Total County Commissioners	<u>30,408</u>	<u>30,408</u>	<u>14,475</u>	<u>15,933</u>
OSU Extension	17,251	40,670	40,660	10
Total OSU Extension	<u>17,251</u>	<u>40,670</u>	<u>40,660</u>	<u>10</u>
County Clerk	78,101	112,865	112,854	11
Total County Clerk	<u>78,101</u>	<u>112,865</u>	<u>112,854</u>	<u>11</u>
Court Clerk	50,400	82,300	82,300	
Total Court Clerk	<u>50,400</u>	<u>82,300</u>	<u>82,300</u>	<u>-</u>
County Assessor	48,650	59,844	59,444	400
Total County Assessor	<u>48,650</u>	<u>59,844</u>	<u>59,444</u>	<u>400</u>

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

**MURRAY 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
Revaluation of Real Property	82,700	82,700	82,447	253
Total Revaluation of Real Property	82,700	82,700	82,447	253
General Government	119,735	82,723	54,061	28,662
Total General Government	119,735	82,723	54,061	28,662
Excise-Equalization Board	27,663	27,663	1,500	26 163
Total Excise-Equalization Board	27,663	27,663	1,500	26,163
County Election Board	45,458	46,196	43,379	2,817
Total County Election Board	45,458	46,196	43,379	2,817
Insurance	142,389	271,450	216,463	54 987
Total Insurance	142,389	271,450	216,463	54,987
4H Sales Tax	5,136	5,136	4,936	200
Total 4H Sales Tax	5,136	5,136	4,936	200
Sheriff Sales Tax	43,043	16,338	16,338	
Total Sheriff Sales Tax	43,043	16,338	16,338	-
Treasurer Sales Tax	52,783	21,307	73	21 234
Total Treasurer Sales Tax	52,783	21,307	73	21,234
Civil Defense Sales Tax	11,085	11,065	5,121	5,944
Total Civil Defense Sales Tax	11,085	11,065	5,121	5,944
County Commissioners Sales Tax	295,595	295,595	59,429	236 166
Total County Commissioners Sales Tax	295,595	295,595	59,429	236,166
Senior Citizens Sales Tax	177,165	177,165	48,540	128 625
Total Senior Citizens Sales Tax	177,165	177,165	48,540	128,625
Sheriff Reserve Deputy Sales Tax	16,188	16,188	16,173	15
Total Sheriff Reserve Deputy Sales Tax	16,188	16,188	16,173	15

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

**MURRAY 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
Fire Department Sales Tax	49,377	49,377	15,790	33,587
Total Fire Department Sales Tax	49,377	49,377	15,790	33,587
Agri Sales Tax	23,419			
Total Agri Sales Tax	23,419	-	-	-
Court Clerk Sales Tax	47,451	15,551	148	15,403
Total Court Clerk Sales Tax	47,451	15,551	148	15,403
EMS Sales Tax	29,750	29,750	29,750	
Total EMS Sales Tax	29,750	29,750	29,750	-
County Clerk Sales Tax	43,007	8,243	6,262	1,981
Total County Clerk Sales Tax	43,007	8,243	6,262	1,981
Assessor Sales Tax	60,973	43,554	17,611	25,943
Total Assessor Sales Tax	60,973	43,554	17,611	25,943
Home Extension Sales Tax	9,069	9,069	4,992	4,077
Total Home Extension Sales Tax	9,069	9,069	4,992	4,077
Economic Development Sales Tax	17,191	17,191	9,303	7,888
Total Economic Development Sales Tax	17,191	17,191	9,303	7,888
Arbuckle Hospital Sales Tax	139,006	139,006	112,140	26,866
Total Arbuckle Hospital Sales Tax	139,006	139,006	112,140	26,866
General Government Sales Tax	221,096	129,080	68,641	60,439
Total General Government Sales Tax	221,096	129,080	68,641	60,439
Free Fair Sales Tax	40,757	40,757	32,843	7,914
Total Free Fair Sales Tax	40,757	40,757	32,843	7,914
Court Restore Sales Tax	153,822	153,822	33,606	120,216
Total Court Restore Sales Tax	153,822	153,822	33,606	120,216

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

**MURRAY 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
Collection Fees Sales Tax	50,832	50,832	1,800	49,032
Total Collection Fees Sales Tax	<u>50,832</u>	<u>50,832</u>	<u>1,800</u>	<u>49,032</u>
Sulphur Chamber of Commerce Sales Tax	1,000	1,000	1,000	
Total Sulphur Chamber of Commerce Sales Tax	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Davis Chamber of Commerce Sales Tax	1,000	1,000	949	51
Total Davis Chamber of Commerce Sales Tax	<u>1,000</u>	<u>1,000</u>	<u>949</u>	<u>51</u>
Audit	3,960	3,960	3,960	
Total Audit	<u>3,960</u>	<u>3,960</u>	<u>3,960</u>	<u>-</u>
 Total Expenditures, Budgetary Basis	 <u>2,366,082</u>	 <u>2,360,608</u>	 <u>1,484,614</u>	 <u>875,994</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ 2,927</u>	 <u>\$ 2,927</u>	 1,451,231	 <u>\$ 1,448,304</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			12,078	
Add: Current Year Outstanding Warrants			70,797	
Ending Cash Balance			<u>\$ 1,534,106</u>	

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

**MURRAY 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	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 63,491	\$ 63,491	\$ 63,491	\$ -
Less: Prior Year Outstanding Warrants	(504)	(504)	(366)	138
Less: Prior Year Encumbrances	(12,531)	(12,531)	(10,160)	2,371
Beginning Cash Balances, Budgetary Basis	<u>50,456</u>	<u>50,456</u>	<u>52,965</u>	<u>2,509</u>
Receipts:				
Ad Valorem Taxes	94,328	94,328	100,859	6,531
Charges for Services		1,664	2,837	1,173
Total Receipts, Budgetary Basis	<u>94,328</u>	<u>95,992</u>	<u>103,696</u>	<u>7,704</u>
Expenditures:				
Health and Welfare	133,702	138,366	102,155	36,211
Capital Outlay	10,000	7,000	385	6,615
Total Expenditures, Budgetary Basis	<u>143,702</u>	<u>145,366</u>	<u>102,540</u>	<u>42,826</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ 1,082</u>	<u>\$ 1,082</u>	54,121	<u>\$ 53,039</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			7,165	
Add: Current Year Outstanding Warrants			473	
Ending Cash Balance			<u>\$ 61,759</u>	

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

**MURRAY 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>\$ 7,422</u>
Receipts:	
Ad Valorem Tax	<u>1</u>
Total Receipts	<u>1</u>
Disbursements:	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u><u>\$ 7,423</u></u>

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

**MURRAY 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	\$ 77,944	\$ 597,522	\$ 509,991	\$ 987	\$ 166,462
Court Clerk Appropriation	18,126	321,797	289,120	11,931	62,734
Court Clerk Revolving	9,835	8,779	3,521		15,093
County Clerk	8,374	114,954	113,571		9,757
Sheriff Special Fees		17,838	17,838		
Sheriff Bond Account		18,309	18,309		
Sheriff Federal Drug Account	132				132
Sheriff Estray Cattle	482				482
County Treasurer Trust #1	2	66,273	66,273		2
County Treasurer M.H. #2	7,270	8,548	9,681		6,137
County Treasurer M.V. #3	595	10,405	10,528		472
County Election Board	528	22,562	22,106	353	1,337
County Health Department		5,912	5,912		
District Attorney Restitution Account	749	64,264	65,012		1
District Attorney Drug Enforcement	85	145	230		
District Attorney State Witness Fee	325		235	624	714
District Attorney Revolving Fund		3,630	3,630		
Arbuckle Memorial Hospital	24,351	4,960,719	4,937,537		47,533
Total Official Depository Accounts	<u>\$ 148,798</u>	<u>\$ 6,221,657</u>	<u>\$ 6,073,494</u>	<u>\$ 13,895</u>	<u>\$ 310,856</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 Murray 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.

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

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

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

Summary of Significant Accounting Policies (continued)

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

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

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

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

Summary of Significant Accounting Policies (continued)

G. Compensated Absences

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 with one to four years of service earn two weeks per year and employees with five plus year of service earn three weeks per year.

All full-time Murray County employees shall be entitled to sick leave with pay that is accrued at the rate of one half day for each calendar month of service. Sick leave may be accrued up to a maximum of six days.

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 \$3,312,996 and the bank balance was \$3,455,452. 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 authorizes the County Treasurer to invest in:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district

Detailed Notes on Funds and Account Balances (continued)

B. Description of Funds

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

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

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

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

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

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

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

County Treasurer Fee - accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursements of the funds as restricted by statute.

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

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

Sheriff DOC – accounts for monies received from the State Department of Corrections for housing prisoners.

Sheriff Drug Forfeiture – accounts for the collection of the Sheriff's percentage of drug forfeiture.

Child Abuse Prevention – accounts for monies received from jurors to aid in the prevention of child abuse.

Courthouse Restoration Special – accounts for grants monies received and disbursed as restricted by the grant agreement.

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

Detailed Notes on Funds and Account Balances (continued)

CENA – Dougherty Sr. Citizens Grant – Community Expansion for Nutritional Assistance – accounts for grant funds received for the maintenance and operation of senior citizen centers within the County.

CENA – Murray County Nutrition – Community Expansion for Nutritional Assistance – accounts for grant funds received for the maintenance and operation of senior citizens centers within the County.

CENA – Murray Parking – Community Expansion for Nutritional Assistance – accounts for grant funds received for the maintenance and operation of senior citizens centers within the County.

CENA – Hickory Sr. Citizens Grant – Community Expansion for Nutritional Assistance – accounts for grant funds received for the maintenance and operation of senior citizens centers within the County.

CENA – Oak Grove Sr. Citizens Grant – Community Expansion for Nutritional Assistance – accounts for grant funds received for the maintenance and operation of senior citizens centers within the county.

Fair Barn Renovation – accounts for grant monies received and disbursed as restricted by the grant agreement.

Rock Prairie Rural Fire - accounts for grant monies received and disbursed as restricted by the grant agreement.

Court Clerk Trust Voucher – accounts for a special encumbrance from the Court Fund approved by the Chief Justice of Oklahoma for the purpose of purchasing computer equipment.

County Clerk Cash Drawer – accounts for monies held in office used for daily operations.

Court Clerk Cash Drawer – accounts for monies held in office used for daily operations.

Work Force Center - accounts for rent collected from the fair grounds building and disbursed for payment of the building's utilities.

Sheriff's 911 – accounts for the receipt of 911 fees for the purpose of maintaining a 911 service.

County Sinking – accounts for the payment of interest and principal on the matures portion of long-term bonded debt and civil judgment. Debt Service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for Debt Service payments. Murray County currently has no long-term debt. The remaining balance in the County Sinking Fund will be transferred to the General Fund.

**MURRAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Detailed Notes on Funds and Account Balances (continued)

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

Excess Resale – accounts for the proceeds of sale of property in excess of tax against property to be held in trust for a two-year period.

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

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

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

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

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

Arbuckle Memorial Hospital Sales Tax – accounts for the collection of sales tax revenues and the disbursement of funds as restricted by the sales tax resolution.

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

Fair Barn Renovation – accounts for the collection of revenues generated from building rent, booth rental, and other fees.

Payroll Withholding – accounts for federal tax withholdings electronically remitted to the federal government.

Protest Tax 2002 – accounts for ad valorem taxes collected in protest.

The following narrative details the official depository accounts.

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

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

Detailed Notes on Funds and Account Balances (continued)

Court Clerk Appropriation – accounts for fees transferred from district court and interest. Money is disbursed for the purpose of fees for various entities, salaries, and the operation of the office.

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

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

Sheriff Special Fees – account for all collection of foreign service fees. Monies are vouchered out at the end of the month to the Sheriff's service fee account.

Sheriff Bond Account – accounts for the collections of cash bonds. Monies are vouchered out to the Court Clerk.

Sheriff Federal Drug Account – accounts for collections from asset forfeitures. Monies are disbursed for confidential expenditures.

Sheriff Estray Cattle – accounts for fees and or receipts collected from the sale of strayed cattle.

County Treasurer Trust #1 – accounts for miscellaneous collections held in trust for disbursements.

County Treasurer M.H. #2 – accounts for the collection of taxes and pre-paid mobile homes. Disbursements are for the purpose of refunding overpayment of taxes.

County Treasurer M.V. #3 – accounts for collections derived from the sale of motor vehicle stamps. Two percent of collections is disbursed to OTC. The remaining ninety-eight percent is divided equally between county general and schools.

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

County Health Department – 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.

District Attorney Restitution Account – accounts for collections received by court orders to reimburse victims.

District Attorney Drug Enforcement – accounts for collections from fines, fees, and forfeitures and disbursements of funds restricted by court orders and states statutes.

Detailed Notes on Funds and Account Balances (continued)

District Attorney State Witness Fee – accounts for collections received from the state to reimburse witness expense.

District Attorney Revolving Fund – accounts for collections from asset forfeitures. Disbursements are restricted by court order.

Arbuckle Memorial Hospital – accounts for daily collections of the hospital. Money is disbursed back to the hospital.

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 \$39,656,801.

Per Article 10, § 8A, with the repeal of personal property tax, the millage with the adjustment factor is 10.37 mills for general fund operations, 2.59 mills for the county health department, 2.07 mills for the multi-county library, and 3.11 mills for the county ambulance. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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 96.77 percent of the tax levy.

Detailed Notes on Funds and Account Balances (continued)

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.

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

5. Sales Tax

Effective September 11, 2002, for a period of ten years, the County will realize an additional revenue from a one-cent sales tax levy. The purpose of the tax is to provide revenues for general government, County Commissioners, economic development, the Sulphur Chamber of Commerce, the Davis Chamber of Commerce, senior citizen's organizations, rural fire department, Civil Defense, OSU Extension Office, Murray County Fair Barn, home extension organizations, rural fire department, 4-H Club organizations, the office of the County Clerk, Court Clerk, Assessor, Treasurer, Sheriff, and courthouse restoration.

Effective January 1, 2002, for a period of five years, the County will realize an additional revenue from a one-cent sales tax levy. The purpose of the tax is to provide revenue exclusively for the operation, improvements to, and the maintenance of the Arbuckle Memorial Hospital.

Schedule of Expenditures of Federal Awards

**MURRAY 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 INTERIOR</u>			
Payment in Lieu of Taxes	15.226		\$ 3,695
Total U.S. Department of Interior			<u>3,695</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma State Department of Civil Emergency Management:			
Public Assistance Grants	83.544		571,659
Total Federal Emergency Management Agency			<u>571,659</u>
Total Expenditures of Federal Awards			<u>\$ 575,354</u>

MURRAY 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 Murray 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***

**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
MURRAY COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Murray County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated February 5, 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 Murray 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2003-8. We also noted certain immaterial instances of noncompliance, which we have reported to management and are included in Section 4 of the schedule of findings and questioned costs, contained within this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Murray County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-1, 2003-2, 2003-3, 2003-4, and 2003-5.

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, of the reportable conditions described above, we consider items 2003-1, 2003-4, and 2003-5 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 cursive script that reads "Jeff A. McMahen". The signature is written in black ink and is positioned above the printed name and title.

JEFF A. McMAHAN
State Auditor and Inspector

February 5, 2004

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

**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
MURRAY COUNTY, OKLAHOMA

Compliance

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

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

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

Internal Control Over Compliance

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

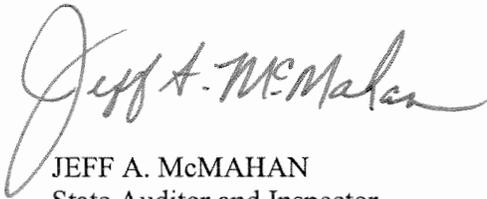
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively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

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

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahán". The signature is written in black ink and is positioned above the printed name and title.

JEFF A. McMAHAN
State Auditor and Inspector

February 5, 2004

Schedule of Findings and Questioned Costs

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

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified? Yes

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

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? No

• Reportable condition(s) identified that are not considered to be material weakness(es)? None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

83.544	Public Assistance Grants
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Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
--	-------------------

Auditee qualified as low-risk auditee?	No
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MURRAY 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. The most effective controls lie in management's knowledge of County operations and a periodic review of operations.

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.

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

Finding 2003-2 – Written Disaster Recovery Plan

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT Delivery & Support 4.3), management should ensure that a written Disaster Recovery Plan is documented and contains the following:

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

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

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

Condition: The County does not have a written Disaster Recovery Plan, and the County Clerk's backup tapes are stored at the courthouse.

Recommendation: We recommend the County establish a Disaster Recovery Plan to ensure the safekeeping and integrity of the County's financial and non-financial data. Additionally, we recommend the Clerk store one backup tape a week off site.

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

Finding 2003-3 – Policies and Procedures for the IT System

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

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

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

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

Finding 2003-4 – Timesheets

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

Condition: County employees do not prepare timesheets and/or records, which reflect accumulated leave balances, are signed by the employee and approved by the officer, and are filed with the County Clerk at the end of the month.

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

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

Management's Response: We concur with the auditor's findings. We have implemented procedures for the accurate accountability of employee time records and leave balances.

Finding 2003-5 – Consumable Inventory

Criteria: Safeguarding controls are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failures to perform tasks that are part of the internal controls such as reconciling weekly warehouse summaries to consumable cards are deficiencies in internal control.

Condition: Variances were noted between consumable cards and actual physical counts at all three Districts. In addition, we noted that District #1 and District #2 did not complete weekly warehouse summaries, and in District #3, a variance existed between the consumable cards and weekly warehouse summary.

Recommendation: We recommend that more emphasis be placed on the recording and maintenance of consumable item inventory records.

Management's Response: We concur with the auditor's findings. We have implemented procedures for the accurate accountability of consumable inventory and will complete the weekly warehouse summaries.

Finding 2003-8 – Estimate of Needs

Criteria: Title 68 O.S. 2001, § 3002 (A) states, "Each board of county commissioners and the board of education of each school district, shall meet on the first Monday in August of each year, and they shall, respectively, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and prior to September 1, shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct."

Condition: Upon review of the County's estimate of needs, we determined the following:

- The reserves as reflected on the County's Estimate of Needs does not agree to the County Clerk's appropriation ledger for the General Fund.
- Fourteen (14) special revenue funds were omitted from the estimate of needs.
- Warrants since issued and outstanding warrants per the estimate of needs do not agree to the Treasurer's records for the General Fund.
- The General Fund and Health Fund's beginning cash balance does not agree to the prior years ending cash balance on the estimate of needs. The County did not budget all revenues for the General and Health funds.

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

Recommendation: We recommend the County review the budget prior to approval to ensure completeness and accuracy.

Management's Response: We concur with the auditor's findings. We will implement procedures for the accurate accountability and completion of the County's Estimate of Needs.

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.

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

Finding 2003-6 – Monthly Leave Reports

Criteria: The Employee Personnel Policy Handbook of Murray County states, "Each elected official shall be responsible for keeping records of the leaves taken by his/her employees and shall make monthly reports to the County Clerk. Such records shall include type and length of leave."

Condition: The Court Clerk, County Sheriff, Election Board, and Workforce Center do not file monthly leave reports with the County Clerk. It was also noted that the reports filed with the County Clerk, do not report balances or accruals, only what was used. It was further noted that the Court Clerk does not maintain employee leave balances.

Recommendation: We recommend leave balance records be maintained for all county employees, excluding elected officials. We further recommend monthly leave reports be filed with the County Clerk in adherence with the Murray County Employee Personnel Policy Handbook.

Management's Response: We concur with the auditor's findings. Monthly leave reports will be filed with the County Clerk that report leave balances and accruals.

Finding 2003-7 – Leave Benefits

Criteria: The Employee Personnel Policy Handbook of Murray County states, "All full-time Murray County employees shall be entitled to annual leave that is accrued on a monthly basis...all full-time Murray County employees shall be entitled to sick leave with pay that is accrued on a monthly basis..."

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

Condition: Two (2) highway employees were given leave with pay in excess of accrued leave balances, and a terminated District #3 employee was over paid for accrued annual leave.

Recommendation: We recommend annual and sick leave be accrued monthly as stated in the County's Employee Personnel Policy Handbook, and that all county offices adhere to the leave policy.

Management's Response: We concur with the auditor's findings. We will implement procedures for the accurate accountability of employee time records and leave balances.

Finding 2003-9 - Fixed Assets Inventory

Criteria: Title 19 O.S. 2001, § 178.1 states, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Two Hundred Fifty Dollars (\$250.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter...."

Condition: The County does not perform a biennial verification of the fixed assets inventory. In addition, during a review of fixed assets in the Civil Defense department we were unable to locate two (2) Relm radios, four (4) Motorola Radius model M1225 radios, and four (4) Motorola Radius model P1225 radios.

Recommendation: We recommend that the Board of County Commissioners cause a biennial inventory to be taken of all working tools, apparatus, machinery, and equipment belonging to the County. We also recommend that these inventories be documented on form #3512. Furthermore, we recommend the Board of County Commissioners determine the disposition or location of all unlocated items.

Management's Response: All offices are currently updating inventory records and will complete the form #3512.

Finding 2003-10 – Capital Outlay Accounts

Criteria: Title 68 O.S. 2001, § 3011 states, "For each office, board, commission and department, including public utilities operated within the general fund, and special budget accounts and cash accounts, of counties, cities, and towns, the items of appropriation shall, unless otherwise provided by law, be as follows: "personal services," "maintenance and operation," and "capital outlay"... Titles 68 O.S. 2001, § 3010 defines the term "capital outlay" as follows:"...to diminished in value with prolonged use, such as new, or replacements of, machinery, equipment, furniture and fixtures, all real properties accomplished according to the conditions of a contract..."

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

Condition: The County does not use capital outlay accounts.

Recommendation: We recommend the County implement the use of capital outlay accounts and use such an account when purchasing any capital outlay items.

Management's Response: We concur with the auditor's findings. We will implement the use of capital outlay accounts and use such an account when purchasing any capital outlay items.

Finding 2003-11 – Secured Collateral

Criteria: Title 62 O.S. 2001, § 511 states, "Any custodian of public funds of any kind or character, required by law to secure proper collateral before depositing public funds in a bank or trust company, shall thereafter, in depositing public funds in bank or trust company whose deposits are insured by the Federal Deposit Insurance Corporation, be required to secure proper collateral only for sums deposited in excess of the amount of deposit insured by such Federal Deposit Insurance Corporation."

Condition: At December 31, 2002, the Treasurer's deposits in excess of the amount insured by FDIC, were not adequately secured.

Recommendation: We recommend the Treasurer monitor county deposits and ensure that they are adequately secured.

Management's Response: We concur with the auditor's findings. The bank was contacted concerning this matter prior to deposits exceeding the amount collateralized. The collateral was posted by the bank, but not received until January 8th by the County.

**Statistical Data
(Unaudited)**

**MURRAY 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>
OG&E	\$ 3,839,179	9.68%
Chickasaw Telephone	3,501,440	8.83%
BN&SF Railroad	1,000,316	2.52%
Dolese Brothers Co.	973,738	2.46%
Southwestern Bell	829,648	2.09%
Hanover Compression	783,856	1.98%
Mahard, Ernest	493,959	1.25%
Wal-Mart	437,608	1.10%
ONG/Oneok	431,338	1.09%
Manson Aggregate Wrp	424,892	1.07%
Total	<u>\$ 12,715,974</u>	<u>32.07%</u>

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

**MURRAY 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>\$ 39,656,801</u>
Debt limit - 5% of total assessed value		1,982,840
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>7,423</u>	<u>-</u>
Legal debt margin		<u>\$ 1,982,840</u>

**MURRAY 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	12,623
Net assessed value	\$ 39,656,801
Gross bonded debt	-
Less available sinking fund cash balance	7,423
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0%
Net bonded debt per capita	\$ -

**MURRAY COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 FOR THE YEAR ENDED JUNE 30, 2003
 (UNAUDITED)**

Tax Year	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
2003	\$5,238,233	\$12,020,111	\$26,075,217	\$3,676,760	\$39,656,801	\$335,336,237