

**MURRAY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL 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

December 8, 2005

TO THE CITIZENS OF
MURRAY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Murray 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 serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

MURRAY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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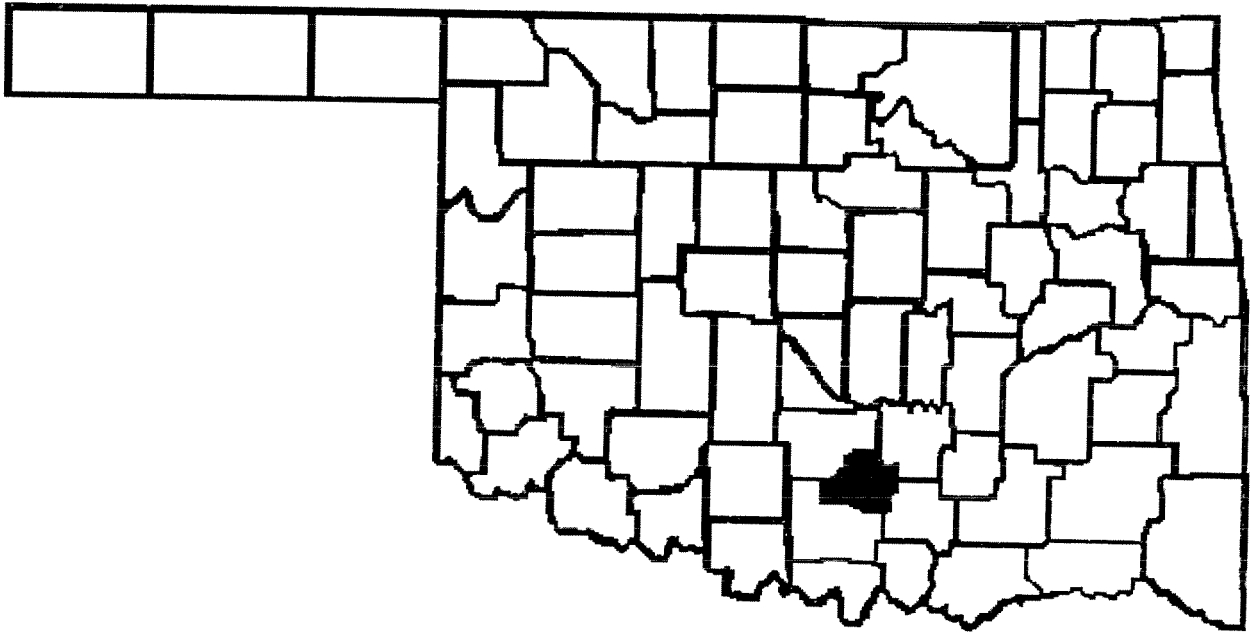
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MURRAY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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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

Primary Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**MURRAY COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

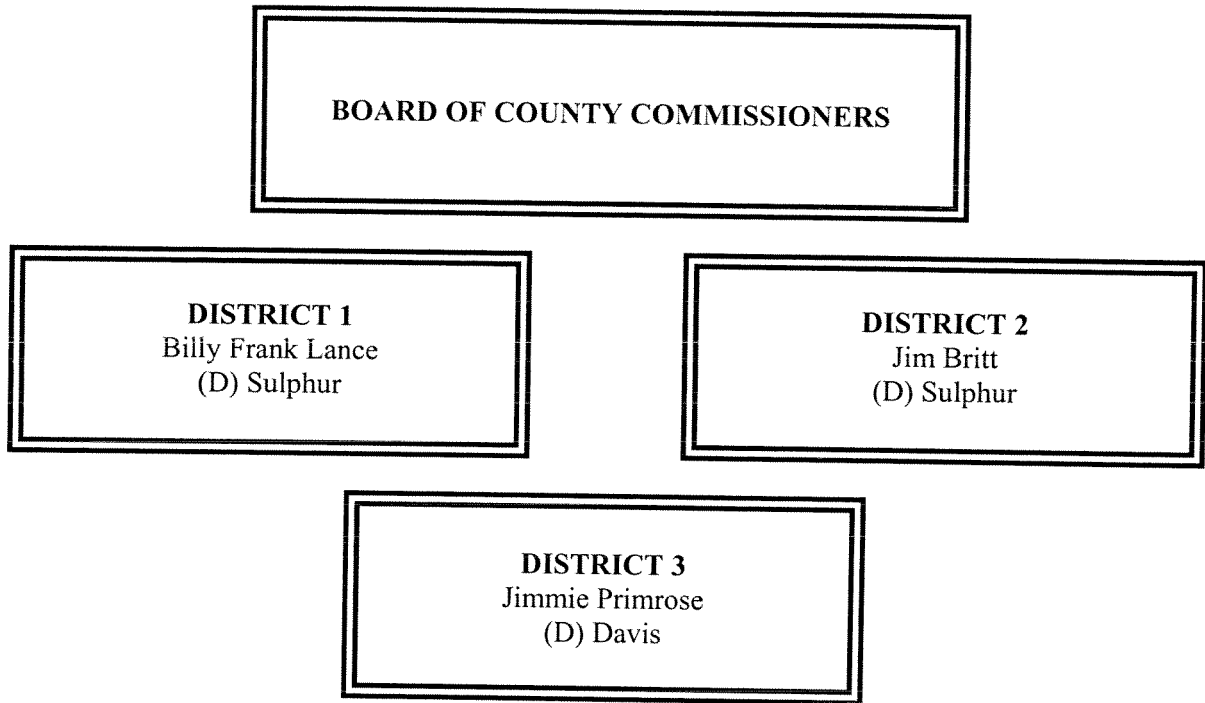
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**



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
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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.

See independent auditor's report.

**MURRAY COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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.

See independent auditor's report.

**MURRAY COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

ELECTION BOARD SECRETARY

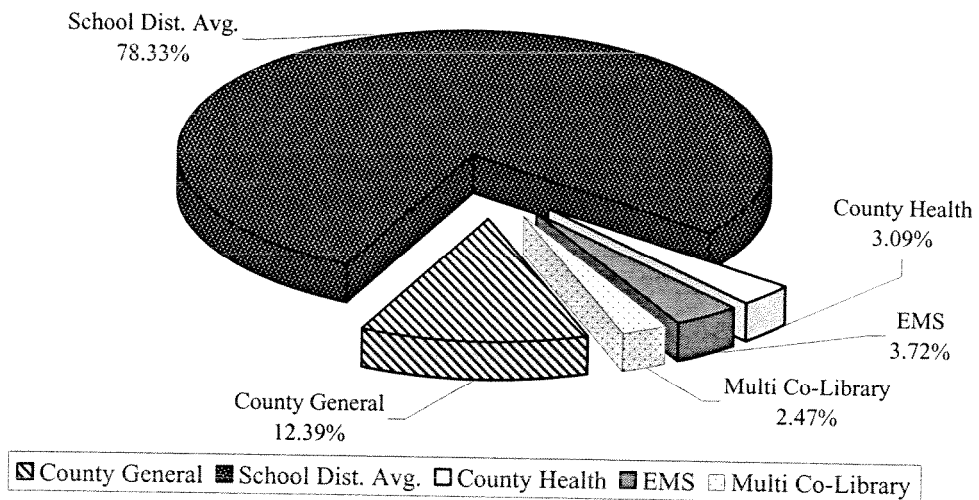
Rosa Thomas
(D) Sulphur

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Career Tech	Career Tech Bldg.	Common	Total
Co. General	10.37	Sulphur	I-1	36.12	5.16	10.26	8.16	2.03	4.14	65.87
County Health	2.59	Davis	I-10	36.10	5.16	8.04	8.16	2.03	4.14	63.63
County Ambulance	3.11	Roff	I-37	39.10	5.59	10.65	11.06	2.00	4.14	72.54
Multi-County Library	2.07	Wynnewood	I-38	36.75	5.25	2.96	10.42	1.05	4.14	60.57
Cities and Towns		Elmore City	I-72	41.00	5.80	10.50	10.42	1.05	4.14	72.91
Davis (Sinking)	10.00	Mill Creek	JT-2	41.19	5.88	6.61			4.14	57.82

See independent auditor's report.

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

Total net assessed value as of January 1, 2003		<u>\$ 40,249,797</u>
Debt limit - 5% of total assessed value		2,012,490
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>7,423</u>	<u>-</u>
Legal debt margin		<u>\$ 2,012,490</u>

See independent auditor's report.

MURRAY COUNTY, OKLAHOMA
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
 VALUE AND NET BONDED DEBT PER CAPITA
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004
 (UNAUDITED)

	<u>2004</u>
Estimated population	<u>12,623</u>
Net assessed value as of January 1, 2003	<u>\$ 40,249,797</u>
Gross bonded debt	-
Less available sinking fund cash balance	<u>7,423</u>
Net bonded debt	<u>\$ -</u>
Ratio of net bonded debt to assessed value	<u>0.00%</u>
Net bonded debt per capita	<u>\$ -</u>

See independent auditor's report.

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

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2003	\$5,351,031	\$11,338,801	\$27,253,640	\$3,693,675	\$40,249,797	\$343,892,293

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
MURRAY COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Murray County, Oklahoma, as of and for the year ended June 30, 2004, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Murray County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

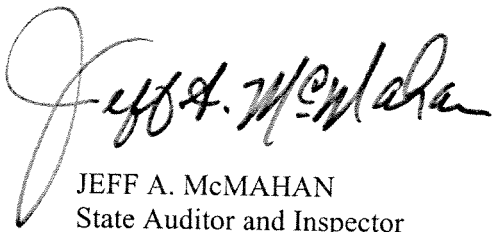
As described in Note 1, this financial statement was prepared using accounting practices prescribed by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Murray County as of June 30, 2004, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Murray County, for the year ended June 30, 2004, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.



JEFF A. McMAHAN
State Auditor and Inspector

August 3, 2005

Basic Financial Statement

MURRAY COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
Combining Information:				
County General Fund	\$ 1,534,106	\$ 1,657,308	\$ 1,406,893	\$ 1,784,521
T-Highway	1,027,200	1,287,182	1,665,345	649,037
County Health	61,759	107,859	92,549	77,069
Resale Property	71,339	24,762	37,445	58,656
County Clerk Lien Fee	1,437	3,283	3,137	1,583
County Clerk RM&P	31,469	18,965	19,034	31,400
Sheriff Special Fee	34,012	53,562	73,506	14,068
County Treasurer Fee	10,148	4,340	2,873	11,615
Assessor Visual Inspection	642	2,547		3,189
Community Service Sentencing Program	435			435
Sheriff DOC	1,359	38,376	19,197	20,538
Sheriff Drug Forfeiture	15,369	700	6,874	9,195
Child Abuse Prevention	3,314	402	408	3,308
Courthouse Restoration Special	138			138
CENA-Murray County Nutrition	321			321
CENA-Murray Parking	2,440			2,440
CENA-Hickory Sr. Citizens Grant	10,021			10,021
Fair Barn Renovation		75,000		75,000
Rock Prairie Rural Fire	1,982			1,982
Court Clerk Trust Voucher	16,500		7,679	8,821
Work Force Center	6,566	21,100	22,767	4,899
County Sinking	7,423			7,423
Fair Barn	1,000	9,860	9,835	1,025
CDBG Grant #11114		16,363		16,363
Combined Total--All County Funds	\$ 2,838,980	\$ 3,321,609	\$ 3,367,542	\$ 2,793,047

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

**MURRAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

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

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

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 in the Registrar of Deeds as restricted by statute for preservation of records.

**MURRAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Sheriff Special Fee – accounts for the collection and disbursement 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 disbursement of the funds as restricted by statutes.

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 the monies received from the State of Oklahoma for the boarding and feeding of DOC prisoners and for service fees received for transportation of inmates and juvenile.

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 grant monies received and disbursed as restricted by the grant agreement.

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 center within the County.

CENA-Hickory Senior Citizens Grant – Community Expansion for Nutritional Assistance - accounts for grant funds received for the maintenance and operation of senior citizens center 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 grant agreement.

**MURRAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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.

Work Force Center – accounts for rent collected from the fairgrounds building and disbursed for payment of the buildings' utilities.

County Sinking – accounts for the payment of interest and principal on the matured portion of long-term bonded debt and civil judgments. Murray County currently has no long-term debt. The remaining balance in the County sinking fund will be transferred to the general fund.

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

CDBG Grant #11114 – accounts for grant monies received and disbursed as restricted by the grant agreement.

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

C. Basis of Accounting

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

D. Budget

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

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

**MURRAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

E. Cash

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

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

F. Investments

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

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

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

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may not be accumulated. Employees with service years up to 4 years earn 10 days per year. Employees with service years exceeding 4 years earn 15 days per year. Vacation leave is accrued monthly.

Sick leave benefits are accrued at the rate of 4 hours per month and employees may accumulate up to 6 days. Sick leave is not paid upon termination.

**MURRAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2003, was approximately \$40,249,797.

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

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

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 96.20 percent of the tax levy.

3. Fuel Tax

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

**MURRAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

4. Risk Management

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

Types of Loss	Method of Management	Risk of Loss Retained
General Liability • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant • Theft • Damage to Assets • Natural Disasters		
Worker's Compensation • Employees' Injuries	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee • Medical • Disability • Dental • Life	The County carries commercial insurance.	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.

**MURRAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

5. Long-term Obligations

Capital Leases

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

6. Pension Plan

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

Funding Policy

The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the plan for the years ending June 30, 2004, 2003, and 2002 were \$119,117, \$116,368, and \$115,700, respectively, equal to the required contributions for each year.

7. Other Post Employment Benefits (OPEB)

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

**MURRAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

8. Contingent Liabilities

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

9. Sales Tax

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.

OTHER SUPPLEMENTARY INFORMATION

MURRAY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,534,106	\$ 1,534,106	\$ 1,534,106	\$ -
Less: Prior Year Outstanding Warrants	(70,797)	(70,797)	(70,797)	
Less: Prior Year Encumbrances	(12,078)	(12,078)	(6,933)	5,145
Beginning Cash Balances, Budgetary Basis	<u>1,451,231</u>	<u>1,451,231</u>	<u>1,456,376</u>	<u>5,145</u>
Receipts:				
Ad Valorem Taxes	379,446	379,446	413,752	34,306
Sales Tax	400,000	375,842	911,052	535,210
Charges for Services	50,000	50,000	74,732	24,732
Intergovernmental Revenues	113,114	113,114	177,312	64,198
Miscellaneous Revenues	40,000	40,000	80,460	40,460
Total Receipts, Budgetary Basis	<u>982,560</u>	<u>958,402</u>	<u>1,657,308</u>	<u>698,906</u>
Expenditures:				
District Attorney	7,000	7,200	4,322	2 878
Total District Attorney	<u>7,000</u>	<u>7,200</u>	<u>4,322</u>	<u>2,878</u>
County Sheriff	176,911	225,696	225,390	306
Total County Sheriff	<u>176,911</u>	<u>225,696</u>	<u>225,390</u>	<u>306</u>
County Treasurer	59,506	91,696	91,685	11
Total County Treasurer	<u>59,506</u>	<u>91,696</u>	<u>91,685</u>	<u>11</u>
County Commissioners	20,794	20,794	7,280	13,514
Total County Commissioners	<u>20,794</u>	<u>20,794</u>	<u>7,280</u>	<u>13,514</u>
OSU Extension	17,142	51,159	50,512	647
Total OSU Extension	<u>17,142</u>	<u>51,159</u>	<u>50,512</u>	<u>647</u>
County Clerk	83,554	118,843	118,841	2
Total County Clerk	<u>83,554</u>	<u>118,843</u>	<u>118,841</u>	<u>2</u>
Court Clerk	54,385	79,238	79,238	
Total Court Clerk	<u>54,385</u>	<u>79,238</u>	<u>79,238</u>	<u>-</u>
County Assessor	51,406	57,711	57,710	1
Total County Assessor	<u>51,406</u>	<u>57,711</u>	<u>57,710</u>	<u>1</u>

continued on next page

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

MURRAY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	89,389	91,340	90,553	787
Total Revaluation of Real Property	89,389	91,340	90,553	787
General Government	92,735	92,735	37,087	55,648
Total General Government	92,735	92,735	37,087	55,648
Excise-Equalization Board	27,794	27,663	2,050	25 613
Total Excise-Equalization Board	27,794	27,663	2,050	25,613
County Election Board	42,407	47,338	46,116	1,222
Total County Election Board	42,407	47,338	46,116	1,222
County Insurance - Benefits	118,849	263,032	249,442	13 590
Total County Insurance - Benefits	118,849	263,032	249,442	13,590
4H Sales Tax	4,286	2,786	2,525	261
Total 4H Sales Tax	4,286	2,786	2,525	261
Sheriff Sales Tax	44,939	10,154	10,138	16
Total Sheriff Sales Tax	44,939	10,154	10,138	16
Treasurer Sales Tax	62,088	27,898	4,660	23 238
Total Treasurer Sales Tax	62,088	27,898	4,660	23,238
Civil Defense Sales Tax	10,030	10,030	3,360	6 670
Total Civil Defense Sales Tax	10,030	10,030	3,360	6,670
County Commissioners Sales Tax	200,811	116,718	26,854	89 864
Total County Commissioners Sales Tax	200,811	116,718	26,854	89,864
Senior Citizens Sales Tax	428,531	469,693	191,983	277 710
Total Senior Citizens Sales Tax	428,531	469,693	191,983	277,710
Sheriff Reserve Deputy Sales Tax	8,186	8,186	8,133	53
Total Sheriff Reserve Deputy Sales Tax	8,186	8,186	8,133	53
Fire Department Sales Tax	62,185	70,476	19,214	51 262
Total Fire Department Sales Tax	62,185	70,476	19,214	51,262

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

MURRAY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Agri Sales Tax	24,512	37	37	
Total Agri Sales Tax	24,512	37	37	-
Court Clerk Sales Tax	42,834	5,545	5,340	205
Total Court Clerk Sales Tax	42,834	5,545	5,340	205
EMS Sales Tax	58,626	50,317	24,802	25 515
Total EMS Sales Tax	58,626	50,317	24,802	25,515
County Clerk Sales Tax	8,162	5,662	4,018	1 644
Total County Clerk Sales Tax	8,162	5,662	4,018	1,644
Assessor Sales Tax	24,229	24,229	24,217	12
Total Assessor Sales Tax	24,229	24,229	24,217	12
Home Extension Sales Tax	56,257	29,403	805	28 598
Total Home Extension Sales Tax	56,257	29,403	805	28,598
Arbuckle Hospital Sales Tax	26,866	26,866	26,866	
Total Arbuckle Hospital Sales Tax	26,866	26,866	26,866	-
General Government Sales Tax	266,341	119,694	47,098	72 596
Total General Government Sales Tax	266,341	119,694	47,098	72,596
Free Fair Sales Tax	40,688	38,646	38,010	636
Total Free Fair Sales Tax	40,688	38,646	38,010	636
Court Restore Sales Tax	156,985	156,985	7,581	149 404
Total Court Restore Sales Tax	156,985	156,985	7,581	149,404
Collection Fees Sales Tax	57,202	53,702	7,376	46 326
Total Collection Fees Sales Tax	57,202	53,702	7,376	46,326

continued on next page

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

MURRAY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Sulphur Chamber of Commerce Sales Tax	2,043	2,043	2,043	
Total Sulphur Chamber of Commerce Sales Tax	2,043	2,043	2,043	-
Davis Chamber of Commerce Sales Tax	2,093	2,093	1,084	1 009
Total Davis Chamber of Commerce Sales Tax	2,093	2,093	1,084	1,009
County Audit Budget Account	4,025	4,025	4,025	
Total County Audit Budget Account	4,025	4,025	4,025	-
Total Expenditures, Budgetary Basis	2,433,791	2,409,633	1,520,395	889,238
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	1,593,289	\$ 1,593,289
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			24,187	
Add: Current Year Outstanding Warrants			167,045	
Ending Cash Balance			\$ 1,784,521	

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

MURRAY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 61,759	\$ 61,759	\$ 61,759	\$ -
Less: Prior Year Outstanding Warrants	(473)	(473)	(473)	
Less: Prior Year Encumbrances	(7,165)	(7,165)	(1,320)	5,845
Beginning Cash Balances, Budgetary Basis	54,121	54,121	59,966	5,845
Receipts:				
Ad Valorem Taxes	94,770	94,770	103,339	8,569
Miscellaneous Revenues		4,227	4,520	293
Total Receipts, Budgetary Basis	94,770	98,997	107,859	8,862
Expenditures:				
Health and Welfare	137,000	141,227	107,846	33,381
Capital Outlay	11,891	11,891	277	11,614
Total Expenditures, Budgetary Basis	148,891	153,118	108,123	44,995
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	59,702	\$ 59,702
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			1,239	
Add: Current Year Outstanding Warrants			16,128	
Ending Cash Balance			\$ 77,069	

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

**MURRAY COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Beginning Cash Balance	<u>\$ 7,423</u>
Receipts:	
Total Receipts	<u>-</u>
Disbursements:	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u><u>\$ 7,423</u></u>

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

MURRAY COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

1. Budgetary Schedules

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

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

2. Sinking Fund Schedule

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

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
MURRAY COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Murray County, Oklahoma, as of and for the year ended June 30, 2004, which comprises Murray County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 3, 2005. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Murray County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted 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 Murray County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings as items 2004-1, 2004-2, 2004-3, and 2004-4.

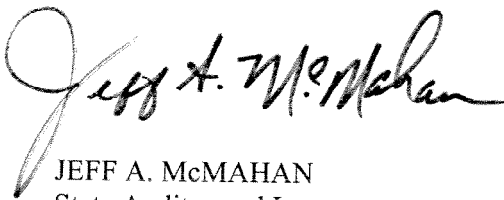
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Murray County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the management of Murray County, which are included in Section 2 of the schedule of findings contained in this report.

This report is intended solely for the information and use of the management of the County, 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.

A handwritten signature in black ink, reading "Jeff A. McMahen". The signature is fluid and cursive, with the first letter of each name being capitalized and prominent.

JEFF A. McMAHAN
State Auditor and Inspector

August 3, 2005

**MURRAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

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

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

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

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

Finding 2004-2—Written Disaster Recovery Plan (Repeat Finding)

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,

**MURRAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

- Logistical information on location of key 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,
- 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.

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

Finding 2004-3—Policies and Procedures for the IT System (Repeat Finding)

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.

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

Finding 2004-4—Timesheets/Leave Records (Repeat Finding)

Criteria: Effective internal controls include timesheets being 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 Sheriff's 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.

**MURRAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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.

Views of responsible officials and planned corrective actions: We concur with the auditor's findings. The new administration has implemented procedures for the accurate accountability of employee time records and leave balances.

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2004-5—Estimate of Needs (Repeat Finding)

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 do not agree to the County Clerk's appropriation ledger for the general fund.
- Several special revenue funds were omitted from the estimate of needs.

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

Views of responsible officials and planned corrective actions: We concur with the auditor's findings. We will implement procedures for the accurate accountability and completion of the County's Estimate of Needs.

**MURRAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Finding 2004-6—Secured Collateral (Repeat Finding)

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 a 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, 2003 and December 31, 2004, 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.

Views of responsible officials and planned corrective actions: 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 by the County.

Finding 2004-7—Capital Outlay Accounts (Repeat Finding)

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”... Title 68 O.S. 2001, § 3010 defines the term “capital outlay” as follows “...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...”

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.

Views of responsible officials and planned corrective actions: 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.

**MURRAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Finding 2004-8—Consumable Inventory (Repeat Finding)

Criteria: Title 19 O.S. 2001, § 1502 states, “The State Auditor and Inspector or designated employee of the State Auditor and Inspector’s office shall: (b) create and administer an inventory system for all: (2) supplies and materials of a county purchased in lots of Five Hundred Dollars (\$500.00) or more for use in construction and maintenance of roads and bridges....”

Condition: There were variances between the consumable stock cards and actual physical counts at all three districts.

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

Views of responsible officials and planned corrective actions: We concur with the auditor’s findings. We will implement procedures for the accurate accountability of consumable inventory.

Finding 2004-9—Fixed Assets Inventory (Repeat Finding)

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

Condition: The County does not perform a biennial verification of the fixed assets inventory.

Recommendation: We recommend 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.

Views of responsible officials and planned corrective actions: All offices are currently updating inventory records and will complete the form #3512.