

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

May 20, 2005

TO THE CITIZENS OF
MUSKOGEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Muskogee 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. McMaham".

JEFF A. McMAHAN
State Auditor and Inspector

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

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

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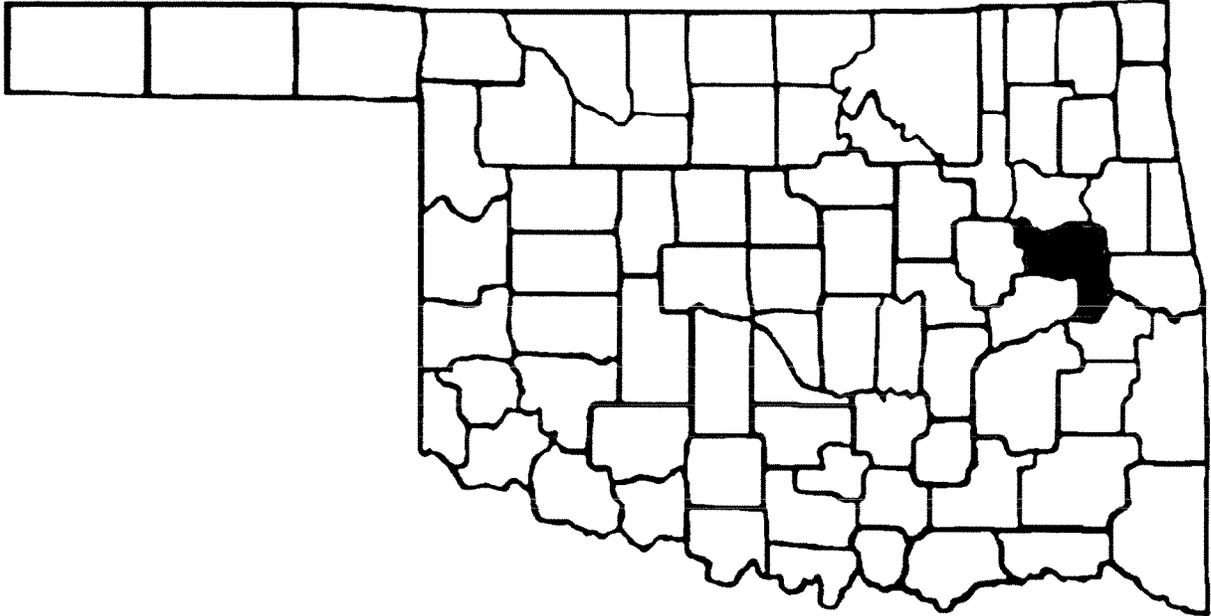
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**REPORT TO THE CITIZENS
OF
MUSKOGEE COUNTY, OKLAHOMA**



Named for the Muskogee Creek Indians, Muskogee County was created at statehood. The city of Muskogee, the county seat, became the focal point for the Five Civilized Tribes when the Union Agency established its headquarters in what is now Honor Heights Park. The old Union Agency Building is now the Five Civilized Tribes Museum and the famous Azalea Festival is held in the park each April. The park is also home to the Garden of Lights in December.

Muskogee County's economy is based primarily on agriculture, but the oil industry and recreation have also been part of the building of this county's economics. The city of Muskogee itself is within 30 minutes of five major lakes.

County Seat – Muskogee

Area – 813.9 Square Miles

County Population – 69,451 (2000 est.)

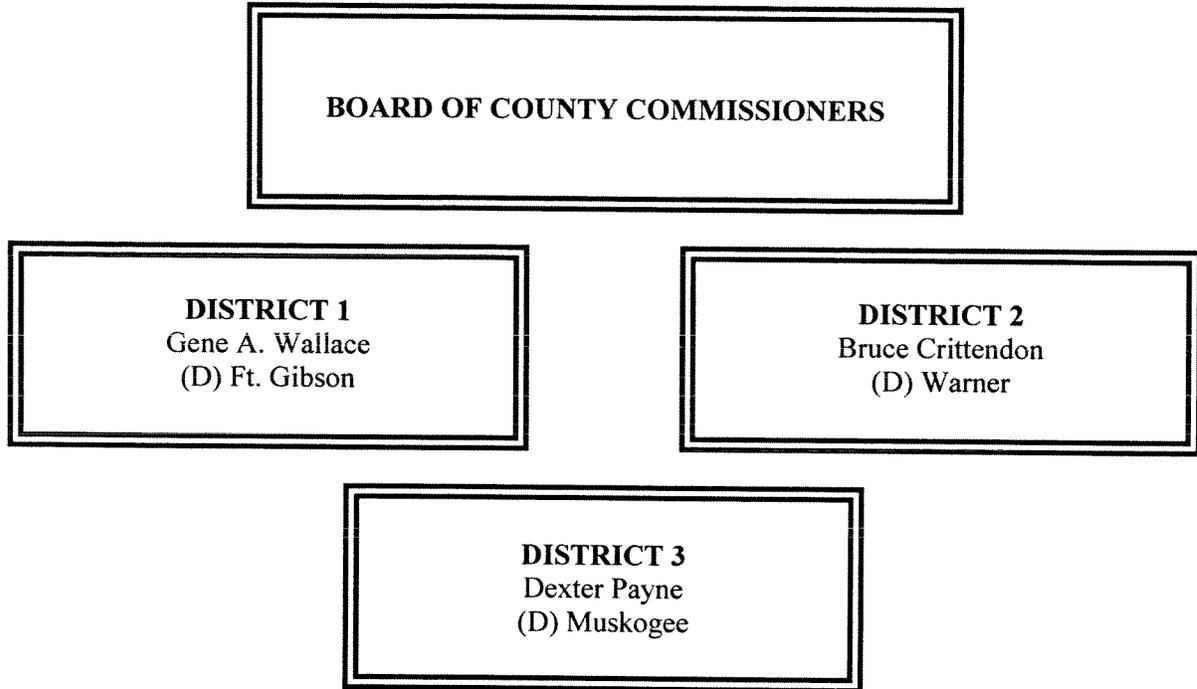
Farms – 1,468

Land in Farms – 332,566 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**MUSKOGEE 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.

**MUSKOGEE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY SHERIFF
Charles Pearson
(D) Muskogee

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
Dorothy Lawson
(D) Muskogee

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.

**MUSKOGEE COUNTY OFFICIALS
AND RESPONSIBILITIES**

COURT CLERK
Paula Sexton
(D) Muskogee

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
John David Luton
(D) Muskogee

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.

**MUSKOGEE COUNTY OFFICIALS
AND RESPONSIBILITIES**

ELECTION BOARD SECRETARY
Kenneth Blackburn
(D) Muskogee

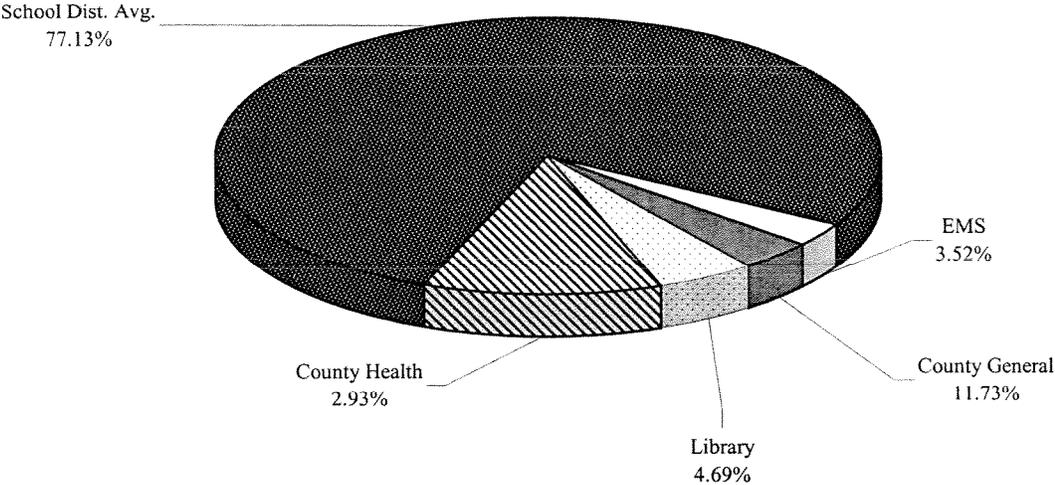
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.

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

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
Co. General	10.00	Haskell	2	35.00	5.00	20.25	10.00	4.00	74.25
County Health	2.50	Fort Gibson	3	35.00	5.00	13.57	10.00	4.00	67.57
Library	4.00	Boynton	4	35.00	5.00	14.28	10.00	4.00	68.28
EMS	3.00	Webbers Falls	6	35.00	5.00	20.29	10.00	4.00	74.29
		Oktaha	8	35.00	5.00	22.32	10.00	4.00	76.32
		Wainwright	9	35.00	5.00		10.00	4.00	54.00
<u>Cities and Towns</u>									
Fort Gibson	12.52	Muskogee	20	35.00	5.00	18.52	10.00	4.00	72.52
Muskogee	1.72	Hilldale	29	35.00	5.00	14.78	10.00	4.00	68.78
Hilldale	1.72	Braggs	46	35.00	5.00	11.10	10.00	4.00	65.10
		Warner	74	35.00	5.00	6.96	10.00	4.00	60.96
<u>Other</u>									
Gooseneck Bend		Porum	88	35.00	5.00		10.00	4.00	54.00
Fire District	7.47	Sequoyah	J-6B	35.00	5.00	18.63	10.00	4.00	72.63
		McIntosh	J-19B	35.00	5.00		10.00	4.00	54.00
		McIntosh	J-27	35.00	5.00	4.26	10.00	4.00	58.26

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
MUSKOGEE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Muskogee 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 Muskogee 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 Muskogee 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 Muskogee 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 Muskogee County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department fund of the County, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2005, on our consideration of Muskogee 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.

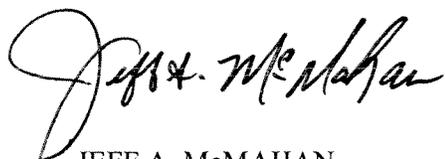
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Muskogee County, Oklahoma, taken as a whole. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits 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 Section* has not been audited by us, and accordingly, we express no opinion on such data.

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

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff A. McMahon". The signature is written in a cursive, flowing style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

April 4, 2005

Special-Purpose Financial Statements

**MUSKOGEE 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	Cancelled Vouchers	Ending Cash Balances June 30, 2003
General Fund	\$ 917,385	\$ 4,463,883	\$ 4,572,779	\$	\$ 808,489
Highway Cash	3,984,639	3,743,184	4,175,737		3,552,086
County Health	760,539	893,622	951,380		702,781
Resale Property	209,209	232,402	177,804		263,807
Sheriff Service Fee	83,179	602,162	613,621		71,720
County Clerk Lien Fee	38,766	45,443	49,147		35,062
Treasurers Mortgage Certification Fee	71,035	21,545	1,911		90,669
Sheriff Training	1,134	600	1,452		282
Sheriff Patrol Cash	4,800	22,409	25,661		1,548
Sheriff Revolving Reward	5,874	10,575	8,876		7,573
Assessor Revolving Fund	42,236	12,646	6,034		48,848
Self-Insurance Fund	977				977
Sheriff K-9	1,438		556		882
Sheriff Drug Forfeiture	73,259	6,566	78,751		1,074
Muskogee County Juvenile	37,593	355,355	364,363		28,585
City-County Detention Facility	113,368	83,832	24,555		172,645
Courthouse Renovation	192,956	22,581			215,537
Sales Tax Revolving	943,989	14,952	23,875		935,066
MCCD Grant	2,787	39,210	41,926		71
G.O. Ltd. Tax Sinking	2,540,633	1,690,992	2,145,822		2,085,803
Sheriff Commissary	5,713	27,192	26,462		6,443
City-County Detention Sheriff	61,964	887,445	739,923		209,486
County Water Imp. Dist 1	1,410				1,410
Home Finance Auth. Donation	404				404
EMGF	900		121		779
Records Management Preservation	67,260	156,268	125,489		98,039
CSCF-1 Court Security	23				23
REAP	20,000		20,000		
Sinking Fund	26,704	11,290			37,994
Cash on Hand	315	15			330
Schools	989,652	26,881,538	27,090,371		780,819
Cities and Towns	53,439	873,256	856,149		70,546
Official Depository	1,413,677	8,736,572	8,738,627	82,759	1,494,381
Protest Tax	30,792	309,229			340,021
Law Library	9,500	52,658	34,148		28,010
Unapportioned Tax	1,414	30,753,971	30,752,791		2,594
Gooseneck Bend FD	175	28,826	28,637		364
EMSA	4,905	1,040,524	1,011,212		34,217
Eastern Oklahoma Dist. Library	6,539	1,361,400	1,348,282		19,657
Excess Resale	8,048	1,206	5,628		3,626
Individual Redemption	10,374	140,375	146,661		4,088
Boynton Bond Fund		335,121	287,064		48,057
Safe Neighbors		65,000	50,522		14,478
Civil Defense Non Fiscal		300			300
Court Clerk Investment		1,855			1,855
	<u>\$ 12,739,004</u>	<u>\$ 83,926,000</u>	<u>\$ 84,526,337</u>	<u>\$ 82,759</u>	<u>\$ 12,221,426</u>

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

MUSKOGEE 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	\$ 914,669	\$ 914,669	\$ 917,385	\$ 2,716
Less: Prior Year Outstanding Warrants	(213,658)	(213,658)	(213,658)	
Less: Prior Year Encumbrances	(36,762)	(36,762)	(33,220)	3,542
Beginning Cash Balances, Budgetary Basis	<u>664,249</u>	<u>664,249</u>	<u>670,507</u>	<u>6,258</u>
Receipts:				
Ad Valorem Taxes	3,185,078	3,185,078	3,354,690	169,612
Charges for Services	345,304	345,304	399,542	54,238
Intergovernmental Revenues	448,343	448,343	549,463	101,120
Miscellaneous Revenues	89,301	144,309	160,188	15,879
Total Receipts, Budgetary Basis	<u>4,068,026</u>	<u>4,123,034</u>	<u>4,463,883</u>	<u>340,849</u>
Expenditures:				
Total District Attorney	<u>54,370</u>	<u>54,370</u>	<u>43,654</u>	<u>10,716</u>
County Sheriff	434,967	434,967	431,764	3,203
Capital Outlay	41,000	41,000	40,361	639
Total County Sheriff	<u>475,967</u>	<u>475,967</u>	<u>472,125</u>	<u>3,842</u>
Total County Treasurer	<u>209,221</u>	<u>209,221</u>	<u>208,767</u>	<u>454</u>
Total County Commissioners	<u>153,000</u>	<u>153,000</u>	<u>150,778</u>	<u>2,222</u>
OSU Extension	69,780	69,218	62,835	6,383
Capital Outlay		<u>562</u>	<u>562</u>	
Total OSU Extension	<u>69,780</u>	<u>69,780</u>	<u>63,397</u>	<u>6,383</u>
County Clerk	260,967	261,524	260,368	1,156
Capital Outlay	1,652	1,095	1,095	
Total County Clerk	<u>262,619</u>	<u>262,619</u>	<u>261,463</u>	<u>1,156</u>
Total Court Clerk	<u>179,042</u>	<u>179,099</u>	<u>178,649</u>	<u>450</u>
County Assessor	150,806	151,006	150,038	968
Capital Outlay	1,650	1,450	396	1,054
Total County Assessor	<u>152,456</u>	<u>152,456</u>	<u>150,434</u>	<u>2,022</u>
Revaluation of Real Property	269,342	207,342	184,174	23,168
Capital Outlay	1,100	1,100	75	1,025
Total Revaluation of Real Property	<u>270,442</u>	<u>208,442</u>	<u>184,249</u>	<u>24,193</u>

continued on next page

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

**MUSKOGEE 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
Total District Court	16,151	16,151	16,145	6
Total General Government	2,019,293	2,101,105	2,014,911	86,194
Total Excise-Equalization Board	10,000	10,000	7,991	2,009
County Election Board	158,440	162,029	161,985	44
Capital Outlay	1,560	3,110	3,102	8
Total County Election Board	160,000	165,139	165,087	52
Total County Purchasing Agent	85,558	85,558	85,496	62
Total Welfare Agencies	500	500	499	1
Total Charity	10,200	10,200	10,200	-
Total Firefighting	50,000	50,000	50,000	-
Emergency Management	60,816	60,816	58,954	1,862
Capital Outlay	7,289	7,289	3,541	3,748
Total Emergency Management	68,105	68,105	62,495	5,610
Total Soil Conservation	1,485	1,485	1,436	49
Total County City Jail	174,865	174,865	173,959	906
Total School Record Clerk	17,985	17,985	17,978	7
Total Highway Budget	242,500	242,500	232,919	9,581
Total Audit Budget	35,036	35,036	35,036	-
Total Free Fair	1,200	1,200	1,200	-
Provision for Interest on Warrants	12,500	42,500	37,005	5,495
Total Expenditures, Budgetary Basis	<u>4,732,275</u>	<u>4,787,283</u>	<u>4,625,873</u>	<u>161,410</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	508,517	<u>\$ 508,517</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			41,027	
Add: Current Year Outstanding Warrants			258,945	
Ending Cash Balance			<u>\$ 808,489</u>	

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

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

	County Health Department Fund			
	Original	Final		Variance
	Budget	Budget	Actual	
Beginning Cash Balances	\$ 764,916	\$ 764,916	\$ 760,539	\$ (4,377)
Less: Prior Year Outstanding Warrants	(12,013)	(12,013)	(12,013)	
Less: Prior Year Encumbrances	(16,219)	(16,219)	(12,091)	4,128
Beginning Cash Balances, Budgetary Basis	<u>736,684</u>	<u>736,684</u>	<u>736,435</u>	<u>(249)</u>
Receipts:				
Ad Valorem Taxes	796,270	796,270	838,673	42,403
Miscellaneous Revenues		20,791	54,949	34,158
Total Receipts, Budgetary Basis	<u>796,270</u>	<u>817,061</u>	<u>893,622</u>	<u>76,561</u>
Expenditures:				
Health and Welfare	1,230,000	1,295,791	1,149,504	146,287
Capital Outlay	302,954	257,954	3,433	254,521
Total Expenditures, Budgetary Basis	<u>1,532,954</u>	<u>1,553,745</u>	<u>1,152,937</u>	<u>400,808</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	477,120	<u>\$ 477,120</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			203,365	
Add: Current Year Outstanding Warrants			22,296	
Ending Cash Balance			<u>\$ 702,781</u>	

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

**MUSKOGEE 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>\$ 26,704</u>
Receipts:	
Ad Valorem Tax	
Miscellaneous	<u>11,290</u>
Total Receipts	<u>11,290</u>
Disbursements:	
Judgments	
Interest	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u><u>\$ 37,994</u></u>

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

**MUSKOGEE 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
District Court Fund	\$ 484,645	\$ 3,382,928	\$ 3,349,778	\$ 38,430	\$ 556,225
Court Clerk	337,519	1,197,587	1,324,512	2,047	212,641
County Sheriff	6,715	200,096	200,172	9,353	15,992
County Treasurer	12,652	2,151,630	2,094,839	25,316	94,759
County Clerk	44,912	588,517	575,991	8	57,446
County Election Board	622	71,382	73,737	1,886	153
District Attorney	526,327	1,106,763	1,082,518	5,719	556,291
County Health Department		28,155	28,155		
County Assessor	285	9,514	8,925		874
Total Official Depository Accounts	\$ 1,413,677	\$ 8,736,572	\$ 8,738,627	\$ 82,759	\$ 1,494,381

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Muskogee 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.

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

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including the county health department, 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

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. 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 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		

**MUSKOGEE 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>
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of coverage.	None

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

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

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

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

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

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$12,221,426 and the bank balance was \$12,500,690. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

B. Description of Funds

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

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

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

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

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

County Clerk Lien Fee – revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the Clerk's office.

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

Detailed Notes on Funds and Account Balances (continued)

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

Sheriff Training – revenues are from a federal grant. Disbursements are for officer training.

Sheriff Patrol Cash – revenues are from donations for reserve officers. Disbursements are for reserve officer needs.

Sheriff Revolving Reward – revenues are from trash fines and restitution. Disbursements are for the maintenance of the trash truck and land fill fees.

Assessor Revolving Fund – revenues are from any and all fees collected by the County Assessor. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office.

Self-Insurance Fund – the County uses a claims administrator for employee health and life insurance claims. Revenues are from county general funds and disbursements are to pay the administration costs of processing employee health and life insurance claims.

Sheriff K-9 – revenues are from federal grants. Disbursements are for the support of the K-9 programs and services provided in the Muskogee County Sheriff's K-9 program.

Sheriff Drug Forfeiture – revenue is from monies seized and forfeited to the Sheriff's office. Disbursements are for the maintenance and operation of the Sheriff's Drug Task Force.

Muskogee County Juvenile – accounts for all grants to support the programs and services provided at the Juvenile Detention Facility.

City/County Detention Facility – revenues are from charges for boarding prisoners. Disbursements are for the maintenance and operation of the jail.

Courthouse Renovation – revenues are from the state court system. Disbursements are for the remodeling of the County courthouse.

Sales Tax Revolving – accounts for sales tax monies collected for the maintenance of the Muskogee County Courthouse and County Services Building.

MCCD Grant – accounts for COPS grant monies received and disbursed for payroll of school resource officer.

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

Detailed Notes on Funds and Account Balances (continued)

G.O. Ltd Tax Sinking – accounts for the payment of interest and principal on the matured portion of Muskogee County Industrial Authority’s General Obligation Limited Tax Bond Debt. Receipts are derived from industrial tenant rental payments.

Sheriff Commissary – accounts for monies collected (from prisoners) and used as a checking account for the prisoners to make purchases during their incarceration.

City-County Detention Sheriff – accounts for grants to support the Muskogee City/County Detention Facility and disbursed for jail payroll.

County Water Improvement District 1 – revenues are from a grant received for Rural Water District #1 and disbursed for the improvement of the water district.

Home Finance Authority Donation – accounts for monies donated to the County from the Muskogee County Home Finance Authority and disbursed for any purpose deemed necessary by the County Commissioners for the general operations of Muskogee County.

Emergency Management (EMGF) – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

Records Management Preservation – revenues are from a fee charged by the Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Court Security (CSCF-1) – accounts for monies allocated from the Court Fund for programs and services related to Courtroom / Judicial Security.

REAP – accounts for state grant monies collected for road/highway improvements in Muskogee County.

Sinking Fund – revenues are from ad valorem taxes. Disbursements are for the payment of principal and interest on judgments against the County.

Cash on Hand – recording account only to reflect cash held by the various county offices for change funds.

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

Cities and Towns – all funds collected on behalf of cities and towns are recorded in this fund and remitted to the individual cities and towns monthly.

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

Detailed Notes on Funds and Account Balances (continued)

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

Protest Tax – Ad valorem taxes paid under protest are held in this account pending the outcome of the protest.

Law Library – revenues are from an annual payment from the courts. Disbursements are for the operation of the County law library.

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

Gooseneck Bend FD (Special Assessment) – accounts for the collection and distribution of special assessment taxes on behalf of Gooseneck Bend Fire Department.

Emergency Medical Service Authority (EMSA) – accounts for monies collected on behalf of the Muskogee County Emergency Medical Service Authority from ad valorem taxes, state and local revenues and remitted to them monthly.

Eastern Oklahoma District Library – revenues are from ad valorem taxes. Funds are remitted to the library monthly.

Excess Resale – revenues are the amount collected in excess of taxes due when property is sold for taxes. The amount is held for the landowner for two years and if unclaimed, is transferred to the resale property fund.

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

Boynton Bond Fund – accounts for monies collected from Boynton School bond and disbursed to build a new school gym.

Safe Neighbors – accounts for grant monies received and disbursed to support existing programs in law enforcement targeted at gun violence and drug abuse.

Civil Defense Non-Fiscal – accounts for monies received from local donations and disbursed for distribution of first aid books and survival manuals.

Court Clerk Investment – accounts for monies received for investment of funds from the Court Clerk's office.

Detailed Notes on Funds and Account Balances (continued)

The following narrative details the official depository accounts.

District Court Fund – accounts for fees transferred from the Court Clerk account and interest earnings. Money is disbursed for the purpose of fees for various entities, salaries and operation of the Court Clerk’s office.

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

County Sheriff – accounts for collections of all service fees and disbursed to the Sheriff’s Service Fee Fund and for refunds.

County Treasurer – accounts for the collection of fees in the Treasurer’s office, held in trust until the end of the month and disbursed to the appropriate fund.

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

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

District Attorney – accounts for monies received from DOC for Community Service Program, restitution, child support, grants, state witness fees, property forfeiture, donations, copies and bogus check fees. Disbursements are for various district attorney expenses as restricted by statute.

County Health – accounts for the collection of state funds and charges for services. Money is disbursed on a monthly basis to be transferred to the county health department cash account.

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

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

Detailed Notes on Funds and Account Balances (continued)

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 \$350,358,579.

The County levied 10 mills (the legal maximum) for general fund operations, 2.5 mills for the county health department, 4 mills for the multi-county library, and 3 mills for the emergency medical service. 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 94.16 percent of the tax levy.

D. Pension Plan

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

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

Detailed Notes on Funds and Account Balances (continued)

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 the Oklahoma Department of Transportation (ODOT) are interest free. However, starting in January 1997, ODOT began charging a one-time fee of 3 percent on all subsequent pieces of machinery acquired.

F. Judgments

The County has judgments, which are being retired by a tax levy. The County is obligated to pay these judgments over a three-year period.

<u>Case Number</u>	<u>Original Judgment</u>
CJ-94-541	\$6,000
CJ-98-569	<u>3,000</u>
TOTAL:	\$9,000

During the year ended June 30, 2003, the County paid \$3,279 principal and \$938 interest on these judgments.

Future principal and interest payments that will become due on the existing judgments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2004	\$ 3,000	\$ 636	\$ 3,636
2005	3,000	420	3,420
2006	1,000	100	1,100
Total	<u>\$ 7,000</u>	<u>\$ 1,156</u>	<u>\$ 8,156</u>

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

Detailed Notes on Funds and Account Balances (continued)

G. 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.

H. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 25 years from the date of issue. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
County Limited Tax Bonds of 1973, Series E	5.50-5.75	30,000
County Limited Tax Bonds of 1973, Series F	5.50-5.75	4,000
County Limited Tax Bonds of 1990	5.50-5.75	250,000
County Limited Tax Bonds of 1991	5.50-5.75	125,000
County Limited Tax Bonds of 1994	5.50-5.75	20,000
County Limited Tax Bonds of 1995, Series A	5.50-5.75	200,000
County Limited Tax Bonds of 1996	5.50-5.75	580,000
County Limited Tax Bonds of 1997, Series A	5.50-5.75	200,000
County Limited Tax Bonds of 1997, Series B	5.50-5.75	2,400,000
County Limited Tax Bonds of 1998, Series A	5.50-5.75	250,000
County Limited Tax Bonds of 1998, Series B	5.50-5.75	550,000
County Limited Tax Bonds of 1999, Series A	5.50-5.75	1,260,000
County Limited Tax Bonds of 1999, Series B	5.50-5.75	230,000
County Limited Tax Bonds of 1999, Series C	5.50-5.75	300,000
County Limited Tax Bonds of 1999, Series D	5.50-5.75	470,000
County Limited Tax Bonds of 1999, Series E	5.50-5.75	855,000
County Limited Tax Bonds of 2000, Series A	5.50-5.75	465,000
County Limited Tax Bonds of 2000, Series B	5.50-5.75	1,895,000
County Limited Tax Bonds of 2000, Series C	5.50-5.75	488,000
County Limited Tax Bonds of 2001, Series A	5.50-5.75	750,000
Total		<u>\$11,322,000</u>

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.

SUPPLEMENTARY SCHEDULE SECTION

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Passed Through State Department of Commerce:		
Community Development Block Grant	14.228	\$ 100,000
Project Safe Neighborhood	16.609	54,999
Total U.S. Department of Housing and Urban Development		154,999
 <u>U.S. DEPARTMENT OF JUSTICE</u>		
Passed Through District Attorney's Council:		
Local Law Enforcement Block Grant	16.592	39,517
WISH Emergency Shelter Grant	16.563	
Homeland Security Grant #1	16.007	
Homeland Security Grant #2	16.007	
Total U.S. Department of Justice		39,517
 <u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>		
Passed Through Oklahoma Department of Transportation:		
5311 Muskogee County Transit		205,812
Total Federal Emergency Management Agency		205,812
Total Expenditures of Federal Awards		\$ 400,328

MUSKOGEE COUNTY, OKLAHOMA
NOTE 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 Muskogee 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*.

COMPLIANCE AND INTERNAL CONTROL SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
MUSKOGEE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Muskogee County, Oklahoma, as of and for the year ended June 30, 2003, and have issued our report thereon dated April 4, 2005. 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 Muskogee County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

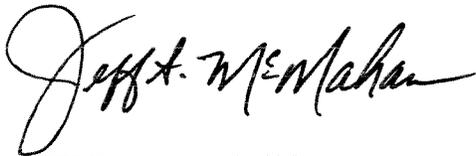
In planning and performing our audit, we considered Muskogee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahán". The signature is written in a cursive style with a large initial "J" and a long horizontal stroke at the end.

JEFF A. McMAHAN
State Auditor and Inspector

April 4, 2005



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
MUSKOGEE COUNTY, OKLAHOMA

Compliance

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

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

Internal Control Over Compliance

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

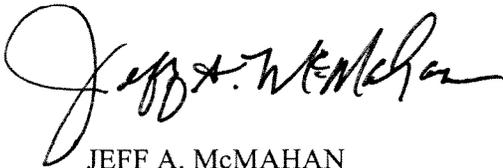
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively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

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

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

April 4, 2005

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

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
16.609	Project Safe Neighborhood

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	Yes

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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*

No matters were reported.

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

No matters were reported.

STATISTICAL SECTION
(Unaudited)

**MUSKOGEE 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>
Oklahoma Gas and Electric	\$ 94,609,006	27.00%
Georgia Pacific (formerly Ft. James)	20,187,995	5.76%
Southwestern Bell Telephone Co.	7,906,617	2.26%
Cross Telephone Co.	3,840,826	1.10%
Union Pacific Railroad	3,478,709	0.99%
Owens-Brockway	3,347,845	0.96%
ONG	3,308,673	0.94%
Grant Pride Co. / TCA Product	2,613,590	0.75%
Warmack - Muskogee Limited	1,794,150	0.51%
HB Egan Mfg Co	1,694,185	0.48%
Total	<u>\$ 142,781,596</u>	<u>40.75%</u>

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

**MUSKOGEE 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>\$ 350,358,579</u>
Debt limit - 5% of total assessed value		17,517,929
Total bonds outstanding	11,322,000	
Total judgments outstanding	7,000	
Less cash in sinking fund	<u>37,994</u>	<u>11,291,006</u>
Legal debt margin		<u>\$ 6,226,923</u>

**MUSKOGEE 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	69,451
Net assessed value as of January 1, 2002	\$ 350,358,579
Gross bonded debt	11,322,000
Less available sinking fund cash balance	37,994
Net bonded debt	\$ 11,284,006
Ratio of net bonded debt to assessed value	3.22%
Net bonded debt per capita	\$ 162.47

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

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2002	\$70,303,855	\$120,865,770	\$173,982,655	\$14,793,701	\$350,358,579	\$2,310,401,702