

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

September 19, 2005

TO THE CITIZENS OF
MUSKOGEE COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Muskogee County iii
County Officials and Responsibilitiesiv
Ad Valorem Tax Distribution.....ix

FINANCIAL SECTION

Report of State Auditor and Inspector 1

Special-Purpose Financial Statements:

 Statement of Receipts, Disbursements, and Changes in
 Cash Balances - All Funds3

 Comparative Statement of Receipts, Expenditures, and Changes in
 Cash Balances - Budget and Actual - General Fund4

 Comparative Statement of Receipts, Expenditures, and Changes in
 Cash Balances - Budget and Actual - County Health Department Fund 7

 Detailed Statement of Receipts, Disbursements, and Changes in
 Cash Balances - Sinking Fund8

 Detailed Statement of Receipts, Disbursements, and Changes in
 Cash Balances - Official Depository Accounts.....9

 Notes to the Financial Statements10

INTERNAL CONTROL AND COMPLIANCE SECTION

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 22

Schedule of Findings24

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

STATISTICAL SECTION (Unaudited)

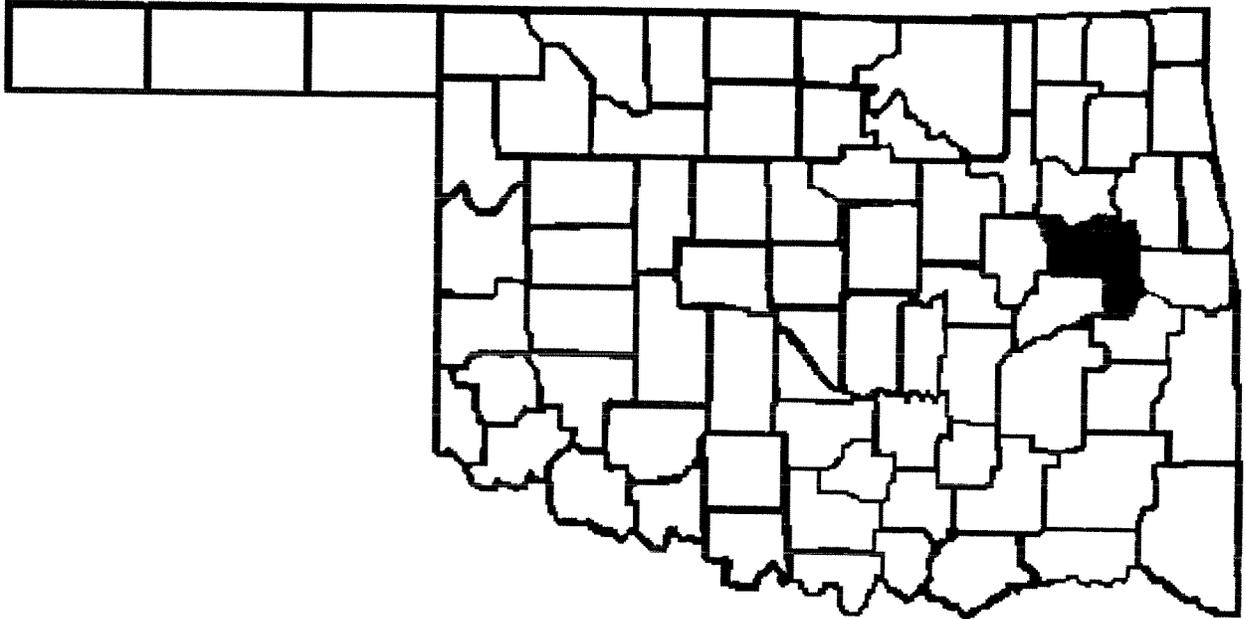
Top Ten Taxpayers.....25

Computation of Legal Debt Margin26

Ratio of Net General Bonded Debt to Assessed Value and
Net Bonded Debt Per Capita27

Assessed Value of Property.....28

REPORT TO THE CITIZENS
OF
MUSKOGEE COUNTY, OKLAHOMA



Named for the Muscogee 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**

COUNTY ASSESSOR

Dan Ashwood
(D) Webbers Falls

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

Karen Anderson
(D) Porum

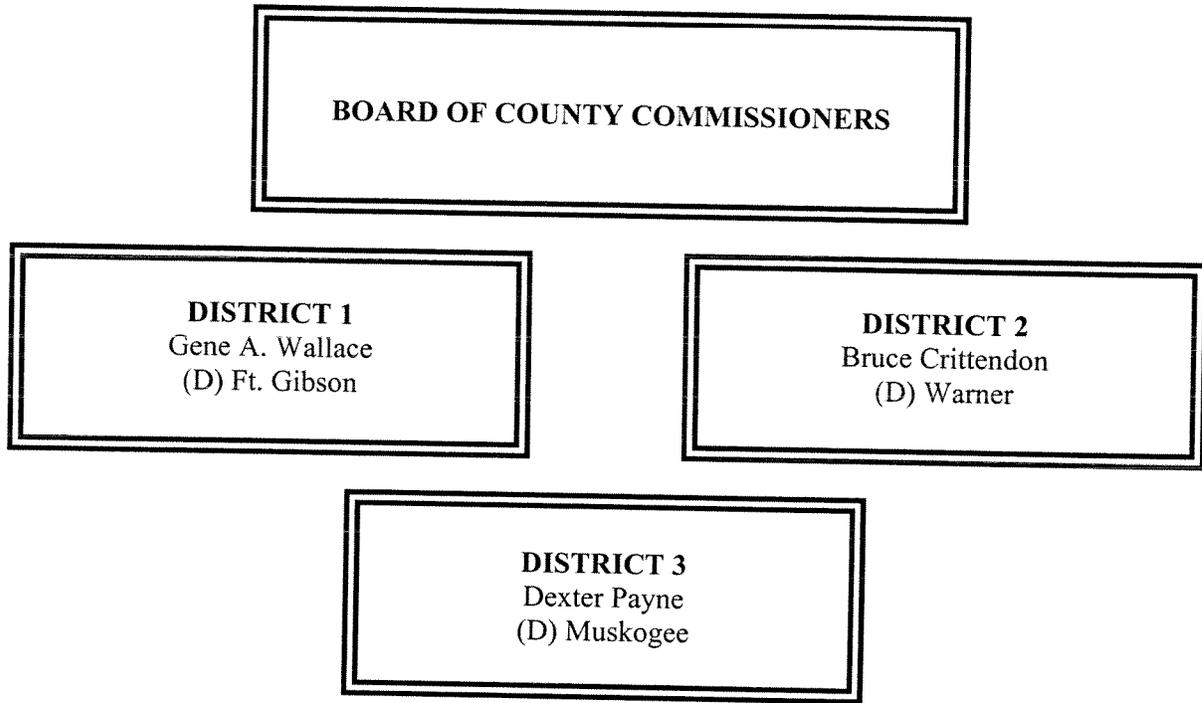
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**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**

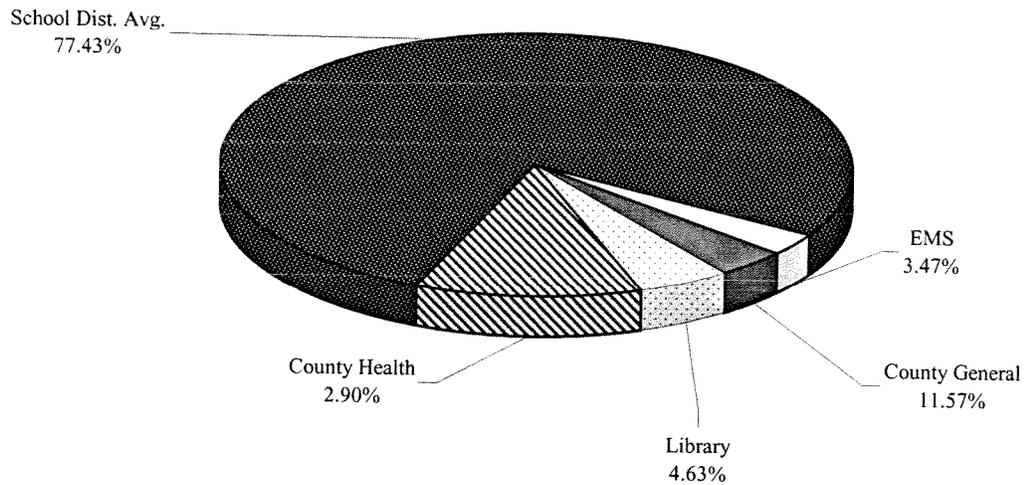
ELECTION BOARD SECRETARY
Kenneth Blackburn
(D) Muskogee

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.

**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	24.25	10.00	4.00	78.25
County Health	2.50	Fort Gibson	3	35.00	5.00	13.17	10.00	4.00	67.17
Library	4.00	Boynton	4	35.00	5.00	14.73	10.00	4.00	68.73
EMS	3.00	Webbers Falls	6	35.00	5.00	20.05	10.00	4.00	74.05
		Oktaha	8	35.00	5.00	21.60	10.00	4.00	75.60
		Wainwright	9	35.00	5.00		10.00	4.00	54.00
<u>Cities and Towns</u>		Muskogee	20	35.00	5.00	17.63	10.00	4.00	71.63
Fort Gibson	10.07	Hilldale	29	35.00	5.00	12.92	10.00	4.00	66.92
Muskogee	1.98	Braggs	46	35.00	5.00		10.00	4.00	54.00
Hilldale	1.98	Warner	74	35.00	5.00	15.50	10.00	4.00	69.50
<u>Other</u>		Porum	88	35.00	5.00	18.63	10.00	4.00	72.63
Gooseneck Bend		Sequoyah	J-6B	35.00	5.00	18.53	10.00	4.00	72.53
Fire District	5.95	McIntosh	J-19B	35.00	5.00		10.00	4.00	54.00
		McIntosh	J-27	35.00	5.00	3.70	10.00	4.00	57.70

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, 2004, 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

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

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

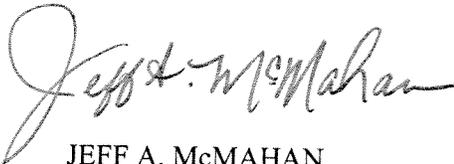
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Muskogee County, Oklahoma, taken as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements. The information listed in the table of contents under *Introductory Section* and *Statistical Section* has not been audited by us, and accordingly, we express no opinion on it.

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

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

Special-Purpose Financial Statements

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

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Transfers In	Transfers Out	Ending Cash Balances June 30, 2004
General Fund	\$ 808,489	\$ 4,633,674	\$ 4,649,299	\$ 1,321,105	\$	\$ 2,113,969
Highway Cash	3,552,086	4,129,924	4,056,886			3,625,124
County Health	702,781	900,133	924,055			678,859
Resale Property	263,807	238,054	141,196			360,665
Sheriff Service Fee	71,720	386,628	414,120			44,228
County Clerk Lien Fee	35,062	13,534	4,895			43,701
Treasurer's Mortgage Certification Fee	90,669	21,086	17,584			94,171
Sheriff Training	282		143			139
Sheriff Patrol Cash	1,548	22,410	21,196			2,762
Sheriff Revolving Reward	7,573	5,542	2,999			10,116
Assessor Revolving Fund	48,848	11,065	19,147			40,766
Self-Insurance Fund	977					977
Sheriff K-9	882		699			183
Sheriff Drug Forfeiture	1,074	34,759	30,515			5,318
Muskogee County Juvenile	28,585	349,540	348,675			29,450
City-County Detention Facility	172,645	507	720			
Courthouse Renovation	215,537				172,432	
Sales Tax Revolving	935,066	1,999	3,929		215,537	
MCCD Grant	71	30,975	30,975		933,136	71
G.O. Ltd. Tax Sinking	2,085,803	8,072,169	7,068,359			3,089,613
Sheriff Commissary	6,443	33,661	36,974			3,130
City-County Detention Sheriff	209,486	1,365,517	1,350,054			224,949
County Water Imp. Dist 1	1,410					1,410
Home Finance Auth. Donation	404					404
EMGF	779		769			10
Records Management Preservation	98,039	113,162	114,546			96,655
CSCF-1 Court Security	23					23
Sinking Fund	37,994	12,198	12,186			38,006
Cash on Hand	330					330
Schools	780,819	27,515,071	27,003,572			1,292,318
Cities and Towns	70,546	899,036	908,533			61,049
Official Depository	1,494,381	10,277,766	9,978,211	29,625		1,823,561
Protest Tax	340,021		308,042			31,979
Law Library	28,010	51,515	63,671			15,854
Unapportioned Tax	2,594	31,159,991	31,157,766			4,819
Gooseneck Bend FD	364	24,429	24,723			70
EMSA	34,217	1,047,950	1,077,693			4,474
Eastern Oklahoma Dist. Library	19,657	1,423,231	1,436,923			5,965
Excess Resale	3,626	6,223	3,626			6,223
Individual Redemption	4,088	171,736	159,754			16,070
Boynton Bond Fund	48,057		47,220			837
Safe Neighbors	14,478	90,000	73,121			31,357
Civil Defense Non-Fiscal	300		300			
Court Clerk Investment	1,855					1,855
Homeland Sec. Grant		58,152	33,153			24,999
Total County Funds	<u>\$ 12,221,426</u>	<u>\$ 93,101,637</u>	<u>\$91,526,229</u>	<u>\$1,350,730</u>	<u>\$ 1,321,105</u>	<u>\$13,826,459</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, 2004**

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 808,489	\$ 808,489	\$ 808,489	\$ -
Less: Prior Year Outstanding Warrants	(258,945)	(258,945)	(258,454)	491
Less: Prior Year Encumbrances	(41,027)	(41,027)	(37,745)	3,282
Beginning Cash Balances, Budgetary Basis	<u>508,517</u>	<u>508,517</u>	<u>512,290</u>	<u>3,773</u>
Other Sources:				
Operating Transfers In	1,321,105	1,321,105	1,321,105	-
Total Other Sources	<u>1,321,105</u>	<u>1,321,105</u>	<u>1,321,105</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	3,287,184	3,287,184	3,491,274	204,090
Charges for Services	350,650	350,650	409,299	58,649
Intergovernmental Revenues	497,052	597,483	626,302	28,819
Miscellaneous Revenues	71,048	71,048	106,799	35,751
Total Receipts, Budgetary Basis	<u>4,205,934</u>	<u>4,306,365</u>	<u>4,633,674</u>	<u>327,309</u>
Expenditures:				
Total District Attorney	40,796	48,796	45,310	3,486
Total County Sheriff	425,967	425,967	425,458	509
Total County Treasurer	209,221	209,221	208,918	303
Total County Commissioners	153,000	149,100	139,953	9,147
Total OSU Extension	76,000	76,000	75,905	95
County Clerk	260,967	260,967	260,875	92
Capital Outlay	1,652	1,652	1,652	
Total County Clerk	262,619	262,619	262,527	92
Total Court Clerk	184,792	184,805	183,384	1,421
County Assessor	200,776	200,776	198,833	1,943
Capital Outlay	500	500		500
Total County Assessor	<u>201,276</u>	<u>201,276</u>	<u>198,833</u>	<u>2,443</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, 2004**

continued from previous page

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	242,120	195,366	173,537	21,829
Capital Outlay	1,000	1,000	744	256
Total Revaluation of Real Property	243,120	196,366	174,281	22,085
Total District Court	16,151	16,151	16,151	-
Total General Government	2,029,619	2,154,690	2,045,415	109,275
Total Excise-Equalization Board	10,000	10,000	8,679	1,321
County Election Board	158,440	162,562	159,738	2,824
Capital Outlay	1,560	8,700	8,700	-
Total County Election Board	160,000	171,262	168,438	2,824
Total County Purchasing Agent	85,558	85,558	85,364	194
Total Welfare Agencies	500	500	-	500
Total Charity	10,200	10,200	10,200	-
Total Firefighting	50,000	50,000	50,000	-
Civil Defense	60,816	65,199	65,130	69
Capital Outlay	7,289	5,604	5,604	-
Total Civil Defense	68,105	70,803	70,734	69
Total Soil Conservation	1,485	1,485	1,472	13
Total County City Jail	174,865	174,865	174,823	42
Total School Record Clerk	17,985	17,985	17,920	65
Total Sales Tax Revolving	933,756	936,454	18,194	918,260
Total Sales Tax MCCDF	172,645	172,559	86,824	85,735
Total Sales Tax Renovation	215,537	216,966	-	216,966
Total Highway Budget	242,500	242,500	232,687	9,813
Total County Audit Budget	36,159	36,159	36,159	-
Total Free Fair	1,200	1,200	1,200	-

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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, 2004**

continued from previous page

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Provision for Interest on Warrants	12,500	12,500	1,869	10,631
Total Expenditures, Budgetary Basis	<u>6,035,556</u>	<u>6,135,987</u>	<u>4,740,698</u>	<u>1,395,289</u>
Excess of Receipts, Other Sources, and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	1,726,371	<u>\$1,726,371</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			95,474	
Add: Current Year Outstanding Warrants			292,124	
Ending Cash Balance			<u>\$2,113,969</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, 2004**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 702,781	\$ 702,781	\$ 702,781	\$ -
Less: Prior Year Outstanding Warrants	(22,296)	(22,296)	(22,266)	30
Less: Prior Year Encumbrances	(203,365)	(203,365)	(203,365)	
Beginning Cash Balances, Budgetary Basis	<u>477,120</u>	<u>477,120</u>	<u>477,150</u>	<u>30</u>
Receipts:				
Ad Valorem Taxes	821,796	821,796	873,140	51,344
Miscellaneous Revenues		26,641	26,993	352
Total Receipts, Budgetary Basis	<u>821,796</u>	<u>848,437</u>	<u>900,133</u>	<u>51,696</u>
Expenditures:				
Health and Welfare	1,250,000	1,276,641	716,553	560,088
Capital Outlay	48,916	48,916	411	48,505
Total Expenditures, Budgetary Basis	<u>1,298,916</u>	<u>1,325,557</u>	<u>716,964</u>	<u>608,593</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	660,319	<u>\$ 660,319</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			277	
Add: Current Year Outstanding Warrants			18,263	
Ending Cash Balance			<u>\$ 678,859</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, 2004**

Beginning Cash Balance	<u>\$ 37,994</u>
Receipts:	
Miscellaneous	12,198
Total Receipts	<u>12,198</u>
Disbursements:	
County Judgments	8,837
Interest Paid	3,349
Total Disbursements	<u>12,186</u>
Ending Cash Balance	<u><u>\$ 38,006</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, 2004**

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
District Court Fund	\$ 556,225	\$ 3,391,276	\$ 3,284,251	\$ 4,207	\$ 667,457
Court Clerk	212,641	1,646,946	1,494,934	2,259	366,912
County Sheriff	15,992	299,953	307,022	6,158	15,081
County Treasurer	94,759	2,983,692	3,034,563	6,278	50,166
County Clerk	57,446	609,738	613,625		53,559
County Election Board	153	83,023	82,733	1,408	1,851
District Attorney	556,291	1,210,264	1,110,381	8,350	664,524
County Health Department		38,570	38,570		
County Assessor	874	14,304	12,132	965	4,011
Total Official Depository Accounts	<u>\$ 1,494,381</u>	<u>\$ 10,277,766</u>	<u>\$ 9,978,211</u>	<u>\$ 29,625</u>	<u>\$ 1,823,561</u>

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

I. 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.

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

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

E. Cash

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, 2004.

F. Risk Management

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

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle Physical Plant - Theft - Damage to Assets - Natural Disasters	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.

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

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 participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed pool assets, the members would have surcharges assessed to pay the excess claims.

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. 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.

OPEH&WP - The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$13,826,459 and the bank balance was \$14,011,454. 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.

Detailed Notes on Funds and Account Balances (continued)

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.

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.

Detailed Notes on Funds and Account Balances (continued)

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.

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.

Sinking Fund – revenues are from interest earnings. 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.

Detailed Notes on Funds and Account Balances (continued)

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.

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.

Detailed Notes on Funds and Account Balances (continued)

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

Homeland Security Grant – revenues are from a federal grant. Disbursements are for additional patrols by the Sheriff’s office.

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

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.

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, 2003, was approximately \$361,590,245.

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, 2004

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

F. Judgments

The County had judgments, which were retired by excess funds in the sinking fund. 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	3,000
CJ-98-5592-64	<u>3,837</u>
TOTAL	<u>\$12,837</u>

During the year ended June 30, 2004, the County paid \$8,837 principal and \$3,349 interest on these judgments. The County has no outstanding balances due on judgments at June 30, 2004.

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.

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

Detailed Notes on Funds and Account Balances (continued)

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
County Limited Tax Bonds of 1990	5.50-5.75	125,000
County Limited Tax Bonds of 1991	5.50-5.75	100,000
County Limited Tax Bonds of 1995, Series A	5.50-5.75	175,000
County Limited Tax Bonds of 1996	5.50-5.75	510,000
County Limited Tax Bonds of 1997, Series A	5.50-5.75	180,000
County Limited Tax Bonds of 1997, Series B	5.50-5.75	2,230,000
County Limited Tax Bonds of 1998, Series A	5.50-5.75	225,000
County Limited Tax Bonds of 1998, Series B	5.50-5.75	495,000
County Limited Tax Bonds of 1999, Series A	5.50-5.75	1,180,000
County Limited Tax Bonds of 1999, Series B	5.50-5.75	215,000
County Limited Tax Bonds of 1999, Series C	5.50-5.75	275,000
County Limited Tax Bonds of 1999, Series D	5.50-5.75	430,000
County Limited Tax Bonds of 1999, Series E	5.50-5.75	810,000
County Limited Tax Bonds of 2000, Series A	5.50-5.75	430,000
County Limited Tax Bonds of 2000, Series B	5.50-5.75	1,790,000
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	700,000
County Limited Tax Bonds of 2004, Series A	5.50-5.75	3,500,000
County Limited Tax Bonds of 2004, Series A	5.50-5.75	1,900,000
Total		<u>\$15,758,000</u>

Payment of the principal and interest is made by the recipient of the proceeds (private manufacturing companies). To date, the County has not had to levy for any bond or interest payments. Bond proceeds and payments are accounted for through the G.O. Ltd. Tax Sinking Fund.

4. Contingent Liabilities

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

5. Operating Transfers

The County transferred three cash fund balances to the General Fund during the year. The balance of the City-County Detention Facility (\$172,432), the Courthouse Renovation (\$215,537), and the Sales Tax Revolving (\$933,136) funds were transferred to help decrease the amount of interest the County pays on non-payable warrants. These cash funds are accounted for separately within the General Fund and disbursements are still restricted for the intended purpose of the fund. The transfer was made in accordance with 68 O.S. §1370. The Transfer In and Transfer Out columns on the statement of Receipts, Disbursements, and changes in Cash Balances – All Funds do not balance because cancelled vouchers of \$29,625 are included in the Transfers In column.

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
MUSKOGEE COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Muskogee County, Oklahoma, as of and for the year ended June 30, 2004, 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, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Muskogee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying schedule of findings as item 2004-1.

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

Compliance and Other Matters

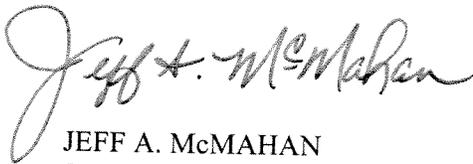
As part of obtaining reasonable assurance about whether Muskogee County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

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

This report is intended solely for the information and use of the management of the County 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
FOR THE YEAR ENDED JUNE 30, 2004

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

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.

STATISTICAL SECTION
(Unaudited)

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

<u>TAXPAYER NAME</u>	<u>JANUARY 1, 2003 NET ASSESSED VALUATION</u>	<u>% OF TOTAL NET VALUATION</u>
OG&E	\$ 93,376,229	25.82%
Georgia Pacific Corp.	21,890,650	6.05%
Ft Howard Paper Co.	5,444,160	1.51%
Southwestern Bell Telephone	5,428,831	1.50%
Cross Telephone Co.	3,841,228	1.06%
Union Pacific RR	3,812,940	1.05%
ONG/Oneok	3,392,832	0.94%
Graham Packaging Co.	3,110,575	0.86%
Owen-Brockway Glass Co.	2,704,315	0.75%
Grant Prideco	2,296,685	0.64%
Total	<u>\$ 145,298,445</u>	<u>40.18%</u>

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

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

Total net assessed value as of January 1, 2003		<u>\$ 361,590,245</u>
Debt limit - 5% of total assessed value		18,079,512
Total bonds outstanding	15,758,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>38,006</u>	<u>15,719,994</u>
Legal debt margin		<u>\$ 2,359,518</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, 2004
(UNAUDITED)

	2004
Estimated population	69,451
Net assessed value as of January 1, 2003	\$ 361,590,245
Gross bonded debt	15,758,000
Less available sinking fund cash balance	38,006
Net bonded debt	\$ 15,719,994
Ratio of net bonded debt to assessed value	4.35%
Net bonded debt per capita	\$ 226.35

**MUSKOGEE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 FOR THE 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	\$72,714,620	\$120,676,532	\$182,664,105	\$14,465,012	\$361,590,245	\$2,402,026,506