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

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April 11, 2005

TO THE CITIZENS OF
PUSHMATAHA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pushmataha 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,

Jeff A. McMahan

JEFF A. McMAHAN
State Auditor and Inspector

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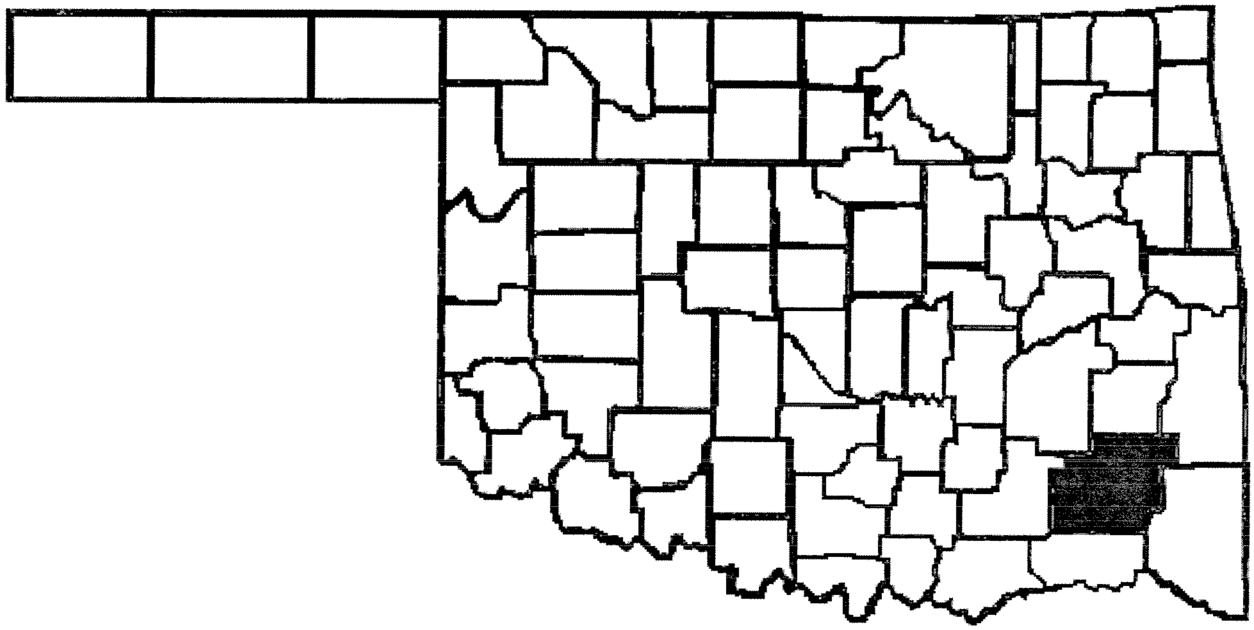
STATISTICAL SECTION (Unaudited)

REPORT TO THE CITIZENS
OF
PUSHMATAHA COUNTY, OKLAHOMA



Originally part of the Choctaw Nation, this county was created at statehood and takes its name from the Pushmataha District of the Choctaw Nation. Pushmataha was also the name of a Choctaw leader.

Antlers, the county seat, is the site of several manufacturing companies that produce items such as custom mixed concrete, lumber, roof trusses, building materials, and sportswear. Tuskahoma, last capital of Choctaw Nation, is the site of the Choctaw Council House, built in 1884 and noted for its fine architecture.

A popular recreational area for outdoor enthusiasts, Pushmataha County offers locations such as the Kiamichi Mountains, Clayton Lake Recreational Area, Pine Creek State Park, and Sardis Lake for sporting activities. Although tourism and recreation contribute a great deal to the county's economy, agriculture is still a basic component, and wheat is the major crop. Ranching and timber are the main industries.

For additional information, call the county clerk's office at 580/298-3626 or the Chamber of Commerce at 580/298-2488.

County Seat – Antlers

Area – 1397.4 Square Miles

County Population – 11,667 (2000 est.)

Farms – 776

Land in Farms - 256,438 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

COUNTY ASSESSOR
Jack Matthews
(D) Antlers

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
Albert Brown
(D) Antlers

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.

BOARD OF COUNTY COMMISSIONERS

DISTRICT 1
Calvin Smith
(D) Antlers

DISTRICT 2
Joe Hill
(D) Antlers

DISTRICT 3
Eddy McIntosh
(D) Clayton

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.

COUNTY SHERIFF
Elven Flood
(D) Nashoba

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
Jenny Beth Caraway
(D) Antlers

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.

COURT CLERK
Kathy Milam
(D) Antlers

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
Virginia Sanders
(D) Idabel

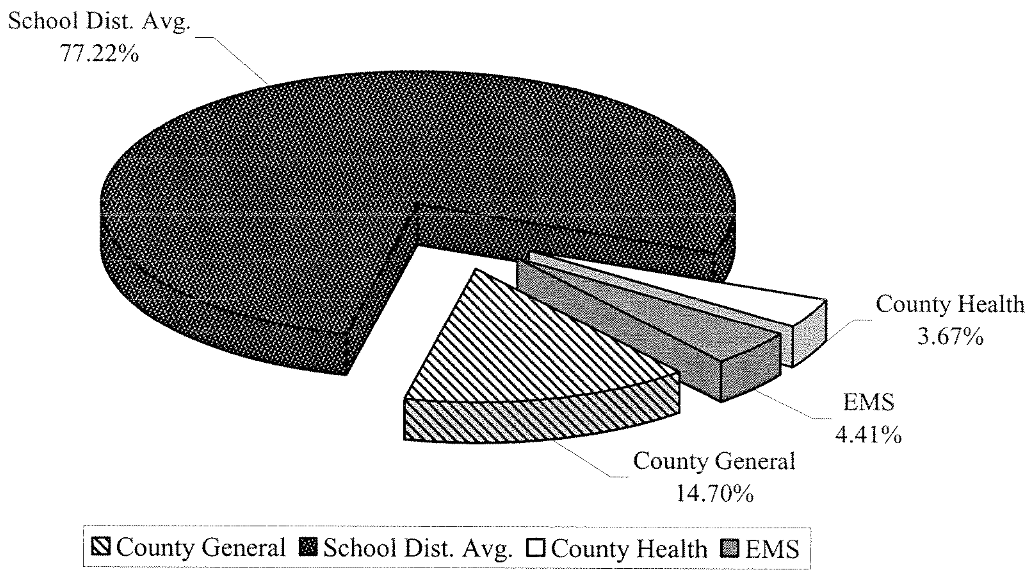
As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

ELECTION BOARD SECRETARY
Peggy Melton
(D) Antlers

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.

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.	Tech Cntr.	Tech Cntr. Bldg.	Common	Total
Co. General	10.29	Rattan	I-1	36.66	5.24				4.12	46.02
County Health	2.57	Clayton	I-10	35.59	5.08		10.27	2.05	4.12	57.11
EMS	3.09	Antlers	I-13	35.99	5.14		10.27	2.05	4.12	57.57
		Moyers	I-22	36.54	5.22	10.76	10.27	2.05	4.12	68.96
		Albion	D-2	35.75	5.11	5.09	10.27	2.05	4.12	62.39
		Tuskahoma	D-4	36.27	5.18		10.27	2.05	4.12	57.89
		Nashoba	D-15	35.97	5.14		10.27	2.05	4.12	57.55
		Stringtown	JT-7	35.00	5.00				4.12	44.12
		Soper	JT-4	35.00	5.00				4.12	44.12
		Smithville	JT-14	35.60	5.09	8.82			4.12	53.63
		Battiest	JT-71	35.85	5.12				4.12	45.09

See independent auditor's report.

Financial Section

Independent Auditor's Report

TO THE OFFICERS OF
PUSHMATAHA COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Pushmataha 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 Pushmataha 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 Pushmataha 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 Pushmataha 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 Pushmataha 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 March 2, 2005, on our consideration of Pushmataha County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Pushmataha County, Oklahoma, 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 information.

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

JEFF A. McMAHAN
State Auditor and Inspector

March 2, 2005

Special-Purpose Financial Statements

PUSHMATAHA 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	Transfer Out	Ending Cash Balances June 30, 2004
County General Fund	$ 417,897	$ 1,009,137	$ 947,012	$ 2,930	$	$ 482,952
T-Highway	1,045,602	2,776,343	2,825,474			996,471
Schools	47,173	1,989,599	1,970,304			66,468
Cities and Towns	7,633	120,894	118,740			9,787
Individual Redemption	8,712	69,459	65,331			12,840
Resale Property	25,701	43,058	29,224			39,535
Law Library	4,170	13,939	12,792			5,317
County Health	83,041	264,340	210,666			136,715
Official Depository	135,442	1,794,506	1,722,600			207,348
Court Fund Interest	17	213	203			27
County Sinking	2,903	43			2,930	16
Clerk Cash Drawer	150					150
Sheriff Cash Service Fee	94,779	305,146	303,176			96,749
LLEBG	10,000	10,000	10,000			10,000
Estrayed Animal	1,169					1,169
Emergency Medical Service	1,677	106,224	103,847			4,054
Treasurer Mortgage Tax Fee	3,831	3,645	3,039			4,437
County Clerk Lien Fee	5,022	3,705	1,859			6,868
Assessor Visual Inspection	23,104	1,995	13,812			11,287
Sheriff Revolving	28					28
Assessor Revolving	21,451	10,599	9,682			22,368
VSA	7,437		5,838			1,599
Sheriff Drug Cash Account	2,100					2,100
CDBG		16,481	16,481			
REAP	43,297	118,960	160,831			1,426
KEDDO Grant		34,642	6,663			27,979
Courthouse A/C		28,935				28,935
RMP	18,220	16,905	15,580			19,545
Nashoba Community Center		2,000				2,000
CERT		1,000				1,000
Clayton Nutrition Center		11,354				11,354
Elevator		6,093	6,093			
Protest Tax	69,741	152	65,625			4,268
Sales Tax Cash						
KANP	3,069	24,117	22,568			4,618
Total County Funds	$ 2,083,366	$ 8,783,484	$ 8,647,440	$ 2,930	$ 2,930	$ 2,219,410

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

PUSHMATAHA COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	$ 417,897	$ 417,897	$ 417,897	$
Less: Prior Year Outstanding Warrants	(52,473)	(52,473)	(52,473)	
Less: Prior Year Encumbrances	(10,898)	(10,898)	(10,873)	25
Residual Equity Transfers In			2,930	2,930
Beginning Cash Balances, Budgetary Basis	354,526	354,526	357,481	2,955
Receipts:				
Ad Valorem Taxes	314,387	314,387	336,015	21,628
Sales Tax	383,347	383,347	450,900	67,553
Charges for Services	55,731	55,731	64,498	8,767
Intergovernmental Revenues	131,947	131,947	131,273	(674)
Miscellaneous Revenues	23,072	26,371	26,451	80
Total Receipts, Budgetary Basis	908,484	911,783	1,009,137	97,354
Expenditures:				
District Attorney	9,000	9,000	9,000	
Total District Attorney	9,000	9,000	9,000	-
County Sheriff	34,302	34,302	32,541	1,761
Total County Sheriff	34,302	34,302	32,541	1,761
County Treasurer	57,100	58,800	58,781	19
Total County Treasurer	57,100	58,800	58,781	19
County Clerk	81,168	81,168	80,220	948
Total County Clerk	81,168	81,168	80,220	948
Court Clerk	54,755	54,755	54,738	17
Total Court Clerk	54,755	54,755	54,738	17
County Assessor	57,455	57,455	57,356	99
Total County Assessor	57,455	57,455	57,356	99
Revaluation of Real Property	78,765	75,054	70,877	4,177
Capital Outlay	100	3,811	3,776	35
Total Revaluation of Real Property	78,865	78,865	74,653	4,212

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

PUSHMATAHA COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

continued from previous page

	Original Budget	Final Budget	Actual	Variance
General Government	139,259	139,237	136,337	2,900
Total General Government	139,259	139,237	136,337	2,900
Excise-Equalization Board	2,400	2,400	2,248	152
Total Excise-Equalization Board	2,400	2,400	2,248	152
County Election Board	37,940	39,171	38,966	205
Capital Outlay		390	390	
Total County Election Board	37,940	39,561	39,356	205
County Commissioners Sales Tax	287,427	248,467	13,366	235,101
Capital Outlay	25,000	63,960	53,197	10,763
Total County Commissioners Sales Tax	312,427	312,427	66,563	245,864
Economic Development Sales Tax	53,983	28,000	26,093	1,907
Capital Outlay	20,000	45,983	35,000	10,983
Total Economic Development Sales Tax	73,983	73,983	61,093	12,890
County Sheriff Sales Tax	182,075	179,199	178,517	682
Capital Outlay		2,876	2,876	
Total County Sheriff Sales Tax	182,075	182,075	181,393	682
OSU Extension Sales Tax	41,654	41,654	38,605	3,049
Capital Outlay	14,072	14,072	2,843	11,229
Total OSU Extension Sales Tax	55,726	55,726	41,448	14,278
General Sales Tax	52,217	52,217	51,965	252
Total General Sales Tax	52,217	52,217	51,965	252
Emergency Management Sales Tax	21,150	19,150	7,203	11,947
Capital Outlay		2,000	1,450	550
Total Emergency Management Sales Tax	21,150	21,150	8,653	12,497

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

PUSHMATAHA COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Free Fair Sales Tax	7,629	7,629	7,629	
Total Free Fair Sales Tax	7,629	7,629	7,629	-
County Audit Budget	5,559	5,559		5 559
Total County Audit Budget	5,559	5,559	-	5,559
Total Expenditures, Budgetary Basis	1,263,010	1,266,309	963,974	302,335
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	$ -	$ -	402,664	$ 402,664
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			37,907	
Add: Current Year Outstanding Warrants			42,401	
Ending Cash Balance			$ 482,952	

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

PUSHMATAHA 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 Budget	Final Budget	Actual	Variance
Beginning Cash Balances	$ 83,041	$ 83,041	$ 83,041	$ -
Less: Prior Year Outstanding Warrants	(13,809)	(13,809)	(13,809)	
Less: Prior Year Encumbrances	(15,610)	(15,610)	(14,660)	950
Beginning Cash Balances, Budgetary Basis	53,622	53,622	54,572	950
Receipts:				
Ad Valorem Taxes	78,520	78,520	87,057	8,537
Miscellaneous Revenues	288	163,746	177,283	13,537
Total Receipts, Budgetary Basis	78,808	242,266	264,340	22,074
Expenditures:				
Health and Welfare	125,430	267,500	207,938	59,562
Capital Outlay	7,000	28,388	20,276	8,112
Total Expenditures, Budgetary Basis	132,430	295,888	228,214	67,674
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	$ -	$ -	90,698	$ 90,698
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			25,837	
Add: Current Year Outstanding Warrants			20,180	
Ending Cash Balance			$ 136,715	

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

PUSHMATAHA COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES - SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2004

Beginning Cash Balance	$	2,903
Receipts:		
Miscellaneous		43
Total Receipts		43
Disbursements:		
Residual Equity Transfer Out		2,930
Total Disbursements		2,930
Ending Cash Balance	$	16

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

PUSHMATAHA 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
1 County Treasurer EFTPS	$	$ 327,282	$ 327,282	$	$
2 County Clerk		120,932	120,932		
3 Court Clerk	85,711	374,430	347,572	68	112,637
4 County Election Board	1,048	23,200	17,862	480	6,866
5 County Sheriff		279,513	279,513		
6 Court Fund	29,847	215,411	188,587	945	57,616
7 District Attorney	150	91,360	89,594	349	2,265
8 County Sheriff	1,463	20,219	20,385	56	1,353
9 County Health Department		177,397	177,397		
10 County Treasurer	7,928	138,288	138,094	506	8,628
11 District Attorney	324		91	11	244
12 District Attorney	1,094	11,519	5,609	146	7,150
13 County Assessor		10,599	10,599		
14 District Attorney	204	169	205		168
15 Sheriff DCA	1,974				1,974
16 Court Clerk	5,699	4,187	1,439		8,447
Total Official Depository Accounts	$ 135,442	$ 1,794,506	$ 1,725,161	$ 2,561	$ 207,348

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 Pushmataha 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 and Investments

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

F. Risk Management

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

Types of Loss	Method Managed	Risk of Loss Retained
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 authorized deductibles, the County could have to pay its share of the pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

Summary of Significant Accounting Policies (continued)

Types of Loss	Method Managed	Risk of Loss Retained
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 $10,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to $100,000 for property, and up to $500,000 for general liability. The pool has acquired commercial reinsurance in the amount of $1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate worker's compensation claims. 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.

G. Compensated Absences

Employees are entitled to vacation leave that is accrued on a monthly basis at the rate of 6 2/3 hours per month. Vacation benefits are earned by the employee during the year and may accumulate up to 40 hours.

Sick leave is accrued at the rate of 8 hours per month and may be accumulated up to 130 days. Sick leave is not paid upon termination of employment.

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 $2,219,410 and the bank balance was $2,059,696. 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

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

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

Detailed Notes on Funds and Account Balances (continued)

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

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

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

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

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

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

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

Court Fund Interest – accounts for interest earned on court fund deposits.

Sinking Fund – accounts for the payment of interest and principal on the matured portion of long-term bonded debt. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

Clerk Cash Drawer – accounts for the change fund established for Court Clerk and County Clerk offices.

Sheriff Cash Service Fee – accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

LLEBG – accounts for federal grant funds used for the purchase of equipment for the Sheriff's office.

Estrayed Animals – accounts for monies collected from the sale of stray livestock and disbursements of funds restricted by state statutes.

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

Detailed Notes on Funds and Account Balances (continued)

Treasurer Mortgage Tax Fee – accounts for the collection of fees by the County Treasurer for mortgage tax certificates and disbursements as restricted by statutes.

County Clerk Lien Fee – accounts for lien collections and disbursements as restricted by statutes.

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

Sheriff Revolving – accounts for the collection and disbursement of sheriff process service fees as restricted by state statute.

Assessor Revolving – Accounts for the collection of fees for copies and disbursements by the Assessor as restricted by state statutes.

VSA – accounts for donations from citizens for victims of sexual abuse.

Sheriff Drug Cash Account – accounts for the collection of the Sheriff's percentage of drug forfeitures.

CDBG – accounts for federal grant funds for various projects including a courthouse elevator, rural water district lines, and renovations to a youth services building.

REAP – accounts for state funds used for various community projects.

KEDDO Grant – accounts for state funds used for renovations to the Pushmataha County Jail.

Courthouse A/C – accounts for state funds used for repairs to the courthouse air conditioning system.

RMP – accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute for preservation of records.

Nashoba Community Center – accounts for state funds used for the construction of a nutrition center in Nashoba.

CERT – accounts for state funds from the Civil Emergency Management to be used for planning purposes.

Clayton Nutrition Center – accounts for grant funds used for the construction of a nutrition center in Clayton, Oklahoma.

Elevator – accounts for funds received from the Economic Development Authority to be used for the construction of a courthouse elevator.

Detailed Notes on Funds and Account Balances (continued)

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

Sales Tax Cash Account – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

KANP – accounts for state funds to be used for the operation of the Clayton Nutrition Center.

The following narrative details the official depository accounts.

1 County Treasurer EFTPS – accounts for federal tax withholdings electronically remitted to the federal government.

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

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

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

5 County Sheriff – accounts for all collections of foreign services fees. Monies are vouchered out at the end of the month to the sheriff service fee account.

6 Court Fund - accounts for fees transferred from district court and interest. Money is disbursed for the purpose of fees for various entities, salaries, and the operation of the office.

7 District Attorney – accounts for the collection of bogus checks and district attorney fees to be disbursed to the merchant and the district attorney fee account.

8 County Sheriff – accounts for inmate funds held in trust.

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

10 County Treasurer – accounts for the collection of motor vehicle stamps. Disbursements are for the purpose of motor vehicle collection distribution.

11 District Attorney – accounts for the proceeds received from civil forfeiture cases.

12 District Attorney – accounts for collection received by court orders to reimburse victims.

Detailed Notes on Funds and Account Balances (continued)

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

14 District Attorney – accounts for collection received from the state to reimburse the County for witness expense.

15 Sheriff DCA – accounts for monies set aside for law enforcement sting operations.

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

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2003, was approximately $33,607,926.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.29 mills for the general fund operations, 2.57 mills for the county health department and 3.09 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, 2004, were approximately 94.45 percent of the tax levy.

Detailed Notes on Funds and Account Balances (continued)

D. Pension Plan

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

E. Capital Leases

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

F. Fuel Tax

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

4. Sales Tax

The voters of Pushmataha County approved a 1% sales tax effective April 1, 1996. The sales tax was established to provide revenue for the following:

County Jail	50.0%
County General	15.0%
County Roads	19.0%
OSU Extension	9.0%
County Fair Board	2.0%
Economic Development	3.5%
Emergency Management	1.5%
Total	100.0%

5. Residual Equity Transfers

Residual equity transfers consist of $2,930 transferred from the debt service fund for County Sinking to the general fund. All judgments have been paid in full.

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*

TO THE OFFICERS OF
PUSHMATAHA COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Pushmataha County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated March 2, 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 Pushmataha 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-1, 2004-2, 2004-3, and 2004-4.

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

Compliance and Other Matters

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

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

JEFF A. McMAHAN
State Auditor and Inspector

March 2, 2005.

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

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

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

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

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

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

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

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

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

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

Condition: The County does not have a written Disaster Recovery Plan.

Recommendation: We recommend the County establish a Disaster Recovery Plan to ensure the safekeeping and integrity of the County's financial and non-financial data.

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

Finding 2004-3 - Written Policies and Procedures (Repeat Finding)

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

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

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

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

Finding 2004-4 - Assessor's Leave Balances (Repeat Finding)

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

Condition: Some employees were allowed to accrue negative leave balances during the fiscal year.

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

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

SECTION 2 - Other Findings - This section contains findings not required to be reported in 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*, but which we believed were significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action.

Finding 2004-5 – General Fixed Assets (Repeat Finding)

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

Condition: All offices, except the County Treasurer and County Clerk, do not perform a biennial verification of the fixed assets inventory.

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

Management's Response: All Officers will work together to compile a complete listing of County inventory. We will also try to conduct a physical inventory of all items once every two years.

Statistical Section
(Unaudited)

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

TAXPAYER NAME		ASSESSED VALUE	% OF TOTAL NET VALUATION
Oklahoma West Telephone Company	$	2,007,362	5.97%
Southwestern Bell Telephone		1,546,491	4.60%
Valley Timbers LC		1,485,693	4.42%
Centerpoint Energy Gas		1,286,399	3.83%
Public Service Company		1,187,288	3.53%
Oneok		540,365	1.61%
Antlers Properties		163,342	0.49%
C-V Cellular		160,701	0.48%
Star Search Cable		148,342	0.44%
Pruett Foods		138,506	0.41%
Total	$	8,664,489	25.78%

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

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

Total net assessed value as of January 1, 2003		$ 33,607,926
Debt limit - 5% of total assessed value		1,680,396
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	16	-
Legal debt margin		$ 1,680,396

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	11,667
Net assessed value as of January 1, 2003	$ 33,607,926
Gross bonded debt	-
Less available sinking fund cash balance	16
Net bonded debt	$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	$ -

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	$3,902,205	$7,539,736	$25,109,810	$2,943,825	$33,607,926	$298,017,118