PUSHMATAHA COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 8, 2006

TO THE CITIZENS OF
PUSHMATAHA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pushmataha County, Oklahoma, for the fiscal year ended June 30, 2005. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

Jeff A. McMahan

JEFF A. McMAHAN
State Auditor and Inspector

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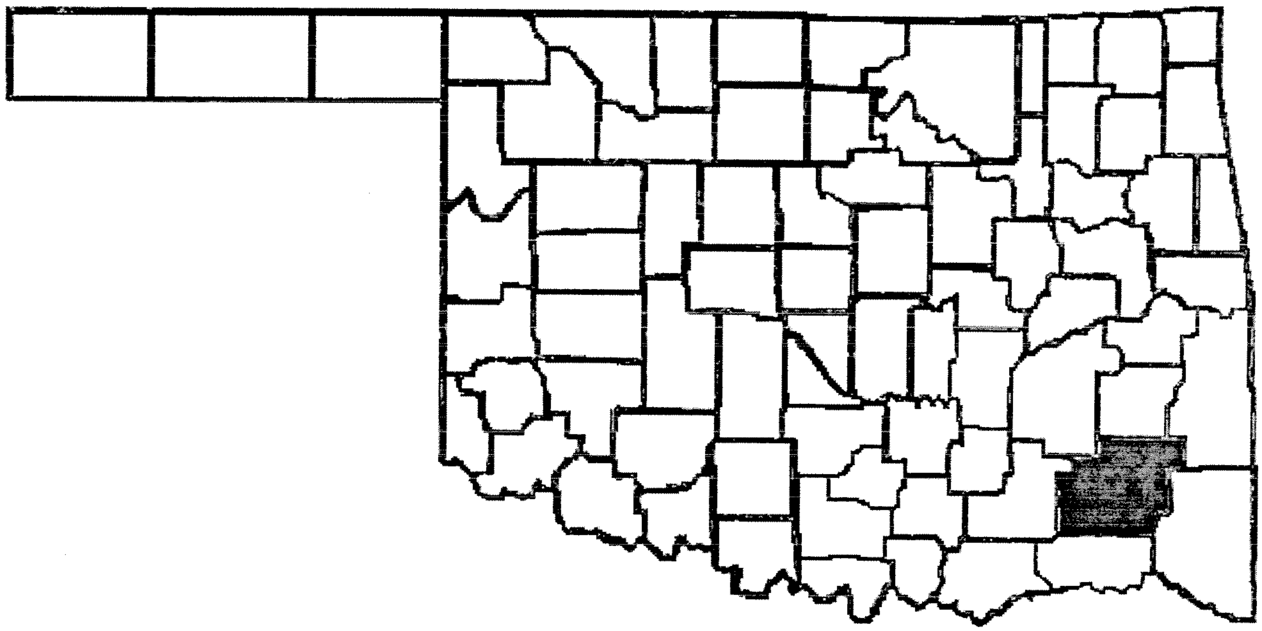
OF
PUSHMATAHA COUNTY, OKLAHOMA



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 – 1,422.78 Square Miles

County Population – 11,715
(2004 est.)

Farms – 780

Land in Farms – 309,855 Acres

Primary Source: Oklahoma Almanac 2005-2006

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 (7/1/04 to 12/31/04)
(D) Nashoba
Jim Duncan (1/1/05 to present)
(D) Rattan

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

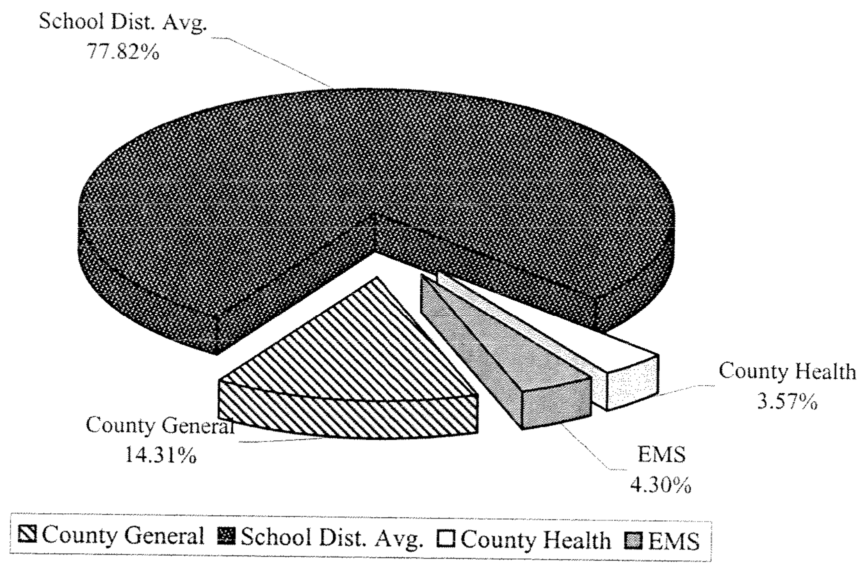
As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an 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	
Co. General	10.29
County Health	2.57
EMS	3.09

School District Millages

		Gen.	Bldg.	Skg.	Career Tech	Career Tech Bldg.	Common	Total
Rattan	I-1	36.66	5.24	16.58			4.12	62.60
Clayton	I-10	35.59	5.08		10.27	2.05	4.12	57.11
Antlers	I-13	35.99	5.14		10.27	2.05	4.12	57.57
Moyers	I-22	36.54	5.22	11.67	10.27	2.05	4.12	69.87
Albion	D-2	35.75	5.11	4.52	10.27	2.05	4.12	61.82
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	13.06			4.12	57.18
Soper	JT-4	35.00	5.00				4.12	44.12
Smithville	JT-14	35.60	5.09				4.12	44.81
Battiest	JT-71	35.85	5.12				4.12	45.09

See independent auditor's report.

PUSHMATAHA COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)

Total net assessed value as of January 1, 2004		$ 34,830,289
Debt limit - 5% of total assessed value		1,741,514
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	44	-
Legal debt margin		$ 1,741,514

See independent auditor's report.

PUSHMATAHA COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)

	2005
Estimated population	11,715
Net assessed value as of January 1, 2004	$ 34,830,289
Gross bonded debt	-
Less available sinking fund cash balance	44
Net bonded debt	$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	$ -

See independent auditor's report.

PUSHMATAHA COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2004	$4,200,791	$7,602,224	$25,962,789	$2,935,515	$34,830,289	$308,769,927

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
PUSHMATAHA COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pushmataha County, Oklahoma, as of and for the year ended June 30, 2005, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Pushmataha County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Pushmataha County as of June 30, 2005, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Pushmataha County, for the year ended June 30, 2005, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2006, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

JEFF A. McMAHAN
State Auditor and Inspector

May 8, 2006

Basic Financial Statement

PUSHMATAHA COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
Combining Information:				
County General Fund	$ 482,952	$ 1,064,876	$ 1,065,731	$ 482,097
T-Highway	996,471	2,653,082	2,764,722	884,831
Resale Property	39,535	41,759	27,586	53,708
County Health	136,715	229,227	257,325	108,617
County Sinking	16	28		44
Sheriff Cash Service Fee	96,749	288,947	344,286	41,410
LLEBG	10,000		10,000	
Treasurer Mortgage Tax Fee	4,437	3,440	4,655	3,222
County Clerk Lien Fee	6,868	4,369	9,648	1,589
Assessor Visual Inspection	11,287	42	11,128	201
Sheriff Revolving	28			28
Assessor Revolving	22,368	4,999		27,367
VSA	1,599		1,599	
Sheriff Drug Cash Account	2,100			2,100
CDBG		30,966	30,966	
REAP	1,426	42,831	37,499	6,758
KEDDO Grant	27,979	5,500	32,161	1,318
Courthouse A/C	28,935		28,611	324
RMP	19,545	17,002	18,195	18,352
Nashoba Community Center	2,000		1,998	2
CERT	1,000		560	440
Clayton Nutrition Center	11,354			11,354
KANP	4,618	24,558	25,387	3,789
Hazardous Mitigation		20,000	20,000	
Sardis Lake		2,500	2,500	
Combined Total--All County Funds	$ 1,907,982	$ 4,434,126	$ 4,694,557	$ 1,647,551

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

B. Fund Accounting

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

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

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

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

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

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

County Sinking – accounts for the excess collections from a special ad valorem tax levy and from interest earned on investments of cash that was used for debt service payments. This amount will eventually be transferred to the County General Fund.

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.

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 statute.

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

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.

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

Hazardous Mitigation – accounts for grant funds received from the Federal Emergency Management Agency. Disbursements are made to individuals for safe room projects.

Sardis Lake – accounts for monies collected from the sale of stray livestock and disbursement of funds restricted by state statutes.

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

C. Basis of Accounting

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

D. Budget

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

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

E. Cash

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

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

F. Investments

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

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

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

G. Compensated Absences

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 30 days. Upon separation, an employee is paid for the balance of accrued annual leave up to the accumulation limit.

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. The County does not record any liability for sick leave.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2004, was approximately $34,830,289.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.29 for general fund operations, 2.57 mills for county health department, and 3.09 mills for emergency medical service. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2005, were approximately 90.61 percent of the tax levy.

3. Fuel Tax

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

4. Risk Management

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

Types of Loss	Method of Management	Risk of Loss Retained
General Liability • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle 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.
Workers' Compensation • Employees' Injuries	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee • Medical • Disability • Dental • Life	The County 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 workers' 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.

5. Long-term Obligations

Capital Leases

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

6. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2005, 2004, and 2003 were $152,805, $148,615, and $147,780, respectively, equal to the required contributions for each year.

7. Other Post Employment Benefits (OPEB)

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

8. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

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

OTHER SUPPLEMENTARY INFORMATION

PUSHMATAHA COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	$ 482,952	$ 482,952	$ 482,952	$ -
Less: Prior Year Outstanding Warrants	(42,401)	(42,401)	(42,401)	
Less: Prior Year Encumbrances	(37,907)	(37,907)	(35,035)	2,872
Beginning Cash Balances, Budgetary Basis	402,644	402,644	405,516	2,872
Receipts:				
Ad Valorem Taxes	325,822	325,822	340,884	15,062
Sales Tax	405,810	469,974	469,981	7
Charges for Services	59,185	59,185	70,048	10,863
Intergovernmental Revenues	145,294	145,294	159,830	14,536
Miscellaneous Revenues	19,825	20,086	24,133	4,047
Total Receipts, Budgetary Basis	955,936	1,020,361	1,064,876	44,515
Expenditures:				
District Attorney	9,000	9,000	9,000	
Total District Attorney	9,000	9,000	9,000	-
County Sheriff	34,302	35,802	35,488	314
Total County Sheriff	34,302	35,802	35,488	314
County Treasurer	57,761	59,198	59,196	2
Total County Treasurer	57,761	59,198	59,196	2
County Clerk	82,850	79,872	79,848	24
Capital Outlay		8,240	8,224	16
Total County Clerk	82,850	88,112	88,072	40
Court Clerk	55,531	55,531	55,429	102
Total Court Clerk	55,531	55,531	55,429	102
County Assessor	58,230	58,230	58,158	72
Total County Assessor	58,230	58,230	58,158	72
Revaluation of Real Property	81,411	84,426	81,963	2,463
Capital Outlay	100	2,870	2,852	18
Total Revaluation of Real Property	81,511	87,296	84,815	2,481

continued on next page

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

PUSHMATAHA COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS— GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

continued from previous page

	Original Budget	Final Budget	Actual	Variance
General Government	143,557	155,196	145,218	9,978
Capital Outlay	39,773	14,082		14,082
Total General Government	183,330	169,278	145,218	24,060
Excise-Equalization Board	2,400	2,400	2,134	266
Total Excise-Equalization Board	2,400	2,400	2,134	266
County Election Board	39,846	40,098	38,404	1,694
Total County Election Board	39,846	40,098	38,404	1,694
County Commissioners Sales Tax	316,145	274,895	96,008	178,887
Capital Outlay	25,000	78,443	55,443	23,000
Total County Commissioners Sales Tax	341,145	353,338	151,451	201,887
Economic Development Sales Tax	17,774	20,020		20,020
Capital Outlay	10,000	10,000		10,000
Total Economic Development Sales Tax	27,774	30,020	-	30,020
County Sheriff Sales Tax	218,401	250,487	233,177	17,310
Capital Outlay	5,000	5,000	4,516	484
Total County Sheriff Sales Tax	223,401	255,487	237,693	17,794
OSU Extension Sales Tax	51,757	48,083	36,302	11,781
Capital Outlay	6,000	15,450	9,540	5,910
Total OSU Extension Sales Tax	57,757	63,533	45,842	17,691
General Government Sales Tax	65,167	74,793	64,575	10,218
Total General Government Sales Tax	65,167	74,793	64,575	10,218
Emergency Management Sales Tax	20,897	19,200	7,433	11,767
Capital Outlay		2,660	2,617	43
Total Emergency Management Sales Tax	20,897	21,860	10,050	11,810
County Free Fair Sales Tax	7,702	8,986	7,702	1,284
Capital Outlay	1,000	1,000	1,000	
Total County Free Fair Sales Tax	8,702	9,986	8,702	1,284

continued on next page

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

PUSHMATAHA COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Audit Budget	8,976	9,043	9,043	
Total County Audit Budget	8,976	9,043	9,043	-
Total Expenditures, Budgetary Basis	1,358,580	1,423,005	1,103,270	319,735
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	$ -	$ -	367,122	$ 367,122
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			30,976	
Add: Current Year Outstanding Warrants			83,999	
Ending Cash Balance			$ 482,097	

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

PUSHMATAHA COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	$ 136,715	$ 136,715	$ 136,715	$ -
Less: Prior Year Outstanding Warrants	(20,180)	(20,180)	(20,180)	
Less: Prior Year Encumbrances	(25,837)	(25,837)	(25,356)	481
Beginning Cash Balances, Budgetary Basis	90,698	90,698	91,179	481
Receipts:				
Ad Valorem Taxes	81,376	81,376	82,797	1,421
Miscellaneous Revenues		145,093	146,430	1,337
Total Receipts, Budgetary Basis	81,376	226,469	229,227	2,758
Expenditures:				
Health and Welfare	157,074	293,167	235,735	57,432
Capital Outlay	15,000	24,000	15,575	8,425
Total Expenditures, Budgetary Basis	172,074	317,167	251,310	65,857
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	$ -	$ -	69,096	$ 69,096
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			20,005	
Add: Current Year Outstanding Warrants			19,516	
Ending Cash Balance			$ 108,617	

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

PUSHMATAHA COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Beginning Cash Balance	$ 16
Receipts:	28
Total Receipts	28
Disbursements:	
Total Disbursements	-
Ending Cash Balance	$ 44

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

1. Budgetary Schedules

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

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

2. Sinking Fund Schedule

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

INTERNAL CONTROL AND COMPLIANCE SECTION

STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
PUSHMATAHA COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pushmataha County, Oklahoma, as of and for the year ended June 30, 2005, which comprises Pushmataha County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated May 8, 2006. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pushmataha County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Pushmataha County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings and responses as items 2005-1, 2005-2, and 2005-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2005-1 to be a material weakness.

Compliance and Other Matters

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

This report is intended solely for the information and use of the management of the County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

JEFF A. McMAHAN
State Auditor and Inspector

May 8, 2006

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 2005-1 - Segregation of Duties (Repeat Finding)

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

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

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

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

Finding 2005-2 – Sheriff's Missing Records

Criteria: Effective internal controls should provide for procedures wherein receipts and deposits for the monies collected are maintained and available for inspection.

Condition: It was noted during our test on the County Sheriff the following items could not be located:

1. Inmate Trust Fund Receipts for the period 7-1-04 thru 12-4-04;
2. Cash Bond Receipts for the period 7-1-04 thru 9-20-04;
3. Official Depository Vouchers for the period 7-1-04 thru 11-30-04;
4. Inmate Trust Fund Deposit Tickets for the period 7-1-04 thru 11-10-04;
5. Official Depository Deposit Tickets for the period 7-1-04 thru 8-4-04.

Recommendation: We recommend that all records be maintained and safeguarded until such time that state statutes allow for the destruction of those records.

Views of responsible officials and planned corrective actions: The missing records were from a previous administration. The current Sheriff has implemented procedures for the safekeeping of official records.

Finding 2005-3 – Inmate Trust Fund Not Reconciled

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failures to perform tasks that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control. Further, account reconciliations should be performed on a monthly basis.

Condition: The Inmate Trust Fund ledgers were not reconciled to the Official Depository Account.

Recommendation: We recommend that a reconciliation of the Inmate Trust Fund Account, containing documentation of reconciling items and balances, be performed monthly.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We will implement procedures to perform timely account reconciliations.

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

Finding 2005-4 – General Fixed Assets (Repeat Finding)

Criteria: Title 19 O.S. § 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.

Views of responsible officials and planned corrective actions: 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.

Finding 2005-5 – Agreement Not Part of BOCC Minutes

Criteria: Title 69 O.S. § 643.1 states in part, "The board of county commissioners is authorized to enter onto private property adjoining county roads and to perform work by county employees or by contractors working for the county, on such private property, when:

1. The available right-of-way does not provide enough space for needed conservation works of improvement to diminish erosion and siltation of the right-of-way;
2. The owner, or owners, of the adjoining property sign a cooperative agreement permitting such works, which agreement shall state the amount of land to be treated, and the works of improvement to be constructed. Any work performed will be restricted solely to that specified in the cooperative agreement;
3. The local Conservation District has approved the proposed works of improvement; and
4. A copy of the cooperative agreement and a statement of approval from the local Conservation District has been filed with the records of the county commissioners in the office of the county clerk and the cooperative agreement and statement from the local Conservation District have become a part of the minutes of the county commissioners' proceedings."

Condition: A cooperative agreement signed between District 1 and a private property owner to allow removal of road materials to be used on county roads was not approved in the minutes of the Board of County Commissioners' proceedings.

Recommendation: We recommend that all cooperative agreements be filed in the office of the County Clerk and that the agreements become a part of the minutes of the County Commissioners' proceedings.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We will implement procedures to prevent a reoccurrence of this nature in the future.

Finding 2005-6 – Consumable Inventory Records

Criteria: Title 19 O.S. § 1502.B. states in part, "The board of county commissioners shall:

1. Prescribe a uniform identification system for all supplies, materials and equipment of a county not used in the construction and maintenance of roads and bridges; and
2. Create and administer an inventory system for all:

a. equipment of a county having an original cost of Two Hundred Fifty Dollars ($250.00) or more and not used in the construction and maintenance of roads and bridges, and

b. supplies and materials of a county purchased in lots of Five Hundred Dollars ($500.00) or more and not used in the construction and maintenance of roads and bridges. The board of county commissioners may designate an employee of that office to administer such inventory system."

Condition: Discrepancies were noted when comparing District Barn consumable records to the physical counts.

District	Item	Variance Long (Short)	Details
1	Tire Size: 235/85/16	(1)	Pickup Tire
1	Tire Size: 11RX22.5	(2)	Road Tread Tire
1	Tire Size: 1000XR15	1	Mud & Snow
1	Tire Size: 235/75/15	(1)	Pickup Tire
1	Tire Size: 235/75/15	(3)	Mud & Snow
1	Diesel	143.4	Gallons
1	Gasoline	32.9	Gallons
2	Diesel	(2)	Gallons
2	Gasoline	17	Gallons
3	Diesel	(30)	Gallons

Recommendation: We recommend that the County Commissioners investigate the discrepancies between the consumable records and the physical inventory of consumable items and make appropriate adjustments. We also recommend that a physical inventory of consumable inventory items be periodically conducted to ensure the necessary accountability of inventories.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We will implement procedures to timely detect and prevent misstatements on the consumable records.