

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

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August 3, 2005

TO THE CITIZENS OF  
SEQUOYAH COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahon". The signature is written in dark ink and is positioned above the printed name and title.

JEFF A. McMAHAN  
State Auditor and Inspector

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

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

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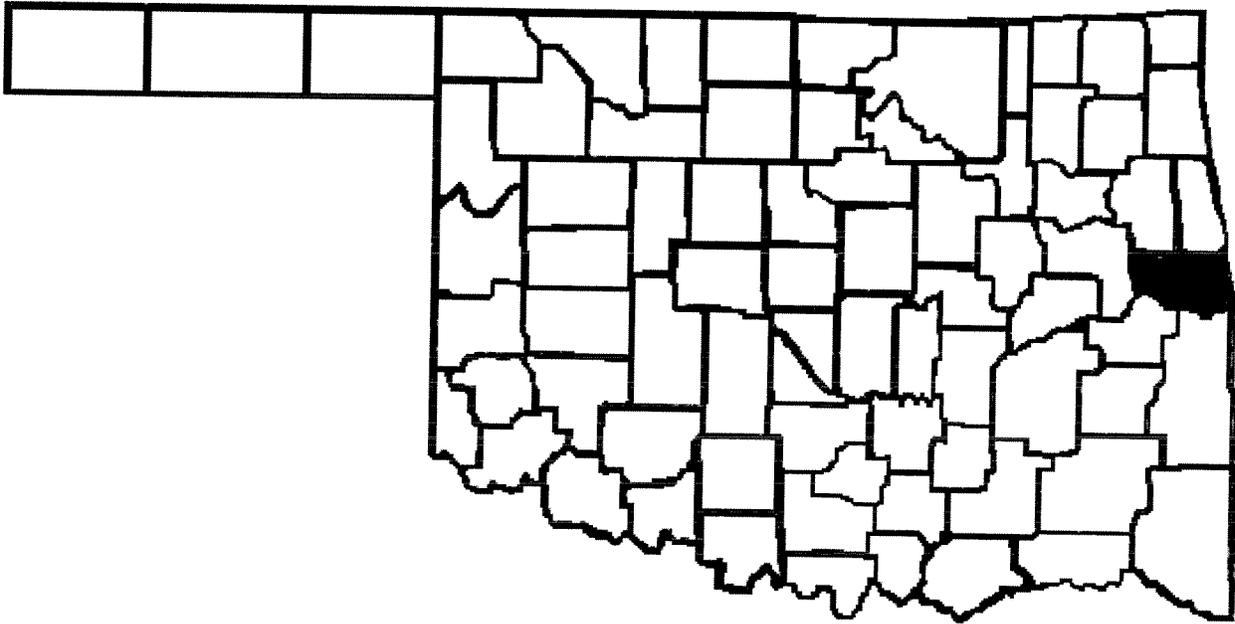
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REPORT TO THE CITIZENS  
OF  
SEQUOYAH COUNTY, OKLAHOMA

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Once a part of Arkansas, this county was created at statehood, and named for the Sequoyah District of the Cherokee Nation, Indian Territory. Sequoyah was the Cherokee linguist who developed an alphabet for his people. Sallisaw is the county seat.

Agriculture is a mainstay of the county's economy, with grain and cattle being major products. Applegate Cove, Cowlington Point, and Short Mountain Cove are among the many campgrounds available in the county. Lake Tenkiller and Robert S. Kerr Reservoir also afford recreational opportunities. Blue Ribbon Downs racetrack, Oklahoma's first pari-mutual horse racing track, is another county tourist attraction, as is Sequoyah's home in Sallisaw.

County Seat – Sallisaw

Area – 673.9 Square Miles

County Population – 38,972 (2000 est.)

Farms – 1,125

Land in Farms – 293,366 Acres

Primary Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**SEQUOYAH COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY ASSESSOR**

Jack O'Neal  
(D) Muldrow

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**

Donna Jamison  
(D) Sallisaw

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

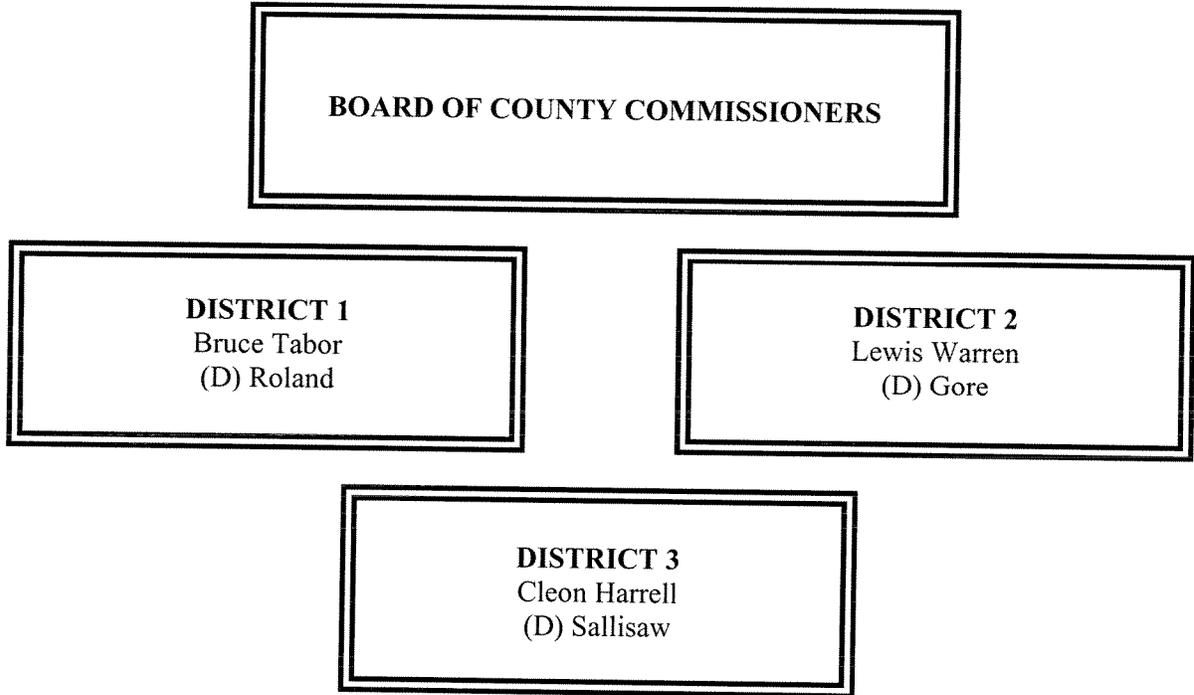
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**SEQUOYAH COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.

**SEQUOYAH COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COUNTY SHERIFF**

Johnny Philpot  
(D) Sallisaw

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**

Martha Taylor  
(D) Sallisaw

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report.

**SEQUOYAH COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**COURT CLERK**  
Bernell Edwards  
(D) Sallisaw

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**  
Richard Gray  
(D) Wagoner

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

See independent auditor's report.

**SEQUOYAH COUNTY OFFICIALS  
AND RESPONSIBILITIES**

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**ELECTION BOARD SECRETARY**

Kathy Webb  
(D) Roland

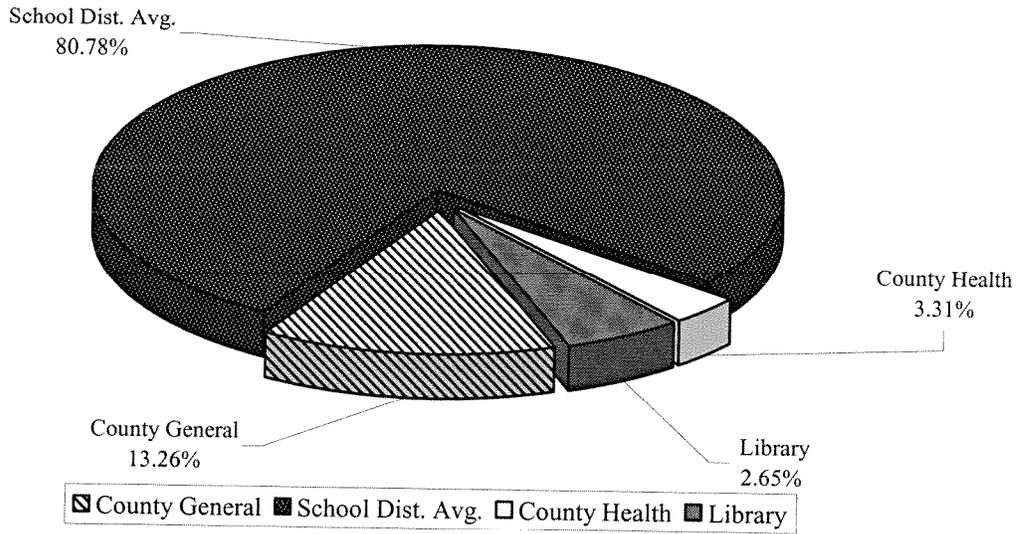
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

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

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



County-Wide Millages		School District Millages						
		Gen.	Bldg.	Skg.	Career Tech	Common	Total	
Co. General	10.00							
County Health	2.50	Sallisaw	35.00	5.00	4.76	10.00	4.00	58.76
Library	2.00	Vian	35.00	5.00	12.83	10.00	4.00	66.83
		Muldrow	35.00	5.00		10.00	4.00	54.00
		Gans	35.00	5.00		10.00	4.00	54.00
		Roland	35.00	5.00		10.00	4.00	54.00
		Gore	35.00	5.00	18.53	10.00	4.00	72.53
		Central	35.00	5.00	4.88	10.00	4.00	58.88
		Liberty	35.00	5.00	16.65	10.00	4.00	70.65
		Marble City	35.00	5.00		10.00	4.00	54.00
		Brushy	35.00	5.00	7.73	10.00	4.00	61.73
		Belfonte	35.00	5.00		10.00	4.00	54.00
		Moffett	35.00	5.00	11.92	10.00	4.00	65.92
		Braggs	35.00	5.00	12.76	10.00	4.00	66.76

See independent auditor's report.

**FINANCIAL SECTION**

## Independent Auditor's Report

TO THE OFFICERS OF  
SEQUOYAH COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Sequoyah 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 Sequoyah 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 Sequoyah 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 Sequoyah 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 Sequoyah 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 December 7, 2004, on our consideration of Sequoyah County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

This report is intended solely for the information and use of the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

December 7, 2004

**Special-Purpose Financial Statements**

**SEQUOYAH 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	Cancelled Vouchers	Ending Cash Balances June 30, 2004
General Fund	\$ 393,905	\$ 1,843,037	\$ 1,872,894	\$	\$ 364,048
Highway Cash	1,651,890	2,907,272	2,965,384		1,593,778
County Health	265,139	309,296	384,757		189,678
Sales Tax	1,005,475	1,273,098	1,951,382		327,191
Sheriff's Service Fee	198,470	108,571	59,724		247,317
Resale Property	126,274	118,608	90,075		154,807
Assessor Revolving	5,165	1,664	5,975		854
Assessor's Visual Inspection	1,110				1,110
CSSP	310	16,957	6,102		11,165
County Clerk's Lien Fee	14,980	3,769	15,719		3,030
County Clerk's Records Preservation	54,865	48,777	33,555		70,087
Emergency Management	10,137	3,482	10,697		2,922
Mortgage Certification Fee	29,026	11,710	17,057		23,679
County Jail Sales Tax	78,621	1,007,131	1,009,318		76,434
Sheriff Training Fund	9,702		3,148		6,554
Lake Patrol	7,722	7,440	6,842		8,320
Sheriff Drug Fund	8,539		500		8,039
Trash Cop	2,115	86			2,201
Office of Justice Program	94				94
CDBG Grant		345,545	345,545		
Flood Plain	25				25
EOP Grant	10,638		1,774		8,864
Grant Funds	1,260		145		1,115
Prepaid Tax	22,989	34,007	37,645		19,351
Mortgage Tax	26	155,714	155,714		26
Unapportioned Taxes	3,368		482		2,886
Individual Redemption	3,678	8,124	8,196		3,606
Rural Fire District 1	119	24,267	24,254		132
Law Library	9,033	25,182	25,426		8,789
County Fair Board	2,450	14,038	16,188		300
Eastern Oklahoma Library	4,996	235,806	236,092		4,710
Child Nutrition	174,902	346,311	397,543		123,670
HMEP Planning Grant	400	12,500	12,774		126
Protest Tax	1,746,903	548,119	507,658		1,787,364
Drug Court	17,119	20,883	23,587		14,415
Schools	4,291,249	17,832,241	17,045,715		5,077,775
Cities and Towns	15,194	205,775	203,037		17,932
Official Depository	741,209	3,965,967	4,050,868	9,342	665,650
Bureau of Justice Grant		22,171			22,171
<b>Total County Funds</b>	<u>\$ 10,909,097</u>	<u>\$ 31,457,548</u>	<u>\$ 31,525,772</u>	<u>\$ 9,342</u>	<u>\$ 10,850,215</u>

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

**SEQUOYAH 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	\$ 393,905	\$ 393,905	\$ 393,905	\$ -
Less: Prior Year Outstanding Warrants	(93,566)	(93,566)	(90,446)	3,120
Less: Prior Year Encumbrances	(41,476)	(41,476)	(35,799)	5,677
Beginning Cash Balances, Budgetary Basis	<u>258,863</u>	<u>258,863</u>	<u>267,660</u>	<u>8,797</u>
Receipts:				
Ad Valorem Taxes	1,097,739	1,097,739	1,178,944	81,205
Charges for Services	158,972	158,972	179,248	20,276
Intergovernmental Revenues	312,310	328,050	345,464	17,414
Miscellaneous Revenues	131,272	131,272	139,393	8,121
Total Receipts, Budgetary Basis	<u>1,700,293</u>	<u>1,716,033</u>	<u>1,843,049</u>	<u>127,016</u>
Expenditures:				
District Attorney	4,000	4,000	3,755	245
Total District Attorney	<u>4,000</u>	<u>4,000</u>	<u>3,755</u>	<u>245</u>
County Sheriff	559,380	559,380	557,863	1,517
Total County Sheriff	<u>559,380</u>	<u>559,380</u>	<u>557,863</u>	<u>1,517</u>
County Treasurer	84,006	84,006	84,003	3
Capital Outlay	10,294	10,294	10,294	
Total County Treasurer	<u>94,300</u>	<u>94,300</u>	<u>94,297</u>	<u>3</u>
County Commissioners	2,200	2,200	2,049	151
Total County Commissioners	<u>2,200</u>	<u>2,200</u>	<u>2,049</u>	<u>151</u>
OSU Extension	18,300	18,300	18,005	295
Capital Outlay	3,000	3,000	2,994	6
Total OSU Extension	<u>21,300</u>	<u>21,300</u>	<u>20,999</u>	<u>301</u>
County Clerk	160,000	160,000	158,649	1,351
Capital Outlay	4,000	4,000	4,000	
Total County Clerk	<u>164,000</u>	<u>164,000</u>	<u>162,649</u>	<u>1,351</u>
Court Clerk	116,376	116,376	116,376	
Total Court Clerk	<u>116,376</u>	<u>116,376</u>	<u>116,376</u>	<u>-</u>
County Assessor	55,000	55,000	54,931	69
Total County Assessor	<u>55,000</u>	<u>55,000</u>	<u>54,931</u>	<u>69</u>

continued on next page

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

**SEQUOYAH 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
Revaluation of Real Property	193,000	193,000	177,074	15,926
Total Revaluation of Real Property	<u>193,000</u>	<u>193,000</u>	<u>177,074</u>	<u>15,926</u>
General Government	90,946	306,686	297,618	9,068
Total General Government	<u>90,946</u>	<u>306,686</u>	<u>297,618</u>	<u>9,068</u>
Excise-Equalization Board	9,150	9,150	9,144	6
Total Excise-Equalization Board	<u>9,150</u>	<u>9,150</u>	<u>9,144</u>	<u>6</u>
County Election Board	86,305	86,305	85,833	472
Total County Election Board	<u>86,305</u>	<u>86,305</u>	<u>85,833</u>	<u>472</u>
Insurance	341,924	341,924	325,310	16,614
Total Insurance	<u>341,924</u>	<u>341,924</u>	<u>325,310</u>	<u>16,614</u>
Civil Defense	9,200	9,200	6,872	2,328
Total Civil Defense	<u>9,200</u>	<u>9,200</u>	<u>6,872</u>	<u>2,328</u>
County Audit Budget	12,075	12,075		12,075
Total County Audit Budget	<u>12,075</u>	<u>12,075</u>	<u>-</u>	<u>12,075</u>
 Total Expenditures, Budgetary Basis	 <u>1,959,156</u>	 <u>1,974,896</u>	 <u>1,914,770</u>	 <u>60,126</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 <u>\$ -</u>	 195,939	 <u>\$ 195,939</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			25,942	
Add: Current Year Outstanding Warrants			142,167	
Ending Cash Balance			<u>\$ 364,048</u>	

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

**SEQUOYAH 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	\$ 265,138	\$ 265,138	\$ 265,139	\$ 1
Less: Prior Year Outstanding Warrants	(4,229)	(4,229)	(4,127)	102
Less: Prior Year Encumbrances	(131,194)	(131,194)	(131,159)	35
Beginning Cash Balances, Budgetary Basis	<u>129,715</u>	<u>129,715</u>	<u>129,853</u>	<u>138</u>
Receipts:				
Ad Valorem Taxes	274,434	280,442	294,734	14,292
Miscellaneous Revenues	7,805	14,562	14,562	
Total Receipts, Budgetary Basis	<u>282,239</u>	<u>295,004</u>	<u>309,296</u>	<u>14,292</u>
Expenditures:				
Health and Welfare	400,954	413,719	267,884	145,835
Capital Outlay	11,000	11,000	459	10,541
Total Expenditures, Budgetary Basis	<u>411,954</u>	<u>424,719</u>	<u>268,343</u>	<u>156,376</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	170,806	<u>\$ 170,806</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			1,356	
Add: Current Year Outstanding Warrants			17,516	
Ending Cash Balance			<u>\$ 189,678</u>	

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

**SEQUOYAH 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
Court Clerk	\$ 532,302	\$ 1,780,152	\$ 1,955,750	\$ 3,346	\$ 360,050
Court Fund	115,887	929,259	882,601	3,898	166,443
Court Clerk Revolving	29,217	25,489	12,972		41,734
County Clerk	23,226	280,145	277,782		25,589
County Sheriff		48,301	48,601	300	
County Treasurer	8,876	629,013	636,909	5	985
District Attorney	31,631	205,751	179,005	1,314	59,691
Election Board	70	49,257	38,648	479	11,158
Health Department		16,935	16,935		
Assessor Revolving Fund		1,665	1,665		
<b>Total Official Depository Accounts</b>	<u>\$ 741,209</u>	<u>\$ 3,965,967</u>	<u>\$ 4,050,868</u>	<u>\$ 9,342</u>	<u>\$ 665,650</u>

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 Sequoyah 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:

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

**SEQUOYAH COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

Summary of Significant Accounting Policies (continued)

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Worker's Compensation - Employees' Injuries	The County carries commercial insurance for these types of risk.	A judgment could be assessed for claims in excess of coverage.
Employee - Medical - Disability - Dental - Life	The County carries commercial insurance for these types of coverage.	None

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

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

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

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$10,850,215 and the bank balance was \$10,946,699. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

B. Description of Funds

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

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

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

Sales Tax – revenues are from a county sales tax. Disbursements are for road and highway construction and maintenance.

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

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

Detailed Notes on Funds and Account Balances (continued)

Assessor Revolving – revenues are from copy fees charged by the Assessor. Disbursements are for any lawful expense of the Assessor’s office.

Assessor’s Visual Inspection – revenues are from fees charged to all entities receiving ad valorem taxes. Disbursements are for the re-valuation of all county property for ad valorem purposes.

CSSP – revenues are from the State Department of Corrections to reimburse the County for the expense of administering the Community Service Sentencing Program.

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

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

Emergency Management – revenues are from state and federal funds. Disbursements are for civil defense.

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

County Jail Sales Tax – revenues are from a county sales tax. Disbursements are for the construction and maintenance of a modern jail facility.

Sheriff Training Fund – revenues are from the sale of property forfeited in drug cases. Disbursements are for officer training, equipment, and crime prevention.

Lake Patrol – revenues are from the U.S. Corps of Engineers. Disbursements are for the expenses of patrolling corps land by County Sheriff deputies.

Sheriff Drug Fund – revenues are from the sale of seized and forfeited property sold at auction. Disbursements are for the enforcement of controlled dangerous substance laws.

Trash Cop – accounts for grant collections. Disbursements are to enforce trash dumping laws.

Office of Justice Program – revenues are from a federal grant. Disbursements are to fund a Sheriff’s deputy.

CDBG Grant – revenues are from a federal grant (Community Development Block Grant). Disbursements are for Rural Water District improvements.

Flood Plain – revenues are from permit sales.

Detailed Notes on Funds and Account Balances (continued)

EOP Grant – revenues are from a federal grant. Disbursements are for emergency management.

Grant Funds – accounts for the balances of numerous federal grant reimbursements.

Prepaid Tax – this is a holding account for ad valorem taxes on mobile homes paid in advance of the due date.

Mortgage Tax – this is a holding account for mortgage tax collections. Collections are distributed to the proper funds monthly.

Unapportioned Taxes – accounts for ad valorem taxes temporarily held.

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

Rural Fire District 1 – revenues are from ad valorem taxes (special assessment). Disbursements are for Rural Fire District 1 expenses.

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

County Fair Board – revenues are from donations and grants. Disbursements are for expenses relating to the County Fair.

Eastern Oklahoma Library – revenues are from ad valorem taxes. Disbursements are for the support of the library.

Child Nutrition – revenues are from a federal grant. Disbursements are for support of the child nutrition program.

HMEP Planning Grant – revenues are from a federal grant. Disbursements are for emergency management equipment.

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

Drug Court – revenues are from a federal grant. Disbursements are for expenses related to the County Drug Court.

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

Detailed Notes on Funds and Account Balances (continued)

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

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

Bureau of Justice Grant – revenues are from a federal grant.

The following narrative details the official depository accounts.

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

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

Court Clerk Revolving – accounts for the charge of \$5 for each warrant. Money is disbursed in the same manner as the Court Fund.

County Clerk – accounts for the collection of filing fees and is transferred to the appropriate entity monthly.

County Sheriff – accounts for all collections of foreign service fees and bonds. Monies are disbursed to the Sheriff's Service Fee Fund and the District Court.

County Treasurer – accounts for all collections of pre-paid ad valorem taxes, pre-paid mobile homes, and the sale of motor vehicle tax stamps. Disbursements are for the purpose of refunds, tax payments, Oklahoma Tax Commission and Treasurer's Mortgage Tax Certification Fees.

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

Election Board – accounts for reimbursements for election cost and is disbursed for election board operations.

Health Department – accounts for fees charged by the county health department. Disbursements are to the county health department budget account monthly.

Assessor Revolving Fund – accounts for fees charged by the County Assessor and remitted to the Assessor's Revolving Fund monthly.

Detailed Notes on Funds and Account Balances (continued)

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2003, was approximately \$120,751,244.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.50 mills for the county health department, and 2.00 mills for the county library. 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 93.7 percent of the tax levy.

D. Pension Plan

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

**SEQUOYAH COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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Detailed Notes on Funds and Account Balances (continued)

E. Capital Leases

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

F. 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. Contingent Liabilities

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

5. Sales Tax

On February 10, 1998, Sequoyah County voters approved a one-half cent sales tax. The sales tax was for a period of five years. Proceeds of the sales tax are to be used for roads and highways. On November 5, 2002, Sequoyah County voters approved a five-year extension of this tax.

On January 11, 2000, Sequoyah County voters approved a one-half cent sales tax. The exclusive purpose of said tax shall be the construction, maintenance, and operation of the Sequoyah County Criminal Justice Authority. Two-thirds of said tax shall be used for construction and one-third shall be used for operation and maintenance. The duration of the portion of the tax pledged to construction is seven years. The duration of the portion pledged to maintenance and operation shall be unlimited.

6. Subsequent Events

In November of each year, the Sequoyah County Commissioners present the Estimate of Needs (Budget) for next fiscal year to the Sequoyah County Excise Board. For fiscal year 2002-2003, 2003-2004, and 2004-2005, the Excise Board altered the numbers on the budget prior to approval of the budget.

**SEQUOYAH COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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Subsequent Events (continued)

The County Commissioners filed lawsuits to prohibit the Excise Board from altering numbers on the Estimate of Needs (Case # CV 2003-1070 for fiscal year 2003-2004 and Case # WH 2004-1061 for fiscal year 2004-2005). These cases are pending as of the audit date. The "Budget" amounts presented on the Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances – Budget and Actual – General Fund, are the amounts as altered by the Excise Board. The effect, if any, on these financial statements will not be material to their presentation.

**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  
SEQUOYAH COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 7, 2004. 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 Sequoyah County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying schedule of findings as item 1998-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 1998-1 to be a material weakness.

Compliance and Other Matters

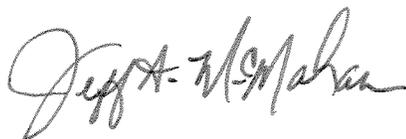
As part of obtaining reasonable assurance about whether Sequoyah County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

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

This report is intended solely for the information and use of the management of the County and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN  
State Auditor and Inspector

December 7, 2004

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

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**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 1998-1 - Segregation of Duties (Repeat Finding)**

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

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

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

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

**STATISTICAL SECTION**  
**(Unaudited)**

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

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
Southwestern Bell	\$ 6,909,962	5.72%
Union Pacific Corporation	5,062,071	4.19%
Borg Warner Automotive	4,395,319	3.64%
Therma Tru Doors	2,922,323	2.42%
OG&E	2,727,621	2.26%
Wal-Mart	1,347,774	1.12%
Global Stone - St. Claire Lime, Inc.	1,261,660	1.05%
Kansas City Southern Railroad	931,155	0.77%
Oklahoma Alltel, Inc.	728,328	0.60%
Tuscarora, Inc.	631,083	0.52%
Total	<u>\$ 26,917,296</u>	<u>22.29%</u>

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

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

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Total net assessed value as of January 1, 2003		<u>\$ 120,751,244</u>
Debt limit - 5% of total assessed value		6,037,562
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 6,037,562</u>

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

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	2004
Estimated population	38,972
Net assessed value as of January 1, 2003	\$ 120,751,244
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

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

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<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/03	\$21,376,727	\$18,175,309	\$90,733,175	\$9,533,967	\$120,751,244	\$1,097,738,582