SEQUOYAH 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 16, 2006

TO THE CITIZENS OF
SEQUOYAH COUNTY, OKLAHOMA

Transmitted herewith is the audit of Sequoyah 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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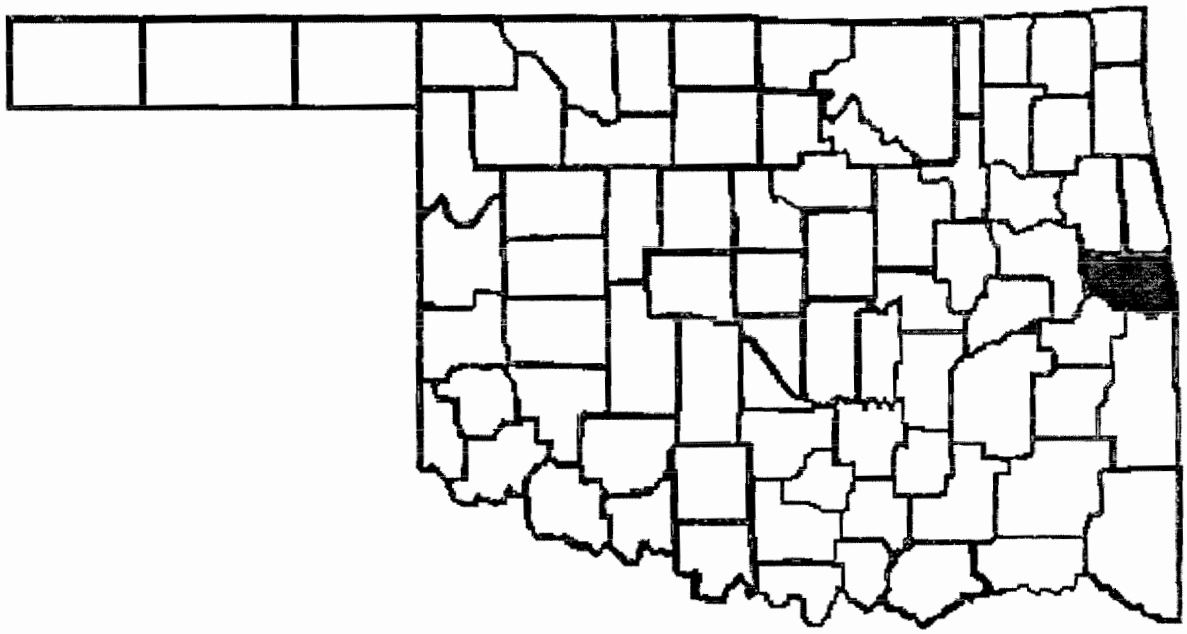
REPORT TO THE CITIZENS
OF
SEQUOYAH COUNTY, OKLAHOMA



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 – 714.88 Square Miles

County Population – 40,578 (2004 est.)

Farms – 1,259

Land in Farms – 222,350 Acres

Source: Oklahoma Almanac – 2005-2006

See independent auditor's report.

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.

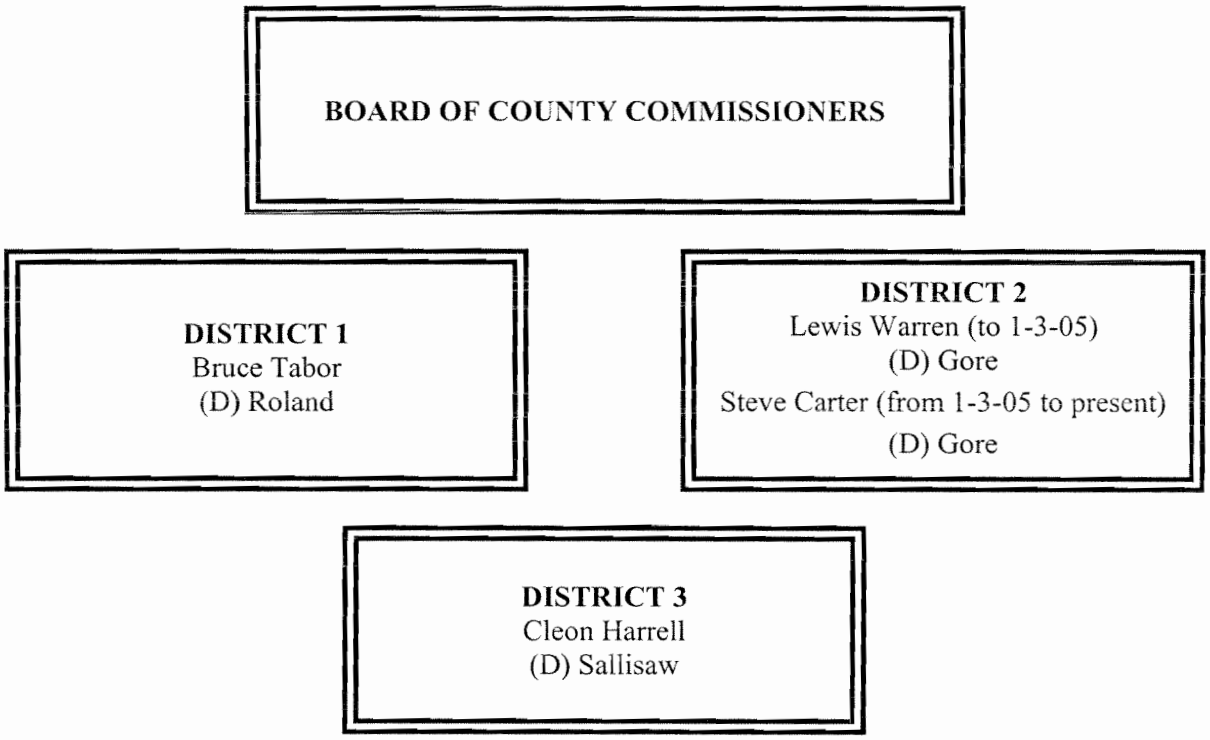
COUNTY CLERK
Donna Jamison
(D) Sallisaw

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.



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.

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.

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.

ELECTION BOARD SECRETARY
Kathy Webb
(D) Roland

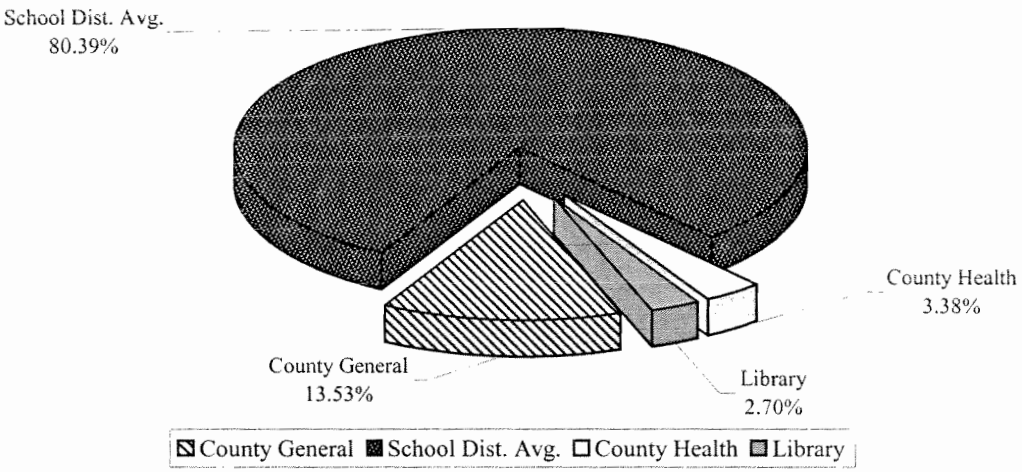
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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	I-1	35.00	5.00	4.73	10.00	4.00	58.73
Library	2.00	Vian	I-2	35.00	5.00	12.17	10.00	4.00	66.17
		Muldrow	I-3	35.00	5.00		10.00	4.00	54.00
		Gans	I-4	35.00	5.00	14.73	10.00	4.00	68.73
		Roland	I-5	35.00	5.00		10.00	4.00	54.00
		Gore	I-6	35.00	5.00		10.00	4.00	54.00
		Central	I-7	35.00	5.00	4.46	10.00	4.00	58.46
		Liberty	D-1	35.00	5.00	13.77	10.00	4.00	67.77
		Marble City	D-35	35.00	5.00		10.00	4.00	54.00
		Brushy	D-36	35.00	5.00	6.77	10.00	4.00	60.77
		Belfonte	D-50	35.00	5.00		10.00	4.00	54.00
		Moffett	D-68	35.00	5.00	13.99	10.00	4.00	67.99
		Braggs	I-46	35.00	5.00		10.00	4.00	54.00

See independent auditor's report.

SEQUOYAH 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		$ 124,063,085
Debt limit - 5% of total assessed value		6,203,154
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		$ 6,203,154

See independent auditor's report.

SEQUOYAH 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	40,578
Net assessed value as of January 1, 2004	$ 124,063,085
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	$ -

See independent auditor's report.

SEQUOYAH 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	$19,321,225	$19,071,281	$95,287,012	$9,616,433	$124,063,085	$1,127,846,227

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
SEQUOYAH COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Sequoyah 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 Sequoyah 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.

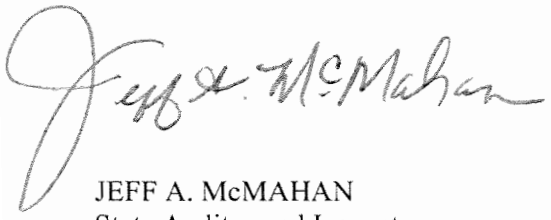
As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between 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 Sequoyah 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 Sequoyah 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 April 20, 2006, 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 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

April 20, 2006

Basic Financial Statement

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

Combining Information:	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
General Fund	$ 364,048	$ 1,870,228	$ 1,945,771	$ 288,505
Highway Cash	1,593,778	3,294,544	3,445,109	1,443,213
County Health	189,678	308,399	274,018	224,059
Sales Tax	327,191	1,060,452	688,234	699,409
Sheriff's Service Fee	247,317	103,666	47,032	303,951
Resale Property	154,807	96,293	152,354	98,746
Assessor Revolving	854	1,790		2,644
Assessor's Visual Inspection	1,110			1,110
CSSP	11,165	36,827	19,806	28,186
County Clerk's Lien Fee	3,030	4,284	4,774	2,540
County Clerk's Records Preservation	70,087	46,460	11,678	104,869
Emergency Management	2,922	4,676	2,731	4,867
Mortgage Certification Fee	23,679	10,765		34,444
County Jail Sales Tax	76,434	1,061,478	1,049,260	88,652
Sheriff Training Fund	6,554	5,237	2,119	9,672
Lake Patrol	8,320	7,310	13,551	2,079
Sheriff Drug Fund	8,039	4,574	4,517	8,096
Trash Cop	2,201			2,201
CDBG Grant		54,455	54,455	
EOP Grant	8,864		4,311	4,553
County Fair Board	300	14,145	14,220	225
HMEP Planning Grant	126	5,000	40	5,086
Bureau of Justice Grant	22,171		20,897	1,274
Court Clerk Revolving		61,521	24,201	37,320
Grant Funds	1,115	12,474	2,494	11,095
Combined Total--All County Funds	$ 3,123,790	$ 8,064,578	$ 7,781,572	$ 3,406,796

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 Sequoyah 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:

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.

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.

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

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

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

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

Bureau of Justice Grant – revenues are from a federal grant. Disbursements are for law enforcement purposes.

Court Clerk Revolving – revenues are from the courts and disbursements are for any legal expense of the Court Clerk's office.

Grant Funds – revenues are from federal grants. Disbursements are for various law enforcement expenses.

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

Vacation benefits are earned by the employee during the year and may not be accumulated. Employees with service years up to 10 years earn 10 days per year. Employees with service years exceeding 10 years earn 15 days per year. Vacation leave is accrued monthly.

Sick leave benefits are accrued at the rate of 10 hours per month and employees may accumulate up to 30 days. Sick leave is not paid upon termination.

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 $124,063,085.

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, 2005, were approximately 89.31 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 carries commercial insurance.	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 $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 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.

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 $231,955, $228,028, and $222,188, 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

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.

9. 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.

OTHER SUPPLEMENTARY INFORMATION

SEQUOYAH 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	$ 364,048	$ 364,048	$ 364,048	$
Less: Prior Year Outstanding Warrants	(142,167)	(142,167)	(140,341)	1,826
Less: Prior Year Encumbrances	(25,942)	(25,942)	(23,850)	2,092
Beginning Cash Balances, Budgetary Basis	195,939	195,939	199,857	3,918
Receipts:				
Ad Valorem Taxes	1,127,846	1,127,846	1,188,483	60,637
Charges for Services	161,323	167,260	169,227	1,967
Intergovernmental Revenues	315,541	338,995	338,995	
Miscellaneous Revenues	87,169	173,523	173,523	
Total Receipts, Budgetary Basis	1,691,879	1,807,624	1,870,228	62,604
Expenditures:				
County Sheriff	549,380	549,380	545,898	3,482
Total County Sheriff	549,380	549,380	545,898	3,482
County Treasurer	84,128	84,128	83,458	670
Capital Outlay	10,000	10,000		10,000
Total County Treasurer	94,128	94,128	83,458	10,670
OSU Extension	18,300	18,300	14,868	3,432
Capital Outlay	1,000	1,000	998	2
Total OSU Extension	19,300	19,300	15,866	3,434
County Clerk	160,000	160,000	158,587	1,413
Capital Outlay	380	380	305	75
Total County Clerk	160,380	160,380	158,892	1,488
Court Clerk	116,376	116,376	115,653	723
Total Court Clerk	116,376	116,376	115,653	723

continued on next page

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

SEQUOYAH 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 Assessor	55,000	55,000	54,333	667
Total County Assessor	55,000	55,000	54,333	667
Revaluation of Real Property	193,000	193,000	176,562	16,438
Total Revaluation of Real Property	193,000	193,000	176,562	16,438
General Government	570,662	686,407	684,401	2,006
Total General Government	570,662	686,407	684,401	2,006
Excise-Equalization Board	9,500	9,500	6,380	3,120
Total Excise-Equalization Board	9,500	9,500	6,380	3,120
County Election Board	86,411	86,411	86,370	41
Total County Election Board	86,411	86,411	86,370	41
Civil Defense	9,200	9,200	8,269	931
Total Civil Defense	9,200	9,200	8,269	931
County Audit Budget Account	24,481	24,481	24,300	181
Total County Audit Budget Account	24,481	24,481	24,300	181
Total Expenditures, Budgetary Basis	1,887,818	2,003,563	1,960,382	43,181
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	$ -	$ -	109,703	$ 109,703
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			40,223	
Add: Current Year Outstanding Warrants			138,579	
Ending Cash Balance			$ 288,505	

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

SEQUOYAH 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	$ 189,678	$ 189,678	$ 189,678	$ -
Less: Prior Year Outstanding Warrants	(17,516)	(17,516)	(17,516)	
Less: Prior Year Encumbrances	(1,356)	(1,356)	(1,356)	
Beginning Cash Balances, Budgetary Basis	170,806	170,806	170,806	-
Receipts:				
Ad Valorem Taxes	281,961	281,961	293,856	11,895
Charges		9,727	9,727	
Miscellaneous	4,816	4,816	4,816	
Total Receipts, Budgetary Basis	286,777	296,504	308,399	11,895
Expenditures:				
Health and Welfare	425,901	435,628	287,452	148,176
Capital Outlay	31,682	31,682	20,158	11,524
Total Expenditures, Budgetary Basis	457,583	467,310	307,610	159,700
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	$ -	$ -	171,595	$ 171,595
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Outstanding Warrants			21,213	
Add: Current Year Encumbrances			31,251	
Ending Cash Balance			$ 224,059	

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.

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
SEQUOYAH COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2005, which comprises Sequoyah County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 20, 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

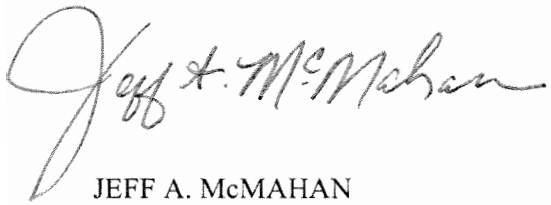
In planning and performing our audit, we considered Sequoyah County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted 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 Sequoyah County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of findings and responses 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 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, we consider the reportable condition described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sequoyah 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.*

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

April 20, 2006

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: Demonstration of accountability and stewardship are goals used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: Based on inquiries of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not adequately segregated. Payroll preparation, review, and distribution are not adequately segregated.

Effect: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

Recommendation: We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Under these conditions, 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: Management is aware of this condition. Management has knowledge of office operations and performs regular reviews of these operations.