

**COAL 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

August 18, 2006

TO THE CITIZENS OF
COAL COUNTY, OKLAHOMA

Transmitted herewith is the audit of Coal 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
State Auditor and Inspector

**COAL COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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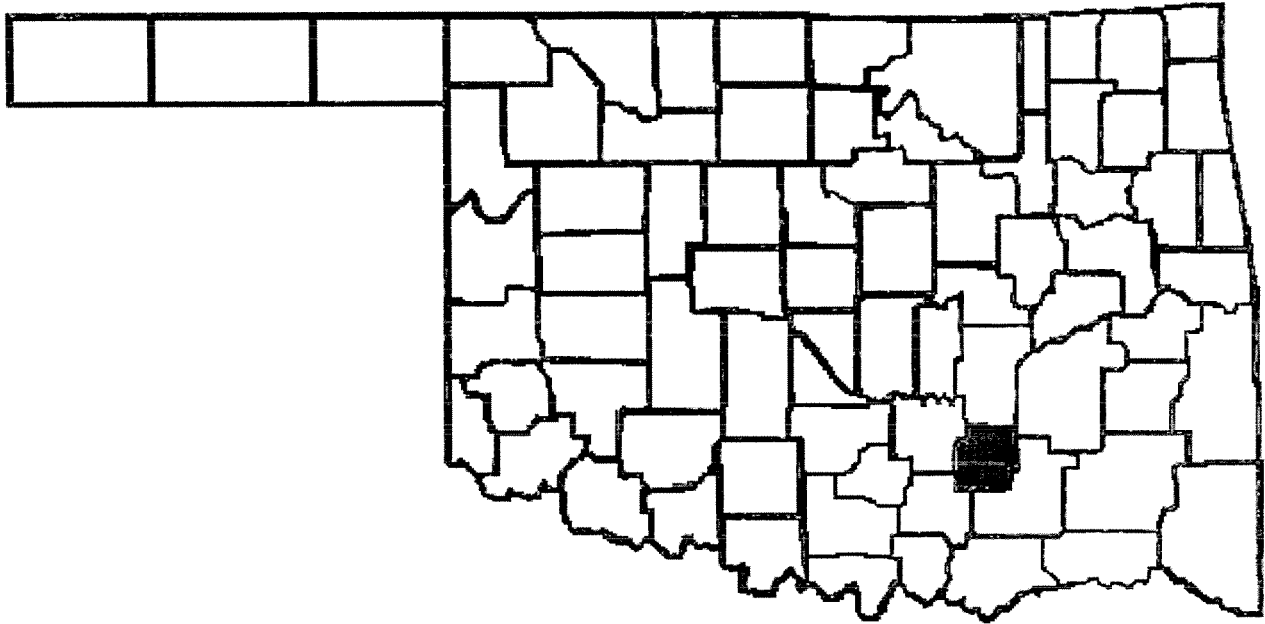
**COAL COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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REPORT TO THE CITIZENS
OF
COAL COUNTY, OKLAHOMA



Formerly a part of Tobucksy County, Choctaw Nation, Coal County is located in southeastern Oklahoma and was created at statehood and named for the primary economic product of the region.

Coal mining was once the major industry of the county, but has been dormant since 1958. Mementos of this era may be found in the Coal County Historical and Miners Museum in Coalgate, the county seat.

While agriculture is now considered to be the primary economic mainstay of the county, businesses such as the Wrangler Garment Plant and Mary Hurley Hospital also contribute to the economy of the community.

Coal County History Book is available from the local genealogical society in Coalgate. For more county information, call the county clerk's office at 580/927-2103.

County Seat – Coalgate

Area – 521.3 Square Miles

County Population – 5,928
(2004 est.)

Farms – 617

Land in Farms – 262,626 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

**COAL COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

COUNTY ASSESSOR

Cherry Hefley
(D) Coalgate

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

Marie DePasse (D) Calvin
Eugina Loudermilk (D) Coalgate
(January 2005 to present)

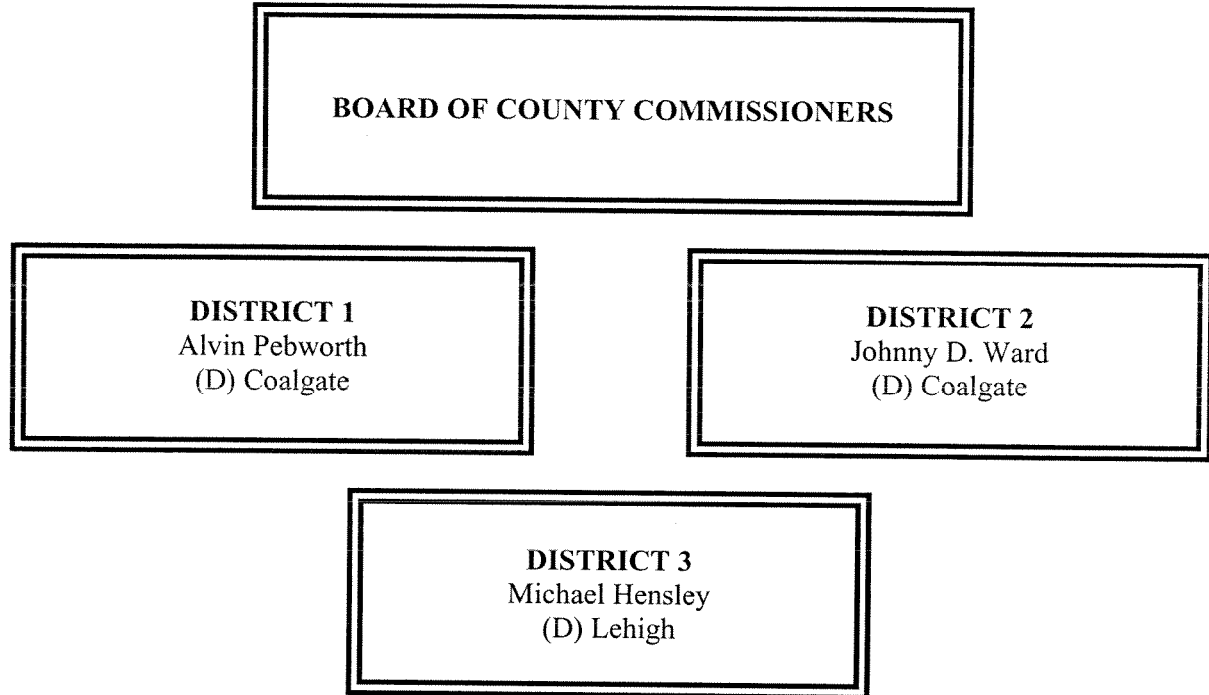
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**COAL COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**



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.

**COAL COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

COUNTY SHERIFF

Roy Deck
(D) Coalgate

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

Carol Denson
(D) Olney

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.

**COAL COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

COURT CLERK
Betty McCurry
(D) Coalgate

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
Mark Campbell
(D) Durant

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.

**COAL COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

ELECTION BOARD SECRETARY

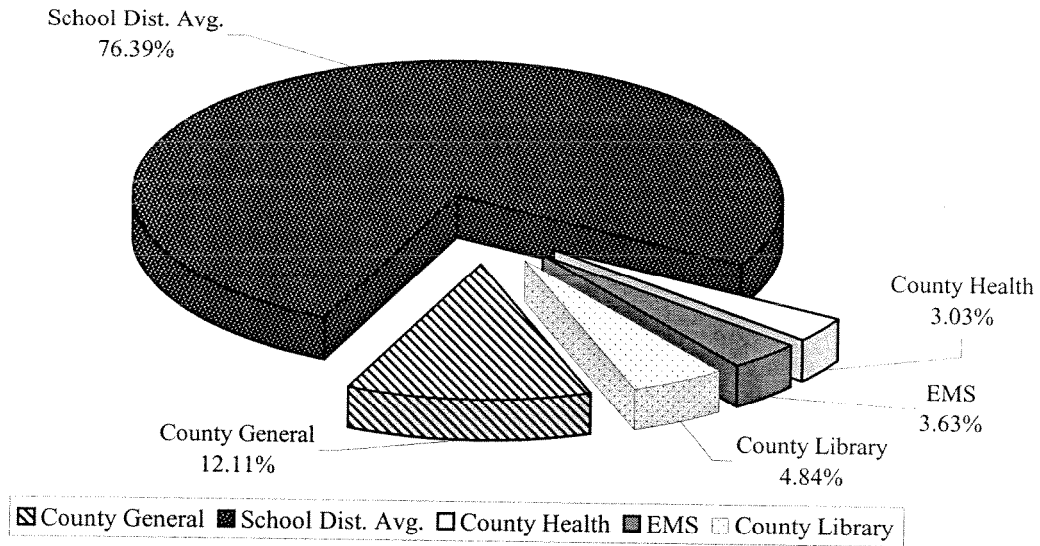
Leota Guinn
(D) Coalgate

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.

**COAL 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	Coalgate	35.00	5.00	8.38	12.00	4.00	64.38
County Health	2.50	Tupelo	35.00	5.00	8.40	12.00	4.00	64.40
EMS	3.00	Olney	35.00	5.00		12.00	4.00	56.00
County Library	4.00	Cottonwood	35.00	5.00		12.00	4.00	56.00
Cities and Towns:		Atoka	35.00	5.00		12.00	4.00	56.00
		Hughes	35.00	5.00	11.53	12.00	4.00	67.53
Coalgate	7.56	Stonewall	35.00	5.00	15.41	12.00	4.00	71.41
		Allen	35.00	5.00	12.17	12.00	4.00	68.17
		Johnston	35.00	5.00	7.86	12.00	4.00	63.86

See independent auditor's report.

**COAL 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		<u>\$ 33,977,154</u>
Debt limit - 5% of total assessed value		1,698,858
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>45</u>	<u>-</u>
Legal debt margin		<u>\$ 1,698,858</u>

See independent auditor's report.

**COAL 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	5,928
Net assessed value as of January 1, 2004	\$ 33,977,154
Gross bonded debt	-
Less available sinking fund cash balance	45
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2004	\$4,157,429	\$19,291,003	\$12,164,120	\$1,635,398	\$33,977,154	\$220,437,430

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
COAL COUNTY, OKLAHOMA

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

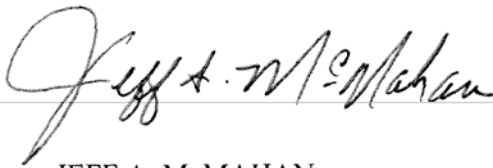
As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between 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 Coal 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 Coal 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 July 24, 2006, on our consideration of Coal 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

July 24, 2006

Basic Financial Statement

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

	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
Combining Information:				
County General Fund	\$ 79,941	\$ 521,901	\$ 462,311	\$139,531
County Highway	396,598	1,687,379	1,633,867	450,110
Resale Property	9,143	17,192	20,174	6,161
County Health Department	91,274	126,887	116,499	101,662
County Sales Tax	162,541	367,618	252,133	278,026
CDBG Home/Water	601	6,250	6,250	601
CIP Grant CDBG	600			600
Sheriff DARE	5,037	3,000	4,154	3,883
B-4 Sheriff Service Fee	64,342	113,086	140,725	36,703
B-9 Sheriff Trash Cop	3,225	159	3,384	
B-J Sheriff Drug	131	1	140	(8)
C-3 Treasurer Mortgage Certification Fee	2,363	1,554	1,590	2,327
F-3 County Clerk	22,009	89,040	44,489	66,560
J.A.I. Block Grant	262	3,818	3,473	607
Juvenile Donations	4	1,280	820	464
SODA HOME - OHFA	20,950	206,423	227,373	
SO-5 Assessor	9,983	12		9,995
SO-6 Assessor	4,475	2,045	1,502	5,018
REAP Park and Fairgrounds	13	12,000	10,002	2,011
REAP Library Grant	1,177			1,177
F-3P County Clerk Update	18,523	2,600	21,123	
R-10 County Use Tax	37,634	17,941	32,394	23,181
Coal County Library Project Fund	147		8	139
Tree TEA-21	422			422
R-9 Disaster/Hazard		10,000	10,000	
EMS 2 Grant Fund		50,000	50,000	
County Sinking	45			45
Combined Total--All County Funds	<u>\$931,440</u>	<u>\$3,240,186</u>	<u>\$3,042,411</u>	<u>\$1,129,215</u>

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

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

B. Fund Accounting

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

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

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

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

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

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

County Sales Tax – accounts for the collection of sales tax revenue to be allocated in accordance with the sales tax resolution.

CDBG Home/Water – accounts for grant monies received and disbursed as restricted by the grant agreement.

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

CIP Grant CDBG – accounts for grant monies received and disbursed as restricted by the grant agreement.

Sheriff DARE – accounts for donations received by the Sheriff's office to administer the DARE program.

B-4 Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

B-9 Sheriff Trash Cop – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

B-J Sheriff Drug – accounts for monies set aside for law enforcement sting operations.

C-3 Treasurer Mortgage Certification Fee – accounts for the collection of fees by the County Treasurer for mortgage tax certificates and disbursement of the funds as restricted by statutes.

F-3 County Clerk – accounts for lien collections and disbursements as restricted by statutes.

J.A.I. Block Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

Juvenile Donations – accounts for donations used for the juvenile graduated sanctions.

SODA HOME – OHFA – accounts for grant monies received and disbursed as restricted by the grant agreement.

SO-5 Assessor – accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

SO-6 Assessor – accounts for the collection of funding through the state for computer equipment.

REAP Park and Fairgrounds – accounts for grant monies received and disbursed as restricted by the grant agreement.

REAP Library Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

F-3P County Clerk Update – accounts for fees collected for instruments filed in the Registrar of Deeds as restricted by statute for preservation of records.

R-10 County Use Tax – accounts for remittance of Use Tax by the Oklahoma Tax Commission and disbursements for the general operation of the County.

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Coal County Library Project Fund – accounts for grant monies received and disbursed as restricted by the grant agreement.

Tree TEA-21 – accounts for grant monies received and disbursed as restricted by the grant agreement.

R-9 Disaster/Hazard – accounts for grant monies received and disbursed as restricted by the grant agreement.

EMS 2 Grant Fund – accounts for federal grant monies received from the Department of Commerce for the purpose of purchasing an ambulance.

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

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.

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

All full-time employees are entitled to vacation leave that is accrued on a monthly basis in accordance with the schedule outlined below:

<u>Years of Service</u>	<u>Vacation Leave</u>	<u>Accumulation Limits</u>
After 1 full year	10 days	30 days

Vacation must be earned before it is taken. Vacation leave is accrued on a monthly basis and pro-rated, as appropriate, for less than full-time service.

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Sick benefits are accrued at the rate of 12 hours per month and employees may accumulate up to 72 days. Sick 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 \$33,977,154.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.50 mills for county health department, 3.00 mills for emergency medical service, and 4.00 mills for the multi-county library. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2005, were approximately 98.68 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.

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers Liability • Vehicle 	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.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		
Workers' Compensation <ul style="list-style-type: none"> • Employees' Injuries 	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"> • 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.

COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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 \$85,527, \$79,319, and \$80,322, 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.

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

8. Contingent Liabilities

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

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

9. Sales Tax

Coal County voters approved a one percent (1%) sales tax for a period of five years, which began February 14, 1994. The prior sales tax (1%) expired on February 14, 1999. In a special election held on September 15, 1998, the voters of Coal County reapproved the assessment of a one percent (1%) sales tax that began on February 14, 1999, and continued for a five year period, expiring on February 14, 2004.

In a special election held on August 27, 2002, the voters of Coal County approved the assessment of a one percent (1%) sales tax to begin February 14, 2005, and continue for a period of ten years. Proceeds of the tax are designated as follows: County general fund, 27%; County Sheriff and security, 20%; OSU Extension and 4H, 10%; capital improvements on county buildings, 14%; emergency medical service, 13%; Senior Citizens Center, 8%; rural fire department, 5%; and solid waste recycling, 3%.

OTHER SUPPLEMENTARY INFORMATION

COAL 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	\$ 79,941	\$ 79,941	\$ 79,941	\$ -
Less: Prior Year Outstanding Warrants	(12,175)	(12,175)	(12,175)	
Less: Prior Year Encumbrances	(4,104)	(4,104)	(4,162)	(58)
Beginning Cash Balances, Budgetary Basis	<u>63,662</u>	<u>63,662</u>	<u>63,604</u>	<u>(58)</u>
Receipts:				
Ad Valorem Taxes	308,883	308,883	333,925	25,042
Charges for Services	58,414	58,414	90,388	31,974
Intergovernmental Revenues	62,976	62,976	78,045	15,069
Miscellaneous Revenues	13,413	15,415	19,543	4,128
Total Receipts, Budgetary Basis	<u>443,686</u>	<u>445,688</u>	<u>521,901</u>	<u>76,213</u>
Expenditures:				
District Attorney	3,500	3,600	3,597	3
Total District Attorney	<u>3,500</u>	<u>3,600</u>	<u>3,597</u>	<u>3</u>
County Sheriff	120,660	120,660	120,624	36
Total County Sheriff	<u>120,660</u>	<u>120,660</u>	<u>120,624</u>	<u>36</u>
County Treasurer	44,180	44,180	44,076	104
Total County Treasurer	<u>44,180</u>	<u>44,180</u>	<u>44,076</u>	<u>104</u>
County Commissioners	1,000	1,000		1,000
Total County Commissioners	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
County Clerk	44,180	44,180	39,792	4,388
Total County Clerk	<u>44,180</u>	<u>44,180</u>	<u>39,792</u>	<u>4,388</u>
Court Clerk	44,180	44,180	43,989	191
Total Court Clerk	<u>44,180</u>	<u>44,180</u>	<u>43,989</u>	<u>191</u>
County Assessor	36,620	36,620	36,613	7
Total County Assessor	<u>36,620</u>	<u>36,620</u>	<u>36,613</u>	<u>7</u>

continued on next page

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

COAL 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
Revaluation of Real Property	42,000	42,000	41,757	243
Total Revaluation of Real Property	42,000	42,000	41,757	243
General Government	123,231	77,738	44,329	33,409
Capital Outlay	2,500	2,500		2,500
Total General Government	125,731	80,238	44,329	35,909
Excise-Equalization Board	2,000	2,000	1,800	200
Total Excise-Equalization Board	2,000	2,000	1,800	200
County Election Expense	36,494	36,998	36,605	393
Total County Election Expense	36,494	36,998	36,605	393
Insurance - Benefits		46,891	46,891	
Total Insurance - Benefits	-	46,891	46,891	-
County Audit Budget Account	6,803	6,803	6,803	
Total County Audit Budget Account	6,803	6,803	6,803	-
Provision for Interest on Warrants			918	(918)
Total Expenditures, Budgetary Basis	507,348	509,350	467,794	41,556
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	117,711	\$ 117,711
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			4,083	
Add: Current Year Outstanding Warrants			17,737	
Ending Cash Balance			\$ 139,531	

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

COAL 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	\$ 91,274	\$ 91,274	\$ 91,274	\$ -
Less: Prior Year Outstanding Warrants	(33)	(33)	(33)	
Less: Prior Year Encumbrances	(10,074)	(10,074)	(9,969)	105
Beginning Cash Balances, Budgetary Basis	<u>81,167</u>	<u>81,167</u>	<u>81,272</u>	<u>105</u>
Receipts:				
Ad Valorem Taxes	77,221	77,221	83,480	6,259
Charges for Services		44,412	43,305	(1,107)
Miscellaneous Revenues			102	102
Total Receipts, Budgetary Basis	<u>77,221</u>	<u>121,633</u>	<u>126,887</u>	<u>5,254</u>
Expenditures:				
Health and Welfare	104,000	147,123	114,913	32,210
Capital Outlay	54,388	55,677	4,967	50,710
Total Expenditures, Budgetary Basis	<u>158,388</u>	<u>202,800</u>	<u>119,880</u>	<u>82,920</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	88,279	<u>\$ 88,279</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			13,350	
Add: Current Year Outstanding Warrants			33	
Ending Cash Balance			<u>\$ 101,662</u>	

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

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

Beginning Cash Balance	\$ 45
Receipts:	
Total Receipts	-
Disbursements:	
Total Disbursements	-
Ending Cash Balance	\$ 45

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

COAL COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

1. Budgetary Schedules

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

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

2. Sinking Fund Schedule

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

See independent auditor's report.

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
COAL COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Coal County, Oklahoma, as of and for the year ended June 30, 2005, which comprises Coal County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated July 24, 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

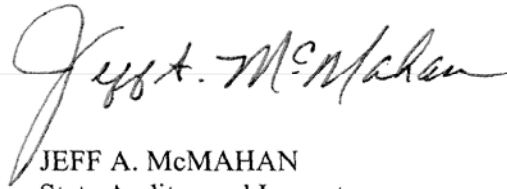
In planning and performing our audit, we considered Coal County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. 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 Coal 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 2005-1.

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

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



JEFF A. McMAHAN
State Auditor and Inspector

July 24, 2006

**COAL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

Finding 2005-1 - Segregation of Duties (Repeat Finding)

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

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

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

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

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

Finding 2005-2 - Fixed Assets Inventory (Repeat Finding)

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

**COAL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Condition: The County does not perform a biennial verification of the fixed assets inventory.

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

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. All officers are currently updating inventory records and will complete form #3512.

Finding 2005-3 – Pledged Securities

Criteria: Title 62 O.S. § 511 states, "Any custodian of public funds of any kind or character, required by law to secure proper collateral before depositing public funds in a bank or trust company, shall hereafter, in depositing public funds in a bank or trust company whose deposits are insured by the Federal Deposit Insurance Corporation, be required to secure proper collateral only for sums deposited in excess of the amount of deposit insured by such Federal Deposit Insurance Corporation." Title 62 O.S. § 513 states in part, "...treasures of counties...having custody, control and management of any public or trust fund or funds charged with the safekeeping and deposit of said fund or funds ...in an amount and to the extent that such deposit is fully insured by the Federal Savings and Loan Insurance Corporation or any other instrumentality of the United States Government." Title 62 O.S. § 517.3. states in part, "All public deposits made by a treasurer of a public entity in financial institutions shall be secured as provided for in the Security for Local Public Deposits Act." Also, 19 O.S. § 121 states, "the county treasurer shall take from each of such banks security in a sum equal to the largest approximate amount that may be deposited in each bank respectively at any one time."

Condition: The County's bank account balances and investments were underpledged in the amount of \$890,762.28 as of December 31, 2004.

Recommendation: We recommend the County Treasurer monitor county pledges routinely to ensure that deposits are adequately secured.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We are taking measures to comply with the state statutes regarding pledged securities.

Finding 2005-4 – Purchasing

Criteria: Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase and receipt of supplies, material and equipment.

Condition: During our review of 68 purchase orders/cash vouchers, the following was noted:

**COAL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

- Twenty-one purchase orders were not timely encumbered.
- The following items on two purchase orders do not appear to be proper expenditures: Purchase order #584-one T-shirt transfer, one specialty PPR Party Favor and purchase order #899-one 20 oz. non-carbonated beverage.
- The following two purchase orders were marked as emergency purchases, but do not appear to be emergencies: Purchase order #1035 for a vacuum cleaner and purchase order #1089 for a 1993 International Truck with a 1984 Belly Dump.
- Someone other than the Board of County Commissioners approved the following purchase orders: JAI-#3034, Juvenile Donations-#1381, and EMS-#247 and #248.
- Five purchase orders did not have a receiving report attached.
- The receiving reports for two purchase orders were not complete.
- Four purchase orders did not have a detailed invoice attached.
- An adequate description of the purchase was not listed on two purchase orders.
- An invoice on one purchase order did not include the unit price or the amount due.
- Taxes were paid and not deducted for one purchase order for fuel.
- The travel claim for one purchase order was not complete.
- The claimant was paid mileage (40.5 cents per mile) and reimbursed for gas purchased on two purchase orders for travel reimbursement.
- One purchase order did not have an original invoice.

Recommendation: We recommend that more emphasis be placed on purchasing procedures as set forth in 19 O.S. § 1505.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We are taking measures to comply with the purchasing procedures as set forth by state statutes.