

PITTSBURG COUNTY

FOR THE FISCAL YEAR ENDED
JUNE 30, 2006

COUNTY AUDIT



Oklahoma State Auditor
& Inspector

**PITTSBURG COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

This publication is printed and issued by the State Auditor and Inspector as authorized by 19 O.S. § 171. Pursuant to 74 O.S. § 3105.B, twelve (12) copies have been prepared and distributed at a cost of \$36.76. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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January 7, 2009

TO THE CITIZENS OF
PITTSBURG COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pittsburg County, Oklahoma, for the fiscal year ended June 30, 2006. 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,

A handwritten signature in blue ink, reading "Steve Burrage", is positioned above the printed name.

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

**PITTSBURG COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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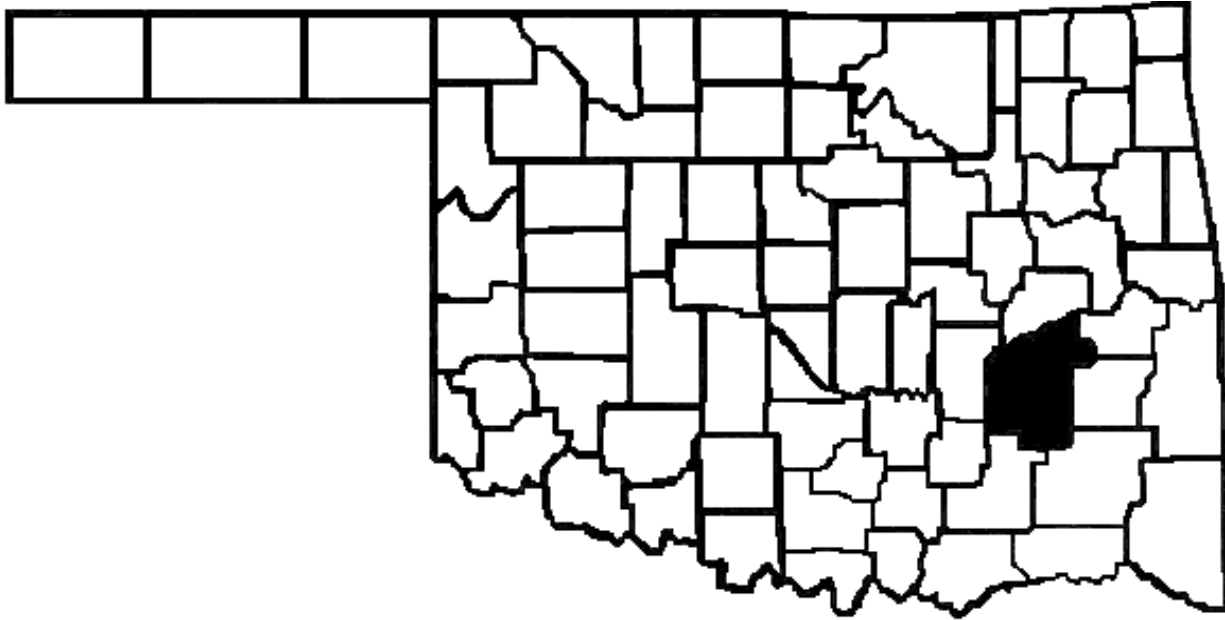
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**PITTSBURG COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**REPORT TO THE CITIZENS
OF
PITTSBURG COUNTY, OKLAHOMA**



Pittsburg County was created at statehood from Tobucksy County in the Choctaw Nation, Indian Territory. The new county took its name from Pittsburgh, Pennsylvania. Perryville, which no longer exists, was the place in Tobucksy County that court was held and elections were designated to take place. It was located a few miles south of present-day McAlester and was also an important military post and depot for Confederate forces. In September 1863 Perryville was burned to the ground by Union troops.

The largest city and the county seat of Pittsburg County is McAlester, which was originally developed as a rail center for the coal mining industry. Today, it is also the site of the Oklahoma State Penitentiary.

Agriculture is an important factor in the present-day economy of Pittsburg County. Peanuts, cotton, wheat, oats, and soybeans are among the major crops grown. McAlester Union Stockyard, which is one of the largest in the Southwest, and a large army ammunition plant are also vital to the community. Krebs is the largest Italian community in Oklahoma and is known for its fine food.

Annual events include the Italian Festival in McAlester in May, the Prison Rodeo in McAlester in September, and the Southeast Oklahoma Arts & Crafts Show during the first weekend in November. For more information, contact the county clerk at (918) 423-6865.

County Seat – McAlester

Area – 1,377.85 Square Miles

County Population – 43,950
(2004 est.)

Farms – 1,687

Land in Farms – 499,269 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor's report.

**PITTSBURG COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

COUNTY ASSESSOR
Jim Kelley

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
Debbie Burch

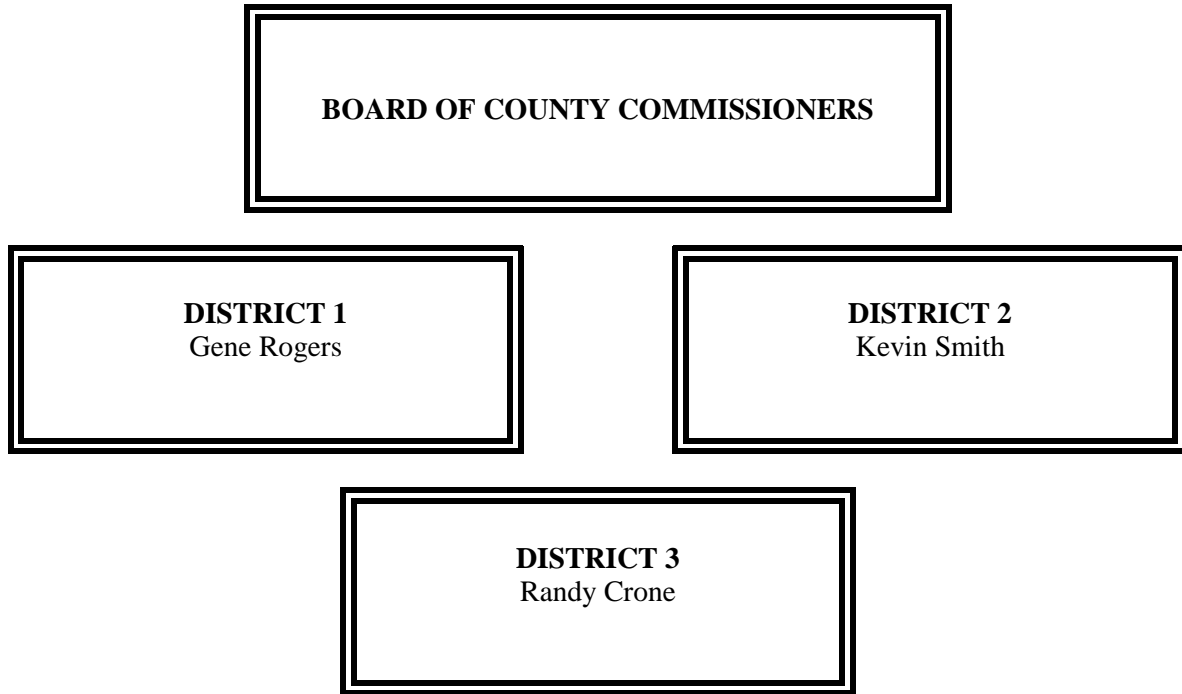
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**PITTSBURG COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**



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.

**PITTSBURG COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

COUNTY SHERIFF
Jerome “Snookie” Amaranto

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
Cerita Morley

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.

**PITTSBURG COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

COURT CLERK

Linda Williams (through April 2006)

Ranae Moody (April 2006 to June 30,
2006)

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

Chris Wilson

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.

**PITTSBURG COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

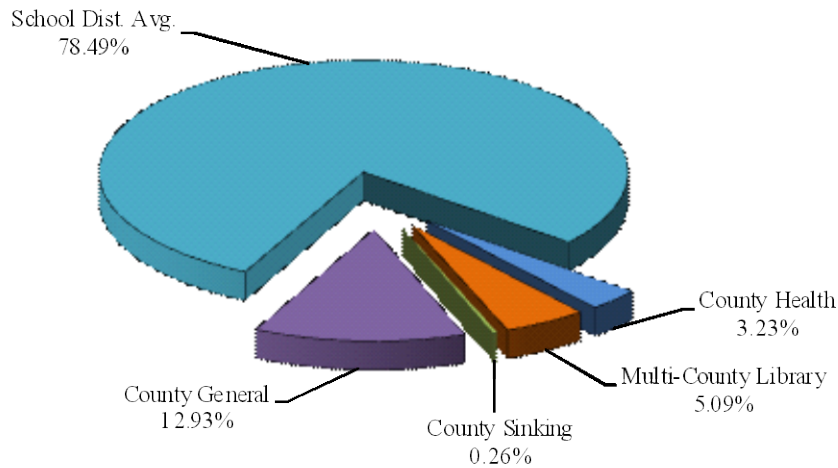
ELECTION BOARD SECRETARY Carolyn Morris

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.

**PITTSBURG COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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.	Sk g.	Career Tech	Career Tech Bldg.	Common	Total
County General	10.33									
County Health	2.58	Hartshorne	Jl-1	35.93	5.13	4.57	10.33	2.07	4.13	62.16
County Sinking	0.21	Canadian	I-2	35.60	5.09	3.97	10.33	2.07	4.13	61.19
Multi-County Library	4.07	Haileyville	I-11	36.74	5.25	6.90	10.33	2.07	4.13	65.42
		Kiowa	Jl-14	36.57	5.22		10.33	2.07	4.13	58.32
		Quinton	Jl-17	36.09	5.16		10.33	2.07	4.13	57.78
		Indianola	I-25	37.30	5.33	9.11	10.33	2.07	4.13	68.27
		Crowder	Jl-28	36.91	5.27	5.39	10.33	2.07	4.13	64.10
		Pittsburg	Jl-63	36.51	5.22	13.23	10.33	2.07	4.13	71.49
		Savanna	I-30	36.60	5.23		10.33	2.07	4.13	58.36
		McAlester	I-80	35.76	5.11	2.55	10.33	2.07	4.13	59.95

See independent auditor's report.

**PITTSBURG COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Total net assessed value as of January 1, 2005		<u>\$ 242,034,022</u>
Debt limit - 5% of total assessed value		12,101,701
Total bonds outstanding	-	
Total judgments outstanding	42,476	
Less cash in sinking fund	<u>1,141</u>	<u>41,335</u>
Legal debt margin		<u>\$ 12,060,366</u>

See independent auditor's report.

PITTSBURG COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

	<u>2006</u>
Estimated population	<u>43,950</u>
Net assessed value as of January 1, 2005	<u>\$ 242,034,022</u>
Gross bonded debt	-
Less available sinking fund cash balance	<u>1,141</u>
Net bonded debt	<u>\$ -</u>
Ratio of net bonded debt to assessed value	<u>0.00%</u>
Net bonded debt per capita	<u>\$ -</u>

See independent auditor's report.

**PITTSBURG COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2005	\$95,208,771	\$34,130,298	\$124,915,948	\$12,220,995	\$242,034,022	\$2,156,271,527

See independent auditor's report.

FINANCIAL SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Independent Auditor's Report

TO THE OFFICERS OF PITTSBURG COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pittsburg County, Oklahoma, as of and for the year ended June 30, 2006, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Pittsburg 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 Pittsburg County as of June 30, 2006, 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 Pittsburg County, for the year ended June 30, 2006 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2008, on our consideration of Pittsburg 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. Pittsburg County has not presented the budgetary comparison information for the Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances – Budget and Actual – Budgetary Basis – General Fund. Although not a part of the basic financial statement, such information is an integral part of the regulatory presentation for county government. 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.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

September 18, 2008

Basic Financial Statement

PITTSBURG COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Beginning Cash Balances July 1, 2005	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2006
Combining Information:				
General Fund	\$ 264,631	\$ 3,668,864	\$ 3,256,376	\$ 677,119
County Sinking	533	57,757	57,149	1,141
Highway	2,202,008	7,561,345	6,760,248	3,003,105
Federal Emergency Management	300	9,363	9,517	146
County Health Department	483,691	689,337	529,430	643,598
Treasurer's Mortgage Tax Certification Fees	13,762	15,512	21,239	8,035
Resale Property	230,440	153,133	111,369	272,204
County Clerk's Lien Fee	73,613	86,350	45,956	114,007
Assessor's Visual Inspection	9,986	9,418	4,203	15,201
Civil Defense	148,073	108,001	137,934	118,140
DHS Attendant Care	1,793	93	93	1,793
County Clerk's Records Preservation	125,692	85,440	92,147	118,985
Courthouse Security	42			42
Sheriff's Service Fee	104,921	503,169	523,284	84,806
Sheriff Training	62		62	
CEL-Corps of Engineers	1,288	11,634	11,584	1,338
DEA	182		182	
CDBG		55,215	55,215	
Board of Prisoners	71		71	
Youth Services Travel	4,120	4,413	5,961	2,572
Juvenile Detention Building & Maintenance	20,613	830		21,443
REAP	66,391	231,370	137,108	160,653
Oklahoma Home Housing Program	2,382			2,382
EIC - Emergency Insurance Claim	18,600		18,600	
Local Emergency Planning Program		2,084	290	1,794
Jail Construction and Renovation		485,178	233,805	251,373
Jail Maintenance and Operation		112,299		112,299
Courthouse Construction and Renovation		584,702	279,859	304,843
Animal Shelter Construction		58,314	27,966	30,348
Animal Shelter Maintenance and Operation		3,900		3,900
Combined Total -- All County Funds	\$ 3,773,194	\$ 14,497,721	\$ 12,319,648	\$ 5,951,267

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

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 Pittsburg 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 - accounts for the general operations of the government.

County Sinking – accounts for the payment of interest and principal on the matured portion of long-term bonded debt and civil judgments. 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.

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

Federal Emergency Management – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

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

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Treasurer's Mortgage Tax Certification Fees – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statutes.

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

County Clerk's Lien Fee – accounts for lien collections and disbursements as restricted by statute.

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

Civil Defense – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

DHS Attendant Care – accounts for the state contract funds for juvenile care.

County Clerk's Records Preservation – accounts for fees collected for instruments filed in the Registrar of Deeds as restricted by statute for preservation of records.

Courthouse Security – accounts for donations from a local organization to purchase security equipment for the courthouse.

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

Sheriff Training – accounts for the funds collected from the disposition of unclaimed property for the purpose of purchasing equipment, materials or supplies that may be used in crime prevention.

CEL - Corps of Engineers - accounts for monies received from the Corps of Engineers for patrolling services.

DEA – accounts for payments from the Drug Enforcement Agency to the Sheriff's office for deputies' overtime.

CDBG – accounts for the federal funds received to fund the development and installation of a rural water system in Indianola.

Board of Prisoners – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections' prisoners.

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Youth Services Travel – accounts for state reimbursements for the transportation of juveniles.

Juvenile Detention Building & Maintenance – accounts for state funds held for the maintenance and operation of the Juvenile Detention Building.

REAP – accounts for state grant funds received for various projects.

Oklahoma Home Housing Program – accounts for the federal funds used to provide assistance for low-income housing.

EIC-Emergency Insurance Claim – accounts for insurance reimbursements for damaged property.

Local Emergency Planning Program – accounts for the federal funds from the Department of Emergency Management.

Jail Construction and Renovation – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Jail Maintenance and Operation – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Courthouse Construction and Renovation – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Animal Shelter Construction - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Animal Shelter Maintenance and Operation - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including 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. Further, any trust or agency funds maintained by the County are not included in this presentation.

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

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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 required to be approved for the respective fund by office, or department and object. The County Budget Board may approve changes of appropriations within the fund by office or department and object.

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). The County has deposits in excess of deposit insurance at June 30, 2006, of \$2,093,928.02.

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

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

- 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 must be taken during the year earned. Employees earn vacation leave according to the following schedule:

Years of Service	Vacation Leave
1 year	8 days (64 hours)
2 to 9 years	13 days (104 hours)
10 to 19 years	18 days (144 hours)
20 years and up	23 days (184 hours)

An employee earns up to 12 days (8 hours per month) of sick leave per year and accumulation is unlimited. A maximum of 130 days may be used for retirement purposes. Sick leave is not paid upon separation of employment.

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, 2005, was approximately \$242,034,022.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.33 mills for general fund operations, 2.58 mills for county health department, 0.21 mill for sinking fund, and 4.07 mills for 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.

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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, 2006, were approximately 72.66 percent of the tax levy. This amount was significantly lower than prior year ad valorem collections at year end due to the late payment of the exempt manufacturing taxes paid on behalf of the State of Oklahoma.

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 <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

PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 \$25,000 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. Judgment

The County has a judgment which is being retired by a tax levy. The County is obligated to pay the judgment over a three-year period.

<u>Case Number</u>	<u>Original Judgment</u>
CJ-2000-78	\$127,429

PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Future principal and interest payments that will become due on the existing judgment are as follows:

Year Ending June 30, 2007	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>\$ 42,476</u>	<u>\$ 3,667</u>	<u>\$ 46,143</u>

7. 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 6.5% and 11.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 11.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2006, 2005, and 2004, were \$457,528, \$403,278, and \$344,860, respectively, equal to the required contributions for each year.

8. 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.

PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

9. 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.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

OTHER SUPPLEMENTARY INFORMATION

PITTSBURG 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, 2006

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 483,691	\$ 483,691	\$ 483,691	\$ -
Less: Prior Year Outstanding Warrants	(1,163)	(1,163)	(1,163)	
Less: Prior Year Encumbrances	(43,925)	(43,925)	(43,866)	59
Beginning Cash Balances, Budgetary Basis	438,603	438,603	438,662	59
Receipts:				
Ad Valorem Taxes	433,643	433,643	525,623	91,980
Miscellaneous Revenues			163,714	163,714
Total Receipts, Budgetary Basis	433,643	433,643	689,337	255,694
Expenditures:				
Health and Welfare	624,969	624,969	411,463	213,506
Capital Outlay	247,277	247,277	122,146	125,131
Total Expenditures, Budgetary Basis	872,246	872,246	533,609	338,637
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	594,390	\$ 594,390
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			49,208	
Ending Cash Balance			\$ 643,598	

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

PITTSBURG COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Beginning Cash Balance	<u>\$ 533</u>
Receipts:	
Ad Valorem	<u>57,757</u>
Total Receipts	<u>57,757</u>
Disbursements:	
Judgment Principal	42,799
Judgment Interest	<u>14,350</u>
Total Disbursements	<u>57,149</u>
Ending Cash Balance	<u><u>\$ 1,141</u></u>

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

PITTSBURG COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

1. Budgetary Schedules

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund has not been presented. Therefore, the legally adopted budget cannot be compared with actual data for the General Fund.

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

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

2. Sinking Fund Schedule

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

INTERNAL CONTROL AND COMPLIANCE SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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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
PITTSBURG COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pittsburg County, Oklahoma, as of and for the year ended June 30, 2006, which comprises Pittsburg County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 18, 2008. 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. Further, Pittsburg County has not presented budgetary comparison information for the general fund that should have been included as supplementary information. 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 Pittsburg 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 Pittsburg 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 2006-1.

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 Pittsburg 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2006-2, 2006-3, and 2006-4.

We also noted certain matters that we reported to the management of Pittsburg 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.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

September 18, 2008

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

Finding 2006-1—Segregation of Duties (Repeat Finding)

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

Condition: Based on inquiries of County personnel and testwork performed, it was noted that receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization within all County offices were not properly segregated to assure adequate internal control structure.

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

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

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

Finding 2006-2—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 (FDIC), be required to secure proper collateral only for sums deposited in excess of the amount of deposit insured by such FDIC." Title 62 O.S. § 513 states, "...treasurers of counties...having custody, control and management of any public or trust fund or funds charged with the safekeeping and deposit of said 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 19 O.S. § 121 states, "...the county treasurer shall take from each 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 had deposits in excess of deposit insurance at June 30, 2006, of \$2,093,928.02.

Effect: This could result in the loss of County funds.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Recommendation: OSAI recommends the County Treasurer require the financial institution to deposit collateral securities to secure public deposits in excess of deposit insurance.

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. The Treasurer's Office was in the process of changing banks. The collateral at the new bank was sufficient to cover all of the funds; however, the collateral at the old bank lapsed 5 days before all the funds could be transferred out to the new bank.

Finding 2006-3—Interfund Temporary Transfer

Criteria: Title 68 O.S. § 3021 states in part, "...If at any time during the budget year it appears to the county treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board, upon request of the county treasurer and upon notification to the county commissioners, may temporarily transfer money from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from. No transfer shall be made from the debt service fund to any other fund except as may be permitted by the terms of the bond issue or applicable by law. Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the funds were transferred."

Condition: The amount of \$6,000 was transferred from the Resale Property to the County Sinking Fund. This money was not paid back to the Resale Property by June 30, 2006.

Effect: This condition resulted in the County not being in compliance with budgetary regulations.

Recommendation: OSAI recommends the County adhere to state statutes regarding interfund transfers.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We will refrain from making errors of this nature in the future.

Finding 2006-4—Estimate of Needs Supplemental Appropriations

Criteria: Title 68 O.S. § 3002 states in part, "Each board of county commissioners ... and the board of education of each school district, shall meet on the first Monday in August of each year, and they shall, respectively, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and prior to September 1, shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct."

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Condition: Upon review of the County's Estimate of Needs, we determined that:

- Supplemental appropriations were not presented for the General Fund and Highway Fund resulting in some accounts reflecting expenditures in excess of appropriations.
- No activity was presented for the County Sinking Fund
- Amounts reported as revenues did not agree to the Treasurer's collections for the General Fund and Highway Fund.

Effect: This condition results in an incomplete and/or incorrect Estimate of Needs being approved by the Budget Board and results in the County being unable to present a Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances – Budget and Actual – Budgetary Basis – General Fund.

Recommendation: OSAI recommends the Board of County Commissioners review the preparation of the budget prior to approval to ensure all funds are accurately presented and appropriated.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. In the future we will properly review the Estimate of Needs.

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 2006-5 – Consumable Inventory

Criteria: Title 19 O.S. § 1502 prescribes the procedures to be used to account for supplies and materials used in the construction and maintenance of roads and bridges.

Condition: District 2 is not maintaining adequate documentation to support their consumable inventory, such as consumable inventory cards, transfer documents or weekly warehouse summaries.

Effect: This condition could result in unrecorded transactions and misappropriation of assets.

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

Views of responsible officials and planned corrective actions: We concur with the auditor's findings. We will implement procedures to properly account for consumable inventory items.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Finding 2006-6—Fixed Assets Inventory

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 Five Hundred Dollars (\$500.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter....”

Condition: Districts 1, 2, and 3, and the Sheriff’s office do not perform a biennial verification of the fixed assets inventory.

Effect: This condition could result in unrecorded transactions and misappropriation of assets.

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

Views of responsible officials and planned corrective actions: All Officers will work to compile a complete listing of County inventory. We will also try to conduct a physical inventory of all items once every two years.



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