

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

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 7, 2005

TO THE CITIZENS OF
PITTSBURG COUNTY, OKLAHOMA

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Pittsburg County.....	iii
County Officials and Responsibilities	iv
Ad Valorem Tax Distribution.....	ix

FINANCIAL SECTION

Report of State Auditor and Inspector.....	1
Special-Purpose Financial Statements:	
Statement of Receipts, Disbursements, and Changes in Cash Balances - All Funds.....	3
Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund.....	5
Comparative Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - County Health Department Fund	8
Detailed Statement of Receipts, Disbursements, and Changes in Cash Balances - Sinking Fund	9
Detailed Statement of Receipts, Disbursements, and Changes in Cash Balances - Official Depository Accounts.....	10
Notes to the Financial Statements.....	11

SUPPLEMENTARY SCHEDULE

Schedule of Expenditures of Federal Awards	21
Note to the Schedule of Expenditures of Federal Awards.....	22

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

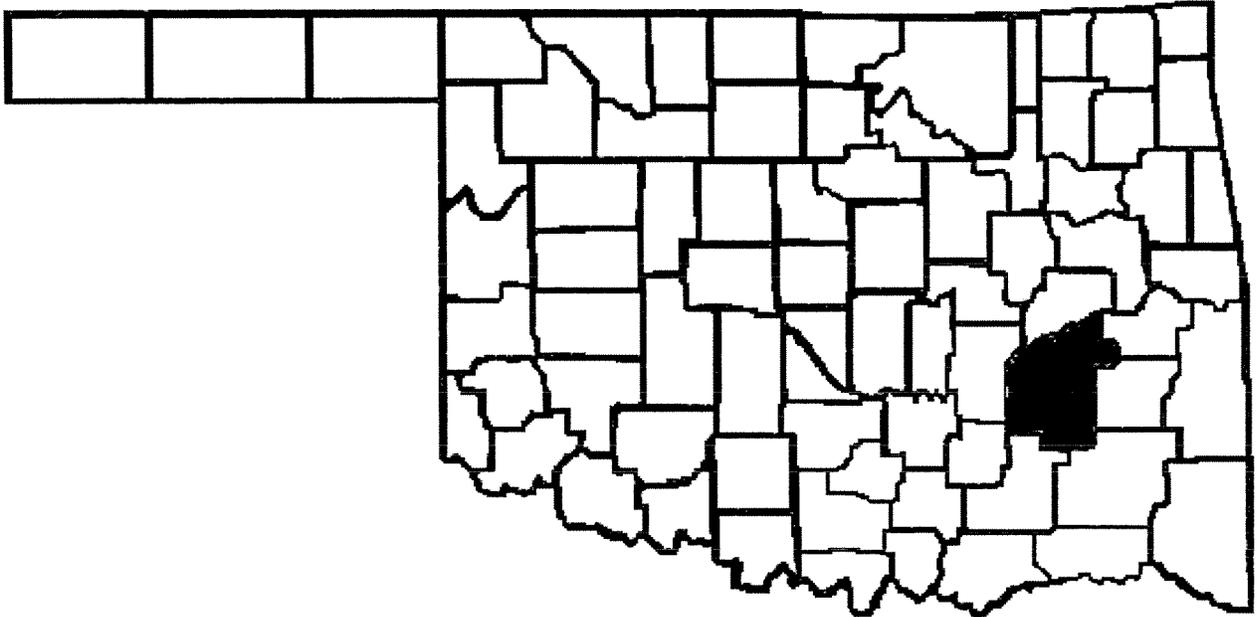
INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	23
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	25
Schedule of Findings and Questioned Costs	27

STATISTICAL SECTION (Unaudited)

Top Ten Taxpayers.....	30
Computation of Legal Debt Margin	31
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	32
Assessed Value of Property	33

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 of 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 county. 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 and Crafts Show during the first weekend in November. For more information, contact the county clerk at 918/423-6865.

County Seat – McAlester

Area – 1,306 Square Miles

County Population - 45,953 (2000 est.)

Farms – 1,586

Land in Farms - 491,377 Acres

Source: Oklahoma Almanac 2003-2004

See independent auditor's report.

**PITTSBURG COUNTY OFFICIALS
AND RESPONSIBILITIES**

COUNTY ASSESSOR

Jim Kelley
(D) McAlester

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
(D) McAlester

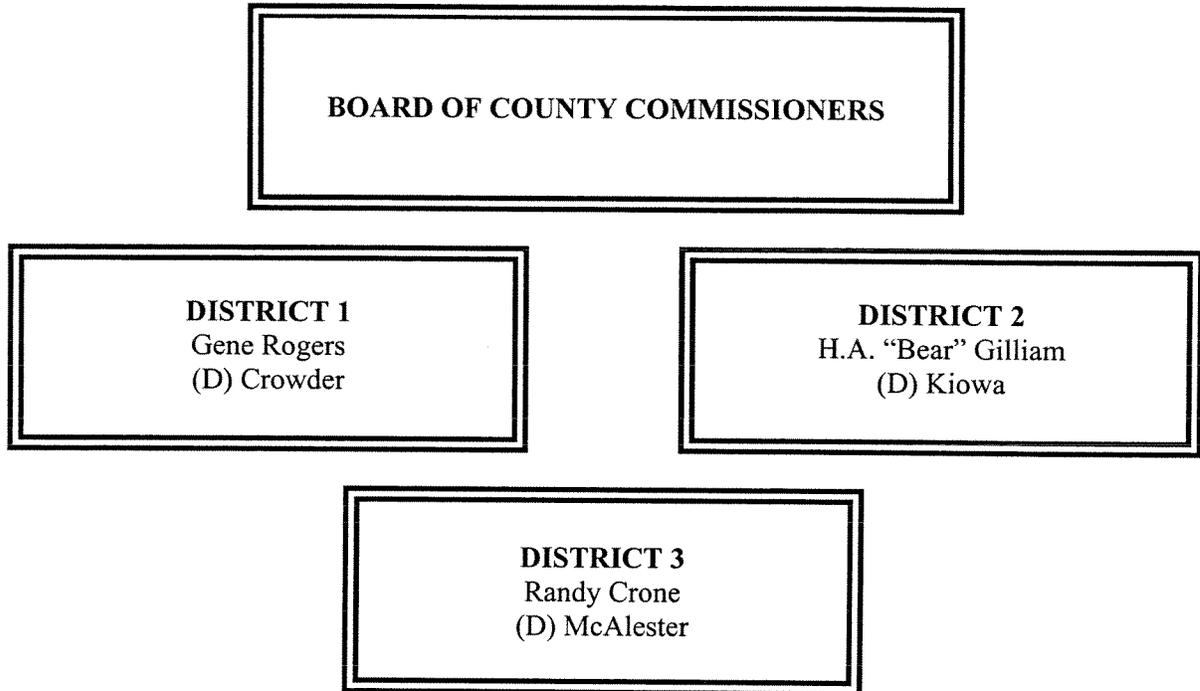
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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**



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**

COUNTY SHERIFF
Jerome "Snookie" Amaranto
(D) Savanna

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
(D) Dow

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**

COURT CLERK
Linda Williams
(D) McAlester

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
(D) McAlester

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**

ELECTION BOARD SECRETARY

Carolyn Morris
(D) McAlester

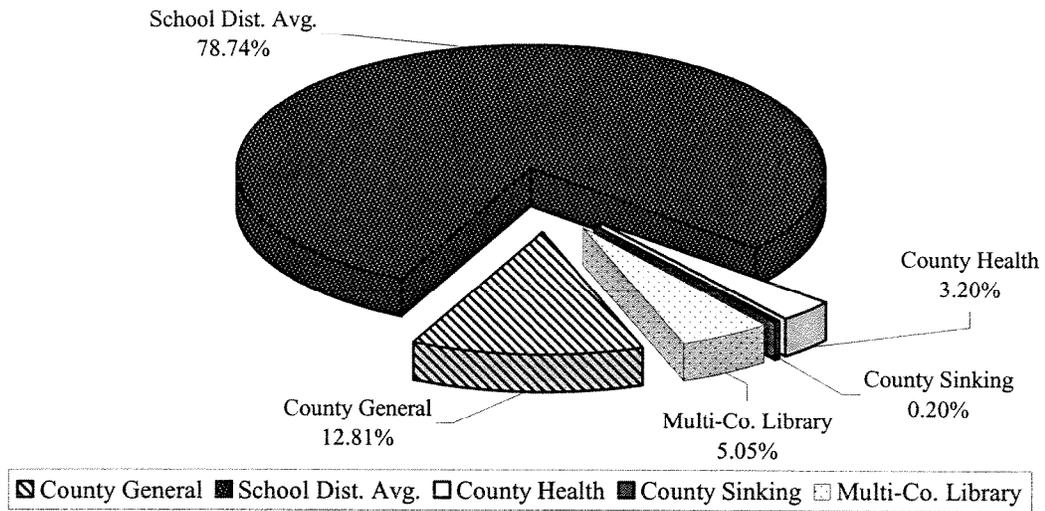
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

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

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



County-Wide Millages		School District Millages								
								Tech Cntr.		
		Gen.	Bldg.	Skg.	Tech Cntr.	Bldg.	Common	Total		
Co. General	10.33									
County Health	2.58	Hartshome	Jl-1	35.93	5.13	5.86	10.33	2.07	4.13	63.45
Multi-Co. Library	4.07	Canadian	I-2	35.60	5.09	5.06	10.33	2.07	4.13	62.28
County Sinking	0.16	Haileyville	I-11	36.74	5.25	8.22	10.33	2.07	4.13	66.74
		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	4.65	10.33	2.07	4.13	63.81
		Crowder	Jl-28	36.91	5.27	10.52	10.33	2.07	4.13	69.23
		Pittsburg	Jl-63	36.51	5.22	16.34	10.33	2.07	4.13	74.60
		Savanna	I-30	36.60	5.23		10.33	2.07	4.13	58.36
		McAlester	I-80	35.76	5.11	2.74	10.33	2.07	4.13	60.14

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
PITTSBURG COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Pittsburg County, Oklahoma, as of and for the year ended June 30, 2004, as listed in the table of contents. These special-purpose financial statements are the responsibility of Pittsburg County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Pittsburg County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County, and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Pittsburg County in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Pittsburg County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and the county health department fund of the County, as of and for the year ended June 30, 2004, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2005, 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 read in conjunction with this report in considering the results of our audit.

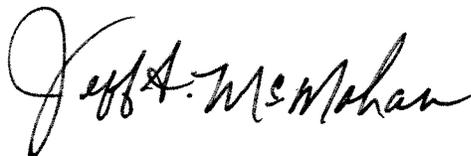
Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Pittsburg County, Oklahoma, taken as a whole. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the special-purpose financial statements of Pittsburg County, Oklahoma. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole. The information listed in the table of contents under *Introductory Section* and *Statistical Section* has not been audited by us, and accordingly, we express no opinion on such information.

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

March 24, 2005

Special-Purpose Financial Statements

**PITTSBURG COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2004**

All County Funds	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
General Fund	\$ 708,030	\$ 2,510,834	\$ 2,598,521	\$ 620,343
County Sinking	26,408	25,109	46,236	5,281
Highway	2,325,418	5,605,468	5,217,133	2,713,753
Federal Emergency Management	185			185
Youth Services Grant	53		53	
County Health Department	503,921	458,896	503,243	459,574
Treasurer's Mortgage Tax Certification Fees	10,772	15,928	15,619	11,081
Resale Property	218,778	138,456	123,815	233,419
Individual Redemption	8,508	93,313	86,090	15,731
County Clerk's Lien Fee	204	20,587	10,949	9,842
Assessor's Visual Inspection	17,842	10,333	11,626	16,549
McAlester Housing Authority	50		50	
Civil Defense	109,814	105,936	97,978	117,772
Law Library	12,990	35,997	18,423	30,564
DHS Attendant Care	1,793	30	30	1,793
County Library	3,469	637,652	637,358	3,763
County Clerk's Records Preservation	79,812	98,675	43,620	134,867
Courthouse Security	42			42
Estray Cattle	599			599
Schools	8,174,258	29,230,306	29,310,864	8,093,700
Municipal	23,154	326,707	323,584	26,277
Juvenile Incentive Block Grant	11		11	
Sheriff's Service Fee	71,297	519,720	464,072	126,945
Sheriff Training	62			62
CEL-Corps of Engineers	3,131	14,534	10,971	6,694
DEA	35	4,959	4,812	182
Task Force	9,620	125,480	135,100	
CDBG		37,024	37,024	
Community Sentencing Program	5,516	80	5,367	229
Drug Seizure	114			114
Board of Prisoners	71			71
DARE	69		69	
Forfeiture	135,201	15,140	44,971	105,370
Youth Services Travel	2,031	1,639	1,518	2,152
Juvenile Detention Building & Maintenance	20,115	144		20,259
REAP	76,386	133,470	147,950	61,906
PEACE	1,049		1,049	
VOCA	2,414	33,845	34,289	1,970
Oklahoma Housing Home Program	1,300	85,304	84,221	2,383
VAWA	456			456

continued on next page

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

**PITTSBURG COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2004**

continued from previous page

<u>All County Funds</u>	Beginning Cash Balances July 1, 2003	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2004
Economic Development Authority	5,000		3,200	1,800
Official Depository	821,173	6,202,535	6,226,490	797,218
Protest Tax	173,829	254	174,083	
EDA - Simonton		16,000		16,000
Total County Funds	<u>\$ 13,554,980</u>	<u>\$ 46,504,355</u>	<u>\$ 46,420,389</u>	<u>\$ 13,638,946</u>

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

**PITTSBURG COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 708,530	\$ 708,530	\$ 708,030	\$ (500)
Less: Prior Year Outstanding Warrants	(137,237)	(137,237)	(137,237)	-
Less: Prior Year Encumbrances	(18,706)	(18,706)	(18,206)	500
Beginning Cash Balances, Budgetary Basis	<u>552,587</u>	<u>552,587</u>	<u>552,587</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	1,458,207	1,458,207	1,537,536	79,329
Charges for Services	315,440	315,440	484,965	169,525
Intergovernmental Revenues	295,991	314,677	456,210	141,533
Miscellaneous Revenues	48,984	48,984	32,123	(16,861)
Total Receipts, Budgetary Basis	<u>2,118,622</u>	<u>2,137,308</u>	<u>2,510,834</u>	<u>373,526</u>
Expenditures:				
County Sheriff	600,979	594,629	593,636	993
Capital Outlay	9,000	32,500	30,714	1,786
Total County Sheriff	<u>609,979</u>	<u>627,129</u>	<u>624,350</u>	<u>2,779</u>
County Treasurer	156,385	151,885	151,548	337
Capital Outlay	4,000	8,500	7,356	1,144
Total County Treasurer	<u>160,385</u>	<u>160,385</u>	<u>158,904</u>	<u>1,481</u>
County Commissioners	24,021	25,789	25,789	
Total County Commissioners	<u>24,021</u>	<u>25,789</u>	<u>25,789</u>	<u>-</u>
OSU Extension	123,370	130,155	130,144	11
Capital Outlay	13,500	6,715	6,714	1
Total OSU Extension	<u>136,870</u>	<u>136,870</u>	<u>136,858</u>	<u>12</u>
County Clerk	237,129	237,605	237,238	367
Capital Outlay	10,000	9,524	9,524	
Total County Clerk	<u>247,129</u>	<u>247,129</u>	<u>246,762</u>	<u>367</u>
Court Clerk	162,792	162,804	162,007	797
Total Court Clerk	<u>162,792</u>	<u>162,804</u>	<u>162,007</u>	<u>797</u>
County Assessor	176,092	176,092	174,932	1,160
Total County Assessor	<u>176,092</u>	<u>176,092</u>	<u>174,932</u>	<u>1,160</u>

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

**PITTSBURG COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	278,275	236,910	210,957	25,953
Total Revaluation of Real Property	278,275	236,910	210,957	25,953
General Government	617,109	707,455	691,553	15,902
Capital Outlay	25,223	5,263	4,457	806
Total General Government	642,332	712,718	696,010	16,708
Excise-Equalization Board	8,300	8,300	5,317	2,983
Total Excise-Equalization Board	8,300	8,300	5,317	2,983
County Election Board	119,697	121,536	111,628	9,908
Capital Outlay	500			
Total County Election Board	120,197	121,536	111,628	9,908
Charity		46	46	
Total Charity	-	46	46	-
Civil Defense	32,063	32,063	32,063	
Capital Outlay	16,000			
Total Civil Defense	48,063	32,063	32,063	-
Juvenile Detention	20,000	14,000	10,786	3,214
Total Juvenile Detention	20,000	14,000	10,786	3,214
Senior Citizens	3,000	3,000	3,000	
Total Senior Citizens	3,000	3,000	3,000	-
Keddo	1,596	1,596	1,596	
Total Keddo	1,596	1,596	1,596	-
Regional Expo and Fair	10,000			
Total Regional Expo and Fair	10,000	-	-	-
County Audit Budget Account	15,528	15,528	15,528	
Total County Audit Budget Account	15,528	15,528	15,528	-
Free Fair Budget	6,650	8,000	8,000	
Total Free Fair Budget	6,650	8,000	8,000	-

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

**PITTSBURG COUNTY, OKLAHOMA
 COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
 AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2004**

continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Expenditures, Budgetary Basis	<u>2,671,209</u>	<u>2,689,895</u>	<u>2,624,533</u>	<u>65,362</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	438,888	<u>\$ 438,888</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			93,448	
Add: Current Year Outstanding Warrants			88,007	
Ending Cash Balance			<u>\$ 620,343</u>	

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

**PITTSBURG COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN CASH BALANCES - BUDGET AND ACTUAL
COUNTY HEALTH DEPARTMENT FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 503,921	\$ 503,921	\$ 503,921	\$ -
Less: Prior Year Outstanding Warrants	(10,625)	(10,625)	(10,625)	
Less: Prior Year Encumbrances	(97,706)	(97,706)	(97,706)	
Beginning Cash Balances, Budgetary Basis	<u>395,590</u>	<u>395,590</u>	<u>395,590</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	364,199	364,199	384,011	19,812
Miscellaneous Revenues		74,885	74,885	
Total Receipts, Budgetary Basis	<u>364,199</u>	<u>439,084</u>	<u>458,896</u>	<u>19,812</u>
Expenditures:				
Health and Welfare	519,170	594,055	396,053	198,002
Capital Outlay	240,619	240,619	20,793	219,826
Total Expenditures, Budgetary Basis	<u>759,789</u>	<u>834,674</u>	<u>416,846</u>	<u>417,828</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	437,640	<u>\$ 437,640</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			20,195	
Add: Current Year Outstanding Warrants			1,739	
Ending Cash Balance			<u>\$ 459,574</u>	

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

**PITTSBURG COUNTY, OKLAHOMA
DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2004**

Beginning Cash Balance	<u>\$ 26,408</u>
Receipts:	
Ad Valorem Tax	<u>25,109</u>
Total Receipts	<u>25,109</u>
Disbursements:	
County Judgments	<u>46,236</u>
Total Disbursements	<u>46,236</u>
Ending Cash Balance	<u><u>\$ 5,281</u></u>

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

**PITTSBURG COUNTY, OKLAHOMA
 DETAILED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - OFFICIAL DEPOSITORY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2004**

Official Depository Accounts	Beginning Cash Balances July 1, 2003	Receipts	Disbursements	Cancelled Vouchers	Ending Cash Balances June 30, 2004
District Court Clerk	\$ 121,920	\$ 1,289,107	\$ 1,313,162	\$ 1,153	\$ 99,018
District Court Fund	395,986	3,033,307	3,152,539	910	277,664
Court Clerk Revolving Fund	69,959	49,570	12,480		107,049
County Clerk		567,387	567,387		
County Sheriff		106,503	106,503		
County Treasurer Refund	5,022	7,128	7,128	1,416	6,438
Bell Trust Account	3,304	19			3,323
County Treasurer Resale	108,543	181,968	173,391	89	117,209
County Assessor		10,212	10,212		
District Attorney	102,846	651,076	630,482	1,226	124,666
District Attorney Witness	1,013	14,090	15,307	537	333
District Attorney Restitution	6,070	112,440	117,463	868	1,915
Election Board	6,274	70,454	62,162	326	14,892
Health Department		64,799	64,799		
Mitchell Account		40,082			40,082
Restitution and Diversion	236	4,393			4,629
Total Official Depository Accounts	<u>\$ 821,173</u>	<u>\$ 6,202,535</u>	<u>\$ 6,233,015</u>	<u>\$ 6,525</u>	<u>\$ 797,218</u>

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of all funds of Pittsburg County, Oklahoma, and comparisons of such information with the corresponding budgeted information for the general fund and county health department fund of the County. The funds presented are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

C. Basis of Accounting

The financial statements are prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgetary Policies

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. The budget presented for the general fund and county health department fund includes the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. Appropriations for the highway funds and other funds are made on a monthly basis, according to the funds then available.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund and county health department fund.

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

Summary of Significant Accounting Policies (continued)

Any encumbrances outstanding at year-end are included as reservations of cash balances, budgetary basis, since they do not constitute expenditures or liabilities. At the end of the year, unencumbered appropriations are lapsed.

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

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, county or city-county health departments, school districts and cities and towns. These other budgetary entities produce and file their own financial statements and estimates of needs (budgets). These related cash receipts and disbursements of other budgetary entities are not included in the County's Estimate of Needs.

E. Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Investments are carried at cost, which approximates market value. All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2004.

F. Risk Management

The County is exposed to various risks of loss as follows:

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Errors and Omissions - Law Enforcement Officers Liability - Vehicle Physical Plant - Theft - Damage to Assets - Natural Disasters	The County participates in a public entity risk pool; Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Summary of Significant Accounting Policies (continued)

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

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

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

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

G. Compensated Absences

Vacation benefits are earned by the employee during the year and must be taken during the year earned. Employees with 1 to 10 years of service earn 80 hours per year and employees with 11 plus years of service earn 120 hours per year.

An employee earns up to 12 days of sick leave per year and accumulation is unlimited. A maximum of 130 days may be used for retirement purposes.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before May 31 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. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

3. Detailed Notes on Funds and Account Balances

A. Deposits

At year-end, the reported amount of the County's deposits was \$13,638,946 and the bank balance was \$13,765,761. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the County's agent in the County's name.

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

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

B. Description of Funds

General Fund - 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.

PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

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

Youth Services Grant – accounts for the reimbursement of salaries for youth services from the State of Oklahoma.

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

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.

Individual Redemption – accounts for the monies collected and due to individuals from property tax sales on delinquent taxes.

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.

McAlester Housing Authority – accounts for the contract payments from the McAlester Housing Authority to the Sheriff's office for performing background checks on applicants.

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

Law Library – accounts for monies received for disbursement from the state for the Law Library Board.

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

County Library – accounts for monies collected on behalf of the library from ad valorem taxes and remitted to them monthly.

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

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

Detailed Notes on Funds and Account Balances (continued)

Estray Cattle – accounts for the monies received from the sale of stray animals or reimbursement of expenses from the owners of animals. These funds are to be used for the care, transportation, and sale of lost animals.

Schools - accounts for monies collected on behalf of the public schools in Pittsburg County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Municipal – accounts for monies collected on behalf of the cities and towns in Pittsburg County from ad valorem taxes, state and local revenues, and remitted to them monthly.

Juvenile Incentive Block Grant – accounts for grants to support the programs and services provided at the Juvenile Detention Facility.

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.

Task Force – accounts for federal grant funds used for the intervention and prevention of narcotics use.

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

Community Sentencing Program – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Drug Seizure – accounts for monies collected from the disposition of property seized during drug abuse cases.

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

DARE – accounts for excess match funds remaining from the Drug Awareness Resistance Education Grant.

Detailed Notes on Funds and Account Balances (continued)

Forfeiture – accounts for monies collected from the disposition of property seized during drug abuse cases.

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.

PEACE – accounts for the District Attorney’s federal grant for the prevention of child abuse.

VOCA – accounts for funds received from the state for salary, benefits, and travel for the victim services advocate.

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

VAWA – accounts for the District Attorney’s federal grant for the prevention of domestic violence against women.

Economic Development Authority – accounts for the bond issue used to promote economic development in Pittsburg County.

Official Depository - accounts for the collection and distribution of officer and board fees held in trust until the end of the month.

Protest Tax – accounts for ad valorem taxes collected in protest.

EDA-Simonton – accounts for funds from the Economic Development Authority set aside to be used for initial start-up costs for Simonton Industries.

The following narrative details the official depository accounts.

District Court Clerk – accounts for the collection of bond money, court fines, and fees. Money is disbursed for fees and restitution.

District Court Fund – accounts for fees transferred from district court and interest. Money is disbursed for the purpose of fees for various entities, salaries, and the operation of the office.

Court Clerk Revolving Fund – accounts for a charge of \$5.00 for each warrant. Money is disbursed in the same manner as court fund.

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

Detailed Notes on Funds and Account Balances (continued)

County Clerk – accounts for the collection of filing fees and disbursements to the Oklahoma Tax Commission and general fund.

County Sheriff – accounts for all collections of foreign service fees and cash bond monies. Monies are disbursed at the end of the month and deposited in the assessor’s revolving fund.

County Treasurer Refund – accounts for the refunding of tax overpayments and pre-paid mobile home licenses.

Bell Trust Account – accounts for money held in trust for minors.

County Treasurer Resale – accounts for all collection of taxes, pre-paid mobile home licenses, and motor vehicle stamps. Disbursements are for the purpose of refunding overpayment of taxes and motor vehicle collection distribution.

County Assessor – accounts for the collections for copies and proceeds from the sale of ownership books to be disbursed at the end of the month and deposited in the assessor’s revolving fund.

District Attorney – accounts for the collection of bogus checks and district attorney fees to be disbursed to the merchant as restricted by state statute.

District Attorney Witness – accounts for collections received from the state to reimburse the County for witness expenses.

District Attorney Restitution – accounts for the collection of restitution from defendants that is reimbursed to the victims.

Election Board – accounts for reimbursement of elections and is disbursed for refunds of election fees and maintenance and operation of the office.

Health Department – accounts for the collection of state funds and charges for services. Money is disbursed on a monthly basis to be transferred to the county health department cash account.

Mitchell Account – accounts for the federal grant used for the operation of the Drug Task Force.

Restitution and Diversion – accounts for the fees collected for restitution payments.

Detailed Notes on Funds and Account Balances (continued)

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2003, was approximately \$155,278,576.

Per Article 10, § 8A, with the repeal of personal property tax, the mileages with the adjustment factor are 10.33 mills for the general fund operations, 2.58 mills for the county health department, 4.07 mills for the multi-county library, and 0.16 mill for the county sinking fund. In addition, the County also collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2004, were approximately 95.51 percent of the tax levy.

D. Pension Plan

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

PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Detailed Notes on Funds and Account Balances (continued)

E. Capital Leases

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

F. 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. Due to the nature of the judgment, the County was not required to pay interest on this judgment. The County paid this judgment in full during the fiscal year. The County also became obligated to pay another judgment during the fiscal year. This judgment will be added to the levy for the tax year 2004.

<u>Case Number</u>	<u>Original Judgment</u>
CJ-99-520	\$ 69,354
CJ-2000-78	\$127,429

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 42,476	\$ 5,307	\$ 47,783
2006	42,476	4,248	46,724
2007	42,477	2,124	44,601
Total	<u>\$127,429</u>	<u>\$11,679</u>	<u>\$139,108</u>

G. 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.

SUPPLEMENTARY SCHEDULE

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through State Department of Commerce:			
Community Development Block Grant	14.228	9787 CDBG 01	\$ 37,024
HOME Investment Partnerships Program	14.239	9015 HOME 02	85,303
Total U. S. Department of Housing and Urban Development			<u>122,327</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		85,309
Passed Through State Department of Indian Affairs:			
Highway Planning and Construction-BIA-Blanco North Road	20.205	CM GOO 1193 00	286,504
Highway Planning and Construction-BIA-Scipio Road	20.205	CM GOO 1192 00	32,008
Highway Planning and Construction-BIA-Quinton Streets	20.205	CM GOO 1249 02	97,288
Highway Planning and Construction-BIA-Hartshorne Elementary	20.205	CM GOO 1268 03	50,473
Highway Planning and Construction-BIA-Hartshorne High School	20.205	CM GOO 1264 03	54,181
Total CFDA #20.205			<u>520,454</u>
Total U.S. Department of Interior			<u>605,763</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through the District Attorney Council:			
Violence Against Women Formula Grants	16.588	V-02-367	16,413
Violence Against Women Formula Grants	16.588	V-03-031	16,711
Total CFDA #16.588			<u>33,124</u>
Direct Grant:			
Public Safety Partnership and Community Policing Grants	16.710	1999-UMWX-2931	18,000
Total U.S. Department of Justice			<u>51,124</u>
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT</u>			
Passed Through State Department of Civil Emergency Management:			
Public Assistance Grants	83.544	1355DR	393,442
Emergency Management Performance Grants	83.552		22,625
Total U.S. Department of Federal Emergency Management			<u>416,067</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,195,281</u></u>

The accompanying note is an integral part of this schedule.

PITTSBURG COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Pittsburg County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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
PITTSBURG COUNTY, OKLAHOMA

We have audited the special-purpose financial statements of Pittsburg County, Oklahoma, as of and for the year ended June 30, 2004, and have issued our report thereon dated March 24, 2005. Our report contains an explanatory paragraph discussing that the financial statements are not a complete presentation, and describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pittsburg County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2004-1 to be a material weakness.

Compliance and Other Matters

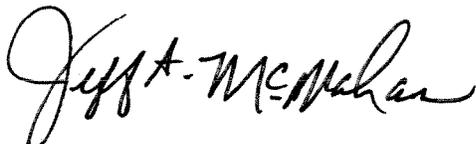
As part of obtaining reasonable assurance about whether Pittsburg County's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standard*. However, we noted a certain matter that we reported to management of Pittsburg County and is included in Section 4 of the schedule of findings and questioned costs, contained within this report.

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

March 24, 2005



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance With Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance With
OMB Circular A-133**

TO THE OFFICERS OF
PITTSBURG COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Pittsburg County, Oklahoma with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

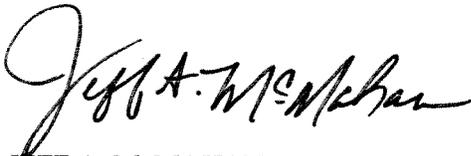
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

March 24, 2005

PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
15.226	Payments in Lieu of Taxes
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	No

SECTION 2 - 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 2004-1 - Segregation of Duties (Repeat Finding)

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

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

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

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

SECTION 3 - Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.

No matters were reported.

SECTION 4 - Other Findings - This section contains findings not required to be reported in 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*, but which we believed were significant enough to bring to the County's attention. We recommend that the County consider these matters and take appropriate corrective action.

Finding 2004-2 - General Fixed Assets (Repeat Finding)

Criteria: Title 19 O.S. 2001, § 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

PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

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

Condition: All offices do not perform a biennial verification of the fixed assets inventory.

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

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

STATISTICAL SECTION
(Unaudited)

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

<u>TAXPAYER NAME</u>	<u>ASSESSED VALUE</u>	<u>% OF TOTAL NET VALUATION</u>
PSO	\$ 6,215,194	4.00%
Centerpoint Energy	4,376,074	2.82%
Enogex	4,066,706	2.62%
Southwestern Bell Telephone	3,812,450	2.46%
National Oilwell	2,156,951	1.39%
Pliant Corporation	2,038,476	1.31%
Union Pacific Corporation	1,847,165	1.19%
Wal-Mart	1,675,446	1.08%
The Boeing Company	1,195,659	0.77%
Simonton Building Products	1,182,011	0.76%
Total	<u>\$ 28,566,132</u>	<u>18.40%</u>

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

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

Total net assessed value as of January 1, 2003		<u>\$ 155,278,576</u>
Debt limit - 5% of total assessed value		7,763,929
Total bonds outstanding	-	
Total judgments outstanding	127,429	
Less cash in sinking fund	<u>5,281</u>	<u>122,148</u>
Legal debt margin		<u>\$ 7,641,781</u>

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

	2004
Estimated population	45,953
Net assessed value as of January 1, 2003	\$ 155,278,576
Gross bonded debt	-
Less available sinking fund cash balance	5,281
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2003	\$25,983,162	\$26,100,542	\$115,436,239	\$12,241,367	\$155,278,576	\$1,404,269,745