

**PITTSBURG COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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June 14, 2006

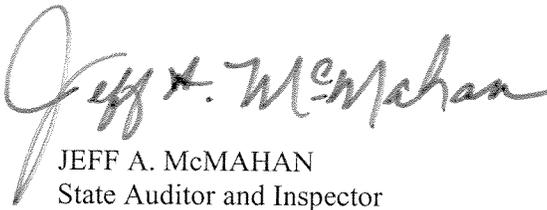
TO THE CITIZENS OF
PITTSBURG COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pittsburg County, Oklahoma, for the fiscal year ended June 30, 2005. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Pittsburg County.....	iii
County Officials and Responsibilities.....	iv
Ad Valorem Tax Distribution.....	ix
Computation of Legal Debt Margin.....	x
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita.....	xi
Assessed Value of Property.....	xii

FINANCIAL SECTION

Report of State Auditor and Inspector.....	1
Basic Financial Statement:	
Combined Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information).....	3
Notes to the Financial Statement.....	4

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	12
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	15
Detailed Schedule of Receipts, Disbursements, and Changes in Cash Balances—Sinking Fund.....	16
Notes to Other Supplementary Information.....	17
Schedule of Expenditures of Federal Awards.....	18
Note to the Schedule of Expenditures of Federal Awards.....	20

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

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards 21

Report on Compliance With Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance With OMB Circular A-133 23

Schedule of Findings and Questioned Costs 25

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 – 1,377.85 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, 2005**

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

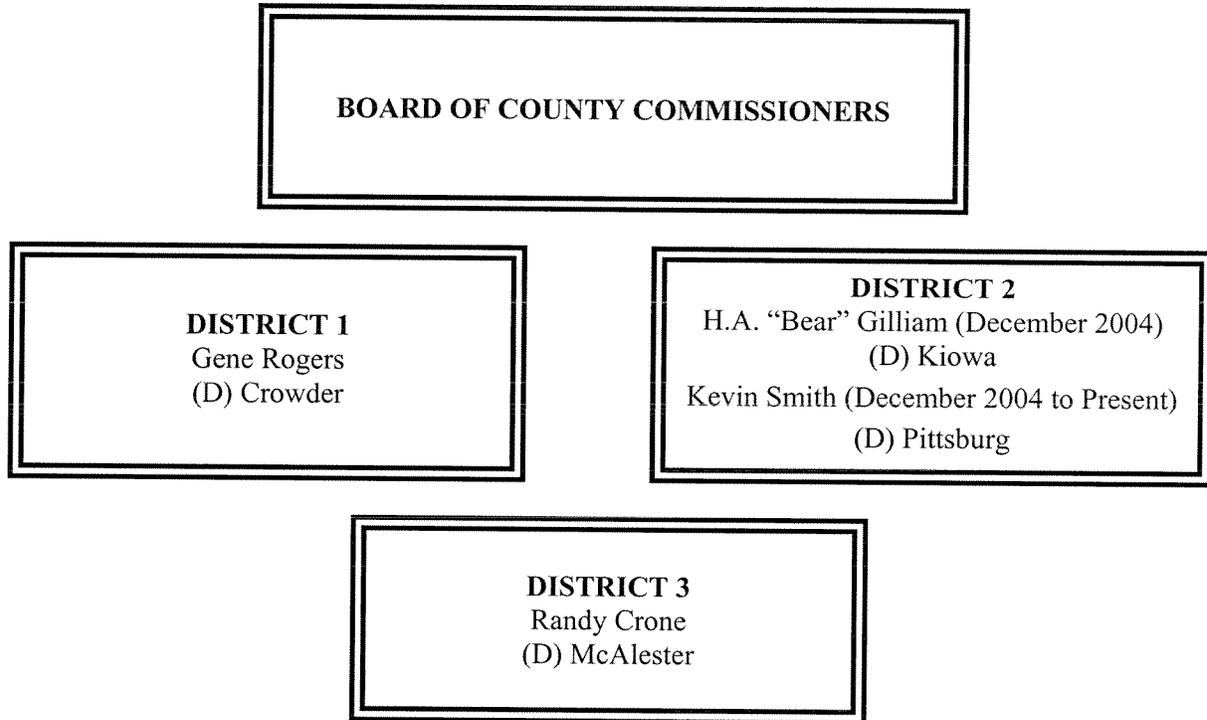
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**



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

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

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

See independent auditor's report.

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

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

ELECTION BOARD SECRETARY

Carolyn Morris
(D) McAlester

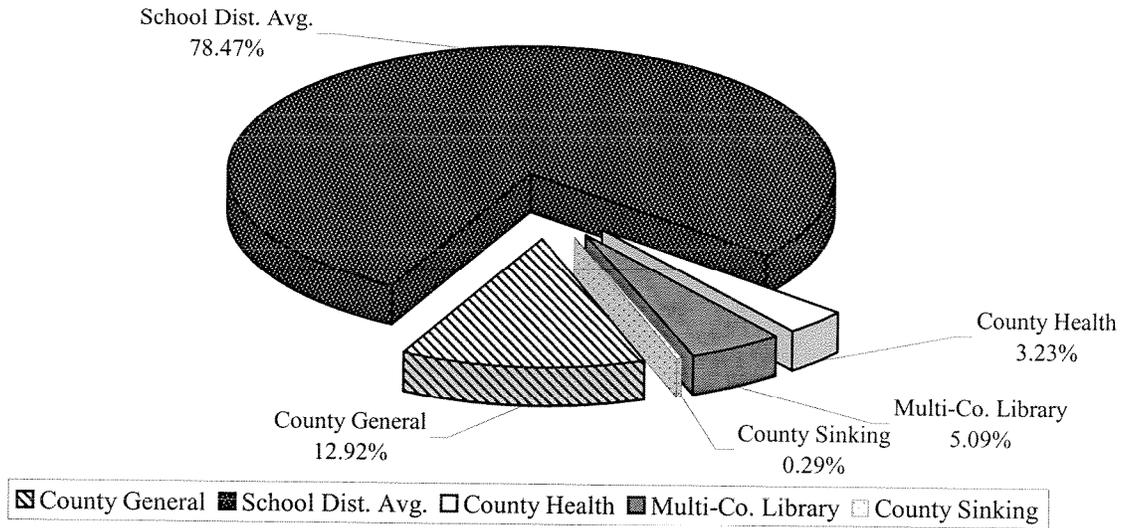
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Career Tech	Career Tech Bldg.	Common	Total
Co. General	10.33									
County Health	2.58	Hartshorne	J1-1	35.93	5.13	4.94	10.33	2.07	4.13	62.53
Multi-Co. Library	4.07	Canadian	I-2	35.60	5.09	4.50	10.33	2.07	4.13	61.72
County Sinking	0.23	Haileyville	I-11	36.74	5.25	7.20	10.33	2.07	4.13	65.72
		Kiowa	J1-14	36.57	5.22		10.33	2.07	4.13	58.32
		Quinton	J1-17	36.09	5.16		10.33	2.07	4.13	57.78
		Indianola	I-25	37.30	5.33	6.38	10.33	2.07	4.13	65.54
		Crowder	J1-28	36.91	5.27	6.76	10.33	2.07	4.13	65.47
		Pittsburg	J1-63	36.51	5.22	14.62	10.33	2.07	4.13	72.88
		Savanna	I-30	36.60	5.23		10.33	2.07	4.13	58.36
		McAlester	I-80	35.76	5.11	1.52	10.33	2.07	4.13	58.92

See independent auditor's report.

**PITTSBURG COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

Total net assessed value as of January 1, 2004		<u>\$ 227,676,327</u>
Debt limit - 5% of total assessed value		11,383,816
Total bonds outstanding	-	
Total judgments outstanding	85,275	
Less cash in sinking fund	<u>533</u>	<u>84,742</u>
Legal debt margin		<u>\$ 11,299,074</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, 2005
(UNAUDITED)**

	2005
Estimated population	43,950
Net assessed value as of January 1, 2004	\$ 227,676,327
Gross bonded debt	-
Less available sinking fund cash balance	533
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

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

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2004	\$88,138,295	\$31,528,120	\$120,174,517	\$12,164,605	\$227,676,327	\$2,037,062,473

See independent auditor's report.

FINANCIAL SECTION

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, 2005, 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, 2005, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Pittsburg County, for the year ended June 30, 2005, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2006, 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. Finally, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.



JEFF A. McMAHAN
State Auditor and Inspector

April 24, 2006

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, 2005**

	Beginning Cash Balances July 1, 2004	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2005
Combining Information:				
General Fund	\$ 620,343	\$ 2,760,565	\$ 3,116,277	\$ 264,631
County Sinking	5,281	37,406	42,154	533
Highway	2,713,753	6,555,832	7,067,577	2,202,008
Federal Emergency Management	185	21,586	21,471	300
County Health Department	459,574	492,891	468,774	483,691
Treasurer's Mortgage Tax Certification Fees	11,081	16,308	13,627	13,762
Resale Property	233,419	110,079	113,058	230,440
County Clerk's Lien Fee	9,842	94,762	30,991	73,613
Assessor's Visual Inspection	16,549	7,559	14,122	9,986
Civil Defense	117,772	122,418	92,117	148,073
DHS Attendant Care	1,793	50	50	1,793
County Clerk's Records Preservation	134,867	94,890	104,065	125,692
Courthouse Security	42			42
Juvenile Incentive Block Grant		6,845	6,845	
Sheriff's Service Fee	126,945	578,058	600,082	104,921
Sheriff Training	62			62
CEL-Corps of Engineers	6,694	8,046	13,452	1,288
DEA	182			182
CDBG		154,113	154,113	
Board of Prisoners	71			71
Youth Services Travel	2,152	3,335	1,367	4,120
Juvenile Detention Building & Maintenance	20,259	354		20,613
REAP	61,906	99,335	94,850	66,391
Oklahoma Housing Home Program	2,383	76,220	76,221	2,382
Economic Development Authority	1,800			1,800
EDA - Simonton	16,000		7,000	9,000
EIC-Emergency Insurance Claim		18,600		18,600
Combined Total--All County Funds	\$ 4,562,955	\$ 11,259,252	\$ 12,038,213	\$ 3,783,994

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, 2005**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of 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 disbursements 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, 2005**

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.

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.

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

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

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

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

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

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

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

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, school districts and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement, those funds play no part in the County's operations.

C. Basis of Accounting

The basic financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

D. Budget

Under current Oklahoma Statutes, the general fund and the county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved by fund, office, or department and object. The County Board of Commissioners may

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

approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

E. Cash

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

F. Investments

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

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

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

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

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.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2004, was approximately \$227,676,327.

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, .23 mill for sinking fund, and 4.07 mills for the county library. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

Current year tax collections for the year ended June 30, 2005, were approximately 90.80 percent of the tax levy.

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

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

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

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

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.

Case Number	Original Judgment
CJ-2000-78	\$127,429

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

Year Ending June 30,	Principal	Interest	Total
2006	\$42,798	\$11,718	\$54,516
2007	42,477	2,124	44,601
	\$85,275	\$13,842	\$99,117

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,

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

establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 5.0% and 10.0% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 10.0% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2005, 2004, and 2003 were \$403,278, \$344,860, and \$352,936, 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.

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.

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

10. Embezzlement of Funds

The Oklahoma State Auditor's Office uncovered an embezzlement scheme perpetrated in the Court Clerk's Office. The total amount of the embezzlement was determined to be \$13,822.62. The suspected employee has been terminated and charges filed by the District Attorney. The County expects to receive full restitution from the former employee. The embezzlement did not and will not affect the balances reported herein.

OTHER SUPPLEMENTARY INFORMATION

PITTSBURG COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 620,343	\$ 620,343	\$ 620,343	\$ -
Less: Prior Year Outstanding Warrants	(88,007)	(88,007)	(88,007)	
Less: Prior Year Encumbrances	(93,588)	(93,588)	(92,483)	1,105
Beginning Cash Balances, Budgetary Basis	<u>438,748</u>	<u>438,748</u>	<u>439,853</u>	<u>1,105</u>
Receipts:				
Ad Valorem Taxes	2,138,088	2,138,088	1,626,556	(511,532)
Charges for Services	352,840	352,840	444,908	92,068
Intergovernmental Revenues	469,880	469,880	610,196	140,316
Miscellaneous Revenues	22,486	40,494	78,905	38,411
Total Receipts, Budgetary Basis	<u>2,983,294</u>	<u>3,001,302</u>	<u>2,760,565</u>	<u>(240,737)</u>
Expenditures:				
County Sheriff	669,954	685,258	683,050	2,208
Capital Outlay	9,000	9,000	6,493	2,507
Total County Sheriff	<u>678,954</u>	<u>694,258</u>	<u>689,543</u>	<u>4,715</u>
County Treasurer	166,072	169,072	167,369	1,703
Capital Outlay	4,000	4,000	3,407	593
Total County Treasurer	<u>170,072</u>	<u>173,072</u>	<u>170,776</u>	<u>2,296</u>
County Commissioners	131,873	138,178	106,924	31,254
Total County Commissioner	<u>131,873</u>	<u>138,178</u>	<u>106,924</u>	<u>31,254</u>
OSU Extension	150,804	133,194	133,129	65
Capital Outlay	5,000	22,610	22,606	4
Total OSU Extension	<u>155,804</u>	<u>155,804</u>	<u>155,735</u>	<u>69</u>
County Clerk	264,798	266,868	266,482	386
Capital Outlay	10,000	8,020	8,016	4
Total County Clerk	<u>274,798</u>	<u>274,888</u>	<u>274,498</u>	<u>390</u>
Court Clerk	178,293	178,293	178,237	56
Total Court Clerk	<u>178,293</u>	<u>178,293</u>	<u>178,237</u>	<u>56</u>
County Assessor	191,593	191,593	188,056	3,537
Total County Assessor	<u>191,593</u>	<u>191,593</u>	<u>188,056</u>	<u>3,537</u>

continued on next page

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

PITTSBURG COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	434,706	387,988	353,948	34,040
Capital Outlay	5,000	5,000		5,000
Total Revaluation of Real Property	<u>439,706</u>	<u>392,988</u>	<u>353,948</u>	<u>39,040</u>
General Government	772,720	843,753	771,751	72,002
Capital Outlay	165,385	132,933	14,560	118,373
Total General Government	<u>938,105</u>	<u>976,686</u>	<u>786,311</u>	<u>190,375</u>
Excise-Equalization Board	8,300	8,300	5,215	3,085
Total Excise-Equalization Board	<u>8,300</u>	<u>8,300</u>	<u>5,215</u>	<u>3,085</u>
County Election Board	140,617	138,013	125,887	12,126
Capital Outlay	500	4,550	4,467	83
Total County Election Board	<u>141,117</u>	<u>142,563</u>	<u>130,354</u>	<u>12,209</u>
Civil Defense	32,063	32,063	32,063	
Capital Outlay	16,000	16,000	16,000	
Total Civil Defense	<u>48,063</u>	<u>48,063</u>	<u>48,063</u>	<u>-</u>
Juvenile Detention	20,000	20,000	9,074	10,926
Total Juvenile Detention	<u>20,000</u>	<u>20,000</u>	<u>9,074</u>	<u>10,926</u>
Senior Citizens	3,000	3,000	3,000	
Total Senior Citizens	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Keddo	1,596	1,596	1,596	
Total Keddo	<u>1,596</u>	<u>1,596</u>	<u>1,596</u>	<u>-</u>
Regional Expo and Fair	10,000	10,000	10,000	
Total Regional Expo and Fair	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
County Audit Budget	22,768	22,768	22,768	
Total County Audit Budget	<u>22,768</u>	<u>22,768</u>	<u>22,768</u>	<u>-</u>
Free Fair Budget	8,000	8,000	8,000	
Total Free Fair Budget	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	<u>-</u>
Total Expenditures, Budgetary Basis	<u>3,422,042</u>	<u>3,440,050</u>	<u>3,142,098</u>	<u>297,952</u>

continued on next page

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

PITTSBURG COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	58,320	<u>\$ 58,320</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			104,808	
Add: Current Year Outstanding Warrants			101,503	
Ending Cash Balance			<u>\$ 264,631</u>	

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

**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, 2005**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 459,574	\$ 459,574	\$ 459,574	\$ -
Less: Prior Year Outstanding Warrants	(1,739)	(1,739)	(1,739)	
Less: Prior Year Encumbrances	(20,195)	(20,195)	(20,195)	
Beginning Cash Balances, Budgetary Basis	<u>437,640</u>	<u>437,640</u>	<u>437,640</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	406,246	406,246	406,246	
Miscellaneous Revenues		67,765	86,645	18,880
Total Receipts, Budgetary Basis	<u>406,246</u>	<u>474,011</u>	<u>492,891</u>	<u>18,880</u>
Expenditures:				
Health and Welfare	549,493	717,258	491,243	226,015
Capital Outlay	294,393	194,393	685	193,708
Total Expenditures, Budgetary Basis	<u>843,886</u>	<u>911,651</u>	<u>491,928</u>	<u>419,723</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	438,603	<u>\$ 438,603</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			43,925	
Add: Current Year Outstanding Warrants			1,163	
Ending Cash Balance			<u>\$ 483,691</u>	

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, 2005**

Beginning Cash Balance	<u>\$ 5,281</u>
Receipts:	
Ad Valorem	<u>37,406</u>
Total Receipts	<u>37,406</u>
Disbursements:	
County Judgment	<u>42,154</u>
Total Disbursements	<u>42,154</u>
Ending Cash Balance	<u>\$ 533</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, 2005**

1. Budgetary Schedules

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

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

2. Sinking Fund Schedule

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

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 Grants - State's Program	14.228	10778 CDBG 02	\$ 154,113
Passed Through State Housing Finance Agency:			
HOME Investment Partnerships Program	14.239	9015 HOME 02	76,220
Total U.S. Department of Housing and Urban Development			<u>230,333</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payment in Lieu of Taxes	15.226		87,190
Total U.S. Department of Interior			<u>87,190</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through Office of Juvenile Affairs:			
Juvenile Accountability Incentive Block Grants	16.523	02-JAIBG-25	6,845
Juvenile Accountability Incentive Block Grants	16.523	03-JAIBG-25	4,825
Total Juvenile Accountability Incentive Block Grants			<u>11,670</u>
Passed Through the Office of Juvenile Affairs:			
Violence Against Women Formula Grants	16.588	V-03-031	17,271
Violence Against Women Formula Grants	16.588	V-04-027	18,516
Total Violence Against Women Formula Grants			<u>35,787</u>
Direct Grant:			
Public Safety Partnership and Community Policing Grants	16.710	1999-UMWX-2931	6,768
Total U.S. Department of Justice			<u>54,225</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through Bureau of Indian Affairs			
Highway Planning and Construction	20.205	CM-G00-1192-00	5,729
Highway Planning and Construction	20.205	CM-G00-1249-02	19,920
Highway Planning and Construction	20.205	CM-G00-1193-00	41,945
Highway Planning and Construction	20.205	CM-G00-1264-03	19,526
Highway Planning and Construction	20.205	CM-G00-1309-04	672,981
Highway Planning and Construction	20.205	CM-G00-1318-04	35,338
Total U.S. Department of Transportation			<u>795,439</u>

continued on next page

The accompanying notes are an integral part of this schedule.
See independent auditor's report.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through State Department of Civil Emergency Management:			
Emergency Management Performance Grants	97.042		3,232
Emergency Management Performance Grants	97.042		16,160
Total Emergency Management Performance Grants			<u>19,392</u>
Disaster Grants - Public Assistance	97.036	DR 1355	71,719
Hazard Mitigation Grant	97.039	FEMA-1272-DR-OK	21,586
Total U.S. Department of Homeland Security			<u>112,697</u>
Total Expenditures of Federal Awards			<u>\$ 1,279,884</u>

The accompanying notes are an integral part of this schedule.
See independent auditor's report.

**PITTSBURG COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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*.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

TO THE OFFICERS OF
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, 2005, 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 April 24, 2006. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

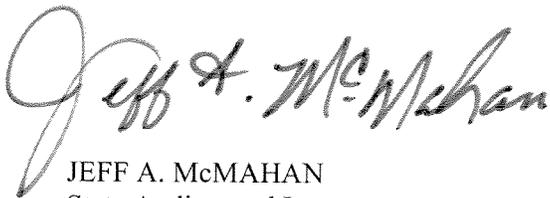
In planning and performing our audit, we considered Pittsburg County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting.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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of Pittsburg County, federal awarding agencies, and pass-through entities 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.

A handwritten signature in black ink that reads "Jeff A. McMahen". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

April 24, 2006

**Report on Compliance with Requirements Applicable to Each Major Program
and 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, 2005. Pittsburg 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 Pittsburg County's management. Our responsibility is to express an opinion on Pittsburg 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 Pittsburg 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 Pittsburg County's compliance with those requirements.

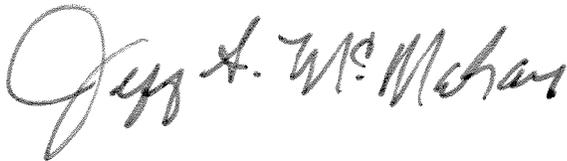
In our opinion, Pittsburg County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Pittsburg 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 Pittsburg 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 the 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.

This report is intended solely for the information and use of the management of Pittsburg County, federal awarding agencies, and pass-through entities 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.

A handwritten signature in black ink, reading "Jeff A. McMahon". The signature is written in a cursive style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

April 24, 2006

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

SECTION I—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued: Adverse as to GAAP; unqualified as to statutory presentation

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

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 2005-1—Segregation of Duties (Repeat Finding)

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

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

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

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