

# PONTOTOC COUNTY

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2006



# COUNTY AUDIT



Oklahoma State Auditor  
& Inspector

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

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# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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January 15, 2009

TO THE CITIZENS OF  
PONTOTOC COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pontotoc County, Oklahoma for the fiscal year ended June 30, 2006. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage". The signature is written in a cursive style.

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

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

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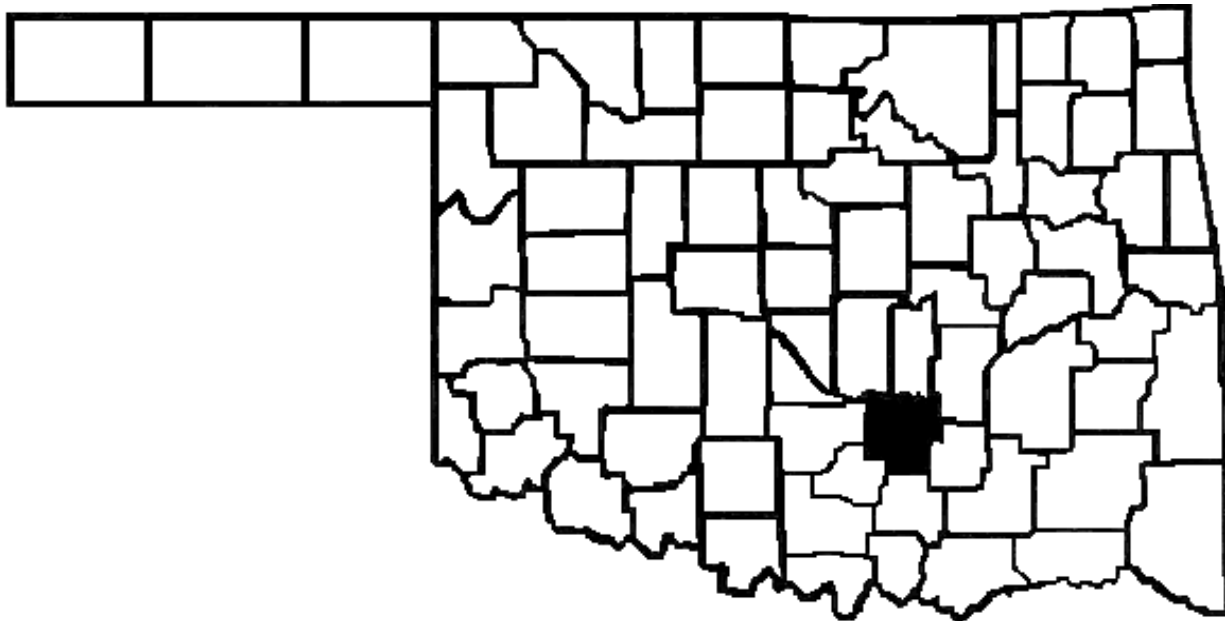
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**REPORT TO THE CITIZENS  
OF  
PONTOTOC COUNTY, OKLAHOMA**

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Created at statehood, this south central county, Pontotoc, has a Chickasaw name meaning “cat tails growing on the prairie.” The county was named after the original home of the Chickasaw Indians in Mississippi. Ada, the county seat, is the home of the Chickasaw Nation, one of the ten largest Native American tribes in the country.

The county has a rich blend of agriculture and industry. Quarter horses and cattle attract buyers from across the United States, and the area’s natural resources of limestone, shale, silica sand, and clay have attracted manufacturers of glass, cement, and brick. Many diverse businesses, including Pre-Paid Legal Services, Inc. are located in the county. Underground springs from the Arbuckle-Simpson Aquifer furnish an abundant pure water supply, and the county is also the hub of some of Oklahoma’s richest oil and gas production.

Other points of interest include the log cabin in which the late Senator Robert S. Kerr was born, and the Kerr Environmental Research Laboratory, an EPA facility specializing in groundwater research. East Central University, a four-year institution of higher education, is located in Ada.

History of Pontotoc County gives a written account of the area’s history. For additional information, call the county clerk’s office at (580)332-5763.

County Seat – Ada

Area – 725.45 Square Miles

County Population – 35,007  
(2004 est.)

Farms – 1,368

Land in Farms – 368,306 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor’s report.

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

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**COUNTY ASSESSOR**  
Mike Reynolds

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**  
Lynn Lofton (through 04/2006)  
Pam Walker (from 04/2006 to present)

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

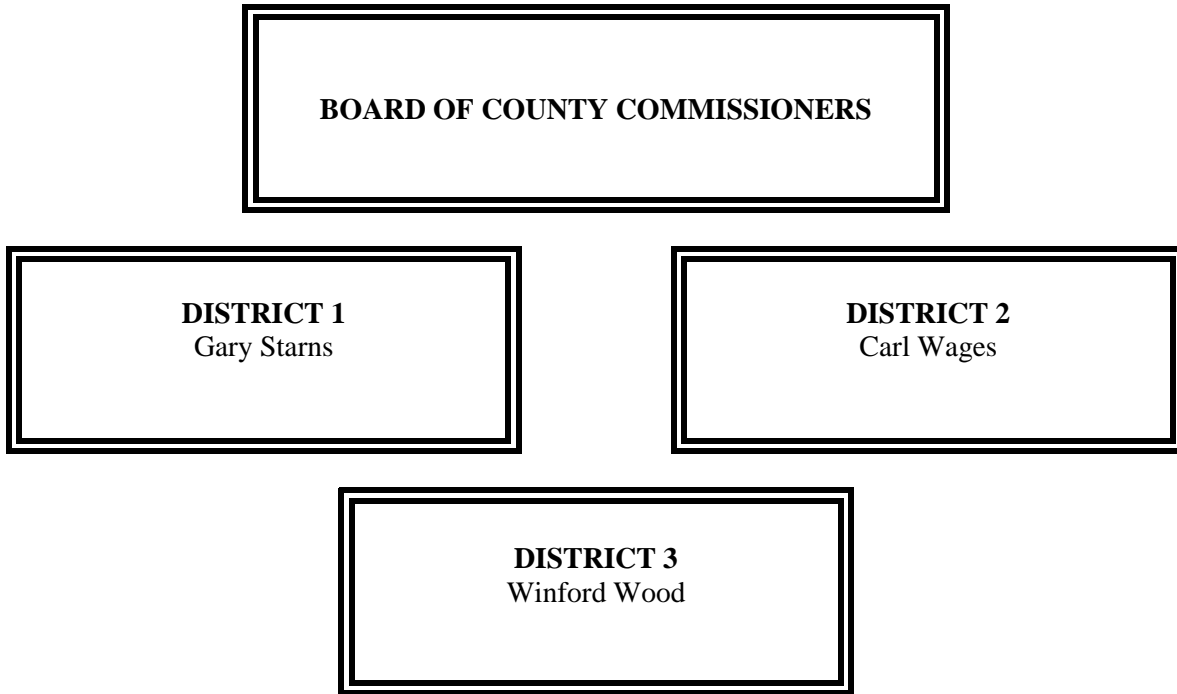
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as “open records.” As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

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

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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.

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

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**COUNTY SHERIFF**  
Pete Peterson

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**  
Glenda Gonderman

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.



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

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**COURT CLERK**

Janis Rowsey (through 03/2006)  
Ernestine Eubank (03/2006 to present)

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**

William Peterson

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.

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

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**ELECTION BOARD SECRETARY**  
Marilyn McDaniel

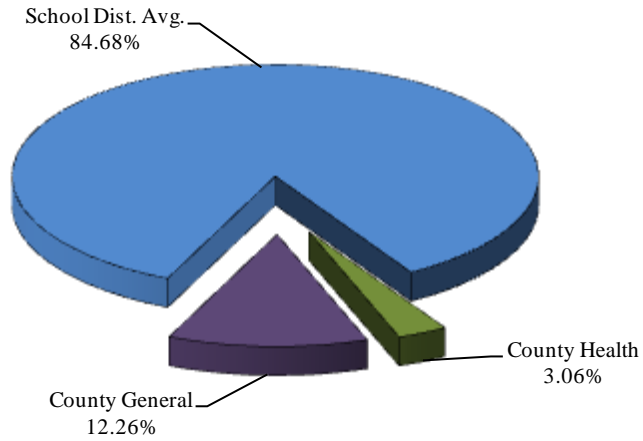
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

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



County-Wide Millages		School District Millages							
				Gen.	Blkg	Slg	Caser		Total
County General	10.24						Tech	Common	
County Health	2.56	Allen	I-1	35.99	5.14	1086	12.24	4.10	68.33
		Vacuum	I-9	37.15	5.31	1916	12.24	4.10	77.96
		Byng	I-16	35.61	5.09	894	12.24	4.10	65.98
		Arda	I-19	35.40	5.06	854	12.24	4.10	65.34
		Latta	I-24	36.04	5.15	1695	12.24	4.10	74.48
		Stonewall	I-30	36.85	5.26	1224	12.24	4.10	70.69
		Ruff	I-37	36.93	5.27	858	12.24	4.10	67.12
		Pickett-Center	D-20	36.82	5.27	862	12.24	4.10	67.05
		Auker	I-112	36.83	5.26	2885	15.63	4.10	90.67
		Stratford	I-2	37.36	5.34	550	11.61	4.10	63.91
		Tupelo	I-2A	36.67	5.24	823	12.24	4.10	66.48
Arda	4.37								

See independent auditor's report.

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

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<b>Total net assessed value as of January 1, 2005</b>		<b><u>\$ 147,102,436</u></b>
<b>Debt limit - 5% of total assessed value</b>		<b>7,355,122</b>
<b>Total bonds outstanding</b>	-	
<b>Total judgments outstanding</b>	-	
<b>Less cash in sinking fund</b>	-	<u>-</u>
<b>Legal debt margin</b>		<b><u>\$ 7,355,122</u></b>

See independent auditor's report.

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

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	2006
Estimated population	35,007
Net assessed value as of January 1, 2005	\$ 147,102,436
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

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

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2005	\$23,864,954	\$36,062,592	\$95,957,105	\$8,782,215	\$147,102,436	\$1,156,340,318

See independent auditor's report.

## **FINANCIAL SECTION**

# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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

## Independent Auditor's Report

TO THE OFFICERS OF  
PONTOTOC COUNTY, OKLAHOMA

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

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 Pontotoc County as of June 30, 2006, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Pontotoc County for the year ended June 30, 2006, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2008, on our consideration of Pontotoc County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial



reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. Pontotoc County has not presented the budgetary comparison information for the Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances – Budget and Actual – Budgetary Basis – General Fund. Although not a part of the basic financial statement, such information is an integral part of the regulatory presentation for county government. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.



STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

November 17, 2008

## **Basic Financial Statement**

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

	Beginning Cash Balances July 1, 2005	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2006
Combining Information:				
County General Fund	\$ 833,726	\$ 2,085,103	\$ 2,000,015	\$ 918,814
T-Highway	1,262,471	3,530,818	3,329,629	1,463,660
Resale Property	99,884	80,217	57,326	122,775
County Health	364,956	371,207	355,950	380,213
Visual Inspection	12,309			12,309
County Clerk Lien Fee	17,857	8,792	8,483	18,166
Sheriff Fees	60,107	263,264	265,840	57,531
Civil Defense	26,651	38,471	47,902	17,220
Senior Citizens Center	46		46	
Mortgage Tax Certificate	9,559	11,265	4,879	15,945
Senior Citizens Transportation	160,428	911,990	873,544	198,874
Agri-Plex CS Fund	50,961	91,610	107,055	35,516
Stop Violence	5,925	27,740	27,121	6,544
Prevent Child Abuse	15			15
Transportation Health Care	7			7
Trash Cop	1,020		1,020	
County Assessor Revolving	31,639	10,465	5,452	36,652
Z-Cst Comm Sent Travel	1,899		60	1,839
Z-Preservation	175,716	48,274	10,646	213,344
Z-911	6,194	414	6,582	26
Proceeds of Sale	22,313	946		23,259
Z-REAP-VFW Grant	24,554	79,801	43,301	61,054
Z-CDBG		23,896	23,896	
Z-HOME		206,002	102,520	103,482
Z-Sheriff Commissary		9,656	5,288	4,368
<b>Combined Total--All County Funds</b>	<b>\$ 3,168,237</b>	<b>\$ 7,799,931</b>	<b>\$ 7,276,555</b>	<b>\$ 3,691,613</b>

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

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

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

**B. Fund Accounting**

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

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

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

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

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

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

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

County Clerk Lien Fee – accounts for lien collections and disbursements as restricted by statutes.

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

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Sheriff Fees – accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

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

Senior Citizens Center – accounts for the general operation of the Senior Citizens Center.

Mortgage Tax Certificate – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by state statutes.

Senior Citizens Transportation – accounts for the collection of monies from fees and grants for the general operations of the office.

Agri-Plex CS Fund – accounts for the collection of fees and donations for the general operation of the Agri-Plex.

Stop Violence – accounts for grant monies received and disbursed as restricted by grant agreement.

Prevent Child Abuse – accounts for monies received from jurors to aid in the prevention of child abuse.

Transportation Health Care – accounts for the general operation of the Transportation Health Care program. This account was inactive in fiscal year 2006.

Trash Cop – accounts for grant monies received and disbursed as restricted by grant agreement.

County Assessor Revolving – accounts for the collection and disbursement of copy fees as restricted by state statute.

Z-Cst Comm Sent Travel – accounts for monies received and disbursed for Community Sentencing Planning Council travel claims.

Z-Preservation – accounts for fees collected for instruments filed in the Registrar of Deeds as restricted by statute for preservation of records.

Z-911 – accounts for the receipt of 911 fees for the purpose of maintaining the 911 service.

Proceeds of Sale – accounts for the collection of interest from the sale of county property to be used for maintenance of the courthouse.

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

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Z-REAP-VFW Grant – accounts for grant monies received and disbursed as restricted by grant agreement.

Z-CDBG – accounts for grant monies received and disbursed as restricted by grant agreement.

Z-HOME – accounts for grant monies received and disbursed as restricted by grant agreement.

Z-Sheriff Commissary – accounts for the collection of fees transferred from the inmate trust account for commissary items and disbursements of funds as restricted by state statute.

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

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

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

**E. Cash**

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

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

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

**F. Investments**

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

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

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

**G. Compensated Absences**

All full-time employees shall be entitled to vacation leave that is accrued on a monthly basis. Employees with 1 to 5 years of service earn 80 hours per year; employees with 6 to 20 hours of service earn 120 hours per year; and employees with 20 plus years of service earn 144 hours per year. No vacation leave shall be accumulated beyond the accumulation limit. Upon separation, employees are not entitled to payment of accumulated annual leave.

Sick leave is accrued on a monthly basis. Sick leave accumulates at the rate of 4 hours for each calendar month of service and may be accrued up to a maximum of 130 days. Sick leave is not paid upon termination.

**2. Ad Valorem Tax**

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt

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

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property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

The assessed property value as of January 1, 2005, was approximately \$147,102,436.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.24 mills (the legal maximum) for general fund operations and 2.56 mills for county health department. 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, 2006, were approximately 95.98 percent of the tax levy.

**3. Fuel Tax**

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.



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

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**4. Risk Management**

The County is exposed to the various risks of loss shown in the following table:

<b>Types of Loss</b>	<b>Method of Management</b>	<b>Risk of Loss Retained</b>
General Liability <ul style="list-style-type: none"> <li>• Torts</li> <li>• Errors and Omissions</li> <li>• Law Enforcement Officers Liability</li> <li>• Vehicle</li> </ul>	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"> <li>• Theft</li> <li>• Damage to Assets</li> <li>• Natural Disasters</li> </ul>		
Workers' Compensation <ul style="list-style-type: none"> <li>• Employees' Injuries</li> </ul>	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"> <li>• Medical</li> <li>• Disability</li> <li>• Dental</li> <li>• Life</li> </ul>	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP)	If claims exceed pool assets, the members would have surcharges assessed to pay the excess claims.

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

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate workers' compensation claims. 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.

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

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OPEH&WP - The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

**5. Long-term Obligations**

**Capital Leases**

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

**6. Pension Plan**

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 6.5% and 11.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 11.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2006, 2005, and 2004, were \$310,927, \$266,095, and \$272,551, respectively, equal to the required contributions for each year.

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

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**7. Other Post Employment Benefits (OPEB)**

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

**8. Contingent Liabilities**

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

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

**OTHER SUPPLEMENTARY INFORMATION**

**PONTOTOC COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 364,956	\$ 364,956	\$ 364,956	\$ -
Less: Prior Year Outstanding Warrants	(2,303)	(2,303)	(2,303)	
Less: Prior Year Encumbrances	(28,478)	(28,478)	(26,298)	2,180
Beginning Cash Balances, Budgetary Basis	<u>334,175</u>	<u>334,175</u>	<u>336,355</u>	<u>2,180</u>
Receipts:				
Ad Valorem Taxes	342,347	342,347	359,139	16,792
Charges for Services		14,386	8,973	(5,413)
Intergovernmental Revenue			421	421
Miscellaneous Revenues			2,674	2,674
Total Receipts, Budgetary Basis	<u>342,347</u>	<u>356,733</u>	<u>371,207</u>	<u>14,474</u>
Expenditures:				
Health and Welfare	370,000	462,386	389,420	72,966
Capital Outlay	306,522	228,522	870	227,652
Total Expenditures, Budgetary Basis	<u>676,522</u>	<u>690,908</u>	<u>390,290</u>	<u>300,618</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	317,272	<u>\$ 317,272</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			35,638	
Add: Current Year Outstanding Warrants			27,303	
Ending Cash Balance			<u>\$ 380,213</u>	

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

**PONTOTOC COUNTY, OKLAHOMA  
NOTE TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**Budgetary Schedules**

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

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

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

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  
PONTOTOC COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pontotoc County, Oklahoma, as of and for the year ended June 30, 2006, which comprises Pontotoc County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 17, 2008. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Further, Pontotoc County has not presented budgetary comparison information for the general fund that should have been included as supplementary information. 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 Pontotoc 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 Pontotoc County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings and responses as items 2006-1 and 2006-2.

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, of the reportable conditions described above, we consider item 2006-1 to be a material weakness.

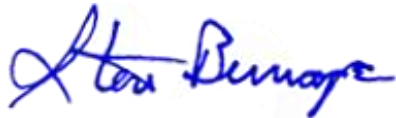


### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pontotoc 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2006-3.

We noted a certain matter that we reported to the management of Pontotoc County, which is included in Section 2 of the schedule of findings and responses contained in this report.

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



STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

November 17, 2008

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

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

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

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

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

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

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

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

**Finding 2006-2—Timesheets – County Sheriff**

Criteria: Effective internal controls include timesheets being prepared, reviewed for accuracy, and filed with the payroll department prior to payroll checks being issued. The Fair Labor Standards Act requires that employers keep accurate records of actual time worked by employees, including compensatory time earned, taken or paid.

Condition: During the audit, it was noted that a timesheet was not being prepared or maintained for the Undersheriff.

Effect: This could result in inaccurate records, incomplete information, and a violation of fair labor law.

Recommendation: OSAI recommends that all employees prepare timesheets with information of time worked, any leave taken during the month, overtime worked, and accumulated leave balances, in order to comply with the Fair Labor Standards Act.

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

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Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings and understand the importance of accurate time records. We will implement procedures to correct this finding.

**Finding 2006-3 – Estimate of Needs**

Criteria: Title 68 O.S. § 3002(a) states,

Notwithstanding the provisions of the School District Budget Act, each board of county commissioners and the board of education of each school district, shall, prior to October 1 of each year, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct. The statement of estimated needs shall be itemized so as to show, by classes: first, the several amounts necessary for the current expenses of the political subdivision and each officer and department thereof as submitted in compliance with the provisions of Section 3004 of this title; second, the amount required by law to be provided for sinking fund purposes; third, the probable income that will be received from all sources, including interest income and ad valorem taxes; and shall be detailed in form and amount so as to disclose the several items for which the excise board is authorized and required, by this article, to approve estimates and make appropriations.

Condition: The General Fund original appropriations on the Estimate of Needs for the fiscal year ending 2006 did not agree to the amount approved for appropriations on the fiscal year ending 2005 Estimate of Needs.

Effect: This condition resulted in misstated financial information and noncompliance with state statutes.

Recommendation: OSAI recommends that the County review the Estimate of Needs prior to approval to ensure that all funds are present and accurate.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings and will implement procedures to avoid this condition in the future.

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

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

**Finding 2006-4 — Fixed Assets Inventory (Repeat Finding)**

Criteria: Title 19 O.S. § 178.1 states,

The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter....

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

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

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

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



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